LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

Board of Administration Agenda

REGULAR MEETING

TUESDAY, NOVEMBER 8, 2022

TIME: 10:00 A.M.

MEETING LOCATION:

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's November 8, 2022 meeting will be conducted via telephone and/or videoconferencing.

Important Message to the Public

Information to call-in to <u>listen and or participate</u>:
Dial: (669) 254-5252 or (669) 216-1590
Meeting ID# 161 910 8753

Instructions for call-in participants:

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

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

President:	Nilza R. Serrano
Vice President:	Elizabeth Lee
Commissioners:	Annie Chao Thuy Huynh Janna Sidley Sung Won Sohn Michael R. Wilkinson
Manager-Secretary:	Neil M. Guglielmo
Executive Assistant:	Ani Ghoukassian
Legal Counsel:	City Attorney's Office Public Pensions General Counsel Division

Notice to Paid Representatives

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

Request for Services

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

Disclaimer to Participants

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

CLICK HERE TO ACCESS BOARD REPORTS

I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* - **PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD**

II. BOARD PRESIDENT VERBAL REPORT

III. GENERAL MANAGER VERBAL REPORT

   A. REPORT ON DEPARTMENT OPERATIONS

   B. UPCOMING AGENDA ITEMS

IV. BOARD/DEPARTMENT ADMINISTRATION

   A. PRESENTATION BY SEGAL CONSULTING OF THE ACTUARIAL VALUATIONS AS OF JUNE 30, 2022 AND PROPOSED CITY CONTRIBUTION RATES FOR FISCAL YEAR 2023-24 AND POSSIBLE BOARD ACTION

   B. TRIENNIAL REVIEW OF BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES AND POSSIBLE BOARD ACTION

   C. 977 N. BROADWAY BUILDING PROJECT FISCAL YEAR 2022-23 SUPPLEMENTAL OPERATING BUDGET REQUEST FOR SECURITY AND POSSIBLE BOARD ACTION

   D. LACERS STAFF PARKING AND COMMUTER OPTIONS SURVEY REPORT AND POSSIBLE BOARD ACTION

V. RECEIVE AND FILE ITEMS

   A. ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD

   B. BENEFITS PAYMENTS APPROVED BY GENERAL MANAGER

   C. COMMISSIONER SOHN BOARD EDUCATION EVALUATION ON HARVARD BUSINESS SCHOOL – BEHAVIORAL ECONOMICS, VIRTUAL; OCTOBER 10-21, 2022

   D. COMMISSIONER LEE BOARD EDUCATION EVALUATION ON PENSION REAL ESTATE ASSOCIATION (PREA) 32ND ANNUAL INSTITUTIONAL INVESTOR CONFERENCE, WASHINGTON, D.C.; OCTOBER 19-21, 2022

   E. COMMISSIONER HUYNH BOARD EDUCATION EVALUATION ON INSTITUTIONAL INVESTOR – ESG AND SUSTAINABLE RETURNS FORUM 2022, NEW YORK, NY; OCTOBER 25-26, 2022

F. COMMISSIONER SIDLEY BOARD EDUCATION EVALUATION ON CALIFORNIA ASSOCIATION OF PUBLIC RETIREMENT SYSTEMS (CALAPRS) TRUSTEES' ROUNDTABLE, VIRTUAL; OCTOBER 28, 2022

VI. COMMITTEE REPORT(S)

A. INVESTMENT COMMITTEE VERBAL REPORT FOR THE SPECIAL MEETING ON NOVEMBER 3, 2022

VII. CONSENT ITEM(S)

A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF OCTOBER 11, 2022 AND POSSIBLE BOARD ACTION

B. FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON AND POSSIBLE BOARD ACTION

VIII. INVESTMENTS

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

B. CONTRACT WITH AKSIA CA LLC REGARDING INTERVIEW OF PROPOSED KEY PERSON AND POSSIBLE BOARD ACTION

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

IX. LEGAL/LITIGATION

A. UPDATE ON TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361 AND NEW ASSEMBLY BILL 2449

X. DISABILITY RETIREMENT APPLICATION(S)

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

XI. CLOSED SESSION

A. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9(a), (d)(2), AND (e)(1), AND POSSIBLE BOARD ACTION

XII. OTHER BUSINESS

XIII. NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, November 22, 2022 at 10:00 a.m. at LACERS, 202 West 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XIV. ADJOURNMENT

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: NOVEMBER 8, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: IV - A**

SUBJECT: **PRESENTATION BY SEGAL CONSULTING OF THE ACTUARIAL VALUATIONS AS OF JUNE 30, 2022 AND PROPOSED CITY CONTRIBUTION RATES FOR FISCAL YEAR 2023-24 AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board adopt the attached actuarial valuation reports of its consulting actuary, Segal, for the period ending June 30, 2022, including:

1) *Actuarial Valuation and Review of Retirement Benefits* and *Actuarial Valuation and Review of Other Postemployment Benefits* which establish the recommended City contribution rates for Fiscal Year 2023-24 (Attachments 2 and 3);

2) *Governmental Accounting Standards (GAS) 67 Pension Valuation* and *GAS 74 Other Post-Employment Benefit Valuation* (Attachments 4 and 5), which provide the financial disclosures to meet LACERS' June 30, 2022 financial reporting requirements of the Governmental Accounting Standards Board; and,

3) That the Board direct staff to complete review of the Larger Annuity Program (LAP) plan design and report back to the Board in 2023 on recommendations for ensuring cost neutrality of the LAP, with assistance from City Attorney, and in consultation with the System's consulting actuary.

Executive Summary

The Board's consulting actuary, Segal, performed the annual actuarial valuation of the retirement benefits and the retiree health benefits of the LACERS' Retirement and Health System (System) based on census data as of June 30, 2022 (See Attachment 1 for summary results). The actuarial valuation determines the System's funded status as of June 30, 2022 and the City's contribution rates for Fiscal Year (FY) 2023-24.

Overall, the System's Actuarial Value of Assets and Funded Ratios increased, while the Unfunded Actuarial Accrued Liability (UAAL) decreased, mainly due to favorable investment experience (after asset smoothing) and lower than expected salary increases for continuing actives, offset somewhat by higher than expected cost-of-living adjustment (COLA) increases for payees, actual contributions less than expected, and other actuarial losses. The aggregate employer rate (if received on July 15) calculated in this valuation has increased from 33.31 percent of payroll to 33.36 percent of payroll.

Segal also prepared separate valuation reports in accordance with the requirements of the Governmental Accounting Standards (GAS) Statements No. 67 – *Financial Reporting for Pension Plans* and No. 74 – *Financial Reporting for Postemployment Benefit Plans*. Information from these valuations will be reported in LACERS' June 30, 2022 financial statements.

In addition, as established in LACERS' new actuarial consulting contract, Segal prepared a separate valuation report of the Larger Annuity Program (LAP) where the UAAL increased from a small surplus as of June 30, 2018 (the last time an LAP actuarial analysis was performed) to reflecting a liability as of June 30, 2022. This will be discussed further below.

Discussion

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

Segal performed the annual actuarial valuation of the retirement benefits and the retiree health benefits of the System based on census data as of June 30, 2022 (see Attachments 2 and 3). The actuarial valuation determines the System's funded status as of June 30, 2022 and the City's contribution rates for FY 2023-24. The report also updates actuarial and demographic information about the System and its Members.

Significant Valuation Results

Valuation Ending	**June 30, 2022**	**June 30, 2021**	**Percent Change**
Total System Assets			
A. Actuarial Value	$21,218,951,507	$20,083,918,240	5.7%
B. Market Value	$20,454,103,991	$22,805,339,941	(10.3%)
Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	$6,429,483,732	$6,621,308,200	(2.9%)
B. Health Subsidy Benefits	$107,740,545	$189,700,961	(43.2%)
C. Total	$6,537,224,277	$6,811,009,161	(4.0%)
Funded Ratio (Based on Valuation Value of Assets)			
A. Retirement Benefits	73.3%	71.6%	1.7%
B. Health Subsidy Benefits	97.0%	94.6%	2.4%
C. Total	76.4%	74.6%	1.8%

Valuation Highlights

The System’s Actuarial Value Assets and Funded Ratios increased, while the total UAAL decreased, primarily due to:

(i) Favorable investment experience (after asset smoothing), and,

(ii) Lower than expected salary increases for continuing active members.

These factors are partially offset by:

(i) Higher than expected cost-of-living adjustment (COLA) increases for payees,

(ii) Actual contributions less than expected, and

(iii) Other actuarial losses.

Investment experience represented a System gain as the actuarial value return for all plans combined for June 30, 2022 was 7.62%, which exceeded the assumed rate of return of 7.00%, resulting in a $150.7 million actuarial gain for the retirement benefit after the recognition of current and prior years’ investment gains and losses. Overall, while the valuation value of the Plans has slightly improved, on a market value basis the financial health of the Plans has diminished compared to the prior year, led by –8.50% rate of return for the year ended June 30, 2022.

- The ratio of the valuation value of assets to actuarial accrued liabilities for retirement benefits increased year-over-year from 71.6% to 73.3%. On a market value basis, the funded ratio for the retirement benefits decreased year-over-year from 81.3% to 70.7%.

- The funded ratio for the retiree health benefits on a valuation value basis increased year-over-year from 94.6% to 97.0%. On a market value basis, the funded ratio for the health benefits decreased from 107.4% to 93.5%.

- The actuarial value of total System assets as of June 30, 2022 increased 5.7% over the prior year, from $20.08 billion to $21.22 billion. On a market basis, there was a 10.3% decrease in assets from $22.81 billion to $20.45 billion.

- The UAAL for the retirement benefit decreased 2.9% over the prior year, from $6.62 billion to $6.43 billion. For the retiree health benefits, the UAAL decreased 43.2% from $189.70 million to $107.74 million. The total UAAL for both the retirement benefits and the retiree health benefits as of June 30, 2022 is $6.53 billion, a decrease of 4% or $273.78 million from the previous year ($6.81 billion).

Following a $4.0 billion market value investment gain in the year ended June 30, 2021, an investment loss of $3.6 billion was realized for the year ended June 30, 2022. Including prior year unrecognized investment gains and losses, an unrecognized loss of $764.8 million remains to be recognized over the next six years, representing 3.7% of the market value of assets. Unless offset by future investment gain or other favorable experience, the recognition of this net market loss is expected to drag on the funded percentage and employer contribution rate.

Actuarially Determined Employer Contributions

The City's contribution is the sum of the Normal Cost plus an amortized payment of the UAAL. The Normal Cost is the portion of the actuarial present value of LACERS' plan benefits which is allocated to a valuation year using LACERS' adopted cost method – Entry Age. The amortization of the UAAL is the payment stream required to fund the difference between the actuarial accrued liabilities and the actuarial value of assets, determined by methods prescribed by LACERS' Amortization Policy. The actuary has calculated contribution rates reflecting decisions made by the Board including the *July 1, 2016 through June 30, 2019 Actuarial Experience Study* adopted by the Board on June 23, 2020 and the retiree health assumptions adopted September 27, 2022, along with other Board policies. Following are the actuarially determined City contribution rates as a percentage of City payroll for FY 2023-24 if received by July 15, 2023, as compared with current rates.

Employer Rates – Tier 1 and Tier 3 Combined

As a Percentage of City Payroll	**Recommended Rates FY 2023-24**	**Current Rates FY 2022-23**	**Difference**
Retirement	29.43%	29.39%	0.04%
Health	3.93%	3.92%	0.01%
Total	33.36%	33.31%	0.05%

The recommended combined employer contribution rate for FY 2023-24 is 0.05% higher than the current year rate. The main reasons for the increase in contribution rates are:

Retirement

(i) Higher than expected COLA increases for payees,

(ii) Actual contributions less than expected,

(iii) Total projected payroll smaller than expected, and,

(iv) Other actuarial losses;

(v) Offset somewhat by a decrease in the Normal Cost rate due, in part, to the enrollment of new employees in Tier 3, higher than expected return (after smoothing), and lower than expected salary increases for continuing active members.

Health

(i) Total projected payroll smaller than expected,

(ii) An investment loss (after smoothing),

(iii) Amortizing all actuarial gain layers over adjusted period of 20 years (the longer of 15 years or the remaining 20-year amortization period for the outstanding balance of the pre- June 30, 2021 UAAL layers) as adopted by the Board in adopting the medical trend assumptions for the June 30, 2022 OPEB valuation, and,

(iv) Updated trend assumption for projecting medical premiums after 2022/23;

(v) Offset to some degree by 2022/23 premium and subsidy levels lower than expected from favorable premium renewal experience.

GAS 67 and GAS 74

Segal prepared separate valuation reports in accordance with the requirements of the GAS Statements No. 67 – *Financial Reporting for Pension Plans* and No. 74 – *Financial Reporting for Postemployment Benefit Plans* (see Attachments 4 and 5). Information from these valuations will be reported in LACERS' June 30, 2022 financial statements. Key highlights are identified below.

- The Net Pension Liability (NPL) was determined to be $7.07 billion as of June 30, 2022 for the retirement benefits, compared to $4.36 billion as of June 30, 2021. The NPL is a required disclosure in the financial notes of a pension plan pursuant to GAS 67, and a required disclosure as a liability in the plan sponsor's financial statements pursuant to GAS 68 – *Accounting and Financial Reporting for Pensions.* The NPL measure differs from the UAAL as it is calculated on a market value basis and reflects all investment gains and losses as of the measurement date. Another required disclosure under GAS 67 is the Plan Fiduciary Net Position as a percentage of Total Pension Liability, which is 70.7% as of June 30, 2022.

- The Net OPEB Liability (NOL) was determined to be $232.9 million as of June 30, 2022 for the retiree health benefits, compared to $(261.6) million as of June 30, 2021. The NOL is a required disclosure in the financial notes of an OPEB plan pursuant to GAS 74, and a required disclosure as a liability in the plan sponsor's financial statements pursuant to GAS 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, GAS 74 requires disclosure of the Plan Fiduciary Net Position as a percentage of Total OPEB Liability, which is 93.5% as of June 30, 2022.

Larger Annuity Plan

Segal also prepared a valuation of the Larger Annuity Plan (LAP) as of June 30, 2022. The UAAL has significantly increased from a surplus of $145,133 on June 30, 2018 to a shortfall of $1.40 million on June 30, 2022. Even though the rate of return on investments (after smoothing) during the period from July 1, 2018 to June 30, 2022 was better than expected, the main reason for the emerging UAAL for the LAP as of June 30, 2022 is the strengthening of the actuarial assumptions since the last LAP valuation as of June 30, 2018, specifically the lowering of the interest rate assumption from 7.25% to 7.00% and the adoption of new mortality tables that anticipate longer life expectancies.

Although Segal does advise considering combining the assets of the LAP with the Retirement Plan in order to ensure funding through the City contribution, this would not be readily accomplished without support of the City and corresponding changes to the Los Angeles Administrative Code which specifies that the LAP is an annuity funded entirely by the Member. Rather, staff believes that plan design needs to be re-evaluated to ensure cost neutrality of the program going forward and proposes to continue work with legal counsel and to engage with LACERS' consulting actuary to bring back a recommendation for an alternative cost-neutral plan design in Calendar Year 2023.

Actuarial Standards of Practice No. 51 (ASOP 51)

The Actuarial Standards Board's ASOP 51 regarding risk assessment requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Certain risk factors are briefly discussed in the valuation, but a detailed analysis of risk relative to the System's future financial condition will be provided in a stand-alone report the first quarter of Calendar Year 2023.

Paul Angelo and Andy Yeung of Segal will present the above-mentioned June 30, 2022 actuarial valuation reports.

Strategic Plan Impact Statement

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

Prepared By: Edwin Avanessian, Senior Benefits Analyst II

NG:TB:ea

Attachments:

1. Actuarial Valuation and Review of Retirement and Other Postemployment Benefits as of June 30, 2022
2. Actuarial Valuation and Review of Retirement Benefits as of June 30, 2022
3. Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2022
4. Governmental Accounting Standards Board Statement 67 (GAS 67) Actuarial Valuation of Retirement Benefits as of June 30, 2022
5. Governmental Accounting Standards Board Statement 74 (GAS 74) Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2022
6. Actuarial Valuation and Review of Larger Annuity Program as of June 30, 2022

BOARD Meeting: 11/8/22
Item: IV – A
Attachment: 1

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement and Other Postemployment Benefits as of June 30, 2022

Segal

Segal

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

October 31, 2022

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Re: June 30, 2022 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2022 actuarial valuations for the retirement, health, and larger annuity plans.

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

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

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

Sincerely,

Segal

Andy Yeung

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

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

bts/jl

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

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

Exhibit A

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

		June 30, 2022	June 30, 2021	Percent Change
I.	**Total Membership**			
	A. Active Members	24,917	25,176	-1.0%
	B. Pensioners and Beneficiaries	22,399	22,012	1.8%
II.	**Valuation Salary**			
	A. Total Annual Projected Payroll	$2,258,724,771	$2,254,165,029	0.2%
	B. Average Projected Monthly Salary	7,554	7,461	1.2%
III.	**Benefits to Current Retirees and Beneficiaries**[1]			
	A. Total Annual Benefits	$1,195,992,537	$1,136,773,110	5.2%
	B. Average Monthly Benefit Amount	4,450	4,304	3.4%
IV.	**Total System Assets**[2]			
	A. Actuarial Value	$21,218,951,507	$20,083,918,240	5.7%
	B. Market Value	$20,454,103,991	22,805,339,941	-10.3%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$6,429,483,732	$6,621,308,200	-2.9%
	B. Health Subsidy Benefits	107,740,545	189,700,961	-43.2%

[1] Includes July COLA.

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

Exhibit A (continued)

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

		FY 2023-2024[1]		FY 2022-2023		Difference	
VI.	**Budget Items (as a Percent of Pay)**	Beginning of Year	July 15	Beginning of Year	July 15	Beginning of Year	July 15
	A. Retirement Benefits (Tier 1 and Tier 3 Combined)						
	1. Normal Cost	7.62%	7.64%	7.73%	7.75%	-0.11%	-0.11%
	2. Amortization of UAAL	21.73%	21.79%	21.58%	21.64%	0.15%	0.15%
	3. Total Retirement Contribution	29.35%	29.43%	29.31%	29.39%	0.04%	0.04%
	B. Health Subsidy Benefits (Tier 1 and Tier 3 Combined)						
	1. Normal Cost	3.59%	3.60%	3.61%	3.62%	-0.02%	-0.02%
	2. Amortization of UAAL	0.33%	0.33%	0.30%	0.30%	0.03%	0.03%
	3. Total Health Subsidy Contribution	3.92%	3.93%	3.91%	3.92%	0.01%	0.01%
	C. Total Contribution (A + B)	33.27%	33.36%	33.22%	33.31%	0.05%	0.05%

VII.	**Funded Ratio**	June 30, 2022	June 30, 2021	Difference
	(Based on Valuation Value of Assets)			
	A. Retirement Benefits	73.3%	71.6%	1.7%
	B. Health Subsidy Benefits	97.0%	94.6%	2.4%
	C. Total	76.4%	74.6%	1.8%
	(Based on Market Value of Assets)			
	D. Retirement Benefits	70.7%	81.3%	-10.6%
	E. Health Subsidy Benefits	93.5%	107.4%	-13.9%
	F. Total	73.6%	84.7%	-11.1%

[1] Alternative contribution payment date for FY 2023-2024:

	Retirement	Health	Total
End of Pay Periods	30.36%	4.05%	34.41%

Exhibit B

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

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

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

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

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

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

Exhibit C

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

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

[1] Excludes assets transferred for Port Police.

Exhibit D

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

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

[1] Does not include Family Death Benefit Plan members. Table based on valuation data.

[2] Effective 06/30/2004, also includes the COLA granted in July.

BOARD Meeting: 11/8/22
Item: IV – A
Attachment: 2

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement Benefits as of June 30, 2022

Segal

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October 31, 2022

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2022. It summarizes the actuarial data used in the valuation, analyzes the preceding year's experience, and establishes the funding requirements for fiscal year 2023/2024.

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

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

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

Sincerely,

Segal

Andy Yeung

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

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

bts/jl

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and Basis

This report was prepared by Segal to present a valuation of the Los Angeles City Employees’ Retirement System (“the System”) as of June 30, 2022. The valuation was performed to determine whether the assets and contribution rates are sufficient to provide the prescribed benefits. The measurements shown in this actuarial valuation may not be applicable for other purposes. In particular, the measures herein are not necessarily appropriate for assessing the sufficiency of current Plan assets to cover the estimated cost of settling the Plan’s accrued benefit obligations.

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

The contribution requirements presented in this report are based on:

- The benefit provisions of the pension plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2022, provided by the System;
- The assets of the Plan as of June 30, 2022, provided by the System;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. that the Board has adopted for the June 30, 2022 valuation; and
- The funding policy adopted by the Board of Administration.

Valuation Highlights

Pgs. 35-36

1. The funded ratio (the ratio of the valuation value of assets to actuarial accrued liability) is 73.30%, compared to the prior year funded ratio of 71.56%. This ratio is one measure of funding status, and its history is a measure of funding progress. The funded ratio measured on a market value basis is 70.66%, compared to 81.26% as of the prior valuation date. These measurements are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for, or the amount of, future contributions.

Pgs. 28, 55 & 56-57

2. The UAAL as of June 30, 2021 was $6.621 billion. In this year's valuation, the UAAL has decreased to $6.429 billion mainly due to favorable investment experience (after asset smoothing) and lower than expected salary increases for continuing actives, offset somewhat by higher than expected cost-of-living adjustment (COLA) increases for payees, actual contributions less than expected and other actuarial losses.

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

Pg. 22

3. The net actuarial gain from investment (after smoothing) and contribution experience is $68.7 million, or 0.29% of actuarial accrued liability. The net experience gain from sources other than investment and contribution experience, or $65.8 million, was 0.27% of the actuarial accrued liability. This gain was primarily due to lower than expected salary increases for continuing actives, offset somewhat by higher than expected COLA increases for payees and other actuarial losses.

Pg. 30

4. The aggregate employer rate (if received on July 15) calculated in this valuation has increased from 29.39% of payroll to 29.43% of payroll. The annual dollar employer contributions calculated in this valuation increased from about $662.5 million to $664.8 million. The increase in the employer rate was due to higher than expected COLA increases for payees, actual contributions less than expected as a result of the anticipated one-year delay in implementing the higher contribution rate in the prior valuation, amortizing the prior year's UAAL over a smaller than expected projected total payroll, and other miscellaneous actuarial losses. These increases were offset somewhat by a decrease in the normal cost rate due, in part, to the enrollment of new employees in Tier 3, a higher than expected return on the valuation value of assets (after smoothing), and lower than expected salary increases for continuing active members.

   In determining the additional UAAL contribution rate that is required to provide enhanced Tier 1 benefits for certain Airport Peace Officers (APO), we have slightly reduced the outstanding balance of the anticipated UAAL to reflect clarification provided recently by

LACERS that some of the APO members that we previously assumed to have elected the enhanced benefits actually did not make such elections.[1]

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

Pg. 23 5. The rate of return on the Market Value of Assets was -8.50% for the July 1, 2021 to June 30, 2022 plan year. The return on the Valuation Value of Assets (Retirement only) was 7.90% for the same period after considering the recognition of current and prior years' investment gains and losses. This resulted in an actuarial gain when measured against the assumed rate of return of 7.00%. This actuarial investment gain decreased the average employer contribution rate by 0.57% of pay.

Pg. 20 6. As indicated in *Section 2, Subsection B* of this report, the total net unrecognized investment loss as of June 30, 2022 is $764.8 million[2] for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This net investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. This implies that earning the assumed rate of investment return of 7.00% per year (net of investment and administrative expenses) on a market value basis will result in a net investment loss on the actuarial value of assets after June 30, 2022. Footnote 3 to the chart in *Subsection B of Section 2* shows how the $764.8 million net unrecognized loss will be recognized in the next six years under the asset smoothing method.

The net deferred loss of $764.8 million represents 3.7% of the market value of assets as of June 30, 2022. Unless offset by future investment gain or other favorable experience, the recognition of the net $764.8 million market loss is expected to have an impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

a. If the retirement plan component of the net deferred loss was recognized immediately in the valuation value of assets, the funded percentage would decrease from 73.30% to 70.66%.

For comparison purposes, if the net deferred gain for the retirement plan in the June 30, 2021 valuation had been recognized immediately in the June 30, 2021 valuation, the funded percentage would have increased from 71.56% to 81.26%.

b. If the retirement plan component of the net deferred loss was recognized immediately in the valuation value of assets, the aggregate employer rate (if received on July 15, 2023) would have increased from 29.43% of payroll to about 31.8% of payroll.

For comparison purposes, if the net deferred gain for the retirement plan in the June 30, 2021 valuation had been recognized immediately in the June 30, 2021 valuation, the aggregate employer rate (if received on July 15, 2022) would have decreased from 29.39% of payroll to about 20.9% of payroll.

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[1] We understand that 27 of the members or former members included in our original costing of the APO Tier 1 enhancements for the January 7, 2018 UAAL layer did not elect the enhanced benefits. Accordingly, we have restated the initial amount for the UAAL layer as of January 7, 2018 to exclude those members and have rolled the restated balance forward to the June 30, 2022 valuation date, The reduction in the outstanding balance of that UAAL layer adjusted with interest to June 30, 2022 is $399,052. Segal has confirmed that this restatement would not have impacted any of the UAAL rates for the APO Tier 1 enhancement layer from the June 30, 2018 through June 30, 2022 valuations.

[2] For comparison purposes, the total net unrecognized investment gain as of June 30, 2021 was $2.721 billion.

7. As in prior years, the employer contribution rates provided in this report have been developed assuming they will be received by LACERS on any of the following dates:
    a. The beginning of the fiscal year, or
    b. On July 15, 2023, or
    c. Throughout the year (i.e., LACERS will receive contributions at the end of every pay period).
8. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2022. Due to the COVID-19 pandemic, market conditions have changed significantly since the onset of the Public Health Emergency. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. While it is impossible to determine how the pandemic will continue to affect market conditions and other demographic experience of the Plan in future valuations, Segal is available to prepare projections of potential outcomes upon request

Pg. 39

9. Actuarial Standard of Practice No. 51 (ASOP 51) requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Examples of key risks listed that are particularly relevant to LACERS are asset/liability mismatch risk, investment risk, and longevity risk. The standard also requires an actuary to consider if there is any ongoing contribution risk to the plan, however it does not require the actuary to evaluate the particular ability or willingness of contributing entities to make contributions when due, nor does it require the actuary to assess the likelihood or consequences of future changes in applicable law.

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

    Since the actuarial valuation results are dependent on a fixed set of assumptions and data as of a specific date, there is risk that emerging results may differ, perhaps significantly, as actual experience is fluid and will not exactly track current assumptions. This potential divergence may have a significant impact on the future financial condition of the plan. Earlier this year we prepared a stand-alone Risk Assessment report for the Retirement and Health Plans dated March 3, 2022 by using membership and financial information as provided in the actuarial valuations as of June 30, 2021. That report includes various deterministic and stochastic projections of future results under different investment return scenarios based on the assumptions adopted for the June 30, 2021 valuations. A stand-alone risk assessment report associated with this June 30, 2022 valuation, including the quantitative analyses recommended by Segal in consultation with LACERS staff, will be available in the first quarter of 2023. In the interim, we have included a brief discussion of key risks that may affect the System in *Section 2, Subsection J*.

Summary of Key Valuation Results

		% of Payroll	
		June 30, 2022	June 30, 2021
Employer Contribution Rates:[1]	**Tier 1**		
	• At the beginning of the year	30.20%	30.07%
	• On July 15	30.30%	30.16%
	• At the end of each pay period	31.25%	31.11%
	Tier 3		
	• At the beginning of the year	27.02%	26.86%
	• On July 15	27.10%	26.93%
	• At the end of each pay period	27.95%	27.78%
	Combined		
	• At the beginning of the year	29.35%	29.31%
	• On July 15	29.43%	29.39%
	• At the end of each pay period	30.36%	30.32%

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

Summary of Key Valuation Results (continued)

		June 30, 2022	June 30, 2021
Actuarial Accrued Liability:	• Retired members and beneficiaries	$14,893,950,295	$14,164,856,245
	• Inactive vested members	623,239,425	596,552,986
	• Active members	8,561,561,583	8,520,483,623
	• Total Actuarial Accrued Liability	$24,078,751,303	$23,281,892,854
	• Normal Cost for plan year beginning June 30	412,247,235	413,862,737
Assets:	• Market Value of Assets (MVA)[1]	$20,454,103,991	$22,805,339,941
	• Actuarial Value of Assets (AVA)[1]	$21,218,951,507	20,083,918,240
	• AVA as a percentage of MVA	103.7%	88.1%
	• Valuation Value of Retirement Assets (VVA)	$17,649,267,571	$16,660,584,654
	• Market Value of Retirement Assets (MVA)	17,013,091,063	18,918,136,000
Funded status:	• Unfunded Actuarial Accrued Liability (UAAL) on VVA basis	$6,429,483,732	$6,621,308,200
	• Funded ratio on VVA basis for retirement (VVA/AAL)	73.30%	71.56%
	• UAAL on MVA basis	$7,065,660,240	$4,363,756,854
	• Funded ratio on MVA basis for retirement (MVA/AAL)	70.66%	81.26%
Key assumptions:	• Net investment return	7.00%	7.00%
	• Price Inflation	2.75%	2.75%
	• Payroll growth increase	3.25%	3.25%

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

Summary of Key Valuation Results (continued)

		June 30, 2022	June 30, 2021	Change From Prior Year
Demographic data:	**Active Members:**			
	• Number of members	24,917	25,176	-1.0%
	• Average age	46.7	46.4	0.3
	• Average employment service	12.8	12.6	0.2
	• Total projected compensation[1]	$2,258,724,771	$2,254,165,029	0.2%
	• Average projected compensation	$90,650	$89,536	1.2%
	Retired Members and Beneficiaries:			
	• Number of members:			
	– Service retired	17,399	17,054	2.0%
	– Disability retired	819	849	-3.5%
	– Beneficiaries	4,181	4,109	1.8%
	– Total	22,399	22,012	1.8%
	• Average age	72.5	72.2	0.3
	• Average monthly benefit	$4,450	$4,304	3.4%
	Inactive Vested Members:			
	• Number of members[2]	10,379	9,647	7.6%
	• Average Age	44.6	44.7	-0.1
	Total Members:	57,695	56,835	1.5%

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

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

	June 30, 2022			June 30, 2021		
	Tier 1	Tier 3	Combined	Tier 1	Tier 3	Combined
Non-Vested (Refund)	5,291	2,499	7,790	5,261	1,863	7,124
Vested (Annuity)	2,545	44	2,589	2,520	3	2,523
Total	7,836	2,543	10,379	7,781	1,866	9,647

Important Information About Actuarial Valuations

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

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

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	The valuation is based on the Market Value of Assets as of the valuation date, as provided by the System. The System uses an “Actuarial Value of Assets” that differs from market value to gradually reflect year-to-year changes in the Market Value of Assets in determining the contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.
Models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

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

The actuarial valuation is prepared at the request of the System. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan. Future contribution requirements may differ from those determined in the valuation because of:

- Differences between actual experience and anticipated experience;
- Changes in actuarial assumptions or methods;
- Changes in statutory provisions; and
- Differences between the contribution rates determined by the valuation and those adopted by the Board.

Some actuarial results in this report are not rounded, but that does not imply precision.

If LACERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The System should look to their other advisors for expertise in these areas.

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

Actuarial Certification

October 31, 2022

This is to certify that Segal has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS or the System) retirement program as of June 30, 2022, 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, 2021. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

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

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

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

Segal prepared all of the supporting schedules in the Actuarial Section of the Annual Financial Report and certain supporting schedules in the Financial Section, based on the results of the June 30, 2022 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB, and in the Actuarial Section, is provided below:

Financial Section

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

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[1] Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2022.

Actuarial Certification (continued)

October 31, 2022

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Retiree Payroll
7. Schedule of Funded Liabilities by Type
8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net Pension Liability and Related Ratios[1]
12. Projection of Pension Plan Fiduciary Net Position for use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2022[1]

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

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

Andy Yeung

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

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[1] Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2022.

Section 2: Actuarial Valuation Results

A. Member Data

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

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

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

Member Population: 2013 – 2022

Year Ended June 30	Active Members	Inactive Vested Members[1]	Retired Members and Beneficiaries	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Retired Members and Beneficiaries to Actives
2013	24,441	5,799	17,362	23,161	0.95	0.71
2014	24,009	6,031	17,532	23,563	0.98	0.73
2015	23,895	6,507	17,932	24,439	1.02	0.75
2016	24,446	6,895	18,357	25,252	1.03	0.75
2017	25,457	7,428	18,805	26,233	1.03	0.74
2018	26,042	8,028	19,379	27,407	1.05	0.74
2019	26,632	8,588	20,034	28,622	1.07	0.75
2020	27,490	9,207	20,423	29,630	1.08	0.74
2021	25,176	9,647	22,012	31,659	1.26	0.87
2022	24,917	10,379	22,399	32,778	1.32	0.90

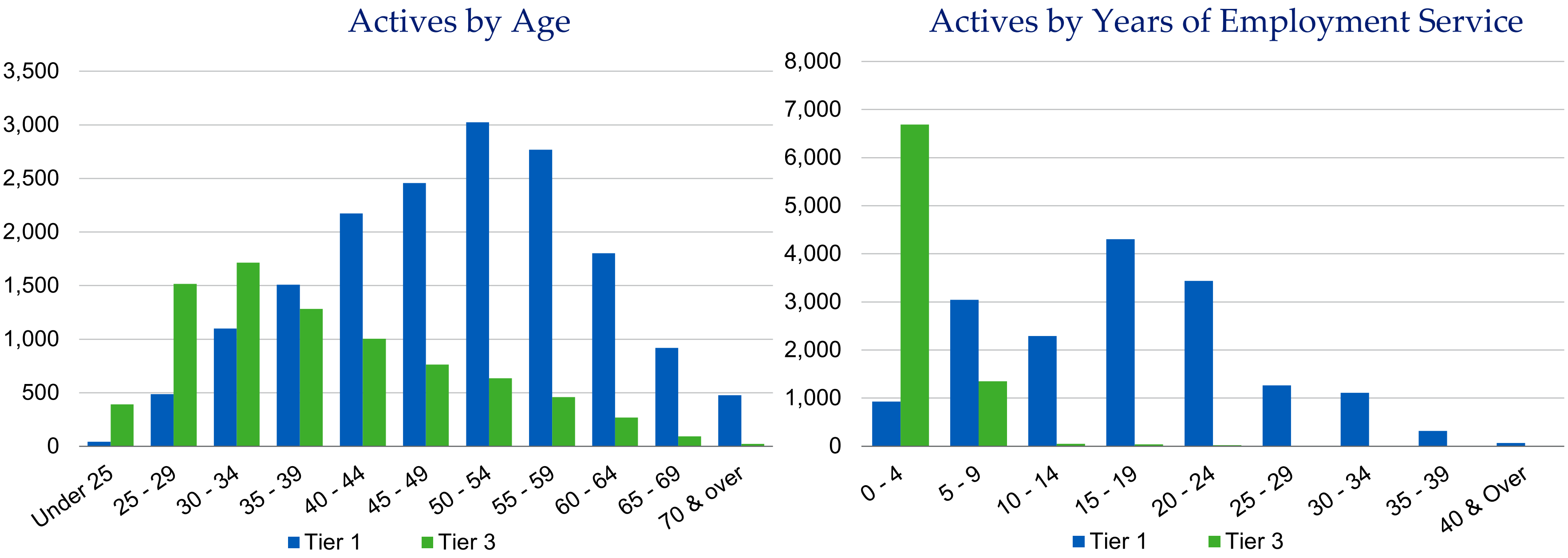
[1] Includes terminated members due a refund of member contributions.

Active Members

Plan costs are affected by the age, years of service and compensation of active members. In this year’s valuation, there were 24,917 active members with an average age of 46.7, average years of employment service of 12.8 years and average compensation of $90,650. The 25,176 active members in the prior valuation had an average age of 46.4, average employment service of 12.6 years and average compensation of $89,536.

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

Distribution of Active Members as of June 30, 2022



Actives by Age

Actives by Years of Employment Service

Average age	46.7
Prior year average age	46.4
Difference	0.3

Average years of service	12.8
Prior year average years of service	12.6
Difference	0.2

Inactive Members

In this year’s valuation, there were 10,379 members with a vested right to a deferred or immediate vested benefit or entitled to a return of their member contributions versus 9,647 in the prior valuation.

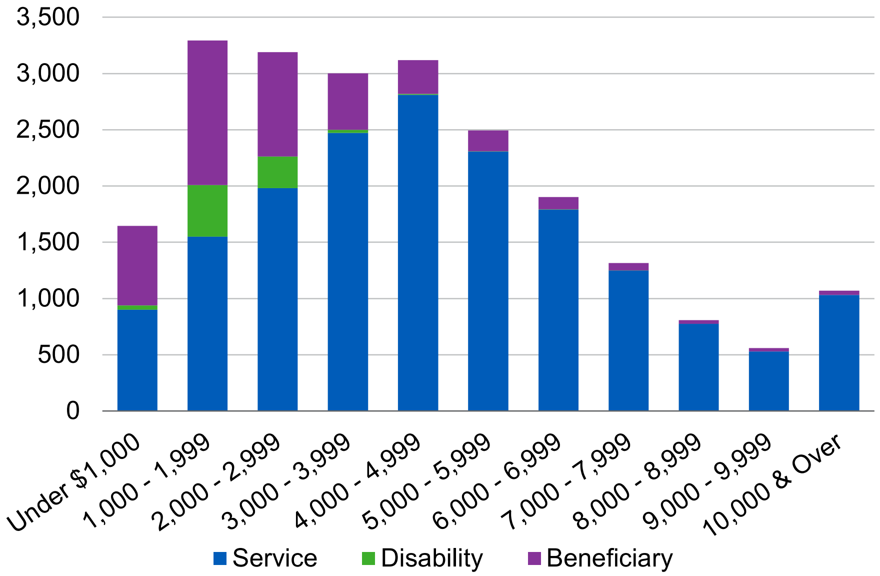
Retired Members and Beneficiaries

As of June 30, 2022, 18,218 retired members and 4,181 beneficiaries were receiving total monthly benefits of $99,666,045. For comparison, in the previous valuation, there were 17,903 retired members and 4,109 beneficiaries receiving monthly benefits of $94,731,093.

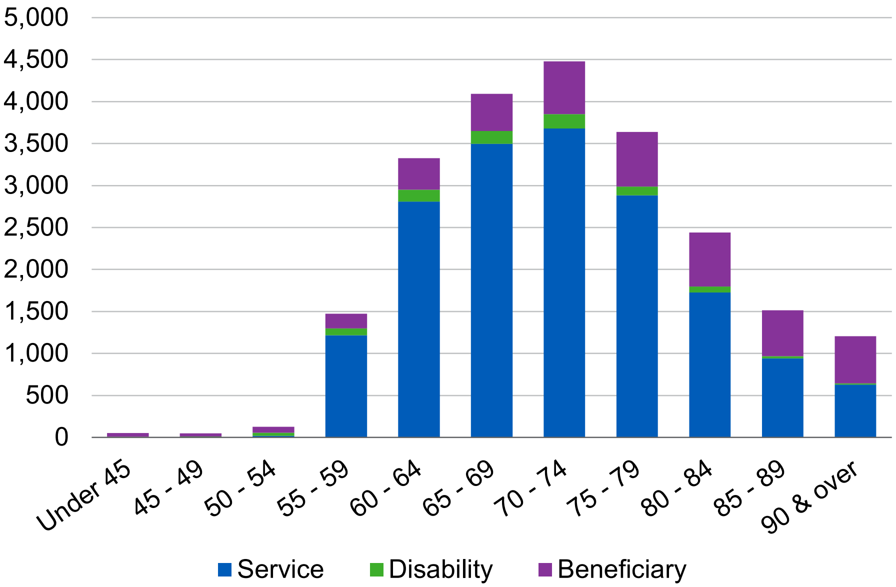
As of June 30, 2022, the average monthly benefit for retired members and beneficiaries is $4,450, compared to $4,304 in the previous valuation. The average age for retired members and beneficiaries is 72.5 in the current valuation, compared with 72.2 in the prior valuation.

Distribution of Retired Members and Beneficiaries as of June 30, 2022

Retired Members and Beneficiaries
by Type and Monthly Amount



Retired Members and Beneficiaries
by Type and Age



Historical Plan Population

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

Member Data Statistics: 2013 – 2022

	Active Members			Retired Members and Beneficiaries		
Year Ended June 30	**Count**	**Average Age**	**Average Employment Service**	**Count**	**Average Age**	**Average Monthly Amount**
2013	24,441	48.3	14.5	17,362	72.2	$3,355
2014	24,009	48.8	15.0	17,532	72.4	3,406
2015	23,895	48.8	15.0	17,932	72.5	3,487
2016	24,446	48.6	14.7	18,357	72.5	3,533
2017	25,457	48.0	14.1	18,805	72.6	3,632
2018	26,042	47.4	13.7	19,379	72.5	3,784
2019	26,632	47.0	13.2	20,034	72.5	3,942
2020	27,490	46.8	12.9	20,423	72.7	4,100
2021	25,176	46.4	12.6	22,012	72.2	4,304
2022	24,917	46.7	12.8	22,399	72.5	4,450

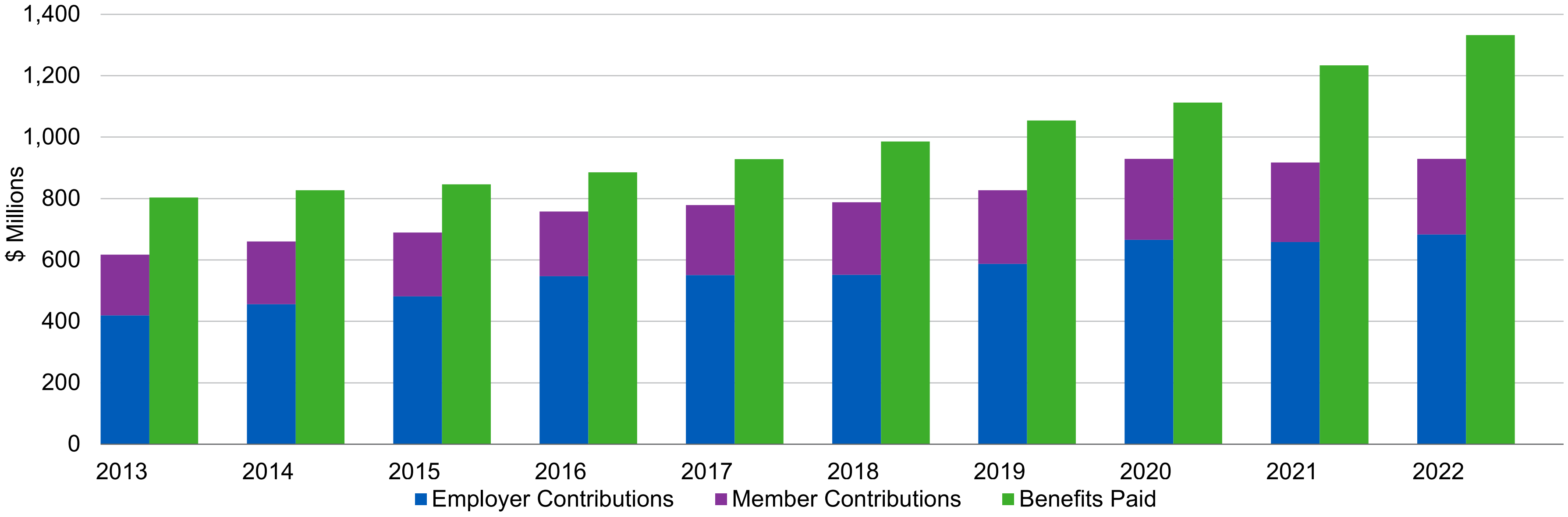
B. Financial Information

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

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

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

Comparison of Contributions Made with Benefits for Years Ended June 30, 2013 – 2022



Determination of Actuarial Value of Assets for Year Ended June 30, 2022

		Actual Return	Expected Return	Investment Gain/(Loss)	Portion Not Recognized	Unrecognized Amount
1	**Market Value of Assets**					**$20,454,103,991**
2	Calculation of unrecognized return[1]					
a)	Year ended June 30, 2022	$(1,947,728,626)	$1,604,160,949	$(3,551,889,575)	6/7	$(3,044,476,779)
b)	Year ended June 30, 2021	5,258,341,258	1,260,485,231	3,997,856,027	5/7	2,855,611,448
c)	Year ended June 30, 2020	338,862,747	1,299,282,781	(960,420,034)	4/7	(548,811,448)
d)	Year ended June 30, 2019	945,590,839	1,242,978,109	(297,387,270)	3/7	(127,451,687)
e)	Year ended June 30, 2018	1,498,100,177	1,148,631,872	349,468,305	2/7	99,848,087
f)	Year ended June 30, 2017	1,834,657,728	1,063,688,256	770,969,472	See footnote 2 below	
g)	Year ended June 30, 2016	7,190,895	1,072,214,464	(1,065,023,569)		
h)	Year ended June 30, 2015	348,113,908	1,055,874,448	(707,760,540)		
i)	Year ended June 30, 2014	2,180,005,303	933,719,722	1,246,285,581		
j)	Combined net deferred loss as of June 30, 2013			(81,571,421)	1/6	432,863
k)	Total unrecognized return[3]					$(764,847,516)
3	**Preliminary Actuarial Value of Assets (1) - (2k)**					**$21,218,951,507**
4	Adjustment to be within 40% corridor					0
5	**Final Actuarial Value of Assets 3 + 4**					**$21,218,951,507**
6	Actuarial Value of Assets as a percentage of Market Value of Assets 5 ÷ 1					103.7%
7	Market value of retirement assets					$17,013,091,063
8	**Valuation value of retirement assets 5 ÷ 1 x 7**					**$17,649,267,571**

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

[2] Based on action taken by the Board on July 24, 2018, the net unrecognized gain as of June 30, 2017 (i.e., $2,597,179) has been divided into six level amounts, with one year of gains remaining to be recognized after June 30, 2022.

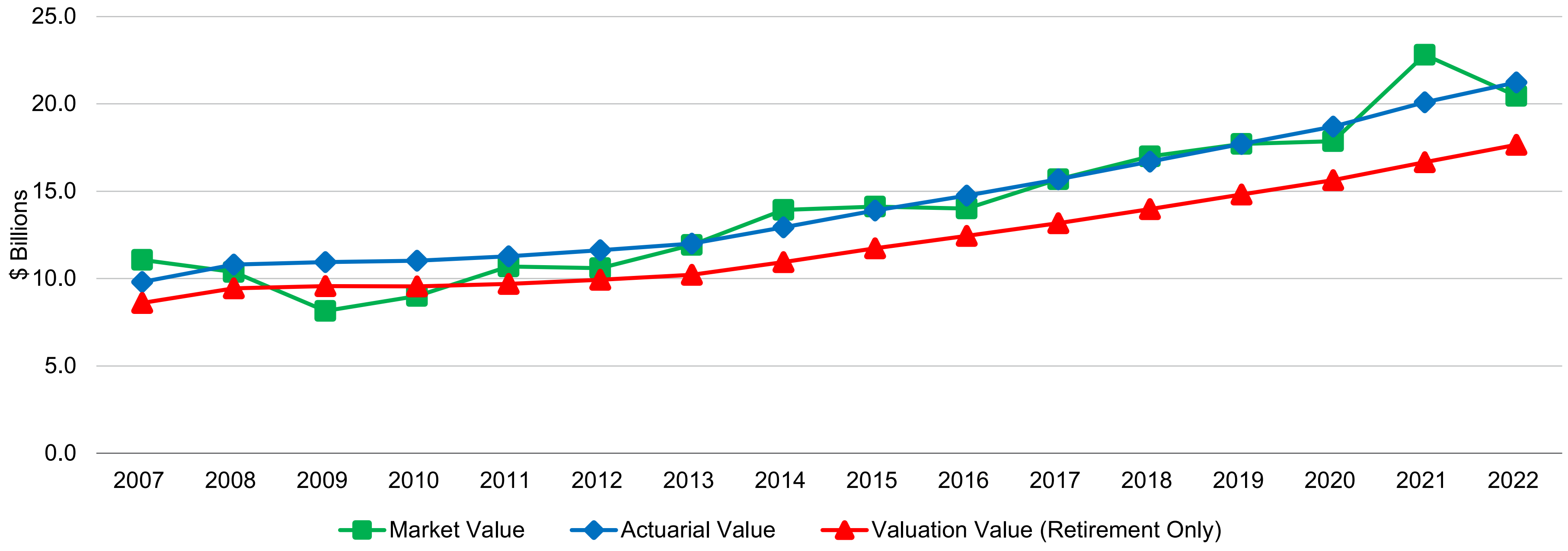
[3] Deferred return as of June 30, 2022 recognized in each of the next six years (for Retirement and Health Plans):

(a) Amount recognized on June 30, 2023	$(65,620,357)	(e) Amount recognized on June 30, 2027	63,709,494
(b) Amount recognized on June 30, 2024	(66,053,220)	(f) Amount recognized on June 30, 2028	(507,412,796)
(c) Amount recognized on June 30, 2025	(115,977,264)	(g) Total unrecognized return as of June 30, 2022	$(764,847,516)
(d) Amount recognized on June 30, 2026	(73,493,368)	(may not total exactly due to rounding)	

Section 2: Actuarial Valuation Results

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

Market Value, Actuarial Value, and Valuation Value (Retirement Only) of Assets as of June 30, 2007 – 2022



C. Actuarial Experience

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

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

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

The total gain is $134.4 million, which includes $150.7 million from investment gains (after smoothing), a loss of $82.1 million from contribution experience and $65.8 million in gains from all other sources. The net experience variation from individual sources other than investments and contributions was 0.27% of the Actuarial Accrued Liability. A discussion of the major components of the actuarial experience is on the following pages.

Actuarial Experience for Year Ended June 30, 2022

1	Net gain from investments[1]	$150,739,210
2	Net loss from scheduled one-year delay in implementing the higher contribution rate calculated in the June 30, 2021 valuation until fiscal year 2022/2023	(82,071,766)
3	Net gain from other experience[2]	65,773,245
4	**Net experience gain: 1 + 2 + 3[3]**	$134,440,689

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[1] Details on next page.

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

[3] The net gain is attributed to actual liability experience from July 1, 2021 through June 30, 2022 compared to the projected experience based on the actuarial assumptions as of June 30, 2021. Does not include the effect of plan or assumption changes as of June 30, 2022, if any.

Investment Experience

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LACERS' investment policy. The rate of return on the Market Value of Assets was -8.50% for the year ended June 30, 2022.

For valuation purposes, the assumed rate of return on the Valuation Value of Assets was 7.00% for the June 30, 2021 valuation. The actual rate of return on the valuation value basis for the 2021/2022 plan year was 7.90%. Since the actual return for the year was more than the assumed return, the Plan experienced an actuarial gain during the year ended June 30, 2022 with regard to its investments.

Investment Experience for Year Ended June 30, 2022

		Market Value	**Actuarial Value**	**Valuation Value**
		(Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	**(Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)**	**(Includes assets for Retirement Only)**
1	Net investment income	$(1,947,728,626)	$1,538,520,604	$1,324,205,610
2	Average value of assets	22,916,584,986	20,195,183,272	16,763,805,720
3	Rate of return: **1 ÷ 2**	(8.50)%	7.62%	7.90%
4	Assumed rate of return	7.00%	7.00%	7.00%
5	Expected investment income: **2 x 4**	$1,604,160,949	$1,413,662,829	$1,173,466,400
6	**Actuarial gain/(loss): 1 - 5**	**$(3,551,889,575)**	**$124,857,775**	**$150,739,210**

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

Investment Return – Actuarial Value vs. Market Value: 2013 – 2022

Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return[1]	
	Amount	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**	**Amount**	**Percent**
2013	$253,877,178	2.17%	$315,633,473	2.69%	$569,510,651	4.86%	$1,512,696,071	14.14%
2014	225,147,763	1.86%	873,017,519	7.19%	1,098,165,282	9.05%	2,180,005,303	18.09%
2015	231,942,743	1.77%	887,268,617	6.79%	1,119,211,360	8.56%	348,113,908	2.47%
2016	240,916,934	1.71%	742,488,219	5.28%	983,405,153	6.99%	7,190,895	0.05%
2017	277,724,021	1.86%	807,293,418	5.41%	1,085,017,439	7.27%	1,834,657,728	12.94%
2018	291,385,736	1.84%	907,603,043	5.73%	1,198,988,779	7.57%	1,498,100,177	9.46%
2019	308,498,344	1.83%	942,352,775	5.60%	1,250,851,119	7.43%	945,590,839	5.52%
2020	287,869,198	1.61%	882,083,733	4.92%	1,169,952,931	6.53%	338,862,747	1.89%
2021	244,066,145	1.29%	1,458,211,525	7.74%	1,702,277,670	9.03%	5,258,341,258	29.20%
2022	297,933,122	1.48%	1,240,587,482	6.14%	1,538,520,604	7.62%	(1,947,728,626)	(8.50)%
			Most recent five-year average geometric return:			**7.63%**		**6.83%**
			Most recent ten-year average geometric return:			**7.48%**		**8.06%**

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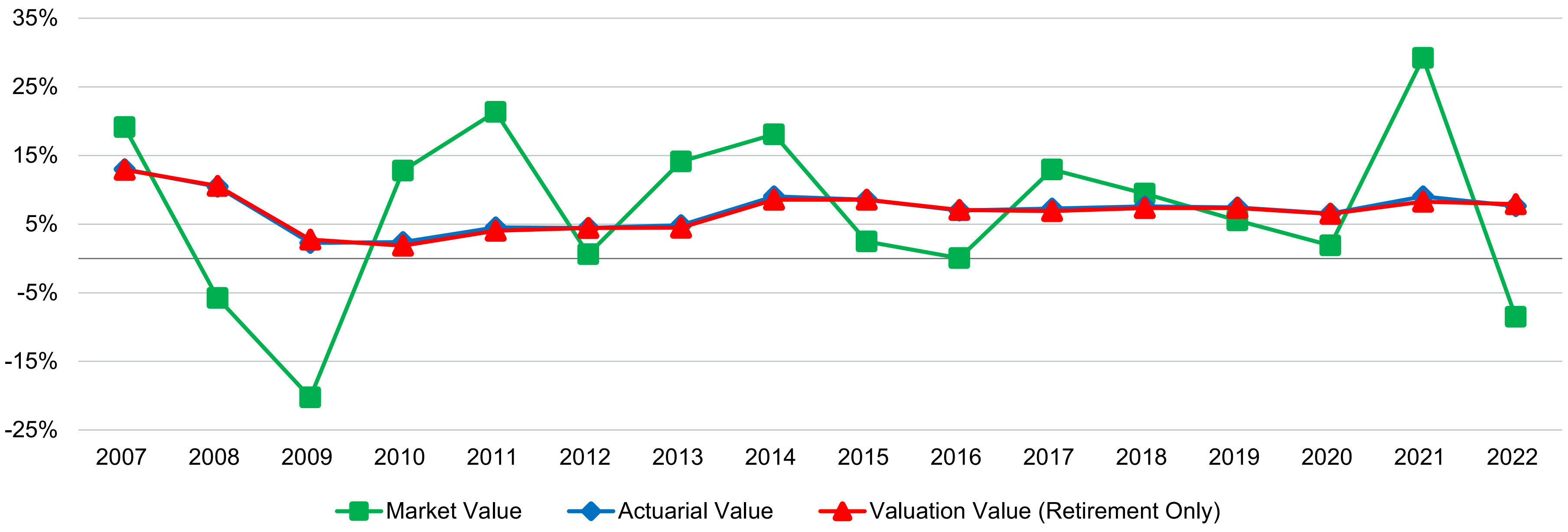
[1] The year-ended rates of return have been calculated on a dollar-weighted basis. It is our understanding that LACERS' investment consultant calculates rates of return on a time-weighted basis, which can produce different results.

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

Market Value, Actuarial Value and Valuation Value (Retirement Only) Rates of Return for Years Ended June 30, 2007 – 2022



Contributions

Contributions for the year ended June 30, 2022, when adjusted for timing, totaled $881.2 million, compared to the projected amount of $963.3 million (also adjusted for timing). This resulted in a loss of $82.1 million for the year.

Non-Investment Experience

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

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

The net gain from this other experience for the year ended June 30, 2022 amounted to $65.8 million, which is 0.27% of the Actuarial Accrued Liability. This gain was mainly due to lower than expected individual salary increases for continuing actives offset somewhat by higher than anticipated COLAs for payees. See *Subsection E* for a detailed development of the Unfunded Actuarial Accrued Liability.

D. Other Changes in the Actuarial Accrued Liability

The Actuarial Accrued Liability as of June 30, 2022 is $24.1 billion, an increase of $0.8 billion, or 3.4%, from the liability as of the prior valuation date. The Actuarial Accrued Liability is expected to grow each year with Normal Cost and interest, and to decline due to benefit payments made. Additional fluctuations can occur due to actual experience that differs from expected (as discussed in the previous subsection).

Actuarial Assumptions

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

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

Plan Provisions

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

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

E. Development of Unfunded Actuarial Accrued Liability

Development for Year Ended June 30, 2022

1	**Unfunded actuarial accrued liability at beginning of year**		**$6,621,308,200**
2	Total Normal Cost at beginning of year		413,862,737
3	Expected employer and member contributions at beginning of year		(900,289,188)
4	Interest		429,042,672
5	Expected Unfunded Actuarial Accrued Liability at end of year		$6,563,924,421
6	Changes due to:[1]		
	a. Investment gain on smoothed value of assets	$(150,739,210)	
	b. Loss due to anticipated one-year delay in implementing the higher combined contribution rate calculated in the prior valuation	82,071,766	
	c. Gain due to lower than expected salary increases for continuing actives	(181,112,004)	
	d. Loss due to higher than expected COLAs for payees	112,559,970	
	e. Other net losses on demographic experience	2,778,789	
	Total gain		($134,440,689)
7	**Unfunded actuarial accrued liability at end of year**		**$6,429,483,732**

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[1] The "net gain from other experience" of $65,773,245 from *Subsection C* is equal to the sum of items 6c through 6e.

F. Recommended Contribution

The amount of annual contribution required to fund the Retirement Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount, adjusted with interest for timing, is then divided by the projected payroll for active members to determine the funding rate of 29.43% of payroll, if received by LACERS on July 15, 2023. The recommended contribution is set equal to the contributions under the current funding policy.

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

The contribution requirement for the June 30, 2022 valuation is based on the data previously described, the actuarial assumptions and Plan provisions described in *Section 4*, including all changes affecting future costs adopted at the time of the actuarial valuation, actuarial gains and losses, and changes in the actuarial assumptions.

A reconciliation of the average recommended employer contribution from June 30, 2021 to June 30, 2022 is shown on the next page. A summary of the recommended contributions by tier is shown on pages 31 through 33.

Reconciliation of Average Recommended Employer Contribution Rate

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

Reconciliation of Average Recommended Employer Contribution Rate[1] from June 30, 2021 to June 30, 2022

		Contribution Rate
1	**Average Recommended Employer Contribution Rate as of June 30, 2021**	**29.39%**
2	Effect of decrease in employer normal cost due to payroll and demographic changes (including the enrollment of new employees in Tier 3)	(0.11)%
3	Effect of anticipated one-year delay in implementing the higher combined contribution rate calculated in the prior valuation	0.31%
4	Effect of investment return more than expected on smoothed value of assets	(0.57)%
5	Effect of higher than expected COLAs for payees	0.42%
6	Effect of individual salary increases less than expected for continuing active members	(0.68)%
7	Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.66%
8	Effect of other net demographic experience losses	0.01%
9	Total change	0.04%
10	**Average Recommended Employer Contribution Rate as of June 30, 2022**	**29.43%**

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[1] If received on July 15.

Recommended Employer Contribution Rate

Tier 1

		June 30, 2022 Actuarial Valuation		June 30, 2021 Actuarial Valuation	
		Amount	% of Payroll	Amount	% of Payroll
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
1	Total normal cost	$313,996,717	19.04%	$327,251,978	19.06%
2	Expected employee contributions[1]	175,291,255	10.64%	182,570,935	10.64%
3	Employer normal cost: 1 - 2	$138,705,462	8.40%	$144,681,043	8.42%
4	Actuarial accrued liability	23,691,360,828		22,994,486,307	
5	Valuation value of assets	16,886,488,189		16,138,343,883	
6	Unfunded actuarial accrued liability: 4 - 5	$6,804,872,639		$6,856,142,424	
7	Amortization of unfunded actuarial accrued liability	356,394,541	21.62%[2,3]	368,627,900	21.47%[2]
8	Total recommended contribution, beginning of year: 3 + 7	$495,100,003	30.02%	$513,308,943	29.89%
9	Total recommended contribution, July 15	496,478,540	30.12%	514,738,181	29.98%
10	Total recommended contribution, end of pay periods	512,135,425	31.07%	530,970,899	30.93%
	Increase in Contribution Rates due to Enhanced Benefits for APO				
11	Employer normal cost, July 15		0.07%		0.07%
12	Unfunded actuarial accrued liability, July 15		0.11%		0.11%
13	Total recommended contribution, July 15		0.18%		0.18%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
14	Total recommended contribution, beginning of year	$498,052,841	30.20%	$516,378,125	30.07%
15	Total recommended contribution, July 15	499,439,600	30.30%	517,815,908	30.16%
16	Total recommended contribution, end of pay periods	515,189,865	31.25%	534,145,686	31.11%
17	Projected payroll	$1,648,564,985		$1,717,036,125	

[1] Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 11.01% for the June 30, 2021 and June 30, 2022 valuations.

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

[3] For purposes of purchasing service with the Water and Power Employees' Retirement Plan (WPERP) for Tier 1, the UAAL rate as of June 30, 2022 is 21.62% before reflecting enhanced benefits for APO, plus an additional 0.11% for the cost increase for the enhanced APO benefits for a total of 21.73%, if received at the beginning of the year. If received on July 15, the total UAAL rate of 21.73% increases to 21.79%.

Recommended Employer Contribution Rate (continued)

	Tier 3	**June 30, 2022 Actuarial Valuation**		**June 30, 2021 Actuarial Valuation**	
		Amount	**% of Payroll**	**Amount**	**% of Payroll**
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
1	Total normal cost	$97,136,280	15.92%	$85,433,039	15.91%
2	Expected employee contributions[1]	64,847,900	10.63%	57,086,163	10.63%
3	Employer normal cost: 1 - 2	$32,288,380	5.29%	$28,346,876	5.28%
4	Actuarial accrued liability	364,933,478		263,562,599	
5	Valuation value of assets	762,779,382		522,240,771	
6	Unfunded actuarial accrued liability: 4 – 5	$(397,845,904)		$(258,678,172)	
7	Amortization of unfunded actuarial accrued liability	131,907,216	21.62%[2]	115,315,396	21.47%[2]
8	Total recommended contribution, beginning of year: 3 + 7	$164,195,596	26.91%	$143,662,272	26.75%
9	Total recommended contribution, July 15	164,652,776	26.99%	144,062,280	26.82%
10	Total recommended contribution, end of pay periods	169,845,245	27.84%	148,605,410	27.67%
	Increase in Contribution Rates due to Enhanced Benefits for APO				
11	Employer normal cost, July 15		0.00%		0.00%
12	Unfunded actuarial accrued liability, July 15		0.11%		0.11%
13	Total recommended contribution, July 15		0.11%		0.11%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
14	Total recommended contribution, beginning of year	$164,876,090	27.02%	$144,253,965	26.86%
15	Total recommended contribution, July 15	165,335,165	27.10%	144,655,621	26.93%
16	Total recommended contribution, end of pay periods	170,549,154	27.95%	149,217,462	27.78%
17	Projected payroll	$610,159,786		$537,128,904	

[1] Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 11.00% for the June 30, 2021 and June 30, 2022 valuations.

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

Recommended Employer Contribution Rate (continued)

	Combined	**June 30, 2022 Actuarial Valuation**		**June 30, 2021 Actuarial Valuation**	
		Amount	**% of Payroll**	**Amount**	**% of Payroll**
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
1	Total normal cost	$411,132,997	18.20%	$412,685,017	18.31%
2	Expected employee contributions	240,139,155	10.63%	239,657,098	10.63%
3	Employer normal cost: 1 - 2	$170,993,842	7.57%	$173,027,919	7.68%
4	Actuarial accrued liability	24,056,294,306		23,258,048,906	
5	Valuation value of assets	17,649,267,571		16,660,584,654	
6	Unfunded actuarial accrued liability: 4 - 5	$6,407,026,735		$6,597,464,252	
7	Amortization of unfunded actuarial accrued liability	488,301,757	21.62%	483,943,296	21.47%
8	Total recommended contribution, beginning of year: 3 + 7	$659,295,599	29.19%	$656,971,215	29.15%
9	Total recommended contribution, July 15	661,131,316	29.27%	658,800,460	29.23%
10	Total recommended contribution, end of pay periods	681,980,671	30.20%	679,576,309	30.16%
	Increase in Contribution Rates due to Enhanced Benefits for APO				
11	Employer normal cost, July 15		0.05%		0.05%
12	Unfunded actuarial accrued liability, July 15		0.11%		0.11%
13	Total recommended contribution, July 15		0.16%		0.16%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO				
14	Total normal cost	$412,247,235	18.25%	$413,862,737	18.36%
15	Expected employee contributions	240,139,155	10.63%	239,657,098	10.63%
16	Employer normal cost: 14 - 15	$172,108,080	7.62%	$174,205,639	7.73%
17	Actuarial accrued liability	24,078,751,303		23,281,892,854	
18	Valuation value of assets	17,649,267,571		16,660,584,654	
19	Unfunded actuarial accrued liability: 17 - 18	$6,429,483,732		$6,621,308,200	
20	Amortization of unfunded actuarial accrued liability	490,820,851	21.73%	486,426,451	21.58%
21	Total recommended contribution, beginning of year: 16 + 20	$662,928,931	29.35%	$660,632,090	29.31%
22	Total recommended contribution, July 15	664,774,765	29.43%	662,471,529	29.39%
23	Total recommended contribution, end of pay periods	685,739,018	30.36%	683,363,148	30.32%
24	Projected payroll	$2,258,724,771		$2,254,165,029	

Recommended Employer Contribution Rate (continued)

		Tier 1	Tier 3	Combined
	Before Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO			
1	Total normal cost	$313,996,717	$97,136,280	$411,132,997
2	Expected employee contributions[1]	175,291,255	64,847,900	240,139,155
3	Employer normal cost: 1 – 2	$138,705,462	$32,288,380	$170,993,842
4	Payment on unfunded actuarial accrued liability	356,394,541	131,907,216	488,301,757
5	Total recommended contribution: beginning of year: 3 + 4	$495,100,003	$164,195,596	$659,295,599
6	Total recommended contribution: adjusted for July 15 timing	496,478,540	164,652,776	661,131,316
7	Total recommended contribution: adjusted for biweekly timing	512,135,425	169,845,245	681,980,671
8	Item 5 (beginning of year contribution) as a % of projected payroll: 5 ÷ 17	30.02%	26.91%	29.19%
9	Item 6 (July 15 contribution) as a % of projected payroll: 6 ÷ 17	30.12%	26.99%	29.27%
10	Item 7 (biweekly contribution) as a % of projected payroll: 7 ÷ 17	31.07%	27.84%	30.20%
	After Reflecting Increase in Contribution Rates due to Enhanced Benefits for APO			
11	Total recommended contribution: beginning of year	$498,052,841	$164,876,090	$662,928,931
12	Total recommended contribution: adjusted for July 15 timing	499,439,600	165,335,165	664,774,765
13	Total recommended contribution: adjusted for biweekly timing	515,189,865	170,549,154	685,739,018
14	Item 11 (beginning of year contribution) as a % of projected payroll: 11 ÷ 17	30.20%	27.02%	29.35%
15	Item 12 (July 15 contribution) as a % of projected payroll: 12 ÷ 17	30.30%	27.10%	29.43%
16	Item 13 (biweekly contribution) as a % of projected payroll: 13 ÷ 17	31.25%	27.95%	30.36%
17	Projected payroll	$1,648,564,985	$610,159,786	$2,258,724,771

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[1] Discounted to beginning of year.

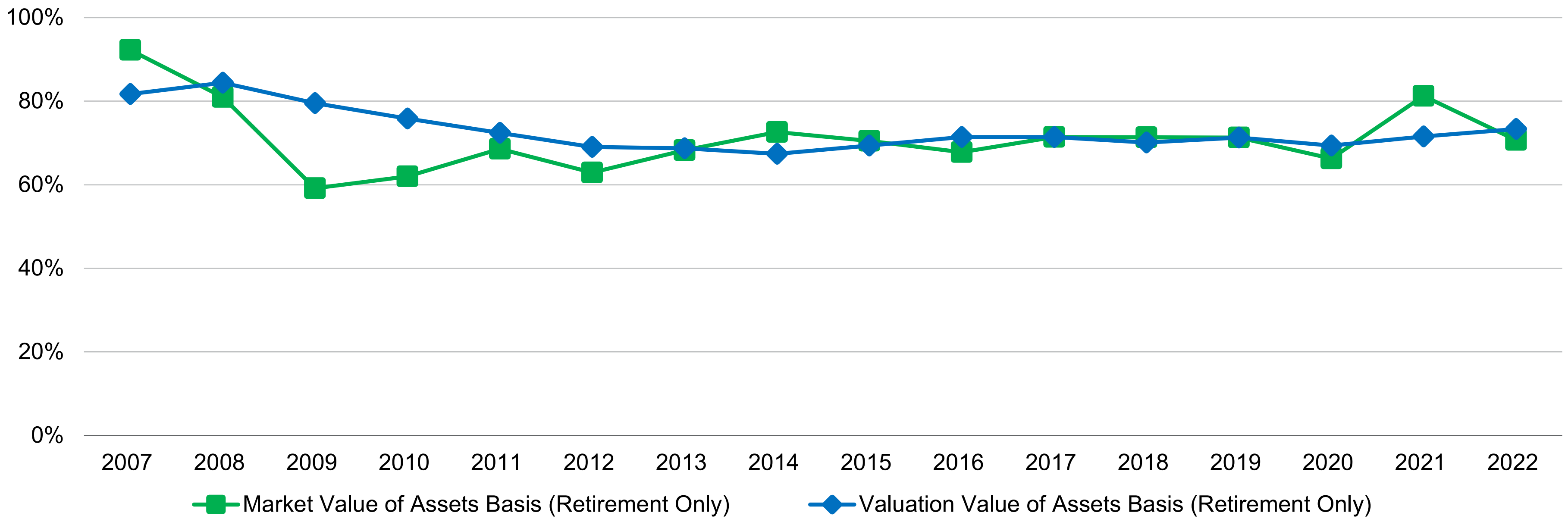
G. Funded Status

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

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

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

Funded Ratio for Years Ended June 30, 2007 – 2022



Schedule of Funding Progress for Years Ended June 30, 2013 – 2022

Actuarial Valuation Date as of June 30	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Projected Covered Payroll (c)	UAAL as a Percentage of Projected Covered Payroll [(b) - (a)] / (c)
2013	$10,223,960,886	$14,881,663,162	$4,657,702,276	68.70%	$1,846,970,474	252.18%
2014	10,944,750,574	16,248,853,099	5,304,102,525	67.36%	1,898,064,175	279.45%
2015	11,727,161,378	16,909,996,380	5,182,835,002	69.35%	1,907,664,598	271.68%
2016	12,439,250,206	17,424,996,329	4,985,746,123	71.39%	1,968,702,630	253.25%
2017	13,178,333,884	18,458,187,953	5,279,854,069	71.40%	2,062,316,129	256.02%
2018	13,982,435,465	19,944,579,058	5,962,143,593	70.11%	2,177,687,102	273.78%
2019	14,818,564,427	20,793,421,143	5,974,856,716	71.27%	2,225,412,831	268.48%
2020	15,630,102,547	22,527,195,295	6,897,092,748	69.38%	2,445,016,587	282.09%
2021	16,660,584,654	23,281,892,854	6,621,308,200	71.56%	2,254,165,029	293.74%
2022	17,649,267,571	24,078,751,303	6,429,483,732	73.30%	2,258,724,771	284.65%

H. Actuarial Balance Sheet

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

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

Actuarial Balance Sheet

	Year Ended	
	June 30, 2022	**June 30, 2021**
Actuarial present value of future benefits		
• Present value of benefits for retired members and beneficiaries	$14,893,950,295	$14,164,856,245
• Present value of benefits for inactive vested members	623,239,425	596,552,986
• Present value of benefits for active members	12,067,954,233	12,055,784,788
Total actuarial present value of future benefits	**$27,585,143,953**	**$26,817,194,019**
Current and future assets		
• Total valuation value of assets	$17,649,267,571	$16,660,584,654
• Present value of future contributions by members	2,041,142,974	2,034,198,395
• Present value of future employer contributions for:		
• Entry age normal cost	1,465,249,676	1,501,102,770
• Unfunded actuarial accrued liability	6,429,483,732	6,621,308,200
Total of current and future assets	**$27,585,143,953**	**$26,817,194,019**

I. Volatility Ratios

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

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

The current AVR is about 7.5. This means that a 1% asset gain or loss (relative to the assumed investment return) translates to about 7.5% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

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

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions. The current LVR is about 10.7. This is about 43% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long term.

Volatility Ratios for Years Ended 2013 – 2022

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2013	5.5	8.1
2014	6.2	8.6
2015	6.2	8.9
2016	6.0	8.9
2017	6.4	9.0
2018	6.5	9.2
2019	6.7	9.3
2020	6.1	9.2
2021	8.4	10.3
2022	7.5	10.7

J. Risk Assessment

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

This report does not contain a detailed analysis of the potential range of future measurements, but does include a concise discussion of some of the primary risks that may affect the Plan's future financial condition. Earlier this year we prepared a stand-alone Risk Assessment report for the Retirement and Health Plans dated March 3, 2022 by using membership and financial information as provided in the actuarial valuations as of June 30, 2021. That report includes various deterministic and stochastic projections of future results under different investment return scenarios based on the assumptions adopted for the June 30, 2021 valuations. A copy of the stand-alone risk assessment report associated with this June 30, 2022 valuation, including the quantitative analyses recommended by Segal in consultation with LACERS staff, will be available in the first quarter of 2023.

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

Risk Assessments

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

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

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

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

  The investment return assumption is a long-term, static assumption for valuation purposes even though in reality market experience can be quite volatile in any given year. That volatility can cause significant changes in the financial health of the system, affecting both funded status and contribution rates. The inherent year-to-year volatility is reduced by smoothing through the Actuarial Value of Assets, however investment experience can still have a sizable impact. As discussed in *Section 2, Subsection I, Volatility Ratios*, on page 38, a

1% asset gain or loss (relative to the assumed investment return) translates to about 7.5% of one-year's payroll. Since actuarial gains and losses are amortized over 15 years, there would be a 0.6% of payroll decrease/(increase) in the required contribution for each 1% asset gain or loss.

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

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

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

- Other Risks

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

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

Evaluation of Historical Trends

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

- The funded percentage on the Valuation Value of Assets basis has increased from 68.70% to 73.30%. This is primarily due to non-investment experience. For a more detailed history see *Section 2, Subsection G, Funded Status* starting on page 35.
- The average geometric investment return on the Actuarial Value of Assets over the last 10 years was 7.48%. This includes a high of 9.05% return and a low of 4.86%. The average over the last 5 years was 7.63%. For more details see *Section 2, Subsection C, Investment Return* on page 24.
- The primary source of new UAAL was the strengthening of assumptions through multiple assumption changes. For example, the assumption changes in:

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

  For more details on the unfunded liability changes see *Section 3, Exhibit G, Table of Amortization Bases* on page 55. A graphical representation of historical changes in UAAL by source prior to this valuation was included in the stand-alone risk assessment report as of June 30, 2021.

- The plan's funding policy effectively deals with these unfunded liabilities over time. This can be seen most clearly in the *Section 3, Exhibit 1, Projection of UAAL Balances and Payments* provided on pages 56 and 57.

Maturity Measures

In the last 10 years the ratio of retired members and beneficiaries to active members has increased from 0.71 to 0.90. An increased ratio indicates that the plan has grown in maturity over time. This is to be expected, but is also informative for understanding plan sensitivity to particular risks. For more details see *Section 2, Subsection A, Member Data* on page 15.

As pension plans mature, the cash needed to fulfill benefit obligations will increase over time. Therefore, cash flow projections and analysis should be performed to assure that the Plan's asset allocation is aligned to meet emerging pension liabilities. For the prior year, benefits paid were $336 million more than contributions received. Plans with high levels of negative cash flows may have a need for a larger allocation to income generating assets, which can create a drag on investment return. However, this plan currently has relatively low levels of negative cash flows. For more details on historical cash flows see the Comparison of Contributions with Benefits in *Section 2, Subsection B, Financial Information* on page 19.

A further discussion of plan maturity measures and how they relate to changes in assets and liabilities is included in *Section 2, Subsection I, Volatility Ratios* on page 38.

Exhibit A: Table of Plan Coverage

Total Plan

Category	Year Ended June 30		Change From Prior Year
	2022	2021	
Active members in valuation:			
• Number	24,917	25,176	-1.0%
• Average age	46.7	46.4	0.3
• Average years of employment service	12.8	12.6	0.2
• Total projected compensation[1]	$2,258,724,771	$2,254,165,029	0.2%
• Average projected compensation[1]	$90,650	$89,536	1.2%
• Account balances	$2,304,663,932	$2,217,368,388	3.9%
• Total active vested members	17,312	16,684	3.8%
Inactive vested members:			
• Number	10,379	9,647	7.6%
• Average age	44.6	44.7	-0.1
• Average contribution balance for those with under 5 years of service	$8,576	$7,648	12.1%
• Average monthly benefit at age 60 for those with 5 or more years of service	$1,658	$1,652	0.4%
Retired members:			
• Number in pay status	17,399	17,054	2.0%
• Average service at retirement	26.5	26.6	-0.1
• Average age at retirement	60.8	60.7	0.1
• Average age	71.7	71.5	0.2
• Average monthly benefit (includes July COLA)	$5,005	$4,851	3.2%

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

Exhibit A: Table of Plan Coverage (continued)

Total Plan (continued)

Category	Year Ended June 30 2022	2021	Change From Prior Year
Disabled members:			
• Number in pay status	819	849	-3.5%
• Average service at retirement	11.5	11.6	-0.1
• Average age at retirement	47.8	47.7	0.1
• Average age	68.7	68.0	0.7
• Average monthly benefit (includes July COLA)	$1,947	$1,888	3.1%
Beneficiaries:			
• Number in pay status	4,181	4,109	1.8%
• Average age	76.3	76.3	0.0
• Average monthly benefit (includes July COLA)	$2,627	$2,531	3.8%

Exhibit A: Table of Plan Coverage (continued)

Tier 1[1]

Category	Year Ended June 30 2022	2021	Change From Prior Year
Active members in valuation:			
• Number	16,762	17,768	-5.7%
• Average age	50.4	49.7	0.7
• Average years of employment service	17.3	16.6	0.7
• Total projected compensation[2]	$1,648,564,985	$1,717,036,125	-4.0%
• Average projected compensation[2]	$98,351	$96,636	1.8%
• Account balances	$2,111,783,894	$2,071,692,162	1.9%
• Total active vested members	15,847	16,241	-2.4%
Inactive vested members:			
• Number	7,836	7,781	0.7%
• Average age	46.8	46.5	0.3
• Average contribution balance for those with under 5 years of service	$7,430	$7,169	3.6%
• Average monthly benefit at age 60 for those with 5 or more years of service	$1,677	$1,654	1.4%
Retired members:			
• Number in pay status	17,397	17,054	2.0%
• Average service at retirement	26.5	26.6	-0.1
• Average age at retirement	60.8	60.7	0.1
• Average age	71.7	71.5	0.2
• Average monthly benefit (includes July COLA)	$5,006	$4,851	3.2%

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

	June 30, 2022	June 30, 2021
Active Members	361	388
Inactive Members	15	18
Retired Members	88	83

The total number of APO members as of June 30, 2022 has been reduced by 21 to reflect that those members actually did not make elections to receive enhanced benefits.

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

Exhibit A: Table of Plan Coverage (continued)

Tier 1 (continued)

Category	Year Ended June 30 2022	Year Ended June 30 2021	Change From Prior Year
Disabled members:			
• Number in pay status	819	849	-3.5%
• Average service at retirement	11.5	11.6	-0.1
• Average age at retirement	47.8	47.7	0.1
• Average age	68.7	68.0	0.7
• Average monthly benefit (includes July COLA)	$1,947	$1,888	3.1%
Beneficiaries:			
• Number in pay status	4,181	4,109	1.8%
• Average age	76.3	76.3	0.0
• Average monthly benefit (includes July COLA)	$2,627	$2,531	3.8%

Exhibit A: Table of Plan Coverage (continued)

Tier 3

Category	Year Ended June 30 2022	 2021	Change From Prior Year
Active members in valuation:			
• Number	8,155	7,408	10.1%
• Average age	39.0	38.3	0.7
• Average years of employment service	3.4	2.9	0.5
• Total projected compensation[1]	$610,159,786	$537,128,904	13.6%
• Average projected compensation[1]	$74,820	$72,507	3.2%
• Account balances	$192,880,038	$145,676,226	32.4%
• Total active vested members	1,465	443	230.7%
Inactive vested members:			
• Number	2,543	1,866	36.3%
• Average age	37.7	37.3	0.4
• Average contribution balance for those with under 5 years of service	$11,004	$9,002	22.2%
• Average monthly benefit at age 60 for those with 5 or more years of service	$591	$403	46.7%
Retired members:			
• Number in pay status	2	N/A	N/A
• Average service at retirement	3.3	N/A	N/A
• Average age at retirement	61.5	N/A	N/A
• Average age	62.2	N/A	N/A
• Average monthly benefit (includes July COLA)	$459	N/A	N/A

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

Exhibit A: Table of Plan Coverage (continued)

Tier 3 (continued)

Category	Year Ended June 30		Change From Prior Year
	2022	2021	
Disabled members:			
• Number in pay status	N/A	N/A	N/A
• Average service at retirement	N/A	N/A	N/A
• Average age at retirement	N/A	N/A	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit (includes July COLA)	N/A	N/A	N/A
Beneficiaries:			
• Number in pay status	N/A	N/A	N/A
• Average age	N/A	N/A	N/A
• Average monthly benefit (includes July COLA)	N/A	N/A	N/A

Exhibit B: Members in Active Service as of June 30, 2022 by Age, Years of Service,[1] and Average Projected Compensation[2]

Total Plan

		Years of Service								
Age	**Total**	**0 – 4**	**5 – 9**	**10 – 14**	**15 – 19**	**20 – 24**	**25 – 29**	**30 – 34**	**35 – 39**	**40 & over**
Under 25	436	424	12	—	—	—	—	—	—	—
	$50,808	$50,961	$45,403	—	—	—	—	—	—	—
25 – 29	2,002	1,621	379	2	—	—	—	—	—	—
	65,664	64,423	70,945	$70,278	—	—	—	—	—	—
30 – 34	2,813	1,629	1,034	134	16	—	—	—	—	—
	74,246	67,503	84,629	75,711	$77,550	—	—	—	—	—
35 – 39	2,790	1,149	853	448	322	18	—	—	—	—
	86,408	74,323	92,158	97,463	98,659	$91,060	—	—	—	—
40 – 44	3,179	871	624	441	921	312	10	—	—	—
	94,897	76,155	96,547	100,424	104,689	106,771	$108,433	—	—	—
45 – 49	3,220	651	448	345	822	797	148	8	1	—
	98,128	71,334	98,893	98,275	101,356	113,270	113,417	$106,818	$92,389	—
50 – 54	3,661	550	373	322	744	872	437	337	26	—
	101,497	73,014	94,266	92,836	96,044	111,499	124,892	119,585	107,887	—
55 – 59	3,228	388	286	271	641	706	385	433	112	6
	101,441	72,493	92,739	87,061	91,351	105,917	123,408	127,676	111,206	$103,872
60 – 64	2,073	223	245	210	462	438	182	196	104	13
	96,149	72,577	89,773	82,579	86,420	99,949	116,067	119,406	132,949	133,715
65 – 69	1,014	78	105	107	273	201	77	98	48	27
	95,642	73,680	85,264	83,476	90,409	100,578	108,817	115,591	120,558	109,535
70 & over	501	33	35	63	139	109	30	42	29	21
	84,236	59,394	80,195	67,145	71,934	91,031	96,028	104,476	113,553	129,619
Total	**24,917**	**7,617**	**4,394**	**2,343**	**4,340**	**3,453**	**1,269**	**1,114**	**320**	**67**
	$90,650	**$69,101**	**$89,563**	**$92,245**	**$96,166**	**$107,486**	**$120,051**	**$121,686**	**$119,559**	**$120,015**

[1] Based on employment service. Average employment service is 12.8 years compared to average benefit service of 12.0 years.

[2] Limited by Internal Revenue Code Section 401(a)(17) compensation limit.

Exhibit B: Members in Active Service as of June 30, 2022 by Age, Years of Service,[1] and Average Projected Compensation[2] (continued)

Tier 1

		Years of Service								
Age	**Total**	**0 – 4**	**5 – 9**	**10 – 14**	**15 – 19**	**20 – 24**	**25 – 29**	**30 – 34**	**35 – 39**	**40 & over**
Under 25	44	40	4	—	—	—	—	—	—	—
	$44,541	$44,651	$43,444	—	—	—	—	—	—	—
25 – 29	487	235	250	2	—	—	—	—	—	—
	61,251	54,927	67,123	$70,278	—	—	—	—	—	—
30 – 34	1,099	222	730	132	15	—	—	—	—	—
	77,560	59,533	83,369	75,716	$77,858	—	—	—	—	—
35 – 39	1,508	129	615	429	317	18	—	—	—	—
	92,309	63,012	92,156	96,780	98,549	$91,060	—	—	—	—
40 – 44	2,174	84	428	431	913	309	9	—	—	—
	100,916	64,873	96,119	100,213	104,682	106,950	$109,992	—	—	—
45 – 49	2,457	52	310	337	812	791	147	7	1	—
	104,319	53,809	100,192	97,721	101,435	113,287	113,407	$112,114	$92,389	—
50 – 54	3,025	63	249	311	737	868	436	335	26	—
	105,804	60,849	93,212	91,867	95,756	111,354	124,946	119,201	107,887	—
55 – 59	2,768	51	174	270	639	701	383	432	112	6
	104,620	56,965	86,727	87,048	91,200	106,000	123,448	127,655	111,206	$103,872
60 – 64	1,803	30	172	209	460	438	182	195	104	13
	98,150	47,850	86,722	82,097	86,257	99,949	116,067	119,539	132,949	133,715
65 – 69	920	9	81	107	272	201	77	98	48	27
	97,334	52,581	84,974	83,476	90,413	100,578	108,817	115,591	120,558	109,535
70 & over	477	12	32	63	139	109	30	42	29	21
	84,850	52,255	75,357	67,145	71,934	91,031	96,028	104,476	113,553	129,619
Total	**16,762**	**927**	**3,045**	**2,291**	**4,304**	**3,435**	**1,264**	**1,109**	**320**	**67**
	$98,351	**$57,778**	**$88,407**	**$91,738**	**$96,066**	**$107,474**	**$120,097**	**$121,632**	**$119,559**	**$120,015**

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[1] Based on employment service. Average employment service for Tier 1 is 17.3 years compared to average benefit service of 16.3 years.

[2] Limited by Internal Revenue Code Section 401(a)(17) compensation limit.

Exhibit B: Members in Active Service as of June 30, 2022 by Age, Years of Service,[1] and Average Projected Compensation[2] (continued)

Tier 3

	Years of Service									
Age	**Total**	**0 – 4**	**5 – 9**	**10 – 14**	**15 – 19**	**20 – 24**	**25 – 29**	**30 – 34**	**35 – 39**	**40 & over**
Under 25	392	384	8	—	—	—	—	—	—	—
	$51,511	$51,618	$46,383	—	—	—	—	—	—	—
25 – 29	1,515	1,386	129	—	—	—	—	—	—	—
	67,083	66,034	78,351	—	—	—	—	—	—	—
30 – 34	1,714	1,407	304	2	1	—	—	—	—	—
	72,122	68,761	87,653	$75,395	$72,930	—	—	—	—	—
35 – 39	1,282	1,020	238	19	5	—	—	—	—	—
	79,466	75,753	92,163	112,874	105,623	—	—	—	—	—
40 – 44	1,005	787	196	10	8	3	1	—	—	—
	81,877	77,359	97,481	109,511	105,454	$88,326	$94,403	—	—	—
45 – 49	763	599	138	8	10	6	1	1	—	—
	78,188	72,855	95,976	121,586	94,985	110,951	114,898	$69,747	—	—
50 – 54	636	487	124	11	7	4	1	2	—	—
	81,012	74,587	96,384	120,219	126,315	143,077	101,343	183,852	—	—
55 – 59	460	337	112	1	2	5	2	1	—	—
	82,314	74,843	102,079	90,352	139,814	94,235	115,653	136,763	—	—
60 – 64	270	193	73	1	2	—	—	1	—	—
	82,785	76,420	96,961	183,250	123,985	—	—	93,407	—	—
65 – 69	94	69	24	—	1	—	—	—	—	—
	79,075	76,432	86,241	—	89,392	—	—	—	—	—
70 & over	24	21	3	—	—	—	—	—	—	—
	72,015	63,475	131,796	—	—	—	—	—	—	—
Total	**8,155**	**6,690**	**1,349**	**52**	**36**	**18**	**5**	**5**	**—**	**—**
	$74,820	**$70,670**	**$92,171**	**$114,600**	**$108,215**	**$109,676**	**$108,390**	**$133,524**	**—**	**—**

[1] Based on employment service. Average employment service for Tier 3 is 3.4 years compared to average benefit service of 3.0 years. We understand that some Tier 3 members entered LACERS with incoming reciprocal (i.e., employment) service. Such service is only used for eligibility determination purposes.

[2] Limited by Internal Revenue Code Section 401(a)(17) compensation limit.

Exhibit C: Reconciliation of Member Data

	Active Members	Inactive Vested Members	Service Retired Members	Disabled Members	Beneficiaries	Total
Number as of June 30, 2021	**25,176**	**9,647**	**17,054**	**849**	**4,109**	**56,835**
• New members	1,509	0	0	0	287	1,796
• Terminations – with vested rights	-1,303	1,303	0	0	0	0
• Contribution refunds	-76	-131	0	0	0	-207
• Retirements	-652[1]	-196	848	0	0	0
• New disabilities	0	-3	-1	4	0	0
• Return to work	320	-320	0	0	0	0
• Died with or without beneficiary	-56	-47	-500	-33	-208	-844
• Data adjustments	-1	126[2]	-2	-1	-7	115
Number as of June 30, 2022	**24,917**	**10,379**	**17,399**	**819**	**4,181**	**57,695**

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

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[1] Compared to 1,994 retirements from active service during FY 2020/2021. Of the 1,994 retirements, we understand that about 1,300 members retired from the Separation Incentive Program.

[2] Includes members who were both hired and terminated employment after June 30, 2021.

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

	Year Ended June 30, 2022		Year Ended June 30, 2021 [1]	
Net assets at market value at the beginning of the year		**$22,805,339,941**		**$17,863,324,366**
Prior period adjustments		(19,987)[2]		0
Subtotal		$22,805,319,954		$17,863,324,366
Contribution income:				
• Employer contributions	$682,928,074		$658,408,020	
• Member contributions	245,878,551		259,284,497	
Net contribution income		$928,806,625		$917,692,517
Investment income:				
• Interest, dividends and other income	$459,637,714		$379,896,013	
• Asset appreciation	(2,245,698,458)		5,013,637,649	
• Less investment and administrative fees	(161,667,882)		(135,192,404)	
Net investment income		$(1,947,728,626)		$5,258,341,258
Total income available for benefits		**$(1,018,922,001)**		**$6,176,033,775**
Less benefit payments:				
• Benefits paid[3]	$(1,320,663,863)		$(1,216,434,352)	
• Member refunds	(11,630,099)		(17,583,848)	
Net benefit payments		$(1,332,293,962)		$(1,234,018,200)
Change in net assets at market value		$(2,351,215,963)		$4,942,015,575
Net assets at market value at the end of the year		**$20,454,103,991**		**$22,805,339,941**

Note: Results may be slightly off due to rounding.

[1] The June 30, 2021 amounts shown above have not been restated to reflect the final amounts provided in the June 30, 2022 financial statements, since the amounts shown here were provided by LACERS and used by Segal for the June 30, 2021 valuation.

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

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

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

	June 30, 2022		**June 30, 2021** [1]	
Cash equivalents		$428,386,988		$1,075,483,517
Accounts receivable:				
• Accrued investment income	$79,684,301		$70,733,315	
• Proceeds from sales of investments	135,169,157		150,900,096	
• Other	10,862,885		9,101,638	
Total accounts receivable		$225,716,343		$230,735,049
Investments:				
• Fixed income	$5,151,890,589		$5,916,988,209	
• Equities	9,502,159,992		11,501,603,737	
• Real estate and alternative investment	4,963,175,949		4,196,138,478	
• Derivative instruments	(1,252,530)		2,941,387	
• Other	960,814,353		617,572,437	
Total investments at market value		$20,576,788,353		$22,235,244,248
Capital assets		53,305,470		42,868,471
Total assets		$21,284,197,154		$23,584,331,285
Accounts payable:				
• Accounts payable and accrued expenses	$(88,838,675)		$(57,682,318)	
• Accrued investment expenses	(19,981,850)		(13,765,114)	
• Purchases of investments	(204,713,269)		(431,603,358)	
• Securities lending collateral	(515,987,947)		(275,940,554)	
Total accounts payable		$(829,521,741)		$(778,991,344)
Deferred inflow of resources		$(571,422)		$0
Net assets at market value		**$20,454,103,991**		**$22,805,339,941**
Net assets at actuarial value		**$21,218,951,507**		**$20,083,918,240**
Net assets at valuation value		**$17,649,267,571**		**$16,660,584,654**

Note: Results may be slightly off due to rounding.

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[1] The June 30, 2021 amounts shown above have not been restated to reflect the final amounts provided in the June 30, 2022 financial statements, since the amounts shown here were provided by LACERS and used by Segal for the June 30, 2021 valuation.

Exhibit F: Development of the Fund through June 30, 2022 for Retirement, Health, Family Death, and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return[1]	Benefit Payments[2]	Market Value of Assets at Year-End	Actuarial Value of Assets at Year-End	Actuarial Value as a Percent of Market Value
2013	$419,266,581	$197,880,631	$1,512,696,071	$803,005,352	$11,922,538,917	$12,004,110,338	100.7%
2014	455,658,786	204,135,914	2,180,005,302	826,566,921	13,935,771,998	12,935,503,398	92.8%
2015	481,765,868	207,564,465	348,113,908	848,455,864[3]	14,124,760,375	13,895,589,227	98.4%
2016	546,687,123	211,344,752	7,190,895	884,923,630	14,005,059,515	14,752,102,625	105.3%
2017	550,961,514	227,531,810	1,834,657,728	928,640,257	15,689,570,310	15,686,973,131	100.0%
2018	551,247,264	236,222,166	1,498,100,177	985,523,573[4]	16,989,616,344	16,687,907,767	98.2%
2019	586,753,902	240,357,396	945,590,839	1,054,408,548	17,707,909,933	17,711,461,636	100.0%
2020	665,358,602	263,935,650	338,862,747	1,112,742,566	17,863,324,366	18,697,966,253	104.7%
2021	658,408,020	259,284,497	5,258,341,258	1,234,018,200	22,805,339,941	20,083,918,240	88.1%
2022	682,928,074	245,878,551	(1,947,748,613)[5]	1,332,293,962	20,454,103,991	21,218,951,507	103.7%

Note: Results may be slightly off due to rounding.

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

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

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

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

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

Exhibit G: Table of Amortization Bases

Type	Date Established	Initial Amount	Initial Period	Outstanding Balance	Years Remaining	Annual Payment[1]
Plan amendment (2009 ERIP)	June 30, 2009	$300,225,354	15	$81,079,003	2	$41,262,560
Combined base	June 30, 2012	4,173,548,280	30	4,659,849,736	20	320,170,690
Experience loss	June 30, 2013	116,022,989	15	74,437,682	6	13,538,486
Experience gain	June 30, 2014	(215,549,892)	15	(152,307,211)	7	(24,154,534)
Change in assumptions	June 30, 2014	785,439,114	20	710,731,609	12	71,523,939
Experience gain	June 30, 2015	(185,473,782)	15	(141,739,953)	8	(20,006,925)
Experience gain	June 30, 2016	(255,444,007)	15	(207,846,509)	9	(26,523,706)
Experience gain	June 30, 2017	(99,814,895)	15	(85,413,036)	10	(9,976,271)
Change in assumptions	June 30, 2017	340,717,846	20	327,148,107	15	27,667,028
Experience loss	June 30, 2018	147,418,362	15	131,851,192	11	14,236,387
Change in assumptions	June 30, 2018	483,717,164	20	470,985,465	16	37,951,888
Plan amendment (APO Tier 1 Enhancement)	January 7, 2018	25,170,149	15	22,456,997[2]	10.5	2,519,094
Experience loss	June 30, 2019	394,012	15	365,330	12	36,765
Experience loss	June 30, 2020	393,785,997	15	375,925,524	13	35,502,463
Change in assumptions	June 30, 2020	530,720,225	20	525,587,360	18	38,873,659
Experience gain	June 30, 2021	(233,981,212)	15	(229,186,875)	14	(20,430,977)
Experience gain	June 30, 2022	(134,440,689)	15	(134,440,689)	15	(11,369,695)
Total				**$6,429,483,732**		**$490,820,851**

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

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

[2] Based on clarification provided recently by LACERS, 27 of the members or former members included in our original costing of APO Tier 1 enhancements for the January 7, 2018 UAAL layer did not elect the enhanced benefits. Accordingly, we have restated the initial amount for the UAAL layer as of January 7, 2018 to exclude those members and have rolled the restated balance forward to the June 30, 2022 valuation date. Note that this adjustment to the outstanding balance had a negligible effect on the City contribution rate as of June 30, 2022.

Exhibit H: Projection of UAAL Balances and Payments

Outstanding Balance of $6.43 Billion in Net UAAL as of June 30, 2022

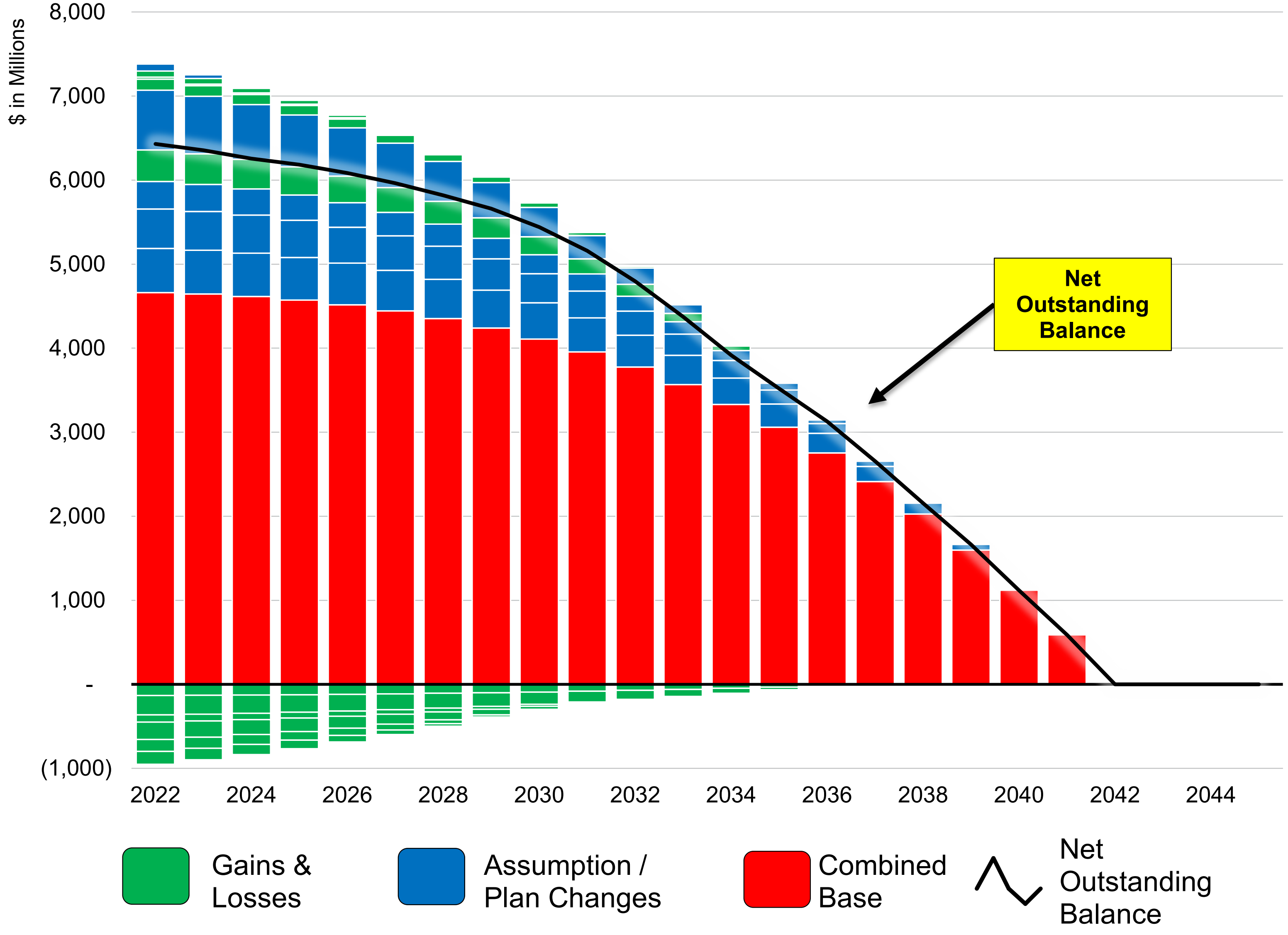

Exhibit H: Projection of UAAL Balances and Payments (continued)

Annual Payments Required to Amortize $6.43 Billion in Net UAAL as of June 30, 2022

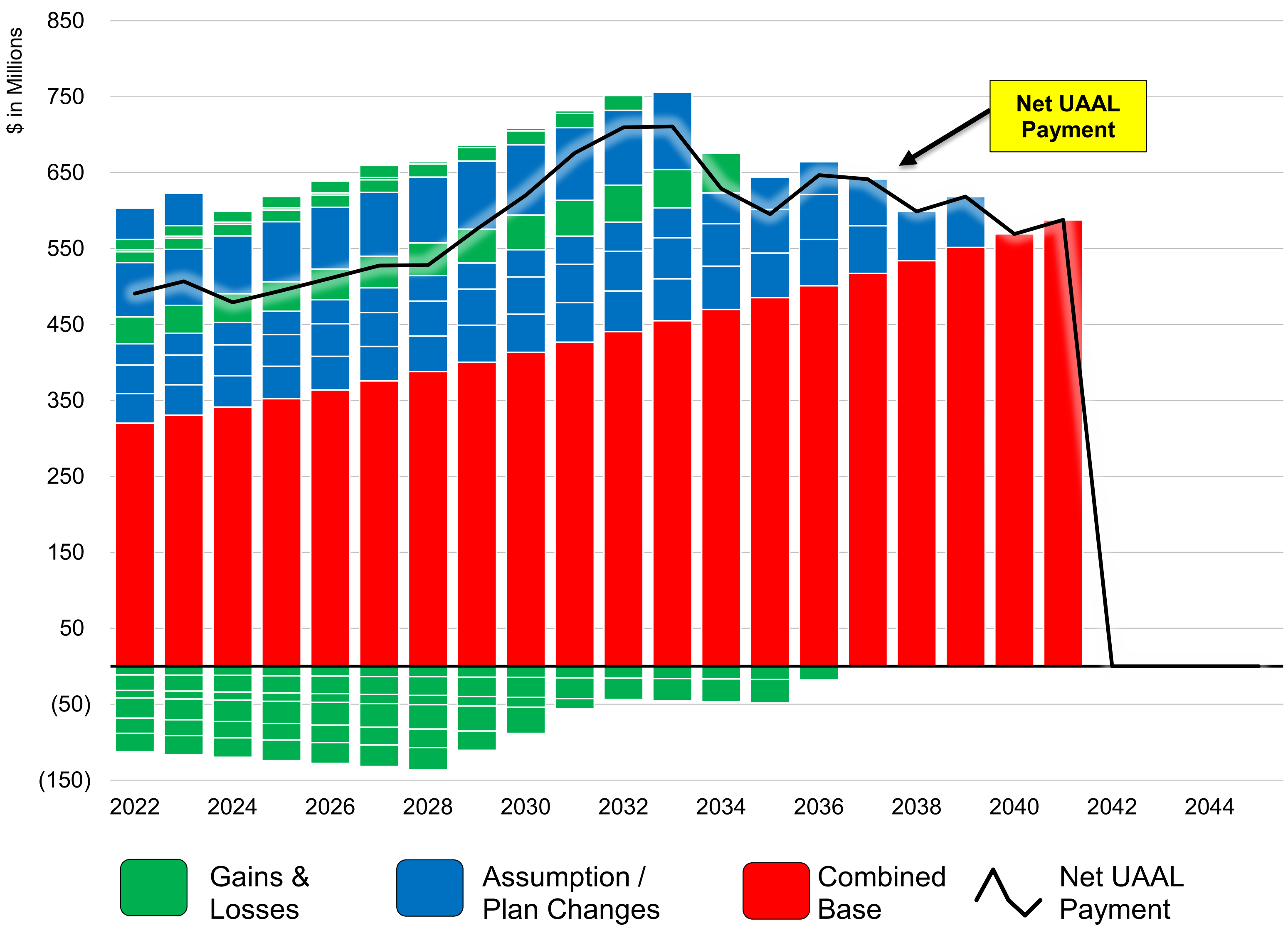

Exhibit I: Definition of Pension Terms

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

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

Section 3: Supplemental Information

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

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

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

Section 4: Actuarial Valuation Basis

Exhibit 1: Actuarial Assumptions and Methods

Rationale for Assumptions:	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2016 through June 30, 2019 Actuarial Experience Study dated June 17, 2020. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 members. These assumptions have been adopted by the Board.
Economic Assumptions	
Net Investment Return:	7.00%; net of administrative and investment expenses. Based on the Actuarial Experience Study report referenced above, expected administrative and investment expenses represent about 0.40% of the Actuarial Value of Assets.
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 2.75% is used to approximate that crediting rate in this valuation.
Consumer Price Index (CPI) and Cost of Living Adjustment (COLA):	CPI increase of 2.75% per year. Retiree COLA increases of 2.75% per year for Tier 1 and 2.00% per year for Tier 3. For Tier 1 members with COLA banks, withdrawals from the bank are assumed to increase the retiree COLA to 3% per year until their COLA banks are exhausted.
Payroll Growth:	Inflation of 2.75% per year plus real “across the board” salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.
Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit:	Increase of 2.75% per year from the valuation date.

Salary Increases:

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

Merit and Promotion Increases

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

Demographic Assumptions:

Post-Retirement Mortality Rates:

Healthy Members

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

Disabled Members

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

Beneficiaries

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

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

Pre-Retirement Mortality Rates:

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

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

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

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

Disability Incidence:

Disability Incidence

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

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

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

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

Termination:

Less Than Five Years of Service

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

Five or More Years of Service

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

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

Retirement Rates:

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

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

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

Other Reciprocal Service: 5% of future inactive vested members will work at a reciprocal system.

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

Other Actuarial Methods	
Employer Contributions:	Employer contributions consist of two components: *Normal Cost* The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is determined as a level percentage of the member's compensation. *Contribution to the Unfunded Actuarial Accrued Liability (UAAL)* The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.25% (i.e., 2.75% inflation plus 0.50% across-the-board salary increase). The amortization policy is described on the previous page. The recommended employer contributions are provided in *Section 2, Subsection F*.
Internal Revenue Code Section 415:	Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan. A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active members could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets. In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $245,000 for 2022. 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.
Change in Actuarial Assumptions:	There have been no changes in actuarial assumptions since the last valuation.

Exhibit 2: Summary of Plan Provisions

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

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

Normal Retirement Benefit: (continued)

Tier 3

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

Age & Service Requirement	Age 60 with 10 years of service, including 5 years of continuous City service.
Amount	1.50% per year of service credit at age 60 (not greater than 80%[1]) of the Final Average Monthly Compensation.

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

Age & Service Requirement	Age 60 with 30 years of service, including 5 years of continuous City service.
Amount	2.00% per year of service credit at age 60 (not greater than 80%[1]) of the Final Average Monthly Compensation.

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

Early Retirement Benefit:

Tier 1 & Tier 1 Enhanced	Age 55 with 10 years of continuous City service; or
Age & Service Requirement (§ 4.1005(b))	Any age with 30 years of City service.
Amount (§ 4.1007(a) & (b))	2.16% and 2.30% per year of service credit for Tier 1 and Tier 1 Enhanced, respectively, (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following Early Retirement benefit adjustment factors:

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

Early Retirement Benefit: (continued)

Tier 3

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.

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))*	(i) 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement);[1] (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option. [1] The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1080.14 (Tier 3).
Tier 1 Enhanced *(§ 4.1010.1(b), § 4.1010.1(i), and § 4.1010.1(j))* • *While on service-connected disability*	(i) 80% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement) [1, 2] (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option. [1] If the death occurs within three years of the retiree's retirement, the eligible survivor shall receive 80% of the Final Average Monthly Compensation (adjusted with Cost of Living benefit). [2] The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provision of Section 4.1010.1(c).

Death after Retirement: (continued)

- *While on nonservice-connected disability or service retirement*

(i) 70% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement)[3]

(ii) $2,500 lump sum death benefit paid to a designated beneficiary; and

(iii) Any unused contributions if the member has elected the cash refund annuity option.

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

Death before Retirement:

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

Greater of:

Option #1:

(i) Eligibility – None.

(ii) Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:[1]

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

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

Tier 1 & Tier 3

Option #2:

(i) Eligibility – Duty-related death or after 5 years of continuous service.

(ii) Benefit – Deferred, service, optional, or disability survivorship benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner. (Limited pension waived.)

(iii) Refund of accumulated contributions. No survivorship benefit payable with refund.

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

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

Deferred Retirement Benefit (Vested): (continued)

Age & Service Requirement

A former member who is not yet age 60 may retire for early retirement with an age-based reduced retirement allowance at age 55 or older with 5 years of continuous City service, provided at least 10 years have elapsed from first date of membership.

Deferred employee who meets part-time eligibility: age 55 and at least 10 years elapsed from first date of membership.

Amount

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

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

Tier 3

(§ 4.1080.6)

Age & Service Requirement

Age 60 with 5 years of continuous City service and at least 10 years elapsed from first date of membership; or

Age 70 with 5 years of continuous City service, regardless of the number of years that have elapsed from first date of membership.

Amount

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

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

Deferred Retirement Benefit (Vested): (continued)

Tier 3

Age & Service Requirement

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

Amount

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

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

Withdrawal of Contributions Benefit (Ordinary Withdrawal):

Refund of employee contributions with interest.

Changes in Plan Provisions:

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

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

5743699v5/05806.002

BOARD Meeting: 11/8/22
Item: IV – A
Attachment: 3

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2022

Segal

Segal

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October 31, 2022

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2022. The report summarizes the actuarial data used in the valuation, establishes the Actuarially Determined Contribution (ADC) for the Fiscal Year 2023/2024, and analyzes the preceding year's experience. This report was based on the census and unaudited financial data provided by the System and the terms of the Plan as summarized in Exhbit III. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. The health components were completed under the supervision of Mary Kirby, FSA, MAAA, FCA.

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

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

Sincerely,

Segal

Andy Yeung

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

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

JAC/jl

Table of Contents

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose

This report presents the results of our actuarial valuation of the City of Los Angeles Employees' Retirement System OPEB plan as of June 30, 2022 for funding purposes. The results of the valuation for financial reporting purposes consistent with GASB Statement No. 74 are provided in a separate report.

Highlights of the Valuation

- The recommended contribution rate has slightly increased from 3.92% of payroll to 3.93% of payroll and the recommended contribution amount has slightly increased from $88.4 million to $88.7 million, assuming contributions are received by LACERS on July 15. The main reasons for the increase in the contribution rate were: (i) impact of amortizing all actuarial gain layers over an adjusted period of 20 years (the longer of 15 years or the remaining 20-year amortization period for the outstanding balance of the pre-6/30/2021 UAAL layers), (ii) total projected payroll smaller than expected, (iii) an investment loss[1] (after smoothing), and (iv) updated trend assumption for projecting medical premiums after 2022/2023, offset to some degree by (iv) 2022/2023 premium and subsidy levels lower than expected from favorable premium renewal experience. A complete reconciliation of the change in the recommended contribution rate is provided in Section 2, Subsection D. Rates are shown separately for Tier 1 and Tier 3 in Section 2, Subsection E.
- The ratio of the valuation value of assets to actuarial accrued liabilities increased from 94.61% to 96.99%. On a market value of assets basis, the funded ratio decreased from 107.43% to 93.49%. The unfunded actuarial accrued liability decreased from $189.7 million to $107.7 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 2, Subsection B.
- As noted above, the GAS 74 report with a measurement date of June 30, 2022 for financial reporting purposes for the Plan is provided as a separate report.
- The GAS 75 report with a measurement date of June 30, 2022 for financial reporting purposes for the employer (with a reporting date of June 30, 2023) will be provided in the first or second quarter of 2023.

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[1] The smoothed investment return calculated for the OPEB Plan was 6.23%. This is lower than the 7.90% smoothed investment return calculated for the Retirement Plan. Both of these returns have been calculated by Segal on a dollar-weighted basis taking into account the beginning of year assets, contributions, and benefit cash flows made during the year. In backing into a rate of return using smoothed actual investment income, investment expense and administrative expense, we sometimes could come up with a different return for the two Plans if: (a) the timing of the actual cash flows (especially the benefit payments) are different from what we assumed and/or (b) the actual income and expense allocated are different when compared to the proportion of the assets in the two Plans.

- The actuarial valuation report as of June 30, 2022 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.
- As of the June 30, 2021 valuation and following a recommendation from Segal (to achieve a more stable UAAL rate), the Board acted re-amortize all amortization bases as of June 30, 2020 over 21 years starting with the June 30, 2021 valuation.[1] Since then, the Plan has had positive actuarial experience (actuarial gains) in the June 30, 2021 and June 30, 2022 valuations. While the Plan has a net UAAL balance, the combined UAAL contribution (calculated by amortizing the recent actuarial gains over 15 years under the Board's Actuarial Funding Policy) is a negative payment (a credit). This anomalous result occurs because the gains are being recognized over a shorter period than the remaining 20-year amortization period for the pre-June30, 2021 UAAL layers. We raised this issue as part of recommending the medical trends and other actuarial assumptions for the June 30, 2022 OPEB valuation. Following action taken by the Board, we have made an adjustment to the amortization period for all the actuarial gain layers (including the outstanding balance of the gain from the June 30, 2021 valuation) to 20 years (the longer of 15 years or the remaining amortization period for the outstanding balance of the pre-June 30, 2021 UAAL layers).
- As in prior years, the employer contribution rates provided in this report have been developed assuming they will be received by LACERS on any of the following dates:
  - The beginning of the fiscal year, or
  - On July 15, 2023, or
  - Throughout the year (i.e., LACERS will receive contributions at the end of every pay period).

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[1] As demonstrated in our July 14, 2021 letter recommending the combination of the prior UAAL layers, the UAAL contribution rate for the retiree health plan would have doubled in ten years and more than tripled in fifteen years following the June 30, 2020 valuation without the Board's action.

Summary of Valuation Results

	June 30, 2022	June 30, 2021
Actuarial Accrued Liability (AAL)	$3,580,696,288	$3,520,078,454
Valuation Value of Assets	3,472,955,743	3,330,377,493
Unfunded Actuarial Accrued Liability	107,740,545	189,700,961
Funded Ratio on Valuation Value Basis	96.99%	94.61%
Market Value of Assets	$3,347,771,350	$3,781,652,063
Funded Ratio on Market Value Basis	93.49%	107.43%
Actuarially Determined Contribution (ADC)		
Normal cost (beginning of year)	$81,027,749	$81,415,127
Amortization of the unfunded actuarial accrued liability	7,402,677	6,702,787
Total Actuarially Determined Contribution (beginning of year)	**$88,430,426**	**$88,117,914**
Total Actuarially Determined Contribution (July 15)	**$88,676,648**	**$88,363,266**
Total Actuarially Determined Contribution (end of each pay period)	**$91,473,144**	**$91,149,879**
Total projected compensation[1]	$2,258,724,771	$2,254,165,029
ADC as a percentage of pay (there is a 12-month delay until the rate is effective)[2]		
Beginning of year	3.92%	3.91%
July 15	3.93%	3.92%
End of each pay period	4.05%	4.04%
Total Participants[3]	50,391	50,450

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[1] Reflects amount calculated in the pension valuation.

[2] A breakdown of the ADC by tier is provided in Section 2, Subsection E.

[3] Includes 139 pensioners and beneficiaries as of June 30, 2022 and 141 pensioners and beneficiaries as of June 30, 2021 entitled but not yet eligible for health benefits.

Important Information about Actuarial Valuations

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

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

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by LACERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	This valuation is based on the market value of assets as of the valuation date, as provided by LACERS.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to health care plan trend and enrollment. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results that does not mean that the previous assumptions were unreasonable.

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

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

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

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

Actuarial Certification

October 31, 2022

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2022, 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, 2021.

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

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

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

Segal prepared all of the supporting schedules for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2022 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section, and in the Actuarial Section, is provided below:

Financial Section

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

Actuarial Section

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

* Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2022.

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

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

Andy Yeung

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

Mary Kirby

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

Section 2: Actuarial Valuation Results

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

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

	Actuarial Present Value of Total Projected Benefits (APB)	
	June 30, 2022	**June 30, 2021**
Participant Category		
Current retirees, beneficiaries, and dependents	$1,900,861,299	$1,869,444,779
Current active members	2,341,148,846	2,320,185,725
Terminated members entitled but not yet eligible	74,631,785	74,599,941
Total	**$4,316,641,930**	**$4,264,230,445**

	Actuarial Balance Sheet	
	June 30, 2022	**June 30, 2021**
Assets		
1. Valuation value of assets	$3,472,955,743	$3,330,377,493
2. Present value of future normal costs	735,945,642	744,151,991
3. Unfunded actuarial accrued liability	107,740,545	189,700,961
4. Present value of current and future assets	**$4,316,641,930**	**$4,264,230,445**
Liabilities		
5. Actuarial present value of total projected benefits	$4,316,641,930	$4,264,230,445

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

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

	June 30, 2022	June 30, 2021
Participant Category		
Current retirees, beneficiaries, and dependents	$1,900,861,299	$1,869,444,779
Current active members	1,605,203,204	1,576,033,734
Terminated members entitled but not yet eligible	74,631,785	74,599,941
Total actuarial accrued liability	**$3,580,696,288**	**$3,520,078,454**
Unfunded Actuarial Accrued Liability		
Total actuarial accrued liability	$3,580,696,288	$3,520,078,454
Valuation value of assets	3,472,955,743	3,330,377,493
Unfunded actuarial accrued liability	**$107,740,545**	**$189,700,961**
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2022		
1. Unfunded actuarial accrued liability as of June 30, 2021		**$189,700,961**
2. Employer normal cost as of June 30, 2021		81,415,127
3. Expected employer contributions during 2021/2022 fiscal year		(88,117,914)
4. Interest		12,809,872
5. Expected unfunded actuarial accrued liability as of June 30, 2022 (1 + 2 + 3 + 4)		$195,808,046
6. Change due to investment loss, after smoothing		25,569,224
7. Change due to actual contributions more than expected		(3,482,909)
8. Change due to miscellaneous demographic gains and losses		(276,376)
9. Change due to updated 2022/2023 premium and subsidy levels		(125,251,766)
10. Change due to updated trend assumption to project future medical premiums after 2022/2023		15,374,326
11. Unfunded actuarial accrued liability as of June 30, 2022 (5 + 6 + 7 + 8 + 9 + 10)		**$107,740,545**

C. Table of Amortization Bases

Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. Los Angeles City Employees' Retirement System has elected to amortize the unfunded actuarial accrued liability using the following rules: The amortization periods for all unfunded actuarial accrued liability layers as of June 30, 2020 were reset to fixed periods of 21 years beginning with the June 30, 2021 valuation date. Thereafter, assumption changes resulting from the triennial experience study will be amortized over 20 years. Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years. Note that in both the table below and the graphical projection in Section 3, Exhibit I, the pre-June 2021 amortization bases are shown as a single layer and experience gain and loss bases include changes in UAAL due to health related assumption changes.

The Plan has continued to have positive actuarial experience, and the combined UAAL contribution (calculated by amortizing the recent actuarial gains over 15 years under the Board's Actuarial Funding Policy) is negative (a credit) even though the Plan has a net UAAL balance. This anomalous result occurs because the gains are being recognized over a shorter period than the remaining 20-year amortization period for the pre-June 30, 2021 UAAL layers.

We raised this issue as part of recommending the medical trends and other actuarial assumptions for the June 30, 2022 OPEB valuation. Following action taken by the Board, we have made an adjustment to the amortization period for all the actuarial gain layers (including the outstanding balance of the gain from the June 30, 2021 valuation) to 20 years (the longer of 15 years or the remaining amortization period for the outstanding balance of the pre-June 30, 2021 UAAL layers).

Type	Date Established	Initial Balance	Initial Period	Outstanding Balance	Preliminary Years Remaining	Preliminary Annual Payment[1]	Years Remaining	Annual Payment[1]
Total of pre-June 30, 2021 bases[2]	various	various	various	$515,472,622	20	$35,417,285	20	$35,417,285
Experience Gain[3]	06/30/2021	(326,351,608)	15	(319,664,576)	14	(28,496,657)	20	(21,963,633)
Experience Gain[3]	06/30/2022	(88,067,500)	15	(88,067,501)	15	(7,447,899)	20	(6,050,975)
Total				**$107,740,545**		**($527,271)**		**$7,402,677**

[1] Level percentage of payroll.

[2] On August 24, 2021, the Board acted to re-amortize all amortization bases as of June 30, 2020 over 21 years starting with the June 30, 2021 actuarial valuation.

[3] Also includes changes in the UAAL due to updated trend assumption and due to updated premium and subsidy levels.

D. Reconciliation of Recommended Contribution Rate

The chart below details the changes in the ADC from the prior valuation to the current year's valuation.

Reconciliation of Recommended Contribution from June 30, 2021 to June 30, 2022

	Contribution Rate
Recommended Contribution as of June 30, 2021[1]	**3.92%**
Change due to investment loss, after smoothing	0.10%
Change due to miscellaneous demographic gains and losses	-0.04%
Change due to updated 2022/2023 premium and subsidy levels	-0.59%
Change due to updated trend assumption to project future medical premiums after 2022/2023	0.07%
Change due to 20-year[2] amortization of UAAL gain layers	0.35%
Change in UAAL rate from smaller than expected projected total payroll	0.12%
Total change	0.01%
Recommended Contribution as of June 30, 2022[1]	**3.93%**

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[1] If received on July 15.

[2] 20 years is the greater of 15 years and the remaining period for the outstanding balance of the pre-June 30, 2021 UAAL layers.

E. Development of Actuarially Determined Contribution (ADC)

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

Tier 1

		Determined as of			
		June 30, 2022		June 30, 2021	
		Amount	Percentage of Compensation	Amount	Percentage of Compensation
1.	Normal cost	$56,574,359	3.43%	$59,362,324	3.46%
2.	Amortization of the unfunded actuarial accrued liability[1]	5,402,958	0.33%	5,105,628	0.30%
3.	**Total Actuarially Determined Contribution (beginning of year)**	**$61,977,317**	**3.76%**	**$64,467,952**	**3.76%**
4.	Total Projected Compensation[2]	$1,648,564,985		$1,717,036,125	
5.	Adjustment for timing (July 15)	$172,567	0.01%	$179,502	0.01%
6.	**Total Actuarially Determined Contribution (July 15)**	**$62,149,884**	**3.77%**	**$64,647,454**	**3.77%**
7.	Adjustment for timing (end of pay period)	$2,132,518	0.13%	$2,218,216	0.12%
8.	**Total Actuarially Determined Contribution (end of pay period)**	**$64,109,835**	**3.89%**	**$66,686,168**	**3.88%**

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

[2] Reflects amount calculated in the pension valuation.

Tier 3

	Determined as of			
	June 30, 2022		June 30, 2021	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$24,453,390	4.01%	$22,052,803	4.11%
2. Amortization of the unfunded actuarial accrued liability[1]	1,999,719	0.33%	1,597,159	0.30%
3. Total Actuarially Determined Contribution (beginning of year)	**$26,453,109**	**4.34%**	**$23,649,962**	**4.41%**
4. Total Projected Compensation[2]	$610,159,786		$537,128,904	
5. Adjustment for timing (July 15)	$73,655	0.01%	$65,850	0.01%
6. Total Actuarially Determined Contribution (July 15)	**$26,526,764**	**4.35%**	**$23,715,812**	**4.42%**
7. Adjustment for timing (end of pay period)	$910,200	0.14%	$813,749	0.14%
8. Total Actuarially Determined Contribution (end of pay period)	**$27,363,309**	**4.48%**	**$24,463,711**	**4.55%**

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

[2] Reflects amount calculated in the pension valuation.

Total Plan

	Determined as of			
	June 30, 2022		June 30, 2021	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$81,027,749	3.59%	$81,415,127	3.61%
2. Amortization of the unfunded actuarial accrued liability	7,402,677	0.33%	6,702,787	0.30%
3. Total Actuarially Determined Contribution (beginning of year)	**$88,430,426**	**3.92%**	**$88,117,914**	**3.91%**
4. Total Projected Compensation[1]	$2,258,724,771		$2,254,165,029	
5. Adjustment for timing (July 15)	$246,222	0.01%	$245,352	0.01%
6. Total Actuarially Determined Contribution (July 15)	**$88,676,648**	**3.93%**	**$88,363,266**	**3.92%**
7. Adjustment for timing (end of pay period)	$3,042,718	0.13%	$3,031,965	0.13%
8. Total Actuarially Determined Contribution (end of pay period)	**$91,473,144**	**4.05%**	**$91,149,879**	**4.04%**

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[1] Reflects amount calculated in the pension valuation.

F. Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Contributions[1]	Actual Contributions[1]	Percentage Contributed
2017	$97,457,455	$97,457,455	100.00%
2018	100,909,010	100,909,010	100.00%
2019	107,926,949	107,926,949	100.00%
2020	112,136,429	112,136,429	100.00%
2021	103,454,114	103,454,114	100.00%
2022	91,622,720	91,622,720	100.00%

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

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

G. Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2017	$2,438,458,132	$3,005,806,234	$567,348,102	81.12%	$2,062,316,129	27.51%
06/30/2018	2,628,843,511	3,256,827,847	627,984,336	80.72%	2,177,687,102	28.84%
06/30/2019	2,812,661,894	3,334,298,549	521,636,655	84.36%	2,225,412,831	23.44%
06/30/2020	2,984,423,687	3,486,530,510	502,106,823	85.60%	2,445,016,587	20.54%
06/30/2021	3,330,377,493	3,520,078,454	189,700,961	94.61%	2,254,165,029	8.42%
06/30/2022	3,472,955,743	3,580,696,288	107,740,545	96.99%	2,258,724,771	4.77%

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

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[1] Reflects amount calculated in the pension valuation.

H. Volatility Ratios for Years Ended June 30, 2013 – 2022

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

For LACERS, the current AVR is about 1.48. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 1.48% of one-year's payroll. Since LACERS amortizes actuarial gains and losses over a period of 15 years, there would be a 0.1% of payroll decrease/(increase) in the determined contribution for each 1% asset gain/(loss).

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

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

For LACERS, the current LVR is about 1.59. This is about 7% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2013	0.93	1.31
2014	1.10	1.40
2015	1.12	1.39
2016	1.08	1.42
2017	1.18	1.46
2018	1.23	1.50
2019	1.26	1.50
2020	1.17	1.43
2021	1.68	1.56
2022	1.48	1.59

I. Member Population: 2013 – 2022

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

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

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

Year Ended June 30	Active Members	Inactive Vested Members	Retired Members and Beneficiaries[1]	Total Non-Actives	Ratio of Non-Actives to Actives	Ratio of Retired Members and Beneficiaries to Actives
2013	24,441	861	13,592	14,453	0.59	0.56
2014	24,009	955	13,686	14,641	0.61	0.57
2015	23,895	1,032	14,012	15,044	0.63	0.59
2016	24,446	1,119	14,313	15,432	0.63	0.59
2017	25,457	1,280	14,652	15,932	0.63	0.58
2018	26,042	1,401	15,144	16,545	0.64	0.58
2019	26,632	1,474	15,791	17,265	0.65	0.59
2020	27,490	1,526	16,107	17,633	0.64	0.59
2021	25,176	1,554	17,500	19,054	0.76	0.70
2022	24,917	1,537	17,753	19,290	0.77	0.71

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

Section 3: Valuation Details

Exhibit A: Table of Plan Coverage

Total Plan

	Year Ended June 30		
Category	**2022**	**2021**	**Change From Prior Year**
Active members in valuation:			
• Number	24,917	25,176	-1.0%
• Average age	46.7	46.4	0.3
• Average service	12.8	12.6	0.2
• Total projected compensation	$2,258,724,771	$2,254,165,029	0.2%
Inactive members:			
• Number	1,537	1,554	-1.1%
• Average age	51.1	51.4	-0.3
Retirees:[1]			
• Number of non-disabled	15,616	15,355	1.7%
• Number of disabled	317	324	-2.2%
• Total number of retirees	15,933	15,679	1.6%
• Average age of retirees	71.8	71.5	0.3
• Number of spouses	6,045	6,079	-0.6%
• Average age of spouses	68.4	68.1	0.3
Surviving Spouses:[1]			
• Number in pay status	1,820	1,821	-0.1%
• Average age	79.6	79.6	0.0

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

Tier 1

Category[1]	Year Ended June 30 2022	2021	Change From Prior Year
Active members in valuation:			
• Number	16,762	17,768	-5.7%
• Average age	50.4	49.7	0.7
• Average service	17.3	16.6	0.7
• Total projected compensation	$1,648,564,985	$1,717,036,125	-4.0%
Inactive members:			
• Number	1,519	1,540	-1.4%
• Average age	51.1	51.4	-0.3
Retirees:[2]			
• Number of non-disabled	15,616	15,355	1.7%
• Number of disabled	317	324	-2.2%
• Total number of retirees	15,933	15,679	1.6%
• Average age of retirees	71.8	71.5	0.3
• Number of spouses	6,045	6,079	-0.6%
• Average age of spouses	68.4	68.1	0.3
Surviving Spouses:[2]			
• Number in pay status	1,820	1,821	-0.1%
• Average age	79.6	79.6	0.0

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

	June 30, 2022[2]	June 30, 2021
Active Members	361	388
Inactive Members	11	18
Retired Members	81	83

The total number of APO members shown in the table above as of June 30,2022 has been reduced by 17 to reflect that those members actually did not make election to receive enhanced retirement benefits. However, in the rest of this valuation report, the liabilities disclosed as of June 30, 2022 have not yet been adjusted to reflect the minor decrease in the liabilities of about $43,000. Even if it were reflected, this liability decrease would not have changed the ADC rates (as a percentage of compensation) determined in this valuation.

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

Tier 3

Category	Year Ended June 30 2022	2021	Change From Prior Year
Active members in valuation:			
• Number	8,155	7,408	10.1%
• Average age	39.0	38.3	0.7
• Average service	3.4	2.9	0.5
• Total projected compensation	$610,159,786	$537,128,904	13.6%
Inactive members:			
• Number	18	14	28.6%
• Average age	46.9	47.7	-0.8
Retirees:[1]			
• Number of non-disabled	N/A	N/A	N/A
• Number of disabled	N/A	N/A	N/A
• Total number of retirees	N/A	N/A	N/A
• Average age of retirees	N/A	N/A	N/A
• Number of spouses	N/A	N/A	N/A
• Average age of spouses	N/A	N/A	N/A
Surviving Spouses:			
• Number in pay status	N/A	N/A	N/A
• Average age	N/A	N/A	N/A

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

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

Category	Year Ended June 30 2022	Year Ended June 30 2021
Active		
• Pension valuation	24,917	25,176
• Health valuation	24,917	25,176
Retirees		
• Pension valuation	17,399	17,054
• Retirees with no subsidy due to service or decision not to enroll	-1,759	-1,682
• Deferred retirees eligible for future health benefits	-24	-17
• Health valuation	15,616	15,355
Disableds		
• Pension valuation	819	849
• Disabled with no subsidy due to service or decision not to enroll	-467	-477
• Deferred disableds eligible for future health benefits	-35	-48
• Health valuation	317	324
Surviving Spouses		
• Pension valuation	4,181	4,109
• Surviving spouses with no subsidy due to service or decision not to enroll	-2,281	-2,212
• Deferred surviving spouses eligible for future health benefits	-80	-76
• Health valuation	1,820	1,821
Inactive Vested		
• Pension valuation	10,379	9,647
• Inactive vesteds with less than 10 years of service	-8,842	-8,093
• Health valuation	1,537	1,554

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

Year Ended 6/30	No. of New Retirees/ Beneficiaries	Annual Allowances Added[1]	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
2017	913	$13,706,185	574	$3,316,380	14,652	$122,101,891	9.3	$8,333
2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
2019	1,195	12,323,187	548	3,780,696	15,791	144,408,241	6.3	9,145
2020	967	7,878,817	651	3,979,061	16,107	148,307,997	2.7	9,208
2021	2,135	25,826,129	742	5,162,633	17,500	168,971,493	13.9	9,656
2022	893	5,631,315	640	4,809,300	17,753	169,793,508	0.5	9,564

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

Exhibit D: Cash Flow Projections

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

	Projected Number of Retirees[1]			**Projected Benefit Payments**		
Year Ending June 30	**Current**	**Future**	**Total**	**Current**	**Future**	**Total**
2023	23,798	1,493	25,291	$161,633,095	$11,317,595	$172,950,690
2024	23,345	2,388	25,733	159,184,323	20,329,991	179,514,314
2025	22,648	3,267	25,915	159,160,502	30,446,464	189,606,966
2026	21,929	4,142	26,071	158,078,788	41,384,282	199,463,070
2027	21,205	5,013	26,218	156,644,372	52,878,211	209,522,583
2028	20,476	5,916	26,392	154,686,112	65,042,631	219,728,743
2029	19,738	6,808	26,546	152,538,642	77,489,880	230,028,522
2030	18,994	7,717	26,711	150,087,541	90,624,353	240,711,894
2031	18,245	8,638	26,883	147,833,468	104,339,709	252,173,177
2032	17,488	9,534	27,022	145,981,541	118,137,968	264,119,509

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

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

	Year Ended June 30, 2022		Year Ended June 30, 2021[1]	
Net assets at market value at the beginning of the year		**$22,805,339,941**		**$17,863,324,366**
Prior period adjustments:		(19,987)[2]		0
Subtotal		$22,805,319,954		$17,863,324,366
Contribution income:				
• Employer contributions	$682,928,074		$658,408,020	
• Member contributions	245,878,551		259,284,497	
Net contribution income		$928,806,625		$917,692,517
Investment income:				
• Interest, dividends and other income	$459,637,714		$379,896,013	
• Asset appreciation	(2,245,698,458)		5,013,637,649	
• Less investment and administrative fees	(161,667,882)		(135,192,404)	
Net investment income		($1,947,728,626)		$5,258,341,258
Total income available for benefits		**($1,018,922,001)**		**$6,176,033,775**
Less benefit payments:				
• Benefits paid[3]	($1,320,663,863)		($1,216,434,352)	
• Member refunds	(11,630,099)		(17,583,848)	
Net benefit payments		($1,332,293,962)		($1,234,018,200)
Change in net assets at market value		($2,351,215,963)		$4,942,015,575
Net assets at market value at the end of the year		**$20,454,103,991**		**$22,805,339,941**

Note: Results may be slightly off due to rounding.

[1] The June 30, 2021 amounts shown above have not been restated to reflect the final amounts provided in the June 30, 2022 financial statements, since the amounts shown here were provided by LACERS and used by Segal for the June 30, 2021 valuation.

[2] Adjustment made to beginning of year assets in order to match the June 30, 2021 end of year value as noted in footnote 1.

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

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

	June 30, 2022		June 30, 2021[1]	
Cash equivalents		$428,386,988		$1,075,483,517
Accounts receivable:				
• Accrued investment income	$79,684,301		$70,733,315	
• Proceeds from sales of investments	135,169,157		150,900,096	
• Other	10,862,885		9,101,638	
Total accounts receivable		$225,716,343		$230,735,049
Investments:				
• Fixed income	$5,151,890,589		$5,916,988,209	
• Equities	9,502,159,992		11,501,603,737	
• Real estate and alternative investment	4,963,175,949		4,196,138,478	
• Derivative instruments	(1,252,530)		2,941,387	
• Other	960,814,353		617,572,437	
Total investments at market value		$20,576,788,353		$22,235,244,248
Capital Assets		53,305,470		42,868,471
Total assets		$21,284,197,154		$23,584,331,285
Accounts payable:				
• Accounts payable and accrued expenses	($88,838,675)		($57,682,318)	
• Accrued investment expenses	(19,981,850)		(13,765,114)	
• Purchases of investments	(204,713,269)		(431,603,358)	
• Securities lending collateral	(515,987,947)		(275,940,554)	
Total accounts payable		($829,521,741)		($778,991,344)
Deferred inflow of resources		($571,422)		$0
Net assets at market value		**$20,454,103,991**		**$22,805,339,941**
Net assets at actuarial value		**$21,218,951,507**		**$20,083,918,240**
Net assets at valuation value (health benefits)		**$3,472,955,743**		**$3,330,377,493**

[1] The June 30, 2021 amounts shown above have not been restated to reflect the final amounts provided in the June 30, 2022 financial statements, since the amounts shown here were provided by LACERS and used by Segal for the June 30, 2021 valuation.

Note: Results may be slightly off due to rounding.

Exhibit G: Determination of Actuarial Value of Assets as of June 30, 2022

		Actual Return	Expected Return	Investment Gain/(Loss)	Portion Not Recognized	Unrecognized Amount
1	**Market Value of Assets**					**$20,454,103,991**
2	Calculation of unrecognized return[1]					
a)	Year ended June 30, 2022	($1,947,728,626)	$1,604,160,949	($3,551,889,575)	6/7	($3,044,476,779)
b)	Year ended June 30, 2021	5,258,341,258	1,260,485,231	3,997,856,027	5/7	2,855,611,448
c)	Year ended June 30, 2020	338,862,747	1,299,282,781	(960,420,034)	4/7	(548,811,448)
d)	Year ended June 30, 2019	945,590,839	1,242,978,109	(297,387,270)	3/7	(127,451,687)
e)	Year ended June 30, 2018	1,498,100,177	1,148,631,872	349,468,305	2/7	99,848,087
f)	Year ended June 30, 2017	1,834,657,728	1,063,688,256	770,969,472	See footnote 2	
g)	Year ended June 30, 2016	7,190,895	1,072,214,464	(1,065,023,569)		
h)	Year ended June 30, 2015	348,113,908	1,055,874,448	(707,760,540)		
i)	Year ended June 30, 2014	2,180,005,303	933,719,722	1,246,285,581		
j)	Combined net deferred loss as of June 30, 2013			(81,571,421)	1/6	432,863
k)	Total unrecognized return[3]					($764,847,516)
3	**Preliminary Valuation Value of Assets (1) - (2k)**					**$21,218,951,507**
4	Adjustment to be within 40% corridor					0
5	**Final Valuation Value of Assets 3 + 4**					**$21,218,951,507**
6	Actuarial Value of Assets as a percentage of Market Value of Assets 5 ÷ 1					103.7%
7	Market value of health assets					$3,347,771,350
8	**Valuation value of health assets 5 ÷ 1 x 7**					**$3,472,955,743**

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

[2] Based on action taken by the Board on July 24, 2018, the net unrecognized gain as of June 30, 2017 (i.e., $2,597,179) has been divided into six level amounts, with one years of gains remaining to be recognized after June 30, 2022.

[3] Deferred return as of June 30, 2022 recognized in each of the next 6 years (for Retirement and Health Plans):

(a) Amount recognized on June 30, 2023	($65,620,357)
(b) Amount recognized on June 30, 2024	(66,053,220)
(c) Amount recognized on June 30, 2025	(115,977,264)
(d) Amount recognized on June 30, 2026	(73,493,368)
(e) Amount recognized on June 30, 2027	63,709,494
(f) Amount recognized on June 30, 2028	(507,412,796)
(g) Total unrecognized return as of June 30, 2022 (may not total exactly due to rounding)	($764,847,516)

Exhibit H: Member Benefit Coverage Information for OPEB

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	1	2	3		1	2	3
Valuation Date	Terminated Members	Retirees, Beneficiaries, & Dependents	Active Members	Valuation Value of Retiree Health Assets	Terminated Members	Retirees, Beneficiaries, & Dependents	Active Members
06/30/2017	62,252,306	1,379,356,850	1,564,197,078	2,438,458,132	100	100	64
06/30/2018	67,137,848	1,497,370,105	1,692,319,894	2,628,843,511	100	100	63
06/30/2019	65,887,248	1,600,130,890	1,668,280,411	2,812,661,894	100	100	69
06/30/2020	70,327,305	1,677,722,536	1,738,480,669	2,984,423,687	100	100	71
06/30/2021	74,599,941	1,869,444,779	1,576,033,734	3,330,377,493	100	100	88
06/30/2022	74,631,785	1,900,861,299	1,605,203,204	3,472,955,743	100	100	93

Exhibit I: Projection of UAAL Balances and Payments

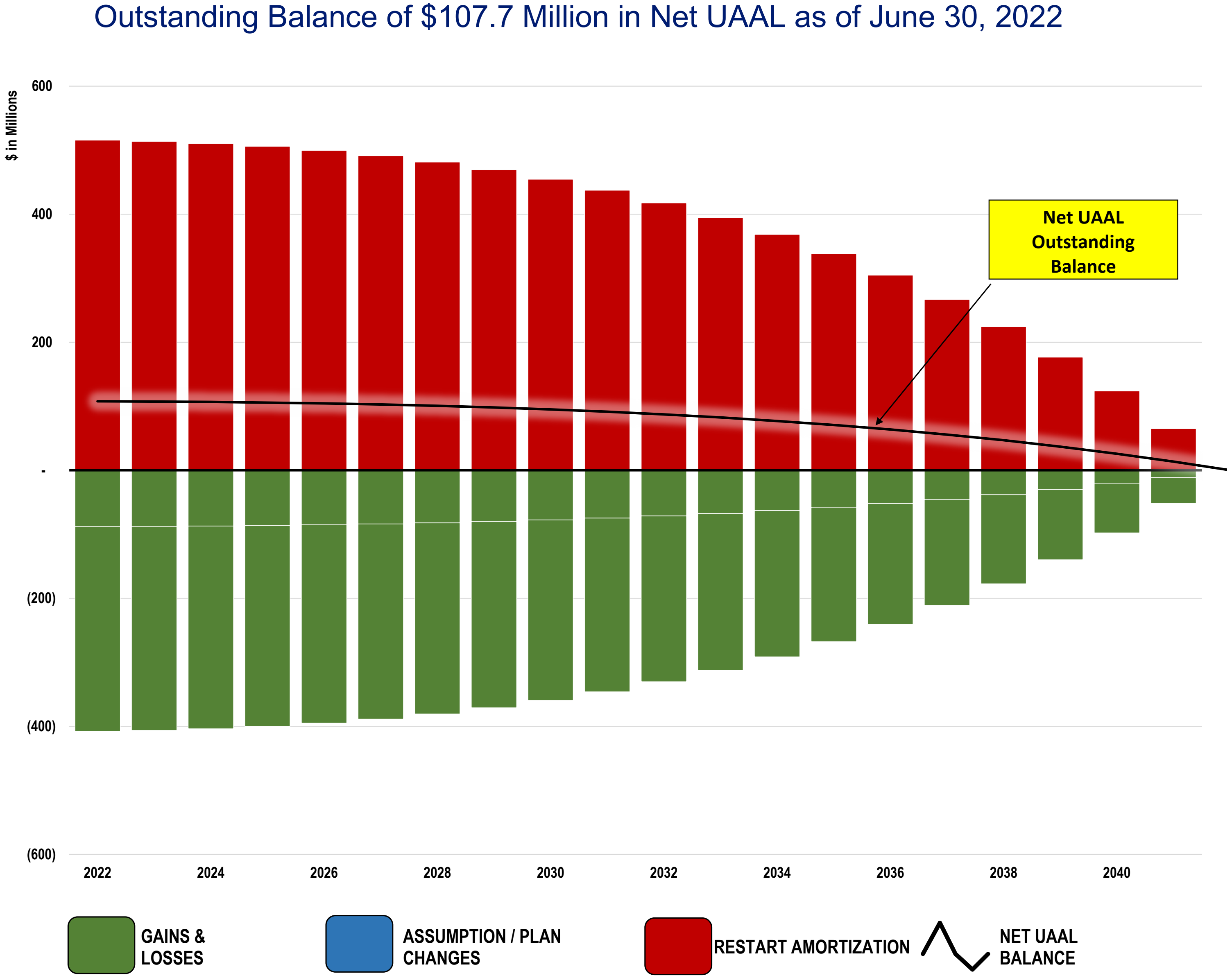
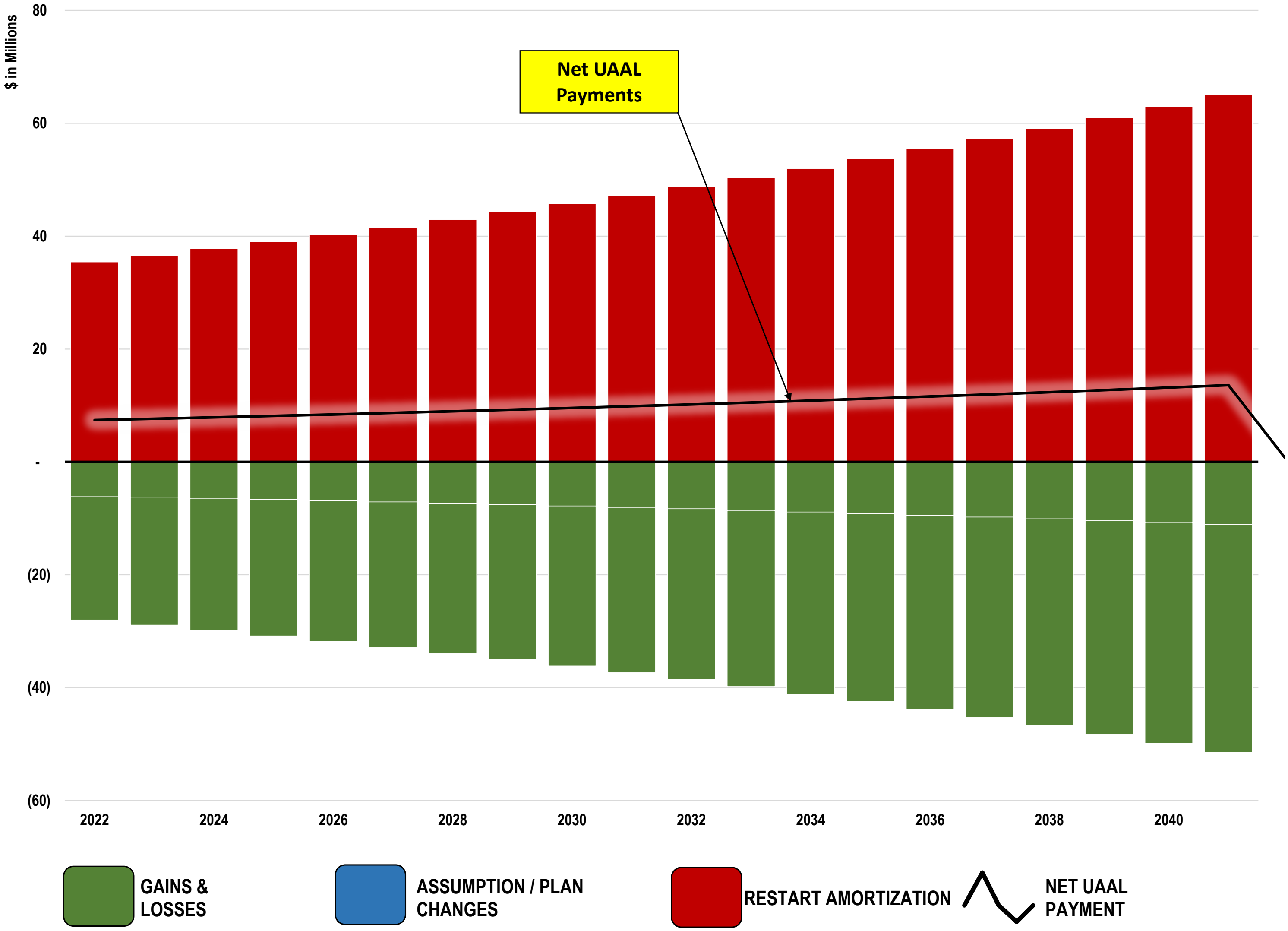


Exhibit I: Projection of UAAL Balances and Payments (continued)

Annual Payments Required to Amortize $107.7 Million in Net UAAL as of June 30, 2022



Section 4: Actuarial Valuation Basis

Exhibit I: Summary of Supplementary Information

<table>
<tr><td>Valuation date</td><td>June 30, 2022</td></tr>
<tr><td>Actuarial cost method</td><td>Entry Age Cost Method, level percent of salary.</td></tr>
<tr><td>Amortization method</td><td>Level percent of payroll – assuming a 3.25% increase in total covered payroll.</td></tr>
<tr><td>Amortization period</td><td>Multiple Layers:
<table>
<tr><td>2009 ERIP</td><td>15 years</td></tr>
<tr><td>Pre-June 30, 2021 layers, starting June 30, 2021</td><td>21 years</td></tr>
<tr><td>Actuarial Experience</td><td>15 years</td></tr>
<tr><td>Change in non-health related assumptions</td><td>20 years</td></tr>
<tr><td>Change in health related assumptions</td><td>15 years</td></tr>
<tr><td>Future ERIP</td><td>5 years</td></tr>
<tr><td>AVA in excess of AAL</td><td>30 years</td></tr>
<tr><td>Plan Amendment</td><td>15 years</td></tr>
</table>
An adjustment is made to the amortization period of all the UAAL actuarial gain layers to be the longer of 15 years or the remaining amortization period for the outstanding balance of the pre-June 30, 2021 UAAL layers when the total UAAL contribution is negative (a credit) but there is still a UAAL balance.</td></tr>
<tr><td>Asset valuation method</td><td>Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The valuation value of assets cannot be less than 60% or greater than 140% of the market value of assets.</td></tr>
</table>

Section 4: Actuarial Valuation Basis

Actuarial assumptions		
Investment rate of return	7.00%	
Inflation rate	2.75%	
Real across-the-board salary increase	0.50%	
Projected salary increases	Ranges from 9.95% to 4.25% based on years of service, including inflation	
Medical, dental, Medicare Part B trend rates	See table on page 46.	
Plan participants	**June 30, 2022**	**June 30, 2021**
Current retirees, beneficiaries, and dependents receiving benefits	23,798	23,579
Current active participants	24,917	25,176
Terminated participants entitled but not yet eligible	1,537	1,554
Pensioners and beneficiaries entitled but not yet eligible for health benefits	139	141
Total	**50,391**	**50,450**

Exhibit II: Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2016 through June 30, 2019 Actuarial Experience Study dated June 17, 2020 and retiree health assumptions letter dated September 20, 2022. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 members. These assumptions have been adopted by the Board.

Economic Assumptions

Net Investment Return

7.00%, net of administrative and investment expenses.

Payroll Growth:

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

Salary Increase

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

Merit and Promotion Increases

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

Demographic Assumptions

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

Pre-Retirement Mortality Rates

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

	Rate (%)	
Age	**Male**	**Female**
20	0.04	0.01
25	0.03	0.01
30	0.04	0.02
35	0.05	0.03
40	0.07	0.04
45	0.10	0.06
50	0.15	0.09
55	0.22	0.13
60	0.32	0.19
65	0.46	0.30

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

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

Disability Incidence

Disability Incidence

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

Termination

Less Than Five Years of Service

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

Five or More Years of Service

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

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

Retirement Rates

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

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

Section 4: Actuarial Valuation Basis

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

Section 4: Actuarial Valuation Basis

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

Per Capita Cost Development

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

Per Capita Cost Development - Maximum Dental Subsidy

Carrier	Election Percent (%)	Monthly 2022/2023 Fiscal Year Subsidy
Delta Dental PPO	80.7	$44.21
DeltaCare USA	19.3	15.10

Per Capita Cost Development - Medicare Part B Premium Subsidy

	Single Monthly Premium
Actual monthly premium for calendar year 2022	$170.10
Actual monthly premium for calendar year 2023	164.90
Actual average monthly premium for plan year 2022/2023	167.50

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

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

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

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

2022-2023 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	**Observed and Assumed Election Rate (%)***	**Monthly Premium**	**Maximum Subsidy**	**Subsidy**	**Monthly Premium**	**Maximum Subsidy**	**Subsidy**	**Monthly Premium**	**Maximum Subsidy**	**Subsidy**
Kaiser HMO	62.4	$919.67	$1,923.35	$919.67	$1,839.33	$1,923.35	$1,839.33	$919.67	$919.67	$919.67
Anthem Blue Cross PPO	20.7	1,401.11	1,923.35	1,401.11	2,797.19	1,923.35	1,923.35	1,401.11	919.67	919.67
Anthem Blue Cross HMO	16.9	1,119.40	1,923.35	1,119.40	2,233.76	1,923.35	1,923.35	1,119.40	919.67	919.67

** The observed election percentages are based on raw census data as of June 30, 2022.*

Participant Eligible for Medicare A&B

2022-2023 Fiscal Year		Single Party			Married/With Domestic Partner			Eligible Survivor		
Carrier	**Observed and Assumed Election Rate (%)***	**Monthly Premium**	**Maximum Subsidy**	**Subsidy**	**Monthly Premium**	**Maximum Subsidy**	**Subsidy**	**Monthly Premium**	**Maximum Subsidy**	**Subsidy**
Kaiser Senior Advantage HMO	57.0	$262.47	$262.47	$262.47	$524.94	$524.94	$524.94	$262.47	$262.47	$262.47
Anthem Medicare Preferred (PPO)	32.3	$494.67	494.67	494.67	984.31	984.31	984.31	494.67	494.67	494.67
UHC California Medicare Advantage Plan	10.7	$285.78	285.78	285.78	566.53	566.53	566.53	285.78	285.78	285.78

* *The observed election percentages are based on raw census data as of June 30, 2022.*

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

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

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

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

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

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

	Retiree		Spouse	
Age	Male	Female	Male	Female
55	0.8967	0.9258	0.7057	0.7993
60	1.0649	0.9979	0.9448	0.9271
64	1.2218	1.0586	1.1927	1.0434
65	0.9191	0.7812	0.9191	0.7812
70	1.0653	0.8419	1.0653	0.8419
75	1.1480	0.9062	1.1480	0.9062
80+	1.2362	0.9770	1.2362	0.9770

Health Care Cost Subsidy Trend Rates	Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium. First Fiscal Year is July 1, 2022 through June 30, 2023.

	Rate (%)					
Plan	**Anthem Blue Cross PPO, Under Age 65**	**Anthem Preferred PPO Medicare Advantage**	**Kaiser HMO, Under Age 65**	**Kaiser Senior Advantage**	**Anthem Blue Cross HMO, Under 65**	**UHC CA Medicare Advantage**
Trend to be applied to 2022-2023 Fiscal Year premium	8.29	3.25	5.81	3.25	8.29	3.98

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

	Approximate Trend Rate (%)			**Trend Applied to Calculate Following Year Premium Rate (%)**	
Fiscal Year	**Non-Medicare**	**Medicare**	**Calendar Year**	**Non-Medicare**	**Medicare**
2023-2024	7.12	6.37	2023	7.25[1]	6.50[1]
2024-2025	6.87	6.12	2024	7.00	6.25
2025-2026	6.62	5.87	2025	6.75	6.00
2026-2027	6.37	5.62	2026	6.50	5.75
2027-2028	6.12	5.37	2027	6.25	5.50
2028-2029	5.87	5.12	2028	6.00	5.25
2029-2030	5.62	4.87	2029	5.75	5.00
2030-2031	5.37	4.62	2030	5.50	4.75
2031-2032	5.12	4.50	2031	5.25	4.50
2032-2033	4.87	4.50	2032	5.00	4.50
2033-2034	4.62	4.50	2033	4.75	4.50
2034 and later	4.50	4.50	2034	4.50	4.50

[1] *For example, the 7.25% assumption when applied to the 2023 non-Medicare medical premiums would provide the projected 2024 non-Medicare medical premiums. This trend would also be applied to the maximum medical subsidy, based on the non-Medicare Kaiser premium.*

<table>
<tr><td>Health Care Cost Subsidy Trend Rates (continued)</td><td>Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.
First Fiscal Year is July 1, 2022 through June 30, 2023.
<table>
<tr><td>Dental Premium Trend</td><td>3.00% for all years</td></tr>
<tr><td>Medicare Part B Premium Trend</td><td>0.66%, then 4.50% thereafter</td></tr>
</table></td></tr>
<tr><td>Spouse/Domestic Partner Coverage</td><td>For all active and inactive members, 60% of male participants and 35% of female participants who receive a retiree health subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage. Of these covered spouses/domestic partners, 100% are assumed to continue coverage if the retiree predeceases the spouse/domestic partner.
Male retirees are assumed to be 4 years older than their female spouses/domestic partners. Female retirees are assumed to be 2 years younger than their male spouses/domestic partners.</td></tr>
<tr><td>Participation</td><td>Retiree Medical and Dental Coverage Participation:
<table>
<tr><th>Service Range (Years)</th><th>Percent Covered[1] (%)</th></tr>
<tr><td>10 – 14</td><td>60</td></tr>
<tr><td>15 – 19</td><td>80</td></tr>
<tr><td>20 – 24</td><td>90</td></tr>
<tr><td>25 and over</td><td>95</td></tr>
</table>
[1] For deferred vested members, we assume an election percent of 50% of these rates.</td></tr>
<tr><td>Health Care Reform</td><td>The valuation does not reflect the potential impact of any future changes due to prior or pending legislations.</td></tr>
<tr><td>Administrative Expenses</td><td>No administrative expenses were valued separately from the premium costs.</td></tr>
<tr><td>Plan Design</td><td>Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.</td></tr>
<tr><td>Assumption Changes Since Prior Valuation</td><td>Per capita costs and first year trends were updated to reflect 2023 calendar year premiums, subsidies and more recent data.
Medical carrier election assumptions were updated based on more recent data.
Trend assumptions to project future medical costs after 2022-2023 were updated.</td></tr>
</table>

Exhibit III: Summary of Plan

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

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

Medical Subsidy for Members Not Subject to Cap:

Under Age 65 or Over Age 65 Without Medicare Part A

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

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2022, the maximum health subsidy is $1,884.50 per month and will be $1,962.20 per month as of January 1, 2023. This amount includes coverage of dependent premium costs.

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

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

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

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

Subsidy Cap for Tier 1:

(§4.1111(b))

As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired members who do not contribute an additional 4.00% or 4.50% of employee contributions to the Pension Plan.

The capped subsidy is different for Medicare and non-Medicare retirees.

The cap applies to the medical subsidy limits at the 2011 calendar year level.

The cap does not apply to the dental subsidy or the Medicare Part B premium reimbursement.

Dental Subsidy for Members:

Tier 1 (§4.1111(b)) and Tier 3 (§4.1129(b))

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2022, the maximum dental subsidy is $44.60 per month; decreasing to $43.81 calendar year 2023.

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

Dependents:	
Tier 1 (§4.1111(e)(4)) and Tier 3 (§4.1126(d)(4))	An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service credit. The combined Member and dependent subsidy shall not exceed the actual premium. This refers to dependents of retired Members with Medicare Parts A and B. It does not apply to those without Medicare or Part B only.
Medicare Part B Reimbursement for Members:	
Tier 1 (§4.1113) and Tier 3 (§4.1128)	If a Retiree is eligible for a health subsidy, covered by both Medicare Parts A and B, and enrolled in a LACERS' medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium. LACERS does not reimburse survivors or dependents any part of their Medicare Part B premium.
Surviving Spouse Medical Subsidy:	
Tier 1 (§4.1115) and Tier 3 (§4.1129.1)	The surviving spouse or domestic partner will be entitled to a health subsidy based on the member's years of service and the surviving dependent's eligibility for Medicare.
Under Age 65 or Over Age 65 Without Medicare Part A	The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($900.24 as of July 1, 2022 and will be $939.09 per month as of January 1, 2023).
Over Age 65 and Enrolled in Both Medicare Parts A and B	For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

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

Changes in Plan Provisions:	None.

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

Exhibit IV: Definitions of Terms

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

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

Section 4: Actuarial Valuation Basis

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

BOARD Meeting: 11/8/22
Item: IV – A
Attachment: 4

Los Angeles City Employees' Retirement System

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

As of June 30, 2022

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

Segal

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October 31, 2022

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2022. It contains various information that will need to be disclosed in order to comply with GAS 67.

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

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

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

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

Sincerely,

Segal

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

Andy Yeung

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

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement 67 (GAS 67) as June 30, 2022. This valuation is based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2022, provided by LACERS;
- The assets of the Plan as of June 30, 2022, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. that the Board has adopted for the June 30, 2022 valuation.

General observations on GAS 67 actuarial valuation

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

Highlights of the valuation

1. The NPLs measured as of June 30, 2022 and 2021 have been determined from the actuarial valuations as of June 30, 2022 and June 30, 2021, respectively.
2. The NPL increased from $4.36 billion as of June 30, 2021 to $7.07 billion as of June 30, 2022 mainly due to the return on the market value of retirement plan assets of -8.11%[1] during 2021/2022 that was less than the assumption of 7.00% used in the June 30, 2021 valuation (that loss was about $2.87 billion). Changes in these values during the last two fiscal years ending June 30, 2021 and June 30, 2022 can be found in *Section 2, Schedule of Changes in Net Pension Liability* on page 17.
3. The discount rate used to determine the TPLs and NPLs as of June 30, 2022 and 2021 was 7.00%, following the same assumption used by the System in the pension funding valuations as of the same dates. The detailed calculations used in the derivation of the discount rate of 7.00% used in the calculation of the TPL and NPL as of June 30, 2022 can be found in *Section 3, Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.
4. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2022. Due to the COVID-19 pandemic, market conditions have changed significantly since the onset of the Public Health Emergency. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after June 30, 2022. While it is impossible to determine how the pandemic will affect market conditions and other demographic experience of the plan in future valuations, Segal is available to prepare projections of potential outcomes upon request.

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

Summary of key valuation results[1]

Measurement Date		June 30, 2022	June 30, 2021
Disclosure elements:	• Service cost[2]	$413,862,737	$451,426,209
	• Total Pension Liability	24,078,751,303	23,281,892,854
	• Plan Fiduciary Net Position	17,013,091,063	18,918,136,000
	• Net Pension Liability	7,065,660,240	4,363,756,854
Schedule of contributions:	• Actuarially determined contributions	$591,234,354	$554,855,906
	• Actual contributions	591,234,354	554,855,906
	• Contribution deficiency / (excess)	0	0
Demographic data:	• Number of retired members and beneficiaries	22,399	22,012
	• Number of inactive vested members[3]	10,379	9,647
	• Number of active members	24,917	25,176
Key assumptions:	• Investment rate of return	7.00%	7.00%
	• Inflation rate	2.75%	2.75%
	• Projected salary increases[4]	Ranges from 9.95% to 4.25%, based on years of service	Ranges from 9.95% to 4.25%, based on years of service

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

[2] The service cost is based on the previous year's valuation, meaning the June 30, 2022 and 2021 measurement date values are based on the valuations as of June 30, 2021 and June 30, 2020, respectively. Both measurement date service costs have been calculated using the actuarial assumptions shown in the June 30, 2021 column, as there had been no changes in the actuarial assumptions between the June 30, 2020 and June 30, 2021 valuations.

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

[4] Includes inflation at 2.75% plus real across the board salary increase of 0.50%, plus merit and promotion increases.

Important information about actuarial valuations

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

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

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by the System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	This valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining contribution requirements.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, termination, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.
Models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

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

The actuarial valuation is prepared at the request of the Board to assist the sponsors of the Fund in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

If the System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas

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

Section 2: GAS 67 Information

General information about the pension plan

Plan Description

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

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

Plan membership. At June 30, 2022, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	22,399
Inactive vested members entitled to but not yet receiving benefits[1]	10,379
Active members	24,917
Total	57,695

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

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

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

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

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

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

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

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

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

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

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

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

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

The City of Los Angeles contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS' actuary after the completion of the annual actuarial valuation. The combined employer contribution rate as of June 30, 2022 was 27.44% of compensation.[2]

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

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[2] Based on the June 30, 2020 funding valuation which established funding requirements for fiscal year 2021/2022. The schedule of contributions in Section 2 of this report provides details on how this rate was calculated

Net Pension Liability

Measurement Date	June 30, 2022	June 30, 2021
Components of the Net Pension Liability		
Total Pension Liability	$24,078,751,303	$23,281,892,854
Plan Fiduciary Net Position	(17,013,091,063)	(18,918,136,000)
Net Pension Liability	$7,065,660,240	$4,363,756,854
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.66%	81.26%

The NPL was measured as of June 30, 2022 and 2021. The Plan Fiduciary Net Position was valued as of the measurement date, while the TPL was determined based upon the results of the actuarial valuations as of June 30, 2022 and 2021, respectively.

Plan provisions. The plan provisions used in the measurement of the NPL as of June 30, 2022 and 2021 are the same as those used in the LACERS funding valuations as of June 30, 2022 and 2021, respectively.

Actuarial assumptions. The TPLs as of June 30, 2022 and June 30, 2021 were determined by actuarial valuations as of June 30, 2022 and June 30, 2021, respectively. The actuarial assumptions used in both the June 30, 2022 and June 30, 2021 valuations were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuation for LACERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation:	2.75%
Salary increases:	Ranges from 9.95% to 4.25% based on years of service, including inflation
Investment rate of return:	7.00%, net of pension plan investment expense and including inflation
Other assumptions:	Same as those used in the June 30, 2022 actuarial valuation

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) 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, 2022. This information is subject to change every three years based on the actuarial experience study.

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

Discount rate. The discount rate used to measure the TPL was 7.00% as of June 30, 2022 and June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2022 and June 30, 2021.

Discount rate sensitivity

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability of LACERS as of June 30, 2022, calculated using the discount rate of 7.00%, as well as what LACERS' Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
Net Pension Liability as of June 30, 2022	$10,242,711,154	$7,065,660,240	$4,436,331,598

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

Measurement Date	**June 30, 2022**	**June 30, 2021**
Total Pension Liability		
• Service cost[1]	$413,862,737	$451,426,209
• Interest	1,617,800,746	1,570,784,315
• Change of benefit terms	0	0
• Differences between expected and actual experience	(66,172,296)	(189,821,814)
• Changes of assumptions	0	0
• Benefit payments, including refunds of member contributions	(1,168,632,738)	(1,077,691,151)
Net change in Total Pension Liability	**$796,858,449**	**$754,697,559**
Total Pension Liability – beginning	**23,281,892,854**	**22,527,195,295**
Total Pension Liability – ending	**$24,078,751,303**	**$23,281,892,854**
Plan Fiduciary Net Position		
• Contributions – employer	$591,234,354	$554,855,906
• Contributions – member	241,875,691	252,122,737
• Net investment income[2]	(1,542,473,179)	4,283,202,296
• Benefit payments, including refunds of member contributions	(1,168,632,738)	(1,077,691,151)
• Administrative expense	(27,032,894)	(26,758,088)
• Other[3]	(16,171)	0
Net change in Plan Fiduciary Net Position	**$(1,905,044,937)**	**$3,985,731,700**
Plan Fiduciary Net Position – beginning	**18,918,136,000**	**14,932,404,300**
Plan Fiduciary Net Position – ending	**$17,013,091,063**	**$18,918,136,000**
Net Pension Liability – ending	**$7,065,660,240**	**$4,363,756,854**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	**70.66%**	**81.26%**
Covered payroll[4]	**$2,155,005,471**	**$2,276,768,292**
Net Pension Liability as percentage of covered payroll	**327.87%**	**191.66%**

[1] The service cost is based on the previous year's valuation, meaning the June 30, 2022 and 2021 measurement date values are based on the valuations as of June 30, 2021 and June 30, 2020, respectively. Both measurement date service costs have been calculated using the actuarial assumptions shown in the June 30, 2021 column on page 6, as there had been no changes in the actuarial assumptions between the June 30, 2020 and June 30, 2021 valuations.

[2] Includes building lease and other income.

[3] Prior period adjustment (adjustment made to beginning of year assets in order to match the June 30, 2021 Plan Fiduciary Net Position restated by LACERS after the completion of the June 30, 2021 GAS 67 valuation report).

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

Schedule of contributions – Last ten fiscal years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2013	$346,180,852	$346,180,852	$0	$1,736,112,598	19.94%
2014	357,649,232	357,649,232	0	1,802,931,195	19.84%
2015	381,140,923	381,140,923	0	1,835,637,409	20.76%
2016	440,546,011	440,546,011	0	1,876,946,179	23.47%
2017	453,356,059	453,356,059	0	1,973,048,633	22.98%
2018	450,195,254	450,195,254	0	2,057,565,478	21.88%
2019	478,716,953	478,716,953	0	2,108,171,088	22.71%
2020	553,118,173	553,118,173	0	2,271,038,575	24.36%
2021	554,855,906	554,855,906	0	2,276,768,292	24.37%
2022	591,234,354	591,234,354	0	2,155,005,471	27.44%

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

See accompanying notes to this schedule on the next page.

Notes to Schedule:

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

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

Actuarial assumptions:

Valuation Date:	**June 30, 2022**
Investment rate of return:	7.00%
Inflation rate:	2.75%
Real across-the-board salary increase:	0.50%
Projected salary increases:[1]	Ranges from 9.95% to 4.25%, based on years of service
Cost of living adjustments:	2.75% for Tier 1; 2.00% for Tier 3. (Actual increases are contingent upon CPI increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year.)
Mortality:	Healthy: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Other assumptions:	Same as those used in the June 30, 2022 funding actuarial valuation

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

Appendix A: Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2022 ($ in millions)

Year Beginning July 1,	Projected Beginning Plan's Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan's Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2021	$18,918	$833	$1,169	$27	-$1,542	$17,013
2022	17,013	894	1,348	24	1,169	17,704
2023	17,704	913	1,336	25	1,219	18,474
2024	18,474	886	1,392	26	1,269	19,211
2025	19,211	907	1,447	27	1,319	19,963
2026	19,963	925	1,504	29	1,370	20,726
2027	20,726	933	1,563	30	1,422	21,488
2028	21,488	966	1,623	31	1,474	22,273
2029	22,273	1,007	1,687	32	1,528	23,090
2048	30,363	152	2,604	43	2,028	29,895
2049	29,895	142 *	2,627	43	1,994	29,362
2050	29,362	132 *	2,646	42	1,956	28,761
2051	28,761	122 *	2,658	41	1,913	28,098
2052	28,098	113 *	2,663	40	1,866	27,374
2085	2,583	18 *	535	4	161	2,224
2086	2,224	17 *	476	3	138	1,898
2087	1,898	15 *	421	3	117	1,607
2088	1,607	14 *	369	2	99	1,347
2089	1,347	12 *	321	2	82	1,119
2105	17	1 *	7	0	1	12
2106	12	1 *	5	0	1	9
2107	9	1 *	3	0	1	7
2108	7	0 *,**	3	0	0	5
2109	5	0 *,**	2	0	0	4
2110	4	0 *,**	1	0	0	3
2111	3	0 *,**	1	0	0	2
2112	2	0 *,**	1	0	0	1
2113	1	0 *,**	1	0	0	1
2114	1	0 *,**	0 **	0	0	1
2115	1	0 *,**	0 **	0	0	0
2116	0	0 *,**	0 **	0	0	0
2117	0	0 *,**	0 **	0	0	0
2118	0	0 *,**	0 **	0	0	0
2119	0	0 *,**	0 **	0	0	0
2120	0	0 *,**	0 **	0	0	0

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

** Less than $1 million, when rounded.

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

Notes:

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

(2) Amounts shown for the year beginning July 1, 2021 row are actual amounts, based on the unaudited financial statements provided by LACERS.

(3) Years 2030-2047, 2053-2084, and 2090-2104 have been omitted from this table.

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

(5) Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2022); 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, 2022. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2022 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

(7) Column (d): Projected administrative expenses are calculated as approximately 0.14% of the projected beginning Plan's Fiduciary Net Position amount. The 0.14% portion was based on the actual fiscal year 2021 - 2022 administrative expenses as a percentage of the beginning Plan's Fiduciary Net Position amount as of July 1, 2021. Administrative expenses are assumed to occur halfway through the year, on average.

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

(9) As illustrated in this Exhibit, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2022 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

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

Appendix B: Definition of Terms

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

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

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

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

BOARD Meeting: 11/8/22
Item: IV – A
Attachment: 5

Los Angeles City Employees' Retirement System

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

As of June 30, 2022

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

Segal

Segal

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October 31, 2022

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement 74 (GAS 74) Actuarial Valuation as of June 30, 2022. It contains various information that will need to be disclosed in order to comply with GAS 74.

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

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

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

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

Sincerely,

Segal

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

Andy Yeung

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

Table of Contents

Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required for “Other Postemployment Benefits (OPEB)” plans by Statement No. 74 of the Governmental Accounting Standards Board as of June 30, 2022. This valuation is based on:

- The benefit provisions of the OPEB Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and surviving spouses as of June 30, 2022, provided by LACERS;
- The assets of the Plan as of June 30, 2022, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other (health and non-health) actuarial assumptions, regarding employee terminations, retirement, death, health care trend and enrollment, etc. that the Board has adopted for the June 30, 2022 valuation.

General Observations on GAS 74 Actuarial Valuation

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

Highlights of the valuation

1. The NOLs measured as of June 30, 2022 and 2021 have been determined from the actuarial valuations as of June 30, 2022 and June 30, 2021, respectively.
2. The NOL has increased from a surplus of $(261.6) million as of June 30, 2021 to a liability of $232.9 million as of June 30, 2022 mainly due to an investment loss[1] from actual returns of about -9.52%. The investment loss was partially offset by favorable 2022/2023 premium renewal experience and lower 2022/2023 subsidy levels than expected.
3. The discount rates used in the valuations for financial disclosure purposes as of June 30, 2022 and 2021 are the assumed investment returns on Plan assets (i.e. 7.00% for the funding valuations as of the same dates). As contributions that are required to be made by the City to amortize the Unfunded Actuarial Accrued Liability in the funding valuation are determined on an actuarial basis, the future Actuarially Determined Contributions and current Plan assets, when projected in accordance with the method prescribed by GAS 74, are expected to be sufficient to make all benefit payments to current members.

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

Summary of key valuation results

Measurement Date		June 30, 2022	June 30, 2021
Disclosure elements for plan year ending June 30:	• Service cost[2]	$81,415,128	$84,817,265
	• Total OPEB Liability	3,580,696,288	3,520,078,454
	• Plan Fiduciary Net Position	3,347,771,350	3,781,652,063
	• Net OPEB Liability	232,924,938	(261,573,609)
Schedule of contributions for plan year ending June 30:	• Actuarially determined contributions	$91,622,720	$103,454,114
	• Actual contributions	91,622,720	103,454,114
	• Contribution deficiency / (excess)	0	0
Demographic data for plan year ending June 30:	• Number of retired members and surviving spouses[3]	17,753	17,500
	• Number of vested terminated members	1,537	1,554
	• Retired members and surviving spouses entitled but not yet eligible for health benefits.	139	141
	• Number of active members	24,917	25,176
Key assumptions as of June 30:	• Discount rate	7.00%	7.00%
	• Health care premium trend rates		
	Non-Medicare medical plans	Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years	Actual premium increase in first year, then graded from 7.37% to ultimate 4.50% over 12 years
	Medicare medical plans	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
	Dental	3.00%	4.00%
	Medicare Part B	4.50%	4.50%

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[2] The service cost is based on the previous year's valuation, meaning the June 30, 2022 and 2021 values are based on the valuations as of June 30, 2021 and June 30, 2020, respectively. The key assumptions used in the June 30, 2020 valuation are as follows:

Discount rate	7.00%
Health care premium trend rates	
Non-Medicare medical plan*	Actual premium increase in first year, then graded from 6.62% to ultimate 4.50% over 9 years
Medicare medical plan*	Actual premium increase in first year, then graded from 6.12% to ultimate 4.50% over 7 years
Dental	4.00%
Medicare Part B	4.50%

[3] The total number of participants, including married dependents, receiving benefits is 23,798 as of June 30, 2022 and 23,579 as of June 30, 2021.

Important information about actuarial valuations

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

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

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

Section 1: Actuarial Valuation Summary

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

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

The valuation is prepared at the request of LACERS. Segal is not responsible for the use or misuse of its report, particularly by any other party.

An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

If the System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. LACERS should look to their other advisors for expertise in these areas.

Sections of this report include actuarial results that are not rounded, but that does not imply precision.

Critical events for a plan include, but are not limited to, decisions about changes in benefits and contributions. The basis for such decisions needs to consider many factors such as the risk of changes in plan enrollment, emerging claims experience, health care trend, and investment losses, not just the current valuation results

While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.

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

Section 2: GAS 74 Information

General information about the OPEB plan

Plan Description

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

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

Plan membership. At June 30, 2022, OPEB plan membership consisted of the following:

Retired members or surviving spouses currently receiving benefits[1]	17,753
Vested terminated members entitled to, but not yet receiving benefits	1,537
Retired members and surviving spouses entitled but not yet eligible for health benefits	139
Active members	24,917
Total	44,346

[1] The total number of participants, including married dependents, receiving benefits is 23,798.

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

Membership Eligibility:	
Tier 1 (§4.1002(a))	All employees who became members of the System before July 1, 2013, and certain employees who became members of the System on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became members of the System between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016.
Tier 3 (§4.1080.2(a))	All employees who became members of the System on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.
Benefit Eligibility:	
Tier 1 (§4.1111(a)) *and Tier 3 (§4.1126(a))*	Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a service or disabled retiree before the member reaches age 55.
Medical Subsidy for Members Not Subject to Cap:	
Under Age 65 or Over Age 65 Without Medicare Part A	
Tier 1 (§4.1111(d)) *and Tier 3 (§4.1126(c))*	The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2022, the maximum health subsidy is $1,884.50 per month. As of January 1, 2023, the maximum health subsidy is $1,962.20. This amount includes coverage of dependent premium costs.
Over Age 65 and Enrolled in Both Medicare Parts A and B	
Tier 1 (§4.1111(e)) and *Tier 3 (§4.1126(d))*	For retirees, a maximum health subsidy shall be paid in the amount of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled, subject to the following vesting schedule:

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

Subsidy Cap for Tier 1:	
(§4.1111(b))	As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired members who do not contribute an additional 4% or 4.5% of employee contributions to the Pension Plan. The capped subsidy is different for Medicare and non-Medicare retirees. The cap applies to the medical subsidy limits at the 2011 calendar year level. The cap does not apply to the dental subsidy or the Medicare Part B premium reimbursement.
Dependents:	
Tier 1 (§4.1111(e)(4)) *and Tier 3 (§4.1126(d)(4))*	An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service. The combined member and dependent subsidy shall not exceed the actual premium. This refers to dependents of retired members with Medicare Parts A and B. It does not apply to those without Medicare or Part B only.
Dental Subsidy for Members:	
Tier 1 (§4.1114(b)) *and Tier 3 (§4.1129(b))*	The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2022, the maximum dental subsidy is $44.60 per month; decreasing to $43.81 per month in calendar year 2023. There is no subsidy available to spouses or domestic partners or for dependent coverage. There is also no reimbursement for dental plans not sponsored by the System.
Medicare Part B Reimbursement for Members:	
Tier 1 (§4.1113) and *Tier 3 (§4.1128)*	If a retiree is eligible for a health subsidy, covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium.

Section 2: GAS 74 Information

<table>
<tr><th>Surviving Spouse Medical Subsidy:</th><th></th></tr>
<tr><td><i>Tier 1 (§4.1115) and
Tier 3 (§4.1129.1)</i></td><td>The surviving spouse or domestic partner will be entitled to a health subsidy based on the member’s years of service and the surviving dependent’s eligibility for Medicare.</td></tr>
<tr><td>Under Age 65 or Over Age 65 Without Medicare Part A</td><td>The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($900.24 per month as of July 1, 2022 and $939.09 per month as of January 1, 2023).</td></tr>
<tr><td>Over Age 65 and Enrolled in Both Medicare Parts A and B</td><td>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:
<table>
<tr><th>Completed Years of Service</th><th>Vested Percentage</th></tr>
<tr><td>10-14</td><td>75%</td></tr>
<tr><td>15-19</td><td>90%</td></tr>
<tr><td>20+</td><td>100%</td></tr>
</table>
</td></tr>
</table>

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

Net OPEB Liability

Measurement Date	**June 30, 2022**	**June 30, 2021**
Components of the Net OPEB Liability		
Total OPEB Liability	$3,580,696,288	$3,520,078,454
Plan Fiduciary Net Position	(3,347,771,350)	(3,781,652,063)
Net OPEB Liability	$232,924,938	$(261,573,609)
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	93.49%	107.43%

The NOL was measured as of June 30, 2022 and 2021. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date, while the TOL was determined based upon the results of the actuarial valuations as of June 30, 2022 and 2021, respectively.

Plan provisions. The plan provisions used in the measurement of the NOL as of June 30, 2022 and 2021 are the same as those used in the LACERS funding valuations as of June 30, 2022 and 2021, respectively.

Actuarial assumptions. The TOL as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2022. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019, dated June 17, 2020, and retiree health assumptions letter dated September 20, 2022. They are the same as the assumptions used in the June 30, 2022 funding actuarial valuation for LACERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

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

Section 2: GAS 74 Information

The TOL as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2021. The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019, dated June 17, 2020, and the retiree health assumptions letter dated September 21, 2021. They are the same as the assumptions used in the June 30, 2021 funding actuarial valuation for LACERS. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Ranges from 9.95% to 4.25% based on years of service, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense and including inflation
Health care trend	Non-Medicare: Actual premium increases in the first year and then 7.37% graded to ultimate 4.50% over 12 years Medicare: Actual premium increases in the first year and then 6.37% graded to ultimate 4.50% over 8 years
Other assumptions	Same as those used in the June 30, 2021 funding valuation

Determination of discount rate and investment rates of return

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 that was used in the actuarial valuation as of June 30, 2022. This information is subject to change every three years based on the actuarial experience study.

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

Section 2: GAS 74 Information

Discount rate: The discount rates used to measure the TOL was 7.00% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of both June 30, 2022 and June 30, 2021.

Discount rate and trend sensitivity

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability of LACERS as of June 30, 2022, calculated using the discount rate of 7.00%, as well as what LACERS' Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability as of June 30, 2022	$733,798,484	$232,924,938	$(177,729,596)

Sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate. The following presents the Net OPEB Liability of LACERS as of June 30, 2022, calculated using the trend rate as well as what LACERS' Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rates[4]	1% Increase
Net OPEB Liability as of June 30, 2022	$(215,967,911)	$232,924,938	$792,249,831

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

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

Measurement Date	**June 30, 2022**	**June 30, 2021**
Total OPEB Liability		
• Service cost[5]	$81,415,128	$84,817,265
• Interest	246,694,076	244,775,724
• Change of benefit terms	0	0
• Differences between expected and actual experience	(369,459)	10,671,896
• Changes of assumptions	(109,877,440)	(157,613,496)
• Benefit payments	(157,244,471)	(149,103,445)
Net change in Total OPEB Liability	**$60,617,834**	**$33,547,944**
Total OPEB Liability – beginning	**3,520,078,454**	**3,486,530,510**
Total OPEB Liability – ending (a)	**$3,580,696,288**	**$3,520,078,454**
Plan Fiduciary Net Position		
• Contributions – employer	$91,622,720	$103,454,114
• Contributions – employee	0	0
• Net investment income[6]	(360,636,412)	983,522,238
• Benefit payments	(157,244,471)	(149,103,445)
• Administrative expense	(7,618,828)	(7,425,496)
• Other[7]	(3,722)	0
Net change in Plan Fiduciary Net Position	**$(433,880,713)**	**$930,447,411**
Plan Fiduciary Net Position – beginning	**3,781,652,063**	**2,851,204,652**
Plan Fiduciary Net Position – ending (b)	**$3,347,771,350**	**$3,781,652,063**
Net OPEB Liability – ending (a) – (b)	**$232,924,938**	**$(261,573,609)**
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	**93.49%**	**107.43%**
Covered payroll[8]	**$2,155,005,471**	**$2,276,768,292**
Plan Net OPEB Liability as percentage of covered payroll	**10.81%**	**(11.49)%**

[5] The service cost is based on the previous year's valuation, meaning the June 30, 2022 and 2021 values are based on the valuations as of June 30, 2021 and June 30, 2020, respectively.

[6] Includes building lease and other income.

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

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

Schedule of contributions – Last ten fiscal years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[9]	Contributions as a Percentage of Covered Payroll
2013	$72,916,729	$72,916,729	$0	$1,736,112,598	4.20%
2014	97,840,554	97,840,554	0	1,802,931,195	5.43%
2015	100,466,945	100,466,945	0	1,835,637,409	5.47%
2016	105,983,112	105,983,112	0	1,876,946,179	5.65%
2017	97,457,455	97,457,455	0	1,973,048,633	4.94%
2018	100,909,010	100,909,010	0	2,057,565,478	4.90%
2019	107,926,949	107,926,949	0	2,108,171,088	5.12%
2020	112,136,429	112,136,429	0	2,271,038,575	4.94%
2021	103,454,114	103,454,114	0	2,276,768,292	4.54%
2022	91,622,720	91,622,720	0	2,155,005,471	4.25%

See accompanying notes to this schedule on the next page.

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

Section 2: GAS 74 Information

Notes to Schedule:

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

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method:	Entry Age Cost Method (level percent of payroll)
Amortization method:	Level percent of payroll
Remaining amortization period:	Multiple layers, closed amortization periods. The unfunded actuarial accrued liability as of June 30, 2020 is amortized over a fixed period of 21 years beginning June 30, 2021. Assumption changes resulting from the triennial experience study will be amortized over 20 years. Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years.
Asset valuation method:	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.
Actuarial assumptions:	
Valuation date:	June 30, 2022
Investment rate of return	7.00%
Inflation rate	2.75%
Real across-the-board salary increase	0.50%
Projected salary increases[10]	Ranges from 9.95% to 4.25%, based on years of service
Medical cost trend rates	
Non-Medicare medical plans	Actual premium increase in first year, then graded from 7.12% to ultimate 4.50% over 11 years
Medicare medical plans	Actual premium increase in first year, then graded from 6.37% to ultimate 4.50% over 8 years
Dental	3.00%
Medicare Part B	4.50%
Other assumptions:	Same as those used in the June 30, 2022 funding actuarial valuation.

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

Appendix A: Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2022 ($ in millions)

Year Beginning July 1,	Projected Beginning Plan's Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan's Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2021	$3,782	$92	$157	$8	($361)	$3,348
2022	3,348	91	173	7	231	3,491
2023	3,491	91	180	7	241	3,636
2024	3,636	91	190	7	251	3,780
2025	3,780	92	199	8	261	3,926
2026	3,926	93	210	8	270	4,073
2027	4,073	91	220	8	280	4,216
2028	4,216	102	230	8	290	4,370
2029	4,370	101	241	9	301	4,522
2048	6,116	28	451	12	413	6,094
2049	6,094	24	463	12	411	6,053
2050	6,053	20	476	12	407	5,992
2051	5,992	16	486	12	403	5,912
2052	5,912	13	496	12	397	5,813
2085	1,085	0 *,**	170	2	70	983
2086	983	0 *,**	156	2	63	888
2087	888	0 *,**	141	2	57	802
2088	802	0 *,**	127	2	52	725
2089	725	0 *,**	114	1	47	656
2105	507	0 *,**	4	1	35	538
2106	538	0 *,**	3	1	38	572
2107	572	0 *,**	2	1	40	609
2108	609	0 *,**	1	1	43	649
2109	649	0 *,**	1	1	45	692
2110	692	0 *,**	0 **	1	48	739
2111	739	0 *,**	0 **	1	52	789
2112	789	0 *,**	0 **	2	55	842
2113	842	0 *,**	0 **	2	59	899
2114	899	0 *,**	0 **	2	63	960
2115	960	0 *,**	0 **	2	67	1,026
2116	1,026	0 *,**	0 **	2	72	1,095
2117	1,095	0 *,**	0 **	2	77	1,170
2118	1,170	0 *,**	0 **	2	82	1,249
2119	1,249	0 *,**	0 **	3	87	1,334
2120	$1,334					
2120	Discounted: $2 ***					

*	Mainly attributable to employer contributions to fund each year's annual administrative expenses.
**	Less than $1 million, when rounded.
***	$1,334 million when discounted with interest at the rate of 7.00% per annum has a value of $2 million as of June 30, 2022.

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

Notes:

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

(2) Amounts shown for the year beginning July 1, 2021 row are actual amounts, based on the unaudited financial statements provided by LACERS.

(3) Years 2030-2047, 2053-2084, and 2090-2104 have been omitted from this table.

(4) Column (a): Except for the “discounted value” shown for 2120, none of the projected beginning Plan's Fiduciary Net Position amounts shown have been adjusted for the time value of money.

(5) Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2022); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses. Unfunded accrued liabilities are amortized over closed 20 and 15-year periods, depending on the source of the changes. Contributions are assumed to occur halfway through the year, on average.

(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, 2022. The projected benefit payments reflect future health care trends used in the June 30, 2022 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 49 of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

(7) Column (d): Projected administrative expenses are calculated as approximately 0.20% of the projected beginning Plan's Fiduciary Net Position amount. The 0.20% portion was based on the actual fiscal year 2021 - 2022 administrative expenses as a percentage of the beginning Plan's Fiduciary Net Position amount as of July 1, 2021. Administrative expenses are assumed to occur halfway through the year, on average.

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

(9) As illustrated in this Exhibit, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2022 shown earlier in this report, pursuant to paragraph 49 of GASB Statement No. 74.

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

Appendix B: Definition of Terms

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

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

BOARD Meeting: 11/8/22
Item: IV – A
Attachment: 6

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Larger Annuity Program as of June 30, 2022

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

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October 31, 2022

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

As requested, we have performed an actuarial valuation of LACERS' Larger Annuity Program (LAP) as of June 30, 2022, to determine if the balance in the larger annuity reserve would be sufficient to pay future benefits to those who chose to annuitize their self-paid account balance in the LAP when they retired from LACERS. The valuation was based on the LAP retired member and beneficiary census data that LACERS supplied with the June 30, 2022 valuation data for the Retirement Plan and on the reported asset reserves for the LAP as of that date. The valuation was performed using the same methodology and actuarial assumptions used to perform the June 30, 2022 valuation of the Retirement Plan,[1] with the exception that, based on a Board rule, a fixed 3% per year benefit increase is applied to all tiers for the LAP.[2]

We have determined that if all the actuarial assumptions used in the June 30, 2022 valuation were to be met and assuming no changes in those assumptions, there is a shortfall in the LAP to pay the future benefits of $1,403,393. We note that at the prior study of the LAP as of June 30, 2018, there was a surplus of $145,133. We have included in the Additional Discussions section what course of action might be considered by the Board to bring the LAP back into actuarial balance.

LAP Overview

LACERS offers an optional LAP whereby members can make voluntary post-tax or pre-tax rollover contributions during City employment in order to receive a larger annuity upon retirement (the City does not contribute to the program). There are two investment options for the member contributions; that is, contributions can earn interest based on the same rate that is credited to regular member contributions (i.e., based on the five-year treasury note), or they can receive the actual rate of return for the publicly-traded portion of the LACERS investment portfolio. The larger annuity benefit at retirement is based only on the voluntary member contributions, plus any interest or investment returns thereon, and any rollover amounts from other qualified retirement funds.

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[1] The benefit purchased by the retired members in the LAP would not impact the amount of subsidy available to the retiree from the retiree health plan.

[2] For the Retirement Plan, COLA increases of 2.75% per year for Tier 1 and 2.00% per year for Tier 3 are assumed. For Tier 1 members with COLA banks, withdrawals from the bank are assumed to increase the retiree COLA under the Retirement Plan to 3% per year until their COLA banks are exhausted.

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

Census Data

In the main payee census data file provided by LACERS for the June 30, 2022 Retirement Plan valuation, there were 33 records coded by LACERS as benefit type of “ACONT” (“Larger Annuity Continuance,” i.e., beneficiary records) and 635 records coded as “ADDAN” (“Larger Annuity,” i.e., retired member records), for a total of 668 LAP records. When we were performing the Retirement Plan valuation, out of the 635 retired member LAP records, one of these records was indicated as a disability retirement in the Retirement Plan valuation data, so we have treated that record as a disability retirement for purposes of the LAP valuation as well. In addition, there were four beneficiary LAP records that did not also have a record in the Retirement Plan valuation data we were provided with. LACERS confirmed that these four beneficiary records were entitled to LAP benefits but not Retirement Plan benefits, and we have included those four records in the LAP valuation results.

Overall, the number of retired member and beneficiary records included in our June 30, 2022 valuation of the LAP is as follows:

Counts of LAP Retired Member and Beneficiary Records as of June 30, 2022

Service Retirements	634
Disability Retirements	1
Beneficiaries	33
Total	668

These 668 retired member and beneficiary records were receiving total annual LAP benefits of about $5.4 million, after applying the July 1, 2022 benefit increase rate of 3% to the benefits we received in the June 30, 2022 LAP valuation data.[3]

Methods and Assumptions

As noted above, the LAP valuation was performed using the same methodology and actuarial assumptions used to perform the June 30, 2022 valuation of the Retirement Plan, with the exception of a fixed 3% per year benefit increase applied to all tiers for the LAP. In particular, the main assumptions we utilized in this valuation are as follows:

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[3] The LAP data we received did not contain the July 1, 2022 3% increase, similar to the Retirement Plan valuation data we received.

Main Actuarial Assumptions for LAP as of June 30, 2022

Interest	7.00%
Cost-of-Living Benefit Increases	3.00% per annum, for all tiers
Mortality	
Healthy Members	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Disabled Members	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019.
Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2019.

Results

Based on the information presented above, the results of the June 30, 2022 valuation of the LAP are as follows:

LAP Valuation Results as of June 30, 2022

	Based on Smoothed Actuarial Value of Assets (For Determining Sufficiency)	**Based on Market Value of Assets (For Informational Purposes Only)**
1. Actuarial Accrued Liability*	$70,939,625	$70,939,625
2. Larger Annuity Reserve (Acct. 253)**	-69,536,232	-67,029,764
3. Unfunded Actuarial Accrued Liability (UAAL)/(Surplus)	$1,403,393	$3,909,861
For Reference Purposes Only:		
4. UAAL/(Surplus) as of June 30, 2018	$(145,133)	$(1,111,316)

* For retirees and beneficiaries in payment status as of the valuation date.

** Excludes the Reserve for Larger Annuity Contributions established for current active members (Acct. 256).

Even though the rate of return on investments (after smoothing) during the period from July 1, 2018 to June 30, 2022 was better than expected, the main reason for the emerging UAAL for the LAP as of June 30, 2022 is the strengthening of the actuarial assumptions since the last LAP valuation as of June 30, 2018, specifically the lowering of the interest rate assumption from 7.25% to 7.00% and the adoption of new mortality tables that anticipate longer life expectancies.

Additional Discussions

As we discussed in our June 30, 2018 report, there is an area of plan design on funding within the framework of the LAP that should be monitored and discussed with the stakeholders. On the other hand, it is our understanding that when a member chose to annuitize their self-paid account balance in the LAP when he/she retired from LACERS, the annuity amount had to be "*determined by the actuary to be cost-neutral.*" The basis for the cost-neutral calculation, as recommended by Segal (the actuary), has been the same investment return assumption and mortality assumptions used by the System in the funding valuation for the Retirement Plan under the presumption that all of those assumptions would be met. However, unlike the funding valuation, if actual experience in the future were to come in worse than expected or changes were made to strengthen the assumptions after annuitization, then assets might no longer be sufficient, as is the case for this June 30, 2022 LAP valuation.

As it is our understanding that the System might not be allowed to subsequently change the amount of the Larger Annuity Program benefit, the Board might need to consider a strategy such as combining the assets and the liabilities of both the Larger Annuity Program and the Retirement Plan so that any resultant liabilities (or surplus) in the LAP would be included in the UAAL rate determination for the Retirement Plan. (We note that if the $1.4 million UAAL for the LAP were to be included in the June 30, 2022 Retirement Plan valuation, the contribution rate determined in that valuation would have increased by 0.01% of payroll if contributions are to be received on July 15, 2023, or by $119,015 per year based on the June 30, 2022 projected payroll.) However, before considering such strategy, the Board would need to confirm if this would be permissible under the Administrative Code.

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

Please let us know if you have any questions.

Sincerely,

Andy Yeung

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

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

DNA/jl

cc: Edwin Avanessian
Todd Bouey
Dale Wong-Nguyen

5741173v4/05806.002

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION

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

MEETING: NOVEMBER 8, 2022
ITEM: IV-B

SUBJECT: **TRIENNIAL REVIEW OF BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES AND POSSIBLE BOARD ACTION**

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

Recommendation

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

1. Adopt the proposed review timeline for the next triennial review of LACERS' Board Governance and Administrative Policies.
2. Adopt the proposed revisions to Section 1.0 Governance Principles and Section 3.8 Governance Committee Charter of the Board Governance and Administrative Policies.

Executive Summary

All Board Governance and Administrative policies are to be reviewed by the Board on a schedule not to exceed three years. Since the completion of the last full review in 2019, operational needs have triggered the update of a handful of policies such as the Actuarial Funding Policy and Board Rules. However, most of the policies are now due for review. This report will initiate LACERS' comprehensive triennial review of all Board Governance and Administrative policies.

Discussion

On October 25, 2022, the Committee considered the proposed timeline for the review of all Board Governance and Administrative Policies. The Committee also began the policy review process with the consideration of minor revisions recommended by staff to Section 1.0 Governance Principles and to Section 3.8 Governance Committee Charter. The Committee approved the staff report for referral to the Board for consideration.

Strategic Plan Impact Statement

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

Prepared By: John Koontz, Senior Management Analyst I

NMG/TB/IC:jk

Attachment: Report to Governance Committee Dated October 25, 2022

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

Board Meeting: 11/8/22
Item: IV-B
Attachment

REPORT TO GOVERNANCE COMMITTEE **MEETING: OCTOBER 25, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: III**

SUBJECT: **TRIENNIAL REVIEW OF BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES AND POSSIBLE COMMITTEE ACTION**

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

Recommendation

That the Committee adopt the proposed LACERS Board Governance and Administrative Policies review timeline and recommend to the Board adoption of revisions to the Governance Principles section and the Governance Committee Charter of the LACERS Board Governance Manual.

Executive Summary

All Board Governance and Administrative policies are to be reviewed by the Board at least every three years. While operational needs already triggered the update of a few of these policies since the last full refresh back in 2018-19, most of the policies are now due for review. This report will initiate LACERS' triennial comprehensive review of all Board Governance and Administrative policies.

Discussion

In 2013, the Board established a regular schedule for the review of all Board Governance and Board Administrative policies (collectively referred to as the Board Governance Manual). This schedule requires each policy to be systematically reviewed every three years and brought to the Board for either affirmation or revision.

The proposed review timeline was developed following the basic outline of the Board Governance Manual, while also taking into account the size of each policy document, for the Committee's review and revision.

The first section of the Board Governance Manual to be brought for consideration is the Governance Principles section. This section includes the LACERS Statement of Purpose; Fiduciary Duty; Code of Ethics; and its Mission, Vision, Guiding Principles, and Strategic Goals.

Staff has completed its review and recommends that the LACERS Governance Principles section be affirmed in its entirety with only minor punctuation changes and an update from the Prudent Person Rule to the Prudent Expert Rule. This change in language which is reflected in the California

Constitution and Los Angeles City Charter emphasizes the extremely high standard of care being expected of our Board members to make decisions as a subject matter expert would.

Further update of the Mission, Vision, Guiding Principles, and Strategic Goals section will be performed later as part of the Strategic Plan Update process which LACERS expects to complete next fiscal year.

In addition to the Governance Principles section, LACERS is also bringing the Governance Committee Charter forward for the Committee's review. Staff is recommending minor changes to bring the LACERS Governance Committee Charter more in line with other pension plan Governance Committee Charters.

Each month over the next two years, LACERS will be submitting recommendations for policy revisions for the Board's consideration in accordance with the attached timeline.

In addition to the review of existing Board governance policies, a number of new policies have been identified in the 2022 City Management Audit report for inclusion in this manual. These new policies are being scheduled for consideration in year two of this process.

Attached is the Proposed LACERS Board Governance and Administrative Policies Review Timeline listing the policies to be reviewed in FY 2022-23 and in FY 2023-24.

Strategic Plan Impact Statement

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

Prepared By: John Koontz, Senior Management Analyst I

NMG/TB/IC:jk

Attachments: 1. Proposed LACERS Board Governance and Administrative Policies Review Timeline
2. LACERS Governance Principles – Redline Version
3. Governance Committee Charter – Redline Version

GC Meeting: 10/25/22
Item III
Attachment 1

PROPOSED LACERS BOARD GOVERNANCE AND ADMINISTRATIVE POLICIES REVIEW TIMELINE

(YEAR 1 - FY 2023 to FY 2024)

		OCT 2022	NOV 2022	DEC 2022	JAN 2023	FEB 2023	MAR 2023	APR 2023	MAY 2023	JUN 2023	JUL 2023	AUG 2023	SEP 2023
BOARD GOVERNANCE STATEMENT													
1.0	**Governance Principles**												
1.1	LACERS Statement of Purpose	🟦	🟩										
1.2	Fiduciary Duty	🟦	🟩										
1.3	Code of Ethics	🟦	🟩										
1.4	Mission, Vision, Guiding Principles, Strategic Goals									🟨	🟨	🟦	🟩
2.0	**Governing Statutes**												
2.1	LA City Charter Section 1106	🟨	🟨	🟦	🟩								
2.2	CA State Constitution Article XVI, Section 17	🟨	🟨	🟦	🟩								
2.3	General Laws	🟨	🟨	🟦	🟩								
2.4	Standards of Practice	🟨	🟨	🟦	🟩								
2.5	Key Documents by Reference	🟨	🟨	🟦	🟩								
3.0	**Duties and Responsibilities**												
3.1	The Board's Role			🟨	🟨	🟦	🟩						
3.2	General Manager			🟨	🟨	🟦	🟩						
3.3	Commitment of a LACERS Board Member			🟨	🟨	🟦	🟩						
3.4	Committee Protocol			🟨	🟨	🟦	🟩						
3.5	Committee Structure			🟨	🟨	🟦	🟩						
3.6.1	Audit Committee Charter					🟨	🟨	🟦	🟩				
3.6.2	Internal Audit Charter	N/A – To be Reviewed by Audit Committee											
3.7	Benefits Administration Committee Charter					🟨	🟨	🟦	🟩				
3.8	Governance Committee Charter	🟦	🟩										
4.0	**Board Procedures**												
4.1	General					🟨	🟨	🟦	🟩				
4.2	Agendas					🟨	🟨	🟦	🟩				
4.3	Minutes					🟨	🟨	🟦	🟩				
4.4	Election					🟨	🟨	🟦	🟩				
BOARD ADMINISTRATIVE POLICIES													
1.0	**Guidance for Board Members**												
1.1	Conflict Governance Policy					🟨	🟨	🟦	🟩				
1.2	Board Education and Travel Policy							🟨	🟨	🟦	🟩		
1.3	Board Communications Policy					🟨	🟨	🟦	🟩				

GC Meeting: 10/25/22
Item III
Attachment 1

2.0	**Contract Administration**												
2.1	Ethical Contract Compliance Policy			🟨	🟨	🟦	🟩						
2.2	Third Party Marketer Compliance Policy			🟨	🟨	🟦	🟩						
3.0	**Financial, Actuarial, Audit Administration**												
3.1	Actuarial Funding Policy	N/A – Previously Reviewed in 2021											
4.0	**Benefits and Member Administration**												
4.1	Board Rules	N/A – Previously Reviewed in 2021											
5.0	**Other**												
5.1	Corporate Governance Actions Response Protocol									🟨	🟨	🟦	🟩
5.2	Strategic Planning Policy									🟨	🟨	🟦	🟩
BOARD INVESTMENT POLICIES (N/A – Reviewed in 2022)													

Note: Timeline is subject to change based on the schedule of the Governance Committee Meetings.

STAGES OF REVIEW AND APPROVAL	
🟨	Staff Review
🟦	Committee Review/Approval
🟩	Board Consideration/Approval

PROPOSED NEW POLICIES REVIEW TIMELINE

(YEAR 2 - FY 2024 to FY 2025)

		OCT 2023	NOV 2023	DEC 2023	JAN 2024	FEB 2024	MAR 2024	APR 2024	MAY 2024	JUN 2024	JUL 2024	AUG 2024	SEP 2024
BOARD ADMINISTRATIVE POLICIES													
6.0	**New Policies to be Added**												
6.1	Whistleblower Policy	🟦	🟩										
6.2	Budget Approval Policy	🟨	🟨	🟦	🟩								
6.3	Customer Service Policy	🟨	🟨	🟦	🟩								
6.4	Staff Compensation Policy	🟨	🟨	🟦	🟩								
6.5	Succession Planning Policy			🟨	🟨	🟦	🟩						
6.6	Risk Management Policy					🟨	🟨	🟦	🟩				
6.7	Information Security Policy							🟨	🟨	🟦	🟩		
6.8	Service Provider Monitoring Policy: - Investment Consultant - Legal Counsel - Actuary									🟨	🟨	🟦	🟩
6.9.1	Governance Reporting and Monitoring Policy									🟨	🟨	🟦	🟩
6.9.2	List of Routine Governance Reports Provided to the Board									🟨	🟨	🟦	🟩

GC Meeting: 10/25/22
Item III
Attachment 2

Section 1.0 GOVERNANCE PRINCIPLES

1.1 LACERS Statement of Purpose

Adopted: May 14, 2013; Affirmed: March 13, 2018

LACERS' Board and Staff, in the course of their duties for the Retirement System, are expected to adhere at all times to the highest level of ethical conduct. Personal integrity, transparency of action, and ~~the~~ primary dedication to the benefit of ~~the~~ LACERS Members and their beneficiaries will at all times guide the activities of the Board and Staff.

These policies are intended to provide Board members and Staff with a guide to help them conduct their official duties with integrity, transparency, and for the benefit of the System's members, while complying with applicable Federal, State and City laws and regulations. These policies do not attempt to address every possible activity that could present a fiduciary dilemma for a Board or Staff member; it is assumed that a person of integrity will always abide by the spirit of these policies.

These policies shall not be construed as the sole provision of laws and administrative rules which must be observed by Board members and Staff. Nothing in these policies shall exempt any persons from any Federal, State or City law or regulation. When in doubt, affected persons are advised and encouraged to consult directly with the City Attorney's office or the Board's fiduciary counsel.

1.2 Fiduciary Duty

Adopted: May 14, 2013; Affirmed: March 13, 2018

The California Constitution, Article XVI, §17 and the Los Angeles City Charter, Section 1106, assign the Board of Administration Los Angeles City Employees' Retirement System as Fiduciaries of the Trust Fund and the System. The fundamental duties required to be fulfilled by a Fiduciary are:

Duty of Loyalty (or Primary Loyalty Rule)

LACERS Board members and Staff shall discharge their duties with respect to the System and the Plan solely in the interest of the Members and their beneficiaries for the exclusive purposes of providing benefits to Members and beneficiaries, and defraying reasonable expenses of administering the Plan. This duty to System members and their beneficiaries shall take precedence over any other duty.

Duty to Act Prudently (or Prudent ~~Person~~Expert Rule)

Under the California Constitution and Los Angeles City Charter, pension board members must make all decisions involving LACERS "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." This extremely high standard of care is often referred to as the prudent expert rule.~~LACERS Board members and Staff must discharge their duties with respect to the system 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.~~ Among other things, this requires that the Board:

- Diversify the investments of the System so as to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly not prudent to do so;
- Undertake appropriate analysis of proposed courses of action, including determination of the relevant facts, consideration of alternative courses of action, and obtaining expert advice as needed;
- Acting in accordance with the documents and instruments governing the System;
- Provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system.

Exclusive Benefit Rule

LACERS assets are trust funds and shall be held for the exclusive purposes of providing benefits to LACERS participants and their beneficiaries and defraying reasonable expenses of administering the system.

Prohibitions Against Self-Dealing

LACERS Board members, officers and employees shall never deal with the assets of the System for their own interest or for their own account, nor in their individual, or any other capacity, act in any transaction involving the System on behalf of a party, or represent a party, whose interest are adverse to the interests of the Plan or the interests of the Plan members and beneficiaries. Board members shall not receive any consideration for their personal account from any party conducting business with the System or seeking to conduct business with the System, in connection with a transaction involving the assets of the Plan.

1.3 Code of Ethics

Revised: May 14, 2013; Affirmed: October 8, 2013; Affirmed: March 13, 2018

Each member of the LACERS Board of Administration is bound by law to act in a fiduciary capacity in the best interest of LACERS M~~m~~embers and their beneficiaries. To supplement their fiduciary duty, the Board of Administration adopts the following Code of Ethics.

- Board members shall maintain high ethical conduct at all times.

- Board members shall conduct themselves with integrity and dignity; strive to understand LACERS objectives; and exercise care, prudence, and diligence in handling confidential information.

- Board members shall not seek or accept any compensation or political contributions that would violate the City's Governmental Ethics Ordinance or California law, including without limitation the Political Reform Act of 1974.

- Board members shall not seek or accept any gifts, or reimbursements for travel or any other activity, that is not specifically permitted in the City's Governmental Ethics Ordinance or California's Political Reform Act of 1974.

- Board members shall take positive steps to prohibit breaches of duty (through negligence or intentional action), unauthorized communication with individuals seeking to influence the Board, and unauthorized communication with individuals who may receive personal gains as a result of Board actions, such as, but not limited to, the conducting of serial meetings; discussion with any respondents of an RFQ or RFP while the selection process is underway.

- Board members shall never act where there may be a conflict of interest or appearance of conflict of interest. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities as a Board member. Specifically, Board members may not participate in decisions which might result in personal economic advantage.

- Board members recognize that all LACERS business transactions are to be based on integrity, competence, financial merit and benefit to LACERS participants and their beneficiaries, and not on personal relationships.

- Board members shall act in accordance with the prudent expert rule.

Related Policy: Conflict Governance Policy

1.4 Mission, Vision, Guiding Principles, Strategic Goals

Adopted: March 12, 2013; Revised: February 12, 2019

Vision Statement

Trusted by our Members and partners for excellence, innovation, professionalism, and transparency.

Mission Statement

To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement service to our Members.

Motto

"Securing Your Tomorrows"

Guiding Principles

Professionalism, Innovation, Respect, Kindness & Caring, and Teamwork

Strategic Goals

I. Customer Service – To provide outstanding customer service
II. Benefits Delivery – To deliver accurate and timely Member benefits
III. Health and Wellness – Improve value and minimize costs of Members' health and wellness benefits
IV. Investment – To optimize long-term risk adjusted returns through superior investments
V. Governance – To uphold good governance practices which affirm transparency, accountability, and fiduciary duty
VI. Organization – To increase organizational effectiveness, efficiency, and resilience
VII. Workforce – To recruit, retain, mentor, empower, and promote a high-performing workforce

GC Meeting: 10/25/22
Item III
Attachment 2

Section 1.0 GOVERNANCE PRINCIPLES

Related Policy: Strategic Planning Policy

GC Meeting: 10/25/22
Item III
Attachment 3

3.8 Governance Committee Charter

Adopted by the Board: January 14, 2014; Revised: September 23, 2014; March 13, 2018

I. PURPOSE/ROLE

The purpose of this Committee is to help ensure good governance internally at LACERS and in the corporations in which LACERS is invested to the extent that the governance impacts shareholder value.

Governance refers to the system by which an organization is directed and controlled. The governance structure specifies the distribution of rights and responsibilities among different participants in the organization; specifies the rules and procedures for decision-making; and monitors actions, policies, and decisions of the organization. Good governance practices align interests among key stakeholders, leading to a higher probability that goals and objectives will be attained, maximizing stakeholder value if applicable. A good governance structure helps ensure effective organizational performance and reduce organizational risks.

II. AUTHORITY

The Committee has the authority to:

- Monitor developments in the corporate governance arena that may affect the value of the equity holdings in LACERS' portfolio and to review and make recommendations to the Board regarding corporate governance issues;
- Seek any information it requires from LACERS staff to develop recommendations for the Board on governance policies and for the monitoring of compliance with established governance policies; and,
- Seek information from outside service providers as long as the expense, if any, has been approved by the Board in advance.

III. COMPOSITION OF COMMITTEE

The Committee shall consist of three LACERS Board Members. All members shall be appointed by the LACERS Board President. The LACERS Board President shall appoint a Committee Chair.

The Committee Chair is responsible for setting the agendas for each Committee Meeting. The Chair shall take as an agenda item any matter referred by the LACERS Board. The Chair shall also take as an agenda item any matter submitted by two or more members of the Committee.

IV. FREQUENCY OF MEETINGS

The Committee shall meet no less than twice during the calendar year, or more often as needed.

The General Manager or designee will confer with the Committee Chair on the Committee agenda items. The Commission Executive Assistant shall schedule meetings and prepare meeting agendas and other materials. The General Manager will assign Investment staff members to draft reports, perform research, and render other types of assistance as reasonably requested by the Committee related to Corporate Governance items; and an Administrative Services staff member to draft reports, perform research, and render other types of assistance as reasonably requested by the Committee related to Board Governance and Department Administrative items.

V. DUTIES AND RESPONSIBILITIES

The Board assigns specific duties to the Committee as follows:

Board Governance Policies & Monitoring

- Establish a schedule for review of the LACERS' Board Governance Policies in light of best practices among public retirement systems;
- Consider and recommend to the Board, if appropriate, new governance policies or changes to the existing governance policies;
- Review management audit findings on Board Governance issues and recommend actions if appropriate;
- Monitor and report on compliance with Board Governance Policies;
- Review positions on legislation affecting Board Governance;
- Oversee the development and implementation of the Strategic Plan;
- Make recommendations for an annual schedule of Board Governance education; and,
- Make recommendations for a periodic Board Self-Evaluation.

Consultant Monitoring

- Review and make necessary recommendations to the Board on RFPs, contract awards, and on-going consultant monitoring in areas relating to contracted services except those assigned to Investment Committee, Benefits Administration Committee, and Audit Committee.

Corporate Governance Policies & Monitoring

- Examine the effectiveness of LACERS current corporate governance policies and activities;
- Oversee management of risks related to duties delegated to the Governance Committee;
- Review and recommend modifications of existing Corporate Governance Policies; and,
- Report to the Board on activities of other state and national pension fund associations and of member stakeholder associations regarding corporate governance issues.

Committee Annual Work Plan

- Develop an annual work plan for the Committee;
- Make recommendations to the Board regarding new or continued strategic initiatives related to Governance and make the necessary budgetary requests to support the initiatives; and,
- Request reports to monitor expenditures throughout the year against budgeted amounts.

Miscellaneous

- Address other issues as directed by the Board.

VI. CHARTER REVIEW

The Committee and the Board will review the Charter at least every three years to ensure it remains appropriate. The Committee will recommend any changes to the Board for review and approval. The Board may adjust the Charter at any time.

LACERS
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RETIREMENT SYSTEM

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

MEETING: NOVEMBER 8, 2022
ITEM: IV - C

SUBJECT: **977 N. BROADWAY BUILDING PROJECT FISCAL YEAR 2022-23 SUPPLEMENTAL SECURITY OPERATING BUDGET REQUEST AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1) Consider and provide feedback or direction to staff on the enhanced security option(s) to pursue,
2) Approve the appropriation of $72,192 to the Property Management – Operations expense budget in Fiscal Year 2022-23 for interim security personnel, and,
3) Authorize the General Manager to correct any clerical or typographical errors in this document.

Executive Summary

The 977 North Broadway Building (“HQ Building”), built in 1983, is a five-story building totaling 64,585 square feet of office space. On October 23, 2019, LACERS closed escrow on the purchase of the HQ Building at the final negotiated purchase price of $33,750,000. The property will serve as the headquarters for LACERS’ offices. LACERS and its partners on the Broadway Building Annual Plan (“Broadway Plan”) have worked on the necessary property and tenant improvements with the goal of fully occupying the HQ Building in Fiscal Year 2022-23.

Member and staff safety is paramount for LACERS and the HQ Building is designed with improvements including security and safety solutions such as surveillance cameras, access control, mass communication solutions, enhanced Fire and Life Safety solutions, and on-site security guard services. At the request of the Board during the September 27, 2022, LACERS has prepared additional security options for consideration including deployment of magnetometers (“metal detectors”) and security personnel to screen for concealed weapons. These options take into consideration the HQ Building’s various operational activities, associated costs, and equipment permanence. LACERS would like to solicit any feedback from the Board on which option(s) may be further explored for implementation at the HQ Building. Among those options presented below, the most readily achievable and lowest cost would be to provide magnetometer screening for Board meetings which are anticipated to return to in-person in the new year.

In the interim, LACERS is recommending increasing security at the building by two unarmed security guards to provide security support in the HQ Building's entrances during the time that the security gates will be open to visitors and conduct any necessary health requirement screenings (e.g., vaccine checks) as staff and Members beginning utilizing the building in the coming months. Currently, LACERS has budgeted for one unarmed security guard for Fiscal Year 2022-23.

Discussion

LACERS has prepared specific security equipment deployment and armed personnel options responsive to the Board's request for consideration. The prepared options vary in scale, cost, and degree of permanence and are preliminary in terms of cost and viability. Further research will be required prior to recommending any major procurement as directed by the Board. Staff can also investigate the possibility of grant funding to help offset costs, though whether grant funding is a viable option is unknown at present.

Considerations

During the September 27th LACERS Board meeting, the Board made specific comments relative to the deployment of metal detectors in other City buildings. The question posed for consideration was whether metal detectors had been considered for deployment at the HQ Building. The Board mentioned that grants may be available to implement the hardware and requested that staff explore the cost and report back to the Board.

In researching the deployment of metal detectors, LACERS began by identifying vendors who sold metal detectors to compile information on the necessary upfront cost of purchasing the equipment. Beyond price, the research also explored the cost of installation and maintenance. Additionally, all these options would need contracted armed security guards from the building's on-site security firm, who are 1) trained on the equipment being deployed, 2) can carry out additional security measures (e.g., pat downs), 3) and respond to an armed threat.

The following options are presented for the implementation of metal detectors and related security devices.

Concealed Weapons Detection (CWD) Solution

While researching physical security enhancement options, LACERS identified a modern alternative to metal detectors that detects concealed weapons using a combination of high-frequency pillars, cameras, and software. Distinct from traditional metal detectors, this solution does not require each guest to be individually screened and instead is touchless and allows for a continuous flow of visitors. This provides a less intrusive experience for Members and Visitors. This solution also uses half the number of security guards compared to traditional metal detectors. In place of the traditional configuration of two security guards at a metal detector, the CWD solution requires the oversight of one guard who uses a tablet to monitor guests.

This CWD solution requires a higher upfront equipment investment but has long-term cost savings due to the reduced need for armed security personnel. Modifications for the installation of these devices would need to be made to the Breezeway to allow for power and internet connectivity.

Item	FY 2022-23 Estimated Cost (rounded)
CWD Hardware (one-time expense) - One CWD station - Installation included	$127,965
CWD Subscription - Recurring monthly expenses - Maintenance and warranty included - January – June 2023 cost	$8,745
Armed Personnel - 1 Armed Guard @ $48.78 per hour + fees - Full 8-hour shift - $8,488 monthly cost - January – June 2023 cost	$50,927
Supplies - Stationary work stools for guards ($300) - Table for guard monitoring ($250)	$550
Total	**$188,187**

For Fiscal Year 2023-24, LACERS estimates that the operating cost for this security enhancement, which includes an armed security guard and monthly CWD subscription costs, would be $124,434.

Anchored Traditional Metal Detectors

This option would be for the installation of an anchored traditional metal detector as more commonly seen in other City and government facilities. This equipment would be installed on the Broadway side of the Breezeway requiring each visitor to queue for screening, empty their pockets of any metal objects, pass through the metal detector, and be wanded by security when the metal detector detected a metal object.

Unlike the CWD solution, this solution would require two armed security guards. The first guard would operate the metal detector, provide instructions on what items to remove, wand visitors if needed, and maintain the queue of people waiting to enter the premises. The second guard would be responsible for checking small items, bags, handing out tray bins, etc. Miscellaneous security supplies and equipment needed to maintain a queue line along with small furniture purchases for armed guards and screening are also required. This option would also require modifications to the Breezeway to provide dedicated power to the metal detector.

Item	FY 2022-23 Estimated Cost (rounded)
Metal Detector Equipment (one time): - One Metal Detector - Building Modifications included - 4-Year Maintenance Plan included	$26,878

Armed Personnel - Two Armed Guards @ $48.78 per hour - Full 8-hour shift - $16,976 monthly cost - January – June 2023 cost	$101,853
Supplies - Queuing equipment i.e., crowd control stanchions/posts (4 pairs x $700) - Table for screening items ($250) - Stationary work stools for guards ($600) - Security tray bins for small items ($160)	$3,810
Total	**$ 132,541**

For Fiscal Year 2023-24, LACERS estimates that the operating cost of two armed security guards and equipment maintenance would be $213,891.

Limit Metal Detection to Board Meetings

In this option, LACERS would prioritize deploying one mobile metal detector to screen visitors entering the Assembly Area including the Board Room and Multipurpose Room. This location is appropriate given that this location would be the only ingress path to either participate in a Board Meeting or another mass gathering event such as a seminar or training.

This mobile metal detector would be similar to the traditional anchored equipment discussed above but modified to be portable for easier deployment and storage. While the selected device will have the option to operate using a 4-6 hour-rated rechargeable battery, building modifications to install dedicated power outside of the Assembly area and in its storage location is recommended to ensure the unit always has a reliable power source.

LACERS anticipates this option to include security enhancements for twelve Board meetings and up to four Special Board Meetings during the second half of Fiscal Year 2022-23. The pricing for armed guard service below assumes a need for six (6) hours for each event which includes up to five (5) hours per event and one (1) hour for equipment setup and removal.

Item	FY 2022-23 Estimated Cost
One Traditional Mobile Metal Detector: - Building modifications included - Includes related equipment/accessories - 4-Year maintenance plan included	$26,878
Supplies - Queuing equipment i.e., crowd control stanchions/posts (4 pairs x $700) - Table for screening items ($250) - Stationary work stools for guards ($600) - Security tray bins for small items ($160)	$3,810
Total	**$39,469**

LACERS estimates the cost associated specifically with providing security enhancements for Board Meetings to be $8,781. The full Fiscal Year 2023-24 operating cost for this security enhancement for this option is estimated to be $18,439.

Other Considerations

There are additional potential impacts of deploying detection devices at the HQ Building, which vary to a degree between each option. During large events, these devices require space accommodations for queueing visitors waiting to enter the secured areas. Also, additional space surrounding the screening area would need to be identified and zoned to accommodate an employee-only entrance for employees or property management needing to access the Breezeway without needing screening. Additionally, some visitors and Members may perceive inconvenience from these devices and processes. Lastly, while these devices have the potential to improve the physical security for our staff and Members, there will always still remain a degree of risk.

Interim Security Request

Independently, this report also includes a request to add $72,192 for two interim unarmed security guards to provide security support in the HQ Building's entrances during the time that the security gates will be open to visitors and conduct any necessary health requirement screenings (e.g., vaccine checks). Currently, the existing security guard is tasked with fire watch inspections that require the guard to conduct interior and perimeter walk-thru every 30 minutes as well as responding to any needs around the building. This request would fund the two additional unarmed security guards for the remainder of the Fiscal Year 2022-23 at a monthly cost of $4,512 per guard in anticipation of staff returning to work and resumption of in-person meetings. The ongoing need for these additional security guards will be re-assessed based on the security enhancements preferred by the Board as discussed in this report and based on reviewing COVID-19 protocols and returning to in-person meetings in the coming months. Future security needs will be further discussed in the Fiscal Year 2023-24 budget.

Item	FY 2022-23 Estimated Cost
Security Guard Stationed at Front Gate - 1 Unarmed Guard @ $28.20 per hour - 8 hours, 5 days per week - $4,512 monthly cost - January – June 2023 cost	$36,096
Security Guard to Perform Vaccine Verification - 1 Unarmed Guard @ $28.20 per hour - 8 hours, 5 days per week - $4,512 monthly cost - January – June 2023 cost	$36,096
Total	**$72,192**

Strategic Plan Impact Statement

Ownership in 977 North Broadway advances the Board Governance Goal and Organization Goal by being a cost-effective investment in the long-term as compared to leasing and provides LACERS with complete control over its administrative facilities adding to the organization’s efficiency, effectiveness, and resiliency.

Prepared By: Horacio Arroyo, Senior Management Analyst

NMG/TB:ha

Attachments: 1. Proposed Resolution

BOARD Meeting: 11/08/22
Item IV – C
Attachment 1

977 N. BROADWAY BUILDING PROJECT FISCAL YEAR 2022-23 SUPPLEMENTAL SECURITY OPERATING BUDGET REQUEST AND POSSIBLE BOARD ACTION

PROPOSED RESOLUTION

WHEREAS, on October 23, 2019, LACERS closed escrow on a purchase of an office building at 977 North Broadway (“Broadway Building”), Los Angeles California at the final negotiated purchase price of $33,750,000; the property is a real estate asset of the LACERS Trust Fund, and the LACERS Board of Administration (Board) has sole and exclusive plenary authority over the assets of the trust fund;

WHEREAS, on June 8, 2021, the Board adopted the 977 N. Broadway Project’s Capital Expense Budget of $19,707,987, the Operating Budget of $1,292,058, and Administrative Budget of $415,396 for the purpose of completing tenant and owner improvements prior to move-in and LACERS occupying the building in Fiscal Year 2022-23;

WHEREAS, the Broadway Building is implementing improvements to enhance the security and safety of Members and staff at the HQ Building including surveillance cameras, access control, mass communication solutions, Fire and Life Safety devices, and on-site security guard services;

WHEREAS, at the request of the Board during the September 27, 2022 meeting of the Board, LACERS prepared security options for the deployment of magnetometers, armed security personnel, and costs associated with their deployment;

WHEREAS, the Broadway Building currently contracts an unarmed security guard tasked with both physical security of the building and the required 24-hour patrol of all areas of the building while the fire protection system is out of service, creating ongoing gaps in safeguarding the building perimeter, controlling access into the building, and deterring crime; and

WHEREAS, LACERS recommends increasing the Broadway Building’s Expense Budget by $72,192 for two additional unarmed security guards to provide a continuous security presence at the entrance to the building and perform visitor vaccine verification in accordance with the Board Meeting Safety Standards from November 1, 2022 through June 30, 2023;

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

1. Consider and provide feedback or direction to staff on the enhanced security option(s) to pursue;
2. Approve the appropriation of $72,192 to the Property Management – Operations expense budget in Fiscal Year 2022-23 for interim security personnel; and
3. Authorize the General Manager to correct any clerical or typographical errors in this document.

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

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

MEETING: NOVEMBER 8, 2022
ITEM: IV - D

SUBJECT: **LACERS STAFF PARKING AND COMMUTER OPTIONS SURVEY REPORT AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board:

1) Make a determination that onsite and adjacent parking for 977 N. Broadway, Los Angeles, CA 90012 will be complimentary for LACERS full-time staff;
2) Approve the appropriation of $30,000 to the Property Management - Operations expense budget in Fiscal Year 2022-23 for expenses related to the rental of up to 30 parking spots annually and/or to pay for parking validations in the Chinatown area;
3) Authorize the General Manager to work with Cushman & Wakefield Property Management to rent up to 30 parking spots annually and/or enter into an agreement for validated parking in the Chinatown area; and,
4) Authorize the General Manager to negotiate and execute any contracts required to effectuate Recommendations 1 through 3.

Executive Summary

The 977 North Broadway Building ("HQ Building"), built in 1983, is a five-story building totaling 64,585 square feet of office space with a 130-space subterranean parking structure. As LACERS prepares to relocate operations from the LA Times building to the new HQ Building, it is necessary to evaluate staff parking demand as it pertains to the City of Los Angeles' Special Memorandum of Understanding on City Employee Parking and Commute Options ("the MOU"), the availability of parking spots at the new HQ Building, and the development of a LACERS Parking Policy.

The report provides the results of the LACERS Staff Parking and Commuter Options Survey, the implications of the results given the MOU, and LACERS' recommendations for Board action. LACERS recommends that the Board exercise its authority to offer full time (not including part-time/as-needed staff) LACERS staff complimentary parking. LACERS proposes that this incentive would not only help to retain staff but could also help attract other City employees who work in and around the Civic Center. In terms of precedence for complimentary parking in the City, other Departments in the City provide complimentary parking including but not limited to the Harbor Department, Los Angeles Fire and Police Pensions, and Los Angeles World Airports.

Discussion

Special Memorandum of Understanding on City Employee Parking and Commute Options

The City of Los Angeles' Special Memorandum of Understanding on City Employee Parking and Commute Options memorializes the City's right to collect parking fees from City employees who park in lots owned or leased by the City and the authorized amounts the City may charge for parking based on geographic location. Per the MOU, all parking fees paid by City employees are also subject to the City's ten percent (10%) parking tax. The picture below depicts the boundaries for the Downtown Los Angeles geographic area as defined in the MOU.

Downtown Los Angeles geographic area is defined as the area generally bordered by Cesar Chavez/Sunset Boulevard to the north, the Los Angeles River to the east, the Santa Monica Freeway to the south, and Union Avenue to the west. - MOU Article 4(B)(7)

As illustrated above, LACERS' current headquarters at the LA Times building (depicted using the previous LACERS logo) sits within these boundaries. By virtue of LACERS' LA Times HQ being located within the MOU's Downtown Los Angeles geographic area, LACERS staff who want to participate in the Parking Program administered by the Personnel Department's Employee Benefits Division ("EBD") are currently required to pay $50.30 per month to park in lots immediately adjacent to City Offices or Covered Lots. Payments are collected through bi-weekly payroll deductions. At present, LACERS does not receive any portion of employee fees to offset the monthly charges required in its lease for the LA Times Building.

However, once operations move to the new HQ Building (depicted using LACERS' new logo), the HQ Building will no longer be within any of the geographic areas established in the MOU. Rather, following consultation with the City Attorney, staff have determined that the LACERS Board has the authority to determine whether or not it is prudent to charge employees to park at the new HQ Building, and, if it decides to do so, to set the monthly rate for full-time employee parking at the new HQ Building.

Over the last two years, LACERS has reached out to the EBD regarding LACERS' impending move and its potential impact on employee parking policies and procedures. The response from EBD has consistently been non-committal. EBD staff have repeatedly informed LACERS that any changes to the MOU are the responsibility of the Joint Labor-Management Committee on Commute Options and Parking ("JLMC-COP") through its Ad Hoc Special Parking MOU Review Subcommittee ("Ad Hoc Subcommittee").

Likewise, the Los Angeles Fire and Police Pensions Board ("LAFPP") has directed its staff to work with relevant City departments to implement an in-house parking and transit subsidy program. According to LAFPP staff, EBD informed them the JLMC-COP and the Ad Hoc Subcommittee are revising the MOU but that work has been delayed due to the ongoing need to respond to parking issues brought about by COVID-19.

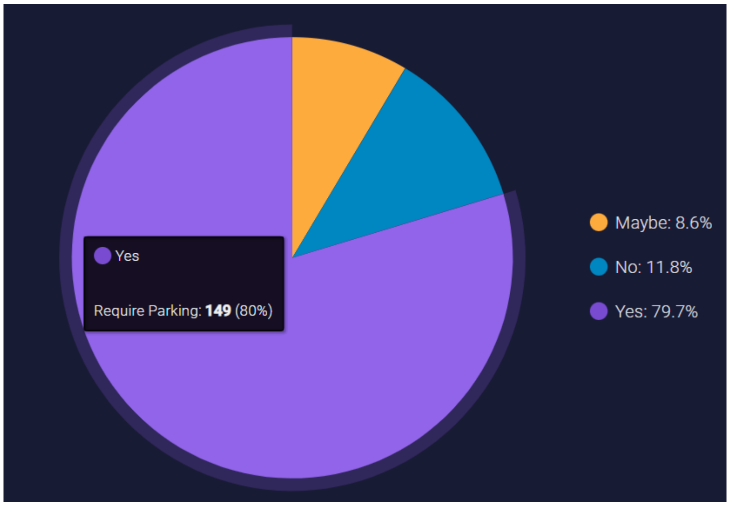
Thus far, the Ad Hoc Subcommittee has focused on broadening the eligibility for some transit incentive programs and considered modest increases to the parking fee structure. To date, there has been no discussion of expanding or redefining the geographic areas. As such, and until LACERS is informed otherwise, the MOU's terms and conditions for charging employees to park do not apply to the new HQ Building.

Parking Demand

In the coming months, LACERS will initiate the significant task of transitioning all operations to the new HQ Building. Although LACERS' is still discussing the extent to which staff will physically work in the building, other pension systems have implemented a 2-day onsite work schedule where staff is in the office two days a week. Once the schedule for onsite work is decided, it is anticipated that the number of staff in the office will increase from the current load as will the need for parking for staff.

To prepare for this possibility, LACERS developed the 977 N. Broadway Employee Commute and Parking Survey ("Parking Survey"). The Parking Survey asked LACERS' employees and City Attorney

Public Pensions General Counsel Division personnel ("Recipients") to provide their commuting and parking preferences, commuting expenses, work schedules, and electric vehicle ownership. The survey had a 94% (187 respondents) response rate and greatly informed LACERS' understanding of staff parking preferences and guidance for recommendations to present to the Board.
Presently, 107 LACERS staff are paying for parking in the LA Times Building corporate lot or adjacent parking lot. Rather than assume parking preferences would remain constant, the Parking Survey asked respondents whether they would be interested in parking at the new HQ Building when LACERS moved. The following represents the responses:



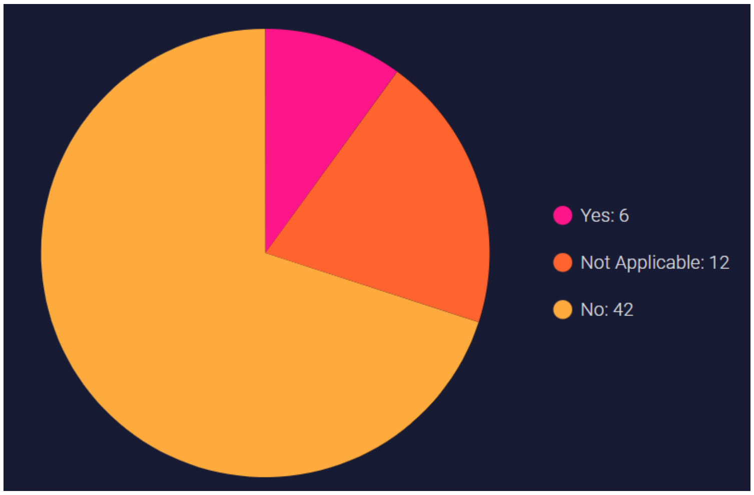
The 165 staff that could conceivably be parking at the new HQ Building (149 "Yes" responses plus 16 "Maybe" represents a 42% increase in parking demand.

Beyond the number of parking spots needed for LACERS staff, LACERS also needs to consider parking for LACERS Members, City Attorney personnel, vendors that provide building services, and LACERS' fleet vehicles. Although currently LACERS does not provide parking for Members, LACERS intends to reserve five parking spots for Members to use on a reservation basis when visiting the new HQ Building. The number of Member parking spots is based on the average number of Members that would visit the LACERS HQ at any one time prior to the COVID-19 "Safer at Home" Directive being implemented, and corresponds to the number of counseling rooms available. These parking spots would be designated for the LACERS Board on Board meeting days, though all seven Board Members will be able to be accommodated for parking onsite.

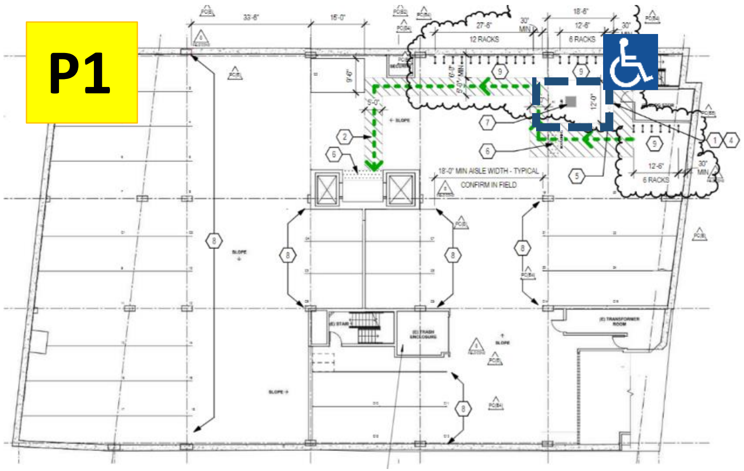
When determining the parking load, LACERS includes parking for groups beyond our Members, the Board, and LACERS staff. Parking demand also includes seven parking spots for the City Attorney staff, seven parking spots for staff that provide building services (including property management, engineer, parking attendants, day porter and at least two security guards), and three parking spots for LACERS' fleet vehicles. In total, the following represents the parking stakeholder groups and total parking demand:

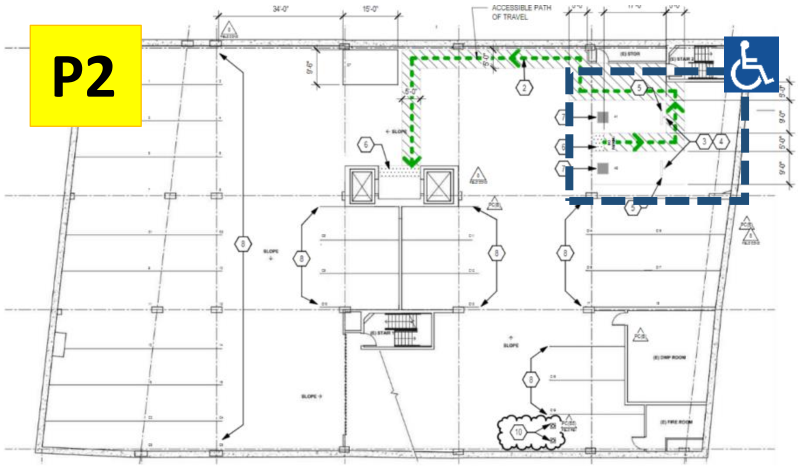
Stakeholder Group	Proposed Parking Lot Assignment	Number of Parking Spots
Survey Respondents Who Answered Yes/Maybe	977 N Broadway	165
Members/Board	977 N Broadway	5
City Attorney	Mandarin Plaza	7
Building Support Staff	Mandarin Plaza	7
Fleet Vehicles	977 N Broadway	3
	977 Subtotal	173
	Mandarin Plaza Subtotal	14
	Total Parking Load	187

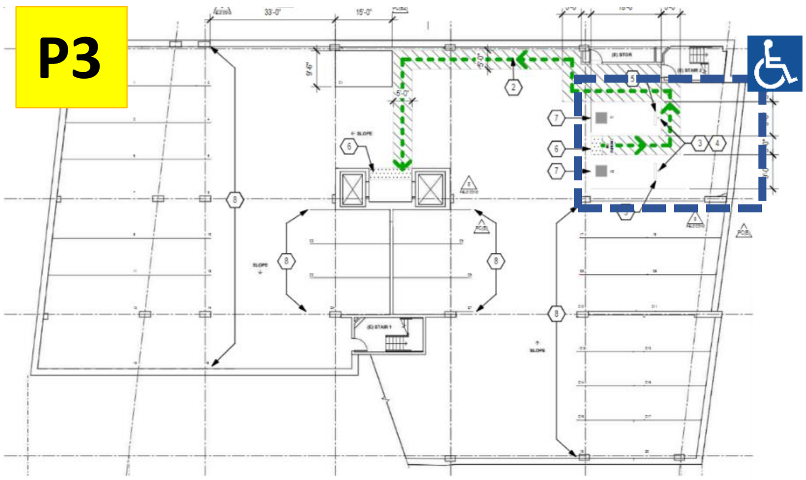
Indirectly, of the 149 respondents who answered “Yes” to requiring parking, six respondents answered an optional question asking recipients whether they required ADA parking at the new HQ Building.



Although still being reviewed by the Los Angeles Department of Building and Safety (“LADBS”), LACERS’ parking design includes five ADA parking spots in accordance with the City of LA’s Code requirement detailed in the “LADBS Information Bulletin / Public – Building Code: Accessibility Details or Parking.” These five ADA parking spaces will be located on floors P1, P2, and P3 of the new HQ Building’s underground parking lot.







These five ADA parking spots will satisfy the accessibility requirements delineated by LADBS and will be assigned upon request on a first-come, first-served basis with the full range of choices that are available to other LACERS staff.

Parking Capacity

For purposes of this report, building parking capacity of 118 parking spots was calculated by LACERS architect, HOK. The 118-parking capacity represents a reduction from the previous documented parking capacity of 130 due to a loss of four parking spots on P2 as part of the reconfiguration of six compact parking spots into two ADA parking spots and a parallel loss of four parking space in P3 due to a similar ADA reconfiguration. The reconfiguration was necessary to comply with LADBS' Building Code requirement for a building with 101-150 parking spots to have a minimum of five accessible parking spaces. Further, the building parking capacity was reduced by 4 parking spots due to the reduction in compact parking spots to comply with Los Angeles Municipal Code limiting compact parking spots to no more than 40% of the required parking spaces for the building.

Although the new HQ Building has a parking capacity of 118 parking spots, not all of those will be available. As discussed, of the 118 parking spots, five parking spots will be designated as Visitor Parking spots for LACERS Members to use during their visits and by the LACERS Board during Board meeting days. Moreover, an additional three specific parking spots will be designated for LACERS fleet vehicles that staff use for official business. This reduction brings the parking capacity from 118 to 110 parking spots.

With total potential demand of 179 (adjusted to remove Member and fleet vehicle parking spots), LACERS may face a deficit of 69 parking spots.

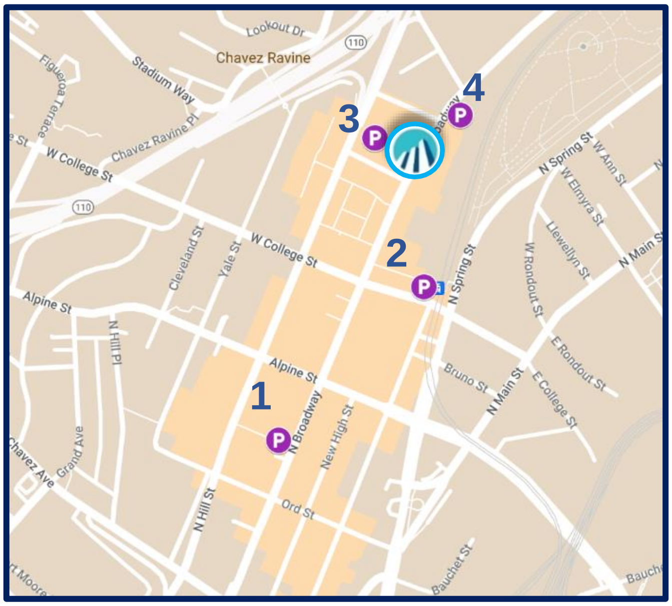
Supplemental Parking Options

Due to the increase in demand for parking identified in the Parking Survey results, LACERS has explored supplemental parking options including street parking, staggering staff schedules to reduce the parking load on the building, and the possibility of renting parking spaces from parking lots in the area adjacent to the new HQ Building.

Street parking is available in the Chinatown area on a first-come, first-served basis for the modest rate of $1.00 for two hours which can be paid using credit cards. Parking enforcement generally begins between 8 and 9 a.m. Monday through Friday. Street parking is an option that is available to all staff, but not generally an ideal option due to the two-hour time limit, need for staff to feed the meters, move vehicles every two hours, inconsistent availability of another parking spot, and the chance parking ticket.

Telecommuting is a second option for addressing the parking space deficit. Currently, staggering telecommuting is being practiced by LAFPP in their offices with success. Generally, LAFPP's telecommuting strategy has staff in the office two days out of each week. As a safeguard against any overflow, they have coordinated with the parking vendor to have an overflow lot for when the lot cannot accommodate staff. According to LAFPP, this strategy has worked out well in its parking lot. Assuming LACERS takes a similar approach, it is possible that staff requiring parking on a typical day could be accommodated on site at once. The drawback for this approach would be that this strategy is only effective if LACERS is able to restrict staff from working on site to no more than 70% and would not be effective on days when staff events are scheduled or work events require an increased number of staffing in the office on a given day.

A third option would be for LACERS to rent parking spots or provide parking validations for a nearby lot in the Chinatown area. LACERS explored parking lots in the surrounding area and evaluated them according to criteria including hours of operation, monthly rate, daily rate, available spots, distance from the new HQ Building, and general flexibility of the operator. Based on LACERS evaluation of the parking lots in the area, LACERS instructed the new HQ Building Property Management to reach out to four parking lots to discuss the possibility of renting 30 parking spots.



Parking Lot Rates

1. 750 N Hill - $85/month / $5/day*
   Hours: 24 hours
   Height Limit: N/A
   * No assigned parking. First come, first served basis

2. Blossom Plaza - $70/month / $8/dayΦ
   Hours: 8:00 am - 12:00 am
   Height Limit: 14'
   Φ Not available. Currently on contract with LADOT

3. Bamboo Plaza - $90/month / $5/day
   Hours: 9:00 am - 6:00 pm
   Height Limit: 6'6"
   $5.00 charge for the keycard processing on the first month
   Additional charge to hire security to extend hours of operation

4. Mandarin Plaza - $75/month / $5/day
   Hours: 7:00 am - 11:30 pm
   Height Limit: 6'4"

Property Management reported that of the four identified parking lots, two were not ideal.

<u>750 N Hill</u>
Parking is available on a first-come, first-served basis and spots could not be guaranteed. Moreover, 750 N Hill personnel mentioned that they are occasionally contracted for movie filming in which case parking would be available at a nearby parking lot. In terms of proximity, 750 N Hill was the furthest from the new HQ Building.

<u>Blossom Plaza</u>
Currently being used to capacity by LADOT, as such the parking operator cannot sell monthly parking.

When evaluating the other two parking lots, LACERS found that Mandarin Plaza was the clear choice over Bamboo Plaza.

Bamboo Plaza proposed parking fees would represent an 18% increase in the monthly rate compared to Mandarin Plaza. This difference equates to an additional cost of $5,400 per year for 30 parking spots. In addition, the Bamboo Plaza parking operator notified LACERS' Property Manager that LACERS would have to pay for additional parking fees to cover the cost of hiring staff to open the parking lot earlier and close it later than its current operating schedule. An estimate in cost for the additional staff was $18,000 per year. Collectively, the cost of contracting with Bamboo Plaza would result in expending $23,400 more than contracting with Mandarin Plaza for the 30 parking spots. In total, the estimate for LACERS to rent 30 spots from Mandarin Plaza would be $27,000 versus $50,400 for Bamboo.

The rental of parking spots is also important as a means of addressing the inherent problem with the HQ Building's tandem parking configuration as it applies to the valet parking approach being considered at the building. According to Question 18 of the LACERS Parking Survey, 62% of staff that responded "Yes" or "Maybe" to needing parking at the new HQ building plan to arrive at the new HQ Building between 6:30 a.m. and 7:30 a.m. This translates to an average of 22 cars entering the building every 15 minutes over the course of one hour. Similarly, Question 19 of the LACERS Parking Survey found that 67% of staff plan to depart the new HQ Building between 4:00 p.m. and 5:00 p.m. This translates to an average of 30 cars leaving the building every 15 minutes over the course of one hour. Although the arrival of cars will require a great deal of coordination, LACERS' valet service has a plan for processing arrivals quickly. However, concerning the vehicle departures, LACERS' valet service has notified LACERS that the tandem parking configuration will create some lag in timing to retrieve cars for staff. Specifically, the valet service mentioned that they will realistically only be able to retrieve 6 cars every 15 minutes. This issue might be partially alleviated by assigning some staff coming in and leaving during these two key hours to the rental parking spaces.

In considering this option, it is critical to appreciate the cost for parking currently borne by LACERS and its staff at LA Times. Specifically, at LA Times, LACERS currently pays parking for 107 parking spots designated for staff and fleet vehicle parking as delineated in the table below.

Parking Lot	Category	Number of Parking Spots	Monthly Rate per Parking Spot	Monthly Total
221 W 2nd Street	Unreserved	34	$168.18	$5,718.12
	Reserved	25	$130.00	$3,250.00
213 Spring Street	Unreserved	48	$83.23	$3,995.04
			Monthly Total	$12,963.16
			Annual Total	$155,557.92

LACERS is not reimbursed from the funds generated from the 107 employees who currently pay for parking at LA Times through EBD. As such, the rental of 30 parking spots at a cost of $27,000, still represents savings of $128,557.92 for LACERS.

The presentation of these different options in no way implies that one option should be chosen over the others. Rather than select one option, LACERS recommends continuing telecommuting and renting 30 parking spots and/or entering into an agreement for validated parking that could be used by the Board and staff as necessary. Utilization for the 30 parking spots and/or parking validations would be tracked to create a benchmark and, if necessary, adjustments made accordingly.

Staff Parking Rates and Practical Considerations

Because the new HQ Building is outside of the Downtown Los Angeles Geographic Area as defined in the MOU, LACERS is not required to adhere to the MOU's stipulated monthly parking rates. As LACERS will oversee and manage the operating costs for its own parking lot at the new HQ Building, the LACERS Board has the authority to determine any monthly and daily rates to charge staff, if it determines that it is prudent to charge for employee parking at the new HQ Building.

To provide perspective, staff members currently pay $50.30 per month to EBD's Parking Program while parking at the LA Times Building. This represents an annual expense of $603.60 per employee and a collective expense of $62,774.40 in parking deductions collected from 104 staff members by the EBD Parking Program. This annualized amount is based on 104 parking spots (107 parking spots minus 3 parking spots used for LACERS fleet vehicles) at the EBD Parking Program monthly rate of $50.30. As the owner of 977 N. Broadway, the LACERS Board will have the discretion to match, increase, or decrease the monthly rate for the 165 LACERS staff who responded "Yes" and "Maybe" to the Parking Survey.


Monthly Parking Rates in Chinatown

Source: Parkme.com

If the LACERS Board decided to match the current rate of $50.30, LACERS could generate roughly $99,594 a year from staff parking fees (including approximately $9,000 in taxes due to the City). After deducting $27,000 for the rental of the 30 parking spots at the mean Chinatown monthly rate of $75 (based on monthly rates published in Parkme.com), LACERS could collect $72,594 per year.

By comparison, if the LACERS Board decided to match the mean monthly parking rate in the Chinatown area of $75 per month, LACERS could generate $148,500 per year. After deducting $27,000 for the rental of the 30 parking spots, LACERS could still collect $121,500 per year for staff parking fees.

Despite the possibility of generating income, the administrative expense and burden may outweigh any benefit of revenue. A general review of the expenses related to implementing and administrating a LACERS-centric parking program could cost LACERS upwards of $97,000 in hiring an Accounting Clerk to oversee the program and $4,000 in setup costs equipping the Clerk with the necessary furniture, equipment, and software to perform their duties.

Expense	**Cost**
Startup Expenses (Laptop, Dual Monitors, Keyboard, Mouse, Docking Station, Cell Phone, Software Licenses)	$3,500
Accounting Clerk (Step 7) Salary	$66,941
Accounting Clerk Benefits	$30,000
Administrative expenses for cell phone plan	$500
Total:	$100,941

As such, when comparing the potential $121,500 of income generated by the program to the $100,941 potential costs of administering the program, it becomes clear that program costs would significantly reduce the potential income from the program, and there could be other administrative challenges associated with collecting and managing funds from employees.

Administrative feasibility is also important to the cost-benefit analysis for a LACERS-centric parking program. Explicitly, the core question is whether a methodology exists for collecting the monthly parking fee from LACERS employees in a simple and manageable process. Based on staff research, it does not appear that adding a LACERS-specific payroll deduction for parking is feasible at this time. If the Board opted to charge parking fees, LACERS would likely have to identify an alternate means of collecting parking fees from employees. Staff believe that LACERS would accordingly incur additional administrative expenses and as such reinforces the recommendation for providing free parking.

An initial approximation of the cost of offering staff complimentary parking annually is $27,000, plus absorbing the costs to operate onsite parking. These funds would be used to pay for validations and/or rental of up to 30 additional parking spots in the Chinatown area. Additionally, LACERS would reach out to the parking garage and enter into an agreement for validated parking for special events. Initially, LACERS recommends that $500 be appropriated for these purposes. A total of $30,000 is being requested in anticipation of the estimated costs, along with some buffer for minor overages. LACERS will continually monitor the utilization of the 30 parking spots and parking validations and make any necessary adjustments as conditions warrant.

Promoting Mass Transportation

Beyond making parking available at the new HQ Building, LACERS is dedicated to promoting mass transportation as a means of reducing air pollution and traffic congestion and supporting a more sustainable, livable environment for the Los Angeles area. In fact, one of the initial reasons the new HQ Building is so attractive was its proximity to Union Station and the LA Metro Chinatown Gold Line Station, and its accessibility by multiple bus routes and the B Dash.

Plans to promote mass transportation include reaching out to EBD requesting their support to urge vanpools currently used by LACERS employees to designate the new HQ Building as an approved stop. LACERS is currently drafting a letter on behalf of its employees and plans to distribute it to the vanpools prior to LACERS moving to the new HQ Building. Also, staff is developing the 977 Parking Plan which will provide carpool groups with higher priority for parking in the new HQ Building.

To further entice participation in mass transportation, LACERS' parking plan at the new HQ Building includes the installation of secured bike racks at 977. Staff who bike to work will have the option to park their bikes in covered areas within the building.

In parallel to LACERS' efforts, on March 1, 2022, the JLMC-COP submitted a report to City Council recommending that the public transit subsidy for City employees be increased from $50 to $100 for a one-year period. LACERS would promote the availability of this subsidy and other programs advocating for use of mass transportation amongst its employees to increase awareness and encourage utilization.

Strategic Plan Impact Statement

Ownership in 977 N. Broadway advances the Board Governance Goal and Organization Goal by being a cost-effective investment in the long-term as compared to leasing and provides LACERS with complete control over its administrative facilities adding to the organization's efficiency, effectiveness, and resiliency.

Prepared By: Isaias Cantú, Chief Management Analyst

NMG/TB:ic

Attachments: 1. Proposed Resolution

LACERS STAFF PARKING AND COMMUTER OPTIONS SURVEY REPORT AND POSSIBLE BOARD ACTION

PROPOSED RESOLUTION

WHEREAS, on October 23, 2019, LACERS closed escrow on a purchase of an office building at 977 North Broadway (“Broadway Building”), Los Angeles California at the final negotiated purchase price of $33,750,000; the property is a real estate asset of the LACERS Trust Fund, and the LACERS Board of Administration has sole and exclusive plenary authority over the assets of the trust fund;

WHEREAS, the City of Los Angeles’ Special Memorandum of Understanding on City Employee Parking and Commute Options (“MOU”) memorializes the City’s right to collect parking fees from City employees who park in lots owned or leased by the City and the authorized amounts the City may charge for parking based on geographic location;

WHEREAS, by virtue of LACERS’ LA Times HQ being located within the MOU’s Downtown Los Angeles geographic area, LACERS staff who want to participate in the Parking Program administered by the Personnel Department’s Employee Benefits Division (“EBD”) are currently required to pay $50.30 per month to park in lots immediately adjacent to City Offices or Covered Lots;

WHEREAS, LACERS will be moving its operations to the new HQ Building located at 977 N. Broadway which is located outside of the geographic areas established in the MOU;

WHEREAS, following consultation with City Attorney, staff have determined that the LACERS Board has the authority to determine whether or not it is prudent to charge full-time employees to park at the new HQ Building and, if it decides to do so, to set the monthly rate for full-time employee parking at the new HQ Building;

WHEREAS, when comparing the potential $121,500 of income generated by a LACERS-centric parking program to the $101,000 potential costs of administering the program, it becomes clear that program costs would significantly reduce the potential income from the program;

WHEREAS, the possibility of generating income could serve to offset operational expenses at the new HQ Building, the potential $20,500 in surplus funds collected by LACERS from its employees would come with an administrative burden in excess of any financial benefit;

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

WHEREAS, 107 LACERS employees are currently paying to park at the LA Times Building and the total potential parking demand at the new HQ Building is 179 according to responses collected through LACERS’ 977 N. Broadway Employee Commute and Parking Survey leaving LACERS with a deficit of 69 parking spots; higher than the parking capacity at the HQ Building;

WHEREAS, the deficit of 69 parking spots could be mitigated by telecommuting and entering into a contract with a nearby parking lot in Chinatown for up to 30 parking spots at a monthly rate of $75 per parking spot for an annualized cost of $27,000 and $500 in parking validations for daily rate parking, along with $2,500 in contingency for minor overages;

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

1) Make a determination that onsite and adjacent parking for 977 N. Broadway, Los Angeles, CA 90012 will be complimentary to LACERS full-time staff;
2) Approve the appropriation of $30,000 to the Property Management - Operations expense budget in Fiscal Year 2022-23 for expenses related to the rental of up to 30 parking spots annually and/or to pay for parking validations in the Chinatown area;
3) Authorize the General Manager to work with Cushman & Wakefield Property Management to rent up to 30 parking spots annually and enter into an agreement for validated parking in the Chinatown area; and,
4) Authorize the General Manager to negotiate and execute any contracts required to effectuate Recommendations 1 through 3.

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT NOTIFICATION TO THE BOARD

RESTRICTED SOURCES

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

Name	Description	Inception	Expiration	Division
Bernstein Litowitz Berger & Grossmann LLP	Securities Monitoring/Litigation Counsel	N/A	N/A	City Attorneys
Bleichmar Fonti & Auld LLP	Securities Monitoring/Litigation Counsel	N/A	N/A	City Attorneys
Cohen Milstein Sellers & Toll PLLC	Securities Monitoring/Litigation Counsel	N/A	N/A	City Attorneys
Robbins Geller Rudman & Dowd LLP	Securities Monitoring/Litigation Counsel	N/A	N/A	City Attorneys
Saxena White, P.A.	Securities Monitoring/Litigation Counsel	N/A	N/A	City Attorneys
Anthem	Medical HMO & PPO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Kaiser	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
SCAN	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
United Healthcare	Medical HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Delta Dental	Dental PPO and HMO	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback

Also viewable online here.

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD

Name	Description	Inception	Expiration	Division
Anthem Blue View Vision	Vision Services Contract	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Keenan & Associates	Health and Welfare Consultant	N/A	N/A	Health, Wellness, & Buyback
Mom's Computer, Inc.	Technology, Virtual Meeting, and Video Support Services	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Personal Wellness Corporation	Fitness Webinar Coaching & Training Services	January 1, 2023	December 31, 2023	Health, Wellness, & Buyback
Moss Adams	External Auditing Consulting Services	July 1, 2020	June 30, 2023	Internal Audit
Townsend Holdings LLC	Real Estate Consulting Services	N/A	N/A	Investments
BlackRock Institutional Trust Company, N.A.	Multi Passive Index Portfolio Management	November 1, 2022	October 31, 2027	Investments
RhumbLine Advisers Limited Partnership	Multi Passive Index Portfolio Management	November 1, 2022	October 31, 2027	Investments
State Street Global Advisors Trust Company	Multi Passive Index Portfolio Management	November 1, 2022	October 31, 2027	Investments
Box, Inc.	Retirement Application Portal Custom Consulting Services	December 1, 2021	November 30, 2022	Systems

Also viewable online here.

LACERS' ETHICAL CONTRACT COMPLIANCE REPORT
NOTIFICATION TO THE BOARD

ACTIVE RFPs

Description	Respondents	Inception	Expiration	Division
Private Credit Consultant	Aksia LLC; Meketa Investment Group, Inc.; NEPC, LLC; Wilshire Advisors LLC	January 24, 2022	March 25, 2022	Investments
Transition Manager	Abel Noser, LLC, BlackRock Institutional Trust Company, N.A., Citi Global Markets Inc, Loop Capital Markets, Macquarie Capital (USA) Inc., The Northern Trust Company, Russell Investments Implementation Services, LLC, State Street Bank and Trust Company	February 14, 2022	August 31, 2022	Investments

Also viewable online here.

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

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

SERVICE RETIREMENTS

Member Name	Service	Department	Classification
Orona, Pamela A	36	Dept. of Rec. & Parks	Systems Analyst
Yi, Susan Chooneun	36	Controller's Office	Accounting Clerk
Bright, Marva A	35	Library Dept.	Library Asst
Encarnacion, Ronn Barba	35	GSD	Sr Mgmt Analyst
Haro, Delia	35	Police Dept.	Sr Systems Analyst
Thompson, Dwayne L	35	GSD	Custodian
De Lapaz, Oscar	35	PW - Sanitation	Sr W/W Treatment Oper
Brennan, Thomas E	34	Police Dept.	Police Admin
Villacorte, Allan Canoza	32	Police Dept.	Forensic Prnt Spec
Kellerman, Matt Paul	32	Dept. of Bldg. & Safety	Sr Build Mech Inspectr
Carr, Nobbie	31	Police Dept.	Detention Officer
Cruz, Claudio A	31	Dept. of Airports	Airport Police Ofcr
Allen, Ronald E	30	Dept. of Bldg. & Safety	Office Engrg Tech
Morga, Jesus Carreno	27	PW - Sanitation	Ref Coll Truck Oper
Moran, Yolanda Teresa	27	Police Dept.	Sr Administrative Clerk
Rodriguez, Erika Marisa	27	Police Dept.	Management Analyst
Blue, Elliott Howard	25	Indep. Assessor Fire Comm.	Management Analyst
Hardy, Pamela R	24	Dept. of Airports	Custodian Airport
Casino, Gene A	24	Dept. of Airports	Elevator Mechanic
Jordan, Michelle Elizabeth	23	Police Dept.	Police Service Rep
Johnson, Diedra L	22	Office of Finance	Tax Complnce Ofcr
Garcia, Luis R	22	GSD	Equipmnt Mechanic
Criste, Felina C	22	Library Dept.	Administrative Clerk
Michel, David Gomez	22	Livability Services Division	Ref Coll Truck Oper
Muller, Ronald G	22	PW - St. Maint.	St Svcs Supvr
Richardson, Earnest	21	Dept. of Airports	Air Cond Mechanic
Rodgers, Judy L	21	Personnel Dept.	Sr Personnel Analyst
Justo, Danilo Cristi	21	Office of Finance	Sr Tax Auditor
Salgado, Melissa	20	City Attorney's Office	Legal Secretary
Carr, Nancy C	18	PW - Admin Div.	Administrative Clerk
Parra, Dean Christoph	18	Police Dept.	Garage Attendant
Korman, Seth	17	PW - Sanitation	Systems Analyst
Brown, Linda D	16	PW - Sanitation	Commun Info Rep
Truong, Grandin	16	GSD	Equipmnt Mechanic
Gary, Philip	16	Dept. of Rec. & Parks	Mech Repairer
Bershon, Nicole C	16	Police Dept.	Inspector General

Sison, Janet Soliman	16	PW - Accounting	Accountant
Mor, Patricia Almon	15	City Attorney's Office	Deputy City Atty
Yum, Peter	13	Police Dept.	Detention Officer
Shepherd, John C	12	Dept. of Airports	Airport Police Ofcr
Tran, Mabel Kapo	9	Dept. of Transportation	Transport Eng Assoc
Finnels, Dey On W	7	Dept. of Rec. & Parks	Recreation Asst
Tamm, Daniel Alexander	6	Mayor's Office	Mayoral Aide
Lubell, Deborah L	2	Dept. of Rec. & Parks	Recreation Asst.

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

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

Approved Death Benefit Payments

Deceased	Beneficiary/Payee
TIER 1	
Acalin, Mary Ann	Lori A Acalin for the payment of the Accrued But Unpaid Continuance Allowance
Alvarez, Tony	Darlene C Kramer for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Steven B Kramer for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Anderson, Bernard	Anntoinette Marie Anderson for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Atallah, Anton Shehadeh	Antoinette Papinchak for the payment of the Burial Allowance
Austin, Doris E	Gregory W Hooker for the payment of the Accrued But Unpaid Continuance Allowance

Ayala, Antonio	Elena C Ayala for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Barajas, Alfred	Julie Camacho - Barajas for the payment of the Burial Allowance
Bautista, Ramon G	Paz F Bautista for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Bermudes, Rudolph	Mercy Esparza for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Steven Bermudes for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Blade, Ronald	Denise Blade for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Boyer, Conservatee, Patricia L	Caroline Shanks for the payment of the Accrued But Unpaid Continuance Allowance
	Janice D Ryno for the payment of the Accrued But Unpaid Continuance Allowance
Campos, Juventino	Gabriela Campos for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions

Cordova, Alicia	Edmund Cordova for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Davila, Robert J	Bernadette B Gonzalez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Christina Davila for the payment of the Accrued But Unpaid Service Retirement Allowance
De Groeve, Albert T	Albert De Groeve for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Diaz, Jeannette Atsuko	Arline Y Koga for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Unused Contributions
Diaz, Regina Bernales	Celeste Diaz Sibolboro for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Disko, Ellen L	Randall C Disko for the payment of the Accrued But Unpaid Vested Retirement Allowance
Dunlap, Louis	Carla B Harrell for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Foss, Jean L	Mark A Rodriguez for the payment of the Accrued But Unpaid Survivorship (Retirement) Allowance
Fractious, John H	Kimberly Young for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Franco, John M	Jack Eldon Franco for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Franklin, Jimmy	Mae Dean Doss for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Frausto, Manuel A	Estela Jimenez Hernandez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Garcia, Alberto	Julie Garcia for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Garcia, Pablo S	Epifania Salvador Garzon for the payment of the Burial Allowance

Gilbert, Robert W	Sharyl S Gilbert for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Gomez, George Lara	The Gomez Family Trust for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Greene, Fredrick M	Fredrick M Greene for the payment of the Accrued But Unpaid Service Retirement Allowance
Hall, Inez M	Bruce Albert Hall for the payment of the Accrued But Unpaid Continuance Allowance
	Sandra Jean Brown for the payment of the Accrued But Unpaid Continuance Allowance
	Susan Kay Foss for the payment of the Accrued But Unpaid Continuance Allowance
Hanor, Danny Lee	Deborah S Hanor for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Hart, Diane	Kim Renee Williams for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance

Heramis, Corazon	Cherry H Coon for the payment of the Accrued But Unpaid Continuance Allowance Christie Laredo for the payment of the Accrued But Unpaid Continuance Allowance Lynn Heramis for the payment of the Accrued But Unpaid Continuance Allowance
Hidalgo, Raul M	Toni Hidalgo for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Hines, Myrtle N	Kizziar Simien for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Johnston, Neal A	Pauline R Johnston for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Kramer, Albert G	Dean Stanton Kramer for the payment of the Burial Allowance Unused Contributions
Kurtz, Willa	Melissa Kurtz for the payment of the Accrued But Unpaid Service Retirement Allowance
La, Tuyen Tue	Tim L Tang for the payment of the Accrued But Unpaid Continuance Allowance

Lacy, Eddie D	Felicia K Lacy for the payment of the Accrued But Unpaid Survivorship (Disability) Allowance
Lee, Hendon	Benton Lee for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Legans, Beverly June	John Edward Legans for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Liao, Spring Chun-Liu	Fu Chuan Wang for the payment of the DRO Lump Sum
Link, Yvonne K	David Henry Harvey for the payment of the Accrued But Unpaid Service Retirement Allowance
Lopez, George V	Jeanine S Casillas for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Lustado, Hilaria	Leonor Parks for the payment of the Accrued But Unpaid Continuance Allowance
Martinez, Maria E	Ricardo A. Martinez for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Mason, James F	Terree Ross for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mccormack, John G	Mitsuko Mccormack for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Mclawyer, Samuel	Mary L Mclawyer for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Miura, Suzanne	Masaye Miura for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Munoz, Steven C	Monica L Munoz-Waki for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance Stephanie Monique Munoz Castillo for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Myles, Dianne	Ebonee Myles for the payment of the Burial Allowance
Nabong, Emeline C	Eulogio D Nabong for the payment of the Accrued But Unpaid Service Retirement Allowance

Napoles, Laurine	Richard J. Napoles for the payment of the DRO Lump Sum
Noland, Geoffrey W	Michelle I Ventimiglia for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	William Glenn Noland for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Nunes, Faaeseina	Keli'i Nunes-Arroyo for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Okamura, William K	Maureen Y Tamashiro for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Olive, Prather J	Bessie M Olive for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Pulido, Steve G	Linda Christine Pulido for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

Ricard, Raphael Martin	Amber Rose Beatty for the payment of the Accrued But Unpaid Service Retirement Allowance
	Kim Marie Ricard for the payment of the Accrued But Unpaid Service Retirement Allowance
	Raphael P Ricard for the payment of the Accrued But Unpaid Service Retirement Allowance
Roques, Margaret D	Paul Kenneth Roques for the payment of the Accrued But Unpaid Continuance Allowance
Sakai, Grace S	David A. Sakai for the payment of the Accrued But Unpaid Continuance Allowance
Schneider, Elizabeth	Aileen Grayce for the payment of the Accrued But Unpaid Service Retirement Allowance
	Gene G Menzies for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
	Michael J. Menzies for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Shimano, Emma I	Bruce E Shimano for the payment of the Accrued But Unpaid Continuance Allowance
	Carol K Diaz for the payment of the Accrued But Unpaid Continuance Allowance
	Noreen T Shimano for the payment of the Accrued But Unpaid Continuance Allowance

Smythe, David W	The David W. Smythe Family Trust for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Steward, Melinda L	Vence Barnett for the payment of the Accrued But Unpaid Disability Retirement Allowance Burial Allowance
Stiles, Dan C	Lynn Kathryn Stiles for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Sugita, Matsuyo	Eileen C Patterson for the payment of the Accrued But Unpaid Continuance Allowance
Tarver, Lee F	Gwendolyn A Tarver for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Thigpen, Nettie B	Nettie V Parker Ross for the payment of the Accrued But Unpaid Service Retirement Allowance
Usher, Sterling	Sterling Deon Usher for the payment of the Accrued But Unpaid Vested Retirement Allowance Burial Allowance
Vasquez, Reginalda	Robert Vazquez for the payment of the Accrued But Unpaid Service Retirement Allowance

Whang, Leo Ning Yuen	Peiyu Zhou Whang for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance
Wickliffe, Lynn Denise	Samuel Antwane Nelson for the payment of the Burial Allowance
Wu, Charles L	Yu Yuang W Wu for the payment of the Accrued But Unpaid Service Retirement Allowance Burial Allowance

TIER 3
NONE

BENEFIT PAYMENTS APPROVED BY GENERAL MANAGER: ITEM V-B

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

Approved Death Benefit Payments

Deceased	Beneficiary/Payee
TIER 1	
Active	
Chase, Robert W (Deceased Active)	Robert William Chase for the payment of the Accumulated Contributions
Earl, Valerie Jean (Deceased Active)	Howard James Earl for the payment of the Accumulated Contributions
	James Gilbert Earl for the payment of the Accumulated Contributions
	Vincent Oliver Earl for the payment of the Accumulated Contributions
Gaydowski, Roy Todd (Deceased Active)	Elizabeth J Gaydowski for the payment of the Vested Retirement Survivorship Allowance
Hickman, Francine (Deceased Active)	Belinda Diggs for the payment of the Accumulated Contributions
	Rebecca Woods for the payment of the Accumulated Contributions
Johnson, Melvin (Deceased Active)	Cherokee Ann Mchargue-Johnson for the payment of the Accumulated Contributions

Kitahara, Jason (Deceased Active)	Keilyn Liu Kitahara for the payment of the Accumulated Contributions
Lynum, Rita (Deceased Active)	Alton B Lynum for the payment of the Accumulated Contributions
Mc Auliffe, Daniel Edward (Deceased Active)	Tracey Cohen for the payment of the Survivor Contributions Death Refund
Morris, Mary (Deceased Active)	Mary Ester Morris for the payment of the Accumulated Contributions
Ortiz, Elba C (Deceased Active)	Jesus Ortiz Cuevas for the payment of the Vested Retirement Survivorship Allowance

TIER 3

Parcon Martinez, Rosemarie (Deceased Active)	Patrick Martinez for the payment of the Accumulated Contributions Limited Pension

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

Board Mtg: 11/08/22
Item No.: V-C

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

Name of Attendee: Sung Won Sohn	
Title of Conference/Seminar: Behavioral Economics	
Location: Online Harvard Business School	No. of Education Hours: 100 hours
Event Sponsor: Harvard Business School	Date(s) Held: Oct 10-21

Report for:
☐ Travel
☐ Conference/Seminar Attendance Only

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

II. Significant Information Gained:

Learned how to use economics and psychology to make good business decisions including investment.

III. Benefits to LACERS:

Learned how to use economics and psychology to make good business decisions including investment.

IV. Additional Comments:

It was an excellent program. I highly recommend it.

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT, 202 W. FIRST STREET, SUITE 500
WITHIN 30 DAYS AFTER ATTENDING THE CONFERENCE/SEMINAR

Board Mtg: 11/08/22
Item No.: V-D

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

Name of Attendee: Elizabeth Lee	
Title of Conference/Seminar: Pension Real Estate Association (PREA) 32nd Annual Institutional Investor Conference	
Location: Washington DC	No. of Education Hours: 12.0
Event Sponsor: PREA	Date(s) Held: 10/19/22 to 10/21/22

Report for:
- ☒ Travel
- ☐ Conference/Seminar Attendance Only

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

Attend PREA annual conference

II.Significant Information Gained:

Day One, Investor Only Program, topics include 1) Investment Allocation from the CIO Perspective; 2) Risk (actions to mitigate market risks); and 3) Continuation Funds. Day Two topics provided education on geopolitics; investment strategy in today's environment; CIO panel discussion on allocating capital; housing dynamics; road to net zero for green buildings; real estate debt during rising interest rates and volatility; a discussion of the economy by Lawrence H. Summers; and DEI workshop.

III.Benefits to LACERS:

The above topics are relevant to my role as a Board member and Investment Committee Chair.

IV.Additional Comments:

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT, 202 W. FIRST STREET, SUITE 500
WITHIN 30 DAYS AFTER ATTENDING THE CONFERENCE/SEMINAR

Board Mtg: 11/08/22
Item No.: V-E

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

Name of Attendee: Thuy Huynh	
Title of Conference/Seminar: ESG and Sustainable Returns Forum 2022	
Location: New York, NY	No. of Education Hours: 11
Event Sponsor: Institutional Investor	Date(s) Held: October 25-26

Report for:

■ Travel
☐ Conference/Seminar Attendance Only

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

To learn more about ESG & Impact Investing and to discuss the critical Environmental, Social, and Governance challenges in ESG implementation.

II. Significant Information Gained:

ESG is best pursued through a dual materiality perspective: how a company operates and what a company does. It is important to combat "greenwashing" concerns in order to ensure that companies are truly invested in moving towards carbon neutrality. ESG change starts with the CEO and the culture promoted within the company. Carbon analysis and how to measure the impact of how companies are reducing carbon emissions is still evolving.

III. Benefits to LACERS:

To bring back knowledge to LACERS and the Board about the state of ESG investing and in particular to discuss and think about how to monetize the return on sustainability investments to best serve our members and support our collective role in the fight against global warming by reducing our carbon footprint.

IV. Additional Comments:

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT, 202 W. FIRST STREET, SUITE 500
WITHIN 30 DAYS AFTER ATTENDING THE CONFERENCE/SEMINAR

Board Mtg: 11/08/22
Item No.: V-F

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

Name of Attendee: Janna Sidley	
Title of Conference/Seminar: CALAPRS - Roundtable	
Location: Virtual	No. of Education Hours: 4 hours
Event Sponsor: CALAPRS	Date(s) Held: October 28, 2022

Report for:

☐ Travel
■ Conference/Seminar Attendance Only

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

N/A

II.Significant Information Gained:

Very informative discussion of ESG investing. ESG investing has proven to be a very strong long range, long horizon investment.

III.Benefits to LACERS:

When reviewing investments and firms - LACERS will have a broader vision of questions and concerns.

IV.Additional Comments:

Interesting group

SUBMIT TO THE LACERS COMMISSION EXECUTIVE ASSISTANT, 202 W. FIRST STREET, SUITE 500
WITHIN 30 DAYS AFTER ATTENDING THE CONFERENCE/SEMINAR

Agenda of: **Nov. 8, 2022**

Item No: **VII-A**

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

In accordance with Government Code Section 54953, subsections (e)(1) and (e)(3), and in light of the State of Emergency proclaimed by the Governor on March 4, 2020 relating to COVID-19 and ongoing concerns that meeting in person would present imminent risks to the health or safety of attendees and/or that the State of Emergency continues to directly impact the ability of members to meet safely in person, the LACERS Board of Administration's October 11, 2022 meeting will be conducted via telephone and/or videoconferencing.

October 11, 2022

10:00 a.m.

PRESENT via Videoconferencing:	President:		Nilza R. Serrano
	Vice President:		Elizabeth Lee
	Commissioners:		Annie Chao
			Thuy Huynh
		(left at 10:27 a.m.)	Janna Sidley
			Michael R. Wilkinson
	Legal Counselor:		Anya Freedman
	Manager-Secretary:		Neil M. Guglielmo
	Executive Assistant:		Ani Ghoukassian
ABSENT:	Commissioner:		Sung Won Sohn

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

I

PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE BOARD'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – *THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT* – **PRESS *9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD** – President Serrano asked if any persons wanted to make a general public comment to which there was two responses. Callers ending in -135 and -233, made comments pertaining to President Serrano making comments regarding Mayoral candidate Karen Bass and the Avance Democratic Club's endorsement of her rival, candidate Rick Caruso.

II

BOARD PRESIDENT VERBAL REPORT – Nothing to report.

III

GENERAL MANAGER VERBAL REPORT

Item III-C taken out of order.

C. RECOGNITION OF SERVICE FOR JAMES NAPIER – Neil M. Guglielmo, General Manager, recognized Mr. Napier's service to the City of Los Angeles and LACERS. Anya Freedman, Assistant City Attorney, Commissioner Wilkinson, Vice President Lee, and President Serrano, all congratulated and expressed their appreciation for Mr. Napier's service and contributions to LACERS.

Commissioner Sidley left the Regular Meeting at 10:27 a.m.

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

- ERIP Quarterly Update
- Earthquake Drill
- Award from Box.com
- IRS Tax Withholdings Forms Change
- LACERS Safety Committee & Updated Health Guidelines
- Customer Service Week
- LACERS HQ Update
- Retirement Services Division Updates
- Health Benefits Administration Updates
- Member Services Updates

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

- October 25, 2022 Board Meeting: Legislative Update
- October 25, 2022 Board Meeting: 977 Parking

IV

RECEIVE AND FILE ITEMS

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

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

C. COMMISSIONER SERRANO BOARD EDUCATION EVALUATION ON INVESTMENT DIVERSITY ADVISORY COUNCIL NATIONAL SUMMIT, ATLANTA, GA; SEPTEMBER 14, 2022 – This report was received by the Board and filed.

D. GASB 68 AND GASB 75 VALUATIONS BASED ON JUNE 30, 2021 MEASUREMENT DATE FOR EMPLOYER REPORTING AS OF JUNE 30, 2022 – Neil M. Guglielmo, General Manager, provided a correction to the report related to this item. Under Recommendations in the Board Report, it should be GASB 68 and GASB 75, not GASB 68 and GASB 78. JoAnn Peralta, Chief Accountant, and Andy Yeung, Actuary with Segal Consulting, presented and discussed this report with the Board. This report was received by the Board and filed.

Vice President Lee left the Regular Meeting at 10:44 a.m.

V

CONSENT AGENDA

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

A. APPROVAL OF MINUTES FOR THE REGULAR MEETING OF AUGUST 9, 2022 AND POSSIBLE BOARD ACTON

B. FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON AND POSSIBLE BOARD ACTION

CONTINUE HOLDING LACERS BOARD AND COMMITTEE MEETINGS VIA TELECONFERENCE AND/OR VIDEOCONFERENCE

RESOLUTION 221011-A

WHEREAS, LACERS is committed to preserving public access and participation in meetings of the Board of Administration; and

WHEREAS, all LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business; and

WHEREAS, the Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions; and

WHEREAS, the COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active; and

WHEREAS, on October 12, 2021, the Board met via teleconference and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, the Board has reconsidered the circumstances of the State of Emergency; and

WHEREAS, COVID-19 remains a public health concern in Los Angeles, with substantial or high levels of community transmission;

NOW THEREFORE, BE IT RESOLVED that pursuant to Government Code Section 54953(e)(1)(B)-(C), the Board finds that holding Board and Committee meetings in person would present imminent risks to the health or safety of attendees.

BE IT FURTHER RESOLVED that pursuant to Government Code Section 54953(e)(3)(A) and (B)(i), the Board finds that the COVID-19 State of Emergency continues to directly impact the ability of Board and Committee members to meet safely in person.

Vice President Lee rejoined the Regular Meeting at 10:48 a.m.

VI

INVESTMENTS

A. CHIEF INVESTMENT OFFICER VERBAL REPORT INCLUDING DISCUSSION ON THE PORTFOLIO EXPOSURE TO GLOBAL EVENTS – Rod June, Chief Investment Officer, reported on the portfolio value of $19.99 billion as of October 10, 2022. Mr. June discussed the following items:

- Staff continues to work on replacing the contractual key person left vacant by David Fann's departure. Upon completing a thorough due diligence of Aksia's proposed key person, staff plans to bring the key person replacement to the Board for a presentation. Heidi Poon and Jeffrey Goldberger continue to serve as key persons on the LACERS relationship.
- CIO will be attending the GCM Small and Emerging Manager Conference this week.
- Future Agenda Items: Finalist Firm of the Private Credit Consultant Search, Education on Infrastructure Investments, Securities Lending Program Modifications, and Contract with Aksia and Key Person

Mr. June shared that as of October 10, 2022, Russian exposure for LACERS is 3.0 basis points. The Russian debt exposure of Wellington is $4,322,115. Prudential continues to hold Russian debt in the amount of $1,178,712; and DFA continues to hold Emerging Markets Equity Exposure in the amount of $430,905.

VII

DISABILITY RETIREMENT APPLICATION(S)

A. CONSIDERATION TO CONTINUE DISABILITY RETIREMENT BENEFIT FOR CECIL DU BOISE AND POSSIBLE BOARD ACTION – Carol Rembert, Benefits Analyst, presented this item to the Board. Vice President Lee moved approval, seconded by Commissioner Chao, and adopted by the following vote: Ayes, Commissioners Chao, Huynh, Wilkinson, Vice President Lee and President Serrano -5; Nays, None.

President Serrano recessed the Regular Meeting at 10:55 a.m. to convene in Closed Session discussion.

VIII

LEGAL/LITIGATION

A. CLOSED SESSION TO CONFER WITH AND/OR RECEIVE ADVICE FROM LEGAL COUNSEL REGARDING A SIGNIFICANT EXPOSURE TO LITIGATION, PURSUANT TO GOVERNMENT CODE SECTION 54956.9(A), (D)(2), AND (E)(1) (ONE CASE): MEREDITH V. TALCOTT RESOLUTION ANNUITY SERVICE (Case no. 21STLC04707), AND POSSIBLE BOARD ACTION

President Serrano reconvened the Regular Meeting at 11:05 a.m.

IX

OTHER BUSINESS – There was no other business.

X

NEXT MEETING: The next Regular meeting of the Board is scheduled for Tuesday, October 25, 2022, at 10:00 a.m. at LACERS, 202 W. 1st Street, Suite 500, Los Angeles, CA 90012, and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board meetings while response to public health concerns relating to the novel coronavirus continue.

XI

ADJOURNMENT – There being no further business before the Board, President Serrano adjourned the Meeting at 11:06 a.m.

Nilza R. Serrano
President

Neil M. Guglielmo
Manager-Secretary

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

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

MEETING: NOVEMBER 8, 2022
ITEM: VII - B

SUBJECT: **FINDINGS TO CONTINUE TELECONFERENCE MEETINGS AND DETERMINATION THAT COVID-19 STATE OF EMERGENCY CONTINUES TO DIRECTLY IMPACT THE ABILITY OF MEMBERS TO MEET SAFELY IN PERSON AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve continuing to hold LACERS Board and Committee meetings via teleconference and/or videoconference, under Government Code Sections 54953(e)(1)(B)-(C) and 54953(e)(3)(A) and (B)(i).

Discussion

LACERS is committed to preserving public access and participation in meetings of the Board of Administration. All LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business. The Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions. The COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active: COVID-19 remains a public health concern in Los Angeles, with substantial community transmission.

The Board met via teleconference on October 12, 2021, and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees.

Strategic Plan Impact Statement

The Board's action on this item aligns with the LACERS Strategic Plan Goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty.

Prepared By: Ani Ghoukassian, Commission Executive Assistant II

Attachment: Proposed Resolution

Board Meeting: 11/08/22
Item: VII-B
Attachment

CONTINUE HOLDING LACERS BOARD AND COMMITTEE MEETINGS VIA TELECONFERENCE AND/OR VIDEOCONFERENCE

PROPOSED RESOLUTION

WHEREAS, LACERS is committed to preserving public access and participation in meetings of the Board of Administration; and

WHEREAS, all LACERS Board and Committee meetings are open and public, as required by the Ralph M. Brown Act (Cal. Gov. Code 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board and Committees conduct their business; and

WHEREAS, the Brown Act, Government Code Section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, subject to the existence of certain conditions; and

WHEREAS, the COVID-19 State of Emergency proclaimed by the Governor on March 4, 2020 remains active; and

WHEREAS, on October 12, 2021, the Board met via teleconference and determined by majority vote, pursuant to Government Code Section 54953(e)(1)(B)-(C), that due to the COVID-19 State of Emergency, meeting in person would present imminent risks to the health or safety of attendees; and

WHEREAS, the Board has reconsidered the circumstances of the State of Emergency; and

WHEREAS, COVID-19 remains a public health concern in Los Angeles, with substantial community transmission;

NOW THEREFORE, BE IT RESOLVED that pursuant to Government Code Section 54953(e)(1)(B)-(C), the Board finds that holding Board and Committee meetings in person would present imminent risks to the health or safety of attendees.

BE IT FURTHER RESOLVED that pursuant to Government Code Section 54953(e)(3)(A) and (B)(i), the Board finds that the COVID-19 State of Emergency continues to directly impact the ability of Board and Committee members to meet safely in person.

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: NOVEMBER 8, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: VIII - B**

SUBJECT: **CONTRACT WITH AKSIA CA LLC REGARDING INTERVIEW OF PROPOSED KEY PERSON AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve Thomas Martin as a replacement for David Fann, who was one of the named Key Persons from LACERS' Private Equity Consultant, Aksia CA LLC.

Executive Summary

LACERS' Private Equity Consultant, Aksia CA LLC (Aksia), announced that David Fann is no longer an employee of the firm. Pursuant to the contract between LACERS and Aksia, Mr. Fann is identified as a Key Person, and his replacement requires Board approval. Staff is recommending that Thomas Martin be named as the replacement for the Key Person.

Discussion

In the contract between LACERS and its Private Equity Consultant, Aksia, David Fann is named as one of three Key Persons. The other Key Persons are Jeff Goldberger and Heidi Poon. The contract states that the Key Persons will remain on their assignments with respect to this contract "throughout its term." If a Key Person departs, the contract describes the process to select a replacement.

On October 25, 2022, the Board approved a streamlined process proposed by Staff, in consultation with the City Attorney, to select a replacement. Pursuant to that process, Aksia put forth three candidates to replace Mr. Fann: Trevor Jackson, Michael Krems, and Thomas Martin. Staff reviewed their qualifications and formally interviewed each candidate and recommends Mr. Martin for the role.

Staff will be prepared to discuss with the Board all three candidates and the factors that led to the recommendation of Mr. Martin. Additionally, Mr. Martin will be available for an interview by the Board.

Strategic Plan Impact Statement

The private equity consultant assists the Board in building a diversified private equity and total fund portfolio and aligns with the Strategic Plan Goals of optimizing long-term risk adjusted investment returns (Goal IV) and promoting good governance practices (Goal V).

Prepared By: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/BF/WL/CH:rm

Attachments:
1. Report to Board dated October 25, 2022
2. Comparison Matrix for Aksia Key Person Replacement

LACERS
LA CITY EMPLOYEES'
RETIREMENT SYSTEM

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

SUBJECT: **CONTRACT WITH AKSIA CA LLC, REPLACEMENT OF KEY PERSON, AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board approve the described process to select a replacement for David Fann, who was one of the named Key Persons from LACERS' Private Equity Consultant, Aksia CA LLC.

Executive Summary

LACERS' Private Equity Consultant, Aksia CA LLC (Aksia), announced that David Fann is no longer an employee of the firm. Pursuant to the contract between LACERS and Aksia, Mr. Fann is identified as a Key Person, and his replacement requires Board approval. Staff is recommending the described streamlined process to find a replacement for the Key Person.

Discussion

In the contract between LACERS and its Private Equity Consultant, Aksia, David Fann is named as one of three Key Persons. The other Key Persons are Jeff Goldberger and Heidi Poon. The contract states that the Key Persons will remain on their assignments with respect to this contract "throughout its term." If a Key Person departs, the contract describes the process to select a replacement.

After consultation with the City Attorney's Office, staff received confirmation that, based on the contract language, the process described below is an appropriate process for selecting Mr. Fann's replacement.

Aksia will put forth three candidates to replace Mr. Fann. Staff will formally interview these candidates and recommend one to the Board. This will allow the Board to have a streamlined review process of the Key Person replacement, as opposed to formally interviewing all three candidates. If the Board accepts this described process, the Board will conduct its own interview of the candidate at a separate meeting and decide whether to approve the proposed Key Person. In addition, staff will be prepared to discuss with the Board all three candidates and the factors that led to the selected Key Person being recommended to replace Mr. Fann.

Strategic Plan Impact Statement

The private equity consultant assists the Board in building a diversified private equity and total fund portfolio and aligns with the Strategic Plan Goals of optimizing long-term risk adjusted investment returns (Goal IV) and promoting good governance practices (Goal V).

Prepared By: Clark Hoover, Investment Officer I, Investment Division

NMG/RJ/BF/WL/CH:rm

Board Meeting: 11/08/22
Item VIII-B
Attachment 2

	Thomas Martin	Mike Krems	Trevor Jackson
Title	Partner, Global Head of Private Equity and Real Assets	Partner, Private Equity Portfolio Strategies	Managing Director
Years of Total Experience	23 years	20 years	23 years
Years at Aksia / TorreyCove / PCG	3 years / 9 years / 9 years	3 years / 9 years / 7 years	2 years
Prior Experience	Managing Director at TorreyCove	Managing Director at TorreyCove	Senior Consultant at AndCo Consulting
Prior Experience	Senior Vice President at PCG	Senior Vice President at PCG	Senior Consultant at Summit Strategies Group
Prior Experience	Vice President at PCG	Analyst at Smith Breeden Associates	Vice President at Wilshire Associates
Bachelor's Degree	B.A. at Bucknell University, 1996	B.S. in Economics at Duke University, 2000	B.A. in International Relations at UC Berkeley, 1995
Master's Degree	Stockholm School of Economics, 1998; UC San Diego, 2000	M.B.A. at University of Pennsylvania, 2010	n/a
Certifications	n/a	CFA	n/a

LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM

REPORT TO BOARD OF ADMINISTRATION **MEETING: NOVEMBER 8, 2022**
From: Neil M. Guglielmo, General Manager **ITEM: VIII - C**

SUBJECT: **PRI BOARD ELECTION AND BALLOT MEASURES AND POSSIBLE BOARD ACTION**

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

Recommendation

That the Board consider the Principles for Responsible Investment (PRI) 2022 Asset Owner Ballot and cast votes for the following ballot items to:

1. Elect Denísio Augusto Liberato Delfino as the asset owner signatory representative for the PRI Board;
2. Receive the PRI Annual Report and Accounts for year ended March 31, 2022; and
3. Approve the 2022 Signatory General Meeting (SGM) Minutes.

Executive Summary

As a signatory of the PRI, LACERS may participate in the 2022 election to vote for one candidate to represent asset owner signatories on the PRI Board, receive the PRI Annual Report and Accounts, and approve the 2022 SGM Minutes.

Discussion

As a signatory of the PRI, LACERS should participate actively in all areas of PRI governance. The PRI Articles aim to balance real delegation from signatories to the PRI Board and its fiduciary role, with accountability and effective mechanisms for signatories to escalate critical issues and influence the strategic direction of the PRI.

2022 PRI Board Election

Due to the expiration of an asset owner Board seat this year currently filled by Eva Halvarsson, an election is currently being held to fill that vacancy. The sole candidate who was nominated for this seat is Denísio Augusto Liberato Delfino, Chief Investment Officer of Previ, a Brazilian pension fund. Asset owner signatories, including LACERS, are granted one vote that can be cast for this Board position.

The PRI Board should have the appropriate balance of skills, diversity, experience, independence and knowledge of the organization to enable it to discharge its duties and responsibilities effectively. This necessary diversity encompasses a sufficient mix of relevant skills, competence, and diversity of perspectives. It may include but is not limited to: geographical diversity of signatory representation to bring regional knowledge and perspectives to the board; diversity of geographical origin, ethnicity, language and culture; and gender diversity. The following link provides the current composition of the PRI Board: https://www.unpri.org/about-us/governance/board-members

The PRI Board encourages the election of candidates with leadership and governance experience. The candidate's statement (Attachment 1) highlights Mr. Delfino's demonstrated leadership within responsible investment, ESG expertise, and other experience relevant to PRI's long-term success. Staff is available to assist the Board with regards to the candidate's qualifications during the Board's discussion on this item. Election voting ends on December 2, 2022.

2022 Annual Report and Accounts

Signatories have the right to receive PRI's Annual Report and Accounts. PRI must present to signatories at each SGM the Association's latest annual accounts, any required accompanying reports, and the auditor's report. The PRI Board is asking all signatories to receive and vote for the 2022 Annual Report and Accounts. The following links provide access to the reports:

Annual Report
https://www.unpri.org/annual-report-2022

Audited Accounts
https://dwtyzx6upklss.cloudfront.net/Uploads/u/h/i/priaannualreportandconsolidatedfsmarch2022_81964.pdf

2022 Signatory General Meeting Minutes

Signatories have the right to approve the SGM minutes (Attachment 2). All signatories (including LACERS) had the opportunity to attend the 2022 SGM either in-person or via webcast or listen to the meeting recording at a later date. Staff participated virtually at the recent 2022 SGM.

Staff Recommendation

Based on the review of the qualifications of the asset owner PRI Board candidate and the 2022 SGM minutes, staff recommends that the Board elect Denísio Augusto Liberato Delfino, receive the 2022 Annual Report and Accounts, and approve the 2022 SGM minutes.

Strategic Plan Impact Statement

Voting the PRI 2022 Ballot aligns with the goal to uphold good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared By: Ellen Chen Investment Officer II, ESG Risk Officer, Investment Division

NMG/RJ/BF/EC:rm

Attachments:
1. PRI Board Candidate Statement
2. PRI 2022 Signatory General Meeting Minutes

CANDIDATE STATEMENT, BIOGRAPHY, SIGNATORY AND COMPARATIVE INFORMATION FORM

Full name: **Denísio Augusto Liberato Delfino**

Job title: **Chief Investment Officer**

Signatory organisation name: **Previ - Caixa de Previdência dos Funcionários do Banco do Brasil**

Signatory organisation seconding your candidacy: **Real Grandeza**

CANDIDATE STATEMENT

My name is Denísio Liberato and it's an honor to be a candidate for the Asset Owner position in the PRI Board elections.

As CIO of Previ, I am proud to represent an institution that was PRI's first Latin American signatory, participating in its launch on the New York Stock Exchange back in April 2006. Previ had representatives in the PRI Board during many years, is also a member in the Latin American Council of Carbon Disclosure Project (CDP) and supports the United Nations Global Compact.

The specialization in investment management I have obtained over the years enabled me to become Executive Manager of investment areas in Banco do Brasil, and to work as an economist and strategist at Banco do Brasil's Private Bank. I was also assigned to the Federal Government to work at the Economic Policy Department of the Ministry of Finance, before become Equity Director in Previ, one of the largest pension funds in Latin America.

My interest in developing responsible investment work has encouraged me to disclosure and implement best practices in corporate governance and sustainable actions inside the companies that Previ has participation, mainly in companies I am a Board Member, like Neoenergia.

As a PhD in Economics, my academic and professional background, coupled with my interest in developing long-term investment work, focusing on ESG issues in decision-making, enables me to hold lectures at seminars on Responsible Investment and Investment Management in general.

I believe that with my knowledge in responsible investment and sustainable development and my experience in investment analysis and management, I will be able to carry out a leadership role and support other PRI signatories, with a focus on Emerging Market, thus adding value to the development of responsible investment´s future in its ESG integration challenge.

BIOGRAPHY

Denísio Liberato is Chief Investment Officer at Previ, the pension fund of Banco do Brasil's employees, since July 2022. From June 2020 to June 2022, he was Equity Director also at Previ. Denísio has a PhD and a Masters in Economics from Fundação Getúlio Vargas (FGV) and a bachelor degree in Economics from Universidade Federal de Viçosa (UFV-MG). He has over 20 years of experience in the financial sector, having worked in several divisions at Banco do Brasil, where he was economist and strategist at the Private Bank and served as Executive Manager of the Corporate Governance Board and in the Capital Markets and Infrastructure Division.

Between 2013 and 2015, Denísio was assigned to the Federal Government to work at the Economic Policy Department of the Ministry of Finance.

Denísio is currently a Board Member and participates in the Sustainability Committee of Neoenergia, an electricity utility company that is working towards clean energy production. He is also a professor at IDP - Instituto Brasileiro de Ensino, Desenvolvimento e Pesquisa and FGV – Fundação Getúlio Vargas, two renowned Brazilian academic institutions, teaching executive courses and participating in several lectures and seminaries related to investment, including responsible investment and best practices in governance.

SIGNATORY ORGANISATION INFORMATION

The Banco do Brasil Employee Pension Fund (Previ) is a closed pension entity and its participants are employees of Banco do Brasil, Previ and their families. The Institution works to take care of people's future, guaranteeing pension benefits to its members in an efficient, safe and sustainable way.

Previ's resources, essentially from personal and employer contributions, are invested in accordance with an Investment Policy reviewed annually to comply with the fiduciary duty to pay benefits.

Previ has recently defined a statement of purpose which is to 'take care of people's future'. This purpose is materialized in the commitment to continue paying benefits in the long term, and Previ understands that we cannot talk about the future without adopting the best responsible investment practices.

Previ's relationship with all economic and social agents, considering its legitimate purposes, must respect integrity and transparency in its business and areas of operation. In this sense, Previ's investments and activities are guided by ESG issues, aiming to promote an environment of sustainability in the conduct of business and the integration of all market agents in the search for a fairer and more sustainable society. Therefore, ESG gained an addition in Previ's approach: the letter I, for Integrity.

Sustainability, Responsible Investment and Integrity are definitions that complement each other in Previ's governance. In over a century of history, the entity has never failed to pay benefits, nor has it had to collect extraordinary contributions from its members. This work is based on strengthened governance, with rules, processes and internal controls not limited to compliance, but going beyond the requirements of legislation and the regulator.

In this way, Sustainable Investment is aligned with our Purpose, our Mission and is an inseparable part of our strategy of continuing to guarantee our members their long-term retirement benefits.

SPECIFIC EXPERTISE

DIGITAL TRANSFORMATION AND GOVERNANCE SKILLS

Denísio Liberato has a large experience in governance and is a supporter of digital transformation in Previ. In addition to the long period managing several investment sectors in the Banco do Brasil and as Previ's Director, he also member of the board of different companies. Currently, Denísio is the member of Neoenergia's Board and Sustainability Committee.

GENERAL

DEMONSTRATED LEADERSHIP WITHIN RESPONSIBLE INVESTMENT, ESG EXPERTISE AND OTHER EXPERIENCE RELEVANT TO THE LONG-TERM SUCCESS OF THE PRI.

As CIO at Previ, Denísio Liberato is responsible for the asset management of the portfolio. This position enables him to be a protagonist in driving ESG issues on Previ's investment processes.

Denísio was a speaker at several seminars and conferences. Among them including last months: These include interviews on adherence to ESG practices, with the objective of promoting a sustainable business environment.

As a reference in the pension funds market, Denísio coordinated Previ's Corporate Governance meeting, with the theme "Responsible investment with measurable value". He also led the project to implement the ESG rating in the investees, in accordance of best practices and searching for the long-term success of responsible investment.

VIDEO STATEMENT

https://www.youtube.com/watch?v=-LDNAruhmHU

PRINCIPLES FOR RESPONSIBLE INVESTMENT 2022 SIGNATORY GENERAL MEETING MINUTES

13 OCTOBER 2022 15:00 – 16:30 BST AND 14 OCTOBER 06:30 – 08:00 BST

Online webcast

The PRI sought input from signatories on the Signatory General Meeting (SGM) draft agenda and invited signatories to contribute agenda items and resolutions to be put to a vote. No agenda items or resolutions were received. All signatories were sent the PRI's 2022 Annual Report in in advance of the SGM.

In attendance:

- Martin Skancke, Chair, PRI Board (meeting Chair)
- David Atkin, Chief Executive Officer
- Shelagh Whitley, Chief Sustainability Officer
- Cathrine Armour, Chief Reporting Officer
- Esther Teeken, Chief Operating Officer
- Nathan Fabian, Chief Responsible Investment Officer
- 865+ signatory representatives attended via online webcast

Materials:

- SGM presentation

WELCOME ADDRESS AND PRI BOARD REPORT

MESSAGE FROM THE CHAIR

Martin Skancke, Chair of the PRI Board, welcomed signatories attending via webcast and provided an overview of the agenda.

Martin Skancke was joined by four other speakers David Atkin, Chief Executive Officer; Esther Teeken, Chief Operating Officer; Cathrine Armour, Chief Reporting Officer, and Shelagh Whitley, Chief Sustainability Officer.

External environment

Acute and chronic challenges are raising the bar for responsible investors. COVID-19 and the resulting restrictions showed how disruptive social issues can be for economies and markets. For investors, human health has rocketed up their Environmental, Social, and Governance (ESG) risk priorities list. The war in Ukraine has set off a wave of human suffering. It has also highlighted the prospect of a less stable and more fragmented international order. This will have implications for investors’ outlook on environmental goals, energy policy, human rights, and global governance. In this era of sustainable transition, the investment community, including the PRI, must be ready to deal with both chronic and acute disruptions. The bar for responsible and successful investors has been raised higher.

What makes us different: how the PRI creates value

The PRI has a unique role to play. PRI’s signatory base is unique in both its scale and diversity. The PRI works across a range of ESG issues, across regions, and across asset classes, while drawing on other organisations for specialist expertise, where and when required. As a UN-supported organisation, the PRI brings investor voices and perspectives to the UN forum, particularly through PRI’s UN partners, UNEP FI and the UN Global Compact. This scale and diversity give PRI the ability to convene, collaborate, and influence globally.

CEO transition, recruitment, and appointment

Martin Skancke thanked the former CEO, Fiona Reynolds, for her leadership of the PRI since 2013, and her role in achieving a smooth transition. Fiona Reynolds led the growth, scope and reach of the PRI.

CEO recruitment is a critical role of the Board. Through a dedicated Board committee, the PRI conducted an extensive and global CEO search process that was committed to enabling a strong and diverse pool of candidates. The PRI was delighted to appoint David Atkin as the new CEO in December 2021. David has a wealth of investment industry experience, having served as CEO of three Australian asset owners, Cbus, ESSSuper, and Just Superfund, and most recently as Deputy CEO of investment manager AMP Capital.

David also has a strong understanding of as well as commitment to the PRI’s mission, having previously served as a PRI Board director (2009 -2015). The PRI Board has been encouraged by David’s strong start to the CEO role.

Reporting and Assessment Framework reform

Reporting and Assessment have been a critical item for the Board and the Executive this year. The PRI has been listening to signatory feedback on the design and functionality, as well as balancing the need to deliver the 2021 Transparency/Assessment Reports and a viable reporting process for 2023. The Board established a dedicated committee to oversee the programme, as well as employing an external consultancy to be a ‘critical friend’ of the programme from an outside perspective. The 2021 transparency Reports and Assessment Reports were released in September, alongside an updated 2021 assessment methodology. Further updates will follow on the launch of the 2023 reporting.

The PRI recognises that it fell short of signatories’ expectations, and appreciates the patience that signatories have shown. The Board has been reflecting on lessons learned, as well as on the broader future of reporting beyond 2023.

Signatories tell us that they value the learning, benchmarking, and accountability that the PRI reporting provides, but with the reporting landscape changing rapidly, the PRI needs to deliver this value to signatories without duplicating effort.

The PRI has appointed an inaugural Chief Reporting Officer, Cathrine Armour, to drive these efforts. Cathrine will go into greater depth about the 2021 reporting, the signatory feedback, and plans for the 2023 reporting.

Operational oversight and organisational effectiveness

The PRI needs to continue to evolve to serve its signatory base which is made up of over 5000+ global and diverse signatories, and it continues to grow. The PRI also needs to serve its signatory base in the context of a rapidly changing responsible investment external environment.

In 2021, the Board commissioned an external review of our financial, business, and operating models, which resulted in recommendations on organisational change including:

- Evolution of the operating model.
- Digital transformation programme.
- Internal governance and risk frameworks.

Some of the recommendations are underway including the Target Operating Model, being led by the new Chief Operating Officer, Esther Teeken.

‘PRI in a Changing World’ signatory consultation

The PRI Board originally committed to a consultation on the PRI’s mission in 2021, after setting the 2021-24 strategy. Martin Skancke and David Atkin will discuss the plans for the signatory consultation later in this SGM.

MANAGEMENT AND FINANCIAL REPORT

David Atkin, Chief Executive Officer thanked signatories for joining the SGM and provided an update in the management and financial report.

Who and what we influence

Achieving PRI’s mission means looking far beyond in assessing PRI’s effectiveness. The PRI must consider its own impact, including its impact on our employees. The PRI must also consider those it works with directly, including its signatories as well as those it indirectly influences, such as policy makers, companies, other investee entities, and ultimately the PRI’s influence on the real world.

Our People

To achieve PRI’s mission, the PRI needs a strong team in place. The Executive Team is responsible for ensuring that the PRI continues to realise its mission statement. This is my first SGM and I have very much enjoyed meeting many signatories this year and looking forward to meeting many more signatories in the future.

The PRI has recently welcomed two new members to the Executive team. Esther Teeken was appointed Chief Operating Officer, following the retirement of Graeme Griffiths. Cathrine Armour has taken up the role of Chief Reporting Officer, which is a new executive-level role to oversee PRI's critical Reporting and Assessment Framework. This work sits at the top of the agenda. I am pleased to have both Esther and Cathrine on board.

It is sad to announce the upcoming departure of PRI's Chief Signatory Relations Officer, Lorenzo Saa. Lorenzo has been a leading player in building the PRI for 14 of its 16 years. For all this time, he has been intensely invested in the PRI's mission and in supporting signatories to become better responsible investors. Lorenzo has achieved a lot during his time at PRI. Lorenzo has been key in developing our first in-house, comprehensive Reporting and Assessment Framework, managing our content teams, and more recently leading the service and growth of now over 5,000 signatories. Lorenzo has truly embodied the PRI's values, being a visionary, passionate and inspiring leader. Now that Lorenzo has delivered much more than he set out to achieve, he feels it is the right moment to take time off to identify his next career challenge. He will be missed, and I hope you'll join me in thanking him for everything he has done for the PRI. Lorenzo will be with us until early December and will be attending PRI In Person, so those of you joining the annual event will have another opportunity to wish him all the best for the future.

For Lorenzo's transition plan, it is appropriate for the PRI to take some time to think about the responses to the signatory consultation and consider how the PRI should organise itself. Nathan Fabian will take on the Executive responsibility for leading PRI's Signatory Relations team for the foreseeable future. Lorenzo and Nathan have already started work to ensure a smooth handover of all Signatory Relations activities. Nathan will also continue in his role as the PRI's Chief Responsible Investment Officer.

Over the past year at the PRI, like many of its signatories, Diversity, Equity and Inclusion (DEI) has been a strong area of focus internally. The PRI DEI Lead started in January 2022 and the PRI launched its new DEI strategy internally this year. The PRI's work is centred around creating an inclusive culture, embedding strong governance, measuring its impact through data and sharing its progress through storytelling. The PRI has seen some early successes in this important area, and we look forward to further progress in the future.

PRI signatories

The PRI signatory base is unique in its scale. This year, the PRI welcomed its 5,000th signatory. Investor signatory Asset Under Management (AUM) is now estimated at over 121 trillion US dollars, which is more than half of the world's institutional capital. As a signatory-based organisation, the PRI must put its signatories at the centre of the decision making and provide value to all signatories. To service this growing signatory base, the PRI team now includes 37 signatory engagement professionals, working in 22 cities around the world.

Providing learning and development opportunities

The PRI remains committed to convening its signatories for learning and development opportunities. Throughout the past year, the PRI maintained a fully virtual programme for larger-scale events.

Thanks to those signatories who shared their insights with the PRI in the regular calendar of webinars. Thousands more participants joined PRI webinars over the course of the year. The PRI hopes that signatories continue to find it insightful and inspiring when we return to in person gatherings.

PRI in Person & Online

The PRI is pleased to announce that it has been able to bring back its flagship annual conference, PRI in Person, in a hybrid format which will take place in Barcelona 30 November – 2 December. This will be an important moment to reconvene PRI's global community, in person, after two years of pandemic restrictions. There is a wonderful line up of leading experts joining and the PRI look forward to hearing from all of them over the course of the conference. Whether in person or online the PRI encourage signatories to register for the conference.

Providing learning and development opportunities

This year, the PRI relaunched the PRI Academy. The PRI Academy now provides new, updated courses, and digital badges for learners to demonstrate their achievements. Demand for the PRI Academy's offering continues to grow, driving revenue to more than 1.4 million pounds. 75% of this came from group purchases. This funding goes back into serving PRI's signatories. Signatories that haven't had an opportunity yet are encouraged to take part in a PRI Academy course.

OUR ACTIVITIES TO ENGAGE AND SUPPORT SIGNATORIES

Shelagh Whitley, Chief Sustainability Officer, provided an overview of the PRI's activities in the 2021/22 financial year to engage with and support signatories.

The PRI continues to work to deliver against the Blueprint for responsible investment, guided by the three-year strategy. The PRI's work spans an enormous breadth and depth of activity. The PRI works with asset owners, investment managers, and increasingly service providers, across a wide range of asset classes and ESG issues, and across different policy jurisdictions and parts of the financial system. The PRI's support to signatories includes tools and guides, collaborative engagements, and initiatives across a range of topics. The PRI also provides an extensive webinar programme, digital forums, and our annual conference. The following section includes the highlights of the activities that the PRI undertook to engage with and support its signatories in the 2021/22 financial year.

Asset owner action

One of the pillars of the Blueprint is Empowering Asset Owners, to support and further this work. Earlier this year the PRI analysed reporting responses from over 450 asset owner signatories and there is much to celebrate.

- Over 90% have a public responsible investment policy.
- The majority are analysing asset managers' responsible investment credentials.
- More than 85% of boards have some oversight of climate-related challenges.

- Three-quarters of boards are starting to take steps to implement the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).

There is more work to be undertaken and the following areas highlight where asset owners can go further:

- Formalising responsible investment requirements in contracts.
- Robustly implementing TCFD recommendations.
- Increasing attention paid to social issues with a focus on human rights.
- Expanding responsible investment approaches across asset classes and strategies.
- Assessing specific stewardship practices.

The PRI encourages all asset owner signatories to review the findings, related PRI guidance, and initiatives.

Investment mandates: the missing piece of the puzzle

The PRI has added guidance on how asset owners can use investment mandates to signal ESG requirements to investment managers to its existing suite of resources. The PRI also continued to expand its collection of responsible investment due diligence questionnaires to help assess investment managers' approaches. The PRI now provides questionnaires across eight asset classes. For the first time this year, the PRI released an issue-specific questionnaire Diversity, equity and inclusion DDQ. The PRI highlights and shares examples of good practice from its signatories through a growing library of case studies. The PRI encourages signatories to take read more on the PRI website.

Driving consideration of ESG factors in credit risk analysis

In the past year, the PRI also furthered its work on ESG in Credit Risk and Ratings, as part of its wider programme on fixed income. This includes broadening PRI's outreach to investment consultants and recommending how they can adjust their due diligence processes to better meet clients' fixed income needs. The PRI also surveyed signatories on the use of TCFD recommendations in credit risk analysis. The PRI found that disclosures on how companies identify, manage and integrate climate-related risks are now considered to be crucial, which points to the need for more consistent and standardised disclosures, and to address data gaps. This topic will be discussed more later in this SGM.

Taking stewardship to the next level

The PRI continues its role in Climate Action 100+ (CA 100+) for its collaborative engagements. The focus for CA 100+ is now on pressing all focus companies to translate commitments into tangible near term action on climate. Another major highlight of the last year was the launch of Advance, where investors are collaborating to take action on human rights and social issues. With an initial focus on two sectors, through Advance, the PRI will support investor engagement with companies and other decision makers to drive positive outcomes for workers, communities and society.

The PRI Collaboration Platform is the forum for PRI signatories to collaborate, pool resources and share information. In the last year, it averaged over 3,000 monthly users. The PRI has made substantial improvements to the platform to provide better controls for collaboration owners, and added a public database of ESG-related resolutions and votes where PRI signatories can use it to publicly pre-declare their voting intentions for each resolution. Please do explore this useful resource, which you can access via the PRI website.

Helping to build a more supportive policy environment

The PRI also continues to have a strong focus on sustainable finance policy and to engage with policy makers on priority ESG issues. Over the past year, the PRI responded to more than 65 policy consultations across the world and has published a range of policy briefings focussed on developments in specific countries and regions. The PRI grew its Global Policy Reference Group which is an important channel for signatories to input to consultation responses, strengthening signatories' engagement with policymakers.

The PRI launched the ground-breaking report: A Legal Framework for Impact in 2021 which clarified how regulators in 11 jurisdictions view "investing for sustainability impact". The PRI has also published the first regional follow-up report covering the European Union which sets out legal changes needed in the EU to enable mainstream investors to work towards sustainability impact goals. The PRI encourages signatories to read this report as well as the subsequent and forthcoming reports on Australia and the UK.

Working towards improved corporate disclosure

Driving Meaningful Data for investors is another important pillar of the Blueprint and an area PRI knows is of particular importance to the signatories. Many signatories will be aware, the IFRS Foundation has recently established the International Sustainability Standards Board (or ISSB). Together with our Corporate Reporting Reference Group, the PRI analysed and engaged around the ISSB's draft standards published in March, and have fed into regional corporate sustainability reporting initiatives, including those in the EU, US and China. Also this year, in collaboration with the World Business Council for Sustainable Development, the PRI convened a series of roundtable discussions, bringing Chief Investment Officers and Chief Financial Officers together to understand each others' priorities, processes and challenges on corporate disclosure.

Committing to climate action

The PRI is supporting signatories in their actions on climate across almost all of its work programmes, including where they are seeking to implement net-zero commitments. Leading up to the COP26 climate conference in Glasgow, the PRI worked with partners in the Glasgow Finance Sector Alliance for Net Zero (or GFANZ) to encourage signatories to sign up to net-zero initiatives and advance net-zero targets. The PRI also continued to co-convene initiatives on net-zero for asset owners, investment managers, investment consultants, and service providers, with the groups of asset owners and investment managers each releasing assessments, which provides detail on investors' progress in setting targets and taking action towards net-zero. Addressing deforestation is a critical aspect of tackling climate change. To make progress, the PRI has been convening a Practitioner Group on the topic with a series of workshops for investors to share practices and collaborate with technical experts. The PRI aims to take this work forward through a new programme on Resilient Natural

Systems that will be launched later this year in the context of the World Biodiversity Summit in Montreal.

Tackling human rights
Alongside Climate, Human Rights is also a major focus of the PRI's work. The PRI launched a collaborative engagement on this topic, and with a focus on sovereign debt, the PRI have laid out a process that sovereign investors can use to meet human rights responsibilities. Other highlights have been the launch PRI's programme on Diversity, Equity and Inclusion (DEI) and more recently on Decent Work, through which the PRI will support its investors to take action on these key social issues. These programmes will provide signatories with the guidance and tools focussed on the 'S' of ESG.

Finally, through the work of PRI's governance programme, the PRI launched a multi-year programme for investor action on tax fairness, key resources on responsible political engagement, ESG, and pay.

These were some of the highlights from the past year. The PRI encourages all signatories to read Quarterly Signatory Updates and explore the PRI website to discover the full range of our activities and work areas. Signatories are encouraged to reach out their dedicated Relationship Manager to learn more about what's available and opportunities to get involved.

PRI REPORTING & ASSESSMENT

Cathrine Armour, Chief Reporting Officer, provided an update on the Reporting & Assessment Framework.

PRI Reporting & Assessment evolution
The Reporting and Assessment process and Framework has changed significantly since its introduction in 2006 under a self-assessment model. 2021 saw the launch of a pilot that emphasised reporting on the depth of ESG incorporation and for the first time reporting on sustainability outcomes. There were several challenges in the 2021 Pilot. The PRI collected feedback from signatories on the Reporting Framework and Reporting Tool during this pilot reporting year.

More than 1,700 signatories responded to PRI's call for feedback. Overall, signatories indicated that the content of the new Reporting Framework better captured their responsible investment activities compared to that of previous years. However, the level of satisfaction varied across modules, and a significant number of signatories indicated issues with the functionality of the Reporting Tool, which signatories found time and resource-intensive to use. Issues with data collected during the 2021 reporting was also a concern. While reviewing signatories' reporting, the PRI identified some integrity issues with the way a subset of the reported data had been captured.

Based on this feedback, 2023 will reflect improvements focusing on reducing the reporting effort, improving the reporting experience, and correcting errors particularly in those due to complexity.

Listening to signatory feedback

The feedback received on the pilot Framework included comments on the structure and questions (content) of the Framework as well as on the experience of the Reporting Tool.

While the reporting content was well-received by many signatories, the feedback varied between modules and between asset owners and investment managers, with asset owners typically providing less favourable feedback. Many signatories acknowledged that:

- They were able to reflect their responsible investment practices over time and that the direction of the new content would lead to better responsible investment outcomes.
- Reporting in the new Reporting Framework was a great opportunity to improve responsible practices and progress.
- The senior leadership statement was a positive addition.
- The time and resource required to report on the pilot Framework was too high.

Issues with the new online Reporting Tool, which centred on navigation and functionality, contributed to the time taken to report and created problems during the review process for signatories. The PRI have been working to address the feedback received from signatories during the 2021 pilot year and throughout 2022, with a particular focus on reducing the reporting effort for all signatories. The reporting effort has also been addressed by improvements in:

- The clarity in the wording of indicators and explanatory notes.
- Consistency across the Framework.
- Elimination of repetition and duplication.
- Improvement in the applicability of indicators.

The PRI has been addressing signatory feedback, whilst staying true to the PRI's mission, being a mission led organisation, yet ensuring it remains signatory centric. It is estimated that about a third of the changes in the Reporting Framework were as a direct result of signatory feedback received during the 2021 pilot reporting year.

2023 Reporting Framework

A reduction in the reporting effort has been achieved through:

- Developing Reporting Tool efficiencies. By moving to more 'fit for purpose' technologies, which enable us to enhance functionalities within the Reporting Framework. This includes improved navigation and an improved user experience.
- Restructuring the Organisational Overview module. Removing redundant indicators, improving logic, and reducing the overall length. In addition, providing clearer reporting requirements and justifications.
- Restructuring the Investment and Stewardship policy module. Enabling the elimination of duplicated reporting elements and improve consistency throughout the module and across the Framework, particularly with regards how we treat ESG issues and outcomes.

The new structure changes are also clearer and better aligned with other widely recognised Frameworks, such as the Task Force for Climate related Financial Disclosure (TCFD). The aim being improving the signatories' reporting experience more widely beyond only the context of PRI Reporting

& Assessment. This approach will also help future proof the Framework increasing its future ability to integrate new content without necessarily increasing the reporting effort.

Through incremental improvements in all modules drawing on the extensive feedback, the PRI has reduced the Framework from 357 indicators in total in 2021, to approximately 265 indicators in 2023, a 27% reduction in the total number of indicators overall. For asset owners, this is likely to be a reduction in the number of indicators by 57% with the removal of asset class module reporting.

This number of indicators in the Framework maintains the 70/30 (Core/Plus indicator split) ratio across the Reporting Framework for the majority of signatories. Indicators are signatory specific and are dependent on logic, signatories' individual asset class breakdown, and responses to indicators.

2023 Reporting Framework overview

In summary, the imperative of a need for reduced reporting effort has been significantly addressed by improvements in clarity, consistency, eliminating duplication, and applicability and have been implemented throughout the Reporting Framework. Whilst addressing signatory feedback and incorporating changes to the 2023 Reporting Framework, the PRI has aimed to balance signatory needs with the PRI mission.

The result of these collaborative efforts are depicted here, in the 2023 Reporting Framework overview.

2023 Reporting timeline

At the September 2022 PRI Board meeting, the PRI Board signed off a May - August 2023 Reporting cycle. This will mean that the 2023 Reporting Framework will be launched in January 2023 including structure, modules, indicators and planned outputs including data and reports. The reporting window will open in mid of May until mid of August 2023. In November 2023, outputs will be issued, both Transparency and Assessment Reports with data products following shortly after as in previous years. For more information on reporting in 2023, visit R&A updates.

FINANCIAL STATEMENT

Esther Teeken, Chief Operating Officer, provided an overview of the financial statements.

In the 2021-2022 financial year, the PRI's total income grew to 26.8 million pounds, up from 21.5 million pounds the previous year. Total expenditure (excluding PRI in Person) grew to 24.7 million pounds, up from 18.5 million pounds. In line with this organisational growth, the number of PRI employees also continues to grow. It is forecast to reach 270 PRI employees by March 2023. Full financial details are available in the Annual Report.

PRI signatory fees

Signatory fees make it possible for the PRI to continue the important work. It enables us to deliver on our shared mission, and to implement the six Principles for Responsible Investment.

With this in mind, the PRI Board has approved a moderate increase in signatory fees for 2023. PRI Fees are calculated based on signatories' AUM (for Asset Owners and Investment Managers) or number of investment staff (for Service Providers). We will write to you following this meeting with details of the fee adjustment. This will range from an increase of 34 pounds sterling for the smallest asset owner, to just under 1,000 pounds sterling for investment managers with AUM of more than 50 billion US dollars. The PRI is also taking steps to achieve efficiencies and contain costs.

The PRI hopes that signatories continue to find its extensive rage of publications, forums and other tools useful in supporting signatories' responsible investment activities. The PRI encourages signatories to get involved and to get the most out of their membership. Related further communications will follow, including contact details in case of any questions.

Target Operating Model

The PRI is focused on delivering value to signatories. The PRI has begun work to develop and implement a refreshed, fit-for-purpose Target Operating Model. This work will ensure that the PRI delivers value to signatories, efficiently scales its operations to the large signatory base, and drives efficiencies within the organisation.

SIGNATORY CONSULTATION

Martin Skancke, Chair of the PRI Board, and David Atkin, Chief Executive Officer, discussed plans for the 'PRI in a Changing World' signatory consultation. For more information on the PRI in a Changing World signatory consultation objectives and timeline, visit the PRI website.

'PRI in a Changing World' – genesis of the consultation

It is worthwhile to go back to the genesis to the Board's commitment to a consultation on the PRI mission, to shed light on why the PRI is having this conversation with signatories. As part of the 2021-24 strategy consultation, the PRI had proposed a brief purpose statement: Global investors leading for a sustainable future. The intention was to draft an elevator pitch, a summary of the long mission statement that was originally approved by the PRI Advisory Council in 2012 and included in the signatory approved reform of the PRI's Articles of Association in 2015.

However, during the initial conversations some signatories had reservations about any new purpose statement. The concern was that it could signal or enable 'mission drift', with a purpose statement overlaying the existing mission and six Principles. The Board decided on reflection to not adopt the proposed purpose statement and ensure that any new purpose statement that speaks to the role of responsible investors is subject to signatory consultation and approval.

At the same time, the Board agreed that the external environment had changed significantly due to:

- The Paris agreement.
- Sustainable Development Goals (SDG).
- Different terminology.
- Different investor expectations and practices.

Therefore, having a conversation with signatories on these issues, and agreeing a shared direction for the PRI would be valuable.

The PRI originally proposed having the conversation with signatories in 2021 but decided to postpone with the CEO transition.

As the PRI now embarks on the consultation, the issues identified in 2021, such as evolving investor expectations and practices, are still very present, together with other factors in the external environment including:

- Increased regulatory expectations and increased reporting obligations in the local market.
- ESG backlash.
- Accusations of greenwashing.
- Continued urgency of addressing climate change.
- Increased focus on social issues.

Six key themes of the consultation

1) Expectations of responsible investors today

Since the founding of the PRI, there has been significant uptake of ‘responsible’ or ‘ESG’ investing. However, different interpretations of what that means has led to increased confusion, and risks of accusations of greenwashing. In addition, expectations that investors should play a key role in real-world outcomes are increasing, with rising demands from stakeholders, clients, beneficiaries, and regulators. This comes in part due to the range of agreements that nations have reached on global goals including Sustainable Development Goals (SDGs), the Paris Agreement, and the UN Guiding Principles on Human Rights that are increasingly being translated into national objectives.

Signing the PRI Principles, however, does not currently require or ensure an investor will make a positive contribution to a prosperous world for all. The PRI is a ‘big tent’ organisation, and it recognises that different approaches to responsible investment are to be expected based on different investor mandates, different client expectations, and different regulatory requirements. Therefore, the PRI is considering how best it can support the diversity of the signatory base.

2) Expectations on the PRI to ensure accountability of all signatories

All PRI signatories are expected to improve their responsible investment performance. The PRI has so far focused only on introducing minimum performance expectations and on supporting the most advanced leaders.

Guidance and learning opportunities are available for all signatories, but there are no explicit expectations for the majority of signatories (other than the leading 10% and the lagging 1%).

The PRI could fulfil its responsibilities by providing:

- Clearer opt-in commitments to progression.
- Clearer support for these signatories to progress.

- Greater transparency and accountability on signatory progress.

3) PRI's response to signatory needs

The PRI's current approach is to support signatories with a generalised global approach. This includes opportunities to:

- Learn.
- Receive support to act (including through collaboration).
- Receive recognition (including through Reporting and Assessment).
- Influence norms and expectations for responsible investors.
- Contribute to influencing the enabling environment for responsible investment.
- Come together and network.

The PRI understands that it should maintain a global approach which is the core of its value proposition and also act more locally.

4) The PRI's role on advocating for responsible investment policy

Despite there being clearer global sustainability goals, there is a widening gap between real world outcomes and these goals. The growing gap, and a rapidly growing market for sustainable finance, is leading to more scrutiny by market supervisors on financial practices and claims, including prosecutions for serious failures. In some jurisdictions, investors are expected to play a major role in the transition to a sustainable economy. The PRI's role in contributing to policy change, regulation and industry standards such as corporate reporting standards is valued.

The PRI already works on a sustainable financial system, but is there a greater role to play in supporting these regulatory developments and clarifications of investor duties? Can the PRI support groups of investors to engage governments? Can the PRI support and amplify the work of existing investor organisations?

5) The PRI's governance approach and processes

The PRI is a growing organisation with 5000+ diverse signatories. One of the primary roles of the PRI Board is to set the strategy and direct the organisational priorities, within a framework, agreed by signatories. The PRI Board believes that PRI's governance structure, of one PRI Board, is appropriate.

However, the PRI should consider if it could facilitate better dialogue between the Board, and regional or other signatory groups to get their input into priorities.

6) The PRI's Vision, Purpose and Mission statements

The PRI's current mission statement includes many relevant elements for responsible investment today, and the ultimate objective is still valid. The PRI's belief is that *an economically efficient, sustainable global financial system is a necessity for long-term value creation…* [and that] *Such a* *system will reward long-term, responsible investment and benefit the environment and society as a whole*[1]*.*

The current statement was designed to have wide appeal in a more formative stage of responsible investment. Greater clarity is now needed to ensure continued relevance of the PRI in a changing world. Clearer, separate organisational statements could improve understanding and facilitate agreement between the PRI and its signatories on what the PRI's role is. The initial assessment is that the mission statement gives the PRI an appropriate mandate, but for greater impact it could be more active and disaggregated into separate vision, mission, and purpose statements.

The PRI is testing these six themes with signatories and will consider whether any changes will benefit the collective effort.

Signatory consultation process

The consultation is made up of two parts. Part one is currently underway, and includes a series of conversations with PRI signatories via several different means. One such engagement is this Signatory General Meeting. The PRI is also hosting a series of workshops in key global markets which is hugely valuable. The PRI would like to thank everyone who has taken the time to share their views so far.

The conversations in part one will build towards the online formal consultation survey of all signatories. The survey is where the PRI will seek to capture all signatories' formal feedback to key questions and proposals. The survey will launch in November 2022. It will be sent to the main PRI contacts within signatory organisations. The PRI encourages all signatories to engage with this survey and looks forward to hearing signatories' views.

SIGNATORY VOTING AND PRI BOARD DIRECTOR ELECTIONS

Martin Skancke, Chair of the PRI Board, provided an overview of the PRI Board and annual elections.

The 2022 PRI Board election is for one asset owner representative position and one service provider representative position. Asset owner signatories will vote for asset owner candidates and service provider signatories will vote for service provider candidates. All signatories will be asked to vote on two items: to receive the PRI Annual Report and Accounts; and approve the Signatory General Meeting minutes.

Asset owner candidate:

In this year's Board election, only one candidate has nominated for the one open asset owner position. Although there is only one candidate, as defined in the Election Rules, asset owner signatories will be asked to vote to approve the candidate's appointment as a PRI Board Director by a simple majority vote.

- **Denísio Liberato**, Chief Investment Officer, PREVI (Brazil) – Statement & Video

Service provider candidates:
Three candidates are competing for the one open service provider position. Each service provider signatory will have one vote and the candidate who receives the highest number of votes is elected.

- **Mariem Mhadhbi**, Co-Founder & CEO , ValueCoMetrics, (France) – Statement & Video
- **Rebeca Minguela**, Founder & CEO, Clarity AI (Spain) – Statement & Video
- **Bonnie Saynay**, Global Head of ESG Investor Research & Data Strategy, ISS (United States) – Statement & Video

Online signatory voting
Online signatory voting will open on Thursday 20 October and close on 2 December 2022 17:00 GMT. On Thursday 20 October, the main contacts for every signatory organisation will be invited via email from vote@governance.unpri.org to vote on behalf of their signatory organisation. Signatories are encouraged to visit the PRI website to learn more about these candidates, view their statements and videos which will help voters to make an informed voting decision.

Electing PRI Board Directors is an important signatory right. The PRI is a membership organisation, and it encourages signatories to actively participate in the signatory voting and PRI Board Director elections. Signatories are encouraged to exercise their vote.

Signatories will be asked to approve the minutes via an online vote alongside the PRI Board election vote.

SIGNATORY Q&A

Signatories asked questions on a range of topics. The following questions and responses have been ordered and grouped by topic to increase legibility for the readers.

David Atkin, could you please tell us about your experience so far regarding the conversations that you are having with the signatories for the PRI in a Changing World consultation?
I have been travelling around the world to meet and have conversations with the signatories. My experience has been that signatories are appreciating the conversation regarding the future of the PRI. It is recognised that there are many challenges investors around the world face and the PRI has an important role to play in helping navigate these challenges. The PRI is a global organisation and more than ever, there is a need to bring investors together.

The challenge is how the PRI ensures accountability for more than 5,000 signatories in a way that enables recognition for signatories in different contexts. How signatories think about responsible investment is framed or shaped by the context they operate within. One of the questions being tested is to what extent should the PRI adjust its model in engaging with signatories and providing tools that are co-created with signatories. There are many differences in the application of the responsible investment approach and one size fits all is not a good approach. Therefore, the PRI needs to find the right balance between accountability and recognising differences amongst signatories. There should be an opportunity for signatories to improve over time. Pathways for signatory progression have been tested and the question to consider is how it will operate.

The PRI should have visibility around all the responsible investment issues and can support signatories by pointing out best practices. It is not only the PRI that is operating in this ecosystem. The PRI should play a distinct role as a global body and work better with regional initiatives, making clear to signatories how the PRI’s role differs from other organisations.

There is signatory interest in having new forums for knowledge exchange between the PRI Board and regions to develop content and priorities. More work needs to be done in this area.

The PRI’s strong policy advocacy role is getting strong support and signatories want the PRI to play a harmonising role and influence policy and practice.

The workshops and webinars will help design the formal consultation survey for signatories and the PRI will make decisions based on the responses. The PRI is confident that formal consultation survey questions will help to define its strategy.

For more information on the PRI in a Changing World signatory consultation objectives and timeline, visit the PRI website.

It was mentioned that there is a need to adjust the PRIs model of engaging with signatories based on different regional needs. Can you give examples of regional differences the PRI has identified so far and what type of adjustments you foresee?

In Mexico, Latin American signatories have momentum, but they are early in their responsible investment learning curve. Most of the material that the PRI produces is aimed at signatories who are advanced in their responsible investment learning curve. Having more tailored content with translations for different marketplaces would benefit signatories. The PRI should seek to have the right balance between being a global organisation leading on responsible investment and also providing regional support and guidance.

The PRI is testing the relationship between the regions or sector groups and the work of the PRI through the discussion around strategic planning and the role of the PRI Board. There is a view that there needs to be a discussion in the annual planning cycle around priority setting between regional perspectives and the whole of the signatory base.

The responsible investment ecosystem is complex, and signatories are asking the PRI and the partner groups to provide more clarity about how they complement each other and reduce duplication.

What is the PRI's response to current anti-ESG sentiments, especially in the US?
This is an important issue, and the Board had a discussion around this issue in the last Board meeting. There is a mixed picture globally. The US is having a backlash against ESG regulations, whereas in many other jurisdictions the policymakers are very ambitious. The Board has discussed how the PRI can be most useful to signatories when the regulatory developments are diverging across important jurisdictions. The PRI is aware of the political arguments around ESG in the US. The PRI's objective is to respond and to represent the interests of signatories by reassuring the importance of responsible investment and the centrality of ESG to fiduciary duty. The PRI will continue to conduct media interviews and briefings and it already had up to 20 substantial pieces in the mainstream media.

UK Asset Owners are increasingly frustrated at the lack of a front-footed approach to pushing back on the anti-ESG agenda. PRI has seemed absent in international media beyond a PRI blog. Is there a more assertive strategy to address ill-founded critiques whilst engaging with the legit critiques?
The PRI Board discussed this important issue at the last Board meeting and realised that the PRI needs to communicate more. There is a mixed picture globally since different jurisdictions are moving in different directions on this issue and there is significant momentum behind pro-ESG legislation and managers' actions. This raised a question for the PRI to consider how it can best support signatories that are operating in a different jurisdiction and legal context.

The PRI is taking a proactive approach and realises that the critique is a threat. There is a political dimension to this discussion, but the PRI's role is to reassure signatories and restate that considering ESG as part of responsible investment is consistent with their fiduciary responsibilities.

Quite often E and S related shareholder proposals are poorly constructed and cannot get strong support from asset managers. What is PRI doing to provide support for proposal authors to increase their uptake by asset managers?

The PRI will publish guidance to cover procedural elements such as filing thresholds and how investors can draft proposals to avoid common pitfalls such as being excessively prescriptive or questions that are not necessarily tailored well enough to the specific company in question.

With respect to the challenging external environment, one can argue that the SDGs are more urgent for all stakeholders, including investors. Are you able to share your views on SDG-aligned investing and how PRI is contributing to this field?
SDGs are more relevant than ever, and the PRI has strengthened its work on the SDGs. The PRI has made sustainable outcomes and contributing to sustainable outcomes a feature of its work programme. This includes specific guidance on how the investors can contribute to the SDGs with step-by-step instructions regarding how to understand the contribution, influence, and change in future. There will be outcomes-based questions in Reporting and Assessment to enable signatories to report on a voluntary basis. The PRI continues to work on aspects of the financial system and financial reporting that can better enable investors to aggregately influence sustainability outcomes. For more information, visit the Sustainable Development Goals.

Is PRI organising signatories at a more local level to support the PRI mission? The PRI can occupy a central position in the debate on ESG and be a powerful counterweight to the anti-ESG agenda, and the politicization of ESG that is occurring in the US. Will the PRI budget to support this effort?
The PRI is hearing from signatories that context matters. Signatories operate in particular marketplaces, and the PRI needs to accelerate the convening of signatories in these particular marketplaces and segments to better support signatories in their work. The current Target Operating Model work will help achieve efficiencies and support these efforts.

What are some of the limitations of ESG that PRI thinks it needs to acknowledge and educate the responsible investor community on in order to facilitate a more authentic conversation about the pitfalls and potential of ESG?
The key issue is that the PRI needs to be clearer about who benefits from incorporating ESG and how. The PRI started as a mission-led organisation with six principles. It is close to 20 years since the PRI was established and the expectations from policymakers and the community are growing. The PRI needs to help signatories to be clearer about their work, what claims they are making on ESG, and distinguishing whether they are focusing on the risks to their portfolios and identifying where the benefits are to the environment and society.

The PRI in a Changing World consultation will include these questions which will provide signatories with an opportunity to provide input into shaping PRI’s work. The PRI Board strongly encourages signatories to take part and respond to the PRI in a Changing World consultation.

The PRI statement on the CSDD consultation was very good and ambitious. We would like to encourage a continuous ambitious focus in line with the UNGPs in the work of PRI in general and in Advance.
The Corporate Sustainability Due Diligence (CSDD) proposal is an important part of the European Green Deal. The purpose of CSDD is to bring the UN Guiding Principles on Human Rights into the

European disclosure and Reporting Framework. Policymakers set the ambitions on these issues and the PRI's role is to help, support, and provide input to the policymakers to ensure that the policy work allows investors to report on them. This is PRI's tier one issue, and the PRI will keep signatories briefed regarding the developments as they occur.

Is there a topic focus foreseen for next year, e.g. more initiatives in the course of the 'S' pillar, or Biodiversity?
Topics are set out in PRI's three-year strategy. Regarding social issues, the PRI's focus has been on Human Rights as the top tier issue. The PRI is also working on Diversity, Equity and Inclusion and a new programme that was recently launched on decent work. For upcoming activities, the PRI is commencing work on research around inclusivity and advancing a number of governance issues that are critical for the wider social agenda. The PRI has a new Reference Group on Tax Fairness and signatories are encouraged to participate.

For biodiversity, the PRI has a new cross-cutting programme launching on resilient natural systems. This will combine PRI's previous work on sustainable commodities with a focus on deforestation and work on biodiversity. The team at PRI is also working closely with UNEP FI to prepare resources for signatories ahead of the forthcoming biodiversity COP taking place in Montreal in December.

Asset Managers, Corporates and Politicians are all "agent" in a dynamic system equipped with the wrong accounting & heading for disaster. Shouldn't Asset Owners be the adults in the room (having 30 years duration), and lobby governments, not only corporate, towards implementing sobriety in socially acceptable ways?
The PRI's Theory of Change starts at the top of the investment chain. Asset owners are top of the investment chain in the financial system and therefore they have a special responsibility. Given the importance, the PRI focuses on educating asset owners through its guidance. The PRI has an asset owner committee that guides its work and asset owner-led working spaces such as the asset owner Net-Zero Alliance. This influences market practice, and it influences the way regulators think about how the financial market should function. The PRI believes that asset owners are key to how financial markets operate and drive change.

Will there be an opportunity to build capacity for the future and enhance inclusivity by having Board observer roles? This could give non-C suite ESG practitioners an opportunity to gain Board experience and amplify the voices of practitioners.
The PRI Board will take this into consideration. There are many signatory groups related to a variety of issues which helps the Board in developing the work programmes and priorities for the PRI. This allows bringing signatories' and practitioner voices into the Board discussions.

Is the Board open to a greater delegation of authority to committees, to achieve a better level of oversight and more expertise, coupled with regular meetings between committee chairs and the Board?
The Board is elected by the signatories and accountable to the signatories. Delegating decision-making power to Board committees would hinder the Board's work to make a collective decision together. The Board committees are useful as they help the work of the Board. The Board committees

do not have the power to make decisions, they make recommendations to the Board, which then the Board takes into consideration and makes decisions collectively. The Board is diverse and represents different geographies, backgrounds, skills, and categories. Having a diverse Board result in higher quality decisions, and therefore it is valuable to make decisions by involving the whole Board.

Will the PRI enhance the Board reporting to signatories regularly?
All PRI Board meetings start with a signatory interaction agenda item which sets the tone of the meeting. The PRI needs to improve the reporting from the Board and the PRI is in the process of developing a user-friendly format for Board reporting for signatories to read which can be part of the quarterly signatory updates in a dedicated section.

With only one relationship manager for the whole of Africa, as well as the absence of any racial diversity in your leadership, how can we assess the UN PRI’s credibility in guiding asset owners and managers on DEI initiatives? Who is consulting the UN PRI on these guidance?
From the DEI perspective, there needs to be an improvement in the PRI’s management team. The PRI has done significant work to understand DEI across the organisation. PRI’s DEI Lead has been working on the strategy and DEI metrics, which are now included in the organisation dashboard. The PRI is also including DEI-related KPIs in the Executive team’s performance. With these efforts, the PRI expects to see an improvement in DEI across the organisation and in the leadership team. DEI is an important Board agenda item which has been and will be tracked.

The PRI allocates resources based on the number of signatories in the regions therefore Africa only has one Relationship Manager. It is recognised that there needs to be more support and the PRI will consider this challenge further.

What assessment has there been of the Board and Board Chair's oversight of the executive in how in your own words 'PRI fell short' on the Reporting and Assessment Framework and what new measures have been put in place to address any shortcomings that have been addressed?
The PRI had a capable Reporting & Assessment team who did great work under difficult circumstances. However, in retrospect, the PRI realised that it had underestimated the complexity of the Reporting & Assessment project and overestimated its capacity to implement a complex Reporting & Assessment project. As a result, the Board focused on two key areas.

1. Strengthening the PRI’s internal capacity. Catherine Armour is the PRI’s new Chief Reporting Officer who will oversee the work on Reporting & Assessment. In addition, Esther Teeken is the new PRI’s Chief Operating Officer who will oversee PRI’s work on strengthening its capacity to deliver on complex projects. The PRI has embarked on the Target Operating Model project which will be the bridge between the strategy and execution. The Target Operating Model project is closely linked with the PRI in a Changing World consultation. The consultation will enable PRI to understand what needs to be done to address strategic issues and advance responsible investment. Whereas the Target Operating Model will address how the PRI will work in order to deliver value and meet the expectations of signatories and stakeholders.

2. Strengthening the PRI Board oversight. The Board has established an ad hoc Board subcommittee to focus on the Reporting & Assessment project work, challenge and support the Executive. To provide independent assurance, the PRI has hired an independent consultant to provide assessment and risk management to the Board.

What changes, if any, will be made to the survey questions for the 2023 reporting cycle (e.g. will the number of questions be reduced, scoring or benchmark changes, consideration of different financial institutions in scoring/applicability of certain questions, the option to report every 2-3 years)
The Board discussed this issue and decided to reduce the number of questions, particularly for asset owners in the new Framework. The PRI will provide more details to signatories regarding reporting in 2023 on R&A Updates. Signatories will be able to see the questions in January 2023 and the reporting window will open in May 2023.

The PRI recognises that while there have been significant changes made, there is more work to be done to address the concerns raised. The PRI will look to address the issue related to duplication of reporting by signatories as part of future changes. There is also discussion around the frequency of reporting and whether reporting every year is feasible or not. After the 2023 reporting cycle, the PRI will look to make further changes for Reporting & Assessment based on the feedback received and aim to get the right balance.

Is the 2023 reporting timeline going to be the timeline the PRI sticks to moving forward? Reporting at the height of the proxy season will be challenging for many signatories, especially for the EU asset managers as we will combine the proxy season, new regulatory disclosure deadlines by 30 June and the beginning of the holiday season. Is this timeline the definitive one?
It is difficult to find a window that works for signatories around the globe due to other reporting requirements and proxy season. The May reporting window appears to be the most appropriate window and the PRI will constantly review the reporting cycle.

Why do the minimum requirements don´t have to be fulfilled in the first mandatory report, but only from the second mandatory report onwards?
The PRI would like new signatories to join and begin their learning journey, adopt new practices and reflect that in their reporting. A concern is that if the initial benchmark for minimum requirements is set too high, it may prevent signatories from starting their learning journey with the PRI. The PRI in a Changing World consultation will be useful to assess signatories' needs and expectations.

Whether the proposed minimum requirements are finalized? If not, what is the timeline for releasing the finalized minimum requirements and what are the main changes?
The minimum requirements have not changed at this point.

Will the 2023 reports pre-fill the 2021 responses in order to help signatories reduce preparation time? Can you let us know what will be the major difference between the previous year's framework and the new 2023 framework?

The 2023 reports will allow pre-filling of information. Signatories will be able to access their 2021 reports to enable them to transfer information over to 2023 reports where appropriate to improve efficiency. The PRI has reduced the number of indicators, improved the logic, and asset owners won't be required to do asset class reporting. The PRI is looking into the voluntary responses around climate to ensure alignment. The PRI will review beyond 2023 to reduce duplication of reporting. From 2023 onwards, pre-filling will be built into the framework.

Given the delay in the PRI assessment on the latest reporting cycle, and the time signatories need to process the new framework, can PRI move the next reporting cycle to early 2024?
There has been criticism about the significant delay of the reporting to 2023. It would not be ideal for the PRI to further delay the next reporting cycle to 2024.

Strategy-based questions in each of the asset modules will be still there?
Strategy-based questions will be included in 2023 reports and the PRI will confirm this in due course.

Will there be any guidance provided on how to present the results of the 2021 PRI scores and reports and the context in which to present these?
The guidance will be included in the 2023 report. If this changes, the PRI will communicate with the signatories.

When will the new reporting cycle take place?
The 2023 Reporting Framework will be launched in January 2023 including structure, modules, indicators, and planned outputs including data and reports. The reporting window will open in mid of May until mid of August 2023. In November 2023, outputs will be issued, both Transparency and Assessment Reports with data products following shortly after as in previous years. For more information on reporting in 2023, visit R&A updates.

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Board Mtg.: 11/08/22
Item No.: IX-A

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

From: Anya Freedman, Assistant City Attorney AJF
Sheri Cheung, Deputy City Attorney SJC

Date: November 8, 2022

Re: UPDATE ON TELECONFERENCING OPTION FOR BOARD MEETINGS PURSUANT TO ASSEMBLY BILL 361 AND NEW ASSEMBLY BILL 2449

Cc: Neil Guglielmo, LACERS General Manager

INTRODUCTION

Since March 2020, the Board has been meeting remotely in response to the COVID-19 pandemic. Initially, this was prompted by the City's Safer at Home Order and authorized by the Governor's Executive Order N-29-20 suspending Brown Act teleconferencing requirements. As the Executive Order was set to expire, Assembly Bill 361 (AB 361) was passed in September 2021 to extend continued flexibility for remote meetings during the COVID-19 State of Emergency.

This Report will:

1. Summarize traditional Brown Act requirements for teleconferencing;
2. Revisit the circumstances and findings needed to continue remote meetings under AB 361;
3. Address new requirements for teleconferencing with the passage of Assembly Bill 2449 (AB 2449); and
4. Lay out limited options for teleconferencing now through the end of 2025.

DISCUSSION

LACERS is committed to public access and participation in meetings of the Board of Administration of the Los Angeles City Employees' Retirement System. All LACERS Board meetings are open and public, as required by the Ralph M. Brown Act (Gov. §§ 54950 – 54963), so that any member of the public may attend and participate as the LACERS Board conducts its business. The Brown Act makes provisions for remote teleconferencing participation in meetings, subject to the existence of certain conditions.

A. Teleconferencing Under the Brown Act

Traditionally, the Brown Act's requirements for teleconferencing have been quite onerous, making the option rarely used by LACERS Commissioners. *See* Gov. § 54953(b). For example:

- A quorum must participate from locations within the boundaries of the agency's jurisdiction;
- The meeting agenda must identify all teleconferencing locations, including Commissioners' home or hotel addresses; and
- At each such location, agendas must be posted and the public must be allowed access.

B. Remote Meetings Under AB 361

For the past year, LACERS has relied on AB 361 to hold remote meetings by videoconference, balancing the risks posed by COVID-19 against the need for public access. Under AB 361, the Board may continue to hold meetings via video or teleconference without complying with Brown Act's strict requirements during periods officials recommend social distancing, or when: (1) a proclaimed state of emergency remains active; and (2) the Board finds that it continues to directly impact the ability of members to meet safely in person. *See* Gov. §§ 54953(e)(1)(C), 54953(e)(3)(A) and (B)(i).

LACERS' ability to continue relying on AB 361 to hold remote meetings is limited by the following developments:

- The Governor recently announced that he will lift the COVID-19 state of emergency and it will remain active only through February 28, 2023.
- The Board relies on metrics reported in the CDC COVID-19 Data Tracker and specifically looks to Los Angeles County's COVID-19 transmission level[1] to

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[1] COVID-19 "transmission level" is presented on a scale of High/Substantial/Moderate/Low. It describes the amount of COVID-19 spread within the County, where "High" is a case rate ≥ 100 per 100,000 population; "Substantial" is 50-99; "Moderate" is 10-49; and "Low" is < 10. It is not to be confused with the "Community Level" which is presented on a scale of High/Medium/Low and measures strain on the healthcare system.

support its AB 361 findings. In the past month, the transmission rate has dropped from "High" to "Substantial" with large fluctuations within the “Substantial” range from week to week. CDC updates county metrics on a weekly basis, each Thursday at 5 p.m. We can expect new transmission level data to be published on November 10 and again on November 17, preceding the next LACERS Board meeting on November 22.

Thus, if COVID-19 transmission rates continue to drop, the Board’s consideration and findings under AB 361 will likely change even before the state of emergency is lifted; for example, to continue teleconferencing, the Board may find that, considering the totality of circumstances, including a “Moderate” level of COVID-19 transmission, members are unable to meet safely in person.

C. Limited Ability to Participate in Meetings Via Teleconference Under AB 2449 Starting in 2023

Beginning January 1, 2023 until January 1, 2026, AB 2449 provides additional but limited options and new rules for teleconferencing under the Brown Act.

Importantly, a quorum must participate *in person* from a singular physical location that is clearly identified on the agenda, open to the public and situated within the agency’s jurisdiction. If this threshold requirement is met for the particular meeting, then a limited number of Commissioners may participate remotely, while keeping both video and audio on, under two circumstances:

1. For “just cause”—by notifying the Board at the earliest opportunity (as late as the beginning of the meeting) and providing a general description of the circumstances justifying virtual attendance (*e.g.* childcare or caregiving need, contagious illness, physical or mental disability, or traveling while on official board business); or

2. Due to “emergency circumstances”—by requesting the Board allow the Commissioner’s virtual attendance and providing a general description of the emergency circumstances (*e.g.* physical or family medical emergency described in 20 words or less without disclosing any personal medical information, diagnosis or disability). Board action/vote is required to approve the request.

A Commissioner participating by videoconference must disclose whether a person over 18 is present in the room with them and the general nature of their relationship. Remote participation, whether for “just cause” or due to “emergency circumstances”, cannot exceed three consecutive months or twenty-percent (20%) of regular meetings per calendar year (*i.e.* four meetings in 2023). Moreover, a Commissioner is limited to two virtual attendances based on “just cause” per calendar year.

CONCLUSION

This summary and guidance is provided to help navigate the transition back to primarily in-person Board meetings, with more limited options for participation by videoconference. We will be available to answer any follow-up questions the Commissioners may have.

AJF/STC:np