LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

85 YEARS STRONG

2023

DESIGNED TO LAST

Proudly providing lifetime benefits to our members since 1938

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2023 and 2022

Pension and OPEB Trust Funds, and OPEB Custodial Fund of the County of Los Angeles, California

Prepared by LACERA's Financial and Accounting Services Division; LACERA is a Component Unit of Los Angeles County

Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2023 and 2022

Prepared by LACERA's Financial and Accounting Services Division
LACERA is a Component Unit of Los Angeles County

Since 1938, LACERA has been proudly fulfilling our mission to produce, protect, and provide the promised benefits of Los Angeles County employees and retirees. As times, trends, and technologies change, we continuously evolve and rise to challenges—ensuring that our member benefits are *designed to last*.

LACERA was initially a division of the L.A. County Treasurer and Tax Collector's office, housed in the Hall of Records at 220 N. Broadway in downtown Los Angeles. (The building was demolished in 1973 to accommodate a new street grid and Civic Center layout.)

Photo courtesy of the USC Digital Library, "Dick" Whittington Photography Collection.

Los Angeles County Employees Retirement Association

300 N. Lake Avenue
Pasadena, CA 91101
626-564-6000 lacera.com

Santos H. Kreimann
Chief Executive Officer

Luis A. Lugo
Deputy Chief Executive Officer

Laura Guglielmo
Assistant Executive Officer

JJ Popowich
Assistant Executive Officer

Jonathan Grabel
Chief Investment Officer

Jude Perez
Deputy Chief Investment Officer

Steven P. Rice
Chief Counsel

CONT


ACTUARIAL SECTION PG.118
STATISTICAL SECTION PG.152

"Fiscal durability is one of LACERA's five key strategic priorities and a pillar of our financial stability. This year, due to our meticulously diversified investment portfolio and long-term focus, we continued to see solid returns amidst a backdrop of economic and geopolitical uncertainty, with a net return of 6.4 percent. Our five-year and 10-year net returns are 7.6 percent and 8.1 percent, respectively."

–Santos H. Kreimann, Chief Executive Officer

LACERA
Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6000•800/786-6464

December 1, 2023

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

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2023 and 2022. This report is intended to provide a detailed review of the association's financial, actuarial, and investment status. LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and outside districts. It is our mission to produce, protect, and provide the promised benefits to our members and their beneficiaries. In the course of fulfilling that mission, we provide comprehensive customer service to over 190,000 members, which includes over 73,000 benefit recipients.

Designed to Last

This milestone 85th anniversary year of LACERA's founding holds special significance, helping to inspire our theme, "Designed to Last." The theme and imagery illustrate that through changing times, trends, and technologies, LACERA has continuously evolved and risen to challenges—ensuring that our organization and fulfillment of our mission stand the test of time.

The theme was also inspired by our strategic planning process, which provided LACERA a unique opportunity to delve deep into the core of our organization and reevaluate our mission, vision, and values as we focus on shaping a sustainable future. The Board of Retirement's resulting strategic plan, approved in early July 2023, unites and focuses our efforts on the strategic priorities that define our commitment to our members and support the sound management of the retirement system, while our mission, vision, and values have been clarified to help us create a brighter future for our members—together.

In the ever-evolving financial landscape, our commitment to prudently managing our resources and fund assets remains paramount. This report serves as a testament to how well we are meeting our strategic priority of fiscal durability and living up to our values, particularly those of accountability, collaboration, and transparency.

LACERA and Its Services

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

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

Since its inception, LACERA has been governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the regulations, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect benefits of LACERA members. On

September 12, 2012, California Governor Jerry Brown signed the Public Employees' Pension Reform Act of 2013 (PEPRA) into law. As of January 1, 2013, LACERA is governed by CERL and PEPRA. Both laws are contained in the California Government Code.

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

Financial Information

Internal Control

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

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

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

Analysis

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

Investment Activities

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

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

The total Pension Plan returned 6.4 percent (net of fees), which was 140 basis points above its policy benchmark, which returned 5.0 percent. Over the five-year period ended June 30, 2023, the total Pension Plan's annualized return was 7.6 percent (net of fees).

Luis A. Lugo
Deputy Chief Executive Officer

Actuarial Funding Status

Pursuant to provisions in the CERL, LACERA engages an independent actuarial firm to perform annual actuarial valuations. A system investigation of experience (also referred to as the experience study) is performed every three years. The economic and demographic actuarial assumptions are updated at the time each experience study is performed.

Laura Guglielmo
Assistant Executive Officer

These triennial experience studies serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each experience study. The latest experience study was conducted as of June 30, 2022.

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

Liabilities not funded through member contributions are the responsibility of the employer. Changes in any of the economic and demographic assumptions impact employer contribution rates. The employer is responsible for contributing to cover the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit.

Jonathan Grabel
Chief Investment Officer

These are called normal cost contributions. The employer is responsible also for making additional contributions to eliminate any shortfalls in funding covering liabilities that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

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

JJ Popowich
Assistant Executive Officer

In December 2022, the Board of Investments kept the investment return assumption at 7.0 percent; kept the wage growth assumption and CPI assumption at 3.25 percent and 2.75 percent, respectively; and adopted an increase in life expectancies. All assumption changes were adopted effective June 30, 2022 and resulted in higher overall employer contribution rates. These assumptions will be subject to change when the next experience study is conducted in 2025.

The June 30, 2022 valuation determined the funded ratio to be 79.6 percent and recognized an Unfunded Actuarial Accrued Liability (UAAL) of $17.6 billion. The Los Angeles County contribution rate was therefore set equal to 14.7 percent of payroll for the amortization of the UAAL, plus the normal cost rate of 11.1 percent, for a calculated contribution rate of 25.8 percent of payroll.

Summary of Accomplishments for Fiscal Year 2022–2023

Following are LACERA's divisional achievements for 2023 and statistics for the fiscal year ending June 30, 2023.

Member Services answered 145,783 phone inquiries, while **Administrative Services** processed 318,738 pieces of mail and scanned and indexed 797,367 member documents.

Retirement benefits specialists provided 7,684 one-on-one retirement counseling sessions to members—in person, telephonically, and virtually. In addition, LACERA conducted 215 workshops and benefit fairs with 10,240 attendees.

Retiree Healthcare Division (RHC) specialists answered 67,968 calls, mailed 58,119 annual healthcare packets, and processed 8,206 enrollment forms. Other accomplishments included adding a member callback feature through the virtual call center and hiring nine Retirement Benefits Specialist I/trainees for RHC Benefits CORE training. RHC also improved efficiency by automatically adjusting the 2023 Part B Premium reimbursement amounts for qualified members, survivors, and eligible dependents, and initiated a project to enhance Medicare Part B processing (including workflow automation).

Benefits Division added 3,223 new retirees for the fiscal year. They also ensured that 73,023 retirement allowances were paid on time each month. Meanwhile, our **Benefit Protection Unit** investigated 2,550 high-risk cases, which included instances of fraud, lost contact, and elder abuse.

Communications Division supported the strategic planning process and executive priorities throughout the 2022-2023 fiscal year by producing graphics, collateral, and

related member and internal communications for posting on our website, intranet, and member account portal. Other accomplishments included creating a comprehensive Communications Plan, branding style sheet, retirement options videos, and a new member recognition project for LACERA's newsletters, among other major projects. At the same time, the division continued producing its usual high volume of monthly, quarterly, and annual digital and print communications, as well as special projects for internal clients and stakeholders.

Financial and Accounting Services Division (FASD) processed 6,950 staff, trustee, and vendor payables transactions; 1,629 staff, trustee, and vendor corporate credit card transactions totaling $0.9 million; 682 stop payment requests; 106 check inquiries; 196 ACH reversals; 954 cancellations; 603 investment account reconciliations; and wire transfers totaling $15.4 billion.

Human Resources Division established 13 eligible lists (and made appointments from five eligible lists from the prior year); hired 44 new staff members and return retirees, decreasing the vacancy rate from 22 percent to 20 percent; and made 34 promotions. HR also registered staff for 157 requested trainings, coordinated 11 trainings open to all staff, and delivered Custom Service Excellence training. The division also processed a total of 317 leaves.

Quality Assurance and Metrics Division worked with internal partners throughout the year to reconfigure the Core Benefits Training Class into the Specialist Basic Training (SBT) program. Innovations include integrating Call Center

Training and Benefits Process Training into each SBT program module; accelerating introduction of trainees to live production from 12 months to 9 months; facilitating ongoing SBT production planning; developing Udemy training; and expanding training surveys for trainees and trainers.

Systems Division continued to provide service and secure access for staff members working both on- and offsite, while maintaining organization-wide support and coordinating major projects like the multiphase development of the new case management system. In 2023, My LACERA registrations numbered 119,483, with a total of 582,350 visits and 243,562 Retirement Benefit Estimates created.

Awards and Recognition

For the 33rd consecutive year, the Government Finance Officers Association (GFOA) awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of our ACFR for the fiscal year ended June 30, 2022.

LACERA was also a recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the 25th year in a row. We received this honor for our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2022.

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

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to LACERA in recognition of compliance with professional standards for plan design and administration for the fiscal year ended June 30, 2023. LACERA is a 21-time recipient of this honor, which is judged on a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications.

Acknowledgments

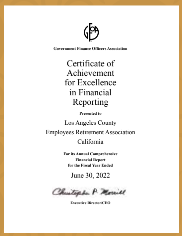
The preparation of this Annual Comprehensive Financial Report in a timely manner is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I am sincerely grateful to the LACERA Boards and staff, as well as to all of our professional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

Respectfully submitted,

Santos H. Kreimann

Santos H. Kreimann
Chief Executive Officer

Certificate of Achievement


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County Employees Retirement Association California

For its Annual Comprehensive Financial Report for the Fiscal Year Ended

June 30, 2022

Executive Director/CEO

Each year, a Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose Annual Comprehensive Financial Reports (ACFRs) achieve the highest standards in government accounting and reporting. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. For the 33rd consecutive year, LACERA has earned this prestigious award for its ACFR. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

PPCC Award


Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2023

Presented to

LACERA

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

Presented by the Public Pension Coordinating Council, a confedertion of

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

Program Administrator

LACERA received the Public Pension Coordinating Council's (PPCC)* Public Pension Standards 2023 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. LACERA is an 21-time recipient of this important award.

*A confederation of NASRA, NCPERS, and NCTR

BOARD OF RETIREMENT

Established: 1938

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

BOARD OF INVESTMENTS

Established: 1971

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

BOARD RESPONSIBILITIES

Appointment of CEO

Compensation of Personnel

Adoption of LACERA's Annual Budget

Adoption of Travel Policy

Board of Retirement

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

Board of Investments

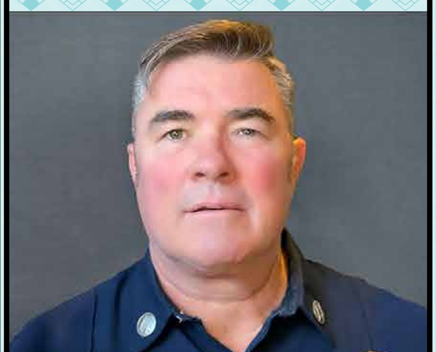
- Diversify investments
- Establish investment policy
- Set employer and employee contribution rates
- Investigate merits of investments

ALAN J. BERNSTEIN
Vice Chair
Board of Retirement
Term Expires 2023
Appointed by Board of Supervisors

ELIZABETH B. GINSBERG
Board of Retirement
Board of Investments
Chief Deputy County Treasurer and Tax Collector
Acting Ex-Officio Trustee*

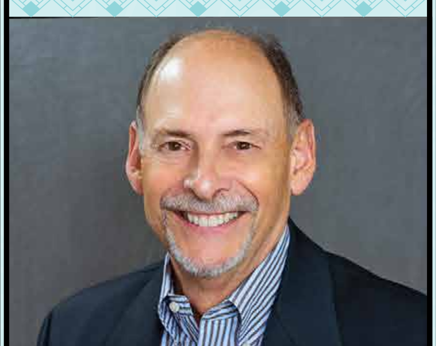
VIVIAN H. GRAY
Secretary
Board of Retirement
Term Expires 2024
Elected by General Members

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



JASON E. GREEN
Board of Retirement
Board of Investments
Terms Expire 2025
Elected by Safety Members

ELIZABETH GREENWOOD
Board of Retirement
Term Expires 2023
Appointed by Board of Supervisors



JAMES P. HARRIS
Board of Retirement
Alternate Trustee
Term Expires 2023
Elected by Retired Members

ONYX JONES
Board of Investments
Term Expires 2024
Appointed by Board of Supervisors

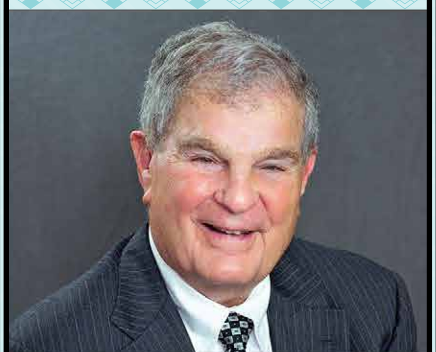
PATRICK L. JONES
Board of Investments
Term Expires 2023
Appointed by Board of Supervisors

*When ex-officio trustee is absent

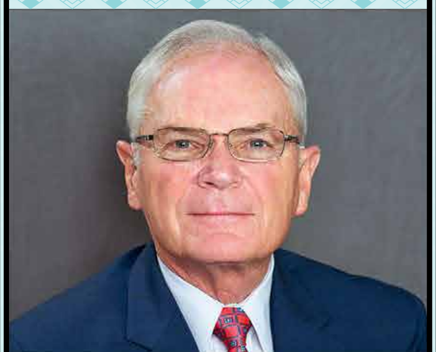
SHAWN R. KEHOE
Chair
Board of Retirement
Alternate Trustee
Term Expires 2025
Elected by Safety Members

JOSEPH KELLY
Secretary
Board of Investments
Term Expires 2023
Elected by Retired Members

KEITH KNOX
Board of Retirement
Board of Investments
County Treasurer and Tax Collector
Ex-Officio Trustee



RONALD OKUM
Board of Retirement
Term Expires 2025
Appointed by Board of Supervisors



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

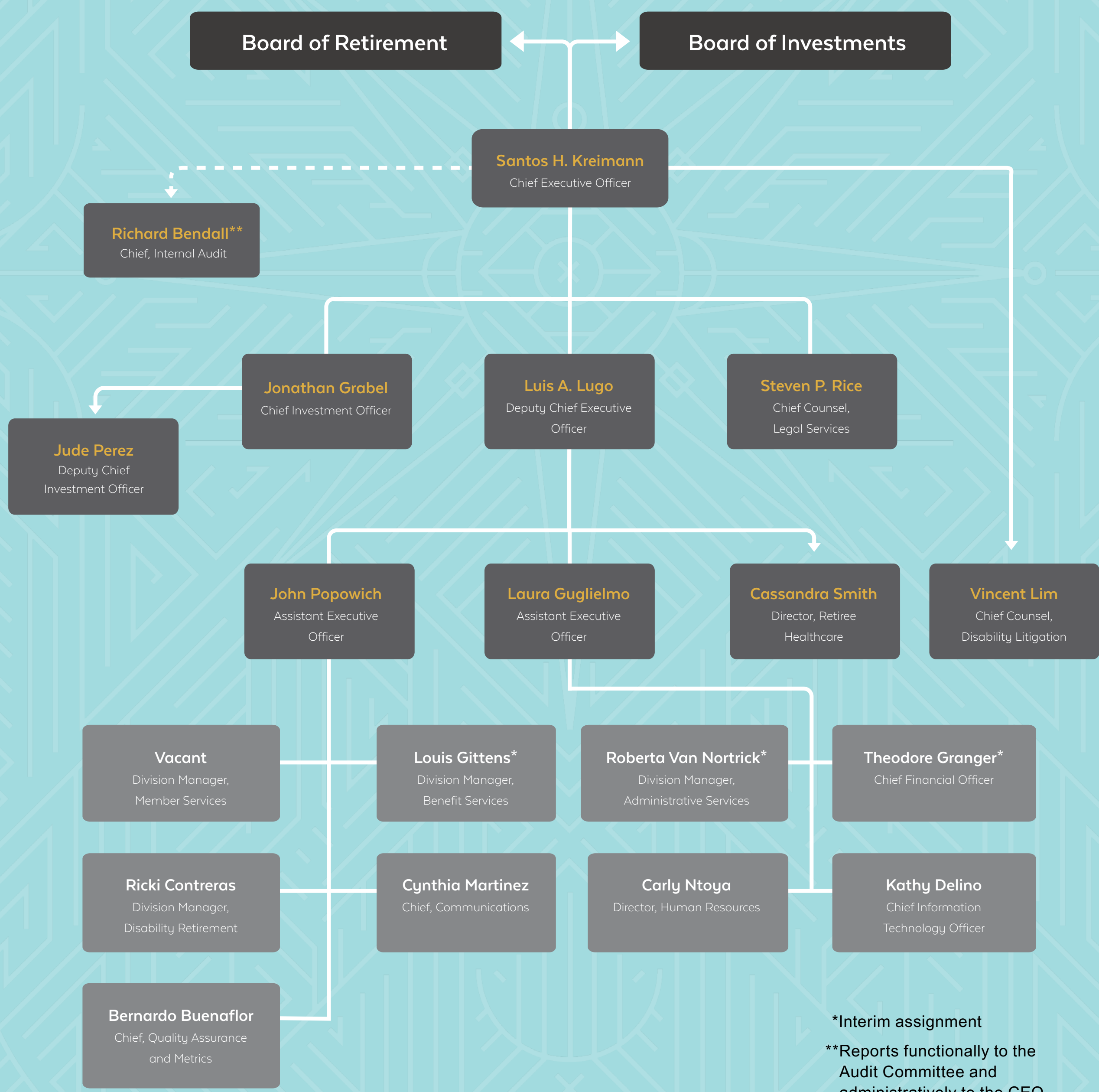
DAVID E. RYU
Board of Investments
Term Expires 2025
Appointed by Board of Supervisors

ANTONIO SANCHEZ
Board of Retirement
Term Expires 2024
Appointed by Board of Supervisors

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

HERMAN B. SANTOS
Board of Retirement
Term Expires 2023
Elected by General Members
Vice Chair
Board of Investments
Term Expires 2024
Elected by General Members

LACERA ORGANIZATIONAL CHART



*Interim assignment

**Reports functionally to the Audit Committee and administratively to the CEO

Consulting Actuary
Milliman

Reviewing Actuary
Cavanaugh Macdonald

Financial Auditor
Plante Moran

Commercial Banking and Custodian
State Street Bank and Trust Company

Active Member Payroll Data Processing
Los Angeles County Internal Services Department

Governance Consultants
Glass, Lewis & Company, LLC

Institutional Shareholder Services, Inc.

Mosaic Governance Advisors, LLC

Investment Consultants
Albourne America, LLC

Campbell Lutyens & Co., Inc

Evercore Group, LLC

Jefferies, LLC

Meketa Investment Group

Stepstone Group, LP

Alternative Investment Fees Validation Service Provider
Mercer Investments, LLC

Mortgage Loan Custodians
Deutsche Bank National Trust Company

Retiree Healthcare Consultant and Claims Auditor
Segal Consulting

Please refer to pages 115-117 in the Investment Section for the Schedule of Investment Management Fees and list of investment managers.

Legal Consultants
Berman Tabacco

Bernstein Litowitz Berger & Grossman, LLP

Bleichmar Fonti & Auld, LLP

Buchalter, A Professional Corporation

Chapman & Cutler, LLP

Cohen Milstein Sellers & Toll, PLLC

Cox, Castle & Nicholson, LLP

DLA Piper

Foster Garvey, PC

Glaser Weil Fink Jacobs Howard Avchen & Shapiro, LLP

Goldstein & Russell, PC

Gordon Rees Scully Mansukhani, LLP

Gutierrez Preciado & House, LLP

Kessler Topaz Meltzer & Check, LLP

Klausner Kaufman Jensen & Levinson

Labaton Sucharow

Latham & Watkins, LLP

Liebert Cassidy Whitmore

Lieff Cabraser Heimann & Bernstein, LLP

Nossaman, LLP

Olson Remcho, LLP

Pillsbury Winthrop Shaw Pittman, LLP

Quinn Emanuel Urquhart & Sullivan, LLP

Robbins Geller Rudman & Dowd, LLP

Seyfarth Shaw, LLP

Sheppard Mullin Richter & Hampton, LLP

Spector Roseman & Kodroff, PC

Wellington Gregory, LLP

Winet Patrick Gayer Creighton & Hanes

Vivian W. Shultz

Legislative Advocates
Doucet Consulting Solutions

McHugh Koepke & Associates

Williams & Jensen, PLLC

Media and Public Relations Consultant
Englander, Knabe & Allen

Financial Section

Design trends serve as captivating visual reflections of the prevailing mood, values, and technology of an era, providing a lens into the culture's collective aspirations.

Late 1930s to Mid-1940s

LACERA was founded at the tail-end of the Art Deco era—a style characterized by bold geometry, tiered designs, and lavish materials and ornamentation—and the emergence of the Streamline Moderne movement, which emphasized a modern, aerodynamic aesthetic celebrating the efficiency of the machine age. From the Great Depression to World War II, cultural trends of the time leaned heavily into escapist entertainment like Hollywood musicals, swinging jazz and big bands, and poignant stories of perseverance and triumph, exemplified by the legendary racehorse Sea Biscuit.

Social Security and a multitude of pension systems, including LACERA, were created during this period of significant economic and social changes, acknowledging the need to financially support public workers.

LACERA Milestones

1937: County Employees Retirement Law (CERL) created.

L.A. County pension trust fund to provide defined retirement, disability, and death benefits established.

1938: LACERA and Board of Retirement established.

LACERA's first office is located in the historic Hall of Records in Downtown Los Angeles.

County Treasurer and Tax Collector H.L. Byram serves as the first Board of Retirement Chair (ex-officio), holding that position from 1938 to 1960.

Annual Report Figures

1938: Total assets of $5.86 million

$15,141 paid in retirement allowances

12,250 members; 38 retirees

Musician photos from the William P. Gottlieb Jazz Photograph Collection, Library of Congress, Music Division. Shirley Temple photo from the Herald Examiner Collection, Los Angeles Public Library.

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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LACERA as of June 30, 2023 and 2022 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As explained in Note P, the financial statements include investments valued at $26,849,000,000 (35 percent of net position) at June 30, 2023 and $23,369,200,000 (32 percent of net position) at June 30, 2022, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management's estimates are based on alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

PRAXITY
Empowering Business Globally

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LACERA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

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

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise LACERA's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERA's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 13, 2023, except for the introductory section, as identified in the table of contents of our report, as to which the date is December 1, 2023.

INTRODUCTION

Management is pleased to provide this discussion and analysis (MD&A) of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) for the fiscal years ended June 30, 2023 and June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with the information included in the Letter of Transmittal found in the Introductory Section of the Annual Comprehensive Financial Report (ACFR).

FINANCIAL HIGHLIGHTS

Pension Plan

- Fiduciary Net Position Restricted for Benefits, as reported in the June 30, 2023 Statement of Fiduciary Net Position, totaled $73.9 billion, which is an increase of $3.6 billion or 5.1 percent from June 30, 2022.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, were $8.0 billion, an increase of $6.5 billion, which is 459.3 percent more than the amounts realized in 2022, primarily due to higher investment activity income.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, totaled $4.4 billion, an increase of $249 million or 6.0 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, 2022, and determined the funded status of the Pension Plan (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 79.6 percent versus 79.3 percent as of June 30, 2021. The 0.3 percentage point increase in funded ratio was primarily due to the recognition of deferred investment gains from prior years and employer contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL). This increase was partially offset by the less-than-assumed investment return for fiscal year 2021-2022, actuarial assumption and method changes, and both CPI and retiree COLAs greater than assumed.
- The Net Pension Liability, provided in accordance with Governmental Accounting Standards Board Statement Number 67 (GASB 67), was $14.6 billion for the fiscal year ended June 30, 2023. This represents an increase of $1.0 billion from June 30, 2022, when the liability was $13.6 billion. The increase of the Net Pension Liability was primarily caused by changes in the actuarial assumptions and methods used as inputs in calculating future liabilities. As of June 30, 2023, the most recent measurement date, the Pension Plan's Fiduciary Net Position was 83.5 percent of the Total Pension Liability, a decrease from 83.8 percent as measured for the previous fiscal year ended 2022. The decrease in this ratio was due to the growth in the Total Pension Liability outpacing the growth in the Pension Plan's Fiduciary Net Position.

Other Post-Employment Benefits (OPEB) Program

- The OPEB Trust Fiduciary Net Position increased by $697.7 million, primarily due to investment gains for the fiscal year. The balance available to fund future OPEB liabilities as of June 30, 2023 increased by 29.1 percent, totaling $3.1 billion as compared to $2.4 billion for the prior year as of June 30, 2022.
- The OPEB Custodial Fund captures the operating activity of the Retiree Healthcare Benefits Program, which is commonly referred to as the OPEB Program. The balance as of June 30, 2023, increased to approximately $206.2 million from the prior year, when the balance was $192.5 million for the fiscal year ended 2022. The increase of 7.1 percent or $13.7 million held on behalf of plan sponsors, after funding pay-as-you-go benefit costs, was primarily due to plan sponsor contributions and investment gains.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Pension Plan

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

Other Post-Employment Benefits Program

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

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

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, the Superior Court, LACERA, or a participating outside district. The OPEB Program offers members a 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. Dependent subsidy eligibility differs between Tier 1 or Tier 2 enrollment.

OPEB Custodial Fund

The OPEB Custodial Fund reflects the annual financial activity of the OPEB Program for all participating employers, including those that have established OPEB advanced funding in the OPEB Trust at LACERA (i.e., County, Superior Court, and LACERA) and those that have not (i.e., the four outside districts). Plan sponsors and members provide monthly funding through the OPEB Custodial Funds using a pay-as-you-go methodology, which finances healthcare premiums including administrative fees, as well as other healthcare benefits provided by the OPEB Program. Depending on the member's years of service credit, retirees may qualify for employer-paid medical/dental insurance subsidies ranging from 40 percent up to 100 percent of the selected plan or benchmark plan premium. LACERA bills the healthcare premiums to the participating employers and members and receives reimbursement on a monthly basis. This subsidy, however, only covers dependents in Tier 1; dependents in Tier 2 are not covered. Plan members who do not qualify for the 100 percent subsidy based on their years of service are required to pay their unsubsidized percentage of the premium cost. LACERA maintains two investment accounts that hold excess balances from Retiree Healthcare operations, including administrative fees and insurance premium reserves. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants. The OPEB Custodial Fund is presented separately in the Statement of Fiduciary Net Position.

OPEB Trust

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

In May 2012, the County negotiated a trust and investment services agreement with the LACERA Board of Investments to manage and invest the OPEB Trust assets. The participating employers provide quarterly contributions, and the Trust's 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, other than costs LACERA pays for its own employees and their eligible dependents.

The Superior Court began prefunding its OPEB obligations through a Court OPEB Trust, which became effective and initially funded as of June 30, 2016. A trust and investment services agreement was negotiated between LACERA and the Court, setting forth the terms under which the LACERA Board of Investments serves as Trustee of the Court OPEB Trust. The Court Agreement was submitted and approved by the Court's Judicial Council in April 2016 and executed in June 2016. Contributions are made by the Court on a discretionary basis at fiscal year-end.

An OPEB Master Trust was created to facilitate combined assets and investment strategies for the County, LACERA, and the Court, and does not include funding from the four outside districts. LACERA administers the OPEB Master Trust as one investment pool.

The OPEB Trust is presented separately in the Statement of Fiduciary Net Position. LACERA's Board of Investments manages the OPEB Trust for the County, LACERA, and the Court, and utilizes an investment policy statement that defines the framework by which LACERA manages the assets of the OPEB Trust in order to fulfill its mission. The OPEB Trust's Fiduciary Net Position Restricted for Benefits at year-end serves to measure the effort in prefunding future expenses associated with other post-employment benefits such as those provided through the OPEB Program. The OPEB Trust income and expenses are also presented separately in the OPEB Trust's Statement of Changes in Fiduciary Net Position.

FINANCIAL ANALYSIS — PENSION PLAN
Fiduciary Net Position Restricted for Benefits

The Pension Plan's Total Fiduciary Net Position Restricted for Benefits represents the available fund balance of member and employer contributions, once investment activity, benefit payments, refunds, and administrative expenses are accounted for, that are available for retirement benefits. As of June 30, 2023, LACERA had Total Assets of $76.1 billion, which exceeded Total Liabilities of $2.3 billion, resulting in a Fiduciary Net Position Restricted for Benefits of $73.8 billion. This amount reflects an increase of $3.6 billion or 5.1 percent from the prior year, primarily due to investment earnings. As of the prior year June 30, 2022, LACERA had $72.6 billion of Total Assets, which was greater than $2.3 billion in Total Liabilities, resulting in a Fiduciary Net Position Restricted for Benefits of $70.3 billion. This amount reflects a decrease of $2.7 billion or 3.7 percent from the prior year 2021, due to negative investment earnings as well as annual fund deductions exceeding contributions.

Fiduciary Net Position Restricted for Benefits — Pension Plan

As of June 30, 2023, 2022, and 2021

(Dollars in Millions)

	2023	2022	2021	2023–2022 % Change	2022–2021 % Change
Investments	**$71,461**	$67,467	$70,298	5.9%	(4.0)%
Other Assets	**4,678**	5,172	5,066	(9.6)%	2.1%
Total Assets	**$76,139**	$72,639	$75,364	4.8%	(3.6)%
Total Liabilities	**(2,287)**	(2,349)	(2,352)	(2.6)%	(0.1)%
Fiduciary Net Position Restricted for Benefits	**$73,852**	**$70,290**	**$73,012**	**5.1%**	**(3.7)%**

Additions and Deductions to Fiduciary Net Position Restricted for Benefits

The primary sources that finance the promised pension benefits LACERA provides to members and their beneficiaries are investment earnings and the collection of employer and member retirement contributions. For fiscal years ended 2023 and 2022, Total Additions from these two sources amounted to $8.0 billion and $1.4 billion, respectively. The increase in Total Additions was due to an increase in investment income and appreciation of investment holdings during 2023. For the fiscal year ended 2021, Total Additions amounted to $18.4 billion. The differences between fiscal years 2022 and 2021 were primarily due to depreciation of investment holdings greater than investment income during 2022.

The net investment gain for fiscal year 2023 was approximately $4.9 billion, an increase of $6.4 billion from the 2022 fiscal year, when the net investment loss was $1.5 billion. This fiscal year's time-weighted investment return of 6.4 percent (net of fees) was lower than the actuarial assumed investment earnings rate of 7.0 percent, primarily due to a strong recovery in the equity market while other asset classes such as fixed income and real estate still faced economic headwinds. In fiscal year 2022, the net investment loss was $1.5 billion, $17.1 billion lower than the net investment gain in 2021. The fiscal year 2022 time-weighted investment return of 0.1 percent (net of fees) was lower than the actuarial assumed investment earnings rate of 7.0 percent, primarily due to challenging market conditions in the second half of fiscal year 2022, including war in Europe, high inflation, and an economic slowdown in China. The investment gains and losses experienced will continue to impact the actuarial funded ratio over time as they are recognized in the future through the actuarial asset-smoothing process, whereby each year's investment gains and losses are recognized over a five-year period.

To finance employer contributions that are due to LACERA, the County and the outside districts made monthly cash payments or semi-monthly contributions to coincide with the employee payroll cycle. For the fiscal years ended June 30, 2023, and 2022, the required employer contributions due to LACERA were paid in full.

The primary uses of LACERA's assets include the payment of promised benefits to members and their beneficiaries, refunds of contributions to terminated employees, and costs of administering the Pension Plan. These deductions totaled $4.4 billion for fiscal year 2023, an increase of $249 million or 6.0 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 retirement benefit payments, including cost-of-living adjustments, for the fiscal year ended June 30, 2023. These deductions totaled $4.1 billion for fiscal year 2022, an increase of $240 million or 6.1 percent from the prior year, 2021. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in retirement benefit payments, including cost-of-living adjustments, for the fiscal year ended June 30, 2022.

Administrative and miscellaneous expenses also increased 13.0 percent from the fiscal years ended June 30, 2022 to June 30, 2023 due to scheduled salary and employee benefit increases, occupancy of previously vacant positions, an increase in computer software, equipment and facilities costs, and higher professional services fees, including legal, consulting, and disability medical services. Administrative and miscellaneous expenses also increased 9.9 percent from the fiscal years ended June 30, 2021 to June 30, 2022, primarily due to an increase in facilities operational costs, legal consulting costs, temporary personnel services, and scheduled salary and employee benefit increases.

For the fiscal years ended June 30, 2023 and 2022, the Fiduciary Net Position Restricted for Benefits had a net increase of $3.6 billion for 2023 and a $2.7 billion net decrease for 2022. These amounts represent the annual change in net position made available for additional investments, retirement benefit payments, and LACERA's cost of operations. The increase in Fiduciary Net Position for Benefits in fiscal year 2023 was due to the positive performance of LACERA's investment portfolio. The net decrease to the Fiduciary Net Position Restricted for Benefits from fiscal years ended June 30, 2021 to June 30, 2022 was $2.7 billion, which resulted primarily from annual retirement benefit and refund payments exceeding contributions and investment income.

Additions and Deductions in Fiduciary Net Position — Pension Plan

For the Fiscal Years Ended June 30, 2023, 2022, and 2021

(Dollars in Millions)

				2023–2022		2022–2021	
	2023	**2022**	**2021**	**Difference**	**% Change**	**Difference**	**% Change**
Contributions	**$3,095**	$2,959	$2,774	$136	4.6%	$185	6.7%
Net Investment Income/(Loss)	**4,861**	(1,536)	15,633	6,397	416.5%	(17,169)	(109.8)%
Total Additions/ (Declines)	**$7,956**	**$1,423**	**$18,407**	**$6,533**	**459.1%**	**($16,984)**	**(92.3)%**
Benefits and Refunds	**($4,281)**	($4,045)	($3,814)	($236)	5.8%	($231)	6.1%
Administrative Expenses and Miscellaneous	**(113)**	(100)	(91)	(13)	13.0%	(9)	9.9%
Total Deductions	**($4,394)**	**($4,145)**	**($3,905)**	**($249)**	**6.0%**	**($240)**	**6.1%**
Net Increase/(Decrease)	**$3,562**	($2,722)	$14,502	$6,284	230.9%	($17,224)	(118.8)%
Fiduciary Net Position Beginning of Year	**70,290**	73,012	58,510	(2,722)	(3.7)%	14,502	24.8%
Fiduciary Net Position at End of Year	**$73,852**	**$70,290**	**$73,012**	**$3,562**	**5.1%**	**($2,722)**	**(3.7)%**

Pension Plan Investment Structure

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

During fiscal year 2021, strategic asset allocation reviews for LACERA's Pension Plan investments were completed. The Board approved revised target asset allocation weights for the Pension Plan in May 2021 and for the OPEB Trust in June 2021. The Pension Plan's new asset allocation weights were implemented as of October 2021. The next strategic asset allocation review cycle for the Pension Plan will commence after the 2023 fiscal year-end.

Pension Plan Liabilities

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

The actuarial valuation of retirement benefits report (funding valuation) provides information about the employers' funding of such liabilities, including the Pension Plan's required contributions and funded status. In addition, the funding valuation serves as a basis for providing the information required for accounting and reporting disclosures (under GASB standards). The Total Pension Liability as of June 30, 2023 was $88.5 billion, or an increase of 5.4 percent from the Total Pension Liability of $83.9 billion as of June 30, 2022. The Net Pension Liability as of June 30, 2023 was $14.6 billion, representing an increase of 7.2 percent from the Net Pension Liability of $13.6 billion as of June 30, 2022. The Net Pension Liability increased by $1.0 billion because LACERA experienced a $3.6 billion increase in the Fiduciary Net Position, while the Total Pension Liability increased at a faster rate to $4.5 billion.

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, 2023 and 2022, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 83.5 percent and 83.8 percent, respectively. The decrease for the fiscal year ended June 30, 2023 is due to the growth in the Total Pension Liability of $4.5 billion and a smaller increase in LACERA's Fiduciary Net Position of $3.6 billion, netted against the liability. The Total Pension Liability increased as generally expected from year to year and is consistent with prior experience over time. Contributing factors include the cost of benefits earned over the period, interest on the Total Pension Liability, investment activity, and benefit payments.

Net Pension Liability

As of June 30, 2023, 2022, and 2021

(Dollars in Millions)

				2023–2022		2022–2021	
	2023	**2022**	**2021**	**$ Change**	**% Change**	**$ Change**	**% Change**
Total Pension Liability	**$88,469**	$83,931	$80,304	$4,538	5.4%	$3,627	4.5%
Less: Fiduciary Net Position	**(73,852)**	(70,290)	(73,012)	(3,562)	5.1%	2,722	(3.7)%
Net Pension Liability	**$14,617**	**$13,641**	**$7,292**	**$976**	**7.2%**	**$6,349**	**87.1%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.5%**	**83.8%**	**90.9%**	**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 for retiree healthcare. One is the OPEB Custodial Fund, used to pay premium costs and administrative expenses on a current and ongoing basis. The other is the OPEB Trust, containing contributions set aside by certain participating employers to prefund certain other current administrative costs and future costs.

Financial Analysis — OPEB Trust

As reflected in the OPEB Trust's Statement of Changes in Fiduciary Net Position, OPEB Trust additions included net investment gain of $247.5 million for the fiscal year ended June 30, 2023, which was the opposite of the prior year when the investment portfolio incurred a net loss of $288.5 million.

Deductions included $942 thousand for total administrative expenses, an increase of $343 thousand from the prior fiscal year resulting from adding new asset classifications to the investment portfolio requiring additional staff time. The OPEB Trust's Fiduciary Net Position Restricted for Benefits as of the fiscal year ended June 30, 2023, was $3.1 billion, representing a $697.7 million increase from last year primarily due to employer contributions and investment income. As of June 30, 2022, the total OPEB Trust Fiduciary Net Position Restricted for Benefits was $2.4 billion, which included deductions of $312 million for investment asset depreciation and $599 thousand for administrative expenses.

Employers provided OPEB Trust prefunding contributions of $451 million for fiscal year 2023, a 19.9 percent increase from $376 million for fiscal year 2022, 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 to accumulate and fund future benefits. GASB standards allow—for financial statement presentation only—pay-as-you-go activity from the OPEB Custodial Fund to be adjusted for and reported on the Statement of Changes in Fiduciary Net Position under the OPEB Trust. This adjustment increases Employer Contribution additions; however, pay-as-you-go contributions are not actually made to the OPEB Trust, but instead to the OPEB Custodial Fund. Correspondingly, OPEB Trust Service Benefit deductions were increased to reflect pay-as-you-go benefit payments made by employers through the OPEB Custodial Fund as OPEB benefits became due. Total OPEB Trust contributions including this adjustment were $1.2 billion for fiscal year 2023 and $1.1 billion for fiscal year 2022. 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

The OPEB Trust is also referred to as the OPEB Master Trust throughout the financial statements and accommodates commingling and coinvesting of the County, LACERA, and Court OPEB Trust funds. In June 2021, the LACERA Board of Investments adopted a revised asset allocation model that included new private market asset classes such as private equity, infrastructure, natural resources, illiquid credit, and real estate within the functional asset category structure. During the fiscal year ended 2023, LACERA selected an investment manager for this private market asset investment mandate. In January 2023, LACERA exercised its authority under the OPEB Trust to implement a unitized fund structure that allows for unitization of investments at the asset composite level while retaining individual net asset values for each participating employer.

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

Financial Analysis — OPEB Custodial Fund

The OPEB Custodial Fund is used to pay benefit costs as incurred on an ongoing pay-as-you-go basis. As of June 30, 2023, the OPEB Custodial Fund's total assets exceeded total liabilities, resulting in a positive Fiduciary Net Position Restricted for Benefits of $206 million. This balance, where total assets of $304 million exceeded total liabilities of $98 million, represents accumulated balances of excess healthcare premiums held in reserve and rebates due to federal program participation, both of which can be used to offset future OPEB costs. These funds are held at LACERA on behalf of the employers. As of the end of the fiscal year June 30, 2022, the Fiduciary Net Position Restricted for Benefits was $193 million as a result of total assets, reported at $270 million, exceeding total liabilities of $77 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, 2023 and 2022, total additions were $820 million and $804 million, and total deductions amounted to $806 million and $778 million, respectively. This caused a $14 million and $26 million net increase in the Fiduciary Net Position Restricted for Benefits over the last two fiscal years, as contributions from employers and members exceeded the total of benefit costs and administrative expenses. The net increase for FY 2023 was less than the increase for FY 2022 because of higher service benefit payments and increased administrative expenses. The OPEB Custodial Fund generated a net investment gain of $2.8 million for the fiscal year ended June 30, 2023 and incurred $5.1 million of net investment loss for the fiscal year ended June 30, 2022.

PLAN ADMINISTRATION
LACERA Membership

The following table summarizes the changes in active and retired members over the last three years. Active members increased by 1,732 or 1.5 percent as of June 30, 2023, while there was an increase of 1,437 or 2.0 percent in retirees when comparing the two fiscal years ended June 30, 2023 and 2022. When comparing the two fiscal years ended June 30, 2022 and 2021, active members declined by 640 or 0.6 percent as of June 30, 2022, while there was an increase of 2,061 or 3.0 percent in retirees.

LACERA Membership

As of June 30, 2023, 2022, and 2021

				2023–2022		2022–2021	
	2023	2022	2021	Difference	% Change	Difference	% Change
Active Members[1]	**117,331**	115,599	116,239	1,732	1.5%	(640)	(0.6)%
Retired Members	**73,022**	71,585	69,524	1,437	2.0%	2,061	3.0%
Total Membership	**190,353**	**187,184**	**185,763**	**3,169**	**1.7%**	**1,421**	**0.8%**

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

ADMINISTRATIVE EXPENSES

The LACERA Board of Retirement and Board of 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 a mid-year operating budget review and amendment process to allow funding for urgent staffing changes and operating needs that may arise during the year. The Operating Budget information presented in these financial statements represents the amended budget amounts for the fiscal years ended June 30, 2023 and 2022. LACERA's annual budget plan controls administrative expenses and represents approximately 0.14 percent and 0.13 percent of the allowable basis for the budget calculation for the fiscal years ended June 30, 2023 and 2022, respectively. The actual administrative expenses were $112 million for 2023 compared to $100 million for 2022, a 12.0 percent increase. Factors contributing to the increase were employee salary and benefit growth, hiring of new employees to fill vacant positions, higher consulting and software licensing costs, and an increase in medical services fees for disability cases. For fiscal years ended June 30, 2022 and 2021, the actual administrative expenses were $100 million for 2022 compared to $91 million for 2021, a 9.9 percent increase. The rise in costs were due to the organization's addition of new staffing positions, successful efforts to fill vacant positions, employee salary and benefit increases, additional legal consulting costs, and an increase in operational costs due to a new office lease agreement.

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). CERL provides allowances for other administrative costs to be excluded from the 0.21 percent calculation, such as certain costs for legal representation and expenditures for information technology projects; however, 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 2023, 2022 and 2021. The AAL was used to calculate the statutory budget limit. For both years, LACERA's administrative expenditures were well below the legal maximum.

Analysis of Administrative Expenses

As of June 30, 2023, 2022, and 2021

(Dollars in Thousands)

	2023	2022	2021
Total Statutory Budget Appropriation	$171,986	$164,378	$156,735
Basis for Budget Calculation (Actuarial Accrued Liability)	81,898,044	78,275,175	74,635,840
Limit per CERL	**0.21%**	**0.21%**	**0.21%**
Administrative Expenses	$112,150	$100,121	$90,586
Basis for Budget Calculation (Actuarial Accrued Liability)	81,898,044	78,275,175	74,635,840
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.14%**	**0.13%**	**0.12%**
Total Statutory Budget Appropriation	$171,986	$164,378	$156,735
Operating Budget Request	(127,767)	(114,807)	(100,291)
Underexpended Statutory Budget Appropriation	**$44,219**	**$49,571**	**$56,444**
Operating Budget Request	$127,767	$114,807	$100,291
Administrative Expenses	(112,150)	(100,121)	(90,586)
Underexpended Operating Budget	**$15,617**	**$14,686**	**$9,705**

ACTUARIAL FUNDING VALUATIONS

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

Board Policy

In December 2009, the LACERA Board of Investments adopted a revised Retirement Benefit Funding Policy (Funding Policy). In February 2013, the Funding Policy was further amended to conform to the new PEPRA provisions. In December 2022, the Board of Investments approved the exclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance from valuation assets as recommended by the consulting actuary in the 2022 experience study. The Board of Investments may approve future STAR COLA awards funded by the STAR Reserve balance. During the fiscal year, staff began reviewing the 2013 Funding Policy and will propose updates to the Board of Investments for consideration.

Consistent with the 2013 Funding Policy, an asset smoothing method is applied to actuarial investment gains and losses. Variances between the actuarially expected fair value of assets (computed based on investment performance at the actuarial assumed rate of return) and the actual fair value of assets are calculated and then recognized or smoothed over a five-year period. This actuarial smoothing process recognizes a portion of each year's actuarial investment gains and losses (in relation to the actuarially assumed return) in order to minimize substantial variations in the employer contribution rates and funded ratios. Adopted by the LACERA Board of Investments as a result of the 2022 triennial experience study, this asset valuation method was modified to include an offsetting of gains and losses prior to applying asset smoothing.

Actuarial Liabilities

Pursuant to the customary actuarial reporting timeline, the actuarial valuation as of June 30, 2023 is not yet available. Information is presented here based on the most recent actuarial valuation as of June 30, 2022. 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 $86.3 billion as of June 30, 2022. The actuarial value of valuation assets reported for fiscal year-end 2022 was $68.7 billion and is used to offset the AAL, with the difference referred to as the Unfunded Actuarial Accrued Liability (UAAL), which was reported at $17.6 billion as of June 30, 2022.

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. All amortization periods as of the June 30, 2021 valuation are 20 years or less. 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 Board of Investments last updated the amortization method based on the results of the 2019 investigation of experience report prepared by the consulting actuary. The 2022 investigation of experience report adds a modification where any increase in the UAAL due to changes in the benefit provisions would be amortized over a 10-year period.

Actuarial Assumptions

In December 2022, as a result of the most recent experience and assumption study completed as of June 30, 2022, the LACERA Board of Investments adopted to reaffirm the investment return assumption of 7.00 percent for the June 30, 2022 actuarial valuation due to capital market projections and economic forecasts reviewed at that time. Some changes to the actuarial assumptions included revising the rates of assumed merit salary increases, updating the assumed rates of service retirement to reflect a member's length of service in addition to their age, and refreshing the mortality improvement scale to the most recent publication. Employee and employer contribution rates were increased for the fiscal year beginning July 1, 2023, as a result of the actuarial assumption changes recommended by the consulting actuary in their 2022 experience study report adopted by LACERA's Board of Investments.

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE

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 can vary over time, cause fluctuations in Valuation Assets.

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2022 and determined that the Pension Plan's Funded Ratio of the actuarial assets to the AAL increased to 79.6 percent as of that date, as compared to 79.3 percent as of the June 30, 2021 valuation.

The investment return on a market basis for 2022 resulted in a 0.3 percentage point increase in the Funded Ratio when applying the five-year actuarial asset smoothing method.

For the 2022 and 2021 fiscal year-end actuarial valuations, respectively, the Pension Plan investment portfolio returned 0.1 percent and 25.2 percent (both net of fees) on a time-weighted market basis, compared to the 7.0 percent investment return assumption effective since 2019. For June 30, 2022, when compared to the assumed rate of return, in total there was a $6.7 billion loss on the fair value of assets. Under the actuarial asset smoothing method, which recognizes investment gains and losses over a five-year period, the return on actuarial assets was 8.5 percent, equivalent to a gain of $1.0 billion relative to the assumed return of 7.0 percent.

The following table provides 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, 2023, the annual money-weighted rate of return on Pension Plan investments was 6.4 percent (net of fees), and the time-weighted return for the same period is 6.4 percent (net of fees). The annual 2023 Pension Plan valuation report is not yet available at this time.

Total Investment Rates of Return — Pension Plan

For the Last Three Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[1]	Return on Smoothed Valuation Assets (net of fees)[1,2]	Actuarial Assumed Rate of Return	Actuarial Funded Ratio
2021	$70,297,718	25.2%	25.2%	10.4%	7.0%	79.3%
2022	$67,467,013	0.1%	0.6%	8.5%	7.0%	79.6%
2023[3]	**$71,460,616**	**6.4%**	**6.4%**	—	—	—

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

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

[3]Investment information including total investment portfolio fair value, time-weighted and money-weighted returns are available. However, the actuarial valuation report for June 30, 2023 is not yet available at this time.

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, 2023, 2022, and 2021, were 9.3 percent, (11.2) percent, and 28.4 percent respectively. As determined for the July 1, 2022 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL decreased to 10.4 percent, as compared to 10.9 percent reported in the July 1, 2021 valuation. The County, LACERA, and the Superior Court continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL. The annual 2023 OPEB Program valuation report is not available as of this ACFR's publication.

LACERA OPERATIONS

The organization's mission to produce, protect, and provide the promised benefits remained in focus and was the driver of decisions. These financial statements contain fiscal results that prove LACERA's ability to serve members and administer the retirement system successfully throughout an ever-changing and fluctuating environment. LACERA's financial flows and operational approaches remained consistent as the fund collected contributions from members and plan sponsors; provided counseling and retirement services to members through multiple channels; successfully managed the pension fund investment portfolio, achieving returns that exceeded the total fund policy benchmark; and delivered retirement and retiree healthcare benefits to our members without fail. LACERA's governing Boards and executive teams stayed focused on organizational initiatives throughout the year and recently completed a strategic planning exercise to prepare for the future.

ACCOUNTING AND FINANCIAL REPORTING STANDARDS EFFECTIVE FOR THE FISCAL YEAR ENDED 2023

Subscription Based Information Technology Arrangements

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. This Statement is meant to enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and a subscription liability for a SBITA and to disclose essential information about the arrangement. LACERA considered the impact of GASB 96 provisions immaterial to its financial statements, including those in paragraph 15 and the disclosure requirements under paragraph 60, and decided not to implement the GASB 96 recognition and measurement criteria.

REQUESTS FOR INFORMATION

This annual 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, 2023 and 2022

(Dollars in Thousands)

	2023			2022		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
ASSETS						
Cash & Cash Equivalents						
Cash and Short-Term Investments	$2,222,257	$70,347	$45,447	$3,058,494	$49,413	$33,541
Cash and Short-Term Investments on Loaned Securities	1,869,433	—	—	1,401,077	—	—
Total Cash & Cash Equivalents	$4,091,690	$70,347	$45,447	$4,459,571	$49,413	$33,541
Receivables						
Contribution Receivable	$127,192	$—	$—	$119,635	$—	$—
Accounts Receivable - Sale of Investment	233,150	467	7,502	355,515	—	1,679
Accrued Interest and Dividends	220,244	1,007	1,098	226,861	78	599
Accounts Receivable - Other	5,941	—	68,880	10,227	—	62,553
Total Receivables	$586,527	$1,474	$77,480	$712,238	$78	$64,831
Investments at Fair Value						
Equity	$27,130,122	$1,468,752	$—	$24,464,720	$1,199,773	$—
Fixed Income	17,921,557	1,241,233	181,677	18,641,786	903,853	171,581
Private Equity	13,894,495	—	—	12,753,842	—	—
Real Estate	5,109,454	311,966	—	5,802,979	241,168	—
Hedge Funds	4,890,856	—	—	4,440,434	—	—
Real Assets	2,514,132	—	—	1,363,252	—	—
Total Investments at Fair Value	$71,460,616	$3,021,951	$181,677	$67,467,013	$2,344,794	$171,581
TOTAL ASSETS	$76,138,833	$3,093,772	$304,604	$72,638,822	$2,394,285	$269,953
LIABILITIES						
Accounts Payable - Purchase of Investments	$332,063	$1,652	$7,546	$835,073	$46	$2,794
Retiree Payable and Other	2,259	—	441	1,779	—	452
Accrued Expenses	29,344	280	864	63,266	137	679
Tax Withholding Payable	43,525	—	—	42,715	—	—
Obligations under Securities Lending Program	1,869,433	—	—	1,401,077	—	—
Accounts Payable - Other	10,323	—	89,545	5,300	—	73,518
TOTAL LIABLILITIES	$2,286,947	$1,932	$98,396	$2,349,210	$183	$77,443
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	$73,851,886	$3,091,840	$206,208	$70,289,612	$2,394,102	$192,510

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

Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023			2022		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
Additions						
Contributions						
Employer[1]	$2,301,706	$1,196,205	$755,333	$2,199,889	$1,097,284	$730,986
Member	793,244	—	49,358	758,632	—	49,061
Total Contributions	$3,094,950	$1,196,205	$804,691	$2,958,521	$1,097,284	$780,047
Investment Income						
From Investing Activities:						
Net Appreciation/(Depreciation) in Fair Value of Investments	$1,943,783	$221,919	$1,920	($6,717,556)	($312,330)	($5,435)
Investment Income/(Loss)	3,087,891	26,681	1,047	5,476,668	25,063	521
Total Investment Activities Income/(Loss)	$5,031,674	$248,600	$2,967	($1,240,888)	($287,267)	($4,914)
Less Expenses from Investment Activities:	($189,484)	($1,112)	($147)	($310,360)	($1,233)	($145)
Net Investment Activities Income/(Loss)	$4,842,190	$247,488	$2,820	($1,551,248)	($288,500)	($5,059)
From Securities Lending Activities:						
Securities Lending Income	$63,652	$—	$—	$12,294	$—	$—
Less Expenses from Securities Lending Activities:						
Borrower Rebates	($47,869)	$—	$—	$126	$—	$—
Management Fees	(1,687)	—	—	(1,317)	—	—
Total Expenses from Securities Lending Activities	(49,556)	—	—	(1,191)	—	—
Net Securities Lending Income/(Loss)	$14,096	$—	$—	$11,103	$—	$—
Total Net Investment Income/(Loss)	$4,856,286	$247,488	$2,820	($1,540,145)	($288,500)	($5,059)
Miscellaneous	$5,009	$—	$12,363	$4,117	$—	$29,496
Total Additions	$7,956,245	$1,443,693	$819,874	$1,422,493	$808,784	$804,484
Deductions						
Retiree Payroll	$4,234,600	$—	$—	$4,002,273	$—	$—
Service Benefits[1]	—	745,013	793,711	—	720,910	769,336
Administrative Expenses	112,150	942	12,465	100,121	599	9,237
Refunds	43,412	—	—	38,089	—	—
Lump Sum Death Benefits	3,351	—	—	4,205	—	—
Redemptions	—	—	—	—	—	—
Miscellaneous	458	—	—	219	—	—
Total Deductions	$4,393,971	$745,955	$806,176	$4,144,907	$721,509	$778,573
Net Increase/(Decrease) in Fiduciary Net Position	$3,562,274	$697,738	$13,698	($2,722,414)	$87,275	$25,911
Fiduciary Net Position Restricted for Benefits						
Beginning of Year	$70,289,612	$2,394,102	$192,510	$73,012,026	$2,306,827	$166,599
End of Year	$73,851,886	$3,091,840	$206,208	$70,289,612	$2,394,102	$192,510

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

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

NOTE A — Benefit Plan Descriptions

Pension Plan

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

Retiree Healthcare Benefits Program

In April 1982, the County adopted an ordinance pursuant to CERL that created a Retiree Healthcare Benefits Program. also referred to as the Other Post-Employment Benefits Program (OPEB Program). The program provides medical, dental, and vision insurance, including a subsidy for eligible dependents, as well as 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 1994, the County amended the agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

In June 2014, at the County's request, the LACERA Board of Retirement approved an amendment to the agreement that created a new retiree healthcare benefits program tier to lower costs by excluding the subsidy for dependents. 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.

Governance

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

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

On October 18, 2021, the Los Angeles County Employees Retirement Association (LACERA) filed a lawsuit in Los Angeles Superior Court against the County of Los Angeles and the County Board of Supervisors regarding LACERA's ability to set classifications and salaries for its personnel. LACERA is a separate public agency from the County and provides independent administration of the County pension system, including its assets and the payment of benefits. LACERA seeks a court order confirming LACERA's authority and implementing critical personnel actions approved by the LACERA Boards that the County has blocked from becoming effective. In December 2022, the Superior Court denied LACERA's petition. In January 2023, LACERA filed an appeal with the Second District Court of Appeals, which remains pending.

The lawsuit filing and subsequent appeal will not affect contributions from the County, LACERA's assets, investments, or the timely delivery of benefits and services to its members and beneficiaries. The case does not have a material monetary impact to the County or LACERA and is posted on LACERA's website.

For additional disclosures regarding litigation, please see Note M — Commitments and Contingencies.

Membership

LACERA provides retirement, disability, and death benefits to its active safety and general members and administers the plan sponsors' Retiree Healthcare Benefits (or OPEB) Program. Safety membership includes law enforcement (sheriff and district attorney investigators), 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 and other factors. 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, 2023 and 2022

	2023	2022
Active Members		
Vested	**75,388**	74,796
Non-Vested	**21,529**	21,756
Total Active Members	**96,917**	**96,552**
Inactive Members[1]		
Vested[2]	**9,612**	9,250
Non-Vested	**10,802**	9,797
Total Inactive Members	**20,414**	**19,047**
Total Active & Inactive Members	**117,331**	**115,599**
Retired Members		
Service	**52,415**	51,477
Disability	**10,737**	10,449
Survivors & Beneficiaries	**9,870**	9,659
Total Retired Members	**73,022**	**71,585**
Total Membership	**190,353**	**187,184**

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

INVESTMENTS

Pension Plan

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

OPEB Trust

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

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

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

In 2016, the County trust agreement was amended to permit the co-investment of the County and the Court's trust assets. The LACERA Board of Investments approved the formation of an OPEB Master Trust to commingle funds of the County OPEB Trust and the Court OPEB Trust for investment purposes only. The OPEB Master Trust Declaration was made on July 13, 2016. The LACERA Board of Investments serves as trustee of the Master Trust assets. Gross income from all OPEB Trusts described above is exempt from federal income taxation under §115 of the Internal Revenue Code (IRC). LACERA obtained letter rulings from the Internal Revenue Service to this effect.

OPEB Custodial Fund

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

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

OPEB Administrative Account: This account is primarily used to fund the OPEB Program's operations. Additions include the Retiree Healthcare administrative fees collected from the County, LACERA, Superior Court, outside districts, and program member participants and interest income. Deductions include the Program's administrative expenses. The OPEB Program's administrative costs are paid for by the participating employers and members, not from the pension plan's assets except as to LACERA's share as a participating employer.

OPEB Premiums Account: This account is primarily used to fund the OPEB Program's healthcare benefits. Additions include the monthly health insurance premium subsidies collected from the County; health insurance premiums collected from LACERA, Superior Court, and the outside districts; premium payments collected from program participants; and interest income. Deductions include premium payments made to insurance carriers.

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 program participants. In 2013, the LACERA Board of Retirement adopted a policy that established an account balance minimum target amount, which is 20 percent of the total annual premium cost by plan for indemnity medical and dental/vision plans. As of fiscal years ended June 30, 2023 and 2022, the OPEB Reserve Account balance was in compliance with the Board's policy.

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 and posted on the LACERA website.

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. The difference between the current and previous year's CPI shows whether the cost-of-living has increased or decreased within this geographic region during the past year.

If the CPI has increased up to 3 percent for Plan A members or 2 percent for all other retired members, the LACERA Board of Retirement may grant a cost-of-living adjustment (COLA) increase for monthly retirement 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. A cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

CERL also allows the amount of any CPI cost-of-living increase in any year that exceeds the maximum annual change of 3 percent or 2 percent in retirement allowances to be accumulated and tracked. The accumulated percentage carryover is known as the COLA Accumulation which, under certain circumstances, may be applied to retirement allowances in future years when the cost-of-living falls below the maximum amount. The Board of Retirement must approve COLAs.

LACERA members may receive more than one type of COLA:

Statutory COLA ("April 1 COLA")

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

Plan E COLA

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

Supplemental Targeted Adjustment for Retirees (STAR) Program

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

Annually, the Board of Retirement is required to consider STAR Program benefits eligibility, provided sufficient balances are available in the STAR Reserve. Ad hoc STAR benefits are payable only for the calendar year approved. Permanent STAR benefits become part of the member's retirement allowance and are payable for life.

Except for program year 2005, the LACERA Board of Retirement made the 2001 through 2009 and 2023 STAR benefits permanent at an 80 percent level, as authorized in the CERL. For program years 2010 through 2022, STAR benefits were not provided, due to minimal increases in the CPI percentage such that all eligible members maintained COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

The STAR Program has received $1.523 billion in funding from its inception in 1990 to the present. Ad hoc STAR Program costs from 1990 through 2001 reduced the STAR Reserve by $556 million. Subsequently, except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 and 2023 STAR benefits totaling $355 million, which was transferred to the Employer Reserve to invest and pay for permanent STAR benefits awarded. As of June 30, 2023, there is $612 million remaining in the STAR Reserve to fund future STAR Program benefits.

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

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own two governing Boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). Due to the nature of the relationship between LACERA and the County, LACERA's Pension Plan and OPEB Trust funds are reflected as fiduciary funds within the County's basic financial statements. The OPEB Custodial Fund reports fiduciary activities not included in a qualified trust or equivalent arrangement but conducted by LACERA on behalf of the County pursuant to the 1982 Agreement, as amended. Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA management. LACERA's Audit Committee and the Chief Audit Executive assist the LACERA Board of Retirement and Board of Investments (Boards) in fulfilling their fiduciary oversight responsibilities for the organization's financial reporting process, values and ethics, internal controls, compliance with laws and regulations, and risk management.

Method of Reporting

LACERA follows the Generally Accepted Accounting Principles in the United States of America (U.S. GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements 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.

OPEB Trust financial activity includes receiving prefunding contributions provided by plan sponsors either quarterly or on an annual basis. The contributions are set aside and placed in trust to earn investment income and interest, which is held and used to provide future OPEB benefits at the plan sponsors' discretion. Investment income activity is reported in the OPEB Trust. For financial statement presentation purposes, GASB standards require that employer contributions within the OPEB Trust be increased by the monthly pay-as-you-go costs included as additions to the OPEB Trust, which 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 74). See Note Q for OPEB Trust prefunding contributions from participating employers.

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

Capital Assets (Including Intangible Assets)

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

Accrued Vacation and Sick Leave

Employees who terminate or retire from active employment are entitled to full compensation for all unused vacation time and a percentage of their unused sick leave time. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2023 and 2022 were $6.1 million and $5.4 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 on June 30, 2023 and 2022.

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

Real Estate Separate Account Investments

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

Fair Value of Investments

Investments are carried at fair value. Fair values for investments are derived by various methods, as summarized in the following chart. Note P — Fair Value of Investments includes additional detail regarding fair value methodology and should be referred to in conjunction with this table.

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 on June 30, 2023 and 2022.
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 value adjustments based on the investment 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 Companies and Limited Liability Companies[1]	Fair value of the investment as provided by investment managers. Each property is subject to independent third-party appraisals every year.
Real Estate Debt Investments[1]	Fair value for real estate debt investments as provided by investment managers.
Private Equity and Real Assets[1]	Fair value provided by investment managers as follows. Private investments: valued by the general partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments: valued based on quoted market prices, less a discount, if appropriate, for restricted securities.

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

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

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

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

PENSION PLAN INVESTMENTS

Investment Policy Statement

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

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

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

Financial statements were prepared using traditional investment asset classifications (i.e., equity, fixed income, private equity, real estate, real assets, and hedge funds). In the following table and in the Investment Section, investment portfolio 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 general investment consultant Meketa Investment Group (Meketa) in March 2018, the Board of Investments approved the use of a functional framework developed by LACERA's Investments Office for modeling purposes, which offers the inclusion of a broader group of investments within Credit, and Real Assets and Inflation Hedges. The functional categories include various asset classes that represent the risk/return characteristics of each area. LACERA expects the four functional categories to diversify the Fund, generate returns, and optimize growth, while mitigating downside risk, ultimately to build a portfolio that can meet LACERA's future benefit obligations. The asset allocation determines what proportion of the Fund is allocated to each functional category and underlying asset class, including target weights and allowable ranges as a percentage of the Fund.

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

For the Fiscal Year Ended June 30, 2023 and 2022

Asset Class	2023 Target Allocation (Policy)	2023 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	2022 Target Allocation (Policy)	2022 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)
Growth	**53.0%**	**6.2%**	**51.0%**	**5.5%**
Global Equity	32.0%	5.0%	34.0%	4.3%
Private Equity	17.0%	7.0%	14.0%	6.9%
Non-Core Private Real Estate	4.0%	6.5%	3.0%	6.7%
Credit	**11.0%**	**3.1%**	**11.0%**	**2.2%**
Liquid Credit	4.0%	2.2%	6.0%	1.5%
Illiquid Credit	7.0%	3.3%	5.0%	2.8%
Real Assets and Inflation Hedges	**17.0%**	**3.7%**	**17.0%**	**3.6%**
Core Private Real Estate	6.0%	3.2%	6.0%	3.3%
Natural Resources and Commodities	3.0%	3.9%	4.0%	3.7%
Infrastructure	5.0%	4.9%	4.0%	4.8%
TIPS	3.0%	0.1%	3.0%	(0.3)%
Risk Reduction and Mitigation	**19.0%**	**1.1%**	**21.0%**	**0.2%**
Investment Grade Bonds	7.0%	0.2%	13.0%	(0.3)%
Diversified Hedge Funds	6.0%	2.1%	5.0%	1.6%
Long-Term Government Bonds	5.0%	0.7%	2.0%	—%
Cash Equivalents	1.0%	(0.8)%	1.0%	(1.0)%

Target Allocation

The LACERA Board of Investments approved the current functional asset class allocation structure as a result of the asset allocation study completed by Meketa, LACERA's investment consultant, in 2018. The Board adopts asset allocation targets to provide for asset diversification in an effort to meet LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. Per the Investment Policy Statement, a comprehensive asset allocation study is conducted every three to five years or at the Board's request. Meketa completed and the Board approved the most recent strategic asset allocation study in 2021, with the next asset allocation review cycle to follow the 2023 fiscal year-end.

Weighted Average Long-Term Expected Real Rate of Return

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

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

GASB Discount Rate

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

The valuation assumption for the long-term expected return is reassessed in detail at the triennial investigation of experience and is set based on a long-term time horizon; the most recent analysis was completed in

January 2023. See Milliman's Investigation of Experience for Retirement Benefit Assumptions report for the period July 1, 2019 to June 30, 2022 for more details. The consulting actuary's internal investment consultants review the long-term expected return assumption annually for continued compliance with the relevant actuarial standards of practice. As part of this assessment, Milliman compares the assumption with the 20-year expected geometric return determined by LACERA's investment consultant, Meketa, and other measures of expected long-term returns.

The projection of cash flows used to determine the discount rate assumed that Pension Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (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, 2023 and 2022, were 6.4 percent and 0.6 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 (RSI) 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, 2023 and 2022, were 6.4 percent and 0.1 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 divides 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.

GASB PRONOUNCEMENTS

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. LACERA did not apply measurement and disclosure criteria under GASB 87.

LACERA completed an evaluation of GASB 96, Subscription Based Information Technology Arrangements (SBITAs), and determined that the application of GASB 96 was immaterial. Therefore, LACERA chose not to adopt the standard.

NOTE C — Pension Plan Contributions

Funding Policy

In December 2009, the LACERA Board of Investments adopted a Retirement Benefit Funding Policy (Funding Policy) to establish a funding goal, provide benefit security for LACERA members, and maintain stable employer contribution rates that are as low as practicably possible. In addition, the Funding Policy provides LACERA with guidance in performing interest crediting for reserve accounts and actuary direction in performing the plan's retirement benefit actuarial. 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), which restricted the ability to reduce employer contribution rates and redefined excess earning requirements. The Funding Policy requires actuarial valuations to be performed annually to determine employer and employee contribution rates.

Member and Employer Contribution Rates

Members and employers contribute to LACERA based on unisex rates recommended by an independent consulting actuary and adopted by the LACERA Board of Investments and thereafter by the Los Angeles County Board of Supervisors. 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 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-specific enrollment. The PEPRA-mandated retirement plan contributions for new members who enter the system on and after January 1, 2013 are based on a single flat-rate percentage that varies by member class (General or Safety) 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 retirement benefits. As a result of collective bargaining, actual member contribution rates for various plan types are controlled through these agreements and through additional employer contributions (for some contributory plans), known as the surcharge amount, which is subject to change each year. As required by GASB Statement Number 82, member contributions paid by the employer under these agreements are reported as member contribution amounts.

Contributory plan members are required to contribute between approximately 6 percent and 18 percent of their annual covered salary. On May 2, 2023, the Los Angeles County Board of Supervisors adopted new member contribution rates for all retirement plans, including both legacy and PEPRA plans, effective July 1, 2023.

The employer contribution rate is composed of a share of the normal cost and the UAAL amortization payment. The normal cost is the portion of the actuarial present value of retirement benefits attributable to a valuation year. The UAAL amortization payment reduces the funding shortfall related to liabilities accrued in the past that are not provided for by future normal costs. The employer normal cost rate from the latest actuarial valuation as of June 30, 2022 slightly increased from 10.88 percent to 11.12 percent, and the employers' required contribution rate to finance the UAAL increased from 13.58 percent to 14.72 percent. Effective with the June 30, 2019 valuation, all new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made. In addition, all existing amortization layers were set to be amortized over a maximum 22-year period and now have a period of 20 years of less, so they are fully amortized no later than 2042.

At its March 2023 meeting, the BOI adopted an increase of 1.38 percent in the total employer contribution rate beginning July 1, 2023, as compared to the previous valuation as of June 30, 2021 (from 24.46 percent to 25.84 percent). Per the County Employees Retirement Law (CERL), the increase is effective within 90 days after fiscal year-end, between July 1 and September 29 each year. Los Angeles County implemented the new employer contribution rates for fiscal year 2023–2024 effective with the September 16 payroll cycle. The employer contribution rate increase can be primarily attributed to the 2022 triennial experience study and resulting assumption and method changes, the less-than-assumed investment return for fiscal year 2021-2022, and payroll growth being less than expected.

These factors were partially offset by the contribution rate-reducing impact of deferred investment gains from prior years.

Contribution Payments

For the fiscal years ended June 30, 2023 and 2022, Los Angeles County, including the Superior Court and LACERA, paid their employer contributions and withholding of employee pension plan contributions due to LACERA in the form of semi-monthly cash payments. The remaining outside districts with active members, Local Agency Formation Commission of the County of Los Angeles (LAFCO) and the Little Lake Cemetery District (LLCD), paid pension plan contributions due to LACERA in the form of monthly cash payments. For the fiscal years ended June 30, 2023 and 2022, employer contributions totaled $2.3 billion and $2.2 billion, in that order, and member contributions totaled $793 million and $759 million, respectively.

Pension Plan Contributions

For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Employers		
Los Angeles County[1]	**$2,216,111**	$2,122,282
Superior Court	**85,407**	77,450
Local Agency Formation Commission for the County of Los Angeles	**177**	148
South Coast Air Quality Management District[2]	**—**	—
Little Lake Cemetery District	**11**	9
Los Angeles County Office of Education[3]	**—**	—
Total Employer Contributions	**$2,301,706**	$2,199,889
Member Contributions[4]	**$793,244**	$758,632
Total Contributions	**$3,094,950**	$2,958,521

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

[2]South Coast Air Quality Management District has no active members contributing to the Pension Plan for the fiscal years ended 2023 and 2022.

[3]Los Angeles County Office of Education has no active members contributing to the Pension Plan for the fiscal years ended 2023 and 2022.

[4]In accordance with GASB Statement No. 82, payments made by an employer to satisfy member contribution requirements are classified as member contributions. These payments amounted to $37.5 million and $37.7 million for the fiscal years ended 2023 and 2022.

NOTE D — Pension Plan Reserves

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

Pension Plan

LACERA's major classes of Pension Plan reserves are:

Member Reserves

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

Employer Reserves

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

Supplemental Targeted Adjustment for Retirees (STAR) Reserve

The STAR Reserve represents the balance available to fund future STAR Program benefit increases. During the fiscal years ended 1995 through 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 are 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 Program benefits at an 80 percent level, as authorized in the County Employees Retirement Law of 1937 (CERL). For program years 2010 through 2022, additional STAR benefits were not provided, since modest increases in the Consumer Price Index (CPI) percentage caused COLA Accumulation accounts to remain below the 20 percent threshold. When the COLA Accumulation accounts exceed 20 percent, the Board of Retirement, at its discretion, may grant STAR benefits. For STAR Program year 2023, the LACERA Board of Retirement approved the permanent STAR benefit award for certain members to restore their purchasing power at an 80 percent benefit level and to adjust their COLA Accumulation accounts to 20 percent.

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

Contingency Reserve

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment earnings and other revenues. Deductions include investment expenses; administrative expenses; interest allocated to other reserves, in priority order, to the extent that realized earnings are available for the six-month period, as defined in the 2009 Retirement Benefit Funding Policy (Funding Policy) amended in 2013 and approved by LACERA's Board of Investments; and funding of the STAR Reserve when excess earnings are available and reducing the STAR Reserve when those additional benefits are authorized by LACERA's Board of Retirement. For the fiscal years ended June 30, 2023 and 2022, the net investment realized earnings were applied as interest credits to the Reserve accounts, leaving no available balances in the Contingency Reserve.

Pension Plan Reserves

As of June 30, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Member Reserves	**$26,932,000**	$25,804,263
Employer Reserves	**32,504,476**	32,011,255
STAR Reserve	**611,544**	614,011
Contingency Reserve	**—**	—
Total Reserves at Book Value	**$60,048,020**	$58,429,529
Unrealized Investment Portfolio Appreciation	**$13,803,866**	$11,860,083
Total Reserves at Fair Value[1]	**$73,851,886**	$70,289,612

[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 are the basis for changes in employer and employee contribution rates for both PEPRA and legacy retirement plans necessary to properly fund the Pension Plan.

Upon completing the 2022 triennial experience study, LACERA's consulting actuary made recommendations, and the Board of Investments adopted some new assumptions beginning with the June 30, 2022 actuarial valuation. Some assumptions from prior experience studies were reaffirmed and carried forward, while other assumptions where changed—both of which were implemented with the 2022 valuation report. For financial reporting purposes, LACERA reviews these assumptions annually to ensure they continue to represent appropriate plan assumptions under U.S. GAAP.

Actuarial Assumptions

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

The Total Pension Liability (TPL) as of June 30, 2023 was determined by completing a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2022, using the following actuarial assumptions in accordance with the requirements of 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, 2022 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 funding valuation, refer to the Actuarial Section.

Actuarial Methods and Significant Assumptions

Description	Method
Actuarial Cost Method	Individual entry age.
Discount Rate	7.13 percent, net of Pension Plan investment expense, including inflation and addition of 0.13 percent administrative expense load. The 7.00 percent rate (net of all expenses) was adopted beginning with the June 30, 2019 valuation and reaffirmed in the 2022 triennial experience study.
Price Inflation	2.75 percent annual rate. This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
General Wage Growth and Projected Salary Increases	General wage growth: 3.25 percent. Projected salary increases: 3.66 percent to 12.54 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2022 triennial experience study.
Cost-of-Living Adjustments	Post-retirement COLA (cost-of-living adjustment) benefit increases of either 2.75 percent or 2 percent per year (a pro-rata portion for Plan E) are assumed. For the Total Pension Liability, STAR (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 benefits. See Note A — Benefit Plan Description for additional COLA and STAR information.
Mortality	Various rates based on the Pub-2010 mortality tables and using the MP–2021 Ultimate Projection Scale for expected future mortality improvement. This assumption was adopted with the June 30, 2022 valuation.

Other Key Assumptions

Other key actuarial assumptions used to calculate the TPL as of the June 30, 2023 and 2022 measurement dates are the same as used to prepare actuarial funding valuations for June 30, 2022 and 2021, respectively.

Net Pension Liability

GASB 67 requires public pension plans to provide the calculation of the Net Pension Liability (NPL). The NPL is measured as the Total Pension Liability less the amount of the Pension Plan's Fiduciary Net Position. For the Schedule of Net Pension Liability and Related Ratios and the Schedule of Changes in Net Pension Liability and Related Ratios, see the Required Supplementary Information (RSI) Section.

The NPL is an accounting measurement for financial statement reporting purposes. The funded status of the Pension Plan is calculated separately by the consulting actuary and the results along with other funding metrics are included in the actuarial funding valuation report. The NPL amounts at fiscal year-end June 30, 2023 and 2022 for the Pension Plan were as follows.

Schedule of Net Pension Liability

For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Total Pension Liability	**$88,469,442**	$83,931,424
Less: Fiduciary Net Position	**(73,851,886)**	(70,289,612)
Net Pension Liability	**$14,617,556**	$13,641,812
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.48%**	83.75%

The TPL and NPL both increased due to the new assumptions and actuarial methods adopted for the June 30, 2022 experience study. These changes include updating the rates of assumed merit salary increases, updating the assumed rates of service retirement to reflect a member's length of service in addition to their age, and updating the mortality improvement scale to reflect the most recent mortality data.

GASB Discount Rate

Milliman's June 30, 2022 Investigation of Experience analysis confirmed the 7.13 percent investment return assumption used for the current reporting date. This is equal to the 7.00 percent long-term investment return assumption (net of investment expenses) adopted by the Board of Investments, 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, a separate calculation using the municipal bond rate is not required; the discount rate for calculating the TPL, as prescribed by GASB, is equal to the long-term expected rate of return plus administrative expenses.

GASB Discount Rate

For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
GASB Discount Rate	**7.13 %**	7.13 %
Long-Term Expected Rate of Return, Net of Expenses	**7.00 %**	7.00 %
Municipal Bond Rate	**N/A**	N/A

Sensitivity Analysis

In accordance with GASB 67, sensitivity of the NPL to changes in the discount rate must be reported. The following presents the NPL, calculated for the fiscal year ended June 30, 2023, 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, 2022, based on the 7.13 percent discount rate in effect for that year.

Sensitivity Analysis

For the Fiscal Years Ended June 30, 2023 and 2022

(Dollars in Thousands)

	2023			2022		
	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	$100,194,067	$88,469,442	$78,750,275	$95,318,250	$83,931,424	$74,528,252
Less: Fiduciary Net Position	(73,851,886)	(73,851,886)	(73,851,886)	(70,289,612)	(70,289,612)	(70,289,612)
Net Pension Liability/(Asset)	**$26,342,181**	**$14,617,556**	**$4,898,389**	**$25,028,638**	**$13,641,812**	**$4,238,640**

NOTE F — Partial Annuitization of Pension Benefit Payments

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

LACERA is responsible for any difference in pension benefit payments payable to covered members that are not reimbursed by the insurance companies. The reimbursements received are netted against the pension and annuity payments (i.e., Retiree Payroll) reported in LACERA’s financial statements. For the fiscal year ended June 30, 2023, LACERA paid $5.6 million to covered members and received $4.6 million in related reimbursements. For the fiscal year ended June 30, 2022, LACERA paid $7.2 million to covered members and received $6.0 million in related reimbursements. As the annuity providers’ monthly annuity reimbursements are allocated to covered members’ pension payments, the fair value of contracts was excluded from pension plan assets, and the valuation liability includes only net benefits paid by LACERA.

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 Board of Investments establishes investment policy statements and investment manager guidelines for the management of the LACERA defined benefit retirement plan (Pension Plan) and the LACERA Other Post-Employment Benefits Master Trust (OPEB Master Trust or OPEB Trust). The 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.

Investment policy statements recognize 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 manage 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. LACERA invests with Core investment grade bond managers. Investment guidelines for Core managers require that they invest predominantly in sectors represented in their benchmark index, which consists of 100 percent of bonds rated investment grade. As a result, Core portfolios contain almost 100 percent of bonds rated investment grade by the major credit rating agencies: Moody's, S&P Global Ratings (S&P), and Fitch.

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 may include limiting maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

The following is a schedule for the year ended June 30, 2023 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 $10 million are excluded from this presentation.

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

As of June 30, 2023

(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	$5,565,802	$809,070	$—	$130,970	$1,293,657	$1,030	$91,385	$7,891,914	44.1%
Aa	—	—	5,129	21,880	61,540	635	21,854	111,038	0.6%
A	—	—	1,112	285,590	336,059	29,900	31,502	684,163	3.8%
Baa	—	—	—	310,753	359,095	23,429	50,271	743,548	4.2%
Ba	—	—	1,899	167,781	7,786	23,355	280,349	481,170	2.7%
B	—	—	—	868,205	—	90,284	507,379	1,465,868	8.2%
Caa	—	—	—	185,790	—	6,745	155,347	347,882	1.9%
Ca	—	—	—	5,995	—	—	2,183	8,178	— %
C	—	—	—	987	—	101	2,680	3,768	— %
Not Rated	—	464	—	209,735	5,773,745	48,102	142,088	6,174,134	34.5%
Total	**$5,565,802**	**$809,534**	**$8,140**	**$2,187,686**	**$7,831,882**	**$223,581**	**$1,285,038**	**$17,911,663**	**100.0%**

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

The following is a schedule for the year ended June 30, 2022 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $12 million are excluded from this presentation.

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

As of June 30, 2022

(Dollars in Thousands)

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

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

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

As of June 30, 2023

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Pooled Investments	Total	Percentage of Portfolio
Aaa	$75,346	$—	$75,346	6.1%
Not Rated	—	1,165,887	1,165,887	93.9%
Total	**$75,346**	**$1,165,887**	**$1,241,233**	**100.0%**

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

As of June 30, 2022

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Pooled Investments	Total	Percentage of Portfolio
Aaa	$—	$—	$—	—%
Not Rated	—	903,853	903,853	100.0%
Total	**$—**	**$903,853**	**$903,853**	**100.0%**

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 for fiscal year 2022. For fiscal year 2023, the OPEB Trust held fixed income securities.

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

As of June 30, 2023

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Corporate Debt/ Credit Securities	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$152,704	$996	$1,291	$394	$155,385	85.5%
Aa	—	—	3,205	1,537	4,742	2.6%
A	—	—	19,208	993	20,201	11.2%
Not Rated	—	—	1,349	—	1,349	0.7%
Total	**$152,704**	**$996**	**$25,053**	**$2,924**	**$181,677**	**100.0%**

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

As of June 30, 2022

(Dollars in Thousands)

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

Custodial Credit Risk

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

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

Counterparty Risk

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

Concentration of Credit Risk

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

As of June 30, 2023, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

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

To manage interest rate risk, investment manager guidelines require that the duration of all investment grade bond portfolios must remain within a range centered around the duration of the benchmark index. This range is currently plus or minus 10 percent of the benchmark duration. The investment manager guidelines require that the duration of the U.S. long-term government bonds portfolio must remain within plus or minus 0.3 years of the duration of its benchmark index. 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, 2023 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $10 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan

As of June 30, 2023

(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	$5,565,802	11.82
U.S. Government Agency	809,533	4.29
Municipal/Revenue Bonds	8,141	10.47
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$6,383,476**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$196,008	2.03
Corporate and Other Credit	1,991,678	2.13
Pooled Funds	7,831,882	1.7
Subtotal Corporate Bonds and Credit Securities	**$10,019,568**	
Non-U.S. Fixed Income	$223,581	1.64
Private Placement Fixed Income	1,285,038	3.37
Subtotal Non-U.S. and Private Placement Securities	**$1,508,619**	
Total Fixed Income Securities	**$17,911,663**	

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

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

The Duration in Fixed Income Securities – Pension Plan schedule for the year ended June 30, 2022 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $12 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan

As of June 30, 2022

(Dollars in Thousands)

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

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

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

Duration in Fixed Income Securities — OPEB Trust

As of June 30, 2023

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries	$75,346	16.12
Pooled Investments	$1,165,887	3.32
Total Fixed Income Securities	**$1,241,233**	

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

Duration in Fixed Income Securities — OPEB Trust

As of June 30, 2022

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries	$—	N/A
Pooled Investments	$903,853	3.24
Total Fixed Income Securities	**$903,853**	

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

Duration in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2023

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries and U.S. Government Agency		
U.S. Treasuries	$152,703	2.01
U.S. Government Agency	996	0.78
Subtotal U.S. Treasuries, and U.S. Government Agency	**$153,699**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$2,640	0.51
Corporate and Other Credit	22,413	1.15
Subtotal Corporate Bonds and Credit Securities	**$25,053**	
Private Placement Fixed Income	$2,925	0.68
Total Fixed Income Securities	**$181,677**	

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

Duration in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2022

(Dollars in Thousands)

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

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

Foreign Currency Risk

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

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. Most of the exposure is from separately managed accounts with the remaining exposure from non-U.S. commingled funds that are denominated in foreign currency. For the commingled funds, LACERA owns units, and the fund holds actual securities and/or currencies. The values shown include LACERA's separately managed account holdings and the pro rata portion of non-U.S. commingled fund holdings. The OPEB Trust did not hold any non-U.S. investment securities as of June 30, 2023.

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

As of June 30, 2023

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
AFRICA								
South African Rand	$79,420	$ —	$1,346	$ —	$ —	$ —	$ —	**$80,766**
AMERICAS								
Brazilian Real	137,294	—	2,195	—	—	—	—	**139,489**
Canadian Dollar	975,906	2,676	5,384	—	150,149	—	(9,163)	**1,124,952**
Chilean Peso	9,280	—	1,129	—	—	—	—	**10,409**
Colombian Peso	2,288	—	415	—	—	—	—	**2,703**
Mexican Peso	59,152	—	1,521	—	—	—	—	**60,673**
ASIA								
Australian Dollar	485,905	—	3,183	—	—	11,013	1,020	**501,121**
Chinese Renminbi	96,786	—	1,641	—	—	—	—	**98,427**
Hong Kong Dollar	663,581	—	2,826	—	—	—	183	**666,590**
Indonesian Rupiah	53,459	—	3,702	—	—	—	—	**57,161**
Japanese Yen	1,297,919	—	13,606	—	—	—	63,747	**1,375,272**
Malaysian Ringgit	31,769	—	1,859	—	—	—	—	**33,628**
New Zealand Dollar	11,375	—	497	—	—	—	133	**12,005**
Pakistani Rupee	—	—	28	—	—	—	—	**28**
Philippine Peso	13,232	—	406	—	—	—	—	**13,638**
Singapore Dollar	85,120	—	675	—	—	—	373	**86,168**
South Korean Won	275,212	—	3,092	—	—	—	—	**278,304**
Taiwan Dollar	327,583	—	7,229	—	—	—	—	**334,812**
Thai Baht	47,002	—	(165)	—	—	—	—	**46,837**
EUROPE								
British Pound Sterling	1,253,582	13,785	15,218	68	—	173,007	(16,208)	**1,439,452**
Czech Republic Koruna	4,069	—	421	—	—	—	—	**4,490**
Danish Krone	269,940	—	1,144	—	—	—	(114)	**270,970**
Euro	2,448,886	44,322	21,511	310,590	383,847	1,263,178	(2,674)	**4,469,660**
Hungarian Forint	4,643	—	343	—	—	—	—	**4,986**
Norwegian Krone	74,432	—	893	—	—	—	233	**75,558**
Polish Zloty	28,567	—	935	—	—	—	—	**29,502**
Russian Ruble	—	—	1,906	—	—	—	—	**1,906**
Swedish Krona	231,093	—	720	—	—	—	4,364	**236,177**
Swiss Franc	574,640	—	1,548	—	—	—	245	**576,433**
MIDDLE EAST								
Egyptian Pound	3,438	—	123	—	—	—	—	**3,561**
Israeli New Shekel	39,465	—	876	—	—	—	417	**40,758**
Kuwaiti Dinar	23,827	—	792	—	—	—	—	**24,619**
Qatari Rial	30,922	—	1,747	—	—	—	—	**32,669**
Saudi Riyal	6,220	—	—	—	—	—	—	**6,220**
Turkish Lira	19,948	—	438	—	—	—	—	**20,386**
UAE Dirham	40,609	—	201	—	—	—	—	**40,810**
Total Investment Securities Subject to Foreign Currency Risk	**$9,706,564**	**$60,783**	**$99,385**	**$310,658**	**$533,996**	**$1,447,198**	**$42,556**	**$12,201,140**

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

As of June 30, 2022

(Dollars in Thousands)

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

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.

State Street Bank and Trust is the sole manager of LACERA's securities lending program. Collateralization is set on non-U.S. loans at 105 percent minimum, and on U.S. loans at 102 percent minimum of the fair value of the securities on loan.

State Street Global Advisors (SSGA) invests the cash collateral received from the lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked-to-market daily, so that if the fair value of a security on loan rises, LACERA receives additional collateral. Conversely, if the fair value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income to LACERA, which 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, 2023 and 2022.

As of June 30, 2023, the fair value of securities on loan was \$3.8 billion, with a value of cash collateral received of \$1.9 billion and non-cash collateral of \$2.0 billion. As of June 30, 2022, the fair value of securities on loan was \$3.7 billion, with a value of cash collateral received of \$1.4 billion and non-cash collateral of \$2.5 billion. LACERA's investment income, net of expenses from securities lending, was \$14.1 million and \$11.1 million for the fiscal years ended June 30, 2023 and 2022, respectively.

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

Securities Lending

As of June 30, 2023 and 2022

(Dollars in Thousands)

	2023				
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark[1]**	**Collateral Percent[2]**
U.S. Equity	$2,332,066	$1,561,245	$840,301	$18,375	103.8%
U.S. Fixed Income	927,308	233,202	743,620	4,685	105.8%
Non-U.S. Equity	499,246	74,986	457,963	3,673	107.5%
Total	**$3,758,620**	**$1,869,433**	**$2,041,884**	**$26,733**	

	2022				
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark[1]**	**Collateral Percent[2]**
U.S. Equity	$2,295,594	$862,637	$1,559,646	($17,143)	104.8%
U.S. Fixed Income	958,823	438,042	575,808	15	105.7%
Non-U.S. Equity	466,448	100,398	404,899	(5,842)	107.1%
Total	**$3,720,865**	**$1,401,077**	**$2,540,353**	**($22,970)**	

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

[2]Collateral percent is the total collateral received divided by the fair value of securities on loan. U.S. loans are collateralized at 102 percent minimum of the fair value of the securities on loan, while non-U.S. loans are collateralized at 105 percent minimum..

NOTE I — Derivative Financial Instruments

Per LACERA's Investment Policy Statement, LACERA may utilize derivative instruments to hedge or obtain exposure to certain investments. A derivative is a financial instrument that derives its value from an underlying asset or a direct obligation of an issuer. Derivatives may be exchange-traded or traded over-the-counter (OTC). LACERA's portfolio management strategies incorporate derivative financial instruments for overlays and hedging. Cash overlays are used to adhere to Board-approved guidelines and asset allocation policy targets. Currency hedging is used to minimize return risk for non-U.S. dollar denominated investments. LACERA expects that any use of derivatives by external managers must adhere to LACERA's policies and investment guidelines.

Futures

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

Currency Forwards

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

Currency Forwards Analysis

As of June 30, 2023

(Dollars in Thousands)

		Currency Forwards Contracts			
Currency Name	**Options**	**Net Receivables**	**Net Payables**	**Swaps**	**Total Exposure**
Australian Dollar	$—	($363)	$1,383	$—	**$1,020**
Canadian Dollar	—	48	(9,211)	—	**($9,163)**
Swiss Franc	14	322	(77)	—	**258**
Danish Krone	—	97	(212)	—	**(114)**
Euro	37	1,172	(3,846)	—	**(2,637)**
Pound Sterling	—	(13)	(16,195)	—	**(16,208)**
Hong Kong Dollar	—	(31)	214	—	**184**
Israeli New Shekel	—	(151)	569	—	**417**
Japanese Yen	—	(2,729)	66,476	—	**63,747**
Norwegian Krone	—	91	141	—	**233**
New Zealand Dollar	—	(2)	135	—	**133**
Swedish Krona	—	(174)	4,538	—	**4,364**
Singapore Dollar	—	(32)	405	—	**373**
Thailand Baht	1	—	—	—	**1**
Total	**$52**	**($1,765)**	**$44,320**	**$—**	**$42,607**

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

Options

An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option typically 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 duration of the agreement. The cash flows exchanged by the counterparties are tied to a notional amount. A swap agreement specifies the time period of the agreement and the frequency of the payments to 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, 2023 classified by type, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Investment Derivatives

As of June 30, 2023
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	($116,141)	$—	$—	222,877
Commodity Futures Short	17,266	—	—	(20)
Credit Default Swaps Written	—	—	—	—
Fixed Income Futures Long	8,274	—	—	—
Fixed Income Futures Short	43,856	—	—	(269,500)
Fixed Income Options Bought	1	—	—	—
Fixed Income Options Written	(14)	—	—	—
Foreign Currency Futures Long	(1,960)	—	—	51,900
Foreign Currency Futures Short	1,051			(47,500)
Futures Options Bought	1	—	—	—
Futures Options Written	684	—	—	—
FX Forwards	63,177	42,556	6,383,788	—
Index Futures Long	264,716	—	—	1,048
Index Futures Short	(104,326)	—	—	(402)
Index Options Written	443	—	—	—
Pay Fixed Interest Rate Swaps	76	—	—	—
Receive Fixed Interest Rate Swaps	(442)	—	—	—
Rights	(51)	33	212	—
Total Return Swaps Bond	(142)	—	—	—
Total Return Swaps Equity	(3,318)	—	—	—
Warrants	326	529	51	—
Total	**$173,477**	**$43,118**	**$6,384,051**	**(41,597)**

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 within the Statement of Changes in Fiduciary Net Position.

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

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.

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded OTC and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forwards contracts and certain swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continually monitor credit ratings of counterparties. In addition, collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure. Should there be a counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that have unrealized gains and any collateral provided to the counterparty, net of applicable netting arrangements.

The following schedule displays the fair value of investments with each counterparty's S&P, Fitch, and Moody's credit rating by counterparty's name alphabetically, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Counterparty Credit Risk Analysis

As of June 30, 2023

(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Barclays Bank PLC Wholesale	$41	A+	A+	A1
BNP Paribas, S.A.	613	A+	A+	Aa3
Citibank N.A.	119	A+	A+	Aa3
Deutsche Bank AG	24,816	A-	A-	A1
Goldman Sachs International	9,913	A+	A+	A1
Morgan Stanley and Co. LLC	24	A-	A+	A1
Natwest Markets Plc	37,421	A	A+	A1
State Street Bank And Trust Company	102	AA-	AA	Aa3
UBS AG	7,260	A+	A+	Aa3
Westpac Banking Corporation	3,601	AA-	A+	Aa3
Total	**$83,910**			

NOTE J — Special Purpose Entities

Real Estate Investments

LACERA maintains several different types of special purpose entities (SPEs) within its investment portfolio that are separate 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, 2023, the LACERA real estate portfolio held 31 title holding companies (THCs) and 36 limited liability companies (LLCs). As of June 30, 2022, the portfolio held 32 THCs and 45 LLCs.

The total fair values of assets invested in THCs and LLCs as of June 30, 2023 and June 30, 2022 were $3.3 billion and $4.1 billion, respectively. Investment managers responsible for managing real estate investments held in THCs can be found in the Investment Section, List of Investment Managers under Real Assets and Inflation Hedges — Core Real Estate.

Debt Program

The investment managers for the Debt Program are Barings, LLC and Quadrant Real Estate Advisors, LLC. The total fair value of assets invested in these two Debt Program accounts as of June 30, 2023 and June 30, 2022 were $63 million and $111 million, respectively. The Debt Program is included in LACERA's Credit functional category portfolio. Per LACERA's Board-approved 2021 Credit Structure Review, the legacy Credit assets, which include the underlying assets within the Debt Program, will be liquidated over the natural life of the investment cycle.

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

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

NOTE K — Related Party Transactions

Office Space Lease

In 1990, LACERA, as the sole shareholder, formed a title holding company (THC) to acquire Gateway Plaza, a 273,546 square foot 13-story office building located in Pasadena, California, which serves as the LACERA headquarters. Shortly thereafter in 1991, LACERA, the lessee, entered into its original lease agreement with the THC (LACERA Gateway Property, Inc.), as lessor, to occupy approximately 85,000 square feet of office space. LACERA's offices include facilities to conduct in-person services with members, work stations for LACERA staff, and meeting space to host in-person Board of Retirement and Board of Investment meetings. Under the terms of the original lease and the subsequent 16 amendments, which expired on December 31, 2020, LACERA did not pay rent for the office space it occupied. Instead LACERA was credited with the entire payment of base rent due each month. However, LACERA was required to pay its proportionate share of the building's operating costs and property taxes as defined in the lease agreement.

LACERA entered into the 17th Amendment with the THC to occupy 125,559 square feet of office space in December 2020. The 17th lease agreement extended the term of the lease for an additional 60-month period, commencing on January 1, 2021 and ending on December 31, 2025. Under this 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 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 paid by LACERA were approximately $6.1 million and $6.0 million for the fiscal years ended June 30, 2023 and June 30, 2022, respectively.

NOTE L — Administrative Expenses

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

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

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

Under applicable sections of the CERL, both LACERA Boards approved the operating budgets for fiscal years ended June 30, 2023 and June 30, 2022, 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 administrative expenditures were less than the approved budgets.

Beginning with the operating budget for the fiscal year ended June 30, 2021, LACERA implemented a staggered budget development approach of 1) obtaining Board approval of an operating budget before the start of the new fiscal year, 2) completing a mid-year budget review, and 3) recommending budget amendments during the fiscal year, if deemed necessary, 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 review for the fiscal years ended June 30, 2023 and June 30, 2022, as approved by the LACERA governing boards, in comparison to actual administrative expenses.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Basis for Budget Calculation, Actuarial Accrued Liability[1]	**$81,898,044**	**$78,275,175**
Maximum Allowable for Administrative Expenses	**$171,986**	$164,378
Total Statutory Budget Appropriation	**$171,986**	**$164,378**
Operating Budget Request	**127,767**	114,807
Administrative Expenses	**(112,150)**	(100,121)
Underexpended Operating Budget	**$15,617**	**$14,686**
Administrative Expenses	**112,150**	100,121
Basis for Budget Calculation, Actuarial Accrued Liability[1]	**$81,898,044**	$78,275,175
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.14%**	**0.13%**
Limit per CERL	**0.21%**	0.21%
Administrative Expenses	**112,150**	100,121
Net Position Restricted for Benefits	**$73,851,886**	$70,289,612
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.15%**	**0.14%**

[1]The 2023 and 2022 budget calculations are based on the most recent Pension Plan actuarial reports available at the time the budget is prepared, which are the Actuarial Accrued Liabilities as of June 30, 2021 and June 30, 2020, respectively.

NOTE M — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. For additional disclosures regarding litigation, please see Note A — Benefit Plan Descriptions. The management and legal counsel of LACERA estimate the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Securities Litigation

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

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 and outside counsel, 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 $189,000 and $197,000 for the fiscal years ended 2023 and 2022, respectively.

Office Space Lease

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

The lease agreement for LACERA's office space is also discussed in Note K — Related Party Transactions. The total rent expenses for leasing the building premises are $6.1 million and $6.0 million in fiscal years ended 2023 and 2022, respectively.

Capital Commitments

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

As of June 30, 2023, capital commitments approved by LACERA's Board of Investments, that are outstanding to the various investment managers but not yet funded, totaled $9.5 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. That same year, the County and LACERA entered into an agreement (the "1982 Agreement") whereby LACERA's Board of Retirement would administer the program subject to the terms and conditions of the agreement. In 1994, the County amended the Agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

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

One difference included in this program modification involves LACERA's administrative responsibility for the Retiree Healthcare Program. Under Tier 1, LACERA will continue its agreed-upon role as Program Administrator for retiree healthcare benefits as governed by the 1982 Agreement. Under the Tier 2 program, LACERA is responsible for administering this program; however, the County has the option to choose another organization to administer Tier 2 benefits. Another difference under the Tier 1 program is that the County retiree medical, dental, and vision insurance subsidy applies to the retiree and dependents, while Tier 2 provides a subsidy for retiree-only coverage and does not include dependents.

Since inception, the OPEB Program's liabilities and costs were determined within a cost-sharing plan structure, where liabilities and costs are pooled and paid from the program. In July 2018, the OPEB Program, in which Los Angeles County, LACERA, the Superior Court, and outside districts participate, was restructured as an agent multiple-employer defined benefit OPEB plan (agent plan) where program liabilities and costs can be allocated to each employer.

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. However, eligible dependents are only covered for Tier 1 members, whereas Tier 2 members have retiree-only coverage for the County medical, dental, and vision insurance subsidy. Eligibility to receive a pension benefit is a prerequisite for retiree healthcare and death benefits. Therefore, eligibility and qualifications applicable to retiree healthcare and death/burial benefits are substantially similar to pension benefits. The Summary of Major OPEB Program Provisions is available by contacting LACERA or visiting the LACERA website for additional information.

LACERA Membership — OPEB Medical and Dental/Vision Benefits

As of June 30, 2023 and 2022

	2023		2022	
	Medical	Dental/Vision	Medical	Dental/Vision
Retired Participants				
Retired Members and Survivors	55,359	57,271	54,065	55,772
Spouses and Dependents	28,274	32,699	27,684	31,811
Total Retired	**83,633**	**89,970**	**81,749**	**87,583**
Inactive Members — Vested	9,612	9,612	9,250	9,250
Active Members — Vested[1]	75,388	75,388	74,796	74,796
Total Membership Eligible for Benefits	**168,633**	**174,970**	**165,795**	**171,629**

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

LACERA Membership — OPEB Death/Burial Benefits

As of June 30, 2023 and 2022

	2023	2022
Retired with Eligibility for Death/Burial Benefits[2]	**63,152**	61,931
Total Retired	**63,152**	61,931
Inactive Members — Vested	**9,612**	9,250
Active Members — Vested[1]	**75,388**	74,796
Total Membership Eligible for Benefits	**148,152**	145,977

[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.

Benefit Provisions

The OPEB Program offers the same selection of medical plans as well as two dental/vision plans for both Tier 1 and Tier 2 participants. 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/survivors and their eligible dependents who are eligible for Medicare are required to enroll in that program, specifically Medicare Parts A and B, as well as a LACERA-administered Medicare HMO plan or a Medicare Supplement plan. However, the healthcare benefits coverage subsidy and the Medicare Part B premium reimbursement (annually reviewed and approved by the Board of Supervisors) only applies to retirees/survivors under the Tier 2 program, not eligible dependents.

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.

LACERA offers benefits for Tier 1 and Tier 2 members that are nearly identical. Retired members may enroll themselves, spouse, and dependents if all eligibility requirements are met. For Tier 1 members, the County subsidy applies to the member and/or eligible dependents, while Tier 2 limits the subsidy to the member only and the qualifying survivor upon the member's death. 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/survivors, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B

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

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

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

Healthcare Reform
The Affordable Care Act (ACA), signed into law in March 2010, 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 that do not apply to LACERA insurance plans except as noted below:

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

In December 2019, the Further Consolidated Appropriations Act (H.R. 1865) repealed the excise tax and health insurer fee beginning in the calendar year 2021 and extended the Patient-Centered Outcomes Research Institute (PCORI) Fee through 2029. The OPEB assumptions for the July 1, 2022 valuation reflect the exclusion of the excise tax and the health insurer fees.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — OPEB PROGRAM

Basis of Presentation

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

The OPEB Custodial Fund accounts for assets held in a fiduciary capacity that are not held in a trust. The funds held within the OPEB Custodial Fund do not meet the definition of a qualifying trust under GASB 74 and are not used to reduce the employers' total OPEB liability. However, the ownership of the OPEB Custodial Fund belongs to the County, Superior Court, LACERA, and the participating outside district employers. LACERA administers these funds as part of its administrative responsibilities under the 1982 Agreement as amended. Assets and liabilities are recorded using the economic resources measurement focus and accrual basis of accounting. Receivables include contributions due as of the reporting date. Payables include premium payments and refunds due to members and accrued investment and administrative expenses.

The OPEB actuarial valuation groups the agents using the following structure. There is a total of three agents participating in the OPEB Trust who are included in the seven agents of the OPEB Program. The most recent OPEB Program Investigation of Experience 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 Program[1]

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

OPEB Trust

County, Superior Court, and LACERA

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

OPEB Trust — Agent Plan

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

For additional information pertaining to the OPEB Trust, see Note Q — Other Post-Employment Benefits (OPEB) Trust.

Investment Valuation

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

Contributions Authority

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

Premium Payments

During the fiscal years ended June 30, 2023 and 2022, respectively, healthcare premium payments of $686.4 million and $671.1 million were made to insurance carriers. These premiums were funded by employer subsidy payments of $638.0 million and participant payments of $48.4 million for the fiscal year ended 2023. The employer subsidy payments for the fiscal year ended 2022 were $623.0 million, with participant payments of $48.1 million.

In addition, $97.5 million and $9.8 million was funded by employer subsidy payments for Medicare Part B reimbursements and death/burial benefits, respectively, for the fiscal year ended June 30, 2023, and $88.2 million and $10.0 million for these benefits, respectively, during the fiscal year ended June 30, 2022.

A premium holiday is a temporary period in which the monthly premium costs for both the Program sponsors (i.e., County and participating employers) and affected members are waived. Affected members are those retirees/survivors enrolled in certain medical and dental/vision benefit plans who also pay their share of the monthly premiums. There were no premium holidays during the fiscal years ended June 30, 2023 and 2022. The Board of Retirement approved the most recent premium holiday for the January 2015 insurance coverage period.

NOTE O — Hedge Fund Investments

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

The status of LACERA's hedge fund program as of June 30, 2023 is as follows:

- LACERA is invested in eight hedge fund managers in the core hedge funds portfolio.
- LACERA is invested in a total of seven hedge fund emerging managers in the hedge funds emerging manager portfolio. LACERA's discretionary hedge funds emerging manager separate account manager, Stable Asset Management, selected two new emerging managers during fiscal year 2023.
- LACERA continues to have exposure with one hedge fund of funds manager, Grosvenor Capital Management (GCM). In 2019, LACERA initiated the full redemption of the GCM hedge fund of funds' portfolio. This portfolio began returning cash during fiscal year 2020 and will continue to distribute cash in alignment with the liquidity terms of the portfolio or underlying managers. GCM is managing the redemption process of the GCM portfolio.

The investment performance for this strategy is measured separately from other asset classes. The fair values of assets invested in hedge funds as of June 30, 2023 and June 30, 2022 were $4.9 billion and $4.4 billion, respectively.

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

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

NOTE P — Fair Value of Investments

For the fiscal year ended June 30, 2016, LACERA adopted GASB 72, Fair Value Measurement and Application. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles in the United States of America (U.S. GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the investment securities and holdings. The fair value hierarchy includes three levels and one additional category.

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 other 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. The table below illustrates investments classified by their fair value hierarchy (Levels 1, 2, and 3) as well as investments measured at NAV.

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities.

Fixed income and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Equity securities classified in Level 2 are not traded in the active market. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These matrix pricing techniques incorporate inputs such as yield, prepayment speeds, and credit spreads for fixed income securities. Derivative securities classified as Level 2 are securities whose value are either derived daily from associated securities that are traded, or are determined by using a market approach that considers benchmark interest rates.

Fixed income and equity securities classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources obtained by LACERA's custodian bank, State Street Bank and Trust.

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

Investments in hedge funds, private equity, real assets, real estate, equity, and fixed income funds are valued at the estimated net asset value (NAV) based upon the fair value of the underlying investments, 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

Real estate investments are valued at NAV, based upon 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 annually.

LACERA has the following recurring fair value measurements as of June 30, 2023 and 2022.

Investments and Derivative Instruments Measured at Fair Value — Pension Plan

As of June 30, 2023
(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	$196,008	$—	$196,008	$—
Corporate and Other Credit	1,991,678	—	1,932,426	59,252
Municipal / Revenue Bonds	8,141	—	8,141	—
Non-U.S. Fixed Income	223,581	—	179,595	43,986
Private Placement Fixed Income	1,285,038	—	1,280,928	4,110
U.S. Government Agency	809,533	—	809,533	—
U.S. Treasuries	5,565,801	—	5,565,801	—
Whole Loan Mortgages	9,894	—	—	9,894
Total Fixed Income Securities	**$10,089,674**	**$—**	**$9,972,432**	**$117,242**
Equity Securities				
Non-U.S. Equity	$10,285,308	$10,280,730	$519	$4,059
Pooled Investments	414,172	414,172	—	—
U.S. Equity	15,976,842	15,967,901	1,770	7,171
Total Equity Securities	**$26,676,322**	**$26,662,803**	**$2,289**	**$11,230**
Collateral from Securities Lending	**$1,869,433**	**$—**	**$1,869,433**	**$—**
Total Investments by Fair Value Level	**$38,635,429**	**$26,662,803**	**$11,844,154**	**$128,472**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$7,831,883			
Equity	453,239			
Hedge Funds	4,890,856			
Private Equity	13,894,495			
Real Estate	5,109,454			
Real Assets	2,514,132			
Total Investments Measured at NAV	**$34,694,059**			
Total Investments	**$73,329,488**			
Derivative Instruments				
Foreign Exchange Contracts	$42,556	$—	$42,556	$—
Foreign Equity Derivatives	562	562	—	—
Total Derivative Instruments	**$43,118**	**$562**	**$42,556**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2023

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Funds[1]	$7,831,883	$1,834,547	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds[2]	453,239	—	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds[3]	4,890,856	181,598	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity[4]	13,894,495	5,299,231	Not Eligible	N/A
Real Estate[4]	5,109,454	1,289,323	Quarterly or Not Eligible	30 days+ or N/A
Real Assets[4]	2,514,132	913,268	Not Eligible	N/A
Total Investments Measured at NAV	**$34,694,059**			

[1]**Fixed Income Funds:** Eleven fixed income funds are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Approximately 60 percent of assets are available within 12 months; these funds provide daily, monthly, or quarterly liquidity. Approximately 40 percent of the fund assets have liquidity beyond 12 months.

[2]**Commingled Equity Funds:** One equity fund is considered commingled in nature. The fund is valued at NAV of units held at the end of the period based upon the fair value of the underlying investments. The fund represents 2 percent of the equity assets and is subject to a lockup period that limits redemptions for the next year.

[3]**Hedge Funds:** This portfolio consists of 15 current funds and one fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 70 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. Approximately 30 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

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

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

[4]**Private Equity, Real Assets, and Real Estate Funds:** LACERA's Private Equity portfolio consists of 296 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, and co-investments. Due to contractual limitations, none of the funds are currently eligible for redemption. The Real Assets portfolio consists of 24 funds, investing primarily in infrastructure and natural resources. Four of the funds are eligible for redemption after an initial lockup period, and the other 20 of the funds are not eligible for redemption as the lockup period is typically from 10 to 15 years. The Real Estate portfolio, composed of 25 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. Five out of 25 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J — Special Purpose Entities.

Investments and Derivative Instruments Measured at Fair Value — Pension Plan

As of June 30, 2022
(Dollars in Thousands)

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

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2022

(Dollars in Thousands)

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

[1]**Fixed Income Funds:** Nine fixed income funds are valued at the net asset value (NAV) of units held at the end the period based upon the fair value of the underlying investments. Approximately 80 percent of assets are available within 12 months; these funds provide daily, monthly, or quarterly liquidity. Approximately 20 percent of the fund assets have liquidity beyond 12 months

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

[3]**Hedge Funds:** The portfolio consists of 13 current funds and two fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 62 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. Approximately 38 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

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

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

[4]**Private Equity, Real Assets, and Real Estate Funds:** LACERA's Private Equity portfolio consists of 272 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, and co-investments. Due to contractual limitations, none of these funds are currently eligible for redemption. The Real Assets consists of 17 funds, investing primarily in infrastructure and natural resources. Three of the funds are eligible for redemption after an initial lockup period, and the other 14 of the funds are not eligible for redemption as the lockup period is typically from 10 to 15 years. The Real Estate portfolio, composed of 23 funds, invests in both U.S. and non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued one quarter in arrears plus current quarter cash flows. Three out of 23 funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J — Special Purpose Entities.

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2023
(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				
U.S. Treasuries	$75,346	$—	$75,346	$—
Pooled Investments	293,690	293,690	—	—
Total Fixed Income Securities	**$369,036**	**$293,690**	**$75,346**	**$—**
Total Investment by Fair Value Level	**$369,036**	**$293,690**	**$75,346**	**$—**

Investments Measured at Net Asset Value (NAV)	
Fixed Income	$872,197
Equity	1,468,752
Real Estate Investment Trust (REIT)	311,966
Total Investments Measured at NAV	**$2,652,915**
Total Investments	**$3,021,951**

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2023
(Dollars in Thousands)

Investments by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	$872,197	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,468,752	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	311,966	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV[1]	**$2,652,915**	**$—**		

[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, 2022
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Pooled Investments	$238,854	$238,854	$—	$—
Total Fixed Income Securities	**$238,854**	**$238,854**	**$—**	**$—**
Total Investment by Fair Value Level	**$238,854**	**$238,854**	**$—**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$664,999			
Equity	1,199,773			
Real Estate Investment Trust (REIT)	241,168			
Total Investments Measured at NAV	**$2,105,940**			
Total Investments	**$2,344,794**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2022
(Dollars in Thousands)

Investments by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	$664,999	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,199,773	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	241,168	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV[1]	**$2,105,940**	**$—**		

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

Investments Measured at Fair Value — OPEB Custodial Fund

As of June 30, 2023
(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	$3,636	$—	$3,636	$—
Private Placement Fixed Income	2,925	—	2,925	—
Corporate and Other Credit	22,413	—	22,413	—
U.S. Treasuries	152,703	—	152,703	—
Total Fixed Income Securities	**$181,677**	**$—**	**$181,677**	**$—**
Total Investments by Fair Value Level	**$181,677**	**$—**	**$181,677**	**$—**

Investments Measured at Fair Value — OPEB Custodial Fund

As of June 30, 2022
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$8,493	$—	$8,493	$—
Private Placement Fixed Income	3,681	—	3,681	—
Corporate and Other Credit	28,280	—	28,280	—
U.S. Treasuries	131,127	—	131,127	—
Total Fixed Income Securities	**$171,581**	**$—**	**$171,581**	**$—**
Total Investments by Fair Value Level	**$171,581**	**$—**	**$171,581**	**$—**

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

Los Angeles County (County) OPEB Trust

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

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

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

Los Angeles Superior Court (Court) OPEB Trust

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

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

In June 2016, the Court entered into a trust and investment services agreement with the LACERA Board of Investments, similar to the County arrangement. The Court is the only employer participating in the Court OPEB Trust.

OPEB Master Trust

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

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

Funding Policy

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

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

LACERA OPEB Liability Funding

In June of 2023 and 2022, LACERA's Board of Retirement and Board of Investments approved LACERA's revised administrative budget policy each year to include additional OPEB Trust prefunding contributions at the discretion of LACERA's Chief Executive Officer. The policy states that based upon a projected budget surplus, an additional OPEB contribution may be up to, but not exceed, the OPEB contribution amount originally budgeted for that year; so, an administrative budget surplus can be used to increase LACERA's total OPEB prefunding contribution for the year. Before each fiscal year ended 2023 and 2022, the Chief Executive Officer approved and authorized the transfer of an additional OPEB Trust contribution for LACERA.

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 Statement

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

Target Allocation

The Board's revised asset allocation policy, adopted in December 2017, divided the Trust into four broad functional categories and contain asset classes that align with the purpose of each function. The Board approved target weights at both the functional category and asset class level to provide for diversification of assets in an effort to meet the OPEB Program's actuarial assumed rate of return, consistent with market conditions and risk control.

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

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

Schedule of Target Allocation

For the Fiscal Years Ended June 30, 2023 and 2022

Asset Class	2023 Target Allocation		2022 Target Allocation	
Growth	**47.5%**		**50.0%**	
Global Equity		45.0%		50.0%
Private Equity		2.5%		
Credit	**19.0%**		**20.0%**	
Liquid Credit		16.5%		
Illiquid Credit		2.5%		
High Yield Bonds				6.0%
Bank Loans				10.0%
EM Local Currency Bonds				4.0%
Risk Reduction & Mitigation	**13.5%**		**10.0%**	
Investment Grade Bonds		9.0%		8.0%
Long-Term Government Bonds		2.5%		
Cash and Cash Equivalents		2.0%		2.0%
Real Assets & Inflation Hedges	**20.0%**		**20.0%**	
Real Estate		9.0%		10.0%
Natural Resources		1.0%		
Commodities		3.0%		4.0%
Infrastructure		1.0%		
Treasury Inflation-Protected Securities		6.0%		6.0%

Investment Concentrations

On June 30, 2023, the OPEB Master Trust held approximately 47.5 percent in Growth, 19.0 percent in Credit, 13.5 percent in Risk Reduction and Mitigation, and 20.0 percent in Real Assets and Inflation Hedges. In addition, The OPEB Master Trust did not hold investments in any one issuer that would represent 5 percent or more of the OPEB Master Trust Fiduciary Net Position Restricted for Benefits.

Money-Weighted Rate of Return

For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses, was 9.7 percent. Historical returns will be presented as they become available in the Schedule of Investment Returns — OPEB Program presented in the Required Supplementary Information (RSI) section of this report.

Contributions

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

For the fiscal years ended June 30, 2023 and 2022, LACERA contributed a total of $3,740,000 and $3,131,000, respectively, to prefund LACERA's portion of OPEB benefits. These amounts include the contributions originally funded through LACERA's administrative budget, plus additional contributions based on a projected budget surplus, as allowed within LACERA's budget policy, for both the fiscal years ended 2022–2023 and 2021–2022.

During fiscal years ended June 30, 2023 and 2022, the County, Superior Court, and LACERA made total prefunding contributions to the OPEB Trust of $451.2 million and $376.4 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, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Los Angeles County	**$441,452**	$372,243
LACERA	**3,740**	3,131
Superior Court	**6,000**	1,000
Total Contributions[1]	**$451,192**	$376,374

[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, expensed to the Trust, include payments for investment management fees, custodial fees, consultant fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $2.1 million and $1.8 million for fiscal years ended June 30, 2023 and 2022, respectively. Higher fund balances caused an increase in investment management fees.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2023 and 2022

	2023					
	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Misc. Investment Expense	Total
Los Angeles County	$788,002	$210,827	$83,973	$713,800	$201	$1,796,803
LACERA	3,627	962	384	45,544	13	50,530
Superior Court	17,815	4,828	1,916	182,174	54	206,787
Total Expenses	**$809,444**	**$216,617**	**$86,273**	**$941,518**	**$268**	**$2,054,120**

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

Fund Values
OPEB Trust Fund additions include contributions from participating employers and investment income. Deductions include investment expenses, administrative expenses, and redemptions. There were no redemptions made by OPEB Trust participating during the fiscal years ended June 30, 2023 and 2022. The OPEB Trust Fund values were as follows.

Fund Values — OPEB Trust

As of June 30, 2023 and 2022
(Dollars in Thousands)

	2023		
	Book Value	Unrealized Investment Appreciation	Fair Value
Los Angeles County	$2,538,772	$470,554	$3,009,326
LACERA	13,633	1,977	15,610
Superior Court	53,191	13,713	66,904
Total Balance	**$2,605,596**	**$486,244**	**$3,091,840**

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

NOTE R — Subsequent Events

Subsequent events have been evaluated by management through October 13, 2023, which is the date the financial statements were issued.

Schedule of Net Pension Liability and Related Ratios

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2023	2022	2021	2020	2019
Total Pension Liability	**$88,469,442**	$83,931,424	$80,303,904	$76,579,594	$70,309,252
Less: Fiduciary Net Position	**(73,851,886)**	(70,289,612)	(73,012,026)	(58,510,408)	(58,294,837)
Net Pension Liability	**$14,617,556**	$13,641,812	$7,291,878	$18,069,186	$12,014,415
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.48%**	83.75%	90.92%	76.40%	82.91%
Covered Payroll[1]	**$9,425,690**	$9,100,791	$9,062,051	$8,724,151	$8,370,050
Net Pension Liability as a Percentage of Covered Payroll	**155.08%**	149.90%	80.47%	207.12%	143.54%

	2018	2017	2016	2015	2014
Total Pension Liability	$67,057,218	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Less: Fiduciary Net Position	(56,299,982)	(52,743,651)	(47,846,694)	(48,818,350)	(47,722,277)
Net Pension Liability	$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	83.96%	82.37%	81.75%	86.30%	86.80%
Covered Payroll[1]	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	135.18%	147.81%	146.73%	111.55%	108.72%

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

For other actuarial methods and assumptions, see Notes to the Required Supplementary Information.

Schedule of Changes in Net Pension Liability and Related Ratios

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2023	2022	2021	2020
Total Pension Liability				
Service Cost	**$1,635,318**	$1,583,222	$1,499,597	$1,301,460
Interest on Total Pension Liability	**5,950,906**	5,696,846	5,433,409	5,154,164
Effect of Plan Changes	**—**	—	—	—
Effect of Assumption Changes or Inputs	**855,336**	—	—	2,626,103
Effect of Economic/Demographic (Gains) or Losses	**377,821**	392,019	605,566	794,955
CalPERS Transfer	**—**	—	—	—
Benefit Payments and Refund of Contributions	**(4,281,363)**	(4,044,567)	(3,814,262)	(3,606,340)
Net Change in Total Pension Liability	**$4,538,018**	$3,627,520	$3,724,310	$6,270,342
Total Pension Liability — Beginning	**83,931,424**	80,303,904	76,579,594	70,309,252
Total Pension Liability — Ending (a)	**$88,469,442**	$83,931,424	$80,303,904	$76,579,594
Fiduciary Net Position				
Contributions: Employer[1]	**$2,301,706**	$2,199,889	$2,012,877	$1,800,137
Contributions: Metropolitan Transportation Authority	**—**	—	—	—
CalPERS Transfer	**—**	—	—	—
Contributions: Member[1]	**793,244**	758,632	760,994	659,296
Net Investment Income[2]	**4,841,151**	(1,554,155)	15,615,699	1,432,547
Net Miscellaneous Income	**4,551**	3,898	2,680	1,985
Benefit Payments and Refund of Contributions	**(4,281,363)**	(4,044,567)	(3,814,262)	(3,606,340)
Administrative Expenses[2]	**(97,015)**	(86,111)	(76,370)	(72,054)
Net Change in Fiduciary Net Position	**$3,562,274**	($2,722,414)	$14,501,618	$215,571
Fiduciary Net Position — Beginning	**70,289,612**	73,012,026	58,510,408	58,294,837
Fiduciary Net Position — Ending (b)	**$73,851,886**	$70,289,612	$73,012,026	$58,510,408
Net Pension Liability — Ending (a) - (b)	**$14,617,556**	$13,641,812	$7,291,878	$18,069,186
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.48%**	83.75%	90.92%	76.40%
Covered Payroll[3]	**$9,425,690**	$9,100,791	$9,062,051	$8,724,151
Net Pension Liability as a Percentage of Covered Payroll	**155.08%**	149.90%	80.47%	207.12%

[1] In accordance with GASB Statement Number 82, employer pickup contributions are classified as Member Contributions.

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

[3] 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 continued

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

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

[1] In accordance with GASB Statement Number 82, employer pickup contributions are classified as Member Contributions.

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

[3] 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 continued

For the Fiscal Years Ended June 30

(Dollars in Thousands)

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

[1] In accordance with GASB Statement Number 82, employer pickup contributions are classified as Member Contributions.

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

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

Schedule of Employer Contributions History — Pension Plan[1]

Last 10 Fiscal Years

(Dollars in Thousands)

	2023	**2022**	**2021**	**2020**	**2019**
Actuarially Determined Contributions	**$2,301,706**	$2,199,889	$2,012,877	$1,800,137	$1,668,151
Contributions in Relation to Actuarially Determined Contributions	**2,301,706**	2,199,889	2,012,877	1,800,137	1,668,151
Contribution Deficiency/(Excess)	**$—**	$—	$—	$—	$—
Covered Payroll[3]	**$9,425,690**	$9,100,791	$9,062,051	$8,724,151	$8,370,050
Contributions as a Percentage of Covered Payroll	**24.42%**	24.17%	22.21%	20.63%	19.93%

	2018	**2017[2]**	**2016**	**2015**	**2014**
Actuarially Determined Contributions	$1,524,823	$1,331,357	$1,403,709	$1,455,718	$1,281,795
Contributions in Relation to Actuarially Determined Contributions	1,524,823	1,331,357	1,403,709	1,455,718	1,281,795
Contribution Deficiency/(Excess)	$—	$—	$—	$—	$—
Covered Payroll[3]	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Contributions as a Percentage of Covered Payroll	19.16%	17.43%	19.28%	20.95%	19.21%

[1]In accordance with GASB Statement Number 82, employer pickup contributions are classified as Member Contributions.

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

[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

For the Fiscal Years Ended June 30

	2023	2022	2021	2020	2019
Annual Money-Weighted Rate of Return (Net of Investment Expense)[1]	**6.4%**	0.6%	25.2%	1.4%	5.5%

	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return (Net of Investment Expense)[1]	9.0%	12.7%	0.7%	4.1%	17.2%

[1]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 2022 triennial investigation of experience (experience study). The June 30, 2022 actuarial valuation prepared by the consulting actuary reaffirmed all assumptions adopted by the LACERA Board of Investments in December 2022.

Key Methods and Significant Assumptions[1]

Description	Method
Valuation Timing	*Contribution Rates Effective Two Years After Valuation* Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions calculated for the June 30, 2022 valuation are applied for the fiscal year July 1, 2023 to June 30, 2024.
Actuarial Cost Method	Individual entry age.
Investment Rate of Return	*Annual Rate of 7.0 Percent* Future investment earnings are assumed to accrue at an annual rate of 7.0 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2019 valuation and reaffirmed in the 2022 triennial experience study.
Consumer Price Index	*Annual Rate of 2.75 Percent* This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
Salary Increases and Wage Growth	*Projected Salary Increases: 3.66 percent to 12.54 percent* In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage growth. These rates are updated each year.
Asset Valuation Method	*Five-Year Asset Smoothing* Assets are valued using a five-year smoothed method based on the difference between expected fair value and actual fair value. The recognition method has no minimum or maximum corridor applied. This rate was adopted with the 2016 triennial experience study. The asset valuation method was modified to include an offsetting of gains and losses prior to applying asset smoothing. Offsetting was adopted with the 2022 triennial experience study.
Amortization Method	*20-Year Amortization* The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. Effective June 30, 2019, existing UAAL layers as of June 30, 2018 are amortized over their remaining periods, not to exceed 22 years. Each new layer effective on or after June 30, 2019 is amortized over a 20-year period. The UAAL contribution rate calculated in the June 30, 2022 funding valuation includes 14 layers.

Key Methods and Significant Assumptions[1] continued

Description	Method
Rates of Separation From Employment	*Various Rates and Probabilities* A schedule of the probabilities of employment termination based on age and/or service due to a particular cause is used. For additional information, see the Retirement Probability of Occurrence tables in the Actuarial Section.
Cost-of-Living Adjustments (COLA)	*Annual COLAs of 2.75 Percent or 2.0 Percent* Post-retirement benefit increases of either 2.75 percent or 2 percent per year are assumed for the valuation in accordance with the benefits provided. This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed with the 2022 experience study.
Mortality	*Mortality Tables for Public Employees* Various rates based on Pub-2010 mortality tables and using MP-2021 Ultimate Projection Scale. See the June 30, 2022 actuarial funding valuation report for details.
Recognition of Inflows/Outflows	*Straight-Line Amortization*
Gains or Losses	
Investment	Straight-line amortization over five years.
Economic/Demographic	Straight-line amortization over expected working life.
Assumption Changes or Inputs	Straight-line amortization over expected working life.

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

Changes in Pension Plan Assumptions

In addition to the annual actuarial valuations, LACERA requires its consulting actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. LACERA's consulting actuary completed an investigation of experience for the three-year period ended June 30, 2022. 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 upon the experience study results, the actuary determines whether changing the assumptions or methodology will better project benefit liabilities and asset growth. At the December 2022 Board of Investments meeting, the Board reaffirmed some existing assumptions and adopted some new valuation assumptions with the approval of the 2022 experience study report. Those assumptions were used to prepare the June 30, 2022 actuarial valuation report.

Assumption changes from the June 30, 2016 and June 30, 2019 experience study reports are also presented to meet GASB 67 requirements to disclose significant assumptions and other inputs to measure and report the Total Pension Liability over a 10-year period. These assumptions were adopted by the Board of Investments at their December 2016 and January 2020 meetings, respectively.

2022 Assumption Changes

Actuarial method and assumption changes derived from the 2022 experience study were applied in preparing the June 30, 2022 valuation report. Actuarial information provided for the fiscal year ended June 30, 2023 financial statements is based on these reports unless otherwise noted.

The Board adopted changes to the following actuarial assumptions for the 2022 valuation report:

- Modified the five-year actuarial asset smoothing method to include gain and loss offsetting.
- Updated the rates of assumed merit salary increases and assumed service retirement to reflect a member's length of service in addition to their age.
- Updated the mortality improvement scale to reflect the most recently published Society of Actuaries mortality projection scale.

- Designated the Supplemental Targeted Adjustment for Retirees (STAR) Reserve as a non-valuation reserve, which was previously included as a valuation reserve.

The 2022 valuation report contained some actuarial assumptions the Board reaffirmed that did not change:

- Investment return assumption of 7.0 percent.
- CPI assumption of 2.75 percent.
- General wage growth assumption of 3.25 percent.

2019 Assumption Changes

Actuarial method and assumption changes derived from the 2019 experience study were applied in preparing the June 30, 2021 valuation report. Actuarial information provided for the fiscal year ended June 30, 2022 financial statements is based on these reports unless otherwise noted.

The following actuarial assumptions were applied to the 2021 valuation report, as adopted by the Board:

- Investment return assumption of 7.0 percent.
- CPI assumption of 2.75 percent.
- General wage growth assumption of 3.25 percent.
- New mortality tables based on published tables that are specific to public plans' general and safety members, with adjustments to match LACERA experience.
- MP-2014 Ultimate Projection Scale to reflect the gradual year-to-year improvement in mortality that is expected to occur in the future. This is sometimes referred to as "generational mortality." Mortality rates are based on the Pub-2010 mortality tables and include projections for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

2016 Assumption Changes

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

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

Schedule of Investment Returns — OPEB Program[1]

For the Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense)[2]	**9.7%**	(11.8)%	28.2%	0.5 %	6.0%	10.0%	16.0%

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

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

Administrative Expenses — Pension Plan

For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Personnel Services		
Salaries and Wages	**$48,391**	$43,224
Employee Benefits	**30,475**	28,499
Total Personnel Services	**$78,866**	$71,723
Consultant & Professional Services		
County Department Services	**$447**	$461
External Audit Fees	**432**	276
Legal Consultants	**3,712**	3,154
Professional Services	**1,216**	427
Temporary Personnel Services	**5,244**	5,085
Total Consultant & Professional Services	**$11,051**	$9,403
Operating Expenses & Equipment		
Administrative Support	**$178**	$203
General Expenses	**1,371**	891
Computer Software	**4,747**	3,478
Disability Medical Service Fees	**3,045**	2,240
Educational Expenses	**656**	599
Equipment	**1,395**	963
Facilities Operations	**7,119**	6,582
Insurance	**976**	1,096
Printing	**1,078**	808
Postage	**757**	971
Telecommunications	**559**	935
Transportation and Travel	**352**	229
Total Operating Expenses & Equipment	**$22,233**	$18,995
Total Administrative Expenses	**$112,150**	$100,121

Schedule of Investment Expenses

For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	Pension Plan		OPEB Master Trust		OPEB Custodial Fund	
	2023	2022	2023	2022	2023	2022
Investment Management Fees						
Cash and Short-Term	**$269**	$307	**$22**	$20	**$8**	$25
Commodity	**2,409**	5,203	**154**	161	**—**	—
Global Equity	**26,190**	44,895	**244**	295	**—**	—
Fixed Income	**46,816**	77,576	**1,768**	1,857	**104**	90
Hedge Fund	**139,506**	99,075	**—**	—	**—**	—
Private Equity	**210,556**	260,426	**—**	—	**—**	—
Real Assets	**26,282**	22,565	**—**	—	**—**	—
Real Estate	**61,942**	50,674	**130**	148	**—**	—
Total Investment Management Fees[1]	**$513,970**	$560,721	**$2,318**	$2,481	**$112**	$115
Other Investment Expenses						
Fund Expenses[2]	**$56,104**	$47,326				
Consultants	**$2,627**	$2,960	**$86**	$62	**$—**	$—
Custodian	**$3,495**	$3,700	**217**	219	**21**	27
Legal Counsel	**$1,848**	$1,082	**—**	—	**—**	—
Other	**$4,126**	$2,867	**—**	—	**—**	—
Total Other Investment Expenses	**$68,200**	$57,935	**$303**	$281	**$21**	$27
Total Fees & Other Investment Expenses	**$582,170**	$618,656	**$2,621**	$2,762	**$133**	$142

[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 audit, legal, tax reporting, and fund administration expenses that are charged to the investment earnings by the investment manager.

Schedule of Payments to Consultants — Pension Plan

For the Fiscal Years Ended June 30, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Actuarial		
Actuarial Valuations and Consulting Services	**$458**	$219
Audit		
External Audit Services	**$432**	$276
Legal		
Investment Legal Counsel	**$1,848**	$1,082
Legislative Consulting	**157**	256
Other Legal Services	**3,555**	2,899
Legal Subtotal	**$5,560**	$4,237
Management		
Management and Human Resources Consulting	**$56**	$38
Information Technology Consulting	**80**	53
Management Subtotal	**$136**	$91
Total Payments to Consultants	**$6,586**	$4,823

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

Investment Section

Design functions as a problem-solving tool, addressing practical needs and improving functionality in products, architecture, and systems.

Mid-1940s to Late 1960s

Post-war design underwent a significant transformation, driven by reconstruction efforts, technological advancements, and a growing middle class. Mid-century modern design prioritized sleek, streamlined aesthetics, functionality, organic shapes, and futuristic styles inspired by the space age. Architecture embraced open spaces and a strong connection to nature, emphasizing harmony with the environment. This era also saw transformative social movements: the Civil Rights Movement championed racial equality, the countercultural revolution embraced personal freedom, feminism redefined societal norms, and the emergence of rock 'n' roll amplified youthful rebellion and cultural change.

LACERA Milestones

1960: LACERA moves to the newly constructed Hall of Administration, located at 500 West Temple in Downtown Los Angeles.

1966: Cost-of-living provision added to CERL.

1967: LACERA grants the first cost-of-living adjustment to retirees.

Annual Report Figures

1948: Total assets of $26.58 million
$659,423 paid in retirement allowances
13,500 members; 896 retirees

1958: Total assets of $212.99 million
$7.73 million paid in retirement allowances
31,974 active members; 4,154 retirees

1968: Total assets of $753.91 million
$29.2 million paid in retirement allowances
57,188 active members; 9,868 retirees


DONUTS

Dear LACERA Members:

I am pleased to present the Investment Section of LACERA's Annual Comprehensive Financial Report for Fiscal Year 2023. 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 provides an overview of the investment performance of the Pension Plan and the OPEB Trust, along with a summary of the investment portfolio.

Jonathan Grabel
Chief Investment Officer

Fiscal year 2023 has been marked by wide swings in capital markets amidst a backdrop of continued economic and geopolitical uncertainty. Global equity markets rebounded in the second half of the fiscal year from the recent low experienced in September 2022. The global economy is still confronting a variety of headwinds, including rising interest rates and high inflation in the U.S. and much of Europe, the continuing humanitarian and economic toll of the war in Ukraine, and trade tensions that appear to be reversing globalization trends. Notwithstanding these challenges, both the Pension Plan and the OPEB Trust outperformed their benchmark returns for the fiscal year. This is in large part due to the well-diversified portfolio constructed by LACERA's Board of Investments (the Board) which is designed to be resilient and responsive in a variety of market conditions. During the fiscal year, LACERA also continued to implement several significant initiatives in our efforts to maximize risk-adjusted returns while maintaining sufficient liquidity to pay monthly benefits to our members now and into the future.

Performance Summary

The Pension Plan returned 6.4 percent during the fiscal year, while the OPEB Trust returned 9.3 percent during the same period.[2] The OPEB Trust's higher return during the fiscal year is primarily attributable to its larger allocation to public market investments. However, that also means that the OPEB Trust's portfolio is more sensitive to public market movements relative to the Pension Plan. The OPEB Trust began investing in private assets during this fiscal year, after the Board approved an 18 percent allocation to private assets for the OPEB Trust in June 2021. As the OPEB Trust increases its allocation in private assets, it is expected that the OPEB Trust's performance return profile will closer align with the Pension Plan's. 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, both the Pension Plan's and the OPEB Trust's returns outperformed their respective policy benchmarks for all periods. The Pension Plan's return is ahead of its actuarial expected return of 7.0 percent[3] for all periods except the one-year period and the OPEB Trust's return is ahead of its actuarial expected return of 6.0 percent for all periods except the five-year period.[4]

[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. LACERA also oversees two custodial fund accounts used to fund the OPEB Program's operations and related healthcare premiums.

[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, 2023.

[4]The OPEB Trust's actuarial expected return for the period ending June 30, 2023.

Annualized Total Returns (Net of Fees)

Fiscal Year Ended June 30, 2023

	1 Year	3 Years	5 Years	7 Years	10 Years
Pension Plan	6.4%	10.1%	7.6%	8.5%	8.1%
Policy Benchmark	*5.0*	*7.2*	*6.4*	*7.3*	*7.3*
OPEB Trust[1]	9.3	7.6	5.6	8.4	6.5
Policy Benchmark	*8.2*	*7.3*	*5.2*	*7.2*	*5.5*

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

Asset Allocation

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.[5]

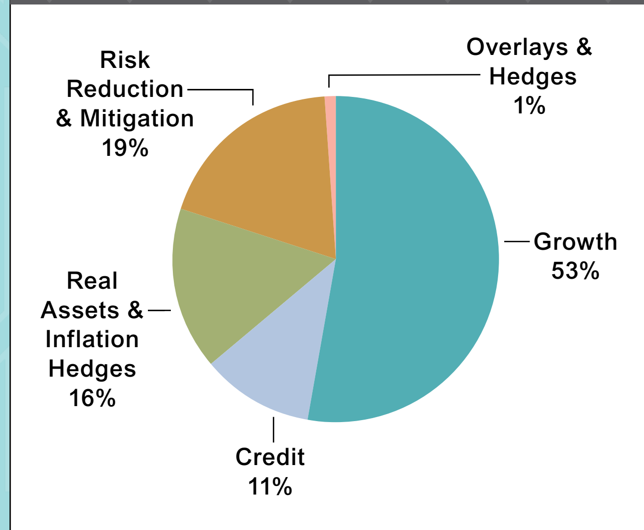
Functional Category	Sub-Asset Classes	Role in Portfolio
Growth	Global Equity Private Equity Non-Core Real Estate	Primary driver of long-term total returns
Credit	Liquid Credit Illiquid Credit	Produce current income and moderate long-term total returns with lower risk than growth assets
Real Assets and Inflation Hedges	Core 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 Long-term Government Bonds Cash	Provide current income and a modest level of return while reducing total portfolio risk
Overlay and Hedges	Cash Overlay Currency Hedge	Assist the Pension Plan's adherence to policy allocation targets and manage risks

The Board reviews the strategic asset allocation for each Fund every three to five years to ensure that both portfolios are aligned with anticipated risks and opportunities. A new strategic asset allocation study for each Fund is planned for completion in the upcoming fiscal year and will 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.

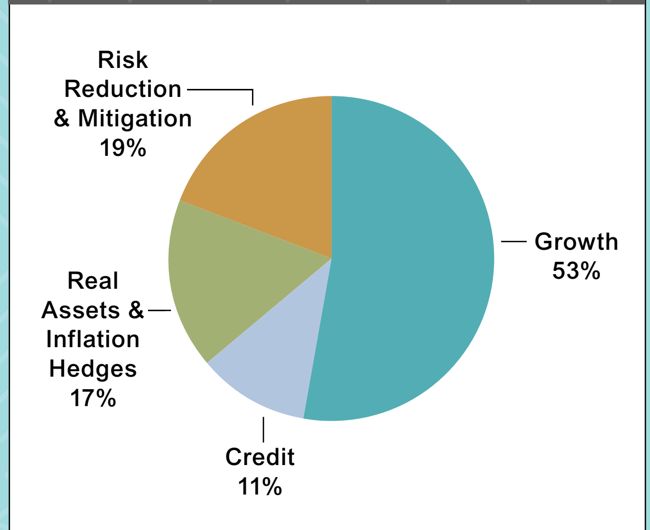
[5]The overlay and hedges functional category only applies to the Pension Plan.

The Pension Plan's June 30, 2023 actual and target asset allocations are shown below.[6]

Pension Plan Actual Asset Allocation

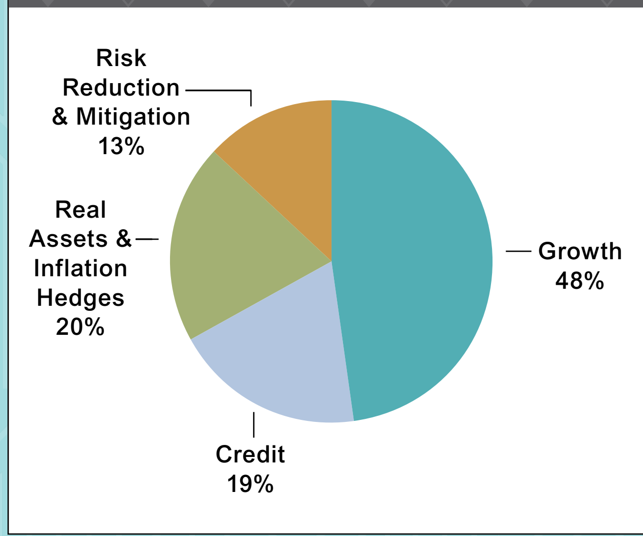


Pension Plan Target Asset Allocation

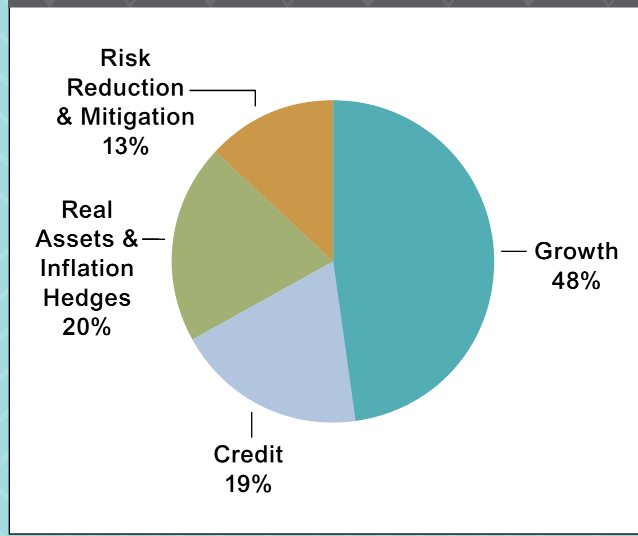


Based on its own liquidity needs and funding status, the OPEB Trust's strategic asset allocation differs from that of the Pension Plan. The OPEB Trust's fiscal year-end and target allocations are illustrated below.

OPEB Trust Actual Asset Allocation



OPEB Trust Target Asset Allocation



During the fiscal year, both portfolios were in compliance with their functional policy target allocation ranges as of fiscal year-end.

[6]The Pension Plan's actual asset allocation includes an overlay and hedges composite that invests LACERA's excess cash (cash in excess of the target allocation of 1 percent of the Pension Plan's total assets) in synthetic securities that provide similar investment exposure to the Pension Plan and hedges 50 percent of the non-U.S.-developed market currency exposure in the Pension Plan's global equities portfolio. The Pension Plan's overlay and hedges composite has a 0 percent policy target weight.

Beyond strategic asset allocation, LACERA continues executing on its strategic initiatives across every portfolio decision, furthering its evolution from allocator to a best-in-class investor. The five distinct strategic initiatives enumerated in LACERA's strategic plan include: 1) enhance operational effectiveness, 2) optimize investment model, 3) maximize stewardship and ownership rights, 4) strengthen influence on fees and cost of capital, and 5) execute LACERA's T.I.D.E. (Towards Inclusion, Diversity, and Equity) initiative. Taken together, these initiatives are designed to maximize investment returns while mitigating risks. For example, LACERA continues to leverage technology and has integrated several tools to bolster its risk analytics and performance reporting platform, which allow LACERA to operate more efficiently and better manage investment risks. LACERA also expanded its internally managed co-investment program to include co-investments in real assets and credit, which should lead to excess returns relative to the respective asset categories' core programs while providing significant cost savings. LACERA also continues to negotiate tailored fee terms and structural rights with some of our largest alternative asset managers, which enables LACERA to retain a larger share of the profits while mitigating operational risks. In addition, LACERA has established revenue-sharing deals with smaller, early-stage asset managers that allow LACERA to participate in the potential success of the manager's business, which can provide an additional and diversifying return stream. Consistent with these initiatives, LACERA has undertaken innovative solutions to improve expected outcomes, all of which inure to the benefit of our members.

Core Performance Drivers

We continue to see the benefits of LACERA implementing a more resilient and diversified portfolio consistent with the strategic asset allocation adopted by the Board in May 2021. During the fiscal year, the Funds benefited from their exposure to growth and credit investments, which delivered the majority of the Funds' returns. This is in contrast to the previous fiscal year, where the Funds' investments in real assets and inflation hedges provided strong performance that helped offset the negative returns experienced in other asset classes. The cash overlay and hedges composite continued to add value, contributing $374 million in gains during the fiscal year after contributing $588 million in gains during the prior fiscal year. Three of the four functional asset classes of the Pension Plan and the OPEB Trust outperformed their individual benchmarks.

Looking Forward

LACERA's continued implementation of its strategic asset allocation, combined with the execution of its strategic initiatives, has enabled the Funds to weather the challenges and outperform the benchmark portfolio during this period of global economic and geopolitical uncertainty. As always, we remain committed to generating long-term durable returns so that LACERA can deliver on its mission to produce, protect, and provide the promised benefit to its members.

Respectfully submitted,

Jonathan Grabel

Jonathan Grabel
Chief Investment Officer

Investment Summary — Pension Plan[1]

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Type of Investment	Fair Value		Percent of Total Fair Value
Growth	$39,155,425		
Global Equity		24,582,852	33.4%
Private Equity		13,427,683	18.3%
Non-Core Private Real Estate		1,144,890	1.5%
Credit	$8,297,113		
Liquid Credit		3,457,935	4.7%
Illiquid Credit		4,839,178	6.6%
Real Assets and Inflation Hedges	$12,050,482		
Core Private Real Estate		4,070,885	5.5%
Natural Resources & Commodities		2,109,659	2.9%
Infrastructure		3,974,017	5.4%
Treasury Inflation-Protected Securities (TIPS)		1,895,921	2.6%
Risk Reduction and Mitigation	$13,658,819		
Investment Grade Bonds		5,044,284	6.9%
Diversified Hedge Funds		4,570,232	6.2%
Long-Term Government Bonds		2,961,794	4.0%
Cash		1,082,509	1.5%
Overlay & Hedges	$407,382		
Cash Overlay		364,339	0.5%
Currency Hedge		43,043	0.0%
Total Investments — Pension Plan		**$73,569,221**	**100.0%**

[1]Fair values presented in this schedule are based on the Investment Book of Record and differ from information presented in the Statement of Fiduciary Net Position, which is based on the Accounting Book of Record.

Investment Summary — OPEB Master Trust[1]

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Type of Investment	Fair Value		Percent of Total Fair Value
Growth	$1,468,745		
Global Equity		1,468,745	47.6%
Credit	$587,079		
Liquid Credit		587,079	19.0%
Real Assets and Inflation Hedges	$615,781		
Real Estate (REITs)		311,953	10.1%
Commodities		121,270	4.0%
Treasury Inflation-Protected Securities (TIPS)		182,558	5.9%
Risk Reduction & Mitigation	$412,681		
Investment Grade Bonds		274,929	8.9%
Long-Term Government Bonds		76,138	2.5%
Cash		61,614	2.0%
Operational Cash[2]	$7,730		
Total Investments — OPEB Master Trust		**$3,092,017**	**100.0%**

[1]Fair values presented in this schedule are based on the Investment Book of Record and differ from information presented in the Statement of Fiduciary Net Position, which is based on the Accounting Book of Record.

[2]Not part of the asset allocation.

Investment Summary — OPEB Custodial Fund[1]

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$14,552	7.4%
Fixed Income	182,609	92.6%
Total Investments — OPEB Custodial Fund	**$197,161**	**100.0%**

[1]Fair values presented in this schedule are based on the Investment Book of Record and differ from information presented in the Statement of Fiduciary Net Position, which is based on the Accounting Book of Record.

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

As of June 30, 2023

		Annualized (Net-of-Fees)			
	Quarter-End June 30, 2023	One-Year	Three-year	Five-year	Ten-year
Growth	**4.2%**	10.2%	15.5%		
Growth Policy Benchmark	*5.8%*	*8.0%*	12.5%		
Global Equity	5.8%	16.6%	11.7%		
Global Equity Policy Benchmark	*5.9%*	*16.1%*	*11.0%*		
Private Equity - Growth	1.7%	0.1%	25.2%		
Private Equity - Growth Policy Benchmark	*7.5%*	*(5.8)%*	*17.9%*		
Non-Core Private Real Estate	(0.5)%	4.0%	12.7%	10.8%	10.7%
Non-Core Real Estate Policy Benchmark	*(2.8)%*	*(1.7)%*	*10.2%*	*9.5%*	*11.6%*
Credit	**2.4%**	7.7%	6.8%		
Credit Policy Benchmark	*1.8%*	*6.0%*	*2.4%*		
Liquid Credit	2.9%	9.0%			
Liquid Credit Policy Benchmark	*2.4%*	*9.3%*			
Illiquid Credit	2.0%	5.6%	13.9%		
Illiquid Credit Policy Benchmark	*1.5%*	*3.8%*	*0.8%*		
Real Assets & Inflation Hedges	**(1.2)%**	0.1%	9.6%		
Real Assets & Inflation Hedges Policy Benchmark	*(2.1)%*	*(0.6)%*	*8.9%*		
Core Private Real Estate	(3.6)%	(1.7)%	8.0%	6.4%	7.9%
Core Private Real Estate Policy Benchmark	*(3.4)%*	*(3.9)%*	*7.7%*	*6.9%*	*8.9%*
Natural Resources & Commodities	0.2%	1.1%	21.2%	6.2%	0.4%
Natural Resources & Commodities Policy Benchmark	*(3.4)%*	*1.8%*	*18.8%*	*5.8%*	*(0.5)%*
Infrastructure	0.7%	1.6%	9.0%		
DJ Brookfield Global Infrastructure Comp	*(0.4)%*	*0.8%*	*7.4%*		
TIPS	(1.4)%	(1.8)%	(0.2)%		
Bloomberg U.S. Treasury U.S. TIPS	*(1.4)%*	*(1.4)%*	*(0.1)%*		
Risk Reduction & Mitigation	**(1.2)%**	(0.2)%	(1.7)%		
Risk Reduction & Mitigation Policy Benchmark	*(0.3)%*	*0.0%*	*(2.6)%*		
Investment Grade Bonds	(0.7)%	(0.7)%	(3.7)%	0.9%	1.9%
Bloomberg Barclays Aggregate Bond Index	*(0.8)%*	*(0.9)%*	*(4.0)%*	*0.8%*	*1.5%*
Diversified Hedge Funds	(1.4)%	4.6%	8.3%		
Diversified Hedge Funds Policy Benchmark	*1.9%*	*6.0%*	*3.7%*		
Long-Term Government Bonds	(2.3)%	(7.5)%			
Bloomberg U.S. Treasury Long	*(2.3)%*	*(6.8)%*			
Cash	1.7%	5.5%	2.5%	2.4%	1.6%
Cash Policy Benchmark	*1.3%*	*3.7%*	*1.3%*	*1.6%*	*1.0%*
Overlays & Hedges	**31.1%**	51.6%			
Cash Overlay	15.4%	41.8%	29.0%		
Total Overlay Custom Benchmark	*3.4%*	*9.4%*	*5.9%*		
Currency Hedge	0.8%	0.7%			
50% FX Hedge Custom Benchmark	*0.8%*	*0.7%*			
Total Fund	**2.2%**	**6.4%**	**10.1%**	**7.6%**	**8.1%**
Total Fund Custom Policy Benchmark	***2.8%***	***5.0%***	***7.2%***	***6.4%***	***7.3%***

[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, 2023

	Annualized (Net-of-Fees)			
	Quarter-End June 30, 2023	One-Year	Three-year	Five-year
Growth	**6.0%**	16.3%	11.2%	7.9%
OPEB Master Trust Growth Policy Benchmark	*6.0%*	*15.0%*	*10.6%*	*7.4%*
Global Equity	6.0%	16.3%	11.2%	7.9%
MSCI ACWI IMI Net	*5.9%*	*16.1%*	*11.0%*	*7.6%*
Credit	**2.4%**	10.7%	3.4%	2.8%
OPEB Master Trust Credit Policy Benchmark	*2.3%*	*8.8%*	*3.2%*	*2.8%*
Liquid Credit	2.4%	10.6%		
Liquid Credit Policy Benchmark	*2.4%*	*9.5%*		
Bank Loans	3.0%	11.7%	5.9%	3.9%
S&P/LSTA Leverage Loan	*3.1%*	*10.7%*	*6.3%*	*4.1%*
EM Debt LC	2.3%	10.8%	(1.8)%	(0.2)%
JPM GBI-EM Global Diversified	*2.5%*	*11.4%*	*(1.4)%*	*0.3%*
High Yield Bonds	1.6%	8.5%	2.9%	2.9%
Bloomberg Barclays U.S. Corporate HY Index	*1.7%*	*9.1%*	*3.1%*	*3.4%*
Real Assets & Inflation Hedges	**0.5%**	(2.5)%	8.5%	3.9%
OPEB Master Trust Real Asset & Inflation Hedges Policy Benchmark	*(1.8)%*	*(2.3)%*	*8.5%*	*3.9%*
Commodities	(2.6)%	(9.9)%	17.8%	4.7%
Bloomberg Commodity Index Total Return	*(2.6)%*	*(9.6)%*	*17.8%*	*4.7%*
Real Estate (REITs)	3.0%	(0.4)%	9.2%	3.2%
DJ US Select Real Estate Securities	*3.0%*	*(0.8)%*	*9.1%*	*3.3%*
Treasury Inflation-Protected Securities (TIPS)	(1.4)%	(1.3)%	(0.1)%	2.6%
Bloomberg U.S. Treasury: U.S. TIPS	*(1.4)%*	*(1.4)%*	*(0.1)%*	*2.5%*
Risk Reduction & Mitigation	**(0.8)%**	0.3%	(2.8)%	1.1%
OPEB Master Trust Risk Reduction & Mitigation Policy Benchmark	*(0.8)%*	*(1.3)%*	*(3.3)%*	*0.7%*
Investment Grade Bonds	(0.8)%	(0.9)%	(3.9)%	0.8%
Bloomberg Barclays U.S. Aggregate Bond Index	*(0.8)%*	*(0.9)%*	*(4.0)%*	*0.8%*
Cash	1.3%	4.4%	1.5%	2.0%
Cash Policy Benchmark	*1.3%*	*3.7%*	*1.4%*	*1.6%*
Long-Term Government Bonds	(2.4)%			
Bloomberg U.S. Treasury: Long	*(2.3)%*			
Total OPEB Master Trust	**3.3%**	**9.3%**	**7.6%**	**5.6%**
Total OPEB Master Trust Policy Benchmark	***2.8%***	***8.2%***	***7.3%***	***5.2%***

[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]
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%	.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	57,976,437	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	70,297,718	25.2%	25.2%	10.4%	7.00%	79.3%
2022	67,467,013	0.1%	0.6%	8.5%	7.00%	79.6%
2023[6]	**$71,460,617**	**6.4%**	**6.4%**	**N/A**	**N/A**	**N/A**

[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 7.0 percent as adopted by the Board of Investments based on the results of the actuarial investigation of experience completed in December 2022. For fiscal year 2022-2023, interest crediting and operating tables applied the 7.0 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, 2023 is not yet available at financial statement publication.

Largest Equity Holdings — Pension Plan[1]

As of June 30, 2023

(Dollars in Thousands)

Shares	Description	Fair Value
5,653,570	Apple Inc.	$1,096,623
2,549,793	Microsoft Corporation	868,306
4,076,715	Alphabet Inc.	490,488
3,287,448	Amazon.com Inc.	428,552
889,539	NVIDIA Corporation	376,293
1,009,675	Tesla Inc.	264,303
800,683	Meta Platforms Inc.	229,780
1,958,004	Exxon Mobil Corporation	209,996
5,050,604	Enbridge Inc.	187,940
1,117,824	Chevron Corporation	175,890

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.

Largest Fixed Income Holdings — Pension Plan[1]

As of June 30, 2023

(Dollars in Thousands)

Par	Description	Fair Value
110,270,619	United States Treasury 3.625% 20530215	$107,306
157,319,469	United States Treasury 1.375% 20401115	105,517
115,747,553	United States Treasury 2.875% 20520515	96,336
125,541,971	United States Treasury 2.375% 20510515	93,701
135,065,077	United States Treasury 2.000% 20510815	93,068
122,743,489	United States Treasury 2.000% 20411115	90,143
125,997,538	United States Treasury 1.875% 20510215	84,304
86,503,780	United States Treasury 0.125% 20251015	82,032
110,381,917	United States Treasury 2.250% 20520215	80,688
124,553,549	United States Treasury 1.125% 20400815	80,598

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

[1]Reflects fixed income exposure of assets held in custody.

Schedule of Investment Management Fees

For the Fiscal Years Ended June 30, 2023 and 2022

(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Custodial Fund	
Investment Managers	2023	2022	2023	2022	2023	2022
Cash and Short-Term	$269	$307	$22	$20	$8	$25
Commodity	2,409	5,203	154	161	—	—
Global Equity	26,190	44,895	244	295	—	—
Fixed Income	46,816	77,576	1,768	1,857	104	90
Hedge Fund	139,506	99,075	—	—	—	—
Private Equity	210,556	260,426	—	—	—	—
Real Asset	26,282	22,565	—	—	—	—
Real Estate	61,942	50,674	130	148	—	—
Total Investment Management Fees[1]	**$513,970**	**$560,721**	**$2,318**	**$2,481**	**$112**	**$115**

[1]Differences in expenses from investing activities reported in the Statement of Changes in Fiduciary Net Position are due to incentive fees, carry allocations, and operating expenses included in the above schedule. In the Statement of Changes in Fiduciary Net Position, these incentive fees, carry allocations, and operating expenses are deducted from investment income.

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
Parametric Portfolio Associates, LLC
State Street Global Advisors (SSGA)
Symphony Financial Partners
Systematic Financial Management, LP

Non-Core Private Real Estate

Aermont Capital Management, S.a.r.l
AEW Capital Management, LP
Angelo, Gordon & Company, LP
Bain Capital, LP
Blackstone, Inc.
Brookfield Asset Management, Inc.
CapMan, PLC
Capri Capital Advisors, LLC
CB Richard Ellis Global Investors, LLC
CityView Management Services, LLC
Hunt Investment Management, LLC
Europa Capital, LLP
RREEF America, LLC
Starwood Capital Group
Stockbridge Capital Group
The Carlyle Group
TPG Capital

Private Equity[1]

Hamilton Lane Advisors, LLC
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
PineBridge Investment, LLC

Bank Loans

Bain Capital Credit, LP
Credit Suisse Asset Management, LLC
Crescent Capital Group, LP

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
Silver Rock Capital Management
Stable Asset Management
Tennenbaum Capital Partners, LLC
Värde Partners
Waterfall Asset Management

REAL ASSETS and INFLATION HEDGES

Core Real Estate

Avison Young - Southern California, LTD
CityView Management Services, LLC
Clarion Partners, LLC
Heitman Capital Management, LLC
IDR Investment Management, LLC
Invesco Advisers, Inc.
Prologis Management II, S.a.r.l
RREEF America, LLC
Stockbridge Capital Group

Infrastructure

RREEF America, LLC

Infrastructure (Private)

Antin Mid Cap Fund I
Axium (CAD)
Axium North America (USD)
DIF CIF III
DIF VI Infrastructure
DWS Pan-European Infrastructure Fund III
Grain GCOF III
Grain Spectrum Holdings III
Guardian Smart Infrastructure Partners
KKR DCIF
Macquarie Global Infrastructure Fund
Partners Group Direct Infrastructure 2020

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

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

Natural Resources and Commodities (Private)
Appian Natural Resources Fund II LP
Ara Fund III
Cibus Fund II
Cibus Enterprise II
Energy and Minerals Group III
Hitec Vision New Energy Fund SCSP
Orion Mine Finance Fund III
Orion Mineral Royalty Funds I
Sprott Private Resource Streaming and Royalty Annex Fund
TIAA CREF Global Agriculture
TIAA CREF Global Agriculture II

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

RISK REDUCTION and MITIGATION Investment Grade Bonds
Allspring Global Investments
BlackRock Institutional Trust Company, N.A.
Pugh Capital Management, Inc.
Western Asset Management Company

Diversified Hedge Funds
AM Squared General Partner, LTD
Brevan Howard Capital Management
Capula Investment Management
Caxton Associates, LP
Davidson Kempner Institutional Partners, LP
Grosvenor Capital Management, LP
HBK Capital Management
Hudson Bay Capital Management
Polar Asset Management Partners
Stable Asset Management

Cash
State Street Global Advisors (SSGA)

Mortgage Loan Servicer
Ocwen Loan Servicing, LLC

Securities Lending Program
State Street Bank & Trust Company
State Street Global Advisors (SSGA)

Health Reserve Program
Standish Mellon Asset Management Company, LLC

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

OVERLAYS and HEDGES
BlackRock Institutional Trust Company, N.A.
Parametric Portfolio Associates, LLC

Actuarial Section

Design has the power to influence behavior and perceptions, shaping how individuals interact with their environment, products, and technology, thus contributing to societal change.

1970s and 1980s

Post-modern design of this period challenged the status quo, embracing eclecticism and individuality and celebrating a diversity of influences and artistic expression. Architecture of the 1970s and 1980s frequently referenced previous styles while simultaneously embracing elements like sleek glass exteriors and playful geometric shapes. Design was intricately linked with the influential cultural movements of the time, such as disco, known for its vibrant, opulent aesthetic, and punk rock, which inspired rebellious, do-it-yourself design expressions.

LACERA Milestones

1970: Retiree healthcare insurance offered, with LACERA-paid subsidy based on years of service.

1971: Board of Investments established.

1982: County begins subsidizing retiree healthcare insurance.

1986: LACERA becomes an independent entity, with a Retirement Administrator who reports to the LACERA boards rather than the County Treasurer.

1989: STAR COLA created.

Annual Report Figures

1978: Total assets of $2.37 billion
$129.93 million paid in retirement allowances
65,310 active members; 21,303 retirees

1988: Total assets of $6.89 billion
$344.2 million paid in retirement allowances
67,821 active members; 33,119 retirees


MOCA

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 investigation of experience and 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 Los Angeles 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 labor 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, in compliance with CERL, the consulting actuary performs an investigation of experience of retirement benefits (experience study). On a triennial basis, a separate consulting actuarial firm reviews both the annual valuation and experience study.

Valuation Policy

The LACERA Board of Investments maintains the Retirement Benefit Funding Policy (Funding Policy). The Funding Policy was amended in February 2013 to conform to the new standards mandated in PEPRA. In December 2022, the Board of Investments adopted to exclude the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance as part of the valuation assets, as recommended by the consulting actuary in the 2022 experience study. The Board of Investments may approve future STAR COLA awards funded by the STAR Reserve balance.

The Funding Policy requires an adjustment of the employer contribution rates each year 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, 2022 and recommended changes to the employer and employee (member) contribution rates. At its March 2023 meeting, the LACERA Board of Investments adopted Milliman's June 30, 2022 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 reviewing relevant forecasts and comparing actual experience 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 December 2022 meeting, the LACERA Board of Investments adopted Milliman's recommendations based on the 2022 Investigation of Experience for Retirement Benefit Assumptions report. Some assumptions and methods remained unchanged from the prior experience study while others were updated, including demographic assumptions, projected salary increases, and modifications to current actuarial methods.

Member Contributions

Member contribution rates for contributory legacy plans (General Plans A, B, C, and D, and Safety Plans A and B) vary based on the age a member joins LACERA and the underlying actuarial assumptions and methodologies. Typically, these member contribution rates will change no more frequently than every three years. As part of the experience study or annual valuation, the Pension Plan actuary recommends adjustments to member contribution rates, if necessary, due to changes in the underlying actuarial assumptions and methodologies. Based on the modified assumptions from the 2022 experience study and the resulting calculations contained in the June 30, 2022 annual valuation, the Board of Investments adopted new member contribution rates (generally higher on a relative basis), effective July 1, 2023 for active members in these retirement plans.

PEPRA plans (General Plan G and Safety Plan C) use single-rate member contribution rates that are equal to one-half of the respective plan's normal cost rate, as PEPRA requires, some member contribution rates for these plans may change annually. Based on the June 30, 2022 valuation, the actuary recommended new member contribution rates effective July 1, 2023. The recommended member contribution rates increased for all Plan G and Safety Plan C active 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 a 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 their 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.

For the June 30, 2022 valuation, the actuary recommended new employer normal cost contribution rates for all plans and a new UAAL contribution rate, effective July 1, 2023. Based on the 2022 valuation, the aggregate employer normal cost rate increased from 10.88 percent to 11.12 percent, and the employers' required contribution rate to finance the UAAL increased from 13.58 percent to 14.72 percent. The increase in the calculated employer contribution rate from 24.46 percent to 25.84 percent of payroll was primarily due to the actuarial assumption and method changes, the less-than-assumed investment return for fiscal year 2021-2022, and payroll growth being less than expected. These increases were partially offset by the recognition of deferred investment gains from prior years.

Actuarial Cost Method

The entry age 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 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.

Actuarial 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, LACERA's reviewing actuary, performed the most recent review of Milliman's experience study and valuation reports as of June 30, 2022.

In 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, 2022 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 required Governmental Accounting Standards Board (GASB) Statement Number 67 disclosures, including actuarial methods and significant assumptions used for financial reporting. Any differences between these assumptions used for actuarial funding in this Actuarial Section 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
- Retirees and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
- Actuary Solvency Test — Pension Plan
- Actuarial Analysis of Financial Experience — Pension Plan
- Retirement Probability of Occurrence

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

See Note A — Benefit Plan Descriptions in the Financial Section for pension plan information.

Milliman

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September 15, 2023

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.

The Funded Ratio, which is the ratio of the Valuation Reserves to the actuarial accrued liabilities, measures LACERA's funded status. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2020	76.3%
June 30, 2021	79.3%
June 30, 2022	79.6%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2022. Using the fair value of assets as of June 30, 2022, the Funded Ratio would be 79.9%. As of June 30, 2022 a net asset gain is being deferred.

LACERA's funding policy provides that employer 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%. 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. 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.

Based on the current funding policy, Valuation Reserves are the actuarial value of assets minus the 1% Contingency Reserve, the County Contribution Credit Reserve, and the Advanced Employer Contribution Reserve. Beginning with the June 30, 2022 valuation the STAR Reserve is also excluded from Valuation Reserves.

In preparing the June 30, 2022 funding valuation report, we relied, without audit, on information (some oral and some in writing) supplied by LACERA. This information includes, but is not

[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.

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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 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, 2022, which was adopted at the December 14, 2022 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 Fiduciary Net Position is equal to the fair value of assets.

Actuarial computations presented in the funding valuation report are for the purpose of determining the recommended funding amounts for LACERA consistent with our understanding of its funding requirements and goals. The liabilities are determined by using the entry age normal actuarial cost 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 fair value of assets to the expected fair value. In our opinion, the actuarial assumptions and methods are internally consistent, individually reasonable and, in combination, represent a reasonable estimate of the anticipated experience of LACERA. We have incorporated other sources of economic data in assessing the reasonableness of the assumptions. In particular, we have considered LACERA's investment policy statement and Meketa's capital market assumptions in our assessment of the investment return assumption.

The valuation results were developed using models employing standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. Reliance on other experts is reflected in Milliman's capital market assumptions, and in Milliman's expected return model maintained by Milliman investment consultants.

Future actuarial measurements may differ significantly from the current measurements as presented in the funding valuation report and the GASB 67 disclosure report due to factors such as: 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.

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Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations. Milliman does not intend to benefit or create a legal duty to any third-party recipient of our work product. 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 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 funding valuation reports, our June 30, 2022 funding valuation report, and our June 30, 2023 GASB 67 disclosure report. Milliman has reviewed the information in Note E for accuracy.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

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

Craig Glyde, ASA, EA, MAAA
Principal and Consulting Actuary

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Summary of Actuarial Methods and Assumptions — Pension Plan

The table below includes a summary of actuarial methods and both demographic and economic assumptions used by LACERA's consulting actuary in performing the actuarial valuation of the Pension Plan.

Method/Assumption	Application
Actuarial Methods and Assumptions	*2022 Pension Plan Experience Study* The actuarial methods and assumptions used to determine Pension Plan liabilities are based on the results of the 2022 experience study as recommended by Milliman, the consulting actuary, and adopted by the LACERA Board of Investments. *2022 Pension Plan Actuarial Valuation* Milliman used the 2022 experience study results to prepare the annual actuarial valuation report as of June 30, 2022. LACERA used the 2022 Actuarial Valuation report to update the valuation disclosures in this Actuarial Section. *Retirement Benefit Funding Policy* 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 standards mandated in PEPRA. In December 2022, the Board of Investments approved an exclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve from valuation assets as an exception to the Funding Policy. The Board of Investments will review and update the Funding Policy accordingly.
Actuarial Cost Method	*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 retirement system. This method was reaffirmed in the 2022 experience study.
Actuarial Asset Valuation Method	*Five-Year Asset Smoothing With Offsetting* The valuation assets are valued using a five-year smoothing method based on the difference between expected and actual fair value of assets as of the valuation date. The gains and losses on fair value are recognized over a five-year period to spread out the impact of investment market performance, rather than recognizing the entire effect of market changes each year. The expected fair value is the prior year's fair 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. To the extent that there is a loss for the year and there are unrecognized gains from previous years, or to the extent that there is a gain for the year and there are unrecognized losses from previous years, the gain or loss for the year shall be used to offset unrecognized gains or losses from previous years in the order of oldest to most recent. Any remaining gain or loss for the year is recognized over a five-year period. The five-year asset smoothing method was adopted effective June 30, 2009, and the offsetting methodology was adopted effective June 30, 2022. *STAR Reserve Assets* Valuation assets exclude the statutory Contingency Reserve and the STAR Reserve. This treatment of the STAR Reserve as a non-valuation reserve was adopted effective June 30, 2022.

Method/Assumption	Application
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	*20-Year Amortization* As of the June 30, 2019 valuation, all existing amortization layers were set to be amortized over a maximum 22-year period and now have a period of 20 years or less. 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 approach is referred to as layered amortization. For the June 30, 2022 valuation, 14 amortization layers were used to calculate the total amortization payment beginning July 1, 2023.
General Wage Growth and Projected Salary Increases	*3.25 Percent Wage Growth and Various Rates* Projected salary increases: 3.66 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. The General Wage Growth rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2022 triennial experience study. The Projected Salary Increases were adopted beginning with the June 30, 2022 valuation.
Investment Rate of Return	*Annual Rate of 7.0 Percent* Future investment earnings are assumed to accrue at an annual rate of 7.0 percent, compounded annually, net of both investment and administrative expenses. 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	*Annual COLAs of 2.75 Percent or 2.0 Percent* 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. These rates were adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
Consumer Price Index (CPI)	*Annual Rate of 2.75 Percent* This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.

Method/Assumption	Application
Rates of Separation From Employment	*Various Rates and Probabilities* Various rates are dependent upon member's age, gender, years of service, and retirement plan. Each rate represents the probability that a member will separate from service at each age (or service duration) due to the particular cause. These rates of separation from active service were adopted beginning with the June 30, 2022 valuation. The Retirement Probability of Occurrence schedule included in this Actuarial Section includes a summary of probability of retirement and withdrawal for sample ages.
Expectation of Life After Retirement[1,2]	*Mortality Tables for Public Employees* The same post-retirement mortality probabilities are used in the valuation for both members retired from service and their beneficiaries. Current beneficiary mortality is assumed to be the same as for healthy general members of the same sex. Future beneficiaries are assumed to be of the opposite sex and have the same mortality as general members. **Males:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2021 Ultimate Projection Scale. **Females**: **General Members:** PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale. The amount-weighted Pub-2010 mortality table probabilities were adopted June 30, 2019. The MP-2021 Ultimate Projection Scale for expected future mortality improvement was adopted June 30, 2022.
Expectation of Life After Disability[1,2]	*Mortality Tables for Public Employees* **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-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2021 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-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale. The amount-weighted Pub-2010 mortality table probabilities were adopted June 30, 2019. The MP-2021 Ultimate Projection Scale for expected future mortality improvement was adopted June 30, 2022.

[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 ultimate improvement rates from the SOA's Mortality Improvement Scale MP-2021 (published in October 2021) are 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, partially due to improvements in healthcare.

Method/Assumption	Application
Recent Changes and Their Financial Impact	*2022 Pension Plan Experience Study* An experience study was performed by the consulting actuary for the three-year period ended June 30, 2022. The LACERA Board of Investments adopted the demographic assumptions, projected salary increases, and actuarial methods recommended in that report. The investment return assumption and other economic assumptions remain unchanged. Changes to those assumptions and other financial impacts are discussed below. *STAR Reserve* The STAR Reserve is excluded from the 2022 valuation assets. This is consistent with the treatment of STAR benefits as there is no corresponding liability for future potential STAR benefits included in the valuation. The exclusion of the STAR Reserve in the valuation assets was adopted by the Board of Investments in December 2022. *2022 Assumption Changes* At the December 2022 LACERA Board of Investments meeting, the Board adopted new assumptions with the 2022 Investigation of Experience report. The adopted assumptions included updating: rates of assumed merit salary increases; assumed rates of service retirement to reflect a member's length of service in addition to their age; and the mortality improvement scale, to reflect the most recent improvement scale published by the Society of Actuaries Retirement Plans Experience Committee (RPEC). Of these changes, the update to the service retirement assumption had the greatest single impact on the results of the valuation. All assumption changes have been reflected in the June 30, 2022 actuarial valuation. *Funded Ratio* As of June 30, 2022, the Funded Ratio increased from 79.3 percent to 79.6 percent, primarily due to the recognition of deferred investment gains from prior years (primarily from fiscal year 2020–2021) and employer contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL). The less-than-assumed investment return for fiscal year 2021–2022, assumption and method changes adopted at the December 2022 Board of Investments (BOI) meeting, and both CPI and retiree COLAs greater than assumed, partially offset the positive factors. *Employer Contributions* The total calculated employer contribution rate increased from the prior valuation by 1.38 percent (from 24.46 percent to 25.84 percent) of payroll. The increase in the employer contribution rate is primarily due to the actuarial assumption and method changes, the less-than-assumed investment return for fiscal year 2021–2022, and payroll growth being less than expected. These factors were partially offset by the rate-reducing impact of the recognition of deferred investment gains from prior years (primarily the strong investment return for fiscal year 2020–2021). *Member Contributions* New member contribution rates are recommended for all plans effective July 1, 2023. 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. Member contribution rates for all contributory legacy 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 recommended member contribution rates are generally higher for all 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, 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%
June 30, 2021	64,909,377	81,898,044	16,988,667	79.3%	9,062,051	187.5%
June 30, 2022	**$68,711,610**	**$86,320,151**	**$17,608,541**	**79.6%**	**$9,100,791**	**193.5%**

[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, 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%
June 30, 2021	General	85,963	$7,437,522,936	$86,520	4.66%
	Safety	13,138	1,650,856,932	125,655	4.11%
	Total	99,101	$9,088,379,868	$91,708	4.60%
June 30, 2022	**General**	**83,689**	**$7,334,839,584**	**$87,644**	**1.30%**
	Safety	**12,850**	**1,626,909,156**	**126,608**	**0.76%**
	Total	**96,539**	**$8,961,748,740**	**$92,830**	**1.22%**

[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.

Retirees 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[1,2]	Member Count	Annual Allowance[1]	Member Count[3]	Annual Allowance[1]	Percentage Increase in Retiree Allowance	Average Annual Allowance
June 30, 2013	3,373	$205,659	(2,057)	($69,494)	58,086	$2,611,067	5.50%	$45.0
June 30, 2014	3,128	172,743	(1,985)	(71,730)	59,229	2,712,080	3.87%	45.8
June 30, 2015	3,501	180,549	(2,124)	(80,028)	60,606	2,812,601	3.71%	46.4
June 30, 2016	3,479	220,632	(2,171)	(80,881)	61,914	2,952,352	4.97%	47.7
June 30, 2017	3,721	245,915	(2,311)	(89,624)	63,324	3,108,643	5.29%	49.1
June 30, 2018	3,826	276,118	(2,270)	(89,033)	64,880	3,295,728	6.02%	50.8
June 30, 2019	3,978	302,022	(2,351)	(97,840)	66,507	3,499,910	6.20%	52.6
June 30, 2020	3,930	311,206	(2,425)	(104,914)	68,012	3,706,202	5.89%	54.5
June 30, 2021	4,350	327,745	(2,865)	(132,185)	69,497	3,901,762	5.28%	56.1
June 30, 2022	**4,796**	**$378,343**	**(2,722)**	**($130,089)**	**71,571**	**$4,150,016**	**6.36%**	**$58.00**

[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, 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%
June 30, 2021	11,115	46,774	24,009	64,909	100%	100%	29%
June 30, 2022	**$11,029**	**$49,637**	**$25,654**	**$68,712**	**100%**	**100%**	**31%**

[1]Includes vested and non-vested former members.

Actuarial Analysis of Financial Experience — Pension Plan

(Dollars in Millions)

	Valuation as of June 30				
	2022	**2021**	**2020**	**2019**	**2018**
Unfunded Actuarial Accrued Liability	**$16,989**	$18,512	$17,018	$13,294	$13,145
Expected Increase/(Decrease) From Prior Valuation	**(76)**	171	306	25	146
Salary Increases Greater/(Less) Than Expected	**(21)**	484	388	486	223
CPI Greater/(Less) Than Expected	**355**	(73)	43	44	45
Change in Assumptions	**1,364**	—	—	2,528	—
Asset Return Less/(Greater) Than Expected	**(996)**	(2,039)	701	477	(411)
All Other Experience	**(7)**	(66)	56	164	146
Ending Unfunded Actuarial Accrued Liability	**$17,608**	**$16,989**	**$18,512**	**$17,018**	**$13,294**

	Valuation as of June 30				
	2017	**2016**	**2015**	**2014**	**2013**
Unfunded Actuarial Accrued Liability	$12,841	$9,491	$11,288	$13,315	$11,770
Expected Increase/(Decrease) From Prior Valuation	320	(102)	(54)	338	869
Salary Increases Greater/(Less) Than Expected	277	162	79	(291)	(563)
CPI Less Than Expected	(139)	(191)	(570)	(427)	(190)
Change in Assumptions	—	2,922	—	—	511
Asset Return Less/(Greater) Than Expected	(421)	496	(1,263)	(1,664)	893
All Other Experience	267	63	11	17	25
Ending Unfunded Actuarial Accrued Liability	**$13,145**	**$12,841**	**$9,491**	**$11,288**	**$13,315**

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	0.3000	0.0039	0.0009	N/A	0.0038	0.0050
70	0.2200	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	0.3000	0.0022	0.0007	N/A	0.0024	0.0050
70	0.2200	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	0.0310
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	0.0100
50	0.0150	0.0120	0.0011	0.0005	N/A	0.0018	20	0.0075
60	0.0700	0.0560	0.0039	0.0009	N/A	0.0038	25	0.0050
70	0.2400	0.2400	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	0.0310
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	0.0100
50	0.0150	0.0120	0.0013	0.0005	N/A	0.0011	20	0.0075
60	0.0700	0.0560	0.0022	0.0007	N/A	0.0024	25	0.0050
70	0.2400	0.2400	0.0025	0.0011	N/A	0.0064	30 & up	0.0000
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0105		

Plan E General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	N/A	N/A	N/A	0.0004	5	0.0310
30	0.0000	N/A	N/A	N/A	0.0004	10	0.0230
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	0.2000	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	0.0230
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	0.2000	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	0.2100	0.2100	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	0.2100	0.2100	0.0600	0.0000	0.0001	0.0017	25	0.0020
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0023	30 & up	0.0000

Introduction

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

As required by the OPEB Policy, LACERA engages an independent actuarial consulting firm to perform the OPEB Program valuation annually, and every three years, the consulting actuary, Milliman, performs an investigation of experience (experience study). On a triennial basis, a separate consulting actuarial firm, Cavanaugh Macdonald Consulting (CMC), reviews both the annual valuation and experience study.

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 employers who administer OPEB benefit programs for their retirees, such as LACERA.

Contributions and Funding Policy

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

In June 2015, the County Board of Supervisors approved the countywide budget with a dedicated funding promise for the OPEB liability, using the multiyear approach to enhance the County's OPEB Trust balances in a consistent manner. This funding commitment provides prefunding goals and indicates that the County has placed a priority on making OPEB contributions. The County, LACERA, and Superior Court regularly prefund these obligations, depositing monies into an irrevocable OPEB trust. The plan sponsors provide updated funding projections each year including a five-year forecast. 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 retirement 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 agents' 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 is 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 Program — Los Angeles County, Superior Court, LACERA, and outside districts
- OPEB Trust — Los Angeles County, Superior Court, and LACERA

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 Numbers 74 and 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 July 1, 2016.[1] GASB 75 is for employers that sponsor OPEB plans and was effective beginning for the employer fiscal year July 1, 2017.[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 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 as of a June 30, 2018 reporting date and was reflected in LACERA's June 30, 2019 financial statements. LACERA's June 30, 2023 and 2022 financial statements contain some limited information within the Required Supplementary Information Section to support compliance with GASB 74 requirements under an agent plan.

OPEB Actuarial Projects

Milliman performed the most recent OPEB valuation as of July 1, 2022, using the actuarial assumptions from the 2020 OPEB experience study. The OPEB Policy requires not only annual OPEB valuations but also for the actuary to review the reasonableness of the economic and demographic assumptions every three years. As a result of the current OPEB Policy's increased valuation and review frequency, and for consistency with the retirement benefits valuation and review requirements, the timing of these actuarial projects was adjusted to promote operational efficiency.

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

The project schedule will revert back to a three-year cycle beginning with the July 1, 2023 OPEB experience study. Beginning in 2006, Milliman completed OPEB valuations every two years. The OPEB Policy changed the frequency to annual with the July 1, 2017 OPEB valuation.

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, CMC, last performed reviews of Milliman's OPEB experience study and OPEB valuation 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 complete the two-year staggered cycle. The next triennial cycle for the actuarial reviews will be conducted as of July 1, 2023 for both the OPEB experience study and OPEB valuation.

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
- Retirees 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.

[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.

Milliman

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September 15, 2023

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, 2020	$21.30	$1.49	$19.81	18.18%
July 1, 2021	$21.16	$2.31	$18.85	16.76%
July 1, 2022	$23.10	$2.39	$20.71	18.27%

* 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 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.

Milliman has developed certain models to estimate the values included in these valuations. The intent of the models was to estimate the assumed investment earnings, analysis of OPEB demographic assumptions, retiree health claim costs, and annual trends for retiree health benefits. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

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The models, including all input, calculations, and output may not be appropriate for any other purpose.

The models rely on data and information as input to the models. We have relied upon certain data and information listed below for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in these valuations may likewise be inaccurate or incomplete.

In preparing the July 1, 2022 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, 2022 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 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, 2022 valuation of the LACERA retirement benefit program, approved by LACERA's Board of Investments. Economic and relevant demographic assumptions from the 2022 retirement benefit investigation of experience, conducted by Milliman, are included in the July 1, 2022 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, 2022 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, 2022 OPEB funding valuation and the forthcoming June 30, 2024 GASB 75 disclosure reports are for purposes of fulfilling financial accounting requirements for LACERA's employers. The liabilities in the July 1, 2022 OPEB funding valuation and the GASB 75 disclosure reports are determined by using the entry age

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normal actuarial cost method. The assets are recognized at fair 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. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations. Milliman does not intend to benefit or create a legal duty to any third party recipient of our work product. 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 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, 2022 OPEB actuarial funding valuation, and our forthcoming June 30, 2024 GASB 75 report. Milliman has reviewed the information in Note N for accuracy.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the July 1, 2022 OPEB actuarial funding valuation is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion of the July 1, 2022 OPEB actuarial funding valuation. We have experience in performing valuations for public OPEB programs.

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Milliman

Board of Retirement
September 15, 2023
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Sincerely,

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

Janet O. Jennings, ASA, MAAA
Consulting Actuary

RLS/bh

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Summary of Actuarial Methods and Assumptions — OPEB Program

The table below includes a summary of actuarial methods and both demographic and economic assumptions used by LACERA's consulting actuary in performing the actuarial valuation of the OPEB Program.

Method/Assumption	Application
Actuarial Methods and Assumptions	*2022 Pension Plan Experience Study and 2020 OPEB Experience Study* 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 2022 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, assumptions used for the Pension Plan are carried over to the OPEB Program; however, some assumptions developed and applied are unique to the OPEB Program. Pension Plan assumptions were reviewed and changed as of June 30, 2022, as a result of the 2022 Pension Plan triennial Investigation of Experience Study approved by the Board of Investments in December 2022. The general wage increase and inflation assumptions were evaluated for the Pension Plan and applied to the OPEB Program. *OPEB Assumptions* The consulting actuary recommended an OPEB-specific investment earnings assumption since investment earnings for the OPEB valuation are based on the expected investment return from the County's general assets or the expected investment return from the OPEB Trust. OPEB Trust 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. The updated OPEB assumptions were adopted in March 2021 by the Board of Retirement and were applied to the OPEB valuations conducted as of July 1, 2020, 2021, and 2022. See the schedule titled Active Member Valuation Data — OPEB Program for active member valuation information.

Method/Assumption	**Application**
Actuarial Cost Method	*Entry Age Normal* 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. *Unfunded Actuarial Accrued Liability (UAAL)* The portion of this actuarial present value allocated to a valuation year is called the normal cost (NC). The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of the active members, both present and future, covered by the LACERA retirement benefits plan over a 30-year period from the valuation date.
Actuarial Asset Valuation Method	*Fair Value*
Investment Return	*Annual Rate of 6.0 Percent for Prefunding Agents and 2.3 Percent for Other Agents* 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 fund's expected return of 2.3 percent. Besides projecting the OPEB Trust's investment return, this assumption is also used to calculate the Actuarial Accrued Liability (AAL). *GASB 75 Discount Rate Calculation* The reporting methodology change from cost-sharing to agent plan structure began with the July 1, 2018 OPEB 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.

Method/Assumption	Application
Inflation Rate	*Annual Rate of 2.75 Percent* This rate was adopted beginning with the July 1, 2016 OPEB Valuation.
Amortization Method	*30-Year Amortization* Level percentage of projected salaries of the active members, both present and future, over a 30-year period. This is commonly referred to as a rolling 30-year amortization method and does not cover interest on the UAAL. This assumption was adopted beginning with the July 1, 2006 OPEB valuation.

Healthcare Cost Trend Rates

	FY 2023 to FY 2024	FY 2024 to FY 2025	Ultimate (Grading from June 30, 2023 to June 30, 2106)
LACERA Medical Under 65	8.50%	6.80%	4.20%
LACERA Medical Over 65	3.70%	6.50%	4.20%
Part B Premiums	8.50%	7.50%	4.00%
Dental/Vision	3.70%	2.90%	3.60%
Weighted Average Trend	5.92%	6.51%	4.13%

Claim Costs

Costs Vary By Program Tier

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, 2022 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, 2022 OPEB Valuation report for more details.

Retirement

Minimum Retirement Ages

Members in General Plans A through D may retire at age 50 with 10 years of service, or any age with 30 years of service, or age 70 regardless of the number of years of service. General Plan G members are eligible to retire at age 52 with five years of service, or age 70 regardless of the number of years of service. Non-contributory Plan E members may retire at age 55 with 10 years of service. Members of Safety Plans A and B may retire at age 50 with 10 years of service, or any age with 20 years of service. Safety Plan C members are eligible to retire at age 50 with five years of County service.

Method/Assumption	Application
Expectation of Life After Retirement[1,2]	*Mortality Tables for Public Employees* The same post-retirement mortality rates are used in the valuation for members retired from 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, 2022 OPEB Valuation report. These rates were adopted June 30, 2019. The new projection scale was adopted June 30, 2022. **Males:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2021 Ultimate Projection Scale. **Females:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale.
Expectation of Life After Disability[1,2]	*Mortality Tables for Public Employees* For disabled members, the mortality tables used are listed below while age-based rates are illustrated in the July 1, 2022 OPEB Valuation report. These rates were adopted June 30, 2019. The new projection scale was adopted June 30, 2022. **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-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2021 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-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 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 ultimate improvement rates from the SOA's Mortality Improvement Scale MP-2021 (published in October 2021) are 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.

Method/Assumption	Application
Retiree Medical and Dental/Vision Eligibility and Enrollment Assumptions	*Various* Any retired or vested terminated members who have not elected a refund of their member pension contributions and who will receive a retirement benefit other than a refund are eligible for retiree medical and dental/vision enrollment. Refer to Tables A-14 through A-19 of the July 1, 2022 OPEB Valuation report for more details regarding the enrollment assumptions.
Other Employment Termination	*Withdrawal of Contributions and Probability of Occurrence* 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, 2012	$—	$26,952,700	$26,952,700	— %	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%
July 1, 2021	2,306,800	21,157,400	18,850,600	10.9%	10,065,113	187.3%
July 1, 2022	**$2,394,100**	**$23,097,800**	**$20,703,700**	**10.4%**	**$10,269,429**	**201.6%**

[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 Retirement 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, 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%**
July 1, 2021	General	85,911	$7,432,707,960	$86,516	4.67%
	Safety	13,133	1,650,137,676	125,648	4.10%
	Total	**99,044**	**$9,082,845,636**	**$91,705**	**4.61%**
July 1, 2022	**General**	**83,647**	**$7,330,651,500**	**$87,638**	**1.30%**
	Safety	**12,843**	**1,625,956,740**	**126,603**	**0.76%**
	Total	**96,490**	**$8,956,608,240**	**$92,824**	**1.22%**

[1]The OPEB Program Active Member Count differs from the Pension Plan Active Member Count. The OPEB Program includes both Medicare and non-Medicare eligible individuals and excludes Pension Plan members that are receiving retiree healthcare benefits due to a retired spouse.

[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.

Retirees and Beneficiaries Added to and Removed From Benefits — 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, 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	699,304	4.49%	12,667
July 1, 2021	3,431	53,821	(2,353)	(28,386)	56,285	724,739	3.64%	12,876
July 1, 2022	**3,815**	**$42,812**	**(2,331)**	**($27,823)**	**57,769**	**$739,728**	**2.07%**	**$12,805**

[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 Retirement approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Actuary Solvency Test — OPEB Program

(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
July 1, 2012	$—	$10,681	$16,272	$—	N/A	— %	— %
July 1, 2014	—	11,791	16,756	484	N/A	4%	— %
July 1, 2016	—	11,365	14,548	561	N/A	5%	— %
July 1, 2017[2]	—	11,640	14,661	743	N/A	6%	— %
July 1, 2018	—	10,108	10,959	941	N/A	9%	— %
July 1, 2019	—	10,260	10,493	1,239	N/A	12%	— %
July 1, 2020	—	10,597	10,706	1,493	N/A	14%	— %
July 1, 2021	—	10,751	10,406	2,307	N/A	21%	— %
July 1, 2022	**$—**	**$11,543**	**$11,555**	**$2,394**	**N/A**	**21%**	**— %**

[1]Includes vested former members.
[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 Retirement 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								
	2022	2021	2020	2019[1]	2018	2017[2]	2016	2014	2012
Prior Unfunded Actuarial Accrued Liability	$18,851	$19,810	$19,514	$20,126	$25,558	$25,352	$28,063	$26,953	$24,031
Expected Increase/(Decrease) from Prior Valuation	621	747	911	1,005	1,170	1,462	3,240	3,873	3,771
Claim Costs Greater/(Less) than Expected[3]	287	(1,202)	(1,000)	(1,589)	(1,067)	(1,213)	(2,322)	(5,471)	(3,864)
Change in Assumptions[4]	567	—	314	(35)	(6,936)	—	(3,385)	3,238	3,423
Asset Return Less/(Greater) than Expected	438	(352)	76	1	(28)	(54)	78	(484)	N/A
All Other Experience[5]	(60)	(152)	(5)	6	1,429	11	(322)	(46)	(408)
Ending Unfunded Actuarial Accrued Liability	**$20,704**	**$18,851**	**$19,810**	**$19,514**	**$20,126**	**$25,558**	**$25,352**	**$28,063**	**$26,953**

[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 Retirement 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 Healthcare Benefits Plan.
[5]In 2018, this amount is primarily due to the impact of the excise tax.

Statistical Section

Design can transcend aesthetics and functionality to become a catalyst for innovation, fostering new ideas, industries, and ways of thinking, and propelling society forward into uncharted territories.

1990s to Today

The rise of the internet, advancements in computing power, and the integration of digital technologies during the 1990s had a significant effect on design, reshaping various creative fields. In architecture, this shift facilitated the creation of complex, innovative, and fluid structures that were previously unachievable by traditional means. The modern approach emphasizes the use of innovative materials, organic forms, sustainability, and adaptable construction, catering to evolving needs and purposes over time. This transformation is part of the broader impact of the digital revolution, which has significantly altered our cultural landscape and the way we communicate, create, educate, access information, conduct business, and engage with commerce and entertainment.

LACERA Milestones

1991: LACERA purchases 300 N. Lake Building and moves to Gateway Plaza.
Outreach and Call Center created.

2000: Lacera.com launched.

2005: My LACERA launched, offering members secure online account information.

2012: LACERA hired to manage OPEB Trust.

2016: OPEB Trust divided into County, LACERA, and Superior Court portions.

Annual Report Figures

1998: Total assets of $27.65 billion
$926.4 million paid in retirement allowances
76,725 active members; 42,435 retirees

2008: Total assets of $42.91 billion
$1.89 billion paid in retirement allowances
94,492 active members; 52,350 retirees

2018: Total assets of $59.4 billion
$3.18 billion paid in retirement allowances
98,484 active members; 64,881 retirees


12:45

Introduction

The objective of the Statistical Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information to understand and assess the status of the Pension Plan and OPEB Program administered by LACERA as of the fiscal year-end. Statistical data is maintained within the Member Workspace platform—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, refunds of contributions, and lump-sum death benefits, as 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 inactive members and defined as either vested members with deferred benefits or non-vested members with inactive benefits.
- Retired Members by Type of Pension Benefit and Retired Members by Type of OPEB Benefit presents benefit information for the current year by dollar level and benefit type.
- Schedule of Average Pension Benefit Payments presents the average monthly Pension Plan benefit, average final salary, and number of retired members, organized in five-year increments of credited service.
- Active Members of Participating Pension Employers presents the employers and their corresponding employees (active members) who are or may become eligible for Pension Plan benefits.
- Retired Members of Participating OPEB Employers presents the number of retired members enrolled in medical and/or dental/vision benefits.
- Employer Contribution Rates shown by employer for the Pension Plan is provided as additional information.
- Supplemental Targeted Adjustment for Retirees (STAR) Program Costs trends the Program's costs through the current calendar year-end.

Changes in Fiduciary Net Position — Pension Plan

For the Last 10 Fiscal Years Ended June 30
(Dollars in Thousands)

	2023	2022	2021	2020	2019
Additions					
Employer Contributions	**$2,301,706**	$2,199,889	$2,012,877	$1,800,137	$1,668,151
Member Contributions	**793,244**	758,632	760,994	659,296	635,415
Net Investment Income/(Loss)	**4,856,286**	(1,540,145)	15,629,915	1,445,877	3,175,723
Miscellaneous	**5,009**	4,117	2,928	2,383	5,958
Total Additions/(Declines)	**$7,956,245**	**$1,422,493**	**$18,406,714**	**$3,907,693**	**$5,485,247**
Deductions					
Total Benefit Expenses[1]	**$4,281,363**	$4,044,567	$3,814,262	$3,606,340	$3,407,154
Administrative Expenses	**112,150**	100,121	90,586	85,384	82,906
Miscellaneous	**458**	219	248	397	333
Total Deductions	**$4,393,971**	**$4,144,907**	**$3,905,096**	**$3,692,121**	**$3,490,393**
Net Increase/(Decrease) in Fiduciary Net Position	**$3,562,274**	**($2,722,414)**	**$14,501,618**	**$215,572**	**$1,994,854**

	2018	2017	2016	2015	2014
Additions					
Employer Contributions	$1,524,823	$1,331,359	$1,403,712	$1,494,975	$1,320,442
Member Contributions	591,262	526,579	498,083	441,258	439,001
Net Investment Income/(Loss)	4,716,640	6,129,300	80,588	1,989,358	6,908,412
Miscellaneous	5,613	6,370	2,781	1,695	2,256
Total Additions/(Declines)	**$6,838,338**	**$7,993,608**	**$1,985,164**	**$3,927,286**	**$8,670,111**
Deductions					
Total Benefit Expenses[1]	$3,203,375	$3,029,633	$2,889,186	$2,768,410	$2,662,401
Administrative Expenses	78,181	66,830	67,645	62,591	58,723
Miscellaneous	451	188	(11)	212	229
Total Deductions	**$3,282,007**	**$3,096,651**	**$2,956,820**	**$2,831,213**	**$2,721,353**
Net Increase/(Decrease) in Fiduciary Net Position	**$3,556,331**	**$4,896,957**	**($971,656)**	**$1,096,073**	**$5,948,758**

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

Changes in Fiduciary Net Position — OPEB Trust

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2023	2022	2021	2020	2019
Additions					
Employer Contributions[1]	**$1,196,205**	1,097,284	$1,057,366	$907,521	$863,452
Net Investment Income/(Loss)	**247,488**	(288,500)	452,122	6,171	62,116
Miscellaneous	**—**	—	—	—	—
Total Additions	**$1,443,693**	**$808,784**	**$1,509,488**	**$913,692**	**$925,568**
Deductions					
Administrative Expenses	**$942**	$599	$584	$246	$234
Benefit Payments[1]	**745,013**	720,910	694,665	659,295	627,839
Redemptions	**—**	—	40	—	25
Total Deductions	**$745,955**	**$721,509**	**$695,289**	**$659,541**	**$628,098**
Net Increase in Fiduciary Net Position	**$697,738**	**$87,275**	**$814,199**	**$254,151**	**$297,470**

	2018	2017	2016	2015	2014
Additions					
Employer Contributions[1]	$706,709	$645,381	$615,275	$—	$—
Net Investment Income/(Loss)	78,746	94,505	(8,095)	4,688	35,113
Miscellaneous	—	2	—	—	—
Total Additions	**$785,455**	**$739,888**	**$607,180**	**$4,688**	**$35,113**
Deductions					
Administrative Expenses	$190	$374	$192	$153	$144
Benefit Payments[1]	583,406	557,381	534,597	—	—
Redemptions	3,735	—	—	—	—
Total Deductions	**$587,331**	**$557,755**	**$534,789**	**$153**	**$144**
Net Increase in Fiduciary Net Position	**$198,124**	**$182,133**	**$72,391**	**$4,535**	**$34,969**

[1]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)

	2023	2022	2021	2020	2019
Service Retiree Payroll					
General	**$2,560,490**	$2,419,417	$2,291,480	$2,174,355	$2,060,365
Safety	**630,916**	602,547	574,362	543,901	507,909
Total	**$3,191,406**	**$3,021,964**	**$2,865,842**	**$2,718,256**	**$2,568,274**
Disability Retiree Payroll					
General	**$205,748**	$201,231	$195,818	$190,386	$186,120
Safety	**837,446**	779,078	723,948	670,237	621,358
Total	**$1,043,194**	**$980,309**	**$919,766**	**$860,623**	**$807,478**
Total Retiree Payroll					
General	**$2,766,238**	$2,620,648	$2,487,298	$2,364,741	$2,246,485
Safety	**1,468,362**	1,381,625	1,298,310	1,214,138	1,129,267
Total	**$4,234,600**	**$4,002,273**	**$3,785,608**	**$3,578,879**	**$3,375,752**
Refunds					
General	**$36,968**	$32,470	$21,622	$22,418	$27,096
Safety	**6,444**	5,619	2,890	2,813	1,595
Total	**$43,412**	**$38,089**	**$24,512**	**$25,231**	**$28,691**
Lump-Sum Death Benefits	**$3,351**	**$4,205**	**$4,142**	**$2,230**	**$2,711**
Total Benefit Expenses	**$4,281,363**	**$4,044,567**	**$3,814,262**	**$3,606,340**	**$3,407,154**

	2018	2017	2016	2015	2014
Service Retiree Payroll					
General	$1,946,614	$1,845,791	$1,762,274	$1,692,558	$1,631,285
Safety	478,802	445,473	419,092	397,962	384,248
Total	**$2,425,416**	**$2,291,264**	**$2,181,366**	**$2,090,520**	**$2,015,533**
Disability Retiree Payroll					
General	$177,879	$173,550	$169,821	$165,543	$162,338
Safety	574,431	538,116	507,824	484,907	459,311
Total	**$752,310**	**$711,666**	**$677,645**	**$650,450**	**$621,649**
Total Retiree Payroll					
General	$2,124,493	$2,019,341	$1,932,095	$1,858,101	$1,793,623
Safety	1,053,233	983,589	926,916	882,869	843,559
Total	**$3,177,726**	**$3,002,930**	**$2,859,011**	**$2,740,970**	**$2,637,182**
Refunds					
General	$20,782	$21,970	$23,470	$22,050	$18,994
Safety	2,439	2,482	3,622	3,361	4,534
Total	**$23,221**	**$24,452**	**$27,092**	**$25,411**	**$23,528**
Lump-Sum Death Benefits	**$2,428**	**$2,251**	**$3,083**	**$2,029**	**$1,691**
Total Benefit Expenses	**$3,203,375**	**$3,029,633**	**$2,889,186**	**$2,768,410**	**$2,662,401**

Active Members

For the Last 10 Fiscal Years Ended June 30

	2023	2022	2021	2020	2019
Active Vested					
General	**65,414**	64,875	64,622	63,647	62,589
Safety	**9,974**	9,921	9,812	9,875	10,071
Subtotal	**75,388**	**74,796**	**74,434**	**73,522**	**72,660**
Active Non-Vested					
General	**18,894**	18,826	21,355	23,289	23,811
Safety	**2,635**	2,930	3,329	3,304	2,725
Subtotal	**21,529**	**21,756**	**24,684**	**26,593**	**26,536**
Inactive[1]					
General	**18,994**	17,761	15,996	15,133	15,567
Safety	**1,420**	1,286	1,125	1,041	610
Subtotal	**20,414**	**19,047**	**17,121**	**16,174**	**16,177**
Total Active Members					
General	**103,302**	101,462	101,973	102,069	101,967
Safety	**14,029**	14,137	14,266	14,220	13,406
Total	**117,331**	**115,599**	**116,239**	**116,289**	**115,373**

	2018	2017	2016	2015	2014
Active Vested					
General	61,734	61,608	61,820	62,532	63,301
Safety	10,286	10,429	10,743	11,024	11,188
Subtotal	**72,020**	**72,037**	**72,563**	**73,556**	**74,489**
Active Non-Vested					
General	23,975	22,915	21,096	18,696	16,642
Safety	2,489	2,269	1,785	1,422	1,335
Subtotal	**26,464**	**25,184**	**22,881**	**20,118**	**17,977**
Inactive[1]					
General	7,856	7,752	7,665	7,623	7,550
Safety	603	589	573	563	540
Subtotal	**8,459**	**8,341**	**8,238**	**8,186**	**8,090**
Total Active Members					
General	93,565	92,275	90,581	88,851	87,493
Safety	13,378	13,287	13,101	13,009	13,063
Total	**106,943**	**105,562**	**103,682**	**101,860**	**100,556**

[1]Effective with fiscal year ended June 30, 2019 and going forward. Inactive includes both vested (deferred) and non-vested (inactive) members.

Retired Members by Type of Pension Benefit

As of June 30, 2023

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement[1]		
		A	B	C
$1 — $1,000	12,648	8,128	876	3,644
$1,001 — $2,000	14,039	9,514	1,728	2,797
$2,001 — $3,000	11,831	8,707	1,763	1,361
$3,001 — $4,000	8,882	6,884	1,201	797
$4,001 — $5,000	6,468	5,194	833	441
$5,001 — $6,000	4,643	3,724	613	306
$6,001 — $7,000	3,420	2,724	521	175
> $7,000	11,091	7,540	3,202	349
Total	**73,022**	**52,415**	**10,737**	**9,870**

Amount of Monthly Benefit	Retirement Option Selected[2]					
	Unmodified	Unmodified Plus	Option 1	Option 2	Option 3	Option 4
$1 — $1,000	10,692	904	90	449	121	392
$1,001 — $2,000	11,909	1,242	117	338	112	321
$2,001 — $3,000	10,091	1,111	89	169	80	291
$3,001 — $4,000	7,550	869	60	92	49	262
$4,001 — $5,000	5,352	775	38	59	40	204
$5,001 — $6,000	3,846	584	25	31	16	141
$6,001 — $7,000	2,724	518	16	21	8	133
> $7,000	8,251	2,191	32	30	42	545
Total	**60,415**	**8,194**	**467**	**1,189**	**468**	**2,289**

[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, 2023

	Medical Benefit Premium Amounts					Total Member Count
	$1- $500	$501- $1,000	$1,001- $1,500	$1,501- $2,000	> $2,000	
Medical Plans by Plan Type						
Anthem Blue Cross I	1	—	586	21	308	916
Anthem Blue Cross II	—	—	2,350	224	2,985	5,559
Anthem Blue Cross III	—	7,467	4,498	1,169	167	13,301
Anthem Blue Cross Prudent Buyer	—	472	28	247	74	821
Cigna - HealthSpring Preferred Rx	33	22	—	7	1	63
Cigna Network Model Plan	—	—	—	234	86	320
Kaiser - California	—	—	3,416	—	2,561	5,977
Kaiser - Senior Advantage	18,286	107	237	1,835	1	20,466
Kaiser - Colorado	—	—	4	—	9	13
Kaiser - Georgia	—	—	23	—	3	26
Kaiser - Hawaii	—	6	—	6	4	16
Kaiser - Oregon	—	—	4	—	7	11
Kaiser - Washington	—	—	—	6	3	9
Firefighters Local 1014	—	—	539	—	1,712	2,251
SCAN Health Plan - Desert	1	—	—	—	—	1
SCAN Health Plan - California	376	—	—	—	—	376
SCAN Health Plan - Nevada	7	—	—	—	—	7
UnitedHealthcare	2	—	529	—	865	1,396
UnitedHealthcare Medicare Advantage (HMO)	1,991	1,360	—	479	—	3,830
Total Medical by Plan Type	**20,697**	**9,434**	**12,214**	**4,228**	**8,786**	**55,359**
Medical Plans by Retirement Type						
Service Retirees	17,040	6,428	8,900	3,343	5,372	41,083
Disability Retirees	1,359	1,020	1,908	688	3,257	8,232
Survivors	2,298	1,986	1,406	197	157	6,044
Total Medical by Retirement Type	**20,697**	**9,434**	**12,214**	**4,228**	**8,786**	**55,359**

	Dental/Vision Benefit Premium Amounts
	$1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	50,262
CIGNA HMO Dental/Vision	7,009
Total Dental/Vision by Plan Type	**57,271**
Dental/Vision Plans by Retirement Type	
Service Retirees	42,225
Disability Retirees	8,666
Survivors	6,380
Total Dental/Vision by Retirement Type	**57,271**

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						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,913	$1,624	$2,024	$2,722	$3,553	$4,788
Average Monthly Final Salary	$6,415	$5,241	$5,657	$5,930	$6,724	$6,733
Number of Active Retirees	109	307	240	305	358	726
Safety Members						
Average Monthly Retirement Benefit	$1,542	$4,454	$6,018	$5,225	$7,467	$9,719
Average Monthly Final Salary	$6,452	$8,381	$10,140	$9,414	$10,753	$11,823
Number of Active Retirees	8	31	18	20	83	212
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,017	$837	$936	$1,726	$1,888	$2,550
Average Monthly 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 Retirement Benefit	$1,031	$1,709	$2,056	$3,132	$3,827	$5,358
Average Monthly 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						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,422	$1,716	$2,202	$3,106	$3,360	$5,017
Average Monthly Final Salary	$5,939	$5,543	$5,903	$6,731	$6,294	$6,970
Number of Active Retirees	126	331	280	308	436	784
Safety Members						
Average Monthly Retirement Benefit	$2,917	$5,412	$5,374	$6,477	$7,082	$9,923
Average Monthly Final Salary	$7,015	$9,261	$9,810	$10,748	$10,400	$11,847
Number of Active Retirees	20	19	21	28	116	215
Survivors						
General Members						
Average Monthly Retirement Benefit	$903	$1,021	$1,342	$1,854	$1,799	$2,741
Average Monthly 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 Retirement Benefit	$2,101	$2,054	$1,768	$2,911	$4,530	$6,206
Average Monthly Final Salary	$5,564	$6,518	$4,737	$6,552	$6,815	$8,367
Number of Active Survivors	6	4	9	12	16	29

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/15 to 6/30/16						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,619	$1,809	$2,265	$2,893	$3,462	$5,163
Average Monthly Final Salary	$6,022	$5,607	$6,020	$6,414	$6,440	$7,372
Number of Active Retirees	118	331	273	274	471	837
Safety Members						
Average Monthly Retirement Benefit	$3,134	$3,776	$5,743	$6,290	$7,540	$10,730
Average Monthly Final Salary	$7,077	$9,355	$10,057	$10,613	$11,062	$12,654
Number of Active Retirees	24	16	27	22	109	205
Survivors						
General Members						
Average Monthly Retirement Benefit	$929	$752	$957	$1,174	$1,745	$2,470
Average Monthly 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 Retirement Benefit	$1,446	$3,207	$3,071	$3,053	$4,468	$5,611
Average Monthly 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						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,416	$1,858	$2,364	$3,425	$3,730	$5,149
Average Monthly Final Salary	$5,917	$5,860	$6,367	$7,202	$6,791	$7,441
Number of Active Retirees	142	338	328	209	507	856
Safety Members						
Average Monthly Retirement Benefit	$2,987	$3,087	$6,412	$6,885	$7,888	$11,358
Average Monthly Final Salary	$7,651	$8,870	$10,320	$11,308	$11,362	$13,288
Number of Active Retirees	24	25	50	36	153	248
Survivors						
General Members						
Average Monthly Retirement Benefit	$833	$786	$1,392	$1,577	$1,898	$2,942
Average Monthly 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 Retirement Benefit	$3,522	$4,150	$2,131	$3,715	$4,316	$6,581
Average Monthly Final Salary	$6,792	$7,451	$7,234	$6,906	$7,400	$8,411
Number of Active Survivors	3	5	9	7	16	36

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/17 to 6/30/18						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,639	$1,752	$2,482	$3,609	$3,907	$5,275
Average Monthly Final Salary	$7,147	$5,725	$6,223	$7,627	$7,071	$7,605
Number of Active Retirees	99	339	323	255	470	883
Safety Members						
Average Monthly Retirement Benefit	$3,140	$4,015	$5,714	$6,482	$8,329	$11,650
Average Monthly Final Salary	$7,739	$9,039	$10,242	$11,266	$11,835	$13,559
Number of Active Retirees	22	21	36	32	126	241
Survivors						
General Members						
Average Monthly Retirement Benefit	$681	$1,112	$1,345	$1,503	$2,179	$2,888
Average Monthly 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 Retirement Benefit	$2,815	$3,252	$3,528	$3,200	$3,603	$5,479
Average Monthly 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						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,659	$1,578	$3,091	$3,613	$3,994	$6,007
Average Monthly Final Salary	$6,332	$5,585	$7,078	$7,481	$7,398	$8,630
Number of Active Retirees	122	337	371	313	447	938
Safety Members						
Average Monthly Retirement Benefit	$4,251	$4,072	$5,960	$8,466	$9,038	$12,076
Average Monthly Final Salary	$8,564	$9,754	$10,348	$12,556	$12,737	$14,367
Number of Active Retirees	25	30	36	38	137	278
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,129	$921	$1,243	$1,660	$1,894	$2,898
Average Monthly 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 Retirement Benefit	$801	$2,157	$2,885	$2,704	$3,208	$6,016
Average Monthly Final Salary	$4,148	$6,656	$7,462	$5,607	$6,217	$8,495
Number of Active Survivors	4	8	14	17	29	45

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/19 to 6/30/20						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,529	$1,917	$2,998	$3,506	$4,414	$5,772
Average Monthly Final Salary	$6,503	$6,414	$7,197	$7,410	$8,151	$8,315
Number of Active Retirees	121	337	332	350	400	958
Safety Members						
Average Monthly Retirement Benefit	$2,606	$4,498	$6,070	$7,800	$9,336	$12,485
Average Monthly Final Salary	$7,489	$10,058	$11,768	$12,329	$13,251	$14,963
Number of Active Retirees	15	24	21	38	119	320
Survivors						
General Members						
Average Monthly Retirement Benefit	$969	$964	$1,171	$1,739	$1,961	$2,794
Average Monthly 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 Retirement Benefit	$3,839	$2,467	$3,078	$2,973	$4,646	$5,847
Average Monthly 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						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,231	$1,531	$2,726	$3,349	$4,089	$5,735
Average Monthly Final Salary	$7,640	$6,281	$7,509	$7,453	$7,590	$8,508
Number of Active Retirees	125	335	293	346	432	1,250
Safety Members						
Average Monthly Retirement Benefit	$2,235	$3,767	$5,041	$6,732	$9,337	$12,659
Average Monthly Final Salary	$8,945	$9,648	$10,518	$12,239	$13,433	$15,336
Number of Active Retirees	12	24	25	67	132	313
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,106	$948	$1,320	$1,535	$1,862	$3,111
Average Monthly 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 Retirement Benefit	$2,606	$2,369	$4,302	$2,886	$4,557	$5,946
Average Monthly Final Salary	$6,195	$7,058	$9,070	$7,532	$7,368	$8,553
Number of Active Survivors	6	7	10	13	26	56

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+**
7/1/21 to 6/30/22						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,120	$1,748	$2,599	$3,437	$4,397	$6,151
Average Monthly Final Salary	$7,100	$6,985	$7,610	$7,647	$8,399	$9,047
Number of Active Retirees	138	322	347	497	479	1,499
Safety Members						
Average Monthly Retirement Benefit	$1,626	$4,161	$5,283	$8,017	$9,502	$13,277
Average Monthly Final Salary	$7,145	$9,588	$11,387	$13,751	$13,856	$15,933
Number of Active Retirees	11	21	17	57	113	304
Survivors						
General Members						
Average Monthly Retirement Benefit	$610	$730	$1,506	$1,690	$2,014	$3,201
Average Monthly Final Salary	$4,460	$4,307	$5,417	$5,501	$5,776	$7,098
Number of Active Survivors	19	49	72	75	118	218
Safety Members						
Average Monthly Retirement Benefit	$2,323	$2,548	$2,120	$3,491	$5,006	$6,050
Average Monthly Final Salary	$8,156	$6,962	$4,880	$7,107	$8,830	$8,644
Number of Active Survivors	3	11	5	11	33	54
7/1/22 to 6/30/23						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,116	$1,697	$2,595	$3,638	$4,388	$6,346
Average Monthly Final Salary	$7,546	$6,742	$7,390	$8,134	$8,337	$9,356
Number of Active Retirees	138	249	346	387	400	1,129
Safety Members						
Average Monthly Retirement Benefit	$2,442	$3,649	$5,267	$8,899	$9,693	$13,793
Average Monthly Final Salary	$10,258	$10,391	$11,683	$14,229	$14,410	$16,426
Number of Active Retirees	10	16	31	72	109	285
Survivors						
General Members						
Average Monthly Retirement Benefit	$852	$1,129	$1,089	$1,969	$2,270	$3,552
Average Monthly Final Salary	$4,681	$5,307	$4,793	$6,312	$5,955	$7,009
Number of Active Survivors	19	64	72	81	88	207
Safety Members						
Average Monthly Retirement Benefit	$3,594	$3,827	$2,093	$3,201	$4,115	$6,127
Average Monthly Final Salary	$6,330	$6,760	$8,410	$7,238	$7,645	$8,762
Number of Active Survivors	2	5	7	14	26	62

Active Members of Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles	2023 Covered Members	2023 Percentage of Total Covered Members	2022 Covered Members	2022 Percentage of Total Covered Members
General Members	**84,301**	**86.983%**	83,695	86.684%
Safety Members	**12,609**	**13.010%**	12,851	13.310%
Total	**96,910**	**99.993%**	**96,546**	**99.994%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	**—**	**—%**	—	—%
Los Angeles County Office of Education	**—**	**—%**	—	—%
Little Lake Cemetery District	**1**	**0.001%**	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	**6**	**0.006%**	5	0.005%
Total Participating Agencies	**7**	**0.007%**	**6**	**0.006%**
Total Active Membership[1]				
General Members	**84,308**	**86.990%**	83,701	86.690%
Safety Members	**12,609**	**13.010%**	12,851	13.310%
Total	**96,917**	**100.000%**	**96,552**	**100.000%**

County of Los Angeles	2021 Covered Members	2021 Percentage of Total Covered Members	2020 Covered Members	2020 Percentage of Total Covered Members
General Members	85,970	86.735%	86,929	86.829%
Safety Members	13,141	13.258%	13,179	13.164%
Total	**99,111**	**99.993%**	**100,108**	**99.993%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	—	—%	0	0.000%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	6	0.006%	6	0.006%
Total Participating Agencies	**7**	**0.007%**	**7**	**0.007%**
Total Active Membership[1]				
General Members	85,977	86.742%	86,936	86.836%
Safety Members	13,141	13.258%	13,179	13.164%
Total	**99,118**	**100.000%**	**100,115**	**100.000%**

[1] Active Membership excludes inactive members, who are vested (deferred) and non-vested (inactive) members.

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles	2019 Covered Members	2019 Percentage of Total Covered Members	2018 Covered Members	2018 Percentage of Total Covered Members
General Members	86,392	87.092%	85,701	87.020%
Safety Members	12,796	12.900%	12,775	12.972%
Total	**99,188**	**99.992%**	**98,476**	**99.992%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	0	0.000%	0	0.000%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	7	0.007%	7	0.007%
Total Participating Agencies	**8**	**0.008%**	**8**	**0.008%**
Total Active Membership[1]				
General Members	86,400	87.100%	85,709	87.028%
Safety Members	12,796	12.900%	12,775	12.972%
Total	**99,196**	**100.000%**	**98,484**	**100.000%**

County of Los Angeles	2017 Covered Members	2017 Percentage of Total Covered Members	2016 Covered Members	2016 Percentage of Total Covered Members
General Members	84,515	86.931%	82,907	86.865%
Safety Members	12,698	13.061%	12,528	13.126%
Total	**97,213**	**99.992%**	**95,435**	**99.991%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	6	0.006%	7	0.007%
Total Participating Agencies	**8**	**0.008%**	**9**	**0.009%**
Total Active Membership[1]				
General Members	84,523	86.939%	82,916	86.874%
Safety Members	12,698	13.061%	12,528	13.126%
Total	**97,221**	**100.000%**	**95,444**	**100.000%**

[1]Active Membership excludes inactive members, who are vested (deferred) and non-vested (inactive) members.

For the Last 10 Fiscal Years Ended June 30

	2015		2014	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	81,219	86.704%	79,934	86.447%
Safety Members	12,446	13.286%	12,523	13.543%
Total	**93,665**	**99.990%**	**92,457**	**99.990%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	7	0.008%	7	0.008%
Total Participating Agencies	**9**	**0.010%**	**9**	**0.010%**
Total Active Membership[1]				
General Members	81,228	86.714%	79,943	86.457%
Safety Members	12,446	13.286%	12,523	13.543%
Total	**93,674**	**100.000%**	**92,466**	**100.000%**

[1]Active Membership excludes inactive members, who are vested (deferred) and non-vested (inactive) members.

Retired Members of Participating OPEB Employers

For the Last 10 Fiscal Years Ended June 30

	2023	2022	2021	2020	2019
County of Los Angeles and Participating Agencies					
Medical	**55,359**	54,065	52,832	52,336	51,216
Dental/Vision	**57,271**	55,772	54,262	53,705	52,499

	2018	2017	2016	2015	2014
County of Los Angeles and Participating Agencies					
Medical	50,052	48,812	47,653	46,567	45,576
Dental/Vision	51,225	49,890	48,671	47,486	46,383

Employer Contribution Rates: County of Los Angeles

For the Last 10 Years

Effective Date[1]			General Members Plan A	General Members Plan B	General Members Plan C	General Members Plan D	General Members Plan E	General Members Plan G[2]	Safety Members Plan A	Safety Members Plan B	Safety Members Plan C
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%
10/1/2021	to	6/30/2022	31.40%	24.16%	21.39%	22.94%	24.49%	22.85%	40.12%	34.59%	28.17%
7/1/2022	**to**	**9/30/2023**	**31.11%**	**24.13%**	**21.23%**	**22.75%**	**24.30%**	**22.66%**	**39.93%**	**34.79%**	**27.91%**

[1]Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. However, Section 31454 of CERL requires the County Board of Supervisors to adjust contribution rates in accordance with LACERA's recommendations no later than 90 days following the beginning of the immediately succeeding fiscal year. Adjustments must be made effective July 1, or thereafter, but not later than September 29 of each year.

Employer Contribution Rates: Little Lake Cemetery District[1] and Local Agency Formation Commission for the County of Los Angeles[2]

For the Last 10 Years

Effective Date[3]			Plan D	Plan E	Plan G
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%
10/1/2021	to	6/30/2022	22.94%	—	22.85%
7/1/2022	**to**	**9/30/2023**	**22.75%**	**—**	**22.66%**

[1]Rates applicable to Little Lake Cemetery District are limited to Plan D.

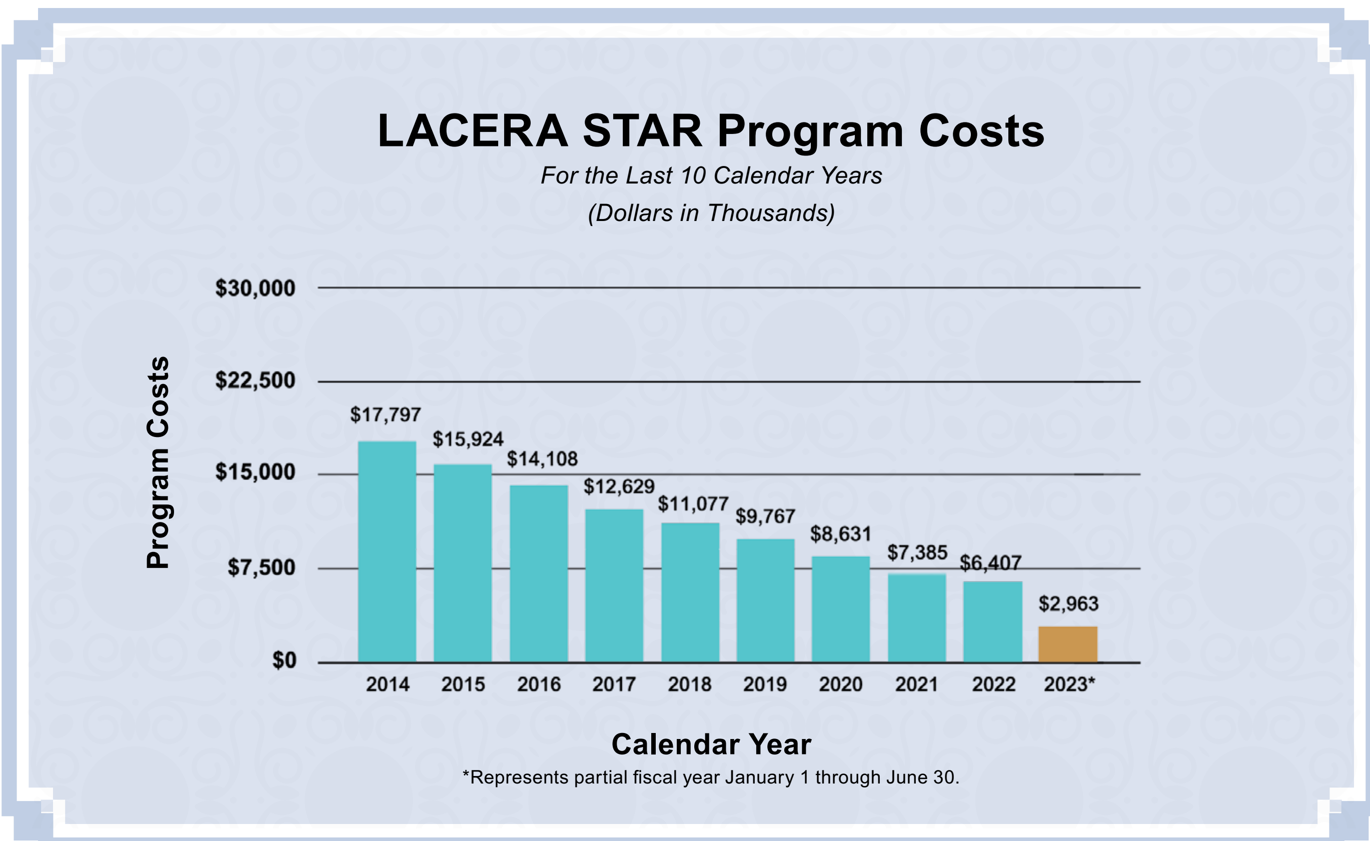
[2]Rates applicable to the Local Agency Formation Commission for the County of Los Angeles are limited to Plans D, E, and G. As of November 2016, there were no participating active members under Plan E.

[3]Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. However, Section 31454 of CERL requires the County Board of Supervisors to adjust contribution rates in accordance with LACERA's recommendations no later than 90 days following the beginning of the immediately succeeding fiscal year. Adjustments must be made effective July 1, or thereafter, but not later than September 29 of each year.

Supplemental Targeted Adjustment for Retirees (STAR) Program Costs — Pension Plan

The STAR Program is administered on a calendar-year basis. Retiree Cost-of-Living Adjustment (COLA) Accumulation accounts are monitored, and when the minimum balance is exceeded, retirees can become eligible for STAR Program benefits. The Board of Retirement approved previous STAR Program awards on a permanent basis, resulting in ongoing additional benefit payments for the members' lifetimes. Please refer to Note A — Benefit Plan Descriptions for additional information regarding the STAR Program.

STAR Program benefits are funded by the STAR Reserve. LACERA's consulting actuary calculates the lifetime cost and, subsequent to Board of Retirement approval, funds are transferred from the STAR Reserve to the Employer Reserve to pay these benefits. The chart below represents the STAR Program costs for the last 10 years. The annual costs shown are STAR Program benefits paid for each year from the Employer Reserve. For additional information related to reserve accounts, please see Note D — Pension Plan Reserves.



As LACERA adapts to new circumstances, advancements in technology, shifting cultural dynamics, and changing member expectations, our mission, vision, and values serve as the guiding principles to foster innovation, boost organizational resilience, and meet the challenges of the future.

OUR MISSION

To Produce, Protect, and Provide
the Promised Benefits to Our Members

OUR VISION

Empowering Our Members to Enjoy
a Healthy and Secure Retirement

OUR VALUES

Accountability
Collaboration
Inclusivity
Innovation
Integrity
Transparency

LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Annual Comprehensive Financial Report

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2023