LACERS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A Department of the Municipality of the City of Los Angeles, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2020

2020

Los Angeles City Employees' Retirement System
(A Department of the Municipality of the City of Los Angeles, California)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020

Issued by
Neil M. Guglielmo
General Manager

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Introduction

Eric Garcetti
Mayor of the City of Los Angeles

LACERS BOARD OF ADMINISTRATION

Cynthia M. Ruiz, President
Annie Chao
Elizabeth Lee
Sandra Lee
Nilza R. Serrano
Sung Won Sohn
Michael R. Wilkinson

LACERS EXECUTIVE STAFF

Neil M. Guglielmo, General Manager
Lita Payne, Executive Officer
Todd Bouey, Assistant General Manager
Rodney June, Chief Investment Officer

LETTER OF TRANSMITTAL

December 15, 2020

Dear Members of the Board,

We are pleased to present the Los Angeles City Employees' Retirement System (LACERS, or the System) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020, the System's 83rd year of operation. This report is intended to provide a comprehensive review of our financial condition at conclusion of the fiscal year including the System's audited financial statements, investment performance results, and actuarial valuations for retirement and health benefit plans.

LACERS History, Participants, and Services

In 1937, the Los Angeles City Charter established LACERS as a retirement trust fund for the purpose of providing the civilian employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. In 1999, LACERS began administering the retiree health insurance program. All regular, full-time, and certified part-time City employees are eligible for LACERS benefits except employees of the Department of Water and Power, and sworn personnel who are members of the Los Angeles Fire and Police Pensions. Today, approximately 27,500 Active Members and 20,400 Retired Members and beneficiaries count on LACERS to provide a lifetime of retirement benefits.

Governance

Board of Administration

The LACERS Board of Administration, consisting of four Commissioners appointed by the Mayor and three Commissioners elected by the Members, sets general policy and adopts rules and regulations necessary to operate LACERS. Among other duties, the Board directs investment strategy and policy for the System's assets, determines the health insurance carriers and health subsidy levels for retired employees, and approves Members' retirement applications, including applications for disability retirements.

The Board put a focus on actuarial practices in fiscal year 2019-20, conducting an actuarial audit of the June 30, 2019 Actuarial Valuation and 2014-2017 Experience Study, performing a new Actuarial Experience Study for the period of July 1, 2016 through June 30, 2019, and preparing the System's first Risk Assessment in accordance with Actuarial Standard of Practice No. 51.

During the fiscal year, Commissioner Nilza R. Serrano was reappointed by the Mayor for a five-year term beginning July 1, 2020; Commissioner Michael R. Wilkinson was re- elected to fill the Retired Member position for a five-year term beginning July 1, 2020.

Strategic Plan

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

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

Organizational Transformation throughout a Global Pandemic

The global COVID-19 pandemic suddenly and unexpectedly accelerated the need for LACERS to transform operations in response to unprecedented circumstances as protecting the health and safety of staff and System Members from highly contagious and deadly illness became paramount to service delivery. In March 2020, the City's "Safer at Home Order" compelled City agencies to send home all but the most essential workers necessary to maintain on premise operations. Since that time LACERS has undergone a major transformation that not only allows for business continuity throughout the pandemic but positions LACERS well for the future.

Remote Operations

LACERS has transitioned operations from being completely on premise to virtual wherein the vast majority of work is now able to be successfully conducted outside of the office. This effort involved transitioning resources to the cloud, enabling new collaboration and project management tools, implementing a cloud-based contact center, and deploying mobile equipment to all staff. These new technologies are now the foundation of LACERS' current and future business model.

Transforming the Member Experience

Communications is at the heart of the Member experience and LACERS is ensuring continuity and expansion of communications pivoting from traditional multi-channel communications to an omni-channel communications strategy aimed at providing tailored, accessible resources and content based on Members' needs. In the Spring of 2020 LACERS launched a modern and mobile responsive website improving updatability of information and access to content along with a YouTube channel providing Member education about benefits. Video and tele-conference capabilities have been rolled out allowing for remote seminars, counseling, and meetings. Digital forms and e-signatures are provided to enable contactless document processing. LACERS is continuing to develop communications by maturing data collection practices, identifying new effective outreach tools and strategies, and promoting an open and transparent environment to engage with Members.

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, 2016 to June 30, 2019, was completed in 2020 with the Board adopting several assumption changes, including a reduction in the inflation assumption from 3.00% to 2.75% and a corresponding reduction in the investment return assumption from 7.25% to 7.00%. The Board also updated mortality tables to Public Retirements Plan Mortality Tables based on public sector pension plan experience.

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

In the June 30, 2020 actuarial valuation, the combined funded ratio, based on the valuation value of assets, for the Retirement Plan and the Postemployment Health Care Plan decreased by 1.5% from a year ago to 71.6%. Individually, the funded ratio, on the same actuarial basis, for the Retirement Plan decreased from 71.3% to 69.4%; and for the Postemployment Health Care Plan, the ratio increased from 84.4% to 85.6%. The overall decrease in the funded ratio coincides with an increase of the Unfunded Actuarial Accrued Liabilities by $902.7 million primarily as a result of the lower than expected investment return, higher than expected salary increases for continuing active members, and changes in actuarial assumptions.

The fair value of LACERS' assets as of June 30, 2020 deviates by $834.6 million lower than the actuarial value of assets, which is determined by the seven-year asset smoothing policy, as a rate of return of 1.89% on the fair value of assets basis for the 2020 fiscal year is below the 6.53% rate of return on the actuarial value of assets basis.

Investment Summary

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

The portfolio consists of investments in U.S. and non-U.S. equities and fixed income, private equity, private real estate, public real assets, and short-term investments. The System's total portfolio, including cash and investments at fair value, was valued at $18.2 billion as of June 30, 2020, a decrease of $0.23 billion (1.3%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 1.24% over a one-year period. The total fund underperformed its policy benchmark by -2.77% gross of fees return, and underperformed the actuarial assumed rate of investment return.

In order to mitigate the impacts of the COVID-19 pandemic, the Board made several temporary modifications to its Investment Policy. The Board authorized a temporary increase in cash balances from a maximum of 2% of the total portfolio to a maximum of 5% in order to enhance operational liquidity. The Board also authorized a temporary deferral of rebalancing of the asset allocation to avoid rebalancing during periods of extreme market volatility and incurring related transaction costs. Further, the Board authorized temporary risk reducing modifications to the Securities Lending Program to ensure receipt of the highest quality collateral from borrowers of LACERS' securities and to improve the liquidity and quality of investments made with cash collateral received from borrowers.

The annualized investment returns in detail are presented in the Investment Results on page 72 of the Investment Section. The detail of investment income and loss can be found on pages 24-25 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Financial Reporting

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

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

Awards and Acknowledgements

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its CAFR for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both US GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this report for the fiscal year ended June 30, 2020, will again meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA for consideration of an annual award.

PPCC Standards Award

The Public Pension Coordinating Council presented its Public Pension Standards Award For Funding and Administration to LACERS in recognition of compliance with professional standards for plan funding and administration for the fiscal year ended June 30, 2020. To receive this honor, LACERS was assessed to have met the standards in six key areas: 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 navigate a global pandemic and continue to achieve high standards of performance and reporting. Lastly, I would also like to thank our external auditor, Moss Adams, and our consulting actuary, Segal, for their professional assistance in the preparation of this report.

Respectfully Submitted,

Neil M. Guglielmo

NEIL M. GUGLIELMO
General Manager

Rahoof Oyewole

Rahoof Oyewole
Chief Accountant

Board of Administration
For the Fiscal Year Ended June 30, 2020

Cynthia M. Ruiz
President
Appointed by the Mayor

Michael R. Wilkinson
Vice President
Elected by Retired Members

Sung Won Sohn
Member
Appointed by the Mayor

Sandra Lee
Member
Appointed by the Mayor

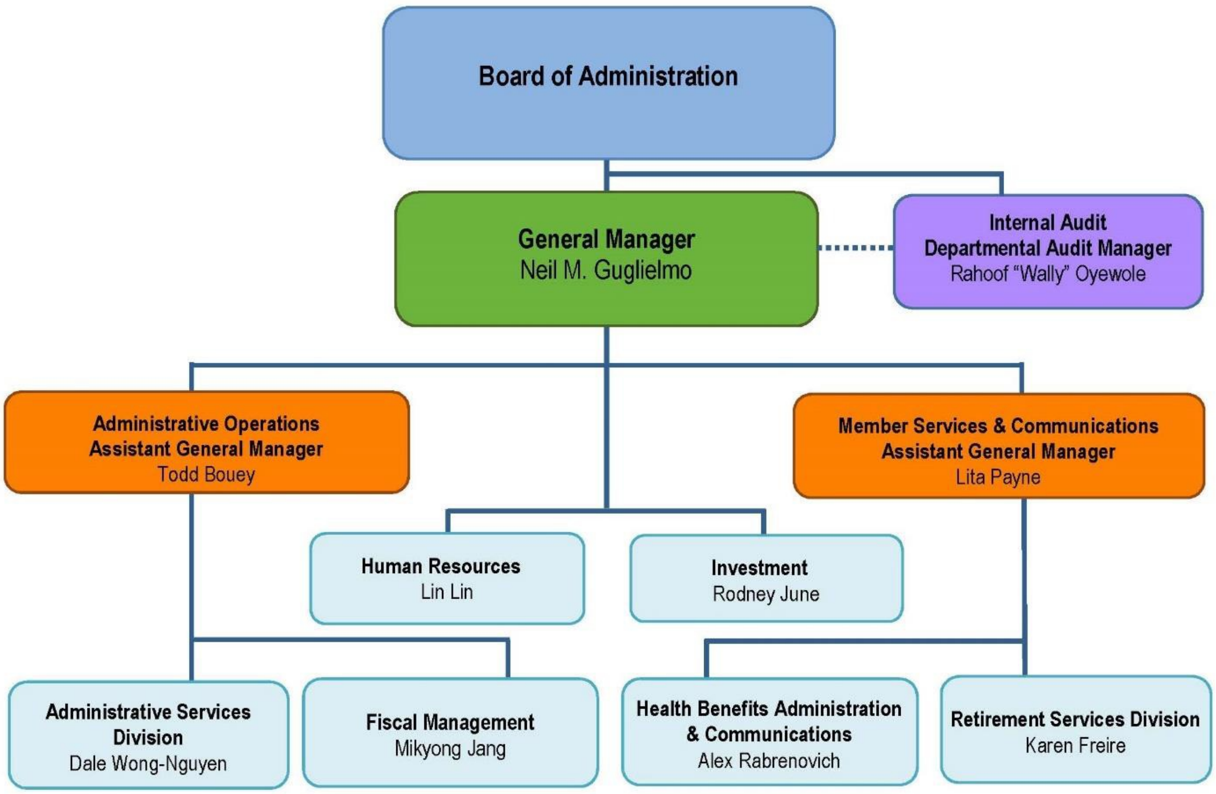
Nilza R. Serrano
Member
Appointed by the Mayor

Annie Chao
Member
Elected by Active Members

Elizabeth Lee
Member
Elected by Active Members

Organization Chart

As of June 30, 2020



Professional Consultants

Actuary
Segal Consulting

Independent Auditor
Moss Adams LLP

Investment Consultants
NEPC, LLC
Townsend Holdings, LLC
Aksia TorreyCove Capital Partners, LLC

Health & Welfare Consultant
Keenan & Associates

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

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

Software Licensing, Hosting, & Analytics Services
The JellyVision Lab, Inc.

Strategic Planning Consultants
CEM Benchmarking
Emergency Management & Safety Solutions

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City Employees' Retirement System California

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

Executive Director/CEO

Christopher P. Morrill

AWARDED 21 CONSECUTIVE YEARS SINCE 1999

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2020

Presented to

Los Angeles City Employees' Retirement System
(LACERS)

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

AWARDED CONSECUTIVELY SINCE 2013

Financial

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the retirement plan and the postemployment health care plan of the Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, which comprise the statements of fiduciary net position as of June 30, 2020 and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise LACERS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the retirement plan and the postemployment health care plan of the Los Angeles City Employees' Retirement System as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of LACERS present the fiduciary net position and changes in fiduciary net position of the Municipality 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 entire Municipality of the City of Los Angeles, California, as of June 30, 2020, the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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, 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 the LACERS' basic financial statements. The 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.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

2019 Financial Statements

The financial statements of Los Angeles City Employees' Retirement System, as of and for the year ended June 30, 2019, were audited by other auditors whose report thereon, dated November 25, 2019 expressed an unmodified opinion on the presentation of those financial statements in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
November 30, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Comprehensive Annual Financial Report.

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS or the System) fiduciary net position as of June 30, 2020 was $17,863,324,000, an increase of $155,414,000 or 0.9% over the prior fiscal year.

- The total additions to the fiduciary net position of LACERS, from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded dental insurance premium, Members' portion of premium reserve, building lease and other income, and net investment income were $1,308,079,000, a 27.4% decrease 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*.

- Net investment income for this fiscal year was $365,492,000, representing a 62.3% decrease compared with an investment income of $968,497,000 for the previous fiscal year.

- The total deductions from the fiduciary net position were $1,152,665,000, a 6.3% increase from the prior fiscal year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.

- The System's Net Pension Liability (NPL) for the Retirement Plan was $7,594,791,000 as of June 30, 2020. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position is equal to the fair value of the plan's assets, NPL is determined on a fair value basis, and it fully reflects the plan's investment performance (1.2% rate of return, gross of fees) of this fiscal year. Compared with the previous fiscal year, the NPL increased by $1,616,963,000.

- The System's Net Other Postemployment Benefits (OPEB) Plan Liability for the postemployment health care benefits was $635,326,000 as of June 30, 2020. Net OPEB Liability (NOL) is a measure required by GASB Statement No. 74. NOL is determined on a fair value basis, and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position (fair value of the plan's assets). NOL reflects the plan's investment performance (1.2% rate of return, gross of fees) for this fiscal year. As compared with the previous fiscal year, the NOL increased by $113,125,000.

- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 66.3%, 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 81.8%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the postemployment health care benefits.

COVID-19 Assessment

It is important to note that the ongoing COVID-19 pandemic has adversely impacted global commercial activity and contributed to significant volatility in the global financial markets. LACERS Board, management and its consultants are closely monitoring the impact of COVID-19 and are taking necessary actions to safeguard the System's investments.

However, because of the adverse economic conditions that currently exist, it is possible that the estimates and assumptions utilized in preparation of these financial statements could change significantly. Additionally, while the extent of the impact, including the length or the severity, is difficult to assess, the financial and economic market uncertainty could have a significant adverse impact on the System's future financial performance.

Overview of the Financial Statements

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

Financial Statements

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

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 26-50 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Retirement Plan, and the Schedule of Net OPEB Liability, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 52 - 62 of this report.

Supplemental Schedules

The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 64 and 65 of this report.

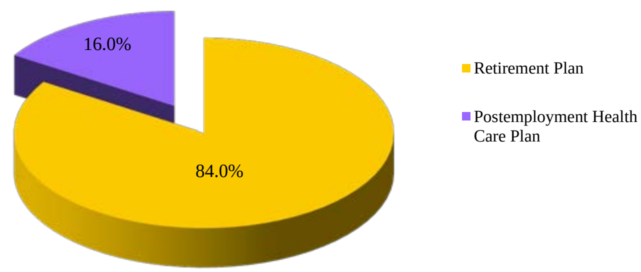
Financial Analysis

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, 2020 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$ 15,012,120	84.0%
Postemployment Health Care Plan	2,851,204	16.0
Fiduciary Net Position	$ 17,863,324	100.0%

Allocation of Fiduciary Net Position



Fiduciary Net Position

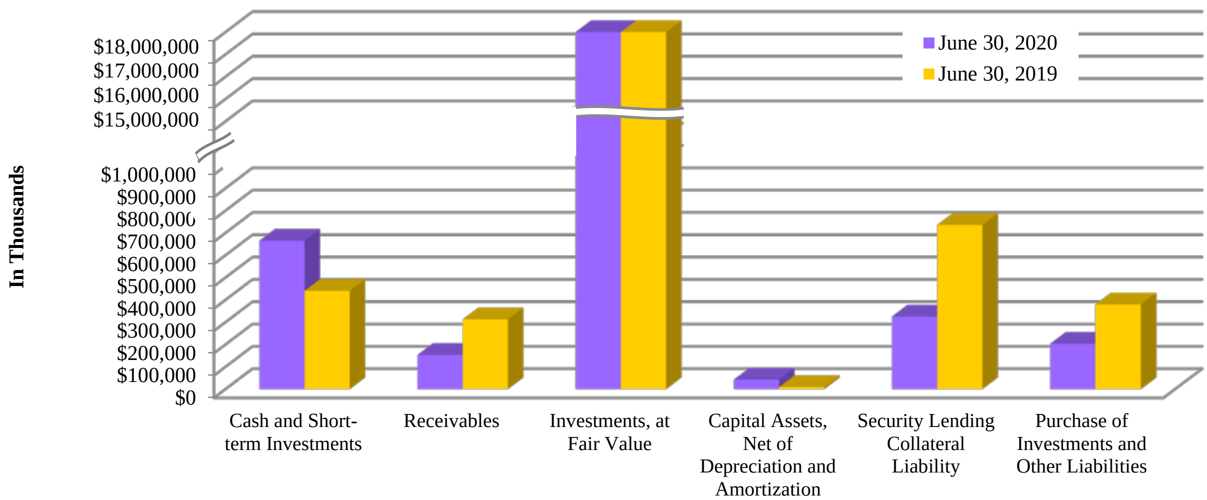
The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2020 and 2019 (dollars in thousands):

	June 30, 2020	June 30, 2019	Change	
Cash and Short-Term Investments	$ 665,048	$ 440,455	$ 224,593	51.0 %
Receivables	153,263	312,505	(159,242)	(51.0)
Investments, at Fair Value	17,530,909	17,990,214	(459,305)	(2.6)
Capital Assets, Net of Depreciation and Amortization	42,359	8,789	33,570	382.0
Total Assets	18,391,579	18,751,963	(360,384)	(1.9)
Securities Lending Collateral Liability	325,263	705,535	(380,272)	(53.9)
Purchase of Investments and Other Liabilities	202,992	338,518	(135,526)	(40.0)
Total Liabilities	528,255	1,044,053	(515,798)	(49.4)
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 17,863,324	$ 17,707,910	$ 155,414	0.9 %

Financial Analysis (Continued)

Fiduciary Net Position (Continued)

Components of Fiduciary Net Position



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, real estate, private equity and other asset classes. Fiduciary net position increased by $155,414,000, or 0.9%, during this fiscal year.

Net Increase in Fiduciary Net Position

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

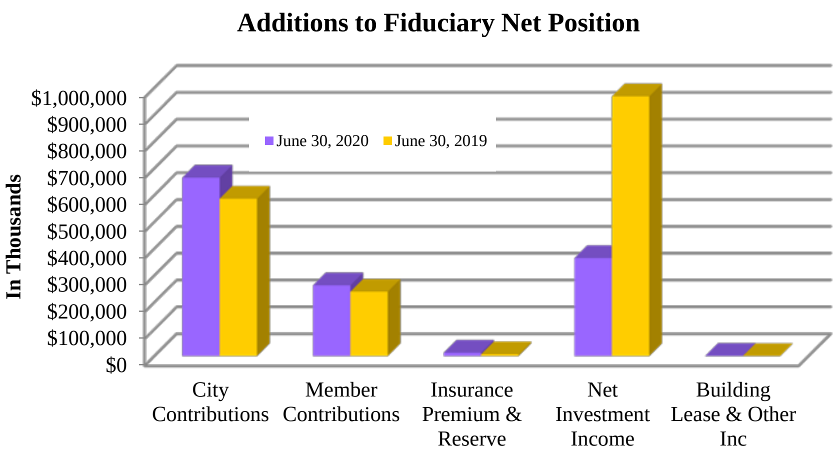
	June 30, 2020	June 30, 2019	Change	
Additions	$ 1,308,079	$ 1,802,166	$ (494,087)	(27.4) %
Deductions	1,152,665	1,083,872	68,793	6.3
Net Increase in Fiduciary Net Position	155,414	718,294	(562,880)	(78.4)
Fiduciary Net Position, Beginning of Year	17,707,910	16,989,616	718,294	4.2
Fiduciary Net Position, End of Year	$ 17,863,324	$ 17,707,910	$ 155,414	0.9 %

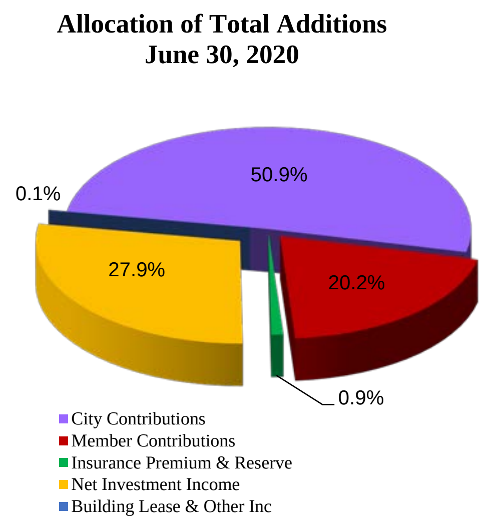
Financial Analysis (Continued)

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

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the fiscal years ended June 30, 2020 and 2019 (dollars in thousands):

	June 30, 2020	June 30, 2019	Change
City Contributions	$ 665,358	$ 586,754	13.4 %
Member Contributions	263,936	240,357	9.8
Health Insurance Premium and Reserve	12,501	6,558	90.6
Net Investment Income	365,492	968,497	(62.3)
Building Lease & Other Income	792	-	N/A
Additions to Fiduciary Net Position	$ 1,308,079	$ 1,802,166	(27.4) %





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 $665,358,000 during the fiscal year. The total increase of $78,604,000 or 13.4% over the prior fiscal year was due to a higher payroll base (approximately 7.7% increase in payroll) and higher contribution rate recommended by the actuary for the reporting year. The total City contributions include a $46,117,000 true-up credit adjustment, a reduction from the City's advanced contribution payment, to reconcile the difference of the City's contributions based on projected payroll against actual payroll. This true-up amount, which included accrued interest at 7.25%, was recognized as liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 29.30% (24.36% for the Retirement Plan and 4.94% for the Postemployment Health Care Plan), which is 1.47% higher than the prior fiscal year at 27.83%. $553,118,000 of actual contribution to the Retirement Plan was equal to 100% of the Actuarially Determined Contribution (ADC) of the employer, as defined by GASB Statement No. 67. $112,136,000 of actual contribution to the Postemployment Health Care Plan was equal to 100% of the ADC, as defined by GASB Statement No. 74.

In fiscal year 2019-20, Member contributions were $263,936,000, which was $23,579,000 or 9.8% greater than the prior year. The increase in Member contributions was primarily attributable to the increase in the number of Members and their salaries during the fiscal year.

Financial Analysis (Continued)

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

LACERS established a Postemployment Health Care 115 Trust fund (the "115 Trust fund") in late December 2018, and replaced the existing Delta Dental PPO Plan with a self-funded Dental Plan under the 115 Trust fund effective January 1, 2019. Accordingly, LACERS recognized revenue of $10,364,000 representing monthly dental insurance premium and $2,137,000 of Member's portion from health insurance premium reserve that includes $1,319,000, Member's portion of Anthem Premium Stabilization Reserve fund transferred to LACERS.

The net investment income was $365,492,000, which included $50,201,000 of net appreciation in the fair value of investments. This is discussed in more detail in the next section.

Investment Income

The following table and graph present the detail of investment income, net of investment management fees and expenses for the fiscal years ended June 30, 2020 and 2019 (dollars in thousands):

	June 30, 2020	June 30, 2019	Change
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	$ 50,201	$ 637,092	(92.1) %
Interest	124,053	121,215	2.3
Dividends	221,790	238,458	(7.0)
Other Investment Income	50,668	49,475	2.4
Securities Lending Income, Net of Expense	6,310	6,179	2.1
Sub-Total	453,022	1,052,419	(57.0)
Less: Investment Management Fees and Expenses	(84,571)	(81,582)	3.7
Investment Related Administrative Expenses	(2,959)	(2,340)	26.5
Net Investment Income	$ 365,492	$ 968,497	(62.3) %

Investment Income and Expenses

Financial Analysis (Continued)

Investment Income (Continued)

The net investment income for the current fiscal year was $365,492,000, as compared with the income of $968,497,000 for the previous fiscal year (62.3% decrease). This decrease was due primarily to a lower net appreciation in the fair value of investments of $50,201,000, compared with the previous fiscal year's amount of $637,092,000 (92.1% decrease). In general, public equity market returns were lower for the current year relative to the previous fiscal year. The Russell 3000 Index, which tracks U.S. broad market equities, returned 6.5% compared with 9.0% for the previous year. The MSCI All Country World ex-U.S. Index, which tracks non-U.S. equities in developed and emerging markets, returned -4.8% compared with 1.3% for the previous year. Fixed income markets, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, experienced a strong rally during the current fiscal year, returning 8.7% compared with 7.9% for the previous year. The net appreciation reported reflects a deduction for carried interest in the amount of $32,095,000, which represents a profit share that the general partners of these funds received as a compensation after the performance of the funds achieved agreed-upon return level.

Interest income derived from fixed income securities increased by $2,838,000 or 2.3%, while dividend income derived from equities decreased by $16,668,000 or 7.0%. The slight increase in interest income from fixed income is attributed to a portfolio rebalancing that shifted assets away from the core fixed income asset class and into the higher yielding credit opportunities and real assets asset classes. The decrease in dividend yield from equities is attributed to companies lowering or suspending dividend payments due to an uncertain economic outlook created by the COVID-19 pandemic.

Other investment income, primarily derived from private equity and private real estate partnership investments, increased by $1,193,000 or 2.4%, mainly due to several large distributions received from private real estate partnership investments currently in the process of winding down.

LACERS earns additional investment income by lending its securities to borrowers through its custodian bank. To earn income for LACERS, the custodian bank invests cash collateral pledged by borrowers on behalf of LACERS in short term fixed income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the current fiscal year, LACERS securities lending income (net of expense) increased by $131,000 or 2.1%, from a year ago due to higher lending spreads and reinvestment spreads.

Total investment management fees, expenses, and investment related administrative expenses increased by $3,608,000 or 4.3% from the prior year. This increase corresponded with the increase in the fair value of LACERS investments over the fiscal year.

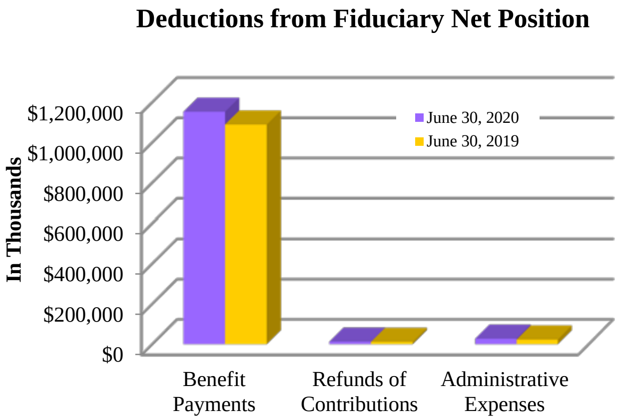
Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position

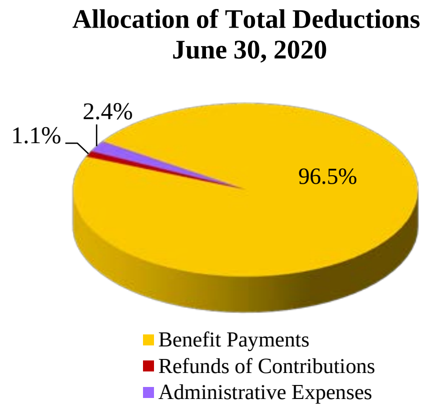
The following table and graphs provide information related to the deductions from fiduciary net position for the fiscal years ended June 30, 2020 and 2019 (dollars in thousands):

	June 30, 2020	June 30, 2019	Change
Benefit Payments	$ 1,112,911	$ 1,049,283	6.1%
Refunds of Contributions	12,332	11,684	5.5
Administrative Expenses	27,422	22,905	19.7
Deductions from Fiduciary Net Position	$ 1,152,665	$ 1,083,872	6.3%

Financial Analysis (Continued)

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





LACERS' deductions from fiduciary net position in this reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $68,793,000 or 6.3% from the prior fiscal year.

Compared to the prior fiscal year, benefit payments increased by $63,628,000 or 6.1%. The benefit payments for the Retirement Plan increased by $64,043,000 or 7.0% mainly due to the annual cost of living adjustments (COLA) (approximately 3.0% increase on average); increased number of retirees and beneficiaries; and the average retirement allowance of newly retired Members being higher than those of the deceased Members who were removed from the retirement payroll. On the other hand, payments for Postemployment Health Care Plan benefits decreased by $415,000 or -0.3%. This decrease was mainly due to the receipt of $10,154,000, LACERS' portion of Premium Stabilization Reserve fund maintained with Anthem Blue Cross. This amount comprise of accumulated surplus premium dollars from prior years when annual premium payments to Anthem Blue Cross exceeded annual claim costs and administrative expenses. The amount, to a degree, helped offset the increase in healthcare cost due to the increase in number of retirees and their dependents eligible for medical subsidy; increased reimbursement of Medicare Part B premium; and the full year payment of dental benefit claims paid from the Self-Funded Plan established in January 2019.

The Refunds of Member contributions increased by $648,000 or 5.5% from the prior fiscal year's $11,684,000, due primarily to the increase in refunds to Members leaving the City service.

LACERS' administrative expenses increased by $4,517,000 or 19.7% from the prior fiscal year. The increase was mainly due to higher personnel cost resulted from the mandatory COLA increases, which include retroactive payments and mandatory payouts to employees in accordance with the City's negotiated salary contracts, increased hiring to fill vacant positions, higher employee retirement payouts and increased employee health and retirement costs. Some of the increase can also be attributed to the payment of fees covering full fiscal year administration of the Self-Funded Plan. In addition, $1,329,000 of various building operating expenses was incurred this fiscal year related to the purchase of the new LACERS headquarter building.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2020, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2020 Total	2019 Total
Assets				
Cash and Short-Term Investments	$ 558,898	$ 106,150	$ 665,048	$ 440,455
Receivables				
Accrued Investment Income	51,228	9,730	60,958	62,832
Proceeds from Sales of Investments	61,795	11,737	73,532	234,349
Other	15,777	2,996	18,773	15,324
Total Receivables	128,800	24,463	153,263	312,505
Investments, at Fair Value				
U.S. Government Obligations	1,343,146	255,100	1,598,246	1,417,515
Domestic Corporate Bonds	909,500	172,738	1,082,238	882,229
International Bonds	547,866	104,054	651,920	599,693
Other Fixed Income	438,911	83,361	522,272	902,587
Bank Loans	3,535	671	4,206	8,868
Opportunistic Debts	187,722	35,653	223,375	203,701
Domestic Stocks	3,826,132	726,685	4,552,817	4,672,500
International Stocks	4,180,522	793,994	4,974,516	5,239,973
Mortgages	474,694	90,157	564,851	526,389
Government Agencies	31,572	5,996	37,568	30,947
Derivative Instruments	1,785	339	2,124	(797)
Real Estate	629,395	119,539	748,934	792,516
Private Equity	1,884,636	357,943	2,242,579	2,008,558
Securities Lending Collateral	273,347	51,916	325,263	705,535
Total Investments, at Fair Value	14,732,763	2,798,146	17,530,909	17,990,214
Capital Assets, Net of Depreciation and Amortization	35,598	6,761	42,359	8,789
Total Assets	15,456,059	2,935,520	18,391,579	18,751,963
Liabilities				
Accounts Payable and Accrued Expenses	54,859	10,419	65,278	54,418
Accrued Investment Expenses	10,184	1,934	12,118	9,664
Purchases of Investments	105,549	20,047	125,596	274,436
Securities Lending Collateral	273,347	51,916	325,263	705,535
Total Liabilities	443,939	84,316	528,255	1,044,053
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits	**$ 15,012,120**	**$ 2,851,204**	**$ 17,863,324**	**$ 17,707,910**

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

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Fiscal Year Ended June 30, 2020, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2020 Total	2019 Total
Additions				
Contributions				
City Contributions	$ 553,222	$ 112,136	$ 665,358	$ 586,754
Member Contributions	263,936	-	263,936	240,357
Total Contributions	817,158	112,136	929,294	827,111
Self-Funded Insurance Premium	-	10,364	10,364	6,090
Health Insurance Premium Reserve	-	2,137	2,137	468
Investment Income				
Net Appreciation in Fair Value of Investments, Including Gain and Loss on Sales	41,055	9,146	50,201	637,092
Interest	102,466	21,587	124,053	121,215
Dividends	185,605	36,185	221,790	238,458
Other Investment Income	42,402	8,266	50,668	49,475
Securities Lending Income	6,210	1,211	7,421	7,268
Less: Securities Lending Expense	(917)	(194)	(1,111)	(1,089)
Sub-Total	376,821	76,201	453,022	1,052,419
Less: Investment Management Fees and Expenses	(69,121)	(15,450)	(84,571)	(81,582)
Investment Related Administrative Expenses	(2,409)	(550)	(2,959)	(2,340)
Net Investment Income	305,291	60,201	365,492	968,497
Building Lease and Other Income	645	147	792	-
Total Additions	1,123,094	184,985	1,308,079	1,802,166
Deductions				
Benefit Payments	973,197	139,714	1,112,911	1,049,283
Refunds of Contributions	12,332	-	12,332	11,684
Administrative Expenses	21,257	6,165	27,422	22,905
Total Deductions	1,006,786	145,879	1,152,665	1,083,872
Net Increase in Fiduciary Net Position	116,308	39,106	155,414	718,294
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits				
Beginning of Year	14,895,812	2,812,098	17,707,910	16,989,616
End of Year	**$ 15,012,120**	**$ 2,851,204**	**$ 17,863,324**	**$ 17,707,910**

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

1. Description of LACERS and Significant Accounting Policies

General Description

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

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 30 - 40 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 purpose only. Such information does not include sufficient detail to constitute a presentation in accordance with US GAAP.

Investments

Investment Policies

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

As of June 30, 2020, the Board's target asset allocation policy was as follows:

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

Fair Value of Investments

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

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

Investments (Continued)

Fair Value of Investments (Continued)

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

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

Concentrations

The investment portfolio as of June 30, 2020, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments

For the fiscal year ended June 30, 2020, 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 2.04%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for Retirement Plan and Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI).

Receivables

As of June 30, 2020, 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 purchase was $5,000 or more, and depreciated over five years using the straight-line method.

Certain costs to develop LACERS Pension Administration System (PAS), a customized software solution critical to LACERS core operations was 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 over 15 years using the straight-line method.

On October 9, 2019, LACERS Board approved the purchase of a commercial office building and underground parking structure located at 977 N. Broadway in Los Angeles, California to serve as LACERS future headquarters building. The purchase was settled at $33,750,000 on October 23, 2019. The purchase price was allocated to Land valued at $4,023,000 and Building valued at $29,727,000, based on the assessment performed on the fair value of acquired assets. In addition, LACERS incurred $236,000 in acquisition costs and subsequent Building improvements costing $89,000 during the fiscal year, which were capitalized as part of the Building cost. As of the end of the fiscal year, major capital improvements are still in progress to prepare the building for occupancy. Once the building is put to use, the System will capitalize all costs associated and begin to record depreciation expense of the headquarters in 2021.

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.

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

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.

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

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

Family Death Benefit Plan (FDBP) – To pay benefits under the Family Death Benefit Plan administered by LACERS consisting of Active Member voluntary contributions; matching City 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 dental insurance premium and Members' portion of insurance premium reserve.

115 Trust Account – This new Health Care fund is currently limited to pay the benefit claims from LACERS self-funded Dental Plan, but ultimately will fund all health care benefits for retirees upon depletion of the existing 401(h) account reserves. The 115 Trust account currently consists of City Contributions received starting in fiscal year 2020, dental plan premium and prepayment; certain retired Members' health insurance premium deductions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments of the dental plan claims and administration fees to the third party contractor who administered the dental plan claims for the System; and certain allocated administrative expenses. During this reporting year, funds from this reserve account were invested in LACERS investment pool, and therefore, investment earnings (losses) including net appreciation (depreciation) in fair value of investments were distributed.

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

Reserves (Continued)

Reserve balances as of June 30, 2020, were as follows (in thousands):

Reserved for the Retirement Plan	
Member Contributions:	
- Mandatory	$ 2,640,371
- Voluntary	7,268
Basic Pensions	11,703,185
Annuity	588,848
Larger Annuity	56,316
FDBP	16,132
	$ 15,012,120
Reserve for the Postemployment Health Care Plan	
401 (h) Account	$ 2,730,003
115 Trust Account	121,201
	2,851,204
	$ 17,863,324

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

In March 2020, the World Health Organization declared Coronavirus COVID-19 a global pandemic. The Coronavirus outbreak has caused tremendous human and economic hardship both globally and throughout the United States. The measures taken to protect public health has had an adverse impact, disrupting economic activity and creating a surge in job losses. While the ongoing pandemic poses considerable economic risks, there has been no significant disruption to LACERS' operations. The System has largely been successful in maintaining normal operation remotely. Although the financial markets remain volatile, LACERS' investment strategy is to maintain a well-diversified portfolio in order to mitigate the risk of market uncertainty.

The System is exposed to a risk that the long-term rate of return currently earned on the pension plan assets could be below the actuarially assumed rate of return, which is currently 7.00%. This could impact the plan participant actuarial determined contributions. The System's actuarial valuations use a seven year smoothing method for investment returns; any contribution rate impact from the capital markets depends largely on how deep the future market downturn is, how long it lasts, and how it fits within the fiscal year reporting periods. While the global markets have largely recouped early 2020 losses due to the pandemic, COVID-19 continues to surge globally and in many parts of the United States. LACERS' Board and management will continue to closely monitor any adverse impact on the System's investments.

New Accounting Pronouncements

GASB Statement No. 87 –*Leases,* issued in June 2017, increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset thereby enhancing the relevance and consistency of information about government's leasing activities. As a result of GASB Statement No. 95 issued in May 2020 to provide temporary relief from implementation of certain pronouncements, the effective date for Statement No. 87 is postponed to fiscal year beginning after June 15, 2021. LACERS is currently examining the impact to its current accounting policies and financial reporting from this Statement.

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, 2020, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	17,722
Non-vested	9,768
	27,490
Inactive:	
Non-vested	6,728
Terminated Entitled to Benefits, Not Yet Receiving Benefits	2,479
Retired	20,423
Total	57,120

Eligibility Requirement and Benefits Provided

Tier 1

Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the Member's average monthly pensionable salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit.

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

Tier 1 – Enhanced Benefits

On March 28, 2017, the City Council adopted an ordinance (No. 184853) to amend the Los Angeles Administrative Code (LAAC) authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer into Tier 6 of LAFPP Plan or to remain in LACERS Plan with enhanced benefits.

All new APO hired after that date would be enrolled in LAFPP Tier 6. Under the ordinance, APO Members who elect to remain in LACERS would be Tier 1 Members, and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.30% (versus 2.16% for all other Tier 1 Members), contingent upon a mandatory additional contribution payment of $5,700 required by LAAC Section 4.1002(e)(2) to LACERS before January 8, 2019, or prior to the Member's retirement date, whichever is earlier. Among 503 APO Members who elected to remain Members of LACERS on January 7, 2018, 469 APO Members, inclusive of 43 APO Members who retired with the enhanced benefits, paid their mandatory additional contribution.

2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (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 Compensation (FAC) based on the Member's pensionable salary for the last 36 months or any other 36 consecutive months designated by the Member, and by the Member's years of service credit (SC) as follows:

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

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

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

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

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

Cost of Living Adjustment

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

2. Retirement Plan Description (Continued)

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the fiscal year ended June 30, 2020, the actuarially-determined aggregate employer contribution rate to the Retirement Plan by the City was 24.75% of projected payroll, based on the June 30, 2018 actuarial valuation.

Upon closing the fiscal year 2019-20, LACERS re-calculated the employer contribution rate using actual payroll incurred during the fiscal year, which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2019. As a result, employer contributions received for the Retirement Plan were $39,069,000 more than required, and this amount was credited to the employer toward employer contributions for fiscal year 2020-21. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 24.36% for fiscal year 2019-20.

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 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 is expected to decrease by 1% once ERIP obligation is fully paid.

Tier 3

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

2. Retirement Plan Description (Continued)

Net Pension Liability

As of June 30, 2020, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 22,527,195
Plan Fiduciary Net Position[(1)]	14,932,404
Plan's Net Pension Liability	$ 7,594,791
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	66.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude a total amount of $79,716,000 associated with Family Death and Larger Annuity Benefits. The details of the amount excluded can be found in the Schedule of Net Pension Liability on page 52.

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, 2020, are summarized below:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Method (individual basis).
Amortization Method	Level Percent of Payroll
Actuarial Assumptions:	
Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 4.25% to 9.95% based on years of service, including inflation assumption at 2.75% and the real across-the-board salary increase assumption of 0.50%.
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-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two dimensional mortality improvement scale MP-2019.
Percent Married / Domestic Partner	76% of male participants and 52% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be three years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019.

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

Based on those assumptions, the retirement plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2020 and June 30, 2019.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption that was used in the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.5%
U.S. Small Cap Equity	3.99	6.3
Developed Int'l Large Cap Equity	17.01	6.6
Developed Int'l Small Cap Equity	2.97	6.9
Emerging Int'l Large Cap Equity	5.67	8.7
Emerging Int'l Small Cap Equity	1.35	10.6
Core Bonds	13.75	1.2
High Yield Bonds	2.00	3.1
Bank Loans	2.00	3.7
Emerging Market Debt (External)	2.25	3.6
Emerging Market Debt (Local)	2.25	4.8
Private Debt	3.75	6.0
Core Real Estate	4.20	4.6
Real Estate Investment Trust (REIT)	1.00	6.0
Treasury Inflation Protected Securities (TIPS)	4.00	0.9
Commodities	1.00	3.3
Non-Core Real Assets	2.80	5.8
Private Equity	14.00	9.0
Cash	1.00	0.0
Total	100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2020, 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%)
$10,642,600	$7,594,791	$5,073,179

3. Postemployment Health Care Plan Description

Plan Administration and Membership

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

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

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

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

As of June 30, 2020, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows:

Retired Members/Surviving Spouses[(1)]	16,107
Vested terminated Members entitled to, but not yet receiving benefits[(2)]	1,526
Retired Members and surviving spouses not yet eligible for health benefits	142
Active Members	27,490
Total	45,265

(1) Total participants including married dependents and dependent children currently receiving benefits are 21,572.

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

Eligibility Requirement and Benefits Provided

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

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

3. Postemployment Health Care Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

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, 2020, 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 that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2020, was 4.91% of projected payroll, based on the June 30, 2018 actuarial valuation.

Upon closing the fiscal year 2019-20, LACERS re-calculated employer contribution rate using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment on July 15, 2019. As a result, employer contributions for Postemployment Health Care Plan were $7,048,000 more than required, and this amount was returned to the employer as a credit toward employer contribution for fiscal year 2020-21. While the total actual payroll was lower than projected, actual payroll for Tier 3 Members was higher than projected. Because the employer contribution rate for Postemployment Health Care Plan for Tier 3 Members was higher than the rate for Tier 1 Members, the overall effective rate of employer contribution for Postemployment Health Care Plan, based on actual payroll, was 4.94%, a slightly higher rate than 4.91% originally projected.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability

As of June 30, 2020, the components of the net OPEB liability were as follows (in thousands):

Total OPEB Liability	$ 3,486,530
Plan Fiduciary Net Position	2,851,204
Plan's Net OPEB Liability	$ 635,326
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	81.8%

Significant Assumptions

The total OPEB liability as of June 30, 2020 was determined by actuarial valuation as of June 30, 2020. 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, 2020, are summarized below:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method:	Level Percent of Payroll – assuming a 3.25% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2019 (July 1, 2016 through June 30, 2019)
Long-Term Expected Rate of Return	7.00%
Inflation	2.75%
Salary Increase	Range from 4.25% to 9.95% based on years of service, including inflation assumption at 2.75%.
Mortality Table for 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-2019.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two dimensional mortality improvement scale MP-2019.
Mortality Table for Beneficiaries	Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two dimensional mortality improvement scale MP-2019.
Marital Status	60% of male and 35% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Significant Assumptions (Continued)

Healthcare Cost Trend Rates

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

Medical Premium Trend Rates to be applied to fiscal year 2020-2021 and later years are:

First Fiscal Year (July 1, 2020 through June 30, 2021)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	3.37%	3.12%
Anthem Blue Cross HMO	4.85%	N/A
Anthem Blue Cross PPO	3.71%	4.45%
UHC Medicare HMO	N/A	3.12%

Fiscal Year 2021 - 2022 and later	
Fiscal Year	Trend (Approx.)
2021 - 2022	6.62%
2022 - 2023	6.37%
2023 - 2024	6.12%
2024 - 2025	5.87%
2025 - 2026	5.62%
2026 - 2027	5.37%
2027 - 2028	5.12%
2028 - 2029	4.87%
2029 - 2030	4.62%
2030 - 2031 and later	4.50%

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

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

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020 and 7.25% as of June 30, 2019.

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

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2020 and June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are summarized in the following table. These values were used in the derivation of the long-term expected investment rate of return assumption for the actuarial valuation as of June 30, 2020. This information is subject to change every three years based on the actuarial experience study. The last experience study was for July 1, 2016 through June 30, 2019. The next experience study will be conducted in 2022.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	15.01%	5.5%
U.S. Small Cap Equity	3.99	6.3
Developed Int'l Large Cap Equity	17.01	6.6
Developed Int'l Small Cap Equity	2.97	6.9
Emerging Int'l Large Cap Equity	5.67	8.7
Emerging Int'l Small Cap Equity	1.35	10.6
Core Bonds	13.75	1.2
High Yield Bonds	2.00	3.1
Bank Loans	2.00	3.7
Emerging Market Debt (External)	2.25	3.6
Emerging Market Debt (Local)	2.25	4.8
Private Debt	3.75	6.0
Core Real Estate	4.20	4.6
Real Estate Investment Trust (REIT)	1.00	6.0
Treasury Inflation Protected Securities (TIPS)	4.00	0.9
Commodities	1.00	3.3
Non-Core Real Assets	2.80	5.8
Private Equity	14.00	9.0
Cash	1.00	0.0
Total	100.00%	

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of LACERS as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what LACERS net OPEB liability would be if it were calculated using a discount rate that is 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%)
$1,137,842	$ 635,326	$ 225,113

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of LACERS as of June 30, 2020, calculated using the healthcare cost trend rates as well as what LACERS net OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current rates (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates(1)	1% Increase
$ 187,139	$ 635,326	$1,195,159

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

4. Contributions Required and Contributions Made

LACERS 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, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that healthcare cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are "closed" as each layer of the UAAL is systematically amortized over a "fixed" period.

The total contributions to LACERS for the fiscal year ended June 30, 2020, in the amount of $929,294,000 ($817,158,000 for the Retirement Plan and $112,136,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Required Contributions	$ 553,118	$ 112,136
FDBP	104	-
Total City Contributions	553,222	112,136
Member Contributions	263,936	-
Total Contributions	$ 817,158	$ 112,136

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $553,118,000 were equal to 100% of the actuarially determined contribution of the employer. The City contributions made for the Postemployment Health Care Plan, in the amount of $112,136,000, represents 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of $263,936,000 were made toward the Retirement Plan, the voluntary Larger Annuity Plan and Family Death Benefit Plan.

5. Historical Trend Information

Historical trend information, designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 52 - 57 for the Retirement Plan and pages 58 - 62 for the Postemployment Health Care Plan.

6. Cash and Short-Term Investments and Investments

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

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2020, for the Retirement Plan and Postemployment Health Care Plan included approximately $4,853,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $660,195,000 for a total of $665,048,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2020, short-term investments included collective STIF of $324,917,000, international STIF of $149,075,000, and future contracts initial margin and collaterals of $186,203,000.

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, are recorded in the Statement of Fiduciary Net Position with a net value of $2,124,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income. LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2020, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ 180,392	$ 2,076	$ 3,077
Equity Index	26,890	73	15
Foreign Exchange	2,344	1	3
Interest Rate	(39,540)	171	133
Currency Forward Contracts	2,344	(587)	(501)
Right / Warrants	N/A	238	41
Swaps –Interest Rate	N/A	152	151
Total Value		$ 2,124	$ 2,919

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

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by Standard and Poor's (S&P), a nationally-recognized statistical rating organization, as of June 30, 2020, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 51,548	1.99 %
AA+	45,690	1.76
AA	555,575	21.45
AA-	44,207	1.71
A+	45,871	1.77
A	64,074	2.47
A-	173,544	6.70
BBB+	242,534	9.36
BBB	228,559	8.82
BBB-	223,646	8.63
BB+	60,006	2.32
BB	72,074	2.78
BB-	145,134	5.60
B+	64,777	2.50
B	280,125	10.82
B-	63,422	2.45
CCC+	23,990	0.93
CCC	6,377	0.25
CCC-	3,288	0.13
CC	5,590	0.22
C	146	0.00
D	8,472	0.33
Not Rated	181,464	7.01
	$ 2,590,113	100.00%
U.S. Government Guaranteed Securities(1)	2,094,563	
Total Fixed Income Securities	$ 4,684,676	

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

Credit Risk – Derivatives

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

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

As of June 30, 2020, without respect to netting arrangements, LACERS maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is $1,458,000. All counterparties of these investment derivatives had the credit rating of "A" or "AA" assigned by S&P.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2020, LACERS has exposure to such risk in the amount of $21,757,000 or 0.4% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 14 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.

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

Custodial Credit Risk (Continued)

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, 2020, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Concentration of Credit Risk

The investment portfolio as of June 30, 2020, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

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, 2020 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	$ 28,360	1.43
Bank Loans	4,205	1.89
Commercial Mortgage-Backed Securities	81,021	4.68
Corporate Bonds	1,353,654	7.09
Government Agencies	69,978	7.27
Government Bonds	1,057,895	7.31
Government Mortgage-Backed Securities	483,830	3.09
Index Linked Government Bonds	836,253	5.17
Municipal/Provincial Bonds	3,296	3.00
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	20,538	2.46
Opportunistic Debts	223,375	0.42
Other Fixed Income (Funds)	522,272	6.08
Total Fixed Income Securities	$ 4,684,677	

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	$ 28,360
Commercial Mortgage-Backed Securities	81,021
Government Agencies	69,978
Government Mortgage-Backed Securities	483,830
Non-Government Backed C.M.O.s	20,538
Total Asset-Backed Investments	$ 683,727

Foreign Currency Risk

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

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

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2020, which represent 27.3% 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
Australian dollar	(2,571)	152,234	-	(171)	-	149,492
Brazilian real	(1,146)	64,630	150	118	-	63,752
British pound sterling	1,590	503,563	3,827	(44)	-	508,936
Canadian dollar	1,605	219,404	-	2	-	221,011
Chilean peso	(4,913)	3,774	-	74	-	(1,065)
Chinese yuan renminbi	10,726	45,911	-	(71)	(126)	56,440
Colombian peso	(3,214)	4,080	-	108	-	974
Czech koruna	853	695	-	(115)	-	1,433
Danish krone	48	83,440	-	-	-	83,488
Egyptian pound	-	367	-	-	-	367
Euro	(4,471)	1,153,528	18,235	(47)	106,486	1,273,731
Hong Kong dollar	1,954	470,392	-	12	-	472,358
Hungarian forint	(820)	4,999	-	(59)	-	4,120
Indian rupee	(7,585)	111,906	-	(51)	-	104,270
Indonesian rupiah	1,589	20,118	-	44	-	21,751
Japanese yen	4,575	768,265	-	26	-	772,866
Malaysian ringgit	98	12,522	-	-	-	12,620
Mexican peso	1,568	35,076	-	299	278	37,221
New Israeli shekel	1,658	19,226	-	2	-	20,886
New Taiwan dollar	(2,804)	169,225	-	(37)	-	166,384
New Zealand dollar	44	6,111	-	(109)	-	6,046
Norwegian krone	448	25,797	-	-	-	26,245
Peruvian nuevo sol	(3,820)	-	-	59	-	(3,761)
Philippine peso	(2,542)	10,440	-	(40)	-	7,858
Polish zloty	1,147	5,909	-	(208)	-	6,848
Qatari riyal	-	1,712	-	-	-	1,712
Russian ruble	4,076	14,490	-	16	-	18,582
Singapore dollar	8,642	42,335	-	-	-	50,977
South African rand	(2,665)	51,743	670	110	-	49,858
South Korean won	7,322	166,080	-	7	-	173,409
Swedish krona	83	118,687	-	-	-	118,770
Swiss franc	136	335,919	-	-	-	336,055
Thai baht	6,721	14,678	-	-	-	21,399
Turkish lira	(5,570)	8,385	-	(24)	-	2,791
Total Investments Held in Foreign Currency	**$ 12,762**	**$ 4,645,641**	**$ 22,882**	**$ (99)**	**$ 106,638**	**$ 4,787,824**

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

Fair Value Measurements

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

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

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

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

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

Schedule of Investments by Fair Value Hierarchy

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

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 which 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 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, 2020, 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 48

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

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2020 (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Debt securities:				
Government Bonds	$ 1,894,148	$ -	$ 1,894,148	$ -
Government Agencies	69,978	-	69,978	-
Municipal/Provincial Bonds	3,296	-	3,296	-
Corporate Bonds	1,402,552	-	1,402,402	150
Bank Loans	4,206	-	4,206	-
Government Mortgage Bonds	483,830	-	483,830	-
Commercial Mortgage Bonds	81,020	-	81,020	-
Opportunistic Debts	13,872	-	-	13,872
Total Debt Securities	3,952,902	-	3,938,880	14,022
Equity Securities:				
Common Stock:				
Basic Industries	1,098,198	1,097,962	32	204
Capital Goods Industries	505,702	505,514	180	8
Consumer & Services	2,621,797	2,620,932	3	862
Energy	599,100	599,027	-	73
Financial Services	1,238,692	1,238,631	-	61
Health Care	1,150,242	1,149,985	-	257
Information Technology	1,702,392	1,698,359	-	4,033
Real Estate	539,134	538,491	-	643
Miscellaneous	23,363	21,660	-	1,703
Total Common Stock	9,478,620	9,470,561	215	7,844
Preferred Stock	37,760	37,683	-	77
Stapled Securities	10,867	10,867	-	-
Unit Trust Equity	86	86	-	-
Total Equity Securities	9,527,333	9,519,197	215	7,921
Real Estate Funds	101,157	-	-	101,157
Total Investments by Fair Value Level	$ 13,581,392	$ 9,519,197	$ 3,939,095	$ 123,100
Investments Measured at the NAV:				
Common Fund Assets	522,272			
Private Equity Funds	2,242,578			
Real Estate Funds	647,777			
Opportunistic Debts	209,503			
Total Investments Measured at the NAV	3,622,130			
Total Investments Measured at Fair Value(1)	$ 17,203,522			
Investment Derivative Instruments:				
Future Contracts (liabilities)	$ 2,322	$ 2,322	$ -	$ -
Foreign Exchange Contracts (liabilities)	(588)	-	(588)	-
Rights/Warrants	390	367	-	23
Total Investment Derivative Instruments	$ 2,124	$ 2,689	$ (588)	$ 23

(1) Excluded $2,124,000 of investment derivative instruments (shown separately) and $325,263,000 of securities lending collateral.

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

Fair Value Measurements (Continued)

Investments Measured at the NAV:
(in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets [(1)]	$ 522,272	$ -	Daily	2 days
Private Equity Funds [(2)]	2,242,578	1,132,761	N/A	N/A
Real Estate Funds [(3)]	647,777	9,119	Daily, Quarterly	1-90 days
Opportunistic Debts [(4)]	209,503	-	Monthly	30 days
Total Investments Measured at the NAV	$ 3,622,130	$ 1,141,880		

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

(2) Private equity funds - This investment type includes 234 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(3) Real estate funds - This investment type includes 37 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Ten investments, representing approximately 77.1% 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. One of the open-end funds informed LACERS of an additional restriction above the original investment agreement beginning in January 2020. The fund expects this additional restriction to persist into calendar year 2021. LACERS has no intention to redeem any of this investment or the other nine investments in the near future. Twenty-seven investments, representing approximately 22.9% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

(4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 96% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 4% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. It is expected that this fund will be liquidated fully over the next two years.

7. Securities Lending Agreement

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

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

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

As of June 30, 2020, the fair value of the securities on loan was $1,147,198,000. The fair value of associated collateral was $1,202,872,000 ($325,263,000 of cash collateral and $877,609,000 of non-cash collateral).

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

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 LACERS 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.

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

The following table represents the fair value of securities on loan, and corresponding cash collateral received and cash reinvestment value, as of June 30, 2020 (in thousands):

Securities on Loan	Fair Value of Underlying Securities on Loan	Cash Collateral Received	Collateral Reinvestment Value
U.S. Government & Agency Securities	$ 105,349	$ 107,647	$ 107,647
Domestic Corporate Fixed Income Securities	52,261	53,458	53,458
International Fixed Income Securities	2,764	2,796	2,796
Domestic Stocks	134,771	137,344	137,344
International Stocks	22,671	24,018	24,018
Total	$ 317,816	$ 325,263	$ 325,263

7. Securities Lending Agreement (Continued)

Non-cash collateral, which LACERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. LACERS income and expenses related to securities lending were $7,421,000 and $1,111,000, respectively, for the fiscal year ended June 30, 2020.

On April 28, 2020, the Board adopted several temporary Security Lending Program risk-reducing strategies to minimize potential losses due to unusual and more volatile market conditions as a result of COVID pandemic. 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. Because these strategies were implemented closer to the end of this reporting period, they had minimal impact on the program's income and expenses for the reporting period. However, future securities lending income will likely decrease as a result of reduced loan volumes due to more restrictive collateral and investment guidelines.

8. Future and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Future and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Future contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (refer to Note 6 – Credit Risk - Derivatives on page 42).

As of June 30, 2020, LACERS had outstanding commodities, equity index, and interest rate future contracts with an aggregate notional amount of $167,742,000, and foreign exchange future contract with a notional amount of $2,344,000. In addition, at June 30, 2020, LACERS had outstanding forward purchase commitments with a notional amount of $214,800,000 and offsetting forward sales commitments with notional amounts of $214,800,000, which expire in September 2020. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $186,203,000 as of June 30, 2020.

9. Operating Lease

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

The future minimum lease commitments are as follows as of June 30, 2020:

Fiscal Year 2021	$ 1,003,000
Fiscal Year 2022	1,043,000
Fiscal Year 2023	813,000
	$ 2,859,000

10. Commitments and Contingencies

As of June 30, 2020, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $1,691,480,000, including agreements for acquisition not yet initiated.

11. Subsequent Events

City and LAWA's Separation Incentive Program

From June 2020 to September 2020, the City negotiated with various labor organizations, the implementation of Separation Incentive Program (SIP). The program is intended to address the City's significant financial challenges while minimizing the impact on City services, by incentivizing eligible employees to retire. SIP enrollment was closed on September 22, 2020. As of October 21, 2020, there were 1,379 employees who applied and were approved to retire under the program.

Los Angeles World Airport (LAWA) also offered its own SIP. As of October 21, 2020, there are 333 who applied and were approved to retire under LAWA's SIP program.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability	$22,527,195	$20,793,421	$19,944,578	$18,458,188	$17,424,996	$16,909,996	$16,248,853	$14,881,663
Plan Fiduciary Net Position	14,932,404	14,815,593	14,235,230	13,180,516	11,809,329	11,920,570	11,791,079	10,154,486
Plan's Net Pension Liability	$ 7,594,791	$ 5,977,828	$ 5,709,348	$ 5,277,672	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	66.3%	71.3%	71.4%	71.4%	67.8%	70.5%	72.6%	68.2%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position, amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits) were excluded. For fiscal years 2020 and 2019, Plan Fiduciary Net Position are calculated as follows:

	2020	2019
Plan Fiduciary Net Position, per Financial Statements	$ 15,012,120	$ 14,895,812
Less Non-Pension Reserves:		
Larger Annuity Contributions	7,268	7,101
Larger Annuity Benefit	56,316	56,435
Family Death Benefit	16,132	16,683
Subtotal	$ 79,716	$ 80,219
Plan Fiduciary Net Position, for NPL calculation	$ 14,932,404	$ 14,815,593

Note to Schedule:

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

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

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

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position, amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits) were excluded. See page 52 for components of fiduciary net position for fiscal years 2020 and 2019.

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

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

(4) 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.

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

	2016	2015	2014	2013
Total Pension Liability				
Service cost [2]	$ 322,574	$ 322,380	$ 317,185	$ 312,372
Interest	1,263,556	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-	-
Differences of expected and actual experience	(300,813)	(135,821)	(164,247)	(235,829)
Changes of assumptions	-	-	785,439	-
Benefit payments, including refunds of Member contributions	(770,317)	(740,567)	(721,153)	(701,400)
Net change in total pension liability	515,000	661,143	1,367,190	487,704
Total pension liability-beginning	16,909,996	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position				
Contributions-employer	$ 440,546	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	206,377	202,463	203,975	197,722
Net investment income[4]	29,358	306,980	1,810,782	1,268,939
Benefit payments, including refunds of Member contributions	(770,318)	(740,567)	(721,153)	(701,400)
Administrative expenses	(17,204)	(15,860)	(12,372)	(13,281)
Others [3]	-	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	(111,241)	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	11,920,570	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 11,809,329	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	67.8%	70.5%	72.6%	68.2%
Covered payroll	$ 1,876,946	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered payroll	299.2%	271.8%	247.3%	272.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with non-pension related benefits (Family Death and Larger Annuity Benefits). See page 52 for components of fiduciary net position for fiscal years 2020 and 2019.

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

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

(4) 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.

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 30). Enhanced benefits became effective as of January 7, 2018.

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

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

The June 30, 2020 calculations reflected changes in the actuarial assumptions based on the actuarial experience study covering the period from July 1, 2016 to June 30, 2019, and adopted by the Board on June 23, 2020. The changes included lowered assumed investment rate of return from 7.25% to 7.00% along with an Inflation Rate reduction from 3.00% to 2.75%, changes in various demographic assumptions such as adjustments on retirement, termination, disability and mortality rates.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC[1]	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	$ 303,561	$ 303,561	$ -	$ 1,678,059	18.1%
2012	308,540	308,540	-	1,715,197	18.0
2013	346,181	346,181	-	1,736,113	19.9
2014	357,649	357,649	-	1,802,931	19.8
2015	381,141	381,141	-	1,835,637	20.8
2016	440,546	440,546	-	1,876,946	23.5
2017	453,356	453,356	-	1,973,049	23.0
2018	450,195	450,195	-	2,057,565	21.9
2019	478,717	478,717	-	2,108,171	22.7
2020	553,118	553,118	-	2,271,039	24.4

(1) Contributions received excluded $104,000 in contributions to the Family Death Benefit plan for fiscal year 2020.

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

Amortization Method Level Percent of Payroll.

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Amortization Period	Multiple layers – closed amortization period. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the fair value of assets.
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	2.75%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases(1)	Ranges from 4.25% to 9.95% based on years of service.
Cost of Living Adjustment(2)	Tier 1: 2.75% Tier 3: 2.00%
Mortality	Healthy: Pub-2010 General Health Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019. Disabled: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two dimensional mortality improvement scale MP-2019. Beneficiaries: Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two dimensional mortality improvement scale MP-2019.

(1) Includes inflation at 2.75% as of June 30, 2020, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

(2) Actual increases are contingent upon Consumer Price Index (CPI) increases with a 2.75% maximum for Tier 1 and a 2.00% maximum for Tier 3. For Tier 1 members with sufficient COLA bank, withdrawals from the bank can be made to increase retiree COLA up to 3% per year.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	2.0%	5.5%	9.3%	12.6%	0.2%	2.6%	18.2%

Note to Schedule:

The rates of investment returns for the fiscal years 2020, 2015 and 2016 were much lower compared to other fiscal years. It reflected the impact of divergent and volatile global markets on LACERS investment portfolio over these reporting periods. Specifically for fiscal year 2020, investment return was impacted by the recent spread of COVID-19 which has continued to adversely impact global commercial activity and volatility in the global financial markets.

Required Supplementary Information
Postemployment Health Care Plan

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

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

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

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

	2020	2019	2018	2017	2016
Total OPEB Liability	$ 3,486,530	$ 3,334,299	$ 3,256,827	$ 3,005,806	$ 2,793,689
Plan Fiduciary Net Position	2,851,204	2,812,098	2,676,371	2,438,862	2,134,877
Plan's Net OPEB Liability	$ 635,326	$ 522,201	$ 580,456	$ 566,944	$ 658,812
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	81.8%	84.3%	82.2%	81.1%	76.4%

Note to Schedule:

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

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

	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 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 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 results of the OPEB valuation in total.

(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 beginning fiscal year 2019 were excluded from the above schedule.

(4) 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.

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

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on pages 35 - 36) 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 30) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

Changes of Assumptions: The OPEB liability from the changes of assumptions for the fiscal year ended June 30, 2017 is primarily due to the lowered assumed investment rate of return, from 7.50% to 7.25%, and the June 30, 2018 increase is primarily due to the new actuarial assumptions adopted in the triennial experience study (July 1, 2014 through June 30, 2017), including revising the mortality tables from static to generational. The June 30, 2019 increase is mainly due to the increased Medicare Part B Premium Trend Rate from 4.0% to 4.5% while the June 30, 2020 is due to the new actuarial assumptions adopted as a result of actuarial experience study covering the period July 1, 2016 to June 30, 2019 which included a lowered investment rate of returns from 7.25% to 7.00% as well as using revised mortality tables.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2011	$ 107,396	$ 107,396	$ -	$ 1,678,059	6.4%
2012	115,209	115,209	-	1,715,197	6.7
2013	72,916	72,916	-	1,736,113	4.2
2014	97,841	97,841	-	1,802,931	5.4
2015	100,467	100,467	-	1,835,637	5.5
2016	105,983	105,983	-	1,876,946	5.7
2017	97,457	97,457	-	1,973,049	4.9
2018	100,909	100,909	-	2,057,565	4.9
2019	107,927	107,927	-	2,108,171	5.1
2020	112,136	112,136	-	2,271,039	4.9

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.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Actuarial Cost Method (level percent of payroll).
Amortization Method	Level Percent of Payroll.
Amortization Period	Multiple layers – closed amortization period. Actuarial gains/losses are amortized over 15 years. Non-health related assumptions or method changes are amortized over 20 years. Health related assumptions or method changes are amortized over 15 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the fair value of assets.
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Inflation	2.75%
Real Across-the-Board Salary Increase	0.50%

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases(1)	Ranges from 4.25% to 9.95% based on years of service.
Mortality	Healthy: Pub-2010 General Health Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2019
	Disabled: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables with rates increased by 10% for males and decreased by 5% for females, projected generationally with the two dimensional mortality improvement scale MP-2019.
	Beneficiaries: Pub-2010 Contingent Survivor Amount-Weighted Above Meridian Mortality Tables with rates increased by 10% for males and females, projected generationally with the two dimensional mortality improvement scale MP-2019.

(1) Includes inflation at 2.75% as of June 30, 2020, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Schedule of Investment Returns
For the Fiscal Years Ended June 30

	2020	2019	2018	2017
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 four years' rates are available. As additional years' money-weighted rate of return become available, the System will disclose factors that significantly affect trends in the rate of return.

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Fiscal Year Ended June 30, 2020
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 11,148	$ 2,547	$ 13,695
Employee Benefits and Development	4,516	1,031	5,547
Total Personnel Services	15,664	3,578	19,242
Professional Services:			
Actuarial	372	85	457
Audit	69	22	91
Legal Counsel	667	155	822
Disability Evaluation	131	30	161
Retirees' Health Admin Consulting	-	550	550
Benefit Payroll Processing	140	32	172
Self-Funded Dental Plan Admin Fees	-	751	751
Other Consulting	54	12	66
Total Professional Services	1,433	1,637	3,070
Information Technology:			
Computer Hardware and Software	571	130	701
Computer Maintenance and Support	497	113	610
Total Information Technology	1,068	243	1,311
Leases:			
Office Space	791	181	972
Office Equipment	30	7	37
Total Leases	821	188	1,009
Other Expenses:			
Fiduciary Insurance	27	6	33
Educational and Due Diligence Travel	51	12	63
Office Expenses	532	122	654
Building Operating Expense	1,082	247	1,329
Depreciation and Amortization	579	132	711
Total Other Expenses	2,271	519	2,790
Total Administrative Expenses	$ 21,257	$ 6,165	$ 27,422

Schedule of Investment Fees and Expenses
For the Fiscal Year Ended June 30, 2020
(In Thousands)

	Assets Under Management	Fees and Expenses
Retirement Plan		
Investment Management Fees:		
Fixed Income Managers	$ 3,936,979	$ 5,255
Equity Managers	8,008,405	18,555
Subtotal	11,945,384	23,810
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	600
Real Estate Consulting Fees	N/A	175
Other Consulting Fees	N/A	366
Investment Related Administrative Expenses	N/A	2,409
Subtotal	N/A	3,550
Postemployment Health Care Plan		
Investment Management Fees:		
Fixed Income Managers	747,738	1,200
Equity Managers	1,521,012	4,238
Subtotal	2,268,750	5,438
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	137
Real Estate Consulting Fees	N/A	40
Other Consulting Fees	N/A	84
Investment Related Administrative Expenses	N/A	550
Subtotal	N/A	811
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$ 14,214,134	$ 33,609
Private Equity Managers' Fees and Expenses:		
Retirement Plan	$ 1,884,636	$ 34,923
Postemployment Health Care Plan	357,943	7,977
Total Private Equity Managers' Fees and Expenses	$ 2,242,579	$ 42,900
Real Estate Managers' Fees and Expenses:		
Retirement Plan	$ 629,395	$ 8,972
Postemployment Health Care Plan	119,539	2,049
Total Real Estate Managers' Fees and Expenses	$ 748,934	$ 11,021
Total Assets Under Management and Fees and Expenses	$ 17,205,647(1)	$ 87,530(2)

(1) Excludes Security Lending Collateral assets of $325,263,000.
(2) Includes Investment Related Administrative Expenses of $2,959,000.

Investment

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Report on Investment Activity

December 11, 2020

Dear Members of the Board:

Presented below is a summary report of the System's investment activities for the fiscal year 2019-2020.

Market Overview

Fiscal year 2019-2020 was an especially volatile period for financial markets due to the COVID-19 pandemic and unprecedented shutdown of the U.S. economy in an attempt to contain the virus. Consequently, the LACERS' investment portfolio returned 1.24% (gross of fees) for the one-year period ending June 30, 2020.

The pandemic hit financial markets quickly and forcefully in the spring of 2020, with the S&P 500 Index plunging about 35% within six weeks. It was the fastest-ever fall from record levels into a bear market, and investors felt a repeat of a "black swan" event only 12 years after the beginning of the Great Financial Crisis of 2008.

This crisis was different from past crises as its cause was a health issue outside of the financial system, and it had far-reaching implications including grave illnesses, wearing of masks, social distancing, and a health-related mortality rate unseen since the Spanish Flu of 1918.

Although the virus continued to spread, the monetary response of central banks and fiscal response of governments around the world was of historical proportions. In March 2020, the U.S. Congress passed a $2.2 trillion economic stimulus package, more than double the amount of stimulus enacted in the Great Financial Crisis of 2008. The Federal Reserve responded with a broad array of actions to limit the economic fallout, including near-zero interest rates and up to $2.3 trillion in lending to support households, employers, financial markets, and state and local governments.

To the surprise of many investors, the months that followed saw U.S. stocks embark on a winning streak unprecedented in the modern era of financial markets. The S&P 500's journey from record high to a bear market to a new record high took just 126 trading days, the fastest-ever such recovery. In previous downturns going back to 1928, it took an average of more than 1,500 trading days for the index to return to record levels, equivalent to about six years.

This remarkable rally in U.S. stocks stood in stark contrast to the real economy, which shed a record 22.2 million jobs in March and April after large swaths of the U.S. were shut down to curb the viral spread. U.S. unemployment jumped from 4.5% in March to 14.7% in April, the highest level since the Great Depression. During the 15 weeks from mid-March to the end of June, Americans filed nearly 49 million new claims for unemployment benefits. Unemployment improved slightly to 11.1% as stimulus checks, extended unemployment benefits, and eviction moratoriums provided much needed relief to many Americans. Nonetheless, economists announced in June that the U.S. had officially entered a recession.

While markets have mostly recovered from the pandemic-induced bear market, serious questions remain about the real economy, as many job losses and business closures could be permanent. The research and development of a vaccine by private pharmaceutical companies will be key to restoring the economy. Government officials have announced that COVID-19 vaccines could be available at the end of 2020, and more widely available beginning in early 2021, which should provide grounds for cautious optimism and welcomed relief. As we reflect on the unprecedented events of fiscal year 2019-2020, you should be reassured that the LACERS' investment portfolio is designed and constructed to weather such volatile periods and the challenges ahead.

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 $17.7 billion as of June 30, 2020, the same valuation as reported in the prior fiscal year. The total portfolio realized a 1.2% (gross of fees) return for the fiscal year. Individual asset class returns (gross of fees) were: U.S. equity, 4.7%; non-U.S. equity, -3.6%; core fixed income, 9.4%; credit opportunities, -1.1%; private equity, -4.2%; and real assets, 0.8%.

The total portfolio underperformed its policy benchmark by 277 basis points (gross of fees) for the fiscal year, mainly attributed to the relative underperformance of the credit opportunities, U.S. equity, real assets, and private equity asset classes, which underperformed their benchmarks by 132, 180, 486, and 1,389 basis points, respectively.

The Investment Results table presented on page 72 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 2019-2020, the Board approved several temporary modifications to its Investment Policy (Policy) to protect the System's assets from the extreme market volatility created by the COVID-19 pandemic. During the early months of the pandemic, the Board authorized a temporary increase in cash balances from a maximum of 2% of the total portfolio to a maximum of 5% in order to enhance operational liquidity. The Board also authorized a temporary deferral of rebalancing of the asset allocation to avoid rebalancing during periods of extreme market volatility and incurring related transaction costs. Further, the Board authorized temporary risk reducing modifications to the Securities Lending Program to ensure receipt of the highest quality collateral from borrowers of LACERS' securities and to improve the liquidity and quality of investments made with cash collateral received from borrowers. These temporary modifications to the Policy are effective through fiscal year ending 2020-2021.

Responsible Investment Program

On September 3, 2019, LACERS became an official signatory to the Principles for Responsible Investment (PRI), committing to the incorporation of environmental, social, and governance (ESG) factors into LACERS' investment process to better manage risks and generate sustainable long-term performance.

Subsequently during the fiscal year, the Board approved a multi-year action plan that addresses administrative, operational, and policy initiatives for developing a responsible investment program in support of the PRI Principles. The execution of this plan is currently in progress.

Public Investment Manager Contract Awards, Renewals, and Terminations

As presented in the table on page 73, contracts with 19 investment managers of publicly traded securities were awarded or renewed during the fiscal year: five U.S. equity managers, eight non-U.S. equity managers, one core fixed income manager, three credit opportunities managers, one public real assets manager, and one manager that provides multiple passive strategies across several asset classes. In addition, contracts with two investment managers of publicly traded securities were terminated during the fiscal year: one active U.S. large cap equity manager and one active U.S. small cap equity manager.

Private Investments

LACERS approved 20 private equity, four private credit (with one of these contracts being rescinded), and three private real estate partnerships totaling $802.7 million of capital commitments during the fiscal year, as presented in the table on page 74.

The pages that follow provide further details about the LACERS investment portfolio and investment activity for the fiscal year 2019-2020.

Respectfully submitted,

Rodney L. June
Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2019-2020

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

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

Investment Results

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

Asset Class / Benchmark	Annualized Rates of Return(1) (Gross of Fees)		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	**4.73**	**9.36**	**9.56**
Russell 3000	6.53	10.04	10.03
Non-U.S. Equity	**-3.57**	**2.08**	**3.44**
MSCI ACWI ex U.S.	-4.80	1.13	2.26
Private Equity	**-4.18**	**7.36**	**7.97**
Russell 3000 plus 300 bps	9.71	13.32	13.31
Core Fixed Income(2)	**9.38**	**5.64**	**4.69**
Bloomberg Barclays U.S. Aggregate	8.74	5.32	4.30
Credit Opportunities	**-1.12**	**3.19**	**4.45**
Credit Opportunities Blend(2)	0.20	3.44	4.99
Real Assets	**0.82**	**4.16**	**5.02**
CPI plus 5%	5.68	6.80	6.63
LACERS Total Fund	**1.24**	**5.49**	**5.98**
LACERS Policy Benchmark	4.01	6.51	6.64

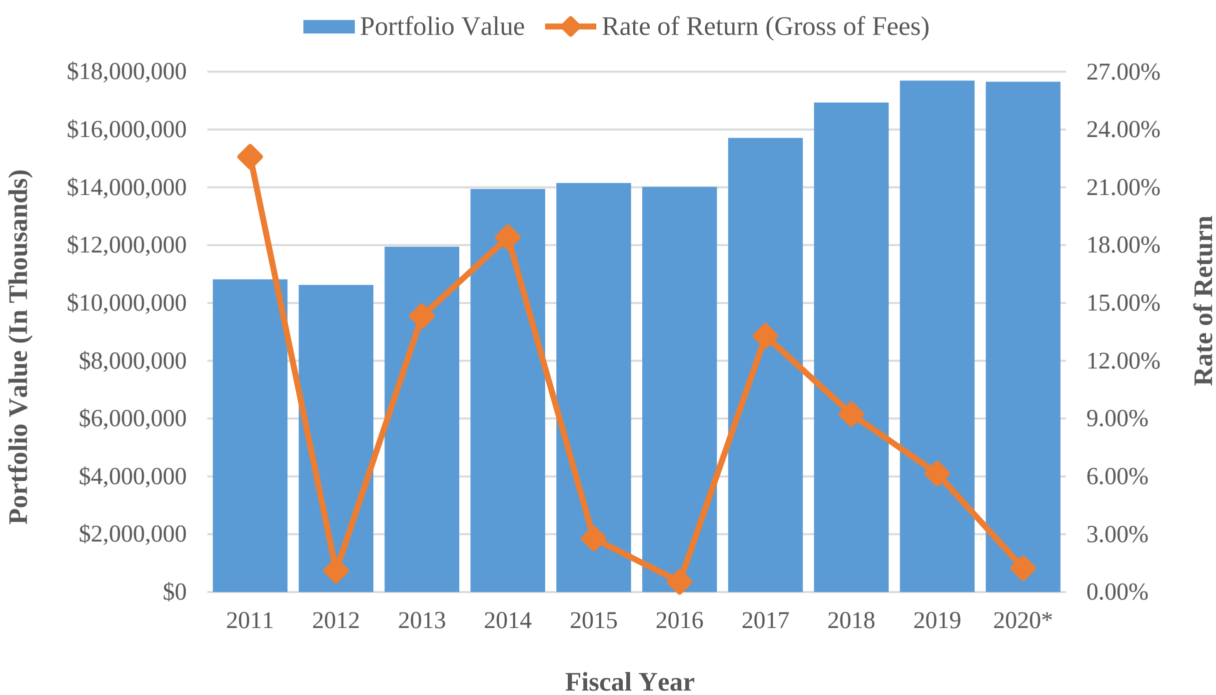
(1) Time-weighted rate of return based on fair value of assets for all asset classes.
(2) 65% Bloomberg Barclays U.S. Corp High Yield 2% Capped and 35% JP Morgan EMBI-Global Diversified.

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)
2011	$ 10,816,393	22.59%
2012	10,623,740	1.11
2013	11,946,264	14.32
2014	13,941,866	18.41
2015	14,148,849	2.78
2016	14,014,772	0.53
2017	15,708,981	13.29
2018	16,935,458	9.23
2019	17,693,115	6.15
2020	17,654,460	1.24



(1) The total investment portfolio is comprised of investments, cash, and accrued dividends and income. It excludes LACERS' new headquarters property purchased in fiscal year 2019-2020. It also excludes $665 million held by the City Treasurer ($4.8 million in LACERS general operating account and $660.2 million invested in short term investment funds).

Investment Contract Activity

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

Firms	Mandate
Aegon USA Investment Management, LLC	Active U.S. High Yield Fixed Income
AQR Capital Management, LLC	Active Non-U.S. Small Cap Equities
Axiom International Investors, LLC	Active Growth Emerging Markets Equities
Barrow, Hanley, Mewhinney & Strauss, LLC	Active Non-U.S. Equities Developed Markets Value
Bernzott Capital Advisors	Active U.S. Small Cap Value Equities
Blackrock Institutional Trust Company, N.A.	Multi Passive Index Portfolio Management
Copeland Capital Management, LLC	Active U.S. Small Cap Core Equities
Dimensional Fund Advisors, LP	Active U.S. Treasury Inflation Protected Securities
Dimensional Fund Advisors, LP	Active Non-U.S. Emerging Markets Value
Granahan Investment Management, Inc.	Active U.S. Small Cap Growth Equities
Lazard Asset Management, LLC	Active Non-U.S. Equities Developed Markets Core
MFS Institutional Advisors, Inc.	Active Non-U.S. Equities Developed Markets Growth
Neuberger Berman Investment Advisers LLC	Active Core Fixed Income
Oberweis Asset Management, Inc.	Active Non-U.S. Small Cap Equities
PGIM, Inc.	Active Emerging Market Debt
Principal Global Investors, LLC	Active Mid Cap Core Equities
Quantitative Management Associates, LLC	Active Emerging Markets Core Equities
Segall Bryant & Hamill, LLC	Active U.S. Small Cap Value Equities
Sun Life Capital Management (U.S.) LLC	SLC Management TALF Partners Fund 2, LP

Terminated contracts with investment managers of publicly traded securities:

Firms	Mandate
AJO, LP	Active U.S. Large Cap Value Equities
PanAgora Asset Management, Inc.	Active U.S. Small Cap Value Equities

Investment Contract Activity

New private equity, private credit, and real estate partnerships and contracts:

Investment Funds	Mandate
Alcentra Limited	Private Credit
Benefits Street Partners, LLC	Private Credit
Clearlake Capital Partners VI, L.P.	Private Equity – Credit/Distress
Crescent Capital Group LP	Private Credit
CVC Capital Partners VIII, L.P.	Private Equity – Buyout
General Catalyst Group X - Early Venture, L.P.	Private Equity – Venture
General Catalyst Group X - Endurance, L.P.	Private Equity – Venture
General Catalyst Group X - Growth Venture, L.P.	Private Equity – Venture
Hg Genesis 9 A, L.P.	Private Equity – Buyout
Hg Saturn 2 A L.P.	Private Equity – Buyout
KPS Special Situations Fund V, L.P.	Private Equity – Buyout
KPS Special Situations Mid-Cap Fund L.P.	Private Equity – Buyout
MBK Partners Fund V, L.P.	Private Equity – Buyout
Monroe Capital, LLC	Private Credit
Montagu Fund VI, L.P.	Private Equity – Buyout
Oak HC/FT Partners III, L.P.	Private Equity – Venture
OceanSound Partners Fund, L.P.	Private Equity – Buyout
P4G Capital Partners I, L.P.	Private Equity – Buyout
Sunstone Partners II, L.P.	Private Equity – Growth Equity
Thoma Bravo Discover Fund III, L.P.	Private Equity – Buyout
Thoma Bravo Explore Fund, L.P.	Private Equity – Buyout
Thoma Bravo Fund XIV, L.P.	Private Equity – Buyout
Vista Foundation Fund IV, L.P.	Private Equity – Buyout
Vitruvian IV, L.P.	Private Equity – Buyout
LBA Logistics Value Fund VII, L.P.	Real Estate – Value Added
NREP Nordic Strategies Fund IV	Real Estate – Value Added
Waterton Residential Property Venture XIV, L.P.	Real Estate – Value Added

Rescinded private credit contracts:

Firms	Mandate
Alcentra Limited	Private Credit

Contracts with consultants and vendors awarded/renewed/extended:

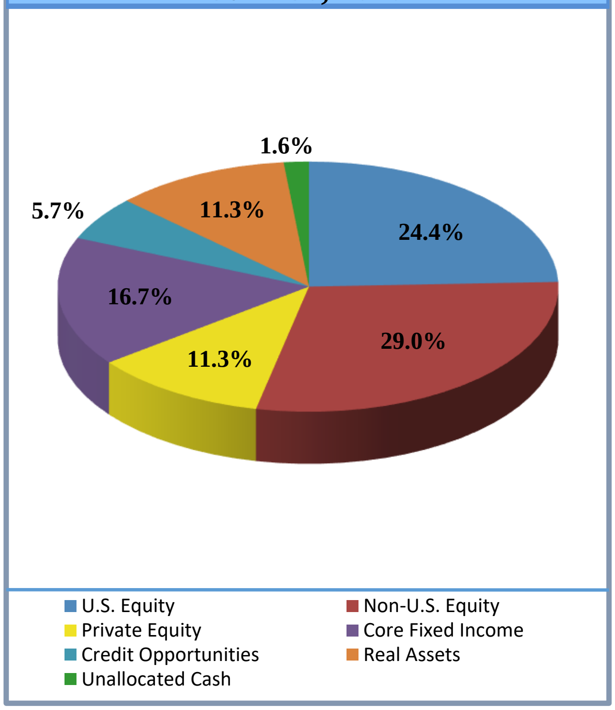
Firms	Mandate
Bloomberg Finance, L.P.	Investment Research Database
PitchBook	Private Markets Database

Asset Allocation
As of June 30, 2020

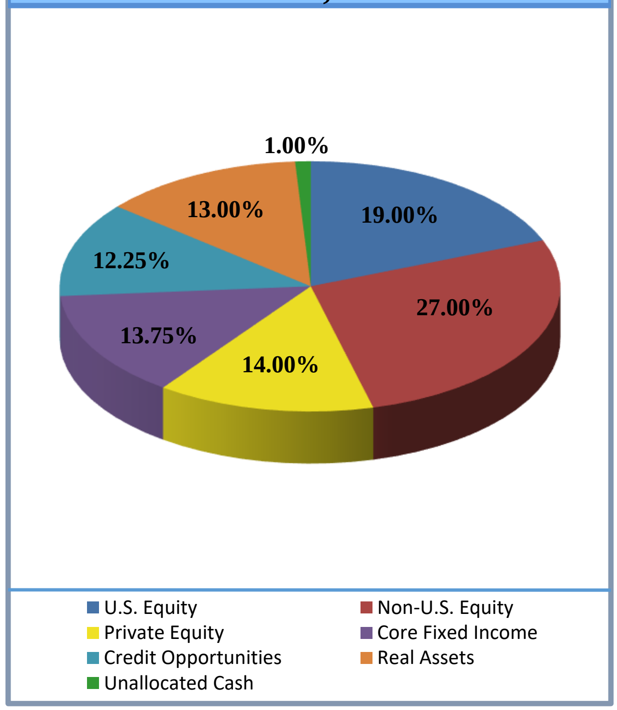
	Actual[1]		Target[2]
U.S. Equity	24.40%	U.S. Equity	19.00%
Non-U.S. Equity	28.98	Non-U.S. Equity	27.00
Private Equity[3]	11.25	Private Equity	14.00
Core Fixed Income	16.73	Core Fixed Income	13.75
Credit Opportunities	5.70	Credit Opportunities	12.25
Real Assets	11.33	Real Assets	13.00
Unallocated Cash	1.61	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) Target Asset Allocation Policy was adopted on April 10, 2018.
(3) The underweight to Private Equity is allocated to U.S. Equity. Private Equity cannot be rebalanced on demand since the general partners control the timing of funding and distributions.

Actual Allocation
June 30, 2020



Target Allocation
June 30, 2020



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, 2020.

Largest U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US$)
1.	1,006,897	Microsoft Corp.	$ 204,913,608
2.	541,188	Apple Inc. Class A	197,425,382
3.	55,653	Amazon Inc.	153,536,609
4.	319,398	Facebook Inc.	72,525,704
5.	39,856	Alphabet Inc. Class A	56,517,801
6.	38,848	Alphabet Inc. Class C	54,915,921
7.	349,954	Johnson & Johnson	49,214,031
8.	258,528	Berkshire Hathaway Class B	46,149,833
9.	224,100	Visa Inc. Class A	43,289,397
10.	328,706	Procter & Gamble	39,303,376
		Total	$ 917,791,662

Largest Non-U.S. Equity Holdings

	Shares	Asset Description	Fair Value (in US$)
1.	607,657	Nestle SA	$ 67,169,008
2.	297,986	Alibaba Group Holding Ltd.	64,275,580
3.	983,900	Tencent Holdings Ltd.	63,296,007
4.	674,093	Novartis AG	58,634,104
5.	391,404	SAP SE	54,651,745
6.	151,376	Roche Holdings AG	52,455,606
7.	295,154	Air Liquide	42,564,886
8.	4,494,703	AIA Group Ltd.	41,928,795
9.	846,767	Samsung Electronics	37,169,470
10.	79,967	LVMH	35,072,733
		Total	$ 517,217,934

List of Largest Assets Held by Fair Value

Largest U.S. Fixed Income Holdings

	Par Value	Asset Description	Fair Value (in US$)
1.	15,018,167	SSgA US Aggregate Bond Fund[(1)]	$ 522,271,774
2.	196,000,000	Bain Capital Senior Loan Fund, L.P.[(1)]	209,503,384
3.	64,900,000	United States Treas Notes Inflation Index 0.5% Tb 01/15/2028	73,947,767
4.	59,600,000	United States Treas Notes 0.375% due 07/15/2025	68,813,247
5.	51,400,000	United States Treas Notes Inflation Index 0.625% Tb 01/15/2026	60,047,595
6.	50,700,000	United States Treas Notes Inflation Index 0.75% Tb 07/15/2028	58,382,835
7.	50,700,000	TSY Inflation Index N/B U.S. Govt National 0.375% 01/15/2027	57,982,606
8.	50,850,000	TSY Inflation Index 0.375% 01/15/2027	57,922,158
9.	50,750,000	United States Treas Notes 0.125% Inflation Index 07/15/2026	57,636,429
10.	54,830,000	United States Treas Notes 2.375% due 03/15/2022	56,881,841
		Total	$ 1,223,389,636

Largest Non-U.S. Fixed Income Holdings

	Par Value (in local currency)	Asset Description	Fair Value (in US$)
1.	6,590,000	Anheuser-Busch 4.9% Due 02/01/2046	$ 8,064,086
2.	4,630,000	State of Qatar Bond 5.103% Due 04/23/2048	6,309,912
3.	5,014,000	Petrobras Global Finance 5.093% Due 1/15/2030	4,993,944
4.	4,395,000	Mitsubishi UFJ Financial Group Inc. 2.623% Due 7/18/2022	4,564,993
5.	3,475,000	Brazil Federative Republic Bond 8.25% Due 1/20/2034	4,504,503
6.	3,150,000	Colombia Republic Bond 7.375% Due 9/18/2037	4,315,500
7.	2,568,000	Hungary Republic Note 7.625% Due 3/29/2041	4,294,477
8.	2,805,000	Panama Republic Amortizing Bond 6.7% Due 1/26/2036	4,035,722
9.	3,090,000	Saudi Arabia 5.25% Due 1/16/50	3,981,595
10.	2,635,000	Republic of Philippines Bond 7.75% Due 1/14/2031	3,935,455
		Total	$ 49,000,187

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

Schedules of Fees and Commissions

Schedule of Fees

(In Thousands)

		2020 Assets Under Management		Fees		2019 Assets Under Management		Fees
Investment Manager Fees:								
Fixed Income Managers	$	4,684,717[1]	$	6,455	$	4,571,967[2]	$	6,206
Equity Managers		9,529,417[1]		22,793		9,911,638[2]		24,570
Real Estate Managers		748,934		11,021		792,516		9,821
Private Equity Managers		2,242,579		42,900		2,008,558		39,586
Total	$	17,205,647	$	83,169	$	17,284,679	$	80,183

	2020 Assets Under Management		Fees	2019 Assets Under Management		Fees
Investment Consulting Fees	N/A	$	1,402	N/A	$	1,399
Investment Related Administrative Expense	N/A		2,959	N/A		2,340
Total	N/A	$	4,361	N/A	$	3,739

(1) Includes $171,000 of fixed income derivatives and $1,953,000 of equity derivatives. This is combined in the Statement of Fiduciary Net Position as $2,124,000.

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

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	$/Share
1.	Morgan Stanley & Co., LLC	126,480,765	$ 250,910	$ 0.002
2.	J.P. Morgan Securities PLC	40,770,715	217,478	0.005
3.	Merrill Lynch International Limited	36,334,316	153,046	0.004
4.	Credit Suisse Securities (USA) LLC	88,654,832	144,214	0.002
5.	Goldman, Sachs and Co.	76,076,926	132,779	0.002
6.	HSBC Securities (USA) Inc. Daiwa Capital Markets	47,140,910	119,930	0.003
7.	Liquidnet Inc	7,497,625	112,875	0.015
8.	BofA Securities, Inc	11,259,734	110,309	0.010
9.	CL King	5,287,035	105,741	0.020
10.	Societe Generale London Branch	21,541,795	105,138	0.005
	Total	461,044,653	1,452,420	0.003
	Total - Other Brokers [1]	638,931,252	2,451,322	0.004
	Grand Total	1,099,975,905	$ 3,903,742	$ 0.004

(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 $3,455 commission credit from Cowen, which was rebated to LACERS in cash.

Investment Summary
As of June 30, 2020

Type of investment	Fair Value	% of Total Fair Value	Domestic Fair Value	Foreign Fair Value
Fixed Income				
Government bonds	$ 1,894,147,626	10.80%	$ 1,598,245,825	$ 295,901,801
Government agencies	69,977,688	0.40	37,568,666	32,409,022
Municipal / provincial bonds	3,295,860	0.02	-	3,295,860
Corporate bonds	1,402,552,399	8.00	1,082,238,876	320,313,523
Bank loans	4,205,734	0.02	2,841,360	1,364,374
Government mortgage bonds	483,829,725	2.76	483,829,725	-
Commercial mortgage bonds	81,020,953	0.46	81,020,953	-
Opportunistic debts	223,375,302	1.27	209,503,384	13,871,918
Other fixed income (Common Funds Assets)	522,271,774	2.98	522,271,774	-
Derivative Instruments	-	-	-	-
Total Fixed Income	**4,684,677,061**	**26.71**	**4,017,520,563**	**667,156,498**
Equities				
Common stock				
Basic industries	1,098,196,780	6.26	411,366,308	686,830,472
Capital goods industries	505,702,018	2.88	117,439,583	388,262,435
Consumer & services	2,621,797,691	14.96	1,160,116,804	1,461,680,887
Energy	599,100,901	3.42	233,050,322	366,050,579
Financial services	1,238,692,295	7.07	490,898,084	747,794,211
Health care	1,150,241,971	6.56	664,456,924	485,785,047
Information technology	1,702,391,935	9.71	1,102,004,743	600,387,192
Real Estate	539,133,919	3.08	367,345,143	171,788,776
Miscellaneous	23,362,666	0.13	5,940,537	17,422,129
Total Common Stock	**9,478,620,176**	**54.07**	**4,552,618,448**	**4,926,001,728**
Preferred stock	37,759,551	0.22	6	37,759,545
Stapled securities	10,866,943	0.06	-	10,866,943
Derivative Instruments	2,124,127	0.01	2,222,710	(98,583)
Unit Trust Equity	85,662	-	-	85,662
Total Equities	**9,529,456,459**	**54.36**	**4,554,841,164**	**4,974,615,295**
Real Estate	**748,934,212**	**4.27**	**748,329,796**	**604,416**
Private Equity				
Buyout	1,212,641,937	6.92	905,062,239	307,579,698
Distressed debt	83,504,560	0.48	80,627,673	2,876,887
Mezzanine	5,688,647	0.03	5,688,647	-
Special Situations	226,155,897	1.29	180,542,815	45,613,082
Venture capital	714,588,241	4.08	658,588,443	55,999,798
Total Private Equity	**2,242,579,282**	**12.80**	**1,830,509,817**	**412,069,465**
Security Lending Collateral	**325,262,979**	**1.86**	**298,448,855**	**26,814,124**
Total Fund[(1)]	**$ 17,530,909,993**	**100.00%**	**$ 11,449,650,195**	**$ 6,081,259,798**

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

Investment Advisors

U.S. Equity

EAM Investors, LLC
Principal Global Investors, LLC
RhumbLine Advisers Limited Partnership

Non-U.S. Equity

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

Fixed Income

LM Capital Group, LLC
Loomis, Sayles & Company, L.P.
Neuberger Berman Investment Advisers LLC
Robert W. Baird & Co., Incorporated
State Street Global Advisors Trust Company

Credit Opportunities

Aegon USA Investment Management, LLC
Bain Capital Credit, L.P.
PGIM, Inc.
Sun Life Capital Management (U.S.) LLC

Public Real Assets

CenterSquare Investment Management LLC
CoreCommodity Management, LLC
Dimensional Fund Advisors, LP

Cash & Short-Term

The Northern Trust Company

Real Estate

Almanac Realty Partners, LLC
Apollo Global Management, LLC
Asana Partners, LP
Berkshire Group
Bristol Group, Inc.
Broadview Real Estate Partners
Bryanston Realty Partners
Canyon Partner, LLC
CIM Group LLC
Clarion Partners
Colony Capital, Inc.
DLJ Real Estate Capital Partners
DRA Advisors LLC
Gerrity Group, LLC
Hancock Timber Resource Group, Inc.
Heitman LLC
Hunt Realty Investments
Integrated Capital, LLC
Invesco Advisors, Inc.
Jamestown L.P.
JP Morgan Chase & Co.
Kayne Anderson Capital Advisors, L.P.
LBA Logistics
Lone Star Funds
Mesa West Capital, LLC
Morgan Stanley & Co., LLC
NREP Logistics AB
PCCP, LLC
Paladin Realty Partners, LLC
Principal Global Investors LLC
Standard Life Investments Limited
Stockbridge Capital Group
Torchlight Investors, LLC
Walton Street Capital
Waterton Associates L.L.C.

Private Equity

1315 Capital LLC
ABRY Partners LLC
ACON Investments, L.L.C.
Advent International Corp.
AION Capital Partners
American Securities LLC
Angeleno Group LLC
Angeles Equity Partners, LLC
Apollo Global Management, LLC
Ascribe Capital, LLC
Astorg Group, LLC
Astra Capital Management LLC
Austin Ventures
Bain Capital
Baring Private Equity Asia Limited

Investment Advisors (Continued)

Private Equity (Continued)

BC Partners
Black Diamond Capital Management
Blackstone Group Inc.
Blue Sea Capital LLC
Brentwood Associates, Inc.
Cardinal Partners
Carlyle Group Inc.
CenterGate Capital, L.P.
Charterhouse Capital Partners LLP
CHS Capital LLC
Clearlake Capital Group
Coller Capital Limited
CVC Capital Partners
Defy Partners Management, LLC
EIG Global Energy Partners
Element Management LP
Encap Investments L.P.
Energy Capital Partners
Essex Woodland Health Ventures
FIMI Ltd.
First Reserve Corporation
Freeman Spogli & Co. Inc.
Frontier Venture Capital
General Catalyst Partners
Genstar Capital
Gilde Buy Out Partners BV
Glendon Capital Management LP
GTCR LLC
The Halifax Group, LLC
Harvest Partners
Hellman & Friedman LLC
Hg Capital, LLC
High Road Capital Partners, LLC
Hony Capital
Incline Equity Partners
Insight Partners
Institutional Venture Partners
JH Whitney & Co.
Kelso & Company
Khosla Ventures
KKR & Co., Inc.
KPS Capital Partners
Leonard Green & Partners LP
Levine Leichtman Capital Partners, LLC
Lindsay Goldberg, LLC
Longitude Capital
Madison Dearborn Partners, LLC
MBK Partners L.P.
Menlo Ventures L.P.
Mill Point Capital, LLC
Montagu Private Equity LLP
Nautic Partners, LLC
New Enteprise Associates, LLC
New Mountain Capital, LLC
New Water Capital, L.P.
Newbridge Asia, L.P.
NGEN Partners, LLC
NGP Energy Capital Management, LLC
New MainStream Capital
Nordic Capital, L.P.
Oak HC/FT Partners, LLC
Oak Investment Partners, L.P.
Oaktree Capital Management, L.P.
OceanSound Partners Fund, L.P.
Onex Partners Manager, L.P.
P4G Capital Management, LLC
Palladium Equity Partners, L.P.
Permira, L.P.
Pharos Capital Group, LLC
Platinum Equity, LLC
Polaris Partners, L.P.
Providence Equity Partners, LLC
Roark Capital Group
Rustic Canyon Partners
Saybrook Capital, LLC
Searchlight Capital Partners, L.P.
Spark Capital
Spire Capital Management, LLC
SSG Capital Partners, L.P.
St. Cloud Capital Partners, L.P.
StarVest Partners
StepStone Group, L.P.
Sterling Partners
Stripes Group, LLC
Sunstone Partners
TA Associates Management, L.P.
TCW Group, Inc.
Technology Crossover Ventures, LLC
Thoma Bravo, LLC
Threshold Ventures Inc. (formerly DFJ Venture)
TPG Capital Advisors, LLC
Trident Capital
Upfront Ventures
VantagePoint Venture Partners, L.P.
Vestar Capital Partners, LLC
Vicente Capital Partners, LLC
Vista Equity Partners Management, LLC
Vitruvian Partners, LLP

Investment Advisors (Continued)

Private Equity (Continued)

Wynnchurch Capital, L.P.
Yucaipa Alliance Management, LLC

Consultants

NEPC, LLC
Aksia TorreyCove Partners LLC
Townsend Holdings, LLC

Custodian

The Northern Trust Company

Transition Managers

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

Proxy Voting Services

Institutional Shareholder Services Inc. (ISS)

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Actuarial

Summary of Significant Valuation Results

		June 30, 2020	June 30, 2019	Change
I.	Total Membership			
	a. Active Members	27,490	26,632	3.2%
	b. Pensioners and Beneficiaries	20,423	20,034	1.9%
II.	Valuation Salary			
	a. Total Annual Projected Payroll	$ 2,445,016,587	$ 2,225,412,831	9.9%
	b. Average Projected Monthly Salary	7,412	6,963	6.4%
III.	Benefits to Current Retirees and Beneficiaries[1]			
	a. Total Annual Benefits	$ 1,004,730,961	$ 947,588,609	6.0%
	b. Average Monthly Benefit Amount	4,100	3,942	4.0%
IV.	Total System Assets[2]			
	a. Actuarial Value	$ 18,697,966,253	$ 17,711,461,636	5.6%
	b. Fair Value	17,863,324,366	17,707,909,933	0.9%
V.	Unfunded Actuarial Accrued Liability (UAAL)			
	a. Retirement Benefits	$ 6,897,092,748	$ 5,974,856,716	15.4%
	b. Health Subsidy Benefits	502,106,823	521,636,655	(3.7)%

(1) Includes July COLA.

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

		FY 2021-22[1]		FY 2020-21[1]		Difference	
VI.	Budget Items (as a Percent of Pay)	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
	a. Retirement Benefits						
	1. Normal Cost	8.53%	5.32%	6.70%	3.82%	1.83 %	1.50 %
	2. Amortization of UAAL	20.11%	20.11%	18.38%	18.38%	1.73 %	1.73 %
	3. Total Retirement Contribution	28.64%	25.43%	25.08%	22.20%	3.56 %	3.23 %
	b. Health Subsidy Benefits						
	1. Normal Cost	3.36%	3.92%	3.31%	4.21%	0.05 %	(0.29)%
	2. Amortization of UAAL	0.81%	0.81%	1.04%	1.04%	(0.23)%	(0.23)%
	3. Total Health Subsidy Contribution	4.17%	4.73%	4.35%	5.25%	(0.18)%	(0.52)%
	c. Total Contribution (a+b)	32.81%	30.16%	29.43%	27.45%	3.38 %	2.71 %

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

		June 30, 2020	June 30, 2019	Difference
VII.	Funded Ratio			
	(Based on Valuation Value of Assets)			
	a. Retirement Benefits	69.4%	71.3%	(1.9)%
	b. Health Subsidy Benefits	85.6%	84.4%	1.2%
	c. Total	71.6%	73.1%	(1.5)%
	(Based on Fair Value of Assets)			
	d. Retirement Benefits	66.3%	71.3%	(5.0)%
	e. Health Subsidy Benefits	81.8%	84.3%	(2.5)%
	f. Total	68.4%	73.1%	(4.7)%

Summary of Significant Valuation Results (Continued)

	June 30, 2020	June 30, 2019	Change
VIII. Net Pension Liability[1]			
Total Pension Liability	$ 22,527,195,295	$ 20,793,421,143	8.3 %
Plan Fiduciary Net Position	(14,932,404,300)	(14,815,592,841)	0.8 %
Net Pension Liability	$ 7,594,790,995	$ 5,977,828,302	27.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.3%	71.3%	(5.0)%

[1] Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on page 93 -94.

	June 30, 2020	June 30, 2019	Change
IX. Net OPEB Liability[1]			
Total OPEB Liability	$ 3,486,530,510	$ 3,334,298,548	4.6 %
Plan Fiduciary Net Position	(2,851,204,652)	(2,812,097,867)	1.4 %
Net OPEB Liability	$ 635,325,858	$ 522,200,681	21.7 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	81.8%	84.3%	(2.5)%

[1] Refer to the Schedule of Changes in Net OPEB Liability and Related Ratios on page 114

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Actuarial Certification

November 3, 2020

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, 2020, in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2019. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

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

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

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

Segal prepared all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2020 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB, and in the Actuarial Section, is provided below:

Financial Section

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

[1] Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2020.

Actuarial Certification (continued)

November 3, 2020

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Retiree Payroll
7. Schedule of Funded Liabilities by Type
8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net Pension Liability and Related Ratios[1]
12. Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2020[1]

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

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

Andy Yeung

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

[1] Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2020.

Active Member Valuation Data

Member Population

Valuation Date	Active Members[1]	Covered Payroll[2]	Annual Average Pay[2]	Change in Annual Average Pay (%)
06/30/2011	25,449	$1,833,392,381	$72,042	4.0%
06/30/2012	24,917	1,819,269,630	73,013	1.3
06/30/2013	24,441	1,846,970,474	75,569	3.5
06/30/2014	24,009	1,898,064,175	79,056	4.6
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4

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

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

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Allowances Added[2]	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2011	528	$24,282,965	595	$16,585,589	17,197	$656,547,204	1.2%	$38,178
06/30/2012	620	38,314,256	594	17,986,700	17,223	676,874,760	3.1	39,301
06/30/2013	772	40,966,952	633	18,776,770	17,362	699,064,942	3.3	40,264
06/30/2014	831	38,666,905	661	21,175,777	17,532	716,556,070	2.5	40,871
06/30/2015	1,083	55,849,106	683	22,013,426	17,932	750,391,750	4.7	41,847
06/30/2016	1,082	51,056,286	657	23,092,610	18,357	778,355,426	3.7	42,401
06/30/2017	1,142	65,583,105	694	24,422,619	18,805	819,515,912	5.3	43,580
06/30/2018	1,312	86,917,553	738	26,361,758	19,379	880,071,707	7.4	45,414
06/30/2019	1,341	93,946,126	686	26,429,224	20,034	947,588,609	7.7	47,299
06/30/2020	1,134	85,268,880	745	28,126,528	20,423	1,004,730,961	6.0	49,196

(1) Does not include Family Death Benefit Plan beneficiaries. Table is based on valuation data.
(2) Includes the COLA granted in July.

Retirement Benefits Valuation

Schedule of Funded Liabilities by Type

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
Valuation Date	Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries, & Inactive/Vested	Active Members
06/30/2011	$1,474,824	$7,765,071	$4,151,809	$9,691,011	100.0%	100.0%	10.9%
06/30/2012	1,625,207	7,893,684	4,875,068	9,934,959	100.0	100.0	8.5
06/30/2013	1,757,195	8,066,564	5,057,904	10,223,961	100.0	100.0	7.9
06/30/2014	1,900,068	8,700,896	5,647,889	10,944,751	100.0	100.0	6.1
06/30/2015	2,012,378	9,118,166	5,779,452	11,727,161	100.0	100.0	10.3
06/30/2016	2,137,269	9,439,001	5,848,726	12,439,250	100.0	100.0	14.8
06/30/2017	2,255,048	10,164,403	6,038,737	13,178,334	100.0	100.0	12.6
06/30/2018	2,354,026	11,079,053	6,511,500	13,982,435	100.0	100.0	8.4
06/30/2019	2,469,761	11,933,703	6,389,957	14,818,564	100.0	100.0	6.5
06/30/2020	2,584,851	12,740,109	7,202,235	15,630,102	100.0	100.0	4.2

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2011	$9,691,011	$13,391,704	$3,700,693	72.4 %	$1,833,392	201.9 %
06/30/2012	9,934,959	14,393,959	4,459,000	69.0	1,819,270	245.1
06/30/2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
06/30/2014	10,944,751	16,248,853	5,304,102	67.4	1,898,064	279.5
06/30/2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
06/30/2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3
06/30/2017	13,178,334	18,458,188	5,279,854	71.4	2,062,316	256.0
06/30/2018	13,982,435	19,944,579	5,962,144	70.1	2,177,687	273.8
06/30/2019	14,818,564	20,793,421	5,974,857	71.3	2,225,413	268.5
06/30/2020	15,630,102	22,527,195	6,897,093	69.4	2,445,017	282.1

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2020

1.	Unfunded actuarial accrued liability at beginning of year		$ 5,974,856,716
2.	Total normal cost at beginning of year		374,967,243
3.	Expected employer and member contributions at beginning of year[1]		(780,978,713)
4.	Interest		403,741,280
5.	Expected unfunded actuarial accrued liability at end of year		$ 5,972,586,526
6.	Changes due to:		
	a) Investment loss on smoothed value of assets	$ 108,785,905	
	b) Gain due to actual contributions more than expected	(23,183,704)	
	c) Loss due to higher than expected salary increases for continuing actives	311,808,252	
	d) Other gains on demographic experience	(3,624,456)	
	e) Increase due to new actuarial assumptions	530,720,225	
	Total loss		924,506,222
7.	Unfunded actuarial accrued liability at end of year		$ 6,897,092,748

[1] Net of the additional expected employer contributions due to the application of the 40-year minimum amortization required for the remaining GASB 25/27 layer, since the beginning of year UAAL was developed without the liability associated with this layer. These additional contributions served to slightly increase the contribution gain (if any) from the scheduled one-year delay in implementing the lower contribution rates calculated in the prior valuation.

Actuarial Balance Sheet

For Year Ended June 30, 2020

Actuarial Present Value of Future Benefits		
1.	Present value of benefits for retired members and beneficiaries	$ 12,377,357,430
2.	Present value of benefits for inactive vested members	562,921,724
3.	Present value of benefits for active members	13,316,127,323
4.	Total actuarial present value of future benefits	$ 26,256,406,477
Current and Future Assets		
5.	Total valuation value of assets	$ 15,630,102,547
6.	Present value of future contributions by members	2,139,920,447
7.	Present value of future employer contributions for:	
	a) Entry age normal cost	1,589,290,735
	b) Unfunded actuarial accrued liability	6,897,092,748
8.	Present value of current and future assets	$ 26,256,406,477

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

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

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

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

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

(4) 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.

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

	2016	2015	2014	2013
Total Pension Liability				
Service cost[2]	$ 322,574	$ 322,380	$ 317,185	$ 312,372
Interest	1,263,556	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(300,813)	(135,821)	(164,247)	(235,829)
Changes of assumptions	-	-	785,439	-
Benefit payments, including refunds of Member contributions	(770,317)	(740,567)	(721,153)	(701,400)
Net change in total pension liability	515,000	661,143	1,367,190	487,704
Total pension liability-beginning	16,909,996	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position				
Contributions-employer	$ 440,546	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	206,377	202,463	203,975	197,722
Net investment income[4]	29,358	306,980	1,810,782	1,268,939
Benefit payments, including refunds of Member contributions	(770,318)	(740,567)	(721,153)	(701,400)
Administrative expenses	(17,204)	(15,860)	(12,372)	(13,281)
Others[3]	-	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	(111,241)	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	11,920,570	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 11,809,329	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	67.8%	70.5%	72.6%	68.2%
Covered payroll	$ 1,876,946	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered payroll	299.2%	271.8%	247.3%	272.3%

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

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

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

(4) 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.

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 30). Enhanced benefits became effective as of January 7, 2018.

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

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

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.

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2020

(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)
2019	$14,816	$813	$979	$24	$307	$14,932
2020	14,932	925	1,141	24	1,032	15,725
2021	15,725	945	1,168	25	1,088	16,565
2022	16,565	965	1,236	26	1,144	17,412
2023	17,412	985	1,304	28	1,202	18,268
2024	18,268	961	1,370	29	1,258	19,089
2025	19,089	986	1,433	30	1,314	19,926
2026	19,926	1,007	1,501	32	1,371	20,771
2027	20,771	1,018	1,570	33	1,427	21,613
2046	30,722	166	2,592	49	2,054	30,301
2047	30,301	157 (1)	2,612	48	2,023	29,821
2048	29,821	148 (1)	2,630	47	1,989	29,281
2049	29,281	139 (1)	2,648	47	1,950	28,675
2050	28,675	129 (1)	2,664	46	1,907	28,001
2083	2,947	22 (1)	589	5	184	2,559
2084	2,559	20 (1)	529	4	159	2,205
2085	2,205	18 (1)	471	4	137	1,886
2086	1,886	17 (1)	417	3	116	1,598
2087	1,598	15 (1)	366	3	98	1,343
2103	23	1 (1)	9	0	1	16
2104	16	1 (1)	7	0	1	11
2105	11	1 (1)	5	0	1	8
2106	8	1 (1)	3	0	0	6
2107	6	1 (1)	2	0	0	4
2108	4	0 (1),(2)	2	0	0	3
2109	3	0 (1),(2)	1	0	0	2
2110	2	0 (1),(2)	1	0	0	2
2111	2	0 (1),(2)	1	0	0	1
2112	1	0 (1),(2)	1	0	0	1
2113	1	0 (1),(2)	0 (2)	0	0	0
2114	0	0 (1),(2)	0 (2)	0	0	0
2115	0	0 (1),(2)	0 (2)	0	0	0
2116	0	0 (1),(2)	0 (2)	0	0	0
2117	0	0 (1),(2)	0 (2)	0	0	0
2118	0	0 (1),(2)	0 (2)	0	0	0

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

(2) Less than $1 million when rounded.

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

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 67 Report as of June 30, 2020 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2019 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2028-2045, 2051-2082, and 2088-2102 have been omitted from this table.

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

5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2020); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired Members, and beneficiaries as of June 30, 2020. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2020 funding valuation report. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.16% of the projected beginning Plan Fiduciary Net Position amount. The 0.16% portion was based on the actual fiscal year 2019-20 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2019. 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 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, 2020 shown in the GAS 67 report, pursuant to paragraph 44 of GASB Statement No. 67.

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

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, 2016 through June 30, 2019 Actuarial Experience Study dated June 17, 2020. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. 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 0.40% of the Actuarial Value of Assets.

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

Discount Rate

7.00%

Employee Contribution Crediting Rate

Based on average of 5-year Treasury note rate. An assumption of 2.75% is used to approximate that crediting rate in this valuation.

Consumer Price Index (CPI)

Increase of 2.75% per year; benefit increases due to CPI subject to 2.75% maximum for Tier 1 and 2.00% maximum for Tier 3. (For Tier 1 members with a sufficient COLA bank, withdrawals from the bank can be made to increase the retiree COLA up to 3% per year.)

Payroll Growth

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

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

Increase of 2.75% per year from the valuation date.

Salary Increases

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

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

Post-Retirement Mortality Rates

Healthy Members

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

Disabled Members

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

Beneficiaries

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

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

Pre-Retirement Mortality Rates

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Pre-Retirement Mortality Rates (Continued)

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

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

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

Disability Incidence

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

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

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

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

Termination

Termination (< 5 Years of Service)

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

Termination (5+ Years of Service)

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

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

Retirement Rates

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Age and Benefit for Inactive Vested Members

Pension benefit will be paid at the later of age 59 or the current attained age. For reciprocals, 4.25% compensation increases per annum.

Other Reciprocal Service

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

Service

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

Future Benefit Accruals

1.0 year of service credit per year.

Unknown Data for Members

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

Form of Payment

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

Percent Married/Domestic Partner

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

Age and Gender of Spouse

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

Actuarial Cost Method

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

Actuarial Value of Assets

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.

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, 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.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Employer Contributions (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 3.25% (i.e., 2.75% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Internal Revenue Code Section 415

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

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

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $230,000 for 2020. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

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

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

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

Changes in Actuarial Assumptions

Based on the July 1, 2016 through June 30, 2019 Actuarial Experience Study, the following actuarial assumptions were changed. Previously, these assumptions were:

Net Investment Return

7.25%[1]

Based on the June 30, 2017 Review of Economic Actuarial Assumptions dated June 30, 2017, expected administrative and investment expenses represent about 0.60% of the Fair Value of Assets.

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

Discount Rate

7.25%

Employee Contribution Crediting Rate

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

Consumer Price Index (CPI)

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

Payroll Growth

Inflation of 3.00% per year plus real "across the board" salary increases of 0.50% per year, used to amortize the UAAL as a level percentage of payroll.

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

Increase of 3.00% per year from the valuation date.

Salary Increases

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Post-Retirement Mortality Rates

Healthy Members and all Beneficiaries

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

Disabled Members

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

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

Pre-Retirement Mortality Rates

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

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

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

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

Disability Incidence

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

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

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

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

Termination

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

Termination (5+ Years of Service)	
Age	Rate (%)
25	7.00
30	7.00
35	5.50
40	3.90
45	3.20
50	2.70
55	2.50
60	2.50

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

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

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

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

Retirement Age and Benefit for Inactive Vested Members

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

Percent Married/Domestic Partner

For all active and inactive Members, 76% of male participants and 50% of female participants are assumed to be married or with domestic partner at pre-retirement death or retirement.

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 pages 30 - 31 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

Amount (§ 4.1007(a))

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

Summary of Plan Provisions (Continued)

Normal Retirement Benefit (continued)

Tier 3

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

Age & Service Requirement

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

Amount

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

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

Age & Service Requirement

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

Amount

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

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

Early Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement (§ 4.1005(b))

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

Amount (§ 4.1007(a) & (b))

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

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

Tier 3

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

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

Amount (§ 4.1080.5(a)(1))

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

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

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

Enhanced Retirement Benefit

Tier 1 & Tier 1 Enhanced

Age & Service Requirement

Not applicable – see Normal Retirement age and service requirement.

Amount

Not applicable – see Normal Retirement amount.

Tier 3

With less than 30 Years of Service (§ 4.1080.5(a)(3)(i))

Age & Service Requirement

Age 63 with 10 years of service, including 5 years of continuous City service.

Amount

2.00% per year of service credit at age 63 (not greater than 80%[1]) of the Final Average Monthly Compensation.

With 30 or more Years of Service (§ 4.1080.5(a)(3)(ii))

Age & Service Requirement

Age 63 with 30 years of service, including 5 years of continuous City service.

Amount

2.10% per year of service credit at age 63 (not greater than 80%[1]) of the Final Average Monthly Compensation.

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

Summary of Plan Provisions (Continued)

Service Credit

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

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

Final Average Monthly Compensation

Tier 1 & Tier 1 Enhanced (§ 4.1001(b))

Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned pensionable bonuses or premium pay.[1]

Tier 3 (§ 4.1080.1(b))

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

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

Post-Retirement Cost-of-Living Benefits

Tier 1 & Tier 1 Enhanced (§ 4.1022)

Based on changes to Los Angeles area[1] Consumer Price Index, to a maximum of 3% per year; excess banked.

Tier 3 (§ 4.1080.17)

Based on changes to Los Angeles area[1] Consumer Price Index, to a maximum of 2% per year; excess not banked.

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

Death after Retirement

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

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

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

Tier 1 Enhanced
(§ 4.1010.1(b), § 4.1010.1(i), & § 4.1010.1(j))

While on service-connected disability

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

[1] If the death occurs within three years of the retiree's retirement, the eligible survivor shall receive 80% of the Final Average Monthly Compensation (adjusted with Cost of Living benefit).

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

While on nonservice-connected disability or service retirement

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

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

Death before Retirement

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

Greater of:

Option #1:

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

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

Summary of Plan Provisions (Continued)

Death before Retirement (Continued)

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

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

Tier 1 & Tier 3

Option #2:

- Eligibility – Duty-related death or after five years of continuous service.
- Benefit – 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.)
- Refund of accumulated contributions. No survivorship benefit payable with refund.

Tier 1 Enhanced

Service-Connected Death

Option #2:

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

Nonservice-Connected Death

Option #2:

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

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

Tier 3 (§ 4.1080.3)

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

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

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

Disability

Tier 1 & Tier 3

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

5 years of continuous service.

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

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

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

Summary of Plan Provisions (Continued)

Disability (Continued)

Tier 1 Enhanced

Service Requirement (§ 4.1008.1)

Service-Connected Disability: None.

Nonservice-Connected Disability: 5 years of continuous service.

Amount[(1)] (§ 4.1008.1)

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

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

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

Deferred Retirement Benefit (Vested)

Tier 1 & Tier 1 Enhanced (§ 4.1006)

Age & Service Requirement

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

Amount

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

Age & Service Requirement

- 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).

Summary of Plan Provisions (Continued)

Deferred Retirement Benefit (Vested) (Continued)

Tier 3 (§ 4.1080.6)

Age & Service Requirement

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

Amount

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

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

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

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

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Actuarial Certification

November 3, 2020

This is to certify that Segal has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2020, 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, 2019.

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

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

The actuarial computations made are for purposes of funding plan benefits. Accordingly, additional determinations will be needed for other purposes, such as satisfying financial accounting requirements under Governmental Accounting Standards Board (GASB) Statements No. 74 and No. 75 and judging benefit security at termination of the plan.

Segal prepared all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2020 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section, and in the Actuarial Section, is provided below:

Financial Section

1. Schedule of Net Other Postemployment Benefits (OPEB) Liability[1]
2. Schedule of Changes in Net OPEB Liability and Related Ratios[1]
3. Schedule of Contribution History[1]

[1] Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2020.

Actuarial Certification (Continued)

November 3, 2020

Actuarial Section

4. Summary of Significant Valuation Results
5. Active Member Valuation Data
6. Retirees and Beneficiaries Added to and Removed from Health Benefits
7. Member Benefit Coverage Information
8. Schedule of Funding Progress
9. Actuarial Analysis of Financial Experience
10. Actuarial Balance Sheet
11. Schedule of Changes in Net OPEB Liability and Related Ratios[1]
12. Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2020

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

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

Thomas Bergman, ASA, MAAA, EA
Retiree Health Actuary

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

Paul Sadro, ASA, MAAA
Senior Actuary

[1] Source: Segal's GASB Statement No. 74 valuation report as of June 30, 2020.

Active Member Valuation Data

Member Population

Valuation Date	Active Members[1]	Covered Payroll	Annual Average Pay[2]	Change in Annual Average Pay (%)
06/30/2011	25,449	$1,833,392,381	$72,042	4.0%
06/30/2012	24,917	1,819,269,630	73,013	1.3
06/30/2013	24,441	1,846,970,474	75,569	3.5
06/30/2014	24,009	1,898,064,175	79,056	4.6
06/30/2015	23,895	1,907,664,598	79,835	1.0
06/30/2016	24,446	1,968,702,630	80,533	0.9
06/30/2017	25,457	2,062,316,129	81,012	0.6
06/30/2018	26,042	2,177,687,102	83,622	3.2
06/30/2019	26,632	2,225,412,831	83,562	(0.1)
06/30/2020	27,490	2,445,016,587	88,942	6.4

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

Retirees and Beneficiaries Added to and Removed from Health Benefits

Valuation Date	No. of New Retirees/ Beneficiaries	Annual Subsidies Added[1]	No. of Retirees/ Beneficiaries Removed	Annual Subsidies Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Subsidies at 6/30	Percent Increase in Annual Subsidies	Average Annual Subsidy
06/30/2011	431	$5,670,390	437	$2,774,684	13,436	$97,104,061	3.1%	$7,227
06/30/2012	433	(540,583)	438	2,516,835	13,431	94,046,643	(3.1)	7,002
06/30/2013	635	9,263,844	474	2,463,967	13,592	100,846,520	7.2	7,420
06/30/2014	616	7,160,148	522	3,047,436	13,686	104,959,232	4.1	7,669
06/30/2015	860	10,844,333	534	3,174,045	14,012	112,629,520	7.3	8,038
06/30/2016	837	2,185,058	536	3,102,492	14,313	111,712,086	(0.8)	7,805
06/30/2017	913	13,706,185	574	3,316,380	14,652	122,101,891	9.3	8,333
06/30/2018	1,104	17,413,241	612	3,649,382	15,144	135,865,750	11.3	8,972
06/30/2019	1,195	12,323,187	548	3,780,696	15,791	144,408,241	6.3	9,145
06/30/2020	967	7,878,817	651	3,979,061	16,107[2]	148,307,997	2.7	9,208

(1) Also reflects changes in subsidies for continuing retirees and beneficiaries.
(2) Total participants including married dependents currently receiving benefits are 21,572.

Member Benefit Coverage Information

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
Valuation Date	Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members	Valuation Value of Assets	Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members
06/30/2011	$19,964	$1,066,351	$882,393	$1,546,884	100%	100%	52%
06/30/2012	24,454	1,083,168	1,184,778	1,642,374	100	100	45
06/30/2013	26,869	1,104,833	1,280,783	1,734,733	100	100	47
06/30/2014	41,188	1,196,769	1,424,896	1,941,225	100	100	49
06/30/2015	42,943	1,210,067	1,393,980	2,108,925	100	100	61
06/30/2016	50,413	1,275,604	1,467,671	2,248,753	100	100	63
06/30/2017	62,252	1,379,357	1,564,197	2,438,458	100	100	64
06/30/2018	67,138	1,497,370	1,692,320	2,628,844	100	100	63
06/30/2019	65,887	1,600,131	1,668,281	2,812,662	100	100	69
06/30/2020	70,327	1,677,723	1,738,481	2,984,424	100	100	71

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2011	$1,546,884	$1,968,708	$421,824	78.6 %	$1,833,392	23.0 %
06/30/2012	1,642,374	2,292,400	650,026	71.6	1,819,270	35.7
06/30/2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
06/30/2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
06/30/2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2
06/30/2016	2,248,753	2,793,688	544,935	80.5	1,968,703	27.7
06/30/2017	2,438,458	3,005,806	567,348	81.1	2,062,316	27.5
06/30/2018	2,628,844	3,256,828	627,984	80.7	2,177,687	28.8
06/30/2019	2,812,662	3,334,299	521,637	84.4	2,225,413	23.4
06/30/2020	2,984,424	3,486,531	502,107	85.6	2,445,017	20.5

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2020

1.	Unfunded actuarial accrued liability as of June 30, 2019	$ 521,636,655
2.	Employer normal cost as of June 30, 2019	76,422,769
3.	Expected employer contributions during 2019-20 fiscal year	(99,659,691)
4.	Interest	36,133,979
5.	Expected unfunded actuarial accrued liability as of June 30, 2020 (1 + 2 + 3 + 4)	$ 534,533,712
6.	Change due to investment loss, after smoothing	20,258,878
7.	Change due to actual contributions more than expected	(13,042,556)
8.	Change due to miscellaneous demographic gains and losses	8,576,854
9.	Change due to repeal of excise tax on certain high-cost health plans (“Cadillac Tax”)	(37,656,237)
10.	Change due to reflecting assumptions based on the triennial experience study	95,917,476
11.	Change due to updated 2020-21 premium and subsidy levels	(144,296,543)
12.	Change due to updating trend assumption to project future medical premiums after 2020/2021	37,815,239
13.	Unfunded actuarial accrued liability as of June 30, 2020 (5 + 6 + 7 + 8 + 9 + 10 + 11 + 12)	$ 502,106,823

Actuarial Balance Sheet

For Year Ended June 30, 2020

Assets	
1. Actuarial value of assets	$ 2,984,423,687
2. Present value of future normal costs	744,974,218
3. Unfunded actuarial accrued liability	502,106,823
4. Present value of current and future assets	$ 4,231,504,728
Liabilities	
5. Actuarial present value of total projected benefits	$ 4,231,504,728

Schedule of Changes in Net OPEB Liability and Related Ratios
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[2]	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 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 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 results of the OPEB valuation in total.

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

(4) 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.

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

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on pages 35-36) wh35ile 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 30) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

Changes of Assumptions: The OPEB liability from the changes of assumptions for the fiscal year ended June 30, 2017 is primarily due to the lowered assumed investment rate of return, from 7.50% to 7.25%. The June 30, 2018 liability increase is primarily due to the new actuarial assumptions adopted in the triennial experience study (July 1, 2014 through June 30, 2017), including revising the mortality tables from static to generational, while the June 30, 2019 increase is mainly due to the increased Medicare Part B Premium Trend Rate from 4.0% to 4.5%. The June 30, 2020 liability increase is 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%.

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2020

(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)
2019	$2,812	$112	$127	$7	$61	$2,851
2020	2,851	100	154	7	198	2,988
2021	2,988	101	163	7	207	3,125
2022	3,125	103	175	7	216	3,261
2023	3,261	104	188	8	225	3,395
2024	3,395	98	200	8	234	3,518
2025	3,518	101	212	8	242	3,641
2026	3,641	104	224	9	251	3,764
2027	3,764	104	234	9	259	3,882
2046	5,992	43	452	14	405	5,974
2047	5,974	41	460	14	403	5,944
2048	5,944	39	470	14	401	5,900
2049	5,900	37	481	14	397	5,839
2050	5,839	35	492	14	393	5,761
2083	1,035	9 (1)	188	2	66	920
2084	920	9 (1)	173	2	59	812
2085	812	8 (1)	159	2	52	711
2086	711	8 (1)	144	2	45	617
2087	617	7 (1)	130	1	39	532
2103	11	1 (1)	5	0 (2)	1	8
2104	8	1 (1)	4	0 (2)	0 (2)	5
2105	5	1 (1)	3	0 (2)	0 (2)	3
2106	3	0 (1),(2)	2	0 (2)	0 (2)	2
2107	2	0 (1),(2)	1	0 (2)	0 (2)	1
2108	1	0 (1),(2)	1	0 (2)	0 (2)	1
2109	1	0 (1),(2)	0 (2)	0 (2)	0 (2)	1
2110	1	0 (1),(2)	0 (2)	0 (2)	0 (2)	0 (2)

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

(2) Less than $1 million when rounded.

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

Projection of OPEB Plan's Fiduciary Net Position for Use in Calculation of Discount Rate of 7.00% and Preparation of GASB 74 Report as of June 30, 2020 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2019 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2028-2045, 2051-2082, and 2088-2102 have been omitted from this table.

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

5. Column (b): Projected total contributions include employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2020); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 43 of GASB Statement No. 74, and are based on the closed group of active, inactive vested, retired Members, and beneficiaries as of June 30, 2020. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 49 of GASB Statement No. 74, the long-term expected rate of return on Plan investments of 7.00% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.24% of the projected beginning OPEB Plan Fiduciary Net Position amount. The 0.24% portion was based on the actual fiscal year 2019-20 administrative expenses as a percentage of the beginning OPEB Plan Fiduciary Net Position amount as of July 1, 2019. 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, 2020 shown in the GAS 74 report, pursuant to paragraph 49 of GASB Statement No. 74.

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

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, 2016 through June 30, 2019 Actuarial Experience Study dated June 17, 2020 and the retiree health assumptions letter dated September 15, 2020. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. These assumptions have been adopted by the Board.

Measurement Date

June 30, 2020.

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-2019.

Disabled Members

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

Beneficiaries

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

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

Pre-Retirement Mortality Rates

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

Disability Incidence

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

Termination

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

Termination (5+ Years of Service)	
Age	Rate (%)
25	7.00
30	6.70
35	5.30
40	3.75
45	3.10
50	3.00
55	3.00
60	3.00

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

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

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

Retirement Age and Benefit for Inactive Vested Members

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%[1]

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

Discount Rate

7.00%

Payroll Growth

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

Salary Increases

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

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

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.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Maximum Dental Subsidy
2020-21 Fiscal Year

Carrier	Election Percent	Maximum Monthly Dental Subsidy
Delta Dental PPO	79.9%	$44.60
DeltaCare USA	20.1%	$14.38

Medicare Part B Premium Subsidy	
Actual monthly premium for calendar year 2020	$144.60
Projected monthly premium for calendar year 2021	$153.30
Projected average monthly premium for plan year 2020/2021	$148.95

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

For retirees age 65 and over on the valuation date, Segal valued the Medicare Part B premium subsidy as reported in the data. 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
2020-21 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	61.5%	$853.39	$1,706.78	$853.39
Anthem BC PPO	21.6%	$1,275.68	$1,790.80	$853.39
Anthem BC HMO	16.9%	$1,054.59	$1,790.80	$853.39

Maximum Monthly Medical Subsidy
(Tier 1 Members Not Subject to Medical Subsidy Cap and all Tier 3 Members)
Participant Eligible for Medicare A & B
2020-21 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv. HMO	57.1%	$262.47	$524.94	$262.47
Anthem BC Medicare Supplement	31.8%	$557.75	$1,072.87	$557.75
UHC Medicare Advantage Plan[1]	11.1%	$278.98	$552.93	$278.98

[1] Rates for CA plan.

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)

	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	$406.54	$203.27
Anthem BC Medicare Supplement	$478.43	$478.43[1]	$478.43
UHC Medicare Adv. HMO	$219.09	$433.93	$219.09

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

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.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

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

	Retiree		Spouse	
Age	Male	Female	Male	Female
55	0.9003	0.9295	0.7085	0.8025
60	1.0692	1.0019	0.9485	0.9308
64	1.2266	1.0628	1.1974	1.0476
65	0.9182	0.7805	0.9182	0.7805
70	1.0642	0.8411	1.0642	0.8411
75	1.1468	0.9053	1.1468	0.9053
80+	1.2350	0.9760	1.2350	0.9760

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(1)
10 – 14	60%
15 – 19	80%
20 – 24	90%
25 and Over	95%

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

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

Health Care Cost Subsidy Trend Rates

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

First Fiscal Year (July 1, 2020 through June 30, 2021):

Plan	Trend to be applied to 2020-21 Fiscal Year premium
Anthem BC HMO, Under Age 65	4.85%
Anthem BC PPO, Under Age 65	3.71%
Kaiser HMO, Under Age 65	3.37%
Anthem BC Medicare Supplement	4.45%
Kaiser Senior Advantage	3.12%
UHC Medical HMO	3.12%

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

Fiscal Year	Trend (Approx.)		Calendar Year	Trend (applied to calculate following year premium)	
	Non-Medicare	Medicare		Non-Medicare	Medicare
2021-22	6.62%	6.12%	2021	6.75%	6.25%
2022-23	6.37%	5.87%	2022	6.50%	6.00%
2023-24	6.12%	5.62%	2023	6.25%	5.75%
2024-25	5.87%	5.37%	2024	6.00%	5.50%
2025-26	5.62%	5.12%	2025	5.75%	5.25%
2026-27	5.37%	4.87%	2026	5.50%	5.00%
2027-28	5.12%	4.62%	2027	5.25%	4.75%
2028-29	4.87%	4.50%	2028	5.00%	4.50%
2029-30	4.62%	4.50%	2029	4.75%	4.50%
2030-31 and later	4.50%	4.50%	2030	4.50%	4.50%

Dental Premium Trend: 4.00% for all years.

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

Health Care Reform

In both the funding valuation and the GASB Statements No. 74 and 75 actuarial valuation for financial reporting purposes as of June 30, 2019, Segal included the impact of the projected excise tax on certain high cost medical plans ("Cadillac Tax") beginning in 2022 as prescribed by the Affordable Care Act (ACA) and related statutes.

Subsequent to the June 30, 2019 valuations, the excise tax was repealed. The excise tax is no longer reflected beginning with the June 30, 2020 valuations for funding and financial reporting purposes.

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Actuarial Cost Method

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

Actuarial Value of Assets

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, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP, were combined and amortized over 30 years effective June 30, 2012. Health trend and premium assumption changes are amortized over 15 years.

Employer Contributions

Employer contributions consist of two components:

Normal Cost

The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's 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 3.25% (i.e., 2.75% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described above.

Assumption Changes since Prior Valuation

Starting premium costs and first year trends were updated to reflect 2021 calendar year premium data.

Updated trends to project future medical costs after 2020/2021 were reflected.

The excise tax on high costs health plans ("Cadillac Tax") was removed to reflect the recent repeal effective as of December 20, 2019.

Economic and demographic assumptions have been updated based on the July 1, 2016 through June 30, 2019 Actuarial Experience Study.

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

Membership Eligibility

Tier 1 (§4.1002(a))

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 3 – Postemployment Health Care Plan Description on pages 35-36 regarding the Membership).

Summary of Plan Provisions (Continued)

Membership Eligibility (Continued)

Tier 3 (§4.1080.2(a))

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

Benefit Eligibility

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

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

Medical Subsidy for Members Not Subject to Cap

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

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

Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service (limited to actual premium). As of July 1, 2020, the maximum monthly health subsidy is $1,790.80, remaining unchanged in calendar year 2021. This amount includes coverage of dependent premium costs.

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

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

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

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

Subsidy Cap for Tier 1

Tier 1 (§4.1111(b))

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

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

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 for a dependent of 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 with Medicare 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, 2020, the maximum dental subsidy is $44.60 per month; remaining unchanged in calendar year 2021.

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

Medicare Part B Reimbursement for Members

Tier 1 (§4.1113) and Tier 3 (§4.1128)

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

Summary of Plan Provisions (Continued)

Medical Subsidy for Surviving Spouse

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

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

Under Age 65 or Over Age 65 Without Medicare Part A

The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($853.39 per month as of July 1, 2020, remaining unchanged in calendar year 2021).

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

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

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

Changes in Plan Provisions

None.

Statistical

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

Schedule of Additions by Source - Retirement Plan

(Dollars in Thousands)

		Employer Contributions(1)				
Fiscal Year	Member Contributions	Amounts	As a % of Annual Covered Payroll(2)	Net Investment Income (Loss)(3)	Building Lease & Other Income(4)	Total Additions
2011	$ 114,731	$ 306,737	18.1	$ 1,654,824	$ -	$ 2,076,292
2012	178,246	308,712	18.0	72,705	-	559,663
2013	197,881	346,350	19.9	1,275,612	-	1,819,843
2014	204,136	357,818	19.8	1,820,266	-	2,382,220
2015	207,564	381,299	20.8	308,557	-	897,420
2016	211,345	440,704	23.5	27,638	-	679,687
2017	227,532	453,504	23.0	1,524,533	-	2,205,569
2018	236,222	450,338	21.9	1,249,814	-	1,936,374
2019	240,357	478,827	22.7	802,027	-	1,521,211
2020	263,936	553,222	24.4	305,291	645	1,123,094

(1) Contributions received on July 15th and included contributions true up adjustments starting fiscal year 2014.
(2) Starting fiscal year 2014, when a new benefit tier was added, % of Annual Covered Payroll is an aggregate rate for all tiers based on actual covered payroll.
(3) Includes unrealized gains and losses of investments. Investment related administrative expenses are deducted starting fiscal year 2014 pursuant to GASB Statement No. 67.
(4) Building Lease and Other Income from System's new Headquarter 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
2011	$ 654,384	$ 18,215	$ 13,232	$ 685,831
2012	664,626	11,100	12,995	688,721
2013	687,362	17,697	13,352	718,411
2014	708,956	15,982	12,438	737,376
2015	734,736	10,121	15,946	760,803
2016	767,264	7,719	15,576	790,559
2017	799,221	9,803	16,019	825,043
2018	847,031	10,412	16,394	873,837
2019	909,154	11,684	17,806	938,644
2020	973,197	12,332	21,257	1,006,786

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

Schedule of Additions by Source - Postemployment Health Care Plan

(Dollars in Thousands)

	Employer Contributions[1]						
Fiscal Year	Amounts	As a % of Annual Covered Payroll[2]	Self-Funded Insurance Premium[3]	Health Insurance Premium Reserve[3]	Net Investment Income (Loss)[4]	Building Lease & Other Income[5]	Total Additions
2011	$ 107,396	6.4	$ -	$ -	$ 295,324	$ -	$ 402,720
2012	115,209	6.7	-	-	10,314	-	125,523
2013	72,916	4.2	-	-	253,632	-	326,548
2014	97,841	5.4	-	-	375,504	-	473,345
2015	100,467	5.5	-	-	59,435	-	159,902
2016	105,983	5.7	-	-	(721)	-	105,262
2017	97,457	4.9	-	-	330,368	-	427,825
2018	100,909	4.9	-	-	269,065	-	369,974
2019	107,927	5.1	6,090	468	166,470	-	280,955
2020	112,136	4.9	10,364	2,137	60,201	147	184,985

(1) Contributions received on July 15th and included contributions true up adjustments starting fiscal year 2014.
(2) Starting fiscal year 2014, when a new benefit tier was added, % of annual covered payroll is an aggregate rate for all tiers and it is based on actual covered payroll.
(3) Additions related to LACERS Postemployment Health Care 115 Trust fund and the self-funded Dental Plan established in fiscal year 2019.
(4) Includes unrealized gains and losses of investments. Investment related administrative expenses are deducted starting fiscal year 2014.
(5) Building Lease and Other Income from System's new Headquarter 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
2011	$ 98,156	$ 2,786	$ 100,942
2012	91,437	2,931	94,368
2013	97,946	3,197	101,143
2014	101,628	3,327	104,955
2015	103,599	3,932	107,531
2016	109,940	4,151	114,091
2017	119,616	4,224	123,840
2018	128,081	4,384	132,465
2019	140,129	5,099	145,228
2020	139,714	6,165	145,879

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

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

	Additions					Deductions				
Fiscal Year	City Contributions[1]	Member Contributions	Net Investment Income (Loss)	Building Lease & Other Income	Total Additions	Benefit Payments	Refunds of Contributions	Admin. Expenses[2]	Total Deductions	Net In(De)crease in Fiduciary Net Position
2011	$ 306,737	$ 114,731	$1,654,824	$ -	$ 2,076,292	$654,384	$18,215	$13,232	$685,831	$ 1,390,461
2012	308,712	178,246	72,705	-	559,663	664,626	11,100	12,995	688,721	(129,058)
2013	346,350	197,881	1,275,612	-	1,819,843	687,362	17,697	13,352	718,411	1,101,432
2014	357,818	204,136	1,820,266	-	2,382,220	708,956	15,982	12,438	737,376	1,644,844
2015	381,299	207,564	308,557	-	897,420	734,736	10,121	15,946	760,803	136,617
2016	440,704	211,345	27,638	-	679,687	767,264	7,719	15,576	790,559	(110,872)
2017	453,504	227,532	1,524,533	-	2,205,569	799,221	9,803	16,019	825,043	1,380,526
2018	450,338	236,222	1,249,814	-	1,936,374	847,031	10,412	16,394	873,837	1,062,537
2019	478,827	240,357	802,027	-	1,521,211	909,154	11,684	17,806	938,644	582,567
2020	553,222	263,936	305,291	645	1,123,094	973,197	12,332	21,257	1,006,786	116,308

(1) City's contributions include amounts contributed to the Family Death Benefit plan. For fiscal year 2020, this amount was $104,000.
(2) Excludes investment related administrative expenses starting fiscal year 2014. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' retirement benefits.

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

	Additions						Deductions			
Fiscal Year	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	Net In(De)crease in Fiduciary Net Position
2011	$ 107,396	$ -	$ -	$ 295,324	$ -	$ 402,720	$ 98,156	$ 2,786	$ 100,942	$ 301,778
2012	115,209	-	-	10,314	-	125,523	91,437	2,931	94,368	31,155
2013	72,916	-	-	253,632	-	326,548	97,946	3,197	101,143	225,405
2014	97,841	-	-	375,504	-	473,345	101,628	3,327	104,955	368,390
2015	100,467	-	-	59,435	-	159,902	103,599	3,932	107,531	52,371
2016	105,983	-	-	(721)	-	105,262	109,940	4,151	114,091	(8,829)
2017	97,457	-	-	330,368	-	427,825	119,616	4,224	123,840	303,985
2018	100,909	-	-	269,065	-	369,974	128,081	4,384	132,465	237,509
2019	107,927	6,090	468	166,470	-	280,955	140,129	5,099	145,228	135,727
2020	112,136	10,364	2,137	60,201	147	184,985	139,714	6,165	145,879	39,106

(1) Additions related to LACERS Postemployment Health Care 115 Trust and the self-funded Dental Plan established in fiscal year 2019.
(2) Excludes investment related administrative expenses starting fiscal year 2014 but includes third party administrative fees starting in fiscal year 2019. Starting fiscal year 2015, the System is required to share the employer contribution for its employees' postemployment health care benefits.

Schedule of Benefit Expenses by Type - Retirement Plan

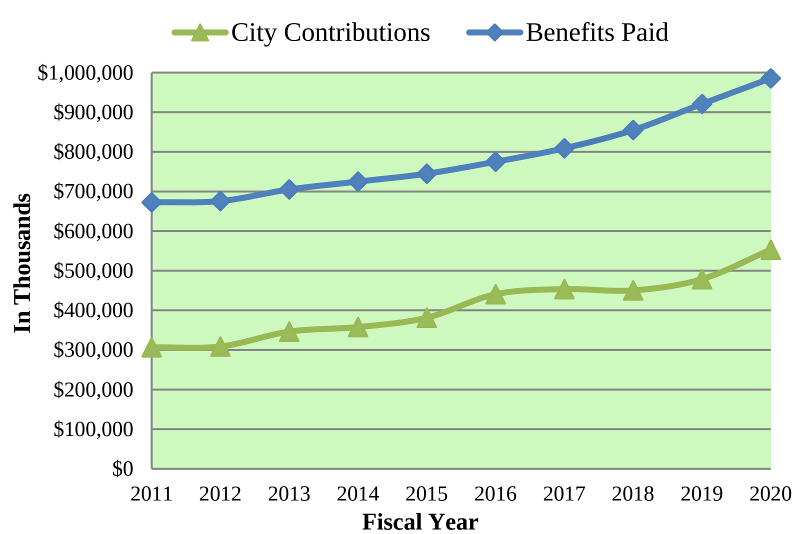
(In Thousands)

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

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2011	$ 306,737	$ 672,599
2012	308,712	675,726
2013	346,350	705,059
2014	357,818	724,938
2015	381,299	744,857
2016	440,704	774,983
2017	453,504	809,024
2018	450,338	857,443
2019	478,827	920,838
2020	553,222	985,529



Schedule of Benefit Expenses by Type - Postemployment Health Care Plan

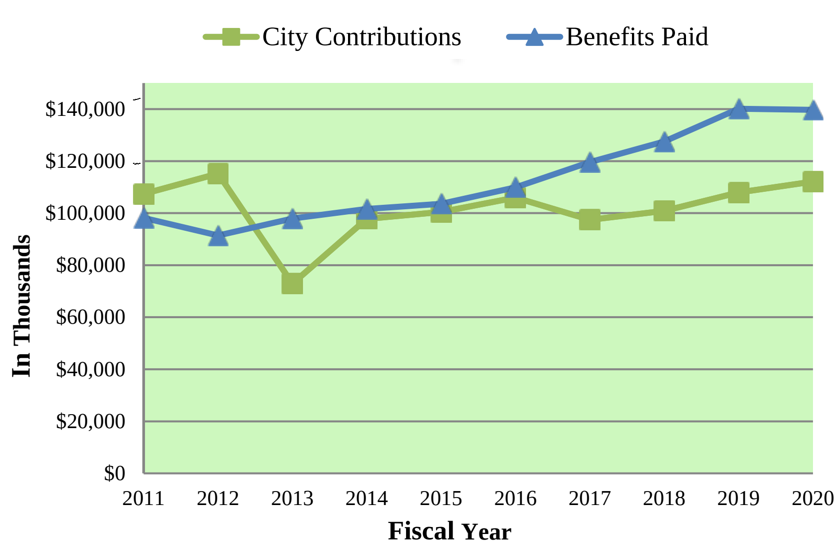
(In Thousands)

Fiscal Year	Age & Service Benefits Retirants	Age & Service Benefits Survivors	Death in Service Benefits	Disability Benefits Retirants	Disability Benefits Survivors	Total Benefits Paid
2011	$ 84,487	$ 9,624	$ 401	$ 2,481	$ 1,163	$ 98,156
2012	78,506	9,181	341	2,300	1,109	91,437
2013	83,792	10,017	396	2,538	1,203	97,946
2014	86,889	10,533	382	2,531	1,293	101,628
2015	88,530	10,803	358	2,587	1,321	103,599
2016	94,256	11,240	332	2,723	1,389	109,940
2017	102,697	12,160	410	2,815	1,534	119,616
2018	110,680	12,609	363	2,851	1,578	128,081
2019	122,510	12,804	318	2,919	1,578	140,129
2020	122,562	12,573	265	2,790	1,524	139,714

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2011	$ 107,396	$ 98,156
2012	115,209	91,437
2013	72,916	97,946
2014	97,841	101,628
2015	100,467	103,599
2016	105,983	109,940
2017	97,457	119,616
2018	100,909	128,081
2019	107,927	140,129
2020	112,136	139,714



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	1,691	363	323	7	458	59	148	72	261	-	449	16
1,001 to 2,000	3,403	984	810	50	514	558	94	208	185	-	82	2
2,001 to 3,000	3,096	1,716	597	85	275	243	27	81	72	-	20	2
3,001 to 4,000	3,040	2,455	286	78	152	17	2	23	27	-	4	-
4,001 to 5,000	2,827	2,523	193	35	58	6	-	3	9	-	1	-
5,001 to 6,000	2,242	2,058	125	18	36	1	-	-	4	-	-	-
6,001 to 7,000	1,508	1,406	66	10	26	-	-	-	-	-	-	-
7,001 to 8,000	968	912	36	6	13	-	-	-	1	-	-	-
8,001 to 9,000	563	524	21	7	11	-	-	-	-	-	-	-
9,001 to 10,000	375	352	12	4	7	-	-	-	-	-	-	-
Over $10,000	719	683	22	3	11	-	-	1	-	-	-	-
Total	20,432	13,976	2,491	303	1,561	884	271	387	559	-	556	20

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

(2) Type of Benefits

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

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

Amount of Monthly Benefits	Number of Retirants	Type of Benefits[3] 1	2	3	4	5	6	7
Medical Subsidy								
\$ 1 to \$ 200	498	340	37	4	40	49	15	13
201 to 400	4,811	3,499	972	79	128	58	24	51
401 to 600	5,149	4,371	390	48	212	86	16	26
601 to 800	177	99	11	13	27	14	1	12
801 to 1,000	1,198	923	94	29	97	46	4	5
1,001 to 1,200	1,969	1,882	-	-	71	16	-	-
1,201 to 1,400	930	860	-	-	52	18	-	-
1,401 to 1,791[1]	1,392	1,331	-	1	55	5	-	-
Total	16,124	13,305	1,504	174	682	292	60	107
Dental Subsidy								
\$ 1 to \$ 10	569	413	-	-	68	88	-	-
11 to 20	2,553	2,363	-	-	125	65	-	-
21 to 30	998	743	-	-	170	85	-	-
31 to 40	1,131	940	-	-	149	42	-	-
41 to 45[2]	8,588	8,409	-	-	161	18	-	-
Total	13,839	12,868	-	-	673	298	-	-

(1) Maximum medical subsidy for plan year 2020.
(2) Maximum dental subsidy for plan year 2020.
(3) Type of Benefits

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

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2010 to June 30, 2020	Years of Service Credit: Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/10 to 6/30/11						
Average Monthly Benefit at Retirement	$ 768	$ 1,414	$ 2,369	$ 3,146	$ 3,721	$ 5,920
Average Final Monthly Salary[1]	$ 5,266	$ 5,175	$ 6,141	$ 6,424	$ 6,409	$ 7,882
Number of Retirees Added	51	42	27	55	42	37
Period 7/1/11 to 6/30/12						
Average Monthly Benefit at Retirement	$ 784	$ 1,379	$ 2,362	$ 3,453	$ 4,008	$ 6,003
Average Final Monthly Salary[1]	$ 4,995	$ 5,052	$ 6,338	$ 7,165	$ 6,804	$ 8,238
Number of Retirees Added	46	37	30	70	43	48
Period 7/1/12 to 6/30/13						
Average Monthly Benefit at Retirement	$ 976	$ 1,888	$ 2,253	$ 3,355	$ 4,101	$ 5,487
Average Final Monthly Salary[1]	$ 6,025	$ 6,713	$ 6,055	$ 6,819	$ 7,007	$ 7,573
Number of Retirees Added	63	57	34	94	87	107
Period 7/1/13 to 6/30/14						
Average Monthly Benefit at Retirement	$ 708	$ 1,966	$ 2,459	$ 3,716	$ 4,520	$ 6,204
Average Final Monthly Salary[1]	$ 4,551	$ 6,868	$ 6,343	$ 7,551	$ 7,482	$ 8,350
Number of Retirees Added	60	65	47	83	120	95
Period 7/1/14 to 6/30/15						
Average Monthly Benefit at Retirement	$ 969	$ 1,875	$ 2,775	$ 3,735	$ 4,707	$ 6,307
Average Final Monthly Salary[1]	$ 5,309	$ 6,386	$ 7,040	$ 7,289	$ 7,795	$ 8,379
Number of Retirees Added	66	108	62	111	234	212
Period 7/1/15 to 6/30/16						
Average Monthly Benefit at Retirement	$ 943	$ 1,756	$ 2,514	$ 3,796	$ 4,514	$ 5,498
Average Final Monthly Salary[1]	$ 5,095	$ 6,077	$ 6,786	$ 7,656	$ 7,731	$ 7,876
Number of Retirees Added	117	116	89	77	255	228
Average Monthly Continuance Benefit[2]	$ 886	$ 1,068	$ 1,388	$ 1,521	$ 1,657	$ 2,568
Number of Continuance Benefit Added[2]	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[2]	$ 1,154	$ 1,022	$ 1,360	$ 1,949	$ 1,869	$ 2,916
Number of Continuance Benefit Added[2]	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[2]	$ 1,012	$ 1,411	$ 1,562	$ 2,076	$ 2,830	$ 3,812
Number of Continuance Benefit Added[2]	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[2]	$ 1,697	$ 1,703	$ 1,586	$ 2,655	$ 2,665	$ 4,184
Number of Continuance Benefit Added[2]	65	28	30	29	42	82

Schedule of Average Benefit Payments - Retirement Plan (Continued)

Retirement Effective Dates July 1, 2010 to June 30, 2020	Years of Service Credit					
	Under 11 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/19 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[2]	$ 1,459	$ 1,412	$ 1,882	$ 2,219	$ 2,747	$ 4,398
Number of Continuance Benefit Added[2]	76	29	24	29	46	60

(1) Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.
(2) Additional information for Continuance Benefit is provided starting fiscal year 2016.

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2010 to June 30, 2020	Years of Service Credit				
	Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/10 to 6/30/11					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 465	$ 440	$ 688	$ 648
Number of Retirees Added	1	31	31	69	145
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 17	$ 22	$ 17
Number of Retirees Added	2	26	26	68	130
Period 7/1/11 to 6/30/12					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 372	$ 581	$ 660	$ 642
Number of Retirees Added	-	34	27	84	136
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 10	$ 17	$ 28	$ 25
Number of Retirees Added	4	25	24	75	131
Period 7/1/12 to 6/30/13					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 428	$ 596	$ 790	$ 840
Number of Retirees Added	1	64	33	102	243
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 14	$ 21	$ 28	$ 26
Number of Retirees Added	2	55	27	95	235
Period 7/1/13 to 6/30/14					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 447	$ 619	$ 831	$ 876
Number of Retirees Added	1	57	41	93	276
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 15	$ 20	$ 30	$ 27
Number of Retirees Added	2	53	36	91	266

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

Retirement Effective Dates July 1, 2010 to June 30, 2020	Years of Service Credit: Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/14 to 6/30/15					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 543	$ 700	$ 914	$ 1,080
Number of Retirees Added	-	85	40	105	409
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 17	$ 26	$ 32	$ 36
Number of Retirees Added	1	78	35	102	399
Period 7/1/15 to 6/30/16					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 309	$ 515	$ 729	$ 926	$ 1,099
Number of Retirees Added	12	88	62	61	447
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 16	$ 24	$ 34	$ 35
Number of Retirees Added	16	89	57	60	453
Period 7/1/16 to 6/30/17					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 411	$ 493	$ 717	$ 1,136	$ 1,184
Number of Retirees Added	17	76	79	85	487
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 11	$ 18	$ 25	$ 34	$ 38
Number of Retirees Added	10	75	78	82	483
Period 7/1/17 to 6/30/18					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ -	$ 547	$ 771	$ 1,082	$ 1,257
Number of Retirees Added	-	100	115	86	638
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 5	$ 17	$ 27	$ 31	$ 36
Number of Retirees Added	1	80	98	68	552
Period 7/1/18 to 6/30/19					
Health Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 716	$ 560	$ 714	$ 1,012	$ 1,220
Number of Retirees Added	2	98	127	72	640
Dental Insurance Subsidy					
Average Monthly Benefit at Retirement	$ 12	$ 16	$ 27	$ 36	$ 37
Number of Retirees Added	4	75	113	62	539
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 LACERS Health Care Plan at their own cost, but not eligible for health benefits.

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

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LACERS
LA CITY EMPLOYEES' RETIREMENT SYSTEM