



Los Angeles County Employees
Retirement Association

GASB 68 Disclosure

GASB 68 Reporting Date: June 30, 2022

Measurement Date: June 30, 2021

Actuarial Valuation Date: June 30, 2020

GASB 67 Reporting Date: June 30, 2021

Fiscal Year: July 1, 2020 to June 30, 2021

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Certification

Actuarial computations presented in this report under Statements No. 67 and 68 of the Governmental Accounting Standards Board are for purposes of assisting LACERA in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. The GASB 68 reporting date of this report is June 30, 2022. The measurement date for determining plan assets and obligations is June 30, 2021. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information as of June 30, 2021 furnished by LACERA. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please see Milliman's Actuarial Valuation of Retirement Benefits report dated February 18, 2021 and GASB 67 Disclosure Report dated September 15, 2021 for more information on the data used in the valuation, as well as a summary of the plan provisions and actuarial methods and assumptions.

We performed a limited review of the census and financial information used directly in our analysis and have found them to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which in combination, offer our best estimate of anticipated experience affecting the Plan. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

This report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in 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 or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of such future measurements.

Milliman's work is prepared solely for the use and benefit of LACERA. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

- a) the plan sponsor may provide a copy of Milliman's work, in its entirety, to the plan sponsor's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Fund; and
- b) the plan sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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

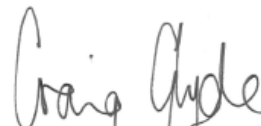
The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



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Consulting Actuary



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Overview of GASB 67 and GASB 68

GASB 67 applies to financial reporting for public pension plans. LACERA implemented GASB 67 reporting for the fiscal year ended June 30, 2014.

GASB 68 governs the specifics of accounting for public pension plan obligations for participating employers. A GASB 68 report was first provided for employers participating in LACERA for the reporting date June 30, 2015.

The following GASB Statements provide additional information for, amend, or clarify GASB 67 and 68:

1. GASB 73 provides information about accounting and reporting for pensions and related assets that are not within the scope of GASB 68, and amendments to certain provisions of GASB 67 and 68. LACERA implemented GASB 73 for the fiscal year ended June 30, 2016.
2. GASB 82 addresses certain issues with respect to GASB 67, GASB 68 and GASB 73. LACERA elected early implementation of GASB 82 for the GASB 67 June 30, 2016 reporting date. GASB 82 was reflected in GASB 68 financial reporting for the GASB 68 June 30, 2017 reporting date.

Net Pension Liability

\$ Thousands

Net Pension Liability	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total pension liability	\$80,303,904	\$76,579,594
Fiduciary net position	<u>73,012,026</u>	<u>58,510,408</u>
Net pension liability	7,291,878	18,069,186
Fiduciary net position as a % of total pension liability	90.92%	76.40%
Covered payroll ⁽¹⁾	\$9,062,051	\$8,724,151
Net pension liability as a % of covered payroll	80.47%	207.12%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate shown below and actuarial assumptions and methods as outlined in this report for GASB purposes, and was then projected forward to the measurement date taking into account any significant changes between the valuation date and the fiscal year end as prescribed by GASB 67 and 68.

Discount Rate

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

Milliman's January 2020 Investigation of Experience analysis was used to develop the 7.13% assumption used for the current reporting date. This is equal to the 7.00% long-term investment return assumption adopted by the Board (net of investment and administrative expenses), plus 0.13% assumed administrative expenses. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses. See the Discount Rate section of this report for further details.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2020 were based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2019.

Valuation date	June 30, 2020	June 30, 2019
Measurement date	June 30, 2021	June 30, 2020
Other assumptions and methods	See the 'Assumptions and Methods' section of this report.	

1. In accordance with GASB 82, covered payroll is the payroll on which contributions are based.

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments.

In order to determine the discount rate to be used by LACERA we have shown the projection of Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of LACERA is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 67 and 68 purposes. Therefore, we have used a discount rate of 7.13%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00%, net of all expenses, increased by 0.13% to be gross of administrative expenses.

Projection of Fiduciary Net Position

\$ Thousands

Fiscal Year Ending	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position
	(a)	(b)	(c)	(d)	(e)	(a)+(b)-(c)-(d)+(e)
2022	\$73,012,026	\$2,901,262	\$4,060,497	\$94,916	\$5,161,817	\$76,919,692
2023	76,919,692	2,878,166	4,257,164	99,996	5,432,556	80,873,254
2024	80,873,254	2,737,228	4,462,095	105,135	5,702,147	84,745,399
2025	84,745,399	2,610,284	4,676,094	110,169	5,966,109	88,535,529
2026	88,535,529	2,470,812	4,898,637	115,096	6,223,489	92,216,097
2027	92,216,097	2,293,255	5,126,784	119,881	6,471,531	95,734,218
2028	95,734,218	2,296,640	5,359,102	124,454	6,714,192	99,261,493
2029	99,261,493	2,297,023	5,595,826	129,040	6,957,246	102,790,896
2030	102,790,896	2,296,008	5,835,807	133,628	7,200,288	106,317,756
2031	106,317,756	2,293,734	6,080,583	138,213	7,442,937	109,835,632
2032	109,835,632	2,290,464	6,326,438	142,786	7,684,873	113,341,744
2042	138,881,753	1,038,904	8,828,604	180,546	9,623,022	140,534,528
2052	145,169,984	472,193	11,049,087	188,721	9,973,433	144,377,802
2062	128,014,367	75,461	11,070,494	166,419	8,736,369	125,589,285
2072	107,023,655	1,330	8,350,821	139,131	7,333,377	105,868,410
2082	111,911,986	0	4,602,013	145,486	7,812,990	114,977,478
2092	173,719,976	0	1,445,956	225,836	12,327,661	184,375,845
2102	330,297,309	0	158,440	429,387	23,529,603	353,239,086
2112	648,578,298	0	2,753	843,152	46,213,995	693,946,389

Changes in Net Pension Liability

\$ Thousands

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of June 30, 2020	\$76,579,594	\$58,510,408	\$18,069,186
Changes for the year:			
Service cost	1,499,597	0	1,499,597
Interest on total pension liability	5,433,409	0	5,433,409
Effect of plan changes	0	0	0
Effect of economic/demographic (gains) or losses	605,566	0	605,566
Effect of assumption changes or inputs	0	0	0
Benefit payments	(3,789,750)	(3,789,750)	0
Refunds of contributions	(24,512)	(24,512)	0
Administrative expenses	0	(76,370)	76,370
Member contributions ⁽¹⁾	0	760,994	(760,994)
Employer contributions ⁽¹⁾	0	2,012,877	(2,012,877)
Contributions from Metropolitan Transportation Authority	0	0	0
CalPERS transfer	0	0	0
Net investment income ⁽²⁾	0	15,615,699	(15,615,699)
Net miscellaneous income	0	2,680	(2,680)
Balances as of June 30, 2021	80,303,904	73,012,026	7,291,878

Sensitivity Analysis

The following presents the net pension liability of LACERA, calculated using the discount rate of 7.13%, as well as what LACERA's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.13%) or 1 percentage point higher (8.13%) than the current rate.

	1% Decrease 6.13%	Current Discount Rate 7.13%	1% Increase 8.13%
Total pension liability	\$91,186,244	\$80,303,904	\$71,310,939
Fiduciary net position	73,012,026	73,012,026	73,012,026
Net pension liability	18,174,218	7,291,878	(1,701,087)

1. In accordance with GASB 82, employer pick-up contributions are classified as member contributions.

2. Net investment income includes an adjustment of \$14,216,047 related to LACERA's investment staff salaries and other expenses.

Schedule of Changes in Net Pension Liability and Related Ratios

\$ Thousands

	Fiscal Year Ending June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service cost	\$1,499,597	\$1,301,460	\$1,239,396	\$1,220,274	\$1,106,755	\$1,069,328	\$1,024,288	\$1,009,834	\$0	\$0
Interest on total pension Liability	5,433,409	5,154,164	4,916,804	4,699,493	4,393,712	4,214,834	4,073,299	3,957,030	0	0
Effect of plan changes	0	0	0	0	0	0	0	0	0	0
Effect of assumption changes or inputs	0	2,626,103	0	0	3,079,892	0	0	0	0	0
Effect of economic/demographic (gains) or losses	605,566	794,955	502,989	309,149	(47,506)	(437,039)	(736,010)	0	0	0
CalPERS transfer	0	0	0	0	0	0	332	0	0	0
Benefit payments and refund of contributions	<u>(3,814,262)</u>	<u>(3,606,340)</u>	<u>(3,407,155)</u>	<u>(3,203,375)</u>	<u>(3,029,633)</u>	<u>(2,889,186)</u>	<u>(2,768,410)</u>	<u>(2,662,401)</u>	<u>0</u>	<u>0</u>
Net change in total pension liability	3,724,310	6,270,342	3,252,034	3,025,541	5,503,220	1,957,937	1,593,499	2,304,463	0	0
Total pension liability, beginning	76,579,594	70,309,252	67,057,218	64,031,677	58,528,457	56,570,520	54,977,021	52,672,558	0	0
Total pension liability, ending (a)	80,303,904	76,579,594	70,309,252	67,057,218	64,031,677	58,528,457	56,570,520	54,977,021	0	0
Fiduciary Net Position										
Employer contributions ⁽¹⁾	\$2,012,877	\$1,800,137	\$1,668,151	\$1,524,823	\$1,331,357	\$1,403,709	\$1,455,718	\$1,281,795	\$0	\$0
Contributions from Metropolitan Transportation Authority	0	0	0	0	2	3	25	0	0	0
CalPERS transfer	0	0	0	0	0	0	332	0	0	0
Member contributions ⁽¹⁾	760,994	659,296	635,415	591,262	526,579	498,083	480,158	477,648	0	0
Investment income net of investment expenses	15,615,699	1,432,547	3,163,618	4,705,949	6,129,300	80,588	1,989,358	6,910,439	0	0
Miscellaneous income	2,680	1,985	5,626	5,163	6,182	2,792	1,483	0	0	0
Benefit payments and refund of contributions	<u>(3,814,262)</u>	<u>(3,606,340)</u>	<u>(3,407,155)</u>	<u>(3,203,375)</u>	<u>(3,029,633)</u>	<u>(2,889,186)</u>	<u>(2,768,410)</u>	<u>(2,662,401)</u>	<u>0</u>	<u>0</u>
Administrative expenses	<u>(76,370)</u>	<u>(72,054)</u>	<u>(70,800)</u>	<u>(67,491)</u>	<u>(66,830)</u>	<u>(67,645)</u>	<u>(62,591)</u>	<u>(58,723)</u>	<u>0</u>	<u>0</u>
Net change in plan fiduciary net position	14,501,618	215,571	1,994,855	3,556,331	4,896,957	(971,656)	1,096,073	5,948,758	0	0
Fiduciary net position, beginning	58,510,408	58,294,837	56,299,982	52,743,651	47,846,694	48,818,350	47,722,277	41,773,519	0	0
Fiduciary net position, ending (b)	73,012,026	58,510,408	58,294,837	56,299,982	52,743,651	47,846,694	48,818,350	47,722,277	0	0
Net pension liability, ending = (a) - (b)	\$7,291,878	\$18,069,186	\$12,014,415	\$10,757,236	\$11,288,026	\$10,681,763	\$7,752,170	\$7,254,744	\$0	\$0
Fiduciary net position as a % of total pension liability	90.92%	76.40%	82.91%	83.96%	82.37%	81.75%	86.30%	86.80%	N/A	N/A
Covered payroll ⁽²⁾	\$9,062,051	\$8,724,151	\$8,370,050	\$7,957,981	\$7,637,032	\$7,279,777	\$6,949,420	\$6,672,886	\$0	\$0
Net pension liability as a % of covered payroll	80.47%	207.12%	143.54%	135.18%	147.81%	146.73%	111.55%	108.72%	N/A	N/A

1. In accordance with GASB 82, employer pick-up contributions are classified as member contributions.
2. In accordance with GASB 82, covered payroll is the payroll on which contributions are based.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Schedule of Employer Contributions

\$ Thousands

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll ¹	As a % of Covered Payroll	
					Actuarially Determined Contribution	Actual Employer Contribution
2012	\$1,078,929	\$1,078,929	\$0	\$6,619,816	16.30%	16.30% ²
2013	1,172,014	1,172,014	0	6,595,902	17.77%	17.77% ²
2014	1,281,795	1,281,795	0	6,672,886	19.21%	19.21%
2015	1,455,718	1,455,718	0	6,949,420	20.95%	20.95%
2016	1,403,709	1,403,709	0	7,279,777	19.28%	19.28%
2017	1,331,357	1,331,357	0	7,637,032	17.43%	17.43%
2018	1,524,823	1,524,823	0	7,957,981	19.16%	19.16%
2019	1,668,151	1,668,151	0	8,370,050	19.93%	19.93%
2020	1,800,137	1,800,137	0	8,724,151	20.63%	20.63%
2021	2,012,877	2,012,877	0	9,062,051	22.21%	22.21%

¹ In accordance with GASB 82, covered payroll is the payroll on which contributions are based.

² Contributions include employer pick-up contributions.

Allocable Pension Expense

\$ Thousands

Pension Expense	July 1, 2020 to June 30, 2021
Service cost	\$1,499,597
Interest on total pension liability	5,433,409
Effect of plan changes	0
Administrative expenses	76,370
Member contributions ⁽¹⁾	(760,994)
Net miscellaneous income	(2,680)
Expected investment return net of investment expenses	(4,132,759)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic (gains) or losses	124,014
Recognition of assumption changes or inputs	713,250
Recognition of investment (gains) or losses	(2,217,795)
Pension Expense	732,412

As of June 30, 2021, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$219,078	\$1,595,027
Changes of assumptions	0	3,124,534
Net difference between projected and actual earnings	7,282,610	0
Contributions made subsequent to measurement date	<u>NA</u>	<u>Employer Determined</u>
Total	\$7,501,688	\$4,719,561

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30: ⁽²⁾	
2022	(\$875,539)
2023	(\$612,468)
2024	(\$747,598)
2025	(\$1,691,745)
2026	\$566,199
Thereafter ⁽³⁾	\$579,024

(1) In accordance with GASB 82, employer pick-up contributions are classified as member contributions.

(2) Note that additional future deferred inflows/outflows may impact these numbers.

(3) Reflects remaining balance of total deferred (inflows)/outflows, if any.

Schedule of Deferred Inflows and Outflows of Resources

\$ Thousands

	Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in Allocable Pension Expense	Balance of Deferred Inflows 06/30/2021	Balance of Deferred Outflows 06/30/2021
Investment	(11,482,940)	06/30/2021	5	(2,296,588)	9,186,352	0
(gains) or losses⁽²⁾	2,825,505	06/30/2020	5	565,101	0	1,695,303
	948,757	06/30/2019	5	189,751	0	379,504
	(855,321)	06/30/2018	5	(171,064)	171,065	0
	(2,524,979)	06/30/2017	5	(504,995)	0	0
				<u>(2,217,795)</u>	<u>9,357,417</u>	<u>2,074,807</u>
Economic/demographic	605,566	06/30/2021	8	75,696	0	529,870
(gains) or losses	794,955	06/30/2020	8	99,369	0	596,217
	502,989	06/30/2019	8	62,874	0	314,367
	309,149	06/30/2018	8	38,644	0	154,573
	(47,506)	06/30/2017	8	(5,938)	17,816	0
	(437,039)	06/30/2016	8	(54,630)	109,259	0
	(736,010)	06/30/2015	8	(92,001)	92,003	0
	0	06/30/2014	8	0	0	0
				<u>124,014</u>	<u>219,078</u>	<u>1,595,027</u>
Assumption	0	06/30/2021	8	0	0	0
changes or inputs⁽³⁾	2,626,103	06/30/2020	8	328,263	0	1,969,577
	0	06/30/2019	8	0	0	0
	0	06/30/2018	8	0	0	0
	3,079,892	06/30/2017	8	384,987	0	1,154,957
	0	06/30/2016	8	0	0	0
	0	06/30/2015	8	0	0	0
	0	06/30/2014	8	0	0	0
				<u>713,250</u>	<u>0</u>	<u>3,124,534</u>

- (1) Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.
- (2) The investment (gain) / loss is the difference between expected and actual investment earnings. Expected investment earnings are based on the investment return assumption and assumes mid-year timing on all Plan Fiduciary Net Position transactional changes shown on page 6. The expected investment return for FY 2020-2021 is \$4,132,759. The actual investment return for FY 2020-2021 is \$15,615,699, which is the net investment income shown on page 7.
- (3) Assumption changes adopted for the June 30, 2016 actuarial valuation are first reflected in Total Pension Liability as of June 30, 2017. These changes were adopted after the June 30, 2016 GASB 67 report was issued and therefore were not reflected in the June 30, 2016 Total Pension Liability. Similarly, assumption changes adopted for the June 30, 2019 actuarial valuation are first reflected in Total Pension Liability as of June 30, 2020.

Schedule of Employer Proportion and Net Pension Liability
Measurement Date June 30, 2020

\$ Thousands

<u>Employer</u>	<u>Employer Contribution ⁽¹⁾⁽²⁾</u>	<u>Employer Proportion</u>	<u>Employer Net Pension Liability</u>
County	\$ 1,732,961	96.26824%	\$ 17,394,887
Courts	67,048	3.72460%	673,005
SCAQMD	0	0.00000%	-
LACOE	0	0.00000%	-
LAFCO	121	0.00672%	1,214
LLCD	8	0.00044%	80
Total	\$ 1,800,137	100.00000%	\$ 18,069,186

1. Employer contributions exclude any pick-up contributions and include contributions from the Metropolitan Transportation Authority (MTA). Our understanding is that the MTA is a nonemployer contributing entity not in a special funding situation. As such, the employer should report the pension liability for benefits provided through the pension plan. Accordingly, we have considered the contributions from the MTA as a County contribution in the proportionate share calculations.

2. Note that the sum of the individual employer contributions may not match the total contribution due to rounding.

Schedule of Employer Proportion and Net Pension Liability
Measurement Date June 30, 2021

\$ Thousands

<u>Employer</u>	<u>Employer Contribution ⁽¹⁾⁽²⁾</u>	<u>Employer Proportion</u>	<u>Employer Net Pension Liability</u>
County	\$ 1,940,716	96.41498%	\$ 7,030,463
Courts	72,021	3.57801%	260,904
SCAQMD	0	0.00000%	-
LAFCO	133	0.00661%	482
LLCD	8	0.00040%	29
Total	\$ 2,012,877	100.00000%	\$ 7,291,878

1. Employer contributions exclude any pick-up contributions and include contributions from the Metropolitan Transportation Authority (MTA). Our understanding is that the MTA is a nonemployer contributing entity not in a special funding situation. As such, the employer should report the pension liability for benefits provided through the pension plan. Accordingly, we have considered the contributions from the MTA as a County contribution in the proportionate share calculations.

2. Note that the sum of the individual employer contributions may not match the total contribution due to rounding.

Employers' Proportionate Share of Deferred Outflows and Inflows

\$ Thousands

<u>Employer</u>	<u>Proportionate Share</u>	<u>Proportionate Share of Deferred Outflows</u>			<u>Proportionate Share of Deferred Inflows</u>		
		<u>Experience</u>	<u>Assumption Changes</u>	<u>Investment Return</u>	<u>Experience</u>	<u>Assumption Changes</u>	<u>Investment Return</u>
County	96.41498%	\$ 1,537,846	\$ 3,012,519	\$ -	\$ 211,224	\$ -	\$ 7,021,527
Courts	3.57801%	57,070	111,796	-	7,839	-	260,573
SCAQMD	0.00000%	-	-	-	-	-	-
LAFCO	0.00661%	105	207	-	14	-	481
LLCD	0.00040%	6	12	-	1	-	29
Total	100.00000%	\$ 1,595,027	\$ 3,124,534	\$ -	\$ 219,078	\$ -	\$ 7,282,610

Schedule of Changes in Employers' Proportionate Share

\$ Thousands

Employer	Proportionate Share		Impact of Change in Proportion			Recognition of Change in Proportion		
	Prior Year	Current Year	Deferred Outflows	Deferred Inflows	Net Pension Liability	Pension Expense	Deferred Outflows	Deferred Inflows
County	96.26824%	96.41498%	\$ 10,399	\$ 545	\$ 26,515	\$ 2,083	\$ 14,578	\$ -
Courts	3.72460%	3.57801%	(10,388)	(545)	(26,488)	(2,081)	-	14,564
SCAQMD	0.00000%	0.00000%	-	-	-	-	-	-
LAFCO	0.00672%	0.00661%	(8)	-	(20)	(2)	-	10
LLCD	0.00044%	0.00040%	(3)	-	(7)	-	-	4
Total	100.00000%	100.00000%	\$ -	\$ -	\$ -	\$ -	\$ 14,578	\$ 14,578

Differences in Contributions

\$ Thousands

Employer	Contributions			Recognition of Difference in Contributions		
	Actual ⁽¹⁾⁽²⁾	Proportionate Share ⁽²⁾⁽³⁾	Difference	Pension Expense	Deferred Outflows	Deferred Inflows
County	\$ 1,940,716	\$ 1,940,716	\$ -	\$ -	\$ -	\$ -
Courts	72,021	72,021	-	-	-	-
SCAQMD	-	-	-	-	-	-
LAFCO	133	133	-	-	-	-
LLCD	8	8	-	-	-	-
Total	\$ 2,012,877	\$ 2,012,877	\$ -	\$ -	\$ -	\$ -

1. Actual employer contributions exclude pick-up contributions.
2. Note that the sum of the individual employer contributions may not match the total contribution due to rounding.
3. The proportionate share of contributions is based on the Employer Proportion shown on page 13.

**Employers' Pension Expense
Excluding that Attributable to Employer-paid Member Contributions**

\$ Thousands

Employer	Proportionate Share	Allocable Pension Expense	Recognitions			Employer Pension Expense
			Current Period		Prior Periods	
			Change in Proportion	Difference in Contributions		
County	96.41498%	\$ 706,155	\$ 2,083	\$ -	\$ 10,858	\$ 719,096
Courts	3.57801%	26,206	(2,081)	-	(10,867)	13,258
SCAQMD	0.00000%	-	-	-	6	6
LAFCO	0.00661%	48	(2)	-	(2)	44
LLCD	0.00040%	3	-	-	5	8
Total	100.00000%	\$ 732,412	\$ -	\$ -	\$ -	\$ 732,412

**Deferred Inflows and Outflows of Resources
Due to Changes in Proportionate Share and Differences in Contributions**

\$ Thousands

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in Employers' Pension Expense	Balance of Deferred Inflows 06/30/2021	Balance of Deferred Outflows 06/30/2021
County	16,661	06/30/2021	8	2,083	0	14,578
	4,486	06/30/2020	8	561	0	3,364
	4,973	06/30/2019	8	621	0	3,110
	4,763	06/30/2018	8	595	0	2,383
	16,283	06/30/2017	8	2,036	0	6,103
	8,320	06/30/2016	8	1,040	0	2,080
	20,406	06/30/2015	8	2,551	0	2,549
	27,619	06/30/2014	8	3,454	0	0
		Total		12,941	0	34,167
Courts	(16,645)	06/30/2021	8	(2,081)	14,564	0
	(4,447)	06/30/2020	8	(556)	3,335	0
	(4,986)	06/30/2019	8	(623)	3,117	0
	(4,842)	06/30/2018	8	(605)	2,422	0
	(16,171)	06/30/2017	8	(2,021)	6,066	0
	(8,193)	06/30/2016	8	(1,024)	2,049	0
	(20,569)	06/30/2015	8	(2,571)	2,572	0
	(27,742)	06/30/2014	8	(3,467)	0	0
		Total		(12,948)	34,125	0
SCAQMD	0	06/30/2021	8	0	0	0
	0	06/30/2020	8	0	0	0
	0	06/30/2019	8	0	0	0
	8	06/30/2018	8	1	0	4
	11	06/30/2017	8	1	0	6
	13	06/30/2016	8	2	0	1
	15	06/30/2015	8	2	0	1
	13	06/30/2014	8	0	0	0
		Total		6	0	12
LAFCO	(12)	06/30/2021	8	(2)	10	0
	(40)	06/30/2020	8	(5)	30	0
	16	06/30/2019	8	2	0	10
	70	06/30/2018	8	9	0	34
	(124)	06/30/2017	8	(16)	44	0
	(142)	06/30/2016	8	(18)	34	0
	106	06/30/2015	8	13	0	15
	104	06/30/2014	8	13	0	0
		Total		(4)	118	59
LLCD	(4)	06/30/2021	8	0	4	0
	1	06/30/2020	8	0	0	1
	(3)	06/30/2019	8	0	3	0
	1	06/30/2018	8	0	0	1
	1	06/30/2017	8	0	0	1
	2	06/30/2016	8	0	0	2
	42	06/30/2015	8	5	0	7
	6	06/30/2014	8	0	0	0
		Total		5	7	12

Schedule of Employers' Recognition of Deferred Outflows and Inflows

\$ Thousands

Employer	Future Expected Recognition of Employer Deferred Outflows and Inflows					
	2022	2023	2024	2025	2026	Thereafter ⁽¹⁾
County	\$ (834,665)	\$ (583,575)	\$ (714,905)	\$ (1,627,233)	\$ 549,171	\$ 562,988
Courts	(40,809)	(28,826)	(32,639)	(64,398)	16,997	16,004
SCAQMD	4	2	5	1	-	-
LAFCO	(73)	(68)	(57)	(109)	32	33
LLCD	4	(1)	(2)	(6)	(1)	(1)
Total	\$ (875,539)	\$ (612,468)	\$ (747,598)	\$ (1,691,745)	\$ 566,199	\$ 579,024

1. Sum of payments in the next two years.

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan

\$ Thousands

Employer	Deferred Outflow of Resources					Deferred Inflow of Resources				Pension Expense Excluding that Attributable to Employer-paid Member Contributions		
	Net Pension Liability	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding that Attributable to Employer-paid Member Contributions
County	\$ 7,030,463	\$ 1,537,846	\$ -	\$ 3,012,519	\$ 34,167	\$ 211,224	\$ 7,021,527	\$ -	\$ -	\$ 706,155	\$ 12,941	\$ 719,096
Courts	260,904	57,070	-	111,796	-	7,839	260,573	-	34,125	26,206	(12,948)	13,258
SCAQMD	-	-	-	-	12	-	-	-	-	-	6	6
LAFCO	482	105	-	207	59	14	481	-	118	48	(4)	44
LLCD	29	6	-	12	12	1	29	-	7	3	5	8
Total	\$ 7,291,878	\$ 1,595,027	\$ -	\$ 3,124,534	\$ 34,250	\$ 219,078	\$ 7,282,610	\$ -	\$ 34,250	\$ 732,412	\$ -	\$ 732,412

Schedule of Employers' Estimated Changes in Net Pension Liability

\$ Thousands

	County	Courts	SCAQMD	LAFCO	LLCD	Total
Net Pension Liability as of June 30, 2020	\$17,394,887	\$ 673,005	\$ -	\$ 1,214	\$ 80	\$18,069,186
Changes for the year:						
Service cost	1,445,836	53,656	-	99	6	1,499,597
Interest on total pension liability	5,238,620	194,408	-	359	22	5,433,409
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic (gains) or losses	583,856	21,667	-	40	3	605,566
Effect of assumptions changes or inputs	-	-	-	-	-	-
Administrative expenses	73,632	2,733	-	5	-	76,370
Member contributions	(733,712)	(27,228)	-	(50)	(4)	(760,994)
Employer contributions	(1,940,716)	(72,021)	-	(133)	(7)	(2,012,877)
Contributions from Metropolitan Transportation Authority	-	-	-	-	-	-
Expected investment return net of investment expenses	(3,984,598)	(147,872)	-	(273)	(16)	(4,132,759)
Investment income (gain) / loss	(11,071,273)	(410,860)	-	(759)	(48)	(11,482,940)
Net miscellaneous income	(2,584)	(96)	-	-	-	(2,680)
Change in proportionate share	26,515	(26,488)	-	(20)	(7)	-
Difference in contributions	-	-	-	-	-	-
Net Pension Liability as of June 30, 2021	\$ 7,030,463	\$ 260,904	\$ -	\$ 482	\$ 29	\$ 7,291,878

Sensitivity Analysis

The following presents an estimate of the sensitivity of each employers' net pension liability, calculated using the discount rate of 7.13%, as well as a discount rate that is 1 percentage point lower (6.13%) or 1 percentage point higher (8.13%) than the current rate. These estimates are based on the sensitivity of LACERA's net pension liability and assumes no change in employer contributions. That is, proportionate share remains unchanged under each scenario.

Current Discount Rate (7.13%)	\$ 7,030,463	\$ 260,904	\$ -	\$ 482	\$ 29	\$ 7,291,878
Current Discount Rate plus 1% (8.13%)	\$ (1,640,103)	\$ (60,865)	\$ -	\$ (112)	\$ (7)	\$ (1,701,087)
Current Discount Rate minus 1% (6.13%)	\$17,522,669	\$ 650,275	\$ -	\$ 1,201	\$ 73	\$18,174,218

Note that the numbers included in the above reconciliation of Net Pension Liability are rounded to thousands of dollars. In some cases there may be minor adjustments included to resolve rounding differences.

Actuarial Methods and Assumptions

All actuarial methods and assumptions used to calculate Net Pension Liability are the same as used in the June 30, 2020 funding valuation, except as noted below and throughout this report. Please see the Actuarial Valuation of Retirement Benefits report dated November 25, 2020 for further details. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Actuarial Cost Method	Individual Entry Age Normal ⁽¹⁾
Asset Valuation Method	Fair market value
Investment Rate of Return	7.13% ⁽²⁾
Inflation	2.75%
Cost of Living Adjustments	As noted in the June 30, 2020 actuarial valuation, with one modification: STAR COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits. ⁽³⁾
Mortality	Various rates based on Pub-2010 mortality tables and using MP-2014 Ultimate Projection Scale. See June 30, 2020 funding valuation for details.

Service Cost and Interest Cost components of Pension Expense are determined based on the results of the actuarial valuation that determined the beginning Net Pension Liability. Therefore, those components are determined based on the actuarial methods and assumptions described in the June 30, 2020 GASB 67 Disclosure Report dated September 24, 2020.

The following assumptions and methods are relevant to the GASB 68 valuation and are included here for completeness.

Recognition of Inflows / Outflows

Investment gains or losses	Straight line amortization over five years
Economic/demographic gains or losses	Straight line amortization over expected working life
Assumption changes or inputs	Straight line amortization over expected working life

Basis of Contribution Requirements

Actuarially determined contribution rates are calculated as of each June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Assets are valued using a five year smoothed method based on the difference between expected market value and actual market value. The recognition method is non-asymptotic, and there is no minimum or maximum corridor applied.

The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. Effective June 30, 2019 existing UAAL layers as of June 30, 2018 are amortized over their remaining periods, not to exceed 22 years. Each new layer effective on or after June 30, 2019 is amortized over a 20-year period. The UAAL contribution rate calculated in the June 30, 2020 funding valuation includes 12 layers.

1. Differs slightly from actuarial valuation for groups in existence less than five years.
2. Differs from actuarial valuation due to addition of administrative expense load of 0.13%.
3. Differs from actuarial valuation due to inclusion of future liability for STAR COLA benefits.

Glossary

Actuarially Determined Contribution	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted.
Deferred Inflows/Outflows of Resources	Portion of changes in net pension liability that is not immediately recognized in Pension Expense. These changes include differences between expected and actual experience, changes in assumptions, and differences between expected and actual earnings on plan investments.
Discount Rate	Single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the sum of: <ol style="list-style-type: none">1) The actuarial present value of benefit payments projected to be made in future periods where the plan assets are projected to be sufficient to meet benefit payments, calculated using the Long-Term Expected Rate of Return.2) The actuarial present value of projected benefit payments not included in (1) above, calculated using the Municipal Bond Rate.
Fiduciary Net Position	Equal to market value of assets minus liabilities.
Long-Term Expected Rate of Return	Long-term expected rate of return on pension plan investments expected to be used to finance the payment of benefits, net of investment expenses.
Money-Weighted Rate of Return	The internal rate of return on pension plan investments, net of investment expenses.
Municipal Bond Rate	Yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
Net Pension Liability	Total Pension Liability minus the Plan's Fiduciary Net Position.
Projected Benefit Payments	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and expected future service.
Service Cost	The portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total Pension Liability	The portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the Entry Age Normal cost method based on the requirements of GASB 67 and 68.