BOARD MEETING 03/24/26
ITEM VI-B
Attachment 1

Los Angeles City Employees' Retirement System

Risk Assessment

Based on the Actuarial Valuation and Review of the Retirement and Health Plans as of June 30, 2025

Segal

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

March 17, 2026

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

Dear Board Members:

We are pleased to submit this Risk Assessment based on the Actuarial Valuation and Review of the Retirement and Health Plans for the Los Angeles City Employees' Retirement System ("LACERS" or "the System") as of June 30, 2025.

This risk report has been prepared at the request of the Board of Administration to assist in administering the Plans. It includes discussion of the key risks that may have an ongoing influence on the Plans' financial health, as well as various projections of future results under different investment return scenarios together with the assumptions adopted for the June 30, 2025 valuations.

The actuarial calculations in this report were completed under the supervision of Emily Klare, ASA, MAAA, Enrolled Actuary and Mehdi Riazi, FSA, MAAA, FCA, Enrolled Actuary.

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

Sincerely,

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

Emily Klare, ASA, MAAA, EA
Senior Actuary

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

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Section 1: Introduction and Executive Summary

Introduction

The purpose of this report is to assist the Board of Administration, participating employers and members and other stakeholders to better understand and assess the risk profile of the System, as well as the particular risks inherent in using a fixed set of actuarial assumptions in preparing the results in our June 30, 2025 funding valuations for LACERS.

The results included in our June 30, 2025 funding valuation reports for the Retirement and Health Plans ("the Plans") were prepared based on a specific set of economic and non-economic actuarial assumptions under the premise that future experience of LACERS would be consistent with those assumptions. While those assumptions are generally reviewed every three years (with the assumptions from the last triennial experience study adopted by the Board of Administration for use starting with the June 30, 2023 valuations), there is a risk that emerging results may differ significantly as actual experience is fluid and will not completely track current assumptions.

It is important to note that this risk assessment is based on plan assets as of June 30, 2025. The System's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. While it is impossible to determine the market conditions and other demographic experience of the plan in future valuations, the single year deterministic investment return scenario tests included within this report provide an illustration of the impact of short-term market fluctuations on the plan. We have also included stochastic projections within this report, and are available to prepare additional projections of potential scenarios upon request.

Actuarial standard of practice on risk assessment

The Actuarial Standards Board approved the Actuarial Standard of Practice No. 51 (ASOP 51) regarding risk assessment when performing a funding valuation and it was effective with LACERS' June 30, 2019 actuarial valuation for benefits provided by the Retirement Plan.[1] ASOP 51 requires actuaries to identify and assess risks that "may reasonably be anticipated to significantly affect the plan's future financial condition." Examples of key risks listed that are particularly relevant to LACERS are asset/liability mismatch risk, investment risk, and longevity and other demographic risks. ASOP 51 also requires an actuary to consider if there is any ongoing contribution risk to the plan; however, it does not require the actuary to evaluate the ability or willingness of contributing entities to make contributions when due, nor does it require the actuary to assess the likelihood or consequences of future changes in applicable law.

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

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

Plan risk assessment

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

We follow this with a discussion of the most significant risk factors going forward. Based on our discussions with LACERS, we have provided a more detailed risk assessment that illustrates the impact on the funded status and employer contribution rates using relevant economic scenario tests. These tests illustrate the effect of future investment returns on the System's portfolio coming in differently from the current 7.00% annual investment return assumption used in the June 30, 2025 valuations. We have also included a projection of future results based on stochastic modeling of future investment returns for 2025/2026 and thereafter. The stochastic modeling is useful for assessing the distribution of future results based on random variations in actual investment returns each year and introduces a relative likelihood to the range of potential outcomes.

ASOP 51 also requires disclosure of plan maturity measures and other historical information that are significant to understanding the risks associated with the Retirement and Health Plans and this information is included at the end of *Section 2*.

Executive summary

Historical funded status and employer contribution rates

The following table provides a summary of financial changes to the Retirement and Health Plans combined over the last 10 valuations. In the June 30, 2016 through June 30, 2025 valuations, the unfunded actuarial accrued liability (UAAL) increased primarily as a result of the strengthening of the actuarial assumptions used in preparing the valuations ($1.5 billion net increase) and unfavorable non-investment experience ($0.3 billion net increase), partially offset by favorable investment experience ($0.3 billion net decrease). The contribution rates increased due to similar experience. More details on the impact of actuarial assumption changes on the UAAL and the total aggregate employer contribution rate can be found on pages 8 and 17.

Valuation Date	Funded Ratio Market Value Basis	UAAL Market Value Basis	Funded Ratio Actuarial Value Basis	UAAL Actuarial Value Basis	Total Aggregate Employer Contribution Rate (% of Payroll — Payable July 15)
June 30, 2016	69.0%	$6.3 billion	72.6%	$5.5 billion	27.13%
June 30, 2025	80.3%	$6.2 billion	78.4%	$6.8 billion	31.99%

Future funded status and employer contribution rates

In this report, we highlight key factors besides assumption changes that may affect the financial profile of the Plans going forward. As investment experience in the past 10 years has had a significant impact on the funded status and employer contribution rates, we have provided deterministic projections under hypothetical favorable and unfavorable future market experience so that the impact of market performance for 2025/2026 can be better understood. We have also included stochastic projections to assess the projected distribution of future results along with introducing a relative likelihood to the range of those potential outcomes.

Deterministic projections

Under the unfavorable (0.00%), baseline (7.00%), and favorable (14.00%) hypothetical market return scenarios for 2025/2026, the Plans would be expected to reach full funding in 2042, 2041, and 2038, respectively.[1] The total aggregate employer contribution rate would be expected to range from 8.3% to 8.7% of payroll at the end of the 23-year projection period under the three scenarios modeled. That employer contribution rate reflects the employer normal cost, offset by the amortization of any surplus pursuant to the Board's Actuarial Funding Policy when the Plans become fully funded. This demonstrates that the Board's funding policy effectively supports its overarching goal of ensuring the long-term, full funding of LACERS benefits.

Stochastic projections

The stochastic projection models market returns over the next 20 years by using expected return, standard deviation and other information tailored specifically to LACERS' asset portfolio. The stochastic projections in this report show there is a 50% chance that the employer contribution rates would be between 0% and 40% of payroll at the end of 10 years (with a median rate of 18% of payroll) and between 0% and 26% of payroll at the end of 20 years (with a median rate of 0% of payroll).[2] Furthermore, there is a 49% chance LACERS would be fully funded at the end of 10 years and a 66% chance LACERS would be fully funded at the end of

[1] The Plans are projected to reach full funding by 2042 when measured using the combined assets and liabilities of the Retirement and Health Plans. When measured separately, the Retirement Plan is projected to reach full funding in the June 30, 2042, June 30, 2041, and June 30, 2039 valuations under the unfavorable, baseline, and favorable scenarios, respectively, while the Health Plan has already reached full funding as of June 30, 2025.

[2] The 0% contribution rate would be attained when the actuarial surplus of the Plans, after it is amortized over 30 years, is sufficient to fully offset the normal cost.

20 years. The stochastic projections reflects the margin of better than 50% chance of achieving the 7% investment return assumptions in our future valuations.

Surplus management considerations

It is important to note that the stochastic projections and resulting probabilities of contribution rates assume no further surplus management policies are employed. However, as the Retirement Plan nears full funding, Segal would recommend using strategies to stabilize and strengthen the Plan that would likely affect these metrics. While the Health Plan has remained fully funded since June 30, 2023, the surplus management considerations would also have value for the ongoing management of that plan.

Plan maturity measures

During the past 10 valuations, the Plans have become more mature as evidenced by an overall increase in the ratio of members in pay status (retirees and beneficiaries) to active members (as shown in *Section 2, Chart 12a* and *Chart 12b* on pages 41 and 42) and by an increase in the ratios of plan assets and liabilities to active member payroll (as shown in *Section 2, Chart 13a* and *Chart 13b* on pages 43 and 44). While there were some reversals observed primarily in the June 30, 2023–2024 valuations due to an increase in the number of actives, we expect the trend of increased plan maturity to continue going forward. This is significant for understanding the volatility of both historical and future employer contribution rates because any increase in UAAL due to unfavorable investment and non-investment experience for the relatively larger group of non-active members would have to be amortized and funded over the payroll of the relatively smaller group of active members. Put another way, as a plan grows more mature, its contribution rate becomes more sensitive to investment volatility and liability changes. As the Plans continue to mature with time, their risk profile will continue to evolve in this way and contributions will grow more sensitive to plan experience.

Section 2: Key Plan Risks

Evaluation of historical trends

Change in funded ratio and unfunded actuarial accrued liability

One common measure of LACERS' financial status is the funded ratio. This ratio compares the valuation and market value of assets to the actuarial accrued liabilities (AAL) of LACERS. The UAAL and funded ratios measured using both valuation and market value of assets are provided separately for the Retirement and Health Plans for the past 10 valuations in *Chart 1a* and *Chart 1b*, respectively. While the funded ratio on a valuation value of assets (VVA) basis for both the Retirement Plan and the Health Plan has increased over the last 10 valuations due to the VVA growing faster than the AAL, the UAAL for the Retirement Plan on the same basis has also increased while the UAAL for the Health Plan has decreased. The factors that caused the changes in the UAAL in the past 10 valuations are shown separately for the Retirement and Health Plans, in *Chart 2a* and *Chart 2c*, respectively.

The results in *Chart 2a* and *Chart 2c* show that the strengthening of the actuarial assumptions has had the most impact on the UAAL for LACERS. In particular, the impact on the combined UAAL for the Retirement and Health Plans from assumption changes reflected in the last 10 valuations are shown in the following table:

UAAL Impact from Assumption Changes
Retirement and Health Plans Combined

Valuation Date	Total UAAL Change
June 30, 2017[1]	$461.9 million
June 30, 2018[1]	$593.6 million
June 30, 2020	$626.6 million
June 30, 2023	$(170.3) million
Net Change	**$1,511.8 million**

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

Section 2: Key Plan Risks

In addition to the assumption changes, *Chart 2a* also shows unfavorable non-investment experience for the Retirement Plan, which included higher than expected salary increases for continuing actives and the impact of actual contributions different from expected (including the impact of the scheduled 12-month delay in implementing the contribution rates determined in the annual valuation). For the Health Plan, *Chart 2c* shows favorable non-investment experience, which was mainly due to lower than expected premiums and medical subsidies.

Finally, *Charts 2a* and *2c* show some "negative amortization" due to the initial 30-year amortization of the combined base established June 30, 2012. Negative amortization indicates that contributions coming in are not sufficient to cover all interest on the unfunded liability balance, causing it to grow. Current assumptions and amortization policy generally will not entail negative amortization in the future. For the Health Plan, there was some additional negative amortization in past years through the operation of the amortization policy. Reductions in UAAL from favorable premium renewal and other experience gains were amortized over 15 years while increases in UAAL from assumption changes were amortized over 20 years. However, as part of the June 30, 2022 valuation, LACERS aligned the amortization periods for the recent experience gains and had them amortized over the same 20-year period used to amortize the total pre-June 30, 2021 bases.

Chart 2b and *Chart 2d* display the aggregate change in unfunded liability by source over the last 10 years. In particular, they show the continued effort made by LACERS in strengthening the actuarial assumptions. *Chart 2b* also shows the strength of the System's adopted funding policy working to reduce the unfunded liability.

It is important to note that LACERS has taken strides in risk management and resulting long-term plan sustainability. This includes strengthening of assumptions (particularly lowering the expected investment rate of return from 7.50% to 7.00% over the last 10 years and adopting amount-weighted generational mortality for the Retirement Plan) and adopting a funding policy that eliminates negative amortization and promotes intergenerational equity. While those changes have generally resulted in higher contributions in the short term, in the medium to longer term they **avoid** both deferring contributions and allowing unmanaged growth in the UAAL. We believe these actions are essential for LACERS' fiscal health going forward. All assumptions will continue to be reviewed in future experience studies to reflect the Plans' actual experience as well as future expectations.

Chart 1a

Retirement Plan – UAAL ($ in Billions) and Funded Ratio as of June 30

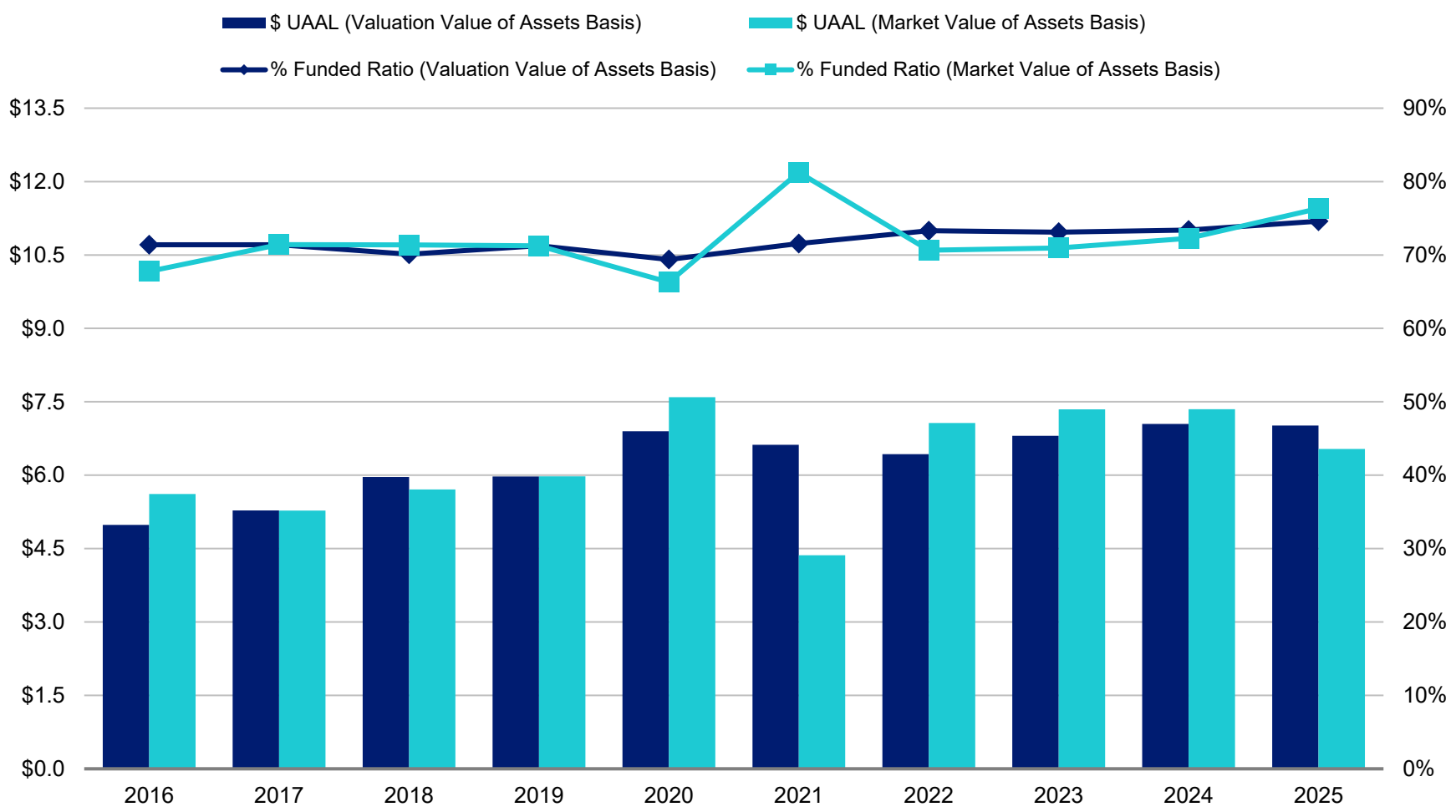


Chart 1b

Health Plan – UAAL ($ in Billions) and Funded Ratio as of June 30

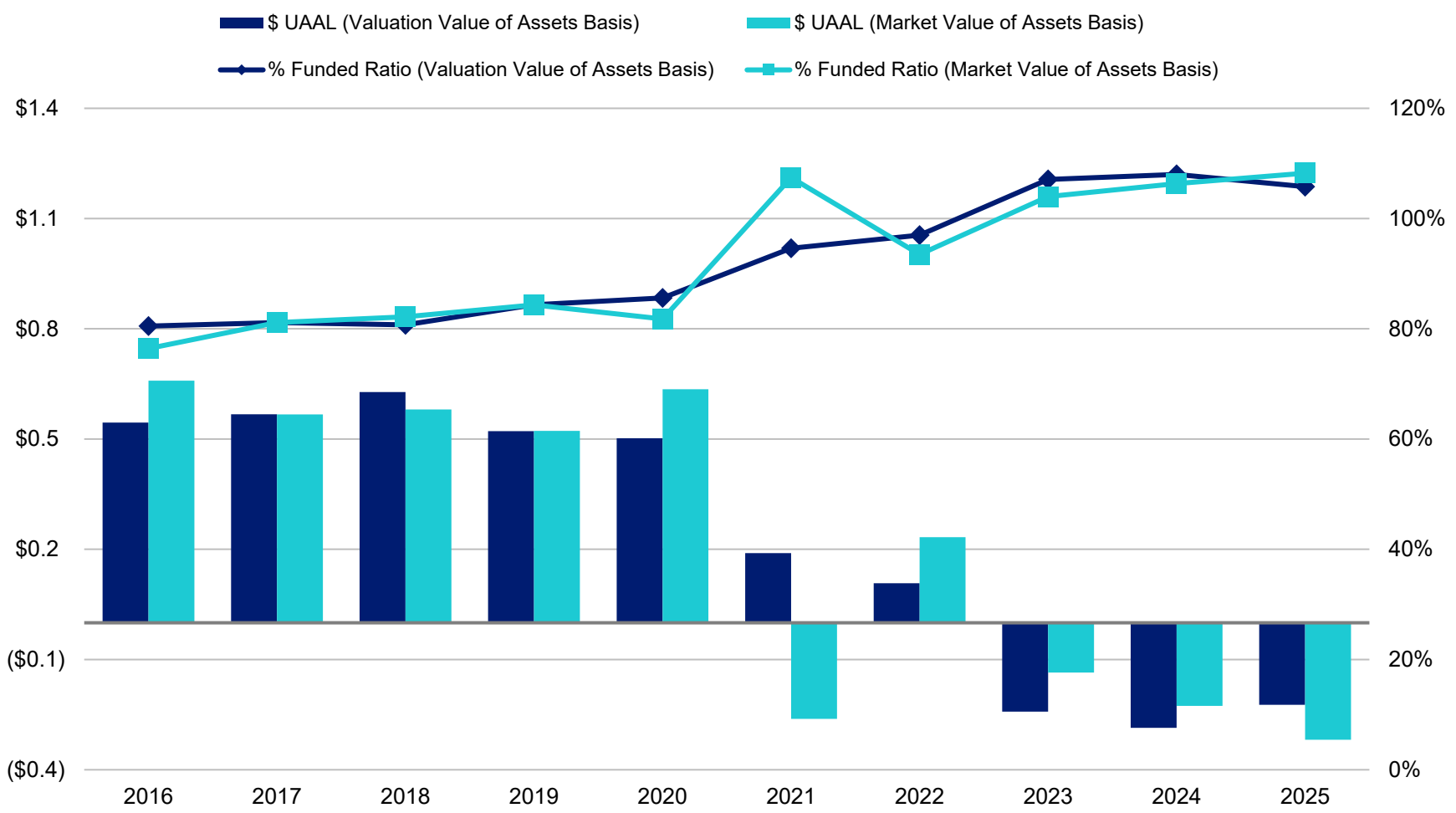


Chart 2a

Retirement Plan – Factors that Changed UAAL for Year Ended June 30

($ in Billions)

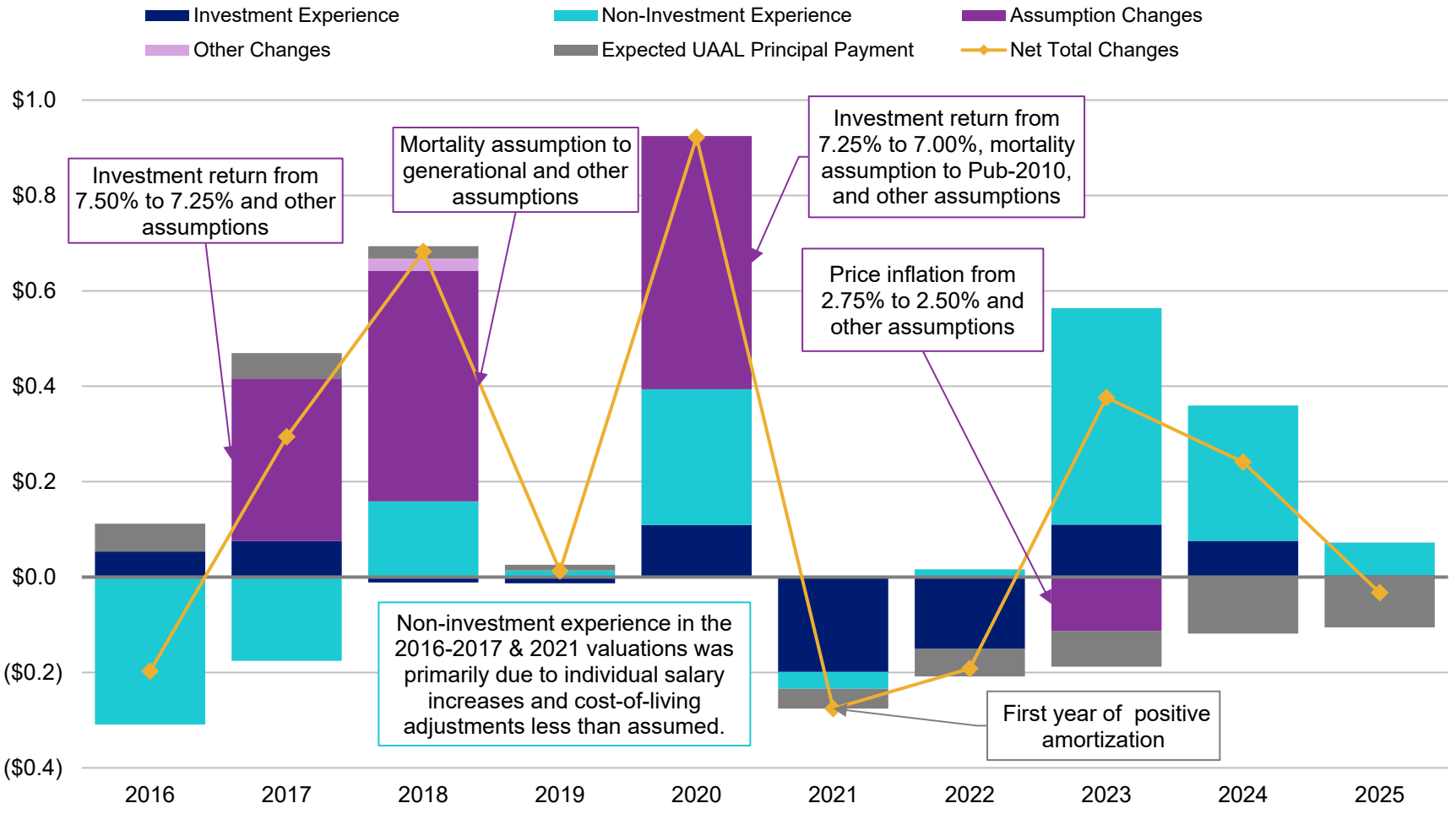
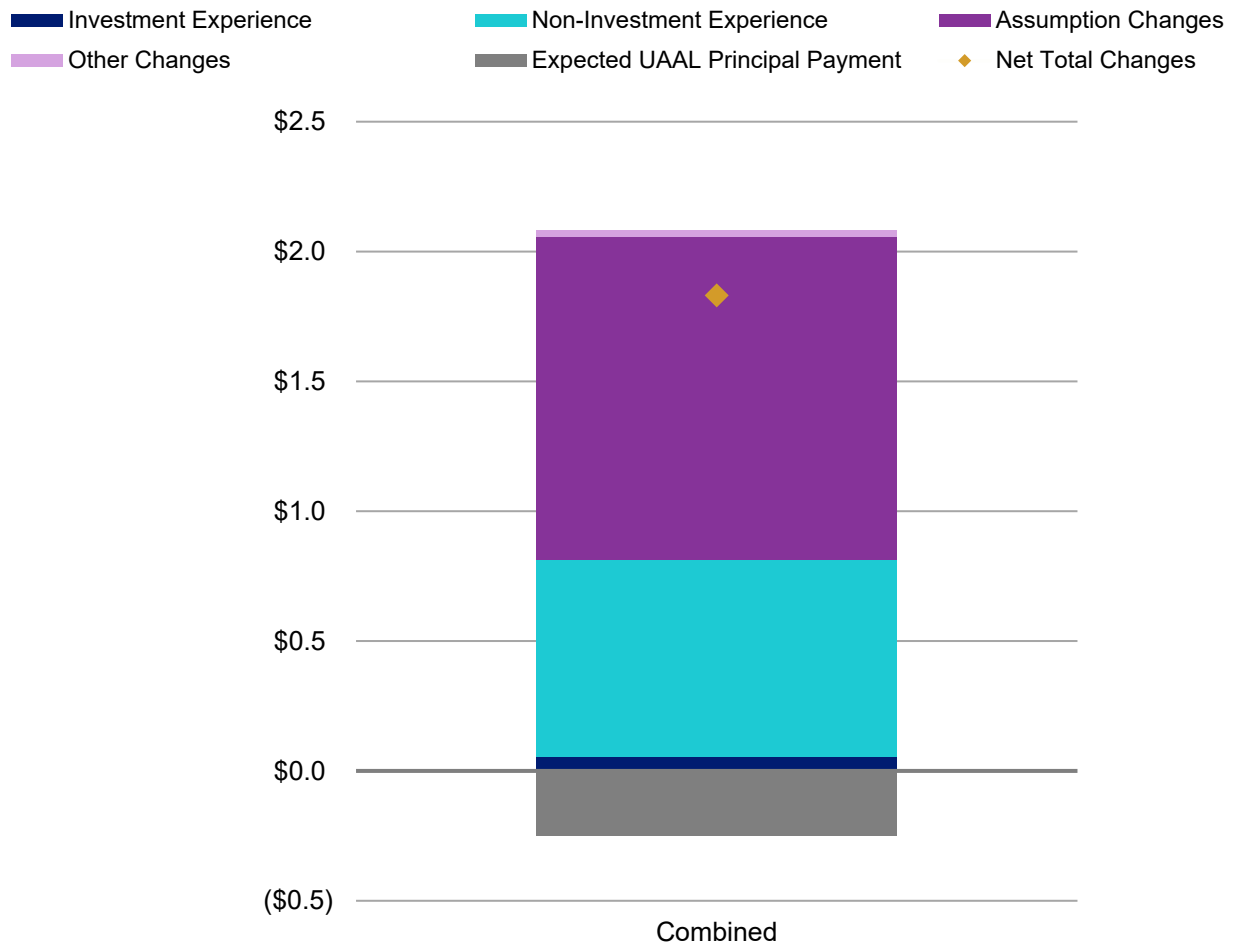


Chart 2b

Retirement Plan – Combined Factors that Changed UAAL in the June 30, 2016 to 2025 Valuations

($ in Billions)



Note: This summation of UAAL changes by source does not account for the timing of when they occurred nor any resulting compounding effects. Also, the investment experience shown is investment returns after asset smoothing compared to the expected returns.

Chart 2c

Health Plan – Factors that Changed UAAL for Year Ended June 30

($ in Billions)

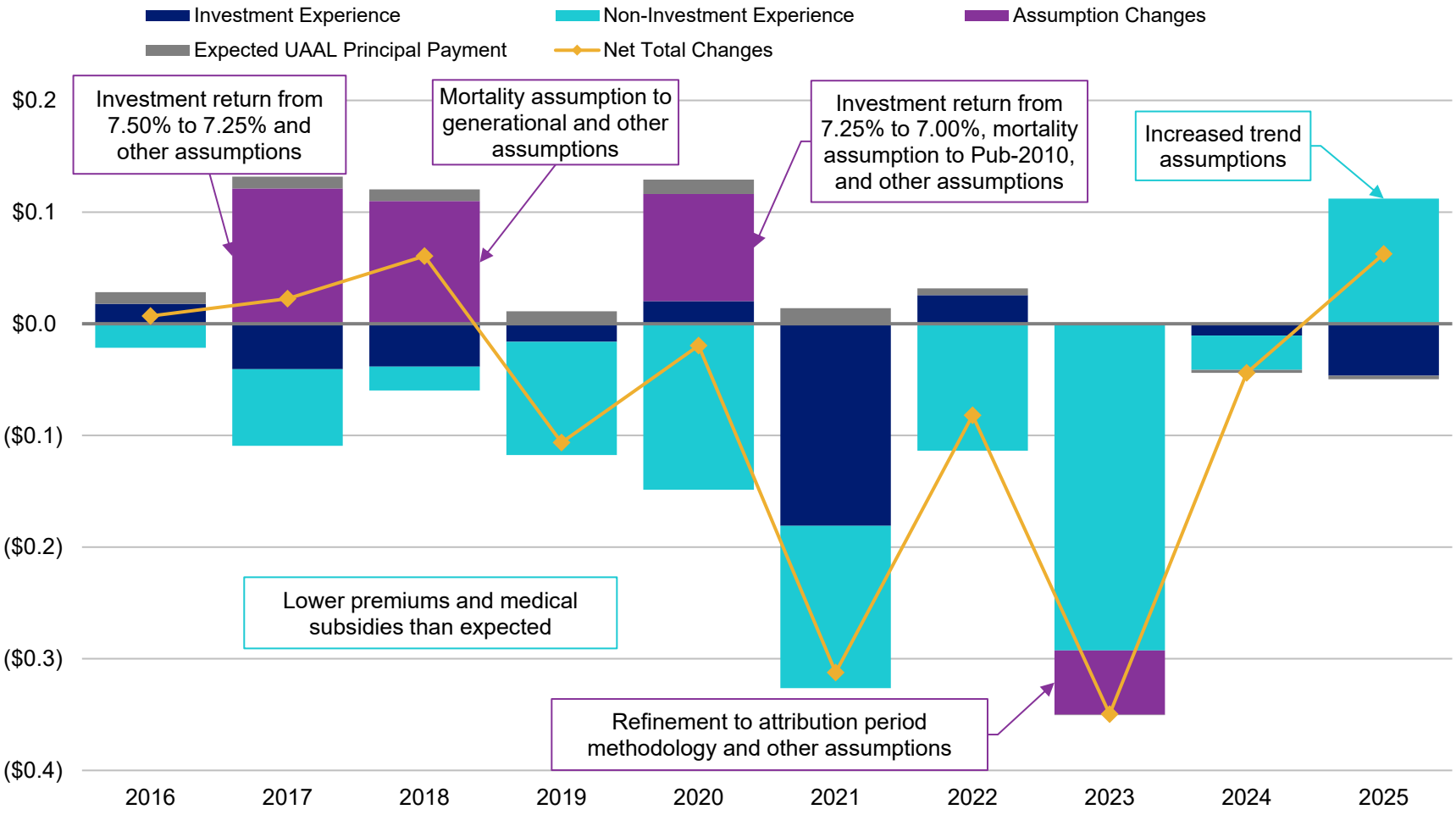
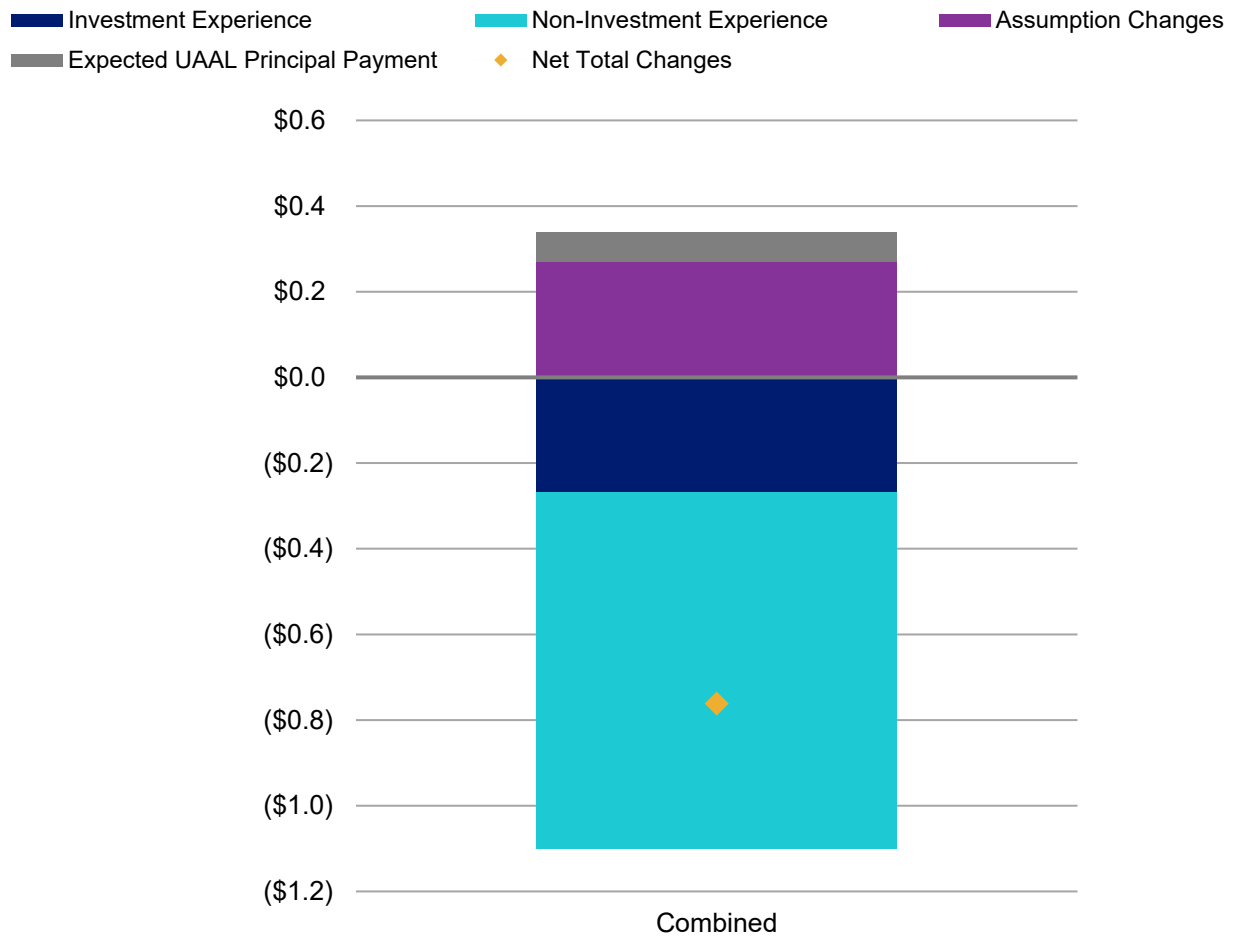


Chart 2d

Health Plan – Combined Factors that Changed UAAL in the June 30, 2016 to 2025 Valuations

($ in Billions)



Note: This summation of UAAL changes by source does not account for the timing of when they occurred nor any resulting compounding effects. Also, the investment experience shown is investment returns after asset smoothing compared to the expected returns.

Employer contribution rates

The total (normal cost plus UAAL payment) employer contribution rates determined in the June 30, 2016 to June 30, 2025 valuations for the Retirement and Health Plans are provided in *Chart 3a* and *Chart 3b*, respectively.[1] These charts show that the employer normal cost rates for the Retirement and Health Plans have stayed relatively flat since the June 30, 2016 valuation. For the Retirement Plan, the UAAL rate generally increased between the June 30, 2016 and the June 30, 2025 valuations primarily due to changes in actuarial assumptions. While there have also been increases in the normal cost rates due to the changes in actuarial assumptions, those increases were offset to some degree by the plan changes – with the introduction of Tier 3 – as new members have been enrolled in the lower cost benefit tier since February 21, 2016. Furthermore, beginning with the June 30, 2012 valuation, an additional employee contribution (either 2% or 4%, becoming 4% for all affected employees effective January 1, 2013) was implemented by the City for certain bargaining groups and for all non-represented employees.[2] For the Health Plan, the UAAL rate decreased between the June 30, 2016 and the June 30, 2025 valuations and has been negative since June 30, 2023 as that Plan has become fully funded starting with that valuation. The primary sources of the decrease include health related assumption changes and other actuarial experience (primarily favorable premium and subsidy changes).

The factors that caused the changes in the total employer contribution rates for the Retirement and Health Plans are provided in *Chart 4a and Chart 4b*, respectively.

For the Retirement Plan, *Chart 4a* shows that the changes in the expected investment return, mortality tables and other assumptions have had the most impact on increasing the UAAL contribution rates for the City.

For the Health Plan, *Chart 4b* shows that the non-investment experience (primarily medical premiums and subsidies lower than projected, but which also includes the impact of the annual review and adjustment of the medical trend assumptions) has had the most impact on decreasing the employer contribution rates for the Plan, offset somewhat by changes in the expected investment return, mortality tables and other actuarial assumptions. There is also a rate reduction in each of the June 30, 2023 through 2025 valuations due to the amortization of the surplus over 30 years.

[1] There are separate contribution rates determined in the valuation for each tier. The aggregate contribution rates shown herein have been calculated based on an average of those rates weighted by the payrolls of the active members reported in those valuations.

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

Employer Contribution Rate Impact from Assumption Changes

Retirement and Health Plans Combined

Valuation Date	Total Aggregate Employer Contribution Rate Change
June 30, 2017	2.0% of payroll
June 30, 2018	2.1% of payroll
June 30, 2020	3.9% of payroll
June 30, 2023	0.7% of payroll
Net Change	**8.7% of payroll**

Chart 3a

Retirement Plan – Employer Contribution Rates Calculated as of June 30

(% of Payroll – Payable July 15)

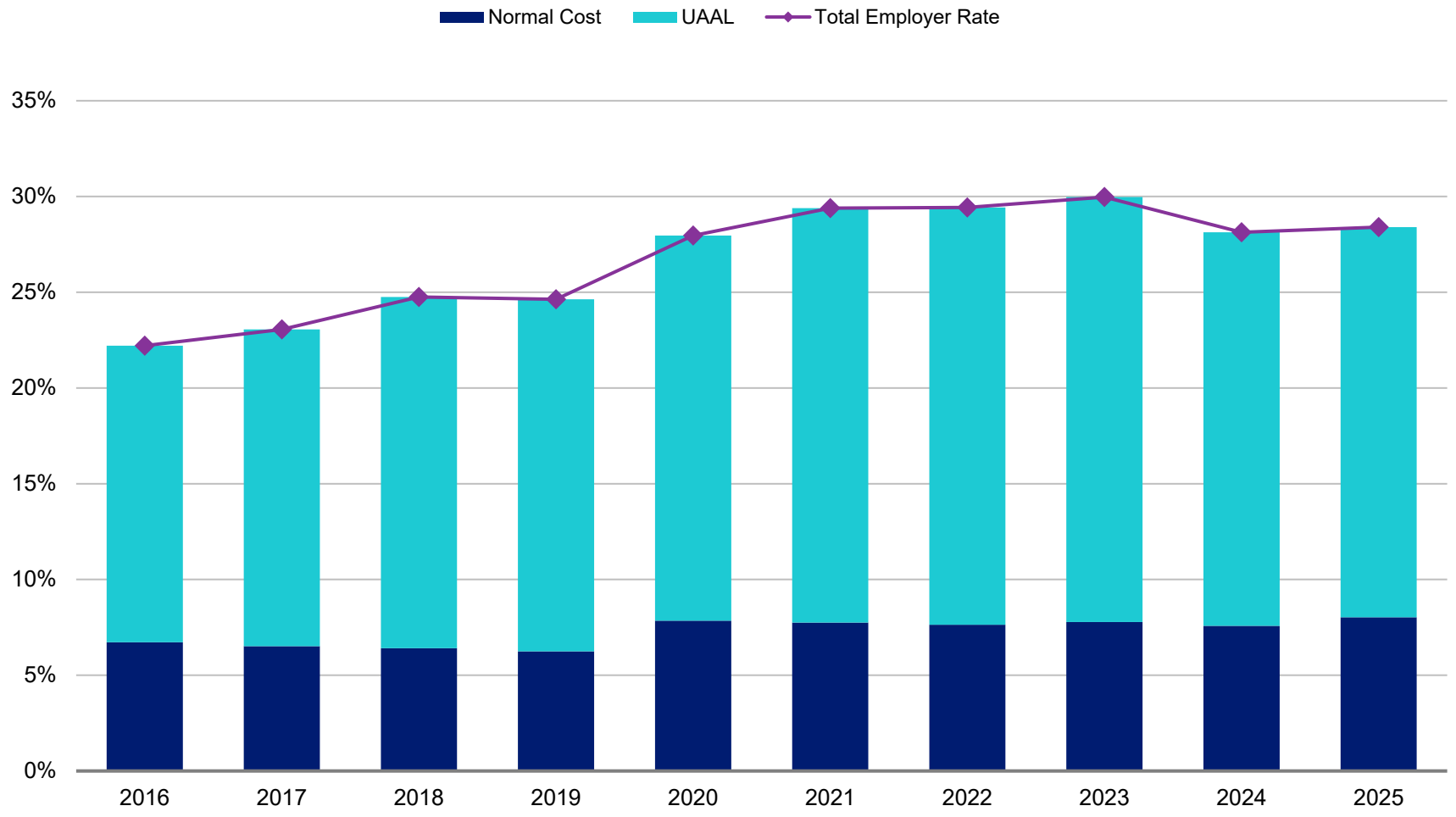


Chart 3b

Health Plan – Employer Contribution Rates Calculated as of June 30

(% of Payroll – Payable July 15)

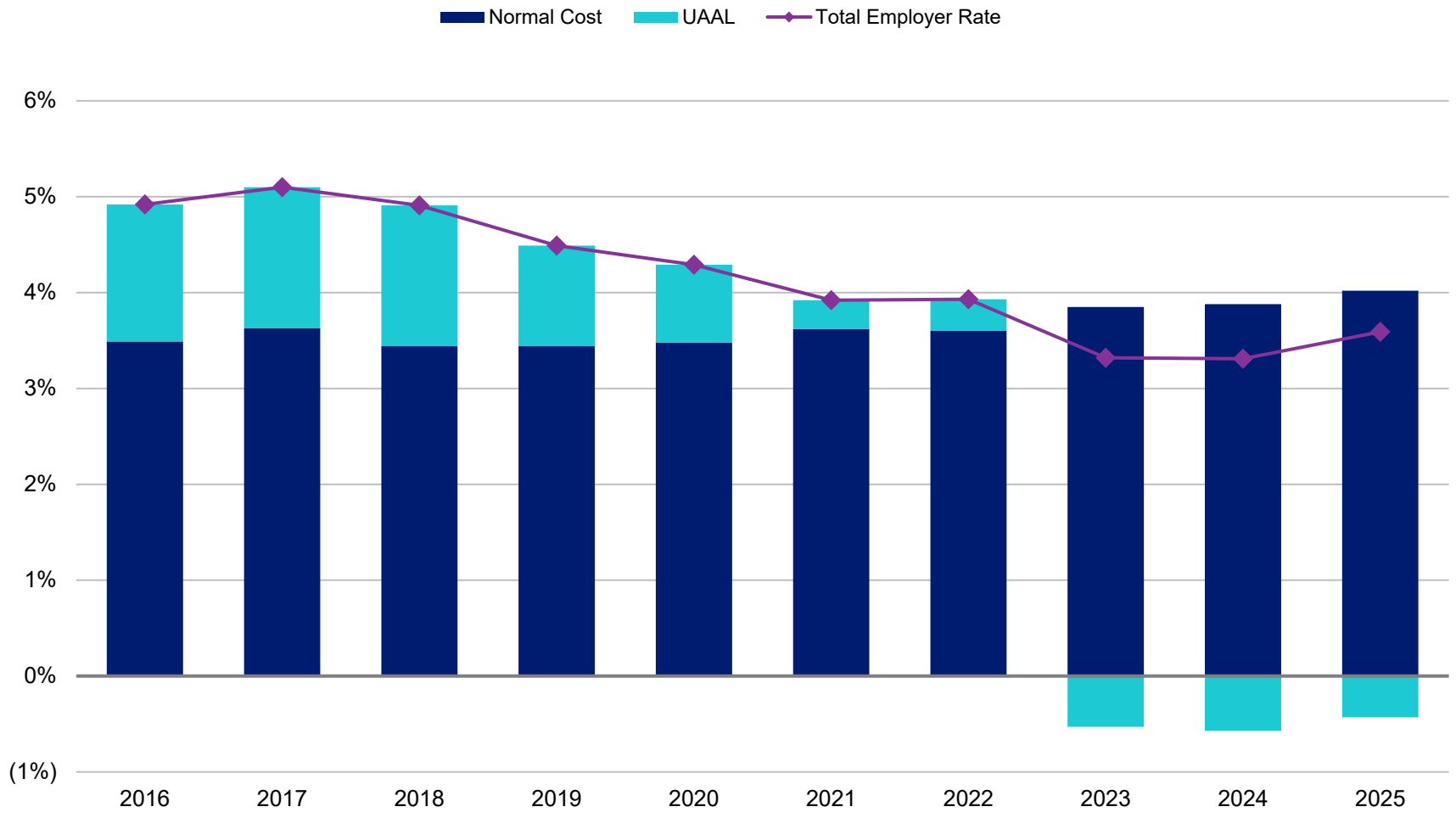


Chart 4a

Retirement Plan – Factors that Affected Employer Contribution Rates Calculated as of June 30

(% of Payroll – Payable July 15)

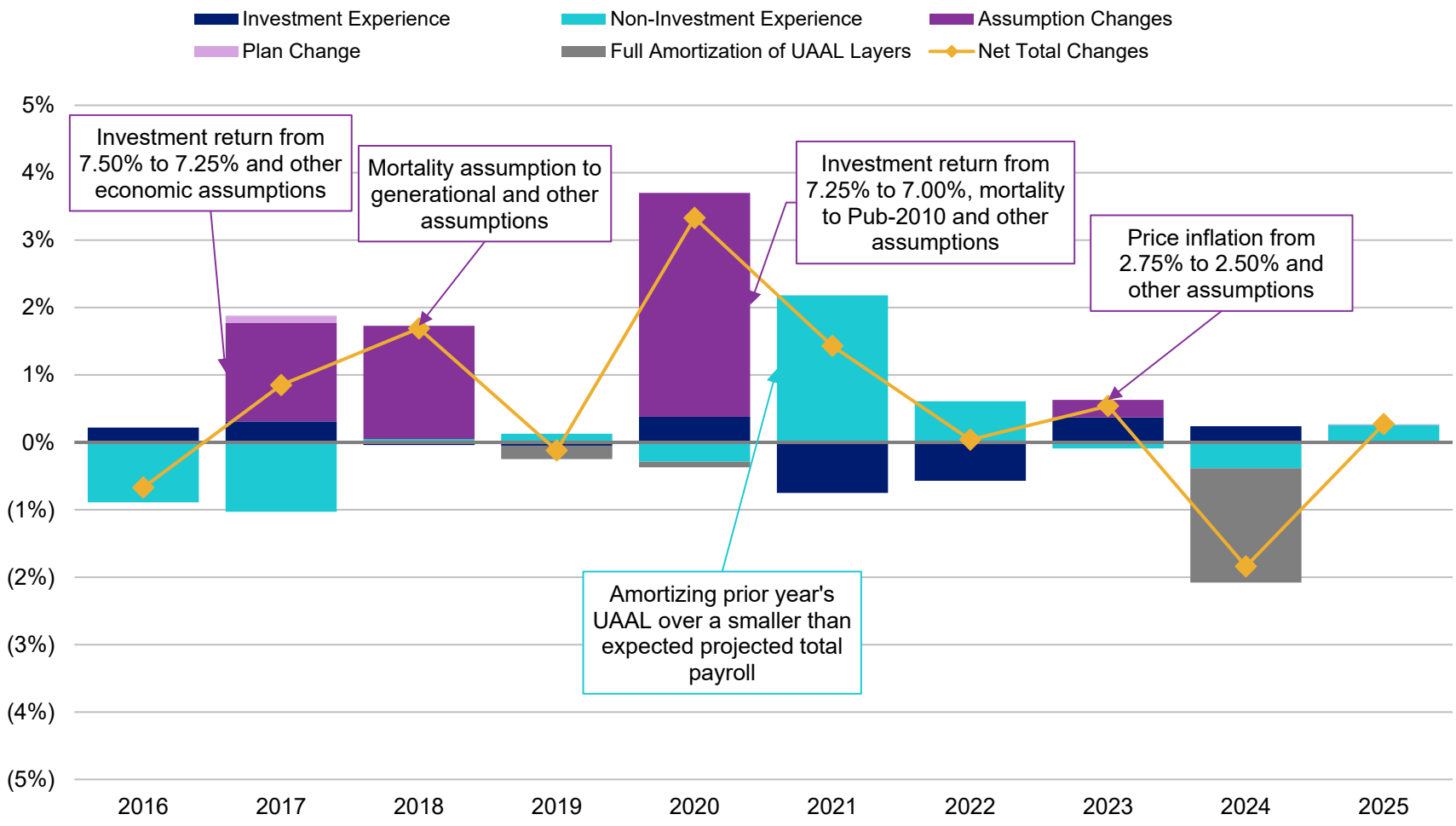
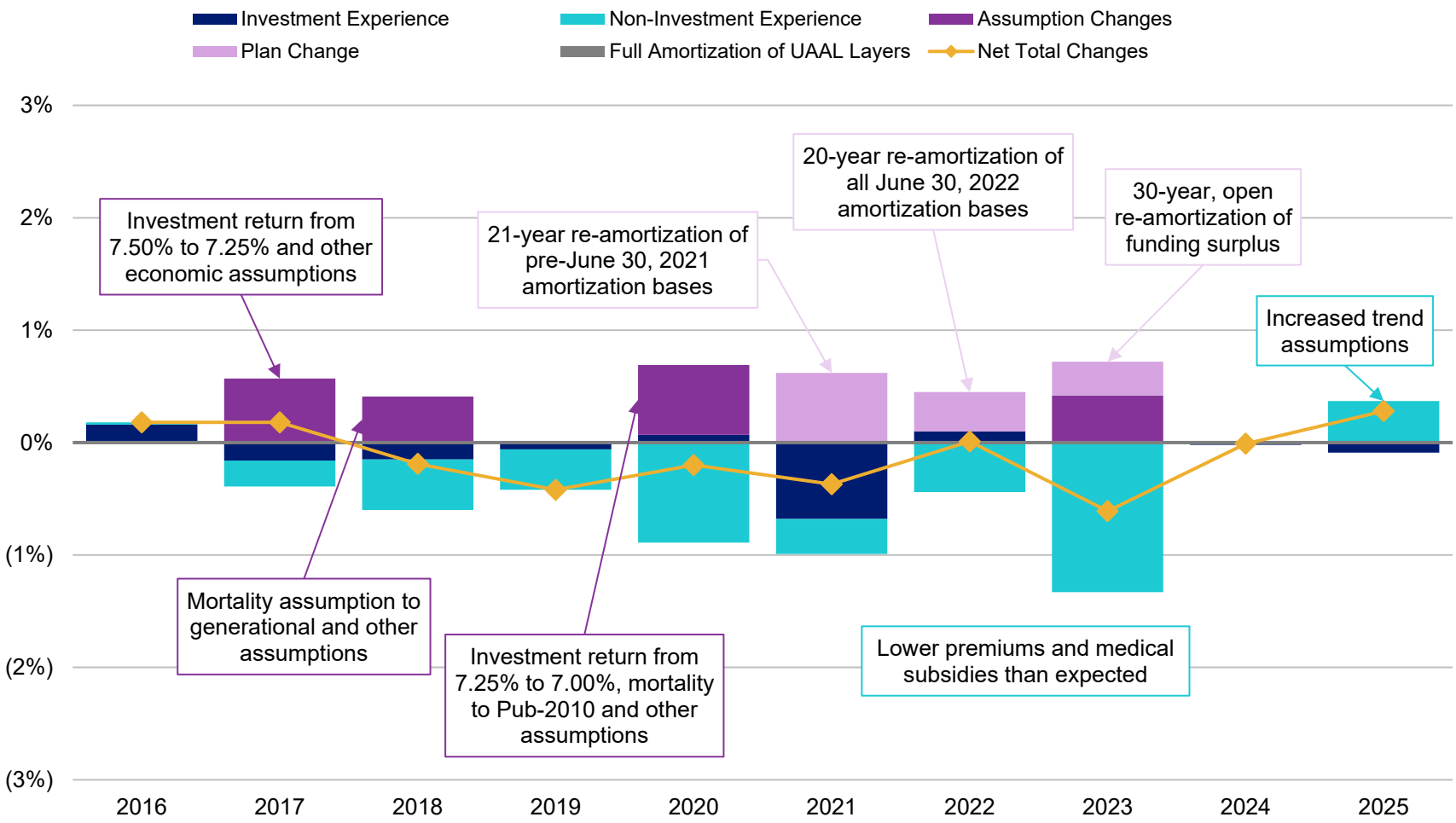


Chart 4b

Health Plan – Factors that Affected Employer Contribution Rates Calculated as of June 30

(% of Payroll – Payable July 15)



Assessment of primary risk factors going forward

As discussed under the evaluation of historical trends section, the funded status and employer contribution rates have changed mainly due to changes in actuarial assumptions, investment experience, and non-investment experience in the last 10 valuations.

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

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

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

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

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

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

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

  The Board has a policy of reviewing the investment return and other actuarial assumptions generally every three years, with the next triennial experience study (recommending assumptions for the June 30, 2026 actuarial valuations) scheduled to be performed in 2026.

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

  For the Retirement Plan, the move to using generational amount-weighted mortality tables that reflect data from public sector retirement plans was first effective for the June 30, 2020 valuations. (For the Health Plan, we are using generational, headcount-weighted mortality tables.) As can be observed from *Chart 2a, Chart 2c, Chart 4a,* and *Chart 4b*, there has been an overall

favorable impact on the UAAL and employer contribution rates due to non-investment experience for the Retirement and Health Plans combined in the last 10 valuations. Future mortality risks should be further mitigated by the updated tables.

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

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

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

ASOP 51 also lists interest rate risk as an example of a potential risk to consider. However, the valuations of the Plans' liabilities are not linked directly to market interest rates, so the resulting interest rate risk exposure is minimal.

Scenario tests

Since the funded ratio, UAAL and the employer contribution rates have fluctuated as a result of deviations in investment experience in the last 10 valuations, in this section we have examined this risk for LACERS using projections under a deterministic and stochastic approach.

Deterministic projections

To measure such risk, we have included scenario tests to study the change in the UAAL and employer contribution rates if LACERS were to earn a market return higher or lower than the assumed rate of 7.00% in the fiscal year following the June 30, 2025 valuations. In *Chart 5, Chart 6* and *Chart 7*, we show the total aggregate employer contribution rates, funded ratios, and UAAL, respectively, for the Retirement and Health Plans combined, assuming the System's portfolio market return in 2025/2026 will be as follows:

- Scenario 1: 0.00% market return for 2025/2026
- Scenario 2: 7.00% market return for 2025/2026 (baseline)
- Scenario 3: 14.00% market return for 2025/2026

Section 2: Key Plan Risks

All other assumptions used in the projections can be found in *Appendix A*, including the assumption that the System will earn the assumed 7.00% market return per year beginning July 1, 2026 under all three scenarios.

Detailed employer contribution rates, funded ratios and UAAL have been developed for each of the Retirement and Health Plans and in total under each of the three Scenarios. Those results are shown over a 23-year period and can be found in *Appendix B*.[1]

The following table summarizes the projected total aggregate employer contribution rate changes for the Plans, relative to the total aggregate employer contribution rate of 31.99% in the June 30, 2025 valuations, in the next valuations (i.e., June 30, 2026) as well as in the June 30, 2032 valuations when all of the investment gains and losses are fully recognized in the actuarial value of assets. These results assume no further assumption changes, method changes or experience that differs significantly from the assumptions.

Total Aggregate Employer Contribution Rate Change

Valuation Date	0.00% Return for 2025/2026	7.00% Return for 2025/2026	14.00% Return for 2025/2026
June 30, 2026	+0.0% of payroll	-0.7% of payroll	-1.4% of payroll
June 30, 2032	+5.3% of payroll	-0.6% of payroll	-6.5% of payroll

Under the unfavorable (0.00%), baseline (7.00%), and favorable (14.00%) hypothetical market return scenarios for 2025/2026, the Plans would be expected to reach full funding in in 2042, 2041, and 2038, respectively.[2] The total aggregate employer contribution rate would be expected to range from 8.3% to 8.7% of payroll at the end of the 23-year projection period under the three scenarios modeled. That employer contribution rate reflects the employer normal cost, offset by the amortization of any surplus pursuant to the Board's Actuarial Funding Policy when the Plans become fully funded. This shows that the Board's funding policy is very effective in achieving the general policy goal of achieving the long-term full funding of the costs of the benefits paid by LACERS.

While we have not assigned a probability on the 2025/2026 market return coming in at these rates, the Board and other stakeholders monitoring LACERS can use these results to interpolate in order to estimate the funded status and employer contribution rates for the June 30, 2026 and next several valuations as the actual investment experience for the 2025/2026 year becomes available. Additionally, comparable experience in upcoming future years is likely to have a similar impact on the System absent any significant plan or assumption changes.

[1] Generally speaking, under LACERS' seven-year asset smoothing period and 15-year amortization policy for gains/losses, it would take 23 years before any investment gains/losses are fully amortized in the valuations.

[2] The Plans are projected to reach full funding by 2042 when measured using the combined assets and liabilities of the Retirement and Health Plans. When measured separately, the Retirement Plan is projected to reach full funding in the June 30, 2042, June 30, 2041, and June 30, 2039 valuations under the unfavorable, baseline, and favorable scenarios, respectively, while the Health Plan has already reached full funding as of June 30, 2025.

Chart 5

Retirement and Health Plans (Total Plan)

Projected Employer Contribution Rates Under Hypothetical Market Return Scenarios for 2025/2026

(% of Payroll – Payable July 15)

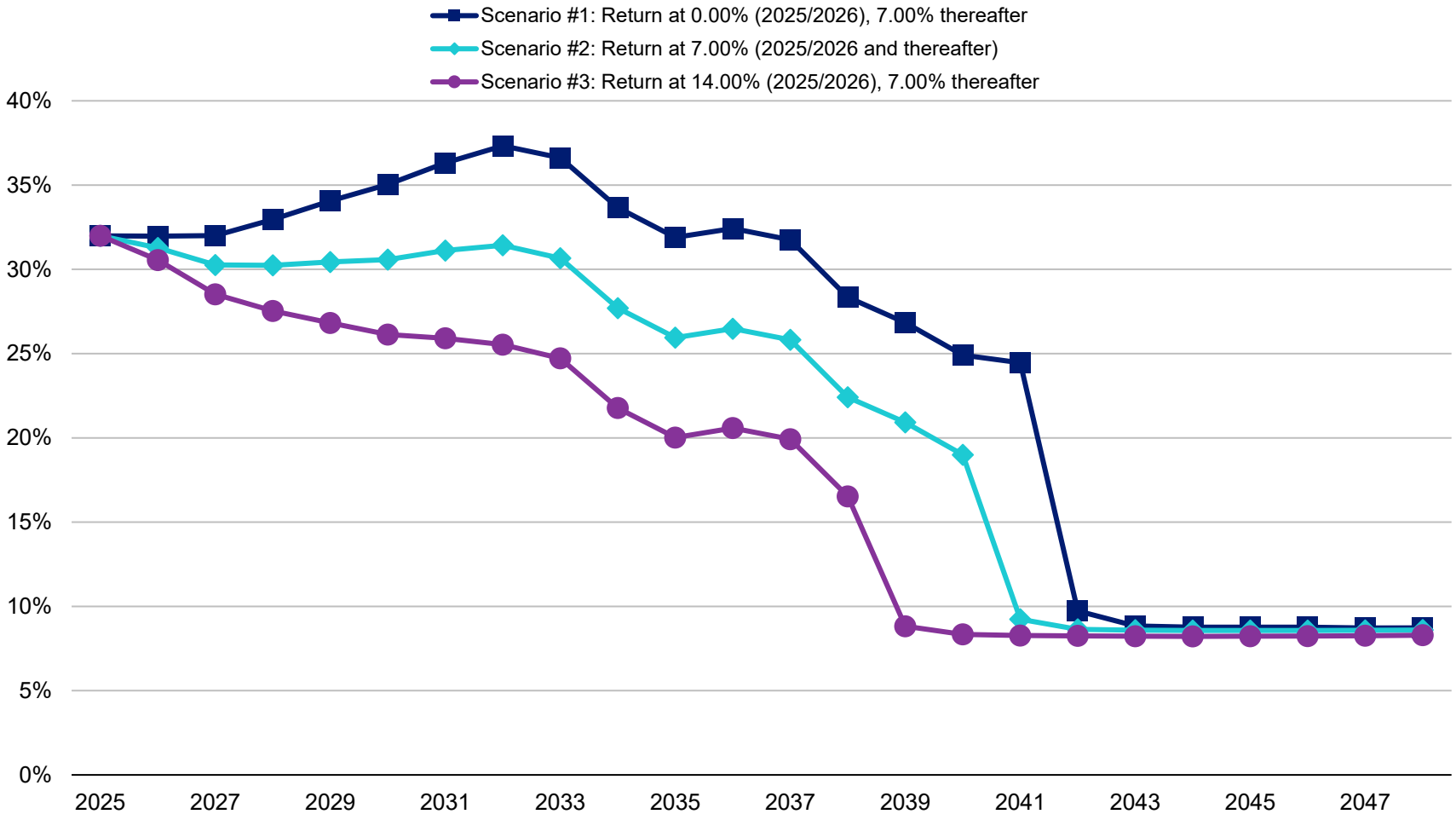


Chart 6

Retirement and Health Plans (Total Plan)

Projected Funded Ratios Under Hypothetical Market Return Scenarios for 2025/2026

(Valuation Value of Assets Basis)

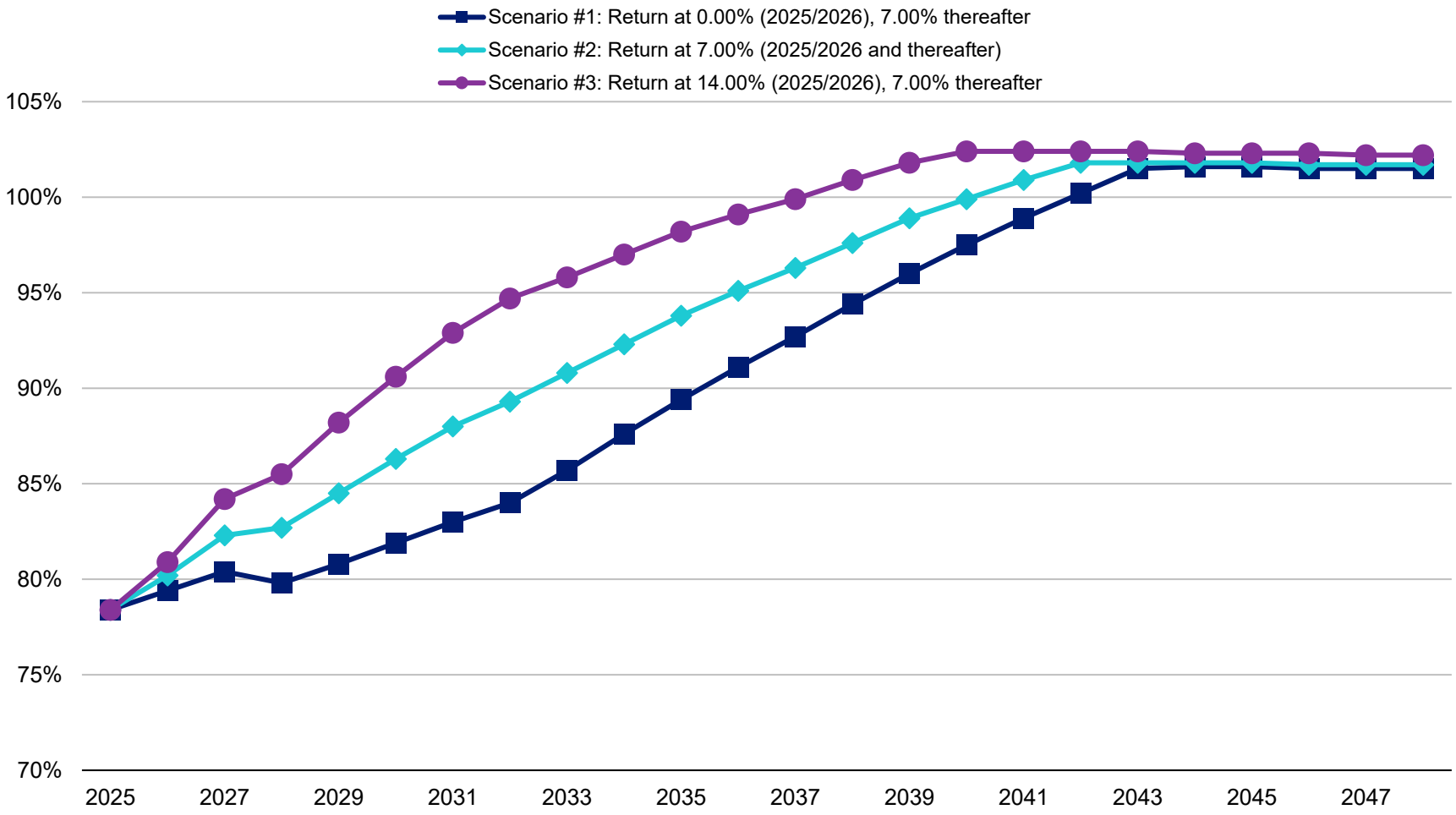
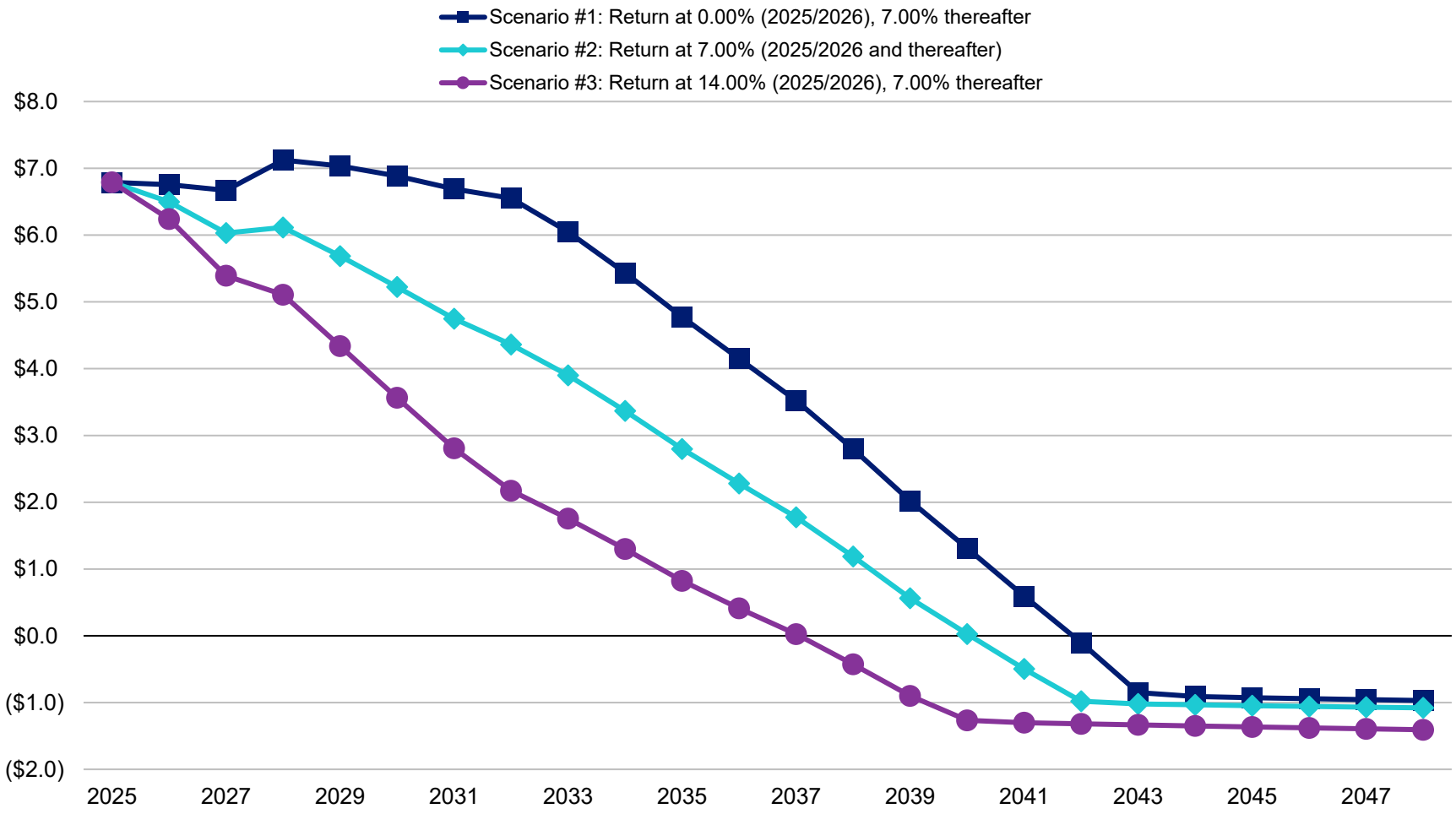


Chart 7

Retirement and Health Plans (Total Plan)

Projected UAAL Under Hypothetical Market Return Scenarios for 2025/2026

(Valuation Value of Assets Basis – $ in Billions)



Section 2: Key Plan Risks

Stochastic projection

Based on our discussions with LACERS, we have also been directed to supplement the deterministic scenario tests with an additional analysis that shows the range of possible changes in funded status and contribution rates under a statistical distribution of potential market returns for 20 years following the June 30, 2025 valuation. We have accomplished the stochastic modeling of future market returns by using the expected return, standard deviation and other information about LACERS' asset portfolio as provided in *Appendix A* of this report, assuming no future assumption or method changes to the plan.

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

At the end of 20 years, there is a 50% chance that the annual return of LACERS' investment portfolio would average between 5.8% and 9.9%, the funded ratio would be between 91% and 157% and the corresponding UAAL would be between $5.4 billion and a surplus (or a negative UAAL) of $34.0 billion.[1,2]

The funded ratio on an actuarial value of assets basis for the Retirement and Health Plans combined is about 78.4% as of June 30, 2025 compared to 77.5% as of June 30, 2024. There is a 49% chance LACERS would be fully funded at the end of 10 years and a 66% chance LACERS would be fully funded at the end of 20 years. The probabilities that the funded ratio would fall below 50%, 60% or 70% at any point in the next 20 years as projected in the current analysis as of June 30, 2025 and the prior analysis as of June 30, 2024 are as follows:

Probability of Various Funded Ratios

Line Description	Below 50%	Below 60%	Below 70%
Current (6/30/2025) Analysis Probability	2%	8%	23%
Prior (6/30/2024) Analysis Probability	2%	10%	28%

The total employer contribution rate is about 32% of payroll based on the June 30, 2025 valuation, as compared to about 31% in the June 30, 2024 valuation. Stochastic modeling can help assess the range and relative likelihood of potential future contribution rates. At the end of 10 years (i.e., the June 30, 2035 valuation), there is a 50% chance that the employer contribution rates would be between 0% and 40% of payroll (with a median rate of 18% of payroll). At the end of 20 years (i.e., the June 30, 2045 valuation),

[1] This is based on the 25th to the 75th percentile results.
[2] Based only on policies that are in place as of today.

there is a 50% chance that the employer contribution rates would be between 0% and 26% of payroll (with a median rate of 0% of payroll). The probabilities that the total employer contribution rate would increase at least by 5%, 10% or 15% of payroll at any point in the next 20 years as projected in the current analysis as of June 30, 2025 and the prior analysis as of June 30, 2024 are as follows:

Probability of Total Employer Rate Increases

Line Description	5% of Payroll (to 37% of Payroll)	10% of Payroll (to 42% of Payroll)	15% of Payroll (to 47% of Payroll)
Current (6/30/2025) Analysis Probability	49%	40%	32%
Prior (6/30/2024) Analysis Probability	54%	45%	37%

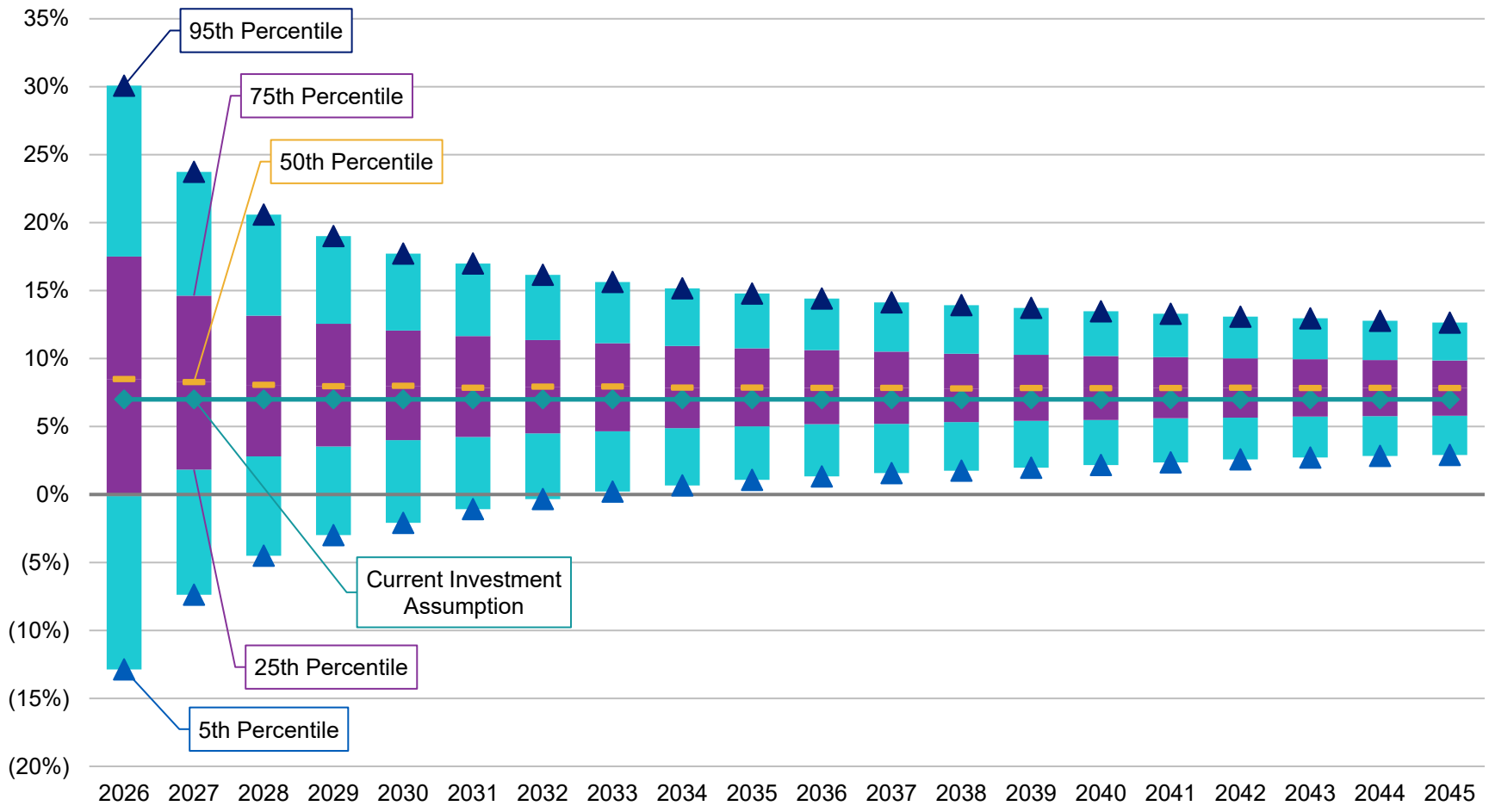
Finally, stochastic modeling can help assess the potential impact of investment experience on contribution volatility in any given year. The probabilities that the total employer contribution rate would spike by 2%, 4% or 6% of payroll in any single year during the next 20 years as projected in the current analysis as of June 30, 2025 and the prior analysis as of June 30, 2024 are as follows:

Probability of Total Employer Rate Spike in a Single Year

	2% of Payroll	4% of Payroll	6% of Payroll
Current (6/30/2025) Analysis Probability	21%	10%	4%
Prior (6/30/2024) Analysis Probability	22%	10%	4%

Chart 8

Projected Compounded Investment Return for Plan Years Ending June 30



A corresponding table of results can be found on the next page.

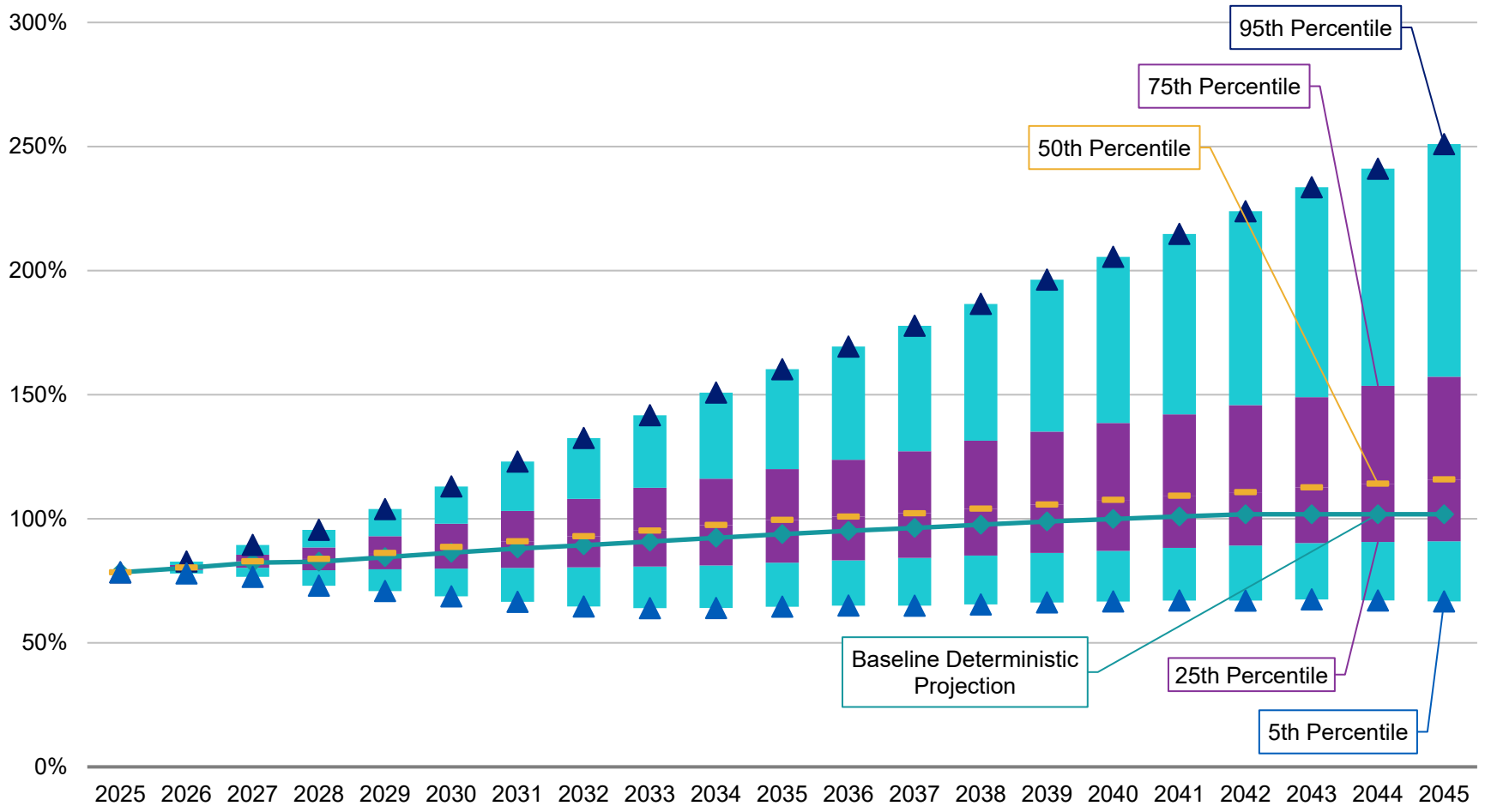
Section 2: Key Plan Risks

Projected Compounded Investment Return for Plan Years Ending June 30

Year	Current Assumption	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile
2026	7.0%	-12.9%	-0.1%	8.5%	17.5%	30.1%
2027	7.0%	-7.4%	1.8%	8.3%	14.6%	23.7%
2028	7.0%	-4.5%	2.8%	8.1%	13.2%	20.6%
2029	7.0%	-3.0%	3.5%	8.0%	12.6%	19.0%
2030	7.0%	-2.1%	4.0%	8.0%	12.1%	17.7%
2031	7.0%	-1.1%	4.2%	7.8%	11.7%	17.0%
2032	7.0%	-0.3%	4.5%	7.9%	11.4%	16.2%
2033	7.0%	0.2%	4.7%	7.9%	11.1%	15.6%
2034	7.0%	0.7%	4.9%	7.9%	10.9%	15.2%
2035	7.0%	1.1%	5.0%	7.9%	10.8%	14.8%
2036	7.0%	1.3%	5.2%	7.8%	10.6%	14.4%
2037	7.0%	1.6%	5.2%	7.8%	10.5%	14.1%
2038	7.0%	1.8%	5.3%	7.8%	10.4%	13.9%
2039	7.0%	2.0%	5.4%	7.8%	10.3%	13.7%
2040	7.0%	2.2%	5.5%	7.8%	10.2%	13.5%
2041	7.0%	2.4%	5.6%	7.8%	10.1%	13.3%
2042	7.0%	2.6%	5.7%	7.8%	10.0%	13.1%
2043	7.0%	2.7%	5.7%	7.8%	10.0%	13.0%
2044	7.0%	2.8%	5.8%	7.8%	9.9%	12.8%
2045	7.0%	2.9%	5.8%	7.8%	9.9%	12.6%

Chart 9

Projected Funded Ratios
(Valuation Value of Assets Basis)



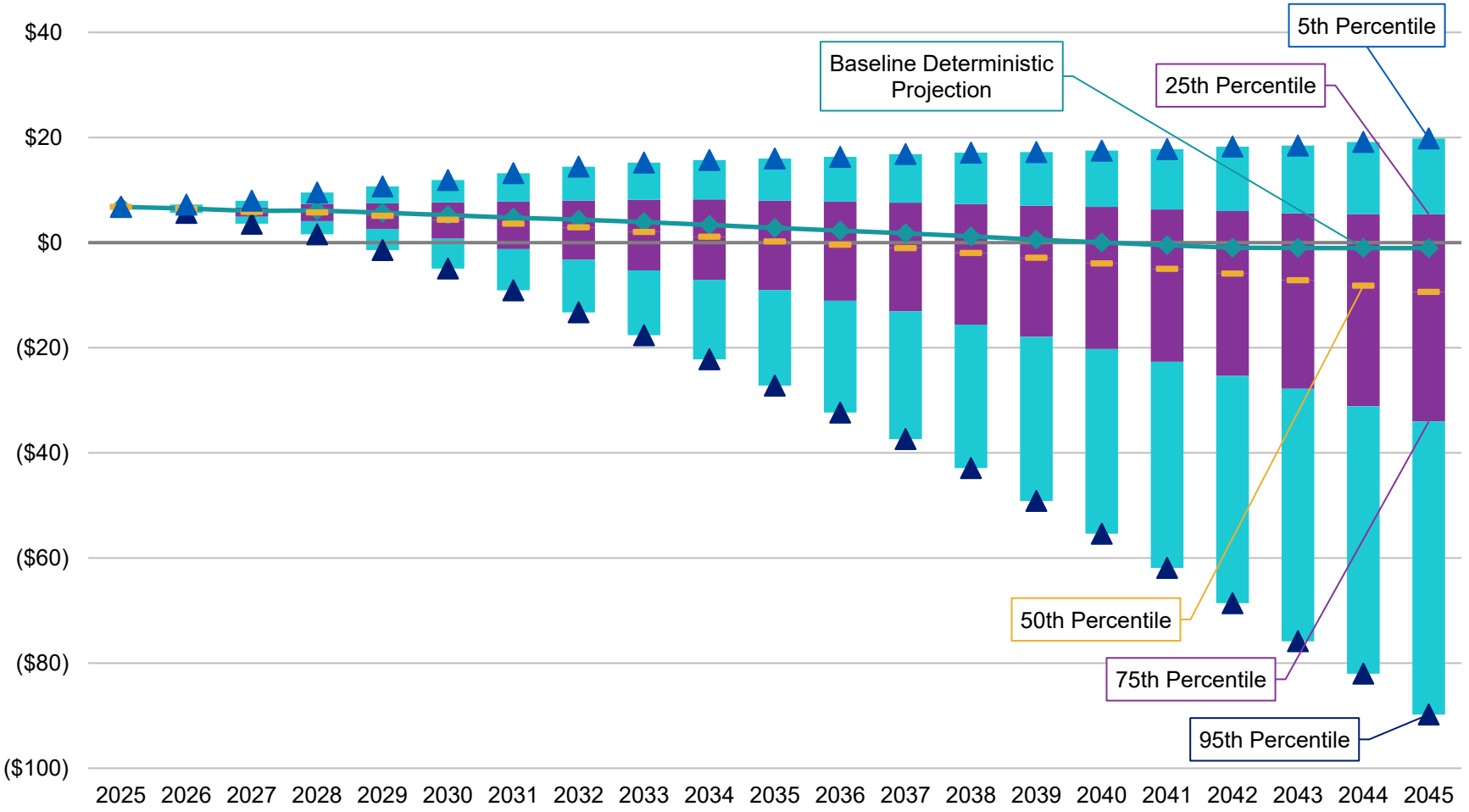
A corresponding table of results can be found on the next page.

Projected Funded Ratios
(Valuation Value of Assets Basis)

Year	Baseline Deterministic Projection	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile
2025	78.4%	78.4%	78.4%	78.4%	78.4%	78.4%
2026	80.2%	77.9%	79.4%	80.3%	81.3%	82.7%
2027	82.3%	76.6%	80.2%	82.8%	85.5%	89.4%
2028	82.7%	73.0%	79.3%	83.8%	88.4%	95.5%
2029	84.5%	70.8%	79.6%	86.2%	93.0%	103.9%
2030	86.3%	68.7%	79.9%	88.6%	98.0%	113.0%
2031	88.0%	66.5%	80.2%	90.9%	103.1%	123.0%
2032	89.3%	64.6%	80.4%	92.9%	108.0%	132.5%
2033	90.8%	64.0%	80.7%	95.2%	112.5%	141.7%
2034	92.3%	64.0%	81.2%	97.5%	116.2%	150.8%
2035	93.8%	64.6%	82.3%	99.5%	120.0%	160.3%
2036	95.1%	65.0%	83.2%	100.9%	123.8%	169.4%
2037	96.3%	65.0%	84.2%	102.2%	127.2%	177.8%
2038	97.6%	65.4%	85.2%	104.0%	131.5%	186.6%
2039	98.9%	66.3%	86.2%	105.7%	135.1%	196.3%
2040	99.9%	66.6%	87.0%	107.6%	138.6%	205.5%
2041	100.9%	67.0%	88.3%	109.3%	142.1%	214.8%
2042	101.8%	67.0%	89.2%	110.7%	145.8%	223.9%
2043	101.8%	67.5%	90.2%	112.6%	149.0%	233.6%
2044	101.8%	67.1%	90.6%	114.1%	153.6%	241.1%
2045	101.8%	66.7%	90.9%	115.8%	157.2%	251.0%

Chart 10

Projected UAAL
(Valuation Value of Assets Basis – $ in Billions)



A corresponding table of results can be found on the next page.

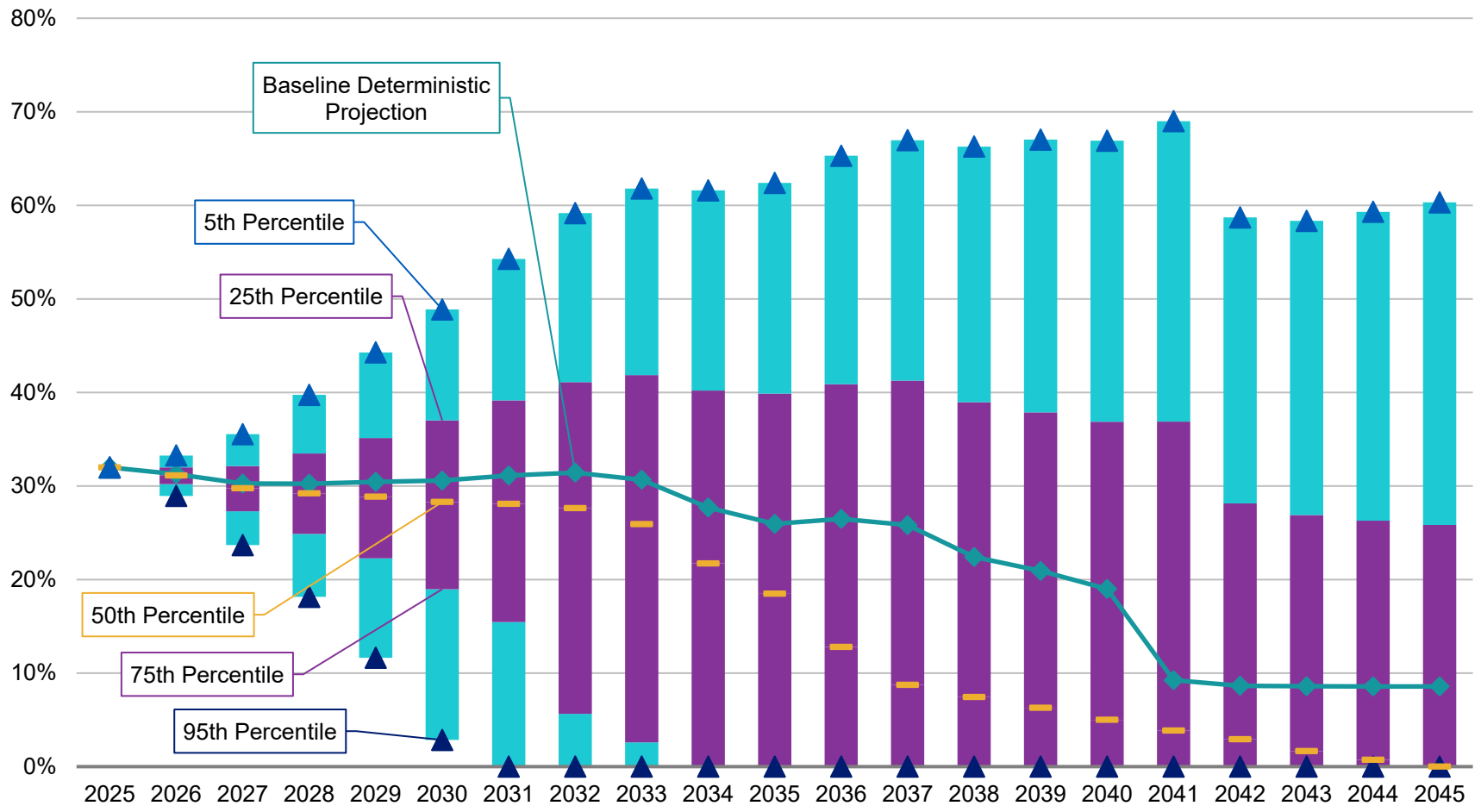
Projected UAAL

(Valuation Value of Assets Basis – $ in Billions)

Year	Baseline Deterministic Projection	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile
2025	$6.8	$6.8	$6.8	$6.8	$6.8	$6.8
2026	6.5	7.2	6.8	6.4	6.1	5.7
2027	6.0	8.0	6.7	5.8	4.9	3.6
2028	6.1	9.5	7.3	5.7	4.1	1.6
2029	5.7	10.7	7.5	5.1	2.6	-1.4
2030	5.2	11.9	7.6	4.3	0.8	-4.9
2031	4.7	13.2	7.8	3.6	-1.2	-9.1
2032	4.4	14.4	8.0	2.9	-3.3	-13.3
2033	3.9	15.2	8.1	2.0	-5.3	-17.6
2034	3.4	15.7	8.2	1.1	-7.1	-22.2
2035	2.8	16.0	8.0	0.2	-9.0	-27.2
2036	2.3	16.3	7.8	-0.4	-11.1	-32.3
2037	1.8	16.8	7.6	-1.1	-13.1	-37.4
2038	1.2	17.1	7.3	-2.0	-15.6	-42.9
2039	0.6	17.2	7.0	-2.9	-17.9	-49.1
2040	0.0	17.5	6.8	-4.0	-20.3	-55.4
2041	-0.5	17.8	6.3	-5.0	-22.7	-61.9
2042	-1.0	18.3	6.0	-5.9	-25.4	-68.6
2043	-1.0	18.5	5.6	-7.2	-27.8	-75.8
2044	-1.0	19.1	5.4	-8.2	-31.1	-82.0
2045	-1.0	19.8	5.4	-9.4	-34.0	-89.8

Chart 11

Projected Employer Contribution Rates
(% of Payroll)



A corresponding table of results can be found on the next page.

Projected Employer Contribution Rates

(% of Payroll)

Year	Baseline Deterministic Projection	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile
2025	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
2026	31.3%	33.3%	32.0%	31.1%	30.2%	28.9%
2027	30.3%	35.5%	32.1%	29.8%	27.3%	23.7%
2028	30.2%	39.7%	33.5%	29.2%	24.9%	18.2%
2029	30.4%	44.3%	35.1%	28.9%	22.3%	11.6%
2030	30.6%	48.9%	37.0%	28.3%	19.0%	2.9%
2031	31.1%	54.3%	39.2%	28.1%	15.5%	0.0%
2032	31.4%	59.2%	41.1%	27.6%	5.6%	0.0%
2033	30.7%	61.8%	41.9%	25.9%	2.6%	0.0%
2034	27.7%	61.6%	40.2%	21.7%	0.1%	0.0%
2035	26.0%	62.4%	39.9%	18.5%	0.0%	0.0%
2036	26.5%	65.3%	40.9%	12.8%	0.0%	0.0%
2037	25.8%	67.0%	41.3%	8.7%	0.0%	0.0%
2038	22.4%	66.3%	39.0%	7.4%	0.0%	0.0%
2039	20.9%	67.0%	37.9%	6.3%	0.0%	0.0%
2040	19.0%	66.9%	36.9%	5.0%	0.0%	0.0%
2041	9.2%	69.0%	36.9%	3.9%	0.0%	0.0%
2042	8.6%	58.7%	28.1%	2.9%	0.0%	0.0%
2043	8.6%	58.3%	26.9%	1.7%	0.0%	0.0%
2044	8.6%	59.3%	26.3%	0.7%	0.0%	0.0%
2045	8.6%	60.3%	25.8%	0.0%	0.0%	0.0%

Surplus management considerations

Under the deterministic projections discussed earlier in this report and as shown in *Appendix B*, the Retirement Plan is expected to become 100% funded in about 15 years under the baseline and favorable return scenarios, which would put the Retirement Plan "in surplus." It is important to keep in mind that in an actuarial funding context, surplus differs from the common dictionary definition of "an amount left over after all requirements are met" and instead means that a plan is at or ahead of its funding schedule at a specific measured point in time. In other words, surplus indicates that current assets are sufficient to currently cover all costs associated with members' past service.

As favorable investment and/or other actuarial experience might cause the Retirement Plan to become fully funded sooner, the Board could begin to have discussions in the next few years on how to preserve its 100% funded status once it becomes fully funded. Such discussion might also include discussion on how some non-level UAAL contribution rates that we expect in the next five to ten years (due to the pattern of recognition of the various layers of UAAL payments) could be addressed.

The Government Finance Officers Association (GFOA) recommends that every public plan's funding policy include a specific section on surplus, described as a "surplus management policy."[1] This surplus management policy would be "a proactive policy that helps guide the system in the prudent management of potential surplus, including considerations for items such as contribution levels, risk reduction opportunities, stabilization reserves and benefit levels." LACERS' funding policy does anticipate the possibility of surplus and requires any surplus to be amortized over a rolling 30-year period, which is considered an industry model practice.[2] In addition to the amortization of surplus, the following considerations are recommended by the GFOA:

- Consider current actuarial assumptions and the level of risk inherent in those assumptions.
- Evaluate possible risk reduction strategies, including the risk-reward tradeoff in the current asset portfolio, along with the plan's current funding policies.
- Consider how to mitigate contribution rate volatility in surplus, including buffers above 100% funded before amortizing surplus as a credit, and mechanisms such as smoothing in contribution rate reductions related to surplus.
- Work with the employer to ensure an understanding of what surplus is (and is not) and establish clear guard rails around acceptable conditions for possible benefit enhancements, especially permanent ones.

Generally, Segal agrees that reaching 100% funded is an ideal opportunity to consider contribution volatility mitigation and other risk mitigation strategies and is available to work with the Board on any surplus management considerations that may be desired. And

[1] See GFOA's Best Practice on "Core Elements of a Funding Policy for Governmental Pension and OPEB Plans"
[2] See the Conference of Consulting Actuaries' white paper on "Actuarial Funding Policies and Practices for Public Pension Plans."

while the Health Plan is already in surplus, there could be additional considerations for how to stabilize and maintain that position through similar surplus management considerations.

We understand according to our reading of the Financial Policies for the City of Los Angeles that "during those fiscal years when LACERS is over-funded (greater than 100% funded) and therefore the total annual required contribution, as adopted by the Board, is less than the amount required to fund the normal cost of retirement and health benefits for employees, the City will limit the extent to which it will recognize these savings (negative unfunded actuarial accrued liability) in the budget. Specifically, the amount budgeted for retirement and health contributions will be no less than the amount derived by reducing the normal cost contribution rate to 90 percent. An adopted contribution rate that would allow the City to contribute an amount less than 90 percent of the normal cost shall trigger this provision that prohibits the City from using these savings to fund the City's ongoing service and program costs. Any savings or reduction in funding calculated due to the incremental contribution rate below the 90 percent threshold will only be budgeted to pay down unfunded pension or healthcare costs for retirees or, in the event that all such costs are fully funded, as an appropriation to the Budget Stabilization Fund.

This policy would only be triggered when the system has a total negative unfunded actuarial accrued liability (UAAL) that would cause the actual contribution rate to be below the 90 percent threshold of the normal cost amount. When the total UAAL is positive, the City will continue to fully fund both the normal cost and UAAL as required by the City Charter."

Plan maturity measures that affect primary risks

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

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

For the Retirement Plan, the AVR was 7.3 as of June 30, 2025. This means that a 1% asset gain or loss in 2025/2026 (relative to the assumed investment return) would amount to 7.3% of one year's payroll. Based on LACERS' policy to amortize actuarial experience over 15 years when the Plan has an unfunded liability, this 1% asset gain (or loss) would result in a 0.6% of payroll decrease (or increase) in the required contribution rate. Similarly, the LVR was 9.6 as of June 30, 2025, so a 1% liability gain (or loss) would amount to 9.6% of one year's payroll and would result in a 0.8% of payroll decrease (or increase) in the required contribution rate.

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

Plan	AVR	10% Investment Loss Compares to	LVR	10% Liability Change Compares to
Retirement Plan	7.3	73% of payroll	9.6	96% of payroll
Health Plan	1.5	15% of payroll	1.3	13% of payroll
Combined	**8.8**	**88% of payroll**	**10.9**	**109% of payroll**

Chart 12a

Retirement Plan – Ratio of Inactive, Retirees and Beneficiaries (Non-Active) to Active Members and Ratio of Retirees and Beneficiaries (Pay Status) to Active Members as of June 30

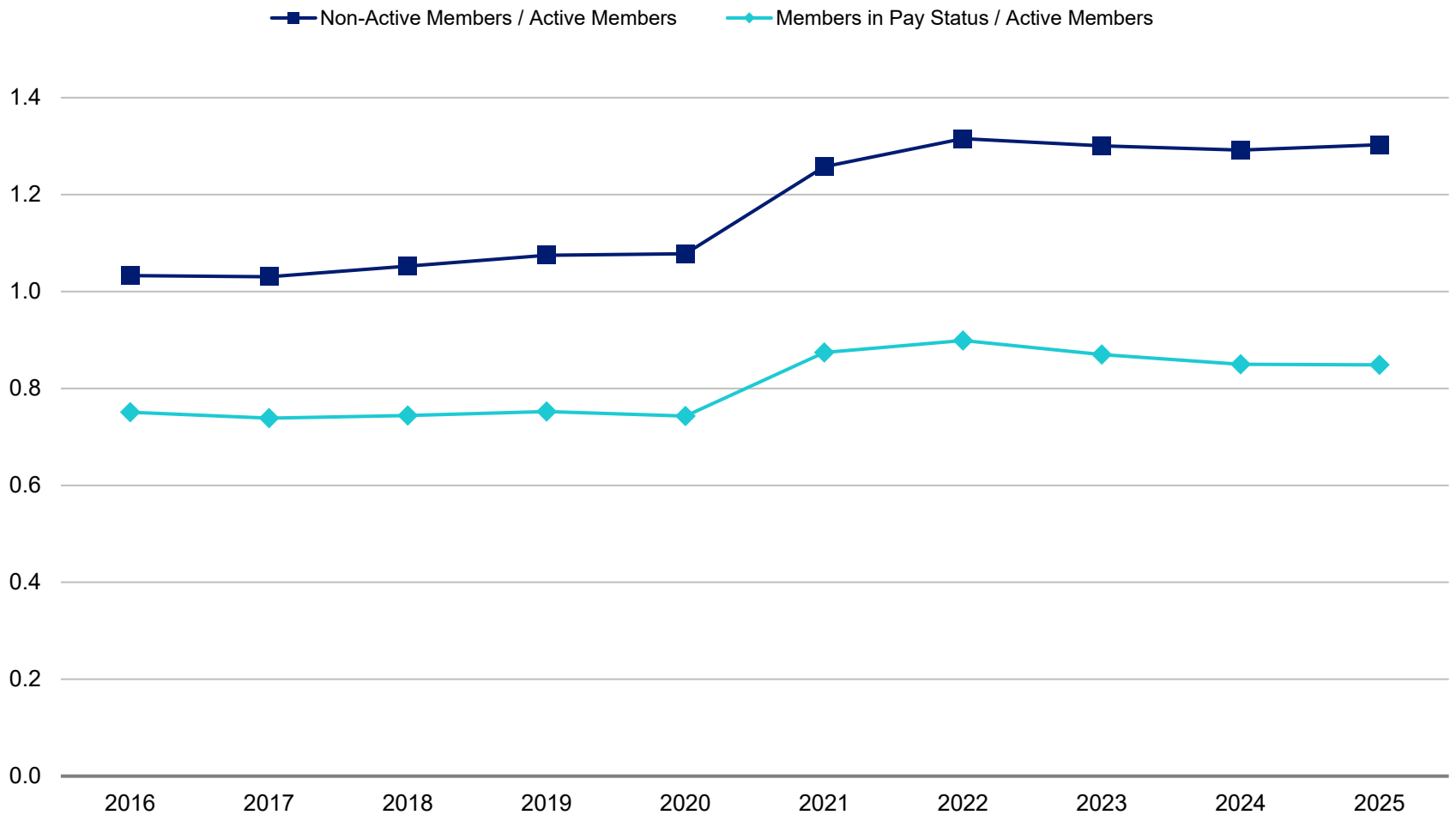


Chart 12b

Health Plan – Ratio of Inactive, Retirees and Beneficiaries (Non-Active) to Active Members and Ratio of Retirees and Beneficiaries (Pay Status) to Active Members as of June 30

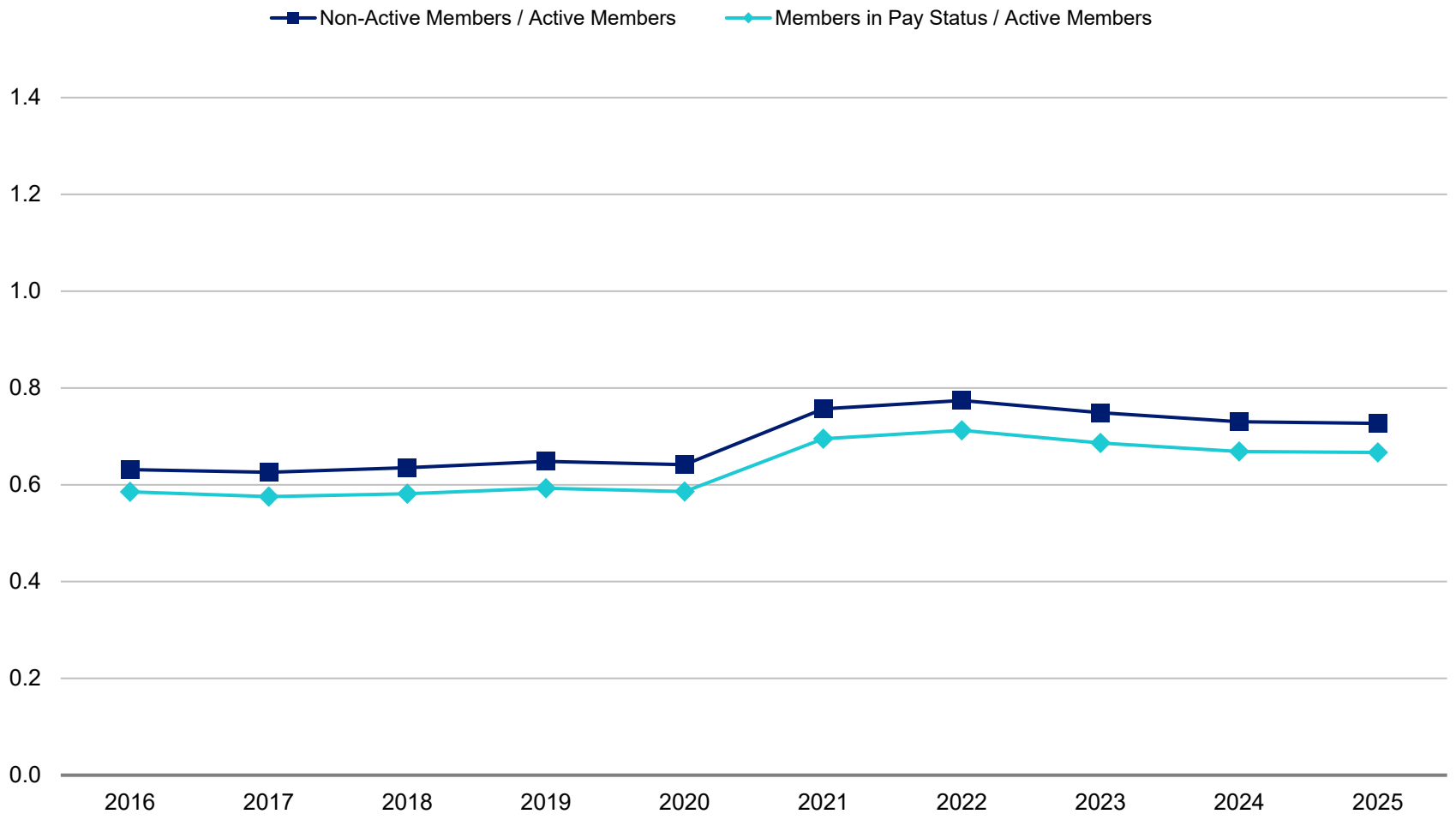


Chart 13a

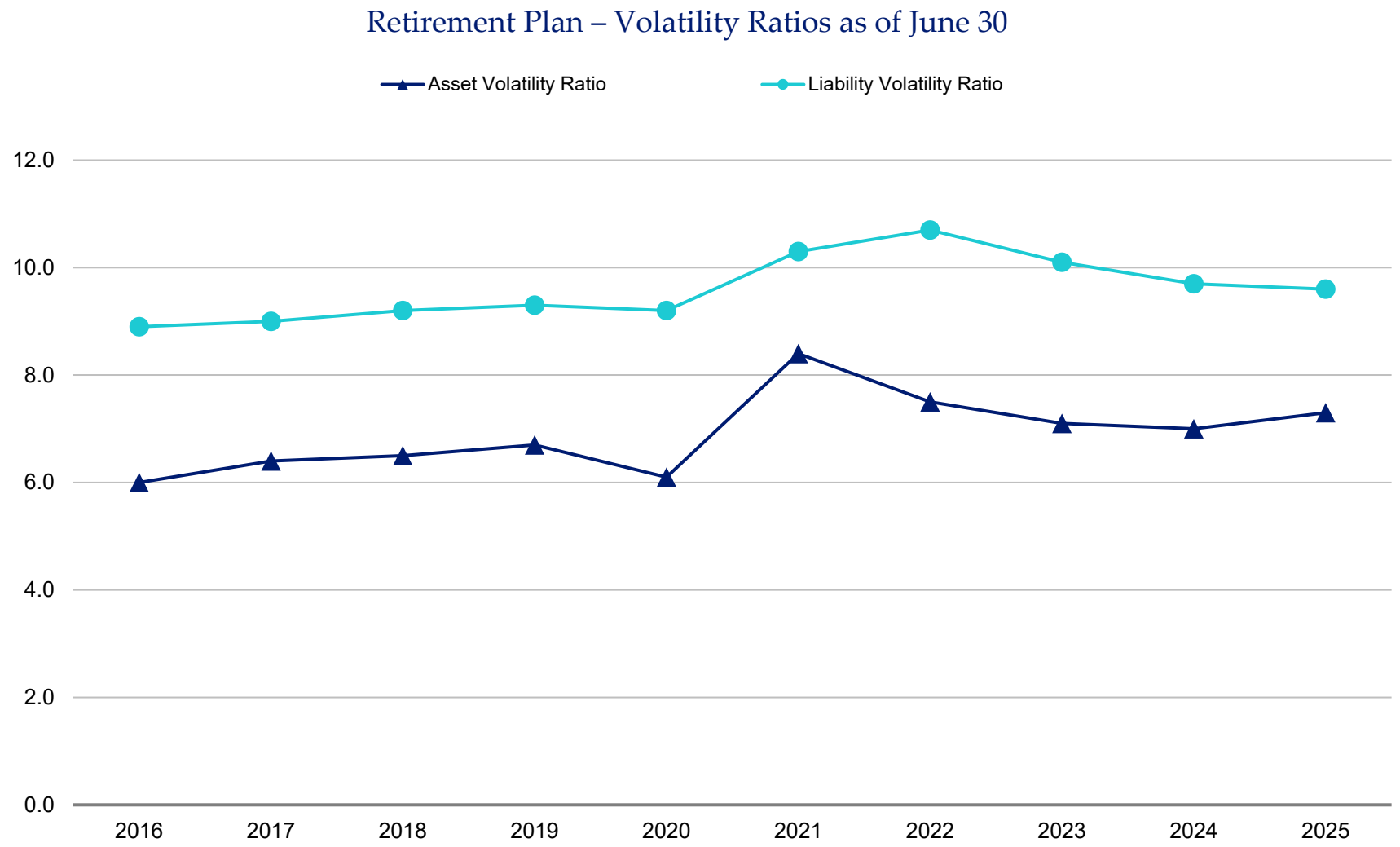
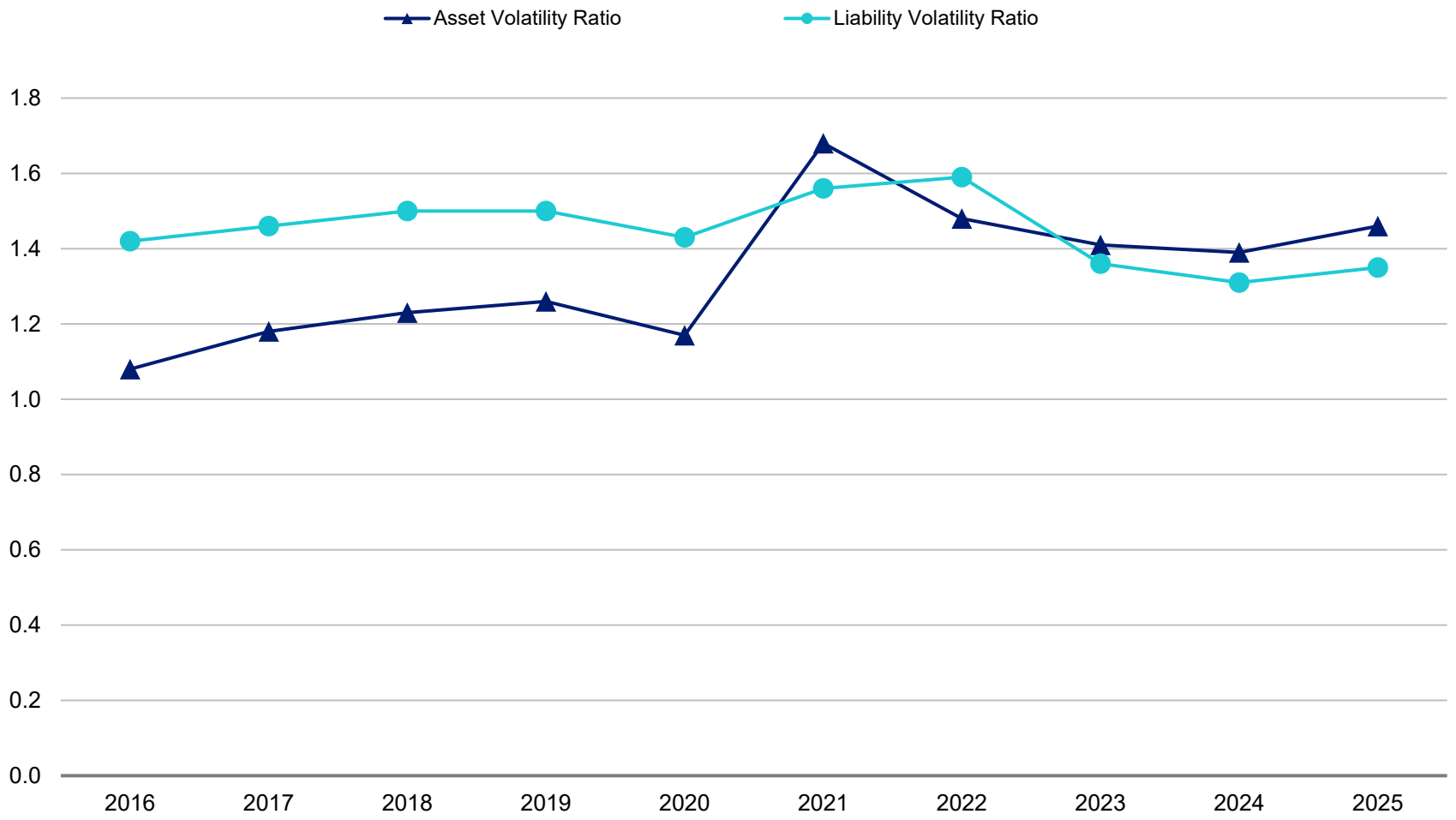

Retirement Plan – Volatility Ratios as of June 30
Asset Volatility Ratio
Liability Volatility Ratio
12.0
10.0
8.0
6.0
4.0
2.0
0.0
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025

Chart 13b

Health Plan – Volatility Ratios as of June 30



Appendix A: Actuarial Assumptions & Methods

The projections do not reflect any impact of Measure FF that allowed certain LACERS active members to transfer to LAFPP in January 2026. The effect of that transfer will first be included in the June 30, 2026 valuations for LACERS and subsequently reflected in the projections for the Risk Assessment as of the same date.

Unless otherwise noted, the results included in this report have been prepared based on the assumptions and methods used in preparing the June 30, 2025 actuarial valuations.

Deterministic projection

The deterministic projections are based on the following assumptions and methods applied in the June 30, 2025 actuarial valuations:

- Non-economic assumptions will remain unchanged.
- Retirement benefit formulas will remain unchanged.
- Los Angeles Charter and Administrative Code will remain unchanged.
- UAAL amortization method will remain unchanged (i.e., 15-year layers for actuarial gains/losses, 20-year layers for assumption or method changes, 15-year layers for plan amendments, 30-year layers for actuarial surplus, and level percent of pay).
- Economic assumptions will remain unchanged, including the annual 7.00% investment earnings and 3.00% active payroll growth assumptions.
- Deferred investment gains and losses will be recognized over a seven-year period.
- Annual benefit payments for the open group are assumed to increase by 4.50% and 5.50% for the Retirement and Health Plans, respectively. These assumptions have been developed by analyzing the increase in the actual benefit payments over the last 5 to 10 years, combined with the projected benefit payments for the next 5 to 10 years based on the actuarial assumptions. Furthermore, the two-year period from July 1, 2020 to June 30, 2022 has been excluded from the analysis for the Retirement Plan to try to remove the effects of the 2020 City Separation Incentive Program.
- All other actuarial assumptions used in the June 30, 2025 actuarial valuations will be realized.

Stochastic projection

In addition to the assumptions and methods used in the deterministic projection, the following assumptions and parameters are used in projecting LACERS' investment portfolio over the next 20 years based on performing 10,000 trial outcomes of future market returns.

Target asset allocation

The stochastic projections reflect the target asset allocation provided by LACERS at the last triennial experience study and used by Segal to set the investment return assumption of 7.00%. That target asset allocation is as follows:

Asset Class	Target Allocation
Large Cap U.S. Equity	15.00%
Small/Mid Cap U.S. Equity	6.00%
Developed International Large Cap Equity	15.00%
Developed International Small Cap Equity	3.00%
Emerging Markets Equity	6.67%
Core Bonds	11.25%
High Yield Bonds	1.50%
Bank Loans	1.50%
TIPS	3.60%
Emerging Market External Debt	2.00%
Emerging Market Local Currency Debt	2.00%
Real Estate – Core	4.20%
Cash & Equivalents	1.00%
Private Equity	16.00%
Private Credit (Private Debt)	5.75%
Emerging Market Small-Cap Equity	1.33%
REIT	1.40%
Real Estate – Non-Core	2.80%
Total	**100.00%**

Appendix A: Actuarial Assumptions & Methods

Simulation of future returns

In preparing the 10,000 trial outcomes of future market returns, we performed simulations using assumptions regarding the 20-year arithmetic returns, standard deviations and correlation matrix that were found in the 2025 survey prepared by Horizon Actuarial Services. We used the assumptions that were closest to the asset classes found in LACERS' investment portfolio.

A summary of the 20-year arithmetic returns, standard deviations and correlation matrix for each of the different asset classes used in the modeling is as follows:[1]

20-Year Arithmetic Return and Standard Deviation

Asset Class	20-Year Arithmetic Return	Standard Deviation
US Equity – Large Cap	8.29%	16.54%
US Equity – Small/Mid Cap	9.35%	20.44%
Non-US Equity – Developed	8.96%	18.20%
Non-US Equity – Emerging	10.63%	23.43%
US Corporate Bonds – Core	5.28%	6.22%
US Corporate Bonds – High Yield	6.82%	9.77%
Non-US Debt – Emerging	6.87%	10.62%
US Treasuries (Cash Equivalents)	3.61%	1.47%
TIPS (Inflation-Protected)	4.61%	6.04%
Real Estate	7.59%	16.24%
Private Equity	12.14%	22.18%
Private Debt	8.71%	11.75%

[1] While the 2025 Horizon Survey included responses from 41 investment advisors, including LACERS' investment advisor at NEPC, only 27 investment advisors provided long-term (e.g. 20-year) capital market assumptions. These returns are gross of inflation and before any adjustment for administrative and investment expenses. The returns shown were further adjusted by Segal to reflect the difference between the annual inflation assumption used in the actuarial valuation, 2.50%, and the annual inflation assumption based on the Horizon Survey of 2.41%, as well as an adjustment to reflect the LACERS-specific administrative expense assumption of 0.16%.

Appendix A: Actuarial Assumptions & Methods

Correlation Matrix

Asset Class	1	2	3	4	5	6	7	8	9	10	11	12
1. US Equity – Large Cap	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2. US Equity – Small/Mid Cap	0.89	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3. Non-US Equity – Developed	0.82	0.77	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4. Non-US Equity – Emerging	0.71	0.67	0.80	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5. US Corporate Bonds – Core	0.32	0.28	0.32	0.29	1.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
6. US Corporate Bonds – High Yield	0.68	0.68	0.66	0.63	0.53	1.00	N/A	N/A	N/A	N/A	N/A	N/A
7. Non-US Debt – Emerging	0.54	0.51	0.57	0.63	0.60	0.67	1.00	N/A	N/A	N/A	N/A	N/A
8. US Treasuries (Cash Equivalents)	(0.01)	(0.04)	0.00	0.00	0.19	(0.00)	0.10	1.00	N/A	N/A	N/A	N/A
9. TIPS (Inflation-Protected)	0.18	0.14	0.19	0.20	0.66	0.34	0.43	0.22	1.00	N/A	N/A	N/A
10. Real Estate	0.55	0.55	0.48	0.42	0.27	0.47	0.39	0.03	0.24	1.00	N/A	N/A
11. Private Equity	0.76	0.74	0.68	0.64	0.21	0.57	0.45	(0.04)	0.12	0.48	1.00	N/A
12. Private Debt	0.58	0.58	0.57	0.54	0.22	0.68	0.44	(0.04)	0.11	0.41	0.63	1.00

Other considerations

This risk report has been prepared for the exclusive use and benefit of LACERS, based upon information provided by LACERS and LACERS' other service providers or otherwise made available to Segal at the time this document was created. The results presented in this report are intended to provide insight into key plan risks that can inform financial preparation and future decision making. However, Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

Appendix A: Actuarial Assumptions & Methods

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

This risk assessment should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plans. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. LACERS is encouraged to discuss any issues raised with LACERS' legal, tax and other advisors before taking, or refraining from taking, any action.

Appendix B: Detailed Scenario Test

The following pages contain 23-year illustrations of City contributions, funded ratios and unfunded actuarial accrued liabilities for each of the Retirement and Health Plans, as well as for the two plans combined.

In addition to the assumptions outlined in *Appendix A* of this report, we have used the following market return assumptions to model three hypothetical market return scenarios:

- Scenario 1: Assumed market return of 0.00% for fiscal year 2025/2026, 7.00% market return per year thereafter
- Scenario 2: Assumed market return of 7.00% for fiscal year 2025/2026, 7.00% market return per year thereafter
- Scenario 3: Assumed market return of 14.00% for fiscal year 2025/2026, 7.00% market return per year thereafter

While we have not assigned a probability on the 2025/2026 market return coming in at these rates, the City can use these results to interpolate in order to estimate the funded status and employer contribution rates for the June 30, 2026 and next several valuations as the actual investment experience for the 2025/2026 year becomes available. Additionally, comparable experience in upcoming future years is likely to have a similar impact on the System absent any significant plan or assumption changes.

Scenario 1: Assumed market return of 0.00% for 2025/26, 7.00% thereafter

Illustration of UAAL, Funded Ratio and City Contributions

(Contributions Payable July 15 – $ in Thousands)

Retirement Plan Only

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$7,046,942	73.4%	2026	$2,868,029	7.58%	20.55%	28.13%	$806,776	N/A
2025	7,013,981	74.6%	2027	2,954,069	8.03%[1]	20.37%	28.40%	838,956	$32,180
2026	6,956,425	75.7%	2028	3,042,692	7.73%	20.59%	28.32%	861,690	22,734
2027	6,860,560	76.9%	2029	3,133,972	7.53%	20.78%	28.31%	887,228	25,538
2028	7,208,116	76.6%	2030	3,227,991	7.33%	21.74%	29.07%	938,377	51,149
2029	7,098,185	77.8%	2031	3,324,831	7.15%	22.97%	30.12%	1,001,439	63,062
2030	6,929,970	79.0%	2032	3,424,576	6.97%	24.08%	31.05%	1,063,331	61,892
2031	6,711,292	80.4%	2033	3,527,313	6.81%	25.47%	32.28%	1,138,617	75,286
2032	6,526,489	81.5%	2034	3,633,133	6.65%	26.53%	33.18%	1,205,473	66,856
2033	6,019,784	83.5%	2035	3,742,127	6.49%	25.96%	32.45%	1,214,320	8,847
2034	5,407,494	85.6%	2036	3,854,391	6.34%	23.13%	29.47%	1,135,889	(78,431)
2035	4,744,559	87.8%	2037	3,970,022	6.20%	21.49%	27.69%	1,099,299	(36,590)
2036	4,120,276	89.7%	2038	4,089,123	6.07%	22.13%	28.20%	1,153,133	53,834
2037	3,494,541	91.5%	2039	4,211,797	5.97%	21.54%	27.51%	1,158,665	5,532
2038	2,770,017	93.5%	2040	4,338,151	5.86%	18.22%	24.08%	1,044,627	(114,038)
2039	1,992,289	95.4%	2041	4,468,295	5.77%	16.79%	22.56%	1,008,047	(36,580)
2040	1,285,081	97.1%	2042	4,602,344	5.68%	14.93%	20.61%	948,543	(59,504)
2041	571,338	98.8%	2043	4,740,414	5.61%	14.54%	20.15%	955,193	6,650
2042	(124,390)	100.3%	2044	4,882,627	5.54%	-0.13%	5.41%	264,150	(691,043)
2043	(870,602)	101.8%	2045	5,029,106	5.49%	-0.98%	4.51%	226,813	(37,337)
2044	(926,319)	101.9%	2046	5,179,979	5.44%	-1.01%	4.43%	229,473	2,660
2045	(940,579)	101.9%	2047	5,335,378	5.41%	-1.00%	4.41%	235,290	5,817
2046	(951,548)	101.9%	2048	5,495,439	5.37%	-0.98%	4.39%	241,250	5,960
2047	(962,780)	101.9%	2049	5,660,303	5.34%	-0.96%	4.38%	247,921	6,671
2048	(973,725)	101.9%	2050	5,830,112	5.31%	-0.94%	4.37%	254,776	6,855

[1] The increase in the employer Normal Cost rate for FY 2027 reflects the sunsetting of the 1% ERIP Cost Obligation by June 30, 2026 for the Tier 1 and Tier 1 Enhanced members.

Appendix B: Detailed Scenario Test

Health Plan Only

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$(285,811)	108.0%	2026	$2,868,029	3.89%	-0.58%	3.31%	$94,932	N/A
2025	(223,295)	105.8%	2027	2,954,069	4.02%	-0.43%	3.59%	106,051	$11,119
2026	(201,535)	105.0%	2028	3,042,692	4.02%	-0.37%	3.65%	111,058	5,007
2027	(189,777)	104.4%	2029	3,133,972	4.03%	-0.34%	3.69%	115,644	4,586
2028	(84,253)	101.9%	2030	3,227,991	4.04%	-0.15%	3.89%	125,569	9,925
2029	(62,393)	101.3%	2031	3,324,831	4.05%	-0.11%	3.94%	130,998	5,429
2030	(44,631)	100.9%	2032	3,424,576	4.06%	-0.07%	3.99%	136,641	5,643
2031	(21,302)	100.4%	2033	3,527,313	4.07%	-0.03%	4.04%	142,503	5,862
2032	25,061	99.5%	2034	3,633,133	4.09%	0.06%	4.15%	150,775	8,272
2033	28,609	99.5%	2035	3,742,127	4.10%	0.07%	4.17%	156,047	5,272
2034	28,779	99.5%	2036	3,854,391	4.12%	0.07%	4.19%	161,499	5,452
2035	28,711	99.6%	2037	3,970,022	4.14%	0.07%	4.21%	167,138	5,639
2036	28,361	99.6%	2038	4,089,123	4.15%	0.07%	4.22%	172,561	5,423
2037	27,681	99.6%	2039	4,211,797	4.17%	0.07%	4.24%	178,580	6,019
2038	27,155	99.6%	2040	4,338,151	4.18%	0.08%	4.26%	184,805	6,225
2039	26,363	99.7%	2041	4,468,295	4.19%	0.09%	4.28%	191,243	6,438
2040	25,358	99.7%	2042	4,602,344	4.21%	0.09%	4.30%	197,901	6,658
2041	23,924	99.7%	2043	4,740,414	4.22%	0.09%	4.31%	204,312	6,411
2042	21,731	99.8%	2044	4,882,627	4.23%	0.09%	4.32%	210,929	6,617
2043	19,265	99.8%	2045	5,029,106	4.24%	0.09%	4.33%	217,760	6,831
2044	16,465	99.8%	2046	5,179,979	4.26%	0.08%	4.34%	224,811	7,051
2045	13,404	99.9%	2047	5,335,378	4.27%	0.09%	4.36%	232,622	7,811
2046	10,419	99.9%	2048	5,495,439	4.29%	0.09%	4.38%	240,700	8,078
2047	7,214	99.9%	2049	5,660,303	4.31%	0.03%	4.34%	245,657	4,957
2048	3,805	100.0%	2050	5,830,112	4.34%	0.02%	4.36%	254,193	8,536

Appendix B: Detailed Scenario Test

Retirement and Health Plans Combined

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$6,761,131	77.5%	2026	$2,868,029	11.47%	19.97%	31.44%	$901,708	N/A
2025	6,790,686	78.4%	2027	2,954,069	12.05%	19.94%	31.99%	945,007	$43,299
2026	6,754,890	79.4%	2028	3,042,692	11.75%	20.22%	31.97%	972,748	27,741
2027	6,670,783	80.4%	2029	3,133,972	11.56%	20.44%	32.00%	1,002,872	30,124
2028	7,123,863	79.8%	2030	3,227,991	11.37%	21.59%	32.96%	1,063,946	61,074
2029	7,035,792	80.8%	2031	3,324,831	11.20%	22.86%	34.06%	1,132,437	68,491
2030	6,885,339	81.9%	2032	3,424,576	11.03%	24.01%	35.04%	1,199,972	67,535
2031	6,689,990	83.0%	2033	3,527,313	10.88%	25.44%	36.32%	1,281,120	81,148
2032	6,551,551	84.0%	2034	3,633,133	10.74%	26.59%	37.33%	1,356,248	75,128
2033	6,048,393	85.7%	2035	3,742,127	10.59%	26.03%	36.62%	1,370,367	14,119
2034	5,436,274	87.6%	2036	3,854,391	10.46%	23.20%	33.66%	1,297,388	(72,979)
2035	4,773,269	89.4%	2037	3,970,022	10.34%	21.56%	31.90%	1,266,437	(30,951)
2036	4,148,636	91.1%	2038	4,089,123	10.22%	22.20%	32.42%	1,325,694	59,257
2037	3,522,223	92.7%	2039	4,211,797	10.14%	21.61%	31.75%	1,337,245	11,551
2038	2,797,171	94.4%	2040	4,338,151	10.04%	18.30%	28.34%	1,229,432	(107,813)
2039	2,018,653	96.0%	2041	4,468,295	9.96%	16.88%	26.84%	1,199,290	(30,142)
2040	1,310,439	97.5%	2042	4,602,344	9.89%	15.02%	24.91%	1,146,444	(52,846)
2041	595,261	98.9%	2043	4,740,414	9.83%	14.63%	24.46%	1,159,505	13,061
2042	(102,659)	100.2%	2044	4,882,627	9.77%	-0.04%	9.73%	475,079	(684,426)
2043	(851,336)	101.5%	2045	5,029,106	9.73%	-0.89%	8.84%	444,573	(30,506)
2044	(909,855)	101.6%	2046	5,179,979	9.70%	-0.93%	8.77%	454,284	9,711
2045	(927,175)	101.6%	2047	5,335,378	9.68%	-0.91%	8.77%	467,912	13,628
2046	(941,128)	101.5%	2048	5,495,439	9.66%	-0.89%	8.77%	481,950	14,038
2047	(955,566)	101.5%	2049	5,660,303	9.65%	-0.93%	8.72%	493,578	11,628
2048	(969,920)	101.5%	2050	5,830,112	9.65%	-0.92%	8.73%	508,969	15,391

Note: Results may not add due to rounding.

Scenario 2: Assumed market return of 7.00% for 2025/26, 7.00% thereafter

Illustration of UAAL, Funded Ratio and City Contributions

(Contributions Payable July 15 – $ in Thousands)

Retirement Plan Only

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$7,046,942	73.4%	2026	$2,868,029	7.58%	20.55%	28.13%	$806,776	N/A
2025	7,013,981	74.6%	2027	2,954,069	8.03%[1]	20.37%	28.40%	838,956	$32,180
2026	6,741,501	76.5%	2028	3,042,692	7.73%	19.97%	27.70%	842,826	3,870
2027	6,325,399	78.7%	2029	3,133,972	7.53%	19.23%	26.76%	838,651	(4,175)
2028	6,365,531	79.4%	2030	3,227,991	7.33%	19.31%	26.64%	859,937	21,286
2029	5,973,159	81.3%	2031	3,324,831	7.15%	19.73%	26.88%	893,715	33,778
2030	5,549,719	83.2%	2032	3,424,576	6.97%	20.09%	27.06%	926,690	32,975
2031	5,104,320	85.1%	2033	3,527,313	6.81%	20.81%	27.62%	974,244	47,554
2032	4,722,900	86.6%	2034	3,633,133	6.65%	21.25%	27.90%	1,013,644	39,400
2033	4,265,444	88.3%	2035	3,742,127	6.49%	20.62%	27.11%	1,014,491	847
2034	3,735,220	90.1%	2036	3,854,391	6.34%	17.78%	24.12%	929,679	(84,812)
2035	3,168,642	91.8%	2037	3,970,022	6.20%	16.14%	22.34%	886,903	(42,776)
2036	2,654,277	93.4%	2038	4,089,123	6.07%	16.78%	22.85%	934,365	47,462
2037	2,152,337	94.8%	2039	4,211,797	5.97%	16.19%	22.16%	933,334	(1,031)
2038	1,567,065	96.3%	2040	4,338,151	5.86%	12.86%	18.72%	812,102	(121,232)
2039	945,334	97.8%	2041	4,468,295	5.77%	11.44%	17.21%	768,994	(43,108)
2040	412,712	99.1%	2042	4,602,344	5.68%	9.58%	15.26%	702,318	(66,676)
2041	(106,788)	100.2%	2043	4,740,414	5.61%	-0.13%	5.48%	259,775	(442,543)
2042	(587,508)	101.3%	2044	4,882,627	5.54%	-0.68%	4.86%	237,296	(22,479)
2043	(624,069)	101.3%	2045	5,029,106	5.49%	-0.70%	4.79%	240,894	3,598
2044	(634,317)	101.3%	2046	5,179,979	5.44%	-0.69%	4.75%	246,049	5,155
2045	(643,204)	101.3%	2047	5,335,378	5.41%	-0.68%	4.73%	252,363	6,314
2046	(651,093)	101.3%	2048	5,495,439	5.37%	-0.67%	4.70%	258,286	5,923
2047	(659,561)	101.3%	2049	5,660,303	5.34%	-0.66%	4.68%	264,902	6,616
2048	(667,509)	101.3%	2050	5,830,112	5.31%	-0.65%	4.66%	271,683	6,781

[1] The increase in the employer Normal Cost rate for FY 2027 reflects the sunsetting of the 1% ERIP Cost Obligation by June 30, 2026 for the Tier 1 and Tier 1 Enhanced members.

Appendix B: Detailed Scenario Test

Health Plan Only

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$(285,811)	108.0%	2026	$2,868,029	3.89%	-0.58%	3.31%	$94,932	N/A
2025	(223,295)	105.8%	2027	2,954,069	4.02%	-0.43%	3.59%	106,051	$11,119
2026	(243,444)	106.0%	2028	3,042,692	4.02%	-0.45%	3.57%	108,624	2,573
2027	(294,131)	106.9%	2029	3,133,972	4.03%	-0.53%	3.50%	109,689	1,065
2028	(249,885)	105.5%	2030	3,227,991	4.04%	-0.44%	3.60%	116,208	6,519
2029	(286,893)	106.1%	2031	3,324,831	4.05%	-0.49%	3.56%	118,364	2,156
2030	(325,539)	106.5%	2032	3,424,576	4.06%	-0.54%	3.52%	120,545	2,181
2031	(356,132)	106.8%	2033	3,527,313	4.07%	-0.57%	3.50%	123,456	2,911
2032	(360,828)	106.6%	2034	3,633,133	4.09%	-0.56%	3.53%	128,250	4,794
2033	(363,911)	106.3%	2035	3,742,127	4.10%	-0.55%	3.55%	132,846	4,596
2034	(367,116)	106.1%	2036	3,854,391	4.12%	-0.54%	3.58%	137,987	5,141
2035	(370,072)	105.9%	2037	3,970,022	4.14%	-0.53%	3.61%	143,318	5,331
2036	(373,179)	105.6%	2038	4,089,123	4.15%	-0.52%	3.63%	148,435	5,117
2037	(376,478)	105.5%	2039	4,211,797	4.17%	-0.51%	3.66%	154,152	5,717
2038	(379,482)	105.3%	2040	4,338,151	4.18%	-0.49%	3.69%	160,078	5,926
2039	(382,599)	105.1%	2041	4,468,295	4.19%	-0.48%	3.71%	165,774	5,696
2040	(385,774)	104.9%	2042	4,602,344	4.21%	-0.47%	3.74%	172,128	6,354
2041	(388,735)	104.7%	2043	4,740,414	4.22%	-0.46%	3.76%	178,240	6,112
2042	(392,236)	104.6%	2044	4,882,627	4.23%	-0.45%	3.78%	184,563	6,323
2043	(395,782)	104.5%	2045	5,029,106	4.24%	-0.44%	3.80%	191,106	6,543
2044	(399,424)	104.3%	2046	5,179,979	4.26%	-0.44%	3.82%	197,875	6,769
2045	(403,077)	104.2%	2047	5,335,378	4.27%	-0.43%	3.84%	204,879	7,004
2046	(406,394)	104.1%	2048	5,495,439	4.29%	-0.42%	3.87%	212,674	7,795
2047	(409,090)	104.0%	2049	5,660,303	4.31%	-0.41%	3.90%	220,752	8,078
2048	(411,652)	103.8%	2050	5,830,112	4.34%	-0.40%	3.94%	229,706	8,954

Appendix B: Detailed Scenario Test

Retirement and Health Plans Combined

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$6,761,131	77.5%	2026	$2,868,029	11.47%	19.97%	31.44%	$901,708	N/A
2025	6,790,686	78.4%	2027	2,954,069	12.05%	19.94%	31.99%	945,007	$43,299
2026	6,498,057	80.2%	2028	3,042,692	11.75%	19.52%	31.27%	951,450	6,443
2027	6,031,268	82.3%	2029	3,133,972	11.56%	18.70%	30.26%	948,340	(3,110)
2028	6,115,646	82.7%	2030	3,227,991	11.37%	18.87%	30.24%	976,145	27,805
2029	5,686,266	84.5%	2031	3,324,831	11.20%	19.24%	30.44%	1,012,079	35,934
2030	5,224,180	86.3%	2032	3,424,576	11.03%	19.55%	30.58%	1,047,235	35,156
2031	4,748,188	88.0%	2033	3,527,313	10.88%	20.24%	31.12%	1,097,700	50,465
2032	4,362,072	89.3%	2034	3,633,133	10.74%	20.69%	31.43%	1,141,894	44,194
2033	3,901,533	90.8%	2035	3,742,127	10.59%	20.07%	30.66%	1,147,337	5,443
2034	3,368,104	92.3%	2036	3,854,391	10.46%	17.24%	27.70%	1,067,666	(79,671)
2035	2,798,570	93.8%	2037	3,970,022	10.34%	15.61%	25.95%	1,030,221	(37,445)
2036	2,281,098	95.1%	2038	4,089,123	10.22%	16.26%	26.48%	1,082,800	52,579
2037	1,775,859	96.3%	2039	4,211,797	10.14%	15.68%	25.82%	1,087,486	4,686
2038	1,187,583	97.6%	2040	4,338,151	10.04%	12.37%	22.41%	972,180	(115,306)
2039	562,735	98.9%	2041	4,468,295	9.96%	10.96%	20.92%	934,768	(37,412)
2040	26,939	99.9%	2042	4,602,344	9.89%	9.11%	19.00%	874,446	(60,322)
2041	(495,522)	100.9%	2043	4,740,414	9.83%	-0.59%	9.24%	438,015	(436,431)
2042	(979,744)	101.8%	2044	4,882,627	9.77%	-1.13%	8.64%	421,859	(16,156)
2043	(1,019,851)	101.8%	2045	5,029,106	9.73%	-1.14%	8.59%	432,000	10,141
2044	(1,033,741)	101.8%	2046	5,179,979	9.70%	-1.13%	8.57%	443,924	11,924
2045	(1,046,281)	101.8%	2047	5,335,378	9.68%	-1.11%	8.57%	457,242	13,318
2046	(1,057,487)	101.7%	2048	5,495,439	9.66%	-1.09%	8.57%	470,960	13,718
2047	(1,068,651)	101.7%	2049	5,660,303	9.65%	-1.07%	8.58%	485,654	14,694
2048	(1,079,161)	101.7%	2050	5,830,112	9.65%	-1.05%	8.60%	501,389	15,735

Note: Results may not add due to rounding.

Scenario 3: Assumed market return of 14.00% for 2025/26, 7.00% thereafter

Illustration of UAAL, Funded Ratio and City Contributions

(Contributions Payable July 15 – $ in Thousands)

Retirement Plan Only

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$7,046,942	73.4%	2026	$2,868,029	7.58%	20.55%	28.13%	$806,776	N/A
2025	7,013,981	74.6%	2027	2,954,069	8.03%[1]	20.37%	28.40%	838,956	$32,180
2026	6,526,577	77.2%	2028	3,042,692	7.73%	19.33%	27.06%	823,352	(15,604)
2027	5,790,238	80.5%	2029	3,133,972	7.53%	17.68%	25.21%	790,074	(33,278)
2028	5,523,273	82.1%	2030	3,227,991	7.33%	16.89%	24.22%	781,820	(8,254)
2029	4,848,816	84.8%	2031	3,324,831	7.15%	16.49%	23.64%	785,990	4,170
2030	4,170,200	87.4%	2032	3,424,576	6.97%	16.10%	23.07%	790,050	4,060
2031	3,498,131	89.8%	2033	3,527,313	6.81%	16.14%	22.95%	809,518	19,468
2032	2,919,781	91.7%	2034	3,633,133	6.65%	15.95%	22.60%	821,088	11,570
2033	2,511,609	93.1%	2035	3,742,127	6.49%	15.27%	21.76%	814,287	(6,801)
2034	2,063,873	94.5%	2036	3,854,391	6.34%	12.43%	18.77%	723,469	(90,818)
2035	1,593,719	95.9%	2037	3,970,022	6.20%	10.79%	16.99%	674,507	(48,962)
2036	1,188,929	97.0%	2038	4,089,123	6.07%	11.44%	17.51%	716,005	41,498
2037	811,254	98.0%	2039	4,211,797	5.97%	10.84%	16.81%	708,003	(8,002)
2038	365,312	99.1%	2040	4,338,151	5.86%	7.52%	13.38%	580,445	(127,558)
2039	(99,887)	100.2%	2041	4,468,295	5.77%	-0.14%	5.63%	251,565	(328,880)
2040	(458,266)	101.0%	2042	4,602,344	5.68%	-0.56%	5.12%	235,640	(15,925)
2041	(486,998)	101.1%	2043	4,740,414	5.61%	-0.59%	5.02%	237,969	2,329
2042	(496,465)	101.1%	2044	4,882,627	5.54%	-0.57%	4.97%	242,667	4,698
2043	(503,828)	101.1%	2045	5,029,106	5.49%	-0.57%	4.92%	247,432	4,765
2044	(511,406)	101.1%	2046	5,179,979	5.44%	-0.56%	4.88%	252,783	5,351
2045	(518,685)	101.0%	2047	5,335,378	5.41%	-0.55%	4.86%	259,299	6,516
2046	(525,063)	101.0%	2048	5,495,439	5.37%	-0.54%	4.83%	265,430	6,131
2047	(532,131)	101.0%	2049	5,660,303	5.34%	-0.53%	4.81%	272,261	6,831
2048	(538,803)	101.0%	2050	5,830,112	5.31%	-0.52%	4.79%	279,262	7,001

[1] The increase in the employer Normal Cost rate for FY 2027 reflects the sunsetting of the 1% ERIP Cost Obligation by June 30, 2026 for the Tier 1 and Tier 1 Enhanced members.

Appendix B: Detailed Scenario Test

Health Plan Only

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$(285,811)	108.0%	2026	$2,868,029	3.89%	-0.58%	3.31%	$94,932	N/A
2025	(223,295)	105.8%	2027	2,954,069	4.02%	-0.43%	3.59%	106,051	$11,119
2026	(285,354)	107.0%	2028	3,042,692	4.02%	-0.53%	3.49%	106,190	139
2027	(398,486)	109.3%	2029	3,133,972	4.03%	-0.72%	3.31%	103,734	(2,456)
2028	(415,518)	109.2%	2030	3,227,991	4.04%	-0.73%	3.31%	106,847	3,113
2029	(511,392)	110.8%	2031	3,324,831	4.05%	-0.87%	3.18%	105,730	(1,117)
2030	(606,448)	112.2%	2032	3,424,576	4.06%	-1.00%	3.06%	104,792	(938)
2031	(690,962)	113.2%	2033	3,527,313	4.07%	-1.11%	2.96%	104,408	(384)
2032	(747,084)	113.6%	2034	3,633,133	4.09%	-1.16%	2.93%	106,451	2,043
2033	(756,824)	113.1%	2035	3,742,127	4.10%	-1.14%	2.96%	110,767	4,316
2034	(764,208)	112.7%	2036	3,854,391	4.12%	-1.12%	3.00%	115,632	4,865
2035	(771,336)	112.2%	2037	3,970,022	4.14%	-1.11%	3.03%	120,292	4,660
2036	(778,611)	111.8%	2038	4,089,123	4.15%	-1.08%	3.07%	125,536	5,244
2037	(785,653)	111.4%	2039	4,211,797	4.17%	-1.06%	3.11%	130,987	5,451
2038	(792,797)	111.0%	2040	4,338,151	4.18%	-1.03%	3.15%	136,652	5,665
2039	(800,060)	110.6%	2041	4,468,295	4.19%	-1.00%	3.19%	142,539	5,887
2040	(807,391)	110.3%	2042	4,602,344	4.21%	-0.99%	3.22%	148,195	5,656
2041	(815,003)	109.9%	2043	4,740,414	4.22%	-0.97%	3.25%	154,063	5,868
2042	(822,736)	109.6%	2044	4,882,627	4.23%	-0.95%	3.28%	160,150	6,087
2043	(830,549)	109.3%	2045	5,029,106	4.24%	-0.93%	3.31%	166,463	6,313
2044	(838,502)	109.1%	2046	5,179,979	4.26%	-0.92%	3.34%	173,011	6,548
2045	(846,523)	108.8%	2047	5,335,378	4.27%	-0.90%	3.37%	179,802	6,791
2046	(854,277)	108.6%	2048	5,495,439	4.29%	-0.88%	3.41%	187,394	7,592
2047	(861,493)	108.3%	2049	5,660,303	4.31%	-0.86%	3.45%	195,280	7,886
2048	(868,674)	108.1%	2050	5,830,112	4.34%	-0.84%	3.50%	204,054	8,774

Appendix B: Detailed Scenario Test

Retirement and Health Plans Combined

Valuation Year	UAAL	Funded Ratio	Fiscal Year End	Fiscal Year Pay	Normal Cost	UAAL Payment	Total Rate	Contribution Amount	Incremental Change
2024	$6,761,131	77.5%	2026	$2,868,029	11.47%	19.97%	31.44%	$901,708	N/A
2025	6,790,686	78.4%	2027	2,954,069	12.05%	19.94%	31.99%	945,007	$43,299
2026	6,241,223	80.9%	2028	3,042,692	11.75%	18.80%	30.55%	929,542	(15,465)
2027	5,391,752	84.2%	2029	3,133,972	11.56%	16.96%	28.52%	893,808	(35,734)
2028	5,107,755	85.5%	2030	3,227,991	11.37%	16.16%	27.53%	888,667	(5,141)
2029	4,337,424	88.2%	2031	3,324,831	11.20%	15.62%	26.82%	891,720	3,053
2030	3,563,753	90.6%	2032	3,424,576	11.03%	15.10%	26.13%	894,842	3,122
2031	2,807,169	92.9%	2033	3,527,313	10.88%	15.03%	25.91%	913,926	19,084
2032	2,172,698	94.7%	2034	3,633,133	10.74%	14.79%	25.53%	927,539	13,613
2033	1,754,784	95.8%	2035	3,742,127	10.59%	14.13%	24.72%	925,054	(2,485)
2034	1,299,666	97.0%	2036	3,854,391	10.46%	11.31%	21.77%	839,101	(85,953)
2035	822,383	98.2%	2037	3,970,022	10.34%	9.68%	20.02%	794,799	(44,302)
2036	410,318	99.1%	2038	4,089,123	10.22%	10.36%	20.58%	841,541	46,742
2037	25,601	99.9%	2039	4,211,797	10.14%	9.78%	19.92%	838,990	(2,551)
2038	(427,484)	100.9%	2040	4,338,151	10.04%	6.49%	16.53%	717,097	(121,893)
2039	(899,947)	101.8%	2041	4,468,295	9.96%	-1.14%	8.82%	394,104	(322,993)
2040	(1,265,656)	102.4%	2042	4,602,344	9.89%	-1.55%	8.34%	383,835	(10,269)
2041	(1,302,001)	102.4%	2043	4,740,414	9.83%	-1.56%	8.27%	392,032	8,197
2042	(1,319,201)	102.4%	2044	4,882,627	9.77%	-1.52%	8.25%	402,817	10,785
2043	(1,334,377)	102.4%	2045	5,029,106	9.73%	-1.50%	8.23%	413,895	11,078
2044	(1,349,909)	102.3%	2046	5,179,979	9.70%	-1.48%	8.22%	425,794	11,899
2045	(1,365,208)	102.3%	2047	5,335,378	9.68%	-1.45%	8.23%	439,101	13,307
2046	(1,379,340)	102.3%	2048	5,495,439	9.66%	-1.42%	8.24%	452,824	13,723
2047	(1,393,624)	102.2%	2049	5,660,303	9.65%	-1.39%	8.26%	467,541	14,717
2048	(1,407,477)	102.2%	2050	5,830,112	9.65%	-1.36%	8.29%	483,316	15,775

Note: Results may not add due to rounding.

Appendix C: Definition of Pension Terms

The following list defines certain technical terms as they relate to LACERS for the convenience of the reader:

Term	Definition
Actuarial accrued liability for actives	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial accrued liability for retirees and beneficiaries	Single-sum present value of the lifetime benefits expected to be paid to the existing retirees and beneficiaries. This sum takes account of life expectancies appropriate to the ages of the annuitants and the interest that the sum is expected to earn before it is entirely paid out in benefits.
Actuarial value of assets	The value of the Plan's assets that is equal to the market value of assets less unrecognized returns. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value and are recognized over a seven-year period per LACERS' funding policy.
Employer normal cost	The portion of the normal cost to be paid by the employer. This is equal to the normal cost less expected member contributions.
Funded ratio	The ratio of the actuarial value of assets to the actuarial accrued liability. Plans sometimes also calculate a market funded ratio, using the market value of assets, rather than the actuarial value of assets.
Generational mortality	A generational mortality table provides dynamic projections of mortality experience for each cohort of current and future retirees. For example, the mortality rate for someone who is 65 next year will be slightly less than for someone who is 65 this year. In general, using generational mortality anticipates increases in the cost of the Plan over time as participants' life expectancies are projected to increase. This is in contrast to updating a static mortality assumption with each experience study as we had proposed in experience studies prior to 2019.
Normal cost	The amount of contributions required to fund the portion of the level cost of the member's projected retirement benefit that is allocated to the current year of service.
Unfunded actuarial accrued liability	The excess of the actuarial accrued liability over the actuarial value of assets. This value may be negative, in which case it may be expressed as a negative unfunded actuarial accrued liability, also called the funding surplus or an overfunded actuarial accrued liability.
Valuation value of assets	The portion of the total actuarial value of assets allocated to either the Retirement or Health Plans.

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