

2025



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year
Ended June 30, 2025



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A Component Unit of the City of Los Angeles, California



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2025

Issued by

TODD BOUEY
General Manager

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A Component Unit of the City of Los Angeles, California

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Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	3
Board of Administration	9
Organization Chart	10
Professional Consultants	10
Certificate of Achievement for Excellence in Financial Reporting – GFOA	11
Public Pension Standards Award for Funding and Administration – PPCC	12

FINANCIAL SECTION

Independent Auditor’s Report	15
Management’s Discussion and Analysis	
Financial Highlights	18
Overview of the Financial Statements	19
Financial Analysis	20
Basic Financial Statements	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Basic Financial Statements	28
Required Supplementary Information	
Retirement Plan	
Schedule of Net Pension Liability	59
Schedule of Changes in Net Pension Liability and Related Ratios	60
Schedule of Contribution History	62
Schedule of Investment Returns	64
Postemployment Health Care Plan	
Schedule of Net OPEB (Asset) Liability	65
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios	66
Schedule of Contribution History	68
Schedule of Investment Returns	70
Supplemental Schedules	
Schedule of Additions and Deductions to Fiduciary Net Position	
Postemployment Health Care Plan	71
Schedule of Administrative Expenses	72
Schedule of Investment Fees and Expenses	73

INVESTMENT SECTION

Report on Investment Activity	77
Outline of Investment Policies	80
Investment Results	
Schedule of Annualized Asset Class Investment Returns	80
Schedule of Investment Results History	81

Table of Contents (Continued)

INVESTMENT SECTION (Continued)

Investment Contract Activity	82
Asset Allocation	83
List of Largest Assets Held by Fair Value	
Largest U.S. Equity Holdings	84
Largest Non-U.S. Equity Holdings	84
Largest U.S. Fixed Income Holdings	85
Largest Non-U.S. Fixed Income Holdings	85
Schedules of Fees and Commissions	
Schedule of Fees	86
Schedule of Top Ten Brokerage Commissions	86
Investment Summary	87
List of Investment Advisors, Custodian and Other Consultants	88

ACTUARIAL SECTION

Actuarial Valuation Summary	
Summary of Significant Valuation Results	93
Retirement Benefits Valuation	
Actuarial Certification	95
Active Member Valuation Data	97
Retirees and Beneficiaries Added to and Removed from Retiree Payroll	97
Schedule of Funded Liabilities by Type	98
Schedule of Funding Progress	98
Actuarial Analysis of Financial Experience	99
Actuarial Balance Sheet	99
Schedule of Changes in Net Pension Liability and Related Ratios	100
Projection of Plan's Fiduciary Net Position for Use in Calculation of Discount Rate	104
Summary of Actuarial Assumptions and Actuarial Cost Method	106
Summary of Plan Provisions	112
Health Benefits Valuation	
Actuarial Certification	122
Active Member Valuation Data	124
Retirees and Beneficiaries Added to and Removed from Health Benefits	124
Member Benefit Coverage Information	125
Schedule of Funding Progress	125
Actuarial Analysis of Financial Experience	126
Actuarial Balance Sheet	126
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios	127

Table of Contents (Continued)

ACTUARIAL SECTION (Continued)

Projection of Plan's Fiduciary Net Position for Use in Calculation of Discount Rate	131
Summary of Actuarial Assumptions and Actuarial Cost Method	133
Summary of Plan Provisions	142

STATISTICAL SECTION

Schedule of Additions by Source - Retirement Plan	147
Schedule of Deductions by Type - Retirement Plan	147
Schedule of Additions by Source - Postemployment Health Care Plan	148
Schedule of Deductions by Type - Postemployment Health Care Plan	148
Net Increase (Decrease) in Fiduciary Net Position - Retirement Plan	149
Net Increase (Decrease) in Fiduciary Net Position - Postemployment Health Care Plan ...	149
Schedule of Benefit Expenses by Type - Retirement Plan	150
City Contributions versus Benefits Paid - Retirement Plan	150
Schedule of Benefit Expenses by Type - Postemployment Health Care Plan	151
City Contributions versus Benefits Paid - Postemployment Health Care Plan	151
Schedule of Retired Members by Type of Benefits - Retirement Plan	152
Schedule of Retired Members by Type of Benefits - Postemployment Health Care Plan ..	153
Schedule of Average Benefit Payments - Retirement Plan	154
Schedule of Average Benefit Payments - Postemployment Health Care Plan	156

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Introductory





December 18, 2025

LETTER OF TRANSMITTAL

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

We are pleased to present the Los Angeles City Employees' Retirement System (LACERS, or the System) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025, the System's 88th year of operation. This report is intended to provide a comprehensive review of the System's financial condition at the conclusion of the fiscal year, including audited financial statements, investment performance results, and actuarial valuations for retirement and health benefit plans.

LACERS History, Participants, and Services

In 1937, the Los Angeles City Charter established LACERS as a retirement trust fund for the purpose of providing the civilian employees of the City of Los Angeles (the City) with a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. In 1999, LACERS began administering the retiree health insurance program. All regular, full-time, and certified part-time City employees are eligible for LACERS benefits except employees of the Department of Water and Power, and sworn personnel who are members of the Los Angeles Fire and Police Pensions. Over 27,000 Active Members and almost 23,000 Retired Members and Beneficiaries rely on LACERS to provide a lifetime of retirement benefits.

Governance

Board of Administration

The LACERS Board of Administration (Board) provides fiduciary oversight and strategic direction for the System. The Board consists of four Commissioners appointed by the Mayor and three Commissioners elected by the Members. Commissioner Annie Chao was re-elected by the active LACERS Members in 2024 to a 5-year term ending June 30, 2029. Commissioner Chao was re-elected by the Board to serve as the Board's President in July 2025. In 2025, Commissioner Janna Sidley was reappointed to the Board to a 5-year term ending June 30, 2029. In July 2025, the Board re-elected Commissioner Sidley to serve as the Board's Vice President.

LA CITY EMPLOYEES' RETIREMENT SYSTEM

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Los Angeles, CA
90012-1728

(800) 779-8328
RTT: (888) 349-3996

www.LACERS.org
lacers.services@lacers.org

KAREN BASS

Mayor of the City of Los Angeles

LACERS BOARD OF ADMINISTRATION

Annie Chao, *President*
Janna Sidley, *Vice President*
Thuy Huynh
Susan Liem
Thomas Moutes
Gaylord "Rusty" Roten
Sung Won Sohn

LACERS EXECUTIVE STAFF

Todd Bouey
General Manager
Dale Wong-Nguyen
Executive Officer
Vacant
Assistant General Manager
Rodney June
Chief Investment Officer

LETTER OF TRANSMITTAL

In June 2025, Thomas Moutes was elected to the Board of Administration by retired LACERS Members for a five-year term ending June 30, 2030. Commissioner Elizabeth Lee retired from City service and relinquished her commission in June 2025. Subsequently, LACERS held a special election, and Commissioner Susan Liem was elected by active LACERS Members in October 2025. Commissioner Liem's term expires on June 30, 2028.

The Board sets general policy and adopts rules and regulations necessary to administer LACERS' benefits. Among other duties, the Board directs investment strategy and policy for the System's assets, determines the health insurance carriers and health subsidy levels for retired employees, and approves Members' retirement applications, including applications for disability retirements.

The Board oversaw a significant leadership transition in 2025. Following the retirement of General Manager Neil M. Guglielmo in April 2025 after seven years of dedicated service, the Board appointed Todd Bouey as Interim General Manager on April 6, 2025. Mr. Bouey, a City executive with prior roles at LACERS as Assistant General Manager and Executive Officer, was selected by the Board and formally confirmed by the Los Angeles City Council as permanent General Manager on November 4, 2025.

Strategic Plan

LACERS' mission is *to provide retirement and healthcare benefits to all Members by securing and growing the trust fund*. To help achieve this, LACERS adopted a new Strategic Plan in 2024 focused on the following seven goals:

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

In Fiscal Year 2024-25, LACERS advanced its Strategic Plan through the execution of several key Business Plan Initiatives aligned with its seven strategic goals. These included the successful implementation of a virtual appointment system to improve Member service delivery, modernization of data and reporting systems, and continued development of the business continuity plan to strengthen organizational resilience. Additionally, an initiative to integrate with the City Human Resources and Payroll system was critical to operational continuity. Collectively, these efforts reflect LACERS' commitment to strategic execution, service innovation, and continuous improvement in support of its mission.

LETTER OF TRANSMITTAL

Also in alignment with its strategic goals and governance responsibilities, LACERS is supporting the implementation of City Charter Amendment Measure FF. Measure FF was approved by voters on November 5, 2024, and formally adopted by the Los Angeles City Council on October 31, 2025. The amendment authorized a one-time opportunity for certain sworn peace officers employed by the City to transfer from LACERS to the Los Angeles Fire and Police Pensions (LAFPP) Tier 6. In response, LACERS collaborated with LAFPP and other City departments to launch a comprehensive outreach and counseling campaign, including virtual sessions, benefit comparison materials, and a streamlined election process. This process will conclude in 2026.

Funding Status and Progress

Actuarial assumptions are used in the actuarial valuation process for measuring the liabilities of the plan and the contribution requirements of the plan sponsor. While the City Charter requires that an actuarial experience study be completed every five years, the typical timeframe between experience studies for LACERS has been three years. LACERS' last experience study for the period of July 1, 2019 to June 30, 2022, was completed in 2023, with the Board adopting assumption changes as recommended by the Plan actuary. The next actuarial experience study will be conducted in 2026 for the period of July 1, 2022 to June 30, 2025.

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

LACERS continues to maintain a strong financial position, as reflected in the latest actuarial valuation. In the June 30, 2025 actuarial valuation, the combined funded ratio, based on the valuation value of assets, for the Retirement Plan and the Postemployment Health Care Plan, increased by 0.9% year-over-year to 78.4%. Individually, the funded ratio, on the same actuarial basis, for the Retirement Plan, slightly increased from 73.4% to 74.6%; and for the Postemployment Health Care Plan, the ratio decreased from 108.0% to 105.8%. Overall,

LETTER OF TRANSMITTAL

the System's Assets and Funded Ratios improved, while the Unfunded Actuarial Accrued Liability (UAAL) increased. The liability increase was due to higher-than-expected salary increases for active members, Cost of Living Adjustments (COLA) for payees, and 2026 premiums and subsidy levels. These factors were offset by actual contributions greater-than-expected, change due to investment experience (after smoothing), and other net gains on demographic experience. The investment experience represented a System gain as the actuarial value return for all plans combined for June 30, 2025, was 7.18%, higher than the assumed rate of return of 7.00%.

Investment Summary

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

The portfolio consists of investments in U.S. and non-U.S. equities, fixed income, private equity, private real estate, private credit, public real assets, and short-term investments. The System's total portfolio, including cash and investments at fair value, was valued at \$25.17 billion as of June 30, 2025, an increase of \$2.15 billion (9.3%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 11.16% over a one-year period. The total fund underperformed its policy benchmark by 0.25% gross-of-fees return.

In December 2024, the Board formally adopted a new strategic asset allocation policy designed to enhance long-term portfolio resilience and optimize risk-adjusted returns. This updated policy refined allocations across public equities, fixed income, private markets, and real assets. The new policy includes increased exposures to U.S. public equities and real assets (via a new strategic allocation to infrastructure), modest adjustments to fixed income targets, and a recalibration of non-U.S. public equity allocations.

The annualized investment returns in detail are presented in the Investment Results on page 80 of the Investment Section. The details of investment income and loss can be found on pages 23-24 of the Financial Section. Other investment-related information is summarized in the Investment Section of this report.

Financial Reporting

The financial statements included within this report are the responsibility of LACERS' management and have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) as promulgated or adopted by the Governmental Accounting Standards Board (GASB). A system of internal controls is designed, implemented, and maintained by management as a means to protect System assets and to assure the integrity of LACERS' financial statements. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Management is confident that its system of internal control, with oversight from the LACERS Audit Committee, in tandem with internal audit staff, as well as the annual engagement of an independent external auditing firm to render an opinion on LACERS' financial statements, provides the requisite level of due diligence expected from a governmental pension system. This position is supported by our external auditor, Baker Tilly US, LLP, which has audited and expressed an unmodified opinion that LACERS' basic financial statements are free of material misstatement, presented fairly, and in conformity with US GAAP.

Readers of this ACFR are encouraged to review the Management's Discussion and Analysis Section starting on page 18, which provides narrative analysis and highlights of our financial condition and fiscal operations during the reporting period.

Awards and Acknowledgements

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its ACFR for the fiscal year ended June 30, 2024. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both US GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this report for the fiscal year ended June 30, 2025, will again meet the requirements of the Certificate of Achievement Program, and we are submitting it to the GFOA for consideration of an annual award.

Public Pension Coordinating Council Standards Award

The Public Pension Coordinating Council presented its Public Pension Standards Award for Funding and Administration to LACERS in recognition of compliance with professional standards for plan funding and administration for the fiscal year ended June 30, 2025. To receive this honor, LACERS was assessed to have met the standards in six key areas:

LETTER OF TRANSMITTAL

Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, Investments, Member Communications, and Funding Adequacy.

Acknowledgements

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

Respectfully Submitted,



TODD BOUEY
General Manager



JO ANN PERALTA
Chief Accountant

Board of Administration

For the Fiscal Year Ended June 30, 2025



Annie Chao
Board President
Elected by Active Members
Term Expires June 30, 2029



Sung Won Sohn
Vice President
Appointed by the Mayor
Term Expires June 30, 2026



Thuy Huynh
Member
Appointed by the Mayor
Term Expires June 30, 2027



Elizabeth Lee
Member
Elected by Active Members
Term Expires June 30, 2025



Gaylord "Rusty" Roten
Member
Appointed by the Mayor
Term Expires June 30, 2030



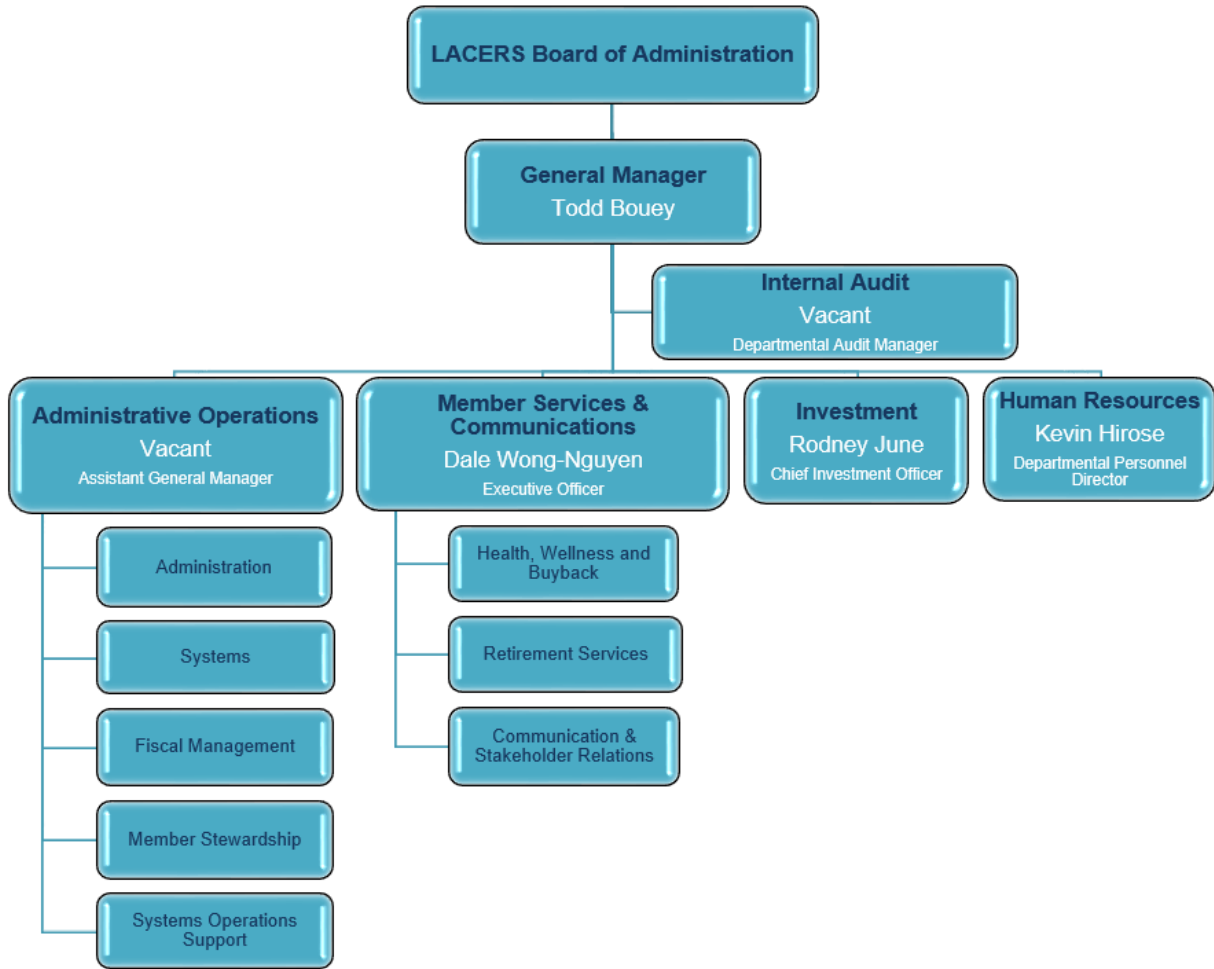
Janna Sidley
Member
Appointed by the Mayor
Term Expires June 30, 2029



Michael Wilkinson
Member
Elected by Retired Members
Term Expires June 30, 2025

Organization Chart

As of June 30, 2025



Professional Consultants

Actuary

Segal

Independent Auditor

Baker Tilly US, LLP

Investment Consultants

Aksia, LLC

NEPC, LLC

Townsend Holdings, LLC

Governance Consultant

Institutional Shareholder Services, Inc.

Health and Welfare Program Consultant

Keenan & Associates

Legal/Fiduciary Counsel

Groom Law Group

Ice Miller, LLP

Kutak Rock, LLP

Nossaman, LLP

Pension Administration System

Levi, Ray & Shoup, Inc.

Schedules of Fees and Commissions, Schedule of Investment Summary, and List of Investment Advisors, Custodian, and Other Consultants who provided services to LACERS, can be found in the Investment Section on pages 86-90.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Los Angeles City Employees' Retirement System
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

AWARDED 26 CONSECUTIVE YEARS SINCE 1999



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2025***

Presented to

Los Angeles City Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in black ink, appearing to read 'Robert A. Wylie'.

Robert A. Wylie
Program Administrator

AWARDED CONSECUTIVELY SINCE 2013

Financial



Report of Independent Auditors

The Board of Administration
Los Angeles City Employees' Retirement System

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the retirement plan and the postemployment health care plan of Los Angeles City Employees' Retirement System (LACERS), a component unit of the City of Los Angeles, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the LACERS' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective of the fiduciary net position of the retirement plan and the postemployment health care plan of Los Angeles City Employees' Retirement System as of June 30, 2025, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LACERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements of LACERS present the fiduciary net position and changes in fiduciary net position of the City of Los Angeles, California, that are attributable to the transactions of LACERS. The financial statements do not present fairly the financial position of the City of Los Angeles, California, as of June 30, 2025, the changes in its financial position, and where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the basic financial statements, LACERS adopted Governmental Accounting Standards Board Statement No. 101 *Compensated Absences* during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis; the retirement plan's schedule of net pension liability, schedule of changes in net pension liability and related ratios, schedule of contribution history, and schedule of investment returns; and the postemployment health care plan's schedule of net OPEB liability, schedule of changes in net OPEB liability and related ratios, schedule of contribution history, and schedule of investment returns (collectively, the required supplementary information) be presented to supplement the basic financial statements.

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

Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Los Angeles City Employees' Retirement System's basic financial statements. The schedule of additions and deductions to fiduciary net position – postemployment health care plan, schedule of administrative expenses, and schedule of investment fees and expenses (collectively, the supplemental schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

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

Report on Summarized Comparative Information

We have previously audited LACER's 2024 financial statements, and we expressed unmodified opinions on the retirement plan and the postemployment health care plan in our report dated December 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Baker Tilly US, LLP

El Segundo, California
December 17, 2025

As the management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of LACERS' financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Annual Comprehensive Financial Report.

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS or the System) fiduciary net position as of June 30, 2025, was \$25,375,319,000, an increase of \$2,340,072,000 or 10.2% year-over-year.
- The total additions to the fiduciary net position of LACERS from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded insurance premiums, Members' portion of premium reserve, building lease and other income, and net investment income were \$3,904,262,000, a 32.9% increase from the prior fiscal year.
- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67, *Financial Reporting for Pension Plans*, and No. 68, *Accounting and Financial Reporting for Pensions*.
- The employer contributions to the Postemployment Health Care Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.
- The total deductions from the fiduciary net position were \$1,564,190,000, a 5.2% increase year-over-year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.
- The System's Net Pension Liability (NPL) for the Retirement Plan was \$6,535,584,000 as of June 30, 2025. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position equals the fair value of the plan's assets, NPL is determined on a fair value basis. Compared with the previous fiscal year, the NPL decreased by \$812,897,000.
- The System's Net Other Postemployment Benefits (OPEB) Liability (Asset) for the Postemployment Health Care Plan was (\$318,317,000) as of June 30, 2025. Net OPEB Liability is a measure required by GASB Statement No. 74. Net OPEB Liability is determined on a fair value basis and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position. As of June 30, 2025, the plan fiduciary net position exceeded the TOL, resulting in a surplus or Net OPEB Asset. Compared with the previous fiscal year, the Net OPEB Liability decreased by \$92,300,000.
- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 76.3%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the retirement benefits.
- The plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 108.2%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the postemployment health care benefits.

Overview of the Financial Statements

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

Financial Statements

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

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 28 – 58 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Retirement Plan, and the Schedule of Net Other Postemployment Benefit (OPEB) (Asset) Liability, Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 59 - 70 of this report.

Supplemental Schedules

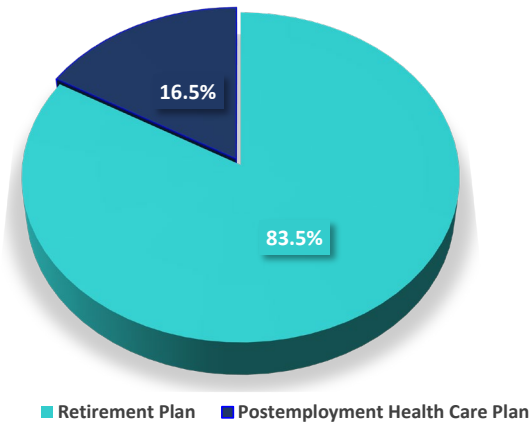
The supplemental schedules, including a Schedule of Additions and Deductions to Fiduciary Net Position for Postemployment Health Care Plan, Schedule of Administrative Expenses, and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 71 - 73 of this report.

Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2025 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	\$ 21,188,769	83.5%
Postemployment Health Care Plan	4,186,550	16.5%
Fiduciary Net Position	<u>\$ 25,375,319</u>	<u>100.0%</u>

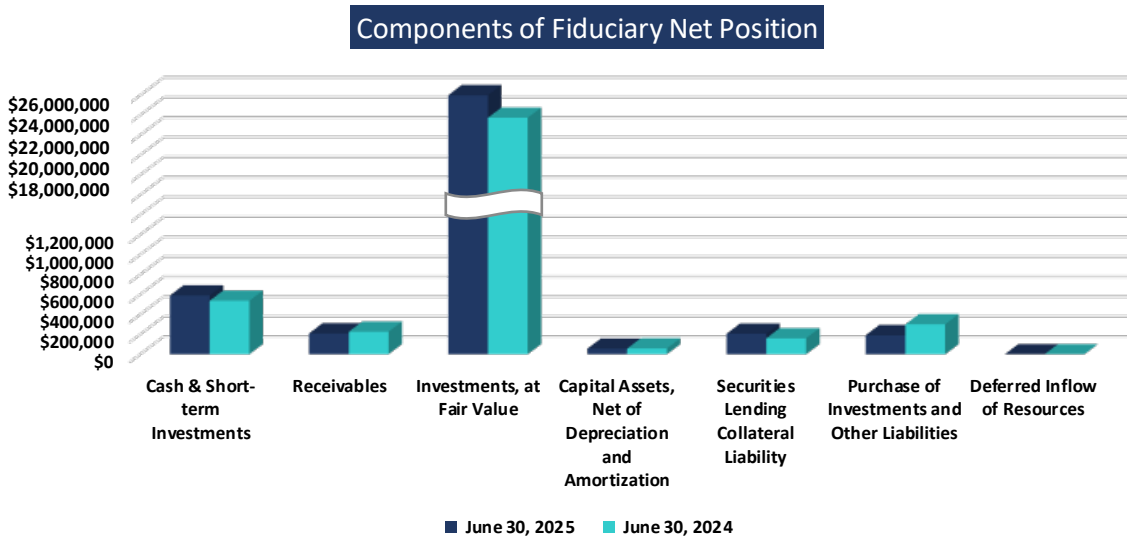


Fiduciary Net Position

The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2025, and 2024 (dollars in thousands):

	June 30, 2025	June 30, 2024	Change	
Cash and Short-Term Investments	\$ 590,170	\$ 537,531	\$ 52,639	9.8%
Receivables	209,617	227,351	(17,734)	(7.8%)
Investments, at Fair Value	24,918,211	22,674,039	2,244,172	9.9%
Capital Assets	56,410	58,342	(1,932)	(3.3%)
Total Assets	25,774,408	23,497,263	2,277,145	9.7%
Securities Lending Collateral Liability	207,016	160,397	46,619	29.1%
Purchase of Investments and Other Liabilities	191,387	300,896	(109,509)	(36.4%)
Total Liabilities	398,403	461,293	(62,890)	(13.6%)
Deferred Inflow of Resources	686	723	(37)	(5.1%)
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	\$ 25,375,319	\$ 23,035,247	\$ 2,340,072	10.2%

Fiduciary Net Position *(continued)*



The majority of LACERS' fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, real estate, private equity, private credit, and other asset classes. Fiduciary net position increased by \$2,340,072,000 or 10.2% during this fiscal year.

Net Increase in Fiduciary Net Position

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

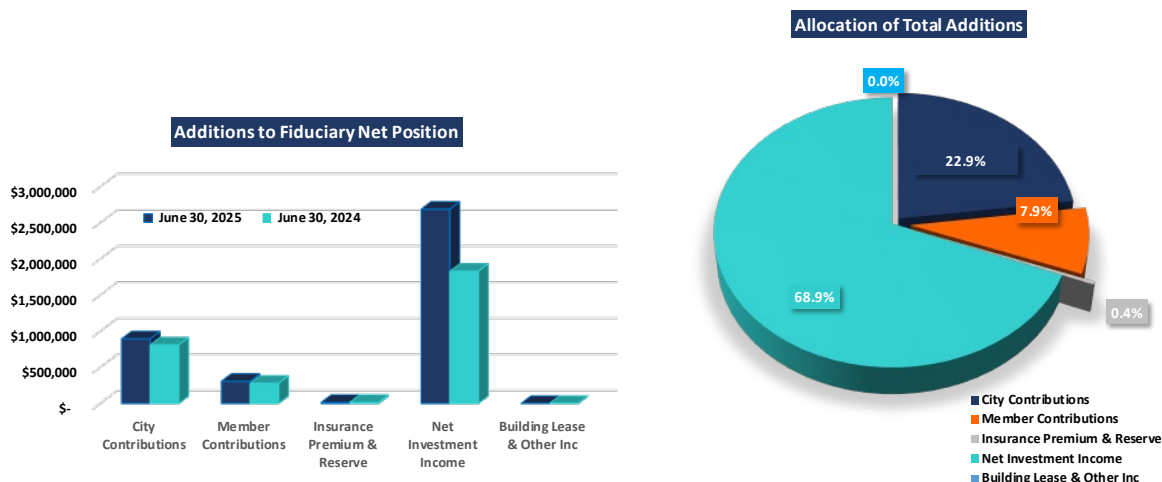
	June 30, 2025	June 30, 2024	Change	
Additions	\$ 3,904,262	\$ 2,936,674	\$ 967,588	32.9%
Deductions	1,564,190	1,486,405	77,785	5.2%
Net Increase in Fiduciary Net Position	2,340,072	1,450,269	889,803	61.4%
Fiduciary Net Position				
Beginning of Year - Restated	23,035,247	21,584,978	1,450,269	6.7%
End of Year	\$ 25,375,319	\$ 23,035,247	\$ 2,340,072	10.2%

The System adopted GASB Statement No. 101, *Compensated Absences*, during the fiscal year ended June 30, 2025, which resulted in a restatement that decreased the beginning-of-year fiduciary net position by \$5,978,000 for 2025 and \$4,287,000 for 2024, reflecting compensated absences balances previously not recorded.

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

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the fiscal years ended June 30, 2025, and 2024 (dollars in thousands):

	June 30, 2025	June 30, 2024	Change	
City Contributions	\$ 894,188	\$ 811,483	\$ 82,705	10.2%
Member Contributions	306,765	279,636	27,129	9.7%
Health Insurance Premium and Reserve	14,210	15,059	(849)	(5.6%)
Net Investment Income (Loss)	2,689,052	1,830,454	858,598	46.9%
Building Lease & Other Income	47	42	5	11.9%
Additions to Fiduciary Net Position	<u>\$ 3,904,262</u>	<u>\$ 2,936,674</u>	<u>\$ 967,588</u>	32.9%



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

City contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were \$894,188,000 during the fiscal year. The total contributions increased by \$82,705,000, or 10.2% higher than the prior fiscal year, primarily due to a higher covered payroll (approximately a 9.23% increase) and an increase in contribution rates for the reporting year. The total City contributions include a \$36,517,000 true-up credit adjustment, a reduction from the City's contribution payment, to reconcile the difference between the City's contributions based on projected payroll and actual payroll. This true-up amount, which includes accrued interest at 7.00%, was recognized as a liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 33.27% (29.92% for the Retirement Plan and 3.36% for the Postemployment Health Care Plan), which is 0.29% higher than the prior fiscal year's rate of 32.98%. The actual contribution of \$803,985,000 to the Retirement Plan was equal to 100% of the Actuarially Determined Contribution (ADC) of the employer, as defined by GASB Statement No. 67. The actual contribution of \$90,168,000 to the Postemployment Health Care Plan was equal to 100% of the ADC, as defined by GASB Statement No. 74.

Net Increase in Fiduciary Net Position – Additions to Fiduciary Net Position *(continued)*

In fiscal year 2024-25, Member contributions were \$306,765,000, which was \$27,129,000 or 9.7% higher than the prior fiscal year. The increase in Member contributions was primarily due to the increased number of Members and the increase in salary base during the fiscal year.

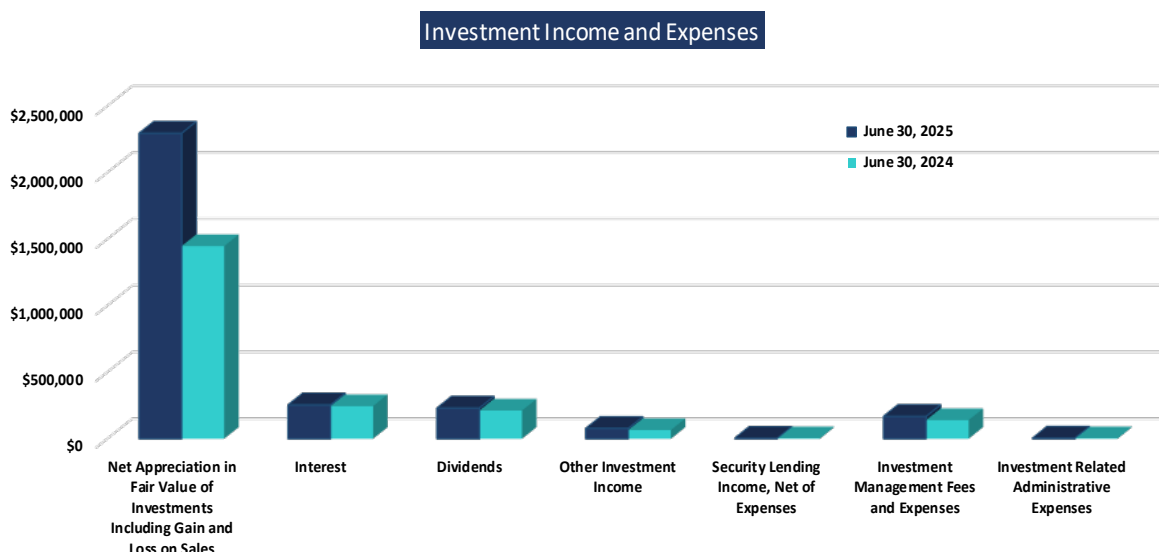
LACERS Postemployment Health Care 115 Trust fund recognized revenue of \$13,127,000, representing monthly insurance premiums under the Delta Dental PPO and Anthem Vision self-funded plans, and \$1,083,000 of the Member's portion from health insurance premium reserve.

The net investment income was \$2,689,052,000, which included \$2,295,838,000 of net appreciation in the fair value of investments. The details are discussed in the next section.

Investment Income

The following table and graph provide details on investment income, net of investment management fees, and expenses for the fiscal years ended June 30, 2025, and 2024 (dollars in thousands).

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>	
Net Appreciation in Fair Value of				
Investments, Including Gain and Loss on Sales	\$ 2,295,838	\$ 1,447,773	\$ 848,065	58.6%
Interest	254,066	245,293	8,773	3.6%
Dividends	230,657	211,842	18,815	8.9%
Other Investment Income	78,016	65,729	12,287	18.7%
Securities Lending Income, Net of Expense	3,259	3,286	(27)	(0.8%)
Sub-Total	<u>2,861,836</u>	<u>1,973,923</u>	<u>887,913</u>	<u>45.0%</u>
Less: Investment Management Fees and Expenses	(168,326)	(139,675)	(28,651)	20.5%
Investment Related Administrative Expenses	<u>(4,458)</u>	<u>(3,794)</u>	<u>(664)</u>	<u>17.5%</u>
Net Investment Income	<u>\$ 2,689,052</u>	<u>\$ 1,830,454</u>	<u>\$ 858,598</u>	<u>46.9%</u>



Investment Income (continued)

The net investment income for the current fiscal year was \$2,689,052,000, as compared with the income of \$1,830,454,000 for the previous fiscal year. This increase was due primarily to a net appreciation in the fair value of investments of \$2,295,838,000, compared to the previous fiscal year's appreciation of \$1,447,773,000. This increase in the fair value of investments is attributed to major U.S. and non-U.S. equity indices providing double-digit returns during the fiscal year. The Russell 3000 Index, which tracks U.S. broad market equities, returned 15.3%; the Standard and Poor's 500 Index, a gauge of U.S. large capitalization equities, returned 15.2%. The MSCI All Country World ex-U.S. Index, which tracks non-U.S. equities in developed and emerging markets, returned 17.7%; the MSCI Emerging Markets Index returned 15.3%. Fixed income markets, as represented by the Bloomberg U.S. Aggregate Bond Index, returned 6.1%.

Interest income derived from fixed income securities increased by 3.6% or \$8,773,000 and was attributed primarily to an increase in the average coupon rate of LACERS' fixed income portfolio. Dividend income derived from public equities increased by 8.9% or \$18,815,000 as public companies exhibited resilient financial performance during the year.

Other investment income, primarily derived from private equity and private real estate partnership investments, increased by 18.7% or \$12,287,000 as private markets activity increased alongside the strong public equity markets during the fiscal year.

LACERS earns additional investment income by lending its securities to borrowers through its custodian bank. To earn income for LACERS, the custodian bank invests cash collateral pledged by borrowers on behalf of LACERS in short-term fixed income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the current fiscal year, securities lending income (net of expense) decreased slightly by 0.8% or \$27,000 from a year ago.

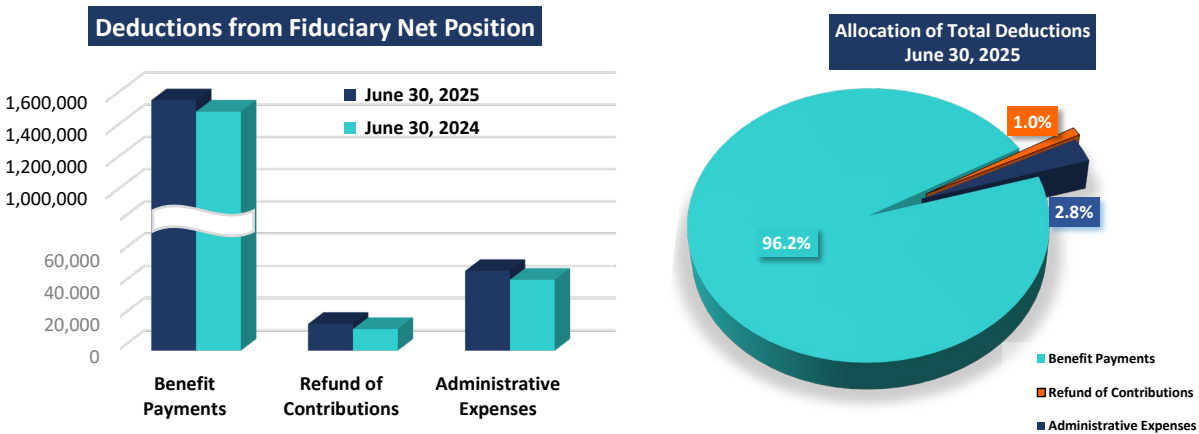
Total investment management fees, expenses, and investment-related administrative expenses increased by 20.4% or \$29,315,000, from the prior year. This increase corresponded with an increase in LACERS' exposure to private market strategies, which is consistent with LACERS' current target asset allocation and strategic plan to increase returns.

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

The following table and graphs provide information related to the deductions from fiduciary net position for the fiscal years ended June 30, 2025, and 2024 (dollars in thousands):

	June 30, 2025	June 30, 2024	Change	
Benefit Payments	\$ 1,503,999	\$ 1,433,401	\$ 70,598	4.9%
Refunds of Contributions	15,767	13,602	2,165	15.9%
Administrative Expenses	44,424	39,402	5,022	12.7%
Deductions from Fiduciary Net Position	<u>\$ 1,564,190</u>	<u>\$ 1,486,405</u>	<u>\$ 77,785</u>	5.2%

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



LACERS' deductions from fiduciary net position in this reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and associated costs. Total deductions increased by \$77,785,000 or 5.2% from the prior fiscal year.

Compared to the prior fiscal year, benefit payments increased by \$70,598,000 or 4.9%. The benefit payments for the Retirement Plan increased by \$55,467,000 or 4.4% mainly due to the annual cost of living adjustments (approximately 3.0% increase on average); an increase in the number of retirees and beneficiaries; and higher average retirement allowance of newly retired Members as compared to those of the deceased Members who were removed from the retirement payroll. Payments for Postemployment Health Care Plan benefits increased by \$15,132,000 or 8.9%. This increase was primarily due to higher medical subsidy rates, an increase in Medicare Part B reimbursement, and an increase in self-funded insurance claims paid under the LACERS' self-funded plans.

The refunds of member contributions increased by \$2,165,000 or 15.9% from the prior fiscal year's \$13,602,000, mainly due to the increase in refunds, particularly for Tier 3 Members leaving the City service or transferring to the City of Los Angeles' Department of Water and Power.

LACERS' administrative expenses increased by \$5,022,000 or 12.7% from the prior fiscal year. The increase was primarily due to higher personnel costs resulting from the full-year implementation of the mandatory cost-of-living-adjustment salary increase, including retroactive adjustments, as per the City's negotiated salary contracts and increases in associated employee benefits, primarily medical insurance and pension costs. During the fiscal year, costs were incurred related to the City's implementation of the new Human Resource and Payroll system (HRP), including additional consulting and support services, as well as personnel costs, to ensure that accurate membership data and information are processed and transmitted to the LACERS Pension Administration System (PAS) during the transition.

Requests for Information

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

LACERS
Fiscal Management Division
977 N. Broadway
Los Angeles, CA 90012-1728

BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2025, with Comparative Totals
(Dollars in Thousands)

	Retirement Plan	Postemployment Health Care Plan	2025	2024
Assets				
Cash and Short-Term Investments	\$ 492,801	\$ 97,369	\$ 590,170	\$ 537,531
Receivables				
Accrued Investment Income	96,373	19,041	115,414	96,357
Proceeds from Sales of Investments	65,675	12,976	78,651	117,623
Other	12,986	2,566	15,552	13,371
Total Receivables	175,034	34,583	209,617	227,351
Investments, at Fair Value				
US Government Obligations	1,480,880	292,598	1,773,478	1,666,745
Municipal Bonds	14,353	2,836	17,189	13,458
Domestic Corporate Bonds	894,494	176,738	1,071,232	1,013,044
International Bonds	1,035,722	204,641	1,240,363	1,137,123
Other Fixed Income	499,977	98,788	598,765	599,315
Bank Loans	127,121	25,117	152,238	142,719
Opportunistic Debts	267,815	52,916	320,731	519,935
Domestic Stocks	5,810,676	1,148,093	6,958,769	6,219,633
International Stocks	4,146,886	819,356	4,966,242	4,767,818
Mortgages	626,416	123,770	750,186	731,958
Government Agencies	12,716	2,512	15,228	13,871
Derivative Instruments	1,788	354	2,142	(8,078)
Real Estate	1,139,474	225,141	1,364,615	1,249,044
Private Equity	4,172,682	824,453	4,997,135	4,447,057
Private Credit	403,214	79,668	482,882	-
Security Lending Collateral	172,862	34,154	207,016	160,397
Total Investments	20,807,076	4,111,135	24,918,211	22,674,039
Capital Assets (Net of Depreciation and Amortization)	47,104	9,306	56,410	58,342
Total Assets	21,522,015	4,252,393	25,774,408	23,497,263
Liabilities				
Accounts Payable and Accrued Expenses	38,634	7,634	46,268	91,250
Accrued Compensated Absences	5,361	1,059	6,420	5,978
Accrued Investment Expense	22,117	4,370	26,487	10,196
Purchases of Investments	93,699	18,513	112,212	193,472
Security Lending Collateral Payable	172,862	34,154	207,016	160,397
Total Liabilities	332,673	65,730	398,403	461,293
Deferred Inflow of Resources	573	113	686	723
Net Position Restricted For Pensions	21,188,769		21,188,769	19,240,207
Net Position Restricted For Postemployment Health Care Benefits		4,186,550	4,186,550	3,795,040
Total Fiduciary Net Position	\$ 21,188,769	\$ 4,186,550	\$ 25,375,319	\$ 23,035,247

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

BASIC FINANCIAL STATEMENTS

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2025, with Comparative Totals
(Dollars in Thousands)

	Retirement Plan	Postemployment Health Care Plan	2025	2024
Additions				
Contributions				
City Contributions	\$ 804,020	\$ 90,168	\$ 894,188	\$ 811,483
Member Contributions	306,765	-	306,765	279,636
Total Contributions	<u>1,110,785</u>	<u>90,168</u>	<u>1,200,953</u>	<u>1,091,119</u>
Self Funded Insurance Premium	-	13,127	13,127	12,934
Health Insurance Premium Reserve	-	1,083	1,083	2,125
Investment Income				
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	1,863,438	432,400	2,295,838	1,447,773
Interest	217,228	36,838	254,066	245,293
Dividends	197,213	33,444	230,657	211,842
Other Investment Income	66,704	11,312	78,016	65,729
Security Lending Income	3,278	555	3,833	3,865
Less: Security Lending Expense	(466)	(108)	(574)	(579)
Sub-total	<u>2,347,395</u>	<u>514,441</u>	<u>2,861,836</u>	<u>1,973,923</u>
Less: Investment Management Fees and Expenses	(136,624)	(31,702)	(168,326)	(139,675)
Investment Related Administrative Expenses	(3,618)	(840)	(4,458)	(3,794)
Net Investment Income	<u>2,207,153</u>	<u>481,899</u>	<u>2,689,052</u>	<u>1,830,454</u>
Building Lease and Other Income	<u>38</u>	<u>9</u>	<u>47</u>	<u>42</u>
Total Additions	<u>3,317,976</u>	<u>586,286</u>	<u>3,904,262</u>	<u>2,936,674</u>
Deductions				
Benefit Payments	1,318,706	185,293	1,503,999	1,433,401
Refunds of Contributions	15,767	-	15,767	13,602
Administrative Expenses	34,941	9,483	44,424	39,402
Total Deductions	<u>1,369,414</u>	<u>194,776</u>	<u>1,564,190</u>	<u>1,486,405</u>
Net Increase in Fiduciary Net Position	<u>1,948,562</u>	<u>391,510</u>	<u>2,340,072</u>	<u>1,450,269</u>
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits				
Beginning of year, <i>as previously reported</i>	19,245,060	3,796,165	23,041,225	21,589,265
Implementation of GASB No. 101	(4,853)	(1,125)	(5,978)	(4,287)
Beginning of year, <i>as restated</i>	<u>19,240,207</u>	<u>3,795,040</u>	<u>23,035,247</u>	<u>21,584,978</u>
End of year	<u>\$ 21,188,769</u>	<u>\$ 4,186,550</u>	<u>\$ 25,375,319</u>	<u>\$ 23,035,247</u>

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

Note 1. Description of LACERS and Significant Accounting Policies

General Description

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

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 33 - 44 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting and Presentation

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

Investments

Investment policies

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

As of June 30, 2025, the Board's target asset allocation policy was as follows:

Asset Class	Target Allocation
Domestic and International Equities	43.00%
Domestic and International Bonds	10.25%
Private Equity	16.00%
Real Assets	17.00%
Short-Term Investments	1.00%
Credit Opportunities	12.75%
Total	100.00%

Note 1. Description of LACERS and Significant Accounting Policies *(continued)***Fair Value of Investments**

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

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

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

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

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

Rate of Return on Investments

For the fiscal year ended June 30, 2025, the aggregate annual money-weighted rate of return for the Retirement Plan and the Postemployment Health Care Plan on LACERS investments, net of investment expenses, was 11.5%. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. It expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for the Retirement Plan and the Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI).

Note 1. Description of LACERS and Significant Accounting Policies *(continued)*

Receivables

As of June 30, 2025, LACERS held no long-term contracts for contributions receivable from the City.

Capital Assets

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

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

In April 2023, LACERS occupied its headquarters building, located at 977 N. Broadway in Los Angeles, California, which was purchased in October 2019 for \$33,750,000. This cost was allocated to Land valued at \$4,023,000 and Building valued at \$29,727,000, based on the assessment of the fair value of the acquired assets. The acquisition cost and the associated building improvements were capitalized as part of the building cost and are depreciated over the estimated useful life of 25 years using the straight-line method.

The System recognizes intangible right-to-use subscription assets in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, using LACERS estimated incremental borrowing rate and includes extensions in the term if, after considering relevant economic factors, it is reasonably certain to be exercised. LACERS does not recognize subscription assets for SBITA with a noncancellable term of 12 months or less.

Administrative Expenses

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

Reserves

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

Reserves for the Retirement Plan

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Description of LACERS and Significant Accounting Policies *(continued)*

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

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

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

Reserves for the Postemployment Health Care Plan

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

115 Trust Account – To provide alternative funding for the health care benefits, in addition to or in lieu of the 401(h) account. The 115 Trust account currently consists of City Contributions received starting fiscal year 2020, self-funded insurance plan premiums and prepayments; certain retired Members’ health insurance premium deductions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments of the self-funded insurance plan claims and related third party administration fees; cost of approved insurance premium buy down and certain direct and allocated investment and administrative expenses.

Reserve balances as of June 30, 2025, were as follows (in thousands):

Reserve for the Retirement Plan			
Member Contributions			
Mandatory	\$	3,324,597	
Voluntary		12,630	
Basic Pensions		17,076,287	
Annuity		676,761	
Larger Annuity		77,467	
FDBP		<u>21,027</u>	\$ 21,188,769
Reserve for the Postemployment Health Care Plan			
401(h) Account	\$	3,365,103	
115 Trust Account		<u>821,447</u>	<u>4,186,550</u>
Total			<u>\$ 25,375,319</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Description of LACERS and Significant Accounting Policies *(continued)*

Comparative Totals

The basic financial statements include certain prior year summarized comparative data in total, but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with LACERS' financial statements for the year ended June 30, 2024, from which the summarized data were derived, with the exception of certain amount that were restated due to the adoption of GASB Statement 101 *Compensated Absences*. The impact of the restatement on the summarized data was as follows:

Description	June 30, 2024
Beginning Fiduciary Net Position, <i>as previously reported</i>	\$ 21,589,265
Cumulative Compensated Absences Liability, as of June 30, 2023	(4,287)
Beginning Fiduciary Net Position, <i>as restated</i>	<u>\$ 21,584,978</u>
Net Increase in Fiduciary Net Position, <i>as previously reported</i>	\$ 1,451,960
Net Increase in Administrative Expense/Compensated Absences Liability, <i>as restated</i>	(1,691)
Ending Fiduciary Net Position, <i>as restated</i>	<u>\$ 23,035,247</u>

Estimates

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

Risk and Uncertainty That May Impact Financial Operations and Performance

The System operates in an environment that is exposed to various risks and uncertainties. The global economic activity and financial markets continue to experience volatility due to inflationary pressures, elevated interest rate levels, geopolitical conflicts, international issues, and other macroeconomic factors, which may affect investment performance and asset valuations. Additionally, the total pension liabilities, net pension liabilities, total OPEB, and Net OPEB (asset) liability disclosed in Notes 2 and 3 to the Basic Financial Statements are measured based on certain assumptions, including the long-term expected rate of return on investments, inflation rates, healthcare cost trend, and demographic assumptions, all of which are subject to change. The System is also exposed to emerging risks that continue to evolve, including technology and cybersecurity risks, as well as regulatory or legislative changes that may affect public pension plans. Due to uncertainties inherent in the estimations and assumptions described in this section, it is at least reasonably possible that changes in these estimates and assumptions in the near term may have a material impact on the financial statements. LACERS Board and management continue to closely monitor the economic and financial markets. LACERS' investment strategy is to maintain a well-diversified portfolio, thereby mitigating the risk of market uncertainty.

Adoption of New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The requirements of this Statement take effect for fiscal years starting after December 31, 2024. The System adopted and implemented this Statement in the fiscal year ended June 30, 2025, which resulted in the restatement of the prior fiscal years' fiduciary net position in accordance with GASB Statement No. 100, *Accounting Changes and Errors Correction*.

Note 1. Description of LACERS and Significant Accounting Policies *(continued)*

GASB Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement take effect for financial statements starting with the fiscal year that ends June 30, 2025. For this fiscal year, no risks related to certain concentrations and constraints that could cause a substantial impact on the System were identified that would require disclosure. The System will implement this Statement, as applicable, in future reporting periods.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements of this Statement will take effect for financial statements with fiscal years that begin after June 15, 2025. The System has early implemented this requirement, starting in the fiscal year ended June 30, 2024.

Recent GASB Pronouncements for Future Adoption

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

GASB Statement No. 103, *Financial Reporting Model Improvements*. The requirements of this Statement will take effect for financial statements with the fiscal year that begins after June 15, 2025. The System will assess potential implications and expects to implement this Statement in the fiscal year ending June 30, 2026.

Note 2. Retirement Plan Description

Plan Administration and Membership

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

Plan Members have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member who has five or more years of continuous City service terminates employment, the Member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation. As of June 30, 2025, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	19,503
Non-vested	7,497
	<hr/>
	27,000
Inactive:	
Non-vested	8,717
Terminated Entitled to Benefits,	
Not Yet Receiving Benefits	3,548
Retired	22,915
	<hr/>
Total	62,180
	<hr/>

Note 2. Retirement Plan Description *(continued)***Eligibility Requirements and Benefits Provided****Tier 1**

Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service.

Full (unreduced) retirement benefits are determined as 2.16% of the Member's Final Average Monthly Compensation (FAMC) based on the average monthly pensionable salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit.

Generally, plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's FAMC for each year of service or 1/3 of the Member's FAMC, if greater. Upon an active Member's death, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months to eligible beneficiaries. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a \$2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner. Additionally, Public Safety Officer (PSO) Tier 1 Members, are eligible for the enhanced disability and death benefits as detailed under Tier 1 – Enhanced Benefits below.

Tier 1 – Enhanced Benefits

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

Pursuant to Ordinance No. 187923 adopted in July 9, 2023, Tier 1 Enhance Members and Public Safety Officer Members (PSO) Tier 1 and Tier 3 Members are eligible for enhanced disability benefits ranging from 30% to 90% of the Member's FAMC for service-connected disabilities, regardless of years of service, and from 30% to 50% of the Member's FAMC for nonservice-connected disabilities if the Member has at least five years of continuous service, as determined by the Board depending on the severity of the disability. Eligible survivors and beneficiaries of the Members are entitled to enhanced death benefits, including a service-connected death benefit equal to 80% of the Member's FAMC, or a nonservice-connected death benefit of 50% if the Member has five or more years of service. A survivor benefit allowance of at least 80% of the service-connected disability allowance or at least 70% of the nonservice-connected disability allowance may be paid to the eligible spouse or qualified domestic partner upon the Member's death after retirement, along with a one-time \$2,500 funeral allowance to the designated beneficiary. Additional allowance amounts may also be paid to eligible survivors for additional eligible beneficiaries.

Note 2. Retirement Plan Description *(continued)*

Tier 3

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

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

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

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

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

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

Cost of Living Adjustment

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

Note 2. Retirement Plan Description *(continued)*

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the fiscal year ended June 30, 2025, the actuarially-determined aggregate employer contribution rate to the Retirement Plan by the City was 29.97% (31.08% for Tier 1 and 27.61% for Tier 3) of projected payroll, based on the June 30, 2023 actuarial valuation.

Upon closing the fiscal year 2024-25, LACERS recalculated the employer contribution rate using actual payroll incurred during the fiscal year, which was smaller than the projected covered payroll used by the City to make the advance payment on July 15, 2024. As a result, employer contributions received for the Retirement Plan were \$32,925,000 more than required, which was recorded in fiscal year 2024-25 and credited towards employer contributions payment for fiscal year 2025-26. Based on actual payroll, the effective rate of employer contribution for the Retirement Plan was 29.92% for the fiscal year 2024-25.

Member Contributions

Tier 1 and Tier 1 Enhanced

The current contribution rate for Tier 1 and Tier 1 Enhanced Members is 11% of their pensionable salary, including a 1% increase in the Member contribution rate pursuant to the 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first). Contribution rates for Tier 1 and Tier 1 Enhanced Members are expected to decrease by 1% on June 30, 2026.

Tier 3

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

Net Pension Liability

In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Family Death and Larger Annuity benefits. As of June 30, 2025, the components of the net pension liability were as follows (dollars in thousands):

Total Pension Liability	\$ 27,613,229
<u>Less:</u> Plan Fiduciary Net Position ⁽¹⁾	<u>21,077,645</u>
Plan's Net Pension Liability	<u><u>\$ 6,535,584</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	<u><u>76.3%</u></u>

⁽¹⁾ Plan fiduciary net position is \$21,188,769,000 as of June 30, 2025, without excluding amounts associated with Family Death and Larger Annuity plans.

Note 2. Retirement Plan Description *(continued)*

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2025, are summarized below:

Valuation Date:	June 30, 2025.
Actuarial Cost Method:	Entry Age Cost Method (individual basis).
Amortization Method:	Level Percent of Payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2022 (July 1, 2019 through June 30, 2022).
Investment Rate of Return	7.00%.
Inflation	2.50%.
Real Across-the-Board Salary Increase	0.50%.
Projected Salary Increases	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Annual COLAs	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>Currently in pay status</i>	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>Not currently in pay status</i>	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
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 have a qualified domestic partner at pre-retirement death or retirement.
Spouse Age Difference	For all active and inactive members, male members are assumed to be three years older than their female spouses. Female members are assumed to be two years younger than their male spouses.

Note 2. Retirement Plan Description *(continued)*

Determination of Discount Rate and Investment Rates of Return

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation and, beginning with June 30, 2023, any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighing the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses (beginning with June 30, 2023, including only investment consulting fees, custodian fees, and other miscellaneous investment expenses) and a risk margin. Beginning on June 30, 2023, this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses), are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the actuarial funding valuation as of June 30, 2025. This information will change every three years based on the actuarial experience study. The last experience study was from July 1, 2019 through June 30, 2022. The next experience study will be conducted in fiscal year 2025-26.

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

Note 2. Retirement Plan Description *(continued)*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025. The projection of cash flows used to determine the discount rate assumes Plan Member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially-determined contribution rates. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries, as well as projected contributions from future Plan Members, are not included. Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2025.

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, 2025, calculated using the discount rate of 7.00% as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 10,136,542	\$ 6,535,584	\$ 3,556,724

Note 3. Postemployment Health Care Plan Description

Plan Administration and Membership

LACERS administers and provides single-employer postemployment healthcare benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan, regardless of their membership tiers. These benefits consist of subsidies which may also apply to the coverage of other eligible dependent(s). As of June 30, 2025, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits, were as follows:

Retired Members/Surviving Spouses ⁽¹⁾	18,004
Vested terminated Members entitled to, but not yet receiving benefits	1,623
Retired Members and surviving spouses not yet eligible for health benefits	108
Active Members	27,000
Total	<u>46,735</u>

⁽¹⁾ The total number of participants, including married dependents, receiving benefits is 23,846.

On November 9, 2018, the City Council approved Ordinance No. 185829 to amend Article 1 of Chapter 11, Division 4 of the Los Angeles Administrative Code to establish the LACERS Health Care Fund (115 Trust Account) for the sole purpose of funding the retiree healthcare benefits for eligible LACERS retirees and beneficiaries, as well as to help stabilize premium rates over time. The City and the Board of LACERS entered into a written trust agreement for the LACERS Health Care Fund, which shall provide an alternative funding mechanism, in addition to or in lieu of the existing 401(h) account described in LAAC Section 4.1102, for funding benefits under the health and welfare programs.

Note 3. Postemployment Health Care Plan Description *(continued)*

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

Eligibility Requirements and Benefits Provided

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

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

During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at \$1,190 for those Members who retire on or after July 1, 2011; however, Members who at any time prior to retirement made additional contributions are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2025, all active Tier 1 and Tier 3 Members were making the additional contributions and therefore will not be subject to the medical subsidy cap.

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates, expressed as percentages of annual covered payroll, which are sufficient to accumulate the required assets to pay benefits when due. The actuarially determined aggregate contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2025, was 3.32% (3.26% for Tier 1 and 3.45% for Tier 3) of projected payroll, based on the June 30, 2023, actuarial valuation.

Upon closing the fiscal year 2024-25, LACERS recalculated the employer contribution rate using actual payroll incurred during the fiscal year, which was lower than the projected covered payroll used by the City to make the advance payment on July 15, 2024. As a result, employer contributions for the Postemployment Health Care Plan were \$3,592,000 more than required, which was recognized in fiscal year 2024-25 and credited towards employer contribution payment for fiscal year 2025-26. Based on actual payroll, the effective rate of employer contribution for the Postemployment Health Care Plan was 3.36% for fiscal year 2024-25.

Note 3. Postemployment Health Care Plan Description *(continued)*

Net OPEB (Asset) Liability

As of June 30, 2025, the components of the net OPEB (asset) liability were as follows (dollars in thousands):

Total OPEB Liability	\$ 3,868,233
<u>Less:</u> Plan Fiduciary Net Position	<u>4,186,550</u>
Plan's Net OPEB (Asset) Liability	<u>(318,317)</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	<u>108.2%</u>

Significant Assumptions

The total OPEB liability as of June 30, 2025, was determined by actuarial valuation as of June 30, 2025. The attribution method and significant assumptions used to measure the total OPEB liability, including assumptions about inflation and healthcare cost trend rates in the valuation year of June 30, 2025, are summarized below:

Valuation Date:	June 30, 2025.
Actuarial Cost Method:	Entry Age Cost Method.
Amortization Method:	Level Percent of Payroll – assuming a 3.00% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2022 (July 1, 2019 through June 30, 2022).
Investment Rate of Return	7.00%.
Inflation	2.50%.
Projected Salary Increase	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>Currently in pay status</i>	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

NOTES TO THE FINANCIAL STATEMENTS

Note 3. Postemployment Health Care Plan Description *(continued)*

Mortality Table for Beneficiaries <i>Not currently in pay status</i>	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Spouse / Domestic Partner Coverage	<p>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 of the retiree predeceases the spouse/domestic partners.</p> <p>Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.</p>
Healthcare Cost Trend Rates	Medical Premium Trend Rates to be applied to all health plans in the following fiscal years. The Trend Rate is to be applied to the premium for the shown fiscal year to calculate next fiscal year's projected premium. Medical Premium Trend Rates to be applied to fiscal year 2025-2026 and later years are:

First Fiscal Year (July 1, 2025 through June 30, 2026)

Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	5.65%	3.80%
Anthem Blue Cross HMO	8.06%	N/A
Anthem Blue Cross PPO	8.06%	4.08%
UHC Medicare HMO	N/A	21.24%
SCAN	N/A	3.50%
Anthem Medicare Supplement	N/A	7.89%

Approximate Trend Rate (%) Fiscal Year 2026 - 2027 and later

Fiscal Year	Non-Medicare	Medicare	Medicare Part B
2026 - 2027	7.12%	6.87%	6.75%
2027 - 2028	6.87%	6.62%	6.75%
2028 - 2029	6.62%	6.37%	6.75%
2029 - 2030	6.37%	6.12%	6.75%
2030 - 2031	6.12%	5.87%	6.75%
2031 - 2032	5.87%	5.62%	6.75%
2032 - 2033	5.62%	5.37%	6.75%
2033 - 2034	5.37%	5.12%	6.75%
2034 - 2035	5.12%	4.87%	6.25%
2035 - 2036	4.87%	4.62%	5.75%
2036 - 2037	4.62%	4.50%	5.25%
2037 - 2038	4.50%	4.50%	4.75%
2038 - 2039	4.50%	4.50%	4.50%
2039 - 2040	4.50%	4.50%	4.50%
2040 and later	4.50%	4.50%	4.50%

Delta Dental PPO Premium Trend: 1.50%, then 3.00% thereafter
Deltacare Premium Trend: 1.50%, then 3.00% thereafter

Note 3. Postemployment Health Care Plan Description *(continued)***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 and, beginning with June 30, 2023, any applicable investment management expense) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighing the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with June 30, 2023, including only investment consulting fees, custodian fees, and other miscellaneous investment expenses) and a risk margin. Beginning on June 30, 2023, this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses) are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption in the June 30, 2025, actuarial valuation. This information will change every three years based on the actuarial experience study. The last experience study was from July 1, 2019 through June 30, 2022. The next experience study will be conducted in fiscal year 2025-26.

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

Note 3. Postemployment Health Care Plan Description *(continued)*

A 7% discount rate was used to measure the total OPEB liability as of June 30, 2025. The projection of cash flows used to determine the discount rate assumes 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 Total OPEB Liability as of June 30, 2025.

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

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2025 calculated using the discount rate of 7.00% as well as what LACERS net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate (dollar in thousands):

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 208,186	\$ (318,317)	\$ (752,663)

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

The following presents the net OPEB (asset) liability of LACERS as of June 30, 2025, calculated using the healthcare cost trend rates, as well as what LACERS' net OPEB (asset) liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current rate (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates ⁽¹⁾	1% Increase
\$ (794,534)	\$ (318,317)	\$ 271,751

⁽¹⁾ Current healthcare cost trend rates: 7.12% graded down to 4.50% over 11 years for Non-Medicare medical plan costs, and actual premium increase in the first year, then graded from 6.87% to the ultimate 4.50% over 10 years for Medicare medical plan costs. Actual premium increase in the first year, then 3.00% thereafter for Dental. Actual premium increase in the first year, then 6.75% for the following 8 years, then graded down to the ultimate 4.50% over 6 years for Medicare Part B subsidy cost.

Note 4. Contributions Required and Contributions Made

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the Unfunded Actuarial Accrued Liability (UAAL), which is the difference between LACERS' actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS' funding policy, 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, except that healthcare cost trend and premium assumption changes are amortized over 15 years. 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

NOTES TO THE FINANCIAL STATEMENTS

Note 4. Contributions Required and Contributions Made *(continued)*

years effective June 30, 2012. The amortization periods are “closed” as each layer of the UAAL is systematically amortized over a “fixed” period.

The total contributions to LACERS for the fiscal year ended June 30, 2025, in the amount of \$1,200,953,000 (\$1,110,785,000 for the Retirement Plan and \$90,168,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan	Total
City Contributions:			
Initial Contributions ⁽¹⁾	\$ 836,910	\$ 93,760	\$ 930,670
True-up Adjustments ⁽²⁾	(32,925)	(3,592)	(36,517)
Required Contributions	803,985	90,168	894,153
FDBP	35	-	35
Total City Contributions	804,020	90,168	894,188
Member Contributions	306,765	-	306,765
Total Contributions	\$ 1,110,785	\$ 90,168	\$ 1,200,953

(1) The initial City contributions received on July 15, 2024, were based on applying actuarially-determined contributions rates to projected payroll for the fiscal year.

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

The City contributions made to the Retirement Plan under the Required Contributions category in the amount of \$803,985,000 were equal to 100% of the actuarially-determined contribution of the employer as defined by GASB Statement No. 67. The City contributions made for the Postemployment Health Care Plan, in the amount of \$90,168,000, represent 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of \$306,765,000 were made toward the Retirement Plan, the voluntary Larger Annuity Plan, and Family Death Benefit Plan.

Note 5. Historical Trend Information

Historical trend information, designed to provide information about LACERS' progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 59 - 64 for the Retirement Plan and pages 65 - 70 for the Postemployment Health Care Plan.

Note 6. Cash and Short-Term Investments and Investments

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

Note 6. Cash and Short-Term Investments and Investments *(continued)*

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments on June 30, 2025, for the Retirement Plan and Postemployment Health Care Plan included approximately \$7,058,000 held in LACERS general operating accounts with the City Treasurer, \$208,000 in building operating accounts with LACERS building property management, and short-term investments of \$582,903,000 for a total of \$590,170,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. On June 30, 2025, short-term investments included collective domestic STIF of \$480,485,000, international STIF of \$47,542,000, and future contracts initial margin and collateral of \$54,876,000.

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts and options, rights and warrants, and swaps, is recorded in the Statement of Fiduciary Net Position with a positive value of \$2,142,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income. LACERS enters into derivative contracts for investment purposes and manages risks associated with its investment portfolio. For financial reporting purposes, all LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2025, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Equity Index	32,111	\$ 25	\$ (3)
Interest Rate	54,427	122	153
Currency Forward Contracts	639,938	1,063	3,485
Currency Options	N/A	(877)	(418)
Right / Warrants	N/A	257	207
Swaps-Interest Rate	N/A	553	6,692
Swaps-Credit Contracts	N/A	999	104
Total Value		\$ 2,142	\$ 10,220

Credit Risk – Derivatives

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

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

Note 6. Cash and Short-Term Investments and Investments *(continued)*

As of June 30, 2025, without respect to netting arrangements, LACERS' maximum income on derivative instruments subject to credit risk, namely currency forward contracts, is \$6,128,000. All counterparties of these investment derivatives had the credit rating of "A", "AA", or "BBB+" assigned by S&P.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by Standard and Poor's (S&P), a nationally-recognized statistical rating organization, as of June 30, 2025, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	\$ 63,224	1.46 %
AA+	5,163	0.12
AA	1,219,523	28.14
AA-	19,868	0.46
A+	32,391	0.75
A	88,744	2.05
A-	159,793	3.69
BBB+	237,262	5.47
BBB	226,049	5.22
BBB-	181,604	4.19
BB+	141,647	3.27
BB	187,097	4.32
BB-	120,439	2.78
B+	62,460	1.44
B	430,926	9.94
B-	111,042	2.56
CCC+	91,790	2.12
CCC	55,680	1.28
CCC-	17,956	0.41
CC	33	0.00
D	545	0.00
Not Rated	881,052	20.33
	<hr/>	
	\$ 4,334,288	100.00 %
U.S. Government Guaranteed Securities ⁽¹⁾	1,837,554	
Total Fixed Income Securities	<hr/> \$ 6,171,842 <hr/>	

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized.

Note 6. Cash and Short-Term Investments and Investments (continued)

As of June 30, 2025, LACERS has exposure to such risk in the amount of \$40,591,000 or 0.6% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 15 different investment managers, and held outside of LACERS' custodial bank. LACERS policy requires each individual publicly traded equities investment manager to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

Investment securities are exposed to custodial credit risk if the securities are not insured, are not registered in LACERS' name, and are held by the counterparty or the counterparty's trust department or agent, but not in LACERS' name. As of June 30, 2025, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations as of June 30, 2025, is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	\$ 91,469	2.40
Bank Loans	152,238	(0.03)
Commercial Mortgage-Backed Securities	102,901	2.04
Corporate Bonds	1,295,935	4.99
Government Agencies	125,240	6.10
Government Bonds	1,684,354	7.21
Government Mortgage-Backed Securities	647,285	6.88
Index Linked Government Bonds	859,955	4.27
Municipal/Provincial Bonds	17,785	5.99
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	42,751	3.02
Opportunistic Debts and Private Credit	553,164	0.09
Other Fixed Income (Funds)	598,765	6.05
Total Fixed Income Securities	\$ 6,171,842	

Concentration of Credit Risk

As of June 30, 2025, the investment portfolio did not contain any concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Note 6. Cash and Short-Term Investments and Investments *(continued)*

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERS Asset Allocation policy sets a target of 20% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk. LACERS non-U.S. currency investment holdings as of June 30, 2025, which represent 23.33% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivatives Instruments	Other Investments	Total Fair Value in USD
Argentine peso	-	-	2,308	-	-	2,308
Australian dollar	385	132,296	-	8	-	132,689
Brazilian real	32,084	41,091	20,476	(297)	(112)	93,242
British pound sterling	1,043	581,735	-	(13)	-	582,765
Canadian dollar	(657)	301,225	-	44	-	300,612
Chilean peso	4,937	3,049	5,618	(6)	(5)	13,593
Chinese yuan renminbi	12,692	55,774	17,881	71	98	86,516
Colombian peso	(9,419)	885	25,322	(276)	(63)	16,449
Czech koruna	1,318	910	24,851	(588)	(440)	26,051
Danish krone	609	72,317	-	-	-	72,926
Dominican peso	-	-	819	-	-	819
Egyptian pound	14,080	-	-	-	-	14,080
Euro	(28,359)	1,164,637	51,696	(2,492)	467,793	1,653,275
Hong Kong dollar	1,630	310,600	-	(6)	-	312,224
Hungarian forint	1,252	4,267	13,084	(415)	(49)	18,139
Indian rupee	14,462	322,028	42,108	72	122	378,792
Indonesian rupiah	17,166	12,880	58,056	-	-	88,102
Japanese yen	8,052	648,855	-	97	-	657,004
Kazakhstan tenge	2,347	-	-	-	-	2,347
Kuwaiti dinar	-	3,299	-	-	-	3,299
Malaysian ringgit	17,115	13,103	38,410	53	62	68,743
Mexican peso	5,437	61,964	50,930	(82)	(4)	118,245
Moroccan dirham	-	4,870	-	-	-	4,870
New Israeli shekel	230	48,715	-	-	-	48,945
New Romanian leu	11,617	-	5,457	(9)	-	17,065
New Taiwan dollar	(9,911)	249,165	-	(338)	-	238,916
New Zealand dollar	34	2,662	-	-	-	2,696
Nigerian naira	-	-	-	(40)	-	(40)
Norwegian krone	292	60,285	-	-	-	60,577
Peruvian nuevo sol	(8,276)	-	29,761	(241)	-	21,244
Philippine peso	12,160	4,523	-	-	-	16,683
Polish zloty	14,669	15,407	27,719	108	121	58,024
Qatari riyal	177	4,939	-	-	-	5,116
Russian ruble	-	-	-	-	-	-
Saudi riyal	296	37,311	-	-	-	37,607
Serbian dinar	3,479	-	-	-	-	3,479
Singapore dollar	(15,442)	32,866	-	(186)	-	17,238
South African rand	(11,132)	42,083	55,586	482	471	87,490
South Korean won	(4,304)	141,734	-	445	229	138,104
Swedish krona	282	116,403	-	-	-	116,685
Swiss franc	700	205,962	-	-	-	206,662
Thai baht	2,458	10,334	32,636	62	60	45,550
Turkish lira	12,709	7,758	4,399	(365)	-	24,501
United Arab Emirates dirham	33	17,609	-	-	-	17,642
Uruguayan peso uruguayo	-	-	3,114	-	-	3,114
Total Investments Held in Foreign Currency	\$ 106,245	\$4,733,541	\$510,231	\$ (3,912)	\$ 468,283	\$ 5,814,388

Note 6. Cash and Short-Term Investments and Investments *(continued)***Highly-Sensitive Investments**

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

Investment Type	Fair Value
Asset-Backed Securities	\$ 91,469
Commercial Mortgage-Backed Securities	102,901
Government Agencies	125,240
Government Mortgage-Backed Securities	647,285
Non-Government Backed C.M.O.s	42,751
Total Asset-Backed Investments	\$ 1,009,646

Fair Value Measurements

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

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

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

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

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

Note 6. Cash and Short-Term Investments and Investments *(continued)***Schedule of Investments by Fair Value Hierarchy**

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

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

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

The System's remaining investments not categorized under the fair value hierarchy, such as private equity partnerships, real estate comingled funds, and other investments that do not have a readily determinable fair value, have been valued at the Net Asset Value (NAV). NAV is calculated and used as a practical expedient to estimate the fair value of LACERS' interest, unless it is probable that all or a portion of the investments will be sold for an amount different from the NAV. As of June 30, 2025, LACERS had no specific plans to sell investments at amounts different from NAV. These investments are disclosed in the Investments Measured at the NAV on page 53.

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Cash and Short-Term Investments and Investments *(continued)*

The System has the following recurring fair value measurements as of June 30, 2025 (in thousands):

Investments by Fair Value Level:	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Debt securities:				
Government Bonds	\$ 2,544,309	\$ -	\$ 2,544,309	\$ -
Government Agencies	125,240	-	125,240	-
Municipal/Provincial Bonds	17,785	-	17,785	-
Corporate Bonds	1,430,155	-	1,410,906	19,249
Bank Loans	152,238	-	150,826	1,412
Government Mortgage Bonds	647,285	-	647,285	-
Commercial Mortgage Bonds	102,901	-	102,901	-
Opportunistic Debts	19,329	-	-	19,329
Total Debt Securities	5,039,242	-	4,999,252	39,990
Equity Securities:				
Common Stock:				
Basic Industries	1,596,653	1,596,601	-	52
Capital Goods Industries	520,829	520,749	-	80
Consumer & Services	2,308,208	2,308,129	-	79
Energy	599,776	599,681	-	95
Financial Services	2,003,414	2,003,204	-	210
Health Care	923,275	923,201	-	74
Information Technology	2,146,847	2,146,662	-	185
Real Estate	834,334	834,025	-	309
Other Funds - Common Stock	963,617	-	963,617	-
Miscellaneous	1,413	2	-	1,411
Total Common Stock	11,898,366	10,932,254	963,617	2,495
Preferred Stock	20,758	20,758	-	-
Stapled Securities	4,125	4,125	-	-
Convertible Equity	1,762	1,762	-	-
Total Equity Securities	11,925,011	10,958,899	963,617	2,495
Private Credit Funds	140,314			140,314
Real Estate Funds	252,763	-	-	252,763
Total Investments by Fair Value Level	\$ 17,357,330	\$ 10,958,899	\$ 5,962,869	\$ 435,562
Investments Measured at the NAV:				
Common Fund Assets	598,766			
Private Credit Funds	342,568			
Private Equity Funds	4,997,135			
Real Estate Funds	1,111,852			
Opportunistic Debts	301,402			
Total Investments Measured at the NAV	7,351,723			
Total Investments Measured at Fair Value ⁽¹⁾	\$ 24,709,053			
Investment Derivative Instruments:				
Future Contracts (liabilities)	\$ 147	\$ 147	\$ -	\$ -
Foreign Exchange Contracts (liabilities)	1,063	-	1,063	-
Rights/Warrants/Options/Swaps	932	1,591	(877)	218
Total Investment Derivative Instruments	\$ 2,142	\$ 1,738	\$ 186	\$ 218

⁽¹⁾ Excluded \$2,142,000 of investment derivative instruments (shown separately) and \$207,016,000 of securities lending collateral.

Note 6. Cash and Short-Term Investments and Investments *(continued)*

Investments Measured at the net asset value (NAV):
(in thousands)

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Common Fund Assets ⁽¹⁾	\$ 598,766	\$ -	Daily	2 days
Private Credit Funds ⁽²⁾	342,568	412,545	N/A	N/A
Private Equity Funds ⁽³⁾	4,997,135	2,401,247	N/A	N/A
Real Estate Funds ⁽⁴⁾	1,111,852	218,864	Daily, Quarterly	1-90 days
Opportunistic Debts ⁽⁵⁾	301,402	-	Monthly	30 days
Total Investments Measured at NAV	<u>\$ 7,351,723</u>	<u>\$ 3,032,656</u>		

- (1) Common fund assets - This investment type includes one fund that primarily invests in U.S. bonds. The fair value of the investment has been determined using a practical expedient based on the investment's NAV per share (or its equivalent). This investment can be redeemed daily, with a two-day advance redemption notice period.
- (2) Private credit funds - This investment type includes 10 closed-end commingled private credit funds, 1 co-investment sidecar fund, and 3 separately managed accounts that invest primarily in debt and other credit instruments issued by privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying loans and other assets are repaid or liquidated by the fund managers. It is expected that the underlying assets of these funds will be realized over the next 5 to 10 years, depending on the vintage year of each fund."
- (3) Private equity funds - This investment type includes 343 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.
- (4) Real estate funds - This investment type includes 29 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Nine investments, representing approximately 68.3% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. Twenty investments, representing approximately 31.7% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

Note 6. Cash and Short-Term Investments and Investments *(continued)*

- (5) Opportunistic debts - This investment type includes three commingled funds: two that invest primarily in senior loans of non-investment grade companies (senior loan funds) and another one that invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The larger of the two senior loan funds, representing approximately 93.9% of the value of opportunistic debts, can be redeemed monthly. The other senior loan fund, representing 6.0% of the investment type, can be redeemed bi-monthly. The distressed investment fund, representing approximately 0.1% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. The fund is still being liquidated.

Note 7. Securities Lending Agreement

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

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

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. LACERS is entitled to receive all distributions that are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify LACERS as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending. As of June 30, 2025, the fair value of the securities on loan was \$1,177,219,000. The fair value of associated collateral was \$1,224,604,000 (\$207,016,000 of cash collateral and \$1,017,588,000 of non-cash collateral). These agreements provide for the return of the securities and revenue determined by the type of collateral received.

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

Note 7. Securities Lending Agreement *(continued)*

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

For loaned securities for which LACERS received cash collateral, the following table represents the fair value of securities on loan, corresponding cash collateral received, and cash reinvestment value, as of June 30, 2025 (in thousands):

Securities on Loan	Fair Value of Underlying Securities on Loan	Cash Collateral Received	Collateral Reinvestment Value
U.S. Government & Agency Securities	\$ 7,432	\$ 7,639	\$ 7,639
Domestic Corporate Fixed Income Securities	70,947	72,931	72,931
International Fixed Income Securities	9,111	9,365	9,365
Domestic Stocks	61,275	62,988	62,988
International Stocks	52,622	54,093	54,093
Total	\$ 201,387	\$ 207,016	\$ 207,016

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

The Security Lending Program risk-reducing strategies aim to minimize potential losses due to unusual and more volatile market conditions as a result of the COVID pandemic adopted by the Board on April 28, 2020, continue to remain in place as of the fiscal year ended June 30, 2025. These strategies include (1) temporarily reducing the volume of loans in order to reduce LACERS overall exposure; (2) shorten the duration and maturity of individual investments to 60 days; and (3) require a non-U.S. country to hold a sovereign credit rating of AA- or higher (or the equivalent) by at least two Nationally Recognized Statistical Rating Organizations (NRSRO) in order for non-U.S. government or corporate debt to be eligible for investment.

During the fiscal year ended June 30, 2025, LACERS' income and expenses related to securities lending were \$3,833,000 and \$574,000, respectively, a decrease of 0.8%, or \$27,000 from the prior fiscal year's net security lending income (income net of expenses).

Note 8. Future and Forward Contracts

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

As of June 30, 2025, LACERS had outstanding equity index and interest rate future contracts with an aggregate notional amount of \$86,538,000. In addition, as of June 30, 2025, LACERS had outstanding forward purchase commitments with a notional amount of \$639,938,000, offset by forward sales commitments with a notional amount of \$639,938,000, which are scheduled to expire in June 2026. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was \$54,876,000 as of June 30, 2025.

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Capital Assets

The System's capital assets include land, buildings, furniture, office and technology equipment, computer software, and subscription assets. The cost and related accumulated depreciation/amortization as of the fiscal year ended June 30, 2025, and 2024 (dollars in thousands) are presented below:

	Beginning Balance June 30, 2024	Increases	Decreases	Ending Balance June 30, 2025
Capital Assets Not Depreciated/Amortized				
Land	\$ 4,023	\$ -	\$ -	\$ 4,023
Total Capital Assets Not Depreciated/Amortized	4,023	-	-	4,023
Capital Assets Depreciated/Amortized				
Building and Improvements	49,236	-	-	49,236
Furniture, Office & Technology Equipment	4,613	862	-	5,475
Computer Software	9,413	-	-	9,413
Subscription Asset	475	379	-	854
Total Capital Assets Depreciated/Amortized	63,737	1,241	-	64,978
Less: Accumulated Depreciation/Amortization				
Building	2,462	1,969	-	4,431
Furniture, Office & Technology Equipment	2,894	402	-	3,296
Computer Software	3,964	629	-	4,593
Subscription Asset	98	173	-	271
Total Accumulated Depreciation/Amortization	9,418	3,173	-	12,591
Total Capital Assets Depreciated/Amortized, Net	54,319	(1,932)	-	52,387
Total Capital Assets, Net	\$ 58,342	\$ (1,932)	\$ -	\$ 56,410

Note 10. Leases

LACERS as a Lessee

In accordance with Governmental Accounting Standards Board No. 87, Leases, the System has evaluated all potential lease agreements in which it acts as a lessee. During the fiscal year, no new or existing lease contracts were identified that would result in the recognition of lease liabilities and right-to-use leased assets.

LACERS as a Lessor

The System entered into a cell tower/antenna placement agreement under a five-year extended term expiring on November 30, 2023, with an option to automatically renew for four consecutive additional periods of five years each. The total amount of inflow of resources, including lease revenue, interest revenue, and other lease-related inflows, recognized during the fiscal year was \$61,000. This total includes \$24,000 of variable and other payments not previously included in the measurement of the lease receivable.

Note 11. Subscription-Based Information Technology Arrangements (SBITA)

The System entered into a subscription-based information technology arrangement (SBITA) with various vendors that provides the System the right to use their software and licenses over a period of three years, which included an option to renew for another term. As of the reporting period, the total carrying value of the subscription asset is \$583,000 with related accumulated amortization of \$271,000, while the outstanding subscription liability is \$488,000. The total amount of outflows of resources recognized and accrued for the reporting period is \$18,000. The subscriptions' principal and interest requirements to maturity are as follows (dollars in thousands):

Fiscal Year	Payment	Principal	Interest
2026	\$ 268	\$ 251	\$ 17
2027	178	172	6
2028	67	65	2
Total	\$ 513	\$ 488	\$ 25

Note 12. Compensated Absences

LACERS recognized liability for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences*, which establishes recognition and measurement guidance for leave benefits that accumulate and are expected to be used or otherwise paid. A liability for compensated absences is recognized when all of the following criteria are met:

1. The leave is attributable to services already rendered.
2. The leave accumulates and may be carried forward to future periods; and
3. It is *more likely than not* that the leave will be used or otherwise paid or settled.

The System's Compensated Absences includes vacation and sick leave benefits as well as accumulated compensated time-off earned by eligible employees in accordance with the City of Los Angeles personnel policies and applicable Memoranda of Understanding (MOUs) between the City and employee labor organizations. As of the reporting period, the System reported a Compensated Absences liability in the amount of \$6,420,000, from which \$3,060,000 is the estimated amount due in more than one year. The amount due within one year was based on the actual leave paid out for the reporting period. The following shows the details of Compensated Absences liability (in thousands):

Description	Amount
Beginning Balance (Restated)	\$ 5,978
Net Increase (Decrease)	442
Ending Balance	\$ 6,420
 Due Within One Year	 \$ 3,360

Note 13. Restatement of Beginning Fiduciary Net Position

During the fiscal year 2024-25, the System implemented the GASB Statement No. 101, *Compensated Absences*. This implementation constitutes a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. As a result, the beginning fiduciary net position of the prior fiscal year ending June 30, 2024, was restated to record the compensated absences liability and recognize the cumulative effect of adopting GASB 101. The effects of these restatements were as follows (in thousands):

	Retirement Plan	Post Employment Health Care Plan	Total
Accrued Compensated Absences, as <i>previously reported</i>	\$ -	\$ -	\$ -
Accrued Compensated Absences, as <i>restated</i>	4,853	1,125	5,978
Change in Beginning of Fiduciary Net Position	<u>\$ (4,853)</u>	<u>\$ (1,125)</u>	<u>\$ (5,978)</u>

Note 14. Commitments and Contingencies

As of June 30, 2025, LACERS was committed to future purchases of real estate, private credit and private equity investments at an aggregate cost of approximately \$3,174,123,000, including agreements for acquisition not yet initiated.

Note 15. Subsequent Events

Date of Management's Review

The potential for subsequent events was evaluated through December 9, 2025, which was the date of management's review.

Charter Amendment FF

On November 5, 2024, Charter Amendment FF, a ballot measure that authorizes the Los Angeles City Council to amend the Charter to provide a process whereby certain City employees who are sworn peace officers and perform peace officer duties for the City's Police, Airports, Harbor, and Recreation and Parks Departments, and who are Members of LACERS and actively employed on January 12, 2025, may make a one-time election to transfer into Los Angeles Fire and Police Pensions' (LAFPP) Tier 6, passed and was certified. Ordinance 188756 was adopted by the LA City Council on October 31, 2025. Pursuant to the Ordinance, LACERS Peace Officer Members shall file a written election form with LACERS by the election deadline on January 9, 2026, indicating whether they wish to transfer to LAFPP or remain as LACERS Members. The transfer to LAFPP Tier 6 will be effective on January 11, 2026. The transfer of assets to LAFPP will occur afterward; however, as of this report, the exact impact on membership, funding, and operations is yet to be determined.

REQUIRED SUPPLEMENTARY INFORMATION

Retirement Plan

The following schedules included in the Required Supplementary Information for the Retirement Plan shows information for 10 years.

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

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

Fiscal Year	Total Pension Liability	Plan Fiduciary Net Position	Plan's Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2016	\$ 17,424,996	\$ 11,809,329	\$ 5,615,667	67.8%
2017	18,458,188	13,180,516	5,277,672	71.4%
2018	19,944,578	14,235,230	5,709,348	71.4%
2019	20,793,421	14,815,593	5,977,828	71.3%
2020	22,527,195	14,932,404	7,594,791	66.3%
2021	23,281,893	18,918,136	4,363,757	81.3%
2022	24,078,751	17,013,091	7,065,660	70.7%
2023	25,299,537	17,953,293	7,346,244	71.0%
2024	26,492,518	19,144,037	7,348,481	72.3%
2025	27,613,229	21,077,645	6,535,584	76.3%

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

Note to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

Retirement Plan *(continued)*

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

	2025	2024	2023	2022	2021
Total Pension Liability					
Service cost ⁽²⁾	\$ 496,465	\$ 461,844	\$ 412,247	\$ 413,863	\$ 451,426
Interest	1,842,759	1,758,842	1,671,683	1,617,800	1,570,785
Changes of benefit terms	295	-	-	-	-
Differences of expected and actual experience	108,917	242,434	469,172	(66,172)	(189,822)
Changes of assumptions	-	-	(112,700)	-	-
Benefit payments, including refunds of Member contributions	(1,327,725)	(1,270,139)	(1,219,616)	(1,168,633)	(1,077,691)
Net change in total pension liability	1,120,711	1,192,981	1,220,786	796,858	754,698
Total pension liability-beginning	26,492,518	25,299,537	24,078,751	23,281,893	22,527,195
Total pension liability-ending (a)	\$ 27,613,229	\$ 26,492,518	\$ 25,299,537	\$ 24,078,751	\$ 23,281,893
Plan fiduciary net position					
Contributions-employer	\$ 803,985	\$ 714,338	\$ 669,391	\$ 591,234	\$ 554,856
Contributions-Member	301,885	275,717	257,968	241,876	252,123
Net investment income (loss) ⁽⁴⁾	2,198,639	1,503,281	1,261,073	(1,542,473)	4,283,202
Benefit payments, including refunds of Member contributions	(1,327,725)	(1,270,139)	(1,219,616)	(1,168,633)	(1,077,691)
Administrative expenses	(38,349)	(32,453)	(28,614)	(27,033)	(26,758)
Others ⁽³⁾	(4,827)	-	-	(16)	-
Net change in Plan fiduciary net position	1,933,608	1,190,744	940,202	(1,905,045)	3,985,732
Plan fiduciary net position-beginning	19,144,037	17,953,293	17,013,091	18,918,136	14,932,404
Plan fiduciary net position-ending (b)	\$ 21,077,645	\$ 19,144,037	\$ 17,953,293	\$ 17,013,091	\$ 18,918,136
Plan's net pension liability-ending (a)-(b)	\$ 6,535,584	\$ 7,348,481	\$ 7,346,244	\$ 7,065,660	\$ 4,363,757
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	76.3%	72.3%	71.0%	70.7%	81.3%
Covered payroll	\$ 2,687,404	\$ 2,460,394	\$ 2,307,336	\$ 2,155,005	\$ 2,276,768
Plan's net pension liability as a percentage of covered payroll	243.2%	298.7%	318.4%	327.9%	191.7%

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

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

(3) Prior period adjustments related to the implementation of GASB 87 – *Lease* in the fiscal year 2022 and GASB 101 – *Compensated Absences* in the fiscal year 2025.

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

REQUIRED SUPPLEMENTARY INFORMATION

Retirement Plan *(continued)*

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

	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost ⁽²⁾	\$ 374,967	\$ 370,409	\$ 352,283	\$ 340,759	\$ 322,574
Interest	1,499,208	1,439,661	1,332,878	1,302,278	1,263,556
Changes of benefit terms	-	-	25,173	-	-
Differences of expected and actual experience	308,184	(46,035)	144,224	(146,474)	(300,813)
Changes of assumptions	530,720	-	483,717	340,718	-
Benefit payments, including refunds of Member contributions	(979,305)	(915,192)	(851,885)	(804,089)	(770,317)
Net change in total pension liability	1,733,774	848,843	1,486,390	1,033,192	515,000
Total pension liability-beginning	20,793,421	19,944,578	18,458,188	17,424,996	16,909,996
Total pension liability-ending (a)	\$ 22,527,195	\$ 20,793,421	\$ 19,944,578	\$ 18,458,188	\$ 17,424,996
Plan fiduciary net position					
Contributions-employer	\$ 553,118	\$ 478,717	\$ 450,195	\$ 453,356	\$ 440,546
Contributions-Member	259,817	237,087	230,757	221,829	206,377
Net investment income (loss) ⁽⁴⁾	306,712	799,351	1,243,817	1,517,545	29,358
Benefit payments, including refunds of Member contributions	(979,305)	(915,192)	(851,885)	(804,089)	(770,318)
Administrative expenses	(23,531)	(19,600)	(17,699)	(17,454)	(17,204)
Others ⁽³⁾	-	-	(471)	-	-
Net change in Plan fiduciary net position	116,811	580,363	1,054,714	1,371,187	(111,241)
Plan fiduciary net position-beginning	14,815,593	14,235,230	13,180,516	11,809,329	11,920,570
Plan fiduciary net position-ending (b)	\$ 14,932,404	\$ 14,815,593	\$ 14,235,230	\$ 13,180,516	\$ 11,809,329
Plan's net pension liability-ending (a)-(b)	\$ 7,594,791	\$ 5,977,828	\$ 5,709,348	\$ 5,277,672	\$ 5,615,667
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	66.3%	71.3%	71.4%	71.4%	67.8%
Covered payroll	\$ 2,271,039	\$ 2,108,171	\$ 2,057,565	\$ 1,973,049	\$ 1,876,946
Plan's net pension liability as a percentage of covered payroll	334.4%	283.6%	277.5%	267.5%	299.2%

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

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

(3) On July 1, 2017, the System reallocated \$471,000 of interest from the Reserve for Mandatory Member Contributions into the Reserve for Voluntary Member Contributions.

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

Retirement Plan *(continued)*

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018, calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan effective as of January 7, 2018 while the June 30, 2025 pertains to enhanced death and disability benefits for certain sworn Public Safety Officers (PSO) including APO (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 34).

Change of Assumptions: The total pension liability calculation on fiscal years ended June 30, 2017, June 30, 2020, and June 30, 2023, reflected various assumption changes based on the triennial actuarial experience study. The latest experience study covering the period July 1, 2019, to June 30, 2022, resulted in changes to the assumptions used in the June 30, 2023, actuarial valuation. The changes include inflation rate reduction from 2.75% to 2.50% and various demographic assumption changes, such as retirement, mortality, disability, and termination rates.

Schedule of Contribution History (Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contributions Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 440,546	\$ 440,546	-	\$ 1,876,946	23.5%
2017	453,356	453,356	-	1,973,049	23.0%
2018	450,195	450,195	-	2,057,565	21.9%
2019	478,717	478,717	-	2,108,171	22.7%
2020	553,118	553,118	-	2,271,039	24.4%
2021	554,856	554,856	-	2,276,768	24.4%
2022	591,234	591,234	-	2,155,005	27.4%
2023	669,391	669,391	-	2,307,336	29.0%
2024	714,338	714,338	-	2,460,394	29.0%
2025	803,985	803,985	-	2,687,404	29.9%

Notes to Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported (the June 30, 2023, valuation sets the rates for the 2024-2025 fiscal year).

Methods and Assumptions Used to Establish the Actuarially Determined Contribution for the Fiscal Year Ended June 30, 2025 (based on June 30, 2023 Valuation):

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

Retirement Plan (continued)

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 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	The actuarial value of assets is equal to the fair value of assets less unrecognized returns from each of the last seven years. The unrecognized return each year is equal to the difference between the actual and expected returns on the fair value, recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the fair value of assets.
Actuarial Assumptions (Used in the June 30, 2023, Valuation):	
Investment Rate of Return	7.00%.
Inflation	2.50%.
Across-the-Board Salary Increase	0.50%.
Projected Salary Increase	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Cost of Living Adjustment	2.75% for Tier 1; 2.00% for Tier 3. For Tier 1 members who have COLA banks, it is assumed that they receive up to 3% COLA increases until their COLA banks are exhausted and 2.75% thereafter.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>Currently in pay status</i>	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>Not currently in pay status</i>	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Retirement Plan *(continued)*

**Schedule of Investment Returns (Losses)
For the Fiscal Years Ended June 30**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expenses	11.1%	8.1%	7.1%	(8.0%)	27.5%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expenses	2.0%	5.5%	9.3%	12.6%	0.2%

Note to Schedule:

From fiscal years 2020 to 2023, the impact of highly divergent and volatile global markets on LACERS' investments was caused by the economic distress from the COVID-19 pandemic that began in 2020, the strong market recovery in 2021, the sharp decline in 2022 due to inflation concerns, and the gradual recovery in 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Health Care Plan

The following schedules included in the Required Supplementary Information for the Postemployment Health Care Plan show information for 10 years.

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

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

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

Fiscal Year	Total OPEB Liability	Plan Fiduciary Net Position	Plan's Net OPEB (Asset) Liability	Plan Fiduciary Net Position as a percentage of the Total OPEB Liability
2016	\$ 2,793,689	\$ 2,134,877	\$ 658,812	76.4%
2017	3,005,806	2,438,862	566,944	81.1%
2018	3,256,827	2,676,371	580,456	82.2%
2019	3,334,299	2,812,098	522,201	84.3%
2020	3,486,530	2,851,204	635,326	81.8%
2021	3,520,078	3,781,652	(261,574)	107.4%
2022	3,580,696	3,347,771	232,925	93.5%
2023	3,405,088	3,540,386	(135,298)	104.0%
2024	3,570,148	3,796,165	(226,017)	106.3%
2025	3,868,233	4,186,550	(318,317)	108.2%

Note to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Health Care Plan *(continued)*

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

	2025	2024	2023	2022	2021
Total OPEB Liability					
Service cost ⁽¹⁾	\$ 105,747	\$ 96,467	\$ 81,028	\$ 81,415	\$ 84,817
Interest	251,426	239,773	250,838	246,694	244,776
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(5,448)	(38,374)	(12,048)	(369)	10,672
Changes of assumptions	117,443	22,296	(336,075)	(109,877)	(157,614)
Benefit payments ⁽²⁾	(171,083)	(155,102)	(159,351)	(157,245)	(149,103)
Net change in total OPEB liability	298,085	165,060	(175,608)	60,618	33,548
Total OPEB liability-beginning	3,570,148	3,405,088	3,580,696	3,520,078	3,486,530
Total OPEB liability-ending (a)	\$3,868,233	\$ 3,570,148	\$ 3,405,088	\$ 3,580,696	\$ 3,520,078
Plan fiduciary net position					
Contributions-employer	\$ 90,168	\$ 97,094	\$ 90,581	\$ 91,623	\$ 103,454
Net investment income (loss) ⁽³⁾	482,747	322,658	269,611	(360,636)	983,522
Benefit payments ⁽²⁾	(171,083)	(155,102)	(159,351)	(157,245)	(149,103)
Administrative expense	(10,322)	(8,871)	(8,226)	(7,619)	(7,425)
Others ⁽⁴⁾	(1,125)	-	-	(4)	-
Net change in Plan fiduciary net position	390,385	255,779	192,615	(433,881)	930,448
Plan fiduciary net position-beginning	3,796,165	3,540,386	3,347,771	3,781,652	2,851,204
Plan fiduciary net position-ending (b)	\$4,186,550	\$ 3,796,165	\$ 3,540,386	\$ 3,347,771	\$ 3,781,652
Plan's net OPEB (asset) liability-ending (a)-(b)	\$ (318,317)	\$ (226,017)	\$ (135,298)	\$ 232,925	\$ (261,574)
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	108.2%	106.3%	104.0%	93.5%	107.4%
Covered payroll	\$2,687,404	\$ 2,460,394	\$ 2,307,336	\$ 2,155,005	\$ 2,276,768
Plan's net OPEB (asset) liability as a percentage of covered payroll	(11.8%)	(9.2%)	(5.9%)	10.8%	(11.5%)

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

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

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

(4) Prior period adjustments related to the implementation of GASB 87 – Lease in the fiscal year 2022 and GASB 101 – *Compensated Absences* in the fiscal year 2025.

REQUIRED SUPPLEMENTARY INFORMATION

Postemployment Health Care Plan *(continued)*

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

	2020	2019	2018	2017	2016
Total OPEB Liability					
Service cost ⁽¹⁾	\$ 76,423	\$ 74,478	\$ 74,611	\$ 68,385	\$ 62,360
Interest	242,666	236,678	218,686	210,170	199,078
Changes of benefit terms	-	-	948	-	17,215
Differences between expected and actual experience ⁽²⁾	(135,720)	(134,053)	(7,321)	19,666	(22,013)
Changes of assumptions	96,076	33,940	92,178	33,512	-
Benefit payments ⁽³⁾	(127,214)	(133,571)	(128,081)	(119,616)	(109,940)
Net change in total OPEB liability	152,231	77,472	251,021	212,117	146,700
Total OPEB liability-beginning	3,334,299	3,256,827	3,005,806	2,793,689	2,646,989
Total OPEB liability-ending (a)	\$ 3,486,530	\$ 3,334,299	\$ 3,256,827	\$ 3,005,806	\$ 2,793,689
Plan fiduciary net position					
Contributions-employer	\$ 112,136	\$ 107,927	100,909	97,457	105,983
Net investment income (loss) ⁽⁴⁾	60,899	166,470	269,380	330,708	(344)
Benefit payments ⁽³⁾	(127,214)	(133,571)	(128,081)	(119,616)	(109,940)
Administrative expense	(6,715)	(5,099)	(4,699)	(4,564)	(4,528)
Net change in Plan fiduciary net position	39,106	135,727	237,509	303,985	(8,829)
Plan fiduciary net position-beginning	2,812,098	2,676,371	2,438,862	2,134,877	2,143,706
Plan fiduciary net position-ending (b)	\$ 2,851,204	\$ 2,812,098	\$ 2,676,371	\$ 2,438,862	\$ 2,134,877
Plan's net OPEB (asset) liability-ending (a)-(b)	\$ 635,326	\$ 522,201	\$ 580,456	\$ 566,944	\$ 658,812
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	81.8%	84.3%	82.2%	81.1%	76.4%
Covered payroll	\$ 2,271,039	\$ 2,108,171	\$ 2,057,565	\$ 1,973,049	\$ 1,876,946
Plan's net OPEB (asset) liability as a percentage of covered payroll	28.0%	24.8%	28.2%	28.7%	35.1%

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

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

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

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

Postemployment Health Care Plan *(continued)*

Notes to Schedule:

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

Schedule of Contribution History (Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contributions Deficiency / (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	105,983	105,983	-	1,876,946	5.7%
2017	97,457	97,457	-	1,973,049	4.9%
2018	100,909	100,909	-	2,057,565	4.9%
2019	107,927	107,927	-	2,108,171	5.1%
2020	112,136	112,136	-	2,271,039	4.9%
2021	103,454	103,454	-	2,276,768	4.5%
2022	91,623	91,623	-	2,155,005	4.3%
2023	90,581	90,581	-	2,307,336	3.9%
2024	97,094	97,094	-	2,460,394	4.0%
2025	90,168	90,168	-	2,687,404	3.4%

Notes to Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported (the June 30, 2023, valuation sets the rates for the 2024-2025 fiscal year).

Methods and Assumptions Used to Establish the Actuarially Determined Contribution for the Fiscal Year Ended June 30, 2025 (based on June 30, 2023 Valuation):

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

Postemployment Health Care Plan (continued)

Amortization Period	Multiple layers – closed amortization periods. Assumption changes resulting from the triennial experience study will be amortized over 20 years. Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years. Any actuarial surplus is amortized over 30 years on an open (non-decreasing) basis.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a fair value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Assumptions (Used in the June 30, 2023 Valuation):

Investment Rate of Return	7.00%.
Inflation	2.50%.
Across-the-Board Salary Increase	0.50%.
Projected Salary Increase	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>Currently in pay status</i>	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries <i>Not currently in pay status</i>	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Postemployment Health Care Plan *(continued)*

**Schedule of Investment Returns (Losses)
For the Fiscal Years Ended June 30**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expenses	14.2%	10.1%	9.0%	(10.5%)	39.9%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Annual money-weighted rate of return, net of investment expenses	2.1%	6.1%	10.8%	15.2%	

Note to Schedule:

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

From fiscal years 2020 to 2023, the impact of highly divergent and volatile global markets on LACERS' investments was caused by the economic distress from the COVID-19 pandemic that began in 2020, the strong market recovery in 2021, the sharp decline in 2022 due to inflation concerns, and the gradual recovery in 2023.

SUPPLEMENTAL SCHEDULES

Schedule of Additions and Deductions to Fiduciary Net Position
Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2025
(In Thousands)

	<u>401(h)</u>	<u>115 Trust</u>	<u>Total</u>
Additions			
Contributions			
City Contributions	\$ -	\$ 90,168	\$ 90,168
Member Contributions	-	-	-
Total Contributions	<u>-</u>	<u>90,168</u>	<u>90,168</u>
Self Funded Insurance Premium	-	13,127	13,127
Health Insurance Premium Reserve	-	1,083	1,083
Investment Income (Loss)			
Net Appreciation (Depreciation) in Fair Value of			
Investments, Including Gain and Loss on Sales	349,603	82,797	432,400
Interest	29,784	7,054	36,838
Dividends	27,040	6,404	33,444
Other Investment Income	9,146	2,166	11,312
Security Lending Income	449	106	555
Less: Security Lending Expense	<u>(87)</u>	<u>(21)</u>	<u>(108)</u>
Sub-total	415,935	98,506	514,441
Investment Management Fees and Expenses	(25,632)	(6,070)	(31,702)
Investment Related Administrative Expenses	<u>(679)</u>	<u>(161)</u>	<u>(840)</u>
Net Investment Income (Loss)	<u>389,624</u>	<u>92,275</u>	<u>481,899</u>
Building Lease and Other Income	<u>7</u>	<u>2</u>	<u>9</u>
Total Additions	<u>389,631</u>	<u>196,655</u>	<u>586,286</u>
Deductions			
Benefit Payments	172,571	12,722	185,293
Administrative Expenses	<u>6,905</u>	<u>2,578</u>	<u>9,483</u>
Total Deductions	<u>179,476</u>	<u>15,300</u>	<u>194,776</u>
Net Increase in Fiduciary Net Position	<u>210,155</u>	<u>181,355</u>	<u>391,510</u>
Fiduciary Net Position Restricted for			
Postemployment Health Care Benefits			
Beginning of year, <i>as previously reported</i>	\$ 3,155,889	\$ 640,276	\$ 3,796,165
Implementation of GASB No. 101	<u>(940)</u>	<u>(185)</u>	<u>(1,125)</u>
Beginning of year, <i>as restated</i>	<u>\$ 3,154,949</u>	<u>\$ 640,091</u>	<u>\$ 3,795,040</u>
End of year	<u>\$ 3,365,104</u>	<u>\$ 821,446</u>	<u>\$ 4,186,550</u>

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses For the Fiscal Year Ended June 30, 2025 (In Thousands)

	<u>Retirement Plan</u>	<u>Postemployment Health Care Plan</u>	<u>Total</u>
Personnel Services:			
Salaries	\$ 17,887	\$ 4,151	\$ 22,038
Employee Benefits and Development	8,354	1,938	10,292
Total Personnel Services	<u>26,241</u>	<u>6,089</u>	<u>32,330</u>
Professional Services:			
Actuarial	283	66	349
Audit	120	28	148
Legal Counsel	978	227	1,205
Disability Evaluation	139	33	172
Retirees' Health Admin Consulting	-	432	432
Benefit Payroll Processing	216	50	266
Self Funded Plan Administrative Fee	-	942	942
Other Consulting	64	15	79
Total Professional Services	<u>1,800</u>	<u>1,793</u>	<u>3,593</u>
Information Technology:			
Computer Hardware & Software	802	186	988
Computer Maintenance & Support	1,059	246	1,305
Total Information Technology	<u>1,861</u>	<u>432</u>	<u>2,293</u>
Other Expenses:			
Insurance	81	19	100
Educational and Due Diligence Travel	45	10	55
Office Expenses	372	86	458
Depreciation	2,575	598	3,173
Building Operating Expenses	1,966	456	2,422
Total Other Expenses	<u>5,039</u>	<u>1,169</u>	<u>6,208</u>
Total Administrative Expenses	<u>\$ 34,941</u>	<u>\$ 9,483</u>	<u>\$ 44,424</u>

SUPPLEMENTAL SCHEDULES

Schedule of Investment Fees and Expenses
For the Year Ended June 30, 2025
(In Thousands)

	<u>Assets Under Management</u>	<u>Fees</u>
<u>Retirement Plan</u>		
Investment Management Fees:		
Fixed Income Managers	\$ 4,959,596	\$ 8,523
Equity Managers	9,959,248	32,077
Subtotal Investment Management Fees	14,918,844	40,600
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	696
Private Credit Consulting Fees	N/A	264
Real Estate Consulting Fees	N/A	180
Other Consulting Fees	N/A	390
Investment Related Administrative Expenses	N/A	3,618
Subtotal Other Investment Fees and Expenses	N/A	5,148
<u>Postemployment Health Care Plan</u>		
Investment Management Fees:		
Fixed Income Managers	979,936	1,978
Equity Managers	1,967,783	7,443
Subtotal Investment Management Fees	2,947,719	9,421
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	161
Private Credit Consulting Fees	N/A	61
Real Estate Consulting Fees	N/A	42
Other Consulting Fees	N/A	90
Investment Related Administrative Expenses	N/A	839
Subtotal Other Investment Fees and Expenses	N/A	1,193
Total Investment Fees and Expenses excluding Private Equity, Private Credit and Real Estate	\$ 17,866,563	\$ 56,362
Private Equity Managers' Fees and Expenses:		
Retirement Plan	\$ 4,172,682	\$ 67,109
Postemployment Health Care Plan	824,453	15,572
Total Private Equity Managers' Fees and Expenses	4,997,135	82,681
Private Credit Managers' Fees and Expenses:		
Retirement Plan	403,214	10,296
Postemployment Health Care Plan	79,668	2,389
Total Private Credit Managers' Fees and Expenses	482,882	12,685
Real Estate Managers' Fees and Expenses:		
Retirement Plan	1,139,474	17,090
Postemployment Health Care Plan	225,141	3,966
Total Real Estate Managers' Fees and Expenses	1,364,615	21,056
Total Assets Under Management and Fees	\$ 24,711,195 ⁽¹⁾	\$ 172,784 ⁽²⁾

⁽¹⁾ Excluding Security Lending Collateral assets of \$207,016,000. Total Investments including Security Lending Collateral was \$24,918,211,000.

⁽²⁾ Included Investment Management Fees and Expenses of \$168,326,000 and Investment Related Administrative Expenses of \$4,458,000.

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Investment



REPORT ON INVESTMENT ACTIVITY



December 18, 2025

Dear Members of the Board:

Presented below is a summary report of the System's investment activities for the fiscal year 2024-2025.

Market Overview

The 2025 fiscal year resulted in positive returns for the LACERS investment portfolio, with gains of 11.16% (gross of fees) for the one-year period ending June 30, 2025. However, this gain underperformed the policy benchmark return of 11.41%.

The U.S. economy remains anchored by solid earning fundamentals as investors entered the second quarter of 2025 with over 79% of U.S.-based companies meeting or beating return expectations. Despite initial fears regarding several geo-political conflicts and threatening tariffs that resulted in a market selloff, consumers have expressed continued optimism towards the capital markets but with caution.

While inflation remains sticky and above the Federal Reserve's 2% long-term target, the consensus from industry experts project that the Federal Reserve will continue to lower interest rates with a measured approach based on traditional economic and market indicators. Housing, a major component of GDP, has seen sales lag due to supply constraints and higher interest rates. Higher costs from tariffs, initially deemed to having reduced consumer purchasing power, have been somewhat moderate, but still led to reduced retail sales and weaker consumer demand.

Further, the strength in the large-cap U.S. equity market, as measured by the S&P 500 Index, produced an acceptable return of 15.16%, but lower than the prior fiscal year end return of 24.56%. U.S. small cap stocks, as measured by the Russell 2000 Index, gained 7.68% for the year, retreating slightly from the 10.06% return for the prior 12 months.

U.S. investment grade fixed income returns, as measured by the Bloomberg U.S. Aggregate Bond Index, returned 6.08%, an increase from the prior fiscal year's 2.63% return. The leveraged loan market as measured by the S&P UBS Leveraged Loan Index returned 7.50%, compared to the 11.04% from the prior year.

Outside the U.S., international stocks performed well, with developed equity markets, as measured by the MSCI EAFE Index, returning 17.73%, compared to 11.54% from the prior 12 months. Emerging markets stocks produced a 15.29% return, eclipsing the prior fiscal year's 12.55%. These solid non-U.S. returns can be attributed to its favorable valuations and increasing strength in equity market fundamentals.

Against the backdrop of a challenging exit environment in the private markets, the blended private equity benchmark of the Russell 3000 and Cambridge Associates Global Private Equity and Venture Capital Index returned 6.48% while the NFI-ODCE benchmark, a measure of the real estate market, returned 4.36%. Transaction volumes are still recovering, as there is continued optimism of M&A and real estate deal activity in the upcoming year.

Despite the mix of positive growth amid several downside risk factors, LACERS continues to manage its portfolio with a cautionary tone as investment markets continue to meander with elevated degrees of volatility. As market conditions continue to evolve, it is important to acknowledge that LACERS is a long-term strategic investor with a carefully constructed, highly diversified portfolio designed to weather all market conditions.

Investment Performance

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

LACERS investments are reported at fair value. The total portfolio, comprised of investments, cash, and accrued dividends and income, was valued at \$25.17 billion as of June 30, 2025, an increase of \$2.15 billion from the prior fiscal year. The total portfolio realized an 11.16% return (gross of fees) for the fiscal year. Individual asset class returns (gross of fees) were U.S. Equity, 13.80%; Non-U.S. Equity, 18.18%; Core Fixed Income, 6.28%; Credit Opportunities, 10.57%; Real Assets, 4.83%; and Private Equity, 7.70%.

The total portfolio underperformed its policy benchmark by 25 basis points (gross of fees) for the fiscal year, with U.S. equities and Real Assets underperforming relative to their respective benchmarks. The Investment Results table presented on page 80 provides a summary of time-weighted rates of return based on fair value of assets by asset class and for the total portfolio.

Policies, Procedures and Guidelines

In fiscal year 2024-2025, the Board, with the assistance of staff and the General Fund Consultant, conducted an asset-liability study, resulting in the adoption of a new asset allocation policy on December 10, 2024. The new policy created the addition of an Infrastructure allocation, called for slight modifications to the fixed income targets, increased the target to U.S. equities, and decreased the target to non-U.S. equities. These changes will better position the portfolio to achieve LACERS long-term investment goals in light of the current and expected market environment; implementation of these changes is subject to a Board-approved multi-year transition plan. The new asset allocation policy targets are presented in the pie chart on page 83.

The Board also approved amendments across various sections of the Investment Policy Manual based on findings from the July 1, 2022 Management Audit, as well as adopting industry best practices with respect to responsible investing. The Securities Litigation Policy amendment, based on the aforementioned audit, introduced thresholds for litigation participation and delegated authority to the General Manager and legal counsel to expedite decisions on foreign cases to improve operational efficiency and ensure that LACERS maximizes its participation in meaningful recovery opportunities. Other audit-driven updates included investment consultant and fiduciary counsel reviews for all proposed policy amendments, the inclusion of an asset allocation policy matrix, and the implementation of a compliance calendar to track governance reviews of policy requirements. The Responsible Investment Policy, based on responsible investing factors, was updated to broaden the Board's total plan stewardship oversight to be consistent with the Principles for Responsible Investment framework. Collectively, these policy adjustments aim to

add plan value through strengthened oversight measures, improved transparency, and efficient administrative management.

Public Investment Manager Contract Awards, Renewals, and Terminations

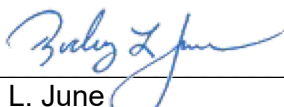
As presented in the table on page 82, contracts with two investment managers of publicly traded securities were awarded or renewed during the fiscal year: one active non-U.S. emerging markets growth equities manager, and one active non-U.S. developed markets growth equities manager. No contracts with investment managers of publicly traded securities were terminated during the fiscal year.

Private Investments

Also as presented in the table of page 82, LACERS approved twelve private equity partnership contracts, totaling \$460 million of commitments, four private real estate partnership contracts, totaling \$205 million of commitments, and nine private credit partnership contracts, totaling \$570 million of commitments during the fiscal year.

The pages that follow provide further details about the LACERS investment portfolio and investment activity for the fiscal year 2024-2025.

Respectfully submitted,



Rodney L. June
Chief Investment Officer

OUTLINE OF INVESTMENT POLICIES

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

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

INVESTMENT RESULTS

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

Asset Class / Benchmark	Annualized Rates of Return ⁽¹⁾ (Gross of Fees)		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	13.80	17.57	15.24
Russell 3000 ⁽²⁾	15.30	19.08	15.96
Non-U.S. Equity	18.18	13.84	10.86
MSCI ACWI ex U.S.	17.72	13.99	10.13
Private Equity	7.70	4.56	17.76
Private Equity Blend ⁽³⁾	6.48	1.73	12.24
Core Fixed Income	6.28	2.88	(0.19)
Bloomberg U.S. Aggregate Bond Index	6.08	2.55	(0.73)
Credit Opportunities	10.57	9.63	4.91
Credit Opportunities Blend ⁽⁴⁾	9.40	8.90	4.46
Real Assets	4.83	(0.18)	3.18
Real Assets Blend ⁽⁵⁾	5.76	(0.54)	2.88
LACERS Total Fund	11.16	8.97	9.28
LACERS Policy Benchmark ⁽⁶⁾	11.41	8.86	8.38

(1) Time-weighted rate of return based on fair value of assets for all asset classes.

July 1, 2011 – Current: Russell 3000 Index; September 30, 1994 – December 31, 1999: S&P 500 Index 33.75, Russell 1000 Value Index 35%,

(2) Russell 1000 Growth 12.5%, Russell 2000 Value 12.5%, Russell 2000 Growth 6.25%.

(3) January 1, 2022 – Current: Cambridge Associates Global Private Equity and Venture Capital Index; February 1, 2012 – December 31, 2021: Russell 3000 + 3%; Inception – January 31, 2012: Russell 3000 + 4%.

(4) 13.95% Bloomberg U.S. High Yield 2% Issuer Capped Index, 13.95% S&P UNS Leveraged Loan Index, 37.21% Blended Emerging Markets Debt Blend, 34.88% S&P UBS Leveraged Loan Index One Quarter Lagged.

(5) 32% Bloomberg U.S. TIPS Index / 16% FTSE NAREIT All Equity Index / 52% Real Estate Blend.

Real Estate Blend – July 1, 2014 - Current: NCREIF ODCE + 0.80%; July 1, 2012 - June 30, 2014: NCREIF Property Index Lagged + October 1, 1994 – June 30, 2012: NCREIF Property Index Lagged.

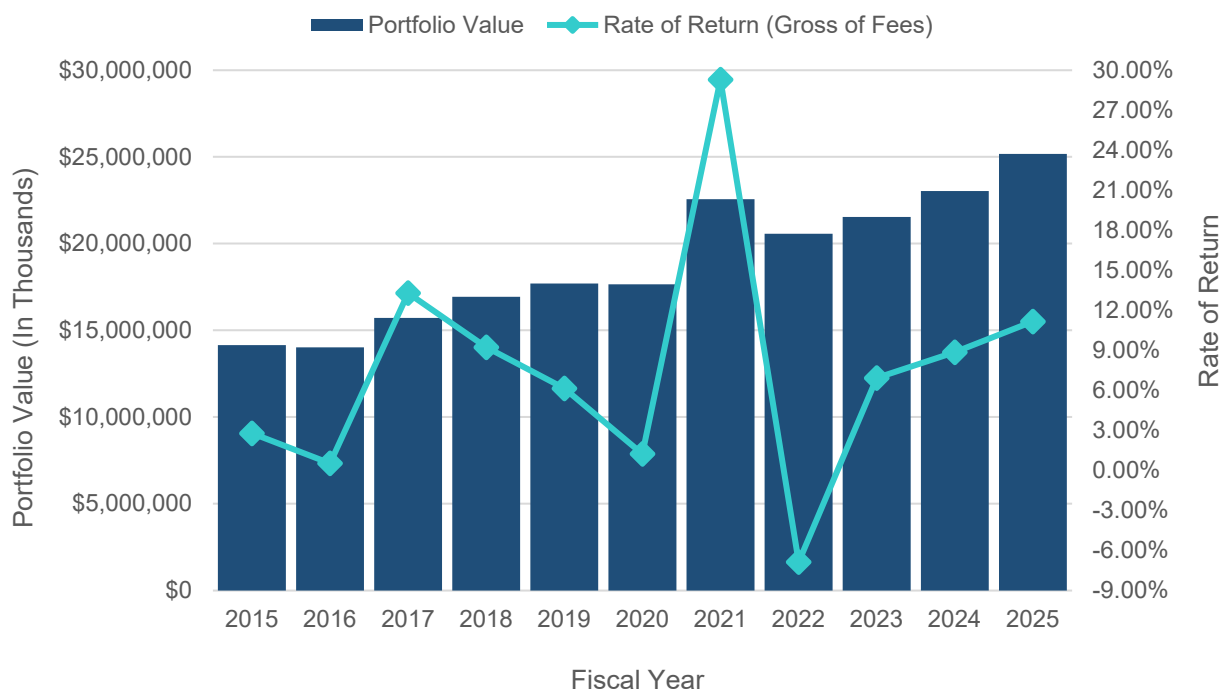
(6) 20.5% Russell 3000 Index, 25.5% MSCI ACWI ex USA Net Index, 12.75% Bloomberg U.S. Aggregate Bond Index, 10.75% Credit Opportunities Blend, 6.00% Public Real Assets Blend, 6.5% Real Estate Blend, 17.0% Private Equity Blend, 1% Citi 3 Month T-Bill Index.

INVESTMENT RESULTS

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

Fiscal Year	Total Investment Portfolio ⁽¹⁾ (Fair Value)	Time-Weighted Rate of Return (Gross of Fees)
2015	\$14,148,849	2.78 %
2016	14,014,772	0.53
2017	15,708,981	13.29
2018	16,935,458	9.23
2019	17,693,115	6.15
2020	17,654,460	1.24
2021	22,518,983	29.29
2022	20,564,461	(6.86)
2023	21,529,316	6.93
2024	23,023,746	8.86
2025	25,171,120	11.16

- ⁽¹⁾ The total investment portfolio is comprised of investments, cash, accrued dividends, and accrued investment income. It excludes LACERS' new headquarters property purchased in fiscal year 2019-2020.



INVESTMENT CONTRACT ACTIVITY

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

Firms	Mandate
Axiom Investors, LLC	Active Non-U.S. Emerging Markets Growth Equities
MFS Institutional Advisors, Inc	Active Non-U.S. Developed Markets Growth Equities

New private credit, private equity and real estate partnerships:

Investment Funds	Mandate
400 Capital Asset Backed Term Fund IV, L.P.	Private Credit – Asset Based Lending
Biospring Partners Fund II, L.P.	Private Equity – Growth
Carlyle Property Investors, L.P.	Private Real Estate – Core Plus
Centana Growth Partners III, L.P.	Private Equity – Growth
Centre Lane Credit Partners III, L.P.	Private Credit – Direct Lending
Dawson Portfolio Finance 6, L.P.	Private Credit – Specialty Finance
Enhanced Healthcare II, L.P.	Private Equity – Buyouts
H.I.G. Europe Middle Market LBO Fund II, L.P.	Private Equity – Buyouts
Hg Saturn 4, L.P.	Private Equity – Buyouts
ICG Senior Debt Partners Fund 5-C, L.P.	Private Credit – Direct Lending
LBA Logistics Value Fund X, L.P.	Private Real Estate – Value Added
Mavik Real Estate Special Opportunities VS2, L.P.	Private Credit – Opportunistic
Mill Point Capital Partners III, L.P.	Private Equity – Buyouts
NMS Fund V, L.P.	Private Equity – Buyouts
Nordic Capital Evolution Fund II, L.P.	Private Equity – Buyouts
Principal Data Center Growth & Income Fund, L.P.	Private Real Estate - Opportunistic
Putnam Hill Private Credit Fund, L.P.	Private Credit – Direct Lending
Quantum Capital Solutions II, L.P.	Private Credit – Energy
Quantum Energy Partners VIII, L.P.	Private Equity – Natural Resources
Silver Point Specialty Credit III, L.P.	Private Credit – Opportunistic
Stelllex Capital Partners III, L.P.	Private Equity – Buyouts
TPG Angelo Gordon Direct Lending Fund VI, L.P.	Private Credit – Direct Lending
TPG Rise Climate II, L.P.	Private Equity – Growth
Warren Equity Partners Fund IV, L.P.	Private Equity – Buyouts
WCP Newcold III, L.P.	Private Real Estate – Opportunistic

Contracts with consultants and vendors awarded/renewed/extended:

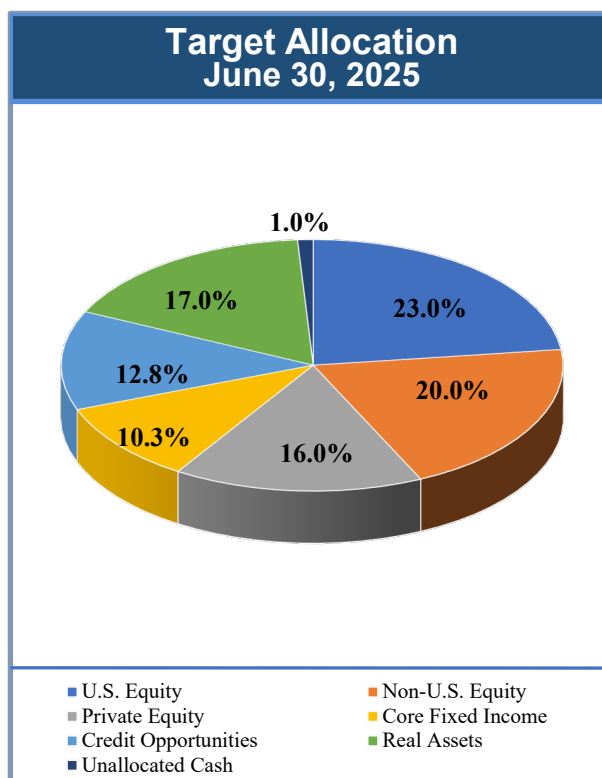
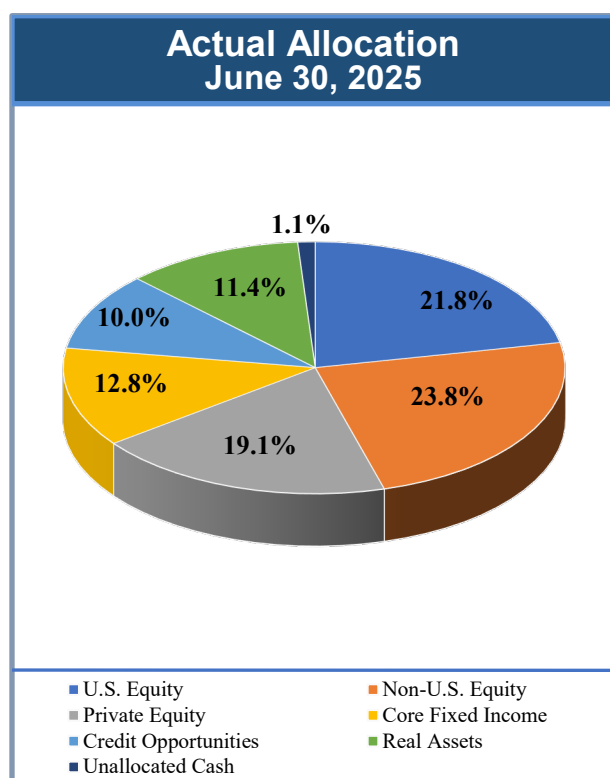
Firms	Mandate
Northern Trust Company	Custodial Services. Securities Lending and Ancillary Svcs.
Bloomberg Finance, L.P.	Investment Research Database
Institutional Shareholder Services Inc.	Proxy Voting Service
MSCI, Inc.	ESG Data Service
PitchBook Data, Inc.	Private Markets Database
CEM Benchmarking	Investment Cost and Performance Benchmarking

ASSET ALLOCATION

As of June 30, 2025

	Actual ⁽¹⁾		Target ⁽²⁾
U.S. Equity	21.80%	U.S. Equity	23.00%
Non-U.S. Equity	23.79	Non-U.S. Equity	20.00
Private Equity ⁽³⁾	19.14	Private Equity	16.00
Core Fixed Income	12.76	Core Fixed Income	10.25
Credit Opportunities ⁽⁴⁾	10.01	Credit Opportunities	12.75
Real Assets	11.38	Real Assets	17.00
Unallocated Cash	1.12	Unallocated Cash	1.00
Total	100.00%	Total	100.00%

- (1) Implementation of the most recently adopted Target Asset Allocation Policy is in progress and explains the difference in actual versus target allocations.
- (2) Interim Target Asset Allocation Policy was adopted on December 10, 2024. The policy targets are scheduled to incrementally change between 2025 and 2028 and ultimately converge to the long-term target ranges as presented above.
- (3) The overweight to Private Equity is a result of the denominator effect caused by public market volatility and cannot be rebalanced on demand due to the illiquid nature of private market investments.
- (4) The underweight to Credit Opportunities is due to the addition of the Private Credit sub-asset class, which is currently in the process of being invested. The balance of the allocation for Private Credit is currently held within the Credit Opportunities portfolio.



LIST OF LARGEST ASSETS HELD BY FAIR VALUE

Displayed below are the ten largest holdings in each asset class along with their fair and share/par values as of June 30, 2025.

Largest U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US\$)
1.	1,775,459	NVIDIA Corp.	\$ 280,504,767
2.	541,103	Microsoft Corp.	269,150,043
3.	1,087,356	Apple Inc.	223,092,831
4.	687,872	Amazon Inc.	150,912,238
5.	158,064	Meta Platforms, Inc.	116,665,458
6.	342,311	Broadcom Inc.	94,358,027
7.	423,412	Alphabet Inc. Class A	74,617,897
8.	133,500	Berkshire Hathaway Class B	64,850,295
9.	204,008	Tesla Inc.	64,805,181
10.	279,060	American Tower Corp	61,677,841
Total			\$ 1,400,634,578

Largest Non-U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US\$)
1.	12,650,634	SSgA MSCI Emerging Markets Index Fund ⁽¹⁾	\$ 603,865,349
2.	14,874,999	SSgA MSCI EAFE Small Cap Index Fund ⁽¹⁾	359,751,856
3.	1,331,200	Taiwan Semiconductor Manufacturing Company Limited	48,304,532
4.	155,801	SAP SE	47,212,280
5.	5,213,103	AIA Group Limited	46,751,905
6.	54,481	ASML Holding N.V.	43,334,229
7.	1,440,315	Hitachi NPV	41,929,624
8.	416,291	Nestle SA	41,226,406
9.	188,712	Air Liquide	38,796,940
10.	116,502	Roche Holdings	37,819,242
Total			\$ 1,308,992,363

⁽¹⁾ Investment in a commingled fund that holds publicly traded equity securities. The share amount represents LACERS ownership interest in the commingled fund.

LIST OF LARGEST ASSETS HELD BY FAIR VALUE

Largest U.S. Fixed Income Holdings

	Par Value	Asset Description	Fair Value (in US\$)
1.	17,821,977	SSgA US Aggregate Bond Fund ⁽¹⁾	\$ 598,764,956
2.	196,000,000	Bain Capital Senior Loan Fund, L.P. ⁽¹⁾	301,021,894
3.	97,899,656	Benefit Street Partners SMA	92,119,990
4.	92,423,726	Monroe Capital Private Credit Fund L.P.	91,472,159
5.	65,000,000	United States of America Treasury Notes 1.125% Due 01/15/2033	66,888,536
6.	61,000,000	United States Treas Notes Inflation Index 0.125% Due 01/15/2032	63,979,024
7.	60,000,000	United States of America Treasury Notes 1.875% Due 07/15/2034	61,388,030
8.	53,600,000	United States Treas Notes Inflation Index 0.125% Due 01/15/2031	61,197,047
9.	50,800,000	United States Treas Notes Inflation Index 0.125% Due 07/15/2030	59,704,824
10.	48,870,000	United States Treas Notes Inflation Index 0.125% Due 01/15/2030	57,502,834
Total			\$ 1,454,039,294

Largest Non-U.S. Fixed Income Holdings

	Par Value (in local currency)	Asset Description	Fair Value (in US\$)
1.	11,200,000	Senior Floating Rate Fund LLC	\$ 19,328,025
2.	3,715,254	Republic of Mexico 7.750% Due 11/23/2034	17,950,549
3.	77,245	Secretaria Tesouro 10.000% Due 01/01/2027	14,098,025
4.	42,332,000	Bonos De Tesoreria 6.850% Due 08/12/2035	12,285,422
5.	187,654,228	Republic of Africa 11.625% Due 03/31/2035	11,081,334
6.	46,530,000	Republic of Poland 1.750% Due 04/25/2032	10,392,311
7.	10,410,000	Baffinland Iron Mines Corp Sr Secd Nt 8.750% Due 07/15/2026	9,604,974
8.	35,027,000	Malaysian Govt 3.733% Due 06/15/2028	8,450,998
9.	31,599,000	Bonos De Tesoreria 5.400% Due 08/12/2034	8,402,170
10.	23,353,800,000	Republic of Mexico 8.500% Due 02/28/2030	8,154,980
Total			\$ 119,748,788

⁽¹⁾ Investment in a commingled fund that holds publicly traded fixed income securities. The par value represents LACERS ownership interest in the commingled fund.

SCHEDULE OF FEES AND COMMISSIONS

Schedule of Fees (In Thousands)

	2025 Assets Under Management	Fees	2024 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	\$ 5,939,532 ⁽¹⁾	\$ 10,501	\$ 5,838,200 ⁽²⁾	\$ 9,964
Equity Managers	11,927,031 ⁽¹⁾	39,520	10,979,341 ⁽²⁾	29,765
Real Estate Managers	1,364,615	21,056	1,249,044	20,642
Private Credit Managers	482,882	12,685	-	0
Private Equity Managers	4,997,135	82,681	4,447,057	77,459
Total	\$ 24,711,195	\$ 166,443	\$ 22,513,642	\$ 137,830
Investment Consulting Fees	N/A	\$ 1,883	N/A	\$ 1,845
Investment Related Administrative Expense	N/A	4,458	N/A	3,794
Total	N/A	\$ 6,341	N/A	\$ 5,639

⁽¹⁾ Includes \$122,000 of fixed income derivatives and \$2,020,000 of equity derivatives. This is combined in the Statement of Fiduciary Net Position of \$2,142,000.

⁽²⁾ Includes \$31,000 of fixed income derivatives and \$(8,109,000) of equity derivatives. This is combined in the Statement of Fiduciary Net Position of \$(8,078,000).

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	\$/Share
1.	J.P. Morgan Securities PLC	26,209,217	\$ 181,131	\$ 0.007
2.	Societe Generale	15,162,236	176,879	0.012
3.	Merrill Lynch International Limited	33,466,954	165,180	0.005
4.	Jefferies LLC	7,927,044	164,707	0.021
5.	Liquidnet Inc.	11,191,222	158,682	0.014
6.	Morgan Stanley and Co., LLC	18,604,065	133,181	0.007
7.	Macquarie Bank Limited	48,090,267	130,938	0.003
8.	UBS AG London Branch	8,520,369	129,773	0.015
9.	Goldman, Sachs and Co.	15,572,532	127,853	0.008
10.	Barclays Capital	5,892,644	120,699	0.020
	Total	190,636,550	1,489,023	0.008
	Total - Other Brokers⁽¹⁾	441,596,386	2,800,548	0.006
	Grand Total	632,232,936	\$ 4,289,571	\$ 0.007

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

LACERS has commission recapture arrangements with brokerage firms. For the current fiscal year, LACERS recaptured a total of \$17,661 commission credit from CAPIS (formerly known as Cowen), which was rebated to LACERS in cash.

INVESTMENT SUMMARY

As of June 30, 2025
(In Thousands)

Type of investment	Fair Value	% of Total Fair Value	Domestic Fair Value	Foreign Fair Value
Fixed Income:				
Government bonds	\$ 2,544,310	10.21	\$ 1,773,478	\$ 770,832
Government agencies	125,240	0.50	15,228	110,012
Municipal/provincial bonds	17,785	0.07	17,189	596
Corporate bonds	1,430,155	5.74	1,071,232	358,923
Bank loans	152,238	0.61	142,777	9,461
Government mortgage bonds	647,285	2.60	647,285	-
Commercial mortgage bonds	102,901	0.41	102,901	-
Opportunistic debts	320,731	1.29	301,402	19,329
Other fixed income (Common Funds Assets)	598,765	2.40	598,765	-
Derivative Instruments	122	-	132	(10)
Total Fixed Income	5,939,532	23.83	4,670,389	1,269,143
Equities:				
Common stock:				
Basic industries	1,596,653	6.41	651,562	945,091
Capital good industries	520,828	2.08	162,208	358,620
Consumer & services	2,308,209	9.26	1,266,720	1,041,489
Energy	599,775	2.41	284,228	315,547
Financial services	2,003,414	8.04	841,937	1,161,477
Health care	923,276	3.71	534,076	389,200
Information technology	2,146,847	8.62	1,507,580	639,267
Real Estate	834,334	3.35	745,359	88,975
Other funds - Common Stock	963,617	3.87	963,617	-
Miscellaneous	1,413	0.01	50	1,363
Total Common Stock	11,898,366	47.76	6,957,337	4,941,029
Preferred Stock	20,758	0.08	-	20,758
Stapled Securities	4,125	0.02	-	4,125
Convertible Equity	1,762	0.01	1,745	17
Derivative Instruments	2,020	0.01	6,735	(4,715)
Total Equities	11,927,031	47.88	6,965,817	4,961,214
Real Estate:	1,364,615	5.48	1,334,002	30,613
Private Credit:	482,882	1.94	482,882	-
Private Equity:				
Buyout	2,841,486	11.40	2,163,541	677,945
Distressed debt	254,468	1.02	182,718	71,750
Mezzanine	32,624	0.13	32,624	-
Special situations	287,812	1.15	215,232	72,580
Venture capital	1,580,745	6.34	1,461,834	118,911
Total Private Equity	4,997,135	20.04	4,055,949	941,186
Security Lending Collateral	207,016	0.83	143,557	63,459
Total Fund⁽¹⁾	\$24,918,211	100.00	\$17,652,596	\$ 7,265,615

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

LIST OF INVESTMENT ADVISORS, CUSTODIAN AND OTHER CONSULTANTS

Investment Advisors

U.S. Equity

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

Non-U.S. Equity

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

Fixed Income

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

Credit Opportunities

400 Capital Management
Bain Capital Credit, L.P.
Benefit Street Partners L.L.C.
Centre Lane Partners, LLC
Crescent Capital Group LP
Dawson Partners Inc.
HPS Investment Partners LLC
ICG Plc
Loomis, Sayles & Company, L.P.
Monroe Capital Advisors LLC
Polen Capital Credit, LLC
PGIM, Inc.
Putnam Hill Capital Partners
Quantum Capital Group
Silver Point Capital, L.P.
TPG Twin Brook
Wellington Management Company LLP

Cash & Short-Term

The Northern Trust Company

Public Real Assets

CenterSquare Investment Management LLC
Dimensional Fund Advisors LP

Real Estate

Almanac Realty Partners, LLC
Apollo Global Management, LLC
Ares Management Corp.
Asana Partners, LP
Berkshire Group
Bristol Group, Inc.
Broadview Real Estate Partners
Brookfield Asset Management Inc.
Bryanston Realty Partners
Carlyle Group Inc.
Cerberus Capital Management
CIM Group LLC
Clarion Partners
Cortland Partners, LLC
DLJ Real Estate Capital Partners
DRA Advisors LLC
EQT Group
Gerrity Group, LLC
Hancock Timber Resource Group, Inc.
Heitman LLC
Invesco Advisors, Inc.
Jamestown L.P.
JP Morgan Chase & Co.
Kayne Anderson Capital Advisors, L.P.
LBA Logistics
Lone Star Funds
Morgan Stanley & Co., LLC
Northbridge Partners
NREP Logistics AB
Oaktree Capital Management, L.P.
PCCP, LLC
Principal Financial Services, Inc.
Standard Life Investments Limited
Stockbridge Capital Group
The Wolff Company
Torchlight Investors, LLC
TPG Capital Advisors, LLC
Walton Street Capital
Waterton Associates LLC
Westpoint Capital Partners LLC

LIST OF INVESTMENT ADVISORS, CUSTODIAN AND OTHER CONSULTANTS

Investment Advisors *(continued)*

Private Equity

1315 Capital LLC	Genstar Capital
3 Boomerang Capital, L.P.	GGV Capital
ABRY Partners LLC	Gilde Buy Out Partners BV
ACON Investments, L.L.C.	Glendon Capital Management LP
Advent International Corp.	GTCR LLC
AION Capital Partners	The Halifax Group, LLC
Altaris, LLC	HarbourVest Partners, LLC
American Securities LLC	Harvest Partners
Angeleno Group LLC	Hellman & Friedman LLC
Angeles Equity Partners, LLC	Hg Capital, LLC
Apollo Global Management, LLC	H.I.G. Capital
Arsenal Capital Partners	High Road Capital Partners, LLC
Ascribe Capital, LLC	Hony Capital
Astorg Group, LLC	Incline Equity Partners
Astra Capital Management LLC	Insight Partners
Auldbrass Partners	Institutional Venture Partners
Avance Investment Management	Intermediate Capital Group Inc
Bain Capital	JH Whitney & Co.
Baring Private Equity Asia Limited	Kelso & Company
BC Partners	Khosla Ventures
Bessemer Venture Partners	Knox Lane
Biospring Partners	KPS Capital Partners
Black Diamond Capital Management	L2 Point Management, LLC
Blackstone Group Inc.	Leonard Green & Partners LP
Blue Sea Capital LLC	Levine Leichtman Capital Partners, LLC
Brentwood Associates, Inc.	Lightbay Capital
Builders VC	Longitude Capital
Cardinal Partners	Mayfield Group
Carlyle Group Inc.	MBK Partners L.P.
Centana Growth Partners	Mill Point Capital, LLC
CenterGate Capital, L.P.	Montagu Private Equity LLP
Charterhouse Capital Partners LLP	Nautic Partners, LLC
Cinven	New Enterprise Associates, LLC
Clearlake Capital Group	New Mountain Capital, LLC
Coller Capital Limited	New Water Capital, L.P.
CVC Capital Partners	NGEN Partners, LLC
Defy Partners Management, LLC	NGP Energy Capital Management, LLC
EIG Global Energy Partners	New MainStream Capital
Encap Investments L.P.	Nordic Capital, L.P.
Energy Capital Partners	Oak HC/FT Partners, LLC
Essex Woodland Health Ventures	Oak Investment Partners, L.P.
FIMI Ltd.	Oaktree Capital Management, L.P.
First Reserve Corporation	OceanSound Partners Fund, L.P.
Fortress Investment Group	Onex Partners
Francisco Partners	Orchid Asia Group
Freeman Spogli & Co. Inc.	P4G Capital Management, LLC
General Catalyst Partners	Palladium Equity Partners, L.P.

LIST OF INVESTMENT ADVISORS, CUSTODIAN AND OTHER CONSULTANTS

Investment Advisors *(continued)*

Private Equity *(continued)*

Permira, L.P.
Pharos Capital Group, LLC
Platinum Equity, LLC
Polaris Partners, L.P.
Providence Equity Partners, LLC
Quantum Capital Group
Reverence Capital Partners
Roark Capital Group
Searchlight Capital Partners, L.P.
SK Capital Partners L.P.
Spark Capital
Spire Capital Management, LLC
St. Cloud Capital Partners, L.P.
Stelllex Capital Management
StepStone Group, L.P.
Stripes Group, LLC
Sunstone Partners
TA Associates Management, L.P.
Technology Crossover Ventures, LLC
Thoma Bravo, LLC
Threshold Ventures Inc. (formerly DFJ Venture)
TPG Capital Advisors, LLC
Trident Capital
Ulu Ventures
Upfront Ventures
VantagePoint Venture Partners, L.P.
Vicente Capital Partners, LLC
Vista Equity Partners Management, LLC
Vitruvian Partners, LLP
Wynnchurch Capital, L.P.
Yucaipa Alliance Management, LLC

Consultants

NEPC, LLC
Aksia LLC
Townsend Holdings, LLC

Custodian

The Northern Trust Company

Transition Managers

Abel Noser, LLC
Blackrock Institutional Trust Company, N.A.
Citigroup Global Markets Inc.
The Northern Trust Company
Russell Investments Implementation Services, LLC

Proxy Voting Services

Institutional Shareholder Services Inc. (ISS)

Actuarial



ACTUARIAL VALUATION SUMMARY

Summary of Significant Valuation Results

Category	June 30, 2025	June 30, 2024	Change
I. Total Membership			
a. Active Members	27,000	26,782	0.8%
b. Pensioners and Beneficiaries	22,915	22,763	0.7%
II. Valuation Salary			
a. Total Annual Projected Payroll	\$2,868,028,601	\$2,730,282,217	5.0%
b. Average Projected Monthly Salary	8,852	8,495	4.2%
III. Benefits to Current Retirees and Beneficiaries ¹			
a. Total Annual Benefits	\$1,356,133,557	\$1,301,096,466	4.2%
b. Average Monthly Benefit Amount	4,932	4,763	3.5%
IV. Total System Assets ²			
a. Actuarial Value	\$24,799,377,599	\$23,404,150,020	6.0%
b. Fair Value	25,375,318,626	23,041,225,445	10.1%
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	\$7,013,981,160	\$7,046,941,634	(0.5)%
b. Health Subsidy Benefits	(223,295,413)	(285,810,920)	(21.9)% ³

Category	Fiscal Year 2026–27 ⁴ Tier 1	Fiscal Year 2026–27 ⁴ Tier 3	Fiscal Year 2025–26 ⁴ Tier 1	Fiscal Year 2025–26 ⁴ Tier 3	Difference Tier1	Difference Tier 3
VI. Budget Items (as a Percent of Pay)						
a. Retirement Benefits						
1. Normal Cost	9.77%	5.40%	8.85%	5.42%	0.92%	(0.02)%
2. Amortization of UAAL	20.37%	20.37%	20.55%	20.55%	(0.18)%	(0.18)%
3. Total Retirement Contribution	30.14%	25.77%	29.40%	25.97%	0.74%	(0.20)%
b. Health Subsidy Benefits						
1. Normal Cost	3.92%	4.16%	3.83%	3.98%	0.09%	0.18%
2. Amortization of UAAL	(0.43)%	(0.43)%	(0.58)%	(0.58)%	0.15%	0.15%
3. Total Health Subsidy Contribution	3.49%	3.73%	3.25%	3.40%	0.24%	0.33%
c. Total Contribution (a+b)	33.63%	29.50%	32.65%	29.37%	0.98%	0.13%

Category	June 30, 2025	June 30, 2024	Difference
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	74.6%	73.4%	1.2%
b. Health Subsidy Benefits	105.8%	108.0%	(2.2)%
c. Total	78.4%	77.5%	0.9%
(Based on Fair Value of Assets)			
d. Retirement Benefits	76.3%	72.3%	4.0%
e. Health Subsidy Benefits	108.2%	106.3%	1.9%
f. Total	80.3%	76.3%	4.0%

¹ Includes July COLA.

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

³ There is a reduction in the level of overfunding from the 2024 to the 2025 valuation.

⁴ Contributions are assumed to be received by LACERS on July 15.

ACTUARIAL VALUATION SUMMARY

Summary of Significant Valuation Results (Continued)

Category	June 30, 2025	June 30, 2024	Change
VIII. Net Pension Liability¹			
Total Pension Liability	\$27,613,228,652	\$26,492,518,234	4.2%
Plan Fiduciary Net Position	(21,077,644,650)	(19,144,037,018)	10.1%
Net Pension Liability	<u>\$6,535,584,002</u>	<u>\$7,348,481,216</u>	(11.1)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.3%	72.3%	4.0%
IX. Net OPEB (Asset) Liability²			
Total OPEB Liability	\$3,868,232,808	\$3,570,147,657	8.3%
Plan Fiduciary Net Position	(4,186,549,919)	(3,796,164,817)	10.3%
Net OPEB (Asset) Liability	<u>\$(318,317,111)</u>	<u>\$(226,017,160)</u>	40.8% ³
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	108.2%	106.3%	1.9%

¹ Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on page 100.

² Refer to the Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios on page 127.

³ There is an increase in the level of overfunding from the 2024 to the 2025 valuation.



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Actuarial certification

October 28, 2025

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, 2025, 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 as of June 30, 2024. 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 Comprehensive Financial Report and certain supporting schedules in the Financial Section, based on the results of the June 30, 2025 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 Liability¹
2. Schedule of Changes in Net Pension Liability and Related Ratios¹
3. Schedule of Contribution History¹

¹ Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2025.

October 28, 2025

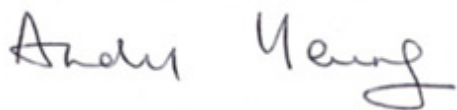
Actuarial Section

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 Ratios¹
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, 2025¹

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.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.



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

¹ Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2025.

RETIREMENT BENEFITS VALUATION

Active Member Valuation Data Member Population

Valuation Date	Active Members ¹	Covered Payroll ²	Annual Average Pay ²	Change in Annual Average Pay (%)
06/30/2016	24,446	\$1,968,702,630	\$80,533	0.9%
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4
06/30/2021	25,176	2,254,165,029	89,536	0.7
06/30/2022	24,917	2,258,724,771	90,650	1.2
06/30/2023	25,875	2,512,179,018	97,089	7.1
06/30/2024	26,782	2,730,282,217	101,945	5.0
06/30/2025	27,000	2,868,028,601	106,223	4.2

Retirees and Beneficiaries Added to and Removed from Retiree Payroll³

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Allowances Added ⁴	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2016	1,082	\$51,056,286	657	\$23,092,610	18,357	\$778,355,426	3.7%	\$42,401
06/30/2017	1,142	65,583,105	694	24,422,619	18,805	819,515,912	5.3	43,580
06/30/2018	1,312	86,917,553	738	26,361,758	19,379	880,071,707	7.4	45,414
06/30/2019	1,341	93,946,126	686	26,429,224	20,034	947,588,609	7.7	47,299
06/30/2020	1,134	85,268,880	745	28,126,528	20,423	1,004,730,961	6.0	49,196
06/30/2021	2,486	169,148,971	897	37,106,822	22,012	1,136,773,110	13.1	51,643
06/30/2022	1,140	91,420,287	753	32,200,860	22,399	1,195,992,537	5.2	53,395
06/30/2023	892	80,956,579	781	36,429,717	22,510	1,240,519,399	3.7	55,110
06/30/2024	1,007	94,946,932	754	34,369,865	22,763	1,301,096,466	4.9	57,158
06/30/2025	964	93,888,755	812	38,851,664	22,915	1,356,133,557	4.2	59,181

¹ Includes non-vested Members.

² Reflects annualized salaries for part-time Members.

³ Does not include Family Death Benefit Plan beneficiaries. Table is based on valuation data.

⁴ Includes the COLA granted in July.

RETIREMENT BENEFITS VALUATION

Schedule of Funded Liabilities by Type for Years Ended June 30 (Dollars in Thousands)

Date	Aggregate Actuarial Liabilities for Member Contributions	Aggregate Actuarial Liabilities for Retirees, Beneficiaries, & Inactive/Vested	Aggregate Actuarial Liabilities for Active Members	Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Member Contributions	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Retirees, Beneficiaries, & Inactive/Vested	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Active Members
06/30/2016	\$2,137,269	\$9,439,001	\$5,848,726	\$12,439,250	100.0%	100.0%	14.8%
06/30/2017	2,255,048	10,164,403	6,038,737	13,178,334	100.0	100.0	12.6
06/30/2018	2,354,026	11,079,053	6,511,500	13,982,435	100.0	100.0	8.4
06/30/2019	2,469,761	11,933,703	6,389,957	14,818,564	100.0	100.0	6.5
06/30/2020	2,584,851	12,740,109	7,202,235	15,630,102	100.0	100.0	4.2
06/30/2021	2,431,974	14,546,803	6,303,116	16,660,585	100.0	97.8	0.0
06/30/2022	2,554,972	15,266,882	6,256,897	17,649,268	100.0	98.9	0.0
06/30/2023	2,776,364	15,932,796	6,590,377	18,493,821	100.0	98.6	0.0
06/30/2024	3,013,000	16,549,811	6,929,707	19,445,577	100.0	99.3	0.0
06/30/2025	3,276,841	17,068,318	7,268,070	20,599,247	100.0	100.0	3.5

Schedule of Funding Progress for Years Ended June 30 (Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] ÷ (c)
06/30/2016	\$12,439,250	\$17,424,996	\$4,985,746	71.4%	\$1,968,703	253.3%
06/30/2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
06/30/2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
06/30/2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
06/30/2020	15,630,102	22,527,195	6,897,093	69.4	2,445,017	282.1
06/30/2021	16,660,585	23,281,893	6,621,308	71.6	2,254,165	293.7
06/30/2022	17,649,268	24,078,751	6,429,483	73.3	2,258,725	284.7
06/30/2023	18,493,821	25,299,537	6,805,716	73.1	2,512,179	270.9
06/30/2024	19,445,577	26,492,518	7,046,941	73.4	2,730,282	258.1
06/30/2025	20,599,247	27,613,229	7,013,982	74.6	2,868,029	244.6

Please refer to the required supplementary information of the Financial Section for the ten-year schedule of actuarially determined contributions and actual contributions.

RETIREMENT BENEFITS VALUATION

Actuarial Analysis of Financial Experience Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2025

Category	Amount
1. Unfunded actuarial accrued liability at beginning of year	\$7,046,941,634
2. Total normal cost at beginning of year	496,465,290
3. Expected employer and member contributions at beginning of year	(1,056,035,417)
4. Interest	454,116,005
5. Expected unfunded actuarial accrued liability at end of year	\$6,941,487,512
6. Changes due to:	
a) Investment loss on smoothed value of assets	\$3,693,560
b) Gain due to contribution experience	(40,412,053)
c) Loss due to higher than expected salary increases for continuing actives	121,485,278
d) Loss due to higher than expected COLAs for payees	12,385,695
e) Other net gains on demographic experience	(24,954,188)
f) Increase due to Sworn Public Safety Officers (PSO) benefit enhancement	295,356
Total loss	\$72,493,648
7. Unfunded actuarial accrued liability at end of year	\$7,013,981,160

Actuarial Balance Sheet for Year Ended June 30, 2025

Category	Amount
Actuarial Present Value of Future Benefits	
1. Present value of benefits for retired members and beneficiaries	\$16,679,536,581
2. Present value of benefits for inactive vested members	734,775,120
3. Present value of benefits for active members	14,576,850,684
4. Total actuarial present value of future benefits	\$31,991,162,385
Current and Future Assets	
5. Total valuation value of assets	\$20,599,247,492
6. Present value of future contributions by members	2,580,336,570
7. Present value of future employer contributions for:	
a) Entry age normal cost	1,797,597,163
b) Unfunded actuarial accrued liability	7,013,981,160
8. Present value of current and future assets	\$31,991,162,385

RETIREMENT BENEFITS VALUATION

Schedule of Changes in Net Pension Liability and Related Ratios¹ for the Fiscal Years Ended June 30 (Dollars in Thousands)

Category	2025	2024	2023	2022
Total Pension Liability				
Service cost ²	\$496,465	\$461,844	\$412,247	\$413,863
Interest	1,842,759	1,758,842	1,671,683	1,617,800
Changes of benefit terms	295	—	—	—
Differences between expected and actual experience	108,917	242,434	469,172	(66,172)
Changes of assumptions	0	—	(112,700)	—
Benefit payments, including refunds of Member contributions	(1,327,725)	(1,270,139)	(1,219,616)	(1,168,633)
Net change in total pension liability	1,120,711	1,192,981	1,220,786	796,858
Total pension liability-beginning	26,492,518	25,299,537	24,078,751	23,281,893
Total pension liability-ending (a)	\$27,613,229	\$26,492,518	\$25,299,537	\$24,078,751
Plan Fiduciary net position				
Contributions-employer	\$803,985	\$714,338	\$669,391	\$591,234
Contributions-Member	301,885	275,717	257,968	241,876
Net investment income (loss) ³	2,198,639	1,503,281	1,261,073	(1,542,473)
Benefit payments, including refunds of Member contributions	(1,327,725)	(1,270,139)	(1,219,616)	(1,168,633)
Administrative expenses	(38,349)	(32,453)	(28,614)	(27,033)
Other ⁴	(4,827)	—	—	(16)
Net change in Plan Fiduciary net position	1,933,608	1,190,744	940,202	(1,905,045)
Plan Fiduciary net position-beginning	19,144,037	17,953,293	17,013,091	18,918,136
Plan Fiduciary net position-ending (b)	\$21,077,645	\$19,144,037	\$17,953,293	\$17,013,091
Plan's net pension liability-ending (a) - (b)	\$6,535,584	\$7,348,481	\$7,346,244	\$7,065,660
Plan Fiduciary net position as a percentage of the total pension liability (b) ÷ (a)	76.3%	72.3%	71.0%	70.7%
Covered payroll	\$2,687,404	\$2,460,394	\$2,307,336	\$2,155,005
Plan's net pension liability as a percentage of covered payroll	243.2%	298.7%	318.4%	327.9%

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

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

³ Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment related administrative expenses is part of Administrative expenses and excluded from Net investment income.

⁴ On July 1, 2024, the System made an adjustment to beginning of year assets in order to match the June 30, 2024 Plan Fiduciary Net Position restated by LACERS after the completion of the June 30, 2024 GASB 67 valuation report.

On July 1, 2021, the System made an adjustment to the 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 GASB 67 valuation report.

RETIREMENT BENEFITS VALUATION

Schedule of Changes in Net Pension Liability and Related Ratios¹ (Continued) for the Fiscal Years Ended June 30 (Dollars in Thousands)

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

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

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

³ Building Lease and Other Income were included in the Net investment income (loss) starting in fiscal year 2020. Investment related administrative expenses is part of Administrative expenses and excluded from Net investment income.

⁴ On July 1, 2017, the System reallocated \$471,000 of interest from the Reserve for Mandatory Member Contributions into the Reserve for Voluntary Member Contributions.

RETIREMENT BENEFITS VALUATION

Schedule of Changes in Net Pension Liability and Related Ratios¹ (Continued) for the Fiscal Years Ended June 30 (Dollars in Thousands)

Category	2017	2016
Total Pension Liability		
Service cost ²	\$340,759	\$322,574
Interest	1,302,278	1,263,556
Changes of benefit terms	—	—
Differences between expected and actual experience	(146,474)	(300,813)
Changes of assumptions	340,718	—
Benefit payments, including refunds of Member contributions	(804,089)	(770,317)
Net change in total pension liability	1,033,192	515,000
Total pension liability-beginning	17,424,996	16,909,996
Total pension liability-ending (a)	<u>\$18,458,188</u>	<u>\$17,424,996</u>
Plan Fiduciary net position		
Contributions-employer	\$453,356	\$440,546
Contributions-Member	221,829	206,377
Net investment income (loss) ³	1,517,545	29,358
Benefit payments, including refunds of Member contributions	(804,089)	(770,318)
Administrative expenses	(17,454)	(17,204)
Other	—	—
Net change in Plan Fiduciary net position	1,371,187	(111,241)
Plan Fiduciary net position-beginning	11,809,329	11,920,570
Plan Fiduciary net position-ending (b)	<u>\$13,180,516</u>	<u>\$11,809,329</u>
Plan's net pension liability-ending (a) – (b)	<u>\$5,277,672</u>	<u>\$5,615,667</u>
Plan Fiduciary net position as a percentage of the total pension liability (b) ÷ (a)	71.4%	67.8%
Covered payroll	\$1,973,049	\$1,876,946
Plan's net pension liability as a percentage of covered payroll	267.5%	299.2%

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

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

³ Investment related administrative expenses is part of Administrative expenses and excluded from Net investment income.

RETIREMENT BENEFITS VALUATION

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

Notes to Schedule:

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

The June 30, 2025 calculation reflected enhanced pre-retirement death and disability benefits for certain Sworn PSO.

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

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

The June 30, 2023 calculations reflected changes in the actuarial assumptions adopted by the Board on June 27, 2023 based on the triennial experience study for the period from July 1, 2019 through June 30, 2022. These assumption changes included lowering of the inflation assumption from 2.75% to 2.50% while maintaining the 2.75% cost of living adjustment assumption for Tier 1, changes in the merit and promotion salary increase assumption, and changes in the mortality assumption, which somewhat offset the increase in total pension liability.

RETIREMENT BENEFITS VALUATION

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, 2025 (Dollars in Millions)

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (a) + (b) – (c) – (d) + (e)
2024	\$19,144	\$1,106	\$1,328	\$38	\$2,194 ¹	\$21,078
2025	21,078	1,087	1,549	42	1,448	22,022
2026	22,022	1,084	1,530	44	1,515	23,048
2027	23,048	1,071	1,599	46	1,584	24,057
2028	24,057	1,085	1,665	48	1,652	25,081
2029	25,081	1,108	1,734	50	1,722	26,127
2030	26,127	1,128	1,808	52	1,792	27,187
2031	27,187	1,163	1,886	54	1,865	28,274
2032	28,274	1,187	1,967	57	1,938	29,375
2033	29,375	1,175	2,048	59	2,011	30,456
2051	35,508	231 ²	3,003	71	2,368	35,033
2052	35,033	219 ²	3,029	70	2,333	34,486
2053	34,486	207 ²	3,052	69	2,294	33,866
2054	33,866	194 ²	3,072	68	2,249	33,169
2117	1	0 ^{2,3}	1	0 ³	0 ³	1
2118	1	0 ^{2,3}	0 ³	0 ³	0 ³	0 ³
2119	0 ³	0 ^{2,3}	0 ³	0 ³	0 ³	0 ³
2120	0 ³	0 ^{2,3}	0 ³	0 ³	0 ³	0 ³
2121	0 ³	0 ^{2,3}	0 ³	0 ³	0 ³	0 ³
2122	0 ³	0 ^{2,3}	0 ³	0 ³	0 ³	0 ³
2123	0 ³	0 ^{2,3}	0 ³	0 ³	0 ³	0 ³

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.

¹ Includes prior period adjustment resulting from the implementation of GASB 101 – Compensated Absences, effective fiscal year 2024/2025, of \$(4.8) M.

² Mainly attributable to employer contributions to fund each year's annual administrative expenses.

³ Less than \$1 million, when rounded.

RETIREMENT BENEFITS VALUATION

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, 2025 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.
2. Amounts shown for the year beginning July 1, 2024 row are actual amounts, based on the unaudited financial statements provided by LACERS.
3. Various years have been omitted from this table.
4. Column (a): None of the Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.
5. Column (b): Projected total contributions include member and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2025); plus employer contributions to the unfunded actuarial accrued liability; plus employer 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, retired members, and beneficiaries as of June 30, 2025. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2025 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average.
7. Column (d): Projected administrative expenses are calculated as approximately 0.20% of the beginning Plan Fiduciary Net Position. The 0.20% was based on the actual fiscal year 2024–2025 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position as of July 1, 2024. 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 and reflect the assumed timing of cashflows, as noted above.
9. As illustrated in this Exhibit, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2025 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

RETIREMENT BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2019 through June 30, 2022 Actuarial Experience Study dated June 21, 2023. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. The following assumptions used to value the Plan liabilities for funding purposes and for financial reporting purposes have been adopted by the Board.

Net Investment Return

7.00%¹

Based on the Actuarial Experience Study report referenced above, expected administrative and investment expenses represent about 0.20% of the Actuarial Value of Assets.

Discount Rate

7.00%

Employee Contribution Crediting Rate

Based on average of 5-year Treasury note rate. An assumption of 2.50% is used to approximate that crediting rate in this valuation.

Cost of Living Adjustment (COLA)

Retiree COLA increases of 2.75% per year for Tier 1 and 2.00% per year for Tier 3. For Tier 1 members with COLA banks, withdrawals from the bank are assumed to increase the retiree COLA to 3.00% per year until their COLA banks are exhausted.

Payroll Growth

Inflation of 2.50% per year plus real “across the board” salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.

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

Increase of 2.50% per year from the valuation date.

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

RETIREMENT BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Salary Increases

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

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

Post-Retirement Mortality Rates

Healthy Members

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

Disabled Members

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

Beneficiaries

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

Beneficiaries currently in pay status: Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

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

RETIREMENT BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Pre-Retirement Mortality Rates

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

Age	Male Rate (%)	Female Rate (%)
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 and Sworn PSO, 100% of pre-retirement death benefits are assumed to be service-connected.

Disability Incidence

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

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

RETIREMENT BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Termination

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

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

Retirement Rates

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

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

RETIREMENT BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Age and Benefit for Inactive Vested Members

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

Other Reciprocal Service

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

Service

Benefit service is used for benefit calculation purposes. For eligibility determination purposes, employment service is used for currently active members and vesting service is used for currently inactive members.

Future Benefit Accruals

1.0 year of service credit per year.

Unknown Data for Members

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

Form of Payment

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

Percent Married/Domestic Partner

For all active and inactive Members, 76% of male participants and 52% of female participants are assumed to be married or with domestic partner at pre-retirement death or retirement.

Age and Gender of Spouse

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

Actuarial Cost Method

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

Actuarial Value of Assets

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

RETIREMENT BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Valuation Value of Assets

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

Amortization Policy

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

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

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate, that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.00% (i.e., 2.50% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Internal Revenue Code Section 415

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

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active members could be taxed on their vested benefits and the IRS may 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 \$280,000 for 2025. 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.

¹ The two GASB 25/27 layers have been fully amortized by the June 30, 2025 valuation.

RETIREMENT BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

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

Changes in Actuarial Assumptions, Methods or Models

There have been no changes in actuarial assumptions, methods or models since the last valuation.

Summary of Plan Provisions

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

Plan Year

July 1 through June 30

Census Date

June 30

Membership Eligibility

Tier 1 (§ 4.1002(a)), (§ 4.1002.1)

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 2 – Retirement Plan Description on page 33 regarding the Membership). Includes Airport Peace Officers who did not pay for enhanced benefits.

Tier 1 Enhanced (§ 4.1002(e))

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

Tier 3 (§ 4.1080.2(a))

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

Normal Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(a))

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

Tier 1

Amount (§ 4.1007(a))

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

Tier 1 Enhanced

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

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.

Early Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(b))

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

Amount (§ 4.1007(a) & (b))

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

Age	Factor
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

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

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

56	0.9400
57	0.9550
58	0.9700
59	0.9850
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
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

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.

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

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

Enhanced Retirement Benefit (Continued)

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.

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.²

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.²

Sworn PSO

For purposes of calculating the pre-retirement death and disability benefits, except for the service retirement component of such benefits for current Tier 3 members: Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned pensionable bonuses or premium pay.²

For purposes of calculating the service retirement component of the disability benefits for current Tier 3 members: 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.²

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

² IRC Section 401(a)(17) compensation limit would apply to all employees who began membership in LACERS after June 30, 1996.

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

Post-Retirement Cost of Living Benefits

Tier 1 & Tier 1 Enhanced (§ 4.1022)

Based on changes to Los Angeles area¹ Consumer Price Index, to a maximum of 3% per year; excess banked.

Tier 3 (§ 4.1080.17)

Based on changes to Los Angeles area¹ Consumer Price Index, to a maximum of 2% per year; excess not banked.

Death after Retirement

Tier 1 & Tier 3 (§ 4.1010(c), § 4.1080.10(c), & § 4.1012(c)) (service retirement or disability) and Sworn PSO (§ 4.1010(c), § 4.1010(c)(3), and § 4.1010(c)(2)) (service retirement)

- 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);² and
- \$2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

Tier 1 Enhanced (§ 4.1010.1(b), § 4.1010.1(i), & § 4.1010.1(j)) (service-connected disability) and Sworn PSO (§ 4.1010.2(b)(6), § 4.1010(c)(3), & § 4.1010(c)(2)) (service-connected disability)

- 80% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of Member's death (or a designated beneficiary selected by Member at the time of retirement)^{3,4}; and
- \$2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

Tier 1 Enhanced (§ 4.1010.1(b), § 4.1010.1(i), & § 4.1010.1(j)) (service retirement or nonservice-connected disability) and Sworn PSO (§ 4.1010.2(b)(7), § 4.1010(c)(3), & § 4.1010(c)(2)) (nonservice-connected disability)

- 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)⁴ and
- \$2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

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

² The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1080.14 (Tier 3).

³ 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).

⁴ The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of Section 4.1010.1(c).

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

Death before Retirement

Tier 1, Tier 1 Enhanced, & Tier 3 (§ 4.1010(a), § 4.1010.1(b), & § 4.1080.10(a)) and Sworn PSO (§ 4.1010.2(b)(5))

Greater of:

Option #1:

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

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

Tier 1 & Tier 3

Option #2:

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

Tier 1 Enhanced and Sworn PSO

Service-Connected Death

Option #2:

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

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

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

Death before Retirement (Continued)

Tier 1 Enhanced and Sworn PSO

Nonservice-Connected Death

Option #2:

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

Member Contributions

Tier 1 & Tier 1 Enhanced (§ 4.1003)

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

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

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

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).

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

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

Disability

Tier 1 & Tier 3

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

- 5 years of continuous service.

Amount¹ (§ 4.1008(c) & § 4.1080.8(c))

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

Tier 1 Enhanced and Sworn PSO

Service Requirement (§ 4.1008.1, § 4.1008.2(a), & § 4.1080.8.1(a))

- Service-Connected Disability: None.
- Nonservice-Connected Disability: 5 years of continuous service.

Amount¹ (§ 4.1008.1, § 4.1008.2(b), § 4.1080.8.1(b), § 4.1008.2(c), & § 4.1080.8.1(c))

- 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.

Deferred Retirement Benefit (Vested)

Tier 1 & Tier 1 Enhanced (§ 4.1006)

Age & Service Requirement

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

Amount

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

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.

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

Deferred Retirement Benefit (Vested) (Continued)

Tier 1 & Tier 1 Enhanced (§ 4.1006) (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; or
- Deferred employee who meets part-time eligibility: age 55 and at least 10 years elapsed from first date of membership.

Amount

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

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

Tier 3 (§ 4.1080.6)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

Age & Service Requirement

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

Amount

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

RETIREMENT BENEFITS VALUATION

Summary of Plan Provisions (Continued)

Deferred Retirement Benefit (Vested) (Continued)

Tier 3 (§ 4.1080.6) (continued)

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

This valuation reflects enhanced pre-retirement death and disability benefits for certain sworn Public Safety Officers who choose to remain in LACERS.

Furthermore, certain LACERS members would be allowed to transfer to the City of Los Angeles Fire and Police Pension Plan (LAFPP), as permitted under Measure FF. However, as the elections to be made by the eligible members were not yet available to Segal as of the drafting of this report, Segal has not reflected the financial impact of the transfers in the report.



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Actuarial certification

October 28, 2025

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of the Los Angeles City Employees' Retirement System's other postemployment benefit (OPEB) program as of June 30, 2025, 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, 2024.

The actuarial valuation is based on the plan of benefits verified by LACERS and reliance on participant, premium, claims and expense data provided by LACERS. Segal has not audited the data provided. The accuracy and comprehensiveness of the data is the responsibility of those supplying the data. Segal, however, has reviewed the data for reasonableness and consistency.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the OPEB Plan'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 No. 75 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, 2025 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 Liability¹
2. Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios¹
3. Schedule of Contribution History¹

¹ Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2025.

October 28, 2025

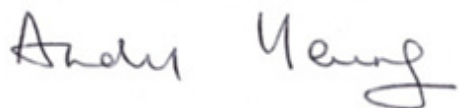
Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Health Benefits
7. Member Benefit Coverage Information
8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios¹
12. Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2025¹

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 information necessary to fund the Plan with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, the American Academy of Actuaries and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.



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



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

¹ Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2025.

HEALTH BENEFITS VALUATION

Active Member Valuation Data Member Population

Valuation Date	Active Members ¹	Covered Payroll	Annual Average Pay ²	Change in Annual Average Pay (%)
06/30/2016	24,446	\$1,968,702,630	\$80,533	0.9%
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4
06/30/2021	25,176	2,254,165,029	89,536	0.7
06/30/2022	24,917	2,258,724,771	90,650	1.2
06/30/2023	25,875	2,512,179,018	97,089	7.1
06/30/2024	26,782	2,730,282,217	101,945	5.0
06/30/2025	27,000	2,868,028,601	106,223	4.2

Retirees and Beneficiaries Added to and Removed from Health Benefits

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Subsidies Added ³	No. of Retirees/ Beneficiaries Removed	Annual Subsidies Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Subsidies at 6/30	Percent Increase in Annual Subsidies	Average Annual Subsidy
06/30/2016	837	\$2,185,058	536	\$3,102,492	14,313	\$111,712,086	(0.8)%	\$7,805
06/30/2017	913	13,706,185	574	3,316,380	14,652	122,101,891	9.3	8,333
06/30/2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
06/30/2019	1,195	12,323,187	548	3,780,696	15,791	144,408,241	6.3	9,145
06/30/2020	967	7,878,817	651	3,979,061	16,107	148,307,997	2.7	9,208
06/30/2021	2,135	25,826,129	742	5,162,633	17,500	168,971,493	13.9	9,656
06/30/2022	893	5,631,315	640	4,809,300	17,753	169,793,508	0.5	9,564
06/30/2023	699	1,517,839	693	568,742	17,759	170,742,605	0.6	9,614
06/30/2024	784	5,382,994	628	555,229	17,909	175,570,370	2.8	9,803
06/30/2025	769	11,069,872	674	4,752,005	18,004 ⁴	181,888,237	3.6	10,103

¹ Includes non-vested Members.

² Reflects annualized salaries for part-time Members.

³ Also reflects changes in subsidies for continuing retirees and beneficiaries.

⁴ Total participants including married dependents currently receiving benefits are 23,846.

HEALTH BENEFITS VALUATION

Member Benefit Coverage Information for Years Ended June 30 (Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities for Inactive/Vested Members	Aggregate Actuarial Accrued Liabilities for Retirees, Beneficiaries & Dependents	Aggregate Actuarial Accrued Liabilities for Active Members	Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Inactive/Vested Members	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Retirees, Beneficiaries & Dependents	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Active Members
06/30/2016	\$50,413	\$1,275,604	\$1,467,671	\$2,248,753	100%	100%	63%
06/30/2017	62,252	1,379,357	1,564,197	2,438,458	100	100	64
06/30/2018	67,138	1,497,370	1,692,320	2,628,844	100	100	63
06/30/2019	65,887	1,600,131	1,668,281	2,812,662	100	100	69
06/30/2020	70,327	1,677,723	1,738,481	2,984,424	100	100	71
06/30/2021	74,600	1,869,445	1,576,034	3,330,377	100	100	88
06/30/2022	74,632	1,900,861	1,605,203	3,472,956	100	100	93
06/30/2023	76,592	1,784,281	1,544,216	3,646,978	100	100	100
06/30/2024	86,361	1,824,659	1,659,128	3,855,959	100	100	100
06/30/2025	90,734	1,966,689	1,810,810	4,091,528	100	100	100

Schedule of Funding Progress for Years Ended June 30 (Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) ÷ (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] ÷ (c)
06/30/2016	\$2,248,753	\$2,793,688	\$544,935	80.5%	\$1,968,703	27.7%
06/30/2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
06/30/2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
06/30/2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
06/30/2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5
06/30/2021	3,330,377	3,520,078	189,701	94.6	2,254,165	8.4
06/30/2022	3,472,956	3,580,696	107,740	97.0	2,258,725	4.8
06/30/2023	3,646,978	3,405,088	(241,890)	107.1	2,512,179	(9.6)
06/30/2024	3,855,959	3,570,148	(285,811)	108.0	2,730,282	(10.5)
06/30/2025	4,091,528	3,868,233	(223,295)	105.8	2,868,029	(7.8)

Please refer to the required supplementary information of the Financial Section for the ten-year schedule of actuarially determined contributions and actual contributions.

HEALTH BENEFITS VALUATION

Actuarial Analysis of Financial Experience Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2025

Category	Amount
1. Unfunded actuarial accrued liability as of June 30, 2024	\$(285,810,920)
2. Employer normal cost as of June 30, 2024	105,747,585
3. Expected employer contributions during 2024-25 fiscal year	(90,061,296)
4. Interest	(18,807,451)
5. Expected unfunded actuarial accrued liability as of June 30, 2025 (1 + 2 + 3 + 4)	\$(288,932,082)
6. Change due to investment gain, after smoothing	(46,506,411)
7. Change due to actual contributions less than expected	148,733
8. Change due to miscellaneous demographic gains and losses	(5,488,386)
9. Change due to updated 2025/2026 premiums, underlying claims estimates and subsidy levels	44,996,783
10. Change due to updated trend assumption to project future medical premiums after 2025/2026	72,445,950
11. Unfunded actuarial accrued liability as of June 30, 2025 (5 + 6 + 7 + 8 + 9 + 10)	\$(223,295,413)

Actuarial Balance Sheet for Year Ended June 30, 2025

Category	Amount
Assets	
1. Actuarial value of assets	\$4,091,528,221
2. Present value of future normal costs	1,028,964,247
3. Unfunded actuarial accrued liability	(223,295,413)
4. Present value of current and future assets	\$4,897,197,055
Liabilities	
5. Actuarial present value of total projected benefits	\$4,897,197,055

HEALTH BENEFITS VALUATION

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

Category	2025	2024	2023	2022
Total OPEB Liability				
Service cost ¹	\$105,747	\$96,467	\$81,028	\$81,415
Interest	251,426	239,773	250,838	246,694
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience	(5,448)	(38,374)	(12,048)	(369)
Changes of assumptions	117,443	22,296	(336,075)	(109,877)
Benefit payments	(171,083)	(155,102)	(159,351)	(157,245)
Net change in total OPEB liability	298,085	165,060	(175,608)	60,618
Total OPEB liability-beginning	3,570,148	3,405,088	3,580,696	3,520,078
Total OPEB liability-ending (a)	\$3,868,233	\$3,570,148	\$3,405,088	\$3,580,696
Plan Fiduciary net position				
Contributions-employer	\$90,168	\$97,094	\$90,581	\$91,623
Net investment income (loss)	482,747	322,658	269,611	(360,636)
Benefit payments	(171,083)	(155,102)	(159,351)	(157,245)
Administrative expense	(10,322)	(8,871)	(8,226)	(7,619)
Other ²	(1,125)	—	—	(4)
Net change in Plan Fiduciary net position	390,385	255,779	192,615	(433,881)
Plan Fiduciary net position-beginning	3,796,165	3,540,386	3,347,771	3,781,652
Plan Fiduciary net position-ending (b)	\$4,186,550	\$3,796,165	\$3,540,386	\$3,347,771
Plan's net OPEB (asset) liability-ending (a) – (b)	\$(318,317)	\$(226,017)	\$(135,298)	\$232,925
Plan Fiduciary net position as a percentage of the total OPEB liability (b) ÷ (a)	108.2%	106.3%	104.0%	93.5%
Covered payroll	\$2,687,404	\$2,460,394	\$2,307,336	\$2,155,005
Plan's net OPEB (asset) liability as a percentage of covered payroll	(11.8)%	(9.2)%	(5.9)%	10.8%

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

² Adjustment made to beginning of year assets in order to match the June 30, 2024 Plan Fiduciary Net Position restated by LACERS after the completion of the June 30, 2024 GASB 74 valuation report.

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 GASB 74 valuation report.

HEALTH BENEFITS VALUATION

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

Category	2021	2020	2019	2018
Total OPEB Liability				
Service cost ¹	\$84,817	\$76,423	\$74,478	\$74,611
Interest	244,776	242,666	236,678	218,686
Changes of benefit terms	—	—	—	948
Differences between expected and actual experience	10,672	(135,720)	(134,053)	(7,321)
Changes of assumptions	(157,614)	96,076	33,940	92,178
Benefit payments ²	(149,103)	(127,214)	(133,571)	(128,081)
Net change in total OPEB liability	33,548	152,231	77,472	251,021
Total OPEB liability-beginning	3,486,530	3,334,299	3,256,827	3,005,806
Total OPEB liability-ending (a)	<u>\$3,520,078</u>	<u>\$3,486,530</u>	<u>\$3,334,299</u>	<u>\$3,256,827</u>
Plan Fiduciary net position				
Contributions-employer	\$103,454	\$112,136	\$107,927	\$100,909
Net investment income (loss)	983,522	60,899	166,470	269,380
Benefit payments ²	(149,103)	(127,214)	(133,571)	(128,081)
Administrative expense	(7,425)	(6,715)	(5,099)	(4,699)
Other	—	—	—	—
Net change in Plan Fiduciary net position	930,448	39,106	135,727	237,509
Plan Fiduciary net position-beginning	2,851,204	2,812,098	2,676,371	2,438,862
Plan Fiduciary net position-ending (b)	<u>\$3,781,652</u>	<u>\$2,851,204</u>	<u>\$2,812,098</u>	<u>\$2,676,371</u>
Plan's net OPEB (asset) liability-ending (a) – (b)	<u>\$(261,574)</u>	<u>\$635,326</u>	<u>\$522,201</u>	<u>\$580,456</u>
Plan Fiduciary net position as a percentage of the total OPEB liability (b) ÷ (a)	107.4%	81.8%	84.3%	82.2%
Covered payroll	\$2,276,768	\$2,271,039	\$2,108,171	\$2,057,565
Plan's net OPEB (asset) liability as a percentage of covered payroll	(11.5)%	28.0%	24.8%	28.2%

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

² Benefit payments associated with the self-funded insurance premium and Member's health insurance premium reserve that were reported as both additions and deductions in fiduciary net position beginning fiscal year 2019 were excluded from the above schedule.

HEALTH BENEFITS VALUATION

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

Category	2017	2016
Total OPEB Liability		
Service cost ¹	\$68,385	\$62,360
Interest	210,170	199,078
Changes of benefit terms	—	17,215
Differences between expected and actual experience ²	19,666	(22,013)
Changes of assumptions	33,512	—
Benefit payments	(119,616)	(109,940)
Net change in total OPEB liability	212,117	146,700
Total OPEB liability-beginning	2,793,689	2,646,989
Total OPEB liability-ending (a)	\$3,005,806	\$2,793,689
 Plan Fiduciary net position		
Contributions-employer	\$97,457	\$105,983
Net investment income (loss)	330,708	(344)
Benefit payments	(119,616)	(109,940)
Administrative expense	(4,564)	(4,528)
Other	—	—
Net change in Plan Fiduciary net position	303,985	(8,829)
Plan Fiduciary net position-beginning	2,134,877	2,143,706
Plan Fiduciary net position-ending (b)	\$2,438,862	\$2,134,877
 Plan's net OPEB (asset) liability-ending (a) – (b)	\$566,944	\$658,812
 Plan Fiduciary net position as a percentage of the total OPEB liability (b) ÷ (a)	81.1%	76.4%
 Covered payroll	\$1,973,049	\$1,876,946
 Plan's net OPEB (asset) liability as a percentage of covered payroll	28.7%	35.1%

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

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

Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios (Continued)**Notes to Schedule:**

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

Changes of Assumptions: The OPEB liability from the changes of assumptions for the fiscal year ended June 30, 2017 was primarily due to the lowered assumed investment rate of return, from 7.50% to 7.25%. The June 30, 2018 liability increase was primarily due to the new actuarial assumptions adopted in the triennial experience study (July 1, 2014 through June 30, 2017), including revising the mortality tables from static to generational, while the June 30, 2019 increase was mainly due to the increased Medicare Part B Premium Trend Rate from 4.0% to 4.5%. The June 30, 2020 liability increase was primarily due to the new actuarial assumptions adopted in the triennial experience study (July 1, 2016 through June 30, 2019), including the lowered assumed investment rate of return, from 7.25% to 7.00%. The June 30, 2021 liability decrease was primarily due to 2021/2022 premium and subsidy levels lower than expected from favorable premium renewal experience. The June 30, 2022 liability decrease was primarily due to favorable 2022/2023 premium renewal experience and lower 2022/2023 subsidy levels than expected. The June 30, 2023 liability decrease was primarily due to lower overall 2023/2024 premiums and subsidy levels than expected, and to a lesser degree the new assumptions adopted in the triennial experience study (July 1, 2019 to June 30, 2022). The OPEB liability increase from changes of assumptions for fiscal year ended June 30, 2024 was mainly due to updated trend assumptions for prescription drug costs and Part B premiums. The impact of the higher trend assumptions was mostly offset by the updated starting costs for 2024/2025. The OPEB liability increase from changes in assumptions for fiscal year ending June 30, 2025 was mainly due to the impact of the new Part B Medicare premium trend assumptions and updated initial year healthcare costs.

HEALTH BENEFITS VALUATION

Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2025 (Dollars in Millions)

Year Beginning July 1,	Projected Beginning OPEB Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending OPEB Plan Fiduciary Net Position (a) + (b) - (c) - (d) + (e)
2024	\$3,796	\$90	\$171	\$10	\$482	\$4,187
2025	4,187	106	182	11	290	4,389
2026	4,389	115	192	12	304	4,604
2027	4,604	112	203	13	319	4,818
2028	4,818	109	215	13	333	5,032
2029	5,032	105	227	14	347	5,243
2030	5,243	102	241	14	362	5,452
2031	5,452	99	255	15	376	5,657
2032	5,657	95	270	15	389	5,856
2051	8,266	33	525	22	561	8,312
2052	8,312	29	542	23	563	8,339
2053	8,339	26	557	23	564	8,350
2054	8,350	22	571	23	564	8,342
2055	8,342	18	584	23	563	8,318
2088	11,918	0 ^{1,2}	217	32	826	12,493
2089	12,493	0 ^{1,2}	198	34	866	13,128
2090	13,128	0 ^{1,2}	179	36	911	13,825
2091	13,825	0 ^{1,2}	160	38	961	14,588
2092	14,588	0 ^{1,2}	142	40	1,015	15,421
2108	39,418	0 ^{1,2}	4	107	2,755	42,062
2109	42,062	0 ^{1,2}	3	114	2,940	44,886
2110	44,886	0 ^{1,2}	2	122	3,138	47,899
2111	47,899	0 ^{1,2}	1	130	3,348	51,116
2112	51,116	0 ^{1,2}	1	139	3,573	54,550
2113	54,550	0 ^{1,2}	0 ²	148	3,813	58,214
2114	58,214	0 ^{1,2}	0 ²	158	4,069	62,125
2115	62,125	0 ^{1,2}	0 ²	169	4,343	66,299
2116	66,299	0 ^{1,2}	0 ²	180	4,635	70,753
2117	70,753	0 ^{1,2}	0 ²	192	4,946	75,507
2118	75,507	0 ^{1,2}	0 ²	205	5,278	80,580
2119	80,580	0 ^{1,2}	0 ²	219	5,633	85,994
2120	85,994	0 ^{1,2}	0 ²	234	6,011	91,771
2121	91,771	0 ^{1,2}	0 ²	250	6,415	97,937
2122	97,937	0 ^{1,2}	0 ²	266	6,846	104,517
2123	104,517	0 ^{1,2}	0 ²	284	7,306	111,539
2124	\$111,539 ³					
2124	Discounted: \$138					

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

² Less than \$1 million, when rounded.

³ \$111,539 million when discounted with interest at the rate of 7.00% per annum has a value of \$138 million as of June 30, 2025.

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

Projection of OPEB Plan Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2025 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.
2. Amounts shown for the year beginning July 1, 2024 row are actual amounts, based on the unaudited financial statements provided by LACERS.
3. Years 2033-2050, 2056-2087, and 2093-2107 have been omitted from this table.
4. Column (a): Except for the "discounted value" shown for 2124, none of the projected beginning OPEB Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.
5. Column (b): Projected total contributions include employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2025); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses. Unfunded accrued liabilities are amortized over closed 20 and 15-year periods, depending on the source of the changes. Contributions are assumed to occur halfway through the year, on average. Any actuarial surplus is amortized over 30 years on an open (non-decreasing) basis. Zeros represent dollar amounts less than \$1 million, when rounded.
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, 2025. The projected benefit payments reflect future health care trends used in the June 30, 2025 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. Zeros represent dollar amounts less than \$1 million, when rounded.
7. Column (d): Projected administrative expenses are calculated as approximately 0.25% of the projected beginning OPEB Plan Fiduciary Net Position amount. The 0.25% portion was based on the actual fiscal year 2024-25 administrative expenses as a percentage of the beginning OPEB Plan Fiduciary Net Position amount as of July 1, 2024. Administrative expenses are assumed to occur halfway through the year, on average.
8. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.
9. As illustrated in this Schedule, the OPEB Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan Members. In other words, there is no projected 'cross-over date' when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2025 shown in the GASB 74 report, pursuant to paragraph 49 of GASB Statement No. 74.

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2019 through June 30, 2022 Actuarial Experience Study dated June 21, 2023 and the retiree health assumptions letter dated September 16, 2025. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. These assumptions have been adopted by the Board.

Measurement Date

June 30, 2025.

Data

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

Post-Retirement Mortality Rates

Healthy Members

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

Disabled Members

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

Beneficiaries

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

Beneficiaries currently in pay status: Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

The Pub-2010 mortality tables and adjustments as shown 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% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

HEALTH BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Disability Incidence

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

Termination

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

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

HEALTH BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

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

Retirement Age and Benefit for Inactive Vested Members

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

Unknown Data for Members

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year

Net Investment Return

7.00%²

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.

² Net of investment and administrative expenses for funding purposes, and net of investment expenses only for financial reporting purposes.

HEALTH BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Discount Rate

7.00%

Payroll Growth

Inflation of 2.50% per year plus real “across the board” salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.

Salary Increases

Inflation: 2.50%; plus additional 0.50% “across the board” salary increases (other than inflation); plus the following merit and promotion increases:

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

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.

Maximum Dental Subsidy: 2025–26 Fiscal Year

<u>Carrier</u>	<u>Election Percent</u>	<u>Maximum Monthly Dental Subsidy</u>
Delta Dental PPO	83.0%	\$42.93
DeltaCare USA	17.0%	\$15.70

Medicare Part B Premium Subsidy

<u>Category</u>	<u>Amount</u>
Actual monthly premium for calendar year 2025	\$185.00
Actual monthly premium for calendar year 2026 ¹	\$206.50
Projected average monthly premium for plan year 2025/2026	\$195.75

¹ Based on calendar year 2025 premium adjusted to 2026 by assumed trend rate of 11.60%.

HEALTH BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

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

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

Maximum Monthly Medical Subsidy

(Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members)

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

2025–26 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	59.8%	\$1,139.60	\$2,279.19	\$1,139.60
Anthem BC PPO	23.2%	\$1,797.51	\$2,363.21	\$1,139.60
Anthem BC HMO	17.0%	\$1,435.57	\$2,363.21	\$1,139.60

Maximum Monthly Medical Subsidy

(Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members)

Participant Eligible for Medicare A & B

2025–26 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv. HMO	55.3%	\$263.23	\$526.45	\$263.23
Anthem Medicare Preferred (PPO)	33.2%	\$437.70	\$870.36	\$437.70
UHC Medicare Advantage Plan ¹	5.3%	\$364.61	\$724.19	\$364.61
SCAN Medicare Advantage Plan	4.1%	\$226.93	\$448.83	\$226.93
Anthem Medicare Supplemental	2.1%	\$607.32	\$1,162.25	\$607.32

The monthly premiums provided above include vision premiums and are the plan's member rates, which do not necessarily equal the rates charged by the carriers. For valuation purposes, the retirees with UHC Medicare Advantage HMO for Arizona and Nevada (1.1% of total enrollment) are assumed to have the same costs as the UHC California Medicare Advantage Plan. These grouping simplifications have a de-minimis impact on the valuation results.

¹ Rates for CA plan.

HEALTH BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

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

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

Category	Single Party Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Subsidy
Under Age 65: All Plans	\$1,190.00	\$1,190.00	\$593.62
Age 65 and Over:			
Kaiser Senior Adv.	\$203.27	\$253.68	\$203.27
Anthem Medicare Preferred (PPO) ¹	\$478.43	\$478.43 ²	\$478.43
UHC California Medicare Adv. HMO	\$219.09	\$433.93	\$219.09
SCAN Medicare Advantage Plan ³	\$223.88	\$447.76	\$223.88

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

Per capita costs were based on the premiums for the valuation year. Actuarial factors were applied to the premiums to estimate individual retiree and spouse costs by age and by gender in accordance with ASOP 6.

Spouse/Domestic Partner Coverage

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

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

Participation

Retiree Medical and Dental Coverage Participation:

Years of Service Range	Percent Covered ⁴
10–14	60%
15–19	80%
20–24	90%
25 and Over	95%

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

¹ We have assumed the same \$478.43 maximum subsidy for retirees who elect the Anthem Medicare Supplement.

² The reason the subsidy is only at the single-party amount is that there is no excess subsidy to cover a dependent.

³ We have assumed the two-party maximum for SCAN to be twice the single party SCAN maximum.

⁴ Deferred vested Members are assumed to elect coverages at 50% of the rates shown above.

HEALTH BENEFITS VALUATION

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Health Care Cost Subsidy Trend Rates

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

First Fiscal Year (July 1, 2025 through June 30, 2026):

Plan	Trend to be applied to 2025-26 Fiscal Year premium
Anthem HMO, Under Age 65	8.06%
Anthem PPO, Under Age 65	8.06%
Kaiser HMO, Under Age 65	5.65%
Anthem Preferred PPO Medicare Advantage	4.08%
Kaiser Senior Advantage	3.80%
UHC CA Medicare Advantage	21.24%
SCAN	3.50%
Anthem Medicare Supplement	7.89%

Health Care Cost Subsidy Trend Rates (Continued)

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

Fiscal Year	Trend (Approx.): Non-Medicare	Trend (Approx.): Medicare	Calendar Year	Trend (applied to calculate following year premium): Non-Medicare	Trend (applied to calculate following year premium): Medicare	Trend (applied to calculate following year premium): Medicare Part B
2026–27	7.12%	6.87%	2026	7.25% ¹	7.00%	6.75%
2027–28	6.87	6.62	2027	7.00	6.75	6.75
2028–29	6.62	6.37	2028	6.75	6.50	6.75
2029–30	6.37	6.12	2029	6.50	6.25	6.75
2030–31	6.12	5.87	2030	6.25	6.00	6.75
2031–32	5.87	5.62	2031	6.00	5.75	6.75
2032–33	5.62	5.37	2032	5.75	5.50	6.75
2033–34	5.37	5.12	2033	5.50	5.25	6.75
2034–35	5.12	4.87	2034	5.25	5.00	6.25
2035–36	4.87	4.62	2035	5.00	4.75	5.75
2036–37	4.62	4.50	2036	4.75	4.50	5.25
2037–38	4.50	4.50	2037	4.50	4.50	4.75
2038–39	4.50	4.50	2038	4.50	4.50	4.50
2039–2040	4.50	4.50	2039	4.50	4.50	4.50
2040 and later	4.50	4.50	2040	4.50	4.50	4.50

Delta Dental PPO Premium Trend: 1.50%, then 3.00% thereafter.

Deltacare Premium Trend: 1.50%, then 3.00% thereafter.

¹ For example, the 7.25% assumption, when applied to the 2026 non-Medicare medical premiums would provide the projected 2027 non-Medicare medical premiums. This trend would also be applied to the maximum medical subsidy, based on the non-Medicare Kaiser premium. The 2026 carrier rates for the non-Medicare plans were the same as the member rates.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Health Care Reform

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

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

Actuarial Cost Method

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

Actuarial Value of Assets

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

Valuation Value of Assets

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

Amortization Policy

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

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. The plan had an actuarial surplus as of June 30, 2023 through June 30, 2025. Prior to the June 30, 2023 valuation, the plan had a positive UAAL and all bases as of June 30, 2020 were re-amortized over 21 years effective with the June 30, 2021 valuation. When the plan reached surplus in 2023, all prior amortization bases were deemed fully amortized.

An adjustment is made to the amortization period of all the UAAL actuarial gain layers to be the longer of 15 years or the longest remaining amortization period for any outstanding UAAL layers when the total UAAL contribution is negative (a credit) but there is still a UAAL balance.

Employer Contributions

Employer contributions consist of two components:

Normal Cost

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Contribution to the Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate, that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earnings rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.00% (i.e., 2.50% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Assumption Changes since Prior Valuation

The trend assumptions applicable to future Medicare Part B premiums were updated. The initial year healthcare costs and maximum subsidies were updated.

Summary of Plan Provisions

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

Membership Eligibility

Tier 1 (§4.1002(a))

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 2 – Retirement Plan Description on page 33 regarding the Membership).

Tier 3 (§4.1080.2(a))

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

Benefit Eligibility

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

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

Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service (limited to actual premium).

As of July 1, 2025, the maximum monthly health subsidy is \$2,318.58 and will be \$2,407.84 per month as of January 1, 2026. This amount includes coverage of dependent premium costs.

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

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

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

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

Summary of Plan Provisions (Continued)

Subsidy Cap for Tier 1

Tier 1 (§4.1111(b))

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

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

Dependents

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

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

Dental Subsidy for Members

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

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2025, the maximum dental subsidy is \$42.93 per month; remaining the same in calendar year 2026.

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

Medicare Part B Reimbursement for Members

Tier 1 (§4.1113) and Tier 3 (§4.1128)

If a retiree is 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.

Medical Subsidy for Surviving Spouse

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

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

Under Age 65 or Over Age 65 Without Medicare Part A

The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium (\$1,117.28 per month as of January 1, 2025, and will be \$1,161.91 per month as of January 1, 2026).

Summary of Plan Provisions (Continued)**Medical Subsidy for Surviving Spouse (Continued)**

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

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

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

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

Changes in Plan Provisions

None.

Certain LACERS members would be allowed to transfer to the City of Los Angeles Fire and Police Pension Plan (LAFPP), as permitted under Measure FF. However, as the elections to be made by the eligible members were not yet available to Segal as of the drafting of this report, Segal has not reflected the financial impact of the transfers in the report.

Statistical



STATISTICAL SECTION

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

Schedule of Additions by Source - Retirement Plan (Dollars in Thousands)

Fiscal Year	Member Contributions	Employer Contributions		Net Investment Income (Loss) ⁽²⁾	Building Lease & Other Income ⁽³⁾	Total Additions
		Amounts	As a % of Annual Covered Payroll ⁽¹⁾			
2016	\$ 211,345	\$ 440,704	23.5	\$ 27,638	\$ -	\$ 679,687
2017	227,532	453,504	23.0	1,524,533	-	2,205,569
2018	236,222	450,338	21.9	1,249,814	-	1,936,374
2019	240,357	478,827	22.7	802,027	-	1,521,211
2020	263,936	553,222	24.4	305,291	645	1,123,094
2021	259,285	554,954	24.4	4,305,990	519	5,120,748
2022	245,879	591,305	27.4	(1,555,222)	30	(718,008)
2023	259,977	669,438	29.0	1,265,098	82	2,194,595
2024	279,636	714,389	29.0	1,508,518	34	2,502,577
2025	306,765	804,020	29.9	2,207,153	38	3,317,976

(1) % of Annual Covered Payroll is an aggregate rate for all tiers based on actual covered payroll.

(2) Includes unrealized gains and losses of investments. Investment-related administrative expenses are deducted from Investment Income pursuant to GASB Statement No. 67.

(3) Building Lease and Other Income from System's new Headquarters Building purchased on October 23, 2019.

Schedule of Deductions by Type - Retirement Plan (In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses ⁽¹⁾	Total Deductions
2016	\$ 767,264	\$ 7,719	\$ 15,576	\$ 790,559
2017	799,221	9,803	16,019	825,043
2018	847,031	10,412	16,394	873,837
2019	909,154	11,684	17,806	938,644
2020	973,197	12,332	21,257	1,006,786
2021	1,067,331	17,584	24,264	1,109,179
2022	1,163,419	11,630	24,282	1,199,331
2023	1,211,894	14,397	25,758	1,252,049
2024	1,263,240	13,602	29,554	1,306,396
2025	1,318,706	15,767	34,941	1,369,414

(1) Excludes investment-related administrative expenses.

STATISTICAL SECTION

Schedule of Additions by Source - Postemployment Health Care Plan (Dollars in Thousands)

Fiscal Year	Employer Contributions		Self-Funded Insurance Premium ⁽²⁾	Health Insurance Premium Reserve ⁽²⁾	Net Investment Income (Loss) ⁽³⁾	Building Lease & Other Income ⁽⁴⁾	Total Additions
	Amounts	As a % of Annual Covered Payroll ⁽¹⁾					
2016	\$ 105,983	5.7	\$ -	\$ -	\$ (721)	\$ -	\$ 105,262
2017	97,457	4.9	-	-	330,368	-	427,825
2018	100,909	4.9	-	-	269,065	-	369,974
2019	107,927	5.1	6,090	468	166,470	-	280,955
2020	112,136	4.9	10,364	2,137	60,201	147	184,985
2021	103,454	4.5	10,924	919	982,797	118	1,098,212
2022	91,623	4.3	13,280	1,180	(361,307)	7	(255,217)
2023	90,581	3.9	12,809	1,423	268,900	19	373,732
2024	97,094	3.9	12,934	2,125	321,936	8	434,097
2025	90,168	3.4	13,127	1,083	481,899	9	586,286

⁽¹⁾ % of annual covered payroll is an aggregate rate for all tiers, and it is based on actual covered payroll.

⁽²⁾ Additions related to the LACERS Postemployment Health Care 115 Trust fund and the self-funded Dental Plan established in fiscal year 2019 and the self-funded Vision Plan in fiscal year 2022.

⁽³⁾ Includes unrealized gains and losses of investments. Investment-related administrative expenses are deducted.

⁽⁴⁾ Building Lease and Other Income from System's new Headquarters Building purchased on October 23, 2019.

Schedule of Deductions by Type - Postemployment Health Care Plan (In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses ⁽¹⁾	Total Deductions
2016	\$ 109,940	\$ 4,151	\$ 114,091
2017	119,616	4,224	123,840
2018	128,081	4,384	132,465
2019	140,129	5,099	145,228
2020	139,714	6,165	145,879
2021	160,945	6,820	167,765
2022	171,705	6,955	178,660
2023	173,583	7,534	181,117
2024	170,161	8,157	178,318
2025	185,293	9,483	194,776

⁽¹⁾ Excludes investment-related administrative expenses. Starting fiscal year 2019, expenses include third-party fees paid for the administration of the self-funded Plans.

STATISTICAL SECTION

Net Increase (Decrease) in Fiduciary Net Position - Retirement Plan ⁽²⁾ Last Ten Fiscal Years (In Thousands)

Fiscal Year	Additions					Deductions				Net Increase (Decrease) in Fiduciary Net Position
	City Contributions	Member Contributions	Net Investment Income (Loss)	Building Lease & Other Income	Total Additions	Benefit Payments	Refunds of Contributions	Admin. Expenses ⁽¹⁾	Total Deductions	
2016	\$ 440,704	\$ 211,345	\$ 27,638	\$ -	\$ 679,687	\$ 767,264	\$ 7,719	\$ 15,576	\$ 790,559	\$ (110,872)
2017	453,504	227,532	1,524,533	-	2,205,569	799,221	9,803	16,019	825,043	1,380,526
2018	450,338	236,222	1,249,814	-	1,936,374	847,031	10,412	16,394	873,837	1,062,537
2019	478,827	240,357	802,027	-	1,521,211	909,154	11,684	17,806	938,644	582,567
2020	553,222	263,936	305,291	645	1,123,094	973,197	12,332	21,257	1,006,786	116,308
2021	554,954	259,285	4,305,990	519	5,120,748	1,067,331	17,584	24,264	1,109,179	4,011,569
2022	591,305	245,879	(1,555,222)	30	(718,008)	1,163,419	11,630	24,282	1,199,331	(1,917,339)
2023	669,438	259,977	1,265,098	82	2,194,595	1,211,894	14,397	25,758	1,252,049	942,546
2024	714,389	279,636	1,508,518	34	2,502,577	1,263,240	13,602	29,554	1,306,396	1,196,181
2025	804,020	306,765	2,207,153	38	3,317,976	1,318,706	15,767	34,941	1,369,414	1,948,562

⁽¹⁾ Excludes investment-related administrative expenses. Starting fiscal year 2020, expenses related to the new headquarters building were incurred.

⁽²⁾ Prior period adjustments were recorded in fiscal year 2022 related to the implementation of GASB 87 - Leases, that require restatement of fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report and fiscal year 2025, for the implementation of GASB 101 - Compensated Absences, to restate fiscal year 2024 information presented in fiscal year 2025 financial report as comparative report.

Net Increase (Decrease) in Fiduciary Net Position - Postemployment Health Care Plan ⁽³⁾ Last Ten Fiscal Years (In Thousands)

Fiscal Year	Additions					Deductions				Net Increase (Decrease) in Fiduciary Net Position
	City Contributions	Self-Funded Insurance Premium ⁽¹⁾	Health Insurance Premium Reserve ⁽¹⁾	Net Investment Income (Loss)	Building Lease & Other Income	Total Additions	Benefit Payments	Admin. Expenses ⁽²⁾	Total Deductions	
2016	\$ 105,983	\$ -	\$ -	\$ (721)	\$ -	\$ 105,262	\$ 109,940	\$ 4,151	\$ 114,091	\$ (8,829)
2017	97,457	-	-	330,368	-	427,825	119,616	4,224	123,840	303,985
2018	100,909	-	-	269,065	-	369,974	128,081	4,384	132,465	237,509
2019	107,927	6,090	468	166,470	-	280,955	140,129	5,099	145,228	135,727
2020	112,136	10,364	2,137	60,201	147	184,985	139,714	6,165	145,879	39,106
2021	103,454	10,924	919	982,797	118	1,098,212	160,945	6,820	167,765	930,447
2022	91,623	13,280	1,180	(361,307)	7	(255,217)	171,705	6,955	178,660	(433,877)
2023	90,581	12,809	1,423	268,900	19	373,732	173,583	7,534	181,117	192,615
2024	97,094	12,934	2,125	321,936	8	434,097	170,161	8,157	178,318	255,779
2025	90,168	13,127	1,083	481,899	9	586,286	185,293	9,483	194,776	391,510

⁽¹⁾ Additions related to LACERS Postemployment Health Care 115 Trust and the self-funded Dental Plan established in 2019, and the self-funded Vision Plan in fiscal year 2022.

⁽²⁾ Excludes investment-related administrative expenses. Starting fiscal year 2019, expenses include third-party fees paid for the administration of the self-funded plans. The related expenses for the new headquarters building were incurred beginning in fiscal year 2020.

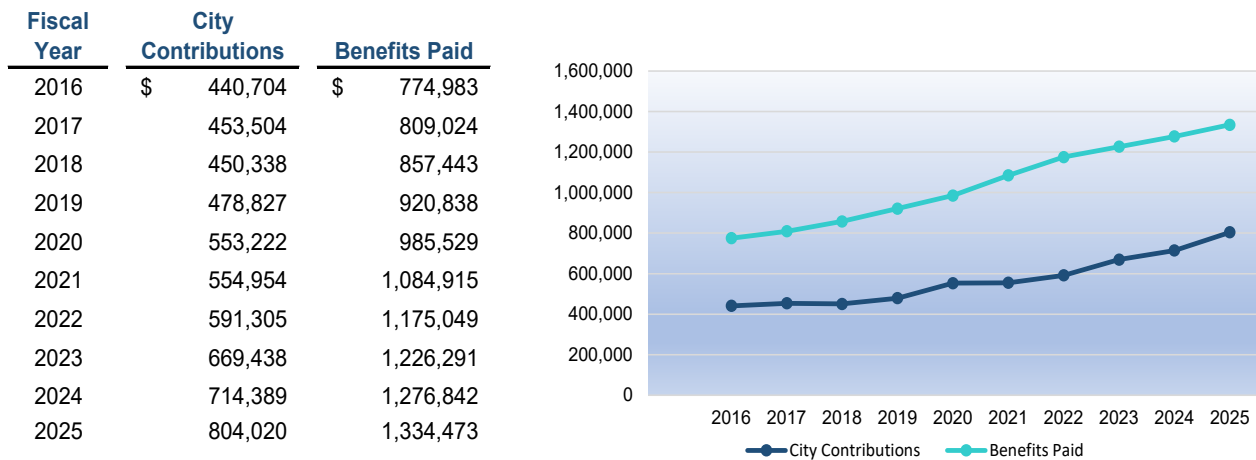
⁽³⁾ Prior period adjustments were recorded in fiscal year 2022 related to the implementation of GASB 87 - Leases, that require restatement of fiscal year 2021 information presented in fiscal year 2022 financial report as comparative report and fiscal year 2025, for the implementation of GASB 101 - Compensated Absences, to restate fiscal year 2024 information presented in fiscal year 2025 financial report as comparative report.

STATISTICAL SECTION

Schedule of Benefit Expenses by Type - Retirement Plan (In Thousands)

Fiscal Year	Benefits						Refunds of Contributions					Total Benefits Paid
	Age & Service Benefits		Death in Service	Disability Benefits		Sub-Total	Separation	Death in Service	Unused Contri- butions	Misc.	Sub-Total	
	Retirants	Survivors		Retirants	Survivors							
2016	\$ 657,810	\$ 78,441	\$ 2,315	\$ 19,001	\$ 9,697	\$ 767,264	\$ 4,241	\$ 1,231	\$ 883	\$ 1,364	\$ 7,719	\$ 774,983
2017	686,172	81,250	2,738	18,810	10,251	799,221	4,213	3,015	1,027	1,548	9,803	809,024
2018	731,954	83,387	2,402	18,850	10,438	847,031	5,686	1,653	1,588	1,485	10,412	857,443
2019	794,844	83,072	2,066	18,935	10,237	909,154	6,529	3,302	1,054	799	11,684	920,838
2020	853,719	87,577	1,855	19,432	10,614	973,197	6,839	2,798	1,544	1,151	12,332	985,529
2021	941,144	93,208	2,419	19,468	11,092	1,067,331	8,388	4,259	2,298	2,639	17,584	1,084,915
2022	1,032,404	99,122	1,978	18,496	11,419	1,163,419	6,215	3,362	1,584	469	11,630	1,175,049
2023	1,074,006	104,808	2,015	19,332	11,733	1,211,894	7,740	3,602	2,349	705	14,396	1,226,290
2024	1,118,974	110,371	2,008	19,644	12,243	1,263,240	7,483	2,899	2,714	506	13,602	1,276,842
2025	1,167,894	116,212	1,921	20,518	12,161	1,318,706	11,120	1,920	2,292	435	15,767	1,334,473

City Contributions versus Benefits Paid - Retirement Plan (In Thousands)

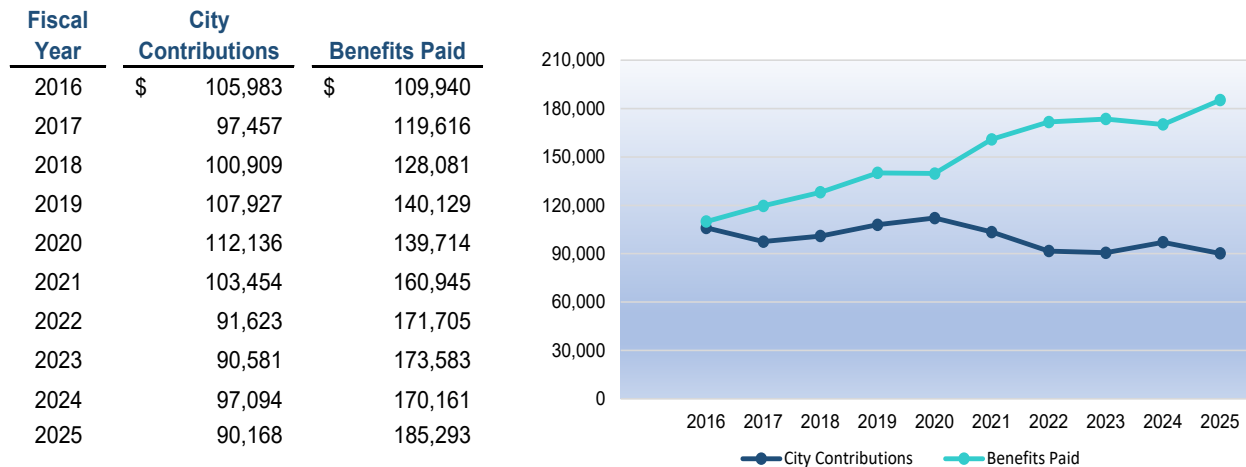


STATISTICAL SECTION

Schedule of Benefit Expenses by Type - Postemployment Health Care Plan (In Thousands)

Fiscal Year	Age & Service Benefits		Death in Service Benefits	Disability Benefits		Total Benefits Paid
	Retirants	Survivors		Retirants	Survivors	
2016	\$ 94,256	\$ 11,240	\$ 332	\$ 2,723	\$ 1,389	\$ 109,940
2017	102,697	12,160	410	2,815	1,534	119,616
2018	110,680	12,609	363	2,851	1,578	128,081
2019	122,510	12,804	318	2,919	1,578	140,129
2020	122,561	12,573	266	2,790	1,524	139,714
2021	141,917	14,055	365	2,936	1,672	160,945
2022	152,369	14,629	292	2,730	1,685	171,705
2023	153,833	15,012	289	2,769	1,680	173,583
2024	150,728	14,867	271	2,646	1,649	170,161
2025	164,102	16,329	270	2,883	1,709	185,293

City Contributions versus Benefits Paid - Postemployment Health Care Plan (In Thousands)



STATISTICAL SECTION

Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants ⁽¹⁾	Type of Benefits ⁽²⁾										
		1	2	3	4	5	6	7	8	9	10	11
\$1 to \$1,000	1,543	400	245	9	468	15	111	31	264	-	489	32
\$1,001 to \$2,000	2,838	756	650	33	537	354	120	173	215	-	116	6
\$2,001 to \$3,000	3,029	1,439	604	69	346	324	29	128	90	-	22	2
\$3,001 to \$4,000	2,780	1,951	432	67	204	44	7	30	45	-	12	-
\$4,001 to \$5,000	3,008	2,533	255	63	113	14	1	10	19	-	3	-
\$5,001 to \$6,000	2,627	2,337	184	32	59	8	-	1	6	-	1	-
\$6,001 to \$7,000	2,047	1,887	101	14	39	2	-	-	4	-	-	-
\$7,001 to \$8,000	1,589	1,478	66	13	29	3	-	-	-	-	-	-
\$8,001 to \$9,000	1,107	1,030	52	7	14	3	-	-	1	-	-	-
\$9,001 to \$10,000	739	681	32	9	17	-	-	-	-	-	-	-
Over \$10,000	1,603	1,501	63	10	26	3	-	-	-	-	-	-
Total	22,910	15,993	2,684	326	1,852	770	268	373	644	-	643	40

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

⁽²⁾ Type of Benefits

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

STATISTICAL SECTION

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

Amount of Monthly Benefits		Number of Retirants	Type of Benefits ⁽³⁾						
			1	2	3	4	5	6	7
Medical Subsidy									
\$1 to	\$200	619	446	40	2	45	61	12	13
\$201 to	\$400	6,088	4,556	1,005	91	253	103	23	57
\$401 to	\$600	5,387	4,760	383	37	148	36	8	15
\$601 to	\$800	92	78	1	5	6	2	-	-
\$801 to	\$1,000	887	823	9	13	30	7	1	4
\$1,001 to	\$1,200	1,274	1,043	83	32	92	18	3	3
\$1,201 to	\$1,400	1,250	1,182	-	-	55	13	-	-
\$1,401 to	\$2,319 ⁽¹⁾	2,308	2,173	-	-	113	22	-	-
Total		17,905	15,061	1,521	180	742	262	47	92
Dental Subsidy									
\$1 to	\$10	413	310	-	-	53	50	-	-
\$11 to	\$20	2,833	2,576	-	-	170	87	-	-
\$21 to	\$30	1,318	1,046	-	-	196	76	-	-
\$31 to	\$40	1,599	1,395	-	-	167	37	-	-
\$41 to	\$43 ⁽²⁾	9,582	9,406	-	-	163	13	-	-
Total		15,745	14,733	-	-	749	263	-	-

⁽¹⁾ Maximum medical subsidy for plan year 2025.

⁽²⁾ Maximum dental subsidy for plan year 2025.

⁽³⁾ Type of Benefits

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

STATISTICAL SECTION

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2015 to June 30, 2025	Years of Service Credit					
	Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/15 to 6/30/16						
Average Monthly Benefit at Retirement	\$ 943	\$ 1,756	\$ 2,514	\$ 3,796	\$ 4,514	\$ 5,498
Average Final Monthly Salary ⁽¹⁾	\$ 5,095	\$ 6,077	\$ 6,786	\$ 7,656	\$ 7,731	\$ 7,876
Number of Retirees Added	117	116	89	77	255	228
Average Monthly Continuance Benefit	\$ 886	\$ 1,068	\$ 1,388	\$ 1,521	\$ 1,657	\$ 2,568
Number of Continuance Benefit Added	79	29	24	41	32	65
Period 7/1/16 to 6/30/17						
Average Monthly Benefit at Retirement	\$ 1,076	\$ 1,764	\$ 2,546	\$ 3,412	\$ 4,789	\$ 5,745
Average Final Monthly Salary ⁽¹⁾	\$ 5,553	\$ 6,326	\$ 6,974	\$ 7,696	\$ 8,053	\$ 8,204
Number of Retirees Added	105	99	104	107	263	271
Average Monthly Continuance Benefit	\$ 1,154	\$ 1,022	\$ 1,360	\$ 1,949	\$ 1,869	\$ 2,916
Number of Continuance Benefit Added	70	19	30	38	50	55
Period 7/1/17 to 6/30/18						
Average Monthly Benefit at Retirement	\$ 1,291	\$ 1,913	\$ 2,739	\$ 3,922	\$ 5,037	\$ 6,348
Average Final Monthly Salary ⁽¹⁾	\$ 5,869	\$ 6,707	\$ 7,100	\$ 7,896	\$ 8,292	\$ 8,758
Number of Retirees Added	115	115	136	85	247	377
Average Monthly Continuance Benefit	\$ 1,012	\$ 1,411	\$ 1,562	\$ 2,076	\$ 2,830	\$ 3,812
Number of Continuance Benefit Added	70	25	26	28	49	54
Period 7/1/18 to 6/30/19						
Average Monthly Benefit at Retirement	\$ 1,003	\$ 2,010	\$ 2,756	\$ 3,829	\$ 5,395	\$ 6,834
Average Final Monthly Salary ⁽¹⁾	\$ 5,276	\$ 6,613	\$ 7,103	\$ 7,771	\$ 8,695	\$ 9,219
Number of Retirees Added	123	104	147	82	277	344
Average Monthly Continuance Benefit	\$ 1,697	\$ 1,703	\$ 1,586	\$ 2,655	\$ 2,665	\$ 4,184
Number of Continuance Benefit Added	65	28	30	29	42	82
Period 7/1/19 to 6/30/20						
Average Monthly Benefit at Retirement	\$ 1,049	\$ 1,922	\$ 3,215	\$ 4,599	\$ 5,825	\$ 6,690
Average Final Monthly Salary ⁽¹⁾	\$ 5,079	\$ 6,449	\$ 8,189	\$ 9,195	\$ 9,267	\$ 9,073
Number of Retirees Added	123	94	142	84	192	321
Average Monthly Continuance Benefit	\$ 1,459	\$ 1,412	\$ 1,882	\$ 2,219	\$ 2,747	\$ 4,398
Number of Continuance Benefit Added	76	29	24	18	46	60

⁽¹⁾ Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.

STATISTICAL SECTION

Schedule of Average Benefit Payments - Retirement Plan *(Continued)*

Retirement Effective Dates July 1, 2015 to June 30, 2025	Years of Service Credit					
	Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/20 to 6/30/21						
Average Monthly Benefit at Retirement	\$ 1,043	\$ 2,128	\$ 2,938	\$ 4,205	\$ 5,787	\$ 6,825
Average Final Monthly Salary ⁽¹⁾	\$ 4,804	\$ 6,819	\$ 7,253	\$ 8,417	\$ 9,198	\$ 9,293
Number of Retirees Added ⁽²⁾	90	184	264	271	342	937
Average Monthly Continuation Benefit	\$ 1,386	\$ 1,261	\$ 2,097	\$ 2,447	\$ 3,130	\$ 4,861
Number of Continuation Benefit Added	109	25	27	34	64	111
Period 7/1/21 to 6/30/22						
Average Monthly Benefit at Retirement	\$ 979	\$ 2,109	\$ 3,276	\$ 4,133	\$ 6,026	\$ 7,348
Average Final Monthly Salary ⁽¹⁾	\$ 5,409	\$ 6,847	\$ 8,193	\$ 8,494	\$ 9,786	\$ 9,999
Number of Retirees Added	138	92	138	100	130	284
Average Monthly Continuation Benefit	\$ 1,798	\$ 1,665	\$ 1,895	\$ 2,736	\$ 3,284	\$ 4,698
Number of Continuation Benefit Added	116	22	34	32	48	66
Period 7/1/22 to 6/30/23						
Average Monthly Benefit at Retirement	\$ 1,113	\$ 2,545	\$ 3,209	\$ 4,654	\$ 6,046	\$ 8,249
Average Final Monthly Salary ⁽¹⁾	\$ 5,934	\$ 8,283	\$ 8,032	\$ 9,482	\$ 9,861	\$ 11,190
Number of Retirees Added	89	66	106	115	83	177
Average Monthly Continuation Benefit	\$ 1,702	\$ 1,376	\$ 1,977	\$ 2,709	\$ 3,856	\$ 4,645
Number of Continuation Benefit Added	64	27	35	26	56	76
Period 7/1/23 to 6/30/24						
Average Monthly Benefit at Retirement	\$ 1,366	\$ 2,206	\$ 3,298	\$ 4,792	\$ 6,118	\$ 8,388
Average Final Monthly Salary ⁽¹⁾	\$ 6,842	\$ 7,569	\$ 8,474	\$ 9,611	\$ 10,260	\$ 11,231
Number of Retirees Added	89	61	110	115	104	223
Average Monthly Continuation Benefit	\$ 1,482	\$ 1,460	\$ 2,586	\$ 2,660	\$ 4,020	\$ 5,074
Number of Continuation Benefit Added	81	19	24	36	63	80
Period 7/1/24 to 6/30/25						
Average Monthly Benefit at Retirement	\$ 1,208	\$ 2,628	\$ 3,954	\$ 4,803	\$ 6,543	\$ 8,705
Average Final Monthly Salary ⁽¹⁾	\$ 7,089	\$ 9,018	\$ 9,714	\$ 9,504	\$ 10,893	\$ 11,557
Number of Retirees Added	109	51	107	157	110	200
Average Monthly Continuation Benefit	\$ 1,578	\$ 1,379	\$ 2,160	\$ 2,763	\$ 3,428	\$ 5,359
Number of Continuation Benefit Added	58	18	34	32	40	82

⁽¹⁾ Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.

⁽²⁾ A large increase in fiscal year 2021 was due to an increased number of retirements from the City's implementation of Separation Incentive Programs (SIP).

STATISTICAL SECTION

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2015 to June 30, 2025	Years of Service Credit				
	Under 10 yrs ⁽¹⁾	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/15 to 6/30/16					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 309	\$ 515	\$ 729	\$ 926	\$ 1,099
Number of Retirees Added	12	88	62	61	447
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 11	\$ 16	\$ 24	\$ 34	\$ 35
Number of Retirees Added	16	89	57	60	453
Period 7/1/16 to 6/30/17					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 411	\$ 493	\$ 717	\$ 1,136	\$ 1,184
Number of Retirees Added	17	76	79	85	487
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 11	\$ 18	\$ 25	\$ 34	\$ 38
Number of Retirees Added	10	75	78	82	483
Period 7/1/17 to 6/30/18					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ -	\$ 547	\$ 771	\$ 1,082	\$ 1,257
Number of Retirees Added	-	100	115	86	638
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 5	\$ 17	\$ 27	\$ 31	\$ 36
Number of Retirees Added	1	80	98	68	552
Period 7/1/18 to 6/30/19					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 716	\$ 560	\$ 714	\$ 1,012	\$ 1,220
Number of Retirees Added	2	98	127	72	640
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 12	\$ 16	\$ 27	\$ 36	\$ 37
Number of Retirees Added	4	75	113	62	539
Period 7/1/19 to 6/30/20					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 420	\$ 533	\$ 752	\$ 1,129	\$ 1,176
Number of Retirees Added	15	92	117	73	515
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 12	\$ 18	\$ 27	\$ 35	\$ 36
Number of Retirees Added	10	60	97	66	445

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

STATISTICAL SECTION

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

Retirement Effective Dates July 1, 2015 to June 30, 2025	Years of Service Credit				
	Under 10 yrs ⁽¹⁾	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/20 to 6/30/21					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 322	\$ 538	\$ 694	\$ 913	\$ 1,244
Number of Retirees Added ⁽²⁾	27	150	224	248	1,271
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 14	\$ 20	\$ 28	\$ 34	\$ 37
Number of Retirees Added ⁽²⁾	15	131	201	235	1,223
Period 7/1/21 to 6/30/22					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 390	\$ 623	\$ 839	\$ 1,134	\$ 1,273
Number of Retirees Added	47	66	105	95	407
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 14	\$ 20	\$ 27	\$ 35	\$ 37
Number of Retirees Added	25	52	79	77	319
Period 7/1/22 to 6/30/23					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 358	\$ 745	\$ 870	\$ 1,180	\$ 1,339
Number of Retirees Added	56	41	89	102	266
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 12	\$ 17	\$ 29	\$ 33	\$ 37
Number of Retirees Added	10	27	72	94	225
Period 7/1/23 to 6/30/24					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 292	\$ 846	\$ 1,023	\$ 1,391	\$ 1,564
Number of Retirees Added	63	44	97	109	324
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 12	\$ 26	\$ 31	\$ 40	\$ 40
Number of Retirees Added	7	34	84	101	292
Period 7/1/24 to 6/30/25					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 265	\$ 637	\$ 1,027	\$ 1,263	\$ 1,519
Number of Retirees Added	69	39	75	149	312
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	\$ 14	\$ 18	\$ 28	\$ 35	\$ 37
Number of Retirees Added	9	35	62	123	251

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

⁽²⁾ A large increase in fiscal year 2021 was due to an increased number of retirements from the City's implementation of Separation Incentive Programs (SIP).

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Direct questions concerning any of the
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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM