LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
lacera.com

WOVEN TOGETHER

Connecting service, stewardship, and
diverse strengths for a financially secure future

2021

Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021
Pension and OPEB Trust Funds of the County of Los Angeles, CA
Prepared by LACERA's Financial and Accounting Services Division

For more than 80 years, LACERA has been proudly fulfilling our mission to produce, protect, and provide the promised benefits of Los Angeles County employees and retirees. By interweaving our diverse strengths, personalized service, and strategically structured funds, we help create a financially secure future for our members.

Santos H. Kreimann
Chief Executive Officer

Luis A. Lugo
Deputy Chief Executive Officer

Laura Guglielmo
Assistant Executive Officer

JJ Popowich
Assistant Executive Officer

Los Angeles County
Employees Retirement
Association

300 N. Lake Avenue
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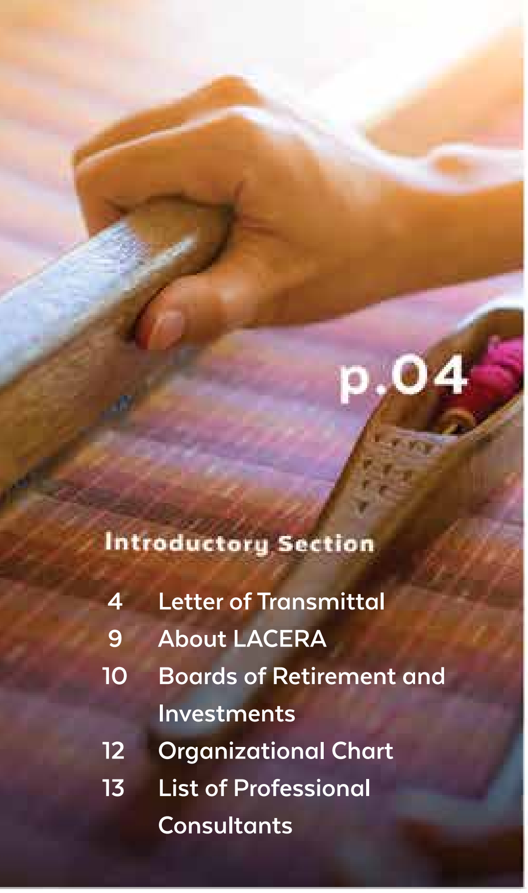

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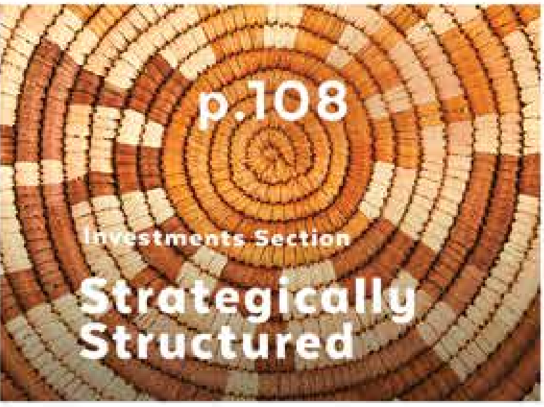
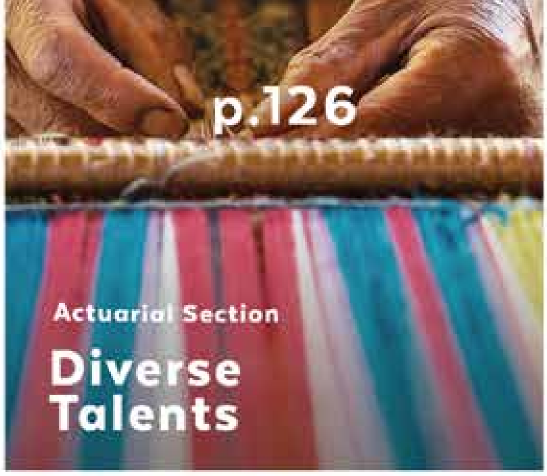
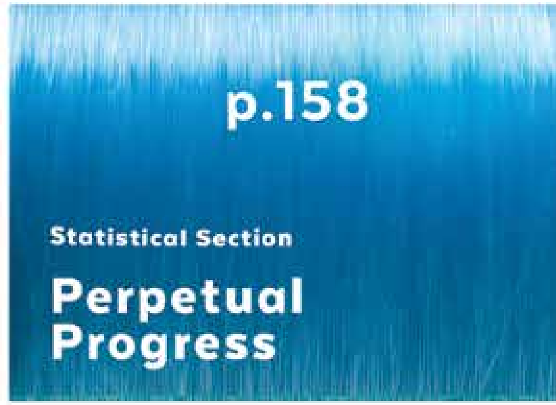


*The accompanying notes to the basic financial statements are an integral part of the basic financial statements.





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Santos H. Kreimann
Chief Executive Officer

"LACERA's strength stems from the diversity of our community, members, and employees, and the collective understanding that our lives and destinies are interwoven. This year, our fund returns outperformed policy benchmarks, as we continue to apply a long-term, diversified asset allocation strategy and weave environmental, social, and governance factors into our investment decisions."

Size of fund in 2021: $73 Billion

December 3, 2021

Los Angeles County Employees Retirement Association
Board of Retirement/Board of Investments
300 N. Lake Avenue, Suite 820
Pasadena, CA 91101

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This report is intended to provide a detailed review of the association's financial, actuarial, and investment status. LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and outside districts. It is our mission to produce, protect, and provide the promised benefits to our members and their beneficiaries. In the course of fulfilling that mission, we provide comprehensive customer service to over 185,000 members, which includes over 69,000 benefit recipients.

Woven Together

As an organization, LACERA's strength has always stemmed from the diversity of our community, unique talents of our members and employees, and the collective understanding that our lives and destinies are interwoven. The worldwide pandemic of the last couple of years has made us even more conscious of the ways we are all linked, both in our daily interactions and in a broader sense. It has also highlighted how variety and the exchange of ideas are crucial to our personal and professional resilience, creativity, and productivity. At LACERA, harnessing those strengths and connecting them with service is key to fulfilling our mission of producing, protecting, and providing the promised benefits to our members.

Our funds are diversified, yet our asset allocations are strategically designed to work together to optimize growth and minimize risk. This approach is fundamental to the long-term success of our trusts and continues to help us achieve solid returns during times of market fluctuations and instability. As part of our diversification strategy, LACERA weaves environmental, social, and governance factors into our investment decisions, while promoting diversity, equity, and inclusion efforts in our internal practices and with external investment managers. In 2021, we saw the positive results of this strategy, as our fund value increased more than 18 percent over 2020 as of the end of the fiscal year and outperformed policy benchmarks.

LACERA and Its Services

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the general and safety members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four other outside districts:

- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

Since its inception, LACERA has been governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the regulations, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of LACERA members. On September 12, 2012, California Governor Jerry Brown signed the Public Employees' Pension Reform Act of 2013 (PEPRA) into law. As of January 1, 2013, LACERA is governed by CERL and PEPRA. Both laws are contained in the California Government Code.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both boards appoint a chief executive officer, to whom is delegated the responsibility of overseeing the day-to-day management of LACERA and developing its annual administrative budget. Adoption of the budget is subject to approval by both boards.

Financial Information

Internal Control

The financial attest audit performed by Plante Moran Certified Public Accountants (CPAs) states that LACERA's financial statements, which are prepared by management, are presented in conformity with Generally Accepted Accounting Principles and are free of material misstatement. Management acknowledges it is responsible for the entire contents of this ACFR. In the course of sustaining a rigorous and comprehensive control environment throughout its operations, LACERA practices stringent risk management activities and annually performs a detailed, organization-wide risk assessment in which control objectives and their related processes are reviewed.

Maintaining appropriate internal controls is the responsibility of management; however, management recognizes no control or combination of controls can entirely free an organization from all error or misstatement. At their best, controls provide reasonable assurance such failings do not occur. The concept of reasonable assurance recognizes that the cost of a control should not exceed benefits likely derived; the valuation of costs and benefits requires estimates and judgments by management.

LACERA management is provided such assurance through the ongoing efforts of its Internal Audit and Quality Assurance Divisions and its boards. The Executive Office is confident that LACERA's established controls and the interactions of those controls detect all significant occurrences and prevent noteworthy inaccuracies.

Analysis

An overview of LACERA's fiscal operations is presented in the Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the organization's operational activities. LACERA's management is responsible for the accuracy, completeness, fair presentation of information, and all disclosures within this report.

Investment Activities

The Board of Investments adopted an investment policy statement that provides a framework for the management of LACERA's investment portfolio. This statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment objectives. LACERA's strategic asset allocation targets are long-term by design because of the Pension Plan's long-term investment horizon and the illiquidity of certain asset types.

The total Pension Plan returned 25.2 percent (net of fees), which was 210 basis points above its policy benchmark, which returned 23.1 percent. Over the five-year period ended

June 30, 2021, the total Pension Plan's annualized return was 10.8 percent (net of fees).

Luis A. Lugo
Deputy Chief Executive Officer

Actuarial Funding Status

Pursuant to provisions in the CERL, LACERA engages an independent actuarial firm to perform annual actuarial valuations. A system investigation of experience (also referred to as the experience study) is performed every three years. The economic and demographic actuarial assumptions are updated at the time each experience study is performed. These triennial experience studies serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each experience study. The latest experience study was conducted as of June 30, 2019.

LACERA is funded by member and employer contributions and investment earnings on those contributions. Normal member contributions are those required to fund a specific annuity at a specified age. Member contribution rates for members who entered LACERA membership prior to January 1, 2013 vary according to the member's plan and age at first membership. The CERL also requires members to pay half the contributions required to fund the cost-of-living benefit, which is affected by changes in both economic and demographic assumptions.

Liabilities not funded through member contributions are the responsibility of the employer. Changes in any of the economic and demographic assumptions impact employer contribution rates. The employer is responsible for contributing to cover the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit. These are called normal cost contributions. The employer is responsible also for making additional contributions to eliminate any shortfalls in funding covering liabilities that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

Provisions of the Public Employees' Pension Reform Act of 2013 (PEPRA) require equal sharing of normal costs between employers and employees. In January 2013, LACERA established two new retirement plans — General Plan G and Safety Plan C — for members with membership dates on or after January 1, 2013. Contributions for these plans are based on a single flat-rate percentage and are structured in accordance with the required 50/50 cost-sharing. A member's age at first membership is not considered.

The June 30, 2020 valuation determined the funded ratio to be 76.3 percent and recognized an Unfunded Actuarial Accrued Liability (UAAL) of $18.5 billion. The Los Angeles County contribution rate was therefore set equal to 14.8 percent of payroll for the amortization of the UAAL, plus the normal cost rate of 10.9 percent, for a calculated contribution rate of 25.7 percent of payroll. The total employer contribution rate was reduced to 24.6 percent after reflecting the 1.1 percent deferred recognition of new employer contribution rate increases.

In January 2020, the Board of Investments adopted a decrease in the investment return assumption to 7.0 percent; a decrease in the amortization periods to not more than 22 years for existing UAAL layers and 20 years for new UAAL layers; an increase in life expectancies; and kept the wage growth assumption and CPI assumption at 3.25 percent and 2.75 percent, respectively. All assumption changes were adopted effective June 30, 2019, although the impact on the employer contribution rate will be phased in over three years. These assumptions will be subject to change when the next experience study is conducted in 2022.

Summary of Accomplishments for Fiscal Year 2020-2021

In 2020, LACERA made a major transition to a mostly remote workforce in response to the COVID-19 pandemic. In 2021, most employees continued working from home while LACERA's Business Continuity Team oversaw office modifications and established onsite safety protocols in preparation for staff members' return to work. LACERA reopened its Member Service Center (MSC) to in-person appointments in July 2021 after being closed for more than a year, adopting a permanent by-appointment-only model to provide more efficient member service and decreased wait times. As of the end of 2021, LACERA had mandated vaccinations for all employees (except those with a valid medical or religious exemption) and had plans ready

Laura Guglielmo
Assistant Executive Officer

to phase employees back into the office in early 2022, utilizing a hybrid work schedule with alternating teams, work weeks, and workdays.

Following are LACERA's divisional achievements for 2021 and statistics for the fiscal year ending June 30, 2021.

Member Services answered 144,542 phone inquiries, while **Administrative Services** processed 354,013 pieces of mail and scanned and indexed 1,038,284 member documents. **Retiree Healthcare Division** specialists answered 86,741 calls, mailed 55,085 annual healthcare packets, and processed 5,157 enrollment forms.

For the fiscal year, with the Member Service Center remaining closed, retirement benefits specialists provided 5,725 one-on-one retirement counseling sessions to members telephonically and virtually. In addition, LACERA conducted 251 virtual workshops and benefit fairs with 12,745 attendees.

Benefits Division added 3,396 new retirees for the fiscal year (including 96 reciprocal retirements). They also ensured that 69,524 retirement allowances were paid on

JJ Popowich
Assistant Executive Officer

time each month. Meanwhile, our **Benefit Protection Unit** investigated 1,764 high-risk cases, which included instances of fraud, lost contact, and elder abuse.

Communications Division, in collaboration with Systems Division and subject matter experts across the organization, relaunched the lacera.com website on July 30, 2021. The new site improves LACERA's image and brand while offering responsive design and more interactivity. Preliminary numbers showed a jump in both lacera.com page traffic and My LACERA sign-ups, after promotion in the newsletters and on the homepage, respectively. New analytical tools will help the division report on performance in future annual reports.

Financial and Accounting Services Division processed 6,586 nonautomated member benefit payments; 803 member benefit payment adjustments; 7,365 staff and vendor payments; 1,224 corporate credit card transactions; 588 investment account reconciliations; and 3,020 investment wire transfers totaling $27.5 billion.

Human Resources Division hired 15 new staff members and return retirees and processed 59 emergency paid sick leave requests and 113 supplemental paid sick leave requests for COVID-19 related absences. Human Resources also launched the Employee Engagement Survey and coordinated follow-up focus groups as part of LACERA's commitment to increase employee satisfaction and performance.

Quality Assurance and Metrics Division (QA) coordinated with Member Operations Group and Systems Divisions to develop an audit platform and related reports to cover all QA audits, using consistent standards and methodologies; and developed and refined reporting and metrics functions for the Workspace (member account service) software. QA also developed topic-specific and core benefits training.

Systems Division continued to provide service and secure access for staff members working offsite, while maintaining organization-wide support and completing major infrastructure projects. In 2021, My LACERA registrations climbed to 99,204, with a total of 522,922 visits and 236,179 retirement benefit estimates created.

Awards and Recognition

For the 31st consecutive year, the Government Finance Officers Association (GFOA) awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of our ACFR for the fiscal year ended June 30, 2020.

LACERA was also a recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the 23rd year in a row. We received this honor for our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020.

These awards recognize contributions to the practice of government finance exemplifying outstanding financial management. In doing so, they stress practical, documented work that offers leadership to the profession.

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to LACERA in recognition of compliance with professional standards for plan design and administration for the fiscal year ended June 30, 2021. LACERA is a 19-time recipient of this honor, which is judged on a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications.

Acknowledgments

The preparation of this Annual Comprehensive Financial Report in a timely manner is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of LACERA's trustees. I am sincerely grateful to the LACERA boards and staff, as well as to all of our professional service providers, who perform so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Santos H. Kreimann

Santos H. Kreimann
Chief Executive Officer

Certificate of Achievement

Each year, a Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose Annual Comprehensive Financial Reports (ACFRs) achieve the highest standards in government accounting and reporting. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. For the 31st consecutive year, LACERA has earned this prestigious award, for its 2020 ACFR. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

PPCC Award

LACERA received the Public Pension Coordinating Council's (PPCC)* Public Pension Standards 2021 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. LACERA is a 19-time recipient of this important award.

*A confederation of NASRA, NCPERS, and NCTR

Board of Retirement

Established: 1938

The Board of Retirement (BOR) is responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications. The Board is composed of 11 members. Six members are elected: two are elected by active general members; retired members elect one member and one alternate member; safety members elect one member and also have an alternate member. Four of its members are appointed by the Los Angeles County Board of Supervisors, and the law requires the County Treasurer and Tax Collector to serve as an ex-officio member.

Board of Investments

Established: 1971

The Board of Investments is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the Fund. The Board is composed of nine members. Four members are elected: two are elected by active general members; retired members elect one member, as do safety members. Four of its members are appointed by the Los Angeles County Board of Supervisors, and the law requires the County Treasurer and Tax Collector to serve as an ex-officio member.

Board Responsibilities

Board of Retirement

- Manage LACERA
- Administer retiree healthcare
- Ensure prompt delivery of benefits
- Review disability retirement applications

Board of Investments

- Establish investment policy
- Diversify investments
- Investigate merits of investments
- Recommend employer and employee contribution rates

Both Boards

Appointment of CEO

Appointment and compensation of personnel

Adoption of LACERA's annual budget

Adoption of travel policy

Boards of Retirement and Investments (as of December 1, 2021)

1 **ALAN J. BERNSTEIN**
Chair
Board of Retirement
Term Expires 2023
Appointed by Board of Supervisors
Secretary
Board of Investments
Term Expires 2021
Appointed by Board of Supervisors

2 **ELIZABETH GINSBERG**
Board of Retirement
Board of Investments
Chief Deputy County Treasurer and Tax Collector
Alternate Ex-Officio Member

3 **VIVIAN H. GRAY**
Vice Chair
Board of Retirement
Term Expires 2021*
Elected by General Members

4 **DAVID GREEN**
Board of Investments
Term Expires 2023
Elected by General Members

5 **ELIZABETH GREENWOOD**
Board of Investments
Term Expires 2022
Appointed by Board of Supervisors

6 **JAMES P. HARRIS**
Board of Retirement
Term Expires 2023
Elected by Retired Members

7 **PATRICK L. JONES**
Board of Investments
Term Expires 2023
Appointed by Board of Supervisors

8 **SHAWN R. KEHOE**
Board of Retirement
Term Expires 2022
Board of Investments
Term Expires 2022
Elected by Safety Members

9 **JOSEPH KELLY**
Vice Chair
Board of Investments
Term Expires 2023
Elected by Retired Members

10 **KEITH KNOX**
Board of Retirement
Chair
Board of Investments
County Treasurer and Tax Collector
Ex-Officio Member

11 **WAYNE MOORE**
Board of Retirement
Term Expires 2022
Appointed by Board of Supervisors

12 **RONALD A. OKUM**
Board of Retirement
Term Expires 2021
Appointed by Board of Supervisors

13 **WILLIAM R. PRYOR**
Board of Retirement
Alternate Member
Term Expires 2022
Elected by Safety Members

14 **LES ROBBINS**
Board of Retirement
Term Expires 2023
Elected by Retired Members

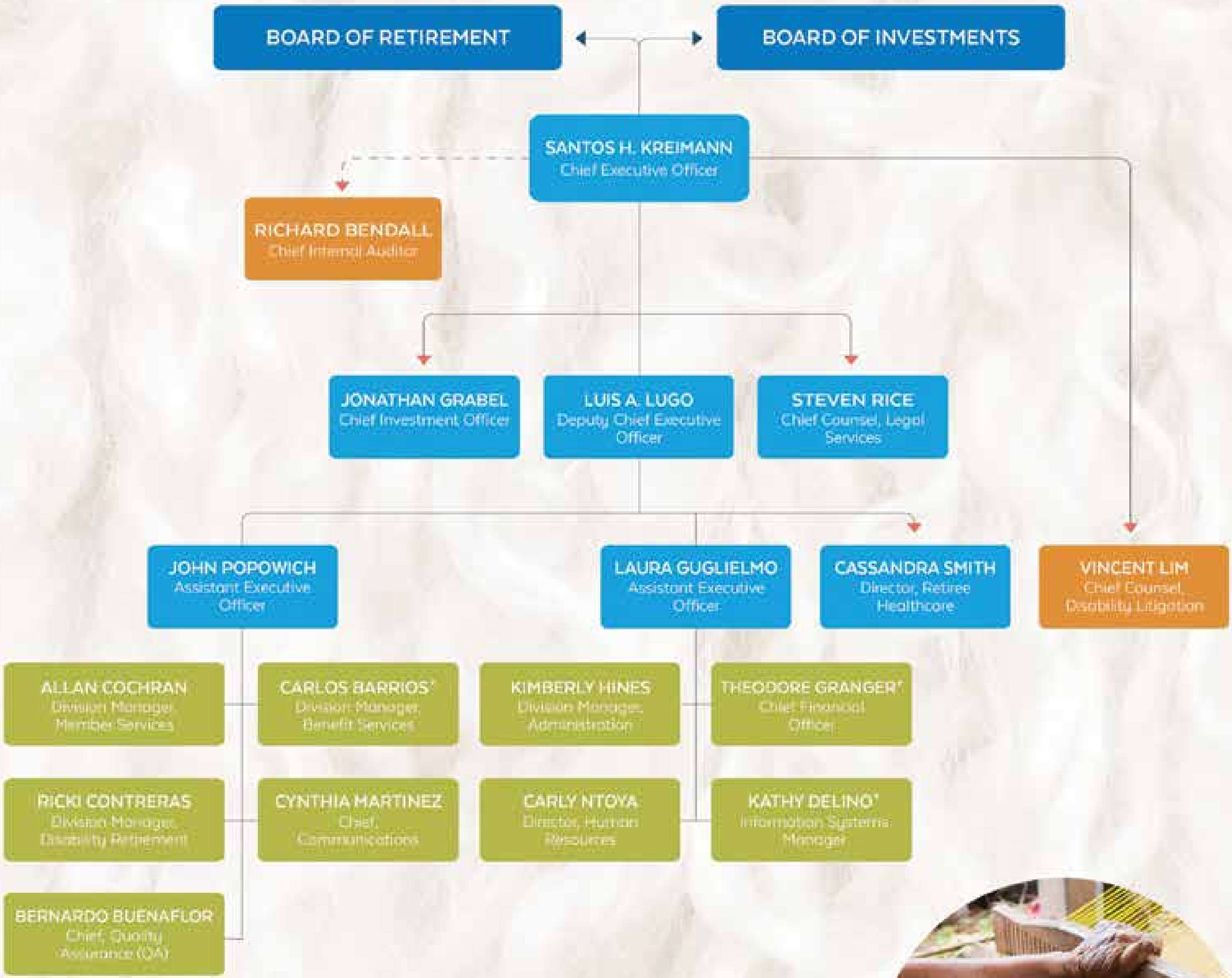
15 **GINA V. SANCHEZ**
Board of Investments
Term Expires 2023
Appointed by Board of Supervisors

16 **HERMAN B. SANTOS**
Board of Retirement
Term Expires 2023
Board of Investments
Term Expires 2021*
Elected by General Members

17 **GINA ZAPANTA**
Secretary
Board of Retirement
Term Expires 2023
Appointed by Board of Supervisors

*Reelected to new term starting in January 2022

LACERA ORGANIZATIONAL CHART



*interim assignment

Consulting Actuary
Milliman

Reviewing Actuary
Cavanaugh Macdonald

Financial Auditor
Plante Moran

Commercial Banking and Custodian
State Street Bank and Trust Company

Active Member Payroll Data Processing
Los Angeles County Internal Services Department

Governance Consultants
Glass, Lewis & Company, LLC
Institutional Shareholder Services, Inc.
Mosaic Governance Advisors, LLC

Investment Consultants
Albourne America, LLC
Greenhill & Co.
Meketa Investment Group
Stepstone Group, LP
The Townsend Group

Alternative Investment Fees Validation Service Provider
Mercer Investments, LLC

Mortgage Loan Custodians
Deutsche Bank National Trust Company

Retiree Healthcare Consultant and Claims Auditor
Segal Consulting

Legal Consultants
Bernstein Litowitz Berger & Grossman, LLP
Bleichmar Fonti & Auld, LLP
Buchalter, A Professional Corporation
Chapman & Cutler, LLP
Cohen Milstein Sellers & Toll, PLLC
Cox, Castle & Nicholson, LLP
DLA Piper, LLP
Foster Garvey, PLLC
Glaser Weil Fink Jacobs Howard Avchen & Shapiro, LLP
Goldstein & Russell, PC
Greines Martin Stein & Richland, LLP
Gutierrez Preciado & House, LLP
Kessler Topaz Meltzer & Check, LLP
Labaton Sucharow, LLP
Latham & Watkins, LLP
Liebert Cassidy Whitmore
Lieff Cabraser Heimann & Bernstein, LLP
Munger Tolles & Olson, LLP
Nossaman, LLP
Olson Remcho, LLP
Pillsbury Winthrop Shaw Pittman, LLP
Quinn Emanuel Urquhart & Sullivan, LLP
Reed Smith, LLP
Robbins Geller Rudman & Dowd, LLP
Seyfarth Shaw, LLP
Sheppard, Mullin, Richter & Hampton, LLP
Spector Roseman Kodroff & Willis, PC
Wellington Gregory, LLP
Winet Patrick Gayer Creighton & Hanes
Vivian W. Shultz

Legislative Advocates
Ackler & Associates
Doucet Consulting Solutions
McHugh Koepke & Associates
Williams & Jensen, PLLC

Media and Public Relations Consultant
Englander, Knabe & Allen

Please refer to the Investment Section for a list of Investment Managers and the Schedule of Investment Management Fees.

Combined Strengths

Financial Section

Twisting fibers into strings and combining the strings by weaving creates a fabric that is strong yet flexible. Similarly, LACERA's boards, executives, and staff members bring individual strengths and specialized skills to the job and are bound by their dedication to service and cohesive focus on achieving our mission for our members.

The strongest natural textile in the world, silk is made from the cocoons of *Bombyx mori* moth larvae, which feed solely on the leaves of white mulberry trees. Silkworms create a cocoon during their development that can be harvested, heated, and unraveled to reveal a single silk thread. The threads are so fine that several must be twisted together to be thick enough to weave into fabric.

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To the Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of Los Angeles County Employees Retirement Association as of June 30, 2021 and 2020 and the changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note P, the financial statements include investments valued at $19,818,800,000 (26 percent of net position) at June 30, 2021 and $14,671,562,000 (24 percent of net position) at June 30, 2020 whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 audits 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Los Angeles County Employees Retirement Association's basic financial statements. The other supplementary information, as identified in the table of contents, and the introductory, investment, actuarial, and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audits 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 13, 2021 on our consideration of Los Angeles County Employees Retirement Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 County Employees Retirement Association's internal control over financial reporting and compliance.

October 13, 2021

Plante & Moran, PLLC

INTRODUCTION

Management is pleased to provide this discussion and analysis (MD&A) of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) for the year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with the information included in the Letter of Transmittal found in the Introductory Section of this Annual Comprehensive Financial Report (ACFR).

Theodore Granger
Interim Chief Financial Officer

FINANCIAL HIGHLIGHTS

Pension Plan

- Fiduciary Net Position Restricted for Benefits, as reported in the June 30, 2021 Statement of Fiduciary Net Position, totaled $73.0 billion, an increase of $14.5 billion or 24.8 percent from June 30, 2020.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, were $18.4 billion resulting from investment earnings and employer and member contributions. Total additions increased in 2021, equal to $14.5 billion or 371.0 percent more than the amounts realized in 2020, primarily due to higher investment activity income.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, totaled $3.9 billion, an increase of $213 million or 5.8 percent from the prior year. The increase was primarily attributable to an increase in pension benefits paid to retired members.
- Milliman, LACERA's independent consulting actuary, completed the latest actuarial valuation as of June 30, 2020, which is used in preparing this ACFR, and determined the funded status of the Pension Plan (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 76.3 percent versus 77.2 percent as of June 30, 2019. The decrease in funded ratio was primarily due to the recognition of current and prior year actuarial asset losses, which caused a 0.9 percent decrease.
- The Net Pension Liability, provided in accordance with Governmental Accounting Standards Board Statement Number 67 (GASB 67), was $7.3 billion for the fiscal year ended June 30, 2021. This represents a decrease of $10.8 billion from June 30, 2020, when the liability was $18.1 billion. The significant decrease was caused by an increase in investment activity income. As of June 30, 2021, the most recent measurement date, the Pension Plan's Fiduciary Net Position was 90.9 percent of the Total Pension Liability, an increase from 76.4 percent as measured for the previous fiscal year ended 2020. This increase was due to the significant growth in the Pension Plan's Fiduciary Net Position.

Other Post-Employment Benefits (OPEB) Program

- The OPEB Custodial Fund balance at June 30, 2021 increased to approximately $166 million from the prior year, when the balance was $148 million for the fiscal year ended 2020. The increase of 12.2 percent in funds held on behalf of plan sponsors, after funding pay-as-you-go benefit costs, was $18 million.
- The OPEB Trust Fiduciary Net Position increased by $0.8 billion, primarily due to contributions received from participating employers and investment earnings. The balance available to fund future OPEB liabilities at June 30, 2021 increased by 54.5 percent, totaling $2.3 billion as compared to $1.5 billion for the prior year at June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the *LACERA Basic Financial Statements*, which include the following primary components: the Statement of Fiduciary Net Position; the Statement of Changes in Fiduciary Net Position; and the

Notes to the Basic Financial Statements. The Basic Financial Statements are prepared in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting as prescribed by Generally Accepted Accounting Principles of the United States (U.S. GAAP). Separate statements are provided for the Pension Plan, OPEB Custodial Fund, and OPEB Trust, which are distinct from each other and report the results of the annual financial activities within their respective presentations.

The *Statement of Fiduciary Net Position* is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries, reduced by any current liabilities owed as of the report date. The Fiduciary Net Position Restricted for Benefits amount, which is the assets less the liabilities, or net position, reflects the funds available for future use to pay benefits.

The *Statement of Changes in Fiduciary Net Position* reflects all the financial transactions that occurred during the fiscal year and the impact those additions and deductions had on the Fiduciary Net Position Restricted for Benefits. The additions versus deductions trend indicates the financial condition over time for, separately, the Pension Plan, OPEB Custodial Fund, and OPEB Trust.

The *Notes to the Basic Financial Statements* (Notes) are an integral part of the financial statements. These Notes provide detailed discussions of key policies, programs, and activities that occurred during the year.

Other information to supplement LACERA's Basic Financial Statements is provided as follows:

> *Required Supplementary Information* (RSI) presents historical trend information to satisfy GASB 67 disclosures and contributes to understanding the historical changes in the participating employers' Net Pension Liability. There is some limited information provided regarding the OPEB Program investment returns to support compliance with GASB Statement Number 74 requirements under an agent plan structure.
>
> *Other Supplementary Information* (OSI) includes the schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants. The OSI is presented immediately following the RSI section of this ACFR.

Pension Plan

Under the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the California Public Employees' Pension Reform Act of 2013 (PEPRA), LACERA administers a cost-sharing multiple employer defined benefit retirement plan (Pension Plan) for the employees of the County of Los Angeles (County), the Los Angeles Superior Court (Court), and four Outside Districts (i.e., Little Lake Cemetery District, Local Agency Formation Commission for the County of Los Angeles, Los Angeles County Office of Education, and South Coast Air Quality Management District). The Pension Plan is presented separately in the Statement of Fiduciary Net Position as an irrevocable trust fund. LACERA collects contributions from employers and active members and earns income on invested assets so the Pension Plan balances accumulate over the long term, such that promised benefits can be paid to retirees now and in future years.

Retiree Healthcare Benefits Program

In April 1982, the County adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) that provided for a Retiree Healthcare Benefits Program (RHCBP) which is also referred to as the Other Post-Employment Benefits Program (OPEB Program) that offers a variety of medical and dental/vision healthcare plans for retired members and their eligible dependents. In that same year, the County and LACERA entered into an Agreement whereby LACERA would administer the RHCBP subject to the terms and conditions of the Agreement. In 1994, the County amended the Agreement to ensure that the RHCBP will continue even if there are changes to or termination of the active employee insurance programs.

In June 2014, the LACERA Board of Retirement approved the County's request to modify the agreement, which created a new retiree healthcare benefits tier for certain new employees in order to lower its costs. Structurally, the

County segregated all the then-current retirees and employees into the LACERA-administered RHCBP (Tier 1) and placed all employees hired after June 30, 2014 into the newly established Los Angeles County RHCBP (Tier 2).

Employees are eligible for RHCBP if they are members of LACERA and retire from the County of Los Angeles, LACERA, the Superior Court, or a participating Outside District. The RCHBP offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits. Program benefits are provided through third-party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered.

OPEB Custodial Fund

The OPEB Custodial Fund reflects the annual financial activity of the RHCBP/OPEB Program for all participating employers (i.e., County, Court, and LACERA), including those that have not yet established any advanced funding in the OPEB Trust (i.e., Outside Districts). Plan sponsors and members provide monthly funding using a "pay-as-you-go" methodology, which is used to pay healthcare premiums including administrative fees, as well as other healthcare benefits provided by the OPEB Program. Retirees may qualify for employer-paid medical/dental insurance subsidies from 40 percent of the selected plan or benchmark plan premium up to 100 percent, depending upon the member's years of service credit. LACERA bills the healthcare premiums to the participating employers and members and receives reimbursement on a monthly basis. Plan members are required to pay the difference between the employer-paid subsidy and the actual premium cost. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants.

OPEB Trust

Pursuant to the California Government Code, Los Angeles County established an irrevocable, tax-exempt OPEB Trust for the purpose of holding and investing assets prefunding a portion of the cost of the OPEB Program (or the Retiree Healthcare Benefits Program), which LACERA administers.

In May 2012, the County negotiated a trust and investment services agreement with the LACERA Board of Investments to manage and invest the OPEB Trust assets. The participating employers provide quarterly contributions, and the administrative costs incurred by LACERA are deducted from the County OPEB Trust. There are two participating employers in the County OPEB Trust: the County and LACERA. The Fiduciary Net Position Restricted for Benefits of the OPEB Trust is reported separately and legally distinct from that of the Pension Plan. Assets held in the Pension Plan are not used to finance benefits provided for under the OPEB Program.

The Superior Court (Court) decided to begin prefunding its OPEB obligations through a Court OPEB trust to be effective and initially funded as of June 30, 2016. After discussions and negotiations between the County, LACERA, and the Court, it was determined that a separate irrevocable OPEB trust would be established for the Court. A trust and investment services agreement was negotiated between LACERA and the Court setting forth the terms under which the LACERA Board of Investments serves as Trustee of the Court OPEB Trust. The Court Agreement was submitted and approved by the Court's Judicial Council in April 2016 and executed in June 2016. Contributions are made by the Court on a discretionary basis at fiscal year-end.

An OPEB master trust was created to facilitate investment strategies for the County, LACERA, and the Court, and does not include funding from the four Outside Districts. The purpose of this fund is for plan sponsors to set aside assets to offset a portion of the OPEB, or retiree healthcare benefits liability. The OPEB Trust is presented separately in the Statement of Fiduciary Net Position. The LACERA Board of Investments manages the OPEB Trust for the County, LACERA, and the Court, and utilizes an investment policy statement to diversify investments based on the agencies' future obligations. The OPEB Trust's Fiduciary Net Position Restricted for Benefits at year-end serves to measure the effort in pre-funding future expenses associated with other post-employment benefits such as those provided through the OPEB Program. The OPEB Trust income and expenses are also presented separately in the OPEB Trust's Statement of Changes in Fiduciary Net Position.

FINANCIAL ANALYSIS — PENSION PLAN

Net Position Restricted for Benefits

The Pension Plan's Total Fiduciary Net Position Restricted for Benefits represents the available fund balance of member and employer contributions, once investment activity, benefit payments, refunds, and administrative expenses are accounted for, that is available for retirement benefits. As of June 30, 2021, LACERA had Total Assets of $75.4 billion, which exceeded Total Liabilities of $2.4 billion, resulting in a Fiduciary Net Position Restricted for Benefits of $73.0 billion. This amount reflects an increase of $14.5 billion or 24.8 percent from the prior year, due primarily to robust investment market performance. As of the prior year June 30, 2020, LACERA had $61.4 billion of Total Assets, which was greater than $2.9 billion in Total Liabilities, resulting in $58.5 billion in Fiduciary Net Position Restricted for Benefits.

Net Position Restricted for Benefits — Pension Plan

As of June 30, 2021, 2020, and 2019

(Dollars in Millions)

	2021	2020	2019	2021-2020 % Change	2020-2019 % Change
Investments	**$70,298**	$56,574	$57,976	24.3%	(2.4)%
Other Assets	**5,066**	4,787	3,380	5.8%	41.6%
Total Assets	**$75,364**	$61,361	$61,356	22.8%	0.0%
Total Liabilities	**(2,352)**	(2,851)	(3,061)	(17.5)%	(6.9)%
Net Position Restricted for Benefits	**$73,012**	**$58,510**	**$58,295**	**24.8%**	**0.4%**

Additions and Deductions to Net Position Restricted for Benefits

The primary sources that finance the promised pension benefits LACERA provides to members and their beneficiaries are the collection of employer and member retirement contributions and realized investment income. For fiscal years ended 2021 and 2020, Total Additions amounted to $18.4 billion and $3.9 billion, respectively, and were due primarily to LACERA's diverse investment strategy producing positive investment performance.

The net investment gain for fiscal year 2021 was $15.6 billion, an increase of $14.2 billion from the 2020 fiscal year when the net investment gain was $1.4 billion. This fiscal year's time-weighted investment returns of 25.2 percent (net of fees) is greater than the actuarial assumed investment earnings rate of 7.0 percent primarily due to strong returns produced by global equity and private equity assets. These two asset classes accounted for 50 percent of the Pension Fund's total assets as of June 30, 2021. The investment gains and losses experienced will continue to impact the actuarial funded ratio over time as they are recognized in the future through the actuarial asset-smoothing process.

To finance employer contributions that are due to LACERA, the County and the Outside Districts made cash payments monthly or semi-monthly contributions to coincide with the employee payroll cycle. For the fiscal years ended June 30, 2021 and 2020, the required employer contributions due to LACERA were paid in full.

The primary uses of LACERA's assets include the payment of promised benefits to members and their beneficiaries, refunds of contributions to terminated employees, and costs of administering the Pension Plan. These deductions totaled $3.9 billion for fiscal year 2021, an increase of $213 million or 5.8 percent from the prior year. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in pension payments, including cost-of-living adjustments, for the fiscal year ended June 30, 2021. Administrative and miscellaneous expenses also increased 5.8 percent from the fiscal year ended 2020 to 2021 primarily due to equipment and services to strengthen LACERA's information technology systems, and scheduled salary increases. Investments in information technology and staffing resources will allow LACERA to continue to serve the needs of its membership now and into the future.

For the fiscal years ended June 30, 2021 and 2020, the net increase to the Fiduciary Net Position Restricted for Benefits was $14.5 billion and $0.2 billion, respectively. These amounts represent the annual change in net position made available for additional investments, benefit payments, and LACERA's cost of operations.

Additions and Deductions in Fiduciary Net Position — Pension Plan

For the Fiscal Years Ended June 30, 2021, 2020, and 2019

(Dollars in Millions)

				2021-2020		2020-2019	
	2021	2020	2019	Difference	% Change	Difference	% Change
Contributions	**$2,774**	$2,459	$2,304	$315	12.8%	$155	6.7%
Net Investment Income/(Loss)	**15,633**	1,448	3,181	14,185	979.6%	(1,733)	(54.5)%
Total Additions/ (Declines)	**$18,407**	**$3,907**	**$5,485**	**$14,500**	**371.1%**	**($1,578)**	**(28.8)%**
Benefits and Refunds	**($3,814)**	($3,606)	($3,407)	($208)	5.8%	($199)	5.8%
Administrative Expenses and Miscellaneous	**(91)**	(86)	(83)	(5)	5.8%	(3)	3.6%
Total Deductions	**($3,905)**	**($3,692)**	**($3,490)**	**($213)**	**5.8%**	**($202)**	**5.8%**
Net Increase/(Decrease)	**$14,502**	$215	$1,995	$14,287	6,645.1%	($1,780)	(89.2)%
Fiduciary Net Position at Beginning of Year	**58,510**	58,295	56,300	215	0.4%	1,995	3.5%
Fiduciary Net Position at End of Year	**$73,012**	**$58,510**	**$58,295**	**$14,502**	**24.8%**	**$215**	**0.4%**

Asset Allocation

Meketa Investment Group (Meketa), LACERA's general investment consultant, reviews the existing asset allocation structure every three to five years to recommend an appropriate allocation consistent with the economic environment, considering model assumptions and constraints. In March 2018, the LACERA Board of Investments approved Meketa's functional asset category structure creating new asset allocation models that had more attractive return/risk quotients than the current portfolio structure at that time, and reflected greater diversification, potentially resulting in higher market performance throughout a full market cycle. The functional framework provides for a broader group of Pension Trust investments. The traditional asset classes were reassigned and expanded in these new functional asset categories, labeled as Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation.

In fiscal year 2020, LACERA implemented a cash overlay program for the Pension Plan designed to further rebalance the portfolio toward its functional category strategic weights using the portfolio's excess cash.

During fiscal year 2021, Meketa completed a strategic asset allocation review for LACERA's Pension Plan and OPEB Trust investments. The Board approved revised target asset allocation weights for the Pension Plan in May 2021 and for the OPEB Trust in June 2021. Implementation of the new asset allocations within the functional framework for both portfolios will begin in the upcoming fiscal year.

Pension Liabilities

As GASB Statement Number 67 (GASB 67) requires, LACERA reports the Total Pension Liability and the Net Pension Liability as calculated by LACERA's actuary. The Total Pension Liability is the portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the entry age normal cost method, based on the requirements of GASB 67. The Net Pension Liability is the Total Pension Liability minus the plan's net assets or fiduciary net position. These liabilities, which are the employers' responsibility, are solely calculated under the guidance of GASB 67 for financial statement reporting purposes.

The Actuarial Valuation of Retirement Benefits Report (funding valuation) provides information about the employers' funding of such liabilities, including the Pension Plan required contributions and funded status. In addition, the funding valuation serves as a basis for providing the information required for accounting and reporting disclosures (under GASB standards). The Total Pension Liability as of June 30, 2021 was $80.3 billion, or an increase of 4.9 percent from the Total Pension Liability of $76.6 billion as of June 30, 2020. The Net Pension Liability as of June 30, 2021 was $7.3 billion, representing a decrease of 59.6 percent from the Net Pension Liability of $18.1 billion as of June 30, 2020, primarily due to strong investment returns in the fiscal year ended June 30, 2021. The Net Pension Liability decreased by $10.8 billion because LACERA experienced a $14.5 billion increase in the Fiduciary Net Position, which offsets the $3.7 billion increase in Total Pension Liability.

GASB 67 requires the presentation of the Fiduciary Net Position as a percentage of the Total Pension Liability. For the fiscal years ended June 30, 2021 and 2020, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 90.9 percent and 76.4 percent, respectively. The increase for the fiscal year ended June 30, 2021 represents additional funds available to offset the present value of projected benefit payments and is due to the growth in the Total Pension Liability of $3.7 billion compared to a much larger increase in LACERA's Fiduciary Net Position of $14.5 billion, netted against the liability. The Total Pension Liability increased as generally expected from year to year and is consistent with prior experience over time. Contributing factors include the cost of benefits earned over the period, interest on the Total Pension Liability, and benefit payments.

Net Pension Liability

As of June 30, 2021 , 2020, and 2019

(Dollars in Millions)

				2021-2020		2020-2019	
	2021	2020	2019	$ Change	% Change	$ Change	% Change
Total Pension Liability	**$80,304**	$76,580	$70,309	$3,724	4.9%	$6,271	8.9%
Less: Fiduciary Net Position	**(73,012)**	(58,510)	(58,295)	(14,502)	24.8%	(215)	0.4%
Net Pension Liability	**$7,292**	**$18,070**	**$12,014**	**($10,778)**	**(59.6)%**	**$6,056**	**50.4%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**90.9%**	**76.4%**	**82.9%**	**N/A**	**N/A**	**N/A**	**N/A**

OPEB PROGRAM FINANCIAL REPORTING

There are two financial sources provided by plan sponsor employers used to fund the OPEB Program. One is the OPEB Custodial Fund used to pay premium costs on a current and ongoing basis. The other is the OPEB Trust containing contributions set aside by certain participating employers to pay certain other current administrative costs and future costs.

Financial Analysis — OPEB Custodial Fund

The OPEB Custodial Fund is used to pay benefit costs as incurred on a "pay-as-you-go" ongoing basis. As of June 30, 2021, the OPEB Custodial Fund's total assets exceeded total liabilities, resulting in a positive Fiduciary Net Position Restricted for Benefits of approximately $166 million. This balance, where total assets of $233 million exceeded total liabilities of $67 million, represents funds provided by plan sponsor employers in excess of benefits paid during the period, held at LACERA on behalf of the employers. As of the end of the fiscal year, June 30, 2020, the Fiduciary Net Position Restricted for Benefits was $148 million as a result of total assets, reported at $252 million, exceeding total liabilities of $104 million.

As required under GASB 84, LACERA's Statement of Changes in Fiduciary Net Position includes the financial activity of the OPEB Custodial Fund. For the fiscal years ended June 30, 2021 and 2020, total additions were $770 million and approximately $732 million, as total deductions amounted to $752 million and $716 million, respectively. This caused an $18 million and $16 million increase in the Fiduciary Net Position Restricted for Benefits over the last two fiscal years. Contributions from employers and members exceeded the total of benefit costs and administrative expenses during the year. Balances held in the OPEB Custodial Fund not used to pay benefits are invested by LACERA's Board of Investments. For the fiscal years 2021 and 2020, net investment income was $0.2 million and $5.7 million, respectively.

Financial Analysis — OPEB Trust

As reflected in the OPEB Trust's Statement of Changes in Fiduciary Net Position, OPEB Trust additions included net investment income of $452.1 million, which was significantly more as compared to the prior year due to higher investment performance. Deductions included $0.6 million for total administrative expenses. The OPEB Trust's Fiduciary Net Position Restricted for Benefits as of the fiscal year ended June 30, 2021 was $2.3 billion. As of June 30, 2020, the total OPEB Trust Fiduciary Net Position Restricted for Benefits was $1.5 billion, after earning $6.2 million in net investment income and deducting $0.2 million for total administrative expenses.

Employers provided OPEB Trust prefunding contributions of $363 million for fiscal year 2021, a 46.4 percent increase from $248 million for fiscal year 2020, which represents a portion of the total contributions presented in this statement. The OPEB Trust holds funding set aside by certain participating employers to pay current administrative costs and provide future benefits. GASB standards require, for financial statement presentation, the Statement of Changes in Fiduciary Net Position for the OPEB Trust to include an adjustment for pay-as-you-go additions to Fiduciary Net Position as OPEB payments become due that would not be reimbursed to the employers using OPEB Trust assets. Correspondingly, Service Benefits deductions were increased to reflect all benefit payments made by employers as OPEB benefits became due. Total OPEB Trust contributions including this adjustment were $1.1 billion for fiscal year 2021 and $908 million for fiscal year 2020. Actual amounts LACERA paid to provide benefits and reimbursed to LACERA by employers and members are included within the OPEB Custodial Fund held on behalf of employers.

OPEB Trust Investment Structure

In June 2016, the LACERA Board of Investments approved the use of a unitized fund structure for the OPEB Trust funds. The OPEB Master Trust structure allows for unitization of investments at the asset composite level while retaining individual net asset values for each participating employer. The OPEB Master Trust accommodates commingling and co-investing of the County, LACERA, and Court OPEB Trust funds. The "OPEB Master Trust" as described within the Investment Section, which is commonly referred to as the "OPEB Trust" throughout this ACFR, includes the County, LACERA, and Court OPEB Trust investments. In June 2021, the LACERA Board of Investments adopted a revised asset allocation model including new asset classes such as private equity and real estate within the functional asset category structure. This diversified investment strategy will be implemented beginning in the upcoming fiscal year.

Information related to the OPEB Trust is included in the Financial Section, Note Q — OPEB Trust and other ACFR sections, such as Note N — OPEB Program which describes program benefits, to meet financial reporting requirements. Due to the OPEB Program's change from a cost-sharing to an agent plan structure in July 2018, LACERA's financial statements, as the OPEB Program administrator, were updated to report only information as required in accordance with GASB Statement Number 74.

PLAN ADMINISTRATION
LACERA Membership

The following table provides comparative LACERA membership data for the last two fiscal years. Active members declined by 50 as of June 30, 2021, while there was an increase of 1,536 or 2.3 percent in retirees when comparing the two fiscal years ended June 30, 2021 and 2020.

LACERA Membership

As of June 30, 2021 and 2020

			2021-2020	
	2021	2020	Difference	% Change
Active Members[1]	**116,239**	116,289	(50)	—%
Retired Members	**69,524**	67,988	1,536	2.3%
Total Membership	**185,763**	**184,277**	**1,486**	**0.8%**

[1]Effective fiscal year ended June 30, 2019 and going forward, active member counts include terminated members, and both vested (deferred) and non-vested (inactive) members.

ADMINISTRATIVE EXPENSES

The LACERA Boards of Retirement and Investments jointly approve the Operating Budget, which becomes effective at the beginning of the fiscal year. During the fiscal year ended 2020-2021, LACERA adopted an annual operating budget amendment process to address staffing changes and urgent operating needs. The Operating Budget information presented in these financial statements represents the original budget amounts for the fiscal year 2020 and amended budget amounts for the fiscal year 2021. LACERA's annual budget plan controls administrative expenses and represents approximately 0.12 percent of the allowable basis for the budget calculation for each of the fiscal years ended June 30, 2021 and 2020. The actual administrative expenses were $91 million for 2021 compared to $85 million for 2020, resulting in a 7.1 percent increase. The primary factors contributing to the rise were the organization's plan to fill vacant positions, the addition of new staffing positions, scheduled salary increases, and purchases of information technology services and equipment.

The CERL governing the LACERA Pension Plan requires that the annual budget for administrative expenses may not exceed 0.21 percent of the Actuarial Accrued Liability (AAL) as of the prior fiscal year. CERL provides allowances for other administrative costs such as legal representation and expenditures for information technology projects; LACERA includes such costs in the administrative expense allocation.

The following table provides a comparison of the actual administrative expenses for the fiscal years ended 2021 and 2020. The AAL was used to calculate the statutory budget amount. For both years, LACERA's administrative expenditures were well below the limit imposed by law.

Analysis of Administrative Expenses

As of June 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Total Statutory Budget Appropriation	$156,735	$143,907
Basis for Budget Calculation (Actuarial Accrued Liability)	74,635,840	68,527,354
Limit per CERL	**0.21%**	**0.21%**
Administrative Expenses	$90,586	$85,384
Basis for Budget Calculation (Actuarial Accrued Liability)	74,635,840	68,527,354
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	**0.12%**
Total Statutory Budget Appropriation	$156,735	$143,907
Operating Budget Request	(100,291)	(94,600)
Underexpended Statutory Budget Appropriation	**$56,444**	**$49,307**
Operating Budget Request	$100,291	$94,600
Administrative Expenses	(90,586)	(85,384)
Underexpended Operating Budget	**$9,705**	**$9,216**

ACTUARIAL FUNDING VALUATIONS

In order to determine whether the Fiduciary Net Position Restricted for Benefits will be sufficient to meet the Pension Plan's future obligations, the actuarial funded status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of promised benefits are appraised. These assets are compared with the actuarial liabilities, which represent the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine future contributions amounts needed by the employers (plan sponsors) and the employees (members) to provide all promised future benefits. A valuation is performed each year. An experience study is performed every three years to review the assumptions and methods applied in preparing the annual valuations.

Board Policy

In December 2009, the LACERA Board of Investments adopted a revised Retirement Benefit Funding Policy (Funding Policy). In February 2013, the Funding Policy was further amended to conform to the new PEPRA provisions. In addition, beginning with the June 30, 2009 valuation and on a prospective basis, the LACERA Board of Investments approved inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance in valuation assets. As such, the actuary includes the STAR Reserve as part of actuarial assets available for funding retirement benefits. Consistent with the 2013 Funding Policy, an asset smoothing method is applied to actuarial investment gains and losses. Variances between the actuarially expected market value of assets (computed based on investment performance at the actuarial assumed rate of return) and the actual market value of assets are calculated and then recognized, or smoothed over a five-year period. This actuarial smoothing process recognizes a portion of each year's actuarial investment gains and losses (in relation to the actuarially assumed return) in order to minimize substantial variations in the employer contribution rates and funded ratios.

Actuarial Liabilities

The consulting actuary calculates contributions required to fund the Pension Plan. The difference between the present value of all future obligations and the present value of future normal cost contributions is referred to as the Actuarial Accrued Liability (AAL), which totaled $78.3 billion as of June 30, 2020. The $59.8 billion of market value of net assets reported for fiscal year-end 2020 is used to offset the AAL, and the difference is referred to as the June 30, 2020 Unfunded Actuarial Accrued Liability (UAAL), which was reported at $18.5 billion.

The Funding Policy provides an approach for managing the UAAL. LACERA applies an amortization method including multiple layers amortized over closed periods. For each fiscal year, gains or losses on the UAAL are calculated and then amortized over the period defined, which was changed from 30 years to 20 years. For existing layers with amortization periods longer than 22 years, these layers were reset to a term no longer than 22 years. New layers added each year are amortized over 20 years. This process establishes a payoff schedule of the UAAL and helps dampen volatility in required amortization payments which, in turn, is designed to provide stability in employer contribution rates. The LACERA Board of Investments updated the amortization method based on the results of the 2019 investigation of experience report prepared by the consulting actuary.

Actuarial Assumptions

In January 2020, as a result of the most recent experience and assumption study completed as of June 30, 2019, the LACERA Board of Investments adopted a decrease in the investment return assumption. The investment return assumption was reduced from 7.25 to 7.00 percent for the June 30, 2019 actuarial valuation due to projected challenges in the years ahead to achieving a higher rate of return. There were no changes approved by the LACERA Board of Investments to the corresponding price and wage inflation assumptions. Contribution rates were increased for the fiscal year beginning July 1, 2020, with employee rates set to change while increases in the employer contribution rate were scheduled to be phased in over the next three years (fiscal years beginning July 1, 2020 through July 1, 2022), softening the immediate impact to plan sponsors.

The funded ratio is a measurement of the funded status of the Pension Plan. It is calculated by dividing the Valuation Assets by the AAL. Valuation Assets are the value of cash, investments, and other assets belonging to the Pension

Plan, as used by the actuary for the purpose of preparing the actuarial valuation. Investment returns, which have varied over the last three years, cause fluctuations in Valuation Assets. In 2019, the LACERA Board of Investments reduced the assumed investment rate of return (as described above and in the Actuarial Section of this ACFR).

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2020 and determined that the Pension Plan's Funded Ratio of the actuarial assets to the AAL decreased to 76.3 percent as of that date, as compared to 77.2 percent as of the June 30, 2019 valuation.

The investment return on a market basis for 2020, which was below the actuarial assumed investment earnings rate, resulted in a 0.9 percent decrease in the Funded Ratio when applying the five-year actuarial asset smoothing method. For the 2020 and 2019 fiscal year-end actuarial valuations, respectively, the Pension Plan investment portfolio returned 1.8 percent and 6.4 percent (both net of fees), on a time-weighted market basis, which were both less than 7 percent investment return assumption effective for both years. When compared to the assumed rate of return, in total, there was a $2.7 billion loss on market assets. Under the actuarial asset smoothing method, which recognizes investment gains and losses over a five-year period, the return on actuarial assets was 5.8 percent, equivalent to a loss of $701 million relative to the assumed return of 7 percent.

The following table provides a three-year history of investment and actuarial returns and the actuarial funded ratios. As required by GASB Statement Numbers 67 and 74, the money-weighted rate of return is presented as an expression of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2021, the annual money-weighted rate of return on Pension Plan investments was 25.2 percent (net of fees), the same as the time-weighted return for the same period. The annual 2021 Pension Plan valuation report is not available as of this ACFR's publication.

Total Investment Rates of Return — Pension Plan

For the Last Three Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[1]	Return on Smoothed Valuation Assets (net of fees)[1,2]	Actuarial Assumed Rate of Return	Actuarial Funded Ratio
2019	$57,976,436	6.4%	5.5%	6.5%	7.0%	77.2%
2020	$56,574,410	1.8%	1.4%	5.8%	7.0%	76.3%
2021[3]	**$70,297,718**	**25.2%**	**25.2%**	–	–	–

[1]The returns are presented net of investment management fees.

[2]Returns calculated using the money-weighted rate of return method.

[3]Investment information including total investment portfolio fair value, time-weighted and money-weighted returns are available, however, the actuarial valuation report for June 30, 2021 is not available at ACFR publication.

The annual time-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses as of the fiscal years ended June 30, 2021 and 2020, were 28.4 percent and (0.1) percent, respectively. As determined for the July 1, 2020 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL increased to 7 percent, as compared to 6 percent reported in the July 1, 2019 valuation. The County, LACERA, and the Superior Court continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL. The annual 2021 OPEB Program valuation report is not available as of this ACFR's publication.

LACERA OPERATIONS

The LACERA Boards, executives, and management team took proactive steps to address the COVID-19 pandemic from its outset. Health and safety were immediate concerns, with a primary focus on several factors that included maintaining financial stability, enhancing operations to adjust to the current environment, and focusing on the well-being of LACERA staff and the organization's ability to provide service and benefits to LACERA's members.

The Executive Office developed plans, and management executed them diligently. The Call Center served as the centralized virtual customer service outlet and, as of the end of the fiscal year 2021, there were plans to reopen the Member Service Center for in-person appointments. LACERA continued to pay member benefits without exception, and received contributions from plan sponsors as scheduled, including those for both the Pension Plan and the OPEB Trust. The Investment Office monitored market volatility, maintained LACERA's cash position, and generated substantial returns from the investment portfolio. The Board approved additional administrative funding to address emergency costs, primarily for information technology expenditures, which provided LACERA staff with the infrastructure to continue to work remotely effectively. For additional information regarding the COVID-19 pandemic, please refer to Note L — Administrative Expenses, Note R — Global Pandemic, and the Investment Section.

UPCOMING ACCOUNTING AND FINANCIAL REPORTING STANDARDS

Leases

GASB issued Statement Number 87, Leases, to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. The new information will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring notes to the financial statements including the timing, significance, and purpose of a government's leasing arrangements. For LACERA's financial statements, these requirements, which were postponed by GASB for one year due to the COVID-19 pandemic, are now effective for the fiscal year ending June 30, 2022.

Subscription Based Information Technology Arrangements

In June 2020, the GASB issued Statement Number 96 (GASB 96), Subscription Based Information Technology Arrangements (SBITAs), to establish SBITAs as intangible assets with a corresponding subscription liability for contracts that convey control of the right to use another party's information technology software. GASB 96 also establishes uniform accounting and financial report requirements for SBITAs aligning the information with that of GASB 87, Leases. Should LACERA adopt GASB 87, management will evaluate this standard, GASB 96, and determine its applicability. The provisions of this statement are effective for LACERA's fiscal year ending June 30, 2023.

REQUESTS FOR INFORMATION

This comprehensive financial report is designed to provide the LACERA Boards of Retirement and Investments, our membership, and interested third parties with a general overview of LACERA's finances and to show accountability for the funds it receives and its management of the Pension Plan and OPEB Program.

Address questions regarding this report and/or requests for additional financial information to:

Interim Chief Financial Officer
LACERA
300 N. Lake Avenue, Suite 650
Pasadena, CA 91101

Respectfully submitted,

Theodore Granger

Theodore Granger
Interim Chief Financial Officer

Statement of Fiduciary Net Position

As of June 30, 2021 and 2020

(Dollars in Thousands)

	2021			2020		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
ASSETS						
Cash & Cash Equivalents						
Cash and Short-Term Investments	**$3,134,716**	**$49,723**	**$32,511**	$2,668,515	$24,783	$63,112
Cash Collateral on Loaned Securities	**1,198,528**	**–**	**–**	1,177,374	–	–
Total Cash & Cash Equivalents	**$4,333,244**	**$49,723**	**$32,511**	**$3,845,889**	**$24,783**	**$63,112**
Receivables						
Contribution Receivable	**$114,102**	**$–**	**$–**	$101,731	$–	$–
Accounts Receivable - Sale of Investment	**439,841**	**114**	**–**	697,420	–	–
Accrued Interest and Dividends	**169,925**	**1**	**432**	133,935	5	498
Accounts Receivable - Other	**9,139**	**–**	**60,344**	7,587	–	58,909
Total Receivables	**$733,007**	**$115**	**$60,776**	**$940,673**	**$5**	**$59,407**
Investments at Fair Value						
Equity	**$29,705,843**	**$1,145,218**	**$–**	$23,332,239	$755,005	$–
Fixed Income	**21,077,314**	**894,200**	**140,093**	18,778,182	570,375	129,096
Private Equity	**11,471,947**	**–**	**–**	7,141,781	–	–
Real Estate	**5,294,150**	**219,190**	**–**	5,128,771	142,775	–
Hedge Funds	**2,748,465**	**–**	**–**	2,193,437	–	–
Total Investments at Fair Value	**$70,297,719**	**$2,258,608**	**$140,093**	**$56,574,410**	**$1,468,155**	**$129,096**
TOTAL ASSETS	**$75,363,970**	**$2,308,446**	**$233,380**	**$61,360,972**	**$1,492,943**	**$251,615**
LIABILITIES						
Accounts Payable - Purchase of Investments	**$1,055,063**	**$1,260**	**$2,152**	$1,598,943	$–	$3,453
Retiree Payable and Other	**1,550**	**–**	**387**	1,177	–	301
Accrued Expenses	**50,276**	**359**	**750**	34,887	315	458
Tax Withholding Payable	**40,144**	**–**	**–**	38,003	–	–
Obligations under Securities Lending Program	**1,198,528**	**–**	**–**	1,177,374	–	–
Accounts Payable - Other	**6,383**	**–**	**63,492**	180	–	98,930
TOTAL LIABLILITIES	**$2,351,944**	**$1,619**	**$66,781**	**$2,850,564**	**$315**	**$103,142**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	**$73,012,026**	**$2,306,827**	**$166,599**	**$58,510,408**	**$1,492,628**	**$148,473**

The accompanying notes to the basic financial statements are an integral part of the basic financial statements.

Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	2021			2020		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
ADDITIONS						
Contributions						
Employer[1]	**$2,012,877**	**$1,057,366**	**$704,344**	$1,800,137	$907,521	$668,811
Member	**760,994**	**–**	**49,617**	659,296	–	50,180
Total Contributions	**$2,773,871**	**$1,057,366**	**$753,961**	**$2,459,433**	**$907,521**	**$718,991**
Investment Income						
From Investing Activities:						
Net Appreciation/(Depreciation) in Fair Value of Investments	**$9,981,328**	**$438,050**	**($2,201)**	($4,256,243)	($6,452)	$1,961
Investment Income/(Loss)	**5,915,584**	**15,089**	**2,488**	5,906,599	13,486	3,925
Total Investment Activities Income	**$15,896,912**	**$453,139**	**$287**	**$1,650,356**	**$7,034**	**$5,886**
Less Expenses from Investment Activities:	**($271,752)**	**($1,017)**	**($137)**	($209,320)	($863)	($149)
Net Investment Activities Income	**$15,625,160**	**$452,122**	**$150**	**$1,441,036**	**$6,171**	**$5,737**
From Securities Lending Activities:						
Securities Lending Income	**$5,072**	**$–**	**$–**	$15,987	$–	$–
Less Expenses from Securities Lending Activities:						
Borrower Rebates	**$869**	**$–**	**$–**	($10,031)	$–	$–
Management Fees	**(1,186)**	**–**	**–**	(1,115)	–	–
Total Expenses from Securities Lending Activities	**(317)**	**–**	**–**	(11,146)	–	–
Net Securities Lending Income	**$4,755**	**$–**	**$–**	**$4,841**	**$–**	**$–**
Total Net Investment Income	**$15,629,915**	**$452,122**	**$150**	**$1,445,877**	**$6,171**	**$5,737**
Miscellaneous	**$2,928**	**$–**	**$15,829**	$2,383	$–	$6,755
TOTAL ADDITIONS	**$18,406,714**	**$1,509,488**	**$769,940**	**$3,907,693**	**$913,692**	**$731,483**
DEDUCTIONS						
Retiree Payroll	**$3,785,608**	**$–**	**$–**	$3,578,879	$–	$–
Service Benefits[1]	**–**	**694,665**	**743,715**	–	659,295	708,914
Administrative Expenses	**90,586**	**584**	**8,099**	85,384	246	6,828
Refunds	**24,512**	**–**	**–**	25,231	–	–
Lump Sum Death Benefits	**4,142**	**–**	**–**	2,230	–	–
Redemptions	**–**	**40**	**–**	–	–	–
Miscellaneous	**248**	**–**	**–**	397	–	–
TOTAL DEDUCTIONS	**$3,905,096**	**$695,289**	**$751,814**	**$3,692,121**	**$659,541**	**$715,742**
NET INCREASE/(DECREASE) IN FIDUCIARY NET POSITION	**$14,501,618**	**$814,199**	**$18,126**	**$215,572**	**$254,151**	**$15,741**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS						
BEGINNING OF YEAR	**$58,510,408**	**$1,492,628**	**$148,473**	**$58,294,836**	**$1,238,477**	**$132,732**
END OF YEAR	**$73,012,026**	**$2,306,827**	**$166,599**	**$58,510,408**	**$1,492,628**	**$148,473**

[1] OPEB Trust Employer Contributions and Service Benefits are adjusted. Refer to Note B — Summary of Significant Accounting Policies for further information. See Note Q for OPEB Trust prefunding contributions.

The accompanying notes to the basic financial statements are an integral part of the basic financial statements.

Note A — Plan Description

Pension Plan

The Los Angeles County Employees Retirement Association (LACERA) was established on January 1, 1938. It is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), relevant provisions of the Internal Revenue Code, and the regulations, procedures, and policies adopted by the LACERA Board of Retirement and the LACERA Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multiple-employer defined benefit Pension Plan for Los Angeles County, LACERA, Los Angeles County Superior Court (Superior Court), and four Outside Districts: Little Lake Cemetery District, Local Agency Formation Commission for the County of Los Angeles, Los Angeles County Office of Education, and South Coast Air Quality Management District.

Retiree Healthcare Benefits Program

In April 1982, the County adopted an ordinance pursuant to the CERL that provided for a Retiree Healthcare Benefits Program (RHCBP) which is also referred to as the Other Post-Employment Benefits Program (OPEB Program) that covers the death/burial benefits for retired employees. In that same year, the County and LACERA entered into an agreement whereby LACERA would administer the program subject to the terms and conditions of the agreement.

In June 2014, at the County's request, the LACERA Board of Retirement approved an amendment to the agreement, which created a new retiree healthcare benefits program tier to lower costs. The Los Angeles County Retiree Healthcare Benefits Program Tier 2 was established and provides benefits for all employees hired after June 30, 2014. The existing benefits program and current membership at that time was labeled as Tier 1.

In July 2018, the OPEB Program, in which Los Angeles County, LACERA, Superior Court, and the Outside Districts participate, was restructured as an agent multiple-employer defined benefit OPEB plan. OPEB Program description and benefit provisions are explained in Note N — OPEB Program of the Financial Section.

Governance

The LACERA Board of Retirement is responsible for the administration of the retirement system, review and processing of disability retirement applications, and administration of the OPEB Program including overseeing actuarial matters. The Board is composed of nine trustees, plus two alternate trustees. Four trustees and two alternate trustees are elected: Active general members elect two trustees; retired members elect one trustee and one alternate trustee; and safety members elect one trustee and one alternate trustee. Four trustees are appointed by the Los Angeles County Board of Supervisors. The law requires the County Treasurer and Tax Collector to serve as an ex-officio trustee.

The LACERA Board of Investments is responsible for establishing LACERA's investment policy and objectives, deciding Pension Fund actuarial matters, including setting assumptions and member and employer contribution rates, and exercising authority and control over the investment management of the trust funds. The Board is composed of nine trustees. Four trustees are elected: Active general members elect two trustees; and retired members elect one trustee, as do safety members. Four trustees are appointed by the Los Angeles County Board of Supervisors, who are required as a condition of appointment to have significant prior experience in institutional investing. The law requires the County Treasurer and Tax Collector to serve as an ex-officio trustee.

Membership

LACERA provides retirement, disability, and death benefits to its active safety and general members and administers the plan sponsors' Retiree Healthcare Benefits (or OPEB) Program. Safety membership includes law enforcement (sheriff and district attorney investigators), firefighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the Pension Plan are tiered based on the date of LACERA membership. Additional information regarding the benefit structure is available by contacting LACERA or visiting the LACERA.com website.

LACERA Pension Plan Membership

As of June 30, 2021 and 2020

	2021	2020
Active Members		
Vested	**74,434**	73,522
Non-Vested	**24,684**	26,593
Terminated[1]	**17,121**	16,174
Total Active Members	**116,239**	**116,289**
Retired Members		
Service	**49,780**	48,633
Disability	**10,317**	10,105
Survivors	**9,427**	9,250
Total Retired Members	**69,524**	**67,988**
Total Membership	**185,763**	**184,277**

[1] The terminated membership count includes both vested (deferred) and non-vested (inactive) members.

INVESTMENTS

Pension Plan

Assets in the Pension Plan are derived from three sources: employer contributions, employee contributions (including those made by the employer on behalf of employees pursuant to §414(h)(2) of the Internal Revenue Code), and realized investment earnings. Pension Plan assets are held separate from any other assets, including the distinct OPEB Trust and OPEB Custodial Fund, and are invested pursuant to policies and procedures adopted by the LACERA Board of Investments. Pension Plan gross income is exempt from federal income taxation under §115 of the Internal Revenue Code.

OPEB Trust

In 2012, the County and LACERA, as participating employers, established an OPEB Trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program administered by LACERA for eligible retired members and eligible dependents and survivors of LACERA members. In June 2016, the Los Angeles County Superior Court began making OPEB prefunding contributions to the Court OPEB Trust. The assets held within the OPEB Trusts meet the criteria of qualifying trusts under GASB 74 and do not modify the Retiree Healthcare Benefits Program which has been administered under an agent multiple-employer plan structure since July 1, 2018.

The County and Superior Court entered into separate trust and investment services agreements with the LACERA Board of Investments to serve as trustee with sole and exclusive authority, control over, and responsibility for directing the investment and management of the respective employers' OPEB Trust assets. The County and Court OPEB Trust documentation and structure are substantively similar. The LACERA Board of Investments serves as trustee for the two OPEB Trusts, exercising similar authority for each employer's OPEB Trust assets. The two trusts are collectively referred to as the OPEB Trust throughout the financial statements and note disclosures except in the Investment Section, where they are also labeled as the OPEB Master Trust.

The LACERA Board of Investments adopted an investment policy statement establishing the initial asset allocation for the purpose of effectively managing and monitoring the assets of the OPEB Trust. Contributions and transfers to the OPEB Trust are determined at the employers' discretion.

The LACERA Board of Investments approved the formation of an OPEB master trust for the purpose of commingling funds of the County OPEB Trust and the Court OPEB Trust for investment purposes only. The OPEB Master Trust Declaration was made on July 13, 2016. The LACERA Board of Investments serves as Trustee of the Master Trust assets. Gross income from all the OPEB trusts above is exempt from federal income taxation under §115 of the Internal Revenue Code (IRC). LACERA obtained letter rulings from the Internal Revenue Service to this effect.

OPEB Custodial Fund

The County, the Superior Court, LACERA and participating Outside District employers provide a health insurance program and death benefits (OPEB Program) for retired employees and their dependents, which LACERA administers. Pursuant to an administrative agreement between the County and LACERA, and certain County ordinances, the County subsidizes, either in whole or in part, insurance premiums covering certain program participants who meet service credit hurdles.

LACERA maintains two investment accounts under the OPEB Custodial Fund: the OPEB Operating Account and OPEB Reserve Account. The County, Superior Court, LACERA, and participating Outside District employers provide monthly contributions to fund current benefits and own the funds in these accounts, which LACERA reports and invests in cash and fixed income securities, separately from Pension Plan assets and OPEB Trust funds. The funds held within the OPEB custodial investment accounts do not meet the definition of a qualifying OPEB trust under GASB 74 and are not used to reduce the employers' Total OPEB Liability. External managers invest funds in both accounts pursuant to policies and procedures approved by the LACERA Board of Investments. In addition, investment income realized in these types of accounts maintained by government entities generally is exempt from federal income taxation under §115 of the Internal Revenue Code.

OPEB Operating Account: This account is primarily used to fund the OPEB Program's operations. Additions include the monthly health insurance subsidy collected from the County, health insurance premiums collected from LACERA, Superior Court, and the Outside Districts, payments collected from program participants, and interest income. Deductions include premium payments made to insurance carriers and the Program's administrative expenses.

OPEB Reserve Account: This account was established by the Board of Retirement to help stabilize health insurance premium rates over time. Annual surpluses and deficits for the various insurance plans result from the difference between premiums received and the healthcare costs incurred. The accumulated surplus is held in this account to address deficits and/or emergency premiums. Additions include rebates from insurance carriers and other income. Deductions include management fees and County-authorized payments to offset waived premium costs (i.e., insurance premium holidays) for both the County and affected participants. In 2013, the LACERA Board of Retirement adopted a policy that established an account balance reserve target of 20 percent of the total annual premium cost by plan for indemnity medical and dental/vision plans.

Benefit Provisions

Retirement benefit vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Depending on the retirement plan, benefits—according to applicable statutory formula—are based upon 12 or 36 months of average compensation, age at retirement, and length of service as of the retirement date. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service. Five years of service are required for nonservice-connected disability eligibility, according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA. A Summary of Major Program Provisions for the Pension Plan is available upon request by contacting LACERA or visiting the LACERA website. OPEB Program provisions are explained in Note N — OPEB Program.

Cost-of-Living Adjustment (COLA)

Each year, the LACERA Board of Retirement considers how the change in the cost of living, a measure of inflation, has affected the purchasing power of monthly retirement benefit allowances paid by LACERA. The cost of living is measured by the Bureau of Labor Statistics, which releases the Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Long Beach-Anaheim area as of January 1 each year. The difference between the current and previous year's CPI shows whether the cost of living has increased or decreased in this geographic region during the past year.

If the CPI has increased up to 3 percent for Plan A members or 2 percent for all other members, the LACERA Board of Retirement may grant a cost-of-living adjustment (COLA) increase for monthly allowances. If the CPI has decreased, it is possible for the LACERA Board of Retirement to decrease monthly allowances;

however, a decrease in allowances has never occurred. In any event, a cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

CERL also allows the amount of any CPI cost-of-living increase in any year that exceeds the maximum annual change of 3 percent or 2 percent in retirement allowances to be accumulated and tracked. The accumulated percentage carryover is known as the COLA Accumulation which, under certain circumstances, may be applied to retirement allowances in future years when the cost of living does not exceed the maximum adjustment. Adjustments require approval from the Board of Retirement.

LACERA members may receive more than one type of COLA:

COLA ("April 1st COLA")

The COLA percentage increase is effective annually on April 1. Members who retire prior to April 1 or eligible survivors of members who died prior to April 1 are eligible for that year's COLA increase. The increase begins with the April 30 monthly allowance. The COLA provision was added to CERL in 1966, and LACERA's first COLA increase was granted July 1, 1967. Until 2002, only contributory members were eligible for COLA.

Plan E COLA

Effective June 4, 2002, Plan E members and their survivors are also eligible for a COLA. The portion of the COLA percentage received by each Plan E member is a ratio of the member's service credit earned on and after June 4, 2002, to total service credit. The portion of the full increase not awarded may be purchased by the member.

Supplemental Targeted Adjustment for Retirees (STAR) Program

In addition to cost-of-living increases, the CERL also provides the LACERA Board of Retirement the authority to grant supplemental cost-of-living increases for retirement benefits. Under this program, known as the STAR Program, excess earnings have been used to restore retirement allowances to 80 percent of the purchasing power held by retirees at the time of retirement. STAR applies to contributory plans only. Retirees and survivors whose allowances have lost more than 20 percent of their purchasing power are eligible for STAR Program benefits.

The STAR percentage increase is effective annually on January 1.

Future ad hoc increases in the current STAR Program will be subject to approval by the LACERA Board of Retirement on an annual basis, provided sufficient excess earnings are available as determined by the LACERA Board of Investments. Permanent STAR benefits become part of the member's retirement allowance and are payable for life. Ad hoc STAR benefits are payable only for the calendar year approved.

Except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR benefits at an 80 percent level, as authorized in the CERL. For program years 2010 through 2021, STAR benefits were not provided due to minimal increases in the CPI percentage such that all eligible members maintained COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

The STAR Program has received $1.523 billion in funding from the Program's inception in 1990 to the present. Ad-hoc STAR Program costs from 1990 through 2001 reduced the STAR Program reserve by $556 million. Subsequently, except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR benefits totaling $353 million, which was transferred to employer reserves to invest and pay for permanent STAR benefits awarded. As of June 30, 2021, there is $614 million remaining in the STAR Program reserve to fund future benefits.

The STAR Program is administered on a calendar-year basis. The Statistical Section contains a 10-year trend schedule of STAR Program costs.

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own two governing Boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). Due to the nature of the relationship between LACERA and the County, LACERA's Pension Plan and OPEB Trust funds are reflected as fiduciary funds within the County's basic financial statements. The OPEB Custodial Fund reports fiduciary activities that are conducted by LACERA on behalf of the County without a trust or equivalent arrangement. Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA Management. LACERA's Audit Committee and the Chief Audit Executive assist the LACERA Boards of Retirement and Investments (Boards) in fulfilling their fiduciary oversight responsibilities for the organization's financial reporting process, the system of internal controls, the audit processes, and the organization's method for monitoring compliance with laws and regulations.

Method of Reporting

LACERA follows the Generally Accepted Accounting Principles in the United States of America (U.S. GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements that guide LACERA are promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting to reflect LACERA's overall operations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Employer and employee contributions are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable, in accordance with the terms of each benefit plan.

OPEB Custodial Fund and OPEB Trust Fund Presentation

The OPEB Custodial Fund and OPEB Trust Fund are presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as part of the Basic Financial Statements.

The OPEB Custodial Fund captures the annual financial operating activity of the RHCBP/OPEB Program for all participating employers (i.e., County, Court, and LACERA), including the Outside Districts. Plan sponsors and members provide monthly funding using a "pay-as-you-go" methodology, which LACERA uses to pay healthcare premiums including administrative fees, as well as other healthcare benefits provided by the OPEB Program. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants. Actual amounts paid out by LACERA in the form of benefits and reimbursed to LACERA in the form of contributions are included within the OPEB Custodial Fund. Residual balances (contributions that exceed benefit payments) are reported at fiscal year-end, held on behalf of plan sponsors, and made available to fund current benefits payments in subsequent fiscal years.

OPEB Trust financial activity includes prefunding contributions provided by plan sponsors either quarterly or on an annual basis. Funds are set aside and placed in Trust to earn investment income and interest, and are held and used to provide future OPEB benefits at the plan sponsors' discretion. Investment income activity is reported within the OPEB Trust. For financial statement presentation purposes, GASB standards require that the OPEB Trust includes pay-as-you-go costs, paid by the employers on a monthly basis, in addition to employer prefunding contributions to the OPEB Trust. However, these monthly costs are not paid from the OPEB Trust and are shown instead for presentation purposes only. In addition, as required per GASB standards, the same amounts are reported as service benefits charged to the OPEB Trust as deductions, which also include administrative expenses (per paragraphs 28a and 31 of GASB Statement Number 74). See Note Q for OPEB Trust prefunding contributions from participating employers.

Capital Assets (Including Intangible Assets)

Capital assets are items that benefit the organization for more than one fiscal year. LACERA's potential capital assets are largely held in information technology systems. The information technology environment is continuously changing, causing frequent upgrades. As such, LACERA treats these items as budgeted expenses, as they are immaterial to LACERA's overall financial statements. Management reviewed and considered all expenses that could be capitalized as capital or intangible assets and determined these items to be appropriately classified as expenses for the current fiscal year.

Accrued Vacation and Sick Leave

Employees who terminate or retire from active employment are entitled to full compensation for all unused vacation time and a percentage of their unused sick leave time. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2021 and 2020, were $5.3 million and $4.6 million, respectively.

Cash and Short-Term Securities

Cash includes deposits with various financial institutions, the County, and non-U.S. currency holdings, translated to U.S. dollars using the exchange rates in effect at June 30, 2021 and 2020.

LACERA classifies fixed income securities with a maturity of 12 months or less as short-term investments. Foreign exchange contracts held in pending status are also included in the category.

Real Estate Separate Account Investments

LACERA's real estate investments utilize several different types of special purpose entities (SPEs), including title holding corporations (THCs) and limited liability companies (LLCs). The THCs are nonprofit corporations under §501(c)(25) and §501(c)(2) of the Internal Revenue Code (IRC). The LLCs do not have tax-exempt status, but their income is excludable from taxation under IRC §115. Both THCs and LLCs invest in real estate assets located throughout the United States. Under GASB Statement Number 72, Fair Value Measurement and Application, the THCs and LLCs meet GASB's definition of an investment and therefore are included in the accompanying financial statements as investments at fair value. For additional information, see Note J — Special Purpose Entities.

Fair Value

Investments are carried at fair value. Fair values for investments are derived by various methods, as indicated in the following chart:

Investments	Source
Publicly traded securities, such as stocks and bonds. Bonds include obligations of the U.S. Treasury, U.S. agencies, non-U.S. governments, and both U.S. and non-U.S. corporations. Also included are mortgage- backed securities and asset-backed securities.	Valuations are provided by LACERA's custodian based on end-of-day prices from external pricing vendors. Non-U.S. securities reflect currency exchange rates in effect at June 30, 2021 and 2020.
Whole Loan Mortgages	For the LACERA Member Home Loan Program, valuation is performed by LACERA staff based on loan information provided by Ocwen Financial Corporation, the program's mortgage servicer, with fair market value adjustments based on the market returns of the Bloomberg Barclays mortgage-backed securities index.
Real Estate Equity Commingled Funds[1]	Fair value as provided by real estate fund managers, based on review of cash flow, exit capitalization rates, and market trends. Fund managers commonly subject each property to independent third-party appraisal annually. Investments under development are carried at cumulative cost until development is completed.
Real Estate: **Special Purpose Entities, including Title Holding Corporations and Limited Liability Companies**[1]	Fair value of the investment as provided by investment managers. Each property is subject to independent third-party appraisals every year.
Real Estate Debt Investments[1]	Fair value for real estate debt investments as provided by investment managers.
Private Equity[1]	Fair value provided by investment managers as follows: Private investments — valued by the general partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments — valued based on quoted market prices, less a discount, if appropriate, for restricted securities.

Investments	Source
Public Market Equity and Fixed Income Investments Held in Institutional Commingled Fund/Partnership[1]	Fair value is typically provided by third-party fund administrator, who performs this service for the fund manager.
Derivatives	Over-the-counter derivatives (other than currency forwards) valuations are provided by the fund managers. Currency forward contracts are valued by the custodian bank.
Hedge Fund of Funds[1]	Valuation of the underlying funds is performed by those funds' general partners. Valuation of the fund of funds portfolios are provided by third-party administrators and by the General Partner for the portfolios held in limited partnership vehicles.

[1]These assets are reported by LACERA based on the practical expedient allowed under GAAP.
Note: The fair value hierarchy is provided in Note P — Fair Value.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, and event risks that may subject LACERA to economic changes occurring in certain industries, sectors, or geographies. For additional information, see Note G — Deposit and Investment Risks.

Dividend income is recorded on the ex-dividend date. Other investment income is recorded as earned on an accrual basis.

PENSION PLAN INVESTMENTS

Investment Policy Statement

The allocation of investment assets within the LACERA Defined Benefit Pension Plan (Pension Plan) investment portfolio is approved by the LACERA Board of Investments, as outlined in the LACERA Investment Policy Statement (IPS). Pension Plan (or Fund) assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Pension Plan. The Investment Policy Statement calls for an asset liability study to be conducted no later than every three to five years.

In November 2018, the LACERA Board of Investments adopted a restated IPS to address topics such as Legal Authority, Investment Philosophy and Strategy, Investment Process, Risk Management, Roles and Responsibilities, Asset Allocation and Benchmarks, and Delegated Authorities. In addition, the IPS includes several related policies as attachments: Corporate Governance Principles, Corporate Governance Policy, Responsible Contractor Policy, Emerging Manager Policy, and Placement Agent Policy.

The LACERA Board of Investments and internal staff implement asset allocation targets through the use of external managers who manage portfolios using active and passive investment strategies.

Financial statements were prepared using traditional investment asset categories (i.e., equity, fixed income, private equity, real estate, and hedge funds). In the following table and in the Investment Section, investment information is presented in functional asset categories. LACERA's Board of Investments developed and practices its Investment Beliefs, which state that long-term strategic allocation will be the determinant of LACERA's risk/return outcomes. Based on the Pension Trust Asset Allocation Study completed by Meketa Investment Group (Meketa) in March 2018, the Board of Investments approved the use of a functional framework developed by LACERA's Investment Office for modeling purposes, which offers the inclusion of a broader group of investments within Credit and Real Assets and Inflation Hedges. The functional categories include various asset classes that represent the risk/return characteristics of each area. LACERA expects the four functional categories to diversify the Fund and optimize growth while mitigating downside risk. The asset allocation determines what proportion of the Fund is allocated to each functional category and underlying asset class, including target weights and allowable ranges as a percentage of the Fund.

Schedule of Target Allocation and Long-Term Expected Rate of Return

For the Fiscal Year Ended June 30, 2021

Asset Class		Target Allocation (Policy)		Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)
Growth	**47.0%**		**5.3%**	
Global Equity		35.0%		4.2%
Private Equity		10.0%		6.1%
Opportunistic Real Estate		2.0%		6.3%
Credit	**12.0%**		**1.7%**	
High Yield Bonds		3.0%		1.4%
Bank Loans		4.0%		1.2%
Emerging Market Bonds		2.0%		1.0%
Illiquid Credit		3.0%		2.3%
Real Assets and Inflation Hedges	**17.0%**		**3.2%**	
Core and Value-Added Real Estate		7.0%		2.9%
Natural Resources and Commodities		4.0%		3.2%
Infrastructure		3.0%		4.5%
TIPS		3.0%		(0.9)%
Risk Reduction and Mitigation	**24.0%**		**(0.4)%**	
Investment Grade Bonds		19.0%		(0.9)%
Diversified Hedge Fund Portfolio		4.0%		1.7%
Cash Equivalents		1.0%		(1.6)%

Target Allocation

The LACERA Board of Investments approved the current target allocation as a result of the Asset Allocation Study completed by Meketa in May 2018. At the time, the Board adopted the targets to provide for diversification of assets in an effort to meet LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. LACERA recently completed an asset allocation exercise and the Board approved revised target weights at its May 2021 Board meeting. Transition to the first phase of the revised target allocation will begin in the upcoming fiscal year.

Weighted Average Long-Term Expected Real Rate of Return

The long-term expected real rate of return on Pension Plan investments is based on inflation expectations and nominal return expectations developed by Meketa for each asset class. In the case of the total portfolio and broad asset groupings (e.g., Growth, Credit), returns are calculated using a portfolio approach that first calculates nominal expected returns by incorporating target weights, nominal expected returns, and volatility and correlations estimates for each asset class, adjusted by the defined return period. Nominal expected returns for each asset class are converted to real expected returns by adjusting them for inflation, using a base inflation rate assumption of 2.75 percent.

A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

Discount Rate

GASB Statement Number 67 requires determination of whether the Pension Plan's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the Total Pension Liability (TPL) was 7.13 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00 percent, net of all expenses, increased by 0.13 percent, gross of administrative expenses.

The valuation assumption for the long-term expected return is re-assessed in detail at the triennial investigation of experience, and is set based on a long-term time horizon. The most recent analysis was completed in January 2020. See Milliman's Investigation of Experience for Retirement Benefit Assumptions report for the period July 1, 2016–June 30, 2019 for more details. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. As part of this assessment, Milliman compares the assumption with the 20-year expected geometric return determined by LACERA's investment consultant, Meketa.

The projection of cash flows used to determine the discount rate assumed that Pension Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the TPL.

Money-Weighted Rate of Return

The annual money-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2021 and 2020, were 25.2 percent and 1.4 percent, respectively. 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. This method is equivalent to the internal rate of return. Historical returns are presented in the Schedule of Investment Returns — Pension Plan in the Required Supplementary Information Section.

Time-Weighted Rate of Return

The annual time-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2021 and 2020, were 25.2 percent and 1.8 percent, respectively. The time-weighted rate of return is a measure of the compound rate of growth in a portfolio. This measure is often used to compare the performance of investment managers because it eliminates the distorting effects on growth rates created by inflows and outflows of money. The time-weighted return breaks up the return on an investment portfolio into separate intervals based on whether money was added or withdrawn from the fund. Historical returns are presented in the Investments Results Based on Fair Value — Pension Plan in the Investment Section.

Use of Estimates

The preparation of LACERA's financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes to the financial statements. Actual results may differ from these estimates.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

UPCOMING GASB PRONOUNCEMENTS

Leases

In June 2017, the GASB issued Statement Number 87 (GASB 87), Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. LACERA is currently evaluating the impact this standard will have on the financial statements, when adopted. The provisions of this statement are effective for LACERA's financial statements for the fiscal year ending June 30, 2022.

Subscription Based Information Technology Arrangements

GASB issued Statement Number 96, Subscription Based Information Technology Arrangements (SBITAs), to establish SBITAs as intangible assets with a corresponding subscription liability for contracts that convey control of the right to use another party's information technology software. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This statement also brings the guidance on the accounting and financial reporting for SBITAs in line with that of GASB 87, Leases. For LACERA's financial statements, the requirements of GASB 96 are effective for the fiscal year ending June 30, 2023.

NOTE C — Pension Plan Contributions

Funding Policy

In December 2009, the LACERA Board of Investments adopted a revised Retirement Benefit Funding Policy (Funding Policy). The Funding Policy was amended in February 2013 to conform to the new standards mandated in the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Member and Employer Rates

Members and employers contribute to LACERA based on unisex rates recommended by an independent consulting actuary and adopted by the LACERA Board of Investments and the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 6 percent and 18 percent of their annual covered salary. Member and employer contributions received from the Outside Districts constitute part of LACERA's Pension Plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees' (members') pension benefits through monthly or annual prefunded contributions at actuarially determined rates. Rates for contributory plan members who entered the Pension Plan prior to January 1, 2013, are based upon plan entry-age and plan-type enrollment. The PEPRA-mandated retirement plan contributions for new members who enter the system on and after January 1, 2013 are based on a single flat-rate percentage and are structured in accordance with the required 50/50 normal cost-sharing between the employer and the member.

Both member rate methodologies are actuarially designed for the members, as a group, to make contributions into the Pension Plan, which when combined with employer contributions and investment earnings, provide sufficient funding for their members'. As a result of collective bargaining, actual member contribution rates for various plan types are controlled through these agreements and through additional employer contributions (for some contributory plans), known as the surcharge amount, which is subject to change each year. As required by GASB Statement Number 82, member contributions paid by the employer are reported within the member contribution amounts.

The employer contribution rate is composed of the normal cost and the UAAL amortization payment. Normal cost is the portion of the actuarial present value of retirement benefits attributable to the current year of service. Amortization of the UAAL is payments made for prior year unfunded benefits not provided by future normal costs. The latest actuarial valuation as of June 30, 2020 increased the employer normal cost rate from 10.86 percent to 10.89 percent and increased the employers' required contribution rate to finance the UAAL from 13.92 percent to 14.85 percent. Effective with the June 30, 2019 valuation, all new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made. In addition, all existing amortization layers are set to be amortized over a maximum 22-year period, so they are fully amortized no later than 2042. Member contribution rates decreased for PEPRA members, with General Plan G moving down from 9.11 percent to 9.10 percent and Safety Plan C decreasing slightly from 14.54 percent to 14.42 percent, effective with the 2020 Actuarial Valuation. There was no change in contribution rates for the other retirement plans.

Experience Study

At its January 2020 meeting, the BOI adopted a 3.29 percent increase in the employer contribution rate due to the 2019 experience study which was reduced by a three-year phase-in approach. The calculated total employer contribution rate would have been 25.74 percent but was reduced by 1.10 percent resulting in an employer contribution rate of 24.64 percent, beginning July 1, 2021.

The total employer contribution rate increased 2.05 percent from the previous valuation as of June 30, 2019 (from 22.59 percent to 24.64 percent), primarily due to the deferred recognition of assumption and method changes which resulted in an increase of 1.09 percent, the recognition of current and prior year investment losses for 0.67 percent, and salary increases greater than assumed for 0.29 percent. The 24.64 percent is reduced 1.10 percent below the amount recommended by the consulting actuary as a result of implementing the three-year phase-in method. The increased costs based on the assumption changes from the 2019 experience study will be fully phased into the employer contribution rate for the fiscal year beginning July 1, 2022.

Contribution Payments

For the fiscal years ended June 30, 2021 and June 30, 2020, Los Angeles County, including the Superior Court and Outside Districts, paid their employer and member contributions due to LACERA in the form of cash payments. For the fiscal years ended June 30, 2021 and June 30, 2020, employer contributions totaled $2.0 billion and $1.8 billion, respectively, and member contributions totaled $761 million and $659 million, respectively.

Pension Plan Contributions

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Employers		
Los Angeles County[1]	**$1,940,715**	$1,732,960
Superior Court	**72,021**	67,048
Local Agency Formation Commission for the County of Los Angeles	**133**	121
South Coast Air Quality Management District[2]	**—**	—
Little Lake Cemetery District	**8**	8
Los Angeles County Office of Education[3]	**—**	—
Total Employer Contributions	**$2,012,877**	$1,800,137
Employee Contributions[4]	**$760,994**	$659,296
Total Contributions	**$2,773,871**	$2,459,433

[1]LACERA contributions are included with Los Angeles County.

[2]South Coast Air Quality Management District has no active members contributing to the Pension System for the fiscal year ended 2021 and 2020.

[3]Los Angeles County Office of Education has no active members contributing to the Pension System for the fiscal years ended 2021 and 2020.

[4]In accordance with GASB Statement No. 82, payments made by an employer to satisfy member contribution requirements are classified as member contributions.

NOTE D — Pension Plan Reserves

LACERA includes reserve accounts within its financial records for various operating purposes as outlined in LACERA's reserves accounting policies. Reserves are established from member and employer contributions and the accumulation of realized investment income after satisfying investment and administrative expenses. With the exception of the reserves required by CERL, reserves are neither required nor recognized under generally accepted accounting principles in the United States of America (i.e., U.S. GAAP). They are not shown separately on the Basic Financial Statements (i.e., Statement of Fiduciary Net Position), although the sum of these reserves equals the Fiduciary Net Position Restricted for Benefits. The reserves do not represent the present value of assets needed, as determined by the actuarial valuation, to satisfy retirement and other benefits as they become due. Instead, the balances contained within the Fiduciary Net Position Restricted for Benefits, when combined with future investment earnings and contributions from members and employers, are used to satisfy member retirement benefits.

Pension Plan

LACERA's major classes of Pension Plan reserves are:

Member Reserves

Member Reserves represent the balance of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees, refunds to members, and related expenses.

Employer Reserves

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members, lump-sum death/burial benefit payments to members' survivors, and supplemental disability payments.

Supplemental Targeted Adjustment for Retirees (STAR) Reserve

STAR Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living adjustment (COLA) increases. During fiscal years 1995-1999, 25 percent of excess earnings were credited to the STAR Reserve pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Additions include transfers from the Contingency Reserve. Deductions include STAR Program payments to retirees and funding for permanent benefits. In October 2008, except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR programs at an 80 percent level, as authorized in the County Employees Retirement Law of 1937 (CERL). For program years 2010 through 2020, additional STAR benefits were not provided. There were no new retirees or beneficiaries entitled to additional STAR benefits for program year 2021 due to modest increases in the Consumer Price Index (CPI). Thus, all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

STAR Program awards are subject to approval by the Board of Retirement on an annual basis, provided sufficient excess earnings are available in the STAR Reserve. The Board of Retirement may approve ad hoc STAR benefits which are payable only for the calendar year approved or permanent STAR benefits that become part of the member's retirement allowance and are payable for life.

Contingency Reserve

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment income and other revenues. Deductions include investment expenses; administrative expenses; and, interest allocated to other reserves, in priority order, to the extent that realized earnings are available for the six-month period, as defined in the 2009 Retirement Benefit Funding Policy (Funding Policy) amended in 2013 and approved by the LACERA Board of Investments; and funding of the STAR Reserve when excess earnings are available and benefits are authorized by the LACERA Board of Retirement. For the fiscal years ended June 30, 2021 and 2020, the net investment realized earnings were applied as interest credits to some of the reserves in accordance with the Funding Policy.

Pension Plan Reserves

As of June 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Member Reserves	**$24,646,373**	$23,481,576
Employer Reserves	**29,026,898**	25,818,509
STAR Reserve	**614,011**	614,011
Contingency Reserve	**147,104**	—
Total Reserves at Book Value	**$54,434,386**	$49,914,096
Unrealized Investment Portfolio Appreciation	**$18,577,640**	$8,596,312
Total Reserves at Fair Value[1]	**$73,012,026**	$58,510,408

[1]Total Reserves at Fair Value equals the Fiduciary Net Position Restricted for Benefits as presented in the Basic Financial Statements.

NOTE E — Pension Plan Liabilities

The County Employees Retirement Law of 1937 (CERL) requires an actuarial valuation to be performed at least every three years for the purpose of measuring the Pension Plan's funding progress and setting employer and employee contribution rates. LACERA exceeds this requirement by engaging an independent actuarial consulting firm to perform an actuarial valuation for the Pension Plan annually. Employer contribution rates and employee contribution rates for new retirement plans established under the California Public Employees' Pension Reform Act of 2013 (PEPRA) may be updated each year as a result of the valuation.

LACERA engages an independent actuarial consulting firm to perform an investigation of experience (experience study) at least every three years, which is guided by actuarial practices and consistent with CERL requirements. The economic and demographic assumptions are reviewed and updated as deemed necessary each time an experience study is completed. The experience study and corresponding annual valuation serve as the basis for changes in employer and employee contribution rates for both PEPRA and legacy retirement plans necessary to properly fund the Pension Plan.

The LACERA Board of Investments adopted some new assumptions beginning with the June 30, 2019 actuarial valuation based on the 2019 triennial experience study. Some assumptions from prior experience studies were reaffirmed and carried forward. For financial reporting purposes, LACERA reviews these assumptions annually to ensure they continue to represent appropriate plan assumptions under U.S. GAAP.

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, cost trends, assumed rate of return, inflation, and other demographic and economic changes over time.

Actuarially determined assumptions are subject to continual review or modification as actual experience is compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the adopted assumptions and actual demographics of the Pension Plan and include the types of benefits provided at the time of each valuation.

Employer contribution rate increases were phased in over a three-year period when new assumptions were adopted based on the 2019 triennial experience study. Instead of immediately recognizing the new employer contribution rates in the first year, the employer rates were stepped up over time. When the phase-in approach is applied, the employer contribution rates will be slightly higher in the third year as compared to if the new employer contribution rates were fully recognized in the first year. The phase-in of increases in employer contributions over a three-year period supports LACERA's fiduciary duty of legal authority set forth in the California Constitution, Article XVI, Section 17(a) to minimize the financial impact to the employer.

The Total Pension Liability (TPL) as of June 30, 2021, was determined by completing a roll- forward calculation based on an actuarial valuation conducted as of June 30, 2020, using the following actuarial assumptions in accordance with the requirements of GASB Statement Number 67 (GASB 67). The actuarial funding valuation serves as a basis for the GASB 67 financial reporting information. All actuarial methods and assumptions used for this GASB analysis were the same as those used for the June 30, 2020 funding valuation, except where differences are noted. Key actuarial methods and significant assumptions used to calculate the TPL are presented as follows. For additional information regarding the actuarial valuation, refer to the Actuarial Section.

Actuarial Methods and Significant Assumptions

Description	Method
Actuarial Cost Method	Individual entry age normal.
Discount Rate	7.13 percent, net of Pension Plan investment expense, including inflation. This rate was adopted beginning with the June 30, 2019 valuation.
Price Inflation	2.75 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2019 triennial experience study.
General Wage Growth and Projected Salary Increases	General wage growth: 3.25 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2019 triennial experience study. Projected salary increases: 3.51 percent to 12.54 percent. The total expected increase in salary includes both merit and the general wage increase assumption of 3.25 percent per annum. The total result is compounded rather than additive. Increases are assumed to occur in the middle of the fiscal year (i.e., January 1) and apply only to base salary. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year. These rates were adopted beginning with the June 30, 2019 valuation.
Cost-of-Living Adjustments	Post-retirement benefit increases of either 2.75 percent or 2 percent per year (a pro-rata portion for Plan E) are assumed. This assumption was adopted with the June 30, 2016 valuation. The LACERA Funding Policy calls for the inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve in the calculation of valuation assets for funding purposes, with no corresponding liability. For the Total Pension Liability, STAR COLA (supplemental cost-of-living adjustments) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR benefits. This roll-forward calculation includes a future liability for STAR COLA benefits. See Note A — Plan Description for additional COLA and STAR COLA information.
Mortality	Various rates based on the Pub-2010 mortality tables and including projection for expected future mortality improvement using the MP-2014 Ultimate Projection Scale. This assumption was adopted with the June 30, 2019 valuation.

Discount Rate

Milliman's analysis contained in their January 2020 Investigation of Experience report was used to develop the 7.13 percent assumption used for the current GASB 67 reporting date. This is equal to the 7 percent long-term investment return assumption adopted by the Board of Investments (net of investment and administrative expenses), plus 0.13 percent assumed administrative expenses, as required by GASB 67. LACERA has reviewed this assumption as of the GASB 67 reporting date using current capital market assumptions provided by external investment advisors.

The plan's projected Fiduciary Net Position (FNP), after reflecting employee and employer contributions, was expected to be sufficient to make all future benefit payments of current active and inactive (retired and deferred) employees. Therefore, the discount rate for calculating the TPL is equal to the long-term expected rate of return, gross of administrative expenses, which is 7.13 percent for the fiscal year ended June 30, 2021 reporting cycle.

Other Key Assumptions

Other key actuarial assumptions used to calculate the TPL as of the June 30, 2021 measurement date are the same as used to determine the June 30, 2020 actuarial funding valuation. For the determination of the TPL as of the June 30, 2020 measurement date, other key actuarial assumptions were the same as used in the June 30, 2019 actuarial funding valuation.

Net Pension Liability

GASB 67 requires public pension plans to provide the calculation of the Net Pension Liability (NPL). The NPL is measured as the Total Pension Liability less the amount of the Pension Plan's FNP.

The NPL is an accounting measurement for financial statement reporting purposes. The funded status of the Plan is calculated separately by the consulting actuary and the results are included in the actuarial valuation report. The components of LACERA's (the Pension Plan's) NPL at fiscal year-end June 30, 2021 and 2020, were as follows:

Schedule of Net Pension Liability

For the Fiscal Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

	2021	2020
Total Pension Liability	**$80,303,904**	$76,579,594
Less: Fiduciary Net Position	**(73,012,026)**	(58,510,408)
Net Pension Liability	**$7,291,878**	$18,069,186
Fiduciary Net Position as a Percentage of Total Pension Liability	**90.92%**	76.40%

The TPL increased due to the normal operations of LACERA including the cost of benefits earned over the period (service cost), interest on the TPL, and benefit payments. The NPL decreased primarily due to strong investment returns for the fiscal year ended June 30, 2021.

Sensitivity Analysis

In accordance with GASB 67, sensitivity of the NPL to changes in the discount rate must be reported. The following presents the NPL, calculated for the fiscal year ended June 30, 2021, using the discount rate of 7.13 percent, as well as the results of NPL calculations using a discount rate that is 1 percentage point lower (6.13 percent) or 1 percentage point higher (8.13 percent) than the current rate (7.13 percent). A corresponding calculation is presented for the fiscal year ended June 30, 2020, based on the discount rate in effect for that year.

Sensitivity Analysis

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	2021			2020		
	1% Decrease [6.13%]	**Current Discount Rate [7.13%]**	**1% Increase [8.13%]**	**1% Decrease [6.13%]**	**Current Discount Rate [7.13%]**	**1% Increase [8.13%]**
Total Pension Liability (Asset)	$91,186,244	$80,303,904	$71,310,939	$86,990,827	$76,579,594	$67,976,838
Less: Fiduciary Net Position	(73,012,026)	(73,012,026)	(73,012,026)	(58,510,408)	(58,510,408)	(58,510,408)
Net Pension Liability/(Asset)	**$18,174,218**	**$7,291,878**	**($1,701,087)**	**$28,480,419**	**$18,069,186**	**$9,466,430**

NOTE F — Partial Annuitization of Pension Benefit Payments

In January 1987, LACERA purchased single life annuities from two insurance companies that provided pension benefit payments to a portion of retired members, referred to as covered members. Under the terms of the agreements, LACERA continues to administer all pension benefit payments to covered members. There is no effect on covered members, since they retain all pension benefits accorded to LACERA members under the law, including rights to a monthly continuing allowance payable to eligible survivors or beneficiaries of deceased LACERA retirees, health insurance subsidies, and any cost-of-living adjustments (COLAs) awarded. The values of the annuities are entirely allocated to covered members. In accordance with the agreements. The annuity providers make monthly annuity reimbursements limited to the straight life annuity payments and statutory COLA increases.

LACERA is responsible for any difference in pension benefit payments payable to covered members that are unreimbursed by the insurance companies. The reimbursements received are netted against the pension and annuity payments (i.e., retiree payroll) in LACERA's financial statements. For the fiscal year ended June 30, 2021, LACERA paid $9.3 million to covered members and received $7.6 million in related reimbursements. For the fiscal year ended June 30, 2020, LACERA paid $11.0 million to covered members and received $9.1 million in related reimbursements. As the annuity providers' monthly annuity reimbursements are allocated to covered members' pension payments, the fair value of contracts was excluded from pension plan assets and actuarially determined amounts.

NOTE G — Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the LACERA Board of Investments with exclusive control over LACERA's investment portfolio. The LACERA Board of Investments established investment policy statements and investment manager guidelines for the management of the LACERA defined benefit retirement plan (Pension Plan) and the LACERA Other Post-Employment Benefits Master Trust (OPEB Master Trust or OPEB Trust). The LACERA Board of Investments exercises authority and control over the management of LACERA's Fiduciary Net Position Restricted for Benefits by setting a policy that the LACERA Investment Office staff executes either internally or through the use of prudent external experts.

Each investment policy statement recognizes that every investment asset class and type is subject to certain risks. Outlined below are the deposit and investment risks as they relate to fixed-income investments.

Credit Risk

Credit risk is the risk that an issuer or a counterparty to an investment transaction will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension Plan at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

Investment Grade Bonds

Investment grade bonds are categorized as a component of the Risk Reduction and Mitigation functional asset category presented in the Investment Section and are subdivided into two types of strategies: Core and Core Plus, with target allocation ranges of 80 to 100 percent for Core and 0 to 20 percent for Core Plus. Investment guidelines for Core managers require that they invest predominantly in sectors represented in their benchmark index, which consists of 100 percent of bonds rated investment grade. As a result, Core portfolios consist almost 100 percent of bonds rated investment grade by the major credit rating agencies: Moody's, S&P Global Ratings (S&P), and Fitch. Core Plus managers are afforded some latitude to deviate from the benchmark index in order to generate excess return, so investment grade bonds must comprise at least 70 percent of Core Plus portfolios.

High Yield Bonds

Dedicated high yield bond portfolios are categorized in the Credit functional asset category presented in the Investment Section. By definition, high yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

The credit portfolios allow for the assumption of more credit risk than investment grade portfolios by investing in securities that include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, bank loans, illiquid credit, and emerging market debt. LACERA utilizes specific investment manager guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

The following is a schedule for the year ended June 30, 2021 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $16 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investments	Non-U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$3,301,874	$1,195,987	$1,480	$172,471	$4,497,797	$2,346	$160,507	$9,332,462	44.3%
Aa	—	—	4,221	32,962	1,042,542	24,674	20,947	1,125,346	5.3%
A	—	—	—	386,122	877,203	38,208	47,334	1,348,867	6.4%
Baa	—	—	2,695	585,436	1,079,893	78,426	140,929	1,887,379	9.0%
Ba	—	—	—	211,026	33,863	47,809	188,558	481,256	2.3%
B	—	—	—	1,115,369	662	120,190	383,016	1,619,237	7.7%
Caa	—	—	—	190,817	—	13,097	216,681	420,595	2.0%
Ca	—	—	—	7,630	—	784	6,797	15,211	0.1%
C	—	—	—	1,132	—	—	—	1,132	—%
Not Rated	—	1,027	—	317,497	4,195,662	110,193	205,097	4,829,476	22.9%
Total	**$3,301,874**	**$1,197,014**	**$8,396**	**$3,020,462**	**$11,727,622**	**$435,727**	**$1,369,866**	**$21,060,961**	**100.0%**

Note: Pooled Investments included within the Not Rated Quality Ratings represent investments in commingled funds.

The following is a schedule for the year ended June 30, 2020 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $22 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan

As of June 30, 2020
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investment	Non-U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$1,858,678	$1,922,386	$4,058	$153,132	$2,597,269	$8,480	$200,858	$6,744,861	36.0%
Aa	—	—	20,640	79,420	2,020,117	33,057	35,783	2,189,017	11.7%
A	—	—	9,415	531,485	749,190	114,523	128,535	1,533,148	8.1%
Baa	—	—	9,373	772,037	871,061	193,341	360,294	2,206,106	11.8%
Ba	—	—	—	403,950	35,453	104,058	171,367	714,828	3.8%
B	—	—	81	837,605	—	173,683	261,083	1,272,452	6.8%
Caa	—	—	—	153,355	2,882	19,498	166,901	342,636	1.8%
Ca	—	—	4,548	9,495	—	4,180	2,150	20,373	0.1%
C	—	—	—	499	—	—	15	514	—%
Not Rated	—	1,267	828	159,187	3,270,486	49,325	251,064	3,732,157	19.9%
Total	**$1,858,678**	**$1,923,653**	**$48,943**	**$3,100,165**	**$9,546,458**	**$700,145**	**$1,578,050**	**$18,756,092**	**100.0%**

Note: Pooled Investments included within the Not Rated Quality Ratings represent investments in commingled funds.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust

As of June 30, 2021
(Dollars in Thousands)

Quality Ratings	Pooled Investments	Total	Percentage of Portfolio
Not Rated	$894,200	$894,200	100%
Total	**$894,200**	**$894,200**	**100%**

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust

As of June 30, 2020
(Dollars in Thousands)

Quality Ratings	Pooled Investments	Total	Percentage of Portfolio
Not Rated	$570,375	$570,375	100%
Total	**$570,375**	**$570,375**	**100%**

Note: Pooled Investments included with the Not Rated Quality represent investments in commingled funds. All fixed income securities in the OPEB Trust were invested through commingled funds.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2021
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/ Credit Securities	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$99,076	$7,317	$962	$107,355	76.6%
Aa	—	6,222	1,748	7,970	5.7%
A	—	19,509	2,087	21,596	15.4%
Baa2	—	541	—	541	0.4%
Not Rated	—	2,631	—	2,631	1.9%
Total	**$99,076**	**$36,220**	**$4,797**	**$140,093**	**100.0%**

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2020
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/ Credit Securities	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$78,197	$8,443	$2,418	$89,058	69.0%
Aa	—	9,491	667	10,158	7.9%
A	—	23,795	2,671	26,466	20.5%
Not Rated	—	3,414	—	3,414	2.6%
Total	**$78,197**	**$45,143**	**$5,756**	**$129,096**	**100.0%**

Custodial Credit Risk

LACERA's contract with its custodian State Street Bank and Trust (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, in book-entry form, with a clearinghouse corporation, or with a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of those overnight deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by pass-through insurance, in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a prompt corrective action capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a financial institution bond, which would cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian other than State Street Bank and Trust.

Counterparty Risk

Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. LACERA and its managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality, and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

Concentration of Credit Risk

No more than 5 percent of the investment grade bond and high yield bond portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds. During fiscal year 2020, LACERA revised the Investment Manager Guidelines to allow an allocation to one high yield bond portfolio of up to 7 percent.

As of June 30, 2021, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the duration of all investment grade bond portfolios is restricted to plus or minus 25 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities — Pension Plan schedule for the year ended June 30, 2021 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $16 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasuries	$3,301,874	7.08
U.S. Government Agency	1,197,014	3.39
Municipal/Revenue Bonds	8,396	13.41
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$4,507,284**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$251,781	2.99
Corporate and Other Credit	2,762,494	2.73
Fixed Income Swaps and Options	6,186	N/A
Pooled Funds	11,727,622	3.47
Subtotal Corporate Bonds and Credit Securities	**$14,748,083**	
Non-U.S. Fixed Income	$435,728	2.37
Private Placement Fixed Income	1,369,866	3.40
Subtotal Non-U.S. and Private Placement Securities	**$1,805,594**	
Total Fixed Income Securities	**$21,060,961**	

[1]Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent

The Duration in Fixed Income Securities — Pension Plan schedule for the year ended June 30, 2020 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $22 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan

As of June 30, 2020

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasuries	$1,858,678	9.41
U.S. Government Agency	1,923,653	1.40
Municipal/Revenue Bonds	48,943	10.06
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$3,831,274**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$223,901	2.03
Corporate and Other Credit	2,898,210	3.93
Fixed Income Swaps and Options	(21,946)	N/A
Pooled Funds	9,546,458	4.24
Subtotal Corporate Bonds and Credit Securities	**$12,646,623**	
Non-U.S. Fixed Income	$700,145	3.58
Private Placement Fixed Income	1,578,050	3.62
Subtotal Non-U.S. and Private Placement Securities	**$2,278,195**	
Total Fixed Income Securities	**$18,756,092**	

[1]Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Trust

As of June 30, 2021
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
Pooled Investments	$894,200	3.41
Total Fixed Income Securities	**$894,200**	

[1]Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Trust

As of June 30, 2020
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
Pooled Investments	$570,375	3.22
Total Fixed Income Securities	**$570,375**	

[1]Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2021
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries	$99,076	2.01
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$9,948	1.34
Corporate and Other Credit	26,272	1.75
Subtotal Corporate Bonds and Credit Securities	**$36,220**	
Private Placement Fixed Income	$4,797	2.13
Total Fixed Income Securities	**$140,093**	

[1]Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2020
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries	$78,197	2.25
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$11,590	1.30
Corporate and Other Credit	33,553	1.60
Subtotal Corporate Bonds and Credit Securities	**$45,143**	
Private Placement Fixed Income	$5,756	1.12
Total Fixed Income Securities	**$129,096**	

[1]Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent

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. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment manager guidelines. To mitigate foreign currency risk within global equity, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50 percent of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. Most of the exposure is from separately managed accounts with the remaining exposure from non-U.S. commingled funds. For the commingled funds, LACERA owns units, and the fund holds actual securities and/or currencies. The values shown include LACERA's separately managed account holdings and the pro rata portion of non-U.S. commingled fund holdings.

Non-U.S. Investment Securities at Fair Value — Pension Plan

As of June 30, 2021
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
Angolan Kwanza	$–	$4,788	$–	$–	$–	$–	**$4,788**
Central African CFA franc	–	2,317	–	–	–	–	**2,317**
Ghana New Cedi	–	7,798	–	–	–	–	**7,798**
Kenya Shilling	4,338	2,133	–	–	–	–	**6,471**
Mauritian Rupee	–	4,547	–	–	–	–	**4,547**
Moroccan Dirham	–	3,775	–	–	–	–	**3,775**
Nigerian Naira	8,383	5,445	–	–	–	–	**13,828**
Rwandan Franc	–	4,542	–	–	–	–	**4,542**
South African Rand	163,350	30,442	77	–	–	–	**193,869**
Tunisian Dinar	–	4,366	–	–	–	–	**4,366**
West African CFA Franc	–	11,786	–	–	–	–	**11,786**
AMERICAS							
Argentina Peso	–	10,889	–	–	–	–	**10,889**
Bahamian Dollar	–	5,884	–	–	–	–	**5,884**
Barbadian Dollar	–	794	–	–	–	–	**794**
Belize Dollar	–	1,150	–	–	–	–	**1,150**
Brazilian Real	176,747	39,358	465	–	–	7,304	**223,874**
Canadian Dollar	912,837	10,290	766	–	–	–	**923,893**
Chilean Peso	21,484	3,313	–	–	–	–	**24,797**
Colombian Peso	5,114	17,641	5	–	–	–	**22,760**
Dominican Peso	–	7,355	–	–	–	–	**7,355**
Honduran Lempira	–	912	–	–	–	–	**912**
Mexican Peso	86,166	43,521	(57)	–	–	–	**129,630**
Paraguayan Guarani	–	2,007	–	–	–	–	**2,007**
Peruvian Sol	5,730	6,438	–	–	–	–	**12,168**
Uruguayan Peso	–	6,134	–	–	–	–	**6,134**
Venezuelan Bolivar	–	1,124	–	–	–	–	**1,124**
ASIA							
Armenian Dram	–	5,196	–	–	–	–	**5,196**
Australian Dollar	582,851	1,499	810	–	–	–	**585,160**
Chinese Renminbi	207,769	17,241	4	–	–	–	**225,014**
Georgia Lari	–	7,107	–	–	–	–	**7,107**
Hong Kong Dollar	1,124,714	–	699	–	–	3,978	**1,129,391**
Indian Rupee	155,324	11,351	–	–	–	–	**166,675**
Indonesian Rupiah	55,584	25,989	42	–	–	–	**81,615**
Japanese Yen	1,486,494	–	1,248	–	–	(82)	**1,487,660**
Kazakhstani Tenge	–	5,518	–	–	–	–	**5,518**
Kuwaiti Dinar	8,078	–	–	–	–	–	**8,078**
Malaysian Ringgit	61,692	10,306	131	–	–	–	**72,129**

Non-U.S. Investment Securities at Fair Value continued — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
ASIA							
New Zealand Dollar	46,881	261	12	–	–	787	**47,941**
Pakistan Rupee	2,405	3,109	–	–	–	–	**5,514**
Philippine Peso	25,662	1,220	3	–	–	–	**26,885**
Singapore Dollar	78,336	2,351	280	–	–	2,462	**83,429**
South Korean Won	488,596	1,743	342	–	–	19,887	**510,568**
Taiwan Dollar	417,184	–	96	–	–	–	**417,280**
Thai Baht	52,389	7,844	8	–	–	–	**60,241**
Uzbekistani So'm	–	5,115	–	–	–	–	**5,115**
Vietnamese Dong	37,223	–	–	–	–	–	**37,223**
EUROPE							
Belarusian Ruble	–	6,341	–	–	–	–	**6,341**
British Pound Sterling	1,481,904	60,616	385	485	122,063	27,817	**1,693,270**
Czech Republic Koruna	3,588	16,354	–	–	–	–	**19,942**
Danish Krone	222,322	–	479	–	–	3,106	**225,907**
Euro	2,589,916	172,931	13,719	287,627	644,294	1,918	**3,710,405**
Hungarian Forint	17,363	3,486	–	–	–	–	**20,849**
Norwegian Krone	128,472	–	90	–	–	–	**128,562**
Polish Zloty	39,781	6,537	197	–	–	–	**46,515**
Romanian New Leu	17,169	8,210	–	–	–	–	**25,379**
Russian Ruble	127,259	23,145	–	–	–	–	**150,404**
Serbian Dinar	–	4,367	–	–	–	–	**4,367**
Swedish Krona	508,125	–	516	–	–	237	**508,878**
Swiss Franc	685,030	–	265	–	–	817	**686,112**
Ukrainian Hryvnia	–	22,175	–	–	–	–	**22,175**
MIDDLE EAST							
Bahraini Dinar	–	5,687	–	–	–	–	**5,687**
Egyptian Pound	2,732	18,671	–	–	–	–	**21,403**
Israeli New Shekel	42,162	1,799	5	–	–	68	**44,034**
Jordanian Dinar	7,197		–	–	–	–	**7,197**
Qatari Rial	18,655	17,795	–	–	–	–	**36,450**
Saudi Riyal	1,410	11,763	–	–	–	–	**13,173**
Turkish Lira	10,340	7,122	–	–	–	–	**17,462**
UAE Dirham	18,277	15,373	13	–	–	–	**33,663**
Total Investment Securities Subject to Foreign Currency Risk	**$12,137,033**	**$746,971**	**$20,600**	**$288,112**	**$766,357**	**$68,299**	**$14,027,372**

Non-U.S. Investment Securities at Fair Value — Pension Plan

As of June 30, 2020
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
Ghana New Cedi	$—	$5,303	$—	$—	$—	$—	**$5,303**
Kenya Shilling	—	7,919	—	—	—	—	**7,919**
Mauritian Rupee	—	1,865	—	—	—	—	**1,865**
Moroccan Dirham	1,000	5,600	—	—	—	—	**6,600**
Mozambican Metical	—	2,517	—	—	—	—	**2,517**
Nigerian Naira	6,072	8,110	—	—	—	—	**14,182**
Rwandan Franc	—	3,908	—	—	—	—	**3,908**
South African Rand	131,118	37,872	23	—	—	—	**169,013**
Tunisian Dinar	—	6,342	—	—	—	—	**6,342**
West African CFA Franc	—	14,102	—	—	—	—	**14,102**
AMERICAS							
Argentina Peso	2,290	11,683	2,290	—	—	—	**16,263**
Bahamian Dollar	—	7,725	—	—	—	—	**7,725**
Barbadian Dollar	—	935	—	—	—	—	**935**
Belize Dollar	—	1,734	—	—	—	—	**1,734**
Brazilian Real	119,265	55,423	543	—	—	—	**175,231**
Canadian Dollar	685,483	3,031	887	—	—	(8,347)	**681,054**
Chilean Peso	14,979	4,942	—	—	—	—	**19,921**
Colombian Peso	6,554	29,981	5	—	—	—	**36,540**
Costa Rican Colon	—	2,528	—	—	—	—	**2,528**
Dominican Peso	—	8,704	—	—	—	—	**8,704**
Honduran Lempira	—	815	—	—	—	—	**815**
Mexican Peso	61,287	101,390	10			(13)	**162,674**
Paraguayan Guarani	—	4,664	—	—	—	—	**4,664**
Peruvian Sol	6,386	15,854	—	—	—	55	**22,295**
Uruguayan Peso	—	7,696	—	—	—	—	**7,696**
Venezuelan Bolivar	—	657	—	—	—	—	**657**
ASIA							
Armenian Dram	—	6,534	—	—	—	—	**6,534**
Australian Dollar	475,390		921	—	—	(17,686)	**458,625**
Chinese Renminbi	127,322	15,101	—	—	—	—	**142,423**
Georgia Lari	—	8,594	—	—	—	—	**8,594**
Hong Kong Dollar	787,639		192	—	—	(55)	**787,776**
Indian Rupee	112,742	10,724	—	—	—	—	**123,466**
Indonesian Rupiah	47,276	92,387	28	—	—	—	**139,691**
Japanese Yen	1,383,238	1,901	1,000	—	—	4,541	**1,390,680**
Kazakhstani Tenge	—	6,932	—	—	—	—	**6,932**
Malaysian Ringgit	61,344	28,472	997	—	—	—	**90,813**
New Zealand Dollar	38,694	234	26	—	—	(695)	**38,259**

Non-U.S. Investment Securities at Fair Value continued — Pension Plan

As of June 30, 2020
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
ASIA							
Pakistan Rupee	2,173	2,660	–	–	–	–	**4,833**
Philippine Peso	20,597	6,297	1	–	–	–	**26,895**
Singapore Dollar	70,910	5,366	38	–	–	(709)	**75,605**
South Korean Won	304,513	12,265	161	–	–	–	**316,939**
Sri Lankan Rupee	–	3,199	–	–	–	–	**3,199**
Taiwan Dollar	103,008	4,216	296	–	–	–	**107,520**
Thai Baht	56,749	39,131	5	–	–	–	**95,885**
Uzbekistani So'm	–	2,596	–	–	–	–	**2,596**
Vietnamese Dong	26,033	–	–	–	–	–	**26,033**
EUROPE							
Albanian Lek	–	2,049	–	–	–	–	**2,049**
Belarusian Ruble	–	1,623	–	–	–	–	**1,623**
British Pound Sterling	1,169,459	30,093	2,348	1,366	52,403	(8,223)	**1,247,446**
Czech Republic Koruna	2,600	21,209	–	–	–		**23,809**
Danish Krone	174,988	–	(120)	–	–	(1,329)	**173,539**
Euro	2,141,350	97,461	16,789	233,477	339,601	(17,930)	**2,810,748**
Hungarian Forint	13,231	13,520	–	–	–	–	**26,751**
Norwegian Krone	81,508	–	52	–	–	(1,751)	**79,809**
Polish Zloty	19,432	39,244	25	–	–	–	**58,701**
Romanian New Leu	14,125	16,833	–	–	–	–	**30,958**
Russian Ruble	24,594	78,099	302	–	–	(537)	**102,458**
Serbian Dinar	–	5,414	–	–	–	–	**5,414**
Swedish Krona	309,333	–	931	–	–	(5,602)	**304,662**
Swiss Franc	595,671	–	48	–	–	(4,604)	**591,115**
Ukrainian Hryvnia	–	19,162	–	–	–	–	**19,162**
MIDDLE EAST							
Bahraini Dinar	–	2,770	–	–	–	–	**2,770**
Egyptian Pound	3,660	14,615	–	–	–	–	**18,275**
Israeli New Shekel	35,560	1,150	2	–	–	(657)	**36,055**
Jordanian Dinar	4,705	–	–	–	–	–	**4,705**
Qatari Rial	18,305	26,536	–	–	–	–	**44,841**
Saudi Riyal	2,695	(620)	–	–	–	–	**2,075**
Turkish Lira	15,115	14,166	–	–	–	–	**29,281**
UAE Dirham	18,708	6,012	13	–	–	–	**24,733**
Total Investment Securities Subject to Foreign Currency Risk	**$9,297,101**	**$987,245**	**$27,813**	**$234,843**	**$392,004**	**($63,542)**	**$10,875,464**

Non-U.S. Investment Securities at Fair Value — OPEB Trust

As of June 30, 2021
(Dollars in Thousands)

Currency	Equity	Fixed Income	Total
AFRICA			
Liberian Dollar	$—	$766	$766
South African Rand	5,202	7,350	12,552
AMERICAS			
Brazilian Real	7,955	8,131	16,086
Canadian Dollar	33,523	8,784	42,307
Cayman Islands Dollar	—	356	356
Chilean Peso	705	2,162	2,867
Colombian Peso	219	4,391	4,610
Dominican Peso	—	110	110
Mexican Peso	2,566	9,464	12,030
Panamanian Balboa	—	1,249	1,249
Peruvian Sol	—	2,165	2,165
Uruguayan Peso	—	233	233
ASIA			
Australian Dollar	22,521	832	23,353
Chinese Renminbi	6,181	9,244	15,425
Hong Kong Dollar	44,151	—	44,151
Indian Rupee	15,851	—	15,851
Indonesian Rupiah	1,671	9,017	10,688
Japanese Yen	72,313	1,185	73,498
Kuwaiti Dinar	789	—	789
Malaysian Ringgit	2,087	6,703	8,790
New Zealand Dollar	1,041	—	1,041
Pakistan Rupee	85	—	85
Philippine Peso	949	364	1,313
Singapore Dollar	3,484	27	3,511
South Korean Won	20,219	198	20,417
Taiwan Dollar	21,798	—	21,798
Thai Baht	2,667	8,060	10,727
EUROPE			
British Pound Sterling	44,938	7,347	52,285
Czech Republic Koruna	137	3,804	3,941
Danish Krone	7,416	62	7,478
Euro	94,815	11,065	105,880
Hungarian Forint	298	3,645	3,943
Norwegian Krone	2,766	135	2,901
Polish Zloty	1,130	7,413	8,543
Romanian Leu	—	2,696	2,696
Russian Ruble	3,994	6,937	10,931
Swedish Krona	13,006	124	13,130
Swiss Franc	27,370	—	27,370

Currency	Equity	Fixed Income	Total
MIDDLE EAST			
Egyptian Pound	129	—	129
Israeli New Shekel	1,837	119	1,956
Qatari Rial	957	—	957
Saudi Riyal	4,127	—	4,127
Turkish Lira	520	1,640	2,160
UAE Dirham	1,001	—	1,001
Total Investment Securities Subject to Foreign Currency Risk	**$470,418**	**$125,778**	**$596,196**

Non-U.S. Investment Securities at Fair Value — OPEB Trust

As of June 30, 2020
(Dollars in Thousands)

Currency	Equity	Fixed Income	Total
AFRICA			
Liberian Dollar	$—	$82	$82
South African Rand	3,322	4,272	7,594
AMERICAS			
Argentine Peso	227	—	227
Brazilian Real	4,756	5,305	10,061
Canadian Dollar	21,062	—	21,062
Cayman Islands Dollar	—	6,264	6,264
Chilean Peso	528	1,415	1,943
Colombian Peso	226	3,423	3,649
Dominican Peso	—	70	70
Mexican Peso	1,585	6,180	7,765
Panamanian Balboa	—	118	118
Peruvian Sol	226	2,103	2,329
Uruguay Peso	—	198	198
ASIA			
Australian Dollar	15,098	539	15,637
Chinese Renminbi	34,122	2,135	36,257
Hong Kong Dollar	7,247	—	7,247
Indian Rupee	7,474	—	7,474
Indonesian Rupiah	1,359	5,900	7,259
Japanese Yen	56,542	678	57,220
Malaysian Ringgit	1,736	4,104	5,840
New Zealand Dollar	906	—	906
Pakistan Rupee	76	—	76
Philippine Peso	755	244	999
Singapore Dollar	2,642	14	2,656
South Korean Won	10,946	144	11,090
Taiwan Dollar	12,078	—	12,078
Thailand Baht	2,114	5,549	7,663
EUROPE			
British Pound Sterling	31,177	3,657	34,834
Czech Republic Koruna	75	2,784	2,859
Danish Krone	4,907	49	4,956
Euro	66,280	7,262	73,542
Hungarian Forint	226	2,163	2,389
Norwegian Krone	1,661	149	1,810
Polish Zloty	755	5,086	5,841
Romanian Leu	—	1,749	1,749
Russian Ruble	2,718	5,032	7,750
Swedish Krona	7,927	163	8,090
Swiss Franc	20,835	—	20,835

Currency	Equity	Fixed Income	Total
MIDDLE EAST			
Egyptian Pound	151	—	151
Iraqi Dinar	—	269	269
Israeli New Shekel	1,812	92	1,904
Qatari Rial	830	—	830
Saudi Riyal	2,340	—	2,340
Turkish Lira	453	1,759	2,212
UAE Dirham	528	—	528
Total Investment Securities Subject to Foreign Currency Risk	**$327,702**	**$78,951**	**$406,653**

NOTE H — Securities Lending Program

The Board of Investments' policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash and non-cash collateral. When cash collateral is received, the income that is generated from securities lending has two sources: lending and reinvestment. LACERA pays the borrower interest on the collateral and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. When non-cash collateral is received, the borrower pays a fee for borrowing the security.

During the last fiscal year, LACERA's securities lending program was managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lent LACERA's non-U.S. equities, U.S. Treasury, and U.S. Agency securities. GSAL lent LACERA's U.S. equities and corporate bonds. During fiscal year 2021, GSAL was terminated, and its program was transferred to State Street Bank and Trust. By the end of June 2021, State Street Bank and Trust was the sole manager of LACERA's securities lending program. Collateralization is set on non-U.S. loans at 105 percent and on U.S. loans at 102 percent of the market value of securities on loan.

State Street Global Advisors invests the collateral received from the lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked to market daily, so that if the market value of a security on loan rises, LACERA receives additional collateral. Conversely, if the market value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income. LACERA shares this net income with the lending agent based on contractual agreements.

Under the terms of the lending agreements, the lending agent provides borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. LACERA does not have the ability to pledge assets received as collateral without a borrower default. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At fiscal year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the fiscal years ended June 30, 2021 and 2020.

As of June 30, 2021, the fair value of securities on loan was $3.4 billion, with a value of cash collateral received of $1.2 billion and non-cash collateral of $2.3 billion. As of June 30, 2020, the fair value of securities on loan was $1.7 billion, with a value of cash collateral received of $1.2 billion and non-cash collateral of $587.5 million. LACERA's income, net of expenses from securities lending, was $4.8 million and $4.9 million for the fiscal years ended June 30, 2021 and 2020, respectively.

The following table shows the fair value of securities on loan, cash and non-cash collateral received as well as the calculated mark.

Securities Lending

As of June 30, 2021 and 2020

(Dollars in Thousands)

	2021			
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark[1]**
U.S. Equity	$1,505,009	$110,975	$1,495,387	($2,885)
U.S. Fixed Income	1,237,110	1,034,611	238,468	1,661
Non-U.S. Equity	609,309	52,942	600,317	(1,902)
Total	**$3,351,428**	**$1,198,528**	**$2,334,172**	**($3,126)**

	2020			
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark[1]**
U.S. Equity	$610,659	$621,794	$—	$—
U.S. Fixed Income	625,588	494,950	156,849	(91)
Non-U.S. Equity	457,198	60,630	430,620	463
Total	**$1,693,445**	**$1,177,374**	**$587,469**	**$372**

[1]Calculated mark is performed daily, and it is the amount LACERA will collect from the borrower (if the amount is positive) or pay to the borrower (if the amount is negative) to bring the collateralization to appropriate levels based on market value.

NOTE I — Derivative Financial Instruments

LACERA's Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument that represents direct ownership of an asset or an obligation of an issuer whose payments are based on or derived from the performance of some agreed-upon benchmark. Generally, investment guidelines require managers to mark to market derivative positions daily and trade with counterparties with a credit rating of A3/A-, as defined by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively. Gains and losses from derivatives are included in net investment income. The following types of derivatives are permitted: futures, currency forwards, options, and swaps. Given that hedge fund managers may already have discretion to use derivatives in the funds they manage, derivatives for hedge fund investments are discussed in Note O — Hedge Fund Investments.

Futures

Futures are financial agreements to buy or sell an underlying asset at a specified future date and price. Futures are standardized instruments traded on organized exchanges, and they are marked-to-market daily. The futures exchange reduces counterparty credit risk by acting as a central counterparty. It does this by collecting a daily margin payment from one trade participant and crediting it to the other, based on price changes in the underlying asset.

Currency Forwards

Similar to futures agreements, forwards represent an agreement to buy or sell an underlying asset at a specified future date and price. However, forwards are non-standardized agreements tailored to each specific transaction. Payment for the transaction is generally delayed until the settlement or expiration date. Forward contracts are privately negotiated and do not trade on a centralized exchange; therefore, they are considered over-the-counter instruments. Currency forward contracts are used to manage currency exposure, implement the passive currency hedge, and facilitate the settlement of international security purchases and sales.

Currency Forwards Analysis

As of June 30, 2021
(Dollars in Thousands)

Currency Name	Options	Currency Forward Contracts Net Receivables	Net Payables	Swaps	Total Exposure
Australian Dollar	$1	($424)	$7,728	$–	**$7,305**
Brazilian Real	9	–	–	–	**9**
British Pound Sterling	–	(2,854)	6,832	30	**4,008**
Canadian Dollar	–	(166)	983	–	**817**
Danish Krone	–	(84)	2,002	–	**1,918**
Euro	90	(1,472)	29,289	–	**27,907**
Hong Kong Dollar	–	(1)	68	–	**68**
Israeli New Shekel	–	2	(83)	–	**(82)**
Japanese Yen	–	(2,011)	21,898	–	**19,887**
New Zealand Dollar	–	(52)	289	–	**237**
Norwegian Krone	–	(84)	871	–	**787**
Singapore Dollar	–	(6)	423	–	**416**
South Korean Won	22	–	–	–	**22**
Swedish Krona	–	(270)	2,732	–	**2,462**
Swiss Franc	7	(280)	3,386	–	**3,113**
Malaysian Ringgit	11	–	–	–	**11**
Total	**$141**	**($7,702)**	**$76,418**	**$30**	**$68,885**

Note: This Currency Forwards Analysis table does not include holdings within a commingled investment structure.

Options

An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swaps

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. The cash flows exchanged by the counterparties are tied to a notional amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses since the prior mark-to-market.

The following Investment Derivatives schedule reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended June 30, 2021, classified by type, not including holdings within a commingled investment structure.

Investment Derivatives

As of June 30, 2021

(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$671,603	$–	$–	414,163
Commodity Futures Short	(154,718)	–	–	(13,512)
Credit Default Swaps Bought	(431)	–	–	–
Credit Default Swaps Written	1,042	8	800	–
Fixed Income Futures Long	(37,523)	–	–	1,789,512
Fixed Income Futures Short	6,349	–	–	(31,234)
Fixed Income Options Bought	(57)	30	–	256
Fixed Income Options Written	1,266	(2)	–	(3,041)
Foreign Currency Futures Long	296	–	–	–
Foreign Currency Futures Short	(2,062)	–	–	(50,200)
Futures Options Bought	(2,504)	–	–	5
Futures Options Written	2,622	(731)	–	(7,623)
FX Forwards	(125,521)	68,715	6,764,216	–
Index Futures Long	173,784	–	–	125
Index Futures Short	(358,936)	–	–	(677)
Index Options Written	(258)	(554)	–	(235)
Pay Fixed Interest Rate Swaps	20,602	–	–	–
Receive Fixed Interest Rate Swaps	(7,029)	(71)	17,509	–
Rights	2,192	949	1,257	–
Total Return Swaps Bond	(22)	(3)	107	–
Total Return Swaps Equity	157,357	6,214	(493,146)	–
Warrants	348	317	6,404	–
Total	**$348,400**	**$74,872**	**$6,297,147**	**2,097,539**

All investment derivative positions are included as part of Investments at Fair Value in the Statement of Fiduciary Net Position. All changes in fair value are reported as part of Net Appreciation/(Depreciation) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Position.

Investment information was provided by LACERA's investment managers and custodian bank, State Street Bank and Trust.

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forward contracts and certain swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continually monitor credit ratings of counterparties. In addition, collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure. Should there be a counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that have unrealized gains and any collateral provided to the counterparty, net of applicable netting arrangements. LACERA requires investment managers to have master agreements in place that permit netting in order to minimize credit risk. Netting arrangements provide LACERA with a legal right of setoff in the event of bankruptcy or default by the counterparty.

The following schedule displays the fair value of investments with each counterparty's S&P, Fitch, and Moody's credit rating by counterparty's name alphabetically.

Counterparty Credit Risk Analysis

As of June 30, 2021

(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank Of America, N.A.	$37	A+	AA	Aa2
Bank of New York	2	A	AA-	A1
Barclays Bank PLC Wholesale	2	A	A+	A1
BNP Paribas, S.A.	3,944	A+	A+	Aa3
Citibank N.A.	1,506	A+	A+	Aa3
Credit Suisse International	12,148	A+	A	Aa3
Credit Suisse Securities (USA) LLC	192	A+	A	Aa3
Deutsche Bank AG	12,672	BBB+	BBB	A3
Goldman Sachs Bank USA	189	BBB+	A	A2
Goldman Sachs International	18,057	A+	A+	A1
HSBC Bank USA	68	A+	AA-	Aa3
JP Morgan Chase Bank, N.A.	1,302	A+	AA	Aa2
Macquarie Bank Limited	914	A+	A	A2
Merrill Lynch International	423	A-	AA-	A2
Morgan Stanley and Co. International PLC	2	BBB+	A	A1
Morgan Stanley Capital Services Inc	102	BBB+	A	A1
Morgan Stanley Co Incorporated	105	BBB+	A	A1
Natwest Markets Plc	11,852	A-	A+	A3
State Street Bank and Trust Company	197	AA-	AA	Aa3
Toronto Dominion Bank	5	AA-	AA-	Aa3
UBS AG	12,881	A+	AA-	Aa3
Westpac Banking Corporation	10,898	AA-	A+	Aa3
Total	**$87,498**			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table, not including holdings within a commingled investment structure.

Interest Rate Risk Analysis

As of June 30, 2021

(Dollars in Thousands)

				Investments Maturity (in Years)			
Investment Type	**Notional Value (Dollar)**	**Notional Shares (Units)**	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More than 10**
Credit Default Swaps Written	$800	–	$8	$–	$–	$–	$8
Fixed Income Options Bought	–	256	30	–	30	–	–
Fixed Income Options Written	–	(3,041)	(2)	–	(1)	–	(1)
Receive Fixed Interest Rate Swaps	17,509	–	(71)	–	202	(272)	–
Total Return Swaps Bond	107	–	(3)	(3)	–	–	–
Total Return Swaps Equity	(493,146)	–	6,214	6,103	111	–	–
Total	**($474,730)**	**(2,785)**	**$6,177**	**$6,100**	**$342**	**($272)**	**$7**

NOTE J — Special Purpose Entities

Real Estate Investments

LACERA maintains several different types of special purpose entities (SPEs) in its investment portfolio which are legal structures created to hold one or more real estate assets. The Investment Policy Statement approved by the Board of Investments allows investment managers to leverage the properties with debt that is included in property liabilities.

As of June 30, 2021, there were 34 title holding corporations (THCs) and 48 limited liability companies (LLCs) contained within the LACERA real estate portfolio. As of June 30, 2020, the portfolio held 41 THCs and 56 LLCs.

The total fair values of assets invested in THCs and LLCs as of June 30, 2021 and June 30, 2020, were $3.8 billion and $3.7 billion, respectively.

Debt Program

The LACERA Board of Investments approved investable equity commitments of $500 million and $300 million, respectively, to managers for the Debt Program which are Barings LLC and Quadrant Real Estate Advisors LLC. Barings, LLC has an additional $30 million commitment for the purpose of backstopping a subscription facility, though this equity is considered non-investable.

Portfolio net assets increase when new loans are originated from LACERA's portfolio, and such assets decrease when loans are paid back by the borrower. The total fair values of assets invested in these two Debt Program accounts as of June 30, 2021 and June 30, 2020 were $157 million and $192 million, respectively.

In September 2020, the Board of Investments hired State Street Bank and Trust to maintain the book of record for Real Estate and Debt Program assets. As of June 30, 2021, the accounting and performance data had been uploaded and included in State Street Bank's information technology platforms.

Real Estate and Debt Program assets are also disclosed in Note P — Fair Value.

As presented in the Investment Section, Real Estate and Debt Program assets are included in the following functional category portfolios: Growth, Credit, and Real Assets and Inflation Hedges.

For additional information regarding LACERA's investment portfolio and functional categories, see the Investment Section.

NOTE K — Related Party Transactions

Office Lease

In 1991, LACERA, as the sole shareholder, formed a title holding corporation (THC) to acquire Gateway Plaza, a 273,546 square foot 13-story office building located in Pasadena, California, which serves as the LACERA headquarters. At that time, LACERA entered into its original lease agreement with the THC to occupy approximately 85,000 square feet of office space. Under the terms of the original lease and the subsequent 16 amendments, which expired on December 31, 2020, LACERA did not pay rent for the office space it occupied. Instead, LACERA was credited with the entire payment of base rent due each month. However, LACERA was required to pay its proportionate share of the building's operating costs and property taxes as defined in the lease agreement.

During 2021 fiscal year, LACERA entered into the 17th Amendment with the THC to occupy 125,559 square feet of office space. The new lease agreement extended the term of the lease for an additional 60-month period, commencing on January 1, 2021 and ending on December 31, 2025. Under the new lease agreement, LACERA is required to pay monthly rent for the new term with a three-month period rent abatement from January 1, 2021 to March 31, 2021. The rent amounts are based on the current market rate for comparable space. In addition, as defined in the new lease agreement, LACERA is required to pay its proportionate share of the increase in the building's operating costs and property taxes over its base year.

Total rent expenses charged to LACERA were approximately $2.9 million and $2.3 million for the fiscal years ended June 30, 2021 and June 30, 2020, respectively.

NOTE L — Administrative Expenses

The LACERA Board of Retirement and Board of Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against the investment earnings of the Pension Plan.

Beginning with the fiscal year ended June 30, 2012, LACERA implemented a provision of the CERL that shifted the administrative budget limitation from an asset-based cap to a liability-based cap. This CERL provision states that the annual budget for administrative expenses of a CERL pension plan may not exceed 0.21 percent of the actuarial accrued liability of the plan.

Expenses for computer software, hardware, and computer technology consulting services relating to such expenditures are included in the cost of administration, although they need not be included under CERL. Pursuant to the CERL, the cost of internal legal representation secured by the Board of Retirement and Board of Investments from LACERA's Legal Office, other than representation concerning investment of monies, is not to exceed 0.01 percent of retirement benefits plan assets in any budget year. LACERA's costs for such legal representation are within the statutory limit and included in administrative expenses.

Under applicable sections of the CERL, both LACERA Boards approved the operating budgets for fiscal years ended June 30, 2021 and June 30, 2020, which were prepared based upon the 0.21 percent CERL limit. For these years, LACERA's approved operating budgets were well below the statutory limit, and the actual amounts spent were less than the approved budgets.

Due to the crisis caused by the COVID-19 pandemic, in April 2020, the Chief Executive Officer requested approval from the Board of Retirement granting emergency purchasing authority, up to and including a total of $1 million above his existing authority, for goods and services deemed necessary to address the COVID-19 emergency. Expenditures are subject to consultation with the Board of Retirement Chair and Vice Chair and are to be reported to the full Board with notification to the Board of Investments. This recommendation was adopted and authority granted covering a period of 180 days and was not renewed. For the fiscal years ended June 30, 2021 and June 30, 2020, the expenses incurred within the allowed timeframe and under the emergency purchasing authority totaled $288 thousand and $225 thousand, respectively, for providing goods and services to evaluate and provide LACERA staff with the necessary information technology structure and equipment to work remotely as well as software upgrades to migrate to cloud computing services.

In addition, under existing procurement and purchasing guidelines, LACERA's incurred expenses to address urgent operating needs due to the COVID-19 pandemic for minor technological equipment upgrades, office sanitization, and cleaning supplies were $59,000 and $253,000 for the fiscal years ended June 30, 2021 and June 30, 2020. Total expenses for goods and services to address operational needs resulting from COVID-19 amounted to $347,000 and $478,000 for the fiscal years ended June 30, 2021 and June 30, 2020. Even with the consequential emergency spending increase, which was included with all other administrative expenses, LACERA's expenditures remained within the operating budget and did not exceed the statutory limit.

Beginning with the operating budget for the fiscal year ended June 30, 2021, LACERA implemented a staggered budget development approach by obtaining Board approval of an operating budget before the start of the new fiscal year and then completing a mid-year budget amendment during the fiscal year for the Boards' approval. This staggered approach enables executive leadership the opportunity to realign resources with the strategic direction of the organization and support the management team in implementing new or urgent initiatives that might occur during the year.

The following budget-to-actual analysis of administrative expenses schedule is based upon the mid-year budget amendment for the fiscal year ended June 30, 2021, as approved by the LACERA governing boards, in comparison to actual administrative expenses. For the fiscal year ended June 30, 2020, the operating budget adopted at the beginning of the year applied to the entire fiscal year.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Basis for Budget Calculation, Actuarial Accrued Liability[1]	**$74,635,840**	**$68,527,354**
Maximum Allowable for Administrative Expenses	**156,735**	143,907
Total Statutory Budget Appropriation	**$156,735**	**$143,907**
Operating Budget Request	**100,291**	94,600
Administrative Expenses	**(90,586)**	(85,384)
Underexpended Operating Budget	**$9,705**	**$9,216**
Administrative Expenses	**90,586**	85,384
Basis for Budget Calculation, Actuarial Accrued Liability[1]	**$74,635,840**	$68,527,354
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	**0.12%**
Limit per CERL	**0.21%**	0.21%
Administrative Expenses	**90,586**	85,384
Net Position Restricted for Benefits	**$73,012,026**	$58,510,408
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.12%**	**0.15%**

[1]The 2021 and 2020 budget calculations are based on the Pension Plan actuarial accrued liability, as of June 30, 2019 and June 30, 2018, respectively.

NOTE M — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. The management and legal counsel of LACERA estimate the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Securities Litigation

In 2001, the LACERA Board of Investments adopted a Securities Litigation Policy in response to incidents of corporate corruption, fraud, and misconduct at publicly traded companies held by LACERA in its investment portfolio. The policy requires LACERA's Legal Office to monitor securities fraud class actions and to actively pursue recovery of LACERA's losses in accordance with the policy.

In 2010, the U.S. Supreme Court held that certain fraud provisions of the U.S. securities laws could not be applied to securities purchased outside the U.S. Therefore, the LACERA Board of Investments adopted a global policy to ensure that LACERA continues to meet its fiduciary duty by identifying, monitoring, and evaluating securities actions in which the fund has an interest, both foreign and domestic, and pursuing such claims when and in a manner the LACERA Board of Investments determines is in the best interest of the fund.

Compliance with the Securities Litigation Policy is part of the efforts of the LACERA Board of Investments, with the assistance of the LACERA Legal Office, to protect the financial interests of LACERA and its members.

LEASES

Equipment

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments and operating expenses for such equipment leases were approximately $211,000 and $236,000 for the fiscal years ended 2021 and 2020, respectively.

Office Lease

The LACERA office space lease agreement was originally entered in January 1991. Subsequent amendments were made with the latest one dated December 23, 2020. LACERA entered into the 17th Amendment and extended the terms with an expiration date of December 31, 2025.

LACERA's lease agreement is also discussed in Note K — Related Party Transactions. The total rent expenses for leasing the building premises are $2.9 million and $2.3 million in fiscal years 2021 and 2020, respectively.

Capital Commitments

LACERA real estate, private equity, hedge fund, and activist investment managers identify and acquire investments on a discretionary basis. Investment activity is approved by the LACERA Board of Investments and controlled by investment management agreements that identify limitations on each investment manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager.

As of June 30, 2021, outstanding capital commitments to the various investment managers, as approved by the LACERA Board of Investments, totaled $7.7 billion.

NOTE N — Other Post-Employment Benefits (OPEB) Program

Program Description

In April 1982, the County adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) that provided for a retiree healthcare insurance program and death/burial benefits for retired employees and their eligible dependents. In 1982, the County and LACERA entered into an agreement whereby LACERA would administer the program subject to the terms and conditions of the agreement. In 1994, the County amended the agreement to continue to support LACERA's retiree insurance benefits program, regardless of the status of active member insurance.

In June 2014, the LACERA Board of Retirement approved the County's request to modify the agreement to create a new retiree healthcare benefits program in order to lower its costs. Structurally, the County segregated all the then-current retirees and employees into the LACERA-administered Retiree Healthcare Benefits Program (Tier 1) and placed all employees hired after June 30, 2014 into the Los Angeles County Retiree Healthcare Benefits Program (Tier 2). On June 17, 2014, the Los Angeles County Board of Supervisors adopted changes to Los Angeles County Code Title 5 - Personnel, which established the benefit provisions for the Tier 2 program.

One difference included in this modification involves LACERA's administrative responsibility for the Retiree Healthcare Program. Under Tier 1, LACERA will continue its agreed-upon role as Program Administrator for retiree healthcare benefits as governed by the 1982 Agreement. Under the Tier 2 program, LACERA is responsible for administering this program; however, the County has the option to choose another organization to administer Tier 2. Since inception, OPEB Program liabilities and costs were determined within a cost-sharing plan structure, rather than separately for each employer. In July 2018, the OPEB Program, in which Los Angeles County, LACERA, Superior Court, and the Outside Districts participate, was restructured as an agent multiple-employer defined benefit OPEB plan (agent plan).

Membership

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, Superior Court, LACERA, or a participating Outside District. Healthcare benefits are also offered to qualifying survivors of deceased retired members and qualifying survivors of deceased active employees who were eligible to retire at the time of death. Eligibility to receive a pension benefit is a prerequisite for retiree healthcare and death benefits; therefore, eligibility and qualifications applicable to retiree healthcare and death/burial benefits are substantially similar to pension benefits. The Summary of Major OPEB Program Provisions is available by contacting LACERA or visiting the LACERA website for additional information.

LACERA Membership — OPEB Medical and Dental/Vision Benefits

As of June 30, 2021 and 2020

	2021		2020	
	Medical	Dental/ Vision	Medical	Dental/ Vision
Retired Participants				
Retired Members and Survivors	52,832	54,262	52,336	53,705
Spouses and Dependents	26,867	30,825	26,785	30,668
Total Retired	**79,699**	**85,087**	**79,121**	**84,373**
Inactive Members — Vested	8,714	8,714	8,657	8,657
Active Members — Vested[1]	74,434	74,434	73,522	73,522
Total Membership Eligible for Benefits	**162,847**	**168,235**	**161,300**	**166,552**

[1]Active members include terminated members who are vested (deferred) and eligible to receive OPEB benefits. Active members exclude non-vested (inactive) members who are ineligible for OPEB benefits.

LACERA Membership — OPEB Death/Burial Benefits

As of June 30, 2021 and 2020

	2021	2020
Retired with Eligibility for Death/Burial Benefits[2]	**60,097**	58,738
Total Retired	**60,097**	58,738
Inactive Members — Vested	**8,714**	8,657
Active Members — Vested[1]	**74,434**	73,522
Total Membership Eligible for Benefits	**143,245**	140,917

[1]Active members include terminated members who are vested (deferred) and eligible to receive OPEB benefits. Active members exclude nonvested (inactive) members who are ineligible for OPEB benefits.
[2]Survivors, spouses and dependents are not eligible for death benefits.

Benefit Provisions

The OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare Supplement or Medicare HMO plans. Coverage is available regardless of preexisting medical conditions. Under the Tier 2 benefits structure, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees/survivors and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan under the Tier 2 program.

Medical and Dental/Vision

Program benefits are provided through third-party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of eligible dependents covered. The County contribution subsidizing the participant's cost starts at 10 years of eligible service credit in the amount of 40 percent of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. For each year of eligible retirement service credit earned beyond 10 years, the County contributes 4 percent per year, up to a maximum of 100 percent for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

Under the Tier 1 benefits structure, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision plans. Under Tier 2, the County subsidy is based on retiree/survivor-only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B

The County reimburses the member's and/or eligible dependent's Medicare Part B Premium (up to the standard rate only) paid by the member to Social Security for Part B coverage, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be currently enrolled in both Medicare Part A and Medicare Part B and enrolled in a LACERA-administered Medicare HMO Plan or Medicare Supplement Plan and meet all of the qualifications. Under the Tier 2 benefits structure, the County reimburses for Medicare Part B (at the standard rate) for eligible members or eligible survivors only.

Disability

If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50 percent of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under the Tier 2 program, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52 percent subsidy. This percentage increases 4 percent for each additional completed year of service, up to a maximum of 100 percent.

Death/Burial Benefit
There is a one-time lump-sum $5,000 death/burial benefit payable to the designated beneficiary upon the death of a retired member, paid by LACERA and then reimbursed to LACERA by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this benefit upon their death.

Healthcare Reform
In March 2010, President Obama signed into law the Affordable Care Act (ACA). The ACA impacts the County's future healthcare liabilities. Estimated ACA fees are included in the OPEB liabilities. However, as a retiree-only group plan, LACERA is exempt from many of the provisions implemented thus far, including these significant provisions:

- Dependent coverage for adult children up to age 26
- Elimination of lifetime maximum limits
- No cost-sharing for approved preventive services

In December 2019, the Further Consolidated Appropriations Act (H.R. 1865) repealed the excise tax and health insurer fee beginning in the calendar year 2021 and extended the Patient-Centered Outcomes Research Institute (PCORI) Fee through 2029. The OPEB assumptions for the July 1, 2020 valuation reflect the exclusion of the excise tax and only reflect the health insurer fees for calendar year 2020.

Eligible dependent child age limit increased to age 26: The plan sponsor, the County of Los Angeles, approved an extension of the dependent children age limit up to age 26 under the Retiree Healthcare Program, regardless of a dependent child's marital or student status. This is a result of Senate Bill (SB) 1088. Until July 1, 2014, SB 1088 exempted retiree-only plans, such as LACERA's from this provision. It required health plan carriers to offer the coverage to dependents up to age 26 but does not obligate the plan sponsor, the County of Los Angeles, to pay for coverage up to age 26. However, effective March 9, 2015, the County determined that it would pay for dependent coverage up to age 26 within the existing OPEB Program provisions, as described below under Contributions Authority.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — OPEB PROGRAM

Basis of Presentation

OPEB activity at LACERA is reported within two distinct funds, the OPEB Custodial Fund and the OPEB Trust Fund, in accordance with GASB Statement Number 74 (GASB 74).

The OPEB Custodial Fund accounts for assets held in a fiduciary capacity that are not held in a trust. The funds held within the OPEB Custodial Fund do not meet the definition of a qualifying OPEB Trust under GASB 74 and are not used to reduce the employers' total OPEB liability. However, the ownership of the OPEB Custodial Fund belongs to the County, Superior Court, LACERA, and the participating Outside District employers. Assets and liabilities are recorded using the economic resources measurement focus and accrual basis of accounting. Receivables include contributions due as of the reporting date. Payables include premium payments and refunds due to members and accrued investment and administrative expenses.

The OPEB valuation groups the agents using the following structure. There is a total of three agents participating in the OPEB Trust who are included in the seven agents of the OPEB Program. The most recent OPEB Experience and Assumption Study report, prepared as of July 1, 2020, includes the population of all participating agents. Separate liabilities are calculated for the agents participating in the OPEB Trust and the OPEB Program.

Agent and Agent Grouping

OPEB Trust

County, Superior Court and LACERA

OPEB Program[1]

County, Superior Court, LACERA, SCAQMD, LACOE, LAFCO, LLCD

[1]South Coast Air Quality Management District (SCAQMD), Los Angeles County Office of Education (LACOE), Local Agency Formation Commission for the County of Los Angeles (LAFCO), and Little Lake Cemetery District (LLCD).

OPEB Trust — Agent Plan

The County, Superior Court, and LACERA have established separate accounts within the LACERA OPEB Trust to prefund their own OPEB Program liabilities. For better precision in allocating and accounting for these liabilities, as of July 1, 2018, the OPEB Program transitioned from a cost-sharing plan structure to an agent multiple-employer plan (agent plan) structure. Under the previous cost-sharing plan structure, OPEB Program liabilities and costs were determined with respect to the total LACERA OPEB Program, rather than separately for each employer. An agent plan structure, however, determines program liabilities and costs directly by employer and allocates shared expenses to each employer. This provides employers with liability and cost information that is more precise for their active, vested-terminated, and retiree population, which helps them make informed decisions to manage these OPEB costs. In addition, assets, while commingled for investment purposes, are separately tracked for each participating employer. The July 1, 2018 OPEB valuation marked the first actuarial valuation performed under an agent plan reflecting the funding information at the individual agent (employer) level.

For additional information pertaining to the OPEB Trust, see Note Q.

Investment Valuation

Investments are carried at fair value, which are derived from quoted market prices. For publicly traded securities and issues of the United States Government and its agencies, the most recent sales price as of fiscal year-end is used.

Contributions Authority

Pursuant to the 1982, 1994, and 2014 agreements between the County and LACERA, the parties agreed to the continuation of the post-retirement health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. As part of the 2014 Agreement, the County modified the existing healthcare benefits plan, which created a new benefit structure, the Tier 2 program, for all employees hired after June 30, 2014. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent.

Premium Payments

During the fiscal years ended June 30, 2021 and 2020, respectively, premium payments of $654.3 million and $627.2 million were made to insurance carriers. These premiums were funded by employer subsidy payments of $605.7 million and participant payments of $48.6 million for the fiscal year ended 2021. The employer subsidy payments for the fiscal year ended 2020 were $578 million with participant payments of $49.2 million.

In addition, $80.1 million and $9.3 million was funded by employer subsidy payments for Medicare Part B reimbursements and death/burial benefits, respectively, for the fiscal year ended June 30, 2021 and $73.6 million and $8.1 million for these benefits, respectively, during the fiscal year ended June 30, 2020.

A premium holiday is a temporary period in which the monthly premium costs for both the Program Sponsor (County) and affected members are waived. Affected members are those retirees/survivors enrolled in certain medical and dental/vision benefit plans who also pay their share of the monthly premiums. There were no premium holidays during the fiscal years ended June 30, 2021 and 2020.

NOTE O — Hedge Fund Investments

LACERA's Investment Policy Statement establishes the portfolio framework for and role of the hedge funds program. The hedge fund category of investments is composed of strategies that may: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes, 2) have an absolute return objective, and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives.

At the beginning of the fiscal year, LACERA employed one hedge fund of funds manager, Grosvenor Capital Management (GCM), and one credit fund of funds manager, Grosvenor Capital Management. During the prior fiscal year, LACERA initiated the full redemption of the GCM hedge fund of funds' portfolios. Furthermore, the GCM credit fund of funds portfolio entered its distribution phase in the prior fiscal year. Both portfolios began returning cash during the current fiscal year ended June 30, 2021, in alignment with the liquidity terms of the portfolios or underlying managers. GCM is managing the redemption process of the GCM portfolios.

During the fiscal year, LACERA added three investment managers to the direct hedge funds portfolio and redemption began for one of the investment managers. As of June 30, 2021, the portfolio contains eight direct hedge fund investments.

The investment performance for this strategy is measured separately from other asset classes. The fair values of assets invested in hedge funds as of June 30, 2021 and June 30, 2020, were $2.7 billion and $2.2 billion, respectively.

Hedge fund assets are also disclosed in Note P — Fair Value.

The GCM hedge funds of funds portfolio and Direct portfolio reside within Diversified Hedge Funds under the Risk Reduction and Mitigation functional asset category of LACERA's Total Fund. The GCM credit portfolio resides within Illiquid Credit under the Credit functional asset category. For additional information regarding LACERA's investment portfolio and functional categories, see the Investment Section.

NOTE P — Fair Value of Investments

For the fiscal year ended June 30, 2016, LACERA adopted GASB Statement Number 72, Fair Value Measurement and Application. GASB Statement Number 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles in the United States of America (U.S. GAAP or GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the investment securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Fixed income and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fixed income and equity securities classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources obtained by LACERA's custodian bank, State Street Bank and Trust.

Hedge Fund, Private Equity, Real Estate, Equity, and Fixed Income Funds

Investments in hedge fund, private equity, real estate, equity, and fixed income funds are valued at estimated fair value, as determined in good faith by the general partner (GP), in accordance with GAAP fair value principles in instances where no observable public market values are available. Investments that are estimated at fair value are initially valued at cost with subsequent adjustments that reflect third-party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP. In instances where observable public market values are available for the underlying securities held, fair value is determined by the fund's administrator using independent pricing sources.

Real Estate Separate Account Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the investment manager. These investments are initially valued at cost, with subsequent adjustments that reflect third-party transactions, financial operating results, and other factors deemed relevant by the investment manager. Properties are subject to independent third-party appraisals every year.

LACERA has the following recurring fair value measurements as of June 30, 2021 and 2020:

Investments and Derivatives Measured at Fair Value — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$251,781	$—	$251,623	$158
Corporate and Other Credit	2,762,494	—	2,703,495	58,999
Municipal / Revenue Bonds	8,396	—	8,396	—
Non-U.S. Fixed Income	435,728	—	426,142	9,586
Private Placement Fixed Income	1,369,866	—	1,369,866	—
U.S. Government Agency	1,197,014	—	1,197,014	—
U.S. Treasuries	3,301,874	—	3,301,874	—
Pooled Investments	1,157,533	1,157,533	—	—
Whole Loan Mortgages	16,352	—	—	16,352
Total Fixed Income Securities	**$10,501,038**	**$1,157,533**	**$9,258,410**	**$85,095**
Equity Securities				
Non-U.S. Equity	$10,892,501	$10,887,549	$1,078	$3,874
Pooled Investments	403,341	403,341	—	—
U.S. Equity	16,244,834	16,222,153	11,306	11,375
Total Equity Securities	**$27,540,676**	**$27,513,043**	**$12,384**	**$15,249**
Collateral from Securities Lending	**$1,198,528**	**$—**	**$1,198,528**	**$—**
Total Investments by Fair Value Level	**$39,240,242**	**$28,670,576**	**$10,469,322**	**$100,344**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$10,570,090			
Equity	2,165,195			
Hedge Funds	2,748,465			
Private Equity	11,471,947			
Real Estate	5,294,150			
Total Investments Measured at NAV	**$32,249,847**			
Total Investments	**$71,490,089**			
Derivatives				
Foreign Exchange Contracts	$68,715	$—	$68,715	$—
Foreign Fixed Income Derivatives	3,217	(1)	3,218	—
Foreign Equity Derivatives	968	968	—	—
U.S. Equity Derivatives	(997)	(997)	—	—
U.S. Fixed Income Derivatives	2,970	29	2,941	—
Total Derivatives	**$74,873**	**($1)**	**$74,874**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2021
(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds[1]	$10,570,090	$525,114	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds[2]	2,165,195	—	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds[3]	2,748,465	—	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity[4]	11,471,947	6,219,655	Not Eligible	N/A
Real Estate[4]	5,294,150	971,004	Quarterly or Not Eligible	30 days+ or N/A
Total Investments Measured at NAV	**$32,249,847**			

[1]**Commingled Fixed Income Funds**: Eight fixed income funds are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; two of the funds representing 3 percent of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from three to seven years.

[2]**Commingled Equity Funds**: Five equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of these funds representing 5 percent of Commingled Equity assets have liquidity subject to lock-up periods that limit or prohibit redemptions for the next three to four years.

[3]**Hedge Funds**: This portfolio consists of eight current funds and two fund of funds. Hedge fund investments are valued at NAV per share. When considering liquidity terms of the eight current funds, 76 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. The remaining 24 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA's Hedge Funds portfolio invests in the following strategies:
(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.
(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.
(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.
(d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.
(e) Multi-Strategy: This strategy aims to pursue varying strategies to diversify risks and reduce volatility.
(f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.

[4]**Private Equity and Real Estate Funds**: LACERA's Private Equity portfolio consists of 254 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, real assets, and co-investments. Due to contractual limitations, none of the funds are currently eligible for redemption. One of the funds may be eligible for redemption after three years, while the remaining 253 funds are ineligible for up to 10 years. The Real Estate portfolio, composed of 23 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. Three out of 23 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J — Special Purpose Entities.

Investments and Derivatives Measured at Fair Value — Pension Plan

As of June 30, 2020

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$223,901	$–	$223,662	$239
Corporate and Other Credit	2,898,210	–	2,861,134	37,075
Municipal/Revenue Bonds	48,943	–	48,943	–
Non-U.S. Fixed Income	700,145	–	700,145	–
Private Placement Fixed Income	1,578,050	–	1,578,050	–
U.S. Government Agency	1,923,653	–	1,923,653	–
U.S. Treasuries	1,858,678	–	1,858,678	–
Pooled Investments	1,060,424	1,060,424	–	–
Whole Loan Mortgages	22,090	–	–	22,090
Total Fixed Income Securities	**$10,314,094**	**$1,060,424**	**$9,194,265**	**$59,404**
Equity Securities				
Non-U.S. Equity	$7,212,668	$7,209,653	$3,015	$–
Pooled Investments	404,964	404,964	–	–
U.S. Equity	14,003,325	13,994,266	3,666	5,394
Total Equity Securities	**$21,620,957**	**$21,608,883**	**$6,681**	**$5,394**
Collateral from Securities Lending	**$1,177,374**	**$–**	**$1,177,374**	**$–**
Total Investments by Fair Value Level	**$33,112,425**	**$22,669,307**	**$10,378,320**	**$64,798**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$8,486,033			
Equity	1,709,262			
Hedge Funds	2,193,437			
Private Equity	7,141,781			
Real Estate	5,128,771			
Total Investments Measured at NAV	**$24,659,284**			
Total Investments	**$57,771,709**			
Derivatives				
Foreign Exchange Contracts	($63,545)	$–	($63,545)	$–
Foreign Fixed Income Derivatives	2,744	(92)	2,835	–
Foreign Equity Derivatives	546	546	–	–
U.S. Equity Derivatives	1,475	1,475	–	–
U.S. Fixed Income Derivatives	(24,689)	45	(24,735)	–
Total Derivatives	**($83,469)**	**$1,974**	**($85,445)**	**$–**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2020
(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds[1]	$8,486,033	$662,967	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds[2]	1,709,262	—	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds[3]	2,193,437	—	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity[4]	7,141,781	4,680,875	Not Eligible	N/A
Real Estate[4]	5,128,771	961,383	Quarterly or Not Eligible	30 days+ or N/A
Total Investments Measured at NAV	**$24,659,284**			

[1]**Commingled Fixed Income Funds**: Nine fixed income funds are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; two of the funds representing 3 percent of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from three to seven years.

[2]**Commingled Equity Funds**: Six equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of the funds representing 5 percent of Commingled Equity assets have liquidity available subject to lock-up periods that limit or prohibit redemptions for the next three to four years.

[3]**Hedge Funds**: The portfolio consists of eight current funds and two fund of funds. LACERA initiated a full redemption of the two fund of funds during the 2019-2020 fiscal period. Hedge fund investments are valued at NAV per share. When considering liquidity terms of the eight current funds, 76 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. The remaining 24 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA's Hedge Funds portfolio invests in the following strategies:

- (a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.
- (b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.
- (c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.
- (d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.
- (e) Multi-Strategy: This strategy aims to pursue varying strategies diversify risks and reduce volatility.
- (f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.
- (g) Commodities: This strategy invests across the global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events, and technical factors.

[4]**Private Equity and Real Estate Funds**: LACERA's Private Equity portfolio consists of 224 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, and co-investments. Due to contractual limitations, none of the 224 funds are eligible for redemption for up to 10 years. The Real Estate portfolio, composed of 23 funds, invests in both U.S. and non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued one quarter in arrears plus current quarter cash flows. Three out of 23 funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J — Special Purpose Entities.

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2021

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Pooled Investments	$237,868	$237,868	$–	$–
Total Fixed Income Securities	**$237,868**	**$237,868**	**$–**	**$–**
Total Investment by Fair Value Level	**$237,868**	**$237,868**	**$–**	**$–**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$656,332			
Equity	1,145,218			
Real Estate Investment Trust (REIT)	219,190			
Total Investments Measured at NAV	**$2,020,740**			
Total Investments	**$2,258,608**			

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2020

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Pooled Investments	$147,703	$147,703	$–	$–
Total Fixed Income Securities	**$147,703**	**$147,703**	**$–**	**$–**
Total Investment by Fair Value Level	**$147,703**	**$147,703**	**$–**	**$–**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$422,672			
Equity	755,005			
Real Estate Investment Trust (REIT)	142,775			
Total Investments Measured at NAV	**$1,320,452**			
Total Investments	**$1,468,155**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2021

(Dollars in Thousands)

Investments by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	$656,332	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,145,218	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	219,190	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV[1]	**$2,020,740**			

[1]**Commingled Funds**: The OPEB Master Trust is invested in eight funds that are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2020

(Dollars in Thousands)

Investments by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	$422,672	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	755,005	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	142,775	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV[1]	**$1,320,452**			

[1]**Commingled Funds**: The OPEB Master Trust is invested in eight funds that are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

Investments Measured at Fair Value — OPEB Custodial Fund

As of June 30, 2021

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$9,948	$—	$9,948	$—
Private Placement Fixed Income	4,798	—	4,798	—
Corporate and Other Credit	26,272	—	26,272	—
U.S. Treasuries	99,075	—	99,075	—
Total Fixed Income Securities	**$140,093**	**$—**	**$140,093**	**$—**
Total Investments by Fair Value Level	**$140,093**	**$—**	**$140,093**	**$—**

Investments Measured at Fair Value — OPEB Custodial Fund

As of June 30, 2020

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$11,590	$—	$11,590	$—
Private Placement Fixed Income	5,756	—	5,756	—
Corporate and Other Credit	33,553	—	33,553	—
U.S. Treasuries	78,197	—	78,197	—
Total Fixed Income Securities	**$129,096**	**$—**	**$129,096**	**$—**
Total Investments by Fair Value Level	**$129,096**	**$—**	**$129,096**	**$—**

NOTE Q — Other Post-Employment Benefits (OPEB) Trust

Establishment of Los Angeles County (County) OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable, tax-exempt OPEB Trust, which LACERA administers, for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program and apply globally where appropriate. In May 2012, the County Board of Supervisors approved entering into a trust and investment services agreement with the LACERA Board of Investments to serve as trustee and investment manager.

The County began funding the OPEB Trust in an effort to reduce its OPEB unfunded liability. It provides a framework whereby the County contributes to the Trust with regular frequency and may transition, over time, to a prefunding model from the existing pay-as-you-go model, which uses current budgeted assets to pay benefits. The County OPEB Trust does not modify the participating employers' existing benefit programs.

The County OPEB Trust serves as a funding tool for the participating employers to hold and invest assets that can be used to pay expenses associated with future OPEB benefits, such as medical, dental, and vision provided by the Retiree Healthcare Program including the retiree death/burial benefit. Participating employers will be responsible for and have full discretion over the timing of payments into the Trust. The use of those assets is restricted for OPEB purposes as defined in the trust agreement. There are only two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Establishment of Los Angeles Superior Court (Court) OPEB Trust

Similar to the OPEB Trust established by the County, the Court followed the County's lead and established a separate OPEB trust fund, the Court OPEB Trust. Pursuant to the California Government Code, the Court established an irrevocable OPEB trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Program, which LACERA administers. In April 2016, the Judicial Council of California approved the Court's request to establish a qualified irrevocable trust, as well as use of LACERA's Board of Investments as the trustee and investment services provider for the prefunding of the Court's OPEB liabilities.

In May 2016, to conform the language of the County OPEB trust agreement to the language of the Court's OPEB trust agreement, the Board of Supervisors approved the First Amendment to the Trust and Investment Services Agreement for the County of Los Angeles OPEB Program between the County and LACERA. This amendment permits the pooling of County and Court OPEB Trust assets solely for investment purposes.

In June 2016, similar to the County, the Court entered into a trust and investment services agreement with the LACERA Board of Investments.

OPEB Master Trust

In July 2016, LACERA's Board of Investments adopted the OPEB Master Trust Declaration and unitization of County and Court OPEB Trust investments. As trustee of the separate OPEB Trusts established by the County and the Court, the Board of Investments has sole and exclusive authority, control over, and responsibility for directing the investment and management of the Master OPEB Trust assets.

A unitized fund structure may allow for synergy from the shared economy and leveraged investment opportunities for greater diversification of assets. Unitization also provides participants the ability to pool assets and resources while retaining total fund and functional category values and reporting for each participant. This approach can offer administrative efficiency, potential cost savings, and permit flexibility in asset allocation. The unitized structure preserves the ability to base investments on the individual needs of each participating employer.

Funding Policy

In June 2015, the Board of Supervisors approved the countywide budget with a dedicated funding policy for the OPEB liability using a multi-year approach to enhance the County's OPEB Trust funding in a consistent manner.

Under the County OPEB Trust, LACERA is defined as a "Contributing Employer." Separate accounts are maintained for the contributions and expense obligations of the County and LACERA. Since inception, LACERA participated in lock-step funding with the County on a pro rata basis. LACERA's budget includes provisions for its pro rata share of OPEB Trust contributions. In December 2015, the LACERA Boards adopted the LACERA OPEB Funding Policy allowing LACERA to prefund its portion of retiree healthcare benefits in sync with the County, while also allowing LACERA to prefund its portion of the liability separately. LACERA is not legally obligated, under the Trust or otherwise, to match the County's funding practices, but such a course of action, which has been followed in the past, reduces LACERA's share of healthcare liabilities.

The Court continues to pay its OPEB liability on a pay-as-you-go basis. Although the Court has not adopted a formal OPEB funding policy, when budgeted surplus funds are available at fiscal year end, the Court may earmark such excess funds in its discretion from year to year as OPEB Trust contributions.

INVESTMENT POLICIES — OPEB MASTER TRUST

Investment Policy

The allocation of investment assets within the OPEB Master Trust are approved by the OPEB Trustee, the LACERA Board of Investments. As outlined in the OPEB Master Trust Investment Policy Statement, assets are managed on a total return basis with the overall goal to provide employees and retirees of the OPEB Trust with post-employment healthcare benefits as promised, via a long-term investment program.

Target Allocation

The Board's revised asset allocation policy, adopted in December 2017, divides the Trust into four broad functional categories and contains asset classes that align with the purpose of each function. The Board has approved target weights at both the functional category and asset class level to provide for diversification of assets in an effort to meet the OPEB Program's actuarial assumed rate of return, consistent with market conditions and risk control. The functional categories have target weights of 50 percent in Growth, 20 percent in Credit, 10 percent in Risk Reduction and Mitigation, and 20 percent in Inflation Hedges, respectively. The Board approved a new strategic asset allocation for the OPEB Trust at it's June 2021 Board meeting. Transition to the first phase of the revised target allocation will begin in the upcoming fiscal year.

Schedule of Target Allocation

As of June 30, 2021

Asset Class	Target Allocation	
Growth	**50.0%**	
Global Equity		50.0%
Credit	**20.0%**	
High Yield Bonds		6.0%
Bank Loans		10.0%
EM Local Currency Bonds		4.0%
Risk Reduction & Mitigation	**10.0%**	
Cash		2.0%
Investment Grade Bonds		8.0%
Real Assets & Inflation Hedges	**20.0%**	
TIPS		6.0%
Real Estate Investment Trusts (REITs)		10.0%
Commodities		4.0%

Investment Concentrations
At June 30, 2021, the OPEB Master Trust held approximately 49.7 percent in Growth, 20.5 percent in Credit, 10.3 percent in Risk Reduction and Mitigation, and 19.5 percent in Real Assets and Inflation Hedges. In addition, the OPEB Master Trust did not hold investments in any one issuer that would represent 5 percent or more of the OPEB Master Trust Fiduciary Net Position Restricted for Benefits.

Money-Weighted Rate of Return
For the fiscal year ended June 30, 2021, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expense, was 28.2 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts. Historical returns will be presented as they become available in the Schedule of Investment Returns — OPEB Program presented in the Required Supplementary Information section of this report.

Contributions
The participating employers historically discharged their current premium subsidy obligations on a pay-as-you-go basis. LACERA bills the healthcare premiums to the participating employers and members and receives reimbursement on a monthly basis. The County, Superior Court, and LACERA use the OPEB Trust as a mechanism to prefund these obligations, depositing monies into the irrevocable OPEB Trust, earning interest and investment income, and dispersing in accordance with the terms of the Trust Agreement. Plan members are required to pay the difference between the employer-paid subsidy and the actual premium cost.

During fiscal years ended June 30, 2021 and 2020, the County, Superior Court, and LACERA made total prefunding contributions to the OPEB Trust of $362.7 million and $248.2 million respectively, in excess of the pay-as-you-go amounts, both of which are recorded as revenue within the OPEB Trust.

Contributions — OPEB Trust

For the Fiscal Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

	2021	2020
Los Angeles County	**$357,269**	$246,197
LACERA	**1,477**	1,029
Superior Court	**3,955**	1,000
Total Contributions[1]	**$362,701**	$248,226

[1]Contributions presented here are limited to OPEB Trust prefunding from plan sponsors. OPEB Trust employer contributions presented in the Statement of Changes in Fiduciary Net Position include pay-as-you-to contributions per GASB reporting requirements. Please see Note B — Summary of Significant Accounting Policies for additional information.

Administration
The OPEB Trust administration costs include payments for investment management fees, custodial fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $1.6 million and $1.1 million for fiscal years ended June 30, 2021 and 2020, respectively. The increase was due to asset rebalancing and the addition of new investment accounts. These costs are paid from premiums, which include a flat administrative charge of $8 per contract per month, and the administrative fee is included in the premium payments.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2021 and 2020

	2021				
	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Total
Los Angeles County	$669,831	$261,863	$53,222	$448,203	$1,433,119
LACERA	2,635	1,031	209	27,088	$30,963
Superior Court	19,390	7,448	1,569	108,352	136,759
Total Expenses	**$691,856**	**$270,342**	**$55,000**	**$583,643**	**$1,600,841**

	2020						
	Management Fees	Custodial Fees	Consultant Fees	Legal Fees	Misc. Fees	Administrative Expenses	Total
Los Angeles County	$447,823	$320,269	$52,937	$9,334	$121	$184,738	$1,015,222
LACERA	1,742	1,244	206	37	8	12,315	15,552
Superior Court	15,670	11,360	1,857	296	32	49,264	78,479
Total Expenses	**$465,235**	**$332,873**	**$55,000**	**$9,667**	**$161**	**$246,317**	**$1,109,253**

Fund Values
OPEB Trust Fund additions include contributions from participating employers and investment income. Deductions include redemptions, investment expenses, and administrative expenses. The OPEB Trust Fund values were as follows:

Fund Values — OPEB Trust

As of June 30, 2021 and 2020
(Dollars in Thousands)

	2021		
	Book Value	Unrealized Investment Appreciation	Fair Value
Los Angeles County	$1,678,203	$557,611	$2,235,814
LACERA	6,629	2,181	8,810
Superior Court	45,340	16,863	62,203
Total Balance	**$1,730,172**	**$576,655**	**$2,306,827**

	2020		
	Book Value	Unrealized Investment Appreciation	Fair Value
Los Angeles County	$1,307,750	$133,648	$1,441,398
LACERA	5,124	514	5,638
Superior Court	41,150	4,442	45,592
Total Value	**$1,354,024**	**$138,604**	**$1,492,628**

NOTE R — Global Pandemic

LACERA Members

LACERA's Executive Office identified the coronavirus COVID-19 pandemic as a serious health threat and took immediate action. During the current fiscal year, the Member Service Center (MSC), remained closed with plans to re-open for in-person appointments, at the beginning of the new fiscal year. LACERA provided customer service through the Call Center and virtual appointments. All members who elected to retire by March 31 were processed and included in the April month-end benefits payroll cycle. LACERA introduced a drop box available outside the office building lobby, which allowed members to physically drop off important documents that are received and processed by LACERA staff.

LACERA Staff

The Investment Office and FASD tightened their partnership to ensure that investment transactions were completed timely, accurately, and with the proper security controls. Routine processes were executed throughout the pandemic period, including payment of investment management fees and organizational expenses, collection of contributions from plan sponsor employers and employees, and completion of daily ad-hoc requests to issue member benefits. The members received their monthly promised benefits in spite of altered working conditions caused by the pandemic.

New tools provided all of the existing resources remotely and radically expanded communication facilities and group meeting capabilities. Information technology professionals focused on providing access while implementing strict safety and security precautions. As always, member data security remained a top priority at LACERA.

LACERA followed guidelines promulgated by federal, state, and local officials including the Los Angeles County Department of Public Health, County Human Resources Department, and the City of Pasadena. To protect the health and safety of LACERA staff, protocols were established and remain in effect for employees who do report to LACERA's offices regularly. LACERA made personal protective equipment available, distributed sanitation products, and installed thermometers and directional signage throughout the organization. By the end of the 2021 fiscal year, LACERA had developed plans for staff to return to the office under strict protocols including hybrid scheduling and social distancing guidelines. Preliminary target dates were established and subsequently moved forward due to member and employee health and safety concerns.

LACERA Leadership

LACERA received continuous guidance and oversight from the trustees of both LACERA's governing Boards, the Board of Retirement and the Board of Investments. Both Boards conducted their open public meetings by teleconference pursuant to the California Governor's Executive Order No. N-29-20. LACERA's financial position at the end of June is significantly positive. Pension plan and OPEB Program plan sponsors provided regularly scheduled contributions and the investment portfolio generated substantial returns, which fund the retirement benefits and provide retiree healthcare for members. The organization's administrative budgeted expenditures and financial flows, including the ability to pay benefits, remained consistent with prior years.

NOTE S — Subsequent Events

Subsequent events have been evaluated by management through October 13, 2021, which is the date the financial statements were issued.

Schedule of Net Pension Liability[1]

For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2021	2020	2019	2018
Total Pension Liability	**$80,303,904**	$76,579,594	$70,309,252	$67,057,218
Less: Fiduciary Net Position	**(73,012,026)**	(58,510,408)	(58,294,837)	(56,299,982)
Net Pension Liability	**$7,291,878**	$18,069,186	$12,014,415	$10,757,236
Fiduciary Net Position as a Percentage of Total Pension Liability	**90.92%**	76.40%	82.91%	83.96%
Covered Payroll[2]	**$9,062,051**	$8,724,151	$8,370,050	$7,957,981
Net Pension Liability as a Percentage of Covered Payroll	**80.47%**	207.12%	143.54%	135.18%

	2017	2016	2015	2014
Total Pension Liability	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Less: Fiduciary Net Position	(52,743,651)	(47,846,694)	(48,818,350)	(47,722,277)
Net Pension Liability	$11,288,026	$10,681,763	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	82.37%	81.75%	86.30%	86.80%
Covered Payroll[2]	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	147.81%	146.73%	111.55%	108.72%

Total Pension Liability

The Total Pension Liability (TPL) was determined by an actuarial valuation as of the valuation date, based on the discount rate and actuarial methods and assumptions noted below, and was then projected forward to the measurement date taking into account any significant changes between the valuation date and the fiscal year-end as prescribed by GASB Statement Number 67.

[1]Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
[2]In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

Schedule of Net Pension Liability[1] continued

For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2021	2020	2019	2018
Discount Rate	**7.13%**	7.13%	7.38%	7.38%
Long-Term Expected Rate of Return, Net of Expenses	**7.00%**	7.00%	7.25%	7.25%
Municipal Bond Rate	**N/A**	N/A	N/A	N/A

	2017	2016	2015	2014
Discount Rate	7.38%	7.63%	7.63%	7.63%
Long-Term Expected Rate of Return, Net of Expenses	7.25%	7.50%	7.50%	7.50%
Municipal Bond Rate	N/A	N/A	N/A	N/A

Discount Rate

Milliman's January 2020 Investigation of Experience analysis was used to develop the 7.13 percent assumption used for the current reporting date. This is equal to the 7 percent long-term investment return assumption adopted by the Board of Investments (net of investment and administrative expenses), plus 0.13 percent assumed administrative expenses.

The plan's projected Fiduciary Net Position, after reflecting employee and employer contributions, was expected to be sufficient to make all future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the TPL is equal to the long-term expected rate of return, plus administrative expenses.

Other Key Actuarial Assumptions

Except as noted above, the actuarial assumptions used to calculate the TPL as of the June 30, 2021 measurement date are the same as those used in the June 30, 2020 actuarial funding valuation, which are both based on the June 30, 2019 actuarial experience study.

Valuation Date	**June 30, 2020**	June 30, 2019	June 30, 2018	June 30, 2017
Measurement/Reporting Date	**June 30, 2021**	June 30, 2020	June 30, 2019	June 30, 2018

Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement/Reporting Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

For Other Actuarial Methods and Assumptions, see Notes to the Required Supplementary Information.

[1]Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

Schedule of Changes in Net Pension Liability and Related Ratios[1]

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2021	2020	2019	2018
Total Pension Liability				
Service Cost	**$1,499,597**	$1,301,460	$1,239,396	$1,220,274
Interest on Total Pension Liability	**5,433,409**	5,154,164	4,916,804	4,699,493
Effect of Plan Changes	**—**	—	—	—
Effect of Assumption Changes or Inputs	**—**	2,626,103	—	—
Effect of Economic/Demographic (Gains) or Losses	**605,566**	794,955	502,989	309,149
CalPERS Transfer	**—**	—	—	—
Benefit Payments and Refund of Contributions	**(3,814,262)**	(3,606,340)	(3,407,155)	(3,203,375)
Net Change in Total Pension Liability	**$3,724,310**	$6,270,342	$3,252,034	$3,025,541
Total Pension Liability — Beginning	**76,579,594**	70,309,252	67,057,218	64,031,677
Total Pension Liability — Ending (a)	**$80,303,904**	$76,579,594	$70,309,252	$67,057,218
Fiduciary Net Position				
Contributions: Employer[2]	**$2,012,877**	$1,800,137	$1,668,151	$1,524,823
Contributions: Metropolitan Transportation Authority	**—**	—	—	—
CalPERS Transfer	**—**	—	—	—
Contributions: Member[2]	**760,994**	659,296	635,415	591,262
Net Investment Income[3]	**15,615,699**	1,432,547	3,163,618	4,705,949
Net Miscellaneous Income	**2,680**	1,985	5,626	5,163
Benefit Payments and Refund of Contributions	**(3,814,262)**	(3,606,340)	(3,407,155)	(3,203,375)
Administrative Expenses[3]	**(76,370)**	(72,054)	(70,800)	(67,491)
Net Change in Fiduciary Net Position	**$14,501,618**	$215,571	$1,994,855	$3,556,331
Fiduciary Net Position — Beginning	**58,510,408**	58,294,837	56,299,982	52,743,651
Fiduciary Net Position — Ending (b)	**$73,012,026**	$58,510,408	$58,294,837	$56,299,982
Net Pension Liability — Ending (a) - (b)	**$7,291,878**	$18,069,186	$12,014,415	$10,757,236
Fiduciary Net Position as a Percentage of Total Pension Liability	**90.92%**	76.40 %	82.91%	83.96%
Covered Payroll[4]	**$9,062,051**	$8,724,151	$8,370,050	$7,957,981
Net Pension Liability as a Percentage of Covered Payroll	**80.47%**	207.12%	143.54%	135.18%

[1]Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

[2]In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.

[3]In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.

[4]In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

Schedule of Changes in Net Pension Liability and Related Ratios[1] continued

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$1,106,755	$1,069,328	$1,024,288	$1,009,834
Interest on Total Pension Liability	4,393,712	4,214,834	4,073,299	3,957,030
Effect of Plan Changes	—	—	—	—
Effect of Assumption Changes or Inputs	3,079,892	—	—	—
Effect of Economic/Demographic (Gains) or Losses	(47,506)	(437,039)	(736,010)	—
CalPERS Transfer	—	—	332	—
Benefit Payments and Refund of Contributions	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Net Change in Total Pension Liability	$5,503,220	$1,957,937	$1,593,499	$2,304,463
Total Pension Liability — Beginning	58,528,457	56,570,520	54,977,021	52,672,558
Total Pension Liability — Ending (a)	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Fiduciary Net Position				
Contributions: Employer[2]	$1,331,357	$1,403,709	$1,455,718	$1,281,795
Contributions: Metropolitan Transportation Authority	2	3	25	—
CalPERS Transfer	—	—	332	—
Contributions: Member[2]	526,579	498,083	480,158	477,648
Net Investment Income[3]	6,129,300	80,588	1,989,358	6,910,439
Net Miscellaneous Income	6,182	2,792	1,483	—
Benefit Payments and Refund of Contributions	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Administrative Expenses[3]	(66,830)	(67,645)	(62,591)	(58,723)
Net Change in Fiduciary Net Position	$4,896,957	($971,656)	$1,096,073	$5,948,758
Fiduciary Net Position — Beginning	47,846,694	48,818,350	47,722,277	41,773,519
Fiduciary Net Position — Ending (b)	$52,743,651	$47,846,694	$48,818,350	$47,722,277
Net Pension Liability — Ending (a) - (b)	$11,288,026	$10,681,763	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	82.37%	81.75%	86.30%	86.80%
Covered Payroll[4]	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	147.81%	146.73%	111.55%	108.72%

[1]Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

[2]In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.

[3]In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.

[4]In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

Changes in Pension Plan Assumptions

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. An experience study was performed by the consulting actuary for the three-year period ended June 30, 2019. This review, commonly referred to as the investigation of experience or experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. Based upon the experience study, the actuary determines whether changing the assumptions or methodology will better project benefit liabilities and asset growth. At the January 2020 Board of Investments meeting, the Board adopted new valuation assumptions with the approval of the 2019 experience study report. Those assumptions were used to prepare both the June 30, 2019 and the June 30, 2020 actuarial valuation reports.

Assumption changes from the June 30, 2016 experience study report are also presented below to meet GASB 67 requirements to disclose significant assumptions and other inputs to measure and report the Total Pension Liability over a 10-year period. These assumptions were adopted by the Board of Investments at their December 2016 meeting.

2019 Assumption Changes

The Board adopted a decrease in the investment return assumption to 7 percent. The CPI assumption of 2.75 percent and general wage growth assumption of 3.25 percent remained unchanged.

New mortality tables based on recently published tables that are specific to public plans' general and safety members, with adjustments to match LACERA experience, were adopted. The MP-2014 Ultimate Projection Scale was retained and reflects the gradual year-to-year improvement in mortality that is expected to occur in the future. This is sometimes referred to as "generational mortality." Mortality rates are based on the Pub-2010 mortality tables and include projections for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

2016 Assumption Changes

The Board adopted a decrease in the investment return assumption to 7.25 percent, a decrease in the CPI assumption to 2.75 percent, and a corresponding decrease in the general wage growth assumption to 3.25 percent.

An increase in life expectancies was adopted. Various rates are based on the RP-2014 Healthy and Disabled Annuitant mortality tables and include a projection for expected future mortality improvement using 100 percent of the MP-2014 Ultimate Projection Scale.

Schedule of Employer Contributions History — Pension Plan

Last 10 Fiscal Years

(Dollars in Thousands)

	2021[2]	2020[2]	2019[2]	2018[2]	2017[1,2]
Actuarially Determined Contributions	**$2,012,877**	$1,800,137	$1,668,151	$1,524,823	$1,331,357
Contributions in Relation to Actuarially Determined Contributions	**2,012,877**	1,800,137	1,668,151	1,524,823	1,331,357
Contribution Deficiency/(Excess)	**$—**	$—	$—	$—	$—
Covered Payroll[3]	**$9,062,051**	$8,724,151	$8,370,050	$7,957,981	$7,637,032
Contributions as a Percentage of Covered Payroll	**22.21%**	20.63%	19.93%	19.16%	17.43%

	2016[2]	2015[2]	2014[2]	2013[1]	2012
Actuarially Determined Contributions	$1,403,709	$1,455,718	$1,281,795	$1,172,014	$1,078,929
Contributions in Relation to Actuarially Determined Contributions	1,403,709	1,455,718	1,281,795	1,172,014	1,078,929
Contribution Deficiency/(Excess)	$—	$—	$—	$—	$—
Covered Payroll[3]	$7,279,777	$6,949,420	$6,672,886	$6,595,902	$6,619,816
Contributions as a Percentage of Covered Payroll	19.28%	20.95 %	19.21%	17.77%	16.30%

[1]Portion of contributions fulfilled by transfers from County Contribution Credit Reserve: $21,891 (FYE 2017, Superior Court) and $448,819 (FYE 2013, County).

[2]In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.

[3]In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

See Notes to Required Supplementary Information for actuarial funding valuation assumptions used to calculate the actuarially determined contributions.

Schedule of Investment Returns — Pension Plan[1]

For the Fiscal Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return (Net of Investment Expense)[2]	**25.2%**	1.4%	5.5%	9.0%	12.7%	0.7%	4.1%	17.2%

[1]Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

[2]Money-Weighted Rate of Return is calculated as the internal rate of return on Pension Plan investments, net of investment expenses.

Notes to Required Supplementary Information — Pension Plan

Actuarial Methods and Significant Assumptions

The actuarial assumptions used to determine Pension Plan liabilities and employer and employee contributions are based on the results of the 2019 triennial investigation of experience (experience study).

The June 30, 2020 actuarial valuation prepared by the consulting actuary reaffirmed all assumptions adopted by the LACERA Board of Investments in January 2020. The LACERA Board of Investments approved a three-year phase-in of the changes to employer contribution rates.

Key Methods and Significant Assumptions[1]

Description	Method
Valuation Timing	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. Contributions calculated for the June 30, 2020 valuation are applied for the fiscal year July 1, 2021 to June 30, 2022.
Actuarial Cost Method	Entry age normal.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2019 valuation.
Consumer Price Index	Increase of 2.75 percent per annum. This rate was adopted beginning with the June 30, 2016 valuation.
Wage Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.51 percent to 12.54 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage level of membership.
Asset Valuation Method	Assets are valued using a five-year smoothed method based on the difference between expected market value and actual market value. The recognition method is non-asymptotic, and there is no minimum or maximum corridor applied.
Amortization Method	The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. Effective June 30, 2019, existing UAAL layers as of June 30, 2018 are amortized over their remaining periods, not to exceed 22 years. Each new layer effective on or after June 30, 2019 is amortized over a 20-year period. The UAAL contribution rate calculated in the June 30, 2020 funding valuation includes 12 layers.

[1]Assumptions applied to funding valuation calculations may vary with those applied to GASB 67 calculations.

Key Methods and Significant Assumptions continued[1]

Description	Method
Retirement Age	A schedule of the probabilities of employment termination based on age due to a particular cause is used. For additional information, see the Probability of Occurrence tables in the Actuarial Section.
Cost-of-Living Adjustments (COLAs)	Post-retirement benefit increases of either 2.75 percent or 2 percent per year are assumed for the valuation in accordance with the benefits provided. This rate was adopted beginning with the June 30, 2016 valuation.
Mortality	Various rates based on Pub-2010 mortality tables and using the MP-2014 Ultimate Projection Scale. See the June 30, 2019 actuarial funding valuation report for details.
Recognition of Inflows/Outflows	
Gains or Losses	
Investment	Straight-line amortization over five years.
Economic/Demographic	Straight-line amortization over expected working life.
Assumption Changes or Inputs	Straight-line amortization over expected working life.

[1]Assumptions applied to funding valuation calculations may vary with those applied to GASB 67 calculations.

Schedule of Investment Returns — OPEB Program[1]

For the Fiscal Years Ended June 30

	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense)[2]	**28.2%**	0.5 %	6.0%	10.0%	16.0%

[1]Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

[2]Money-Weighted Rate of Return is calculated as the internal rate of return on OPEB Trust investments, net of investment expenses.

Administrative Expenses — Pension Plan

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Personnel Services		
Salaries and Wages	**$43,845**	$42,554
Employee Benefits	**26,138**	24,023
Total Personnel Services	**$69,983**	$66,577
Consultant & Professional Services		
County Department Services	**$346**	$281
External Audit Fees	**315**	481
Legal Consultants	**1,179**	1,532
Professional Services	**438**	363
Temporary Personnel Services	**3,796**	2,749
Total Consultant & Professional Services	**$6,074**	$5,406
Operating Expenses & Equipment		
Administrative Support	**$183**	$221
General Expenses	**733**	864
Computer Software	**2,826**	2,050
Disability Medical Service Fees	**1,631**	2,043
Educational Expenses	**742**	772
Equipment	**1,720**	945
Facilities Operations	**3,750**	2,973
Insurance	**761**	593
Printing	**796**	790
Postage	**758**	1,163
Telecommunications	**605**	550
Transportation and Travel	**24**	437
Total Operating Expenses & Equipment	**$14,529**	$13,401
Total Administrative Expenses	**$90,586**	$85,384

Schedule of Investment Expenses

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	Pension Plan		OPEB Master Trust		OPEB Custodial Fund	
	2021	2020	2021	2020	2021	2020
Investment Management Fees						
Cash and Short-Term	**$447**	$818	**$12**	$12	**$25**	$22
Commodity	**4,029**	3,813	**111**	77	**—**	—
Global Equity	**38,304**	48,077	**229**	133	**—**	—
Fixed Income	**89,294**	27,687	**1,468**	1,014	**82**	74
Hedge Fund	**83,130**	49,768	**—**	—	**—**	—
Private Equity	**207,193**	165,842	**—**	—	**—**	—
Real Estate	**39,195**	54,571	**107**	71	**—**	—
Total Investment Management Fees[1]	**$461,592**	$350,576	**$1,927**	$1,307	**$107**	$96
Other Investment Expenses						
Consultants	**$2,846**	$2,989	**$55**	$55	**$—**	$—
Custodian	**2,504**	2,624	**270**	333	**11**	29
Legal Counsel	**1,263**	189	**—**	10	**—**	—
Other[2]	**27,582**	3,490	**—**	—	**—**	—
Total Other Investment Expenses	**$34,195**	$9,292	**$325**	$398	**$11**	$29
Total Fees & Other Investment Expenses	**$495,787**	$359,868	**$2,252**	$1,705	**$118**	$125

[1]Difference in management fee expense from the Statement of Changes in Fiduciary Net Position are due to the inclusion of incentive fees and carry allocations in the schedule above. These incentive fees and carry allocations are deducted from investment income in the Statement of Changes in Fiduciary Net Position.

[2]Includes $20 million hold back by a private equity general partner for potential tax liability and near-term expenses.

Schedule of Payments to Consultants — Pension Plan

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

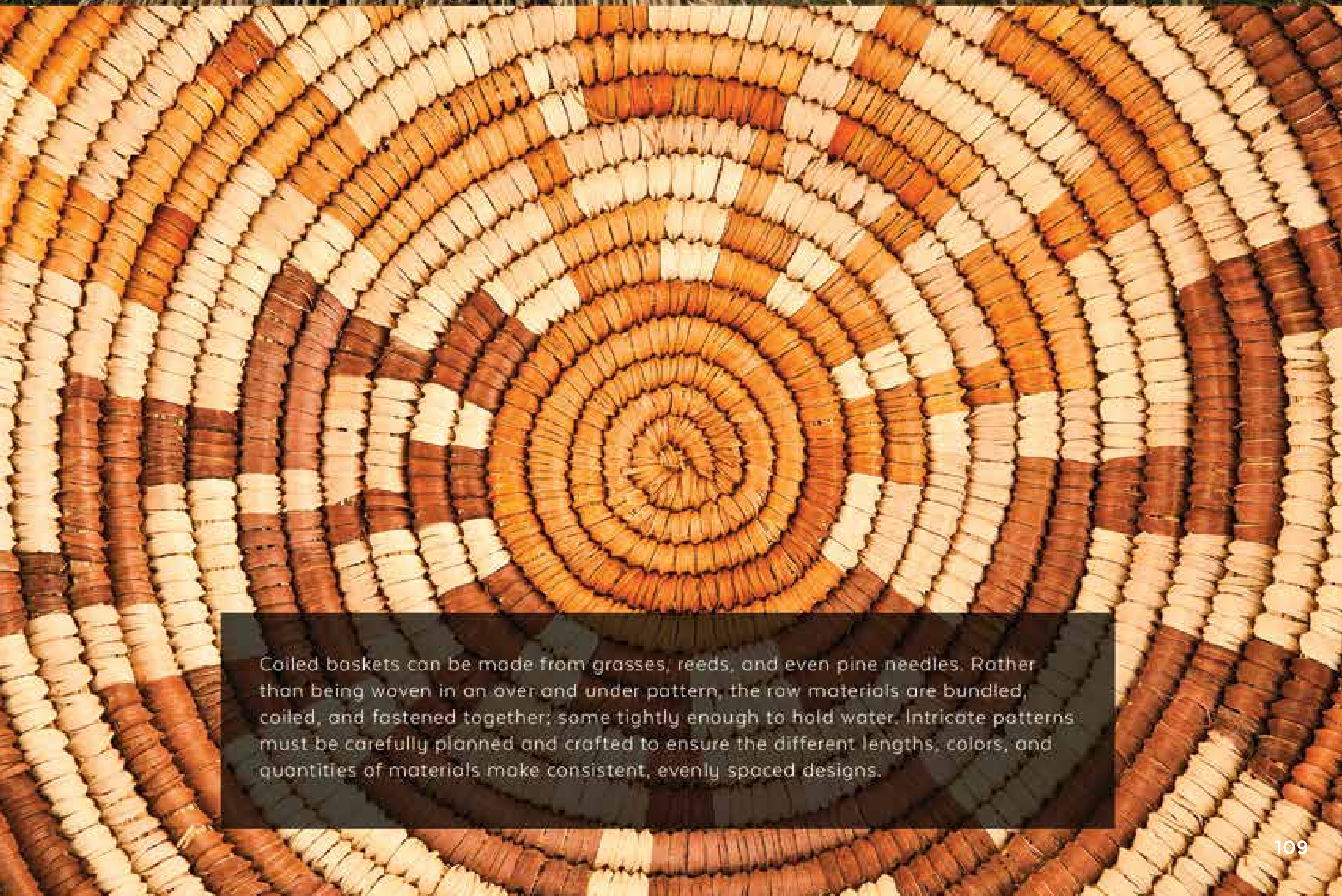
	2021	2020
Actuarial		
Actuarial Valuations and Consulting Services	**$248**	$397
Audit		
External Audit Services	**$314**	$481
Legal		
Investment Legal Counsel	**$1,263**	$189
Legislative Consulting	**256**	261
Other Legal Services	**923**	1,272
Subtotal	**$2,442**	$1,722
Management		
Management and Human Resources Consulting	**$23**	$69
Information Technology Consulting	**47**	1
Subtotal	**$70**	$70
Total Payments to Consultants	**$3,074**	$2,670

Note: For fees paid to investment professionals, refer to Schedule of Investment Management Fees in the Investment Section.

Strategically Structured

Investments Section

Crafting a unique, lasting design takes creativity, skill, and planning. LACERA's investments program is carefully constructed by the Board of Investments to provide balance, strength, and diversity, and it is expertly executed by the Investments Division. As plan participants themselves, LACERA staff members have a personal stake in the future viability of the trusts, reinforcing the long-term focus of the framework.



Coiled baskets can be made from grasses, reeds, and even pine needles. Rather than being woven in an over and under pattern, the raw materials are bundled, coiled, and fastened together; some tightly enough to hold water. Intricate patterns must be carefully planned and crafted to ensure the different lengths, colors, and quantities of materials make consistent, evenly spaced designs.

Dear LACERA members:

It is my privilege to present the Investment Section of LACERA's Annual Comprehensive Financial Report for fiscal year 2021. LACERA oversees two funds (the Funds) for the County of Los Angeles, the defined benefit retirement plan (the Pension Plan) and the LACERA Other Post-Employment Benefit Master Trust (the OPEB Trust).[1] This section presents the investment performance of the Pension Plan and the OPEB Trust as well as an overview of the investment portfolio.

Jonathan Grabel
Chief Investment Officer

Despite the challenges presented by an abrupt shift to a remote work environment beginning in March 2020, fiscal year 2021 was an incredibly productive year for LACERA's investment program and its Board of Investments. LACERA continued to implement several significant initiatives during the year, while both the Pension Plan and the OPEB Trust outperformed their policy benchmarks and actuarial returns. LACERA's strategic efforts align with our fiduciary duty to optimize the Funds' risk-adjusted returns while providing sufficient liquidity for benefit payments. As the global economy continues to reopen and the pandemic continues to evolve, we remain vigilant and committed to our mission to produce, protect, and provide the promised benefits to the employees and retirees of Los Angeles County and their beneficiaries.

Performance Summary

The Pension Plan returned 25.2 percent during the fiscal year, while the OPEB Trust returned 28.4 percent during the same period.[2] LACERA aims to meet or exceed the funds' respective benchmarks over a full market cycle and their respective actuarial expected return assumptions over the long term. As illustrated below, the Pension Plan's return met or outperformed its policy benchmark for the past fiscal year and the five-, seven- and 10-year periods and is ahead of its actuarial expected return of 7 percent[3] for all periods. The Pension Plan's returns for the fiscal year were coupled with relatively lower volatility compared to the benchmark portfolio's risk profile, demonstrating the benefits of the broad diversification built into LACERA's strategic asset allocation. The OPEB Trust also exceeded its policy benchmark return during the past fiscal year and for the three-, five-, and seven-year periods, and exceeded its actuarial expected return of 6 percent for all periods.[4]

Annualized Total Returns (Net of Fees)

Fiscal Year Ended June 30, 2021

	1 Year	3 Years	5 Years	7 Years	10 Years
Pension Plan	25.2%	10.7%	10.8%	8.3%	8.6%
Policy Benchmark	*23.1*	*10.9*	*10.3*	*8.3*	*8.5*
OPEB Trust[5]	28.4	10.6	12.7	8.7	n/a
Policy Benchmark	*28.2*	*10.3*	*11.0*	*7.4*	*n/a*

[1]LACERA is responsible for the administration and investment of two separate funds: the County of Los Angeles (the County) defined benefit retirement plan, whose assets provide retirement benefits for employees of the County and outside districts, and the LACERA Other Post-Employment Benefit Master Trust, whose assets are held in trust to provide post-employment healthcare benefits for retirees of the County, LACERA, and the Superior Court of California, County of Los Angeles.

[2]The Pension Plan and OPEB Trust returns are calculated based on a time-weighted rate of return. All returns are net of fees unless otherwise noted.

[3]The Pension Plan's actuarial expected return for the period ending June 30, 2021.

[4]The OPEB Trust's actuarial expected return for the period ending June 30, 2021.

[5]Performance inception for the OPEB Trust is February 1, 2013.

Asset Allocation

LACERA's Board of Investments (the Board) adopts separate investment policy statements to guide the Pension Plan's and the OPEB Trust's investments. Each investment policy statement defines a strategic asset allocation that aims to maximize long-term growth while ensuring that LACERA meets its current and future obligations. To that end, LACERA expects the Funds' strategic asset allocations to be the core driver of risk-adjusted returns over the long term.

The Pension Plan's and the OPEB Trust's strategic asset allocations apportion investment dollars among functional categories and sub-asset classes based on long-term risk and return objectives and short-term liquidity needs. A table detailing the functional categories, sub-asset classes, and the role each is expected to fulfill in LACERA's investment portfolios is presented below.[6]

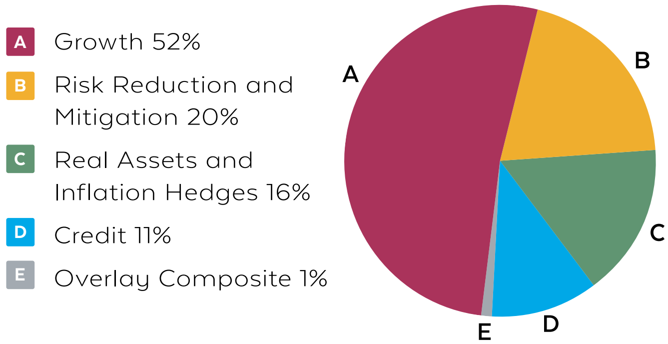
Functional Category	Sub-Asset Classes	Role in Portfolio
Growth	Global Equity Private Equity Opportunistic Real Estate	Primary driver of long-term total returns
Credit	High Yield Bonds Bank Loans Emerging Market Debt Illiquid Credit	Produce current income and moderate long-term total returns with lower risk than growth assets
Real Assets and Inflation Hedges	Core and Value-Added Real Estate Natural Resources/Commodities Infrastructure Treasury Inflation Protected Securities	Provide income and hedge against inflation
Risk Reduction and Mitigation	Investment Grade Bonds Diversified Hedge Funds Cash	Provide current income and a modest level of return while reducing total portfolio risk

LACERA's Board reviews the strategic asset allocation for each Fund every three to five years, or more often if needed, to ensure that both portfolios are aligned with anticipated risks and opportunities. Asset allocation studies consider a number of factors including, but not limited to: the Funds' current and projected funded status, liabilities, and liquidity requirements; the long-term risk, return, and correlation expectations for individual asset categories; and an assessment of future economic conditions.

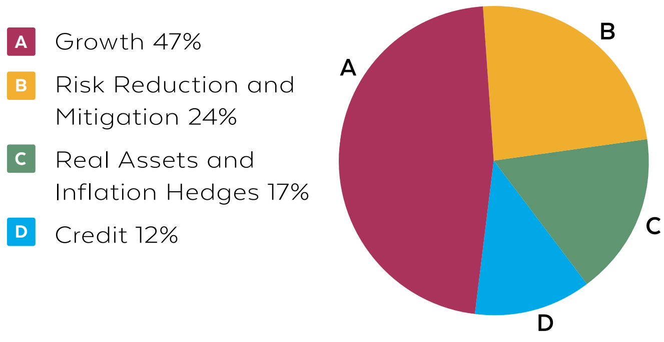
[6]The functional frameworks of the Pension Plan and the OPEB Trust differ slightly as the OPEB Trust does not currently invest in private assets.

The Pension Plan's June 30, 2021 actual and target asset allocation are shown below.[7]

Pension Plan Actual Asset Allocation

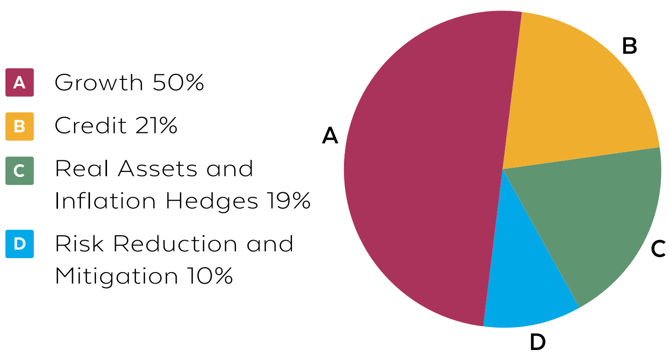


Pension Plan Target Asset Allocation

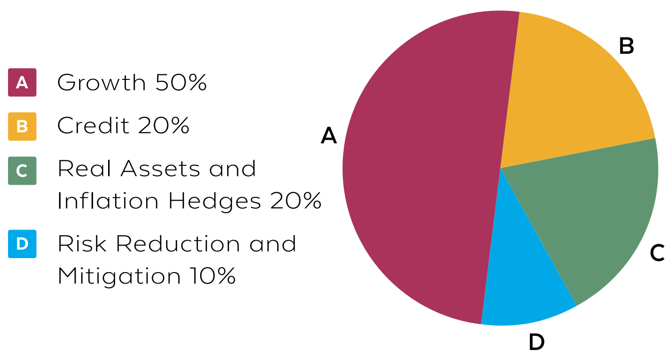


Based on its own liquidity needs and funding status, the OPEB Trust's strategic asset allocation differs from that of the Pension Plan. The OPEB Trust's fiscal year-end and target allocations are illustrated below.

OPEB Trust Actual Asset Allocation



OPEB Trust Target Asset Allocation



Both funds were in compliance with their policy target allocation ranges as of fiscal year-end.

Over the last fiscal year, LACERA, alongside its general consultant, performed a full review of its asset allocation for both the Pension Plan and OPEB Trust, and this resulted in LACERA's Board approving new strategic asset allocations for the Funds in May 2021.[8] The new strategic asset allocations are designed to be more efficient, enhance the expected compensation relative to risk, and compound durable investment returns for the long-term benefit of LACERA's members.

Beyond strategic asset allocation, LACERA took several steps in recent years to further maximize investment returns while mitigating risks. LACERA's risk analysis capabilities have been enhanced through utilizing data analytics platforms that allow LACERA to better assess the portfolio against its desired risk and return profile. LACERA expanded its focus

[7]The Pension Plan's actual asset allocation includes an overlay composite that invests LACERA's excess cash (cash in excess of the target allocation of 1 percent of the Pension Plan's total assets) in synthetic securities that provide similar investment exposure to the Pension Plan.

[8]The current OPEB Trust allocation only includes public market assets. The OPEB Trust's newly approved strategic asset allocation includes an 18 percent target allocation to private market assets.

on environmental, social, and governance risk factors and their impact on the portfolios' investment performance. LACERA believes a better understanding of these risks will lead to better long-term investment returns. Additionally, LACERA further elevated its diversity, equity, and inclusion initiatives aimed at increasing investment performance by evaluating and encouraging financial firms managing LACERA's capital and the broader investment industry to access and incorporate wider talent and views that reflect the diversity of human experiences. LACERA diligently pursues these programs as part of our overall approach to achieve the best financial outcomes for LACERA's investment portfolio and members.

Core Performance Drivers

In the past several years, LACERA took proactive steps to build a more resilient, diversified, and risk-mitigating portfolio in preparation for changing economic conditions. Each of LACERA's functional asset classes work together to enhance diversification and provide the portfolio with the ability to succeed in different market conditions. In a dynamic market environment, a risk-aware portfolio is especially important to enable LACERA to continue to achieve its objectives of paying benefits both in the short and long term.

During a tumultuous year, which included global economic fallout from the COVID-19 pandemic, LACERA's portfolio remained resilient and benefited from the diversification built into our strategic asset allocation. The Pension Plan's net asset value reached an all-time high of $71.6 billion as of the end of the fiscal year, and all functional asset categories contributed to the Pension Plan's positive absolute performance. The growth asset category returned 43 percent for the fiscal year, with each of the global equity, private equity, and opportunistic real estate sub-asset classes contributing to the positive performance. The credit and real assets categories also added to the Pension Plan's total return, while gains in the risk reduction and mitigation category were more modest yet provided the portfolio with important downside protection during periods of market stress.

The accompanying letter from Meketa Investment Group, LACERA's general investment consultant, discusses the market environment that shaped and influenced the Funds' performance during the fiscal year.

Looking Forward

The Funds' outperformance above their respective benchmarks and actuarial expected returns represent pension security for LACERA's beneficiaries, and we remain humbled and focused on our fiduciary role to LACERA members. While we cannot predict the long-term ramifications of the pandemic and the future of the financial markets, LACERA will continue to be steadfast in diligently monitoring and adapting to investment risks, and proactive in the face of challenges and opportunities.

Respectfully submitted,

Jonathan Grabel

Jonathan Grabel
Chief Investment Officer

September 21, 2021

MEKETA
INVESTMENT GROUP

Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 92101

Dear Board Members,

LACERA's stated mission is to produce, protect, and provide the promised benefits. LACERA strives to align the portfolio's asset allocation, investments, and other related decisions with the goals of the overall organization. Meketa Investment Group, LACERA's general investment consultant, works in concert with StepStone Group and Albourne Partners to provide guidance to LACERA's Board of Investments (Board), and assist the Board with performance evaluation, asset allocation, manager selection, and other industry best practices.

This letter reviews the investment performance of LACERA for the fiscal year ending June 30, 2021.

Fiscal Year 2021 Calendar Year in Review

We entered the fiscal year 2021 that ended June 30 with equity markets continuing to appreciate from their March 2020 market lows, aided by extremely accommodative monetary and fiscal policies enacted across the globe aimed at supporting teetering economies in the face of a pandemic. By fiscal year end, global risk assets produced historically strong returns. Robust stimulus across global developed and emerging economies, news of successful vaccine developments, economies reopening, and a focus on successful vaccine rollouts all contributed to the strong performance of risk assets in the 2021 fiscal year. The notable pickup in economic activity, evident in the latter half of the year, drove inflation higher.

While fiscal year 2021 proved to be a strong market year, it should be noted there is still a considerable amount of uncertainties. Among those are: 1) the path of the pandemic, particularly given the rise of the Delta variant—a highly contagious strain of COVID-19, 2) the health and recovery of the labor market, 3) the related implication for inflation and economic growth, and 4) the overall impact of fiscal and monetary measures as they begin to subside.

U.S. equities, as represented by the Russell 3000 Index, finished the fiscal year with a 44.2 percent return. Emerging markets (MSCI Emerging Markets) delivered 40.9 percent for the year, and the MSCI EAFE Index, representing foreign developed markets, returned 32.4 percent for the same time horizon.

With fiscal and monetary support and corresponding improvement in investor risk sentiment, expectations of short-term volatility, as measured by the VIX index, declined relatively quickly throughout the course of the year. At the recent height of the pandemic, the VIX index reached 82.7, declining to 30.4 at the start of the fiscal year. By year-end June 30, 2021 the VIX index had settled at a level of 15.8 as continued vaccine distribution and waning inflationary fears led to the continued decline of volatility expectations. For much of the fiscal year, most markets embraced a "risk on" appetite. Going forward, the rise of the Delta variant and its potential impact could disrupt market calm.

In the wake of positive vaccine news, we saw a rotation away from growth stocks into value stocks at calendar year-end that, for the most part, continued for the remainder of the fiscal year. By June 30, 2021, the Russell 3000 Value Index (+45.4 percent) had outpaced the prior leadership of the Russell 3000 Growth Index (+43 percent). Just a year prior, leadership performance of the Russell 1000 Growth Index (+21.9 percent) versus the Russell 1000 Value Index (-9.4 percent) held a significant wider spread that by FY 2021 had all but diminished. Cyclical sectors like energy and financials saw strong results, as investors rotated out of the stay-at-home focused companies in the technology sector that were so previously favored in 2020.

Similarly, but with a drastically more pronounced divergence, we saw a rotation away from large cap stocks and into small cap stocks. The performance dispersion between the Russell 1000 Index (+43.1 percent) and the Russell 2000 Index (+62 percent) reached nearly 20 percent by fiscal year end as smaller companies benefited from the reopening of economies and its pro-cyclical tailwind.

Within international developed markets, the MSCI EAFE opportunity set, of which Japan, the U.K., and the Eurozone are featured most heavily, underperformed relative to the U.S. and emerging markets, in part due to the weak footing on which they entered the crisis, the robust spread of COVID-19, and prolonged lockdowns in many of these economies. Within emerging markets, we witnessed a widespread divergence between countries that were able to manage the virus' spread by deploying aggressive countermeasures early on (e.g., China) relative to countries facing already challenging economic circumstances (e.g., Brazil, Mexico, and South Africa). More recently, concerns over the spread of the Delta variant and the ability of emerging countries to manage this has weighed on emerging markets results. Specific to China, fear of tighter monetary policies impacting growth, in addition to the more recent Chinese regulatory crackdown on ADR-listed companies, has been a headwind to the region's performance.

The U.S. Treasury yield curve had declined materially at the onset of COVID-19 (March of 2020) as investors flocked to this safe-haven asset, and aggressive Federal Reserve policies were enacted through policy rate cuts and the quantitative easing program. For context, at the end of June 30, 2020 the 10-year yield was at 0.66 percent with yields remaining below 1 percent through December; by March 2021, the yield nearly doubled to 1.7 percent on prospects of stronger than expected growth driving negative bond index returns. By the end of the fiscal year, the 10-year yield retreated to 1.4 percent as concerns about the economic impact of the Delta variant trimmed investor risk appetite.

Within fixed income markets, the Bloomberg Barclays U.S. Aggregate produced essentially flat returns delivering -0.33 percent for the year ending June 30, 2021; the Bloomberg Barclays TIPS returned 6.5 percent as inflationary concerns proved to be a tailwind; and the Barclays High Yield Index posted the strongest returns at 15.4 percent as investors searched for yield given the current historically low levels being offered elsewhere. Lastly, long maturity treasuries were the worst performers, with the Barclays Long U.S. Government returning -10.4 percent to end the fiscal year 2021. Rising inflation and U.S. economic growth conditions in the second half of the year negatively impacted longer dated fixed income instruments; though we witnessed some recovery as inflation concerns somewhat abated by the end of the fiscal year.

Outside of equity and fixed income markets, we saw strong results from many other asset classes, as they benefited from the recovery and economic expansion. Energy prices saw a dramatic increase, with WTI crude oil trading at $75.23 by June 30, 2021 and returning to pre-COVID levels versus $39.88 just one year ago. At their trough in 2020, the Bloomberg Commodity Index and the S&P Global Natural Resources Indices were both down -23.1 percent and -44.6 percent, respectively. At the end of the fiscal year, the Bloomberg Commodities Index and the S&P Global Natural Resources Index recovered with healthy returns and printed 45.6 percent and 49.4 percent one-year returns respectively. Particularly in the second half of the fiscal year, as economies re-opened, an imbalance in supply (low) and demand (high), caused many raw materials to rise sharply (e.g., steel, copper, corn, and lumber). The increased demand, made worse by port-container shipping congestion, drove transportation costs to rise, inciting inflationary fears.

One of the hardest hit asset classes in markets in 2020 had been real estate, where fears regarding utilization rates in commercial real estate prevented the asset class from participating in the recovery in the early months. Since then, REITS have handsomely recovered from their 2020 steep losses such that one-year returns ending June 30, 2021 were 38.1 percent as proxied by the MSCI U.S. REIT Index. U.S. market volatility as measured by the VIX index was approximately 30 percent at the beginning of the fiscal year and has nearly halved to just below 16 percent by the end of the fiscal year.

In April 2021, the advent of vaccines and the rise in economic activity led the IMF to materially upgrade its World Economic Outlook for 2021 with advanced economies projected to rise by 5.1 percent. In June, the Federal Reserve upgraded U.S. 2021 growth forecast to 7 percent. Growth projections have also been revised higher for emerging markets, with 2021 at 6.7 percent. China is expected to see significant growth of 8.4 percent in 2021 and then resume its potential growth level of 5.7 percent in 2022. Near term, inflation expectations for advanced economies have been revised upwards and are projected to be higher than their 10-year averages.

2021 Outlook

Looking ahead beyond 2021, we see a variety of issues of primary concern impacting the path and speed of a recovering economy:

1. Economies may not achieve herd (vaccination) immunity, resulting in weaker growth and potentially a need to re-deploy lockdown policies or booster shot programs. Meanwhile, developing countries continue to struggle to gain access to vaccines to help mitigate COVID infections. While authorities indicate that vaccination can prevent hospitalization for Delta variant infections, the Delta variant may pose significant public health problems due to its more virulent characteristics. Additionally, supply dynamics and logistical challenges with the vaccine are driving a slower pace of inoculation than expected, in addition to vaccine hesitancy, particularly here in the US. This confluence of challenges could cause governments to reimpose distancing measures, which would likely depress employment and economic growth. Given some considerable uncertainty on the trajectory of COVID preventative measures, several economic themes flow from this larger global health uncertainty.

2. Consumers may change economic behavior for an extended period. Changing consumer spending and work-environment preferences could limit demand for participation in large events including concerts and sporting events, dining out, travel, and leisure activities. Added concerns here in the U.S. are the eviction moratoriums and the student loan repayment freeze set to expire, with federal unemployment benefits also ending.

3. Persistently high unemployment due to a significant number of companies not surviving the economic downturn. U.S. unemployment levels stand at 5.9 percent and have certainly come down from peak rates reached at the height of the pandemic, but these still remain well above pre-pandemic levels.

4. Virus-related fears and outbreaks could continue to exacerbate supply chain disruptions as port, transport, and intermodal workers observe lockdown measures. Global bottlenecks may continue to persist, resulting in shortages and higher prices.

5. The potential of a short-term overheating of the U.S. economy. In May and June, the U.S. CPI exceeded 4 percent year over year, and stoked investor concerns that the U.S. economy may overheat, as strong consumer demand and the economic recovery could potentially create an inflationary spiral. The Biden administration announced its intentions to expand government spending while the U.S. economy is in a robust recovery, and this may exacerbate inflationary pressures.

6. As of June 2021, the Federal Reserve was still engaged in its quantitative easing program, purchasing $120 billion in U.S. treasuries and mortgage-backed securities a month. As the U.S. economy recovers the Federal Reserve may begin to taper their asset purchases, resulting in policy tightening.

7. China's recent political interventions in the technology and education sectors could have further repercussions for Chinese U.S.-listed ADRs as well as Chinese company H and A shares. Regulatory tensions between the U.S. and China could force further divestment from listed Chinese companies in the U.S. and in mainland China.

LACERA Investment Results[1]

Los Angeles County Employees Retirement Association (LACERA) provides defined retirement plan benefits and other post-employment benefits for employees of the County of Los Angeles (County), the Los Angeles Superior

Court (Court), and various outside districts. LACERA is responsible for the administration and investment of two separate funds (Funds): the LACERA defined benefit retirement plan (Pension Plan or Plan), whose assets provide retirement benefits for employees of the County and outside districts, and the LACERA Other Post-Employment Benefit Master Trust Fund (OPEB Master Trust), whose assets provide other post-employment benefits such as retiree healthcare for employees of the County, LACERA, and the Court.

LACERA's Pension Plan had approximately $71.6 billion in assets at the end of the 2021 fiscal year. For the fiscal year, LACERA returned 25.2 percent net of fees, outperforming both the Total Fund Policy Benchmark return of 23.1 percent and assumed actuarial rate of return of 7 percent, respectively. All of the functional categories within the LACERA portfolio contributed positively to the overall return during the fiscal year. Over the trailing three- and five-year periods, the LACERA Pension Plan portfolio returned 10.7 percent and 10.8 percent, per year, on average, respectively.

The OPEB Master Trust stood at $2.3 billion at the end of June 2021. For the fiscal year, the OPEB Master Trust returned 28.4 percent, outperforming the Custom OPEB Master Trust Policy Index by 20 basis points. Most functional categories in the OPEB Trust also contributed positively to the overall return during the fiscal year. Over the trailing three- and five-year periods, the OPEB Master Trust returned 10.6 percent and 12.7 percent, per year, on average, respectively.

During fiscal year 2021, LACERA conducted a full asset allocation study for the Pension Plan and OPEB Master Trust, which resulted in Board approval of the new asset mixes. We continue to believe that the Funds are well diversified and invested, and look forward to collaborating with the Board and Staff to meet its mission of producing, protecting, and providing the promised benefits.

If you have any questions, please contact us at (760) 795-3450.

Sincerely,

Leandro Festino, CFA, CAIA
Managing Principal

Stephen P. McCourt, CFA
Managing Principal

SPM/LAF/TF/IZ/sf

[1]LACERA's Pension Plan and OPEB Trust returns are calculated based on a time-weighted rate of return.

Investment Summary — Pension Plan[1]

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Growth	$36,931,746	
Global Equity	26,447,258	37.0%
Private Equity	9,866,335	13.8%
Opportunistic Real Estate	618,153	0.9%
Credit	$7,700,407	
High Yield	2,249,962	3.1%
Bank Loans	2,639,439	3.7%
Emerging Market Debt	891,931	1.2%
Illiquid Credit	1,919,075	2.7%
Real Assets and Inflation Hedges	$11,676,622	
Core and Value-Added Real Estate	4,467,021	6.2%
Natural Resources & Commodities	2,998,170	4.2%
Infrastructure	2,182,927	3.1%
Treasury Inflation-Protected Securities	2,028,504	2.8%
Risk Reduction and Mitigation	$14,743,023	
Investment Grade Bonds	11,301,065	15.8%
Diversified Hedge Funds	2,526,387	3.5%
Cash	915,571	1.3%
Total Overlay	$515,586	0.7%
Total Investments — Pension Plan	**$71,567,384**	**100.0%**

[1]Differences between fair values in the Statement of Fiduciary Net Position and this schedule are due to the differences between Investment Book of Record and Accounting Book of Record.

Investment Summary — OPEB Master Trust[1]

For the Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	$1,145,138		
Global Equity		1,145,138	49.6%
Credit	$472,826		
Bank Loans		237,869	10.3%
High Yield		142,169	6.2%
EM Local Currency Bonds		92,788	4.0%
Real Assets and Inflation Hedges	$449,379		
Real Estate (REITs)		219,157	9.5%
Commodities		90,130	3.9%
Treasury Inflation-Protected Securities (TIPS)		140,092	6.1%
Risk Reduction & Mitigation	$238,071		
Investment Grade Bonds		191,064	8.3%
Cash Equivalents		47,007	2.0%
Uninvested Cash	$1,404		0.1%
Total Investments — OPEB Master Trust		**$2,306,818**	**100.0%**

Investment Summary — OPEB Custodial Fund[1]

For the Fiscal Year Ended June 30, 2021
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$26,047	15.6%
Fixed Income	140,531	84.4%
Total Investments — OPEB Custodial Fund	**$166,578**	**100.0%**[1]

[1]Differences between fair values in the Statement of Fiduciary Net Position and this schedule are due to the differences between Investment Book of Record and Accounting Book of Record.

Investment Results Based on Fair Value[1,2] — Pension Plan[*]

As of June 30, 2021

			Annualized (Net-of-Fees)			
	Quarter End June 30, 2021		One-Year	Three-year	Five-year	10-year
Growth	**8.7%**		42.8%			
Growth Custom BM	*6.7%*		*43.6%*			
Global Equity		7.0%	40.8%			
Global Equity Custom BM		*7.2%*	*40.9%*			
Private Equity - Growth		13.9%	50.6%			
Private Equity - Growth Custom BM		*5.6%*	*60.6%*			
Opportunistic Real Estate		5.1%	11.4%	9.2%	10.6%	8.9%
Opportunistic Real Estate Custom BM		*2.6%*	*4.5%*	*7.1%*	*8.4%*	*11.9%*
Credit	**2.9%**		17.9%			
Credit Custom BM	*1.9%*		*9.4%*			
High Yield		3.1%	17.9%			
High Yield Custom BM		*2.7%*	*15.4%*			
Bank Loans		1.9%	12.6%			
Credit Suisse Leveraged Loans		*1.4%*	*11.7%*			
Emerging Market Debt		4.6%	11.6%	5.2%		
EMD Custom BM		*3.4%*	*7.6%*	*6.3%*		
Illiquid Credit		3.2%	31.2%			
Illiquid Credit Custom BM		*0.5%*	*2.1%*			
Real Assets & Inflation Hedges	**4.4%**		15.2%			
Real Assets & Inflation Hedges Custom BM	*4.9%*		*15.6%*			
Core & Value-Added Real Estate		0.5%	0.3%	2.8%	4.5%	7.1%
Core & Value-Added Real Estate Custom BM		*2.0%*	*2.0%*	*4.5%*	*5.8%*	*9.2%*
Natural Resources & Commodities		9.6%	48.5%	4.1%	3.5%	(3.4)%
Natural Resources & Commodities Custom BM		*9.4%*	*46.8%*	*5.1%*	*3.1%*	*(4.1)%*
Infrastructure		*6.9%*	22.3%			
DJ Brookfield Global Infrastructure		*7.1%*	19.8%			
TIPS		*3.5%*	6.4%			
Bloomberg U.S. Treasury U.S. TIPS		*3.2%*	6.5%			
Risk Reduction & Mitigation	**1.6%**		2.5%			
Risk Reduction & Mitigation Custom BM	*1.6%*		*0.2%*			
Investment Grade Bonds		1.9%	0.5%	5.7%	3.8%	4.0%
Bloomberg Barclays U.S. Aggregate		*1.8%*	*(0.3)%*	*5.3%*	*3.0%*	*3.4%*
Diversified Hedge Funds		0.8%	16.6%			
Diversified Hedge Funds Custom BM		*0.6%*	*2.6%*			
Cash		0.1%	0.7%	1.7%	1.5%	1.0%
Cash Custom BM		*0.0%*	*0.1%*	*1.3%*	*1.2%*	*0.7%*
Total Fund		**5.7%**	**25.2%**	**10.7%**	**10.8%**	**8.6%**
Total Fund Custom Policy Benchmark		**4.5%**	**23.1%**	**10.9%**	**10.3%**	**8.5%**

[1]Functional asset category returns are calculated based on time-weighted rates of return, net of manager fees. Total Fund performance is calculated based on the weighted average returns of the functional asset categories, net of manager fees.

[2]Some asset categories and their benchmarks are reported with a one or three-month lag.

[*]A complete list of custom benchmark definitions is available upon request.

Investment Results Based on Fair Value[1] — OPEB Master Trust[*]

As of June 30, 2021

	Annualized (Net-of-Fees)			
	Quarter End June 30, 2021	**One-Year**	**Three-year**	**Five-year**
Growth	**7.2%**	41.2%	14.5%	14.9%
Global Equity	7.2%	41.2%	14.5%	14.9%
MSCI ACWI IMI Net	*7.2%*	*40.9%*	*14.2%*	*14.6%*
Credit	**2.2%**	10.7%		
OPEB Master Trust Credit Custom BM	*2.3%*	*11.8%*		
Bank Loans	1.4%	10.0%		
S&P/LSTA Leveraged Loan Index	*1.5%*	*11.7%*		
High Yield	2.8%	15.2%		
BC High Yield Index	*2.7%*	15.4%		
EM Local Currency Bonds	3.4%	6.0%		
JPM GBI-EM Global Diversified Index	*3.5%*	6.6%		
Real Assets & Inflation Hedges	**9.5%**	30.4%		
OPEB Master Trust Real Asset & Inflation Hedges Custom BM	*9.5%*	*30.4%*		
Real Estate (REITs)	11.8%	39.9%		
DJ US Select Real Estate Sec Index	*11.8%*	40.0%		
Commodities	13.3%	45.5%		
Bloomberg Commodity Index (Total Return)	*13.3%*	45.6%		
Treasury Inflation-Protected Securities (TIPS)	3.3%	6.6%		
Bloomberg Barclays U.S. TIPS Index	*3.3%*	6.5%		
Risk Reduction & Mitigation	**1.5%**	(0.2)%	4.7%	
OPEB Master Trust Risk Reduction & Mitigation Custom BM	*1.5%*	*(0.2)%*	*4.6%*	
Investment Grade Bonds	1.8%	(0.3)%		
Bloomberg Barclays U.S. Aggregate	*1.8%*	(0.3)%		
Enhanced Cash	0.0%	0.0%	1.9%	1.6%
FTSE 6 M T-Bill Index	*0.0%*	0.2%	1.4%	1.2%
Total OPEB Master Trust	**6.2%**	**28.4%**	**10.6%**	**12.7%**
Total OPEB Master Trust Policy Benchmark	**6.1%**	**28.2%**	**10.3%**	**11.0%**

[1]Functional asset category returns are calculated based on time-weighted rates of return, net of manager fees. Total OPEB Master Trust performance is calculated based on the weighted average returns of the asset classes, net of manager fees.

[*]A complete list of custom benchmark definitions is available upon request.

Total Investment Rates of Return — Pension Plan

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Time- Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[2]	Return on Smoothed Valuation Assets (net of fees)[3]	Actuarial Assumed Rate of Return[4]	Actuarial Funded Ratio[5]
2012	$38,627,163	0.0%	—%	1.8%	7.60%	76.8%
2013	42,285,906	11.9%	—%	5.4%	7.50%	75.0%
2014	49,033,365	16.5%	17.5%	11.8%	7.50%	79.5%
2015	47,990,447	4.1%	4.1%	10.5%	7.50%	83.3%
2016	47,898,667	0.8%	0.7%	6.5%	7.25%	79.4%
2017	52,225,457	12.7%	12.7%	8.2%	7.25%	79.9%
2018	55,443,060	9.0%	9.0%	8.1%	7.25%	80.6%
2019	57,976,436	6.4%	5.5%	6.5%	7.00%	77.2%
2020	56,574,410	1.8%	1.4%	5.8%	7.00%	76.3%
2021[6]	**$70,297,718**	**25.2%**	**25.2%**			

[1]**Total Fund — Time-Weighted Rate of Return** is the aggregate increase or decrease in the value of the portfolio resulting from the net appreciation or depreciation of the principal of the fund, plus or minus the net income or loss experienced by the fund during the period. The returns are presented net of investment management fees.

[2]**Total Fund — Money-Weighted Rate of Return** is a measurement of investment performance, net of investment expenses, adjusted for the changing amounts actually invested. The returns are presented net of investment management fees.

[3]**Return on Smoothed Valuation Assets** consists of, annual investment income in excess or shortfall of the expected rate of return on a valuation (actuarial) basis smoothed over a specified period with a portion of the year's asset gains or losses being recognized each year beginning with the current year.

[4]**Actuarial Assumed Rate of Return** is the future investment earnings of the assets, which are assumed to accrue at an annual rate, compounded annually, net of both investment and administrative expenses. The Actuarial Assumed Rate of Return is 7 percent as adopted by the Board of Investments based on the results of the Actuarial Investigation of Experience completed in January 2020. For fiscal year 2020-2021, interest crediting and operating tables applied the 7 percent Actuarial Assumed Rate of Return.

[5]**Actuarial Funded Ratio** is a measurement of the funded status of the fund calculated by dividing the valuation assets by the actuarial accrued liability.

[6]**Actuarial Valuation report** for June 30, 2021 is not yet available at publication.

Largest Equity Holdings — Pension Plan[1]

As of June 30, 2021

(Dollars in Thousands)

Shares	Description	Fair Value
5,188,074	Apple Inc.	$710,559
2,218,733	Microsoft Corporation	601,055
186,915	Alphabet Inc.	462,212
131,274	Amazon.com, Inc.	451,602
752,693	Facebook, Inc.	261,719
691,563	American Tower Corporation	186,819
892,538	Crown Castle International Corporation	174,134
7,206,797	Taiwan Semiconductor Manufacturing Company Ltd.	158,204
231,342	Tesla Inc.	157,243
194,253	NVIDIA Corporation	155,422

Note: A complete list of portfolio holdings is available upon request by contacting LACERA.

[1]Reflects the global equity exposure of assets held in custody as well as certain commingled funds.

Largest Fixed Income Holdings — Pension Plan[1]

As of June 30, 2021

(Dollars in Thousands)

Par	Description	Fair Value
425,300,000	United States Treasury Repurchase Agreement	$425,300
246,925,870	Federal National Mortgage Association 2.000% 20501001	250,019
169,533,541	Federal National Mortgage Association 2.500% 20500801	175,754
132,734,550	United States Treasury 0.125% 20251015	144,477
112,199,094	United States Treasury 0.375% 20230715	119,590
105,092,544	Federal National Mortgage Association 2.000% 20510501	106,408
79,831,690	United States Treasury 0.125% 20240715	85,886
79,500,000	Federal National Mortgage Association TBA 07/2021 15Y 2.000%	82,100
72,370,350	United States Treasury 0.125% 20300715	79,933
69,663,820	United States Treasury 0.625% 20260115	77,586

Note: A complete list of portfolio holdings is available upon request by contacting LACERA.

[1]Reflects fixed income exposure of assets held in custody as well as certain commingled funds.

Schedule of Investment Management Fees

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Custodial Fund	
	2021	2020	2021	2020	2021	2020
Cash and Short-Term Managers	$447	$818	$12	$12	$25	$22
Commodity Managers	4,029	3,813	111	77	—	—
Global Equity Managers	38,304	48,077	229	133	—	—
Fixed Income Managers	89,294	27,687	1,468	1,014	82	74
Hedge Fund Managers	83,130	49,768	—	—	—	—
Private Equity Managers	207,193	165,842	—	—	—	—
Real Estate Managers	39,195	54,571	107	71	—	—
Total Investment Management Fees[1]	**$461,592**	**$350,576**	**$1,927**	**$1,307**	**$107**	**$96**

[1]Difference in expenses from investing activities in the Statement of Changes in Fiduciary Net Position is due to the inclusion of incentive fees, carry allocations, and operating expenses in the above schedule. These incentive fees, carry allocations, and operating expenses are deducted from investment income in the Statement of Changes in Fiduciary Net Position.

GROWTH
Global Equity
Acadian Asset Management, LLC
BlackRock Institutional Trust Company, N.A.
Capital International, Inc.
Cevian Capital, LTD
CornerCap Investment Counsel
Frontier Capital Management Company, LLC
Genesis Investment Management, LLP
Global Alpha Capital Management, LTD
JANA Partners, LLC
J.P. Morgan Investment Management, Inc.
Lazard Asset Management, LLC
Quantitative Management Associates, LLC
State Street Global Advisors
Symphony Financial Partners
Systematic Financial Management, LP

Opportunistic Real Estate
Aermont Capital Management, S.a.r.l
Angelo, Gordon & Company, LP
Capri Capital Advisors, LLC
CityView Management Services, LLC
Europa Capital, LLP
Invesco Advisers, Inc.
Realty Associates Advisors, LLC (TA)
RREEF America, LLC
Starwood Capital Group
Stockbridge Capital Group
The Carlyle Group
TPG Capital

Private Equity[1]
J.P. Morgan Investment Management, Inc.
Morgan Stanley Alternative Investments, LLC
Pathway Capital Management, LP

CREDIT
High Yield
Beach Point Capital Management, LP
BlackRock Institutional Trust Company, N.A.
Brigade Capital Management, LLC

Bank Loans
Bain Capital Credit, LP
Credit Suisses Asset Management, LLC
Crescent Capital Group, LP
Tennenbaum Capital Partners, LLC

Emerging Market Debt
Aberdeen Standard Investments
Ashmore Investment Management, LTD

Illiquid Credit
Barings, LLC
Beach Point Capital Management, LP
Grosvenor Capital Management, LP
Magnetar Capital, LLC
Napier Park Global Capital
Pacific Investment Management Company, LLC (PIMCO)
Quadrant Real Estate Advisors, LLC

REAL ASSETS and INFLATION HEDGES
Core and Value-Added Real Estate
AEW Capital Management, LP
Avison Young - Southern California, LTD
Bain Capital, LP
CapMan, PLC
Capri Capital Advisors, LLC
CB Richard Ellis Global Investors, LLC
CityView Management Services, LLC
Clarion Partners, LLC
Heitman Capital Management, LLC
Hunt Investment Management, LLC
IDR Investment Management, LLC
Invesco Advisers, Inc.
Prologis Management II, S.a.r.l
Realty Associates Advisors, LLC (TA)
RREEF America, LLC
Stockbridge Capital Group
IDR Investment Management, LLC

Natural Resources & Commodities
Credit Suisse Asset Management, LLC
Gresham Investment Management, LLC
Neuberger Berman Fixed Income, LLC
Pacific Investment Management Company, LLC (PIMCO)
RREEF America, LLC

Infrastructure
RREEF America, LLC

Treasury Inflation-Protected Securities
BlackRock Institutional Trust Company, N.A.

RISK REDUCTION and MITIGATION
Investment Grade Bonds
BlackRock Institutional Trust Company, N.A.
Dodge & Cox, Inc.
Pacific Investment Management Company, LLC (PIMCO)
Pugh Capital Management, Inc.
Wells Capital Management, Inc.
Western Asset Management Company

Diversified Hedge Funds
AM Squared General Partner Limited
Brevan Howard Capital Management
Capula Investment Management
Caxton Associates, LP
Davidson Kempner Institutional Partners, LP
Goldman Sachs Hedge Fund Strategies, LLC
Grosvenor Capital Management, LP
HBK Capital Management
Hudson Bay Capital Management
Polar Asset Management Partners

Cash
State Street Global Advisors (SSGA)

Mortgage Loan Servicer
Ocwen Loan Servicing, LLC

Securities Lending Program
Goldman Sachs Agency Lending (GSAL)
State Street Bank & Trust Company
State Street Global Advisors

Health Reserve Program
Standish Mellon Asset Management Company, LLC

Other Post-Employment Benefits Trust
BlackRock Institutional Trust Company, N.A.
State Street Global Advisors (SSGA)

Overlay Program
Parametric Portfolio Associates, LLC

[1]A complete list of Private Equity Investment Managers by functional category is available upon request.

Diverse Talents

Actuarial Section

Serving the public takes many different forms. From taking care of roads to taking care of people, LACERA members make our communities better. Though they work in a variety of fields and career positions, they share common threads with their peers and LACERA employees, a commitment to public service and the promise of a secure financial future after retirement.

For centuries, fabric dyes were made from plants, minerals, and animals, and brightly hued clothing signified the wealth or importance of the wearer. Tyrion purple, painstakingly made from the shells of sea snails, was the most expensive and exclusive dye in the world, and for centuries its use was restricted to the highest echelons of society. In 1856, the first synthetic dye was created, making colorful garments affordable for the masses.

Introduction

The actuarial process at the Los Angeles County Employees Retirement Association (LACERA) is governed by provisions in the County Employees Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). CERL requires LACERA to obtain an actuarial valuation of the Pension Plan at least once every three years. It further requires the LACERA Board of Investments to transmit its recommendations related to contribution rates to the County Board of Supervisors, the primary plan sponsor. The County Board of Supervisors adopts contribution rates in accordance with LACERA's recommendations but may make minor adjustments to comply with Memoranda of Understanding (MOUs) established between the County and employee unions.

LACERA engages an independent actuarial consulting firm to perform the Pension Plan valuation annually, exceeding the regulatory frequency requirements. In addition, every three years the consulting actuary performs an investigation of experience study (experience study). On a triennial basis, a separate actuarial firm reviews both the annual valuation and experience study.

Valuation Policy

In December 2009, the LACERA Board of Investments adopted a new retirement benefit funding policy (Funding Policy). The Funding Policy was amended in February 2013 to conform to the new standards mandated in PEPRA. In addition, the LACERA Board of Investments approved the inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance as part of the valuation assets and on an ongoing basis for future valuations. The liability for STAR benefits that may be granted in the future is not included in the valuation.

The LACERA Board of Investments maintains the Funding Policy, which requires an annual adjustment of the employer contribution rates based on the actuary's annual valuation. Milliman, the Pension Plan consulting actuary, reviewed the adequacy of the plan sponsor funding policies in accordance with actuarial standards of practice (ASOP). Milliman performed the most recent actuarial valuation as of June 30, 2020 and recommended changes to the employer and employee (member) contribution rates. At its December 2020 meeting, the LACERA Board of Investments adopted Milliman's June 30, 2020 valuation report.

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. This review, commonly referred to as the experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. Based on this review, the actuary recommends changes in the assumptions or methodology that will better project benefit liabilities and asset growth. The LACERA Board of Investments adopts, possibly with modification, the recommended actuarial methods and assumptions to be used in future valuations. At its January 2020 meeting, the LACERA Board of Investments adopted Milliman's recommendations based on the 2019 Investigation of Experience for Retirement Benefit Assumptions report with modifications to the economic and demographic assumptions recommendation.

At the January 2020 meeting, the LACERA Board of Investments adopted a three-year phase-in of the impact of the change in employer contribution rate resulting from the new assumptions adopted effective June 30, 2019.

Member Contributions

As part of the experience study, the Pension Plan actuary recommends adjustments to member contribution rates, if necessary, due to changes in the underlying actuarial assumptions and methodologies used in calculating member rates for age-based contributory plans (General Plans A, B, C, and D, and Safety Plans A and B). Therefore, it is expected that the age-based member rates will change no more frequently than every three years. Based on the June 30, 2020 valuation, the actuary had no recommended changes to member contribution rates for these plans.

For the plans that use single-rate member contribution rates (General Plan G and Safety Plan C), the Pension Plan actuary is required to recommend rates that are one-half the normal cost rate. As such, it is expected that member contribution rates for these plans may change annually. Based on the June 30, 2020 valuation, the actuary recommended new member contribution rates effective beginning next fiscal year, July 1, 2021. The recommended member contribution rates are slightly lower for all Plan G and Safety Plan C members.

Employer Contributions

The consulting actuary reviews employer contribution rates each year and recommends changes if necessary. The members and employers are responsible for contributing the portion of the present value of pension plan benefits and expenses, which is allocated to a valuation year by the actuarial cost method. These contributions are known as normal cost contributions. The portion not funded by expected member contributions is the responsibility of the employers and is included in the employer normal cost. The employers are also responsible for contributions to eliminate funding shortfalls related to liabilities accrued in the past, including changes in the economic and demographic assumptions impacting past service. This portion of the employer's contribution rate is known as the Unfunded Actuarial Accrued Liability (UAAL) contribution rate.

For the June 30, 2020 valuation, the actuary recommended new employer normal cost contribution rates for all plans and a new UAAL contribution rate, effective beginning the next fiscal year, July 1, 2021. Based on the 2020 valuation, the employer normal cost rate increased from 10.86 percent to 10.89 percent, and the employers' required contribution rate to finance the UAAL increased from 13.92 percent to 14.85 percent. The increase in the calculated employer contribution rate from 24.78 percent to 25.74 percent of payroll, before the phase-in of contribution rate changes from the 2019 experience study, was primarily due to the impact of the assumption and amortization method changes and the recognition of current and prior year investment losses when applying the five-year smoothing method. Reflecting the employer contribution rate phase-in methodology, the calculated rate increased from the previous rate of 22.59 percent to the new rate of 24.64 percent of payroll. Due to the phase-in approach, the employer contribution rates set for upcoming immediate fiscal years are lower than determined by actuarial calculations, resulting in an increase in the UAAL. Shortfalls between assets required to fund the plan (contributions and investment earnings) and liabilities (benefit payments) required to be paid will result in future employer contribution increases to fund the UAAL.

Actuarial Cost Method

The entry age normal actuarial cost method is used for both funding requirements and financial reporting purposes. This method was approved by LACERA in 1999, as recommended by the consulting actuary. The entry age normal method allocates costs to each future year as a level percentage of payroll, which is ideal for employers to budget for future costs.

Amortization Method

LACERA employs a layered amortization method to fund the UAAL. Under this method, the initial period UAAL amount as of June 30, 2009 was amortized over a closed 30-year period. Subsequent changes in the UAAL were amortized over new closed 30-year periods. Effective with the June 30, 2019 valuation, the amortization period was decreased so all existing layers with more than 22 years remaining were re-amortized over closed 22-year periods. All new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made.

Reviews

The LACERA Board of Investments Actuarial Audit Policy Directive requires actuarial reviews of retirement benefit valuations and experience studies at regular intervals in the same cycle as LACERA's triennial experience study and valuation. Cavanaugh Macdonald, as LACERA's reviewing actuary, performed the most recent review of Milliman's experience study and valuation reports as of June 30, 2019.

In regard to the most recent review of the experience study, Cavanaugh Macdonald concluded, "We find the proposed actuarial assumptions and methods to be reasonable. The Investigation of Experience was performed by qualified actuaries and was performed in accordance with the principles and practices prescribed by the Actuarial Standards Board." According to Cavanaugh Macdonald, regarding the review of Milliman's valuation report, "We find the June 30, 2019 actuarial valuation results to be reasonable and accurate, based on the assumption and methods used."

Other Actuarial Information

Actuarially Determined Contributions: The Schedule of Contributions History — Pension Plan included in the Required Supplementary Information of the Financial Section provides 10 years of actuarially determined contributions in relation to the actual contributions provided to the Pension Plan.

Actuarial Methods and Assumptions: A detailed description of the actuarial methods and assumptions for the Pension Plan valuation used by the consulting actuary to prepare the Pension Plan (Retirement Benefits) funding valuation report is included in this Actuarial Section. The Financial Section also discusses the actuarial methods and significant assumptions used for financial reporting and required Governmental Accounting Standards Board (GASB) Statement Number 67 disclosures. Any differences between these assumptions used for actuarial funding and those applied for financial reporting purposes are noted.

The following additional information is included in this section:

- Actuary's Certification Letter — Pension Plan
- Summary of Actuarial Methods and Assumptions — Pension Plan
- Schedule of Funding Progress — Pension Plan
- Active Member Valuation Data — Pension Plan
- Retirants and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
- Actuary Solvency Test — Pension Plan
- Actuarial Analysis of Financial Experience — Pension Plan
- Probability of Occurrence

A Summary of Major Pension Plan Provisions is available upon request by contacting LACERA.

See Note A in the Financial Section for plan description information.

September 15, 2021

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Board of Investments
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Trustees of the Board:

The basic financial goal of LACERA is to establish contributions that fully fund the System's liabilities and, as a percentage of payroll, remain level for each generation of active members.[1] Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

LACERA measures its funding status as the Funded Ratio, which is equal to the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date: June 30, 2018	**Funded Ratio**: 80.6%
Valuation Date: June 30, 2019	**Funded Ratio**: 77.2%
Valuation Date: June 30, 2020	**Funded Ratio**: 76.3%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2020. Most of this year's decrease in the Funded Ratio is due to the recognition of actuarial asset losses from the current and prior years, and salary increases larger than expected. Using the market value of assets on June 30, 2020, the Funded Ratio would be 74 percent. As of June 30, 2020, a net asset loss is being deferred.

LACERA's funding policy provides that the County's contributions are equal to the normal cost rate, net of member contributions, plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any surplus funding. A UAAL occurs when the Funded Ratio is less than 100 percent. Effective with the June 30, 2019 valuation, the amortization of the UAAL uses a layered 20-year approach, under which increases or decreases in the UAAL each year are amortized over closed 20-year periods. All layers created prior to June 30, 2019 with a period greater than 22 years were re-amortized over new closed 22-year periods at that time. Surplus funding occurs when the Funded Ratio is greater than 120 percent. If the Funded Ratio exceeds 120 percent and all conditions in California Government Code Section 7522.52(b) are satisfied, then the surplus funding is amortized over an open 30-year period.

The current funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1 percent of the market value of assets as part of the valuation assets. The STAR Reserve is also considered part of the valuation assets. The Board's policy does not include any corresponding liability for future STAR benefits in the valuation. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2020 would decrease to 75.6 percent.

In preparing the June 30, 2020 valuation report, we relied, without audit, on information (some oral and some in writing) supplied by LACERA. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or

[1] A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code.

incomplete, our calculations may need to be revised. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were reviewed and adopted by the Board of Investments. The funding assumptions were based on the triennial investigation of experience study report as of June 30, 2019 and adopted at the January 8, 2020 Board of Investments meeting. The assumptions and methods used for financial reporting under GASB 67 are the same as the funding assumptions and methods, with the following exceptions:

1. The discount rate is gross of administrative expenses,
2. The STAR COLA is treated as substantively automatic and is valued to the extent it is projected to be paid in the future, and
3. The individual entry age normal cost method is used without modification.
4. The Fiduciary Net Position is equal to the market value of assets minus liabilities.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for LACERA consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a five-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. We believe the actuarial assumptions and methods are internally consistent and reasonable for their intended purpose.

Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report and GASB 67 report due to such factors as the following: experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in the program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations.

No third-party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Milliman prepared the following information for the actuarial section:

1. Retirees and Beneficiaries Added to and Removed from Benefits — Pension
2. Actuarial Analysis of Financial Experience — Pension
3. Actuary Solvency Test — Pension
4. Schedule of Funding Progress — Pension

In addition, for Note E — Pension Plan Liabilities of the Financial Section, Milliman prepared the Schedule of Net Pension Liability and Sensitivity Analysis.

Except as noted above, LACERA staff prepared the information in Note E and the Required Supplementary Information, based on information supplied in prior actuarial reports, our June 30, 2020 actuarial valuation, and our June 30, 2021 GASB 67 report. Milliman has reviewed the information in Note E for accuracy.

We certify that the assumptions and methods used for funding and financial reporting purposes in the June 30, 2020 funding valuation meet the parameters set by Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Mark C. Olleman, FSA, EA, MAAA
Principal and Consulting Actuary
MCO/NJC/nlo

Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary

Actuarial Methods and Assumptions	The actuarial methods and assumptions used to determine Pension Plan liabilities are based on the results of the 2019 experience study as recommended by Milliman, the consulting actuary, and adopted by the LACERA Board of Investments. In 2009, the Board of Investments approved the Retirement Benefits Funding Policy (Funding Policy). Under the Funding Policy, modifications to the asset valuation and amortization methods were adopted beginning with the June 30, 2009 actuarial valuation. The Funding Policy was amended in February 2013 to conform with the new standards mandated in PEPRA and to specify that the Supplemental Targeted Adjustment for Retirees (STAR) Reserve should be included as a valuation asset on an ongoing basis.
Actuarial Cost Method	Entry age normal.
Actuarial Asset Valuation Method	The assets are valued using a five-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The gains and losses on market value are recognized over a five-year period to spread out the impact of investment market performance, rather than recognizing the entire impact of market changes each year. The expected market value is the prior year's market value increased with the net cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. The five-year smoothing valuation basis for all assets was adopted beginning with the June 30, 2009 valuation. The inclusion of the STAR Reserve in the valuation of assets was formalized for current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy. Since the June 30, 2013 valuation, Milliman has included the STAR Reserve as part of the valuation assets.
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	As of the June 30, 2019 valuation, all amortization layers with periods greater than 22 years as of July 1, 2020 were amortized over periods not to exceed 22 years. Future actuarial gains and losses are amortized over new closed 20-year periods, beginning with the date the contribution is first expected to be made. This is referred to as layered amortization. For the June 30, 2020 valuation, 12 amortization layers were used to calculate the total amortization payment beginning July 1, 2021.

Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.51 percent to 12.54 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage level of membership. Increases are assumed to occur mid-year (i.e., January 1) and apply only to base salary, excluding Megaflex (active employee benefits) compensation. The mid-year timing reflects that salary increases occur throughout the year, or on average, mid-year. For plans with a one-year final average compensation period, actual average annual compensation is used. These rates were adopted beginning with the June 30, 2019 valuation.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7 percent, compounded annually, net of both investment and administrative expenses. The same rate of return is used to discount the actuarial accrued liability. This rate was adopted beginning with the June 30, 2019 valuation.
Post-Retirement Benefit Increases	Post-retirement benefit increases of either 2.75 percent or 2 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index (CPI), are assumed payable each year in the future, as they are not greater than the expected increase in the CPI of 2.75 percent per year. Plan E members receive a prorated post-retirement benefit increase of 2 percent for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and after June 4, 2002 to the member's total years of service. The portion of the full 2 percent increase not provided for may be purchased by the member. COLA adjustments for members with service credit earned prior to June 4, 2002 are based on a ratio of months of service earned on and after June 4, 2002 divided by the total months of service.
Consumer Price Index (CPI)	Increase of 2.75 percent per annum. This rate was adopted beginning with the June 30, 2016 valuation.
Rates of Separation From Employment	Various rates are dependent upon member's age, gender, years of service, and retirement plan. Each rate represents the probability that a member will separate from service at each age (or service duration) due to the particular cause. These rates of separation from active service were adopted beginning with the June 30, 2019 valuation. The Probability of Occurrence schedule included in this Actuarial Section includes a summary of probability of retirement and withdrawal for sample ages.

Expectation of Life After Retirement[1,2]	The same post-retirement mortality probabilities are used in the valuation for both members retired from service and their beneficiaries. Current beneficiary mortality is assumed to be the same as for healthy general members of the same sex. Future beneficiaries are assumed to be of the opposite sex and have the same mortality as general members. **Males**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale. These probabilities were adopted June 30, 2019.
Expectation of Life After Disability[1,2]	**Males**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale. These probabilities were adopted June 30, 2019.

[1] The PUB-2010 mortality tables were published by the Society of Actuaries (SOA's) Retirement Plans Experience Committee (RPEC) in January 2019. The data studied includes approximately 46 million life-years of exposure and 580,000 deaths from public pension plans over the period 2008 to 2013. The PUB-2010 mortality tables includes separate tables for general and safety members, and for each of those classes of members includes separate mortality tables for healthy annuitants, disabled retirees, and employees.

[2] The SOA's Mortality Improvement Scale MP-2014 (published in October 2014) is used to adjust the PUB-2010 mortality tables to account for anticipated changes in mortality rates in future years. In general, it is assumed that mortality rates will improve (implying longer lifetimes) in the future due partially to improvements in healthcare.

Recent Changes and Their Financial Impact

An experience study was performed by the consulting actuary for the three-year period ended June 30, 2019. The LACERA Board of Investments adopted the demographic assumptions recommended in that report with a three-year phase-in of the impact of the change on employer contribution rates. In addition, the Board of Investments adopted a lower investment return assumption. Changes to those assumptions and other financial impacts are discussed below.

STAR Reserve: The STAR Reserve is included in the 2019 valuation assets. There is no corresponding liability for future potential STAR benefits included in the valuation. The inclusion of the STAR Reserve in the valuation assets was formalized for the current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy.

2019 Assumption Changes: At the January 2020 LACERA Board of Investments meeting, the Board adopted new assumptions with the 2019 Investigation of Experience report. The adopted assumptions included lowering the investment return assumption from 7.25 percent to 7 percent, increasing the rates of assumed merit salary increases (primarily for Safety members), and updating mortality tables to the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plans Experience Committee (RPEC). Of these changes, the reduction in the investment return assumption had the greatest impact on the results of this valuation. All assumption changes have been reflected in the June 30, 2019 actuarial valuation.

Funding: As of June 30, 2020, the Funded Ratio decreased from 77.2 percent to 76.3 percent primarily due to the recognition of current and prior year asset changes that caused a decrease of 0.9 percent in the Funded Ratio. Salary increases greater than assumed caused a 0.4 percent decrease. Contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL) partially offset these decreases and caused the Funded Ratio to decrease by 0.5 percent less than it otherwise would have.

Employer Contributions: The total calculated employer contribution rate increased from the prior valuation by 2.05 percent (from 22.59 percent to 24.64 percent) of payroll. The increase in the employer contribution rate is primarily due to the phase-in recognition of assumption and amortization method changes effective June 30, 2019 and the recognition of current and prior year investment losses. The cost impact of the assumption changes are to be phased in over a three-year period. Without the phase-in of the increase, the employer contribution rate would have been 25.74 percent effective beginning next fiscal year July 1, 2021. The remaining 1.10 percent increase will be phased in effective July 1, 2022 and considered fully implemented. The effect of the phase-in is an increase in the UAAL that will require higher employer contribution rates in future years.

Member Contributions: New member contribution rates are recommended for General Plan G and Safety Plan C effective beginning next fiscal year, July 1, 2021. General Plan G and Safety Plan C member rates are required to be equal to 50 percent of the gross normal cost of the respective plan. The recommended member contribution rates are slightly lower for General Plan G and Safety Plan C. Member contribution rates for all other plans (General Plans A, B, C and D, and Safety Plans A and B) vary based on a member's entry age when joining LACERA and the underlying assumptions. The actuary had no recommended changes to member contribution rates for all other plans.

Schedule of Funding Progress — Pension Plan

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Valuation Assets (a)	Actuarial Accrued Liability (AAL)[1] (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll[2] (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2011	$39,193,627	$48,598,166	$9,404,539	80.6%	$6,650,674	141.4%
June 30, 2012	39,039,364	50,809,425	11,770,061	76.8%	6,619,816	177.8%
June 30, 2013	39,932,416	53,247,776	13,315,360	75.0%	6,595,902	201.9%
June 30, 2014	43,654,462	54,942,453	11,287,991	79.5%	6,672,886	169.2%
June 30, 2015	47,328,270	56,819,215	9,490,945	83.3%	6,949,420	136.6%
June 30, 2016	49,357,847	62,199,214	12,841,367	79.4%	7,279,777	176.4%
June 30, 2017	52,166,307	65,310,803	13,144,496	79.9%	7,637,032	172.1%
June 30, 2018	55,233,108	68,527,354	13,294,246	80.6%	7,957,981	167.1%
June 30, 2019	57,617,288	74,635,840	17,018,552	77.2%	8,370,050	203.3%
June 30, 2020	**$59,762,991**	**$78,275,175**	**$18,512,184**	**76.3%**	**$8,724,151**	**212.2%**

[1]Calculated using the entry age normal actuarial cost method.
[2]Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Active Member Valuation Data — Pension Plan

Valuation Date	Plan Type	Member Count	Annual Salary[1]	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
June 30, 2011	General	80,145	$5,295,354,528	$66,072	(31.70)%
	Safety	12,641	1,239,553,116	98,058	40.79%
	Total	92,786	$6,534,907,644	$70,430	1.12%
June 30, 2012	General	79,467	$5,271,580,728	$66,337	0.40%
	Safety	12,485	1,229,922,420	98,512	0.46%
	Total	91,952	$6,501,503,148	$70,705	0.39%
June 30, 2013	General	79,006	$5,253,152,532	$66,491	0.23%
	Safety	12,539	1,234,902,228	98,485	(0.03)%
	Total	91,545	$6,488,054,760	$70,873	0.24%
June 30, 2014	General	79,943	$5,487,670,164	$68,645	3.24%
	Safety	12,523	1,252,867,272	100,045	1.58%
	Total	92,466	$6,740,537,436	$72,897	2.86%
June 30, 2015	General	81,228	$5,706,302,532	$70,250	2.34%
	Safety	12,446	1,299,621,108	104,421	4.37%
	Total	93,674	$7,005,923,640	$74,790	2.60%
June 30, 2016	General	82,916	$5,949,587,940	$71,754	2.14%
	Safety	12,528	1,342,684,620	107,175	2.64%
	Total	95,444	$7,292,272,560	$76,404	2.16%
June 30, 2017	General	84,513	$6,290,061,336	$74,427	3.73%
	Safety	12,698	1,388,190,600	109,324	2.01%
	Total	97,211	$7,678,251,936	$78,985	3.38%
June 30, 2018	General	85,703	$6,610,313,328	$77,130	3.63%
	Safety	12,771	1,451,457,324	113,653	3.96%
	Total	98,474	$8,061,770,652	$81,867	3.65%
June 30, 2019	General	86,392	$6,815,591,124	$78,891	2.28%
	Safety	12,794	1,540,187,040	120,384	5.92%
	Total	99,186	$8,355,778,164	$84,244	2.90%
June 30, 2020	**General**	**86,930**	**$7,186,102,392**	**$82,665**	**4.78%**
	Safety	**13,178**	**1,590,549,948**	**120,697**	**0.26%**
	Total	**100,108**	**$8,776,652,340**	**$87,672**	**4.07%**

[1]Active Member Valuation Annual Salary is an annualized compensation of only those members who were active on the actuarial valuation date. Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Retirants and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan

(Dollars in Thousands)

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance[1]	Member Count	Annual Allowance[1]	Member Count	Annual Allowance[1]	Percentage Increase in Retiree Allowance	Average Annual Allowance
June 30, 2011	3,134	$185,204[2]	(1,959)	$(62,923)	55,371	$2,342,625	5.51%	$42.3
June 30, 2012	3,194	193,865[2]	(1,795)	(61,588)	56,770[3]	2,474,902	5.65%	43.6
June 30, 2013	3,373	205,659[2]	(2,057)	(69,494)	58,086[3]	2,611,067	5.50%	45.0
June 30, 2014	3,128	172,743[2]	(1,985)	(71,730)	59,229[3]	2,712,080	3.87%	45.8
June 30, 2015	3,501	180,549[2]	(2,124)	(80,028)	60,606[3]	2,812,601	3.71%	46.4
June 30, 2016	3,479	220,632[2]	(2,171)	(80,881)	61,914[3]	2,952,352	4.97%	47.7
June 30, 2017	3,721	245,915[2]	(2,311)	(89,624)	63,324[3]	3,108,643	5.29%	49.1
June 30, 2018	3,826	276,118[2]	(2,270)	(89,033)	64,880[3]	3,295,728	6.02%	50.8
June 30, 2019	3,978	302,022[2]	(2,351)	(97,840)	66,507[3]	3,499,910	6.20%	52.6
June 30, 2020	**3,930**	**$311,206[2]**	**(2,425)**	**($104,914)**	**68,012[3]**	**$3,706,202**	**5.89%**	**$54.5**

[1]Annual Allowance is the monthly benefit allowance annualized for those members counted as of June 30.

[2]Includes COLAs that occurred during the fiscal year and therefore were not included in the previous years' Annual Allowance totals.

[3]For the actuarial valuation year, Member Count includes retirees who, due to timing at year-end, are not yet included in the total retired members count disclosed in the Financial Section, see Note A — Plan Description.

Actuary Solvency Test — Pension Plan

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) for			Actuarial Value of Valuation Assets	Portion of AAL Covered by Assets		
	(A) Active Member Contributions	(B) Retirees and Beneficiaries[1]	(C) Active Members (Employer Financed Portion)		(A) Active	(B) Retired	(C) Employer
June 30, 2011	$6,529	$27,559	$14,511	$39,194	100%	100%	35%
June 30, 2012	6,961	29,118	14,730	39,039	100%	100%	20%
June 30, 2013	7,837	30,980	14,430	39,932	100%	100%	8%
June 30, 2014	8,354	31,882	14,706	43,654	100%	100%	23%
June 30, 2015	8,805	32,734	15,280	47,328	100%	100%	38%
June 30, 2016	8,767	35,316	18,116	49,358	100%	100%	29%
June 30, 2017	9,482	37,077	18,752	52,166	100%	100%	30%
June 30, 2018	9,882	39,192	19,453	55,233	100%	100%	32%
June 30, 2019	10,210	42,235	22,190	57,617	100%	100%	23%
June 30, 2020	**$10,650**	**$44,500**	**$23,125**	**$59,763**	**100%**	**100%**	**20%**

[1]Includes vested and non-vested former members

Actuarial Analysis of Financial Experience — Pension Plan

(Dollars in Millions)

	Valuation as of June 30				
	2020	**2019**	**2018**	**2017**	**2016**
Unfunded Actuarial Accrued Liability	**$17,018**	$13,294	$13,145	$12,841	$9,491
Expected Increase/(Decrease) From Prior Valuation	**306**	25	146	320	(102)
Salary Increases Greater/(Less) Than Expected	**388**	486	223	277	162
CPI Less Than Expected	**43**	44	45	(139)	(191)
Change in Assumptions	**—**	2,528	—	—	2,922
Asset Return Less/(Greater) Than Expected	**701**	477	(411)	(421)	496
All Other Experience	**56**	164	146	267	63
Ending Unfunded Actuarial Accrued Liability	**$18,512**	**$17,018**	**$13,294**	**$13,145**	**$12,841**

	Valuation as of June 30				
	2015	**2014**	**2013**	**2012**	**2011**
Unfunded Actuarial Accrued Liability	$11,288	$13,315	$11,770	$9,405	$7,807
Expected Increase/(Decrease) From Prior Valuation	(54)	338	869	772	565
Salary Increases Greater/(Less) Than Expected	79	(291)	(563)	(629)	(579)
CPI Less Than Expected	(570)	(427)	(190)	(181)	(215)
Change in Assumptions	—	—	511	—	—
Asset Return Less/(Greater) Than Expected	(1,263)	(1,664)	893	2,337	1,761
All Other Experience	11	17	25	66	66
Ending Unfunded Actuarial Accrued Liability	**$9,491**	**$11,288**	**$13,315**	**$11,770**	**$9,405**

Plans A, B, and C General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Other Terminations
Male						
20	0.0000	0.0001	0.0001	N/A	0.0004	0.0050
30	0.0000	0.0001	0.0002	N/A	0.0004	0.0050
40	0.0300	0.0006	0.0002	N/A	0.0008	0.0050
50	0.0300	0.0011	0.0005	N/A	0.0018	0.0050
60	0.3200	0.0039	0.0009	N/A	0.0038	0.0050
70	0.2400	0.0045	0.0013	N/A	0.0084	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0132	0.0000
Female						
20	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
30	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
40	0.0300	0.0005	0.0002	N/A	0.0005	0.0050
50	0.0300	0.0013	0.0005	N/A	0.0011	0.0050
60	0.3200	0.0022	0.0007	N/A	0.0024	0.0050
70	0.2400	0.0025	0.0011	N/A	0.0064	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0105	0.0000

Plans D and G General Members

Age	Service Retirement Plan D	Service Retirement Plan G	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male								
20	0.0000	0.0000	0.0001	0.0001	N/A	0.0004	5	0.0233
30	0.0000	0.0000	0.0001	0.0002	N/A	0.0004	10	0.0170
40	0.0150	0.0000	0.0006	0.0002	N/A	0.0008	15	0.0120
50	0.0150	0.0120	0.0011	0.0005	N/A	0.0018	20	0.0076
60	0.0700	0.0560	0.0039	0.0009	N/A	0.0038	25	0.0048
70	0.2300	0.2300	0.0045	0.0013	N/A	0.0084	30 & up	0.0000
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0132		
Female								
20	0.0000	0.0000	0.0002	0.0001	N/A	0.0002	5	0.0233
30	0.0000	0.0000	0.0002	0.0001	N/A	0.0002	10	0.0170
40	0.0150	0.0000	0.0005	0.0002	N/A	0.0005	15	0.0120
50	0.0150	0.0120	0.0013	0.0005	N/A	0.0011	20	0.0076
60	0.0700	0.0560	0.0022	0.0007	N/A	0.0024	25	0.0048
70	0.2300	0.2300	0.0025	0.0011	N/A	0.0064	30 & up	0.0000
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0105		

Plan E General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	N/A	N/A	N/A	0.0004	5	0.0310
30	0.0000	N/A	N/A	N/A	0.0004	10	0.0200
40	0.0000	N/A	N/A	N/A	0.0008	15	0.0144
50	0.0000	N/A	N/A	N/A	0.0018	20	0.0108
60	0.0400	N/A	N/A	N/A	0.0038	25	0.0100
70	0.1900	N/A	N/A	N/A	0.0084	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0132		
Female							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0310
30	0.0000	N/A	N/A	N/A	0.0002	10	0.0200
40	0.0000	N/A	N/A	N/A	0.0005	15	0.0144
50	0.0000	N/A	N/A	N/A	0.0011	20	0.0108
60	0.0400	N/A	N/A	N/A	0.0024	25	0.0100
70	0.1900	N/A	N/A	N/A	0.0064	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0105		

Plans A, B, and C Safety Members

Age	Service Retirement Plans A-B	Service Retirement Plan C	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male								
20	0.0000	0.0000	0.0020	0.0000	0.0001	0.0004	5	0.0113
30	0.0000	0.0000	0.0020	0.0000	0.0001	0.0004	10	0.0076
40	0.0075	0.0000	0.0028	0.0000	0.0001	0.0006	15	0.0048
50	0.0200	0.0200	0.0075	0.0000	0.0001	0.0012	20	0.0028
60	0.2700	0.2700	0.1000	0.0000	0.0001	0.0026	25	0.0020
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0041	30 & up	0.0000
Female								
20	0.0000	0.0000	0.0030	0.0000	0.0001	0.0002	5	0.0113
30	0.0000	0.0000	0.0042	0.0000	0.0001	0.0003	10	0.0076
40	0.0075	0.0000	0.0092	0.0000	0.0001	0.0005	15	0.0048
50	0.0200	0.0200	0.0180	0.0000	0.0001	0.0009	20	0.0028
60	0.2700	0.2700	0.0600	0.0000	0.0001	0.0017	25	0.0020
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0023	30 & up	0.0000

Introduction

The actuarial valuation of the retiree medical, dental/vision, and death benefits promised to retired Los Angeles County (County) workers who also participate in the LACERA retirement benefits plan is governed by provisions in the LACERA Other Post-Employment Benefits (OPEB) Actuarial Valuation and Audit Policy (OPEB Policy), which the LACERA Board of Retirement establishes and adopts. The OPEB Policy is subject to periodic assessments to identify and incorporate necessary updates and revisions. In October 2017, the OPEB Policy was revised and now parallels the policy applicable to the retirement benefits actuarial valuation and related actuarial review.

The OPEB actuarial valuations are performed to review program funding metrics and to satisfy financial statement reporting guidelines that apply to sponsoring employers, such as the County, and those organizations who administer OPEB benefit programs, such as LACERA.

Funding Policy and Contributions

The County historically satisfied its premium subsidy obligations on a pay-as-you-go basis. LACERA bills the healthcare premiums to the County, Outside Districts, and members on a monthly basis. Plan members are required to pay the difference between the applicable employer-paid subsidy and the actual premium cost. An administrative fee to cover the costs of administering the OPEB Program is included in the monthly premium.

In June 2015, the County Board of Supervisors approved the county-wide budget with a dedicated funding promise for the OPEB liability, using the multiyear approach to enhance the County's OPEB Trust balances in a consistent manner. This funding commitment provides prefunding goals and indicates that the County has placed a priority on making OPEB contributions. The County, LACERA, and Superior Court regularly prefund these obligations, depositing monies into an irrevocable OPEB trust. The plan sponsors provide updated funding projections each year. Milliman reviewed the adequacy of the plan sponsor funding policies and found them to be in compliance with Actuarial Standards of Practice (ASOP) Number 6.

Actuarial Cost Method

Effective with the July 1, 2018 OPEB valuation, the actuarial cost method was changed to entry age normal. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between plans, entry age is based on original entry into the system. The entry age normal actuarial cost method is also used for financial reporting purposes as required by GASB.

OPEB Agent Plan

The July 1, 2018 OPEB valuation marked the first valuation prepared under an agent plan structure, changing OPEB funding reporting from the cost-sharing plan structure used in OPEB valuations since July 1, 2006. At the direction of the County to precisely allocate its own liabilities, the agent plan structure allows for projecting the actuarial accrued liability based on each individual agent's assets and investment rate of return assumptions. The investment earnings assumption for agents that are prefunding through the OPEB Trust is the expected return for the OPEB Trust. The investment earnings assumption for the agents that are not prefunding through the OPEB Trust have an investment earnings assumption of the County's general funds' expected return. However, OPEB specific demographic assumptions such as initial enrollment, medical plan and tier selection, spouse age difference, and re-enrollment assumptions are combined for all of the agents.

The following agents and agent groupings were developed to determine the liability for the individual agents, the total OPEB Trust, and the total OPEB Program:

- OPEB Trust — Los Angeles County, Superior Court, and LACERA
- OPEB Program — Los Angeles County, Superior Court, LACERA, and Outside Districts

The total OPEB Program agent grouping is used to disclose the aggregate amounts throughout the Actuarial Section.

Financial Reporting Standards

In June 2015, the GASB issued Statement Number 74 and Statement Number 75, which govern new accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 is for OPEB plans (LACERA) and was effective beginning for the plan fiscal year ended as of June 30, 2017[1]. GASB 75 is for employers that sponsor OPEB plans and is effective beginning for the employer fiscal year ended as of June 30, 2018[2]. The data, assumptions, program provisions, and funding goals described in the OPEB valuation report serve as a basis for preparing separate GASB 74 and 75 disclosure reports. GASB sets forth specific financial reporting requirements for LACERA and the County, which result in different computations and data—including discount rates — than the information provided in the OPEB valuation report. Due to the July 1, 2018 transition from a cost-sharing to an agent plan, LACERA is no longer required to disclose the OPEB Program's Net OPEB Liability (NOL). Under the agent structure reporting model, the plan administrator (LACERA) does not report information in aggregate, but instead, provides agent-specific information, as each individual agent is now required to report their portion of the NOL. LACERA has determined a GASB 74 disclosure report is no longer necessary due to the agent structure reporting changes. The last GASB 74 report prepared under a cost-sharing plan was prepared as of a June 30, 2018 reporting date and reflected in LACERA's June 30, 2019 financial statements. LACERA's June 30, 2021 and 2020 financial statements contain some limited information within the RSI section to support compliance with GASB 74 requirements under an Agent Plan.

OPEB Actuarial Projects

Milliman, the OPEB consulting actuary, performed the most recent OPEB valuation as of July 1, 2020, using the 2020 OPEB experience study of actuarial assumptions. The revised OPEB Policy not only requires annual OPEB valuations but also requires the actuary to review the reasonableness of the economic and demographic assumptions every three years. As a result of the current OPEB policy's increased valuation and review frequency, and for consistency with the retirement benefits valuation and review requirements, the timing of these actuarial projects was adjusted to promote operational efficiency.

Specifically, the OPEB experience study and the OPEB experience study review, and the OPEB valuation reviews as of July 1, 2018 and July 1, 2020 were scheduled in two-year cycles to eliminate a four-year gap between the current and prior OPEB Policy implementation.

The project schedule will revert back to a three-year cycle beginning with the July 1, 2023 OPEB experience study. The OPEB valuations will continue to be performed annually in accordance with the OPEB Policy.

Actuarial Review Results

The most recent actuarial reviews of the OPEB experience study and OPEB valuation were conducted based on the current OPEB Policy. The OPEB Program reviewing actuary, Cavanaugh Macdonald Consulting (CMC), last performed reviews of Milliman's OPEB experience study and OPEB valuation were prepared as of July 1, 2020.

As required by the current OPEB Policy, the actuarial reviews for the OPEB experience study and OPEB valuation performed as of July 1, 2020 completes the two-year staggered cycle. The next triennial cycle for the actuarial reviews of the OPEB experience study and OPEB valuation will be performed as of July 1, 2023.

[1] LACERA implemented GASB 74 as of June 30, 2017.
[2] The LACERA OPEB Program participating employers implemented GASB 75 as of June 30, 2018.

Other Actuarial Information

Actuarial Methods and Assumptions: A description of the actuarial methods and assumptions for the OPEB valuation used by the OPEB consulting actuary are included in this Actuarial Section.

The following additional information is included in this section:

- Actuary's Certification Letter — OPEB Program
- Summary of Actuarial Methods and Assumptions — OPEB Program
- Schedule of Funding Progress — OPEB Program
- Active Member Valuation Data — OPEB Program
- Retirants and Beneficiaries Added to and Removed from Rolls — OPEB Program
- Actuary Solvency Test — OPEB Program
- Actuarial Analysis of Financial Experience — OPEB Program

A Summary of Major OPEB Program Provisions is available upon request by contacting LACERA.

See Note N — OPEB Program for details regarding the plan description and benefits.

September 15, 2021

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Board of Retirement
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Trustees of the Board:

Los Angeles County provides Other Post-Employment Benefits (OPEB): retiree medical, dental/vision, and death/burial insurance benefits to the retired Los Angeles County (County) workers who also participate in the Los Angeles County Employees Retirement Association (LACERA) retirement benefits program. These healthcare-related benefits are called the Los Angeles County OPEB Program, or the "Program." The Program currently provides these benefits on a "pay-as-you-go" basis while also prefunding the OPEB Trust. OPEB actuarial funding valuations are performed annually.

A summary of the results of the past three actuarial valuations is shown below. All dollar amounts are in billions.

Valuation Date	Actuarial Accrued Liability	Assets	Unfunded Actuarial Accrued Liability	ADC* as a Percentage of Payroll
July 1, 2018	$21.07	$0.94	$20.13	20.56%
July 1, 2019	$20.75	$1.24	$19.51	18.87%
July 1, 2020	$21.30	$1.49	$19.81	18.18%

*Actuarially Determined Contribution (ADC) based on GASB 74/75 terminology.

The County's Board of Supervisors affirmed their support for prefunding its OPEB liabilities by providing specific initial appropriations to the OPEB Trust. Since the July 1, 2012 OPEB funding valuation, details of a long-term funding policy have been finalized. The funding policy provides for steady increases in contributions each year with the ultimate goal of making contributions equal to the ADC. The July 1, 2014, July 1, 2016, and annual OPEB Valuations thereafter include assets invested in the OPEB Trust.

In preparing the July 1, 2020 OPEB funding valuation report, we relied, without audit, on information (some oral and some in writing) supplied by Los Angeles County, LACERA, and Segal (LACERA's healthcare consultant). This information includes, but is not limited to, benefit descriptions, membership data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. In some cases, where the data was incomplete, we made assumptions as noted in Table C-10 of our July 1, 2020 OPEB funding valuation report. It should be noted that if any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

The valuation is also based on our understanding of the Program's current benefit provisions and the actuarial assumptions, which were reviewed and adopted by the Board of Retirement. The retirement benefit-related demographic and economic assumptions were based on those developed for the June 30, 2020 valuation of the LACERA retirement benefit program, approved by LACERA's Board of Investments. Economic and relevant demographic assumptions from the retirement benefit investigation of experience, conducted by Milliman, are included in the July 1, 2020 OPEB valuation. Assumptions unique to OPEB were identified and evaluated in Milliman's 2020 OPEB investigation of experience study report as of July 1, 2020, approved by LACERA's Board of Retirement.

The OPEB Program changed from cost-sharing to agent, effective with the July 1, 2018 OPEB funding valuation. The OPEB demographic and trend assumptions are combined for all of LACERA's agents. The investment rate of return assumption differs by the agents that are prefunding into the OPEB Trust and the agents that are not prefunding into the OPEB Trust.

With the change from cost-sharing to agent, a GASB 74 disclosure report for LACERA's financial statements is no longer required to report the OPEB Program liability in LACERA's financial statements. The employer-specific information will be provided in the GASB 75 disclosure reports for employer financial reporting. The assumptions and methods used for financial reporting under GASB 75 are the same as the funding assumptions and methods used in the July 1, 2020 OPEB funding valuation report, with the following exceptions:

1. The GASB 75 discount rate is determined using depletion date methodology, and it changes on each measurement date.
2. The GASB 75 liabilities have LACERA operational administrative expenses removed.

The actuarial computations presented in the July 1, 2020 OPEB funding valuation and the forthcoming June 30, 2022 GASB 75 disclosure reports are for purposes of fulfilling financial accounting requirements for LACERA's employers. The liabilities in the July 1, 2020 OPEB funding valuation and the GASB 75 disclosure reports are determined by using the entry age normal actuarial cost method. The assets are recognized at market value. We consider the actuarial assumptions and methods to be internally consistent, to represent a long-term perspective, and to be reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board Statement No. 75 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in the OPEB funding valuation report and the GASB 75 disclosure report due to such factors as the following: OPEB program experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in OPEB program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations.

No third-party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultants who worked on this assignment are employee benefit actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Milliman prepared the following information for the actuarial section:

1. Retirees and Beneficiaries Added to and Removed from Benefits — OPEB Program
2. Actuarial Analysis of Financial Experience — OPEB Program
3. Actuary Solvency Test — OPEB Program
4. Schedule of Funding Progress — OPEB Program

LACERA staff prepared the information in Note N — OPEB Program of the Financial Section and the Required Supplementary Information, based on information supplied in prior actuarial reports, our July 1, 2020 OPEB actuarial funding valuation, and our forthcoming June 30, 2022 GASB 75 report. Milliman has reviewed the information in Note N for accuracy.

We certify that the assumptions and methods used for funding and financial reporting purposes in the July 1, 2020 OPEB funding valuation meet the parameters set by Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). We are members of the American Academy of Actuaries and have experience in performing valuations for public OPEB programs.

Sincerely,

Robert L. Schmidt
Robert L. Schmidt, FSA, EA, MAAA
Principal and Consulting Actuary
RLS/bh

Janet Jennings
Janet O. Jennings, ASA, MAAA
Associate Actuary

Actuarial Methods and Assumptions	The OPEB actuarial methods and assumptions are recommended by the consulting actuary and adopted by the Board of Retirement. The actuarial assumptions used to determine the liabilities are based on the results of the 2019 Pension Plan Investigation of Experience Study and a separate 2020 OPEB Program Investigation of Experience Study approved by the Board of Retirement in March 2021. Where applicable, the same assumptions are used for the OPEB Program as for the Pension Plan; however, some assumptions developed and applied are unique to the OPEB Program. The assumptions that overlap with the Pension Plan assumptions were reviewed and changed June 30, 2019, as a result of the 2019 Pension Plan triennial Investigation of Experience Study approved by the Board of Investments in January 2020. The general wage increase and inflation assumptions were evaluated for the Pension Plan and applied to the OPEB Program. The consulting actuary recommended an OPEB-specific investment earnings assumption since investment earnings for the OPEB valuation are based on the expected return from the County's general assets or the expected return from the OPEB Trust. These assets are invested based on the OPEB Trust Investment Policy Statement adopted by the Board of Investments, which applies different asset allocations than the one used for the Pension Plan. The OPEB-specific assumptions, including healthcare plan elections, benefit tier enrollment, and retirement of vested terminated members, were reviewed and updated as a result of the 2020 OPEB Investigation of Experience Study. These updated assumptions were applied to the OPEB valuation conducted as of July 1, 2020, which was adopted in March 2021 by the Board of Retirement. See the schedule titled Active Member Valuation Data — OPEB Program for active member valuation purposes.
Actuarial Cost Method	Effective with the July 1, 2018 OPEB funding valuation, the entry age normal (EAN) actuarial cost method was applied. Under the principles of this method, the actuarial present value of the projected benefits of each member included in the valuation is allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between retirement benefit plans, entry age is based on original entry into the system. The portion of this actuarial present value allocated to a valuation year is called the normal cost (NC). The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of the active members, both present and future, covered by the LACERA retirement benefits plan over a 30-year period from the valuation date.

Actuarial Asset Valuation Method	Market value.
Investment Return	The investment earnings assumption for agents that are prefunding through the OPEB Trust is the OPEB Trust expected return of 6 percent. The investment earnings assumption for agents that are not prefunding through the OPEB Trust is the County's general fund's expected return of 2.3 percent. Besides projecting the OPEB Trust's investment return, this assumption is also used to calculate the Actuarial Accrued Liability (AAL). The reporting methodology change from cost-sharing to agent plan structure began with the July 1, 2018 OPEB Funding Valuation. The investment earnings assumption approach for this funding valuation is intended to reflect the earnings associated with each agent. The separate GASB 75 disclosure report, which provides information for employers and is different from this funding valuation, follows a prescribed discount rate calculation formula for accounting disclosures.
Inflation Rate	2.75 percent per annum. This rate was adopted beginning with the July 1, 2016 OPEB Valuation.
Amortization Method	Level percentage of projected salaries of the active members, both present and future, over a 30-year period. This is commonly referred to as a rolling 30-year amortization method and does not cover interest on the UAAL. This assumption was adopted beginning with the July 1, 2006 OPEB valuation.

Healthcare Cost Trend Rates

	FY 2021 to FY 2022	FY 2022 to FY 2023	Ultimate (Grading from June 30, 2021 to June 30, 2105)
LACERA Medical Under 65	4.60%	5.70%	4.30%
LACERA Medical Over 65	(1.20)%	5.40%	4.30%
Part B Premiums	9.30%	5.90%	4.30%
Dental/Vision	(0.30)%	2.90%	3.60%
Weighted Average Trend	1.88%	5.40%	4.28%

Claim Costs	Claim cost data is reviewed for the membership in aggregate, including members of all employers, regardless of their participation in the OPEB Trust. The claim cost assumptions were updated as part of the July 1, 2020 valuation and differ by Tier 1 and Tier 2. Retiree Healthcare Benefits Program—Tier 1 is for members who were hired before July 1, 2014. Members who were hired after June 30, 2014 are in Retiree Healthcare Benefits Program—Tier 2. The tiers have different maximum employer contributions, which impacts medical plan election patterns, resulting in different claim costs. Refer to Table A-21 of the July 1, 2020 OPEB valuation report for more details.
Retirement	Members in General Plans A through D may retire at age 50 with 10 years of service, or any age with 30 years of service, or age 70 regardless of the number of years of service. General Plan G members are eligible to retire at age 52 with five years of service, or age 70 regardless of the number of years of service. Non-contributory Plan E members may retire at age 55 with 10 years of service. Members of Safety Plans A and B may retire at age 50 with 10 years of service, or any age with 20 years of service. Safety Plan C members are eligible to retire at age 50 with five years of County service.
Expectation of Life After Retirement[1,2]	The same post-retirement mortality rates are used in the valuation for active members after termination, members retired for service, and beneficiaries. Future beneficiaries are assumed to have the same mortality as a general member of the opposite gender. The mortality tables used are listed below. Age-based rates are illustrated in the July 1, 2020 OPEB valuation report. These rates were adopted June 30, 2019. **Males**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.

Expectation of Life After Disability[1,2]	For disabled members, the mortality tables used are listed below while age-based rates are illustrated in the July 1, 2020 OPEB valuation report. These rates were adopted June 30, 2019. **Males**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.
Retiree Medical and Dental/Vision Eligibility and Enrollment Assumptions	Any retired or vested terminated members who have not elected a refund of their member pension contributions and who will receive a retirement benefit other than a refund are eligible for retiree medical and dental/vision enrollment. Refer to Tables A-14 through A-19 of the July 1, 2020 OPEB valuation report for more details regarding the enrollment assumptions.
Other Employment Termination	Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further retirement, medical, dental/vision, and death benefits, or they may leave their contributions on deposit with LACERA. Former contributing members whose contributions are on deposit may later elect to receive a refund, return to work, or remain inactive until becoming eligible to receive a retirement benefit under either LACERA or a reciprocal retirement plan. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately. All terminating members are assumed not to be rehired. The Probability of Occurrence schedule included in this Actuarial Section provides a summary of probability of retirement and withdrawal for sample ages. Although these assumptions were developed for the Retirement Benefits Plan, they apply to the OPEB Program participant population.

[1] The PUB-2010 mortality tables were published by the Society of Actuaries (SOA's) Retirement Plans Experience Committee (RPEC) in January 2019. The data studied includes approximately 46 million life years of exposure and 580,000 deaths from public pension plans over the period 2008 to 2013. The PUB-2010 mortality tables include separate tables for general and safety members, and for each of those classes of members includes separate mortality tables for healthy annuitants, disabled retirees, and employees.

[2] The SOA's Mortality Improvement Scale MP-2014 (published in October 2014) is used to adjust the PUB-2010 mortality tables to account for anticipated changes in mortality rates in future years. In general, it is assumed that mortality rates will improve (implying longer lifetimes) in the future due partially to improvements in healthcare.

Schedule of Funding Progress — OPEB Program

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Employee Payroll (c)	UAAL as a Percentage of Covered Employee Payroll [(b-a)/c]
July 1, 2010	$—	$24,031,000	$24,031,000	0.0%	N/A	N/A
July 1, 2012	—	26,952,700	26,952,700	0.0%	N/A	N/A
July 1, 2014	483,800	28,546,600	28,062,800	1.7%	N/A	N/A
July 1, 2016	560,800	25,912,600	25,351,800	2.2%	N/A	N/A
July 1, 2017 [1]	742,900	26,300,800	25,557,900	2.8%	$8,544,140	299.1%
July 1, 2018 [2]	941,010	21,066,800	20,125,790	4.5%	8,954,417	224.8%
July 1, 2019	1,238,480	20,752,600	19,514,120	6.0%	9,471,632	206.0%
July 1, 2020	**$1,492,600**	**$21,302,700**	**$19,810,100**	**7.0%**	**$9,813,912**	**201.9%**

[1] The resulting July 1, 2017 OPEB valuation report was the first annual (versus biennial) valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

[2] Effective with the July 1, 2018 OPEB valuation, the actuarial cost method used to project the AAL changed from projected unit credit to entry age normal.

Active Member Valuation Data — OPEB Program

Valuation Date	Plan Type	Member Count[1]	Annual Salary	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
July 1, 2010	General	81,352	$5,313,595,764	$65,316	6.34%
	Safety	12,991	1,256,733,372	96,739	4.50%
	Total	**94,343**	**$6,570,329,136**	**$69,643**	**6.08%**
July 1, 2012	General	79,416	$5,267,863,044	$66,333	1.56%
	Safety	12,482	1,229,551,596	98,506	1.83%
	Total	**91,898**	**$6,497,414,640**	**$70,702**	**1.52%**
July 1, 2014	General	79,878	$5,482,792,752	$68,640	3.48%
	Safety	12,515	1,251,582,744	100,007	1.52%
	Total	**92,393**	**$6,734,375,496**	**$72,888**	**3.09%**
July 1, 2016	General	82,780	$5,938,289,628	$71,736	4.51%
	Safety	12,515	1,340,879,628	107,142	7.13%
	Total	**95,295**	**$7,279,169,256**	**$76,386**	**4.80%**
July 1, 2017[2]	General	84,454	$6,284,503,344	$74,413	3.73%
	Safety	12,695	1,387,680,972	109,309	2.02%
	Total	**97,149**	**$7,672,184,316**	**$78,973**	**3.39%**
July 1, 2018	General	85,645	$6,604,776,960	$77,118	3.64%
	Safety	12,770	1,451,326,572	113,651	3.97%
	Total	**98,415**	**$8,056,103,532**	**$81,858**	**3.65%**
July 1, 2019	General	86,337	$6,809,906,844	$78,876	2.28%
	Safety	12,791	1,539,796,908	120,381	5.92%
	Total	**99,128**	**$8,349,703,752**	**$84,232**	**2.90%**
July 1, 2020	**General**	**86,875**	**$7,180,721,760**	**$82,656**	**4.79%**
	Safety	**13,176**	**1,590,271,044**	**120,695**	**0.26%**
	Total	**100,051**	**$8,770,992,804**	**$87,665**	**4.08%**

[1]Includes both Medicare and non-Medicare eligible individuals.

[2]The resulting OPEB valuation report was the first annual (versus biennial) valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Retirants and Beneficiaries Added to and Removed From Rolls — OPEB Program

(Dollars in Thousands)

	Added to Rolls		Removed From Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance[1]	Member Count	Annual Allowance	Member Count	Annual Allowance	Percentage Increase in Retiree Allowance	Average Annual Allowance
July 1, 2010	—	$—	—	$—	43,936	$391,979	—%	$8,922
July 1, 2012	5,336	56,982	(3,070)	(25,497)	46,202	423,464	8.03%	9,165
July 1, 2014	5,335	89,205	(3,369)	(29,925)	48,168	482,744	14.00%	10,022
July 1, 2016	5,710	103,373	(3,514)	(30,745)	50,364	555,372	15.04%	11,027
July 1, 2017 [2]	3,229	41,266	(1,839)	(18,052)	51,754	578,586	4.18%	11,180
July 1, 2018	3,028	61,697	(1,977)	(20,530)	52,805	619,753	7.12%	11,737
July 1, 2019	3,259	71,970	(1,996)	(22,487)	54,068	669,236	7.98%	12,378
July 1, 2020	**3,216**	**$53,933**	**(2,077)**	**($23,865)**	**55,207**	**$699,305**	**4.49%**	**$12,667**

[1] Includes changes for continuing retirees and beneficiaries.

[2] The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Actuary Solvency Test — OPEB Program[1]

(Dollars in Millions)

	Actuarial Accrued Liability (AAL) for				Portion of AAL Covered by Assets		
Actuarial Valuation Date	(A) Active Member Contributions	(B) Retirees and Beneficiaries[2]	(C) Active Members (Employer-Financed Portion)	Actuarial Value of Valuation Assets	(A) Active	(B) Retired	(C) Employer
July 1, 2012	$—	$10,681	$16,272	$—	N/A	—%	—%
July 1, 2014	—	11,791	16,756	484	N/A	4%	—%
July 1, 2016	—	11,365	14,548	561	N/A	5%	—%
July 1, 2017[3]	—	11,640	14,661	743	N/A	6%	—%
July 1, 2018	—	10,108	10,959	941	N/A	9%	—%
July 1, 2019	—	10,260	10,493	1,239	N/A	12%	—%
July 1, 2020	**$—**	**$10,597**	**$10,706**	**$1,493**	**N/A**	**14%**	**—%**

[1]Trend information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
[2]Includes vested former members.
[3]The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Actuarial Analysis of Financial Experience — OPEB Program

(Dollars in Millions)

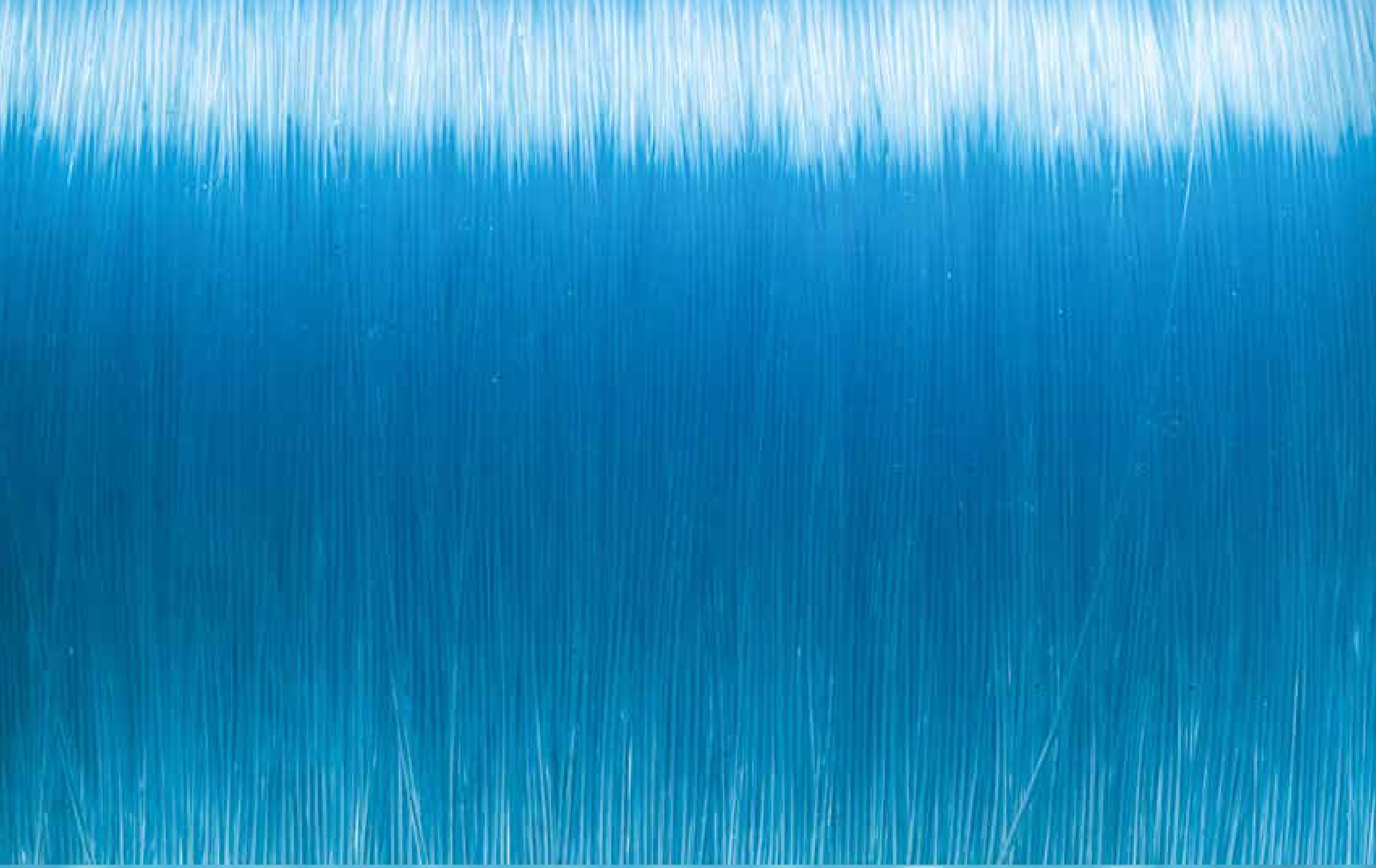
	Valuation as of July 1							
	2020	2019[1]	2018	2017[2]	2016	2014	2012	2010
Prior Unfunded Actuarial Accrued Liability	$19,514	$20,126	$25,558	$25,352	$28,063	$26,953	$24,031	$21,864
Expected Increase/(Decrease) from Prior Valuation	911	1,005	1,170	1,462	3,240	3,873	3,771	3,478
Claim Costs Greater/(Less) than Expected[3]	(1,000)	(1,589)	(1,067)	(1,213)	(2,322)	(5,471)	(3,864)	(1,267)
Change in Assumptions[4]	314	(35)	(6,936)	—	(3,385)	3,238	3,423	287
Asset Return Less/(Greater) than Expected	76	1	(28)	(54)	78	(484)	N/A	N/A
All Other Experience[5]	(5)	6	1,429	11	(322)	(46)	(408)	(331)
Ending Unfunded Actuarial Accrued Liability	**$19,810**	**$19,514**	**$20,126**	**$25,558**	**$25,352**	**$28,063**	**$26,953**	**$20,126**

[1]Beginning with the 2019 report, subsequent OPEB valuation reports will exclude the excise tax.
[2]The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.
[3]Includes the medical care claim cost trend assumption change.
[4]In 2016, this amount includes the impact from implementing the Tier 2 Retiree Health Care Benefits Plan.
[5]In 2018, this amount is primarily due to the impact of the excise tax.

Perpetual Progress

Statistical Section

The Los Angeles community is an international hub where ideas, views, and cultures have intersected and fused for decades, driving innovation and forward thinking. Inspired by our ever-evolving community, LACERA builds on the strong foundation created by those who came before us. We constantly strive to meet the changing needs of our membership by developing services that exceed their expectations.



High tech fabrics have been used in athletic and weatherproof wear for decades, but the next wave in smart textiles includes electronics embedded through conductive yarn or 3D printing. Some smart textiles react to the wearer, like fabrics that change color with body heat or help regulate body temperature, while other innovations include programmable smart fabric connected to social media.

Introduction

The objective of the Statistical Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information to understand and assess the status of the Pension Plan and OPEB Program administered by LACERA as of the fiscal year-end. Statistical data is maintained within the Member Workspace (Workspace) platform. Workspace is a sophisticated in-house data management system in which LACERA actively maintains member-specific information, comprehensive plan membership records, and related member-specific documents. This section reports the most current membership status information for each type of member (general, safety, active, retired, etc.).

The statistical information provided here is divided into Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how LACERA's financial position has changed over time:

- *Changes in Fiduciary Net Position — Pension Plan and Changes in Fiduciary Net Position — OPEB Trust* presents additions by source, deductions by type, and the total change in Fiduciary Net Position for each year.
- *Pension Benefit Expenses by Type* presents retirement benefits, lump-sum death benefits, and refund deductions by type of benefit (e.g., service and disability retirement from general and safety plans).

Operating Information provides contextual information about LACERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition:

- *Active Members* provides membership statistics for active vested and active non-vested members. In addition, members who are not considered retired are included as terminated members and are defined as vested members with deferred benefits and non-vested members with inactive benefits.
- *Retired Members by Type of Pension Benefit and Retired Members by Type of OPEB Benefit* presents benefit information for the current year by benefit type and dollar level.
- *Schedule of Average Pension Benefit Payments* presents the average monthly benefit, average final salary, and number of retired members, organized in five-year increments of credited service.
- *Active Members and Participating Pension Employers* presents the employers and their corresponding employees who are or may become eligible for Pension Plan benefits.
- *Retired Members of Participating OPEB Employers* presents the number of members enrolled in medical and/or dental/vision benefits.
- *Employer Contribution Rates* for the Pension Plan is provided as additional information.
- *Supplemental Targeted Adjustment for Retirees (STAR) Program Costs* trends the Program's costs through the current calendar year-end.

Changes in Fiduciary Net Position — Pension Plan

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Additions					
Employer Contributions	**$2,012,877**	$1,800,137	$1,668,151	$1,524,823	$1,331,359
Member Contributions	**760,994**	659,296	635,415	591,262	526,579
Net Investment Income/(Loss)	**15,629,915**	1,445,877	3,175,723	4,716,640	6,129,300
Miscellaneous	**2,928**	2,383	5,958	5,613	6,370
Total Additions/(Declines)	**$18,406,714**	**$3,907,693**	**$5,485,247**	**$6,838,338**	**$7,993,608**
Deductions					
Total Benefit Expenses[1]	**$3,814.262**	$3,606,340	$3,407,154	$3,203,375	$3,029,633
Administrative Expenses	**90,586**	85,384	82,906	78,181	66,830
Miscellaneous	**248**	397	333	451	188
Total Deductions	**$3,905,096**	**$3,692,121**	**$3,490,393**	**$3,282,007**	**$3,096,651**
Net Increase/(Decrease) in Fiduciary Net Position	**$14,501,618**	**$215,572**	**$1,994,854**	**$3,556,331**	**$4,896,957**

	2016	2015	2014	2013	2012
Additions					
Employer Contributions	$1,403,712	$1,494,975	$1,320,442	$723,195	$1,078,929
Member Contributions	498,083	441,258	439,001	679,572	506,758
Net Investment Income/(Loss)	80,588	1,989,358	6,908,412	4,659,015	(291,009)
Miscellaneous	2,781	1,695	2,256	385	1,004
Total Additions/(Declines)	**$1,985,164**	**$3,927,286**	**$8,670,111**	**$6,062,167**	**$1,295,682**
Deductions					
Total Benefit Expenses[1]	$2,889,186	$2,768,410	$2,662,401	$2,541,351	$2,390,598
Administrative Expenses	67,645	62,591	58,723	53,863	50,218
Miscellaneous	(11)	212	229	190	121
Total Deductions	**$2,956,820**	**$2,831,213**	**$2,721,353**	**$2,595,404**	**$2,440,937**
Net Increase/(Decrease) in Fiduciary Net Position	**($971,656)**	**$1,096,073**	**$5,948,758**	**$3,466,763**	**($1,145,255)**

[1] See Pension Benefit Expenses by Type in this Statistical Section.

Changes in Fiduciary Net Position — OPEB Trust

For the Last Nine Fiscal Years Ended June 30[1]

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Additions					
Employer Contributions[2]	**$1,057,366**	$907,521	$863,452	$706,709	$645,381
Net Investment Income/(Loss)	**452,122**	6,171	62,116	78,746	94,505
Miscellaneous	**—**	—	—	—	2
Total Additions	**$1,509,488**	**$913,692**	**$925,568**	**$785,455**	**$739,888**
Deductions					
Administrative Expenses	**$584**	$246	$234	$190	$374
Benefit Payments[2]	**694,665**	659,295	627,839	583,406	557,381
Redemptions	**40**	—	25	3,735	—
Total Deductions	**$695,289**	**$659,541**	**$628,098**	**$587,331**	**$557,755**
Net Increase in Fiduciary Net Position	**$814,199**	**$254,151**	**$297,470**	**$198,124**	**$182,133**

	2016	2015	2014	2013
Additions				
Employer Contributions[2]	$615,275	$—	$—	$448,819
Net Investment Income/(Loss)	(8,095)	4,688	35,113	209
Miscellaneous	—	—	—	—
Total Additions	**$607,180**	**$4,688**	**$35,113**	**$449,028**
Deductions				
Administrative Expenses	$192	$153	$144	$173
Benefit Payments[2]	534,597	—	—	—
Redemptions	—	—	—	—
Total Deductions	**$534,789**	**$153**	**$144**	**$173**
Net Increase in Fiduciary Net Position	**$72,391**	**$4,535**	**$34,969**	**$448,855**

[1]Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

[2]Beginning in 2016:
Contributions: The Trust reflects both prefunding contributions actually made to the OPEB Trust as well as additions to Fiduciary Net Position, including amounts for OPEB as the benefits come due that will not be reimbursed to the employers using OPEB plan assets.
Deductions: The Trust includes all benefit payments whether made through the Trust or by employers as OPEB benefits comes due (per paragraph 28a and 31 of GASB Statement Number 74).

Pension Benefit Expenses by Type

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Service Retiree Payroll					
General	**$2,291,480**	$2,174,355	$2,060,365	$1,946,614	$1,845,791
Safety	**574,362**	543,901	507,909	478,802	445,473
Total	**$2,865,842**	**$2,718,256**	**$2,568,274**	**$2,425,416**	**$2,291,264**
Disability Retiree Payroll					
General	**$195,818**	$190,386	$186,120	$177,879	$173,550
Safety	**723,948**	670,237	621,358	574,431	538,116
Total	**$919,766**	**$860,623**	**$807,478**	**$752,310**	**$711,666**
Total Retiree Payroll					
General	**$2,487,298**	$2,364,741	$2,246,485	$2,124,493	$2,019,341
Safety	**1,298,310**	1,214,138	1,129,267	1,053,233	983,589
Total	**$3,785,608**	**$3,578,879**	**$3,375,752**	**$3,177,726**	**$3,002,930**
Refunds					
General	**$21,622**	$22,418	$27,096	$20,782	$21,970
Safety	**2,890**	2,813	1,595	2,439	2,482
Total	**$24,512**	**$25,231**	**$28,691**	**$23,221**	**$24,452**
Lump-Sum Death Benefits	**$4,142**	**$2,230**	**$2,711**	**$2,428**	**$2,251**
Total Benefit Expenses	**$3,814,262**	**$3,606,340**	**$3,407,154**	**$3,203,375**	**$3,029,633**

	2016	2015	2014	2013	2012
Service Retiree Payroll					
General	$1,762,274	$1,692,558	$1,631,285	$1,556,814	$1,465,218
Safety	419,092	397,962	384,248	367,471	340,177
Total	**$2,181,366**	**$2,090,520**	**$2,015,533**	**$1,924,285**	**$1,805,395**
Disability Retiree Payroll					
General	$169,821	$165,543	$162,338	$157,406	$152,698
Safety	507,824	484,907	459,311	432,405	413,300
Total	**$677,645**	**$650,450**	**$621,649**	**$589,811**	**$565,998**
Total Retiree Payroll					
General	$1,932,095	$1,858,101	$1,793,623	$1,714,220	$1,617,916
Safety	926,916	882,869	843,559	799,876	753,477
Total	**$2,859,011**	**$2,740,970**	**$2,637,182**	**$2,514,096**	**$2,371,393**
Refunds					
General	$23,470	$22,050	$18,994	$19,406	$14,523
Safety	3,622	3,361	4,534	5,606	3,098
Total	**$27,092**	**$25,411**	**$23,528**	**$25,012**	**$17,621**
Lump-Sum Death Benefits	**$3,083**	**$2,029**	**$1,691**	**$2,243**	**$1,584**
Total Benefit Expenses	**$2,889,186**	**$2,768,410**	**$2,662,401**	**$2,541,351**	**$2,390,598**

Active Members

For the Last 10 Fiscal Years Ended June 30

	2021	2020	2019	2018	2017
Active Vested					
General	**64,622**	63,647	62,589	61,734	61,608
Safety	**9,812**	9,875	10,071	10,286	10,429
Subtotal	**74,434**	**73,522**	**72,660**	**72,020**	**72,037**
Active Non-Vested					
General	**21,355**	23,289	23,811	23,975	22,915
Safety	**3,329**	3,304	2,725	2,489	2,269
Subtotal	**24,684**	**26,593**	**26,536**	**26,464**	**25,184**
Terminated[1]					
General	**15,996**	15,133	15,567	7,856	7,752
Safety	**1,125**	1,041	610	603	589
Subtotal	**17,121**	**16,174**	**16,177**	**8,459**	**8,341**
Total Active Members					
General	**101,973**	102,069	101,967	93,565	92,275
Safety	**14,266**	14,220	13,406	13,378	13,287
Total	**116,239**	**116,289**	**115,373**	**106,943**	**105,562**

	2016	2015	2014	2013	2012
Active Vested					
General	61,820	62,532	63,301	62,803	61,433
Safety	10,743	11,024	11,188	11,177	10,663
Subtotal	**72,563**	**73,556**	**74,489**	**73,980**	**72,096**
Active Non-Vested					
General	21,096	18,696	16,642	16,203	18,034
Safety	1,785	1,422	1,335	1,362	1,822
Subtotal	**22,881**	**20,118**	**17,977**	**17,565**	**19,856**
Terminated[1]					
General	7,665	7,623	7,550	7,462	7,379
Safety	573	563	540	497	480
Subtotal	**8,238**	**8,186**	**8,090**	**7,959**	**7,859**
Total Active Members					
General	90,581	88,851	87,493	86,468	86,846
Safety	13,101	13,009	13,063	13,036	12,965
Total	**103,682**	**101,860**	**100,556**	**99,504**	**99,811**

[1] Effective with fiscal year ended June 30, 2019 and going forward. Terminated includes both vested (deferred) and non-vested (inactive) members.

Retired Members by Type of Pension Benefit

As of June 30, 2021

Amount of Monthly Benefit			Number of Retired Members	Type of Retirement[1]		
				A	B	C
$1	–	$1,000	13,315	8,504	1,040	3,771
$1,001	–	$2,000	14,144	9,576	1,846	2,722
$2,001	–	$3,000	11,344	8,354	1,776	1,214
$3,001	–	$4,000	8,245	6,366	1,181	698
$4,001	–	$5,000	5,858	4,698	785	375
$5,001	–	$6,000	4,213	3,379	590	244
$6,001	–	$7,000	3,078	2,429	504	145
	>	$7,000	9,327	6,474	2,595	258
Total			**69,524**	**49,780**	**10,317**	**9,427**

Amount of Monthly Benefit			Retirement Option Selected[2]					
			Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$1	–	$1,000	11,494	843	99	453	109	317
$1,001	–	$2,000	12,208	1,119	133	322	103	259
$2,001	–	$3,000	9,789	996	93	159	75	232
$3,001	–	$4,000	7,079	776	57	91	42	200
$4,001	–	$5,000	4,900	662	39	57	37	163
$5,001	–	$6,000	3,530	501	26	28	14	114
$6,001	–	$7,000	2,476	450	13	22	5	112
	>	$7,000	6,929	1,896	27	27	33	415
Total			**58,405**	**7,243**	**487**	**1,159**	**418**	**1,812**

[1] Type of Retirement:
A: Service Retiree
B: Disability Retiree
C: Beneficiary/Continuant/Survivor

[2] Retirement Option Selected:
Unmodified: For Plans A-D and G, beneficiary receives 65 percent of the member's allowance (60 percent if the member retired before June 4, 2002); for Plan E, beneficiary receives 55 percent of member's allowance (50 percent if the member retired before June 4, 2002).

The following options reduce the member's monthly benefit:
Unmodified+Plus: For all Plans (A-G), member's allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/partner.
Option 1: Beneficiary receives lump sum of member's unused contributions.
Option 2: Beneficiary receives 100 percent of member's reduced monthly benefit.
Option 3: Beneficiary receives 50 percent of member's reduced monthly benefit.
Option 4: Beneficiary(ies) receives percentage of member's reduced monthly benefit as designated by member.

Retired Members by Type of OPEB Benefit

As of June 30, 2021

	Medical Benefit Premium Amounts					Total Member Count
	$1-$500	$501-$1,000	$1,001-$1,500	$1,501-$2,000	> $2,000	
Medical Plans by Plan Type						
Anthem Blue Cross I	2	—	633	18	307	960
Anthem Blue Cross II	1	—	2,217	180	2,840	5,238
Anthem Blue Cross III	—	7,066	4,243	1,024	160	12,493
Anthem Blue Cross Prudent Buyer	—	520	25	360	—	905
Cigna-HealthSpring Preferred Rx	28	21	1	6	3	59
Cigna Network Model Plan	—	—	—	258	101	359
Kaiser - California	—	—	3,281	—	2,543	5,824
Kaiser - Senior Advantage	11,575	5,922	2,131	21	3	19,652
Kaiser - Colorado	—	—	6	—	8	14
Kaiser - Georgia	—	—	24	—	2	26
Kaiser - Hawaii	—	4	—	6	1	11
Kaiser - Oregon	—	—	5	—	7	12
Kaiser - Washington	—	—	6	—	4	10
Firefighters Local 1014	—	—	515	—	1,554	2,069
SCAN Health Plan	321	88	—	—	—	409
UnitedHealthcare	1	—	460	—	809	1,270
UnitedHealthcare Medicare Advantage (HMO)	1,831	1,203	—	487	—	3,521
Total Medical by Plan Type	**13,759**	**14,824**	**13,547**	**2,360**	**8,342**	**52,832**
Medical Plans by Retirement Type						
Service Retirees	10,761	11,361	10,043	1,690	5,243	39,098
Disability Retirees	814	1,541	2,046	512	2,940	7,853
Survivors	2,184	1,922	1,458	158	159	5,881
Total Medical by Retirement Type	**13,759**	**14,824**	**13,547**	**2,360**	**8,342**	**52,832**

	Dental/Vision Benefit Premium Amounts
	$1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	48,266
CIGNA HMO Dental/Vision	5,996
Total Dental/Vision by Plan Type	**54,262**
Dental/Vision Plans by Retirement Type	
Service Retirees	39,898
Disability Retirees	8,244
Survivors	6,120
Total Dental/Vision by Retirement Type	**54,262**

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/11 to 6/30/12						
Retirants						
General Members						
Average Monthly Benefit	$1,793	$1,362	$2,082	$2,567	$3,525	$4,956
Average Final Salary	$5,624	$5,141	$5,683	$5,686	$6,711	$6,830
Number of Active Retirants	141	291	234	278	297	918
Safety Members						
Average Monthly Benefit	$2,203	$4,924	$6,474	$4,417	$7,372	$9,750
Average Final Salary	$6,307	$8,948	$9,929	$9,108	$10,380	$11,587
Number of Active Retirants	8	29	13	33	103	183
Survivors						
General Members						
Average Monthly Benefit	$1,055	$691	$965	$1,770	$1,643	$2,736
Average Final Salary	$4,661	$3,821	$3,766	$5,244	$4,301	$5,662
Number of Active Survivors	21	46	26	43	57	94
Safety Members						
Average Monthly Benefit	$2,786	$2,352	$2,789	$3,271	$3,221	$5,580
Average Final Salary	$5,771	$6,466	$7,785	$7,019	$6,127	$7,824
Number of Active Survivors	5	5	5	7	8	23
7/1/12 to 6/30/13						
Retirants						
General Members						
Average Monthly Benefit	$1,825	$1,562	$2,116	$2,663	$3,570	$5,043
Average Final Salary	$6,046	$5,405	$6,042	$6,009	$6,758	$6,888
Number of Active Retirants	112	324	233	271	338	897
Safety Members						
Average Monthly Benefit	$2,233	$5,909	$6,416	$5,507	$7,360	$10,046
Average Final Salary	$7,299	$9,266	$9,611	$9,843	$10,481	$11,921
Number of Active Retirants	12	29	20	33	118	191
Survivors						
General Members						
Average Monthly Benefit	$861	$804	$1,097	$1,403	$1,889	$2,496
Average Final Salary	$4,743	$4,020	$3,961	$4,451	$4,930	$5,611
Number of Active Survivors	22	54	39	70	60	103
Safety Members						
Average Monthly Benefit	$989	$1,523	$2,523	$3,378	$4,137	$5,460
Average Final Salary	$4,454	$4,896	$5,990	$8,242	$7,055	$7,468
Number of Active Survivors	6	7	10	5	20	31

Schedule of Average Pension Benefit Payments continued

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/13 to 6/30/14						
Retirants						
General Members						
Average Monthly Benefit	$1,913	$1,624	$2,024	$2,722	$3,553	$4,788
Average Final Salary	$6,415	$5,241	$5,657	$5,930	$6,724	$6,733
Number of Active Retirants	109	307	240	305	358	726
Safety Members						
Average Monthly Benefit	$1,542	$4,454	$6,018	$5,225	$7,467	$9,719
Average Final Salary	$6,452	$8,381	$10,140	$9,414	$10,753	$11,823
Number of Active Retirants	8	31	18	20	83	212
Survivors						
General Members						
Average Monthly Benefit	$1,017	$837	$936	$1,726	$1,888	$2,550
Average Final Salary	$4,475	$4,679	$3,794	$4,913	$4,732	$6,064
Number of Active Survivors	29	51	37	41	63	119
Safety Members						
Average Monthly Benefit	$1,031	$1,709	$2,056	$3,132	$3,827	$5,358
Average Final Salary	$6,377	$6,249	$5,830	$6,874	$6,772	$7,309
Number of Active Survivors	2	8	6	6	15	22
7/1/14 to 6/30/15						
Retirants						
General Members						
Average Monthly Benefit	$1,422	$1,716	$2,202	$3,106	$3,360	$5,017
Average Final Salary	$5,939	$5,543	$5,903	$6,731	$6,294	$6,970
Number of Active Retirants	126	331	280	308	436	784
Safety Members						
Average Monthly Benefit	$2,917	$5,412	$5,374	$6,477	$7,082	$9,923
Average Final Salary	$7,015	$9,261	$9,810	$10,748	$10,400	$11,847
Number of Active Retirants	20	19	21	28	116	215
Survivors						
General Members						
Average Monthly Benefit	$903	$1,021	$1,342	$1,854	$1,799	$2,741
Average Final Salary	$4,076	$4,471	$5,243	$5,464	$4,814	$5,525
Number of Active Survivors	32	53	40	52	71	126
Safety Members						
Average Monthly Benefit	$2,101	$2,054	$1,768	$2,911	$4,530	$6,206
Average Final Salary	$5,564	$6,518	$4,737	$6,552	$6,815	$8,367
Number of Active Survivors	6	4	9	12	16	29

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/15 to 6/30/16						
Retirants						
General Members						
Average Monthly Benefit	$1,619	$1,809	$2,265	$2,893	$3,462	$5,163
Average Final Salary	$6,022	$5,607	$6,020	$6,414	$6,440	$7,372
Number of Active Retirants	118	331	273	274	471	837
Safety Members						
Average Monthly Benefit	$3,134	$3,776	$5,743	$6,290	$7,540	$10,730
Average Final Salary	$7,077	$9,355	$10,057	$10,613	$11,062	$12,654
Number of Active Retirants	24	16	27	22	109	205
Survivors						
General Members						
Average Monthly Benefit	$929	$752	$957	$1,174	$1,745	$2,470
Average Final Salary	$6,444	$4,670	$3,996	$4,367	$4,825	$5,339
Number of Active Survivors	30	55	50	51	69	143
Safety Members						
Average Monthly Benefit	$1,446	$3,207	$3,071	$3,053	$4,468	$5,611
Average Final Salary	$5,927	$6,777	$6,628	$6,941	$6,825	$7,529
Number of Active Survivors	6	6	8	9	16	33
7/1/16 to 6/30/17						
Retirants						
General Members						
Average Monthly Benefit	$1,416	$1,858	$2,364	$3,425	$3,730	$5,149
Average Final Salary	$5,917	$5,860	$6,367	$7,202	$6,791	$7,441
Number of Active Retirants	142	338	328	209	507	856
Safety Members						
Average Monthly Benefit	$2,987	$3,087	$6,412	$6,885	$7,888	$11,358
Average Final Salary	$7,651	$8,870	$10,320	$11,308	$11,362	$13,288
Number of Active Retirants	24	25	50	36	153	248
Survivors						
General Members						
Average Monthly Benefit	$833	$786	$1,392	$1,577	$1,898	$2,942
Average Final Salary	$5,469	$4,190	$4,959	$5,059	$5,175	$6,105
Number of Active Survivors	29	52	63	41	72	136
Safety Members						
Average Monthly Benefit	$3,522	$4,150	$2,131	$3,715	$4,316	$6,581
Average Final Salary	$6,792	$7,451	$7,234	$6,906	$7,400	$8,411
Number of Active Survivors	3	5	9	7	16	36

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/17 to 6/30/18						
Retirants						
General Members						
Average Monthly Benefit	$1,639	$1,752	$2,482	$3,609	$3,907	$5,275
Average Final Salary	$7,147	$5,725	$6,223	$7,627	$7,071	$7,605
Number of Active Retirants	99	339	323	255	470	883
Safety Members						
Average Monthly Benefit	$3,140	$4,015	$5,714	$6,482	$8,329	$11,650
Average Final Salary	$7,739	$9,039	$10,242	$11,266	$11,835	$13,559
Number of Active Retirants	22	21	36	32	126	241
Survivors						
General Members						
Average Monthly Benefit	$681	$1,112	$1,345	$1,503	$2,179	$2,888
Average Final Salary	$4,138	$5,668	$5,145	$5,071	$5,596	$6,179
Number of Active Survivors	17	50	47	38	80	133
Safety Members						
Average Monthly Benefit	$2,815	$3,252	$3,528	$3,200	$3,603	$5,479
Average Final Salary	$7,817	$7,192	$6,670	$6,327	$6,905	$7,833
Number of Active Survivors	7	8	5	7	18	31
7/1/18 to 6/30/19						
Retirants						
General Members						
Average Monthly Benefit	$1,659	$1,578	$3,091	$3,613	$3,994	$6,007
Average Final Salary	$6,332	$5,585	$7,078	$7,481	$7,398	$8,630
Number of Active Retirants	122	337	371	313	447	938
Safety Members						
Average Monthly Benefit	$4,251	$4,072	$5,960	$8,466	$9,038	$12,076
Average Final Salary	$8,564	$9,754	$10,348	$12,556	$12,737	$14,367
Number of Active Retirants	25	30	36	38	137	278
Survivors						
General Members						
Average Monthly Benefit	$1,129	$921	$1,243	$1,660	$1,894	$2,898
Average Final Salary	$5,507	$5,704	$5,510	$5,402	$5,204	$5,928
Number of Active Survivors	38	69	80	81	111	183
Safety Members						
Average Monthly Benefit	$801	$2,157	$2,885	$2,704	$3,208	$6,016
Average Final Salary	$4,148	$6,656	$7,462	$5,607	$6,217	$8,495
Number of Active Survivors	4	8	14	17	29	45

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/19 to 6/30/20						
Retirants						
General Members						
Average Monthly Benefit	$1,529	$1,917	$2,998	$3,506	$4,414	$5,772
Average Final Salary	$6,503	$6,414	$7,197	$7,410	$8,151	$8,315
Number of Active Retirants	121	337	332	350	400	958
Safety Members						
Average Monthly Benefit	$2,606	$4,498	$6,070	$7,800	$9,336	$12,485
Average Final Salary	$7,489	$10,058	$11,768	$12,329	$13,251	$14,963
Number of Active Retirants	15	24	21	38	119	320
Survivors						
General Members						
Average Monthly Benefit	$969	$964	$1,171	$1,739	$1,961	$2,794
Average Final Salary	$5,282	$4,866	$4,956	$5,962	$5,469	$6,085
Number of Active Survivors	31	62	69	84	101	179
Safety Members						
Average Monthly Benefit	$3,839	$2,467	$3,078	$2,973	$4,646	$5,847
Average Final Salary	$5,723	$4,966	$6,705	$5,977	$7,952	$8,081
Number of Active Survivors	7	9	10	16	31	63
7/1/20 to 6/30/21						
Retirants						
General Members						
Average Monthly Benefit	$1,231	$1,531	$2,726	$3,349	$4,089	$5,735
Average Final Salary	$7,640	$6,281	$7,509	$7,453	$7,590	$8,508
Number of Active Retirants	125	335	293	346	432	1,250
Safety Members						
Average Monthly Benefit	$2,235	$3,767	$5,041	$6,732	$9,337	$12,659
Average Final Salary	$8,945	$9,648	$10,518	$12,239	$13,433	$15,336
Number of Active Retirants	12	24	25	67	132	313
Survivors						
General Members						
Average Monthly Benefit	$1,106	$948	$1,320	$1,535	$1,862	$3,111
Average Final Salary	$6,340	$5,370	$5,211	$5,245	$5,155	$6,344
Number of Active Survivors	26	67	69	79	107	225
Safety Members						
Average Monthly Benefit	$2,606	$2,369	$4,302	$2,886	$4,557	$5,946
Average Final Salary	$6,195	$7,058	$9,070	$7,532	$7,368	$8,553
Number of Active Survivors	6	7	10	13	26	56

Active Members and Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

	2021		2020	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	**85,970**	**86.735%**	86,929	86.829%
Safety Members	**13,141**	**13.258%**	13,179	13.164%
Total	**99,111**	**99.993%**	**100,108**	**99.993%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	**—**	**—%**	—	—%
Los Angeles County Office of Education	**—**	**—%**	—	—%
Little Lake Cemetery District	**1**	**0.001%**	1	0.001%
Local Agency Formation Commission	**6**	**0.006%**	6	0.006%
Total Participating Agencies	**7**	**0.007%**	**7**	**0.007%**
Total Active Membership[1]				
General Members	**85,977**	**86.742%**	86,936	86.836%
Safety Members	**13,141**	**13.258%**	13,179	13.164%
Total	**99,118**	**100.000%**	**100,115**	**100.000%**

	2019		2018	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	86,392	87.092%	85,701	87.020%
Safety Members	12,796	12.900%	12,775	12.972%
Total	**99,188**	**99.992%**	**98,476**	**99.992%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	—	—%	—	—%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	7	0.007%	7	0.007%
Total Participating Agencies	**8**	**0.008%**	**8**	**0.008%**
Total Active Membership[1]				
General Members	86,400	87.100%	85,709	87.028%
Safety Members	12,796	12.900%	12,775	12.972%
Total	**99,196**	**100.000%**	**98,484**	**100.000%**

[1] Active Membership excludes terminated members, which are vested (deferred) and non-vested (inactive) members.

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles	2017 Covered Members	2017 Percentage of Total Covered Members	2016 Covered Members	2016 Percentage of Total Covered Members
General Members	84,515	86.931%	82,907	86.865%
Safety Members	12,698	13.061%	12,528	13.126%
Total	**97,213**	**99.992%**	**95,435**	**99.991%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	6	0.006%	7	0.007%
Total Participating Agencies	**8**	**0.008%**	**9**	**0.009%**
Total Active Membership[1]				
General Members	84,523	86.939%	82,916	86.874%
Safety Members	12,698	13.061%	12,528	13.126%
Total	**97,221**	**100.000%**	**95,444**	**100.000%**

County of Los Angeles	2015 Covered Members	2015 Percentage of Total Covered Members	2014 Covered Members	2014 Percentage of Total Covered Members
General Members	81,219	86.704%	79,934	86.447%
Safety Members	12,446	13.286%	12,523	13.543%
Total	**93,665**	**99.990%**	**92,457**	**99.990%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	7	0.008%	7	0.008%
Total Participating Agencies	**9**	**0.010%**	**9**	**0.010%**
Total Active Membership[1]				
General Members	81,228	86.714%	79,943	86.457%
Safety Members	12,446	13.286%	12,523	13.543%
Total	**93,674**	**100.000%**	**92,466**	**100.000%**

[1]Active Membership excludes terminated members, which are vested (deferred) and non-vested (inactive) members.

For the Last 10 Fiscal Years Ended June 30

	2013		2012	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	78,997	86.293%	79,459	86.413%
Safety Members	12,539	13.697%	12,485	13.578%
Total	**91,536**	**99.990%**	**91,944**	**99.991%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	7	0.008%	6	0.007%
Total Participating Agencies	**9**	**0.010%**	**8**	**0.009%**
Total Active Membership[1]				
General Members	79,006	86.303%	79,467	86.422%
Safety Members	12,539	13.697%	12,485	13.578%
Total	**91,545**	**100.000%**	**91,952**	**100.000%**

[1]Active Membership excludes terminated members, which are vested (deferred) and non-vested (inactive) members.

Retired Members of Participating OPEB Employers

For the Last 10 Fiscal Years Ended June 30

	2021	2020	2019	2018	2017
County of Los Angeles County and Participating Agencies					
Medical	**52,832**	52,336	51,216	50,052	48,812
Dental/Vision	**54,262**	53,705	52,499	51,225	49,890

	2016	2015	2014	2013	2012
County of Los Angeles County and Participating Agencies					
Medical	47,653	46,567	45,576	44,753	43,746
Dental/Vision	48,671	47,486	46,383	45,485	44,344

Employer Contribution Rates: County of Los Angeles

For the Last 10 Years

Effective Date	General Members						Safety Members		
	Plan A	Plan B	Plan C	Plan D	Plan E	Plan G[1]	Plan A	Plan B	Plan C[1]
10/1/2011 to 9/30/2012	21.59%	15.00%	14.51%	14.80%	15.30%	—	30.38%	24.10%	—
10/1/2012 to 9/30/2013	22.65%	15.55%	15.35%	16.00%	16.77%	—	31.55%	25.37%	—
1/1/2013 to 9/30/2013	—	—	—	—	—	15.61%	—	—	20.98%
10/1/2013 to 9/30/2014	25.08%	17.95%	17.54%	18.24%	19.09%	17.81%	34.63%	27.92%	23.18%
10/1/2014 to 6/30/2015	26.99%	19.49%	19.01%	19.74%	20.95%	19.53%	35.91%	29.26%	25.29%
7/1/2015 to 6/30/2016	25.13%	17.45%	16.90%	17.70%	18.97%	17.66%	34.64%	27.50%	23.46%
7/1/2016 to 9/30/2017	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%	32.25%	25.94%	21.93%
10/1/2017 to 9/30/2018	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%	34.45%	27.75%	23.73%
10/1/2018 to 9/30/2019	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%	34.11%	28.36%	23.97%
10/1/2019 to 9/30/2020	27.81%	19.33%	18.33%	19.42%	20.79%	19.42%	35.32%	29.30%	24.68%
10/1/2020 to 9/30/2021	**29.59%**	**21.13%**	**19.72%**	**20.94%**	**22.47%**	**20.84%**	**38.10%**	**31.99%**	**26.27%**

[1]As a result of PEPRA implementation, effective January 1, 2013.

Employer Contribution Rates: Little Lake Cemetery District[1], Local Agency Formation Commission[2], and Los Angeles County Office of Education[3]

For the Last 10 Years

Effective Date	General Members			
	Plan A	Plan D	Plan E	Plan G[4]
10/1/2011 to 9/30/2012	21.59%	14.80%	15.30%	—
10/1/2012 to 9/30/2013	—	16.00%	16.77%	—
1/1/2013 to 9/30/2013	—	—	—	15.61%
10/1/2013 to 9/30/2014	—	18.24%	19.09%	17.81%
10/1/2014 to 6/30/2015	—	19.74%	20.95%	19.53%
7/1/2015 to 6/30/2016	—	17.70%	18.97%	17.66%
7/1/2016 to 9/30/2017	—	16.19%	17.49%	16.07%
10/1/2017 to 9/30/2018	—	18.17%	—	18.04%
10/1/2018 to 9/30/2019	—	18.51%	—	18.53%
10/1/2019 to 9/30/2020	—	19.42%	—	19.42%
10/1/2020 to 9/30/2021	**—**	**20.94%**	**—**	**20.84%**

[1]Rates applicable to Little Lake Cemetery District are limited to Plan D.

[2]Rates applicable to the Local Agency Formation Commission for the County of Los Angeles are limited to Plans D, E, and G. As of November 2016, there were no participating members under Plan E.

[3]Rates applicable to the Los Angeles County Office of Education are limited to Plan A. As of June 2012, there were no participating members.

[4]Rates effective January 1, 2013, were a result of PEPRA implementation.

Supplemental Targeted Adjustment for Retirees (STAR) Program Costs — Pension Plan

The STAR Program is administered on a calendar-year basis. The chart below represents the STAR Program costs for the last 10 years.

LACERA STAR Program Costs

For the Last 10 Calendar Years
(Dollars in Thousands)

*Represents partial fiscal year January 1 through June 30.

LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

2021 Annual Comprehensive Financial Report

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