February 11, 2026

The Honorable City Council
City of Los Angeles
City Hall Room 395
Los Angeles, CA 90012

LA CITY EMPLOYEES' RETIREMENT SYSTEM

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LACERS POSTEMPLOYMENT HEALTHCARE (115 TRUST) FINANCIAL STATEMENTS REPORTED IN LACERS ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2025 (CF# 18-0931)

On November 9, 2018, the City Council approved Ordinance No. 185829 to establish the LACERS Health Care Fund (115 Trust or Fund) for the sole purpose of funding the healthcare benefits for eligible LACERS' retirees and beneficiaries, including helping stabilize premium rates over time. The Fund provides an alternative funding mechanism, in addition to or in lieu of the 401(h) account, for funding benefits under the health and welfare program pursuant to Los Angeles Administrative Code Section 4.1100. The 115 Trust is currently accounting for the LACERS Self-Funded Insurance Plan and authorized premium rates buy down and will ultimately fund the post-employment health care benefits upon depletion of the existing 401(h) Health Care Coverage Account.

The ordinance provides that the LACERS Board serves as the trustee of the Fund and requires the Board and the City to enter into an agreement to administer the Fund. In December 2018, the City and the Board entered into a trust agreement to formalize each party's roles and responsibilities with respect to the administration and investment of the Fund, consistent with Charter Section 1106 and Section 17 of Article XVI of the California Constitution. The trust agreement between LACERS and the City requires LACERS to prepare and provide the City with an annual financial report on 115 Trust activities, in conjunction with the financial statements for the Pension Fund and the 401(h) account.

Fiduciary Net Position – LACERS 115 Trust

As of June 30, 2025, LACERS 115 Trust Fiduciary Net Position was $821.5 million, an increase of $181.2 million, or 28.3%, compared to $640.3 million as of June 30, 2024. The net increase in the Fiduciary Net Position was the net effect of factors that were added or deducted from the Fiduciary Net Position. These include the City's contribution to LACERS Health Care Plan, transactions related to Self-Funded Insurance premiums and claims, authorized premium rates buy-down, Members' insurance premium reserve, administration expenses, and the net investment earnings.

For the fiscal year ended June 30, 2025, total additions were $196.7 million, a 19.2% increase from the prior fiscal year, and total deductions were $15.3 million, a 7.8% increase from the prior fiscal year. The increase in total additions was primarily due to the appreciation in the fair value of LACERS' overall investment portfolio, while the increase in total deductions was mainly due to the increase in self-funded insurance claims and the cost of the insurance premium rate buy-down approved by the LACERS Board of Administration during the fiscal year. The following table summarizes the activities and transactions recorded in the 115 Trust during Fiscal Year 2024-25.

Additions and Deductions in Fiduciary Net Position - LACERS 115 Trust Health Care Fund
For the Fiscal Year Ended June 30, 2025 and 2024

	2025	**2024**	**$ Change**	**% Change**
City Contributions	$90,168,079	$97,093,393	($6,925,314)	-7.1%
Self-Funded Insurance Premium	13,127,429	12,934,341	193,088	1.5%
Health Insurance Premium Reserve	1,082,466	2,125,051	(1,042,585)	-49.1%
Net Investment Income	92,276,755	52,839,380	39,437,375	74.6%
Total Additions	**$196,654,729**	**$164,992,165**	**$31,662,564**	**19.2%**
Benefit Payments	(12,721,968)	(12,080,581)	($641,387)	5.3%
Administrative Expenses	(2,577,820)	(2,115,644)	(462,176)	21.8%
Total Deductions	**($15,299,788)**	**($14,196,225)**	**($1,103,563)**	**7.8%**
Net Increase (Decrease)	**$181,354,941**	**$150,795,940**	**$30,559,001**	**20.3%**
Fiduciary Net Position Beginning of Year	640,276,320	489,480,380	150,795,940	30.8%
Prior Period Adjustments	(184,591)	-	(184,591)	0.0%
Fiduciary Net Position End of Year	**$821,446,670**	**$640,276,320**	**$181,170,350**	**28.3%**

In accordance with the generally accepted accounting principles and on the basis of Governmental Accounting Standards Board pronouncements, LACERS Annual Financial Report as of the fiscal year ending June 30, 2025 presents the basic financial statements for the Retirement Plan and Postemployment Healthcare Plan on pages 12 to 13 of the report, while separate financial information of 115 Trust and 401(h) accounts that comprise LACERS' Postemployment Healthcare Plan are reported as part of the supplemental schedules on page 57. These changes were implemented starting in Fiscal Year 2022-23, as advised by the Government Finance Officers Association (GFOA), with concurrence from LACERS' external auditor, to ensure LACERS remains in compliance with the trust agreement with the City and financial reporting standards.

The attached LACERS Audited Financial Statements for the fiscal year ended June 30, 2025, along with the auditors' reports reflecting an unmodified opinion (clean opinion) are hereby transmitted to the City pursuant to the trust agreement.

If there are any questions, please contact Jo Ann Peralta, Departmental Chief Accountant, at (213) 855-9385 or at joann.peralta@lacers.org.

Sincerely,

TODD BOUEY, General Manager
Los Angeles City Employees' Retirement System

TB:JP:bc

cc: Matthew W. Szabo, City Administrative Officer

Attachment 1: LACERS' Audited Financial Statements for Fiscal Year Ended June 30, 2025

ATTACHMENT

LACERS

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE CITY OF LOS ANGELES, CALIFORNIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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Report of Independent Auditors

The Board of Administration
Los Angeles City Employees' Retirement System

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matters

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

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Required Supplementary Information

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

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

Supplemental Schedules

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

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

Report on Summarized Comparative Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025, on our consideration of Los Angeles City Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Los Angeles City Employees' Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Angeles City Employees' Retirement System's internal control over financial reporting and compliance.

Baker Tilly US, LLP

El Segundo, California
December 17, 2025

Financial Highlights

- The Los Angeles City Employees' Retirement System (LACERS or the System) fiduciary net position as of June 30, 2025, was $25,375,319,000, an increase of $2,340,072,000 or 10.2% year-over-year.

- The total additions to the fiduciary net position of LACERS from employer contributions made by the City of Los Angeles (the City), Member contributions, self-funded insurance premiums, Members' portion of premium reserve, building lease and other income, and net investment income were $3,904,262,000, a 32.9% increase from the prior fiscal year.

- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67*, Financial Reporting for Pension Plans,* and No. 68, *Accounting and Financial Reporting for Pensions.*

- The employer contributions to the Postemployment Health Care Plan represented 100% of the Actuarially Determined Contribution of the employer as defined by GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

- The total deductions from the fiduciary net position were $1,564,190,000, a 5.2% increase year-over-year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.

- The System's Net Pension Liability (NPL) for the Retirement Plan was $6,535,584,000 as of June 30, 2025. NPL, a measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the plan fiduciary net position. As the plan fiduciary net position equals the fair value of the plan's assets, NPL is determined on a fair value basis. Compared with the previous fiscal year, the NPL decreased by $812,897,000.

- The System's Net Other Postemployment Benefits (OPEB) Liability (Asset) for the Postemployment Health Care Plan was ($318,317,000) as of June 30, 2025. Net OPEB Liability is a measure required by GASB Statement No. 74. Net OPEB Liability is determined on a fair value basis and is the difference between the Total OPEB Liability (TOL) and the plan fiduciary net position. As of June 30, 2025, the plan fiduciary net position exceeded the TOL, resulting in a surplus or Net OPEB Asset. Compared with the previous fiscal year, the Net OPEB Liability decreased by $92,300,000.

- The plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure of GASB Statement No. 67, was 76.3%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the retirement benefits.

- The plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure of GASB Statement No. 74, was 108.2%, which is the same as the funded ratio on a fair value basis reported in the actuarial valuation for the postemployment health care benefits.

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on page 12 provides a snapshot of the account balances at year-end, showing the amount of the fiduciary net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 13 provides a view of the current year's additions to, and deductions from, the fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements (Notes) provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 14 – 44 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Retirement Plan, and the Schedule of Net Other Postemployment Benefit (OPEB) (Asset) Liability, Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns (Losses) for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 45 - 56 of this report.

Supplemental Schedules

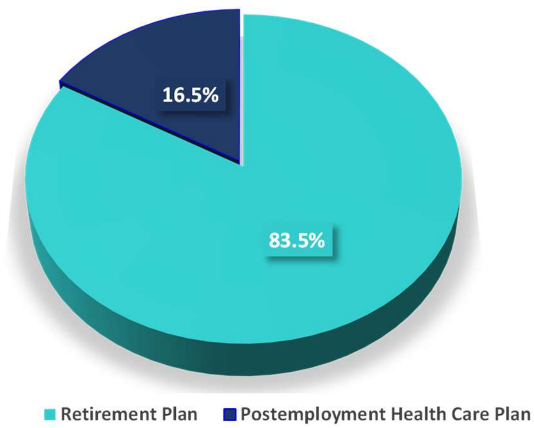
The supplemental schedules, including a Schedule of Additions and Deductions to Fiduciary Net Position for Postemployment Health Care Plan, Schedule of Administrative Expenses, and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. These can be found on pages 57 - 59 of this report.

Financial Analysis

Allocation of Fiduciary Net Position

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

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

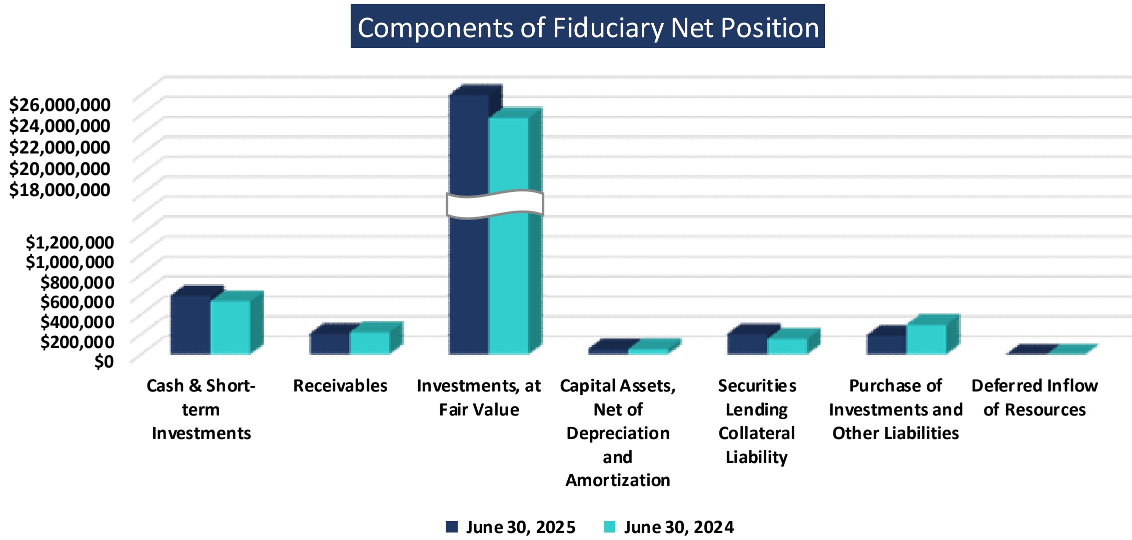


Fiduciary Net Position

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

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

Fiduciary Net Position *(continued)*



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

Net Increase in Fiduciary Net Position

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

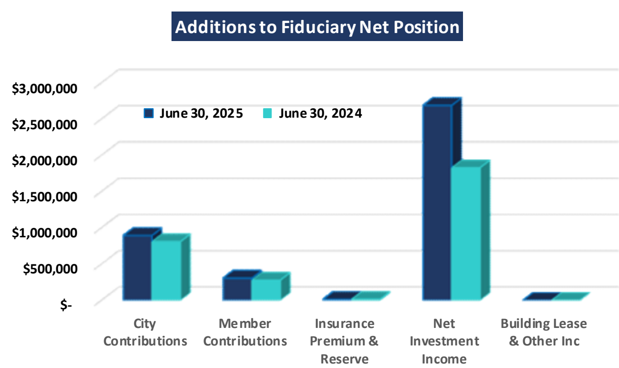
	June 30, 2025	June 30, 2024	Change	
Additions	$ 3,904,262	$ 2,936,674	$ 967,588	32.9%
Deductions	1,564,190	1,486,405	77,785	5.2%
Net Increase in Fiduciary Net Position	2,340,072	1,450,269	889,803	61.4%
Fiduciary Net Position				
Beginning of Year - Restated	23,035,247	21,584,978	1,450,269	6.7%
End of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

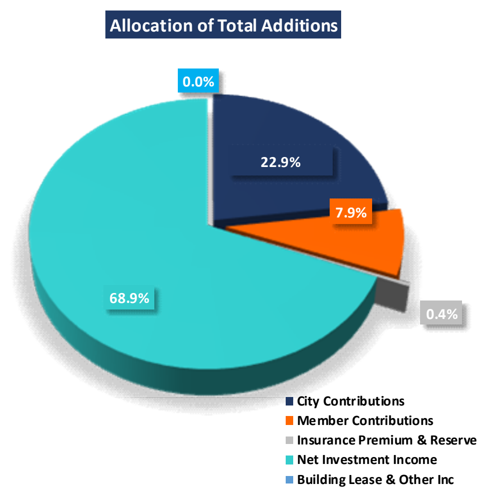
The System adopted GASB Statement No. 101, *Compensated Absences*, during the fiscal year ended June 30, 2025, which resulted in a restatement that decreased the beginning-of-year fiduciary net position by $5,978,000 for 2025 and $4,287,000 for 2024, reflecting compensated absences balances previously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

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

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

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





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

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

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

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

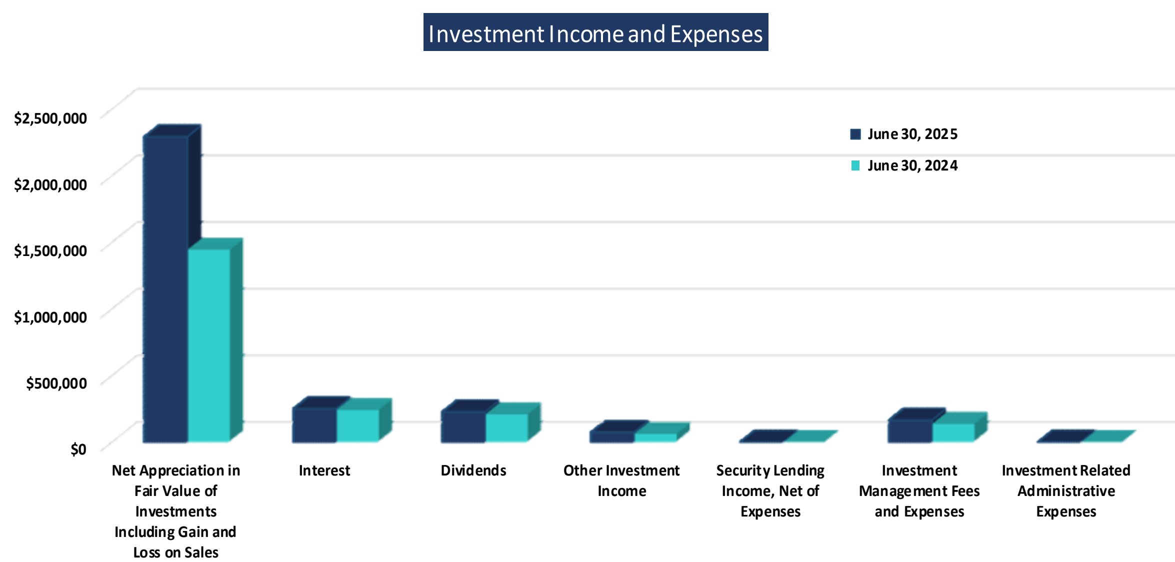
LACERS Postemployment Health Care 115 Trust fund recognized revenue of $13,127,000, representing monthly insurance premiums under the Delta Dental PPO and Anthem Vision self-funded plans, and $1,083,000 of the Member's portion from health insurance premium reserve.

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

Investment Income

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

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



Investment Income *(continued)*

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

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

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

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

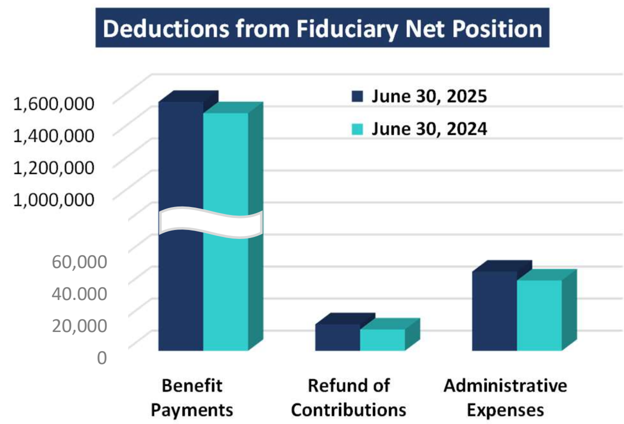
Total investment management fees, expenses, and investment-related administrative expenses increased by 20.4% or $29,315,000, from the prior year. This increase corresponded with an increase in LACERS' exposure to private market strategies, which is consistent with LACERS' current target asset allocation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

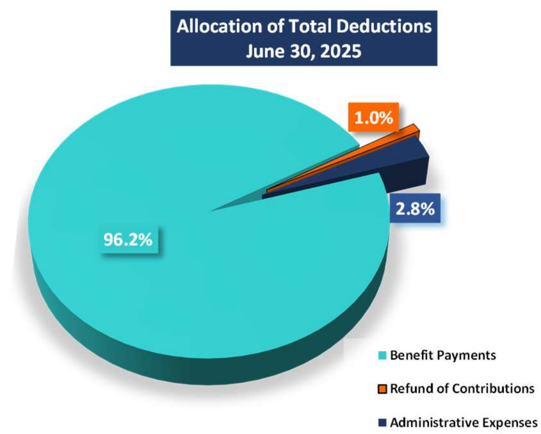
Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position

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

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

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





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

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

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

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

Requests for Information

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

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

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

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

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

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

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

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

Note 1. Description of LACERS and Significant Accounting Policies

General Description

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

The System operates a single-employer defined benefit plan (the Retirement Plan) and a single-employer Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 19 - 30 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Basis of Accounting and Presentation

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

Investments

Investment policies

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

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

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

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

Fair Value of Investments

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

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

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

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

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

Rate of Return on Investments

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

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

Receivables

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

Capital Assets

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

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

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

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

Administrative Expenses

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

Reserves

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

Reserves for the Retirement Plan

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

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

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

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

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

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

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

Reserves for the Postemployment Health Care Plan

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

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

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

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

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

Comparative Totals

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

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

Estimates

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

Risk and Uncertainty That May Impact Financial Operations and Performance

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

Adoption of New Accounting Pronouncements

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

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

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

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

Recent GASB Pronouncements for Future Adoption

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

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

Note 2. Retirement Plan Description

Plan Administration and Membership

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

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

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

Note 2. Retirement Plan Description *(continued)*

Eligibility Requirements and Benefits Provided

Tier 1

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

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

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

Tier 1 – Enhanced Benefits

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

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

Note 2. Retirement Plan Description *(continued)*

Tier 3

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

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

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

(1) Retirement allowance may not exceed 80% of final compensation except when the benefit is based solely on the annuity component funded by the Member's contributions.
(2) A reduction factor will be applied based on age at retirement.

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

Cost of Living Adjustment

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

Note 2. Retirement Plan Description *(continued)*

Employer Contributions

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

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

Member Contributions

Tier 1 and Tier 1 Enhanced

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

Tier 3

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

Net Pension Liability

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

Total Pension Liability	$ 27,613,229
Less: Plan Fiduciary Net Position[1]	21,077,645
Plan's Net Pension Liability	$ 6,535,584
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.3%

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

Note 2. Retirement Plan Description *(continued)*

Significant Assumptions

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

Valuation Date:	June 30, 2025.
Actuarial Cost Method:	Entry Age Cost Method (individual basis).
Amortization Method:	Level Percent of Payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2022 (July 1, 2019 through June 30, 2022).
Investment Rate of Return	7.00%.
Inflation	2.50%.
Real Across-the-Board Salary Increase	0.50%.
Projected Salary Increases	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Annual COLAs	2.75% maximum for Tier 1 and 2.00% maximum for Tier 3.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *Currently in pay status*	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *Not currently in pay status*	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Percent Married / Domestic Partner	For all active and inactive members, 76% of male participants and 52% of female participants are assumed to be married or have a qualified domestic partner at pre-retirement death or retirement.
Spouse Age Difference	For all active and inactive members, male members are assumed to be three years older than their female spouses. Female members are assumed to be two years younger than their male spouses.

Note 2. Retirement Plan Description *(continued)*

Determination of Discount Rate and Investment Rates of Return

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

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

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

Note 2. Retirement Plan Description *(continued)*

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

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

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

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

Note 3. Postemployment Health Care Plan Description

Plan Administration and Membership

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

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

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

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

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

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

Eligibility Requirements and Benefits Provided

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

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

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

Employer Contributions

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

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

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

Net OPEB (Asset) Liability

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

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

Significant Assumptions

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

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

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

Mortality Table for Beneficiaries *Not currently in pay status*	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Spouse / Domestic Partner Coverage	For all active and inactive members, 60% of male participants and 35% of female participants who receive a retiree health subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage. Of these covered spouses / domestic partners, 100% are assumed to continue coverage of the retiree predeceases the spouse/domestic partners.
	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.
Healthcare Cost Trend Rates	Medical Premium Trend Rates to be applied to all health plans in the following fiscal years. The Trend Rate is to be applied to the premium for the shown fiscal year to calculate next fiscal year's projected premium. Medical Premium Trend Rates to be applied to fiscal year 2025-2026 and later years are:

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

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

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

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

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

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

Determination of Discount Rate and Investment Rates of Return

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

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

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

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

A 7% discount rate was used to measure the total OPEB liability as of June 30, 2025. The projection of cash flows used to determine the discount rate assumes employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current Plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Plan Members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability as of June 30, 2025.

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

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

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

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

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

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

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

Note 4. Contributions Required and Contributions Made

LACERS uses the Entry Age cost method to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the Unfunded Actuarial Accrued Liability (UAAL), which is the difference between LACERS' actuarial liabilities and actuarial assets. The components of the UAAL are amortized as a level percent of pay. Based on LACERS' funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods, except that healthcare cost trend and premium assumption changes are amortized over 15 years. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two (at that time) GASB 25/27 layers, were combined and amortized over 30

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

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

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

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

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

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

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

Note 5. Historical Trend Information

Historical trend information, designed to provide information about LACERS' progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 45 - 50 for the Retirement Plan and pages 51 - 56 for the Postemployment Health Care Plan.

Note 6. Cash and Short-Term Investments and Investments

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

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

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

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

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

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

Credit Risk – Derivatives

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

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

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

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

Credit Risk – Investments

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

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

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

Custodial Credit Risk

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

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

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

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

Interest Rate Risk

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

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

Concentration of Credit Risk

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

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

Foreign Currency Risk

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

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

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

Highly-Sensitive Investments

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

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

Fair Value Measurements

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

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

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

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

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

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

Schedule of Investments by Fair Value Hierarchy

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

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

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

The System's remaining investments not categorized under the fair value hierarchy, such as private equity partnerships, real estate comingled funds, and other investments that do not have a readily determinable fair value, have been valued at the Net Asset Value (NAV). NAV is calculated and used as a practical expedient to estimate the fair value of LACERS' interest, unless it is probable that all or a portion of the investments will be sold for an amount different from the NAV. As of June 30, 2025, LACERS had no specific plans to sell investments at amounts different from NAV. These investments are disclosed in the Investments Measured at the NAV on page 39.

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

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

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

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

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

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

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

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

(2) Private credit funds - This investment type includes 10 closed-end commingled private credit funds, 1 co-investment sidecar fund, and 3 separately managed accounts that invest primarily in debt and other credit instruments issued by privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying loans and other assets are repaid or liquidated by the fund managers. It is expected that the underlying assets of these funds will be realized over the next 5 to 10 years, depending on the vintage year of each fund."

(3) Private equity funds - This investment type includes 343 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(4) Real estate funds - This investment type includes 29 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Nine investments, representing approximately 68.3% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. Twenty investments, representing approximately 31.7% of the value of this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

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

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

Note 7. Securities Lending Agreement

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

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

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

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

Note 7. Securities Lending Agreement *(continued)*

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

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

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

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

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

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

Note 8. Future and Forward Contracts

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

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

Note 9. Capital Assets

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

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

Note 10. Leases

LACERS as a Lessee

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

LACERS as a Lessor

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

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

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

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

Note 12. Compensated Absences

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

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

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

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

Note 13. Restatement of Beginning Fiduciary Net Position

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

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

Note 14. Commitments and Contingencies

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

Note 15. Subsequent Events

Date of Management's Review

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

Charter Amendment FF

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

Retirement Plan

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

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

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

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

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

Note to Schedule:

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

Retirement Plan *(continued)*

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

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

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

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

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

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

Retirement Plan *(continued)*

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

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

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

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

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

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

Retirement Plan *(continued)*

Notes to Schedule:

Changes of Benefit Terms: The June 30, 2018, calculation reflected the newly adopted enhanced benefits for Airport Peace Officers (APO) who elected to stay at LACERS Plan effective as of January 7, 2018 while the June 30, 2025 pertains to enhanced death and disability benefits for certain sworn Public Safety Officers (PSO) including APO (refer to Note 2 – Retirement Plan Description, Tier 1 – Enhanced Benefits on page 20).

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

Schedule of Contribution History
(Dollars in Thousands)

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

Notes to Schedule:

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

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

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

Amortization Method — Level Percent of Payroll.

Retirement Plan *(continued)*

Amortization Period	Multiple layers – closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.
Asset Valuation Method	The actuarial value of assets is equal to the fair value of assets less unrecognized returns from each of the last seven years. The unrecognized return each year is equal to the difference between the actual and expected returns on the fair value, recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 40% of the fair value of assets.

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

Investment Rate of Return	7.00%.
Inflation	2.50%.
Across-the-Board Salary Increase	0.50%.
Projected Salary Increase	Ranges from 4.00% to 9.00% based on years of service, including inflation assumption at 2.50%, real across-the-board salary increase assumption of 0.50% plus merit and promotion increases.
Cost of Living Adjustment	2.75% for Tier 1; 2.00% for Tier 3. For Tier 1 members who have COLA banks, it is assumed that they receive up to 3% COLA increases until their COLA banks are exhausted and 2.75% thereafter.
Mortality Table for Healthy Retirees	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables (separate tables for males and females) with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Disabled Retirees	Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Tables (separate tables for males and females) with rates increased by 5% for males and decreased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *Currently in pay status*	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Tables with rates increased by 5% for males and 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Mortality Table for Beneficiaries *Not currently in pay status*	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables with rates increased by 10% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Retirement Plan *(continued)*

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

	2025	2024	2023	2022	2021
Annual money-weighted rate of return, net of investment expenses	11.1%	8.1%	7.1%	(8.0%)	27.5%

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

Note to Schedule:

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

Postemployment Health Care Plan

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

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

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

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

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

Note to Schedule:

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

Postemployment Health Care Plan *(continued)*

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

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

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

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

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

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

Postemployment Health Care Plan *(continued)*

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

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

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

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

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

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

Postemployment Health Care Plan *(continued)*

Notes to Schedule:

Changes of Benefit Terms: The OPEB liability from the changes of benefit terms for the fiscal year ended June 30, 2016 is primarily due to providing retiree healthcare benefits to part-time employees who retired with 10 years of service but less than 10 years of service credit (refer to Note 3 – Postemployment Health Care Plan Description, Eligibility Requirement and Benefits Provided on page 26) 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 20) as some APO Members may retire earlier than expected. Enhanced benefits became effective as of January 7, 2018.

Schedule of Contribution History
(Dollars in Thousands)

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

Notes to Schedule:

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

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

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

Amortization Method: Level Percent of Payroll.

Postemployment Health Care Plan *(continued)*

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

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

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

Postemployment Health Care Plan *(continued)*

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

	2025	2024	2023	2022	2021
Annual money-weighted rate of return, net of investment expenses	14.2%	10.1%	9.0%	(10.5%)	39.9%

	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 nine years' rates are available. As additional years' money-weighted rate of return becomes available, the System will disclose factors that significantly affect trends in the rate of return.

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

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

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

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

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

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

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

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

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