LIVE VIRTUAL COMMITTEE MEETING

DECEMBER 2, 2021 AT 9:00 AM

AUDIT COMMITTEE MEETING

TO VIEW VIA WEB

https://lacera.com/leadership/board-meetings

TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you would like to remain anonymous at the meeting without stating your name, please let us know.

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

AGENDA

A REGULAR MEETING OF THE AUDIT COMMITTEE

AND BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

9:00 A.M., THURSDAY, DECEMBER 2, 2021

This meeting will be conducted by the Audit Committee by teleconference under California Government Code Section 54953(e).

Any person may view the meeting online at
http://lacera.com/leadership/board-meetings

The Committee may take action on any item on the agenda and agenda items may be taken out of order.

2021 AUDIT COMMITTEE MEMBERS
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

AUDIT COMMITTEE CONSULTANT
Robert H. Griffin

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Audit Committee Meeting of August 26, 2021.

B. Approval of the Minutes of the Regular Audit Committee Meeting of October 21, 2021.

III. PUBLIC COMMENT

(Written Public Comment - You may submit written public comments by email to PublicComment@lacera.com. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

Verbal Public Comment - You may also request to address the Committee. A request to speak must be submitted via email to PublicComment@lacera.com. We will contact you with information and instructions as to how to access the meeting as a speaker. If you would like to remain anonymous at the meeting without stating your name, please let us know.)

IV. CONSENT ITEMS

A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute. (Memo dated November 15, 2021)

V. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, and Gabriel Tafoya, Senior Internal Auditor: That the Committee, in accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the Review of Chief Executive Officer's Credit Card Expenditures Audit to take the following action(s):

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
4. Provide further instruction to staff.
(Memo dated November 17, 2021)

V. NON-CONSENT ITEMS (Continued)

B. Recommendation as submitted by Joseph Kelly, Audit Committee Chair and Richard P. Bendall, Chief Audit Executive: The Audit Committee provide suggested revisions and/or approve the issuance of the Audit Committee Annual Report to the Boards and direct staff to issue the report to the boards at their respective January 2022 meetings. (Memo dated November 18, 2021)

C. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Audit Committee approve the engagement of IIA Quality Services, LLC to perform an External Quality Assessment of the Internal Audit Division (Memo dated November 12, 2021)

VI. REPORTS

A. Plante Moran's Audit Results

- Presentation of the Results of the Financial Audit by Michelle Watterworth, Partner, Jean Young, Partner, and Amanda Cronk, Senior Manager
- LACERA's 2021 Audited Financial Statements and Required Communications to those Charged with Governance for FYE June 30, 2021
- GASB 68 Disclosure Report, Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for FYE June 30, 2020
- GASB 75 Disclosure Report, Statement of Changes in Fiduciary Net Position by Employer for FYE June 30, 2020
(Memo dated November 8, 2021)

B. Management's Response to Plante Moran's Comments to Management
Santos H. Kreimann, Chief Executive Officer
Richard P. Bendall, Chief Auditor Executive
(Memo dated November 12, 2021)

C. FYE 2022 Audit Plan Status Report
Richard P. Bendall, Chief Audit Executive
Leisha E. Collins, Principal Internal Auditor
(Memo dated November 12, 2021)

VI. REPORTS (Continued)

D. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

E. Internal Audit Staffing Activity Report
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

F. Ethics Hotline Status Report
Richard P. Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor
(For Information Only) (Memo dated November 12, 2021)

VII. CONSULTANT COMMENTS
Robert H. Griffin, Audit Committee Consultant
(Verbal Presentation)

VIII. ITEMS FOR STAFF REVIEW

IX. GOOD OF THE ORDER
(For Information Purposes Only)

X. ADJOURNMENT

The Board of Retirement and Board of Investments have adopted a policy permitting any member of the Boards to attend a standing committee meeting open to the public. In the event five (5) or more members of either the Board of Retirement and/or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement and/or Board of Investments. Members of the Board of Retirement and Board of Investments who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. Except as set forth in the Committee's Charter, the only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

Documents subject to public disclosure that relate to an agenda item for an open session of the Board and/or Committee that are distributed less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the members of any such Board and/or Committee at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101 during normal business hours [e.g., 8:00 a.m. to 5:00 p.m. Monday through Friday].

Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE REGULAR MEETING OF THE AUDIT COMMITTEE OF THE

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

9:00 A.M., THURSDAY, AUGUST 26, 2021

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20.

PRESENT: Joseph Kelly, Chair

Shawn R. Kehoe, Vice Chair

Vivian H. Gray, Secretary (Joined the meeting at 9:03 a.m.)

Alan J. Bernstein

Keith Knox

Gina V. Sanchez (Joined the meeting at 9:07 a.m. and left the meeting at 10:34 a.m.)

ABSENT: Ronald A. Okum

MEMBERS AT LARGE

Patrick L. Jones

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Steve Rice, Chief Legal Counsel

STAFF, ADVISORS, PARTICIPANTS (Continued)

Richard Bendall, Chief Audit Executive

Leisha Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Kathryn Ton, Senior Internal Auditor

George Lunde, Senior Internal Auditor

Nathan Amick, Internal Auditor

Bernie Buenaflor, Quality Assurance Division Manager

Allan Cochran, Member Services Division Manager

Louis Gittens, Benefits Section Head

Kevin Hawkins, Benefits Retirement Specialist

Jenni Krengel, Buchalter ACP, Tax Counsel

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

The meeting was called to order virtually at 9:00 a.m. by Chair Kelly.

II. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Audit Committee Meeting of June 24, 2021.

Mr. Bernstein made a motion, Mr. Knox seconded, to approve the minutes of the Regular Audit Committee meeting of June 24, 2021. The motion passed (roll call) with Messrs. Bernstein, Kehoe, Knox, Kelly voting yes. Ms. Gray and Ms. Sanchez were absent from the vote.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. NON-CONSENT ITEMS (Ms. Gray joined the meeting at 9:03) (Ms. Sanchez joined the meeting at 9:07 a.m.)

A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, and Christina Logan, Principal Internal Auditor: That the Audit Committee approve the Revised Internal Audit Charter. (Memo dated August 17, 2021)

Mr. Bendall and Ms. Logan were present and answered questions from the Committee.

Mr. Knox made a motion, Mr. Kehoe seconded, to approve staff's recommendation to approve the Revised Internal Audit Charter. The motion passed (roll call) with Messrs. Bernstein, Kehoe, Knox, Kelly and Ms. Gray voting yes. Ms. Sanchez was absent from the vote.

V. REPORTS

A. Internal Audit Annual Performance Report FYE June 30, 2021
Richard P. Bendall, Chief Audit Executive
Leisha Collins, Principal Internal Auditor
Christina Logan, Principal Internal Auditor
(Presentation) (Memo dated August 18, 2021)

Mr. Bendall and Ms. Logan were present and answered questions from the Committee. This item was received and filed.

B. FYE 2022 Internal Audit Goals
Richard P. Bendall, Chief Audit Executive
Leisha E. Collins, Principal Internal Auditor
(Memo dated August 16, 2021)

Mr. Bendall and Ms. Collins were present and answered questions from the Committee. This item was received and filed.

V. REPORTS (Continued)

C. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

Mr. Bendall provided a verbal update and answered questions from the Committee.

This item was received and filed.

D. Internal Audit Staffing Activity Report
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

Mr. Bendall provided a verbal update and answered questions from the Committee.

This item was received and filed.

E. Ethics Hotline Overview
Richard P. Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor
(For Information Only) (Memo dated August 13, 2021)

This item was received and filed.

F. FYE 2022 Audit Plan Status Report
Richard P. Bendall, Chief Audit Executive
Leisha Collins, Principal Internal Auditor
(For Information Only) (Memo dated August 13, 2021)

This item was received and filed.

G. 2021 Annual Audit Committee Calendar
Richard P. Bendall, Chief Audit Executive
Leisha E. Collins, Principal Internal Auditor
(For Information Only) (Memo dated July 30, 2021)

This item was received and filed.

VI. CONSULTANT COMMENTS
Robert H. Griffin, Audit Committee Consultant
(Verbal Presentation)

Mr. Griffin provided brief comments to the Committee.

VII. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

VIII. GOOD OF THE ORDER

The Committee thanked staff for their work.

IX. EXECUTIVE SESSION

A. Conference with Legal Counsel – Anticipated Litigation
Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9) and Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

No. Of Cases: 1

The Committee met in Executive Session pursuant to Government Code Section 54956.9 (d). There was nothing to report.

B. Performance Evaluation – Chief Audit Executive Goals Report
(Pursuant to Government Code Section 54957(b)(1)]
(FOR AUDIT COMMITTEE ONLY PER COUNTY SALARY ORDINANCE 6.127.040.S.1)

Title: Chief Audit Executive

The Committee met in Executive Session with staff regarding the Chief Audit Executive’s performance evaluation and goals report. There was nothing to report.

X. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 10:53 a.m.

(Supplemental Information (Information provided to the Trustees prior to the meeting)

1. Internal Audit Annual Performance Report FYE June 30, 2021
   (Provided revisions to slide 11 of the presentation)

MINUTES OF THE REGULAR MEETING OF THE AUDIT COMMITTEE OF THE

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

9:00 A.M., THURSDAY, OCTOBER 21, 2021

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20.

PRESENT: Joseph Kelly, Chair

Shawn R. Kehoe, Vice Chair

Vivian H. Gray, Secretary

Alan J. Bernstein

Elizabeth Ginsberg (Chief Deputy to Keith Knox)

Gina V. Sanchez

ABSENT: Keith Knox

Roland A. Okum

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis Lugo, Deputy Chief Executive Officer

Laura Guglielmo, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

Steve Rice, Chief Legal Counsel

Richard Bendall, Chief Audit Executive

STAFF, ADVISORS, PARTICIPANTS (Continued)

Leisha Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Kathryn Ton, Senior Internal Auditor

George Lunde, Senior Internal Auditor

Nathan Amick, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Bob Schlofelt, Interim Chief Information Security Officer

Bernie Buenaflor, Quality Assurance Division Manager

Louis Gittens, Benefits Section Head

Kevin Hawkins, Benefits Retirement Specialist

Summy Voong, Interim Assistant Information System Manager

Kathy Delino, Interim Systems Division Manager

Sarah Pavelek, Engagement Partner, Plante Moran

Jenny Trotta, Engagement Sr. Manager, Plante Moran

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

The meeting was called to order virtually at 9:00 a.m. by Chair Kelly.

II. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Special Audit Committee Meeting of August 26, 2021.

This item was returned to staff and will be placed for approval at the December 2, 2021 Audit Committee Meeting.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. CONSENT ITEMS

A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Audit Committee approves that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Board and its Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Board and its Committees shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.
(Memo dated October 14, 2021)

Mr. Rice was present to answer questions from the Committee.

Mr. Kehoe made a motion, Mr. Kelly seconded, to approve staff's recommendation and to add this to the Consent agenda in future meetings. The motion passed (roll call) with Messrs. Bernstein, Kehoe, Kelly, Ms. Gray, and Ms. Sanchez voting yes.

V. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha E. Collins, Principal Internal Auditor and Christina Logan, Principal Internal Auditor: That the Audit Committee approve the engagement of IIA Quality Services, LLC to conduct the External Quality Assessment of the Internal Audit Division. (Memo dated October 13, 2021)

Mr. Bendall was present to answer questions from the Committee.

Mr. Kehoe made a motion, Ms. Gray seconded, for staff to develop an RFP Review Committee that does not consist of majority of Internal Audit to review the RFPs submitted and resubmit recommendations to the Committee. Also, for the Chair to have

V. NON-CONSENT ITEMS (Continued)

the opportunity to survey the Committee and see if any trustees are interested in participating in this RFP process. The motion passed (roll call) with Messrs. Bernstein, Kehoe, Kelly, Ms. Gray and Ms. Sanchez voting yes.

B. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive, Leisha Collins, Principal Internal Auditor, Christina Logan, Principal Internal Auditor, and Kathryn Ton, Senior Internal Auditor: That the Audit Committee approve engagement of Eide Bailly, LLC to perform an external review of the Human Resources Division's recruiting process (Memo dated October 14, 2021)

Ms. Ton was present to answer questions from the Committee.

Mr. Bernstein made a motion, Ms. Sanchez seconded, to approve staff's recommendations. The motion passed (roll call) with Messrs. Bernstein, Kehoe, Kelly, Ms. Gray and Ms. Sanchez voting yes.

VI. REPORTS

A. Recommendation Follow-Up
Richard P. Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor
(Memo dated October 13, 2021)

Messrs. Tafoya, Bendall, Lugo and Kreimann were present and answered questions from the Committee. This item was received and filed.

B. Recommendation Follow-Up Sensitive Information Technology Areas
Richard P. Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(Memo dated October 13, 2021)

Mr. Tafoya was present and answered questions from the Committee. This item was received and filed.

VI. REPORTS (Continued)

C. Recommendation Follow-Up KPMG's External Quality Assessment (EQA)
Richard P. Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor
(Memo dated October 12, 2021)

Ms. Logan was present and answered questions from the Committee. This item was received and filed.

D. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

Mr. Bendall was present and answered questions from the Committee. This item was received and filed.

E. Ethics Hotline Status Report
Richard P. Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor
(For Information Only) (Memo dated October 13, 2021)

Ms. Ton was present and answered questions from the Committee. This item was received and filed.

F. FYE 2022 Audit Plan Status Report
Richard P. Bendall, Chief Audit Executive
Leisha Collins, Principal Internal Auditor
(For Information Only) (Memo dated October 13, 2021)

Ms. Collins was present and answered questions from the Committee. This item was received and filed.

VI. CONSULTANT COMMENTS
Robert H. Griffin, Audit Committee Consultant
(Verbal Presentation)

Mr. Griffin provided comments to the Committee.

VII. REPORT ON STAFF ACTION ITEMS

There was nothing to report.

VIII. GOOD OF THE ORDER

The Committee thanked staff for their work.

IX. EXECUTIVE SESSION

A. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957)
Consultation with: Sarah Pavelek, Plante Moran Engagement Partner; Jenny Trotta, Plante Moran Engagement Senior Manager; Terry Olejnik, AICPA Colleague Partner; Richard Bendall, LACERA Chief Audit Executive; Christina Logan, Principal Internal Auditor; Santos H. Kreimann, Chief Executive Officer; Luis A. Lugo, Deputy Chief Executive Officer; Kathy Delino, Systems Division Interim Manager; Bob Schlotfelt, Chief Information Security Officer; and Other LACERA Staff.

The Committee met in Executive Session pursuant to Government Code Section 54957 (a). There will be a closed session follow-up regarding certain information technology issues at an upcoming OOC meeting.

B. Conference with Legal Counsel – Anticipated Litigation
Significant Exposure to Litigation (Pursuant to Paragraph (2) of Subdivision (d) of California Government Code Section 54956.9) and Initiation of Litigation (Pursuant to Paragraph (4) of Subdivision (d) of California Government Code Section 54956.9)

No. Of Cases: 1

The Committee met in Executive Session pursuant to Government Code Section 54956.9 (d). The Committee took action, which will be reported out at a later date under the Brown Act.

IX. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 10:15 a.m.

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November 15, 2021

TO: Each Trustee,
Audit Committee

FROM: Steven P. Rice, SPR
Chief Counsel

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: Approval of Teleconference Meetings Under AB 361 and Government Code Section 54953(e)

RECOMMENDATION

That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.

LEGAL AUTHORITY

Under Section VI of its Charter, the Audit Committee controls its own meeting schedule and specifically "has such other powers as provided in the Brown Act." This authority includes the ability to manage the scheduling and manner of Committee meetings and to evaluate and act on legal options for the conduct of such meetings, such as whether to invoke teleconferencing of meetings under the terms and conditions provided in AB 361 and Government Code Section 54953(e) of the Brown Act to protect the health and safety of Trustees, staff, and the public. The Audit Committee previously took action under the statute at its October 21, 2021 meeting, which is more than 30 before the December 2, 2021 Committee meeting thereby requiring new findings.

DISCUSSION

A. Summary of New Law.

Section 54953(b)(3), as in effect since before the COVID-19 pandemic, provides for a teleconference meeting if: the agenda is posted at each teleconference location; the agenda identifies all teleconference locations; teleconference locations are accessible to the public and allow for public participation; a quorum of Trustees is located in Los Angeles County; and all votes are by roll call.

The Governor's Executive Order No. N-29-20, issued on March 17, 2020, relaxed these teleconference rules during the COVID-19 State of Emergency. LACERA, including the Audit Committee, held teleconference meetings throughout the pandemic under the authority of Order No. N-29-20. On June 11, 2021, the Governor issued Executive Order No. N-08-21 providing that the relaxed rules would expire on September 30, 2021, when the regular rules of Section 54953(b) described above would again be in effect.

On September 16, 2021, the Governor signed AB 361 which enacted new Government Code Section 54953(e) of the Brown Act to put in place, effective immediately and through December 31, 2023, new relaxed teleconferencing rules that may be invoked by local legislative bodies, such as the Audit Committee, upon making certain findings and following certain agenda and public comment requirements.

Specifically, Section 54953(e)(3) provides that the Committee may hold a teleconference meeting without the need to comply with Section 54953(b)(3) if a state of emergency under Section 8625 of the California Emergency Services Act remains active or state or local officials have imposed or recommended social distancing rules, provided that the Committee, within 30 days of the first teleconference meeting and every 30 days thereafter (or at its next meeting), makes the following findings by majority vote:

(A) The Committee has considered the circumstances of the state of emergency;

(B) Any of the following circumstances exist:

- (i) The state of emergency continues to directly impact the ability of the Trustees to meet safely in person; and/or
- (ii) State or local officials continue to impose or recommend measures to promote social distancing.

If the Committee makes the required findings, the Committee may hold teleconference meetings for 30 days without the need to comply with the regular rules of Section 54953(b)(3), provided that: agendas are prepared and posted under the Brown Act; members of the public may access the meeting via a call-in option or an internet-based service option; and the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment.

B. Information Supporting the Required Findings and Process if the Audit Committee Determines to Invoke Section 54953(e).

The Governor's State of Emergency for the COVID-19 pandemic as declared in the Proclamation of a State of Emergency dated March 4, 2020 remains active. The Proclamation was issued under the authority of Section 8625 of the California Emergency Services Act.

The Los Angeles County Department of Public Health maintains guidance to "Keep your distance. Use two arms lengths as your guide (about 6 feet) for social distancing with people outside your household when you are not sure that they are vaccinated." http://publichealth.lacounty.gov/acd/ncorona2019/reducingrisk/. The County Public Health Department also maintains guidance that employers should, "Implement policies and practices that support physical distancing: Whenever possible, take steps to reduce crowding indoors and enable employees and customers to physically distance from each other. Generally, at least 6 feet of distance (2 arm lengths) is recommended, although this is not a guarantee of safety, especially in enclosed or poorly ventilated spaces." http://publichealth.lacounty.gov/acd/ncorona2019/bestpractices/.

The Centers for Disease Control and Prevention (CDC) also still advise the public that, "Outside your home: Put 6 feet of distance between yourself and people who don't live in your household." https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html#stay6ft%20.

The pandemic continues to present a significant health risk, as the virus presents itself in different variants. LACERA has not yet returned to the office. Management is finalizing return to office vaccination and testing protocols to ensure the safety of LACERA employees, members, and others, including Trustees.

Under these circumstances, the Audit Committee may reasonably conclude and find that teleconferencing under Section 54953(e) is appropriate for the Committee meetings, if any, during the next 30 days because (1) the state of emergency continues to directly impact the ability of the Trustees to meet safely in person, and (2) the County and other authorities continue to recommend measures to promote social distancing, as required by the statute.

If the Committee makes these findings and directs teleconferencing under Section 54953(e), procedures exist and will be implemented to ensure compliance with the agenda and public comment requirements of the statute, as stated above. The Board of Retirement and Board of Investments acted upon the required findings at their October and November meetings, and as noted the Audit Committee took action at its October 21, 2021 meeting. This item is brought to the Committee for separate action because the Committee functions independently under its Charter, as explained above, with respect to the conduct of its meetings under the Brown Act. Going forward, so long as the State of Emergency remains in effect, this item will appear on Audit Committee agendas.

CONCLUSION

Based on the above information, staff recommends that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute.

c: Santos H. Kreimann
Luis Lugo
Richard Bendall
JJ Popowich
Laura Guglielmo
Carly Ntoya
Leisha Collins
Christina Logan

L//CERA

November 17, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

Gabriel Tafoya GT
Senior Internal Auditor

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: **Review of Chief Executive Officer's Credit Card Expenditures**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the above engagement report to take the following action(s):

1. **Accept and file report;**
2. **Instruct staff to forward report to Boards or Committees;**
3. **Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings: and/or**
4. **Provide further instruction to staff.**

ENGAGEMENT REPORTS

A. Review of Chief Executive Officer's Credit Card Expenditures
Richard P. Bendall, Chief Audit Executive
Gabriel Tafoya, Senior Internal Auditor
(Report Date: November 17, 2021)

B. Review of Chief Executive Officer's Credit Card Expenditures
Version with Audit Committee Comments & Internal Audit Responses
(Report Date: November 17, 2021)

RPB:gt

LACERA INTERNAL AUDIT DIVISION

Review of Chief Executive Officer's Credit Card Expenditures

November 17, 2021

PERFORMED BY:

Gabriel Tafoya, CISA
Senior Internal Auditor

AUDIT REPORT

Audit Name:	Review of Chief Executive Officer's Credit Card Expenditures
Responsible Division:	Executive Office and Financial & Accounting Services Division
Audit Rating:	Satisfactory
Prior Audit Rating*:	Not Applicable
Prior Report Date:	Not Applicable

BACKGROUND

LACERA maintains a Corporate Credit Card (Corporate Card) Program (Program) to facilitate the purchase of items described and permitted within its Corporate Credit Card Policy (Policy) which was last updated in 2019.

Cardholders are responsible for ensuring:

- Purchases are compliant with the Policy
- The corporate card is kept secure
- Required documentation is maintained to substantiate the purchase
- Monthly reconciliation is complete and submitted timely
- Monthly sign-off in the Bank of America Online Works System (BofA Works) is complete and submitted timely

The cardholder's manager is responsible for verifying that all charges are legitimate and conform to the Policy and approving the charges in BofA Works.

The Financial & Accounting Services Division FASD) is responsible for administering the Program, including providing a high-level review of expenditures and coding the expenditures to the general ledger.

Since the Chief Executive Officer's (CEO) corporate card expenditures are not reviewed and approved by a manager, Internal Audit has established an annual compliance audit of the CEO's expenditures to ensure compliance with the Policy. This is the first compliance audit.

OBJECTIVE AND SCOPE

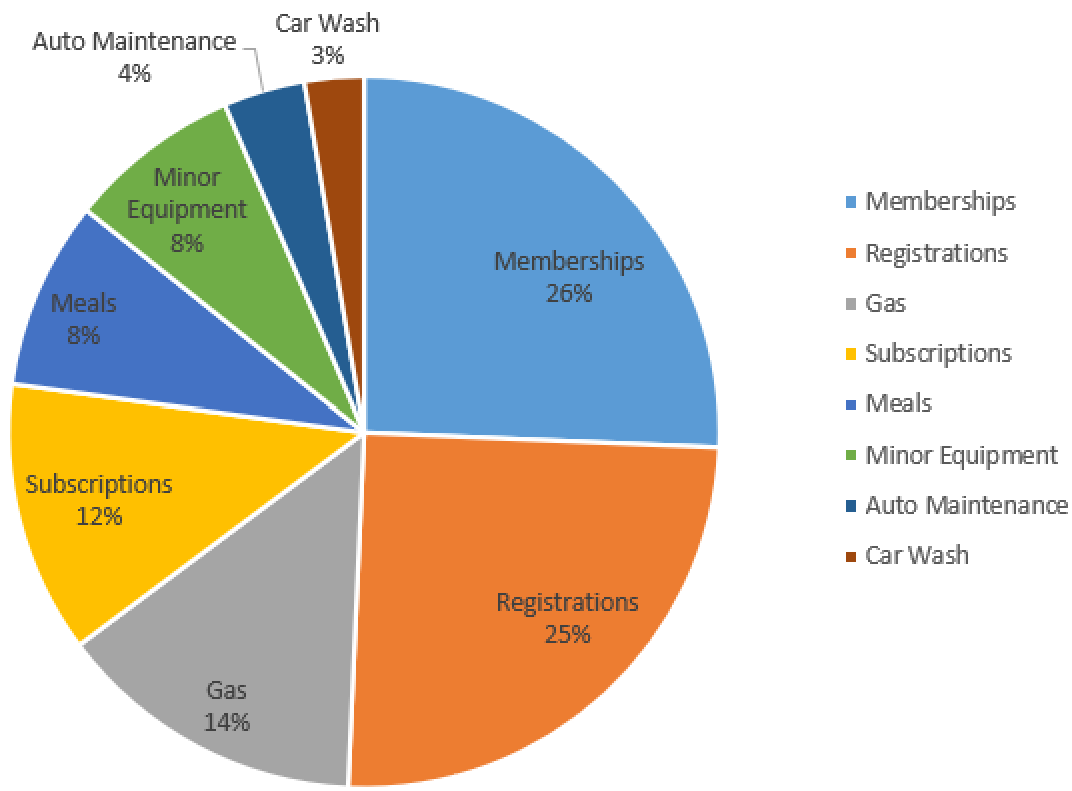
After preliminary research and analysis, including an engagement-level risk assessment, the objective(s) of this audit were to assess the CEO's compliance with the Policy.

Engagement scope included review of 100% credit transactions occurring between July 1, 2020 – June 30, 2021.

RESULTS

The CEO's 34 expenditures totaled $4,150.29 for the fiscal year 2020 – 2021.

The matrix below shows the percentage of spending by category.



Through our testing and analysis of 34 expenditures for the audit period, we determined that all CEO expenditures were compliant with the Policy. There were some areas for improvement noted that were verbally communicated to the CEO and FASD staff.

This review was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

AUDIT RATING AND SUMMARY OF FINDINGS

Based on the testing performed, compliance with the Policy for the CEO's credit card expenditures is satisfactory. We found all the charges were reasonable and conformed to the Policy, and the documentation adhered to the Policy requirements. No material exceptions were noted; therefore, no findings were issued.

We thank the Executive Office and the FASD staff for their cooperation and assistance with this audit.

REVIEWED AND APPROVED

Richard P. Bendall
Chief Audit Executive

Date: November 17, 2021

REPORT DISTRIBUTION

2021 Audit Committee	Santos H. Kreimann, CEO	Luis Lugo, Deputy CEO
Ted Granger, Interim CFO	J.J. Popowich, AEO	Laura Guglielmo, AEO
2021 Plante Moran Audit Team	Robert H. Griffin, Audit Committee Consultant	Internal Audit Group

APPENDIX 1
AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

Satisfactory

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit to maintain or enhance the control environment.

Opportunities for Improvement

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

Unsatisfactory

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

APPENDIX 2
FINDING'S RISK RATING SCALE

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	Noncompliance with applicable Federal or state laws or LACERA's policies	High probability for external audit issues and/or negative public perception	Important critical business process identified by Exec Office Requires immediate attention
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	Potential for external audit issues and/or negative public perception	Relatively important May or may not require immediate attention
Low	Low financial impact to LACERA or members	Internal controls in place but not consistently efficient/effective Implementing / enhancing controls could prevent future problems	General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist	Low probability for external audit issues and/or negative public perception	Lower significance Does not require immediate attention

LACERA INTERNAL AUDIT DIVISION

Review of Chief Executive Officer’s Credit Card Expenditures

Version with Audit Committee Comments & Internal Audit Responses

November 17, 2021

PERFORMED BY:

Gabriel Tafoya, CISA
Senior Internal Auditor

AUDIT REPORT

Audit Name:	Review of Chief Executive Officer's Credit Card Expenditures
Responsible Division:	Executive Office and Financial & Accounting Services Division
Audit Rating:	Satisfactory
Prior Audit Rating*:	Not Applicable
Prior Report Date:	Not Applicable

BACKGROUND

LACERA maintains a Corporate Credit Card (Corporate Card) Program (Program) to facilitate the purchase of items described and permitted within its Corporate Credit Card Policy (Policy) which was last updated in 2019.

Cardholders are responsible for ensuring:

- Purchases are compliant with the Policy
- The corporate card is kept secure
- Required documentation is maintained to substantiate the purchase
- Monthly reconciliation is complete and submitted timely
- Monthly sign-off in the Bank of America Online Works System (BofA Works) is complete and submitted timely

The cardholder's manager is responsible for verifying that all charges are legitimate and conform to the Policy and approving the charges in BofA Works.

The Financial & Accounting Services Division FASD) is responsible for administering the Program, including providing a high-level review of expenditures and coding the expenditures to the general ledger.

Since the Chief Executive Officer's (CEO) corporate card expenditures are not reviewed and approved by a manager, Internal Audit has established an annual compliance audit of the CEO's expenditures to ensure compliance with the Policy. This is the first compliance audit.

AC QUESTION: Santos isn't the first CEO. What did you do for Gregg and Rob if anything?

RESPONSE: Internal Audit has conducted credit card expenditure audits on a routine basis since the program began. This is the first time we have performed a focused review of the CEO's credit card expenses to add an additional layer of assurance. In prior audits, the CEO's credit card charges were included in the comprehensive transaction data set obtained and sampled. Any and all credit card transactions are subject to review during an audit and at any time.

OBJECTIVE AND SCOPE

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The CEO's 34 expenditures totaled $4,150.29 for the fiscal year 2020 – 2021.

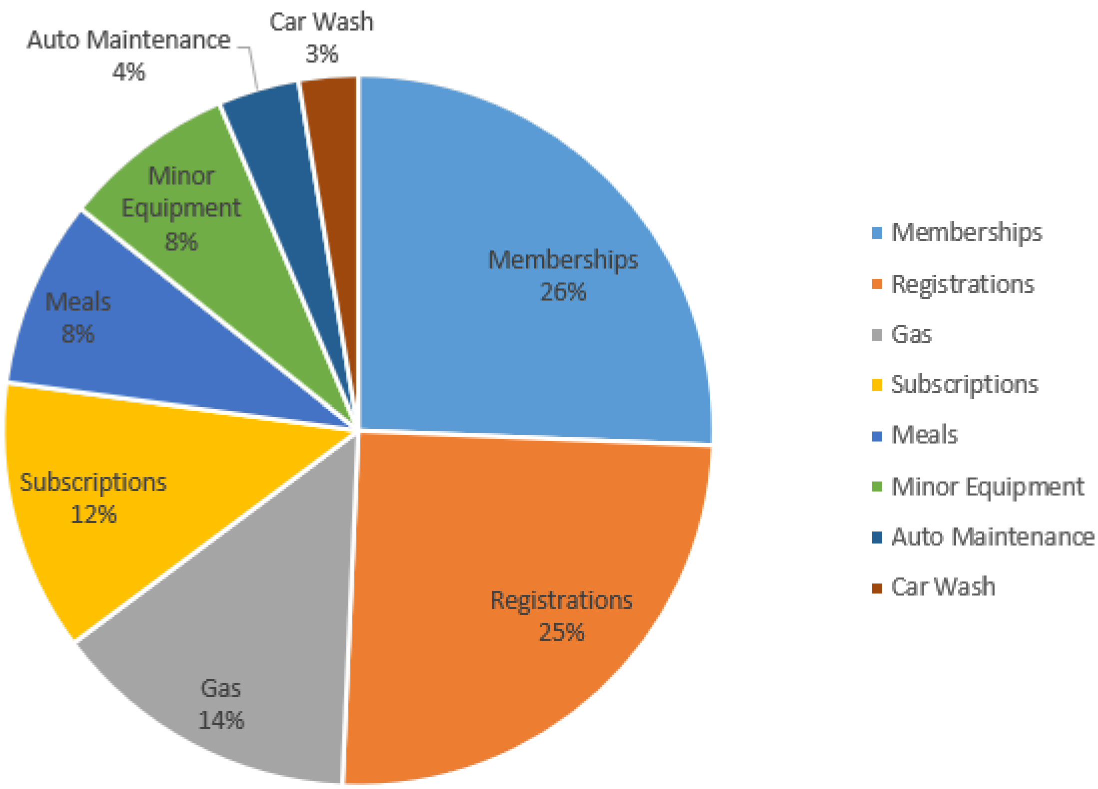
The graph below shows the percentage of spending by category.

AC QUESTION: The CEO began employment with LACERA in 2019. At the time, LACERA allowed for the purchase of cars powered with gas? Is that still the same policy today? Is the car leased? If so, why did he incur maintenance charges?

RESPONSE: This project was a compliance audit of the CEO's credit card expenditures. The parameters guiding the purchase of LACERA vehicles were not within the scope of our work. The maintenance charge was a valid expenditure to repair a cracked windshield.

AC QUESTION: What testing did you do to get comfortable that all the gas was purchased for the LACERA car and not another vehicle?

RESPONSE: During our engagement level risk assessment and our testing, we did not identify fraudulent or potentially suspicious purchases, or red flags. Therefore, no specific testing was done to ensure the gas was purchased for a LACERA vehicle. Based on the annual expenditures for gasoline of $584.68, we calculated the weekly average to be $11.24.



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L///.CERA

November 18, 2021

TO: 2021 Audit Committee Members

Audit Committee Consultant
Robert H. Griffin

FROM: Joseph Kelly JK
Audit Committee Chair

Richard P. Bendall RPB
Chief Audit Executive

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: **Audit Committee Annual Report to the Boards**

RECOMMENDATION

The Audit Committee provide suggested revisions and/or approve the issuance of the Audit Committee Annual Report to the boards and direct staff to issue the report to the boards at their respective January 2022 meetings.

BACKGROUND

Attached please find our draft of the inaugural Audit Committee Annual Report from the Audit Committee to the boards. This is a report that provides the boards with a summary of key responsibilities performed by or overseen by the calendar year 2021 Audit Committee, mapped to the Audit Committee Calendar (Calendar).

The Calendar itemizes the key responsibilities of the Audit Committee as included in the Audit Committee Charter (Charter), as well as the frequency and timing for the expected completion of each responsibility.

Please note, this annual communication to the boards is a best practice communication that was included in the Calendar. The Chief Audit Executive (CAE), Internal Audit and the Audit Committee also provide ongoing communications, as necessary, to the boards as required by the Institute of Internal Audit (IIA) Standards.

All Audit Committee meetings are placed on the agendas as regular meetings of the Audit Committee and Board of Retirement (BOR) and Board of Investments (BOI) of LACERA. As a result, trustees on both boards who are not on the Audit Committee may attend and participate in meetings of the Audit Committee, although they may not vote on any matter discussed at the meeting. Audit Committee materials, except for closed session materials related to the CAE's performance, are provided to all trustees, including those on the BOR and BOI that are not members of the Audit Committee. Matters raised during Audit Committee meetings where the boards have not provided the Committee with the authority in the Audit Committee Charter, are forwarded to one or both boards for further action.

November 18, 2021

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Joseph Kelly JK
Audit Committee Chair

Richard P. Bendall RPB
Chief Audit Executive

FOR: January 5, 2022 Board of Retirement Meeting
January 12, 2022 Board of Investments Meeting

SUBJECT: **2021 Audit Committee Annual Report**

We are pleased to submit to your board the Audit Committee Annual Report for the calendar year ended December 31, 2021. The production of an Annual Report and its submission to your boards is provided to address the Audit Committee's responsibility to report to the boards. See Audit Committee Charter (Charter) VII. G.1 (Attachment A).

The responsibilities of the Audit Committee are defined in the Charter which establishes the authority and responsibilities by key area of the Committee. The Committee's activities during calendar year 2021 which relate to its defined responsibilities are listed in the Audit Committee Report Card (Attachment B).

Despite the continuance of the COVID19 pandemic, the Committee met six times during the year and had a quorum at each meeting.

Below is a summary by key area of the work the Committee performed during the calendar year:

A. Internal Audit Activity
- Approved the Revised Internal Audit Charter.
- Oversaw the completion of the Fiscal Year Ended June 30, 2021 Audit Plan. Internal Audits completed during calendar year 2021 included:
    - Death Legal Unit Audit
    - Quality Assurance Operations Review
    - LA County Compliance with Requirements for Rehired Retirees
    - Title Holding Stale Check Review
    - Chief Executive Officer's Credit Card Expenditures
    - Social Security Member Verification System Audit

- Approved Internal Audit's Budget and the Audit Plan for Fiscal Year Ending June 30, 2022.
- Oversaw LACERA's SOC-1 Type 2 audit over the Other Post-Employment Benefits program conducted by Plante Moran.
- Participated in the selection of an External Quality Assessment (EQA) firm.
- Oversaw the work of Internal Audit and evaluated the Chief Audit Executive's (CAE) performance.
- Oversaw KPMG's EQA of Internal Audit's Recommendation Follow-Up Process.

B. Professional Service Provider Activity
  - Approved the extension of the contract of the financial auditor, Plante Moran for an optional sixth year through the Fiscal Year ending June 30, 2022.
  - Approved Internal Audits selection of a pool of firms to provide audit services in the following three areas (1) Investments, (2) Information Technology, and (3) Other Organizational Areas.

C. Financial Reporting Process
  - Oversaw Plante Moran's financial audit and issuance of an unqualified opinion on LACERA's annual financial statement audit.

D. Values and Ethics
  - Received Ethics Hotline reports from Internal Audit.

E. Organizational Governance
  - Oversaw and directed Internal Audit staff on revisions to the Audit Committee Charter and obtained board approval of the revised Audit Committee Charter at your July 2021 meetings.

We would like to thank Internal Audit staff and the trustees on the Audit Committee for their valued work and input this past year, and the boards for their ongoing support of the Audit Committee.

Attachments

RPB

ATTACHMENT A

Los Angeles County Employees Retirement Association

Audit Committee Charter

April 2021

2021

AUDIT COMMITTEE CHARTER

Table of Contents

AUDIT COMMITTEE CHARTER

I. CHARTER

This Charter establishes the authority and responsibilities of the Audit Committee, as assigned by Los Angeles County Employees Retirement Association's (LACERA) Board of Retirement and Board of Investments (Boards). The Audit Committee Charter is a living document and should be reviewed at least every three years.

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

In November 2003, LACERA's Boards established the LACERA Audit Committee.

The purpose of the Audit Committee is to assist the Boards in fulfilling their fiduciary oversight duties for the:

- **A.** Internal Audit Activity
- **B.** Professional Service Provider Activity
- **C.** Financial Reporting Process
- **D.** Values and Ethics, and
- **E.** Organizational Governance
- **F.** Audit Committee and Internal Audit Budget

III. PRINCIPLES OF THE AUDIT COMMITTEE

The Audit Committee will conduct itself in accordance with LACERA's Code of Ethical Conduct and the following core principles from the Institute of Internal Auditors' (IIA) Code of Ethics. The Audit Committee expects the Boards, Management, and staff will also adhere to these requirements.

Integrity – The Audit Committee Members will perform their work with honesty, diligence, and responsibility. The Audit Committee expects and will encourage transparency when fulfilling its duties. Communications between Committee Members, Management, staff, and/or Professional Service Providers will be open, direct, and complete. Subject to applicable laws and organizational limitations, Internal Audit will regularly provide the Audit Committee with updates on audit and consulting projects completed and related findings and follow-up.

Independence & Objectivity - The Audit Committee will perform its responsibilities in an independent manner and in compliance with fiduciary duty without exception. Audit Committee Members will disclose any conflicts of interest (actual or perceived) to the Committee.

Confidentiality – The Audit Committee Members will be prudent in the use and protection of information acquired during the course of its duties.

Competency - Audit Committee Members will receive formal orientation training on the purpose and mandate of the Committee and LACERA's objectives. Audit Committee Members are obligated to prepare for and participate in Committee meetings.

Professional Standards - The Audit Committee will ensure all related work will be handled with the highest professional standards consistent with auditing standards of practice and industry guidelines.

IV. AUTHORITY

The Audit Committee will have unrestricted access to Management and staff, and anyrelevant information it considers necessary to discharge its duties. All employees are directed to cooperate with the Committee and its requests. If access to requested information is denied due to legal or confidentiality reasons, the Audit Committee and/or CAE will follow a prescribed, Board approved mechanism for resolution of the matter.

The Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of duties, including engaging independent counsel and/or other advisors it deems necessary.

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of seven members: three elected annually from each Board and the ex-officio member of both Boards, the Los Angeles County Treasurer. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of his or her term, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting.
The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

At the first Committee meeting of each calendar year, the Committee shall elect a Chair, Vice Chair and Secretary, each to serve for a term of one year or until his or her successor is duly elected and qualified, whichever is less. In the event of a vacancy in the office of Chair, the Vice Chair shall immediately assume the office of Chair for the remainder of the term. In the event of a vacancy in the office of Vice Chair or Secretary, the Committee shall elect one of its members to fill such vacancy for the remainder of the term, at its next regular meeting.

VI. AUDIT COMMITTEE MEETINGS

The Audit Committee will conduct regular meetings at least four times per year, with authority to convene additional meetings, as circumstances require. The time frame between Audit Committee meetings should not exceed four months.

All Committee Members are expected to attend each meeting.

All meetings of the Audit Committee shall be as noticed as joint meetings with the Board of Retirement and Board of Investments to allow for participation of all trustees in open and closed session Audit Committee discussions, provided that non-committee trustees may not make or second motions or vote and provided further that closed sessions to discuss the CAE's annual assessment and the Committee's recommendation to the Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE shall be noticed for attendance by Committee members only.

Regular meeting notices and agendas will be posted at least 72 hours in advance of the regular meetings and will be made available to the public in accordance with the Ralph M. Brown Act (Government Code Sections 54950, et seq.). Public documents referred to in the agenda will be made available for review at the office of the staff secretary to the Committee and also published on the LACERA website, lacera.com. The Committee will invite members of Management, Internal Auditors, Financial Auditors, all other Professional Service Providers, and/or others to attend meetings and provide pertinent information, as necessary.

Special meetings of the Committee may be called in the manner provided by Government Code Section 54956(a). The Committee will have such other powers as provided in the Brown Act.

Robert's Rules of Order, except as otherwise provided herein, shall guide the Committee in its proceedings; however, the Chair of the Committee shall have the same rights to vote and participate in discussions as any other member of the Committee without relinquishing the chair. The order of business shall be as determined by formal action of the Committee. Four members of the seven-member Audit Committee, constitute a quorum.

The Secretary of the Committee shall cause to be recorded in the minutes the time and place of each meeting of the Committee, the names of the members present, all official acts of the Committee, the votes given by members except when the action is unanimous, and when requested by a member, that member's dissent or approval with his or her reasons, and shall cause the minutes to be written forthwith and presented for approval at the next regular meeting.

VII. RESPONSIBILITIES

A. Internal Audit Activity

1. Internal Audit Strategy and Annual Plan
   a. Review and provide input on Internal Audit's annual risk assessment.
   b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
   c. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.

2. Internal Audit Engagement & Follow-Up
   a. Review and discuss engagement reports to take the following action(s):
      i. accept and file report,
      ii. instruct staff to forward report to Boards or Committees,
      iii. make recommendations to the Boards or Committees regarding actions as may be required based on audit findings and/or,
      iv. provide further instruction to staff.
   b. Monitor Internal Audit's recommendations to ensure Management has adequately and timely addressed the risk(s) identified, either through implementing a new policy, procedure, or process, or accepting the associated risk.
   c. Inquire whether any evidence of fraud has been identified during internal or external audit engagements, and evaluate what additional actions, if any, should be taken.
   d. Inquire whether any audit or non-audit engagements have been completed but not reported to the Audit Committee; if so, inquire whether any matters of significance arose from such work.
   e. Review and advise Management and the Boards on the results of any special investigations.

3. Standards Conformance
    a. Approve the Internal Audit Charter.
    b. Ensure the Internal Audit Division conforms with the IIA's International Standards for the Professional Practice of Internal Audit, particularly the independence of Internal Audit and its organizational structure.
    c. Ensure the Internal Audit Division has a quality assurance and improvement program (QAIP), and that the results of these periodic assessments are presented to the Audit Committee.
    d. Ensure the Internal Audit Division has an external quality assurance review every five years. Review the results of the external quality assurance review and monitor the implementation of related recommendations.

        Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.

4. Chief Audit Executive (CAE)

    Since the CAE reports to the Chief Executive Officer (CEO) for administrative purposes, but to the Audit Committee for functional purposes, the Audit Committee will be responsible for the following:
    a. Make recommendations to both Boards regarding the appointment, discipline, dismissal, and/or removal of the CAE, which will be addressed by the Boards in a joint meeting. Both Boards will make the final decisions as to the appointment, discipline, dismissal, and/or removal of the CAE. The CEO has authority to administer minor discipline, which is limited to counseling memos and written warnings, with notice of such discipline to be provided to the Committee and the Boards at their next meetings. Consideration by the Boards and the Committee concerning the appointment, discipline, dismissal, and/ or removal of the CAE will be made in executive session under Government Code Section 54957(b).
    b. Perform the CAE's annual assessment with qualitative input from the CAE and CEO. The Committee's discussion regarding the CAE's annual performance evaluation will be made in executive session under Government Code Section 54957(b).
    c. Administer the CAE's annual salary adjustment using the Boards' established compensation structure.

B. Professional Service Provider Activity

The Audit Committee is responsible for the oversight of all work performed by professional service providers (Service Providers) for audits, reviews, or investigations, including the audit of LACERA's financial statements.

1. Approve the appointment and compensation of the Financial Auditor, hired to perform an independent audit of LACERA's financial statements. Oversee the workof the Financial Auditor, including review of the Financial Auditor's proposed audit scope and approach, as well as coordination with Internal Audit and Management.

2. Approve the appointment and compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.

3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.
4. Resolve any significant disagreements regarding risks, findings and/or compensation between management and Professional Service Providers

C. Financial Reporting Process

The Audit Committee is responsible for oversight of the independent audit of LACERA's financial statements, including but not limited to overseeing the resolution of audit findings in areas such as internal control, legal, regulatory compliance, and ethics.

1. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements.

2. Review with Management and the Financial Auditors the results of the audit, including any difficulties encountered.

3. Review the annual financial statements, consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.

4. Review with Management and the Financial Auditors all matters required to be communicated to the Committee under *Generally Accepted Auditing Standards*.

D. Values and Ethics

1. Review and assess LACERA's Code of Ethical Conduct established by the Boards and Management.

2. Annually, review Management's process for communicating LACERA's Code of Ethical Conduct to Trustees, Management, and staff, and for monitoring compliance therewith.

3. Review reports received relating to conflicts of interest and ethics issues, and if appropriate, make a recommendation to the Boards.

E. Organizational Governance

To obtain reasonable assurance with respect to LACERA's governance process, the Audit Committee will review and provide advice on the governance process established and maintained, and the procedures in place to ensure they are operating as intended.

1. Risk Management
   a. Annually review LACERA's risk profile.
   b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise-wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
   c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.
2. Fraud
   a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
   b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.
3. System of Internal Controls
   a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
   b. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
   c. Review and provide advice on control of LACERA as a whole and its individual divisions.
4. System of Compliance
   a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.

b. As needed, review the observations and findings of any examinations by regulatory agencies.

c. Obtain regular updates from Management and LACERA's Legal Office regarding compliance matters.

d. At least annually, review reported activity to ensure issues of fraud, noncompliance, and/or inappropriate activities are being addressed.

F. Audit Committee and Internal Audit Budget

LACERA will provide appropriate funding, as determined by the Audit Committee, for compensation to the Financial Auditor, to any Professional Service Provider that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

G. Other Responsibilities

1. Report to the Boards as needed about the Audit Committee's activities, issues, and related recommendations.

2. Provide an open avenue of communication between Internal Audit, all Professional Service Providers, including the Financial Auditor, Management, and the Boards.

3. Perform other activities related to this Charter as requested by the Boards.

4. Review and assess the adequacy of the Committee's Charter at least every three years, requesting the Boards' approval for proposed changes.

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on April 23, 2021, and approved by the Board of Retirement on July 7, 2021, and the Board of Investments on July 14, 2021. This Charter is thereby effective July 14, 2021 and is hereby signed by the following persons who have authority and responsibilitiesunder this Charter.

Joseph Kelly	*July 19, 2021*
Joseph Kelly *Chair, Audit Committee*	**Date**
Keith Knox	*July 19, 2021*
Keith Knox *Chair, Board of Investments*	**Date**
Alan Bernstein	*July 19, 2021*
Alan Bernstein *Chair, Board of Retirement*	**Date**

2021 Audit Committee Report Card			
Documentation	**Ref to *AC Charter**	**Frequency**	**Comments**
Audit Engagement Reports	VII.A.2.a.	Every	See summary of reports reviewed and approved by the AC during calendar year 2021 in cover memo.
Audit Plan Status Update	VII.A.1.d. & VII.A.2.c-d.	Every	At each meeting, the AC reviewed the Audit Plan Status Update report.
Summary of Hotline Investigations	VII.D.3 & VII.E.2.b.	Every	At each meeting, the AC reviewed the Summary of Hotline Investigations report.
Recommendation Follow-Up Reports	VII.A.2.b.	Tri-Annually	AC reviewed the Recommendation Follow-Up Reports at the Febuary, June, and October AC meetings.
Proposed Audit Plan and Budget	VII.A.1.c.	Annually	AC reviewed and approved the Proposed Audit Plan and Budget at the Febuary meeting.
Annual Risk Assessment	VII.A.1.a.	Annually	In April, Trustees, including those on the AC, provided feedback on current risks for the Annual Risk Assessment.
Annual Audit Plan	VII.A.1.b.	Annually	AC reviewed and approved the Annual Audit Plan at the June meeting.
Presentation / memo by Financial Auditor detailing proposed scope of work and timing.	VII.B.2	Annually	*PM presented to the AC its proposed scope of work and timing at the August meeting.
Internal Audit Charter	VII.A.3.a.	Annually	AC reviewed and approved IA's Charter at the August meeting.
Internal Audit Annual Performance Report	VII.A.3.b.-c.	Annually	*IA presented its Annual Performance Report at the August meeting.
CAE Performance Evaluation	VII.A.4.b.-c.	Annually	In progress, should be completed by November 2021.
Ethics & Values Review	VII.D.1-3.	Annually	IA is hiring an external firm to complete these reviews. These should be presented to the Audit Committee in June 2022.
Organizational Governance Review	VII.E.	Annually	
Compliance Memo from Legal Office	VII.E.4.c.	Annually	Under review by the Executive Office.
Financial Statements, Correspondence, & Presentation	VII.C.1.-4.	Annually	PM will present the Financial Statements, Correspondence, and related reports at the December AC 2021 meeting.
Audit Committee Annual Performance Report	VII.G.1.	Annually	We anticipate the AC will bring its Annual Performance Report to the Boards in January 2022.
Audit Committee Charter	VII.F.4	Every 3rd year	The Boards approved the AC Charter in July 2021.
Approve the appointment and compensation of the External Financial Auditor	VII.B.1	Every 5th year**	AC approved a fiscal year extension and the fee for PM at the April meeting.
Ensure IA has an external quality assessment performed every five years.	VII.A.3.d.	Every 5th year	CAE will recommend the AC engage a firm at the December 2021 meeting.
Provide an open avenue of communication between IA, all Professional Service Providers, Management, and the Boards.	VII.F.2	Continous	_
Approve the appointment & compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations	VII.B.2	As needed	Approved the selection of the External Audit Pool at the April meeting.
Review with Professional Service Providers, including the Financial Auditor, and Mgmt the results of the work performed, any findings & recommendations, Mngmt's responses, and actions taken to implement the audit recommendations.	VII.B.3	As needed	AC reviewed the SOC-1 report at the October meeting and will review the Financial Statement Audit in December.
Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.	VII.A.3.e.	As needed	_
Make recommendations to both Boards regarding the appointment, discipline, and/or dismissal, of the CAE, which will be addressed by the Boards in a joint meeting.	VII.A.4.a.	As needed	_
Perform other activities related to this Charter as requested by the Boards.	VII.F.3	As needed	_

Legend
AC = Audit Committee
IA = Internal Audit
PM = Plante Moran, LACERA's financial auditors

November 12, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: **Approval of IIA Quality Services, LLC to Conduct the External Quality Assessment of the Internal Audit Division**

RECOMMENDATION

The Audit Committee approve the engagement of IIA Quality Services, LLC to perform an External Quality Assessment of the Internal Audit Division.

BACKGROUND

The Institute of Internal Auditors' (IIA) International Standard for the Professional Practice Practices (*Standards*) provides the framework for performing and promoting internal auditing. Specifically, *Standard 1312* (Attachment A) requires that an External Quality Assessment (EQA) of the internal audit department be conducted at least once every five years by a qualified, independent assessor or review team from outside the organization. The primary objective of the EQA is to evaluate the internal audit department's conformance with IIA's *Standards* and the Code of Ethics.

The Internal Audit Division (Internal Audit or IA) has undergone three EQAs. The first was conducted in 2005 and was performed by a peer group consisting of representatives of the Association of Public Pension Fund Auditors (APPFA). The second and third EQAs were completed in 2010 and 2016 by an audit consultant. For all EQAs, Internal Audit received the highest score. Refer to Attachment B for the 2016 EQA Report.

RFP AND SELECTION PROCESS

At the April 2021 meeting, the Committee authorized the Chief Audit Executive (CAE) to issue a Request for Proposal (RFP) to hire a consultant to perform an EQA. The RFP was posted on the LACERA website on August 9, 2021, and six responses were received: IIA Quality Services, LLC; Mitchell & Titus, LLP; TAP International. Inc, Armanino LLP, Sjoberg Evashenk Consulting, and That Audit Guy, LLC.

A selection team consisting of the CAE, both Principal Internal Auditors, and Chief Legal Counsel evaluated the proposals. Key criteria for evaluation of the proposals included the firm's depth and breadth of expertise relating to internal audit functions and EQAs, qualifications and experience of the proposed assessment team, quality and cohesiveness of the proposal, sample reports, and fees. The selection team scored IIA Quality Services, LLC (Quality Services) the highest amongst all candidates and recommended the Committee to approve their engagement at the October 2021 meeting.

At the October meeting, the Committee decided unanimously to form an ad hoc Committee to perform a secondary evaluation of all proposals to ensure independence in the selection process. The ad hoc committee selected by the Audit Committee Chair was comprised of the Chair, the Administrative Assistant Executive Officer, and a Senior Internal Auditor not involved in the initial evaluation. After evaluating and scoring the proposals, the ad hoc committee independently scored Quality Services the highest in alignment with what the initial evaluation team had determined. The CAE along with the ad hoc committee then made the final decision to move forward and recommend to the full Audit Committee the selection of Quality Services. The independence of the ad hoc committee further strengthens the recommendation.

IIA QUALITY SERVICES, LLC

Quality Services is uniquely qualified to perform the EQA. Their EQA services are based on the world's recognized authority on internal auditing, the IIA. Furthermore, Quality Services has been helping to improve internal audit activities by offering EQAs for over 20 years. Having conducted more than 900 reviews involving hundreds of locations worldwide, Quality Services has experience with virtually every industry, many listed companies, and various levels of government.

Quality Services' methodology for this engagement is primarily based on the IIA's Standards and considers the effectiveness of internal audit in the eyes of the Audit Committee, senior management, and other stakeholders.

The objectives of the EQA will include accomplishing the following:

- Provide an opinion as to whether the IA activity conforms to the IIA's *Standards* and Code of Ethics.
- Review implementation of the *Standards* including the existence of a quality assurance process.
- Assess the efficiency and effectiveness of the IA activity in light of (a) its charter, (b) expectations of the audit committee, executive management, and the CAE, and (c) its current needs, exposures to performing at less than an effective level, and the future direction and goals of the organization.
- Identify opportunities and offer ideas and counsel for improving performance. By implementing selected successful practices, the IA activity can add increased value to management and the audit committee and further promote the image and credibility of the IA activity within the organization.
- Review interaction with the other members of the governance process and involvement in the enterprise risk assessment process, the building of the audit universe and preparation of audit schedules. This includes assessing the annual and long-range audit plans to determine whether audit areas represent current and future business plans, strategy, exposures, and operations.
- Determine the perception of internal auditing through interviews and surveys with executive management and stakeholders. Provide insights into their level of satisfaction with internal auditing's services, along with appropriate suggested changes.
- Review and identify ways to enhance policies and practices, as well as coordination with external auditors.

QUALITY SERVICES ASSESSMENT TEAM

Quality Services has assembled a qualified team of subject matter experts to conduct this engagement. A brief summary of each member's qualifications and experience follows:

Steve Goodson is the team leader and has over 25 years of internal audit experience, including over 14 years as a Chief Audit Executive. Steve now provides internal audit consulting services and teaches internal audit to graduate students at The University of Texas McCombs School of Business in Austin, Texas. Steve has been the recipient of at least six external quality assurance reviews and has led over a dozen. Steve has served as the Chief Audit Executive for the University of North Texas System, the Texas Department of Public Safety and the Texas Commission on Environmental Quality.

Steve has experience in state government, higher education, healthcare and non-profit areas. He is experienced in understanding and documenting a wide variety of internal control systems including the accounting and technology areas. He has managed audit functions for billion-dollar organizations with staff sizes varying from 18 to 25 professionals. Steve graduated from Stephen F. Austin State University in 1985 with majors in Business and Sociology. He is a graduate of the Governor's Management Development Program and is a Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA) and Certified Government Auditing Professional (CGAP). He also holds certification in Control Self-Assessment (CCSA), Risk Management Assurance (CRMA) and is a Certified Law Enforcement Auditor (CLEA). In 2002, Steve co-founded the Texas Internal Audit Leadership Development Program. He has served as Governor for the Austin Chapter of IIA, CISA Coordinator for ISACA Austin and as Recorder, Vice Chairman and Chair of the Texas State Agency Internal Audit Forum. He currently serves on the IIA's International Committee of Research and Education Advisors and the Advisory Board for the American Center for Government Auditing.

Steve has participated in the IIA Quality Services' external quality assessments for:
- CalSTRS
- County of Orange
- Government of Bermuda
- Harris County
- Nashville Electric Service
- National Football League

Anne Etter is an internal audit executive with 30 years of experience in internal audit services, enterprise risk management and financial compliance. Through collaboration and strategic partnerships, Anne worked effectively with management and board of directors to improve trust in business reporting and decision making. She has demonstrated results in assessing and prioritizing risk and process improvement in order to achieve organizational strategic and financial goals. Her experience crosses multiple industries, having worked in biotech, nonprofit, automated retail, utility, and travel.

Anne most recently served as Vice President of Internal Audit for Outerwall, parent company to Redbox, Coinstar, EcoATM and Gazelle businesses. In this capacity she managed financial compliance (SOX) and their internal audit services. She reported to the Audit Committee, Board of Directors and Senior Vice President of Risk. Prior to joining Outerwall, Anne held the Vice President Risk, Advisory & Assurance Service position for Holland America Line & Seabourne and was also the Director of Internal Audit for Puget Sound Energy, Dendreon Corporation, World Vision US and Alaska Airlines.

Anne graduated from Central Washington University with majors in Business Administration, Finance and Accounting. She is a Certified Public Accountant (CPA) Certified Internal Auditor (CIA) and Certified in Risk Management Assurance (CRMA). Anne holds a Professional Affiliation with the Institute of Internal Auditors, Puget Sound Chapter, having served on their Board of Directors. She has also served on boards for Enterprise Risk Forum, the American Lung Association and Seattle University Center for

Business Ethics.

Anne has participated with IIA Quality Services' external quality assessments for:

- Amerisource Bergen
- Avista
- BellSouth
- Caterpillar, Inc.
- Central Mutual Insurance
- East West Bancorp
- FHLB Atlanta
- Imperial Irrigation District
- National Grid
- Orange County Employee Retirement System (OCERS)
- PRA Group
- Symetra Financial
- Trustmark National Bank

TIMELINE AND FEES

Quality Services has estimated that the EQA will take approximately 12 weeks at a cost of $27,000. As the assessment will be conducted virtually, no travel expenses will be incurred.

SUMMMARY

Quality Services offers a work plan and team that will provide the Audit Committee with insight into the adequacy of Internal Audit's functions, compliance with IIA's *Standards* and the Code of Ethics, as well as best practices.

For the reasons stated in this memo, it is recommended that the Audit Committee approve the engagement of Quality Services to perform an External Quality Assessment of the Internal Audit Division.

Attachments

RPB:lec

International Professional Practices Framework

Implementation Guide 1312

Standard 1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board:

- The form and frequency of external assessment.
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

Interpretation

External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs. The chief audit executive should encourage board oversight in the external assessment to reduce perceived or potential conflicts of interest.

Revised Standards, Effective 1 January 2017

Getting Started

As this standard indicates, the chief audit executive (CAE) is responsible for ensuring the internal audit activity conducts an external assessment at least once every five years by an independent assessor or assessment team from outside the organization. The external assessment validates that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics. Thus, it is crucial that the CAE regularly reviews the International Professional Practices Framework (IPPF) to ensure the internal audit activity is aware of any changes to the standard.

The CAE will typically have an understanding of the types of external quality assessments as well as the types of external assessment resources available to provide the service. The CAE may also need to be aware of any procurement policies, for their organization, related to securing an external services provider. In addition, the CAE generally will need to be aware of the independence requirements and understand situations that may impair independence, or create a conflict of interest for an external assessor or external assessment team.

Considerations for Implementation

The CAE typically discusses the frequency and form (type of external assessments) with the board and senior management to educate stakeholders and to gain an understanding and appreciation of the organization's expectations.

The *Standards* require that an external assessment is conducted every five years. However, upon discussing the requirements with the board and senior management, the internal audit activity may determine that it is appropriate to conduct an external assessment more frequently. There are several reasons to consider a more frequent review, including changes in leadership with senior management or the CAE, significant changes in internal audit policies or procedures, the merging of two or more internal audit functions into one internal audit activity, or significant staff turnover. Additionally, industry-specific issues may require more frequent review.

External assessments gauge the internal audit activity's conformance with the *Standards* and provide an evaluation of whether the internal auditors apply the Code of Ethics. It is expected that through conformance with the *Standards* and Code of Ethics, the internal audit activity would be in conformance with the Core Principles for the Professional Practice of Internal auditing and Definition of Internal Auditing. As noted in Standard 1320: Reporting on the Quality Assurance and Improvement Program, the assessor must provide a conclusion on conformance.

External assessments may be accomplished using either of two different approaches:

- A full external assessment conducted by a qualified, independent external assessor or assessment team. The team should be comprised of competent professionals under the leadership of an experienced and professional project team leader. The scope of a full external assessment would include:
    - The level of conformance with the internal audit activity's charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.
    - The efficiency and effectiveness of the internal audit activity as measured through an assessment of the internal audit activity's:
        - Processes and infrastructure, including the QAIP.
        - Mix of knowledge, experience, and expertise.
    - The extent to which the internal audit activity meets expectations of the board, senior management, and operations management, and adds value to the organization.
- A self-assessment could be conducted by the internal audit activity. The self-assessment would need to be validated by a qualified, independent, competent, and professional external assessor. The scope of a self-assessment with external independent validation (SAIV) would consist of:
    - A comprehensive and fully documented self-assessment process that emulates the full external assessment process, at least with respect to the evaluation of conformance with the Definition of Internal Auditing, Code of Ethics, and *Standards.*

  - An independent, on-site validation by a qualified, independent assessor.
  - Potential reduced cost but limited attention to other areas such as benchmarking; review, consultation, and employment of leading practices; and interviews with senior and operations management.

Assessors/Assessment Team

A qualified, independent external assessor or assessment team should be selected in consultation with the executive to whom the CAE reports, and the board. Assessors and/or assessment teams must be competent in two main areas:

- The professional practice of internal auditing, including in-depth knowledge of the IPPF.
- The external quality assessment process.

Preferred qualifications and competencies include:

- A competent certified internal audit professional such as a certified internal auditor (CIA).
- Current in-depth knowledge of the IPPF.
- Knowledge of leading internal auditing practices.
- At least three years of recent experience in the practice of internal auditing at a management level that demonstrates a working knowledge and application of the IPPF.

In addition, preferred competencies of assessment team leaders and independent validators may include:

- An additional level of competence and experience gained from previous external quality assessment work, and/or completion of The IIA's quality assessment training course or similar training.
- CAE or comparable senior internal audit management experience.
- Relevant technical expertise and industry experience.

Individuals with expertise in other areas may provide assistance as appropriate. Examples include specialists in enterprise risk management, IT auditing, statistical sampling, monitoring systems, and control self-assessment.

The CAE should determine the skillsets desired for the external assessment. Considerations include a team member in organizations that are similar in size, complexity, and industry sector, as these professionals may be more valuable based on the needs of the internal audit activity. Each individual on the team does not need to have all of the competencies. It is the team as a whole that should possess the qualifications to provide the best results. The CAE should use their professional judgment when selecting an assessor/assessment team.

Independence of Assessor/Assessment Team

External assessors/assessment teams and their organizations should be free from conflicts of interest that could impair objectivity. The CAE, the executive to whom the CAE reports, and the board should consider:

- Actual, potential, or perceived conflicts of interest related to past, present, or future business relationships for services, such as:
  - The external audit of financial statements.
  - Consulting services in governance, risk management, financial reporting, internal control, or other related areas.
  - Assistance to the internal audit activity.
- The significance and amount of work performed.
- Actual, potential, or perceived conflicts of interest with assessors who are former employees of the internal audit activity's organization. Consideration should be given to the length of time the assessor has been independent. Independent means not having a conflict of interest and not being a part of, or under the control of, the organization to which the internal audit activity belongs.
- Actual, potential, or perceived conflicts of interest with the assessor due to past, present, or future relationships with the organization or its internal audit activity, including the assessors' participation in internal quality assessments.

All members of the external assessment team should be independent from the organization and its personnel. In particular, members of the assessment team should be free from actual, potential, or perceived conflicts of interest with the organization and its personnel. Key considerations include:

- Independence from the organization means not being under the influence of the personnel of the organization whose internal audit activity is being assessed.
- The selection process for an external assessor should consider the candidate's actual, potential, or perceived conflicts of interest arising from past, present, or potential future relationships with the organization or its personnel. Relationships to be considered include those of a personal or commercial nature, or both.
- Reciprocal assessments among three or more peer organizations may be considered independent. Peer organizations are organizations within the same industry, regional association, or other affinity group. However, care must be exercised to ensure that independence is not impaired and all team members will be able to fully exercise their responsibilities.
    - Reciprocal peer assessors/assessment teams should possess the skills, experience, and knowledge previously described.
    - Reciprocal peer assessments between two organizations are not independent.

Assessor/assessment team independence and conflicts of interest should be discussed with the board. The CAE should assess the level of independence of the assessment team and monitor whether an agreed

- Individuals in another department of the organization, or in a related organization, although organizationally separate from the internal audit activity, are not considered independent for purposes of conducting an independent external assessment. Therefore, reciprocal external assessments among departments or related organizations are not acceptable. A "related organization" may be a parent organization; an affiliate in the same group of entities; or an entity with regular oversight, supervision, or quality assurance responsibilities with respect to the subject organization.

- Where internal audit activities within the same tier of government report to the same chief audit executive (CAE), individuals are not considered independent for the purpose of performing external assessments even if they work in separate entities.
- Peer organizations are organizations within the same tier of government, regional association, or other affinity group. However, care must be exercised to ensure that independence is not impaired and all team members are able to fully exercise their responsibilities.
- Reciprocal external assessment teaming arrangements among three or more organizations (e.g., within an industry or affinity group, regional association, or other group of organizations) may be structured in a way that achieves the independence objective. Care should be taken to ensure that the issue of independence does not arise and that all team members are able to fully exercise their responsibilities without limitation due to matters of confidentiality, etc. Reciprocal external assessments performed between two organizations are not acceptable for the purpose of an external assessment.
    - Reciprocal assessments among three or more peer organizations may be considered independent if the CAE documents that the assessor does not have a conflict of interest nor is under the control of the organization to which the internal audit activity belongs.

The independence of the assessment team, including actual, potential, or perceived conflicts of interest, should be discussed with the board and with the executive to whom the CAE reports administratively.

When selecting the external assessment team, the CAE should consider the extent of the candidates' public sector experience, if applicable.

Considerations for Demonstrating Conformance

Multiple items may indicate conformance with the standard, including, most importantly, the external assessor’s report. This report will often include recommendations from the external assessor, as well as management action plans, on ways to improve internal audit quality, efficiency, and effectiveness, which may provide new ideas or ways internal audit can better serve the organization’s stakeholders and add value.

Additionally, minutes of board meetings where plans for and results of external assessments were discussed may demonstrate conformance with Standard 1312. A benchmarking report and requests for services may show the organization’s due diligence in vetting external assessors.

About The IIA

The Institute of Internal Auditors (The IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 180,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, Fla. For more information, visit www.globaliia.org or www.theiia.org.

About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides recommended (non-mandatory) guidance for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing* (*Standards*).

Implementation Guides assist internal auditors in applying the *Standards*. They collectively address internal audit's approach, methodologies, and consideration, but do not detail processes or procedures.

For other authoritative guidance materials provided by The IIA, please visit our website at www.globaliia.org/standards-guidance or www.theiia.org/guidance.

Disclaimer

The IIA publishes this document for informational and educational purposes. This guidance material is not intended to provide definitive answers to specific individual circumstances and, as such, is only intended to be used as a guide. The IIA recommends that you always seek independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this guidance.

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ATTACHMENT B

L//.CERA

March 23, 2016

TO: Each Member
2016 Audit Committee

Audit Committee Consultant
Rick Wentzel

FROM: Richard Bendall RB
Chief Audit Executive

FOR**:** April 15, 2016 | Audit Committee Meeting

SUBJECT: **QUALITY ASSURANCE REVIEW – 2016**

Internal Audit's Quality Assurance Review (QAR) was completed in January 2016. The QAR, which is conducted at least once every five years, is performed in accordance with the Institute of Internal Audit International *Standards for the Professional Practice of Internal Auditing*. The primary objectives of the QAR include:

- Assessing Internal Audit's conformance to the Institute of Internal Audit (IIA) International *Standards for the Professional Practice of Internal Auditing* (*Standards*),
- Evaluating Internal Audit's effectiveness in carrying out its mission
- Identifying leading practices and opportunities to enhance Internal Audit's management and work processes.

The consultant, George Shemo, found that Internal Audit **generally conforms** to the *Standards*. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the *Standards* and other requirements necessary for ensuring a professional Internal Audit activity. As part of the QAR, Mr. Shemo also identified opportunities for improvement that will assist Internal Audit in more fully complying with the *Standards* and providing enhanced services to LACERA. Staff will discuss the QAR Report at the April 2016 meeting.

RB:lc

Attachment

G Shemo Consulting Inc.

George J. Shemo, CPA, CGMA

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Certified: NYS
Member: AICPA
NYSSCPA
IIA

REPORT ON THE EXTERNAL QUALITY ASSESSMENT OF

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

OFFICE OF INTERNAL AUDIT

January 15, 2016

Overall Opinion on Conformance

January 15, 2016

Under a contractual agreement with the Los Angeles County Employees Retirement Association (LACERA), I have conducted an independent external Quality Assessment (QA) of LACERA Internal Audit (IA). Being recognized by the IIA as fully qualified to conduct this QA of LACERA IA, my review was made in accordance with the methodology prescribed within the Institute of Internal Auditors' (IIA) "Quality Assessment Manual" (Issued August 1, 2013), and the requirements of IIA *Standard* 1312. The QA was conducted during the period of January 7, 2016 to January 15, 2016 at the offices of LACERA in Pasadena, California.

As a result of my review, it is my opinion, as of January 15, 2016, LACERA IA "Generally Conforms" with the IIA "Definition of Internal Auditing", the *Standards,* and the Code of Ethics. Further, I have found LACERA IA to be effective in carrying out its mission, as set forth in its charter and expressed in the expectations of the LACERA Audit Committee and senior management.

The overall assessment of "Generally Conforms" is the highest of three possible ratings that can be determined through a Quality Assessment; the others being "Partially Conforms" and "Does Not Conform". Please see "Attachment A", which is an integral part of this report, for an assessment of conformance with individual IIA *Standards*. I have provided recommendations to increase conformance for those individual IIA *Standards* that have been rated as "Partial Conformance", and to enhance the IA efforts in adding value to LACERA.

George J Shemo, CPA, CGMA

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Purpose

As requested by the LACERA Chief Audit Executive (CAE), G Shemo Consulting conducted an independent external QA of LACERA IA. The principal objectives of the QA were to:

- Assess IA conformance to The IIA "Definition of Internal Auditing", *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Code of Ethics;
- Evaluate IA's effectiveness in carrying out its mission, as set forth in its charter and expressed in the expectations of the LACERA Audit Committee and senior management;
- Identify opportunities to enhance IA management and work processes, as well as its ability to add value to LACERA.

Scope and Methodology

Prior to my onsite arrival at LACERA to conduct the QA, the CAE provided advance preparation documents to me, which contained detailed information about IA and LACERA. Additionally, I conducted a preliminary meeting with the CAE and his staff in order to gather additional background information, select executives and operating managers for interviews during my onsite field work, and to finalize planning and administrative arrangements for the QA. Onsite fieldwork commenced on January 7, 2016 and concluded on January 15, 2016.

During the onsite fieldwork I conducted extensive interviews with a current member of the Audit Committee, members of executive management, selected operating managers, a representative of the external CPA firm, and selected members of the IA staff. I also evaluated the IA risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the IA work papers and reports.

Scope and Methodology (Continued)

The QA consisted of my assessing the following IA functions:

- CAE Reporting Lines and Quality Assurance
- Organization of LACERA IA
- Communications with the Audit Committee and Senior Management
- Risk Assessment and Engagement Planning
- Staff Professional Proficiency
- Information Technology Capabilities
- Productivity and Value Added to LACERA
- Audit Engagement Work Papers and Reports
- Audit Tools and Methodologies
- Engagement and Staff Management Processes

Summary of Recommendations

For Conformance

The following recommendations are provided to guide LACERA IA in achieving a level of general conformance with the individual *Standards* identified in Attachment A:

1. Strengthen and enhance Quality Assurance and Improvement
2. Implement procedures for audit engagement work programs

Summary of Recommendations (Continued)

For Enhancement

The following recommendations are provided as suggestions for enhancing IA ability for adding value to LACERA operations and processes:

1. Review the IA Charter on a more frequent basis
2. Expand management and reporting of IA resource requirements
3. Update the “IA Operations Guide”
4. Enhance engagement audit reports
5. Increase operating management’s awareness of IA

Commendations

During my review, I observed the LACERA IA environment to be well-structured and progressive, that the IIA *Standards* are appropriately understood, and IA management is endeavoring to provide useful audit tools and implement appropriate practices in order to add value to the operations of LACERA. It is appropriate to commend LACERA IA for the following:

- The CAE maintains a very strong relationship with the LACERA Audit Committee, while also being recognized as a well-respected member of senior management.
- IA is perceived as providing value added assurance and consulting services to their LACERA customers.
- IA staff viewed very positively for their professionalism, objectivity, business acumen, and their communication and collaboration skills.
- IA staff is well credentialed with multiple professional certifications
- IA audit engagements and reports are substantial and valuable.
- IA annual planning for excellent interaction with the Audit Committee and all levels of LACERA management
- IA is instrumental in LACERA risk management.

1. <u>Strengthen and enhance Quality Assurance and Improvement</u>
Implementing Stakeholder: Internal Audit
Associated Stakeholders: Senior Management
Audit Committee
References:
***Standard* 1311**
Practice Advisory 1311-1
Practice Guides - Measuring IA Effectiveness and Efficiency
- Quality Assurance and Improvement Program

The CAE has implemented proper procedures that provide for the elements of a Quality Assurance and Improvement Program (QAIP) as it relates to the ongoing monitoring of the performance of the IA activity. Going forward, the CAE should develop procedures that provide for the required internal periodic self-assessment of IA activity conformance with the IIA *Definition of Internal Auditing*, the *Code of Ethics*, and the *Standards*.

The internal periodic self-assessments should be made by individual(s) having sufficient knowledge of internal audit practices and at least an understanding of the elements of the IIA *International Professional Practices Framework*, and could be performed by members of the IA staff or other qualified audit professionals assigned elsewhere within LACERA. The IIA *Quality Assessment Manual* can serve as the basis for periodic internal assessments.

As a means of further enhancing the ongoing monitoring of IA activity performance, the CAE could consider expanding the use of performance metrics. Expansion of metrics could focus on:

- Improvement in staff productivity
- Adequacy of engagement planning and supervision
- Increase in efficiency and effectiveness of the audit process
- Completion of audits timely and on budget

,

1. **<u>Strengthen and enhance Quality Assurance and Improvement</u>** **<u>(Continued)</u>**

The CAE could also consider further enhancements to the QAIP by adding information regarding the QAIP within the formal written status reports provided periodically to the Audit Committee and senior management, and by updating the "IA Operations Guide" to include all elements of the QAIP.

2. **<u>Implement procedures for audit engagement work programs</u>**

Implementing Stakeholder: Internal Audit

Reference:
***Standards* 2240, 2240.A1**

Work performed in conducting audit engagements is appropriately planned and properly supervised. However, only the preliminary planning and general audit procedures (planning memo) are documented within the engagement work papers. The detailed testing procedures, which are developed by the CAE, audit manager, and audit staff, are not formally documented within the work papers. The CAE should implement procedures to ensure that the detailed audit procedures are documented in the form of work programs. The written work programs should be in sufficient detail to include the procedures for identifying, analyzing, evaluating, and documenting information and conclusions. The work programs should also provide evidence that supervisory approval has been given, prior to staff conducting the work. Any adjustments to the original work programs should also be approved appropriately.

1. **Review the IA Charter on a more frequent basis**

Implementing Stakeholder: **Internal Audit**

Associated Stakeholders: **Senior Management**
Audit Committee

Reference:

Practice Advisory: 1000-1

The IA Charter is intended to facilitate a periodic assessment of the adequacy of IA purpose, authority, and responsibility. While the IA Charter is complete and appropriately approved by the AC and senior management, the CAE could increase the frequency of his periodic assessment of the Charter's viability. An annual review would be appropriate period of time.

2. **Expand management and reporting of IA resource requirements**

Implementing Stakeholder: **Internal Audit**

Associated Stakeholders: **Senior Management**
Audit Committee

References:

Practice Advisories 2020-1, 2030-1

The process developed by the CAE appropriately provides the Audit Committee and senior management with a risk based annual plan that determines the priorities of the IA activity consistent with LACERA's goals. The plan, as presented to senior management for their review and for the approval of the Audit Committee, properly communicates IA planned activities and resource requirements, and provides the basis for the CAE to ensure that IA resources are appropriate, sufficient, and effectively deployed.

2. Expand management and reporting of IA resource requirements (Continued)

There are potential opportunities to further enhance the CAE's management and reporting of IA resource requirements. The CAE could consider the following:

- Develop audit frequency guidelines, with the approval of the Audit Committee and senior management, which establishes a time period over which all auditable entities within the audit universe receive appropriate audit resources commensurate with their assessed risk. The frequency guidelines will establish and represent the "risk appetite" for LACERA. The length of the time period will be established based on the frequency guideline adopted for low risk entities. High risk entities, depending on their frequency guideline, will be audited more than once over the time period. Moderate risk entities may be audited more than once over the time period.
- Revise the annual plan format to include all auditable entities within the audit universe. For each entity to be audited within the current year, based on the established frequency guidelines, provide a resource estimate and brief scope description. For all the other entities, indicate the future year in which you estimate they will be audited.
- Revise the annual plan format to include time estimates for the expenditure of staff resources for non-audit purposes such as vacations, holidays, sick leave, and training. The plan should account for all staff time, except for the CAE.

3. Update the "IA Operations Guide"

Implementing Stakeholder: Internal Audit

Associated Stakeholders: Operating Management

Reference:

Practice Advisory 2040-1

The CAE could boost IA administrative and audit engagement processes by completing a comprehensive update of the "IA Operations Guide".

The CAE is responsible for establishing policies and procedures to guide IA. While their form and content is not stipulated within the *Standards*, given the size and structure of IA and the complexity of LACERA operations, maintaining a written policies and procedures manual would be appropriate.

A comprehensive update of the Guide would accomplish the following:

- Existing policies and procedures are made current;
- Obsolete information is eliminated;
- New processes are added;
- IA staff functions effectively;
- Consistency added to administrative processes, audit work, and work paper preparation;
- New IA staff members have an authoritative resource for reference and direction;
- Operating management can have a clearer understanding of the purpose and processes of the IA activity;
- Provide a valuable resource in any efforts to implement "Control Self-Assessment" within LACERA.

4. Enhance Audit Engagement Reports

Implementing Stakeholder: **Internal Audit**

Associated Stakeholders: **LACERA Management**

Audit Committee

Reference:

***Standard* 2430**

There are potential opportunities to enhance IA audit reports. The CAE could consider the following:

- Based on the results of the QAIP, LACERA IA audit report opinions could be revised to state that audit engagements are "*Conducted in Conformance with the International Standards for the Practice of Internal Auditing*".
- Increase the consistency in audit report opinions by always, rather than sometimes, addressing the adequacy of policy, procedure, or process design when it is appropriate, in addition to conformance.
- When appropriate, audit report opinions should provide LACERA management with a clear understanding of the level of assurance they can place in the policy, procedure, or process audited. The objective to be achieved is for management to have reasonable, but not absolute assurance.
- Continue current efforts to increase the timeliness of audit reports.

5. **<u>Increase operating management's awareness of IA</u>**
   Implementing Stakeholders: Internal Audit

   Operating Management

Reference:

Successful Practice

The structure of the reporting relationship of IA within LACERA is entirely appropriate. It achieves complete independence for the IA, and establishes the proper environment to allow the IA to effectively support LACERA in fulfilling its mission and achieving its goals and objectives. However, there appears to be an opportunity to enhance the ability of the IA to add value to LACERA by raising the awareness of IA operations and services by operating managers having limited interaction with IA.

One of the keys to having a highly effective IA is the communication links, both formal and informal, between the CAE and all levels of management. At this point in time, the communication links between the CAE and senior management are well established and working effectively. The communication links between the IA and some operating management could be enhanced. Senior management could encourage these operating managers to reach out and include the CAE in the information flow for their operations. Likewise, the CAE could periodically reach out to all levels of operating management to ensure the IA is poised to continually meet their needs.

The CAE could consider taking the following steps for enhancing the relationship with LACERA management:

- Implement a practice of periodic face to face meetings with all operating managers and their staffs with a focus on current events and ways IA can be of assistance to them, and provide them with an

5. **<u>Increase operating management's of awareness of IA (Continued)</u>**

- Update the intranet web page for IA providing information on services and activities of IA. The web page could be used to relate issues of common interest found in audit engagements, without disclosing the specific department in which the engagement was performed.
- Encourage and assist operating managers in implementing internal control self-assessment processes. Provide training to operating departments on control evaluation techniques, and serve as facilitators for self-assessment implementation.

CAE Response

I have read this report in its entirety, and accept responsibility for communicating it to the appropriate members of the Audit Committee and executive management. I understand that the “Recommendations for Conformance” should be implemented to achieve a rating of “General Conformance” for the individual IIA *Standards* which have been rated “Partial Conformance” as shown in Attachment A to this report. Accordingly, I accept the “Recommendations for Conformance” as appropriate to the IA of LACERA. Further, I understand the “Recommendations for Enhancement” and I will consider incorporating them as part of the IA “Quality Assurance and Improvement Program” as appropriate. I will prepare an action plan for implementing the appropriate recommendations and provide it to executive management and the Audit Committee.

Richard Bendall

Chief Audit Executive

LACERA Internal Audit

Attachment A

		GC	PC	DNC
OVERALL EVALUATION		**x**		
ATTRIBUTE STANDARDS		**x**		
1000	**Purpose, Authority, and Responsibility**	**x**		
1010	Recognition of the Definition of Internal Auditing	**x**		
1100	**Independence and Objectivity**	**x**		
1110	Organizational Independence	x		
1111	Direct Interaction with the Board	x		
1120	Individual Objectivity	x		
1130	Impairments to Independence or Objectivity	x		
1200	**Proficiency and Due Professional Care**	**x**		
1210	Proficiency	x		
1220	Due Professional care	x		
1230	Continuing Professional Development	x		
1300	**Quality Assurance and Improvement Program**	**x**		
1310	Requirements of the Quality Assurance and Improvement Program	x		
1311	Internal Assessments		x	
1312	External Assessments	x		
1320	Reporting on the Quality Assurance and Improvement Program	x		
1321	Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing"*	x		
1322	Disclosure of Noncompliance	x		
PERFORMANCE STANDARDS		**x**		
2000	**Managing the Internal Audit Activity**	x		
2010	Planning	x		
2020	Communication and Approval	x		
2030	Resource Management	x		
2040	Policies and Procedures	x		

2050	Coordination	x		
2060	Reporting to Senior Management and the Board	x		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	NA		
2100	**Nature of Work**	**x**		
2110	Governance	x		
2120	Risk Management	x		
2130	Control	x		
2200	**Engagement Planning**	**x**		
2201	Planning Considerations	x		
2210	Engagement Objectives	x		
2220	Engagement Scope	x		
2230	Engagement Resource Allocation	x		
2240	Engagement Work Program		x	
2300	**Performing the Engagement**	**x**		
2310	Identifying Information	x		
2320	Analysis and Evaluation	x		
2330	Documenting Information	x		
2340	Engagement Supervision	x		
2400	**Communicating Results**	**x**		
2410	Criteria for Communicating	x		
2420	Quality of Communications	x		
2421	Errors and Omissions	x		
2430	Use of "Conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing"*	x		
2431	Engagement Disclosure of Nonconformance	NA		
2440	Disseminating Results	x		
2450	Overall Opinions	NA		
2500	**Monitoring Progress**	**x**		
2600	**Management's Acceptance of Risks**	**x**		
IIA Code of Ethics		**x**		

LACERA

November 8, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

Nathan K. Amick
Senior Internal Auditor

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: **Plante Moran's Audit Results**

Enclosed for your information are the audit reports completed during 2021 by LACERA's external auditors, Plante Moran, PLLC:

- Audit Presentation by Michelle Watterworth, Partner,Jean Young, Partner, and Amanda Cronk, Senior Manager
- Audited Financial Statements and Required Communications with the Board for FYE June 30, 2021
- GASB 68 Disclosure Report, Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for FYE June 30, 2020
- GASB 75 Disclosure Report, Statement of Changes in Fiduciary Net Position by Employer for FYE June 30, 2020

Plante Moran will be at the December 2, 2021, Audit Committee meeting to present a summary of their work performed during the year.

Please let me know if you have any questions.

RPB:nka

plante moran

Los Angeles County Employees Retirement Association

Audit Presentation

December 2, 2021

Introductions

Jean Young, CPA

Partner

Michelle Watterworth, CPA

Partner

Amanda Cronk, CPA

Senior Manager

Agenda

- ✓Audit timeline and deliverables
- ✓Audit areas of focus
- ✓Results of the audit
    - ✓Audit opinion letter
    - ✓Required communications
- ✓Upcoming pronouncements
- ✓Questions

Audit timeline and deliverables

Audit timeline:

- February/March 2021 – Initiated planning procedures
- May/June 2021 – Performed interim procedures remotely
- July/August 2021 – Performed additional planning and audit procedures remotely
- September/October 2021 – Remote testing and review of financial statements
- October 13, 2021 – Timely issuance of audit opinion

Deliverables:

- LACERA's 2021 Audited Financial Statement opinion and Required Communications with the Board
- GASB 68 Schedule of Employer Allocations and Schedule of Pension Amounts by Employer
- GASB 75 Statement of Changes in Fiduciary Net Position by Employer

Audit areas of focus

The ultimate goal of the audit is the expression of an opinion on your financial statements.

- Investment valuations
- Census data testing, particularly at the County level
- Actuarial assumptions and actuarial calculations
- Accuracy of benefit calculations and related payments, including disability payments
- Financial reporting
- COVID-19 considerations

Results of the audit

Opinion

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

- ✓Unmodified Opinion
  - ✓Free from material misstatement
  - ✓Highest level of assurance you can obtain
- ✓Emphasis of Matters
  - ✓Valuation of Harder to Value Investments

Results of the audit

Required Communication with Those Charged With Governance

- Management estimates included within the financial statements
  - Harder to value investments – based upon information obtained from various sources
  - Actuarial assumptions
    - Long-term expected rate of return and discount rate
    - Mortality assumptions
- No difficulties or disagreements with management in performing the audit
- No corrected or uncorrected misstatements

Upcoming pronouncement

Below is a timeline of upcoming pronouncements that will impact LACERA (or its employers):

- GASB Statement No. 87 – Leases – effective for the FYE 6/30/22.
  - This Statement will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases
- Auditor Reporting Standards – effective for the FYE 6/30/22.
  - These new standards will significantly change the independent auditor's report and make some changes to certain required audit procedures. These new standards may increase the scope of audit procedures and may result in some audit work being performed outside of normal timing.
- AICPA State and Local Government Client Affiliates – effective for year beginning 7/1/22.
  - These new rules define four types of affiliates (entities affiliated with LACERA's financial statements) that may expand the scope of required auditor independence as it relates to your audit. Under these revised standards, LACERA will need to identify their investment holdings that meet the definition of an affiliate and we will need to ensure we are independent from those affiliates.

Questions?

Thank you!

For more information contact:

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Tel: 517.332.6200
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October 13, 2021

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

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2021 and have issued our report thereon dated October 13, 2021. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Related Information

Section I communicates significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process.

Section II presents other information that may be of interest to LACERA.

We would like to take this opportunity to thank LACERA's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Board of Retirement, the Board of Investments, and management of LACERA and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Jean Young

Jean Young, CPA
Partner

Michelle Watterworth

Michelle Watterworth, CPA
Partner

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 16, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal controls of Los Angeles County Employees Retirement Association. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of LACERA's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of LACERA, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 13, 2021 regarding our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting and letter about planning matters on August 9, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by LACERA are described in Note B to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2021.

We noted no transactions entered into by LACERA during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most significant estimates related to LACERA's financial statements surround alternative investments and the assumptions within the pension valuation, as more fully explained below:

Alternative Investments: As explained in Note P, the financial statements include investments valued at $19,818,800,000 (26 percent of net position) at June 30, 2021 whose fair values have been estimated by management in the absence of readily determinable market values. Management uses various means to estimate the fair value of these investments, including utilizing audited financial statements, quarterly investment manager reports, and various pricing sources obtained by LACERA's custodian bank.

Pension Valuation Assumptions: Financial statement disclosures and required supplementary information schedules contain information about LACERA's total pension liability. In order to determine this liability, the actuary must apply certain assumptions, which are highly sensitive to estimation. The most sensitive estimates used in the pension valuations are as follows:

- Long-term Assumed Rate of Return: For purposes of GASB 67, as of June 30, 2021, LACERA is currently using 7.13 percent for the assumed long-term expected rate of return (gross of administrative expense load of 0.13 percent). The return is based on the results of an investigation of experience study completed in 2020 and supported by LACERA's external advisor's capital market assumptions.

- Single Discount Rate: The calculation of the single discount rate under GASB Statement No. 67, which is calculated using the long-term assumed rate of return as one of many inputs, is also highly sensitive to estimates the actuary makes about future contributions and future benefit payments. Given LACERA's funding policy and legal requirements under CERL and PEPRA, the actuary determined that projected fiduciary net position is sufficient to fund current projected benefit payments.

- Mortality Assumptions: The pre- and postretirement mortality assumptions impact the total pension liability projected by LACERA's actuary. The assumptions about mortality were estimated by the actuary based on the results of an experience study that was performed during 2020 utilizing the actuarial experience of LACERA for the period from July 1, 2016 through June 30, 2019. Based on that experience study, in the actuarial valuation, the actuary has used the Pub-2010 tables with the MP-2014 Ultimate Projection Scale.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures related to GASB Statement No. 67, including the actuarial valuation results, and the GASB Statement No. 72 fair value disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Section I - Required Communications with Those Charged with Governance
(Continued)

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting LACERA, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as LACERA's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 13, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to LACERA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing LACERA's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we will read the introductory section before issuance and have read the investment, actuarial, and statistical sections of the annual comprehensive financial report (ACFR), and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section II - Other Related Information

The following changes are all expected to impact LACERA in the next year from an accounting or reporting perspective. A summary of these changes is included below for your benefit.

AICPA State and Local Government Client Affiliates

The AICPA has adopted a revised auditor independence interpretation, which impacts entities reporting under the GASB framework. The new rules define four types of affiliates (entities affiliated with your financial statements) that may expand the scope of required auditor independence as it relates to your audit. Under these revised standards, one type of affiliate includes certain investments held by the audit client. For LACERA, it is possible that you hold several investments that meet the definition of an affiliate and, therefore, require independence.

Because auditor independence is a shared responsibility between your organization and Plante & Moran, PLLC you should be aware of and understand these changes. In addition, we will need your help to perform an initial evaluation under these revised standards and will also likely need your continuing assistance to comply with these rules in the future. The changes are effective for years beginning after December 15, 2021, which means we must be independent of your affiliates as of the first day of the year of required adoption, or July 1, 2022. For more information on these changes, please view our on-demand webinar here.

Auditor Reporting Standards

The AICPA Auditing Standards Board (ASB) issued several new standards which are coming effective shortly, that will significantly change the independent auditor's report and make some changes to certain required audit procedures. The standards discussed below are both first effective for your fiscal year ending June 30, 2022.

Statement on Auditing Standards No. 137 addresses auditor's responsibilities relating to "other information included in annual reports." This new standard may increase the scope of audit procedures and may result in some audit work being performed outside of the normal timing. To the extent that LACERA issues a document meeting the AICPA's definition of an annual report under the standard, which may now include LACERA's PAFR in addition to your annual comprehensive financial report, additional audit procedures will need to be performed on these separate documents before issuance.

Statement on Auditing Standards No.134 requires changes in the form and content of the auditor's report issued as a result of an audit of financial statements in order to provide financial statement users with more meaningful information about the audit process and meaning of auditor opinions. This is the first significant change to auditor's reports in years.

Significant elements of the new standard include the following:

- Revised order for elements of the opinion letter, including moving the auditor's opinion to the top of the letter

- Expansion of information to be included within a basis of opinion section and notification to the user that the auditor is required to be independent of the entity as well as meet other ethical responsibilities

- Explanation of how misstatements to financial statements are determined to be material

- Addition of definition of "reasonable assurance" and identifying that the risk of material misstatement due to fraud is greater than the risk due to error

- Enhanced reporting related to going concern, including a description of management's responsibilities when required by the applicable reporting framework

- Description of the auditor's responsibilities, including responsibilities relating to professional judgment and professional skepticism, internal controls, identification of risks of material misstatement to the financial statements, evaluation of accounting policies used, conclusion on the entity's ability to continue as a going concern, and the auditor's communications with those charged with governance

We are happy to discuss these changes with you so that you are well prepared.

Upcoming Accounting Standards Requiring Preparation

GASB Statement No. 87 - Leases

This new accounting pronouncement will be effective for reporting periods beginning after June 15, 2021. 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.

We recommend beginning to accumulate information now related to all significant lease agreements in order to more efficiently implement this new standard once it becomes effective.

Plante & Moran, PLLC has already provided several trainings on this new standard, which are all available on demand if you missed the original sessions or want a refresher. We also have a workaid available to help you implement the new standard. Please reach out to your engagement team for assistance in getting started.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

Issued October 13, 2021 - Final

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TABLE OF CONTENTS

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

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FINANCIAL SECTION

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Plante & Moran, PLLC
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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 Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021 on our consideration of Los Angeles County Employees Retirement Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Angeles County Employees Retirement Association's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 13, 2021

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Management's Discussion and Analysis as of June 30, 2021

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

Pension Plan

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

Other Post Employment Benefits (OPEB) Program

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the LACERA Basic Financial Statements, which include the following primary components: the Statement of Fiduciary Net Position; the Statement of Changes in Fiduciary Net Position; and the Notes to the Basic Financial Statements. The Basic Financial Statements are prepared in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting as prescribed by Generally Accepted Accounting Principles of the United States (U. S. GAAP). Separate statements are provided for the Pension Plan, OPEB Custodial Fund, and OPEB Trust, which are distinct from each other and report the results of the annual financial activities within their respective presentations.

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

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

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

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

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

Pension Plan

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

Retiree Healthcare Benefits Program

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

In June 2014, the LACERA Board of Retirement approved the County's request to modify the agreement, which created a new retiree healthcare benefits tier for certain new employees in order to lower its costs. Structurally, the County segregated all the then-current retirees and employees into LACERA-administered RHCBP (Tier 1) and placed all employees hired after June 30, 2014 into the newly established Los Angeles County RHCBP (Tier 2).

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

OPEB Custodial Fund

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

OPEB Trust

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

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

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

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

FINANCIAL ANALYSIS — PENSION PLAN

Net Position Restricted for Benefits

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

Net Position Restricted for Benefits — Pension Plan
As of June 30, 2021, 2020, and 2019
(Dollars in Millions)

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

Additions and Deductions to Net Position Restricted for Benefits

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

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

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

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

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

Additions and Deductions in Fiduciary Net Position — Pension Plan
For the Fiscal Years Ended June 30, 2021, 2020, and 2019
(Dollars in Millions)

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

Asset Allocation

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

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

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

Pension Liabilities

As GASB Statement Number 67 (GASB 67) requires, LACERA reports the Total Pension Liability and the Net Pension Liability as calculated by LACERA's actuary. The Total Pension Liability is the portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the entry age normal cost method, based on the requirements of GASB 67. The Net

Pension Liability is the Total Pension Liability minus the plan's net assets or fiduciary net position. These liabilities, which are the employers' responsibility, are solely calculated under the guidance of GASB 67 for financial statement reporting purposes.

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

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

Net Pension Liability
As of June 30, 2021 , 2020, and 2019
(Dollars in Millions)

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

OPEB PROGRAM FINANCIAL REPORTING

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

Financial Analysis - OPEB Custodial Fund

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

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

Financial Analysis - OPEB Trust

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

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

OPEB Trust Investment Structure

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

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

PLAN ADMINISTRATION

LACERA Membership

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

LACERA Membership
As of June 30, 2021 and 2020

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

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

ADMINISTRATIVE EXPENSES

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

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

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

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

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

ACTUARIAL FUNDING VALUATIONS

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

Board Policy

In December 2009, the LACERA Board of Investments adopted a revised Retirement Benefit Funding Policy (Funding Policy). In February 2013, the Funding Policy was further amended to conform to the new PEPRA provisions. In addition, beginning with the June 30, 2009 valuation and on a prospective basis, the LACERA Board of Investments approved inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance in valuation assets. As such, the actuary includes the STAR Reserve as part of actuarial assets available for funding retirement benefits.

Consistent with the 2013 Funding Policy, an asset smoothing method is applied to actuarial investment gains and losses. Variances between the actuarially expected market value of assets (computed based on investment performance at the actuarial assumed rate of return) and the actual market value of assets are calculated and then recognized, or smoothed over a five-year period. This actuarial smoothing process recognizes a portion of each year's actuarial investment gains and losses (in relation to the actuarially assumed return) in order to minimize substantial variations in the employer contribution rates and funded ratios.

Actuarial Liabilities

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

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

Actuarial Assumptions

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

The funded ratio is a measurement of the funded status of the Pension Plan. It is calculated by dividing the Valuation Assets by the AAL. Valuation Assets are the value of cash, investments, and other assets belonging to the Pension Plan, as used by the actuary for the purpose of preparing the actuarial valuation. Investment returns, which have varied over the last three years, cause fluctuations in Valuation Assets. In 2019, the LACERA Board of Investments reduced the assumed investment rate of return (as described above and in the Actuarial Section of this ACFR).

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2020 and determined that the Pension Plan's Funded Ratio of the actuarial assets to the

AAL decreased to 76.3 percent as of that date, as compared to 77.2 percent as of the June 30, 2019 valuation.

The investment return on a market basis for 2020, which was below the actuarial assumed investment earnings rate, resulted in a 0.9 percent decrease in the Funded Ratio when applying the five-year actuarial asset smoothing method. For the 2020 and 2019 fiscal year-end actuarial valuations, respectively, the Pension Plan investment portfolio returned 1.8 percent and 6.4 percent (both net of fees), on a time-weighted market basis, which were both less than 7.0 percent investment return assumption effective for both years. When compared to the assumed rate of return, in total, there was an $2.7 billion loss on market assets. Under the actuarial asset smoothing method, which recognizes investment gains and losses over a five-year period, the return on actuarial assets was 5.8 percent, equivalent to a loss of $701 million relative to the assumed return of 7.0 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, 2021, the annual money-weighted rate of return on Pension Plan investments was 25.2 percent (net of fees), the same as the time-weighted return for the same period. The annual 2021 Pension Plan valuation report is not available as of this ACFR's publication.

Total Investment Rates of Return — Pension Plan
For the Last Three Fiscal Years Ended June 30
(Dollars in Thousands)

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[1]	Return on Smoothed Valuation Assets (net of fees)[1,2]	Actuarial Assumed Rate of Return	Actuarial Funded Ratio
2019	$57,976,436	6.4%	5.5%	6.5%	7.00%	77.2%
2020	$56,574,410	1.8%	1.4%	5.8%	7.00%	76.3%
2021 [3]	**$70,297,718**	**25.2%**	**25.2%**	—	—	—

(1) The returns are presented net of investment management fees.
(2) Returns calculated using the money-weighted rate of return method.
(3) Investment information including to total investment portfolio fair value, time-weighted and money-weighted returns are available however, the actuarial valuation report for June 30, 2021 is not available at ACFR publication.

The annual time-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses as of the fiscal years ended June 30, 2021 and 2020, were 28.4 percent and (0.1) percent, respectively. As determined for the July 1, 2020 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL increased to 7.0 percent, as compared to 6.0 percent reported in the July 1, 2019 valuation. The County, LACERA, and the Superior Court, continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL. The annual 2021 OPEB Program valuation report is not available as of this ACFR's publication.

LACERA OPERATIONS

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

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

UPCOMING ACCOUNTING AND FINANCIAL REPORTING STANDARDS

Leases

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

Subscription Based Information Technology Arrangements

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

REQUESTS FOR INFORMATION

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

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

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

Respectfully submitted,

Theodore Granger

Theodore Granger
Interim Chief Financial Officer

Statement of Fiduciary Net Position

As of June 30, 2021 and 2020

(Dollars in Thousands)

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

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

Statement of Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

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

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

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

NOTE A — Plan Description

Pension Plan

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

Retiree Healthcare Benefits Program

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

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

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

Governance

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

The LACERA Board of Investments is responsible for establishing LACERA's investment policy and objectives, deciding Pension Fund actuarial matters, including setting assumptions and member and employer contribution rates, and exercising authority and control over the investment management of the Trust Funds. The Board is composed of nine Trustees. Four Trustees are elected: Two are elected by active general members; and retired members elect one Trustee, as do safety members. Four

Trustees are appointed by the Los Angeles County Board of Supervisors, who are required as a condition of appointment to have significant prior experience in institutional investing. The law requires the County Treasurer and Tax Collector to serve as an Ex-Officio Trustee.

Membership

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

LACERA Pension Plan Membership

As of June 30, 2021 and 2020

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

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

INVESTMENTS

Pension Plan

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

OPEB Trust

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

Program which has been administered under an agent multiple-employer plan structure since July 1, 2018.

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

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

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

OPEB Custodial Fund

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

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

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

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

Benefit Provisions

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

Cost-of-Living Adjustment (COLA)

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

If the CPI has increased up to 3.0 percent for Plan A members or 2.0 percent for all other members, the LACERA Board of Retirement may grant a cost-of-living adjustment (COLA) increase for monthly allowances. If the CPI has decreased, it is possible for the LACERA Board of Retirement to decrease monthly allowances; however, a decrease in allowances has never occurred. In any event, a cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

CERL also allows the amount of any CPI cost-of-living increase in any year that exceeds the maximum annual change of 3.0 percent or 2.0 percent in retirement allowances be accumulated and tracked. The accumulated percentage carryover is known as the COLA Accumulation which, under certain circumstances, may be applied to retirement allowances in future years when the cost of living does not exceed the maximum adjustment. Adjustments require approval from the Board of Retirement.

LACERA members may receive more than one type of COLA:

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

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

Supplemental Targeted Adjustment for Retirees (STAR) Program
In addition to cost-of-living increases, the CERL also provides the LACERA Board of Retirement the authority to grant supplemental cost-of-living increases for retirement benefits. Under this program, known as the STAR Program, excess earnings have been used to restore retirement allowances to 80 percent of the purchasing power held by retirees at the time of retirement. STAR applies to contributory plans only. Retirees and survivors whose allowances have lost more than 20 percent of their purchasing power are eligible for STAR Program benefits. The STAR percentage increase is effective annually on January 1.

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

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

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

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

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

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

Method of Reporting

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

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

OPEB Custodial Fund and OPEB Trust Fund Presentation

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

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

OPEB Trust financial activity includes prefunding contributions provided by plan sponsors either quarterly or on an annual basis, set aside and placed in Trust to earn investment income and interest, held and used to provide future OPEB benefits at the plan sponsors' discretion. Investment income activity is reported with 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 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 upgrades. As such, LACERA treats these items as budgeted expenses, as they are immaterial to LACERA's overall financial statements. Management reviewed and considered all expenses that could be capitalized as capital or intangible assets and determined these items to be appropriately classified as expenses for the current fiscal year.

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

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

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

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

Fair Value

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

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

(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.

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.

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 assets or Fund are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Pension Plan. The Investment Policy Statement calls for an asset liability study to be conducted no later than every three to five years.

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

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

Financial statements were prepared using traditional investment asset categories (i.e., equity, fixed income, private equity, real estate, and hedge funds). In the following table and in the Investment Section, investment information is presented in functional asset categories. LACERA's Board of Investments developed and practices its Investment Beliefs, which state that long-term strategic allocation will be the determinant of LACERA's risk/return outcomes. Based on the Pension Trust Asset Allocation Study completed by Meketa Investment Group (Meketa) in March 2018, the Board of Investments approved the use of a functional framework developed by LACERA's Investment Office

(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.

for modeling purposes, which offers the inclusion of a broader group of investments within Credit and Real Assets and Inflation Hedges. The functional categories include various asset classes that represent the risk/return characteristics of each area. LACERA expects the four functional categories to diversify the Fund and optimize growth while mitigating downside risk. The asset allocation determines what proportion of the Fund is allocated to each functional category and underlying asset class, including target weights and allowable ranges as a percentage of the Fund.

Schedule of Target Allocation and Long-Term Expected Rate of Return
For the Fiscal Year Ended June 30, 2021

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

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

Weighted Average Long-Term Expected Real Rate of Return
The long-term expected real rate of return on Pension Plan investments is based on inflation expectations and nominal return expectations developed by Meketa for each asset class. In the case of the total portfolio and broad asset groupings (e.g., Growth, Credit), returns are calculated using a portfolio approach that first calculates nominal expected returns by incorporating target weights,

nominal expected returns, and volatility and correlations estimates for each asset class, adjusted by the defined return period. Nominal expected returns for each asset class are converted to real expected returns by adjusting them for inflation, using a base inflation rate assumption of 2.75 percent.

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

Discount Rate

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

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

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

Money-Weighted Rate of Return

The annual money-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2021 and 2020, were 25.2 percent and 1.4 percent, respectively. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. This method is equivalent to the internal rate of return. Historical returns are presented in the Schedule of Investment Returns – Pension Plan in the Required Supplementary Information Section.

Time-Weighted Rate of Return

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

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

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

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

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 "SBITA's" in line with that of GASB 87, *Leases*. For LACERA's financial statements, the requirements of GASB 96 are effective for the fiscal year ending June 30, 2023.

NOTE C — Pension Plan Contributions

Funding Policy

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

Member and Employer Rates

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

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

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

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

Experience Study

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

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

Contribution Payments

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

Pension Plan Contributions

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

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

(1) LACERA contributions are included with Los Angeles County.

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

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

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

NOTE D — Pension Plan Reserves

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

Pension Plan

LACERA's major classes of Pension Plan reserves are:

Member Reserves

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

Employer Reserves

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

Supplemental Targeted Adjustment for Retirees (STAR) Reserve

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

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

Contingency Reserve

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

Pension Plan Reserves

As of June 30, 2021 and 2020

(Dollars in Thousands)

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

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

NOTE E — Pension Plan Liabilities

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

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

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

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, cost trends, assumed rate of return, inflation, and other demographic and economic changes over time. Actuarially determined assumptions are subject to continual review or modification as actual experience is compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the adopted assumptions and actual demographics of the Pension Plan and include the types of benefits provided at the time of each valuation.

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

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

Actuarial Methods and Significant Assumptions

Description	Method
Actuarial Cost Method	Individual Entry Age Normal.
Discount Rate	7.13 percent, net of Pension Plan investment expense, including inflation. This rate was adopted beginning with the June 30, 2019 valuation.
Price Inflation	2.75 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2019 triennial experience study.
General Wage Growth and Projected Salary Increases	General wage growth: 3.25 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2019 triennial experience study. Projected salary increases: 3.51 percent to 12.54 percent. The total expected increase in salary includes both merit and the general wage increase assumption of 3.25 percent per annum. The total result is compounded rather than additive. Increases are assumed to occur in the middle of the fiscal year (i.e., January 1) and apply only to base salary. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year. These rates were adopted beginning with the June 30, 2019 valuation.
Cost-of-Living Adjustments	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year (a pro-rata portion for Plan E) are assumed. This assumption was adopted with the June 30, 2016 valuation. The LACERA Funding Policy calls for the inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve in the calculation of valuation assets for funding purposes, with no corresponding liability. For the Total Pension Liability, STAR COLA (supplemental cost-of-living adjustments) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR benefits. This roll-forward calculation includes a future liability for STAR COLA benefits. See Note A — Plan Description for additional COLA and STAR COLA information.
Mortality	Various rates based on the Pub-2010 mortality tables and including projection for expected future mortality improvement using the MP–2014 Ultimate Projection Scale. This assumption was adopted with the June 30, 2019 valuation.

Discount Rate

Milliman's analysis contained in their January 2020 Investigation of Experience report was used to develop the 7.13 percent assumption used for the current GASB 67 reporting date. This is equal to the 7.00 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, as required by GASB 67. LACERA has reviewed this assumption as of the GASB 67 reporting date using current capital market assumptions provided by external investment advisors.

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

Other Key Assumptions

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

Net Pension Liability

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

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

Schedule of Net Pension Liability

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

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

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

Sensitivity Analysis

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

Sensitivity Analysis

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

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

NOTE F — Partial Annuitization of Pension Benefit Payments

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

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

NOTE G — Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the LACERA Board of Investments with exclusive control over LACERA's investment portfolio. The LACERA Board of Investments established Investment Policy Statements and Investment Manager Guidelines for the management of the LACERA defined benefit retirement plan (Pension Plan) and the LACERA Other Post-Employment Benefit 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 100 percent of bonds rated investment grade. As a result, Core portfolios consist almost 100 percent of bonds rated investment grade by the major credit rating agencies: Moody's, S&P Global Ratings (S&P), and Fitch. Core Plus managers are afforded some latitude to deviate from the benchmark index in order to generate excess return, so investment grade bonds must comprise at least 70 percent of Core Plus portfolios.

High Yield Bonds

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

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

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

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan
As of June 30, 2021
(Dollars in Thousands)

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

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

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

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan
As of June 30, 2020
(Dollars in Thousands)

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

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

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2021
(Dollars in Thousands)

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

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2020
(Dollars in Thousands)

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

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

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2021
(Dollars in Thousands)

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

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2020
(Dollars in Thousands)

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

Custodial Credit Risk
LACERA's contract with its custodian State Street Bank and Trust (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, in book-entry form, with a 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 managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

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

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

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

payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage Interest Rate Risk, the duration of all Investment Grade bond portfolios is restricted to plus or minus 25 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

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

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2021
(Dollars in Thousands)

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

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

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

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2020
(Dollars in Thousands)

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

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

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2021
(Dollars in Thousands)

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

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

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2020
(Dollars in Thousands)

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

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

Duration in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2021
(Dollars in Thousands)

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

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

Duration in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2020
(Dollars in Thousands)

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

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

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective Investment Manager Guidelines. To mitigate Foreign Currency Risk within global equity, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50 percent of LACERA's foreign currency exposure for developed market equities.

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

Non-U.S. Investment Securities at Fair Value — Pension Plan
As of June 30, 2021
(Dollars in Thousands)

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

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
Indonesian Rupiah	55,584	25,989	42	—	—	—	81,615
Japanese Yen	1,486,494	—	1,248	—	—	(82)	1,487,660
Kazakhstani Tenge	—	5,518	—	—	—	—	5,518
Kuwaiti Dinar	8,078	—	—	—	—	—	8,078
Malaysian Ringgit	61,692	10,306	131	—	—	—	72,129
New Zealand Dollar	46,881	261	12	—	—	787	47,941
Pakistan Rupee	2,405	3,109	—	—	—	—	5,514
Philippine Peso	25,662	1,220	3	—	—	—	26,885
Singapore Dollar	78,336	2,351	280	—	—	2,462	83,429
South Korean Won	488,596	1,743	342	—	—	19,887	510,568
Taiwan Dollar	417,184	—	96	—	—	—	417,280
Thai Baht	52,389	7,844	8	—	—	—	60,241
Uzbekistani So'm	—	5,115	—	—	—	—	5,115
Vietnamese Dong	37,223	—	—	—	—	—	37,223
EUROPE							
Belarusian Ruble	—	6,341	—	—	—	—	6,341
British Pound Sterling	1,481,904	60,616	385	485	122,063	27,817	1,693,270
Czech Republic Koruna	3,588	16,354	—	—	—	—	19,942
Danish Krone	222,322	—	479	—	—	3,106	225,907
Euro	2,589,916	172,931	13,719	287,627	644,294	1,918	3,710,405
Hungarian Forint	17,363	3,486	—	—	—	—	20,849
Norwegian Krone	128,472	—	90	—	—	—	128,562
Polish Zloty	39,781	6,537	197	—	—	—	46,515
Romanian New Leu	17,169	8,210	—	—	—	—	25,379
Russian Ruble	127,259	23,145	—	—	—	—	150,404
Serbian Dinar	—	4,367	—	—	—	—	4,367
Swedish Krona	508,125	—	516	—	—	237	508,878
Swiss Franc	685,030	—	265	—	—	817	686,112
Ukrainian Hryvnia	—	22,175	—	—	—	—	22,175
MIDDLE EAST							
Bahraini Dinar	—	5,687	—	—	—	—	5,687
Egyptian Pound	2,732	18,671	—	—	—	—	21,403
Israeli New Shekel	42,162	1,799	5	—	—	68	44,034
Jordanian Dinar	7,197		—	—	—	—	7,197
Qatari Rial	18,655	17,795	—	—	—	—	36,450
Saudi Riyal	1,410	11,763	—	—	—	—	13,173
Turkish Lira	10,340	7,122	—	—	—	—	17,462
UAE Dirham	18,277	15,373	13	—	—	—	33,663
Total Investment Securities Subject to Foreign Currency Risk	**$12,137,033**	**$746,971**	**$20,600**	**$288,112**	**$766,357**	**$68,299**	**$14,027,372**

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

As of June 30, 2020

(Dollars in Thousands)

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

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
Indonesian Rupiah	47,276	92,387	28	—	—	—	139,691
Japanese Yen	1,383,238	1,901	1,000	—	—	4,541	1,390,680
Kazakhstani Tenge	—	6,932	—	—	—	—	6,932
Malaysian Ringgit	61,344	28,472	997	—	—	—	90,813
New Zealand Dollar	38,694	234	26	—	—	(695)	38,259
Pakistan Rupee	2,173	2,660	—	—	—	—	4,833
Philippine Peso	20,597	6,297	1	—	—	—	26,895
Singapore Dollar	70,910	5,366	38	—	—	(709)	75,605
South Korean Won	304,513	12,265	161	—	—	—	316,939
Sri Lankan Rupee	—	3,199	—	—	—	—	3,199
Taiwan Dollar	103,008	4,216	296	—	—	—	107,520
Thai Baht	56,749	39,131	5	—	—	—	95,885
Uzbekistani So'm	—	2,596	—	—	—	—	2,596
Vietnamese Dong	26,033	—	—	—	—	—	26,033
EUROPE							
Albanian Lek	—	2,049	—	—	—	—	2,049
Belarusian Ruble	—	1,623	—	—	—	—	1,623
British Pound Sterling	1,169,459	30,093	2,348	1,366	52,403	(8,223)	1,247,446
Czech Republic Koruna	2,600	21,209	—	—	—	—	23,809
Danish Krone	174,988	—	(120)	—	—	(1,329)	173,539
Euro	2,141,350	97,461	16,789	233,477	339,601	(17,930)	2,810,748
Hungarian Forint	13,231	13,520	—	—	—	—	26,751
Norwegian Krone	81,508	—	52	—	—	(1,751)	79,809
Polish Zloty	19,432	39,244	25	—	—	—	58,701
Romanian New Leu	14,125	16,833	—	—	—	—	30,958
Russian Ruble	24,594	78,099	302	—	—	(537)	102,458
Serbian Dinar	—	5,414	—	—	—	—	5,414
Swedish Krona	309,333	—	931	—	—	(5,602)	304,662
Swiss Franc	595,671	—	48	—	—	(4,604)	591,115
Ukrainian Hryvnia	—	19,162	—	—	—	—	19,162
MIDDLE EAST							
Bahraini Dinar	—	2,770	—	—	—	—	2,770
Egyptian Pound	3,660	14,615	—	—	—	—	18,275
Israeli New Shekel	35,560	1,150	2	—	—	(657)	36,055
Jordanian Dinar	4,705	—	—	—	—	—	4,705
Qatari Rial	18,305	26,536	—	—	—	—	44,841
Saudi Riyal	2,695	(620)	—	—	—	—	2,075
Turkish Lira	15,115	14,166	—	—	—	—	29,281
UAE Dirham	18,708	6,012	13	—	—	—	24,733
Total Investment Securities Subject to Foreign Currency Risk	**$9,297,101**	**$987,245**	**$27,813**	**$234,843**	**$392,004**	**($63,542)**	**$10,875,464**

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

As of June 30, 2021
(Dollars in Thousands)

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

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

Non-U.S. Investment Securities at Fair Value — OPEB Trust
As of June 30, 2020
(Dollars in Thousands)

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

Currency	Equity	Fixed Income	Total
Norwegian Krone	1,661	149	1,810
Polish Zloty	755	5,086	5,841
Romanian Leu	—	1,749	1,749
Russian Ruble	2,718	5,032	7,750
Swedish Krona	7,927	163	8,090
Swiss Franc	20,835	—	20,835
MIDDLE EAST			
Egyptian Pound	151	—	151
Iraqi Dinar	—	269	269
Israeli New Shekel	1,812	92	1,904
Qatari Rial	830	—	830
Saudi Riyal	2,340	—	2,340
Turkish Lira	453	1,759	2,212
UAE Dirham	528	—	528
Total Investment Securities Subject to Foreign Currency Risk	**$327,702**	**$78,951**	**$406,653**

NOTE H — Securities Lending Program

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

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

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

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

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

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

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

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

	2021				2020			
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark [1]**	**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)	$610,659	$621,794	$—	$—
U.S. Fixed Income	1,237,110	1,034,611	238,468	1,661	625,588	494,950	156,849	(91)
Non-U.S. Equity	609,309	52,942	600,317	(1,902)	457,198	60,630	430,620	463
Total	**$3,351,428**	**$1,198,528**	**$2,334,172**	**($3,126)**	**$1,693,445**	**$1,177,374**	**$587,469**	**$372**

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

NOTE I — Derivative Financial Instruments

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

Futures

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

Currency Forwards

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

Currency Forwards Analysis
As of June 30, 2021
(Dollars in Thousands)

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

Note: The Currency Forward Contracts Table does not include holdings within a commingled investment structure.

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

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

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

Investment Derivatives
As of June 30, 2021
(Dollars in Thousands)

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

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

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

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forward contracts and certain swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continually monitor credit ratings of counterparties. In addition, collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure.

Should there be a counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that have unrealized gains and any collateral provided to the counterparty, net of applicable netting arrangements. LACERA requires investment managers to have Master Agreements in place that permit netting in order to minimize credit risk. Netting arrangements provide LACERA with a legal right of setoff in the event of bankruptcy or default by the counterparty.

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

Counterparty Credit Risk Analysis
As of June 30, 2021
(Dollars in Thousands)

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

Interest Rate Risk

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

Interest Rate Risk Analysis

As of June 30, 2021
(Dollars in Thousands)

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

NOTE J — Special Purpose Entities

Real Estate Investments

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

As of June 30, 2021, there were 34 Title Holding Corporations (THCs) and 48 Limited Liability Companies (LLCs) contained within the LACERA real estate portfolio. As of June 30, 2020, the portfolio held 41 THCs and 56 LLCs.

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

Debt Program

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

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

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

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

As presented in the Investment Section, Real Estate and Debt Program assets are included in the following functional category portfolios: Growth, Credit, and Real Assets and Inflation Hedges. For additional information regarding LACERA's investment portfolio and functional categories, see the Investment Section.

NOTE K — Related Party Transactions

Office Lease

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

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

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

NOTE L — Administrative Expenses

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

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

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

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

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

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

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

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

Budget-to-Actual Analysis of Administrative Expenses
As of June 30, 2021 and 2020
(Dollars in Thousands)

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

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

NOTE M — Commitments and Contingencies

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

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

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

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

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

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

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

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

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

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

Program Description

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

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

One difference included in this modification involves LACERA's administrative responsibility for the Retiree Healthcare Program. Under Tier 1, LACERA will continue its agreed-upon role as Program Administrator for retiree healthcare benefits as governed by the 1982 Agreement. Under the Tier 2 program, LACERA is responsible for administering this program; however, the County has the option to choose another organization to administer Tier 2.

Since inception, OPEB Program liabilities and costs were determined within a cost-sharing plan structure, rather than separately for each employer. In July 2018, the OPEB Program, in which Los Angeles County, LACERA, Superior Court, and the Outside Districts participate, was restructured as an agent multiple-employer defined benefit OPEB plan (agent plan).

Membership

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

LACERA Membership — OPEB Medical and Dental/Vision Benefits
As of June 30, 2021 and 2020

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

LACERA Membership — OPEB Death/Burial Benefits
As of June 30, 2021 and 2020

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

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

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

(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.
(2) Survivors, spouses and dependents are not eligible for death benefits.

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

Disability

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

Death/Burial Benefit

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

Healthcare Reform

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

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

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

Eligible dependent child age limit increased to age 26: The plan sponsor, the County of Los Angeles, approved an extension of the dependent children age limit up to age 26 under the Retiree Healthcare Program, regardless of a dependent child's marital or student status. This is a result of

Senate Bill (SB) 1088. Until July 1, 2014, SB 1088 exempted retiree-only plans, such as LACERA's from this provision. It required health plan carriers to offer the coverage to dependents up to age 26 but does not obligate the plan sponsor, the County of Los Angeles, to pay for coverage up to age 26. However, effective March 9, 2015, the County determined that it will 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 is reported within two distinct funds, the OPEB Custodial Fund and the OPEB Trust Fund, at LACERA, in accordance with GASB Statement Number 74 (GASB 74).

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

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

Agent and Agent Grouping
OPEB Trust
County, Superior Court and LACERA
OPEB Program [1]
County, Superior Court, LACERA, SCAQMD, LACOE, LAFCO, LLCD

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

OPEB Trust — Agent Plan

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

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

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

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

Premium Payments
During the fiscal years ended June 30, 2021 and 2020, respectively, premium payments of $654.3 million and $627.2 million were made to insurance carriers. These premiums were funded by employer subsidy payments of $605.7 million and participant payments of $48.6 million for the fiscal year ended 2021. The employer subsidy payments for the fiscal year ended 2020 were $578.0 million with participant payments of $49.2 million.

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

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

NOTE O — Hedge Fund Investments

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

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

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

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

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

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

NOTE P — Fair Value of Investments

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

Equity and Fixed Income Securities

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

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

Investments in Hedge Fund, Private Equity, Real Estate, Equity and Fixed Income funds are valued at estimated fair value, as determined in good faith by the General Partner (GP), in accordance with GAAP fair value principles in instances where no observable public market values are available. Investments that are estimated at fair value are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP. In instances where observable public market values are available for the underlying securities held, fair value is determined by the fund's administrator using independent pricing sources.

Real Estate Separate Account Investments

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

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

Investments and Derivatives Measured at Fair Value — Pension Plan
As of June 30, 2021
(Dollars in Thousands)

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

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

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

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

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

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

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

(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.

(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.

(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.

(d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.

(e) Multi-Strategy: This strategy aims to pursue varying strategies to diversify risks and reduce volatility.

(f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.

(4) **Private Equity and Real Estate Funds:** LACERA's Private Equity portfolio consists of 254 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, real assets, and co-investments. Due to contractual limitations, none of the funds are currently eligible for redemption. One of the funds may be eligible for redemption after three years, while the remaining 253 funds are ineligible for up to 10 years. The Real Estate portfolio, composed of 23 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. Three out of 23 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J - Special Purpose Entities.

Investments and Derivatives Measured at Fair Value — Pension Plan

As of June 30, 2020

(Dollars in Thousands)

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

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2020

(Dollars in Thousands)

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

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

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

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

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

(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.

(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.

(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.

(d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.

(e) Multi-Strategy: This strategy aims to pursue varying strategies diversify risks and reduce volatility.

(f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.

(g) Commodities: This strategy invests across the global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors.

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

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2021
(Dollars in Thousands)

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

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2021
(Dollars in Thousands)

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

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

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2020

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Pooled Investments	$147,703	$147,703	$0	$0
Total Fixed Income Securities	**$147,703**	**$147,703**	**$0**	**$—**
Total Investment by Fair Value Level	**$147,703**	**$147,703**	**$0**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$422,672			
Equity	755,005			
Real Estate Investment Trust (REIT)	142,775			
Total Investments Measured Trust at NAV	**$1,320,452**			
Total Investments	**$1,468,155**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2020

(Dollars in Thousands)

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

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

Investments Measured at Fair Value — OPEB Custodial Fund
As of June 30, 2021
(Dollars in Thousands)

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

Investments Measured at Fair Value — OPEB Custodial Fund
As of June 30, 2020
(Dollars in Thousands)

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

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

Establishment of Los Angeles County (County) OPEB Trust

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

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

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

Establishment of Los Angeles Superior Court (Court) OPEB Trust

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

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

In June 2016, similar to the County, the Court entered into a Trust and Investment Services Agreement with the LACERA Board of Investments.

OPEB Master Trust

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

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

Funding Policy

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

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

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

INVESTMENT POLICIES — OPEB MASTER TRUST

Investment Policy

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

Target Allocation

The Board's revised asset allocation policy, adopted in December 2017, divides the Trust into four broad functional categories and contain asset classes that align with the purpose of each function. The Board has approved target weights at both the functional category and asset class level to provide for diversification of assets in an effort to meet the OPEB Program's actuarial assumed rate of return, consistent with market conditions and risk control. The functional categories have target weights of 50.0 percent in Growth, 20.0 percent in Credit, 10.0 percent in Risk Reduction and Mitigation, and 20.0 percent in Inflation Hedges, respectively. The Board approved a new Strategic Asset Allocation for the OPEB Trust at it's June 2021 Board meeting. Transition to the first phase of the revised target allocation will begin in the upcoming fiscal year.

Schedule of Target Allocation
As of June 30, 2021

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

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

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

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

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

Contributions — OPEB Trust

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

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

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

Administration

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

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2021 and 2020

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

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

Fund Values

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

Fund Values — OPEB Trust

As of June 30, 2021 and 2020

(Dollars in Thousands)

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

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

NOTE R — Global Pandemic

LACERA Members

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

LACERA Staff

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

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

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

LACERA Leadership

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

NOTE S — Subsequent Events

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

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FINANCIAL SECTION
(REQUIRED SUPPLEMENTARY INFORMATION)

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Schedule of Net Pension Liability [1]

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	$80,303,904	$76,579,594	$70,309,252	$67,057,218	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Less: Fiduciary Net Position	(73,012,026)	(58,510,408)	(58,294,837)	(56,299,982)	(52,743,651)	(47,846,694)	(48,818,350)	(47,722,277)
Net Pension Liability	$7,291,878	$18,069,186	$12,014,415	$10,757,236	$11,288,026	$10,681,763	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	90.92%	76.40%	82.91%	83.96%	82.37%	81.75%	86.30%	86.80%
Covered Payroll [2]	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	80.47%	207.12%	143.54%	135.18%	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.

Total Pension Liability

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

	2021	2020	2019	2018	2017	2016	2015	2014
Discount Rate	7.13%	7.13%	7.38%	7.38%	7.38%	7.63%	7.63%	7.63%
Long-Term Expected Rate of Return, Net of Expenses	7.00%	7.00%	7.25%	7.25%	7.25%	7.50%	7.50%	7.50%
Municipal Bond Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Discount Rate

Milliman's January 2020 Investigation of Experience analysis was used to develop the 7.13 percent assumption used for the current reporting date. This is equal to the 7.00 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 is equal to the long-term expected rate of return, plus administrative expenses.

Schedule of Net Pension Liability[1] continued

For the Fiscal Years Ended June 30

Other Key Actuarial Assumptions

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

Valuation Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement/Reporting Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

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

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

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

(1) Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(3) In accordance with GASB Statement Number 67, investment related costs are reported as investment expense.
(4) In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

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

For the Fiscal Years Ended June 30

(Dollars in Thousands)

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

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

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

(3) In accordance with GASB Statement Number 67, investment related costs are reported as investment expense.

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

Changes in Pension Plan Assumptions

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

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

2019 Assumption Changes

The Board adopted a decrease in the investment return assumption to 7.00 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 based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using 100 percent of the MP-2014 Ultimate Projection Scale.

Schedule of Employer Contributions History — Pension Plan

Last 10 Fiscal Years

(Dollars in Thousands)

	2021 [2]	2020 [2]	2019 [2]	2018 [2]	2017 [1, 2]	2016 [2]	2015 [2]	2014 [2]	2013 [1]	2012
Actuarially Determined Contributions	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,357	$1,403,709	$1,455,718	$1,281,795	$1,172,014	$1,078,929
Contributions in Relation to Actuarially Determined Contributions	2,012,877	1,800,137	1,668,151	1,524,823	1,331,357	1,403,709	1,455,718	1,281,795	1,172,014	1,078,929
Contribution Deficiency/ (Excess)	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—
Covered Payroll [3]	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886	$6,595,902	$6,619,816
Contributions as a Percentage of Covered Payroll	22.21%	20.63%	19.93%	19.16%	17.43%	19.28%	20.95%	19.21%	17.77%	16.30%

(1) Portion of contributions fulfilled by transfers from County Contribution Credit Reserve: $21,891 (FYE 2017, Superior Court) and $448,819 (FYE 2013, County).
(2) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(3) In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

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

Schedule of Investment Returns — Pension Plan [1]

For the Fiscal Years Ended June 30

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

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

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

Notes to Required Supplementary Information — Pension Plan

Actuarial Methods and Significant Assumptions

The actuarial assumptions used to determine Pension Plan liabilities, and employer and employee contributions, are based on the results of the 2019 triennial investigation of experience (experience study). The June 30, 2020 actuarial valuation prepared by the consulting actuary reaffirmed all assumptions adopted by the LACERA Board of Investments in January 2020. The LACERA Board of Investments approved a three-year phase-in of the changes to employer contribution rates.

Key Methods and Significant Assumptions[1]

Description	Method
Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions calculated for the June 30, 2020 valuation are applied for the fiscal year July 1, 2021 to June 30, 2022.
Actuarial Cost Method	Entry Age Normal.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.00 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2019 valuation.
Consumer Price Index	Increase of 2.75 percent per annum. This rate was adopted beginning with the June 30, 2016 valuation.
Wage Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.51 percent to 12.54 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage level of membership.
Asset Valuation Method	Assets are valued using a five-year smoothed method based on the difference between expected market value and actual market value. The recognition method is non-asymptotic, and there is no minimum or maximum corridor applied.
Amortization Method	The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. Effective June 30, 2019 existing UAAL layers as of June 30, 2018 are amortized over their remaining periods, not to exceed 22 years. Each new layer effective on or after June 30, 2019 is amortized over a 20-year period. The UAAL contribution rate calculated in the June 30, 2020 funding valuation includes 12 layers.
Retirement Age	A schedule of the probabilities of employment termination based on age due to a particular cause is used. For additional information, see the Probability of Occurrence tables in the Actuarial Section.

(1) Assumptions applied to funding valuation calculations may vary with those applied to GASB 67 calculations.

Key Methods and Significant Assumptions (continued)

Description	Method
Cost-of-Living Adjustments (COLA)	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. This rate was adopted beginning with the June 30, 2016 valuation.
Mortality	Various rates based on Pub-2010 mortality tables and using MP-2014 Ultimate Projection Scale. See the June 30, 2019 actuarial funding valuation report for details.
Recognition of Inflows/ Outflows	
Gains or Losses	
Investment	Straight-line amortization over five years.
Economic/Demographic	Straight-line amortization over expected working life.
Assumption Changes or Inputs	Straight-line amortization over expected working life.

Schedule of Investment Returns — OPEB Program [1]

For the Fiscal Years Ended June 30

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

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

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

FINANCIAL SECTION
(OTHER SUPPLEMENTARY INFORMATION)

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Administrative Expenses — Pension Plan
For the Fiscal Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

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

Schedule of Investment Expenses

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

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

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

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

Schedule of Payments to Consultants — Pension Plan
For the Fiscal Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

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

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

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INVESTMENT SECTION

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Chief Investment Officer's Report — As of June 30, 2021

Dear LACERA Members:

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

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

Performance Summary

The Pension Plan returned 25.2 percent during the fiscal year, while the OPEB Trust returned 28.4 percent during the same period.[2] LACERA aims to meet or exceed the Funds respective benchmarks over a full market cycle and their respective actuarial expected return assumptions over the long term. As illustrated below, the Pension Plan's return met or outperformed its policy benchmark for the past fiscal year, and the five-, seven- and ten-year periods and is ahead of its actuarial expected return of 7.0 percent[3] for all periods. The Pension Plan's returns for the fiscal year were coupled with relatively lower volatility compared to the benchmark portfolio's risk profile, demonstrating the benefits of the broad diversification built into LACERA's strategic asset allocation. The OPEB Trust also exceeded its policy benchmark return during the past fiscal year and for the three-, five-, and seven-year periods, and exceeded its actuarial expected return of 6.0 percent for all periods.[4]

Annualized Total Returns
Fiscal Year Ended June 30, 2021
(Net of Fees)

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

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

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

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

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

Asset Allocation

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

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

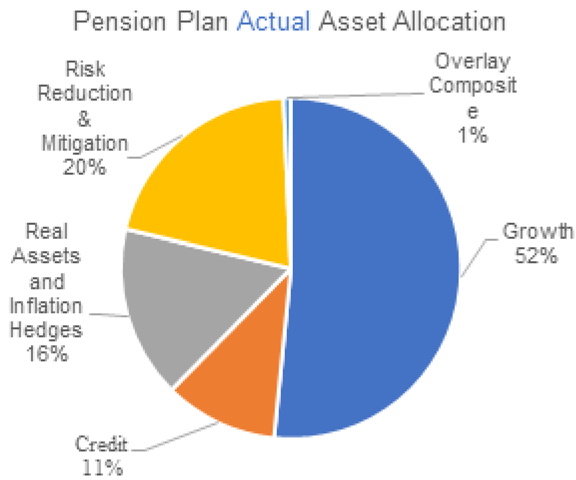
Functional Category	Sub-Asset Classes	Role In Portfolio
Growth	Global Equity Private Equity Opportunistic Real Estate	Primary driver of long-term total returns
Credit	High Yield Bonds Bank Loans Emerging Market Debt Illiquid Credit	Produce current income and moderate long - term total returns with lower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

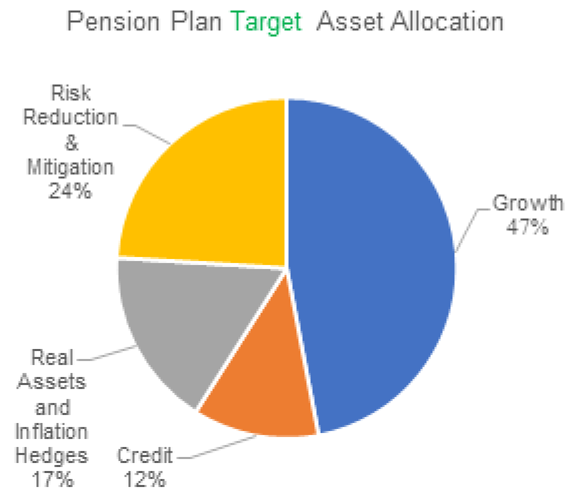
LACERA's Board reviews the strategic asset allocation for each Fund every three to five years or more often if needed to ensure that both portfolios are aligned with anticipated risks and opportunities. Asset allocation studies consider a number of factors including, but not limited to: the Funds' current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

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

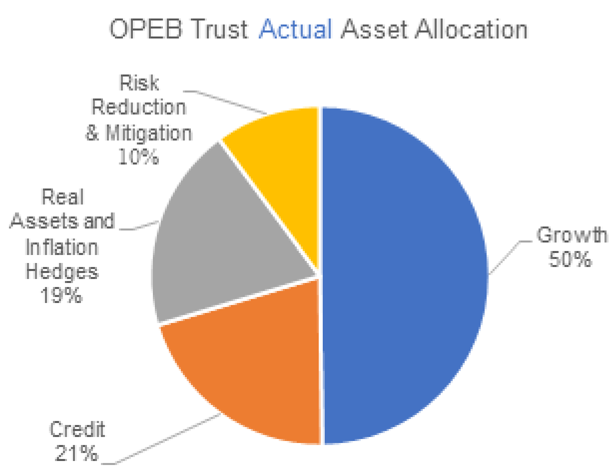
[6] The functional frameworks of the Pension Plan and the OPEB Trust differ slightly as the OPEB Trust does not currently invest in private assets.

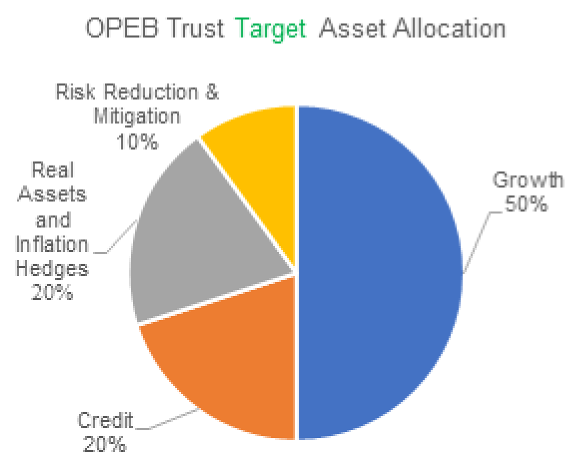
The Pension Plan's June 30, 2021 actual and target asset allocation are shown below.[7]





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





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

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

[7] The Pension Plan's actual asset allocation includes an overlay composite which invests LACERA's excess cash (cash in excess of the target allocation of 1% of the Pension Plan's total assets) in synthetic securities that provide similar investment exposure to the Pension Plan.
[8] The current OPEB Trust allocation only includes public market assets. The OPEB Trust's newly approved strategic asset allocation includes an 18% target allocation to private market assets.

Beyond strategic asset allocation, LACERA took several steps in recent years to further maximize investment returns while mitigating risks. LACERA's risk analysis capabilities have been enhanced through utilizing data analytics platforms which allow LACERA to better assess the portfolio against its desired risk and return profile. LACERA expanded its focus on environmental, social, and governance risk factors and their impact on the portfolios' investment performance. LACERA believes a better understanding of these risks will lead to better long-term investment returns. Additionally, LACERA further elevated its diversity, equity, and inclusion initiatives aimed at increasing investment performance by evaluating and encouraging financial firms managing LACERA's capital and the broader investment industry to access and incorporate wider talent and views that reflect the diversity of human experiences. LACERA diligently pursues these programs as part of our overall approach to achieve the best financial outcomes for LACERA's investment portfolio and members.

Core Performance Drivers

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

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

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

Looking Forward

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

Respectfully submitted,

Jonathan Grabel

Jonathan Grabel
Chief Investment Officer

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MEKETA

INVESTMENT GROUP

September 21, 2021

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

Dear Board Members,

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

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

Fiscal Year 2021 Calendar Year in Review

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

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

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

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

In the wake of positive vaccine news, we saw a rotation away from growth stocks into value stocks at calendar year-end that, for the most part, continued for the remainder of the fiscal year. By June 30, 2021, the Russell 3000 Value Index (+45.4%) had outpaced the prior leadership of the Russell 3000 Growth Index (+43.0%). Just a year prior, leadership performance of the Russell 1000 Growth Index (+21.9%) versus the Russell 1000 Value Index (-9.4%) held a significant wider spread, that by FY 2021 had all but diminished. Cyclical sectors like energy and financials saw strong results, as investors rotated out of the stay-at-home focused companies in the technology sector that were so previously favored in 2020.

Similarly, but with a drastically more pronounced divergence, we saw a rotation away from large cap stocks and into small cap stocks. The performance dispersion between the Russell 1000 Index (+43.1%) and the Russell 2000 Index (+62.0%) reached nearly 20% by fiscal year end as smaller companies benefited from the re-opening of economies and its pro-cyclical tailwind.

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

The US Treasury yield curve had declined materially at the onset of COVID-19 (March of 2020) as investors flocked to this safe-haven asset and aggressive Federal Reserve policies were enacted through policy rate cuts and the quantitative easing program. For context, at the end of June 30, 2020 the 10-year yield was at 0.66% with yields remaining below 1.0% through December; by March 2021, the yield nearly doubled to 1.7% on prospects of stronger than expected growth driving negative bond index returns. By the end of the fiscal year, the 10-year yield retreated to 1.4% as concerns about the economic impact of the Delta variant trimmed investor risk appetite.

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

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

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

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

2021 Outlook

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

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

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

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

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

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

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

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

LACERA Investment Results [1]

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

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

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

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

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

Sincerely,

Leandro Festino, CFA, CAIA	Stephen P. McCourt, CFA
Managing Principal	Managing Principal

SPM/LAF/TF/IZ/sf

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

Investment Summary — Pension Plan[1]

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	$36,931,746		
Global Equity		26,447,258	37.0%
Private Equity		9,866,335	13.8%
Opportunistic Real Estate4		618,153	0.9%
Credit	$7,700,407		
High Yield		2,249,962	3.1%
Bank Loans		2,639,439	3.7%
Emerging Market Debt		891,931	1.2%
Illiquid Credit		1,919,075	2.7%
Real Assets and Inflation Hedges	$11,676,622		
Core and Value Added Real Estate		4,467,021	6.2%
Natural Resources & Commodities		2,998,170	4.2%
Infrastructure		2,182,927	3.1%
Treasury Inflation-Protected Securities		2,028,504	2.8%
Risk Reduction and Mitigation	$14,743,023		
Investment Grade Bonds		11,301,065	15.8%
Diversified Hedge Funds		2,526,387	3.5%
Cash		915,571	1.3%
Total Overlay	$515,586		0.7%
Total Investments - Pension Plan		**$71,567,384**	**100.0%**

Investment Summary — OPEB Master Trust[1]

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

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

Investment Summary — OPEB Custodial Fund [1]

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

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

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

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

As of June 30, 2021

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

(1) Functional asset category returns are calculated based on time-weighted rates of return, net of manager fees; Total Fund performance is calculated based on the weighted average returns of the functional asset categories, net of manager fees.
(2) Some asset categories and their benchmarks are reported with a one or three-month lag.
*A complete list of custom benchmark definitions is available upon request.

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

As of June 30, 2021

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

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

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

Total Investment Rates of Return — Pension Plan

For the Last 10 Fiscal Years Ended June 30
(Dollars in Thousands)

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

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

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

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

(4) **Actuarial Assumed Rate of Return** is the future investment earnings of the assets which are assumed to accrue at an annual rate, compounded annually, net of both investment and administrative expenses. The Actuarial Assumed Rate of Return is 7.00 percent as adopted by the Board of Investments based on the results of the Actuarial Investigation of Experience completed in January 2020. For Fiscal Year 2020-2021, interest crediting and operating tables applied the 7.00 percent Actuarial Assumed Rate of Return.

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

(6) **Actuarial Valuation** report for June 30, 2021 not yet available at publication.

Largest Equity Holdings — Pension Plan [1]

As of June 30, 2021

(Dollars in Thousands)

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

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

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

Largest Fixed Income Holdings — Pension Plan [1]

As of June 30, 2021
(Dollars in Thousands)

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

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

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

Schedule of Investment Management Fees
For the Fiscal Years Ended June 30, 2021 and 2020
(Dollars in Thousands)

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

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

List of Investment Managers

GROWTH

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

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

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

CREDIT

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

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

Emerging Market Debt
Aberdeen Standard Investments
Ashmore Investment Management LTD

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

REAL ASSETS and INFLATION HEDGES

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

Natural Resources & Commodities
Credit Suisse Asset Management, LLC
Gresham Investment Management, LLC

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

Natural Resources & Commodities (Cont.)
Neuberger Berman Fixed Income, LLC
Pacific Investment Management Company, LLC (PIMCO)
RREEF America, LLC

Infrastructure
RREEF America, LLC

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

RISK REDUCTION and MITIGATION

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

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

Cash
State Street Global Advisors (SSGA)

Mortgage Loan Servicer
Ocwen Loan Servicing, LLC

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

Health Reserve Program
Standish Mellon Asset Management Company, LLC

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

Overlay Program
Parametric Portfolio Associates, LLC

ACTUARIAL SECTION

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Actuarial Information Overview — Pension Plan

Introduction

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

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

Valuation Policy

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

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

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

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

Member Contributions

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

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

Employer Contributions

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

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

Actuarial Cost Method

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

Amortization Method

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

Reviews

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

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

OTHER ACTUARIAL INFORMATION

Actuarially Determined Contributions

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

Actuarial Methods and Assumptions

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

The following additional information is included in this section:

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

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

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

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Milliman

September 15, 2021

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

Dear Trustees of the Board:

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

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

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

It is our opinion that LACERA continues in sound financial condition as of June 30, 2020. Most of this year's decrease in the Funded Ratio is due to the recognition of actuarial asset losses from the current and prior years, and salary increases larger than expected. Using the market value of assets on June 30, 2020, the Funded Ratio would be 74.0%. As of June 30, 2020 a net asset loss is being deferred.

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

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

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

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

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

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

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

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

Milliman

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

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

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

Milliman prepared the following information for the actuarial section:

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

In addition, for Note E – Pension Plan Liabilities of the financial section, Milliman prepared the Schedule of Net Pension Liability, and Sensitivity Analysis.

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

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

Sincerely,

Mark C Olleman

Nick Collier

Mark C. Olleman, FSA, EA, MAAA
Principal and Consulting Actuary

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

MCO/NJC/nlo

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Summary of Actuarial Methods and Assumptions — Pension Plan	
Actuarial Methods and Assumptions	The actuarial methods and assumptions used to determine Pension Plan liabilities are based on the results of the 2019 experience study as recommended by Milliman, the consulting actuary, and adopted by the LACERA Board of Investments. In 2009, the Board of Investments approved the Retirement Benefits Funding Policy (Funding Policy). Under the Funding Policy, modifications to the asset valuation and amortization methods were adopted beginning with the June 30, 2009 actuarial valuation. The Funding Policy was amended in February 2013 to conform with the new standards mandated in PEPRA and to specify that the Supplemental Targeted Adjustment for Retirees (STAR) Reserve should be included as a valuation asset on an ongoing basis.
Actuarial Cost Method	Entry Age Normal.
Actuarial Asset Valuation Method	The assets are valued using a five-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The gains and losses on market value are recognized over a five-year period to spread out the impact of investment market performance, rather than recognizing the entire impact of market changes each year. The expected market value is the prior year's market value increased with the net cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. The five-year smoothing valuation basis for all assets was adopted beginning with the June 30, 2009 valuation. The inclusion of the STAR Reserve in the valuation of assets was formalized for current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy. Since the June 30, 2013 valuation, Milliman has included the STAR Reserve as part of the valuation assets.
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	As of the June 30, 2019 valuation, all amortization layers with periods greater than 22 years as of July 1, 2020 were amortized over periods not to exceed 22 years. Future actuarial gains and losses are amortized over new closed 20-year periods, beginning with the date the contribution is first expected to be made. This is referred to as layered amortization. For the June 30, 2020 valuation, twelve amortization layers were used to calculate the total amortization payment beginning July 1, 2021.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.51 percent to 12.54 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage level of membership. Increases are assumed to occur mid-year (i.e., January 1) and apply only to base salary, excluding Megaflex (active employee benefits) compensation. The mid-year timing reflects that salary increases occur throughout the year, or on average, mid-year. For plans with a one-year final average compensation period, actual average annual compensation is used. These rates were adopted beginning with the June 30, 2019 valuation.

Summary of Actuarial Methods and Assumptions — Pension Plan	
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.00 percent, compounded annually, net of both investment and administrative expenses. The same rate of return is used to discount the actuarial accrued liability. This rate was adopted beginning with the June 30, 2019 valuation.
Post-Retirement Benefit Increases	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index (CPI), are assumed payable each year in the future, as they are not greater than the expected increase in the CPI of 2.75 percent per year. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and after June 4, 2002 to the member's total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member. COLA adjustments for members with service credit earned prior to June 4, 2002 are based on a ratio of months of service earned on and after June 4, 2002 divided by the total months of service.
Consumer Price Index (CPI)	Increase of 2.75 percent per annum. This rate was adopted beginning with the June 30, 2016 valuation.
Rates of Separation From Employment	Various rates dependent upon member's age, gender, years of service, and retirement plan. Each rate represents the probability that a member will separate from service at each age (or service duration) due to the particular cause. These rates of separation from active service were adopted beginning with the June 30, 2019 valuation. The Probability of Occurrence schedule included in this Actuarial Section includes a summary of probability of retirement and withdrawal for sample ages.

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

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

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

Summary of Actuarial Methods and Assumptions — Pension Plan	
Recent Changes and Their Financial Impact	An experience study was performed by the consulting actuary for the three-year period ended June 30, 2019. The LACERA Board of Investments adopted the demographic assumptions recommended in that report with a three-year phase-in of the impact of the change on employer contribution rates. In addition, the Board of Investments adopted a lower investment return assumption. Changes to those assumptions and other financial impacts are discussed below. STAR Reserve: The STAR Reserve is included in the 2019 valuation assets. There is no corresponding liability for future potential STAR benefits included in the valuation. The inclusion of the STAR Reserve in the valuation assets was formalized for the current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy. 2019 Assumption Changes: At the January 2020 LACERA Board of Investments meeting, the Board adopted new assumptions with the 2019 Investigation of Experience report. The adopted assumptions included lowering the investment return assumption from 7.25 percent to 7.0 percent, increasing the rates of assumed merit salary increases (primarily for Safety members), and updating mortality tables to the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plans Experience Committee (RPEC). Of these changes, the reduction in the investment return assumption had the greatest impact on the results of this valuation. All assumption changes have been reflected in the June 30, 2019 actuarial valuation. Funding: As of June 30, 2020, the Funded Ratio decreased from 77.2% to 76.3 percent primarily due to the recognition of current and prior year asset changes that caused a decrease of 0.9 percent in the Funded Ratio. Salary increases greater than assumed caused a 0.4 percent decrease. Contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL) partially offset these decreases and caused the Funded Ratio to decrease by 0.5% less than it otherwise would have. Employer Contributions: The total calculated employer contribution rate increased from the prior valuation by 2.05 percent (from 22.59 percent to 24.64 percent) of payroll. The increase in the employer contribution rate is primarily due to the phase-in recognition of assumption and amortization method changes effective June 30, 2019 and the recognition of current and prior year investment losses. The cost impact of the assumption changes are to be phased in over a three-year period. Without the phase-in of the increase, the employer contribution rate would have been 25.74 percent effective beginning next fiscal year July 1, 2021. The remaining 1.10 percent increase will be phased in effective July 1, 2022 and considered fully implemented. The effect of the phase-in is an increase in the UAAL that will require higher employer contribution rates in future years. Member Contributions: New member contribution rates are recommended for General Plan G and Safety Plan C effective beginning next fiscal year, July 1, 2021. General Plan G and Safety Plan C member rates are required to be equal to 50 percent of the Gross Normal Cost of the respective plan. The recommended member contribution rates are slightly lower for General Plan G and Safety Plan C. Member contribution rates for all other plans, General Plans A, B, C and D, and Safety Plans A and B, vary based on a member's entry age when joining LACERA and the underlying assumptions. The actuary had no recommended changes to member contribution rates for all other plans.

Schedule of Funding Progress — Pension Plan
(Dollars in Thousands)

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

(1) Calculated using the Entry Age Normal actuarial cost method.
(2) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Active Member Valuation Data — Pension Plan

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

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

Retirants and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
(Dollars in Thousands)

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

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

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

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

Actuary Solvency Test — Pension Plan
(Dollars in Millions)

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

(1) Includes vested and non-vested former members.

Actuarial Analysis of Financial Experience — Pension Plan
(Dollars in Millions)

	Valuation as of June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Unfunded Actuarial Accrued Liability	$17,018	$13,294	$13,145	$12,841	$9,491	$11,288	$13,315	$11,770	$9,405	$7,807
Expected Increase/(Decrease) from Prior Valuation	306	25	146	320	(102)	(54)	338	869	772	565
Salary Increases Greater/(Less) than Expected	388	486	223	277	162	79	(291)	(563)	(629)	(579)
CPI Less than Expected	43	44	45	(139)	(191)	(570)	(427)	(190)	(181)	(215)
Change in Assumptions	—	2,528	—	—	2,922	—	—	511	—	—
Asset Return Less/(Greater) than Expected	701	477	(411)	(421)	496	(1,263)	(1,664)	893	2,337	1,761
All Other Experience	56	164	146	267	63	11	17	25	66	66
Ending Unfunded Actuarial Accrued Liability	**$18,512**	**$17,018**	**$13,294**	**$13,145**	**$12,841**	**$9,491**	**$11,288**	**$13,315**	**$11,770**	**$9,405**

Probability of Occurrence

Plans A, B, and C General Members

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

Plans D and G General Members

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

Probability of Occurrence (continued)

Plan E General Members

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

Plans A, B, and C Safety Members

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

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Actuarial Information Overview — Other Post-Employment Benefits (OPEB) Program

Introduction

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

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

Funding Policy and Contributions

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

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

Actuarial Cost Method

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

OPEB Agent Plan

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

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

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

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

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

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

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

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

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

Actuarial Review Results

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

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

Other Actuarial Information

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

The following additional information is included in this section:

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

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

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

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September 15, 2021

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

Dear Trustees of the Board:

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

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

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

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

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

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

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

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

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

1. The GASB 75 discount rate is determined using depletion date methodology, and it changes on each measurement date.

2. The GASB 75 liabilities have LACERA operational administrative expenses removed.

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

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

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

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

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

Milliman prepared the following information for the actuarial section:

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

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

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

Sincerely,

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

Janet O. Jennings, ASA, MAAA
Associate Actuary

RLS/bh

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

<table>
<tr><th colspan="5">Summary of Actuarial Methods and Assumptions — OPEB Program</th></tr>
<tr><td>Actuarial Asset Valuation Method</td><td colspan="4">Market Value.</td></tr>
<tr><td>Investment Return</td><td colspan="4">The investment earnings assumption for agents that are prefunding through the OPEB Trust is the OPEB Trust expected return of 6.0 percent. The investment earnings assumption for agents that are not prefunding through the OPEB Trust is the County’s general funds expected return of 2.30 percent. Besides projecting the OPEB Trust’s investment return, this assumption is also used to calculate the Actuarial Accrued Liability (AAL).

The reporting methodology change from cost sharing to agent plan structure began with the July 1, 2018 OPEB Funding Valuation. The investment earnings assumption approach for this funding valuation is intended to reflect the earnings associated with each agent. The separate GASB 75 disclosure report, which provides information for employers and is different from this funding valuation, follows a prescribed discount rate calculation formula for accounting disclosures.</td></tr>
<tr><td>Inflation Rate</td><td colspan="4">2.75 percent per annum. This rate was adopted beginning with the July 1, 2016 OPEB Valuation.</td></tr>
<tr><td>Amortization Method</td><td colspan="4">Level percentage of projected salaries of the active members, both present and future, over a 30-year period. This is commonly referred to as a rolling 30-year amortization method and does not cover interest on the UAAL. This assumption was adopted beginning with the July 1, 2006 OPEB valuation.</td></tr>
<tr><td rowspan="6">Healthcare Cost Trend Rates</td><td></td><td>FY 2021 to FY 2022</td><td>FY 2022 to FY 2023</td><td>Ultimate (Grading from June 30, 2021 to June 30, 2105)</td></tr>
<tr><td>LACERA Medical Under 65</td><td>4.60%</td><td>5.70%</td><td>4.30%</td></tr>
<tr><td>LACERA Medical Over 65</td><td>(1.20)%</td><td>5.40%</td><td>4.30%</td></tr>
<tr><td>Part B Premiums</td><td>9.30%</td><td>5.90%</td><td>4.30%</td></tr>
<tr><td>Dental/Vision</td><td>(0.30)%</td><td>2.90%</td><td>3.60%</td></tr>
<tr><td>Weighted Average Trend</td><td>1.88%</td><td>5.40%</td><td>4.28%</td></tr>
</table>

Summary of Actuarial Methods and Assumptions — OPEB Program	
Claim Costs	Claim cost data is reviewed for the membership in aggregate including members of all employers, regardless of their participation in the OPEB Trust. The claim cost assumptions were updated as part of the July 1, 2020 valuation and differ by Tier 1 and Tier 2. Retiree Healthcare Benefits Program—Tier 1 is for members who were hired before July 1, 2014. Members who were hired after June 30, 2014 are in Retiree Healthcare Benefits Program—Tier 2. The tiers have different maximum employer contributions, which impacts medical plan election patterns, resulting in different claim costs. Refer to Table A-21 of the July 1, 2020 OPEB valuation report for more details.
Retirement	Members in General Plans A through D may retire at age 50 with 10 years of service, or any age with 30 years of service, or age 70 regardless of the number of years of service. General Plan G members are eligible to retire at age 52 with five years of service, or age 70 regardless of the number of years of service. Non-contributory Plan E members may retire at age 55 with 10 years of service. Members of Safety Plans A and B may retire at age 50 with 10 years of service, or any age with 20 years of service. Safety Plan C members are eligible to retire at age 50 with 5 years of County service.

Summary of Actuarial Methods and Assumptions — OPEB Program	
Expectation of Life After Retirement [1,2]	The same post-retirement mortality rates are used in the valuation for active members after termination, members retired for service, and beneficiaries. Future beneficiaries are assumed to have the same mortality as a general member of the opposite gender. The mortality tables used are listed below. Age-based rates are illustrated in the July 1, 2020 OPEB valuation report. These rates were adopted June 30, 2019. **Males:** **General Members**: PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.
Expectation of Life After Disability [1,2]	For disabled members, the mortality tables used are listed below while age-based rates are illustrated in the July 1, 2020 OPEB valuation report. These rates were adopted June 30, 2019. **Males:** **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.

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

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

Summary of Actuarial Methods and Assumptions — OPEB Program	
Retiree Medical and Dental/Vision Eligibility and Enrollment Assumptions	Any retired or vested terminated members who have not elected a refund of their member pension contributions, and will receive a retirement benefit other than a refund, are eligible for retiree medical and dental/ vision enrollment. Refer to Tables A-14 through A-19 of the July 1, 2020 OPEB valuation report for more details regarding the enrollment assumptions.
Other Employment Termination	Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further retirement, medical, dental/vision, and death benefits, or they may leave their contributions on deposit with LACERA. Former contributing members whose contributions are on deposit may later elect to receive a refund, return to work, or remain inactive until becoming eligible to receive a retirement benefit under either LACERA or a reciprocal retirement plan. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately. All terminating members are assumed not to be rehired. The Probability of Occurrence schedule included in this Actuarial Section provides a summary of probability of retirement and withdrawal for sample ages. Although these assumptions were developed for the Retirement Benefits Plan, they apply to the OPEB Program participant population.

Schedule of Funding Progress — OPEB Program
(Dollars in Thousands)

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

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

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

Active Member Valuation Data — OPEB Program

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

(1) Includes both Medicare and non-Medicare eligible individuals.

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

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

(Dollars in Thousands)

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

(1) Includes changes for continuing retirees and beneficiaries.

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

Actuary Solvency Test — OPEB Program [1]
(Dollars in Millions)

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

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

Actuarial Analysis of Financial Experience — OPEB Program
(Dollars in Millions)

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

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

STATISTICAL SECTION

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Statistical Information Overview

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

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

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

- *Changes in Fiduciary Net Position — Pension Plan* and *Changes in Fiduciary Net Position — OPEB Trust* present additions by source, deductions by type, and the total change in Fiduciary Net Position for each year.
- *Pension Benefit Expenses by Type* presents retirement benefits, lump-sum death benefits, and refund deductions by type of benefit (e.g., Service and Disability Retirement from General and Safety Plans).

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

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

Changes in Fiduciary Net Position — Pension Plan

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Additions										
Employer Contributions	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,359	$1,403,712	$1,494,975	$1,320,442	$723,195	$1,078,929
Member Contributions	760,994	659,296	635,415	591,262	526,579	498,083	441,258	439,001	679,572	506,758
Net Investment Income/(Loss)	15,629,915	1,445,877	3,175,723	4,716,640	6,129,300	80,588	1,989,358	6,908,412	4,659,015	(291,009)
Miscellaneous	2,928	2,383	5,958	5,613	6,370	2,781	1,695	2,256	385	1,004
Total Additions/ (Declines)	**$18,406,714**	**$3,907,693**	**$5,485,247**	**$6,838,338**	**$7,993,608**	**$1,985,164**	**$3,927,286**	**$8,670,111**	**$6,062,167**	**$1,295,682**
Deductions										
Total Benefit Expenses [1]	$3,814,262	$3,606,340	$3,407,154	$3,203,375	$3,029,633	$2,889,186	$2,768,410	$2,662,401	$2,541,351	$2,390,598
Administrative Expenses	90,586	85,384	82,906	78,181	66,830	67,645	62,591	58,723	53,863	50,218
Miscellaneous	248	397	333	451	188	(11)	212	229	190	121
Total Deductions	**$3,905,096**	**$3,692,121**	**$3,490,393**	**$3,282,007**	**$3,096,651**	**$2,956,820**	**$2,831,213**	**$2,721,353**	**$2,595,404**	**$2,440,937**
Net Increase/(Decrease) in Fiduciary Net Position	**$14,501,618**	**$215,572**	**$1,994,854**	**$3,556,331**	**$4,896,957**	**($971,656)**	**$1,096,073**	**$5,948,758**	**$3,466,763**	**($1,145,255)**

(1) See Pension Benefit Expenses by Type in this Statistical Section.

Changes in Fiduciary Net Position — OPEB Trust

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

(Dollars in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions									
Employer Contributions [2]	$1,057,366	$907,521	$863,452	$706,709	$645,381	$615,275	$—	$—	$448,819
Net Investment Income/(Loss)	452,122	6,171	62,116	78,746	94,505	(8,095)	4,688	35,113	209
Miscellaneous	—	—	—	—	2	—	—	—	—
Total Additions	**$1,509,488**	**$913,692**	**$925,568**	**$785,455**	**$739,888**	**$607,180**	**$4,688**	**$35,113**	**$449,028**
Deductions									
Administrative Expenses	$584	$246	$234	$190	$374	$192	$153	$144	$173
Benefit Payments [2]	694,665	659,295	627,839	583,406	557,381	534,597	—	—	—
Redemptions	40	—	25	3,735	—	—	—	—	—
Total Deductions	**$695,289**	**$659,541**	**$628,098**	**$587,331**	**$557,755**	**$534,789**	**$153**	**$144**	**$173**
Net Increase in Fiduciary Net Position	**$814,199**	**$254,151**	**$297,470**	**$198,124**	**$182,133**	**$72,391**	**$4,535**	**$34,969**	**$448,855**

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

(2) Beginning in 2016:

Contributions - the Trust reflects both prefunding contributions actually made to the OPEB Trust as well as additions to Fiduciary Net Position, including amounts for OPEB as the benefits come due that will not be reimbursed to the employers using OPEB plan assets.

Deductions - the Trust includes all benefit payments whether made through the Trust or by employers as OPEB benefits comes due (per paragraph 28a and 31 of GASB Statement Number 74).

Pension Benefit Expenses by Type

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Service Retiree Payroll										
General	$2,291,480	$2,174,355	$2,060,365	$1,946,614	$1,845,791	$1,762,274	$1,692,558	$1,631,285	$1,556,814	$1,465,218
Safety	574,362	543,901	507,909	478,802	445,473	419,092	397,962	384,248	367,471	340,177
Total	**$2,865,842**	**$2,718,256**	**$2,568,274**	**$2,425,416**	**$2,291,264**	**$2,181,366**	**$2,090,520**	**$2,015,533**	**$1,924,285**	**$1,805,395**
Disability Retiree Payroll										
General	$195,818	$190,386	$186,120	$177,879	$173,550	$169,821	$165,543	$162,338	$157,406	$152,698
Safety	723,948	670,237	621,358	574,431	538,116	507,824	484,907	459,311	432,405	413,300
Total	**$919,766**	**$860,623**	**$807,478**	**$752,310**	**$711,666**	**$677,645**	**$650,450**	**$621,649**	**$589,811**	**$565,998**
Total Retiree Payroll										
General	$2,487,298	$2,364,741	$2,246,485	$2,124,493	$2,019,341	$1,932,095	$1,858,101	$1,793,623	$1,714,220	$1,617,916
Safety	1,298,310	1,214,138	1,129,267	1,053,233	983,589	926,916	882,869	843,559	799,876	753,477
Total	**$3,785,608**	**$3,578,879**	**$3,375,752**	**$3,177,726**	**$3,002,930**	**$2,859,011**	**$2,740,970**	**$2,637,182**	**$2,514,096**	**$2,371,393**
Refunds										
General	$21,622	$22,418	$27,096	$20,782	$21,970	$23,470	$22,050	$18,994	$19,406	$14,523
Safety	2,890	2,813	1,595	2,439	2,482	3,622	3,361	4,534	5,606	3,098
Total	**$24,512**	**$25,231**	**$28,691**	**$23,221**	**$24,452**	**$27,092**	**$25,411**	**$23,528**	**$25,012**	**$17,621**
Lump-Sum Death Benefits	**$4,142**	**$2,230**	**$2,711**	**$2,428**	**$2,251**	**$3,083**	**$2,029**	**$1,691**	**$2,243**	**$1,584**
Total Benefit Expenses	**$3,814,262**	**$3,606,340**	**$3,407,154**	**$3,203,375**	**$3,029,633**	**$2,889,186**	**$2,768,410**	**$2,662,401**	**$2,541,351**	**$2,390,598**

Active Members
For the Last 10 Fiscal Years Ended June 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Active Vested										
General	64,622	63,647	62,589	61,734	61,608	61,820	62,532	63,301	62,803	61,433
Safety	9,812	9,875	10,071	10,286	10,429	10,743	11,024	11,188	11,177	10,663
Subtotal	**74,434**	**73,522**	**72,660**	**72,020**	**72,037**	**72,563**	**73,556**	**74,489**	**73,980**	**72,096**
Active Non-Vested										
General	21,355	23,289	23,811	23,975	22,915	21,096	18,696	16,642	16,203	18,034
Safety	3,329	3,304	2,725	2,489	2,269	1,785	1,422	1,335	1,362	1,822
Subtotal	**24,684**	**26,593**	**26,536**	**26,464**	**25,184**	**22,881**	**20,118**	**17,977**	**17,565**	**19,856**
Terminated [1]										
General	15,996	15,133	15,567	7,856	7,752	7,665	7,623	7,550	7,462	7,379
Safety	1,125	1,041	610	603	589	573	563	540	497	480
Subtotal	**17,121**	**16,174**	**16,177**	**8,459**	**8,341**	**8,238**	**8,186**	**8,090**	**7,959**	**7,859**
Total Active Members										
General	101,973	102,069	101,967	93,565	92,275	90,581	88,851	87,493	86,468	86,846
Safety	14,266	14,220	13,406	13,378	13,287	13,101	13,009	13,063	13,036	12,965
Total	**116,239**	**116,289**	**115,373**	**106,943**	**105,562**	**103,682**	**101,860**	**100,556**	**99,504**	**99,811**

(1) Effective with fiscal year ended June 30, 2019 and going forward. Terminated includes both vested (deferred) and non-vested (inactive) members.

Retired Members by Type of Pension Benefit

As of June 30, 2021

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [1] A	B	C	Retirement Option Selected [2] Unmodified	Unmodified+ Plus	Option 1	Option 2	Option 3	Option 4
$1 - $1,000	13,315	8,504	1,040	3,771	11,494	843	99	453	109	317
$1,001 - $2,000	14,144	9,576	1,846	2,722	12,208	1,119	133	322	103	259
$2,001 - $3,000	11,344	8,354	1,776	1,214	9,789	996	93	159	75	232
$3,001 - $4,000	8,245	6,366	1,181	698	7,079	776	57	91	42	200
$4,001 - $5,000	5,858	4,698	785	375	4,900	662	39	57	37	163
$5,001 - $6,000	4,213	3,379	590	244	3,530	501	26	28	14	114
$6,001 - $7,000	3,078	2,429	504	145	2,476	450	13	22	5	112
> $7,000	9,327	6,474	2,595	258	6,929	1,896	27	27	33	415
	69,524	**49,780**	**10,317**	**9,427**	**58,405**	**7,243**	**487**	**1,159**	**418**	**1,812**

(1) Type of Retirement:
A - Service Retiree
B - Disability Retiree
C - Beneficiary/Continuant/Survivor

(2) Retirement Option Selected:
Unmodified — For Plans A-D and G, beneficiary receives 65 percent of the member's allowance (60 percent if the member retired before June 4, 2002); for Plan E, beneficiary receives 55 percent of member's allowance (50 percent if the member retired before June 4, 2002).

The following options reduce the member's monthly benefit:

Unmodified+Plus — For all Plans (A-G), member's allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/partner.
Option 1 - Beneficiary receives lump sum of member's unused contributions.
Option 2 - Beneficiary receives 100 percent of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50 percent of member's reduced monthly benefit.
Option 4 - Beneficiary(ies) receives percentage of member's reduced monthly benefit as designated by member.

Retired Members by Type of OPEB Benefit

As of June 30, 2021

	Medical Benefit Premium Amounts					Total Member Count
	$1-$500	$501-$1000	$1,001-$1500	$1,501-$2000	> $2,000	
Medical Plans by Plan Type						
Anthem Blue Cross I	2	—	633	18	307	960
Anthem Blue Cross II	1	—	2,217	180	2,840	5,238
Anthem Blue Cross III	—	7,066	4,243	1,024	160	12,493
Anthem Blue Cross Prudent Buyer	—	520	25	360	0	905
Cigna-HealthSpring Preferred Rx	28	21	1	6	3	59
Cigna Network Model Plan	—	—	—	258	101	359
Kaiser - California	—	—	3,281	—	2,543	5,824
Kaiser - Senior Advantage	11,575	5,922	2,131	21	3	19,652
Kaiser - Colorado	—	—	6	—	8	14
Kaiser - Georgia	—	—	24	—	2	26
Kaiser - Hawaii	—	4	—	6	1	11
Kaiser - Oregon	—	—	5	—	7	12
Kaiser - Washington	—	—	6	—	4	10
Firefighters Local 1014	—	—	515	—	1,554	2,069
SCAN Health Plan	321	88	—	—	—	409
UnitedHealthcare	1	—	460	—	809	1,270
UnitedHealthcare Medicare Advantage (HMO)	1,831	1,203	—	487	—	3,521
Total Medical by Plan Type	**13,759**	**14,824**	**13,547**	**2,360**	**8,342**	**52,832**
Medical Plans by Retirement Type						
Service Retirees	10,761	11,361	10,043	1,690	5,243	39,098
Disability Retirees	814	1,541	2,046	512	2,940	7,853
Survivors	2,184	1,922	1,458	158	159	5,881
Total Medical by Retirement Type	**13,759**	**14,824**	**13,547**	**2,360**	**8,342**	**52,832**

	Dental/Vision Benefit Premium Amounts
	$1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	48,266
CIGNA HMO Dental/Vision	5,996
Total Dental/Vision by Plan Type	**54,262**
Dental/Vision Plans by Retirement Type	
Service Retirees	39,898
Disability Retirees	8,244
Survivors	6,120
Total Dental/Vision by Retirement Type	**54,262**

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/11 to 6/30/12						
Retirants						
General Members						
Average Monthly Benefit	$1,793	$1,362	$2,082	$2,567	$3,525	$4,956
Average Final Salary	$5,624	$5,141	$5,683	$5,686	$6,711	$6,830
Number of Active Retirants	141	291	234	278	297	918
Safety Members						
Average Monthly Benefit	$2,203	$4,924	$6,474	$4,417	$7,372	$9,750
Average Final Salary	$6,307	$8,948	$9,929	$9,108	$10,380	$11,587
Number of Active Retirants	8	29	13	33	103	183
Survivors						
General Members						
Average Monthly Benefit	$1,055	$691	$965	$1,770	$1,643	$2,736
Average Final Salary	$4,661	$3,821	$3,766	$5,244	$4,301	$5,662
Number of Active Survivors	21	46	26	43	57	94
Safety Members						
Average Monthly Benefit	$2,786	$2,352	$2,789	$3,271	$3,221	$5,580
Average Final Salary	$5,771	$6,466	$7,785	$7,019	$6,127	$7,824
Number of Active Survivors	5	5	5	7	8	23
7/1/12 to 6/30/13						
Retirants						
General Members						
Average Monthly Benefit	$1,825	$1,562	$2,116	$2,663	$3,570	$5,043
Average Final Salary	$6,046	$5,405	$6,042	$6,009	$6,758	$6,888
Number of Active Retirants	112	324	233	271	338	897
Safety Members						
Average Monthly Benefit	$2,233	$5,909	$6,416	$5,507	$7,360	$10,046
Average Final Salary	$7,299	$9,266	$9,611	$9,843	$10,481	$11,921
Number of Active Retirants	12	29	20	33	118	191
Survivors						
General Members						
Average Monthly Benefit	$861	$804	$1,097	$1,403	$1,889	$2,496
Average Final Salary	$4,743	$4,020	$3,961	$4,451	$4,930	$5,611
Number of Active Survivors	22	54	39	70	60	103
Safety Members						
Average Monthly Benefit	$989	$1,523	$2,523	$3,378	$4,137	$5,460
Average Final Salary	$4,454	$4,896	$5,990	$8,242	$7,055	$7,468
Number of Active Survivors	6	7	10	5	20	31

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/13 to 6/30/14						
Retirants						
General Members						
Average Monthly Benefit	$1,913	$1,624	$2,024	$2,722	$3,553	$4,788
Average Final Salary	$6,415	$5,241	$5,657	$5,930	$6,724	$6,733
Number of Active Retirants	109	307	240	305	358	726
Safety Members						
Average Monthly Benefit	$1,542	$4,454	$6,018	$5,225	$7,467	$9,719
Average Final Salary	$6,452	$8,381	$10,140	$9,414	$10,753	$11,823
Number of Active Retirants	8	31	18	20	83	212
Survivors						
General Members						
Average Monthly Benefit	$1,017	$837	$936	$1,726	$1,888	$2,550
Average Final Salary	$4,475	$4,679	$3,794	$4,913	$4,732	$6,064
Number of Active Survivors	29	51	37	41	63	119
Safety Members						
Average Monthly Benefit	$1,031	$1,709	$2,056	$3,132	$3,827	$5,358
Average Final Salary	$6,377	$6,249	$5,830	$6,874	$6,772	$7,309
Number of Active Survivors	2	8	6	6	15	22
7/1/14 to 6/30/15						
Retirants						
General Members						
Average Monthly Benefit	$1,422	$1,716	$2,202	$3,106	$3,360	$5,017
Average Final Salary	$5,939	$5,543	$5,903	$6,731	$6,294	$6,970
Number of Active Retirants	126	331	280	308	436	784
Safety Members						
Average Monthly Benefit	$2,917	$5,412	$5,374	$6,477	$7,082	$9,923
Average Final Salary	$7,015	$9,261	$9,810	$10,748	$10,400	$11,847
Number of Active Retirants	20	19	21	28	116	215
Survivors						
General Members						
Average Monthly Benefit	$903	$1,021	$1,342	$1,854	$1,799	$2,741
Average Final Salary	$4,076	$4,471	$5,243	$5,464	$4,814	$5,525
Number of Active Survivors	32	53	40	52	71	126
Safety Members						
Average Monthly Benefit	$2,101	$2,054	$1,768	$2,911	$4,530	$6,206
Average Final Salary	$5,564	$6,518	$4,737	$6,552	$6,815	$8,367
Number of Active Survivors	6	4	9	12	16	29

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/15 to 6/30/16						
Retirants						
General Members						
Average Monthly Benefit	$1,619	$1,809	$2,265	$2,893	$3,462	$5,163
Average Final Salary	$6,022	$5,607	$6,020	$6,414	$6,440	$7,372
Number of Active Retirants	118	331	273	274	471	837
Safety Members						
Average Monthly Benefit	$3,134	$3,776	$5,743	$6,290	$7,540	$10,730
Average Final Salary	$7,077	$9,355	$10,057	$10,613	$11,062	$12,654
Number of Active Retirants	24	16	27	22	109	205
Survivors						
General Members						
Average Monthly Benefit	$929	$752	$957	$1,174	$1,745	$2,470
Average Final Salary	$6,444	$4,670	$3,996	$4,367	$4,825	$5,339
Number of Active Survivors	30	55	50	51	69	143
Safety Members						
Average Monthly Benefit	$1,446	$3,207	$3,071	$3,053	$4,468	$5,611
Average Final Salary	$5,927	$6,777	$6,628	$6,941	$6,825	$7,529
Number of Active Survivors	6	6	8	9	16	33
7/1/16 to 6/30/17						
Retirants						
General Members						
Average Monthly Benefit	$1,416	$1,858	$2,364	$3,425	$3,730	$5,149
Average Final Salary	$5,917	$5,860	$6,367	$7,202	$6,791	$7,441
Number of Active Retirants	142	338	328	209	507	856
Safety Members						
Average Monthly Benefit	$2,987	$3,087	$6,412	$6,885	$7,888	$11,358
Average Final Salary	$7,651	$8,870	$10,320	$11,308	$11,362	$13,288
Number of Active Retirants	24	25	50	36	153	248
Survivors						
General Members						
Average Monthly Benefit	$833	$786	$1,392	$1,577	$1,898	$2,942
Average Final Salary	$5,469	$4,190	$4,959	$5,059	$5,175	$6,105
Number of Active Survivors	29	52	63	41	72	136
Safety Members						
Average Monthly Benefit	$3,522	$4,150	$2,131	$3,715	$4,316	$6,581
Average Final Salary	$6,792	$7,451	$7,234	$6,906	$7,400	$8,411
Number of Active Survivors	3	5	9	7	16	36

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/17 to 6/30/18						
Retirants						
General Members						
Average Monthly Benefit	$1,639	$1,752	$2,482	$3,609	$3,907	$5,275
Average Final Salary	$7,147	$5,725	$6,223	$7,627	$7,071	$7,605
Number of Active Retirants	99	339	323	255	470	883
Safety Members						
Average Monthly Benefit	$3,140	$4,015	$5,714	$6,482	$8,329	$11,650
Average Final Salary	$7,739	$9,039	$10,242	$11,266	$11,835	$13,559
Number of Active Retirants	22	21	36	32	126	241
Survivors						
General Members						
Average Monthly Benefit	$681	$1,112	$1,345	$1,503	$2,179	$2,888
Average Final Salary	$4,138	$5,668	$5,145	$5,071	$5,596	$6,179
Number of Active Survivors	17	50	47	38	80	133
Safety Members						
Average Monthly Benefit	$2,815	$3,252	$3,528	$3,200	$3,603	$5,479
Average Final Salary	$7,817	$7,192	$6,670	$6,327	$6,905	$7,833
Number of Active Survivors	7	8	5	7	18	31
7/1/18 to 6/30/19						
Retirants						
General Members						
Average Monthly Benefit	$1,659	$1,578	$3,091	$3,613	$3,994	$6,007
Average Final Salary	$6,332	$5,585	$7,078	$7,481	$7,398	$8,630
Number of Active Retirants	122	337	371	313	447	938
Safety Members						
Average Monthly Benefit	$4,251	$4,072	$5,960	$8,466	$9,038	$12,076
Average Final Salary	$8,564	$9,754	$10,348	$12,556	$12,737	$14,367
Number of Active Retirants	25	30	36	38	137	278
Survivors						
General Members						
Average Monthly Benefit	$1,129	$921	$1,243	$1,660	$1,894	$2,898
Average Final Salary	$5,507	$5,704	$5,510	$5,402	$5,204	$5,928
Number of Active Survivors	38	69	80	81	111	183
Safety Members						
Average Monthly Benefit	$801	$2,157	$2,885	$2,704	$3,208	$6,016
Average Final Salary	$4,148	$6,656	$7,462	$5,607	$6,217	$8,495
Number of Active Survivors	4	8	14	17	29	45

Schedule of Average Pension Benefit Payments
For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/19 to 6/30/20						
Retirants						
General Members						
Average Monthly Benefit	$1,529	$1,917	$2,998	$3,506	$4,414	$5,772
Average Final Salary	$6,503	$6,414	$7,197	$7,410	$8,151	$8,315
Number of Active Retirants	121	337	332	350	400	958
Safety Members						
Average Monthly Benefit	$2,606	$4,498	$6,070	$7,800	$9,336	$12,485
Average Final Salary	$7,489	$10,058	$11,768	$12,329	$13,251	$14,963
Number of Active Retirants	15	24	21	38	119	320
Survivors						
General Members						
Average Monthly Benefit	$969	$964	$1,171	$1,739	$1,961	$2,794
Average Final Salary	$5,282	$4,866	$4,956	$5,962	$5,469	$6,085
Number of Active Survivors	31	62	69	84	101	179
Safety Members						
Average Monthly Benefit	$3,839	$2,467	$3,078	$2,973	$4,646	$5,847
Average Final Salary	$5,723	$4,966	$6,705	$5,977	$7,952	$8,081
Number of Active Survivors	7	9	10	16	31	63
7/1/20 to 6/30/21						
Retirants						
General Members						
Average Monthly Benefit	$1,231	$1,531	$2,726	$3,349	$4,089	$5,735
Average Final Salary	$7,640	$6,281	$7,509	$7,453	$7,590	$8,508
Number of Active Retirants	125	335	293	346	432	1,250
Safety Members						
Average Monthly Benefit	$2,235	$3,767	$5,041	$6,732	$9,337	$12,659
Average Final Salary	$8,945	$9,648	$10,518	$12,239	$13,433	$15,336
Number of Active Retirants	12	24	25	67	132	313
Survivors						
General Members						
Average Monthly Benefit	$1,106	$948	$1,320	$1,535	$1,862	$3,111
Average Final Salary	$6,340	$5,370	$5,211	$5,245	$5,155	$6,344
Number of Active Survivors	26	67	69	79	107	225
Safety Members						
Average Monthly Benefit	$2,606	$2,369	$4,302	$2,886	$4,557	$5,946
Average Final Salary	$6,195	$7,058	$9,070	$7,532	$7,368	$8,553
Number of Active Survivors	6	7	10	13	26	56

Active Members and Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles	2021 Covered Members	2021 Percentage of Total Covered Members	2020 Covered Members	2020 Percentage of Total Covered Members	2019 Covered Members	2019 Percentage of Total Covered Members	2018 Covered Members	2018 Percentage of Total Covered Members	2017 Covered Members	2017 Percentage of Total Covered Members
General Members	85,970	86.735%	86,929	86.829%	86,392	87.092%	85,701	87.020%	84,515	86.931%
Safety Members	13,141	13.258%	13,179	13.164%	12,796	12.900%	12,775	12.972%	12,698	13.061%
Total	**99,111**	**99.993%**	**100,108**	**99.993%**	**99,188**	**99.992%**	**98,476**	**99.992%**	**97,213**	**99.992%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	—	—%	—	—%	—	—%	0	0.000%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%	—	—%	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	6	0.006%	6	0.006%	7	0.007%	7	0.007%	6	0.006%
Total Participating Agencies	**7**	**0.007%**	**7**	**0.007%**	**8**	**0.008%**	**8**	**0.008%**	**8**	**0.008%**
Total Active Membership [1]										
General Members	85,977	86.742%	86,936	86.836%	86,400	87.100%	85,709	87.028%	84,523	86.939%
Safety Members	13,141	13.258%	13,179	13.164%	12,796	12.900%	12,775	12.972%	12,698	13.061%
Total	**99,118**	**100.000%**	**100,115**	**100.000%**	**99,196**	**100.000%**	**98,484**	**100.000%**	**97,221**	**100.000%**

County of Los Angeles	2016 Covered Members	2016 Percentage of Total Covered Members	2015 Covered Members	2015 Percentage of Total Covered Members	2014 Covered Members	2014 Percentage of Total Covered Members	2013 Covered Members	2013 Percentage of Total Covered Members	2012 Covered Members	2012 Percentage of Total Covered Members
General Members	82,907	86.865%	81,219	86.704%	79,934	86.447%	78,997	86.293%	79,459	86.413%
Safety Members	12,528	13.126%	12,446	13.286%	12,523	13.543%	12,539	13.697%	12,485	13.578%
Total	**95,435**	**99.991%**	**93,665**	**99.990%**	**92,457**	**99.990%**	**91,536**	**99.990%**	**91,944**	**99.991%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%	—	—%	—	—%	—	0.000%
Little Lake Cemetery District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	7	0.007%	7	0.008%	7	0.008%	7	0.008%	6	0.007%
Total Participating Agencies	**9**	**0.009%**	**9**	**0.010%**	**9**	**0.010%**	**9**	**0.010%**	**8**	**0.009%**
Total Active Membership [1]										
General Members	82,916	86.874%	81,228	86.714%	79,943	86.457%	79,006	86.303%	79,467	86.422%
Safety Members	12,528	13.126%	12,446	13.286%	12,523	13.543%	12,539	13.697%	12,485	13.578%
Total	**95,444**	**100.000%**	**93,674**	**100.000%**	**92,466**	**100.000%**	**91,545**	**100.000%**	**91,952**	**100.000%**

(1) Active Membership excludes Terminated members which are vested (deferred) and non-vested (inactive) members.

Retired Members of Participating OPEB Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles and Participating Agencies	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Medical	52,832	52,336	51,216	50,052	48,812	47,653	46,567	45,576	44,753	43,746
Dental/Vision	54,262	53,705	52,499	51,225	49,890	48,671	47,486	46,383	45,485	44,344

Employer Contribution Rates: County of Los Angeles

For the Last 10 Years

Effective Date			General Members						Safety Members		
			Plan A	Plan B	Plan C	Plan D	Plan E	Plan G [1]	Plan A	Plan B	Plan C [1]
10/1/2011	to	9/30/2012	21.59%	15.00%	14.51%	14.80%	15.30%	—	30.38%	24.10%	—
10/1/2012	to	9/30/2013	22.65%	15.55%	15.35%	16.00%	16.77%	—	31.55%	25.37%	—
1/1/2013	to	9/30/2013	—	—	—	—	—	15.61%	—	—	20.98%
10/1/2013	to	9/30/2014	25.08%	17.95%	17.54%	18.24%	19.09%	17.81%	34.63%	27.92%	23.18%
10/1/2014	to	6/30/2015	26.99%	19.49%	19.01%	19.74%	20.95%	19.53%	35.91%	29.26%	25.29%
7/1/2015	to	6/30/2016	25.13%	17.45%	16.90%	17.70%	18.97%	17.66%	34.64%	27.50%	23.46%
7/1/2016	to	9/30/2017	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%	32.25%	25.94%	21.93%
10/1/2017	to	9/30/2018	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%	34.45%	27.75%	23.73%
10/1/2018	to	9/30/2019	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%	34.11%	28.36%	23.97%
10/1/2019	to	9/30/2020	27.81%	19.33%	18.33%	19.42%	20.79%	19.42%	35.32%	29.30%	24.68%
10/1/2020	**to**	**9/30/2021**	**29.59%**	**21.13%**	**19.72%**	**20.94%**	**22.47%**	**20.84%**	**38.10%**	**31.99%**	**26.27%**

(1) As a result of PEPRA implementation, effective January 1, 2013.

Employer Contribution Rates: Little Lake Cemetery District [1], Local Agency Formation Commission for the County of Los Angeles [2], and Los Angeles County Office of Education [3]

For the Last 10 Years

Effective Date			General Members			
			Plan A	Plan D	Plan E	Plan G [4]
10/1/2011	to	9/30/2012	21.59%	14.80%	15.30%	—
10/1/2012	to	9/30/2013	—	16.00%	16.77%	—
1/1/2013	to	9/30/2013	—	—	—	15.61%
10/1/2013	to	9/30/2014	—	18.24%	19.09%	17.81%
10/1/2014	to	6/30/2015	—	19.74%	20.95%	19.53%
7/1/2015	to	6/30/2016	—	17.70%	18.97%	17.66%
7/1/2016	to	9/30/2017	—	16.19%	17.49%	16.07%
10/1/2017	to	9/30/2018	—	18.17%	—	18.04%
10/1/2018	to	9/30/2019	—	18.51%	—	18.53%
10/1/2019	to	9/30/2020	—	19.42%	—	19.42%
10/1/2020	to	**9/30/2021**	**—**	**20.94%**	**—**	**20.84%**

(1) Rates applicable to Little Lake Cemetery District are limited to Plan D.

(2) Rates applicable to the Local Agency Formation Commission for the County of Los Angeles are limited to Plans D, E, and G. As of November 2016, there were no participating members under Plan E.

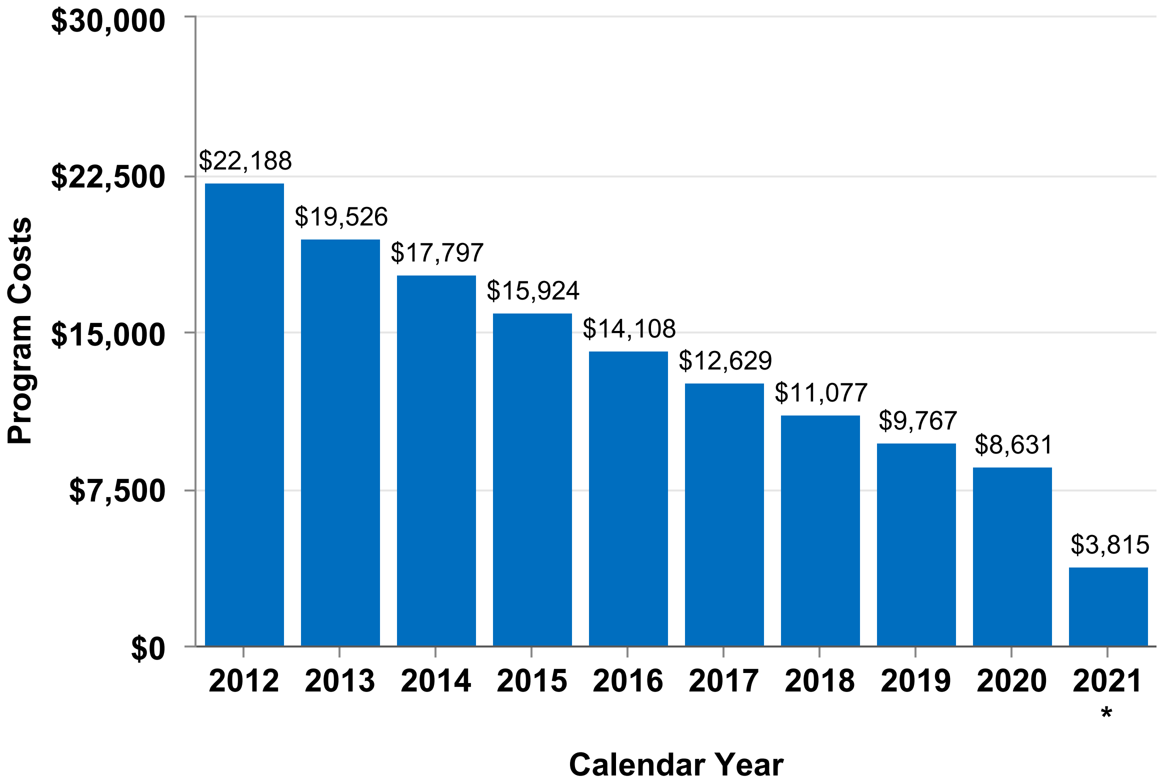
(3) Rates applicable to the Los Angeles County Office of Education are limited to Plan A. As of June 2012, there were no participating members.

(4) Rates effective January 1, 2013, were a result of PEPRA implementation.

Supplemental Targeted Adjustment for Retirees (STAR) Program Costs — Pension Plan

The STAR Program is administered on a calendar-year basis. The chart below represents the STAR Program costs for the last 10 years.

STAR Program Costs
For the Last 10 Calendar Years
(Dollars in Thousands)



*Represents partial fiscal year January 1 through June 30.

Calendar Year	STAR Program Costs
2012	$22,188
2013	19,526
2014	17,797
2015	15,924
2016	14,108
2017	12,629
2018	11,077
2019	9,767
2020	8,631
2021 *	3,815

Los Angeles County Employees Retirement Association

Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer
As of and for the Year Ended June 30, 2020
With Independent Auditor's Report

Employer Reporting Period: June 30, 2021

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Independent Auditor's Report

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

We have audited the accompanying schedule of employer allocations of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2020 and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources (excluding contributions made subsequent to June 30, 2020), total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of LACERA as of and for the year ended June 30, 2020 and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities in the Los Angeles County Employees Retirement Association defined benefit pension plan as of and for the year ended June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 2 to the schedules, the schedules include investments that are part of the calculation of the net pension liability, which are valued at $14,528,787,000 (25 percent of net position) at June 30, 2020, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of LACERA as of and for the year ended June 30, 2020, and our report thereon, dated October 15, 2020, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of LACERA's management, the boards of retirement and investments, LACERA employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

Southfield, Michigan
March 9, 2021

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Defined Benefit Pension Plan

Schedule of Employer Allocations

As of and for the year ended June 30, 2020

Amounts rounded to nearest thousand

	Measurement Date 6/30/2020				
Employer	Actual Employer Contribution (1)	Employer Contribution Percentage	Adjusted Contribution Percentage	Employer Proportion	Employer Net Pension Liability
Los Angeles County	$ 1,732,961,000	96.26824%	96.26824%	96.26824%	$ 17,394,887,000
Los Angeles County Superior Court	67,048,000	3.72460%	3.72460%	3.72460%	673,005,000
South Coast Air Quality Management District	-	0.00000%	0.00000%	0.00000%	-
Los Angeles County Office of Education	-	0.00000%	0.00000%	0.00000%	-
Local Agency Formation Commission	121,000	0.00672%	0.00672%	0.00672%	1,214,000
Little Lake Cemetery District	8,000	0.00044%	0.00044%	0.00044%	80,000
Total	$ 1,800,138,000	100%	100%	100%	$ 18,069,186,000

(1) Employer contributions exclude any pickup contributions and include contributions from the Metropolitan Transportation Authority (MTA). Our understanding is that the MTA is a nonemployer contributing entity that is not in a special funding situation. We have considered contributions from the MTA as a county contribution in the above table.

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2020

Amounts rounded to nearest thousand

		Deferred Outflows of Resources					Deferred Inflows of Resources			Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
Employer Name	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Net Differences between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences between Expected and Actual Economic Experience	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Allocable Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Los Angeles County	$ 17,394,887,000	$ 1,218,798,000	$ 1,908,552,000	$ 3,694,567,000	$ 30,447,000	$ 6,852,364,000	$ 357,778,000	$ -	$ 357,778,000	$ 3,050,832,000	$ 10,857,000	$ 3,061,689,000
Los Angeles County Superior Court	673,005,000	47,155,000	73,841,000	142,942,000	-	263,938,000	13,842,000	30,428,000	44,270,000	118,036,000	(10,867,000)	107,169,000
South Coast Air Quality Management District	-	-	-	-	18,000	18,000	-	-	-	-	7,000	7,000
Los Angeles County Office of Education	-	-	-	-	-	-	-	-	-	-	-	-
Local Agency Formation Commission	1,214,000	85,000	133,000	258,000	96,000	572,000	25,000	147,000	172,000	213,000	(2,000)	211,000
Little Lake Cemetery District	80,000	6,000	9,000	17,000	17,000	49,000	2,000	3,000	5,000	14,000	5,000	19,000
Total for All Employers	$ 18,069,186,000	$ 1,266,044,000	$ 1,982,535,000	$ 3,837,784,000	$ 30,578,000	$ 7,116,941,000	$ 371,647,000	$ 30,578,000	$ 402,225,000	$ 3,169,095,000	$ -	$ 3,169,095,000

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Notes to Schedule of Employer Allocations and

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2020

Amounts rounded to nearest thousand

(1) Plan Description

Los Angeles County Employees Retirement Association (LACERA) administers a cost-sharing multiple-employer defined benefit pension plan for Los Angeles County and its affiliated Superior Court, plus four outside districts: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District. For additional information, please refer to the Comprehensive Annual Financial Report, which can be found on LACERA's website at www.LACERA.com.

Plan benefits are specified in and provided to members based on the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act (PEPRA) and the regulations, procedures, and policies adopted by the LACERA Board of Retirement and the LACERA Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members. Benefits are provided to members of the plan based on the provisions of PEPRA.

(2) Basis of Presentation and Significant Accounting Principles

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer presents amounts that are elements of the financial statements of the plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the plan or its participating employers. The accompanying schedules were prepared in accordance with the full accrual basis of accounting under accounting principles generally accepted in the United States of America. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member and employer 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.

The preparation of these schedules requires management of LACERA to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

The plan net position, which is part of the calculation of the net pension liability (per Note (4)), includes investments valued at $14,528,787,000 (25 percent of net position) at June 30, 2020, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments.

(3) Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the plan to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the plan's total employer contributions during the measurement period July 1, 2019 through June 30, 2020.

(3) Allocation Methodology (Continued)

Total contribution per the Schedule of Employer Allocations and per the LACERA audited financial statements for the year ended June 30, 2020 is $1,800,138,000.

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2020 are as follows:

Total pension liability	$ 76,579,594,000
Plan fiduciary net position	(58,510,408,000)
Net pension liability	$ 18,069,186,000

Actuarial Assumptions

The collective net pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with updated procedures used to roll forward the total pension liability to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75 percent
General wage growth	3.25 percent
Projected salary increases	3.51 percent to 12.54 percent
Projected COLAs	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. Supplemental Targeted Adjustment for Retirees (STAR) 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 Program benefits.
Investment rate of return	7.13 percent, compounded annually, net of investment expense

Mortality rates were based on the Pub-2010 mortality tables and included projection for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2019.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75 percent.

(4) Collective Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Allocation (Policy)		Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	47.0%		5.9%	
Global Equity		35.0%		4.9%
Private Equity		10.0%		6.5%
Opportunistic Real Estate		2.0%		7.0%
Credit	12.0%		2.5%	
High Yield Bonds		3.0%		2.4%
Bank Loans		4.0%		2.2%
Emerging Market Bonds		2.0%		1.8%
Illiquid Credit		3.0%		2.6%
Real Assets and Inflation Hedges	17.0%		3.7%	
Core and Value Added Real Estate		7.0%		3.7%
Natural Resources and Commodities		4.0%		3.7%
Infrastructure		3.0%		4.3%
TIPS		3.0%		0.1%
Risk Reduction and Mitigation	24.0%		0.6%	
Investment Grade Bonds		19.0%		0.2%
Diversified Hedge Fund Portfolio		4.0%		2.3%
Cash Equivalents		1.0%		(0.3)%

Single Discount Rate

The discount rate used to measure the total pension liability 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 .13 percent, gross of administrative expenses.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability calculated using a discount rate of 7.13 percent, as well as what the collective net pension liability would be if it were calculated 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:

	1% Decrease (6.13%)	**Current Discount Rate (7.13%)**	**1% Increase (8.13%)**
Collective net pension liability	$28,480,419,000	$18,069,186,000	$ 9,466,430,000

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2020:

	Year of Deferral	Amortization Period (years)	Beginning of Year Balance	Additions	Deductions	End of Year Balance
Deferred Outflow of Resources:						
Difference between expected and actual experience	2020	8	$ -	$ 794,955,000	$ 99,369,000	$ 695,586,000
	2019	8	440,115,000	-	62,874,000	377,241,000
	2018	8	231,861,000	-	38,644,000	193,217,000
Subtotal			671,976,000	794,955,000	200,887,000	1,266,044,000
Difference between projected and actual earnings on pension plan investments	2020	5	-	2,825,505,000	565,101,000	2,260,404,000
	2019	5	759,006,000	-	189,751,000	569,255,000
	2016	5	720,390,000	-	720,390,000	-
Subtotal			1,479,396,000	2,825,505,000	1,475,242,000	2,829,659,000
Changes of assumptions	2020	8	-	2,626,103,000	328,263,000	2,297,840,000
	2017	8	1,924,931,000	-	384,987,000	1,539,944,000
Subtotal			1,924,931,000	2,626,103,000	713,250,000	3,837,784,000
Total Deferred Outflows of Resources			$ 4,076,303,000	$ 6,246,563,000	$ 2,389,379,000	$ 7,933,487,000
Deferred Inflows of Resources						
Difference between expected and actual experience	2017	8	$ 29,692,000	$ -	$ 5,938,000	$ 23,754,000
	2016	8	218,519,000	-	54,630,000	163,889,000
	2015	8	276,005,000	-	92,001,000	184,004,000
Subtotal			524,216,000	-	152,569,000	371,647,000
Difference between projected and actual earnings on pension plan investments	2018	5	513,193,000	-	171,064,000	342,129,000
	2017	5	1,009,991,000	-	504,996,000	504,995,000
Subtotal			1,523,184,000	-	676,060,000	847,124,000
Total Deferred Inflows of Resources			$ 2,047,400,000	$ -	$ 828,629,000	$ 1,218,771,000

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized (amortized) in pension expense as follows:

Years Ending June 30		
2021	$	840,361,000
2022		1,345,353,000
2023		1,608,424,000
2024		1,473,294,000
2025		529,147,000
Thereafter		918,137,000
Total	$	6,714,716,000

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is eight years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts.

(6) Pension Expense

The components of allocable pension expense for the year ended June 30, 2020 (excluding employer specific pension expense for changes in proportion) are as follows:

Service cost	$ 1,301,460,000
Interest on the total pension liability	5,154,164,000
Member contributions	(659,296,000)
Projected earnings of plan investments	(4,258,052,000)
Net miscellaneous income	(1,985,000)
Administrative expense	72,054,000
(Amortization) recognition of deferred outflows and inflows of resources:	
Difference between expected and actual experience	48,318,000
Difference between projected and actual earnings on pension plan investments	799,182,000
Changes of assumptions	713,250,000
Total	$ 3,169,095,000

(7) Global Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of this report, LACERA's operations have not been significantly impacted, but LACERA continues to monitor the situation. No impairments were recorded as of the statement of net position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while LACERA's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

**LOS ANGELES COUNTY EMPLOYEES
RETIREMENT ASSOCIATION**

AGENT MULTIPLE-EMPLOYER OTHER POST-EMPLOYMENT BENEFITS TRUST

**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

TABLE OF CONTENTS

Introduction

The Los Angeles County Employees Retirement Association (LACERA) administers the Los Angeles County Other Post-Employment Benefits (OPEB) Program for eligible retired members, and eligible dependents and survivors of LACERA members, formerly employed by Los Angeles County (County), Los Angeles County Superior Court (Court), LACERA, or a participating Outside District[1]. LACERA also administers the OPEB Trusts for the Retiree Healthcare Benefits Program on behalf of the County, Court, and LACERA (Employers) which were established to provide a pre-funding vehicle for each Employers' OPEB liabilities. In order to track and allocate these liabilities and ongoing program costs by Employer, as of July 1, 2018, the OPEB Program transitioned from a cost-sharing plan structure to an agent multiple-employer plan structure.

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB Statement No. 75), employers are required to recognize and report their specific OPEB amounts which include Net OPEB Liability (NOL), deferred outflows of resources, deferred inflows of resources, and OPEB expenses. For those participating Employers who request the information, LACERA works with its consulting actuary, Milliman, to provide this information.

The accompanying Schedule of Changes in Fiduciary Net Position by Employer includes the additions and deductions made to each Employer's OPEB Trust Fund as well as the beginning and ending Fiduciary Net Position Restricted for Benefits by Employer. The Fiduciary Net Position (FNP) or "net assets" calculated for each Employer are deducted from its Total OPEB Liability (TOL) to determine the Employer's NOL.

LACERA's external auditor, Plante Moran, has also completed an examination engagement over selected Management assertions related to plan member census data maintained by LACERA, the plan administrator, of which the external auditor's opinion is provided in a separate report.

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

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the fiduciary net position as of June 30, 2020 and the changes in fiduciary net position for the year then ended, included in the accompanying schedule of changes in fiduciary net position by employer (the "Schedule") of the Agent Multiple-Employer Other Post-Employment Benefits Trust of Los Angeles County Employees Retirement Association (LACERA), and the related notes. We have also audited the fiduciary net position of the Los Angeles County column as of June 30, 2020 and the changes in fiduciary net position of the Los Angeles County column for the year then ended, included in the accompanying Schedule.

Management's Responsibility for the Schedule

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Agent Multiple-Employer Other Post-Employment Benefits Trust of Los Angeles County Employees Retirement Association as of June 30, 2020 and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Los Angeles County column as of June 30, 2020 and the changes in fiduciary net position of the Los Angeles County column for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note A, the Schedule presents only the fiduciary net position and changes in fiduciary net position by employer of the Agent Multiple-Employer Other Post-Employment Benefits Trust and does not purport to, and does not, present fairly the fiduciary net position of LACERA as a whole or Los Angeles County itself as of June 30, 2020, nor their related changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of LACERA as of and for the year ended June 30, 2020, and our report thereon dated October 15, 2020 expressed an unmodified opinion on those financial statements. The Agent Multiple-Employer Other Post-Employment Benefits Trust is reported as a fund of LACERA.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Schedule. The introductory section is presented for purposes of additional analysis and is not a required part of the Schedule. The introductory section has not been subjected to the auditing procedures applied in the audit of the Schedule, and, accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of management and the boards of retirement and investments, LACERA employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

May 17, 2021

Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust

For the Fiscal Year Ended June 30, 2020

(Dollars in Thousands)

	Los Angeles County	Superior Court	LACERA	Total
Additions				
Employer Contributions	$878,114	$26,444	$2,963	$907,521
Net Investment and Miscellaneous Income	5,980	167	24	6,171
Total Additions	$884,094	$26,611	$2,987	$913,692
Deductions				
Service Benefits	$631,917	$25,444	$1,934	$659,295
Administrative Expenses	185	49	12	246
Redemptions	—	—	—	—
Total Deductions	$632,102	$25,493	$1,946	$659,541
Net Increase/(Decrease) in Fiduciary Net Position	$251,992	$1,118	$1,041	$254,151
Fiduciary Net Position Restricted for Benefits				
Beginning of Year	$1,189,406	$44,474	$4,597	$1,238,477
End of Year	$1,441,398	$45,592	$5,638	$1,492,628

The accompanying Notes are an integral part of this schedule.

NOTE A — Plan Description

The County OPEB Trust and the Court OPEB Trust for the Retiree Healthcare Benefits Program are administered through trusts that are considered as qualified OPEB plans under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. A qualifying OPEB plan meets the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Establishment of the County OPEB Trust

Pursuant to the California Government Code Sections 31694.3 and 31694.4, the County established an irrevocable, tax exempt OPEB Trust for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Benefits Program, which LACERA administers. 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 services manager.

Establishing and funding an OPEB Trust was the County's initial action in offsetting the unfunded OPEB liability. This reporting method provides a framework in which the County pre-funds OPEB costs through a Trust and over time, transitions from funding post-retirement benefits using the existing "pay-as-you-go" model to a prefunding model. The County OPEB Trust and agent reporting method does not modify the participating Employers' existing benefits structure and programs.

The County OPEB Trust serves as a funding tool for the participating Employers to hold and invest assets used to pay expenses associated with OPEB benefits, such as medical, dental, and vision insurance plans and Medicare Part B reimbursements administered by the Retiree Healthcare Benefits Program including retiree death/burial benefit. The participating Employers will be responsible for and have discretion over OPEB Trust funding and in applying those assets restricted for paying OPEB benefits as defined in the Trust Agreement. There are two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Establishment of the Court OPEB Trust

Similar to the OPEB Trust established by the County, the Court followed the County's action and established a separate OPEB Trust Fund, the Court OPEB Trust, to begin prefunding its own OPEB unfunded liability.

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 Benefits Program, which LACERA administers for the Court retirees. In April 2016, the Judicial Council of California approved the Court's request to establish a qualified irrevocable Trust, as well as engage LACERA's Board of Investments as trustee and investment services manager.

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 and updates the fiduciary duty provisions due to the addition of the Court's OPEB Trust agreement. Although the County and Court OPEB Trust assets are pooled for investment purposes, separate accounts are maintained for each employer.

In June 2016, similar to the County, the Court entered into a Trust and Investment Services Agreement with the LACERA Board of Investments.

OPEB Master Trust

In July 2016, the LACERA Board of Investments adopted the OPEB Master Trust Declaration and unitized fund structure for 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 Trust assets which includes all of the assets held in both OPEB Trusts. This investment pool is commonly referred to throughout LACERA's financial statements and note disclosures as the "OPEB Trust" or the "OPEB Master Trust".

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.

NOTE B — Summary of Significant Accounting Policies

Basis of Accounting, Basis of Presentation and Measurement Focus

The accompanying Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust (Schedule) was prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to governmental organizations. In doing so, LACERA adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The OPEB Trust is accounted for based on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are voluntarily determined by each Employers' funding schedule, and there are no long-term contracts established for contributions to LACERA. As such, contributions are elective and not required. LACERA recognizes employer contributions received by June 30, the end of the fiscal year. In addition, inflows of employer contributions and outflows of pay-as-you-go OPEB benefits that are paid through the OPEB Custodial Fund are included in LACERA's financial statements.

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. LACERA allocates investment income/loss to each Employer monthly based on the Employers' ownership percentage using the average daily net asset value (NAV) provided by the custodian bank. The recognition of investment income/loss is also affected by the timing of contributions and redemptions.

The CERL provision states that the Post-Employment Benefits Trust Account shall be used to pay the reasonable costs related to investment expenses and administration of the Post-Employment Benefits Trust Account to the extent allowed by federal tax law. The participating Employers are charged investment management and administrative expenses, which covers all costs to administer the OPEB Trust and are typically charged against the investment earnings of the OPEB Trust. Investment expenses are charged to each Employer based on their average daily NAV. Administrative expenses are charged to each employer based on an annual budget which is approved jointly by LACERA's governing Boards.

Redemptions are conducted at each employer's discretion to fund the OPEB Program pay-as-you-go benefits or for investment management and administrative expenses incurred by the OPEB Trust.

OPEB Program investments are presented at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based upon equivalent values of comparable securities with similar yield and risk. Independent appraisals are the basis for valuing the fair value of real estate. Other investments that do not have established markets are recorded at an estimated fair value.

Use of Estimates in the Preparation of the Schedule
The preparation of the Schedule in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results may differ from these estimates.

Relationship of the Schedule to LACERA's Financial Statements
The Schedule was reconciled to the Statement of Changes in Fiduciary Net Position in LACERA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020.

NOTE C — Subsequent Events

As of the date of issuance of this Schedule, management's thoughtful strategy and adaptive approach in dealing with the COVID-19 pandemic have enabled LACERA's business operations to endure with no significant impact; however, LACERA continues to monitor the evolving situation. While LACERA's results of operations and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

NOTE D — Additional Financial Information

Additional financial information is located within LACERA's ACFR for the fiscal year ended June 30, 2020, which can be found on LACERA's website. Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to the Interim Chief Financial Officer, Theodore Granger, at tgranger@lacera.com.

November 12, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Santos H. Kreimann SHK
Chief Executive Officer

Richard P. Bendall RPB
Chief Audit Executive

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: **Management's Response to Plant Moran's Comments to Management**

BACKGROUND

On October 21, 2021, after Plante Moran's (PM) completion of LACERA's Financial Audit, they issued a Comments to Management memo (Attachment A). Their comments and suggestions relate to matters of internal control, operating efficiency, and future accounting standards that will impact LACERA. However, these materials do not rise to the level of material deficiencies as defined by the American Institute of Certified Public Accountants (AICPA), and therefore are not reportable to "those charged with governance." Rather, PM directs them to the Chief Executive Officer (CEO) as suggestions for LACERA to consider.

MANAGEMENT RESPONSE BY COMMENT

PM Comment: Contributions Related to Retro Payments

As a result of various discussions with LACERA during the planning process, it was brought to our attention that an issue exists with employee withholdings at one of LACERA's employers, particularly related to withholdings on retro pay awarded during the year. LACERA has been in numerous conversations with the employer regarding correction of the payroll system issue and is working to resolve the issue as quickly as possible. However, as a result of the payroll withholding being incorrect, the impacted members are being credited with service credits and contributions within the member system for which contributions have not been properly made. As a result, when these members are identified by LACERA, a tracking system is being utilized and a ticket is opened for each instance (referred to as the member queue). While this is a tracking system only at this time, it is our understanding that this is corrected at the time the member commences their benefit. Since this issue impacts the operational exchange of data between the employer and LACERA, and does not result in a financial statement misstatement, this control issue did not rise to a significant level. However, we recommend that LACERA review its process for timely resolution related to items included in the member queue, as the number of open cases has increased considerably over the past few years.

Management Response

Management agrees that the underpaid contribution issue is important and needs to be resolved. Management has taken several key steps to prevent further underpaid contributions due to retroactive salary increases by working with the County Auditor-Controller to resolve the issue. A LACERA executive and management team have met several times with the County Auditor-Controller to request system programming to prevent further underpaid contributions. As of June 2021, the Auditor-Controller identifies retroactive earnings through a report and manually overrides their system to deduct contributions from retroactive earnings. The Auditor-Controller has expressed their intent to continue the manual process until they can develop a permanent system programming solution.

LACERA acknowledges there remains an open issue regarding the contribution rate that should be applied when a retroactive contribution is collected. The County collects retroactive contributions based on the contribution rate in place at the time the contributions are collected. LACERA maintains the correct process should be to collect contributions based on the rate in effect at the time those earnings were accrued. LACERA and the Auditor-Controller continue to discuss this issue.

Management disagrees with Plante Moran's statement that underpaid contributions are only collected at the time the member commences their retirement benefit. Underpaid contribution work objects are routinely worked based on current staffing resources and competing demands. LACERA prioritizes those members who are in the retirement process, requesting a previous service purchase, or upon a member request. We continue to evaluate methods to resolve the backlog of work objects.

PM Comment: GASB No. 87 – Leases

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, Leases, which changes the accounting and financial reporting for leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In general, this statement will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. 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. This standard would be applicable for LACERA's 2021-2022 fiscal year. The first step to the comprehensive implementation of this new standard is identifying the population of contracts/agreements that will need to be analyzed. GASB is very clear within this new standard that governments should carefully consider within the population contracts and agreements that may not traditionally have been deemed a lease or that necessarily carry the name "lease" within the agreement terms. Because determining this population and then analyzing all of these agreements under GASB 87 could take significant effort, depending upon the size of the population, we encourage LACERA to commence this implementation process in the near term.

Management Response
Management agrees that the implementation of GASB Statement No. 87 (GASB 87), Leases, will require some time and effort. Our preliminary survey of LACERA's population of contracts/agreements determined a list that appears to be manageable. Management will complete an analysis to identify any lease agreements that may require disclosure under the requirements of GASB 87. Then, Management will prepare the accounting data and narratives required for the notes to the financial statements. Finally, management will prepare and share a preliminary draft disclosure with Plante Moran to determine if there is any additional information that should be included. Management will implement GASB 87 disclosures as required, in accordance with the timeline which is for the fiscal year ending June 30, 2022.

PM Comment: AICPA State and Local Government Client Affiliates
The AICPA has adopted a revised auditor independence interpretation, which impacts entities reporting under the GASB framework. The new rules define four types of affiliates (entities affiliated with your financial statements) that may expand the scope of required auditor independence as it relates to your audit. Under these revised standards, one type of affiliate includes certain investments held by the audit client. For LACERA, it is possible that you hold several investments that meet the definition of an affiliate and, therefore, require independence.

Because auditor independence is a shared responsibility between your organization and Plante & Moran, PLLC, you should be aware of and understand these changes. In addition, we will need your help to perform an initial evaluation under these revised standards and will also likely need your continuing assistance to comply with these rules in the future. The changes are effective for years beginning after December 15, 2021, which means we must be independent of your affiliates as of the first day of the year of required adoption, or July 1, 2022.

Management Response
The Internal Audit division and Financial & Accounting Services Division (FASD) met with PM in August 2021 to discuss the new independence rules. Based on this discussion and preliminary research, LACERA could have affiliates as defined by the AICPA's new rules:

- Investments held by LACERA where either
  - LACERA has control over the investee and the investment is not insignificant to LACERA's financial statements or
  - LACERA has significant influence over the investee and the investment is material to LACERA's financial statements.

Internal Audit will work with FASD and the Investments Office to develop an initial evaluation of LACERA's investments to determine if any would be considered affiliates per the AICPA's new rules. We will provide to this initial evaluation to PM in March 2022 investments to ensure PM is independent of any LACERA affiliates by July 1, 2022.

CONCLUSION

Management would like to acknowledge the high-level of collaboration between PM and LACERA to ensure the audit was completed timely. Management appreciates the comments and suggestions PM provided for our consideration.

Attachment

RPB:cl

Plante & Moran, PLLC
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East Lansing, MI 48823
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To: Santos Kreimann, Chief Executive Officer

CC: Steven Rice, Chief Counsel
Ted Granger, Interim Chief Financial Officer
Richard Bendall, Chief Audit Executive
Christina Logan, Senior Internal Auditor
Cassandra Smith, Director, Retiree Healthcare

From: Plante & Moran, PLLC

Date: October 13, 2021

Subject: Comments to Management as a Result of the June 30, 2021 Audit

We have recently completed our audit of the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the fiscal year ended June 30, 2021.

In planning and performing our audit of the financial statements of LACERA as of and for the fiscal year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered LACERA's internal controls over financial reporting (internal controls) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal controls. Accordingly, we do not express an opinion on the effectiveness of LACERA's internal controls. As a result of our audit, we offer the following suggestions and/or comments related to internal control, operating efficiencies, and future accounting standards impacting LACERA. While none of these items are required under the audit standards to be communicated, we offer them as suggestions for LACERA to consider. There are certainly cost/benefit implications of some of these items that management would have to consider prior to deciding whether and how to respond to these observations.

Contributions Related to Retro Payments

As a result of various discussions with LACERA during the planning process, it was brought to our attention that an issue exists with employee withholdings at one of LACERA's employers, particularly related to withholdings on retro pay awarded during the year. LACERA has been in numerous conversations with the employer regarding correction of the payroll system issue and is working to resolve the issue as quickly as possible. However, as a result of the payroll withholding being incorrect, the impacted members are being credited with service credits and contributions within the member system for which contributions have not been properly made. As a result, when these members are identified by LACERA, a tracking system is being utilized and a ticket is opened for each instance (referred to as the member queue). While this is a tracking system only at this time, it is our understanding that this is corrected at the time the member commences their benefit.

Since this issue impacts the operational exchange of data between the employer and LACERA, and does not result in a financial statement misstatement, this control issue did not rise to a significant level. However, we recommend that LACERA review its process for timely resolution related to items included in the member queue, as the number of open cases has increased considerably over the past few years.

To: Santos Kreimann, Chief Executive Officer

New Accounting Standards on the Horizon Impacting LACERA

While there are a number of pronouncements that will be effective in the next several years that LACERA will need to evaluate, the following items, in particular, will have the most significant impact on LACERA:

GASB No. 87 - Leases

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which changes the accounting and financial reporting for leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In general, this statement will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. 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. This standard would be applicable for LACERA's 2021-2022 fiscal year. The first step to the comprehensive implementation of this new standard is identifying the population of contracts/agreements that will need to be analyzed. GASB is very clear within this new standard that governments should carefully consider within the population contracts and agreements that may not traditionally have been deemed a lease or that necessarily carry the name "lease" within the agreement terms. Because determining this population and then analyzing all of these agreements under GASB 87 could take significant effort, depending upon the size of the population, we encourage LACERA to commence this implementation process in the near term.

AICPA State and Local Government Client Affiliates

The AICPA has adopted a revised auditor independence interpretation, which impacts entities reporting under the GASB framework. The new rules define four types of affiliates (entities affiliated with your financial statements) that may expand the scope of required auditor independence as it relates to your audit. Under these revised standards, one type of affiliate includes certain investments held by the audit client. For LACERA, it is possible that you hold several investments that meet the definition of an affiliate and, therefore, require independence.

Because auditor independence is a shared responsibility between your organization and Plante & Moran, PLLC, you should be aware of and understand these changes. In addition, we will need your help to perform an initial evaluation under these revised standards and will also likely need your continuing assistance to comply with these rules in the future. The changes are effective for years beginning after December 15, 2021, which means we must be independent of your affiliates as of the first day of the year of required adoption, or July 1, 2022. For more information on these changes, please view our on-demand webinar here.

This communication is intended solely for the information and use of management and others within LACERA and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Jean Young

Jean Young, CPA
Partner

Michelle Watterworth

Michelle Watterworth, CPA
Partner

November 12, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn R. Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan J. Bernstein
Keith Knox
Ronald A. Okum
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

Leisha E. Collins LEC
Principal Internal Auditor

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: **FYE 2022 Audit Plan Status Report**

BACKGROUND

According to the Institute of Internal Auditor's Standard 2010, Planning, (Attachment A) the Chief Audit Executive (CAE) must establish risk-based plans to determine the priorities of the internal audit activity and ensure audit resources are appropriately allocated to address top priorities and key risk areas for the organization.

To remain in compliance with the Standard, Internal Audit developed the FYE 2022 Audit Plan (Audit Plan) which was approved at the June 2021 Audit Committee Meeting. The Audit Plan currently consists of 44 assurance, consulting, advisory and other Internal Audit projects. As of October 31, 2021, staff have completed 6 projects, and have 29 ongoing and new projects in various stages of completion as illustrated in the Audit Plan Status Report on page 2.

During past meetings, the Committee has discussed the importance of auditing document retention. As a result of these discussions, staff include a review of document retention in the audit steps of each audit engagement. In addition, the CAE has discussed document retention with the Executive Office and will include it in the FYE 2022 mid-year Risk Assessment and FYE 2023 audit planning.

Staff has also prepared the accompanying presentation to highlight work performed and progress made towards key performance indicators as of October 31, 2021 (Attachment B). Staff will make this presentation to the Committee at the December 2, 2021, meeting.

FYE 2022 AUDIT PLAN (*As of 10/31/21*)

	Audit Projects	Service Type	Frequency	Audit Assignment	Estimated Hours	Actual Hours	Variance	Status
EXECUTIVE / LEGAL / ORGANIZATION								
1	Organizational Governance Review	Consulting	Annual	External	200	14	186	IN PROGRESS
2	Organizational Ethics & Values Review	Consulting	Annual	External	100	15	85	IN PROGRESS
3	Oversight of SOC-1 Type 2 (FY 2021)	Assurance	Annual	Internal	200	141	59	COMPLETED
4	Business Continuity Plan / Disaster Recovery	Consulting	Periodic	Internal	150		150	
5	Review of Prior Privacy Audit	Assurance	Periodic	Internal	200	2	198	PRELIM PLANNING
6	Organizational Check Management Policy Review	Consulting	Periodic	Internal	300	1	299	PRELIM PLANNING
7	Ethics Hotline & Investigations	Consulting	Annual	Internal	200	40	160	ONGOING
8	Audit of Board Vantage Security Settings	Assurance	Periodic	Internal	100		100	
ADMINISTRATION - Admin Services, HR, Systems								
9	Continous Auditing Program	Assurance	Continuous	Internal	500	107	393	ONGOING
10	Recommendation Follow-Up	Assurance	Continuous	Internal	250	121	129	ONGOING
11	Procurement Audit	Assurance	Periodic	Internal	300	33	267	PRELIM PLANNING
12	Review of HR's Recruiting & Hiring Processes	Consulting	Periodic	External	100	32	68	IN PROGRESS
13	Employee Salary Bonuses Audit	Assurance	Periodic	Internal	150	218	-68	IN PROGRESS
14	Penetration & Social Engineering Audit	Assurance	Annual	External	100	49	51	PRELIM PLANNING
15	Review of IT Policies	Advisory	Periodic	Internal	100		100	
16	Cyber Security Incident Events Management (SIEM)	Assurance	Periodic	External	100	11	89	IN PROGRESS
17	Privilege Access Audit	Assurance	Periodic	Internal	100		100	
INVESTMENTS & FASD								
18	Oversight of THC RE Financial Audits (FY 2021)	Assurance	Annual	Internal	100	49	51	COMPLETED
19	Oversight of Real Estate Manager Reviews	Assurance	Annual	Internal	100	7	93	COMPLETED
20	Oversight of Actuarial Services	Assurance	Annual	Internal	100	14	86	ONGOING
21	Oversight of Financial Audit (FY 2021)	Assurance	Annual	Internal	450	196	254	FY 21 COMPLETED
22	Investments Due Diligence	Consulting	Periodic	External	150	37	113	IN PROGRESS
23	THC Operations & Management Audit	Assurance	Periodic	External	100		100	
24	Wire Transfers Audit	Assurance	Periodic	Internal	200		200	
OPERATIONS - Benefits, DRS, RHC, Member Services, QA								
25	Continous Audit Program	Assurance	Continuous	Internal	500	230	270	ONGOING
26	Recommendation Follow-Up	Assurance	Continuous	Internal	250	103	147	ONGOING
27	LA County Rehired Retirees	Assurance	Annual	Internal	300	19	281	IN PROGRESS
28	DLU's Death Claim Processing Audit	Assurance	Periodic	Internal	250	83	167	IN PROGRESS
29	Account Settlement Collections Audit	Assurance	Periodic	Internal	250		250	
30	Member Communications Audit	Assurance	Periodic	External	150		150	
31	Governance, Risk, & Compliance _ RHC	Assurance	Periodic	Internal	250	4	246	IN PROGRESS
INTERNAL AUDIT								
32	Risk Assessment & Audit Planning	Assurance	Continuous	Internal	500	38	462	ONGOING
33	Quality Assurance Improvement Plan	Assurance	Continuous	Internal	280	22	258	ONGOING
34	Professional Development	-	Continuous	Internal	300	168	132	ONGOING
35	Audit Committee Support	Advisory	Continuous	Internal	500	272	228	ONGOING
36	KPMG Recommendation Follow-Up	Assurance	Periodic	Internal	200	11	189	IN PROGRESS
37	External Quality Assessment	Assurance	Periodic	External	250	95	155	IN PROGRESS
ADDITIONAL PROJECTS								
38	Macintosh Data Backup (Reco F/U review)	Consulting	Periodic	Internal	40		40	
39	Participation in Info Sec Project	Consulting	Periodic	Internal	75	27	48	ONGOING
40	Fiduciary Review	Consulting	Periodic	Internal	120	206	-86	COMPLETED
41	Audit Pool Planning & Oversight	Assurance	Continuous	Internal	125	165	-40	ONGOING
42	Account Payable	Assurance	Periodic	Internal	50	9	41	IN PROGRESS
43	Teammate	-	Continuous	Internal	300	144	156	ONGOING
44	Review of Exec Office Credit Card	Assurance	Annual	Internal	100	87	13	REPORT 10/11/21
				TOTAL HOURS	**9140**	**2770**	**6370**	
			Completed	6	In Progress	12		

The following table provides a description of each audit area included in the FYE 2022 Audit Plan.

	Audit Projects	Description of Project
	EXECUTIVE / LEGAL / ORGANIZATION	
1	Organizational Governance Review	High-level assessment of LACERA's maturity in key organizational governance areas which will be reported to the Audit Committee.
2	Organizational Ethics & Values Review	High-level assessment of LACERA's maturity in key ethics and governance areas. This engagement will be combined with the Organizational Governance Review.
3	Oversight Systems Org. Change -1 (SOC 1) - Type 2	Plante Moran (PM) will perform a SOC audit over the controls related to OPEB data. Due to complexity of this engagement, IA is project manager. This project includes oversight of FY 2021 engagement and Prelim phase of FY 2022.
4	Business Continuity / DR	Audit of BC plans to ensure they are complete, reviewed and approved, and staff has been trained on them. Participation in Disaster Recovery (DR) testing.
5	Review of Prior Privacy Audit	Follow-up on prior Privacy Audit recommendations to assess if changes have adequately addressed areas of concern from the audit.
6	Organizational Check Management Policy Review	Audit of the organizational-wide check management and processes to identify areas to strengthen controls and establish formal organizational procedures.
7	Ethics Hotline Investigation	Monitor and administer the Ethics Hotline. Provide AC summary of incidents.
8	Audit of Board Vantage System	Audit access rights and credentials to Board Vantage System.
	ADMINISTRATION *(Admin, HR, Systems)*	
9	Continuous Auditing Program (CAP)-Admin	Automated testing of transactions and information systems. CAP provides continuous assurance in key areas of compliance and fraud detection.
10	Recommendation Follow Up	Ongoing follow-up recommendation status and reporting to Committee.
11	Procurement Audit	This audit will focus on the workflow of the procurement process and organizational compliance with the policy.
12	Review of HR Recruiting and Hiring Practices	Comprehensive review of HR Recruiting processes and practices to assess areas for improvement for talent management and filling vacancies timely.
13	Employee Salary Bonus Audit	Audit of employee bonuses since management recently revised its process based on recommendations from the LA County's audit.
14	Penetration & Social Engineering Audit	Evaluation of the information security of the network from an external perspective to determine any risks posed from an uncredentialed attacker.
15	Review of IT Policies	Review of the updates to IT Policy Manual implemented in prior year.
16	Cyber Security Incident Event Mgmt. (SIEM)	Review SIEM processes to ensure good practices exist for analyzing log-event data used to monitor threats and facilitate timely incident response.
17	Privilege Access Audit	Review the creation, monitoring, and maintenance of privileged access credentials for compliance with best practice guidelines.
	INVESTMENTS & FASD	
18	Oversight of THC RE Financial Audits (FYE 2021)	Internal Audit manages the relationship with the real estate external auditors who perform the real estate THC financial audits.
19	Oversight of Real Estate Manager Reviews	Internal Audit oversees external audit firms that conduct real estate manager contract compliance and operational reviews.
20	Oversight of Actuarial Services	Internal Audit manages the relationship with the Actuarial Consultant and Auditor for services relating to actuarial projects.
21	Oversight of Financial Audit (FYE 2021)	Internal Audit manages the relationship with LACERA's external financial auditors for the annual financial statement audit.
22	Investment Due Diligence	Consulting engagement to review the Investment Office due diligence operations.
23	THC Operations & Management Audit	Consulting engagement to review THC management and operations to identify areas to improve efficiency and effectiveness.
24	Wire Transfer Audit	Audit of operational updates and improvements to the wire transfer process; assess appropriateness of levels of review and approval.

	Audit Projects	Description of Project
	OPERATIONS	
25	Continuous Auditing Program (CAP) - Operations	CAP is testing transactions and information systems, provides continuous assurance in key areas of compliance; includes fraud detection audits.
26	Recommendation Follow Up	Ongoing follow-up on the status of recommendations and reporting to Committee.
27	LA County Rehired Retirees	Audit of LA County's rehired retirees to ensure compliance with PEPRA.
28	DLU Death Claims Processing Audit	Review Benefits, Member Services, and Legal divisions' processes for tracking and processing member death and legal split cases.
29	Account Settlement Collections Audit	Follow-up of management's progress in addressing areas of concern and deficiencies from the FY 2019 review and updates to procedures.
30	Member Communications Audit	Audit to assess the quality of communication and service provided to members from Member Services and Retirement Health Care Divisions.
31	Governance, Risk, and Controls RHC	Assessment of RHC to gain a deeper understanding of its governance, risks, and controls.
	IA ADMINISTRATION PROJECTS	
32	Risk Assessment & Audit Planning	Updating Audit Universe, Risk Assessments, and develop Audit Plan.
33	Quality Assurance Improvement Program (QAIP)	The QAIP includes ongoing improvement of IA's performance through internal assessments, client surveys, and communication of results to key stakeholders.
34	Professional Development	Annual self-assessment, developing self-development program, and allocating for 30 hours of annual training per staff.
35	Audit Committee Support	Preparation of Audit Committee materials and attendance at meetings.
36	KPMG Reco Follow-up	Internal Audit continues to implement action plans to address recommendations from KPMG Audit and provides periodical updates to Audit Committee.
37	External Quality Assessment Review	Working with an external independent reviewer for the required Quality Assessment Review.
	ADDITIONAL PROJECTS	
38	Macintosh Data Backup (Reco Follow-Up Review)	Review of updates made to the backup systems as a result of the recommendations from prior audit.
39	Participation in Info Sec Projects	IA participates in the InfoSec project meetings.
40	Fiduciary Review Planning	IA leads the cross-functional team assigned by the Exec office to develop the scope for future fiduciary review.
41	Audit Pool Planning & Oversight	Planning and coordination of audits conducted by external firms.
42	Accounts Payable Audit	Completion of audit from prior fiscal year.
43	TeamMate	Planning and implementation of TeamMate tools for improved efficiency and effectiveness of audit work and reporting.
44	Review of CEO Credit Card Expenditures	Review of CEO Credit Card purchase for compliance with Credit Card Policy

Attachments

RPB:lec

International Professional Practices Framework

Implementation Guide 2010

Standard 2010 – Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

Revised *Standards,* Effective 1 January 2017

Getting Started

The internal audit plan is intended to ensure that internal audit coverage adequately examines areas with the greatest exposure to the key risks that could affect the organization's ability to achieve its objectives. This standard directs the chief audit executive (CAE) to start preparing the internal audit plan by consulting with senior management and the board to understand the organization's strategies, business objectives, risks, and risk management processes. Thus, the CAE considers the maturity of the organization's risk management processes, including whether the organization uses a formal risk management framework to assess, document, and manage risk. Less mature organizations may use less formal means of risk management.

The CAE's preparation usually involves reviewing the results of any risk assessments that management may have performed. The CAE may employ tools such as interviews, surveys, meetings, and workshops to gather additional input about the risks from management at various levels throughout the organization, as well as from the board and other stakeholders.

Considerations for Implementation

This review of the organization's approach to risk management may help the CAE decide how to organize or update the audit universe, which consists of all risk areas that could be subject to audit, resulting in a list of possible audit engagements that could be performed. The audit universe includes projects and initiatives related to the organization's strategic plan, and it may be organized by business units, product or service lines, processes, programs, systems, or controls.

Linking critical risks to specific objectives and business processes helps the CAE organize the audit universe and prioritize the risks. The CAE uses a risk-factor approach to consider both internal and external risks. Internal risks may affect key products and services, personnel, and systems. Relevant risk factors related to internal risks include the degree of change in risk since the area was last audited, the quality of controls, and others. External risks may be related to competition, suppliers, or other industry issues. Relevant risk factors for external risks may include pending regulatory or legal changes and other political and economic factors.

To ensure that the audit universe covers all of the organization's key risks (to the extent possible), the internal audit activity typically independently reviews and corroborates the key risks that were identified by senior management. According to Standard 2010.A1, the internal audit plan must be based on a documented risk assessment, undertaken at least annually, that considers the input of senior management and the board. As noted in Glossary, risks are measured in terms of impact and likelihood.

When developing the internal audit plan, the CAE also considers any requests made by the board and/or senior management and the internal audit activity's ability to rely on the work of other internal and external assurance providers (as per Standard 2050).

Once the aforementioned information has been gathered and reviewed, the CAE develops an internal audit plan that usually includes:

- A list of proposed audit engagements (and specification regarding whether the engagements are assurance or consulting in nature).
- Rationale for selecting each proposed engagement (e.g., risk rating, time since last audit, change in management, etc.).
- Objectives and scope of each proposed engagement.
- A list of initiatives or projects that result from the internal audit strategy but may not be directly related to an audit engagement.

Although audit plans typically are prepared annually, they may be developed according to another cycle. For example, the internal audit activity may maintain a rolling 12-month audit plan and reevaluate projects on a quarterly basis. Or, the internal audit activity may develop a multi-year audit plan and assess the plan annually.

The CAE discusses the internal audit plan with the board, senior management, and other stakeholders to create alignment among the priorities of various stakeholders. The CAE also acknowledges risk areas that are not addressed in the plan. For example, this discussion may be an opportunity for the CAE to review the roles and responsibilities of the board and senior management related to risk management and the standards related to maintaining the internal audit activity's independence and objectivity (Standard 1100 through Standard 1130.C2). The CAE reflects on any feedback received from stakeholders before finalizing the plan.

The internal audit plan is flexible enough to allow the CAE to review and adjust it as necessary in response to changes in the organization's business, risks, operations, programs, systems, and controls. Significant changes must be communicated to the board and senior management for review and approval, in accordance with Standard 2020.

Considerations for Demonstrating Conformance

Evidence of conformance with Standard 2010 exists in the documented internal audit plan, as well as the risk assessment upon which the plan is based. Supporting evidence also may exist in the minutes of meetings where the CAE discussed the audit universe and risk assessment with the board and senior management. In addition, memos to file could be used to document similar conversations with individual members of management at various levels throughout the organization.

About The IIA

The Institute of Internal Auditors (The IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 180,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, Fla. For more information, visit www.globaliia.org or www.theiia.org.

About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides recommended (non-mandatory) guidance for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing* (*Standards*).

Implementation Guides assist internal auditors in applying the *Standards*. They collectively address internal audit's approach, methodologies, and consideration, but do not detail processes or procedures.

For other authoritative guidance materials provided by The IIA, please visit our website at www.globaliia.org/standards-guidance or www.theiia.org/guidance.

Disclaimer

The IIA publishes this document for informational and educational purposes. This guidance material is not intended to provide definitive answers to specific individual circumstances and, as such, is only intended to be used as a guide. The IIA recommends that you always seek independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this guidance.

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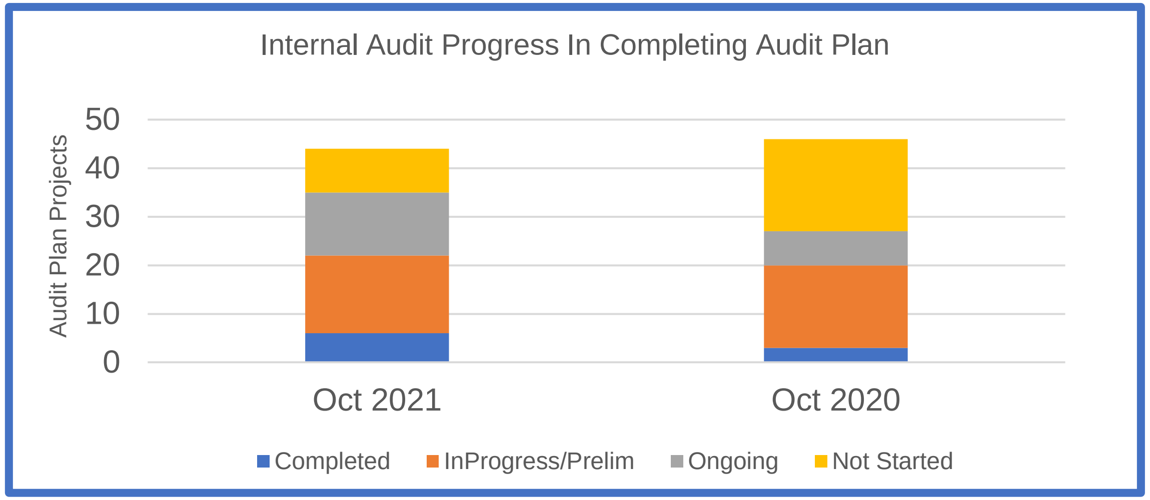
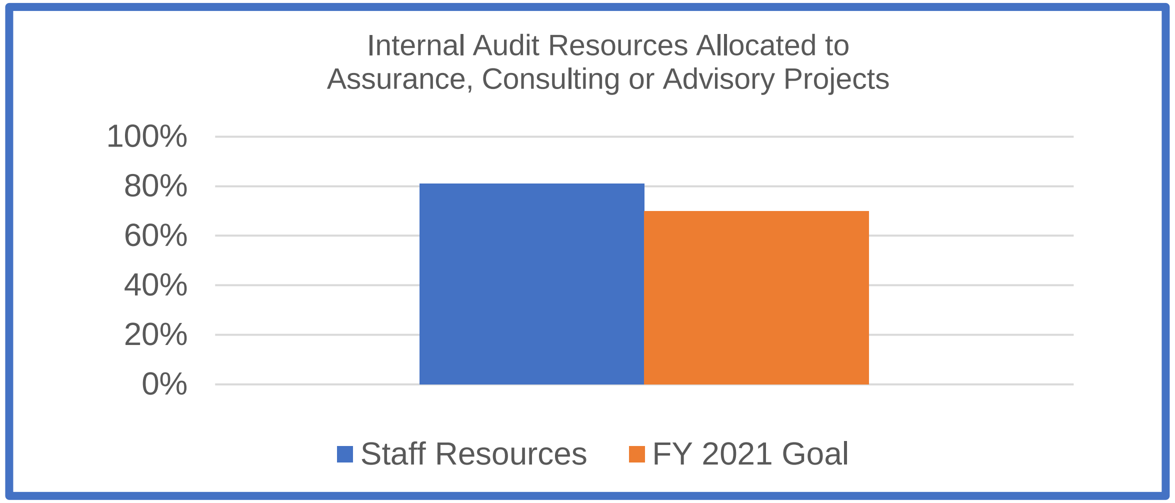
Attachment B

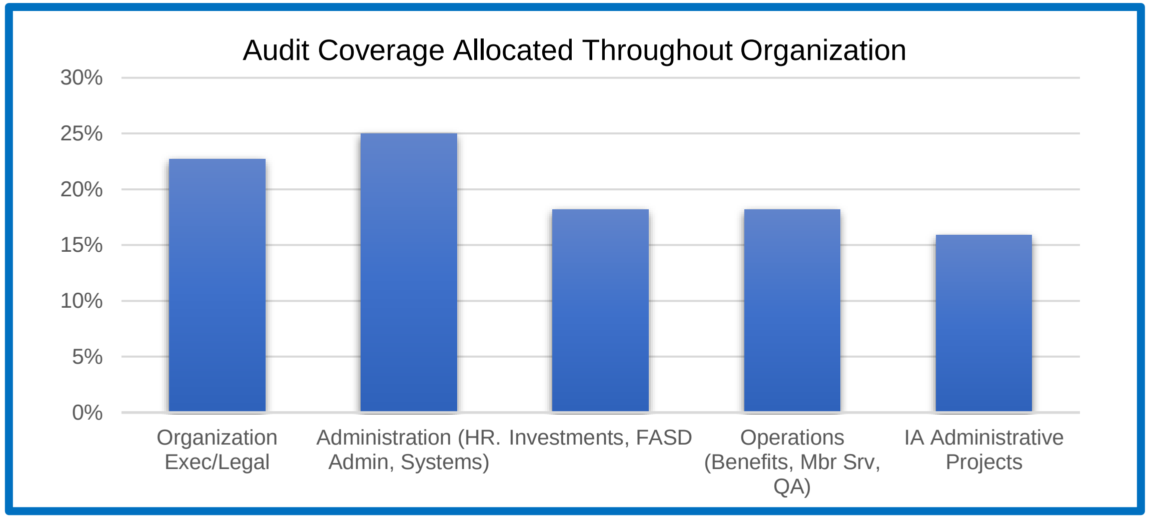
FYE 2022 Audit Plan Status Report

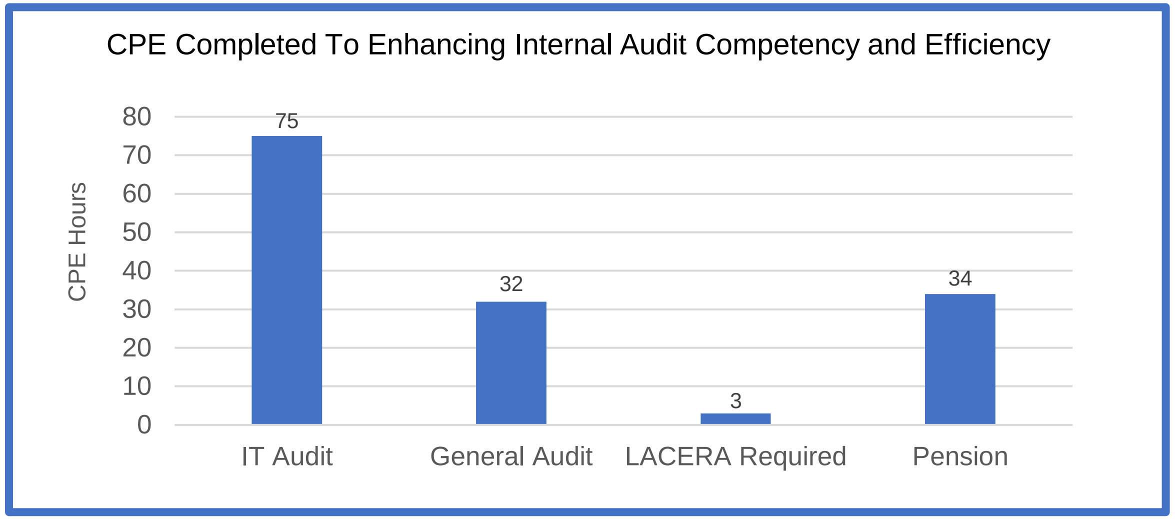
As of 10/31/21

FYE 2022 Audit Plan Dashboard



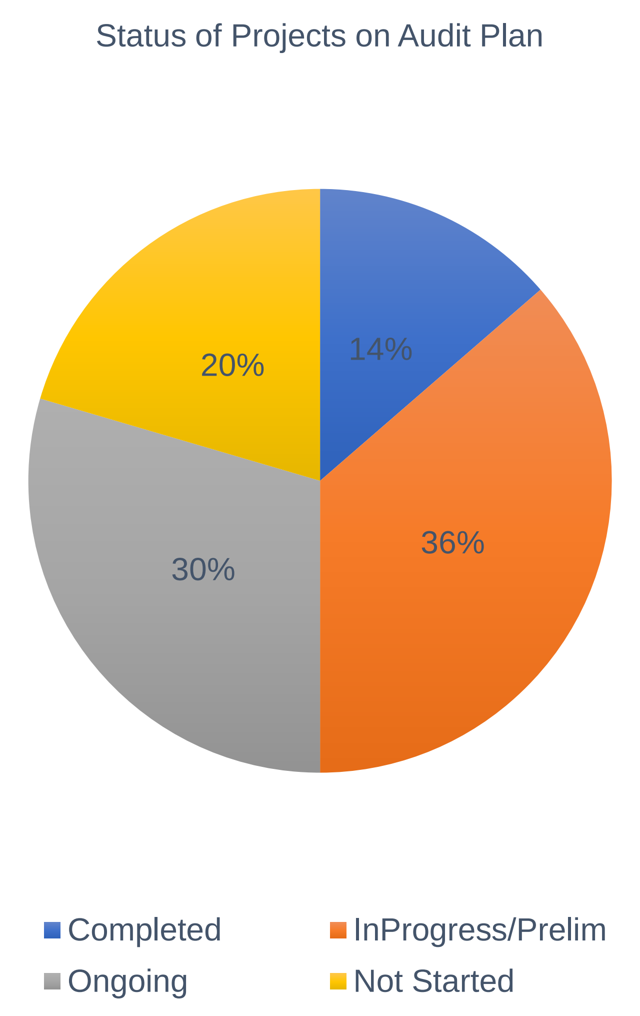






Completed and In-Progress Projects

Staff completed six projects and have twenty-nine ongoing and new projects in various stages of completion. This list provides a summary of completed and in-progress projects.

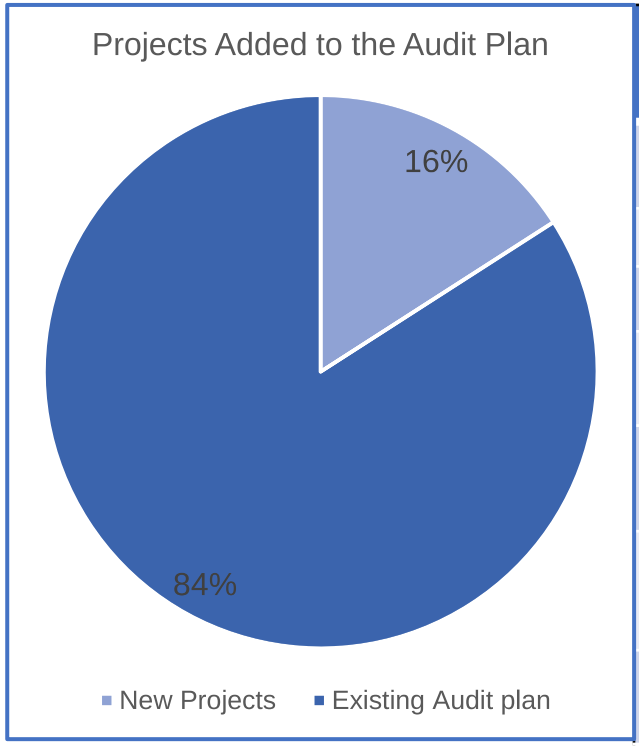


Completed	Auditor	Actual	Budget	Completed Work
SOC-1 Type 2 Engagement	Plante Moran	141	200	Report issued with unqualified opinion
THC Financial Audit	THC Audit Pool	49	100	Completed oversight of audits; reports issued
LACERA Financial Audit	Plante Moran	196	250	Report issued with unqualified opinion
Fiduciary Team	Organizational	206	120	Memorandum of team results provided to Exec Office; increase in hours for additional scope review and compilations of team surveys and results
CEO Credit Card Audit	Internal Audit	87	100	Report issued 10/11/21
Oversight RE Manager Audits	External Pool	7	100	Audits completed; final 2 reports will be issued through Investment Office

In Progress	Auditor	Actual	Budget	Status of Project/Audit
Governance & Ethics Audit	External (TBD)	30	300	Drafting bid memo for proposals to select firm from audit pool
Employee Bonus Audit	Internal Audit	218	150	Completing audit field work. Estimated report issuance date by 12/31/21; increase in actual hours due to stop and start of audit work and clarification of audit scope
SIEM Audit	External	11	89	Drafting bid memo for proposals to select firm from audit pool
HR Recruiting & Hiring	Eide Bailey	32	100	Audit Entrance meeting will be conducted in December 2021
Investment Due Diligence	External (TBD)	37	150	Drafting bid memo for proposals to select firm from audit pool
Death Claims Audit	Internal Audit	83	250	Preliminary phase of audit engagement
External Quality Assessment	Internal Audit	95	250	RFP issued; firm selected for AC Approval at the December 2021 Mtg
Audit Pool Oversight	Internal Audit	165	125	Continued oversight as new engagements are planned and underway
LA County Rehired Retirees	Internal Audit	19	300	Preliminary phase of audit engagement
Accounts Payable (Audit)	Internal Audit	9	50	This audit is carried over from FY 2021 and will include a current review
Gov., Risk, Controls RHC	Internal Audit	4	250	Preliminary phase of audit engagement
KPMG Reco Follow-Up	Internal Audit	11	200	Staff has implemented 12 of 14 recommendations

Projects Added to Audit Plan

*As of October 31, 2021, the CAE has added seven projects to the Audit Plan.**



Projects Added	Description	Actual	Budget	Status
MacIntosh Data Backup	Review of updates made to the backup systems as a result of the recommendations from prior audit.	--	40	Project to begin in Q3
Info Sec Projects	IA participates in the InfoSec project meetings.	27	75	Ongoing
Fiduciary Review Team	IA leads the cross-functional team assigned by the Exec office to develop the scope for future fiduciary review.	206	120	Completed
Audit Pool planning & Oversight	Planning and coordination of audits conducted by external firms.	165	125	Ongoing
Accounts Payable	Audit of AP process, procedures. This is an audit from prior fiscal year with an expanded scope of current process.	9	50	Preliminary
TeamMate Enhancements	Planning and implementation of TeamMate tools for improved efficiency and effectiveness of audit work and reporting.	144	300	Ongoing
CEO Credit Card Audit	Review of CEO Credit Card purchase for compliance with Credit Card Policy	87	100	Report issued 10/11/21

**The additional projects to the Audit Plan are not significant changes requiring Audit Committee Approval. This information is provided as an update.*

Value Added Activities

Internal Audit has made significant progress in enhancing Internal Audit competency and efficiencies through updates and revisions to Internal Audit processes and procedures. Examples of these projects are listed below.

INTERNAL AUDIT IMPROVEMENTS FOR MORE EFFICIENT AUDIT PROCESSES

- Established monthly team discussions for Teammate Analytics Tips to enhance staff efficiency and audit process (*Rollout in Nov 2021*).
- Enhanced Audit Report to add a fourth overall audit rating category and redefined risk ratings (*Rollout in Jan 2022*).
- Revised the Audit Client Survey with additional criteria and automated the issuance of surveys (*testing of automated survey in November 2021 and roll out of automated surveys in December 2021*).
- Created Audit Committee Survey (*Rollout in December 2021*).

SIGNIFICANT PROJECTS THAT ADDED VALUE TO THE AUDIT COMMITTEE AND ORGANIZATION

- Created an overview presentation of Internal Audit and the audit process. Staff will update the Internal Audit Intranet page in 2022.
- Met biweekly with Executive office for updates on IA projects and to discuss organizational areas of concern for audit planning.
- Led cross-functional team to assess areas of risk for inclusion in future fiduciary/operational review(s) and strategic planning.
- Completed oversight of LACERA's first SOC 1 Type 2 Audit Engagement.

Audit Committee Activities

For the period of July 1, 2021 through October 31, 2021, Internal Audit assisted the Committee in completing roles and responsibilities as prescribed in the Audit Committee Charter.

AUDIT COMMITTEE CALENDAR ACTIVITIES

	AC Meetings	
	August	**October**
Reviewed and/or Approved at Committee Meetings		
Audit Engagement Reports	✓	✓
Audit Plan Status Update	✓	✓
Summary of Hotline Investigations	✓	✓
Recommendation Follow-Up Reports		✓
FYE 2021 Internal Audit Annual Audit Plan	✓	
Updated Internal Audit Charter	✓	
FY 2022 Internal Audit Goals	✓	
External Auditor for Audit Engagement (HR Recruiting Audit)		✓
CAE Evaluation	✓	

Questions

7

LACERA

FOR INFORMATION ONLY

November 12, 2021

TO: 2021 Audit Committee
Joseph Kelly, Chair
Shawn Kehoe, Vice Chair
Vivian H. Gray, Secretary
Alan Bernstein
Keith Knox
Ronald Okum
Gina V. Sanchez

Audit Committee Consultant
Robert Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

Kathryn Ton KT
Senior Internal Auditor

FOR: December 2, 2021 Audit Committee Meeting

SUBJECT: **Ethics Hotline Status Report**

The purpose of this memorandum is to provide the Committee with information on ethics cases handled by LACERA. LACERA has contracted with NAVEX Global's EthicsPoint since November 2019 for its ethics hotline reporting and case management needs.

To date, LACERA has received eight case reports, four of which have been closed and four of which are under investigation at this time.

Calendar Year	Issue Type	Count	Status
2021	Time Abuse	1	In-progress
2021	Discrimination	1	In-progress
2021	Retaliation	1	In-progress
2021	Harassment	1	In-progress
2020	Accounting & Auditing Matters	1	Closed
2020	Time Abuse	2	Closed
2020	Violations of Policy	1	Closed

Staff will continue to provide updates to the Committee on future reports.

RPB:kt