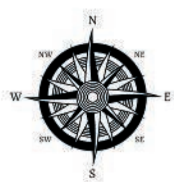

Surveying

Gathering information and surveying the landscape is an important part of creating a map that others can follow.

As early as 60,000 years before the common era (BCE), Aboriginal navigators crossing the Australian desert looked for star patterns in the sky and linked them to positions in the landscape to create navigation guides, which they then taught to others through song. Markers and paths from ancient songlines line up directly with landmarks and highways on modern maps.

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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LACERA as of June 30, 2022 and 2021 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As explained in Note P, the financial statements include investments valued at $23,369,200,000 (32 percent of net position) at June 30, 2022 and $19,818,800,000 (26 percent of net position) at June 30, 2021, 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's estimates are based on 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LACERA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Auditor’s Responsibilities for the Audits of the Financial Statements

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

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 LACERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LACERA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise LACERA's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory, investment, actuarial, and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022 on our consideration of LACERA'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERA's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2022, except for the introductory section, as identified in the table of contents of our report, as to which the date is December 16, 2022.

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 fiscal year ended June 30, 2022. 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 the 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, 2022 Statement of Fiduciary Net Position, totaled $70.3 billion, a decrease of $2.7 billion or 3.7 percent from June 30, 2021. The reduction in the Fiduciary Net Position was primarily due to actual investment returns being lower than the assumed rate of return and benefit payments exceeding contributions.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, were $1.4 billion, resulting from investment earnings and employer and member contributions. Total additions decreased in 2022, equal to $17.0 billion or 92.3 percent less than the amounts realized in 2021, primarily due to lower investment activity income.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, totaled $4.1 billion, an increase of $240 million or 6.1 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, 2021, and determined the funded status of the Pension Plan (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 79.3 percent versus 76.3 percent as of June 30, 2020. The increase in funded ratio was primarily due to the recognition of current and prior year investment gains, which caused a 3 percentage point increase.
- The Net Pension Liability, provided in accordance with Governmental Accounting Standards Board Statement Number 67 (GASB 67), was $13.6 billion for the fiscal year ended June 30, 2022. This represents an increase of $6.3 billion from June 30, 2021, when the liability was $7.3 billion. The significant increase of the Net Pension Liability was caused by a decrease in investment activity income. Contribution and investment income inflows were less than the outflows of benefit payments and operating expenses. As of June 30, 2022, the most recent measurement date, the Pension Plan's Fiduciary Net Position was 83.8 percent of the Total Pension Liability, a decrease from 90.9 percent as measured for the previous fiscal year ended 2021. The decrease in this ratio was due to both the growth in the Total Pension Liability and decrease in the Pension Plan's Fiduciary Net Position.

Other Post-Employment Benefits (OPEB) Program

- The OPEB Custodial Fund captures the operating activity of the Retiree Healthcare Benefits Program, which is commonly referred to as the OPEB Program. The balance as of June 30, 2022 increased to approximately $193 million from the prior year, when the balance was $167 million for the fiscal year ended 2021. The increase of 15.6 percent in funds held on behalf of plan sponsors, after funding "pay-as-you-go" benefit costs, was $26 million and was primarily due to refunds from health insurance carriers that were not yet distributed to the plan sponsors and participants of the OPEB Program.
- The OPEB Trust Fiduciary Net Position increased by $87.3 million, primarily due to plan sponsor contributions slightly outpacing the investment loss for the fiscal year. The balance available to fund future OPEB liabilities as of June 30, 2022 increased by 3.8 percent, totaling $2.4 billion as compared to $2.3 billion for the prior year at June 30, 2021.

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 Trust, and OPEB Custodial Fund, 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 upcoming 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.

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 eligible employees of the County of Los Angeles (County), the Los Angeles Superior Court (Superior Court), LACERA, 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.

Other Post-Employment 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, also referred to as the Other Post-Employment Benefits Program (OPEB Program), offering a variety of medical and dental/vision healthcare plans, as well as death/burial benefits, for retired members and their eligible dependents. In that same year, the County and LACERA entered into an agreement whereby LACERA would administer the OPEB Program subject to the terms and conditions of the agreement. In 1994, the County amended the agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health 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 to lower costs. Structurally, the County segregated all the then-current retirees and employees into the LACERA-administered OPEB Program (Tier 1) and placed all employees hired after June 30, 2014, into the newly established Los Angeles County OPEB Program (Tier 2).

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, the Superior Court, LACERA, or a participating outside district. 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. 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 OPEB Program for all participating employers, including those that have established advanced funding in the OPEB Master Trust at LACERA (i.e., County, Superior Court, and LACERA) and those that have not (i.e., the four outside districts). Plan sponsors and members provide monthly funding using a pay-as-you-go methodology, which finances 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 who do not qualify for the 100 percent subsidy based on their years of service, are required to pay their unsubsidized percentage of the 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 for 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 is legally distinct from that of the Pension Plan. Assets held in the Pension Plan are not used to finance the benefits provided for under the OPEB Program.

The Superior Court began prefunding its OPEB obligations through a Court OPEB Trust 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 combined assets and investment strategies for the County, LACERA, and the Court, and does not include funding from the four outside districts. LACERA administers the OPEB Master Trust as a one investment pool.

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 prefunding 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
Fiduciary 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, 2022, LACERA had Total Assets of $72.6 billion, which exceeded Total Liabilities of $2.3 billion, resulting in a Fiduciary Net Position Restricted for Benefits of $70.3 billion. This amount reflects a decrease of $2.7 billion or 3.7 percent from the prior year, primarily due to negative investment earnings as well as annual fund deductions exceeding contributions. As of the prior year, June 30, 2021, LACERA had $75.4 billion in Total Assets, which was greater than $2.4 billion in Total Liabilities, resulting in a Fiduciary Net Position Restricted for Benefits of $73.0 billion. This amount reflects an increase of $14.5 billion or a 24.8 percent increase from the prior year, 2020, because of robust investment market performance during that period.

Fiduciary Net Position Restricted for Benefits — Pension Plan

As of June 30, 2022, 2021, and 2020

(Dollars in Millions)

	2022	2021	2020	2022–2021 % Change	2021–2020 % Change
Investments	**$67,467**	$70,298	$56,574	(4.0)%	24.3%
Other Assets	**5,172**	5,066	4,787	2.1%	5.8%
Total Assets	**$72,639**	$75,364	$61,361	(3.6)%	22.8%
Total Liabilities	**(2,349)**	(2,352)	(2,851)	(0.1)%	(17.5)%
Fiduciary Net Position Restricted for Benefits	**$70,290**	**$73,012**	**$58,510**	**(3.7)%**	**24.8%**

Additions and Deductions to Fiduciary Net Position Restricted for Benefits

The primary sources that finance the promised pension benefits LACERA provides to members and their beneficiaries are realized investment income and the collection of employer and member retirement contributions. For the fiscal years ended 2022 and 2021, Total Additions amounted to $1.4 billion and $18.4 billion, respectively. The Total Additions' difference between the two years was caused by depreciation of investment holdings during 2022. For the fiscal year ended 2020, Total Additions amounted to $3.9 billion. The differences between fiscal years 2021 and 2020 were due primarily to LACERA's diverse investment strategy producing positive investment performance.

The net investment loss for fiscal year 2022 was approximately $1.5 billion, a decrease of $17.1 billion from the 2021 fiscal year, when the net investment gain was $15.6 billion. This fiscal year's time-weighted investment returns of 0.1 percent (net of fees) is lower than the actuarial assumed investment earnings rate of 7.0 percent, primarily due to challenging market conditions in the first half of 2022, including war in Europe, high inflation, and an economic slowdown in China. In fiscal year 2020, the net investment gain was $1.4 billion, $14.2 billion lower than the net investment gain in 2021. The fiscal year 2021 time-weighted investment returns of 25.2 percent (net of fees) was greater than the actuarial assumed investment earnings rate of 7.0 percent, primarily due to strong results produced by global equity and private equity assets. 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, whereby each year's investment gains and losses are recognized over a five-year period.

To finance employer contributions that are due to LACERA, the County and the outside Districts made monthly cash payments or semi-monthly contributions to coincide with the employee payroll cycle. For the fiscal years ended June 30, 2022 and 2021, 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 $4.1 billion for fiscal year 2022, an increase of $240 million or 6.1 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 benefit payments, including cost-of-living-adjustments, for the fiscal year ended June 30, 2022. These deductions totaled $3.9 billion for fiscal year 2021, an increase of $213 million or 5.8 percent from the prior year, 2020. 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 9.9 percent from the fiscal years ended June 30, 2021 to June 30, 2022, primarily due to an increase in facilities' operational costs, legal consulting costs, temporary personnel services, and scheduled salary and employee benefit increases in support of LACERA's mission of producing, protecting, and providing the promised benefits. Administrative and miscellaneous expenses also increased 5.8 percent from the fiscal years ended June 30, 2020 to June 30, 2021, primarily due the purchase of equipment and services to strengthen LACERA's information technology systems and scheduled employee 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, 2022 and 2021, the net decrease to the Fiduciary Net Position Restricted for Benefits was $2.7 billion for 2022 and a $14.5 billion increase for 2021. These amounts represent the annual change in net position made available for additional investments, benefit payments, and LACERA's cost of operations. The decrease in Fiduciary Net Position for Benefits in fiscal year 2022 resulted from annual benefit payments exceeding contributions and investment income. The net increase to the Fiduciary Net Position Restricted for Benefits from fiscal years ended June 30, 2020 to June 30, 2021 was $14.5 billion due to the positive performance of LACERA's investment portfolio.

Additions and Deductions in Fiduciary Net Position — Pension Plan

For the Fiscal Years Ended June 30, 2022, 2021, and 2020

(Dollars in Millions)

				2022–2021		2021–2020	
	2022	**2021**	**2020**	**Difference**	**% Change**	**Difference**	**% Change**
Contributions	**$2,959**	$2,774	$2,459	$185	6.7%	$315	12.8%
Net Investment Income/(Loss)	**(1,536)**	15,633	1,448	(17,169)	(109.8)%	14,185	979.6%
Total Additions/ (Declines)	**$1,423**	**$18,407**	**$3,907**	**($16,984)**	**(92.3)%**	**$14,500**	**371.1%**
Benefits and Refunds	**($4,045)**	($3,814)	($3,606)	($231)	6.1%	($208)	5.8%
Administrative Expenses and Miscellaneous	**(100)**	(91)	(86)	(9)	9.9%	(5)	5.8%
Total Deductions	**($4,145)**	**($3,905)**	**($3,692)**	**($240)**	**6.1%**	**($213)**	**5.8%**
Net Increase/(Decrease)	**($2,722)**	$14,502	$215	($17,224)	(118.8)%	$14,287	6,645.1%
Fiduciary Net Position Beginning of Year	**73,012**	58,510	58,295	14,502	24.8%	215	0.4%
Fiduciary Net Position at End of Year	**$70,290**	**$73,012**	**$58,510**	**($2,722)**	**(3.7%)**	**$14,502**	**24.8%**

Pension Plan Investment Structure

LACERA's general investment consultant, Meketa Investment Group (Meketa), along with Investment Office staff, 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 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 Plan 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.

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, strategic asset allocation reviews for LACERA's Pension Plan investments were completed. The Board approved revised target asset allocation weights for the Pension Plan in May 2021 and for the OPEB Trust in June 2021. The Pension Plan's new asset allocation weights were implemented as of October 2021.

Pension Plan 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 individual entry age actuarial 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's 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, 2022, was $83.9 billion, or an increase of 4.5 percent from the Total Pension Liability of $80.3 billion as of June 30, 2021. The Net Pension Liability as of June 30, 2022, was $13.6 billion, representing an increase of 87.1 percent from the Net Pension Liability of $7.3 billion as of June 30, 2021. The Net Pension Liability increased by $6.3 billion because LACERA experienced a $2.7 billion decrease in the Fiduciary Net Position and a $3.6 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, 2022, and 2021, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 83.8 percent and 90.9 percent, respectively. The decrease for the fiscal year ended June 30, 2022, is due to the growth in the Total Pension Liability of $3.6 billion and a decrease in LACERA's Fiduciary Net Position of $2.7 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, investment activity, and benefit payments.

Net Pension Liability

As of June 30, 2022, 2021, and 2020

(Dollars in Millions)

				2022–2021		2021–2020	
	2022	**2021**	**2020**	**$ Change**	**% Change**	**$ Change**	**% Change**
Total Pension Liability	**$83,931**	$80,304	$76,580	$3,627	4.5%	$3,724	4.9%
Less: Fiduciary Net Position	**(70,290)**	(73,012)	(58,510)	2,722	(3.7)%	(14,502)	24.8%
Net Pension Liability	**$13,641**	**$7,292**	**$18,070**	**$6,349**	**87.1%**	**($10,778)**	**(59.6)%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.8%**	**90.9%**	**76.4%**	**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 for retiree healthcare. One is the OPEB Custodial Fund, used to pay premium costs and administrative expenses on a current and ongoing basis. The other is the OPEB Trust, containing contributions set aside by certain participating employers to prefund 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 an ongoing pay-as-you-go basis. As of June 30, 2022, the OPEB Custodial Fund's total assets exceeded total liabilities, resulting in a positive Fiduciary Net Position Restricted for Benefits of approximately $193 million. This balance, where total assets of $270 million exceeded total liabilities of $77 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, 2021, the Fiduciary Net Position Restricted for Benefits was $166 million as a result of total assets, reported at $233 million, exceeding total liabilities of $67 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, 2022 and 2021, total additions were $804 million and approximately $770 million, as total deductions amounted to $778 million and $752 million, respectively. This caused a $26 million and $18 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. The OPEB Custodial Fund incurred a net investment loss of $5.1 million for the fiscal year ended June 30, 2022, and generated $0.2 million of net investment income for the fiscal year ended June 30, 2021.

Financial Analysis — OPEB Trust

As reflected in the OPEB Trust's Statement of Changes in Fiduciary Net Position, OPEB Trust additions included a net investment loss of $288.5 million for the fiscal year ended June 30, 2022, which was the opposite of the prior year when the investment portfolio generated investment income.

Deductions included $599.0 thousand for total administrative expenses. The OPEB Trust's Fiduciary Net Position Restricted for Benefits as of the fiscal year ended June 30, 2022 was $2.4 billion, representing an $87.3 million increase from last year due to employer contributions. As of June 30, 2021, the total OPEB Trust Fiduciary Net Position Restricted for Benefits was $2.3 billion, after earning $452.1 million in net investment income and deducting $583.6 thousand for total administrative expenses.

Employers provided OPEB Trust prefunding contributions of $376 million for fiscal year 2022, a 3.6 percent increase from $363 million for fiscal year 2021, 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 allow—for financial statement presentation only—pay-as-you-go activity from the OPEB Custodial Fund to be adjusted for and reported on the Statement of Changes in Fiduciary Net Position under the OPEB Trust. This adjustment increases Employer Contribution additions; however, pay-as-you-go contributions are not actually made to the OPEB Trust, but instead to the OPEB Custodial Fund. Correspondingly, Service Benefit deductions were increased to reflect pay-as-you-go benefit payments made by employers through the OPEB Custodial Fund as OPEB benefits became due. Total OPEB Trust contributions including this adjustment were $1,097 million for fiscal year 2022 and $1,057 million for fiscal year 2021. 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 the financial statements, 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 financial statement 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 statement disclosures, as the OPEB Program administrator, were reduced to report limited investment return information 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 640 or 0.6 percent as of June 30, 2022, while there was an increase of 2,061 or 3.0 percent in retirees when comparing the two fiscal years ended June 30, 2022 and 2021. When comparing the two fiscal years ended June 30, 2021 and 2020, active members declined by 50 as of June 30, 2021, while there was an increase of 1,536 or 2.3 percent in retirees.

LACERA Membership

As of June 30, 2022, 2021, and 2020

				2022–2021		2021–2020	
	2022	2021	2020	Difference	% Change	Difference	% Change
Active Members[1]	**115,599**	116,239	116,289	(640)	(0.6)%	(50)	—%
Retired Members	**71,585**	69,524	67,988	2,061	3.0%	1,536	2.3%
Total Membership	**187,184**	**185,763**	**184,277**	**1,421**	**0.8%**	**1,486**	**0.8%**

[1]Effective fiscal year ended June 30, 2019 and going forward, active member counts include inactive members who are both vestedand non-vested.

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 allow funding for urgent staffing changes and operating needs that may arise during the year. The Operating Budget information presented in these financial statements represents the amended budget amounts for the fiscal years ended June 30, 2022 and 2021. LACERA's annual budget plan controls administrative expenses and represents approximately 0.13 percent and 0.12 percent of the allowable basis for the budget calculation for the fiscal years ended June 30, 2022 and 2021, respectively. The actual administrative expenses were $100 million for 2022 compared to $91 million for 2021, resulting in a 9.9 percent increase. For 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, employee salary and benefit increases, additional legal consulting costs, and an increase in operational costs due to a new office lease contract.

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 certain costs of legal representation and expenditures for information technology projects to be excluded from the 0.21 percent calculation; 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 2022, 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, 2022, 2021, and 2020
(Dollars in Thousands)

	2022	2021	2020
Total Statutory Budget Appropriation	$164,378	$156,735	$143,907
Basis for Budget Calculation (Actuarial Accrued Liability)	78,275,175	74,635,840	$68,527,354
Limit per CERL	**0.21%**	**0.21%**	**0.21%**
Administrative Expenses	$100,121	$90,586	$85,384
Basis for Budget Calculation (Actuarial Accrued Liability)	78,275,175	74,635,840	$68,527,354
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.13%**	**0.12%**	**0.12%**
Total Statutory Budget Appropriation	$164,378	$156,735	$143,907
Operating Budget Request	(114,807)	(100,291)	($94,600)
Underexpended Statutory Budget Appropriation	**$49,571**	**$56,444**	**$49,307**
Operating Budget Request	$114,807	$100,291	$94,600
Administrative Expenses	(100,121)	(90,586)	(85,384)
Underexpended Operating Budget	**$14,686**	**$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 an actuarial valuation is to determine future contribution amounts needed by the employers (plan sponsors) and the employees (members) to provide all promised future benefits and to assess the Pension Plan's funded status. A valuation is performed each year. An experience study is performed every three years to review the actuarial 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 the 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 fair value of assets (computed based on investment performance at the actuarial assumed rate of return) and the actual fair 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

Pursuant to the customary actuarial reporting process, the actuarial valuation as of June 30, 2022, is not yet available. Information is presented here based on the most recent actuarial valuation as of June 30, 2021. The consulting actuary calculates the 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 $81.9 billion as of June 30, 2021. The $64.9 billion of fair value of net assets reported for fiscal year-end 2021 is used to offset the AAL, and the difference is referred to as the June 30, 2021 Unfunded Actuarial Accrued Liability (UAAL), which was reported at $17.0 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. Existing layers with amortization periods longer than 22 years were reset to a term not longer than 22 years. New layers added each year are amortized over 20 years. All amortization periods as of the June 30, 2021, valuation are now under 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 in 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 revised employee rates, while higher employer contribution rates were phased in over 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 the ACFR).

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2021, and determined that the Pension Plan's Funded Ratio of the actuarial assets to the AAL increased to 79.3 percent as of that date, as compared to 76.3 percent as of the June 30, 2020 valuation.

The investment return on a market basis for 2021 resulted in a 3.0 percentage point increase in the Funded Ratio when applying the five-year actuarial asset smoothing method. For the 2021 and 2020 fiscal year-end actuarial valuations, respectively, the Pension Plan investment portfolio returned 25.2 percent and 1.8 percent (both net of fees) on a time-weighted market basis, which for 2021 was more than the 7.0 percent investment return assumption effective since 2019. When compared to the assumed rate of return, in total, there was an $11.5 billion gain 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 10.4 percent, equivalent to a gain of $2 billion relative to the assumed return of 7.0 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, 2022, the annual money-weighted rate of return on Pension Plan investments was 0.6 percent (net of fees), and the time-weighted return for the same period is 0.1 percent (net of fees). The annual 2022 Pension Plan valuation report is not yet available at this time.

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
2020	$56,574,410	1.8%	1.4%	5.8%	7.0%	76.3%
2021	$70,297,718	25.2%	25.2%	10.4%	7.0%	79.3%
2022[3]	**$67,467,013**	**0.1%**	**0.6%**	—	—	—

[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 and time-weighted and money-weighted returns, is available. However, the actuarial valuation report for June 30, 2022, is not yet available at financial statement publication.

The annual time-weighted rates of return on OPEB Trust investments, net of OPEB Trust investment expenses as of the fiscal years ended June 30, 2022 and 2021, were negative 11.2 percent and positive 28.4 percent, respectively. As determined for the July 1, 2021 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL increased to 10.9 percent, as compared to 7.0 percent reported in the July 1, 2020 valuation. The County, LACERA, and the Superior Court continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL. The annual 2022 OPEB Program valuation report is not available as of this ACFR's publication.

LACERA OPERATIONS

The COVID-19 pandemic impacted LACERA to a much lesser degree than in prior years, with a significant reduction in operational expenditures to address urgent needs. LACERA followed health and safety guidelines promulgated by federal, state, and local officials, including the Los Angeles County Department of Public Health, Los Angeles County Human Resources Department, and the City of Pasadena. During the year, LACERA's Board of Retirement and Board of Investments conducted their regular open public meetings (by teleconference, pursuant to the California Governor's Executive Order No. N-29-20 and the California Government Code, as applicable) to form the policy and steer the overall direction of LACERA. The executive team and staff remained flexible to quickly accommodate changes in operations during transmission level surges while implementing a new hybrid work model allowing staff to work either in the office or remotely.

The organization's primary goal to serve members and provide the promised benefits remained in focus and was the driver of decisions. These financial statements contain fiscal results that prove LACERA's ability to administer the retirement system successfully throughout an ever-changing and fluctuating environment. LACERA's financial flows and operational strategies remained consistent as the fund collected contributions from members and plan sponsors; provided counseling and retirement services to our members through multiple channels; successfully managed the pension fund investment portfolio during uncertain times, producing a positive return; and provided retirement and retiree healthcare benefits to our members without fail. At the end of the fiscal year, LACERA's governing Boards and executive teams had shifted their financial and operational focus from pandemic-related issues to organizational direction and future initiatives in a post-pandemic era. For additional information regarding the COVID-19 pandemic, please refer to Note L — Administrative Expenses.

ACCOUNTING AND FINANCIAL REPORTING STANDARDS EFFECTIVE FOR THE FISCAL YEAR ENDED 2022

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 to enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement is meant to 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 effective for the fiscal year ended June 30, 2022. However, LACERA considered GASB 87 provisions, including those in paragraph 41 and the disclosure requirements under paragraph 57, and decided the GASB 87 recognition and measurement criteria were determined to have an insignificant impact on LACERA.

UPCOMING ACCOUNTING AND FINANCIAL REPORTING STANDARDS

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. LACERA will determine how the provisions of GASB 96 are applicable for the 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, 2022 and 2021

(Dollars in Thousands)

	2022			2021		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
ASSETS						
Cash & Cash Equivalents						
Cash and Short-Term Investments	$3,058,494	$49,413	$33,541	$3,134,716	$49,723	$32,511
Cash Collateral on Loaned Securities	1,401,077	—	—	1,198,528	—	—
Total Cash & Cash Equivalents	$4,459,571	$49,413	$33,541	$4,333,244	$49,723	$32,511
Receivables						
Contribution Receivable	$119,635	$—	$—	$114,102	$—	$—
Accounts Receivable - Sale of Investment	355,515	—	1,679	439,841	114	—
Accrued Interest and Dividends	226,861	78	599	169,925	1	432
Accounts Receivable - Other	10,227	—	62,553	9,139	—	60,344
Total Receivables	$712,238	$78	$64,831	$733,007	$115	$60,776
Investments at Fair Value						
Equity	$24,464,720	$1,199,773	$—	$29,705,843	$1,145,218	$—
Fixed Income	18,641,786	903,853	171,581	21,077,314	894,200	140,093
Private Equity	12,753,842	—	—	11,321,964	—	—
Real Estate	5,802,979	241,168	—	5,294,150	219,190	—
Hedge Funds	4,440,434	—	—	2,748,465	—	—
Real Assets	1,363,252	—	—	149,983	—	—
Total Investments at Fair Value	$67,467,013	$2,344,794	$171,581	$70,297,719	$2,258,608	$140,093
TOTAL ASSETS	$72,638,822	$2,394,285	$269,953	$75,363,970	$2,308,446	$233,380
LIABILITIES						
Accounts Payable - Purchase of Investments	$835,073	$46	$2,794	$1,055,063	$1,260	$2,152
Retiree Payable and Other	1,779	—	452	1,550	—	387
Accrued Expenses	63,266	137	679	50,276	359	750
Tax Withholding Payable	42,715	—	—	40,144	—	—
Obligations under Securities Lending Program	1,401,077	—	—	1,198,528	—	—
Accounts Payable - Other	5,300	—	73,518	6383	—	63,492
TOTAL LIABLILITIES	$2,349,210	$183	$77,443	$2,351,944	$1,619	$66,781
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	$70,289,612	$2,394,102	$192,510	$73,012,026	$2,306,827	$166,599

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, 2022 and 2021

(Dollars in Thousands)

	2022			2021		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
Additions						
Contributions						
Employer[1]	**$2,199,889**	**$1,097,284**	**$730,986**	$2,012,877	$1,057,366	$704,344
Member	**758,632**	**—**	**49,061**	760,994	—	49,617
Total Contributions	**$2,958,521**	**$1,097,284**	**$780,047**	**$2,773,871**	**$1,057,366**	**$753,961**
Investment Income						
From Investing Activities:						
Net Appreciation/(Depreciation) in Fair Value of Investments	**($6,717,556)**	**($312,330)**	**($5,435)**	$9,981,328	$438,050	($2,201)
Investment Income/(Loss)	**5,476,668**	**25,063**	**521**	5,915,584	15,089	2,488
Total Investment Activities Income/(Loss)	**($1,240,888)**	**($287,267)**	**($4,914)**	**$15,896,912**	**$453,139**	**$287**
Less Expenses from Investment Activities:	**($310,360)**	**($1,233)**	**($145)**	($271,752)	($1,017)	($137)
Net Investment Activities Income/(Loss)	**($1,551,248)**	**($288,500)**	**($5,059)**	**$15,625,160**	**$452,122**	**$150**
From Securities Lending Activities:						
Securities Lending Income	**$12,294**	**$—**	**$—**	$5,072	$—	$—
Less Expenses from Securities Lending Activities:						
Borrower Rebates	**$126**	**$—**	**$—**	$869	$—	$—
Management Fees	**(1,317)**	**—**	**—**	(1,186)	—	—
Total Expenses from Securities Lending Activities	**(1,191)**	**—**	**—**	(317)	—	—
Net Securities Lending Income/(Loss)	**$11,103**	**$—**	**$—**	**$4,755**	**$—**	**$—**
Total Net Investment Income/(Loss)	**($1,540,145)**	**($288,500)**	**($5,059)**	**$15,629,915**	**$452,122**	**$150**
Miscellaneous	**$4,117**	**$—**	**$29,496**	$2,928	$—	$15,829
Total Additions	**$1,422,493**	**$808,784**	**$804,484**	**$18,406,714**	**$1,509,488**	**$769,940**
Deductions						
Retiree Payroll	**$4,002,273**	**$—**	**$—**	$3,785,608	$—	$—
Service Benefits[1]	**—**	**720,910**	**769,336**	—	694,665	743,715
Administrative Expenses	**100,121**	**599**	**9,237**	90,586	584	8,099
Refunds	**38,089**	**—**	**—**	24,512	—	—
Lump Sum Death Benefits	**4,205**	**—**	**—**	4,142	—	—
Redemptions	**—**	**—**	**—**	—	40	—
Miscellaneous	**219**	**—**	**—**	248	—	—
Total Deductions	**$4,144,907**	**$721,509**	**$778,573**	**$3,905,096**	**$695,289**	**$751,814**
Net Increase/(Decrease) in Fiduciary Net Position	**($2,722,414)**	**$87,275**	**$25,911**	**$14,501,618**	**$814,199**	**$18,126**
Fiduciary Net Position Restricted for Benefits						
Beginning of Year	**$73,012,026**	**$2,306,827**	**$166,599**	**$58,510,408**	**$1,492,628**	**$148,473**
End of Year	**$70,289,612**	**$2,394,102**	**$192,510**	**$73,012,026**	**$2,306,827**	**$166,599**

[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 — Benefit Plan Descriptions

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 retirement 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, also referred to as the Other Post-Employment Benefits Program (OPEB Program), that provides medical and dental/vision healthcare plans, as well as death/burial benefits, for retired members and their eligible dependents. 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 1994, the County amended the Agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

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 in 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 OPEB 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 Deputy County Treasurer and Tax Collector serves as the acting ex-officio trustee, sitting in for the ex-officio trustee as needed.

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 and safety members each elect one trustee. 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. The Deputy County Treasurer and Tax Collector serves as the acting ex-officio trustee, sitting in for the ex-officio trustee as needed.

On October 18, 2021, LACERA filed a lawsuit in Superior Court against the County of Los Angeles and the County Board of Supervisors regarding LACERA's ability to set classifications and salaries for its personnel. LACERA is a separate public agency from the County and provides independent administration of the County pension system, including its assets and the payment of benefits. LACERA is seeking a court order confirming LACERA's authority and implementing critical personnel actions approved by the LACERA Boards, which the County has blocked from becoming effective.

The lawsuit filing does not affect contributions from the County, LACERA's assets, investments, or the timely delivery of benefits and services to its members and beneficiaries, nor does the case have a material monetary impact on the County or LACERA. The lawsuit is posted on LACERA.com in the Public Records section. For additional disclosures regarding litigation, please see Note M — Commitments and Contingencies.

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), firefighter, 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 LACERA.com.

LACERA Pension Plan Membership

As of June 30, 2022 and 2021

	2022	2021
Active Members		
Vested	**74,796**	74,434
Non-Vested	**21,756**	24,684
Total Active Members	**96,552**	**99,118**
Inactive Members[1]		
Vested[2]	**9,250**	8,714
Non-Vested	**9,797**	8,407
Total Inactive Members	**19,047**	**17,121**
Total Active & Inactive Members	**115,599**	**116,239**
Retired Members		
Service	**51,477**	49,780
Disability	**10,449**	10,317
Survivors & Beneficiaries	**9,659**	9,427
Total Retired Members	**71,585**	**69,524**
Total Membership	**187,184**	**185,763**

[1] Inactive members are terminated/out-of-service.

[2] Includes deferred members.

INVESTMENTS

Pension Plan

Pension Plan funding is 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 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 OPEB 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 established and 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 OPEB Program benefits, which have 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.

In 2016, the County trust agreement was amended to permit the co-investment of the County and the Court's trust assets. The LACERA Board of Investments approved the formation of an OPEB Master Trust to commingle 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 OPEB Trusts described 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 Fund 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 investment 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 are generally 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 premium subsidies 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 administrative expenses. The OPEB Program's administrative costs are paid for by the participating employers and members, not from the Pension Plan's assets except as to LACERA's share as an employer.

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 (e.g., insurance premium holidays) for both the County and affected program 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 within 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 retired 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. COLA 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 adjustment 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. The adjustment begins with the April 30 monthly allowance. The COLA provision was added to CERL in 1966, and LACERA's first COLA 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 adjustments, the CERL also provides the LACERA Board of Retirement the authority to grant supplemental cost-of-living adjustments for retirement benefits. Under this program, known as the STAR Program, excess earnings may be 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 or permanent retirement benefit increases under the 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. Ad hoc STAR benefits are payable only for the calendar year approved. Permanent STAR benefits become part of the member's retirement allowance and are payable for life.

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 2022, 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, 2022, there is $614 million remaining in the STAR reserve to fund future STAR Program 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 Board of Retirement and Board of Investments (Boards) in fulfilling their fiduciary oversight responsibilities for the organization's financial reporting process, values and ethics, internal controls, compliance with laws and regulations, and risk management.

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 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 benefit payments in subsequent fiscal years.

OPEB Trust financial activity includes receiving 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, which is held and used to provide future OPEB benefits at the plan sponsors' discretion. Investment income activity is reported in the OPEB Trust. For financial statement presentation purposes, GASB standards require that employer contributions within the OPEB Trust be increased by the monthly pay-as-you-go costs and included as additions to the OPEB Trust that will not be reimbursed to the employers using OPEB Trust assets. Matching expenses are charged as service benefits to the OPEB Trust through 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 alterations and 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, 2022 and 2021 were $5.4 million and $5.3 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, 2022 and 2021.

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 this category.

Real Estate Separate Account Investments

LACERA's real estate investments utilize several different types of legal structures called 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 presented as investments at fair value. For additional information, see Note J — Special Purpose Entities.

Fair Value of Investments

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, 2022 and 2021.
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 and Real Assets[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 of Investments.

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 of the liabilities for the benefits provided through the Pension Plan. The IPS 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 classifications (i.e., equity, fixed income, private equity, real assets, 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, generate returns, and optimize growth, while mitigating downside risk, ultimately to build a portfolio that can meet LACERA's future benefit obligations. 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, 2022 and 2021

Asset Class	2022 Target Allocation (Policy)		2022 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)		2021 Target Allocation (Policy)		2021 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**51.0%**		**5.5%**		**47.0%**		**5.3%**	
Global Equity		34.0%		4.3%		35.0%		4.2%
Private Equity		14.0%		6.9%		10.0%		6.1%
Non-Core Private Real Estate		3.0%		6.7%		2.0%		6.3%
Credit	**11.0%**		**2.2%**		**12.0%**		**1.7%**	
Liquid Credit		6.0%		1.5%		9.0%		3.6%
Illiquid Credit		5.0%		2.8%		3.0%		2.3%
Real Assets and Inflation Hedges	**17.0%**		**3.6%**		**17.0%**		**3.2%**	
Core Private Real Estate		6.0%		3.3%		7.0%		2.9%
Natural Resources and Commodities		4.0%		3.7%		4.0%		3.2%
Infrastructure		4.0%		4.8%		3.0%		4.5%
TIPS		3.0%		(0.3)%		3.0%		(0.9)%
Risk Reduction and Mitigation	**21.0%**		**0.2%**		**24.0%**		**(0.4)%**	
Investment Grade Bonds		13.0%		(0.3)%		19.0%		(0.9)%
Diversified Hedge Funds		5.0%		1.6%		4.0%		1.7%
Long-Term Government Bonds		2.0%		—%		—%		—%
Cash Equivalents		1.0%		(1.0)%		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 asset allocation targets to provide for asset diversification in an effort to meet LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. In May 2021 LACERA completed an asset allocation exercise, and the Board approved revised target weights at its May 2021 meeting. Transition to the first phase of the revised target allocation occurred during this fiscal year with the final target weights expected to be achieved 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), investment 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 then 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.

GASB 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 reassessed 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, and other measures of expected long-term returns.

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, 2022 and 2021, were 0.6 percent and 25.2 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, 2022 and 2021, were 0.1 percent and 25.2 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.

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 completed a thorough evaluation of GASB 87, *Leases*, and determined that LACERA does not need to apply the GASB 87 recognition and measurement criteria to the current lease population. Therefore, there are no new lease disclosures included in LACERA's June 30, 2022 financial statements. LACERA's office space is located in the Gateway Plaza building, which is held by LACERA as an investment, to which GASB 87, Paragraph 41 provides an exclusion for investments measured and reported at fair value. LACERA Gateway Property, Inc, as the owner of Gateway Plaza and lessor, has not issued debt for which the principal and interest payments are secured by the lease payments. For disclosures regarding LACERA's fair value of investments and office space lease, please refer to Note P — Fair Value of Investments and Note K — Related Party Transactions, respectively.

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. LACERA did not apply measurement and disclosure criteria under GASB 87 and will review the requirements of GASB 96 effective for the fiscal year ending June 30, 2023.

NOTE C — Pension Plan Contributions

Funding Policy

In 1994, the County issued $2 billion in pension obligation bonds to fully fund the LACERA retirement benefits plan based on the amount of LACERA's unfunded liability at that time. This required a Retirement System Funding Agreement (Funding Agreement) between the Los Angeles County Board of Supervisors and the LACERA Board of Retirement and Board of Investments establishing the retirement system's funding policy for the next 15 years. With completion of the June 30, 2008 retirement benefit actuarial valuation, the Funding Agreement's terms dictating funding policy, including the treatment of the STAR Reserve, became unenforceable. As such, the LACERA Board of Investments created a Retirement Benefit Funding Policy (Funding Policy) to provide LACERA's plan actuary direction in performing retirement benefit actuarial valuations.

In December 2009, the LACERA Board of Investments adopted this Funding Policy, which was later amended in February 2013 to conform to the new standards mandated in the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Funding Policy requires actuarial valuations to be performed annually to determine employer and employee contribution rates.

Member and Employer Contribution 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 thereafter 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 that varies by plan 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 benefits. 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. The normal cost is the portion of the actuarial present value of retirement benefits attributable to the current year of service. Amortization is payments made for prior year unfunded benefits not provided by future normal costs. The employer normal cost rate from the latest actuarial valuation as of June 30, 2021 slightly decreased from 10.89 percent to 10.88 percent, and the employers' required contribution rate to finance the UAAL decreased from 14.85 percent to 13.58 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 were set to be amortized over a maximum 22-year period and now have a period of 20 years or less, so they are fully amortized no later than 2042. Member contribution rates decreased for PEPRA members, with General Plan G moving down from 9.10 percent to 9.08 percent and Safety Plan C decreasing slightly from 14.42 percent to 14.33 percent, effective with the 2021 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. The impact of the increase was reduced by a three-year phase-in approach. The calculated total employer contribution rate effective July 1, 2021 would have been 25.74 percent but was reduced by 1.10 percent, resulting in an employer contribution rate of 24.64 percent.

The total employer contribution rate decreased 0.18 percent from the previous valuation as of June 30, 2020 (from 24.64 percent in 2021 to 24.46 percent 2022). This was primarily due to the recognition of the current year's investment gains being largely offset by the increase from the phase-in of the final portion of the 2019 assumption and method changes, where the recognition was deferred in the prior valuation. For the fiscal year beginning July 1, 2022, the 24.46 percent reflects the full three-year phase-in of increased employer contributions rate due to the new assumptions adopted based on the 2019 experience study.

Contribution Payments

For the fiscal years ended June 30, 2022 and June 30, 2021, Los Angeles County, including the Superior Court and LACERA, as well as the outside districts, paid their employer contributions and withholding of employee pension plan contributions due to LACERA in the form of cash payments. For the fiscal years ended June 30, 2022 and June 30, 2021, employer contributions totaled $2.2 billion and $2.0 billion, respectively, and member contributions totaled $759 million and $761 million, respectively.

Pension Plan Contributions

For the Fiscal Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Employers		
Los Angeles County[1]	**$2,122,282**	$1,940,715
Superior Court	**77,450**	72,021
Local Agency Formation Commission for the County of Los Angeles	**148**	133
South Coast Air Quality Management District[2]	**—**	—
Little Lake Cemetery District	**9**	8
Los Angeles County Office of Education[3]	**—**	—
Total Employer Contributions	**$2,199,889**	$2,012,877
Member Contributions[4]	**$758,632**	$760,994
Total Contributions	**$2,958,521**	$2,773,871

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

[2]South Coast Air Quality Management District has no active members contributing to the Pension Plan for the fiscal years ended 2022 and 2021.

[3]Los Angeles County Office of Education has no active members contributing to the Pension Plan for the fiscal years ended 2022 and 2021.

[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 Pension Plan 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 realized investment earnings. Deductions include annuity payments to retirees, contribution 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 realized investment 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 2021, additional STAR benefits were not provided. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2022 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 that 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 earnings and other revenues. Deductions include investment expenses; administrative expenses; 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, 2022 and 2021, the net investment realized earnings were applied as interest credits to the Reserve accounts in priority order as defined by the Funding Policy, leaving no available credits for the Contingency Reserve.

Pension Plan Reserves

As of June 30, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Member Reserves	**$25,804,263**	$24,646,373
Employer Reserves	**32,011,255**	29,026,898
STAR Reserve	**614,011**	614,011
Contingency Reserve	**—**	147,104
Total Reserves at Book Value	**$58,429,529**	$54,434,386
Unrealized Investment Portfolio Appreciation	**$11,860,083**	$18,577,640
Total Reserves at Fair Value[1]	**$70,289,612**	$73,012,026

[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 are established under the California Public Employees' Pension Reform Act of 2013 (PEPRA) and 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 are 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 actuary's recommendation upon completing 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 benefits 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. Benefit projections for financial reporting purposes are based on the adopted assumptions, actual Pension Plan demographics, 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 with rates 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 where it does not conflict with the paramount fiduciary duty to provide benefits to members and their beneficiaries.

The Total Pension Liability (TPL) as of June 30, 2022 was determined by completing a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2021, 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, 2021 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.
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 annual rate. This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2019 triennial experience study.
General Wage Growth and Projected Salary Increases	General wage growth: 3.25 percent. Projected salary increases: 3.51 percent to 12.54 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2019 triennial experience study.
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. 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 using the MP–2014 Ultimate Projection Scale for expected future mortality improvement. This assumption was adopted with the June 30, 2019 valuation.

Other Key Assumptions

Other key actuarial assumptions used to calculate the TPL as of the June 30, 2022 and 2021 measurement dates are the same as those used to prepare actuarial funding valuations for June 30, 2021 and 2020, respectively.

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 Fiduciary Net Position. For the *Schedule of Net Pension Liability and Related Ratios* and the *Schedule of Changes in Net Pension Liability and Related Ratios*, see the Required Supplementary Information Section.

The NPL is an accounting measurement for financial statement reporting purposes. The funded status of the Pension Plan is calculated separately by the consulting actuary and the results, along with other funding metrics, are included in the actuarial valuation report. The components of LACERA's (the Pension Plan's) NPL at fiscal year-end June 30, 2022 and 2021 were as follows:

Schedule of Net Pension Liability

For the Fiscal Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Total Pension Liability	**$83,931,424**	$80,303,904
Less: Fiduciary Net Position	**(70,289,612)**	(73,012,026)
Net Pension Liability	**$13,641,812**	$7,291,878
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.75%**	90.92%

The TPL increased from fiscal year 2021 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 increased primarily due to negative investment returns for the fiscal year ended June 30, 2022, compared to the expected investment return of 7.0 percent.

GASB 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 7.00 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 as prescribed by GASB, is equal to the long-term expected rate of return, plus administrative expenses.

GASB Discount Rate

For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
GASB Discount Rate	**7.13 %**	7.13 %
Long-Term Expected Rate of Return, Net of Expenses	**7.00 %**	7.00 %
Municipal Bond Rate	**N/A**	N/A

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, 2022, 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, 2021, based on the discount rate in effect for that year.

Sensitivity Analysis

For the Fiscal Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022			2021		
	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)	$95,318,250	$83,931,424	$74,528,252	$91,186,244	$80,303,904	$71,310,939
Less: Fiduciary Net Position	(70,289,612)	(70,289,612)	(70,289,612)	(73,012,026)	(73,012,026)	(73,012,026)
Net Pension Liability/(Asset)	**$25,028,638**	**$13,641,812**	**$4,238,640**	**$18,174,218**	**$7,291,878**	**($1,701,087)**

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 that is also 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 to LACERA 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 not reimbursed by the insurance companies. The reimbursements received are netted against the pension and annuity payments (i.e., Retiree Payroll) reported in LACERA’s financial statements. For the fiscal year ended June 30, 2022, LACERA paid $7.2 million to covered members and received $6.0 million in related reimbursements. For the fiscal year ended June 30, 2021, LACERA paid $9.3 million to covered members and received $7.6 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 establishes 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 of 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 make up 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, 2022 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 $12 million are excluded from this presentation.

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

As of June 30, 2022

(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	$6,255,435	$879,227	$—	$155,890	$1,305,060	$1,512	$160,929	$8,758,053	47.0%
Aa	—	—	5,371	31,004	61,253	2,179	22,574	122,381	0.7%
A	—	—	2,927	437,487	319,064	30,212	29,468	819,158	4.4%
Baa	—	—	2,233	353,497	384,886	51,425	85,349	877,390	4.7%
Ba	—	—	—	224,737	7,231	41,726	308,352	582,046	3.1%
B	—	—	—	1,148,664	—	161,666	579,043	1,889,373	10.1%
Caa	—	—	—	180,953	—	10,911	179,499	371,363	2.0%
Ca	—	—	—	527	—	11	3,552	4,090	—%
C	—	—	—	913	—	—	181	1,094	—%
Not Rated	—	538	—	227,747	4,718,362	42,658	215,661	5,204,966	28.0%
Total	**$6,255,435**	**$879,765**	**$10,531**	**$2,761,419**	**$6,795,856**	**$342,300**	**$1,584,608**	**$18,629,914**	**100.0%**

Note: Pooled Investments included within the Not Rated Quality Ratings represent investments in commingled funds. The Credit Quality Ratings table does not include holdings with commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

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 Investment	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 Credit Quality Ratings table does not include holdings with commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

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

As of June 30, 2022
(Dollars in Thousands)

Quality Ratings	Pooled Investments	Total	Percentage of Portfolio
Not Rated	$903,853	$903,853	100%
Total	**$903,853**	**$903,853**	**100%**

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%**

Note: Pooled Investments included with the Not Rated Quality Ratings 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, 2022
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Corporate Debt/ Credit Securities	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$131,127	$1,703	$4,385	$719	$137,934	80.4%
Aa	—	—	3,848	1,661	5,509	3.2%
A	—	—	24,432	1,301	25,733	15.0%
Not Rated	—	—	2,405	—	2,405	1.4%
Total	**$131,127**	**$1,703**	**$35,070**	**$3,681**	**$171,581**	**100.0%**

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%**

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 clearing house 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 investment managers seek to minimize the 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

For diversification purposes, all investment grade and liquid credit portfolios limit the exposure to a single issuer. This limitation is typically 5 percent, but does not apply to U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds and fund-of-one vehicles.

As of June 30, 2022, 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, investment manager guidelines require that the duration of all investment grade bond portfolios must remain within a range centered around the duration of the benchmark index. This range is currently plus or minus 25 percent of the benchmark duration. 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, 2022 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $12 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan

As of June 30, 2022

(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	$6,255,435	11.94
U.S. Government Agency	879,765	4.26
Municipal/Revenue Bonds	10,531	11.07
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$7,145,731**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$243,612	1.98
Corporate and Other Credit	2,540,329	2.06
Fixed Income Swaps and Options	(22,523)	N/A
Pooled Funds	6,795,856	2.06
Subtotal Corporate Bonds and Credit Securities	**$9,557,274**	
Non-U.S. Fixed Income	$342,300	1.49
Private Placement Fixed Income	1,584,609	3.91
Subtotal Non-U.S. and Private Placement Securities	**$1,926,909**	
Total Fixed Income Securities	**$18,629,914**	

Note: The Duration table does not include holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

[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, 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**	

Note: The Duration table does not include holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

[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, 2022

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
Pooled Investments	$903,853	3.24
Total Fixed Income Securities	**$903,853**	

[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 Custodial Fund

As of June 30, 2022
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries and U.S. Government Agency		
U.S. Treasuries	$131,127	1.86
U.S. Government Agency	$1,703	1.23
Subtotal U.S. Treasuries, and U.S. Government Agency	$132,830	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$6,790	0.88
Corporate and Other Credit	$28,280	1.69
Subtotal Corporate Bonds and Credit Securities	**$35,070**	
Private Placement Fixed Income	$3,681	1.46
Total Fixed Income Securities	**$171,581**	

[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.

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 investment 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 that are denominated in foreign currency. 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. The OPEB Trust did not hold any non-U.S. investment securities as of June 30, 2022.

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

As of June 30, 2022

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
AFRICA								
South African Rand	$ 69,825	—	—	—	—	—	—	**$69,825**
AMERICAS								
Brazilian Real	112,645	—	16	—	—	—	—	**112,661**
Canadian Dollar	1,137,585	2,809	139	—	—	—	9,570	**1,150,103**
Chilean Peso	7,402	—	—	—	—	—	—	**7,402**
Colombian Peso	3,410	—	—	—	—	—	—	**3,410**
Mexican Peso	40,657	—	13	—		—	—	**40,670**
ASIA								
Australian Dollar	491,289	1,362	388	—	—	6,076	19,148	**518,263**
Chinese Renminbi	74,796	—	—	—	—	—	—	**74,796**
Hong Kong Dollar	685,135	—	—	—	—	—	103	**685,238**
Indonesian Rupiah	39,514	—	—	—	—	—	—	**39,514**
Japanese Yen	1,072,284	—	1	—	—	—	60,069	**1,132,354**
Kuwaiti Dinar	13,986	—	—	—	—	—	—	**13,986**
Malaysian Ringgit	29,704	—	—	—	—	—	—	**29,704**
New Zealand Dollar	11,687	—	229	—	—	—	698	**12,614**
Philippine Peso	11,360	—	—	—	—	—	—	**11,360**
Singapore Dollar	68,379	—	7	—	—	—	914	**69,300**
South Korean Won	233,259	—	—	—	—	—	—	**233,259**
Taiwan Dollar	274,164	—	—	—	—	—	—	**274,164**
Thai Baht	35,390	—	—	—	—	—	—	**35,390**
EUROPE								
British Pound Sterling	1,039,875	15,545	8,072	387	—	133,152	33,291	**1,230,322**
Czech Republic Koruna	4,044	—	—	—	—	—	—	**4,044**
Danish Krone	191,042	—	1	—	—	—	1,957	**193,000**
Euro	1,737,692	121,041	14,562	316,344	142,469	910,380	28,222	**3,270,710**
Hungarian Forint	3,345	—	—	—	—	—	—	**3,345**
Norwegian Krone	78,572	—	—	—	—	—	2,964	**81,536**
Polish Zloty	11,781	—	—	—	—	—	—	**11,781**
Russian Ruble	31,651	—	—	—	—	—	—	**31,651**
Swedish Krona	188,247	—	—	—	—	—	8,410	**196,657**
Swiss Franc	459,145	—	—	—	—	—	3,875	**463,020**
MIDDLE EAST								
Egyptian Pound	2,259	—	—	—	—	—	—	**2,259**
Israeli New Shekel	58,557	—	512	—	—	—	1,831	**60,900**
Qatari Rial	24,773	—	—	—	—	—	—	**24,773**
Turkish Lira	7,552	—	—	—	—	—	—	**7,552**
UAE Dirham	32,384	—	—	—	—	—	—	**32,384**
Total Investment Securities Subject to Foreign Currency Risk	**$8,283,390**	**$140,757**	**$23,940**	**$316,731**	**$142,469**	**$1,049,608**	**$171,052**	**$10,127,947**

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	Real Assets	Private Equity Investments	Forward Contracts	Total
AFRICA								
South African Rand	$93,300	$—	$77	$—	$—	$—	$—	**$93,377**
AMERICAS								
Brazilian Real	136,024	—	465	—	—	—	7,304	**143,793**
Canadian Dollar	912,837	4,417	766	—	—	—	—	**918,020**
Chilean Peso	12,797	—	—	—	—	—	—	**12,797**
Colombian Peso	4,239	—	5	—	—	—	—	**4,244**
Mexican Peso	39,233	—	(57)	—	—	—	—	**39,176**
ASIA								
Australian Dollar	582,851	1,499	810	—	—	—	—	**585,160**
Chinese Renminbi	59,668	—	4	—	—	—	—	**59,672**
Hong Kong Dollar	938,568	—	699	—	—	—	3,978	**943,245**
Indonesian Rupiah	39,521	—	42	—	—	—	—	**39,563**
Japanese Yen	1,262,807	—	1,248	—	—	—	(82)	**1,263,973**
Kuwaiti Dinar	8,078	—	—	—	—	—	—	**8,078**
Malaysian Ringgit	59,046	—	131	—		—	—	**59,177**
New Zealand Dollar	46,880	261	12	—	—	—	787	**47,940**
Pakistan Rupee	2,405	—	—	—	—	—	—	**2,405**
Philippine Peso	12,804	—	3	—	—	—	—	**12,807**
Singapore Dollar	74,327	—	280	—	—	—	2,462	**77,069**
South Korean Won	361,381	—	342	—	—	—	19,887	**381,610**
Taiwan Dollar	334,686	—	96	—	—	—	—	**334,782**
Thai Baht	34,372	—	8	—	—	—	—	**34,380**
EUROPE								
British Pound Sterling	1,230,975	21,326	385	485	—	122,063	27,817	**1,403,051**
Czech Republic Koruna	3,588	—	—	—	—	—	—	**3,588**
Danish Krone	185,974	—	479	—	—	—	3,106	**189,559**
Euro	2,059,909	36,224	13,719	287,627	21,837	644,294	1,918	**3,065,528**
Hungarian Forint	6,162	—	—	—	—	—	—	**6,162**
Norwegian Krone	108,709	—	90	—	—	—	—	**108,799**
Polish Zloty	39,781	—	197	—	—	—	—	**39,978**
Russian Ruble	87,269	—	—	—	—	—	—	**87,269**
Swedish Krona	300,068	—	516	—	—	—	237	**300,821**
Swiss Franc	488,530	—	265	—	—	—	817	**489,612**
MIDDLE EAST								
Egyptian Pound	2,732	—	—	—	—	—	—	**2,732**
Israeli New Shekel	42,162	—	5	—	—	—	68	**42,235**
Qatari Rial	18,655	—	—	—	—	—	—	**18,655**
Turkish Lira	6,273	—	—	—	—	—	—	**6,273**
UAE Dirham	18,277	—	13	—	—	—	—	**18,290**
Total Investment Securities Subject to Foreign Currency Risk	**$9,614,888**	**$63,727**	**$20,600**	**$288,112**	**$21,837**	**$766,357**	**$68,299**	**$10,843,820**

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**

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 (borrowers), 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.

For the first half of fiscal year 2021, 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 the second half of fiscal year 2021, GSAL was terminated and its program was transferred to State Street Bank and Trust. By the end of June 2021 and throughout fiscal year 2022, State Street Bank and Trust was the sole manager of LACERA's securities lending program. Collateralization for fiscal years 2022 and 2021 is set on non-U.S. loans at a 105 percent minimum and on U.S. loans at a 102 percent minimum of the market value of securities on loan.

State Street Global Advisors (SSGA) 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 fair value of a security on loan rises, LACERA receives additional collateral. Conversely, if the fair 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, 2022 and 2021.

As of June 30, 2022, the fair value of securities on loan was $3.7 billion, with a value of cash collateral received of $1.4 billion and non-cash collateral of $2.5 billion. 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. LACERA's investment income, net of expenses from securities lending, was $11.1 million and $4.8 million for the fiscal years ended June 30, 2022 and 2021, 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, 2022 and 2021

(Dollars in Thousands)

	2022			
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark[1]**
U.S. Equity	$2,295,594	$862,637	$1,559,646	($17,143)
U.S. Fixed Income	958,823	438,042	575,808	15
Non-U.S. Equity	466,448	100,398	404,899	(5,842)
Total	**$3,720,865**	**$1,401,077**	**$2,540,353**	**($22,970)**

	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	52,943	600,317	(1,902)
Total	**$3,351,428**	**$1,198,529**	**$2,334,172**	**($3,126)**

[1]Calculated mark is performed daily. It is the amount LACERA will collect from the borrower (if the amount is positive) or payment to the borrower (if the amount is negative) to bring the collateralization to appropriate levels based on fair value.

NOTE I — Derivative Financial Instruments

Per LACERA's Investment Policy Statement, LACERA may employ derivative instruments to hedge or gain exposure to certain investments. A derivative is a financial instrument that derives its value from an underlying asset that represents direct ownership of a security or a direct obligation of an issuer. Derivatives may be exchange-traded or traded over the counter (OTC). LACERA expects that any use of derivatives by external managers must adhere to LACERA's policies and investment guidelines.

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, 2022

(Dollars in Thousands)

		Currency Forward Contracts			
Currency Name	**Options**	**Net Receivables**	**Net Payables**	**Swaps**	**Total Exposure**
Australian Dollar	$6	($885)	$20,033	$—	**$19,154**
Canadian Dollar	—	4	9,565	—	**$9,569**
Danish Krone	—	(244)	2,201	—	**1,957**
Euro	111	(3,955)	32,177	—	**28,333**
Pound Sterling	—	(3,333)	36,624	(1,209)	**32,082**
Hong Kong Dollar	—	(10)	113	—	**103**
Israeli New Shekel	—	(249)	2,080	—	**1,831**
Japanese Yen	—	(2,574)	62,643	—	**60,069**
New Zealand Dollar	—	(80)	778	—	**698**
Norwegian Krone	—	62	2,902	—	**2,964**
Singapore Dollar	—	(59)	973	—	**914**
Swedish Krona	—	(958)	9,369	—	**8,411**
Swiss Franc	5	448	3,427	—	**3,880**
Thai Bhat	3	—	—	—	**3**
Total	**$125**	**($11,833)**	**$182,885**	**($1,209)**	**$169,968**

Note: This Currency Forwards Analysis table does not include holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

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, 2022, classified by type, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Investment Derivatives

As of June 30, 2022
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$430,460	$—	$—	317,368
Commodity Futures Short	1,142	—	—	(91,650)
Credit Default Swaps Written	(8)	1	800	—
Fixed Income Futures Long	26,284	—	—	1,501,727
Fixed Income Futures Short	(41,163)	—	—	(47,984)
Fixed Income Options Bought	4	33	—	256
Fixed Income Options Written	(14)	(16)	—	(2,901)
Foreign Currency Futures Long	322	—	—	—
Foreign Currency Futures Short	1,026	—	—	(31,100)
Futures Options Bought	(26)	63	—	5
Futures Options Written	529	(909)	—	(737)
FX Forwards	468,148	171,052	6,305,275	—
Index Futures Long	(209,850)	—	—	317
Index Futures Short	214,373	—	—	(605)
Index Options Written	(118)	(719)	—	(102)
Receive Fixed Interest Rate Swaps	(1,798)	(1,868)	15,973	—
Rights	(271)	719	856	—
Total Return Swaps Bond	(2,614)	188	2,335	—
Total Return Swaps Equity	144,751	(21,416)	(223,615)	—
Warrants	(217)	891	76	—
Total	**$1,030,960**	**$148,019**	**$6,101,700**	**1,644,594**

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 Company.

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded OTC 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.

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, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Counterparty Credit Risk Analysis

As of June 30, 2022
(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America, N.A.	$370	A+	AA	Aa2
Bank of New York	157	A	AA-	A1
Barclays Bank PLC Wholesale	28	A	A+	A1
BNP Paribas, S.A.	166	A+	A+	Aa3
Citibank N.A.	2,340	A+	A+	Aa3
Credit Suisse International	29,573	A	A-	A1
Deutsche Bank AG	17,193	A-	BBB+	A2
Goldman Sachs Bank USA	237	BBB+	A	A2
Goldman Sachs International	24,111	A+	A+	A1
HSBC Bank PLC	28	A-	A+	A3
HSBC Bank USA	57	A+	AA-	Aa3
JP Morgan Chase Bank, N.A.	572	A+	AA	Aa2
Macquarie Bank Limited	16	A+	A	A2
Morgan Stanley and Co. LLC	831	A-	A	A1
Morgan Stanley Co Incorporated	347	A-	A	A1
Natwest Markets Plc	46,973	A-	A+	A2
Royal Bank of Canada	10	AA-	AA-	A1
Standard Chartered Bank	5	A+	A+	A1
State Street Bank And Trust Company	792	AA-	AA	Aa3
UBS AG	15,765	A+	AA-	Aa3
Westpac Banking Corporation	47,930	AA-	A+	Aa3
Total	**$187,501**			

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 commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Interest Rate Risk Analysis

As of June 30, 2022
(Dollars in Thousands)

Investment Type	Notional Value (Dollar)	Notional Shares (Units)	Fair Value	Investments Maturity (in Years): Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Written	$800	—	$1	$—	$—	$—	$1
Fixed Income Options Bought	—	256	33	33	—	—	—
Fixed Income Options Written	—	(2,901)	(16)	—	(5)	—	(12)
Receive Fixed Interest Rate Swaps	15,973	—	(1,868)	—	(938)	(930)	—
Total Return Swaps Bond	2,335	—	188	188	—	—	—
Total Return Swaps Equity	(223,615)	—	(21,416)	(21,951)	535	—	—
Total	**($204,507)**	**(2,645)**	**($23,078)**	**($21,730)**	**($408)**	**($930)**	**($11)**

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, 2022, the LACERA real estate portfolio held 32 title holding corporations (THCs) and 45 limited liability companies (LLCs). As of June 30, 2021, the portfolio held 34 THCs and 48 LLCs.

The total fair values of assets invested in THCs and LLCs as of June 30, 2022 and June 30, 2021 were $4.1 billion and $3.8 billion, respectively.

Debt Program

The investment managers for the Debt Program are Barings, LLC and Quadrant Real Estate Advisors, LLC. The total fair values of assets invested in these two Debt Program accounts as of June 30, 2022 and June 30, 2021 were $111 million and $157 million, respectively. The Debt Program is included in LACERA's Credit functional category portfolio. Per LACERA's Board-approved 2021 Credit Structure Review, the legacy Credit assets, which include the underlying assets within the Debt Program, will be liquidated over the natural life of the investments.

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

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 Space 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, the lessee, entered into its original lease agreement with the THC, as lessor, to occupy approximately 85,000 square feet of office space. LACERA's offices include facilities to conduct in-person services with members, workstations for LACERA staff, and meeting space to host in-person Board of Retirement and Board of Investment meetings. 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.

LACERA entered into the 17th Amendment with the THC to occupy 125,559 square feet of office space in December 2020. The 17th 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 this most recent lease agreement, LACERA is required to pay monthly rent for the new term, with a three-month period of 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 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 paid by LACERA were approximately $6.0 million and $2.9 million for the fiscal years ended June 30, 2022 and June 30, 2021, 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, subject to statutory limitations, 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, 2022 and June 30, 2021, 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. There were no COVID-19 expenses incurred under the emergency purchasing authority for the fiscal year ended June 30, 2022.

During the fiscal year, regular business operations resumed at LACERA's offices. LACERA staff returned to the office environment under a new hybrid work model whereby staff alternate on designated days between working in the office and working from home. During the prior fiscal year, LACERA made modifications to office space for staff safety and purchased supplies of personal protective equipment so there were no significant expenditures required to accommodate staff.

For the fiscal year ended June 30, 2022, total expenses for goods and services to address operational needs resulting from COVID-19 decreased to $66,000 as compared to the fiscal year ended June 30, 2021, when the amount spent was $347,000. The decrease in expenses was primarily due to a reduction of technology equipment purchases for the fiscal year ended June 30, 2022. LACERA's expenditures, including the COVID-19 related expenses, 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 years ended June 30, 2022 and June 30, 2021, as approved by the LACERA governing boards, in comparison to actual administrative expenses.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Basis for Budget Calculation, Actuarial Accrued Liability[1]	**$78,275,175**	**$74,635,840**
Maximum Allowable for Administrative Expenses	**164,378**	156,735
Total Statutory Budget Appropriation	**$164,378**	**$156,735**
Operating Budget Request	**114,807**	100,291
Administrative Expenses	**(100,121)**	(90,586)
Underexpended Operating Budget	**$14,686**	**$9,705**
Administrative Expenses	**100,121**	90,586
Basis for Budget Calculation, Actuarial Accrued Liability[1]	**$78,275,175**	$74,635,840
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.13%**	**0.12%**
Limit per CERL	**0.21%**	0.21%
Administrative Expenses	**100,121**	90,586
Net Position Restricted for Benefits	**$70,289,612**	$73,012,026
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.14%**	**0.12%**

[1]The 2022 and 2021 budget calculations are based on the Pension Plan actuarial accrued liability, as of June 30, 2020 and June 30, 2019, 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. For additional disclosures regarding litigation, please see Note A — Benefit Plan Descriptions. 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 whose securities are held within LACERA's 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 $197,000 and $211,000 for the fiscal years ended 2022 and 2021, respectively.

Office Space 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.

The lease agreement for LACERA's office space is also discussed in Note K — Related Party Transactions. The total rent expenses for leasing the building premises are $6.0 million and $2.9 million in fiscal years ended 2022 and 2021, respectively.

Capital Commitments

LACERA real estate, private equity, hedge fund, and activist investment managers identify and acquire investments on a discretionary basis. Investment policies are 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, 2022, capital commitments approved by LACERA's Board of Investments, which are outstanding to the various investment managers but not yet funded, totaled $8.0 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's Board of Retirement would administer the program subject to the terms and conditions of the agreement. In 1994, the County amended the Agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

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 benefits.

Since inception, the OPEB Program's 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, 2022 and 2021

	2022		2021	
	Medical	Dental/Vision	Medical	Dental/Vision
Retired Participants				
Retired Members and Survivors	54,065	55,772	52,832	54,262
Spouses and Dependents	27,684	31,811	26,867	30,825
Total Retired	**81,749**	**87,583**	**79,699**	**85,087**
Inactive Members — Vested	9,250	9,250	8,714	8,714
Active Members — Vested[1]	74,796	74,796	74,434	74,434
Total Membership Eligible for Benefits	**165,795**	**171,629**	**162,847**	**168,235**

[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, 2022 and 2021

	2022	2021
Retired with Eligibility for Death/Burial Benefits[2]	**61,931**	60,097
Total Retired	**61,931**	60,097
Inactive Members — Vested	**9,250**	8,714
Active Members — Vested[1]	**74,796**	74,434
Total Membership Eligible for Benefits	**145,977**	143,245

[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 a 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 employer. 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, 2021, valuation reflect the exclusion of the excise tax and the health insurer fees.

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 in the basic financial statements 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 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 actuarial 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. However, an agent plan structure 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 in the OPEB Trust, 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 — Other Post-Employment Benefits (OPEB) Trust.

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. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent. 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.

Premium Payments

During the fiscal years ended June 30, 2022 and 2021, respectively, healthcare premium payments of $671.1 million and $654.3 million were made to insurance carriers. These premiums were funded by employer subsidy payments of $623.0 million and participant payments of $48.1 million for the fiscal year ended 2022. The employer subsidy payments for the fiscal year ended 2021 were $605.7 million with participant payments of $48.6 million.

In addition, $88.2 million and $10.0 million were funded by employer subsidy payments for Medicare Part B reimbursements and death/burial benefits, respectively, for the fiscal year ended June 30, 2022, and $80.1 million and $9.3 million for these benefits, respectively, during the fiscal year ended June 30, 2021.

A premium holiday is a temporary period in which the monthly premium costs for both the program sponsors (i.e., County and participating employers) 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, 2022 and 2021.

NOTE O — Hedge Fund Investments

LACERA's Investment Policy Statement establishes the portfolio framework for and role of the hedge funds program. Diversified hedge funds comprise a variety of hedged investments, such as relative value, arbitrage, and long/short strategies within a diversified portfolio.

The status of LACERA's hedge fund program as of June 30, 2022 is as follows:

- LACERA is invested in eight hedge fund managers in the core hedge funds portfolio.
- LACERA is invested in five hedge fund emerging managers in the hedge funds emerging manager portfolio. LACERA's discretionary hedge funds emerging manager separate account manager, Stable Asset Management, selected five emerging managers during the last fiscal year.
- LACERA continues to have exposure with one hedge fund of funds manager, Grosvenor Capital Management (GCM). In 2019, LACERA initiated the full redemption of the GCM hedge fund of funds' portfolio. This portfolio began returning cash during the prior fiscal year and will continue to distribute cash in alignment with the liquidity terms of the portfolio or underlying managers. GCM is managing the redemption process of the GCM portfolio.

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, 2022 and June 30, 2021 were $4.4 billion and $2.7 billion, respectively.

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

The core portfolio, emerging manager portfolio, and GCM hedge funds of funds portfolio reside within Diversified Hedge Funds under the Risk Reduction and Mitigation functional asset category of LACERA's Total Fund. 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 (GASB 72), *Fair Value Measurement and Application*. GASB 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). 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; 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. Equity securities classified in Level 2 are not traded in the active market. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These matrix pricing techniques incorporate inputs such as yield, prepayment speeds, and credit spreads for fixed income securities. Derivative securities classified as Level 2 are securities whose values are either derived daily from associated securities that are traded or are determined by using a market approach that considers benchmark interest rates.

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 Funds, Private Equity, Real Assets, Real Estate, Equity, and Fixed Income Funds

Investments in hedge funds, private equity, real assets, 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, 2022 and 2021:

Investments and Derivative Instruments Measured at Fair Value — Pension Plan

As of June 30, 2022
(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	$243,612	$—	$243,612	$—
Corporate and Other Credit	2,540,329	—	2,486,407	53,923
Municipal / Revenue Bonds	10,531	—	10,531	—
Non-U.S. Fixed Income	342,300	—	311,667	30,632
Private Placement Fixed Income	1,584,609	—	1,584,451	158
U.S. Government Agency	879,765	—	879,765	—
U.S. Treasuries	6,255,435	—	6,255,435	—
Pooled Investments	541,639	541,639	—	—
Whole Loan Mortgages	11,873	—	—	11,873
Total Fixed Income Securities	**$12,410,093**	**$541,639**	**$11,771,868**	**$96,586**
Equity Securities				
Non-U.S. Equity	$8,839,445	$8,835,981	$11	$3,453
Pooled Investments	326,233	326,233	—	—
U.S. Equity	13,638,899	13,606,890	10,232	21,777
Total Equity Securities	**$22,804,577**	**$22,769,104**	**$10,243**	**$25,230**
Collateral from Securities Lending	**$1,401,077**	**$—**	**$1,401,077**	**$—**
Total Investments by Fair Value Level	**$36,615,747**	**$23,310,743**	**$13,183,188**	**$121,816**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$6,254,217			
Equity	1,660,096			
Hedge Funds	4,440,434			
Private Equity	12,753,842			
Real Estate	5,802,979			
Real Assets	1,363,252			
Total Investments Measured at NAV	**$32,274,820**			
Total Investments	**$68,890,567**			
Derivative Instruments				
Foreign Exchange Contracts	$171,052	$—	$171,052	$—
Foreign Fixed Income Derivatives	(18,746)	(12)	(18,734)	—
Foreign Equity Derivatives	1,242	1,242	—	—
U.S. Equity Derivatives	(1,195)	(1,195)	—	—
U.S. Fixed Income Derivatives	(3,778)	29	(3,807)	—
Total Derivative Instruments	**$148,575**	**$64**	**$148,511**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2022

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Funds[1]	$6,254,217	$857,195	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds[2]	1,660,096	—	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds[3]	4,440,434	381,198	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity[4]	12,753,842	4,822,028	Not Eligible	N/A
Real Estate[4]	5,802,979	334,665	Quarterly or Not Eligible	30 days+ or N/A
Real Assets[4]	1,363,252	1,618,103	Not Eligible	N/A
Total Investments Measured at NAV	**$32,274,820**			

[1]**Fixed Income Funds**: Nine fixed income funds 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. Approximately 80 percent of assets are available within 12 months; these funds provide daily, monthly or quarterly liquidity. Approximately 20 percent of the fund assets have liquidity beyond 12 months.

[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 five percent of Commingled Equity assets have liquidity subject to lock-up periods that limit or prohibit redemptions for the next three years.

[3]**Hedge Funds**: This portfolio consists of 13 current funds and two fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 62 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. Approximately 38 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, Real Assets, and Real Estate Funds**: LACERA's Private Equity portfolio consists of 272 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 funds are currently eligible for redemption. One of the funds may be eligible for redemption after three years, while the remaining 271 funds are ineligible for up to 10 years. The Real Assets portfolio consists of 17 funds, investing primarily in infrastructure and natural resources. Due to contractual limitations, none of the funds are eligible for redemption as the lock-up period is typically from 10-15 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 5 to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J — Special Purpose Entities.

Investments and Derivative Instruments 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	11,321,964			
Real Estate	5,294,150			
Real Assets	149,983			
Total Investments Measured at NAV	**$32,249,847**			
Total Investments	**$71,490,089**			
Derivative Instruments				
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 Derivative Instruments	**$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
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]	11,321,964	4,757,015	Not Eligible	N/A
Real Estate[4]	5,294,150	971,004	Quarterly or Not Eligible	30 days+ or N/A
Real Assets[4]	149,983	1,462,640	Not Eligible	N/A
Total Investments Measured at NAV	**$32,249,847**			

[1]**Fixed Income Funds**: Nine fixed income funds 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. 59 percent of the Fixed Income NAV assets have liquidity beyond 12 months; these funds provide daily, monthly, or quarterly liquidity. 38 percent of the fund assets have liquidity beyond 12 months. Two of the funds representing 3 percent of the Fixed Income NAV 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 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. 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.

[4]**Private Equity, Real Assets, 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, and co-investments. Due to contractual limitations, 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 Assets consist of 12 funds, investing primarily in infrastructure and natural resources. Due to contractual limitations, none of these funds are eligible for redemption as lock-up is typically from 10-15 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, 2022
(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	$238,854	$238,854	$—	$—
Total Fixed Income Securities	**$238,854**	**$238,854**	**$—**	**$—**
Total Investment by Fair Value Level	**$238,854**	**$238,854**	**$—**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$664,999			
Equity	1,199,773			
Real Estate Investment Trust (REIT)	241,168			
Total Investments Measured at NAV[1]	**$2,105,940**			
Total Investments	**$2,344,794**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2022
(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	$664,999	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,199,773	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	241,168	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV[1]	**$2,105,940**	**$—**		

[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 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	$656,331			
Equity	1,145,218			
Real Estate Investment Trust (REIT)	219,191			
Total Investments Measured at NAV[1]	**$2,020,740**			
Total Investments	**$2,258,608**			

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	$656,331	$—	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)	219,191	—	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 Fair Value — OPEB Custodial Fund

As of June 30, 2022
(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	$8,493	$—	$8,493	$—
Private Placement Fixed Income	3,681	—	3,681	—
Corporate and Other Credit	28,280	—	28,280	—
U.S. Treasuries	131,127	—	131,127	—
Total Fixed Income Securities	**$171,581**	**$—**	**$171,581**	**$—**
Total Investments by Fair Value Level	**$171,581**	**$—**	**$171,581**	**$—**

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	**$140,093**	**$—**	**$140,093**	**$—**

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

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. 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 unfunded OPEB liability. It provides a framework whereby the County contributes to the Trust with regular frequency and may transition, over time, to a prefunding model which will use OPEB Trust assets to pay retiree healthcare benefits. Under the existing pay-as-you-go model, the County 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. Assets held in the OPEB Trust are 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.

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 trust fund, the Court OPEB Trust, to prefund the Court's OPEB liabilities. 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 LACERA's Board of Investments as trustee and investment services provider.

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. The Court is the only employer participating in the Court OPEB Trust.

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 commitment 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 its inception, LACERA participated with the County in lock-step funding on a pro-rata basis. LACERA’s annual budget includes provisions for its 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.

LACERA OPEB Liability Funding

On April 22, 2022 at LACERA’s Joint Organizational Governance Committee meeting, LACERA revised its administrative budget policy to include additional OPEB Trust prefunding contributions at the discretion of LACERA’s Chief Executive Officer. The policy states that based upon a projected budget surplus, an additional OPEB contribution may be up to, but not exceed the OPEB contribution amount originally budgeted for that year; so, an administrative budget surplus can be used to double LACERA’s total OPEB prefunding contribution for the year. In June of 2022, LACERA’s Board of Retirement and Board of Investments approved the budget policy changes.

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 retiree healthcare program participants 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.

At the June 2021 Board meeting, the Board approved a new strategic asset allocation for the OPEB Master Trust that provides the same probability of achieving its target return, but with significantly lower volatility. Consistent with LACERA’s Investment Beliefs, the new strategic asset allocation also provides additional benefits of diversification by introducing private market assets into the portfolio structure.

The functional categories have final target weights of 45.0 percent in Growth, 18.0 percent in Credit, 20.0 percent in Real Assets and Inflation Hedges, and 17.0 percent in Risk Reduction and Mitigation. As part of the Board-approved, three-step implementation plan, the transition to the new target asset allocation will occur over time, with the second phase transpiring in the upcoming fiscal year.

Investment Concentrations

As of June 30, 2022, the OPEB Master Trust held approximately 50.0 percent in Growth, 20.0 percent in Credit, 10.0 percent in Risk Reduction and Mitigation, and 20.0 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, 2022, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses, was 11.8 percent. 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.

Schedule of Target Allocation

For the Fiscal Years Ended June 30, 2022 and 2021

Asset Class	2022 Target Allocation		2021 Target Allocation	
Growth	**50.0%**		**50.0%**	
Global Equity		50.0%		50.0%
Credit	**20.0%**		**20.0%**	
High Yield Bonds		6.0%		6.0%
Bank Loans		10.0%		10.0%
EM Local Currency Bonds		4.0%		4.0%
Risk Reduction & Mitigation	**10.0%**		**10.0%**	
Cash		2.0%		2.0%
Investment Grade Bonds		8.0%		8.0%
Real Assets & Inflation Hedges	**20.0%**		**20.0%**	
TIPS		6.0%		6.0%
Real Estate Investment Trusts (REITs)		10.0%		10.0%
Commodities		4.0%		4.0%

Contributions

The participating employers historically discharged their current healthcare premium subsidy obligations on a pay-as-you-go basis. LACERA bills the participating employers and members for healthcare premiums on a monthly basis and receives reimbursement. 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 funds in accordance with the terms of the Trust Agreement. Retiree healthcare program participants are required to pay the difference between the employer-paid subsidy and the actual premium cost.

For the fiscal year ended June 30, 2022, LACERA contributed a total of $3,131,000 to prefund LACERA's portion of OPEB benefits. This amount includes the originally funded contribution through LACERA's administrative budget, and an additional contribution based on a projected budget surplus for the fiscal year 2021–2022.

During fiscal years ended June 30, 2022 and 2021, the County, Superior Court, and LACERA made total prefunding contributions to the OPEB Trust of $376.4 million and $362.7 million respectively, in excess of the pay-as-you-go amounts, both of which are recorded as revenue within the OPEB Trust.

Administration

Contributions — OPEB Trust

For the Fiscal Years Ended June 30, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Los Angeles County	**$372,243**	$357,269
LACERA	**3,131**	1,477
Superior Court	**1,000**	3,955
Total Contributions[1]	**$376,374**	$362,701

[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-go contributions per GASB reporting requirements. Please see Note B — Summary of Significant Accounting Policies for additional information.

The OPEB Trust administration costs include payments for investment management fees, custodial fees, consultant fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $1.8 million and $1.6 million for fiscal years ended June 30, 2022 and 2021, respectively. The increase in costs was due to asset rebalancing and the addition of new investment accounts. These administrative costs are paid by the OPEB Trust.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2022 and 2021

	2022				
	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Total
Los Angeles County	$924,384	$212,539	$59,881	$449,217	$1,646,021
LACERA	3,657	841	237	29,948	34,683
Superior Court	24,143	5,482	1,558	119,791	150,974
Total Expenses	**$952,184**	**$218,862**	**$61,676**	**$598,956**	**$1,831,678**

	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**

Fund Values

OPEB Trust Fund additions include contributions from participating employers and investment income. Deductions include investment expenses, administrative expenses, and redemptions.

There were no redemptions made by OPEB Trust participating employers to pay benefits during the fiscal years ended June 30, 2022 and 2021. The OPEB Trust Fund values were as follows:

Fund Values — OPEB Trust

As of June 30, 2022 and 2021

(Dollars in Thousands)

	2022		
	Book Value	Unrealized Investment Appreciation	Fair Value
Los Angeles County	$2,073,137	$254,298	$2,327,435
LACERA	9,822	977	10,799
Superior Court	46,819	9,049	55,868
Total Balance	**$2,129,778**	**$264,324**	**$2,394,102**

	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**

NOTE R — Subsequent Events

Subsequent events have been evaluated by management through October 14, 2022, which is the date the financial statements were issued.

Schedule of Net Pension Liability and Related Ratios[1]

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2022	2021	2020	2019	2018
Total Pension Liability	**$83,931,424**	$80,303,904	$76,579,594	$70,309,252	$67,057,218
Less: Fiduciary Net Position	**(70,289,612)**	(73,012,026)	(58,510,408)	(58,294,837)	(56,299,982)
Net Pension Liability	**$13,641,812**	$7,291,878	$18,069,186	$12,014,415	$10,757,236
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.75%**	90.92%	76.40%	82.91%	83.96%
Covered Payroll[2]	**$9,100,791**	$9,062,051	$8,724,151	$8,370,050	$7,957,981
Net Pension Liability as a Percentage of Covered Payroll	**149.90%**	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%

[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.

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

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

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

	2022	2021	2020
Total Pension Liability			
Service Cost	**$1,583,222**	$1,499,597	$1,301,460
Interest on Total Pension Liability	**5,696,846**	5,433,409	5,154,164
Effect of Plan Changes	**—**	—	—
Effect of Assumption Changes or Inputs	**—**	—	2,626,103
Effect of Economic/Demographic (Gains) or Losses	**392,019**	605,566	794,955
CalPERS Transfer	**—**	—	—
Benefit Payments and Refund of Contributions	**(4,044,567)**	(3,814,262)	(3,606,340)
Net Change in Total Pension Liability	**$3,627,520**	$3,724,310	$6,270,342
Total Pension Liability — Beginning	**80,303,904**	76,579,594	70,309,252
Total Pension Liability — Ending (a)	**$83,931,424**	$80,303,904	$76,579,594
Fiduciary Net Position			
Contributions: Employer[2]	**$2,199,889**	$2,012,877	$1,800,137
Contributions: Metropolitan Transportation Authority	**—**	—	—
CalPERS Transfer	**—**	—	—
Contributions: Member[2]	**758,632**	760,994	659,296
Net Investment Income[3]	**(1,554,155)**	15,615,699	1,432,547
Net Miscellaneous Income	**3,898**	2,680	1,985
Benefit Payments and Refund of Contributions	**(4,044,567)**	(3,814,262)	(3,606,340)
Administrative Expenses[3]	**(86,111)**	(76,370)	(72,054)
Net Change in Fiduciary Net Position	**($2,722,414)**	$14,501,618	$215,571
Fiduciary Net Position — Beginning	**73,012,026**	58,510,408	58,294,837
Fiduciary Net Position — Ending (b)	**$70,289,612**	$73,012,026	$58,510,408
Net Pension Liability — Ending (a) - (b)	**$13,641,812**	$7,291,878	$18,069,186
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.75%**	90.92%	76.40 %
Covered Payroll[4]	**$9,100,791**	$9,062,051	$8,724,151
Net Pension Liability as a Percentage of Covered Payroll	**149.90%**	80.47%	207.12%

[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)

	2019	2018	2017
Total Pension Liability			
Service Cost	$1,239,396	$1,220,274	$1,106,755
Interest on Total Pension Liability	4,916,804	4,699,493	4,393,712
Effect of Plan Changes	—	—	—
Effect of Assumption Changes or Inputs	—	—	3,079,892
Effect of Economic/Demographic (Gains) or Losses	502,989	309,149	(47,506)
CalPERS Transfer	—	—	—
Benefit Payments and Refund of Contributions	(3,407,155)	(3,203,375)	(3,029,633)
Net Change in Total Pension Liability	$3,252,034	$3,025,541	$5,503,220
Total Pension Liability — Beginning	67,057,218	64,031,677	58,528,457
Total Pension Liability — Ending (a)	$70,309,252	$67,057,218	$64,031,677
Fiduciary Net Position			
Contributions: Employer[2]	$1,668,151	$1,524,823	$1,331,357
Contributions: Metropolitan Transportation Authority	—	—	2
CalPERS Transfer	—	—	—
Contributions: Member[2]	635,415	591,262	526,579
Net Investment Income[3]	3,163,618	4,705,949	6,129,300
Net Miscellaneous Income	5,626	5,163	6,182
Benefit Payments and Refund of Contributions	(3,407,155)	(3,203,375)	(3,029,633)
Administrative Expenses[3]	(70,800)	(67,491)	(66,830)
Net Change in Fiduciary Net Position	$1,994,855	$3,556,331	$4,896,957
Fiduciary Net Position — Beginning	56,299,982	52,743,651	47,846,694
Fiduciary Net Position — Ending (b)	$58,294,837	$56,299,982	$52,743,651
Net Pension Liability — Ending (a) - (b)	$12,014,415	$10,757,236	$11,288,026
Fiduciary Net Position as a Percentage of Total Pension Liability	82.91%	83.96%	82.37%
Covered Payroll[4]	$8,370,050	$7,957,981	$7,637,032
Net Pension Liability as a Percentage of Covered Payroll	143.54%	135.18%	147.81%

[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)

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

Schedule of Employer Contributions History — Pension Plan

Last 10 Fiscal Years

(Dollars in Thousands)

	2022[2]	**2021[2]**	**2020[2]**	**2019[2]**	**2018[2]**
Actuarially Determined Contributions	**$2,199,889**	$2,012,877	$1,800,137	$1,668,151	$1,524,823
Contributions in Relation to Actuarially Determined Contributions	**2,199,889**	2,012,877	1,800,137	1,668,151	1,524,823
Contribution Deficiency/(Excess)	**$—**	$—	$—	$—	$—
Covered Payroll[3]	**$9,100,791**	$9,062,051	$8,724,151	$8,370,050	$7,957,981
Contributions as a Percentage of Covered Payroll	**24.17%**	22.21%	20.63%	19.93%	19.16%

	2017[1,2]	**2016[2]**	**2015[2]**	**2014[2]**	**2013[1]**
Actuarially Determined Contributions	$1,331,357	$1,403,709	$1,455,718	$1,281,795	$1,172,014
Contributions in Relation to Actuarially Determined Contributions	1,331,357	1,403,709	1,455,718	1,281,795	1,172,014
Contribution Deficiency/(Excess)	$—	$—	$—	$—	$—
Covered Payroll[3]	$7,637,032	$7,279,777	$6,949,420	$6,672,886	$6,595,902
Contributions as a Percentage of Covered Payroll	17.43%	19.28%	20.95 %	19.21%	17.77%

[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

	2022	2021	2020	2019	2018
Annual Money-Weighted Rate of Return (Net of Investment Expense)[2]	**0.6%**	25.2%	1.4%	5.5%	9.0%

	2017	2016	2015	2014
Annual Money-Weighted Rate of Return (Net of Investment Expense)[2]	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, 2021 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	*Contribution Rates Effective Two Years After Valuation* 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, 2021 valuation are applied for the fiscal year July 1, 2022 to June 30, 2023.
Actuarial Cost Method	Individual entry age.
Investment Rate of Return	*Annual Rate of 7.0 Percent* Future investment earnings are assumed to accrue at an annual rate of 7.0 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2019 valuation.
Consumer Price Index	*Annual Rate of 2.75 Percent* This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2019 triennial experience study.
Salary Increases and Wage Growth	*Projected Salary Increases: 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 growth.
Asset Valuation Method	*Five-Year Asset Smoothing* Assets are valued using a five-year smoothing 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	*20-Year Amortization* 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, 2021 funding valuation includes 13 layers.

Key Methods and Significant Assumptions[1] continued

Description	Method
Retirement Age	*Various Rates and Probabilities* 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)	*Annual COLAs of 2.75 Percent or 2 Percent* Post-retirement benefit increases of either 2.75 percent or 2 percent per year are assumed for the valuation in accordance with statutory limits. This rate was adopted beginning with the June 30, 2016 valuation.
Mortality	*2019 SOA Mortality Tables for Public Employees* Various rates based on Pub-2010 mortality tables and using MP-2014 Ultimate Projection Scale. See the June 30, 2021 actuarial funding valuation report for details.
Recognition of Inflows/Outflows	*Straight-Line Amortization*
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.

Changes in Pension Plan Assumptions

In addition to the annual actuarial valuations, LACERA requires its consulting actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. An experience study was performed by the 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 reaffirmed some existing assumptions and adopted some new valuation assumptions with the approval of the 2019 experience study report. Those assumptions were used to prepare the June 30, 2019, 2020, and 2021 actuarial valuation reports.

Assumption changes from the June 30, 2016 experience study report are also presented 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 7.0 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 Investment Returns — OPEB Program[1]

For the Fiscal Years Ended June 30

	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense)[2]	**(11.8)%**	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, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Personnel Services		
Salaries and Wages	**$43,224**	$43,845
Employee Benefits	**28,499**	26,138
Total Personnel Services	**$71,723**	$69,983
Consultant & Professional Services		
County Department Services	**$461**	$346
External Audit Fees	**276**	315
Legal Consultants	**3,154**	1,179
Professional Services	**427**	438
Temporary Personnel Services	**5,085**	3,796
Total Consultant & Professional Services	**$9,403**	$6,074
Operating Expenses & Equipment		
Administrative Support	**$203**	$183
General Expenses	**891**	733
Computer Software	**3,478**	2,826
Disability Medical Service Fees	**2,240**	1,631
Educational Expenses	**599**	742
Equipment	**963**	1,720
Facilities Operations	**6,582**	3,750
Insurance	**1,096**	761
Printing	**808**	796
Postage	**971**	758
Telecommunications	**935**	605
Transportation and Travel	**229**	24
Total Operating Expenses & Equipment	**$18,995**	$14,529
Total Administrative Expenses	**$100,121**	$90,586

Schedule of Investment Expenses

For the Fiscal Years Ended June 30, 2022 and 2021

(Dollars in Thousands)

	Pension Plan		OPEB Master Trust		OPEB Custodial Fund	
	2022	2021	2022	2021	2022	2021
Investment Management Fees						
Cash and Short-Term	**$307**	$447	**$20**	$12	**$25**	$25
Commodity	**5,203**	4,029	**161**	111	**—**	—
Global Equity	**44,895**	38,304	**295**	229	**—**	—
Fixed Income	**81,465**	89,294	**1,857**	1,468	**90**	82
Hedge Fund	**99,075**	83,130	**—**	—	**—**	—
Private Equity	**260,426**	201,234	**—**	—	**—**	—
Real Assets	**22,565**	5,959	**—**	—	**—**	—
Real Estate	**50,674**	39,195	**148**	107	**—**	—
Total Investment Management Fees[1]	**$564,610**	$461,592	**$2,481**	$1,927	**$115**	$107
Other Investment Expenses						
Consultants	**$9,019**	$2,846	**$62**	$55	**$—**	$—
Custodian	**3,700**	2,504	**219**	270	**27**	11
Legal Counsel	**1,082**	1,263	**—**	—	**—**	—
Other[2]	**13,315**	27,582	**—**	—	**—**	—
Total Other Investment Expenses	**$27,116**	$34,195	**$281**	$325	**$27**	$11
Total Fees & Other Investment Expenses	**$591,726**	$495,787	**$2,762**	$2,252	**$142**	$118

[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 holdback 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, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Actuarial		
Actuarial Valuations and Consulting Services	**$219**	$248
Audit		
External Audit Services	**$276**	$314
Legal		
Investment Legal Counsel	**$1,082**	$1,263
Legislative Consulting	**256**	256
Other Legal Services	**2,899**	923
Subtotal	**$4,237**	$2,422
Management		
Management and Human Resources Consulting	**$38**	$23
Information Technology Consulting	**53**	47
Subtotal	**$91**	$70
Total Payments to Consultants	**$4,823**	$3,074

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