LIVE VIRTUAL COMMITTEE MEETING

DECEMBER 11, 2020 AT 8:00 AM

AUDIT COMMITTEE MEETING

TO VIEW VIA WEB

https://members.lacera.com/lmpublic/live_stream.xhtml

TO PROVIDE PUBLIC COMMENT

You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you are requesting to speak, please include your contact information, agenda item, and meeting date in your request.

Attention: Public comment requests must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting.

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

AGENDA

A SPECIAL MEETING OF THE AUDIT COMMITTEE

AND BOARD OF RETIREMENT AND BOARD OF INVESTMENTS*

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., FRIDAY, DECEMBER 11, 2020

This meeting will be conducted by the Audit Committee under the Governor's Executive Order No. N-29-20.

Any person may view the meeting online at
https://members.lacera.com/lmpublic/live_stream.xhtml

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

2020 AUDIT COMMITTEE MEMBERS
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

AUDIT COMMITTEE CONSULTANT
Rick Wentzel

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Audit Committee Meeting of October 21, 2020.

III. PUBLIC COMMENT

(**You may submit written public comments by email to PublicComment@lacera.com. Please include the agenda number and meeting date in your correspondence. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

You may also request to address the Committee. A request to speak must be submitted via email to PublicComment@lacera.com no later than 5:00 p.m. the day before the scheduled meeting. Please include your contact information, agenda item, and meeting date so that we may contact you with information and instructions as to how to access the Committee meeting as a speaker.)

IV. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Christina Logan, Senior Internal Auditor: That the Committee approve the Revisions to Audit Committee Charter.
(Memo dated November 30, 2020)

B. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Leisha Collins, Principal Internal Auditor: That the Committee interview candidates and select an Audit Committee Consultant.
(Memo dated December 3, 2020)

V. REPORTS

A. Plante Moran's Audit Results

- Presentation of the Results of the Financial Audit by Michelle Watterworth, Partner, Jean Young, Partner, and Amanda Cronk, Senior Manager
- LACERA's 2020 Audited Financial Statements and Required Communications to those Charged with Governance for FYE June 30, 2020
- GASB 68 Disclosure Report, Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for FYE June 30, 2019
- GASB 75 Disclosure Report, Statement of Changes in Fiduciary Net Position by Employer for FYE June 30, 2019
- Census Attestation Related to the Total OPEB Liability under GASB 75 for FYE June 30, 2018

(Memo dated November 30, 2020)

V. REPORTS (Continued)

B. Management Response to Plante Moran's Comments to Management
Santos H. Kreimann, Chief Executive Officer
Richard P. Bendall, Chief Auditor Executive
(Memo dated December 4, 2020)

C. Presentation of Information Security (InfoSec) Report
Robert Schlotfelt, Interim Chief Information Security Officer
(Memo dated December 4, 2020)

D. Audit Plan Status Report Update
Richard P. Bendall, Chief Audit Executive
Leisha E. Collins, Principal Internal Auditor
(Memo dated November 30, 2020)

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

F. Staffing Activity Report
Richard Bendall, Chief Audit Executive
(Verbal Presentation)

G. Update on Real Estate Manager Review Reports
Richard Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor
(Memo dated November 30, 2020)
(For Information Only)

H. Request for Proposal for Auditing and Consulting Services Pool
Richard Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor
(Memo dated November 30, 2020)
(For Information Only)

I. Ethics Hotline Status Report
Richard Bendall, Chief Audit Executive
(Memo dated November 30, 2020)
(For Information Only)

VI. CONSULTANT COMMENTS
Rick Wentzel, Audit Committee Consultant
(Verbal Presentation)

VII. REPORT ON STAFF ACTION ITEMS

There were no requests for Items for Staff Review

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

IX. ADJOURNMENT

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

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

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

MINUTES OF THE SPECIAL MEETING OF THE AUDIT COMMITTEE OF THE

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

8:00 A.M., WEDNESDAY, OCTOBER 21, 2020

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20. The public may attend the meeting at LACERA's offices.

PRESENT: Gina V. Sanchez, Chair

Keith Knox, Vice Chair

Herman B. Santos, Secretary

Vivian H. Gray

David Green

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Richard Bendall, Chief Audit Executive

Steven P. Rice, Chief Counsel

Leisha Collins, Principal Internal Auditor

Christina Logan, Senior Internal Auditor

Kathryn Ton, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Nathan Amick, Internal Auditor

STAFF, ADVISORS, PARTICIPANTS (Continued)

Summy Voong, Interim Assistant System Division Manager

Robert Schlotfelt, Interim Chief Information Security Officer

Rick Wentzel, Audit Committee Consultant

I. CALL TO ORDER

The meeting was called to order at 8:00 a.m., in the Board Room of Gateway Plaza.

II. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Special Audit Committee Meeting of August 19, 2020.

Mr. Green made a motion to approve the minutes with revisions of the Special Audit Committee meeting of August 19, 2020. The motion passed (roll call) with Messrs. Green, Knox, Santos, Ms. Gray and Ms. Sanchez voting yes.

III. PUBLIC COMMENT

Joseph Kelly provided written comments regarding agenda items II.A. and IV. A.

IV. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard Bendall, Chief Audit Executive Kathryn Ton, Senior Internal Auditor and Nathan Amick, Internal Auditor: That the Committee review and discuss the Corporate Credit Card Audit and provide the following action(s):

IV. NON-CONSENT ITEMS (Continued)

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
4. Provide further instruction to staff.
(Memo dated October 5, 2020)

Mr. Santos made a motion, Mr. Green seconded, to accept and file the report and direct staff to conduct a Corporate Credit Card Audit next fiscal year.

B. Recommendation as submitted by Richard Bendall, Chief Audit Executive and Christina Logan, Senior Internal Auditor: That the Committee review and discuss the Executive Summary: Plante Moran Service Organizational Controls Readiness Assessment and provide the following action(s):

1. Accept and file report;
2. Instruct staff to forward report to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings; and/or
4. Provide further instruction to staff.
(Memo dated September 21, 2020)

Without objection, the report was received and filed.

V. REPORTS

A. Strengthening the Audit Committee
Richard Bendall, Chief Audit Executive
Leisha Collins, Principal Internal Auditor
Christina Logan, Senior Internal Auditor
(Memo dated October 9, 2020)

V. REPORTS (Continued)

Mr. Green made a motion, Mr. Knox seconded, to accept the staff's recommendation to elect two trustees from each Board to participate on the Audit Committee with the Board Chairs and Vice Chairs eligible for election as well as making the Tax Treasurer Collector a permanent member of the Audit Committee. The motion passed (roll call) with Messrs. Green, Knox, Santos, Ms. Gray and Ms. Sanchez voting yes.

The following items were received and filed.

B. FYE 2021 Audit Plan Status Report
Richard Bendall, Chief Audit Executive
Leisha Collins, Principal Internal Auditor
(Memo dated October 9, 2020)

Mr. Bendall and Mrs. Collins were present to answer questions from the Committee.

C. Recommendation Follow-Up for Sensitive Information Technology Areas
Richard Bendall, Chief Audit Executive
Gabriel Tafoya, Senior Internal Auditor
Christina Logan, Senior Internal Auditor
(Memo dated October 9, 2020)

Messrs. Bendall, Tafoya, Voong, and Ms. Logan were present to answer questions from the Committee.

D. Recommendation Follow-Up Report
Richard Bendall, Chief Audit Executive
Gabriel Tafoya, Senior Internal Auditor
(Memo dated October 9, 2020)

Messrs. Bendall and Tafoya were present to answer questions from the Committee.

V. REPORTS (Continued)

E. Real Estate Manager Compliance Reviews
Richard Bendall, Chief Audit Executive
Leisha Collins, Principal Internal Auditor
Kathryn Ton, Senior Internal Auditor
(Memo dated October 9, 2020)
(For Information Only)

Mr. Bendall and Mrs. Ton were present to answer questions from the Committee.

F. LACERA External Financial Audit Update
Richard Bendall, Chief Audit Executive
Christina Logan, Senior Internal Auditor
(Verbal Presentation)

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

G. Staff Activity Report
Richard Bendall, Chief Audit Executive
(Verbal Presentation)

Messrs. Bendall and Kreimann were present to answer questions from the Committee.

VI. ITEMS FOR STAFF REVIEW

The Committee requested copies of the Real Estate Manager Review reports for Item V.E.

VII. GOOD OF THE ORDER

There was nothing to report during Good of the Order.

VIII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 9:54 a.m.

L//.CERA

November 30, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall
Chief Audit Executive

Leisha E. Collins
Principal Internal Auditor

Christina Logan
Senior Internal Auditor

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: **Revisions to Audit Committee Charter**

RECOMMENDATION:

a) Approve the revised Audit Committee Charter.
b) Upon approval, recommend to the Board of Retirement and Board of Investments to approve and adopt the revised Audit Committee Charter.

REVISIONS

During the October 2020 Audit Committee meeting, Internal Audit discussed strengthening the Audit Committee by changing the composition for future Audit Committees. We proposed and the Audit Committee voted to approve modifying the composition to a five-member Committee made up of two elected Trustees from each Board and the Treasurer Tax Collector, the ex-officio on both Boards. This change is reflected in the red-line version of the Audit Committee Charter (Charter) (Attachment A) on pages 3 -6 for your approval.

Internal Audit also, added a new paragraph to the Charter to reflect that all Audit Committee meetings will be noticed as joint meetings to allow for all Trustees to participate in open and closed sessions of Committee discussions. This addition is reflected in the red-line version of the Charter on page 5.

CONCLUSION

Staff recommends the Audit Committee approve the revised Audit Committee Charter and upon approval, recommend to the Board of Retirement and Board of Investments to approve and adopt the revised Audit Committee Charter.

RPB:lec:cl

Attachments:

A: Red-line Version of Revised Audit Committee Charter
B: Clean Version of Revised Audit Committee Charter

ATTACHMENT A

LACERA
Los Angeles County Employees Retirement Association

Audit Committee Charter

December 2020

Deleted: June

2020

AUDIT COMMITTEE CHARTER

Table of Contents

AUDIT COMMITTEE CHARTER

I. CHARTER

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

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

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

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

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

III. PRINCIPLES OF THE AUDIT COMMITTEE

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

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

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

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

Deleted: Revised

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

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

IV. AUTHORITY

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

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

The Audit Committee is empowered to:

1. Approve the appointment, compensation, and work of the Financial Auditor hired to audit LACERA's financial statements.
2. Approve the appointment, compensation, and work of other Professional Service Providers to perform non-financial statement audits, reviews, or investigations, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
3. Resolve any significant disagreements regarding risks, findings, and/or payment between Management and the Financial and/or Other Service Providers.

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of five members: two elected annually from each Board and the ex-officio member of both Boards, the LA County's Treasurer and Tax Collector. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of their term, the Board of the departing member, will elect a new Audit Committee member at the next

Deleted: the chair and vice-chair of the Boards of Retirement and Investments, plus one additional Board member elected annually by each Board, for a total of four to six members[1]. Board chairs and vice-chairs that leave Board service will be replaced automatically on the Audit Committee when the Board replaces its missing officer while other Committee membership remains intact.

Deleted: [1] The number of Committee members is dependent upon the designated Chair and Vice Chair appointments to the Boards of Retirement and Investments. If both Boards were to elect the same individuals to the positions of Chair and/or Vice Chair, the Audit Committee would be comprised of four or five Board Members.¶

regularly scheduled Board meeting.

The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

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

VI. AUDIT COMMITTEE MEETINGS

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

All Committee Members are expected to attend each meeting.

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

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

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

Robert's Rules of Order, except as otherwise provided herein, shall guide the Committee in its proceedings; however, the Chair of the Committee shall have the same rights to vote and

Deleted: If Audit Committee voting results in a tie, the Committee will forward the recommendation to the appropriate Board for consideration and final decision.

Deleted: c

Deleted: v

Deleted: c

Deleted: c

Deleted:

Deleted: v

Deleted: c

Deleted: s

Deleted: c

participate in discussions as any other member of the Committee without relinquishing the chair. The order of business shall be as determined by formal action of the Committee. Three members of the five-member Audit Committee, excluding the Audit Committee Consultant, constitute a quorum.

Deleted: Four members of a six-member Audit Committee or

Deleted: t

Deleted: a

Deleted: four or

Deleted: a

Deleted: c

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

Deleted: s

VII. RESPONSIBILITIES

A. Internal Audit Activity

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

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

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

4. Chief Audit Executive (CAE)

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

B. Professional Service Provider Activity

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

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

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

3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.

C. Financial Reporting Process

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

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

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

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

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

D. Values and Ethics

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

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

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

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

1. Risk Management
   a. Annually review LACERA's risk profile.
   b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
   c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.

2. Fraud
   a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
   b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.

3. System of Internal Controls
   a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
   b. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
   c. Review and provide advice on control of LACERA as a whole and its individual divisions.

4. System of Compliance
   a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.

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

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

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

F. Other Responsibilities

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

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

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

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

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on December 11, 2020 and approved by the Board of Investments and Board of Retirement on December 16, 2020. This Charter is thereby effective December 16, 2020 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Gina Sanchez *Chair, Audit Committee*	**Date**
David Green *Chair, Board of Investments*	**Date**
Herman Santos *Chair, Board of Retirement*	**Date**

Deleted: June 24

Deleted: June 24

Deleted: 06/24/2020

Deleted: Gina Sanchez

Deleted: 06/24/2020

Deleted: David Green

Deleted: 06/24/2020

Deleted: Herman Santos

ATTACHMENT B

Los Angeles County Employees Retirement Association

Audit Committee Charter

December 2020

2020

AUDIT COMMITTEE CHARTER

Table of Contents

AUDIT COMMITTEE CHARTER

I. CHARTER

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

II. PURPOSE AND ASSIGNED FIDUCIARY OVERSIGHT DUTIES

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

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

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

III. PRINCIPLES OF THE AUDIT COMMITTEE

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

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

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

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

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

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

IV. AUTHORITY

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

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

The Audit Committee is empowered to:

1. Approve the appointment, compensation, and work of the Financial Auditor hired to audit LACERA's financial statements.
2. Approve the appointment, compensation, and work of other Professional Service Providers to perform non-financial statement audits, reviews, or investigations, subject to limitations due to confidentiality, legal standards, and/or where approval will clearly impair the purpose or methods of the audit.
3. Resolve any significant disagreements regarding risks, findings, and/or payment between Management and the Financial and/or Other Service Providers.

V. AUDIT COMMITTEE COMPOSITION AND CONSULTANT

The Audit Committee will consist of five members: two elected annually from each Board and the ex-officio member of both Boards, the LA County's Treasurer and Tax Collector. If any elected Audit Committee member leaves Board service or resigns from the Audit Committee prior to the completion of their term, the Board of the departing member, will elect a new Audit Committee member at the next regularly scheduled Board meeting.

The Committee shall have the authority to approve the hiring of the Audit Committee Consultant as an advisor through a Request for Proposal process. The Audit Committee Consultant will be designated as the audit technical and financial expert, to advise the Committee on audit and financial matters. The Audit Committee Consultant's contract will be for three years.

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

VI. AUDIT COMMITTEE MEETINGS

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

All Committee Members are expected to attend each meeting.

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

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

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

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

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

VII. RESPONSIBILITIES

A. Internal Audit Activity

1. Internal Audit Strategy and Annual Plan
   a. Review and provide input on Internal Audit's annual risk assessment
   b. Review and approve Internal Audit's Annual Audit Plan (Plan) and resource plan, make recommendations concerning audit projects.
   c. Recommend to the Boards a budget to achieve the Plan plus a contingent budget for additional work related to audit findings or other unplanned work.
   d. Review and monitor Internal Audit's activity relative to its Plan. Review and approve all major changes to the Plan.

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

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

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

4. Chief Audit Executive (CAE)

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

B. Professional Service Provider Activity

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

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

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

3. Review the Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings and recommendations, Management's responses, and actions taken to implement the audit recommendations.

C. Financial Reporting Process

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

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

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

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

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

D. Values and Ethics

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

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

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

E. Organizational Governance

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

1. Risk Management
   a. Annually review LACERA's risk profile.
   b. Obtain from the CAE an annual report on Management's implementation and maintenance of an appropriate enterprise wide risk management process. Provide advice on the risk management processes established and maintained, and the procedures in place to ensure that they are operating as intended.
   c. Provide oversight on significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Management and the Boards.

2. Fraud
   a. Oversee Management's arrangements for the prevention and detection of fraud, including ensuring adequate time is spent discussing and raising awareness about fraud and the Hotline.
   b. Review a summary of Hotline reports, and if appropriate make a recommendation to the Boards.

3. System of Internal Controls
   a. Consider the effectiveness of LACERA's internal control system, including information technology security and control, as well as all other aspects of LACERA's operations.
   b. Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses.
   c. Review and provide advice on control of LACERA as a whole and its individual divisions.

4. System of Compliance
   a. Annually, review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.

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

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

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

F. Other Responsibilities

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

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

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

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

VIII. APPROVAL

This Charter was reviewed by the Audit Committee on December 11, 2020 and approved by the Board of Investments and Board of Retirement on December 16, 2020. This Charter is thereby effective December 16, 2020 and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Gina Sanchez *Chair, Audit Committee*	**Date**
David Green *Chair, Board of Investments*	**Date**
Herman Santos *Chair, Board of Retirement*	**Date**

LACERA

December 3, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall RPB
Chief Audit Executive

Leisha E. Collins LEC
Principal Internal Auditor

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: **Audit Committee Consultant Interviews and Selection**

RECOMMENDATION

A) Audit Committee interview candidates and select the Audit Committee Consultant.
B) Upon selection of the Audit Committee Consultant, direct staff to negotiate a three-year agreement for consulting services to begin in January 2021.

BACKGROUND

The Audit Committee Consultant Agreement (Agreement) was executed in March 2016 between LACERA and Rick Wentzel of Grant Thornton, LLP for a five-year term expiring December 31, 2020. Upon his June 2020 retirement, the Committee elected to continue the consulting services with Mr. Wentzel, as a sole practitioner, for the duration of the Agreement. Furthermore, at its May 2020 meeting, the Committee instructed staff to issue a Request for Proposal (RFP) to identify qualified candidates to serve as the Audit Committee Consultant beginning in 2021.

The RFP was released in October 2020 on LACERA's website. In addition, email notifications were sent to the "Top California CPA Firms" (as reported by the IIA on their website), and the RFP was also posted on several different resources including professional publications and accounting and auditing association websites. Five firms/consultants submitted proposals: Ménès Consulting, Moss Adams, TAP International, Williams Adley, and Mr. Wentzel. A brief summary of each candidate's experience, qualifications and fees are summarized on pages 2-3 of this memo.

SUMMARY OF CANDIDATES: *(listed in alphabetical order)*

FIRM	Ménès Consulting Group (MCG)
Consultant/Title	Raoul Ménès, Managing Director
Experience & Qualifications	Managing director and founder of MCG with more than 26 years' experience in internal audit, enterprise risk management, fraud and forensics, governance and compliance and ethics. International Speaker and facilitator, global instructor, past governor and president of IIA Phoenix Chapter Governor, Consultant to SRPMIC audit committee, Trustee for the IIA Internal Audit Foundation
Certifications[1]	Fellow CPA, Fellow CMA, Fellow CMC, CIA, CCEP, CFI, CFE, CRMA, CCSA
Meeting Fees	$1550 per meeting plus out of pocket travel expense
Prep Fees	$250/ hour

FIRM	Moss Adams
Consultant / Title	Kory Hoggan, Partner and Mark Steranka, Partner
Experience & Qualifications	Mr. Hoggan has over 25 years of experience working with PER systems and other employee benefit plans, leads the firm's national PERS services group and significant experience working with retirement systems and boards as both an audit partner and consultant. Mr. Steranka leads the firm's performance audit practice, has deep experience working with boards and audit committee for governmental organizations, also has experience working with clients in compliance with 1937 Act issues
Certifications[1]	CIA, CPA
Meeting Fees	$500 per meeting
Meeting Prep	$175/ hour
Other Services	$150-$325/ hour based on experience level of personnel

FIRM	TAP International
Consultant/ Title	Drummond Kahn Director
Experience & Qualifications	Mr. Drummond has 27+ years of work as an auditor, director and educator including federal, state and local experience advising management, past experience as director of audit services for the City of Portland, Chief Audit Services for the Oregon Dep of Transportation, the State Audit Administrator for Oregon Secretary of State Audit Division and Interim Director of Oregon Sec. of State Audits division
Certifications[1]	CIA, CGFM, CGFM
Meeting Fees	$200/hour; virtual attendance $170/hour
Prep Fees	$170/hour

[1] Certifications are defined as follows: Certified Public Accountant (CPA) Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Forensic Interviewer (CFI) Certificate in Risk management (CRMA) Certification in Control Self-Assessment (CCSA), Certified Government Financial Manager (CGFM), Certified Government Auditing Professional (CGAP)

FIRM	Rick Wentzel, CPA
Consultant/ Title	Rick Wentzel, Sole Practitioner
Experience & Qualifications	Current LACERA consultant, 35+ years career in public and private account, external audit partner for Grant Thornton for 17 years, Controller to large NFP and a college, specialized in governmental and NFP, Assisted in IA projects for Public Transportation agencies, served on, and conducted training sessions for audit committees and boards on governance best practices, accounting and auditing standards, directly involved in several ERM projects, serves on two boards
Certifications	CPA
Meeting Fees	$700/hour (*current contract fee)*
Meeting Prep Fees	$700/hour (*current contract fee)*

FIRM	Williams Adley
Consultant/Title	Robert Griffin, Managing Partner
Experience & Qualifications	Mr. Griffin has 25+ years of governmental audit and accounting experience. Detailed knowledge of GAAP, GAGS, Audit experience of '37 Act Plans, 10+ years internal auditing including providing outsourced services and previous industry experience building a large audit group. Solid knowledge of IT security risks and exposure as a result of evaluating IT security of risk assessments, elected school board trustee and current Board President for the San Mateo Union High School District
Certifications	CPA
Meeting Fees	$600 per meeting
Meeting Prep Fees	$300 / hour
Other Services Fee	$300/ hour

Based on our review of proposals and reference checks, staff determined that all five candidates are highly qualified and should be given the opportunity to participate in the Committee's interviews during the December 2020 meeting. Each candidate will provide a five-minute presentation and will have an additional five to ten minutes to answer the Committee's questions. Each candidate's proposal along with a cover page is provided in Attachment B for your reference.

We have also attached a Suggested Areas for Evaluation Guide, Attachment A, for guidance only in evaluating the candidates.

RECOMMENDATION:
The Audit Committee interview candidates and select the Audit Committee Consultant and upon selection of the Audit Committee Consultant, direct staff to negotiate a three- year agreement for consulting services to begin in January 2021.

Attachment A: Interview Evaluation Form
Attachment B: Candidate Cover Memo, Proposal, and Slide Presentation

RPB:lec

Audit Committee Consultant
Evaluation Form
December 2020

ATTACHMENT A

Consultant Name	**Raoul Ménès**	**Kory Hoggan** **Mark Steranka**	**Drummond Kahn**	**Rick Wentzel**	**Robert Griffin**
Firm Name	**Ménès Consulting Group**	**Moss Adams, LLP**	**TAP International**	**Sole Practitioner**	**Williams, Adley & Company, CA LLP**
Knowledge and Experience: • Applicable Experience and knowledge relating to Internal Audit departments and Audit Committee • Applicable advanced degree • Applicable certification • Prior experience advising AC • Specific knowledge of '37 Pension Act Pension Systems • Broad knowledge of public pension systems, and investment practices • Strong knowledge of corporate governance, cybersecurity, and emerging trends • Knowledge of financial regulatory sources (GASB, GAAP, GAAS)					
References: • Similar advisory role • Similar industry • Recent experience					
Fees: • Cost effective, efficient • Conscious of appropriate scale of work					
TOTAL					

Audit Committee Consultant
Evaluation Form
December 2020

ATTACHMENT A

Consultant Name	**Raoul Ménès**	**Kory Hoggan** **Mark Steranka**	**Drummond Kahn**	**Rick Wentzel, CPA**	**Robert Griffin**
Firm Name	**Ménès Consulting Group**	**Moss Adams, LLP**	**TAP International**	**Sole Practitioner**	**Williams, Adley & Company, CA LLP**
Fee per Audit Committee Meetings *all proposals include travel expenses consistent with LACERA's policy	$1550/per meeting	$500/per meeting	$200 / hour	$700/hour *Capped at $30,000/year	$600/per meeting
Hourly rate (preparing for meetings, conference calls)	$250	$175 Prep $150-325 other service based on staff level	$170	$700 *Capped at $30,000/year	$300

Audit Committee Consultant
Evaluation Form
December 2020

ATTACHMENT A

COMMENTS
Ménès Consulting Group:
Moss Adams:
Tap International:
Rick Wentzel:
Willams, Adley & Company:

ATTACHMENT B

MÉNÈS CONSULTING GROUP

PROPOSAL AND PRESENTATION

Ménès Consulting Group, LLC, ®
7135 East Camelback Road, Suite 230
Scottsdale, Arizona 85251

T: (855) 636-3701, F: (855) 636-3702

www.menescg.com

MÉNÈS CONSULTING GROUP

December 2, 2020

Ms. Gina V. Sanchez Mr. Keith Know Mr. Herman B. Santos
Mr. David Green Ms. Vivian H. Gray
Audit Committee Members
LACERA
300 North Lake Avenue, Suite 840
Pasadena, California 91101

Dear Distinguished Members:

I am pleased to present my candidacy's highlights for your consideration. Additional information can be found within the detailed proposal.

- Managing Director and Founder of MCG with more than 26 years' experience in internal audit, enterprise risk management, fraud and forensics, governance and compliance and ethics.
- Award-winning and Sought-after Author, Speaker and Facilitator.
- Multi-certified and recipient of honorary awards: MBA, FCPA, FCMA, FCMC, CIA, CCEP-I, CFI, CFE, CRMA, CCSA, C.Adm.
- Consultant to SRPMIC Audit Committee
- Trustee (Board of Trustees) for the IIA's Internal Audit Foundation
- Fee per meeting: US$1,550, plus reasonable out-of-pocket expenses - per Education and Travel Policy (2019)
- Hourly rate for preparation: US$250/hour

I look forward to our dialogue!

Respectfully,

Raoul Ménès, MBA, FCPA, FCMA, FCMC, CIA, CCEP-I, CFI, CFE, CRMA, CCSA, C.Adm.
Managing Director

MÉNÈS CONSULTING GROUP

Proposal to provide Consulting Advice for LACERA's Audit Committee

Ménès Consulting Group, LLC, ®
7135 East Camelback Road, Suite 230
Scottsdale, Arizona 85251

T: (855) 636-3701, F: (855) 636-3702

www.menescg.com

MÉNÈS CONSULTING GROUP

November 17, 2020

Ms. Leisha E. Collins, CPA
Principal Internal Auditor
LACERA
300 North Lake Avenue, Suite 840
Pasadena, California 91101

Dear Ms. Collins:

We are pleased to present our proposal and qualifications to LACERA to provide an experienced Consultant for your Audit Committee.

We pride ourselves through our dedication to excellence. We possess the ideal mix of experience, knowledge and business acumen required to successfully get the job done without ever compromising quality.

At Ménès Consulting Group, LLC ®, we do not conduct business as usual. We place a premium on client relationships and building a high level of trust and commitment to your success. Our clients count on us as a valued resource for advice, ideas and solutions. If we are chosen to partner with you, we will make you successful.

You will receive great service from us. *We want your business and trust.* If you have questions about this proposal, please do not hesitate to me at (602) 748-8448. We would be honored to serve on your organization's Audit Committee and are excited about the opportunity to collaborate with you.

Respectfully,

Raoul Ménès, MBA, FCPA, FCMA, FCMC, CIA, CCEP-I, CFI, CFE, CRMA, CCSA, C.Adm.
Managing Director

Table of Contents

About Ménès Consulting Group, LLC ®

Ménès Consulting Group, LLC ® ("MCG") (http://www.menescg.com) is an Arizona-based boutique management consultancy focused on Risk-based Internal Audit (**IA**), Governance and Regulatory Compliance (**GRC**), Enterprise Risk Management (**ERM**), Technology Consulting, General Data Protection Regulation (**GDPR**) Assessment and Compliance, Fraud Risk Management (**FRM**) / Forensic Accountancy, Data Analytics, Anti-Money Laundering (**AML**) Compliance, Business Transformation, Ethics and Corporate Training.

Our professionals provide advice to teams that will create maximum value on every engagement. Our customized and proprietary approach and extensive experience incorporating leading practices and leveraging deep technical skills into planning, execution and reporting for consulting projects will create a competitive advantage, for our clients, through our numerous solution offerings.

We have the breadth of perspective and services to deal with many issues facing organizations today. We also have deep competencies to deliver outstanding results. Ultimately, we reduce the potential for failure and create opportunities for success. We have the capability to strengthen industry-leading organizations, such as LACERA that are both value-driven and risk-aware.

We also dispense a broad range of custom internal audit / business risk learning solutions that will provide your employees with the knowledge, skills and tools to immediately contribute to the efficiency and growth of your organization.

We are ready to serve you and are committed to providing you with world-class services. We are committed to establish our Firm as the premier business risk consulting brand and strive to be *the* preferred and trusted professional services provider.

1. Provide a brief description of your relevant work history, including a summary of each type of service and years of experience directly related to the services we are seeking, and as specified in the Exhibit B – Statement of Work

Raoul Ménès is the Founder and Managing Director of MCG. For more than 26 years, he has helped national and international organizations in the public, private, and not-for-profit sectors enhance their internal audit activities, while managing critical business risks. He has supported Sarbanes-Oxley and Bill 198 compliance initiatives and led projects to optimize operational and financial controls and restructure accounting, finance, and internal audit departments. In addition to his broad business process evaluation and reengineering expertise, he has extensive experience in fraud risk assessment and detection, interviewing and interrogation, investigation and forensic audit, employee theft examinations and enterprise risk management.

He is the author of numerous thought papers and global speaker on IA, ERM, GDPR, FRM, AML, Ethics, Governance, Regulatory Compliance and Leadership.

Raoul is an award-winning international and featured speaker who has facilitated and presented in various trainings and seminars. Namely for the Institute of Internal Auditors (https://na.theiia.org/Pages/IIAHome.aspx), the *Ordre des comptables professionnels agréés du Québec* (http://www.cpaquebec.ca), the *Ordre des administrateurs agréés du Québec* (https://www.adma.qc.ca) and the Association of Certified Fraud Examiners (https://www.acfe.com)

For twenty consecutive years, Raoul is recognized by the Institute of Internal Auditors (IIA) as a *Distinguished Faculty Member*.

He has facilitated training sessions and served clients across the United States, Canada, Mexico, Brazil, Argentina, Chile, Germany, England, Ireland, France, Belgium, Singapore, Indonesia, Thailand, South Korea, Jordan, Saudi Arabia and Oman.

2. *Describe your education, including any degrees or certifications*

Raoul holds a Master of Business Administration (**MBA**) and a Baccalaureate of Commerce in Management Accounting. He's a *Fellow* Chartered Professional Accountant (**FCPA**), *Fellow* Certified Management Accountant (**FCMA**), *Fellow* Certified Management Consultant (**FCMC**), Certified Internal Auditor (**CIA**), Certified Compliance and Ethics Professional - International (**CCEP-I**), Certified Forensic Interviewer (**CFI**), Certified Fraud Examiner (**CFE**), Chartered Administrator (**C. Adm.**) and holds a Certification in Risk Management Assurance (**CRMA**) and a Certification in Control Self-Assessment (**CCSA**).

In 2020, he became certified to dispense ISO's 20700:2017 "Guidelines for management consultancy services" self-declaration training.

In 2017, he completed the "COSO Internal Control Certificate Program", demonstrating his expertise in designing, implementing and monitoring a system of internal control.

In 2016, he received the prestigious, honorary designation of Fellow Chartered Professional Accountant (**FCPA**) and Fellow Certified Management Accountant (**FCMA**) to formally recognize accounting professionals whose achievements in their careers have earned them distinction and brought honor to the profession. His accomplishments throughout his career were considered in determining eligibility. Fellows are nominated by peers, who have recognized his leadership skills, technical know-how, exemplary qualities and contributions to the profession. (https://cpaquebec.ca/en/cpa-members/awards-and-recognition/fellow-title/recipients/raoul-menes-2016-recipient)

Also, in 2016, he received the prestigious, honorary designation of Fellow Certified Management Consultant (**FCMC**). It is awarded to advisors who have thrived in their careers with high distinction and competence, professionalism, expertise in their respective fields and their excellent overall reputation. This merit is granted by peers, which means that Fellows are recognized as leading experts in their community. (https://www.adma.qc.ca/site/assets/files/1655/liste_des_laureats_-_fellow_cmc.pdf)

Lastly, in 2004, he received the distinguished award of Québec's "CMA of the Year" in recognition for his remarkable contributions to the profession through his leadership and professionalism.

3. *Describe your knowledge and experience*

Since July 2020, he is a Trustee for the Institute of Internal Auditors' Internal Audit Foundation. The Foundation (https://na.theiia.org/iiarf/Pages/Internal-Audit-Foundation.aspx) provides internal audit professionals and their stakeholders with insight on emerging topics, relevant research and pertinent materials that promote and advance the value of the internal audit profession globally.

Moreover, since 2015, Raoul advises and is a member of the [redacted] Audit Committee. [redacted] located in the metropolitan [redacted] area. Bounded by the cities of [redacted]

Worth noting, Raoul served as President of the IIA – Phoenix Chapter during 2013-14 and was a Governor from June 2006 until May 2015.

Highlighted below is a summary of Raoul's experience:

- Realized the risk assessment (identified and prioritized strategic, operational, reporting and compliance risks) and developed communication mechanism to Management through periodic risk reporting.
- Completed the annual risk-based audit plan, engagement budgeting, team members' schedule management, audit report review and approval.
- Implemented Enterprise Risk Management (ERM) programs which included program oversight and direction for risk management across the different organizations. Simplified the definition of risk appetite and tolerance.
- Improved Sarbanes-Oxley Act of 2002 (SOX)-related testing, while maintaining focus on the requirements of the PCAOB's "Staff Audit Practice Alert No. 11 – Implications for SOX 404 Compliance" for the independent auditors.
- Assisted companies in becoming "2013 COSO Framework" compliant, while optimizing their critical controls and compliance process and closing any outstanding gaps.
- Conducted forensic audits to assess fraudulent activities and designed improved controls to mitigate potential frauds.
- Presented engagement results to Audit Committees and / or Management.

4. *Provide three references from clients that you have acted in a similar advisory role. Provide the dates and type(s) of service provided. Also include the name, title and contact information of individuals that can attest to the quality of your work*

We understand the importance of this role that quality of service will be paramount to select your advisor. We encourage you to contact any of the references provided below to learn more about our commitment to quality service and their overall MCG experiences:

Client	**1.** [redacted]	**3.** [redacted]
Name	[redacted]	[redacted]
Position	[redacted]	[redacted]
Telephone Number	[redacted]	[redacted]
Address	[redacted]	[redacted]
Client	**2.** [redacted]	
Name	[redacted]	
Position	[redacted]	
Telephone Number	[redacted]	
Address	[redacted]	

1. [redacted]
   Since January 2015, Raoul is a member of the Audit Committee. He assists the [redacted] with advisory oversight responsibilities regarding: (i) the integrity of the [redacted] financial statements; (ii) the [redacted] compliance with legal and regulatory requirements; (iii) the external auditor's qualifications and independence; and (iv) the performance of [redacted] Internal Audit Department and external auditor.

2. [redacted]
   Since July 2020, Raoul acts as a Trustee for the Institute of Internal Auditors' Internal Audit Foundation. Specifically, he participates actively in the activities of the Strategic Planning sub-committee and acts as an ambassador for the Foundation with respect to dealing with the general public and donors.

3. [redacted]
   In February [redacted], Raoul counseled this organization in improving their SOX process. They needed an independent experienced individual to critically review the said process with the intent of streamlining the process and reducing the amount of time spent. During his review, he provided leading practices, based on his knowledge and experience. As a result, [redacted] adjusted roles and responsibilities and were able to eliminate, reduce and/or streamline steps

of the SOX process that resulted in a 10% hour reduction! This was no small feat because our time spent on SOX had been increasing slightly year-over-year.

5. *Diversity and Inclusion Statement*

a. Diversity is our heritage and our future. Be a part of it!

   Diversity. Inclusion. At Ménès Consulting Group ®, these are more than just words for us. They are an integral part of our history, culture and identity. They are the principles guiding how we build our teams, cultivate leaders and create a better MCG that's the right fit for every person. We want to create an inclusive culture where all forms of diversity are recognized as adding value to our Firm and for our clients.

b. Due to our business model (based on contractors) and having less than 15 employees, Title VII does not currently apply to MCG. However, should the staff size increase beyond the said threshold, we will monitor our efforts by tracking age, gender, physical challenges and racial or ethnic origin.

6. *Describe any known or perceived conflicts of interest which may result if you are engaged to perform this consulting service. Have you or your firm provided consulting or other services to LACERA or Los Angeles County within the past five years? If so, please describe.*

There are no known or perceived conflicts of interest for either MCG or Raoul to perform the expected and required consulting services. Furthermore, we/I have not provided consulting services to LACERA or Los Angeles County within the past five years.

7. *Provide any additional information that illustrates your strengths and competitive advantage*

Raoul authored numerous thought leadership on IA, ERM and GRC that have become a roadmap for clients' overall performance enhancements, improved risk management or overall understanding of emerging topics (https://menescg.com/insights).

His knowledge and industry expertise allows him to speak at length on technical issues, while being able to explain it in layman's terms. His ability to share leading practices and coach team members make him a sought-after consulting professional.

8. State your fees:

We acknowledge that cost is a major influencer in selecting your service provider. Our objective is to provide high-quality, superior service at reasonable fees while establishing a long-term relationship with LACERA and the Audit Committee.

Attending Audit Committee Meetings: Provide the cost per meeting.

Raoul's in-person attendance rate for Audit Committees will be [redacted] per meeting. In addition, reasonable out-of-pocket expenses will be billed separately in accordance with LACERA's Education and Travel Policy (August 2019).

Other services: Provide your hourly rate for other expenses (e.g., preparing for meetings, teleconference calls, etc).

Raoul's hourly rate will be [redacted] for other expenses, such as preparing for meetings, attending conference calls, etc.

Managing Risks. Creating Value. Delivering Results.®

MÉNÈS CONSULTING GROUP

LACERA Audit Committee Consultant Interview

December 11, 2020

Raoul Ménès, MBA, FCPA, FCMA, FCMC, CIA, CCEP-I, CFI, CFE, CRMA, CCSA, C.Adm.
Managing Director
Ménès Consulting Group, LLC

Ménès Consulting Group

Relevant Work and Services

Relevant Work and Services

- Founder and Managing Director of Ménès Consulting Group®
- More than 26 years' experience (extensive experience)
- Author of Thought Leaderships
- Award-winning International Speaker
- Global Instructor – "*Distinguished Faculty Member*"

MÉNÈS CONSULTING GROUP

Knowledge and Experience

Knowledge and Experience

- Consultant – Audit Committee for SRPMIC (since 01/2015)
- Trustee for the Internal Audit Foundation (since 07/2020)
- Past Governor IIA-Phoenix (from 2006 until 2015)
- Past President IIA-Phoenix (from 2013 until 2014)

MÉNÈS CONSULTING GROUP

MÉNÈS CONSULTING GROUP

Education, Degrees and Certifications

Education, Degrees and Certifications

- Master in Business Administration (MBA)
- Baccalaureate of Commerce in Management Accounting (BComm)
- *Fellow* Chartered Professional Accountant (FCPA)
- *Fellow* Certified Management Accountant (FCMA)
- *Fellow* Certified Management Consultant (FCMC)
- Certified Internal Auditor (CIA)
- Certified Compliance and Ethics Professional – International (CCEP-I)
- Certified Forensic Interviewer (CFI)
- Certified Fraud Examiner (CFE)
- Chartered Administrator (C. Adm.)
- Certification in Risk Management Assurance (CRMA)
- Certification in Control Self-Assessment (CCSA)

MÉNÈS CONSULTING GROUP

Education, Degrees and Certifications

- ISO 20700:2017 Guidelines for Management Consultancy Services
- COSO Internal Control Certificate Program
- Generally Accepted Auditing Standards (GAAS)
- Governmental Accounting Standards Board (GASB)
- Generally Accepted Accounting Principles (GAAP)

Ménès Consulting Group

Proposed Fees

Proposed Fees

- Audit Committee Attendance:
  - US$ 1,550 per meeting
  - In addition, reasonable out-of-pocket expenses will be billed separately in accordance with LACERA's "Education and Travel Policy" (published in August 2019)

- Hourly Rate:
  - US$ 250 per hour

MCG
Ménès Consulting Group

Ménès Consulting Group

Strength and Competitive Edge

Strength and Competitive Edge

- Knowledge and Industry Expertise
- Leading Practice Knowledge Transfer/Sharing
- Coach / Trusted Advisor
- Corporate Governance
- Implementation of COSO's 2013 Internal Control – Integrated Framework
- Implementation of COSO's 2017 Enterprise Risk Management – Integrated Framework
- Advisory Group for the IIA's 2020 (updated) Three-Line Model

MÉNÈS CONSULTING GROUP

What Questions Do You Have?

MÉNÈS CONSULTING GROUP

Managing Risks. Creating Value. Delivering Results.®

ATTACHMENT B

MOSS ADAMS

PROPOSAL AND PRESENTATION

Elevator Pitch: Moss Adams

Moss Adams is thrilled about the opportunity to work with LACERA. We believe both our team and yours stand to benefit from working with each other. Below we've highlighted the three most compelling reasons to select Moss Adams to provide audit committee consultation services for LACERA.

1 TWO-PARTNER TEAM WITH RELEVANT EXPERTISE

Mark Steranka and Kory Hoggan will both advise the audit committee, attend formal calls and meetings, perform ad hoc assignments, and take informal phone calls as issues arise.

- Kory Hoggan has over 25 years of experience working with public employee retirement systems (PERS) and other employee benefit plans. He leads our national PERS services group and has significant experience working with retirement systems and boards as both an audit partner and consultant. Kory understands the technical compliance requirements and related risks associated with PERS and the challenges faced by boards and audit committees in fulfilling their fiduciary responsibilities to members and retirees. He has a master's in accountancy from Brigham Young University and is a licensed CPA in the state of California.
- Mark Steranka is a member of the Institute of Internal Auditors, leads the firm's performance audit practice, and has deep experience working with boards and audit committees for governmental organizations throughout the country to advise them on fulfilling their oversight responsibilities, monitoring internal audit coverage, addressing risks, and improving performance. He has a BS from the University of Notre Dame and completed the Executive Management Program at the University of Washington.

2 STRENGTH IN EXPERIENCE

Our team and our firm offer extensive experience across a wide range of areas of expertise that will be relevant to our ability to effectively advise LACERA's audit committee.

- **Advanced degree and related certifications.** The members of your proposed team are thoroughly knowledgeable in government, not-for-profit, higher education, and public retirement system policies, processes, and procedures. They offer all certifications relevant to the services we may provide in the capacity of internal auditor and advisor, such as CIA and CPA, and are members of the AICPA, IIA, industry associations such as P2F2, and serve in leadership roles in the state association of CPAs and Association of Government Accountants.
- **Audit committee consultant experience.** We have a long history of providing internal audit and advisory engagements for governmental entities, and we've developed a series of proven practice components including investigative methodologies, engagement oversight and supervision, document management, fieldwork, communications and reporting protocols/practices, and risk assessment frameworks.
- **1937 Act pension system knowledge.** We work with several counties in California and we've designed audit procedures and made recommendations to help clients comply with the statutes of the '37 Act and other California legislation.

- **Public pension and investment practice knowledge.** Our firm is the largest benefit plan practice in California and serves many public retirement systems, including ones with large, diverse, and complex investment portfolios.
- **Government accounting standards experience.** Our firm serves over 270 government entities and provides financial statement, single, and benefit plan audits; assists with CAFRs and the GFOA Certificate of Excellence in Financial Reporting Program; and is actively involved with the standard-setters at the GASB.
- **Internal and external audit experience.** Moss Adams helps clients implement cost-efficient and effective internal audit functions that are valued by management and board members.
- **Council of Sponsoring Organizations (COSO) framework and ORCA methodology understanding.** Our team has developed and deployed an audit methodology and tools that focus on internal control solutions using a flexible and common-sense approach. Our ORCA methodology for assessing risk, improving business processes, and enhancing the efficiency and effectiveness of the overall organization is a direct extension of the COSO framework.
- **SOX experience.** The SOX framework has specific applicability to a public pension fund, not only with the processing of daily transactions and member requests, but also in the ongoing monitoring of the fund's investments and compliance with investment policies by the fund's investment managers.
- **Enterprise risk management improvement experience.** As outsourced internal auditors for numerous organizations, we help them enhance their enterprise risk management acumen and capabilities.
- **Corporate governance advisory experience.** We regularly work with boards, councils, and committees to define, design, assess, and implement corporate governance.

3

COMPETITIVE FEES

Look beyond the dollars and consider the value you'll get from the best practices and insights our team can offer based on the extensive relevant experience outlined above.

Service	Fee
Attendance at audit committee meetings	$500 per meeting
Preparation for audit committee meetings	$175 per hour
Other services (based on experience level of personnel)	$150–$325 per hour

MOSSADAMS

OPPORTUNITY RISING

AUDIT COMMITTEE CONSULTANT PROPOSAL FOR THE

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Kory Hoggan Partner

Mark Steranka, Partner

Moss Adams LLP
10960 Wilshire Boulevard, Suite 1100
Los Angeles, CA 90024
(310) 477-0450

November 17, 2020

Leisha Collins
Principal Internal Auditor

Los Angeles County Employees Retirement Association
300 North Lake Avenue
Suite 840
Pasadena, CA 91101

Dear Ms. Collins:

Thank you for the opportunity to provide this proposal to the Los Angeles County Employees Retirement Association (LACERA). Our understanding is that LACERA is seeking a qualified accounting firm to serve as an Audit Committee Consultant.

These are challenging times for public employee retirement systems (PERS). The current economic conditions resulting from the COVID-19 pandemic only accentuate the pressures felt by your board and management. Budget constraints, fiduciary responsibilities, uncertain domestic and global security markets, new accounting and reporting standards, and pressures from governments and credit rating agencies to maintain or improve the funded status and minimize reported net pension liability are only a few of the hurdles that you face in effectively providing services to Los Angeles County (the County) and your members.

As LACERA considers a consultant to serve its audit committee, we know you're seeking an individual or small team of individuals who have the experience, resources, and qualifications to best assist you in meeting these challenges and being successful; can provide fresh perspectives on your financial statements and internal procedures; and can offer meaningful suggestions based on the technical standards and best practices among other public retirement systems.

Moss Adams has long maintained a strong presence in the Golden State, growing our footprint in both Northern and Southern California. We currently serve as independent auditors and consultants to several public pensions in California, including several "1937 Act" county retirement systems. With its complex maze of regulatory agencies and unique pension laws, California presents a number of challenges to retirement systems in the state and those hoping to fulfill their fiduciary responsibilities in serving their members. Moss Adams has the resources, conveniently located offices, and technical expertise to help you navigate your way to success.

You can count on your audit committee consultant and our supporting team to provide timely, reliable, and credible service to LACERA. Your consultant will be consistently available to you to answer questions or respond to important issues as they arise. You'll receive value from the quality of our work deliverables, the timeliness of our performance, our knowledge of your industry, team consistency, and most importantly, a strong working relationship among the people on our teams.

November 17, 2020

Leisha Collins
Principal Internal Auditor

Los Angeles County Employees Retirement Association
300 North Lake Avenue
Suite 840
Pasadena, CA 91101

In the following proposal, you'll see that we're the firm that's most capable of consistently delivering this high level of value to LACERA. You'll work with a team that's stable, responsive, and committed to a relationship with LACERA. Our experience with government entities, as well as public employees' retirement systems, will be of specific value in helping our team to efficiently provide accurate, reliable, and timely service. You'll will have continual access to senior-level team members who are knowledgeable, qualified, and consistent.

Thank you for your consideration.

Sincerely,

Kory Hoggan, CPA
Partner
(505) 878-7214
kory.hoggan@mossadams.com

Mark Steranka, CPA
Partner
(206) 302-6409
mark.steranka@mossadams.com

Table of Contents

Firm Experience and Profile

Provide a brief description of your relevant work history, including a summary of each type of service and years of experience directly related to the services we are seeking, and as specified in the Exhibit B – Statement of Work.

FIRM BACKGROUND

Moss Adams is a fully integrated professional services firm dedicated to growing, managing, and protecting prosperity. With over 3,400 professionals across more than 25 locations in the market capitals of the West and beyond, we work with the world's most innovative, dynamic, and promising clients and markets. Through a full spectrum of accounting, consulting, and wealth management services, we bring the deep industry specialization and inspired thinking our mid-market clients seek.

Since we put down roots in the Pacific Northwest more than 100 years ago, we've steadily expanded to serve clients not only in the West, but also across the nation and globally. Our full range of services includes accounting (assurance and tax), consulting (IT, strategy & operations, transactions, and specialty), as well as individual and institutional wealth management.

Moss Adams is one of the 15 largest US accounting and consulting firms and a founding member of Praxity, a global alliance of independent accounting firms providing clients with local expertise in the major markets of North America, South America, Europe, and Asia.

MOSS ADAMS BY THE NUMBERS

25+ locations

33% racially and ethnically diverse employees

3,400+ professionals

52% female workforce

best accounting firms for women – Accounting MOVE Project

awards of excellence – *Innovations in Diversity Journal*

REQUIREMENTS OF EXHIBIT B – STATEMENT OF WORK

We understand LACERA is requesting the following services to be performed by the Audit Committee Consultant:

- Attending Audit Committee meetings (at least 4–6 meetings per year) which includes the following:

- Reviewing materials presented to the Audit Committee prior to each Audit Committee meeting and advising the Chief Audit Executive (CAE) and the Committee Chair of any potential issues or concerns
- Participating in discussions and providing the Audit Committee with information and advice
- Providing information and/or educational pieces to help the Audit Committee in fulfilling their roles and responsibilities

- Advising the Audit Committee as necessary on the review of LACERA's annual financial statement audit, as well as assisting and advising the Audit Committee in their review of additional public accountability reports from LACERA's external financial auditors
- Supporting the Audit Committee in fulfilling their roles and responsibilities as defined in their Audit Committee Charter by providing the following:
  - Best practices of other public and private sector audit committees and recommend practices that could enhance the effectiveness of LACERA's Audit Committee
  - Public company regulatory matters that may affect LACERA (e.g., SEC, Sarbanes-Oxley, PCAOB, PEPRA, etc.)
  - Emerging risk areas
- Participating in teleconference calls, when necessary, with the CAE, Committee Chair, and Vice Chair
- Advising the Audit Committee on the retention of and subsequent interaction with outside auditors
- Advising the Audit Committee in their reviewing of the Internal Audit Risk Assessment and Audit Plan
- Advising the Audit Committee on their review of Internal Audit progress on Audit Plan, audits, and recommendations
- Providing advice relating to financial matters related to other public pension funds that may impact LACERA issues related to fraud or misconduct common within pension funds or other organizations similar in size and operations to LACERA

We've proposed a team of two experienced partners to work together to serve LACERA in filling these needs. Both partners are experienced with working with governmental entities and audit committees, but each of them brings complimenting strengths and experience that provides two points of contact for LACERA. Kory Hoggan is an assurance partner and leader of our national PERS services group and has significant experience working with retirement systems and boards related to addressing fiduciary and reporting risks related to PERS and coordinating both internal and independent audits of retirement systems. Kory's well versed in the technical compliance requirements and related risks associated with public pension systems and stays abreast of the changing landscape and challenges that pensions endure. Mark Steranka is a consulting partner and the leader of the firm's performance audit practice. Mark has deep experience working with boards and audit committees for governmental, higher education, and not-for-profit organizations throughout the country to advise them on fulfilling their oversight responsibilities, monitoring internal audit coverage, addressing risks, and improving performance. Mark and Kory would work together to advise the Audit Committee, and both would be available for both formal teleconference calls and meeting participation, as well as informal phone calls to address questions or provide best-practice recommendations as issues arise.

Your Service Team

Describe your education, including any degrees or certifications.
Working with the right team of professionals makes all the difference to your engagement. The team members we've thoughtfully selected to serve your specific needs have years of experience. But more than that, you'll find they bring an optimistic perspective focused on helping LACERA explore and embrace emerging opportunity. Your Moss Adams team will personally engage with your team and bring a new level of energy and enterprise to your engagement.

Kory Hoggan, CPA, CIA *Partner & National Public Employees' Retirement System Group Leader*

Professional Experience

Kory has over 25 years of accounting experience and specializes in the audits of PERS and other employee benefit plans. He leads the firm's national PERS group and serves as a member of the executive committee for the firm's Employee Benefit Plan Services group and technical committee for the firm's Government Services Practice. Kory led teams that developed audit templates and client tools and training for the implementation of GASB Statements No. 67 and No. 68, related to pension accounting and reporting; GASB Statement No. 72, covering fair value measurements and reporting; and GASB Statement No. 84, on fiduciary activities.

Kory has extensive experience managing audits of state and municipal–sponsored pension systems and consulting with PERS boards and management. Kory served on the AICPA State & Local Government Expert Panel Task Force for Public Employee Retirement Systems, a group tasked with addressing implementation issues for GASB No. 67 and No. 68. Kory is a frequent speaker at the AICPA National Conference for Employee Benefit Plans on the topic of governmental pensions and regularly presents to national and local audiences on recent GASB pronouncements, including implementation of the governmental pension, OPEB, and fiduciary activities standards.

Professional Affiliations and Certifications

- California Licensed Certified Public Accountant (CPA), #143953
- Certified Internal Auditor (CIA), 1995
- Former member, AICPA State & Local Government Expert Panel Task Force for Public Employee Retirement Systems
- Member, Government Finance Officers Association
- Chapter president, Association of Government Accountants
- Board member and treasurer, New Mexico Philharmonic

Kory Hoggan, CPA, CIA *Partner & National Public Employees' Retirement System Group Leader*

Current Clients Including Pension Fund Clients in the Last Five Years

Kory currently serves public pension systems and investment councils with net positions of both over and under $1 billion, including New Mexico State Investment Council, Los Angeles City Employees Retirement System, New Mexico Educational Retirement Board, Kansas Public Employees Retirement System, New Mexico Retiree Health Care Authority, Richmond (Virginia) Retirement System, Warehousemen's Pension Trust Fund (Port of Seattle), El Paso Firemen and Policemen's Pension Fund, American Samoa Government Employees' Retirement Fund, City of Portland Fire and Police Disability and Retirement Fund, and many single-employer defined benefit and defined contribution retirement plans.

California Public Pension Fund Clients in the Last Three Years

Antelope Valley Memorial Hospital, County of Ventura, Los Angeles City Employees Retirement System, Salinas Valley Memorial Health Care System, County of Sacramento, Kaweah Delta Employees Retirement Plan, California Independent System Operators, San Diego County Employees Retirement Association (consulting)

Education

- MAcc, Brigham Young University

Mark Steranka, *Partner & National Performance Audit Practice Leader*

Professional Experience

Mark offers over 30 years of consulting experience. He has worked extensively with government, higher education, and not-for-profit organizations throughout the United States to support planning, policy development, and performance improvement. He has managed internal and performance audit engagements ranging in size from $25,000 to $1 million. Mark has directed relevant services for clients such as:

- **Higher Education Institutions:** California State University System, Central Washington University, Claremont University Consortium of Colleges, College of Menominee Nation, Concordia University, New Mexico Highlands University, New Mexico State University, Pepperdine University, San Francisco State University, University of Nevada Las Vegas
- **Not-for-Profits**: AICPA, AGC, Boys and Girls Clubs, Construction Financial Management Association, Cancer Research and Biostatistics, CRISTA Ministries, Global Initiative for Chronic Obstructive Lung Disease, Golden Rain Foundation, Goodwill Industries, Howard & Beth Bryant Foundation, ICANN, Toyota USA Foundation, and Youth Development Inc.

- **States:** Alaska, California, Idaho, Oregon, Washington
- **Counties:** King, Lane, Pierce, San Juan, Snohomish, Sonoma
- **Cities:** Anacortes, Burien, Carson City, Culver City, Edmonds, Lynnwood, Issaquah, Modesto, Portland, Redondo Beach, San Jose, Santa Monica, Santa Rosa, Stockton, West Richland
- **Special Purpose Districts:** Community Transit, Lake Stevens Sewer District, North Perry Water District, Poway School District, Richland School District; Santa Clara Valley Water District, Snohomish County PUD No. 1, Tacoma Department of Public Utilities

Mark is experienced reporting to boards, commissions, committees, councils, and executive management and working with citizen committees and stakeholder groups. He's also well versed in designing and facilitating meetings, focus groups, and customer surveys.

Professional Affiliations

- Member, Institute of Internal Auditors
- Member, American Society of Public Administration

Education

- Executive Management Program, University of Washington
- BS, mechanical engineering, University of Notre Dame

Industry Expertise

Describe your knowledge and experience in the following areas:
Advanced Degree and related certifications (includes: Doctor of Law (JD), Doctor of Philosophy (PhD), in business-related areas, Master of Business Administration (MBA), Certified Public Accountant (CPA) or Certified Internal Auditor (CIA));
Prior experience advising Audit Committees;
Specific knowledge of '37 Act Pension Systems;
Broad knowledge of public pension and investment practices and emerging trends;
Knowledge of financial regulatory sources (GASB, GAAP, GAAS, etc.); and
Enterprise Risk Management

ADVANCED DEGREE AND RELATED CERTIFICATIONS

The members of your proposed team are thoroughly knowledgeable in government, not-for-profit, higher education, and public retirement system policies, processes, and procedures. They offer all certifications relevant to the services we may provide in the capacity of internal auditor and advisor, such as CIA, CPA, CFE, and CCA, and are members of the AICPA and IIA. In addition, we have substantial resources across the firm to draw upon for specific information as needed, including a robust team of certified fraud examiners and certified information systems auditors. We regularly collaborate across practices to provide our clients with the added value of our firmwide breadth of knowledge and expertise in the areas most important to you. Our training requirements for professional auditing and consulting staff further make sure that our knowledge remains current.

All of these individuals receive continuing education well in excess of the requirements of their respective professional licensing. Each team member is in good standing, with no complaints leveled against them by the state board of accountancy or any other regulatory authority.

Our team is carefully crafted to provide expertise in each primary area of audit focus, including compliance, performance, internal controls, IT, and risks. They're supported by a talented team of IT auditors and advisors who also bring extensive experience working with similar organizations. See the detailed biographies provided in the previous section for education and certifications held by Kory Hoggan and Mark Steranka, members of your proposed consulting team.

AUDIT COMMITTEE CONSULTANT EXPERIENCE

Internal audit and advisory services represent a core component of our firm's Not-for-Profit, Higher Education, and Government Services Practices. Our seasoned staff members have significant experience performing audits and other assessments related to compliance, finance, fraud, governance, management, operations, performance, policies and procedures, and technology. We serve clients in local and state governments, higher education, not-for-profits, and tribes. We've earned recognition and an outstanding reputation for our services based on a solid track record and discriminating analysis.

We have a long history of successful delivery of internal audit and advisory engagements for our clients. Our internal audit professionals come from government, private industry, and public accounting, and work exclusively on internal and performance audit engagements. Because of the extensive audit and advisory services we provide, we've developed a series of proven practice components including investigative methodologies, engagement oversight and supervision, document management, fieldwork, communications and reporting protocols/practices, and risk assessment frameworks.

Rather than performing engagements for our clients, we team with them to address what is needed to assess risks, strengthen internal controls and compliance, improve performance efficiency and effectiveness, increase revenues, and prevent and detect fraud. The knowledge and guidance we provide to our clients allow them to continue to improve their organizations. Our team will work closely and collaboratively with LACERA management and staff to develop a working relationship that will provide maximum benefit to the County.

KNOWLEDGE OF THE '37 ACT PENSION SYSTEM

Having served as the independent auditors and consultants for several counties in the state of California, we're experienced and familiar with the compliance and reporting requirements of the County Employees Retirement Law of 1937 (CERL or '37 Act), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the annual LGRS reporting requirements with the California State Controller's Office. We've designed audit procedures and made recommendations based on helping comply with the statutes of the '37 Act, and we're aware of Article 1.5 and the other specific provisions for LACERA as a First Class County Retirement System under the CERL.

KNOWLEDGE OF PUBLIC PENSION AND INVESTMENT PRACTICES

As one of the 15 largest accounting firms in the nation and with the third largest audit practice of employee benefit plans, and the largest in the state of California, we have the depth of resources necessary to serve you with firmwide professionals at our disposal. Our national PERS team serves as independent auditors to many public retirement systems, such as the following:

Representative PERS Clients	
• American Samoa Government Employees' Retirement Fund • Antelope Valley Hospital Medical Center Retirement Plan • City of Portland Fire and Police Disability and Retirement Fund • El Paso Firemen and Policemen's Pension Fund • Kansas Public Employees' Retirement System • Los Angeles City Employees' Retirement System	• New Mexico Educational Retirement Board • Public Employees Retirement Association of New Mexico • Richmond Retirement System • Sacramento County Section 457 Plan • Salinas Valley Memorial Healthcare District Employees Pension Plan • San Diego County Employees Retirement Association • Spokane Employees' Retirement System • Ventura County Section 457 Plan

Investments Experience

Our firm's audit clients include numerous organizations with large, diverse, and complex investment portfolios. These include government and not-for-profit colleges and universities with endowments in the billions and significant components in alternative investments. Our clients include some of the nation's largest community, private, and public foundations as well as government enterprises such as PERS, state insurance funds, transit entities, ports, and utilities.

We leverage a variety of expertise to audit harder-to-value investments and the related fair value disclosures. Our firm has several investment valuation professionals, as well as various relationships with independent third parties we can utilize when an external resource is more appropriate.

Employee Benefit Plan Services

Because of your commitment to your employees and their future retirement welfare, it's vital for you to work with an auditor who has significant experience providing audit and consulting services for benefit plans. Moss Adams has a specialty group devoted to benefit plan auditing which has been in place since the enactment of the Employee Retirement Income Security Act (ERISA).

Each year, Moss Adams audits over 1,800 plans of all types firmwide. Our benefit plan clients cover a number of industries, and the plans range in size from 100 to over 100,000 participants with $100,000 to over $10 billion in assets.

EXPERIENCE WITH GOVERNMENT ACCOUNTING STANDARDS

We recognize government organizations are accountable to many different constituencies—oversight agencies, audit committees, elected officials, taxpayers—all with different expectations and demands. That's why we commit significant personnel and resources to our Government Services Practice, building technical expertise in all areas of government. We have several experienced partners and senior managers who lead audit engagements for over 270 government entities including state agencies; cities and counties; public colleges and universities; special purpose governments including ports, utility districts, and transit agencies; public retirement funds; and others.

Here's a summary of our government experience:

Service	Our Experience
Audits of Financial Statements and CAFRs; Management Recommendation Letters	Our firm serves over 270 government entities.
Audits of Local Governments, Joint Powers Agencies, and Transit Authorities	We've done audits of numerous state, local, and special service districts throughout California, Oregon, Washington, Arizona, Texas, and New Mexico, including government entities with multiple affiliated agencies.
Single Audits	Our firm has conducted over 3,650 single audits since 1997.

Service	Our Experience
GFOA Certificate of Excellence in Financial Reporting Program	We've assisted each of our clients that participate in the CAFR program Several of our partners serve as reviewers in the GFOA certificate program and we provide updates to our clients on new GASB standards and GFOA recommendations, including "hot buttons" of high scrutiny in current reviews.
Implementation of Governmental Accounting Standards Board (GASB) Pronouncements	As a result of our extensive involvement with GASB, we keep up with the latest accounting standards and help many of our clients implement them.
Audits of Government Pension, Health, and Other Employee Benefit Plans and Trusts	Moss Adams audits over 1,800 plans of all types annually. Our benefit plan clients range in size from 100 to 100,000 participants with $100,000 to over $10 billion in assets. See our list of representative clients provided in the Knowledge of Public Pension and Investment Practices section.

EXPERIENCE WITH INTERNAL AND EXTERNAL AUDIT WORK

Internal Audit Solutions

With the mounting pressures and challenges that you face, you can achieve your organization's goals, improve your local capability and efficiency, and reduce your compliance costs. Moss Adams can help you implement a cost efficient and effective internal audit function that will be valued by your management and board members. Working with you, we can address such challenges as:

- Audit committee expectations
- Internal control problems
- Inefficient business control processes
- High fixed internal audit costs
- Unfulfilled internal audit needs
- Insufficient coverage of IT
- Compliance failures

UNDERSTANDING OF THE COUNCIL OF SPONSORING ORGANIZATIONS

LACERA will appreciate key benefits of our approach such as flexible management interaction, recommendations to enhance system configurations and provide increased functionality, and suggestions to streamline your process and reduce efforts by your external auditor.

Phase 1	Phase 2	Phase 3	Phase 4
Project Planning and Risk Assessment	Internal Control Design Assessment	Internal Control Testing	Close-Out and Reporting

Audit and Internal Controls Philosophy

Our internal audit team has developed and deployed an audit methodology and tools that focus on internal control solutions using a flexible and common-sense approach. As a result of our work with companies of all sizes and operating styles, we understand one approach doesn't fit all companies. We'll work with LACERA to tailor our techniques and tools application to fit your objectives and your organization's culture, unique characteristics, and standard operating procedures.

Our methodology for assessing risk, improving business processes, and enhancing the efficiency and effectiveness of the overall organization is a direct extension of the COSO framework. It recognizes risk as a function of objectives and seeks to understand and improve the effectiveness and efficiency of controls. We call it Objectives, Risks, Controls, and Alignment (ORCA).

O — **OBJECTIVES**

Goals and results you want to achieve. Objectives are ranked by importance and urgency.

R — **RISKS**

Anything that may impact the achievement of objectives, and may include things that go wrong (hazards), underperformance, or missed opportunities. Risks are evaluated on likelihood of occurrence and impact.

C — **CONTROLS**

How you respond to risk (controls). Controls may avoid, manage, or mitigate risk. They focus on the most probable and highest impact risks.

A — **ALIGNMENT**

How well controls address the key objectives and risks, how well the objectives complement and support the interests of all the stakeholders, and how consistently the objectives are implemented vertically and horizontally within the organization.

Your internal audit team members are trained to apply the COSO framework and ORCA risk-management methodology to all aspects of the engagement, as well as continuously scan for opportunities to add additional value as part of all fieldwork performed.

We bring deep subject matter knowledge, a wide bench of experts, and a collaborative approach to provide solutions and tools that help our clients succeed. Internal audit team members are selected based on the project subject matter and expertise required to add value. This is how we'll customize our approach to fit your needs.

EXPERIENCE OF THE SARBANES-OXLEY ACT OF 2002

With experience helping our clients who are subject to the Sarbanes-Oxley Act of 2002 (SOX), we're familiar with the internal control framework required by SOX and the testing performed by our audit teams to test our client's internal controls for compliance with SOX. We also consult with our clients to improve internal controls effectiveness and efficiency. The SOX framework has specific applicability to a public pension fund, not only with the processing of daily transactions and member requests, but in the ongoing monitoring of the fund's investments and compliance with investment policies by the fund's investment managers. You want a service provider who understands internal controls, has resources local to you, focuses on your business needs, and can build a plan of action that will help you accomplish your goals. We can help you.

You'll benefit from our strong local service team as supported by firmwide capabilities. Some of the benefits that we offer include the following:

- Public retirement system expertise
- Local professionals who'll be a part of your team and serve as a technical resource
- Internal controls expertise
- Business process and IT knowledge
- Systems implementation experience
- Specialized training and understanding of SOX-type reporting for your internal control assessments
- Internal audit capabilities
- Reasonable rates
- Efficient and complete approach
- Proven methodology that improves bottom lines
- Independent ability to assess and help implement internal controls
- A trusted and respected firm

Your service team will include seasoned partners with expertise in compliance matters, specialized internal control, transactional filings, and public retirement systems.

ENTERPRISE RISK MANAGEMENT

As outsourced internal auditors for numerous organizations, we help them enhance their enterprise risk management acumen and capabilities. This work typically starts with conducting a comprehensive enterprise risk assessment to gain an understanding of the risk environment, which encompasses an evaluation of risk occurrence, impact, trajectory, and preparedness. We also identify risk mitigating activities and residual risk. Enterprise risk assessments also help us understand the degree to which a risk management philosophy pervades decision-making.

Once we understand the overall risk environment, we develop plans to strengthen risk management through training, resource development, policies, and procedures. A vibrant risk management capability and an action-oriented internal audit program help organizations reduce risks, strengthen controls, and enhance performance.

CORPORATE GOVERNANCE

Corporate governance plays an essential role in the success of an organization. We work with boards, councils, and committees to define, design, assess, and implement corporate governance. For instance, we work with organizations seeking to establish a governance structure, whether advisory or fiduciary, to help them define structure, develop policies and procedures, and provide training. We also assess corporate government as part of risk assessments in our role as internal auditors. Areas of focus include, but aren't limited to, structure, roles and responsibilities, policies and procedures, reporting, decision-making, strategic planning, compensation, and training and development.

In addition, we conduct industry surveys to gain insights on corporate governance practices to identify and share best practices.

Client References

Provide three references from client that you have acted in a similar advisory role. Provide the dates and types of services provided. Also include the name, title, and contact information of individuals that can attest to the quality of your work.

Hear for yourself the unique experience our clients have in working with our firm. We're confident they'll share stories of how we make their lives easier, help them identify and take advantage of rising opportunities, and guide them to increased prosperity.

[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Why Choose Moss Adams

Provide any additional information that illustrates your strengths and competitive advantage.

When selecting a firm as your Audit Committee Consultant, you'll likely consider many factors: fees, experience, technical expertise, and knowledge of your industry. But there are other elements you'll want to take into account. For example:

- **Communication.** Will your consultant communicate frequently with your management and board, avoiding the possibility of an unpleasant surprise?
- **Resources.** Will you have access to the entire firm's senior industry and technical resources, or just lower-level staff?
- **Team continuity.** Will the service team you hire remain consistent, or will you have to continually get new members up to speed on your business?
- **Relationship.** Will the relationship extend beyond the conclusion of the engagement?
- **Additional services.** If you have tax, IT, transaction, or other needs, can your firm handle those too?

We invest heavily in relationships with our clients. Distinguished for our depth of industry knowledge, we take the time to understand each client's business or individual situation, anticipate needs, and identify gaps before they become obstacles. Regardless of the scope of the engagement or the size of the business, we invest personally in each client with attention from our partners and senior managers. This way, clients can grow, manage, and protect their prosperity with confidence.

We have an abiding sense of responsibility for our clients and are deeply committed to regular, candid communication. Your service team will be in touch with you, bringing any issues to your attention in a timely manner—so you can address them before they're last-minute fire drills. What's more, you can expect reliable, frequent updates on such issues as new tax laws, industry reports, and events of interest. We'll return your phone calls promptly and resolve your concerns quickly.

In the end, the firm you deem the best fit will be the one that not only meets your criteria, but also provides the greatest value to LACERA. That firm is Moss Adams.

Conflict of Interest

Describe any known or perceived conflicts of interest which may result if you are engaged to perform this consulting service. Have you or your firm provided consulting or other services to LACERA or Los Angeles County within the past five years? If so, please describe.

Before accepting any new engagement, we conduct a thorough check throughout our firm to make sure there are no conflicts of interest or independence issues. This procedure complies with the independence requirements of all regulatory agencies. If selected as your consultant, we'll maintain and monitor our independence and reassess our independence with respect to your organization on an annual basis.

Previous Relationships with LACERA or Los Angeles County

Moss Adams has no current or previous relationships with LACERA or Los Angeles County.

Fees

State your fees for the following: Attending Audit Committee Meetings. Provide the cost per meeting. Other services. Provide your hourly rate for other expenses (e.g., preparing for meetings, teleconference calls, etc.).

For our clients, it's about more than the dollars you pay at the end of the day; it's about value. Consider both the tangible and intangible benefits of working with us. You'll get solid and timely deliverables. But more than that, the experience you'll have working with forward-thinking, industry-specialized professionals who work side by side with you to explore new possibilities is where you'll see the value. Invest in your future prosperity and experience a different style of service with us.

Service	
Attendance at Audit Committee Meetings	**$500 per meeting**
Billing Rate for Other Services	**$325 per hour**

Fee Details

The scope of work and related fee quotes are subject to our firm's client acceptance process, which: 1) verifies that the firm and the client both understand the specific services we're being asked to perform; 2) ensures the terms of the contract are acceptable to both parties and in agreement with any applicable professional standards; and 3) confirms we've staffed the engagement with individuals qualified with the necessary expertise to fulfill our commitments to the prospective client.

This proposal is contingent upon completion of the Moss Adams new client acceptance process, and negotiation of a mutually acceptable contract. With regard to the terms and conditions set forth in the Audit Consulting Services Agreement, Moss Adams would like to address (i) clarifying LACERA's ownership of final deliverables vs. Consultant's ownership (and retention) of working papers, works in progress, and general skills and know-how (§1.3); (ii) providing for representations in lieu of warranties (§2.4); (iii) focusing indemnification (§4.1, 12); (iv) clarifying insurance requirements to comport with existing policies, including providing for confidentiality of insurance structure (including deductibles, retention levels, and declaration pages of professional liability), additional insureds are added via blanket endorsement and only on GCL and auto, and insurer rating is VII (§4.3, 4.4, 4.9); and (v) following American's rule on attorney fees.

We've successfully signed professional services agreements with thousands of clients, and we commit to working in good faith to successfully negotiate a mutually agreeable agreement for this engagement on a timely basis should we be awarded this contract.

Expenses
Our engagement letter will provide an estimate of the expenses for the services to be provided, based on the projected number of audit committees during the year. Direct travel costs will be billed as incurred and based on LACERA's *Education and Travel Policy*.

MOSSADAMS

etter Together:
ACERA & Moss Adams

ecember 11, 2020

MOSSADAMS

Better Together: LACERA & Moss Adams

December 11, 2020

With You Today

Kory Hoggan
Partner &
Public Employee Retirement System Services Leader

Mark Steranka
Partner &
Performance Audit Services Leader

Moss Adams by the Numbers

25+
locations

33%
racially and ethnically diverse employees

3,400+
professionals

52%
female workforce

best accounting firms for women

– Accounting MOVE Project

awards of excellence

– *Innovations in Diversity Journal*

Our California Presence

5th
largest accounting firm in California

150+
partners

11
locations

Benefit Plan Expertise

D
E
E
P

1,800+
benefit plans audited annually

#1
largest benefit plan practice in California

#3
largest benefit plan practice in the nation

Specializing in Internal Audit Services

Moss Adams serves as the internal auditor for numerous local governments throughout the western United States.

- We offer a comprehensive asset and risk-based approach to internal audit services
- Working collaboratively, we've helped clients implement best practices for:
  - Reducing risks
  - Strengthening internal controls and compliance
  - Enhancing performance efficiency and effectiveness
  - Providing visibility into important facets of municipal operations

What We'll Bring LACERA

We invest heavily in each client, especially with attention from our partners, so our clients can grow, manage, and protect their prosperity with confidence

Resources

- Service team duo with complementary relevant experience and skill set
- Access to the firm's extensive bench of expertise

Communication

- Partners are responsive via phone, and we don't charge for quick inquiries
- Reliable, frequent updates on industry issues, new laws and regulations, and events of interest

Relationship and Continuity

- Each client gets personal attention from partners
- The same partners who advise you today will continue to do so in the future

➤ Questions?

THANK YOU

ATTACHMENT B

TAP INTERNATIONAL

PROPOSAL AND PRESENTATION

TAPInternational

TRAINING | ANALYTICS | PERFORMANCE
117 East Colorado Blvd. Suite 600
Pasadena, CA 91105
PH: 626.219.1693
www.tapinternational.org

DATE: **December 2, 2020**

TO: **LACERA Audit Committee**

RE: **Audit Committee Consultant Qualifications**

Drummond Kahn, CIA, CGFM

Project Job Title: Audit Committee Consultant

Work, Knowledge, and Experience

Drummond brings over 27 years of responsible work as an auditor, director and educator, including Federal, State, and Local experience advising management, developing audit work plans, overseeing the audit work performed by staff, preparing reports and presenting audit reports to government agency management and elected officials. A former Director of Audit Services for the City of Portland, Chief of Audit Services for the Oregon Department of Transportation, and as a federal auditor, Drummond has extensive experience directing audit functions for governments with $2 Billion budgets and 5,000-7,000 employees, as well as managing the work of professional auditors in accordance with auditing standards.

Director of Audit Services, City of Portland, February 2005 – August 2017: Served as liaison to the City Council, commissions, and department staff. The scope of services included presenting audit reports, advising City Council on recommended action, overseeing the audit of City financial statements, and responding to questions

Chief of Audit Services, Oregon Department of Transportation, August 2000 – February 2005: Directed the audit functions for state transportation department ($2 Billion, 5,000-employee organization), one of the largest departments in State government. Led the office to receive a 2002 Commitment to Quality Improvement Award from the Institute of Internal Auditors, the first state agency so recognized.

Interim Director, Oregon Secretary of State Audits Division, March 2009 – May 2009: Lead Oregon state government's audit function in accordance with national standards. Lead office to release several reports and manage transition issues in a short time.

State Audit Administrator, Oregon Secretary of State Audits Division, April 1998 – August 2000: Led teams of auditors conducting audits of state programs, managing up to 4-5 audit teams at the same time. Testify to Oregon Legislative Committees and to agency governing bodies.

University of Oregon, Master of Accountancy Program Faculty, **2000-Present:** Faculty

Graduate School USA, Faculty, Auditing and Financial Management: 1993 – Present: International Instructor

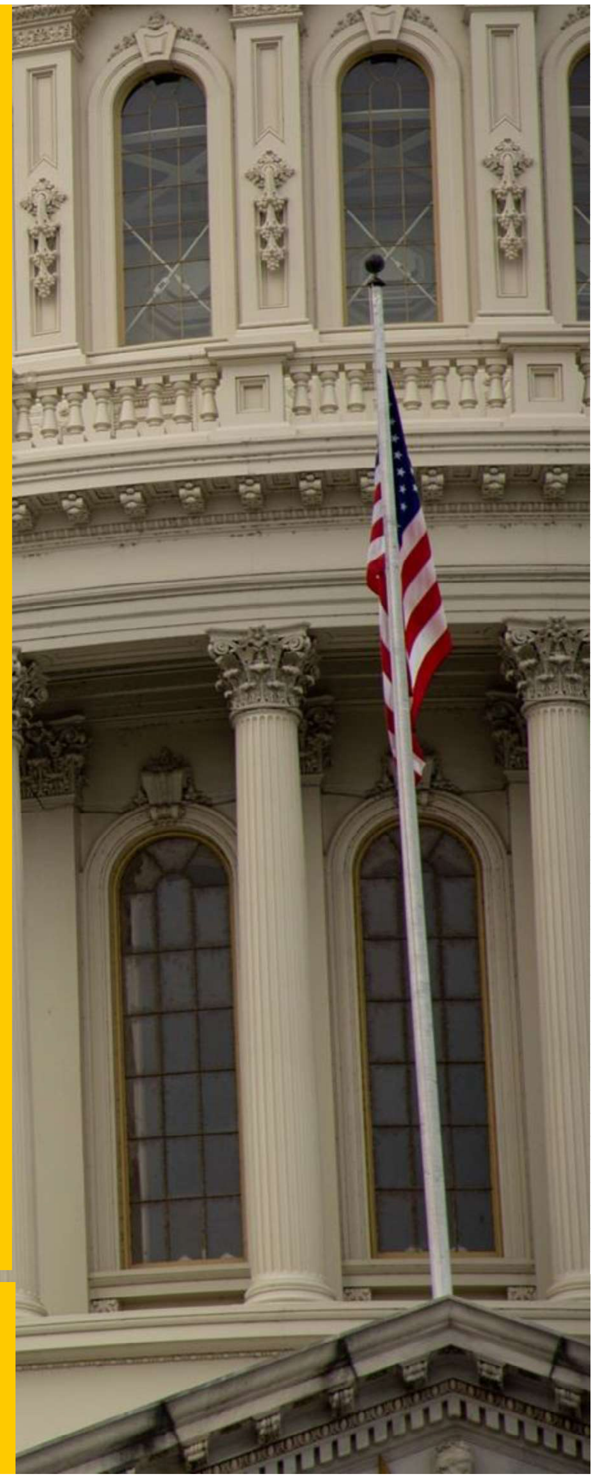
Education, Degrees, and Certifications

- 1990: Master of Science, University of Oregon, Eugene, Oregon
- 1989: Bachelor of Arts, Whitman College, Walla Walla, Washington
- Completed professional coursework at:

Request for Proposal

LACERA:

Audit Committee Consultant



December 2, 2020

Point of Contact:
Denise Callahan, 626.219.1693 denise@tapinternational.org
117 E. Colorado Blvd, Suite 600
Pasadena, CA 91105

TAPInternational
TRAINING | ANALYTICS | PERFORMANCE

117 E. Colorado Boulevard, Suite 600
Pasadena, CA 91105

Date: December 2, 2020

Ms. Leisha Collins
Principal Internal Audit, LACERA
Gateway Plaza
300 North Lake Avenue, Suite 840
Pasadena, CA 91101-4199

Dear Ms. Collins,

TAP International is pleased to present our proposal response for the Audit Committee Consultant Services.

The key features of our proposal include:

- We offer an experienced audit consultant with over 30 years of experience in governmental auditing, having served as the Director of Audit Services for the City of Portland that included oversight of audits of the City's pension fund as well as serving on national auditing boards that establish governmental auditing standards. He also served as Chief of Internal Audit Services for the Oregon Department of Transportation, working extensively with the audit committee.
- Our audit consultant has extensive experience auditing government agencies including internal audits, performance audits and financial-related audits.

I affirm that I am authorized to negotiate and to bind our company to an engagement agreement with LACERA's Audit Committee. Also, I represent and warrant that the information stated in this proposal is accurate and can be relied upon by the Audit Committee in potentially accepting this proposal. Serving as the primary point of contact for this RFP, please contact me directly at 626.219.1693 or denise@tapinternational.org if you have any questions.

Sincerely,

Denise Callahan
President & Principal Consultant

TABLE OF CONTENTS

Work History and Experience

Work History and Experience

Provide a brief description of your relevant work history, including a summary of each type of service and years of experience directly related to the services we are seeking, and as specified in the Exhibit B – Statement of Work.

Our Experience: Advisors to Audit Committees

Our proposed TAP International consultant has extensive experience working with government entities to provide consulting and audit committee advice. The Consultant also has extensive experience conducting internal audits, performance audits, compliance reviews, and professional training. Our consultant's audit committee and advisory work included the following components as specified in Exhibit B, Statement of Work, in the Request for Proposal:

- Attendance at Committee Meetings. Consultant has regularly attended audit committee meetings for the Oregon Department of Transportation, and City Council meetings of the City of Portland, having thoroughly reviewed and prepared for each meeting to describe current and planned audit work. Agenda packet materials were reviewed to identify any possible areas of concern.
- Meeting Participation: Consultant has actively participated in legislative and audit committee meetings, providing insight, guidance, and additional information regarding the agenda topics, potential risk areas, auditing standards, and best practices for audit processes. Consultant is viewed as a valuable resource for the committees served.
- Education and Training: Consultant is well versed in audit-related topics and regularly provided client training in multiple areas such as audit standards, risk identification, risk mitigation, governance, and internal controls, among others. The consultant that we propose for your selection has trained hundreds of audit professionals. Drummond Kahn has provided training for state and international audit agencies as well as for numerous local governments.
- Review of Financial Audits and Reports: Being able to communicate clearly and effectively is a hallmark trait of our proposed consultant. Having worked his career in the governmental auditing environment, he understands how important it is to be able to review complex reports, such as financial audit statements, identify the relevant information, and effectively communicate the results free of jargon or unfamiliar terminology. Our consultant has reviewed audited financial statements for multiple organizations to assess fiscal health and has provided training on how to read and interpret them, and served on a Task Force on Economic Condition Reporting for the Governmental Accounting Standards Board (GASB).
- Best Practice Identification: Our consultant conduct research on peer agencies and included such information for comparative or benchmarking purposes within audit reports. Having led over 200 performance audits and over 100 internal audits, at least 30 of these reports have included best practices research of other agencies. The consultant also led and participated on external audit quality control reviews (peer reviews) and informed other audit committees

about the performance of their audit functions. The consultant can readily provide information on the practices and functions in other government agencies.

- Regulatory Compliance: The consultant that we have proposed to provide the contract services has conducted dozens of audits and policy analyses on state and federal regulatory environments. These rules are often used as audit criteria, and ranged from EPA environmental regulations to rules and policies at the Federal, state, and local levels.
- Current and Emerging Risk Areas: The consultant has performed many risk assessments for local agencies evaluating the likelihood and impact of various risk areas, as well as emerging risks.
- Other Task Areas: Additionally, our consultant has provided the following services to government agencies:
    - Has been available for teleconferences and meetings prior to formal audit committee meetings with Board members.
    - Provided Audit Committee advice on retention and interaction with outside auditors.
    - Developed implemented and provided advisory services regarding the agency's audit risk assessment and audit plan.
    - Advisement of the Audit Committee on the audit plan progress, recommended audits, and addressing audit recommendations.
    - Financial matter advisement related to potential fraud, waste or abuse and misconduct.

Our proposed consultant has performed the following specific projects for government clients related to the LACERA scope of work:

PUBLIC AGENCIES SERVED	DESCRIPTION OF WORK	RELEVANCE TO LACERA'S RFP
City of Portland	Drummond Kahn has served as liaison to the City Council, commissions, and department staff in his capacity as the City's Director of Audit Services. The scope of services included presenting audit reports, advising City Council on recommended action, overseeing the contracted audit of City financial statements, and responding to questions.	■ Committee Meeting Attendance, Participation, and Availability ■ Review of Financial Audit and Reports ■ Best Practice Identification ■ Regulatory Compliance ■ Identification of Risks ■ Advisement on Outside Auditor ■ Advisement to the Audit Committee ■ Advisement of audit recommendations follow up process.
Oregon Department of Transportation	Drummond Kahn served as liaison to the Oregon Transportation Commission and its Audit Committee and department staff in his capacity as the Department's Chief of Internal Audit Services. The scope of services included presenting audit reports, advising the Commission on recommended action, and responding to questions.	■ Committee Meeting Attendance, Participation, and Availability ■ Review of Financial Audit and Reports ■ Best Practice Identification ■ Regulatory Compliance ■ Identification of Risks ■ Advisement to the Audit Committee

		▪ Advisement of audit recommendations follow up process.
City and County of Denver, CO, City of Oakland, CA, Clark County, NV. Republic of Palau, NV Dept. of Transportation, Florida International University	Drummond Kahn served as the Team Leader conducting external quality assurance reviews. The reviews required evaluation of audit processes, including audit follow up activities against IIA and GAGAS auditing standards.	▪ Meeting Attendance and Participation ▪ Compliance Evaluation ▪ Best Practice Identification
Republic of the Marshall Islands, Office of the Auditor-General	Drummond Kahn developed, implemented, and trained the Country's audit department to conduct audits in accordance with auditing standards.	▪ Meeting Attendance, Participation, and Availability ▪ Compliance Evaluation ▪ Best Practice Identification ▪ Education and Training
California Association of State Auditors	Drummond Kahn provided audit training on the development of quality audit reports and audit recommendations.	▪ Education and Training
Various Public Agencies and Private Audit Firm	Drummond Kahn has served on peer review teams that performed quality assurance activities of other audit departments.	▪ Compliance Evaluation and Understanding of Government Auditing Standards and Financial Practices, Education and Training

Describe your education, including any degrees or certifications.

Drummond Kahn
Years of Experience: 27

Licenses, Certifications, and Education

Education

- 1990: Master of Science, University of Oregon, Eugene, Oregon
- 1989: Bachelor of Arts, Whitman College, Walla Walla, Washington
- Completed professional coursework at:
    - U.S. GAO Training Institute (Washington, D.C.)
    - U.S. Treasury Department Federal Law Enforcement Training Center (Glynco, Georgia)

Professional Associations

- Institute of Internal Auditors (2000-Present)
- Chair, Chief Audit Executives' Council, Salem Chapter, 2000-2002
- Presented to IIA Chapters including Costa Rica, Vancouver, Toronto, Sacramento, Olympia, and Las Vegas; Presented to IIA International Conference, Regional Conferences, and General Audit Management Conference
- Comptroller General's Advisory Council on Government Auditing Standards
  Chair, 2016-Present
  Member, 2009-2016
- Association of Government Accountants (1990-Present)
- President, Portland Chapter 1994-1995
- Member, National Committee on State and Local Government
- Member, Editorial Board, Journal of Government Financial Management
- Pacific Northwest Intergovernmental Audit Forum (1991-2017)
  Assistant Executive Director, 1991-1995
- Board of Directors (State Representative), 2000-2005
- Board of Directors (Local Representative), 2015-Present
- Association of Local Government Auditors (2005-Present)
  National President (2012-13)
  National President-Elect (2011-12)
  Board of Directors Member (At-Large) (2008-2011)
  Member, Education Committee (2005-Present)
  Member, Strategic Planning Committee (2007-2008)
  Team Member and Team Leader, Peer Reviews
  Past-President of local chapter of Association of Government Accountants
- Past National President of Association of Local Government Auditors

Certifications

- Certified Internal Auditor
- Certified Government Financial Manager
- Certified Government Auditing Professional

Describe your knowledge and experience in the following areas:

Advanced Degree and related certificates

Drummond Kahn

Licenses, Certifications, and Education

Education
- 1990: Master of Science, University of Oregon, Eugene, Oregon

Certifications
- Certified Internal Auditor
- Certified Government Financial Manager
- Certified Government Auditing Professional

Prior experience advising audit committees

City of Portland	Drummond Kahn has served as liaison to the City Council, commissions, and department staff in the capacity of the City's Director of Audit Services. The scope of services included presenting audit reports, advising City Council on recommended action, overseeing the audit of City financial statements, and responding to questions.
Oregon Department of Transportation	Drummond Kahn served as liaison to Transportation Commission and its Audit Committee and department staff in the capacity of the Department's Chief of Internal Audit Services. The scope of services included presenting audit reports, advising the Commission on recommended action, and responding to questions.

Specific knowledge of 1937 Act Pension Systems

Drummond Kahn possesses knowledge of the County Employees Retirement Law, which permits Cities and Counties to establish retirement system for the purpose of accruing funds and issuing pension payments to retired. employees. Currently, 20 counties and two cities have established their own pension system while the remaining counties and cities opted to participate in CalPERS, which was formed under a different law.

The 1937 Law establishes specific requirements for local pension system to follow: These requirements include, among many other requirements, the types of benefit plans that can be offered, application of cost of living increases, adherence to GASB statements 43, 45, 50, 63 which govern accounting disclosures, reporting of bond ratings and post-employment benefits, and considering past events on future financial statements; plan governance requirements, investment policies, and how to compute pensionable wages..

Client	Consultant Responsible	Description of Work
City of Portland	Drummond Kahn	Conducted and presented reports on government financial impact. Financial impacts included pension costs and actuarial estimates.

- **Broad knowledge of public pension and investment practices and emerging trends. Knowledge of financial regulatory sources.**

Client	Consultant	Description of Work
City of Portland	Drummond Kahn	Served on GASB Task Force on Economic Condition Reporting; Fiscal Sustainability. Chaired the Comptroller General's Advisory Council on Government Auditing Standards. Teaches university graduate courses in governmental accounting and auditing, including the role of government financial regulators.

Further qualification, experience and work history is included in the following resumes.

Drummond Kahn, CIA, CGFM

Role: Proposed Audit Committee Consultant

Qualifications and Background

Drummond brings over 27 years of responsible work as an auditor, including Federal, State, and Local experience conducting audits and advising management, including conducting risk assessment, development of audit work plans, overseeing the audit work performed by staff, preparing reports and presenting audit reports to city management and elected officials. A former Director of Audit Services for the City of Portland, Drummond has extensive experience directing audit functions for governments with a $2 Billion budget and 7,000-employees, as well as managing the work of professional auditors in accordance with auditing standards. Drummond has conducted numerous audits covering numerous subject areas related to state and local governments, such as internal controls, financial management, parks and recreation, parking management, public works, and utility billing. He is highly sought after to perform Quality Assurance Reviews under IIA Standards and external quality control reviews (Peer Reviews) under GAO Standards. He has led QARs of the audit functions at Florida International University (2009, 2014), City and County of Denver, City of Oakland, Clark County, Nevada, Republic of Palau, and Nevada Department of Transportation.

Drummond has received numerous awards for his achievement in performance and internal auditing, as follows:
2014: Top 15 Most Influential Professionals in Government Auditing, American Center for Government Auditing, Institute of Internal Auditors
2013: Frank Greathouse Distinguished Leadership Award, Association of Government Accountants
2007: "Forty Under Forty" Award, Portland Business Journal
2003: Excellence Award, Oregon Department of Transportation
2002: Commitment to Quality Improvement Award, Institute of Internal Auditors
1997: National Special Achievement Award, Association of Government Accountants
1995: Regional Manager's Award, U.S. General Accounting Office

Employment History

Portland State University

- Adjunct Assistant Professor (1998-2006)
- Adjunct Associate Professor (2007-Present)
- Adjunct Professor (2017-Present)

Director of Audit Services, City of Portland, February 2005 – August 2017:

University of Oregon, 2000-Present, Faculty
Teach graduate course in the Master of Accountancy program in the Lundquist College of Business. Teach one course per year, Accounting 642: Advanced Assurance Services (Advanced Auditing).

Adjunct Faculty, USDA Graduate School (Now Graduate School USA) 1993-Present,

Teach professional courses in auditing and financial management to federal, state, and local officials throughout the U.S. through the Government Audit Training Institute and more than twelve courses overseas through the International Institute. Courses include Performance Auditing and Financial Management.

Interim Director, Oregon Secretary of State Audits Division, March 2009 – May 2009: Lead Oregon state government's audit function in accordance with national standards. Lead office to release several reports and manage transition issues in a short time.

Chief of Audit Services, Oregon Department of Transportation, August 2000 – February 2005:
Directed the internal (2000-2005) and external/contract (2004-2005) audit functions for state transportation department ($2 Billion, 5,000-employee organization), one of the largest departments in State government. Manage the work of professionals, including internal auditors, performance measurement specialists, and the fraud reporting program. Led office to receive a 2002 Commitment to Quality Improvement Award from the Institute of Internal Auditors, the first state agency so recognized.

State Audit Administrator, Oregon Secretary of State Audits Division, April 1998 – August 2000:
Lead teams of auditors conducting audits of state programs, managing up to 4-5 audit teams at the same time. Testify to Oregon Legislative Committees and to agency governing bodies.

Principal Performance Auditor, Oregon Department of Transportation, November 1995 – April 1998

Evaluator/ Site Senior, U.S. General Accounting Office (now U.S. Government Accountability Office), August 1990 – October 1995

Customer References

Customer References

Describe three references from clients that you have acted in a similar advisory role. Provide the dates and type(s) of service provided. Also include the name, title, and contact information of individuals that can attest to the quality of your work.

Note: Additional references can be provided upon request.

Contact Name:	[redacted]
Contact Information:	
Consultant Involved:	Drummond Kahn
Relationship to Scope of Work	Conducted ALGA quality assurance reviews of other audit agencies, and conducted training on auditing standards, including report and recommendation development. 2005 to present

Contact Name:	[redacted]
Contact Information:	
Consultant Involved:	Drummond Kahn
Relationship to Scope of Work	Conducted ALGA quality assurance reviews of other audit agencies. 2005 to present

Contact Name:	[redacted]
Contact Information:	
Consultant Involved:	Drummond Kahn
Relationship to Scope of Work	Provided accounting training and audit advice to the Auditor General's Office 2017 to present

Additional Proposer Information

Additional Proposer Information

Provide any additional information that illustrates your strengths and competitive advantage.

Experienced Performance and Internal Auditors

Industry leading customer satisfaction

Innovative and Cutting-Edge Methodologies

Women-Owned Small Business

Certified Disadvantage Business Enterprise

About TAP International

TAP International specializes in supporting organizations to make impactful differences in program and service delivery.

Our experienced professionals understand how effective organizations work and are skilled at developing and implementing innovative solutions to:

- Evaluate programs and services.
- Track and improve service delivery.
- Improve performance.
- Create better ways to manage.
- Find cost savings.

You can expect us to:

- Place your priorities first. We plan our work around your schedule.
- Listen. We accomplish what you hired us to do.
- Communicate clearly without jargon.
- Hold honest discussions.
- Serve as a resource.

Distinguishing features of our proposed consultant:

- Nationally and internationally known audit professionals
- Over 27 years of internal and performance auditing years of experience.
- Experience with audit quality assessments.
- Served as executive audit professional among various audit organizations and know firsthand the importance of implementing audit recommendations.

The experience of our proposed consultant includes:

- Hundreds of audits and other assessments across the United States and abroad.
- Seven quality assurance reviews of other audit organizations.
- As an Audit Chief or Director, hosted five quality assurance reviews.
- Able to access the knowledge and experience of other auditors in the firm. Several of whom have conducted audits/assessment related to retirement systems and pension calculations, including for CalSTRS and CalPERS.
- Over 40 professional development training seminars to local and state agencies as well as professional audit associations, including report preparation and recommendation development to facilitate stakeholder acceptance of the audit report.

TAPInternational

We believe in

Client Service
Delivering high-quality work and results that lead to change.

Integrity
Providing trusted and fact-based information.

Leadership
Facilitating shared vision and responsibilities.

We are skilled in

- Organizational Development
- Teamwork
- Project Management
- Research & Project Design
- Graphic Communication
- Advanced Data Analysis

We are innovative

Created cutting-edge public sector tools and methods

24+
Published articles

JESUIT BUSINESS EDUCATION
PM PUBLIC MANAGEMENT
GFOA
PAR
IBM Center for The Business of Government

2011
Established

4
Locations, global reach

22
Professionals

Industry leading
96/100
Customer satisfaction

www.tapinternational.org

Describe any known or perceived conflicts of interest which may result if you are engaged to perform this consulting service. Have you or your firm provided consulting or other services to LACERA or Los Angeles County within the past five years? If so, please describe.

- Neither TAP International, nor the proposed consultant have any known or perceived conflicts of interest with LACERA that may result if engaged to perform the proposed consulting services.
- TAP International has performed the following scopes of services for Los Angeles County within the past five years:
  - Los Angeles County Department of Public Health: April 2019 to May 2020.
    TAP International conducted a review of the County's lead-based paint mitigation and hazard remediation program to identify barriers or concerns that prevented expansive participation in the program by property owners and the major drivers for participation in a future program.
  - Los Angeles County Health Agency: April 2017 to May 2019
    TAP International conducted a performance audit to determine the advantages and disadvantages of the Health Agency structural model for consideration by the County in potential future consolidation of other County agencies.

- TAP International specifically acknowledges the following facts:
  - TAP International possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.
  - TAP International has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of work.
  - The Fee Schedule Submitted in response to the RFP is for the entire scope of work and no extra charges or expenses will be paid by LACERA.
  - TAP International has completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that TAP International believes any member of LACERA, or other officer, agent or employee of LACERA presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
  - Materials contained in proposals and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the Act.
  - TAP International is not currently under investigation by any state of federal regulatory agency for any reason.
  - The signatory below is authorized to bind the respondent contractually.

Denise Callahan, President TAP International

Fees

Fees

State your fees for the following:

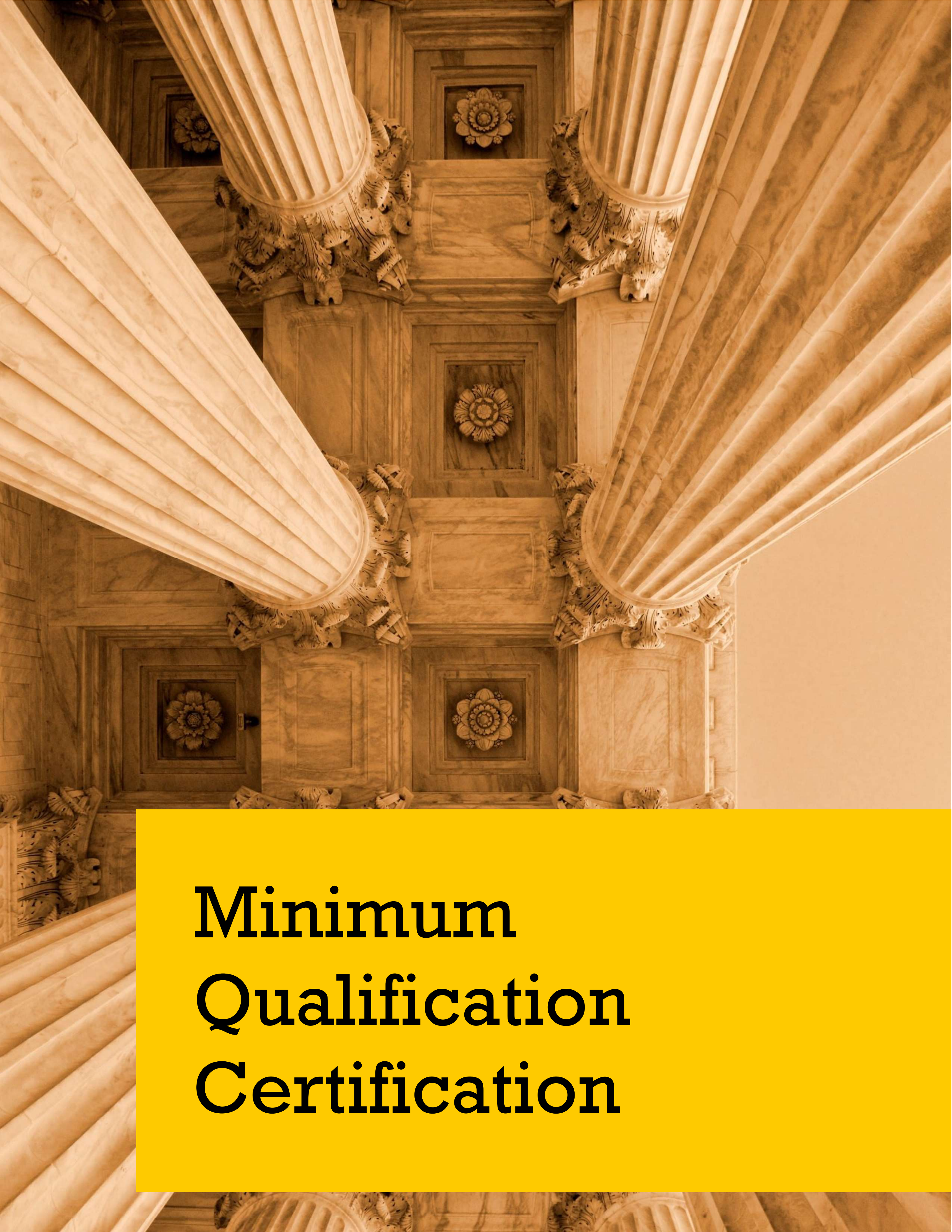
- Attending Audit Committee Meetings: Provide cost per meeting.
- Other services. Provide your hourly rate for other expenses (e.g. preparing for meetings, teleconference calls, etc.)

TAP International, first and foremost, is committed to quality and providing value to the Audit Committee. Our cost estimate considers the depth of audit experience of our audit team and the scope of services. Regardless of the Consultant selected by LACERA to provide audit committee advisory services, the hourly rate will be the same.

Cost Table

Services	Cost	Total Range of Costs
Meeting Attendance	Attendance (1 to 3 hrs.) Assuming virtual attendance due to COVID.	$200 to $600
Other Services	Meeting preparation, teleconference calls, other services as requested, travel required to attend meetings after COVID restrictions lifted.	$170 per hour

Should travel be required, travel expenses will be billed at cost in accordance with LACERA's Education and Travel Policy.



Minimum Qualification Certification

TAP International – tapinternational.org

Los Angeles County Employees Retirement Association

Audit Committee Consultant

December 11, 2020

LACERA

TAPInternational

CANDIDATE QUALIFICATIONS

- **City of Portland, Director of Audit Services**: 2005 to 2017
- **Oregon Dept. of Transportation, Chief of Audit Services:** 2000 to 2005
- **Oregon Secretary of State, Audits Division Interim Director:** 2009
- **University of Oregon, Master of Accountancy Program Faculty**: 2000 to Present
- **Comptroller General's Advisory Council on Government Auditing Standards, Chairperson**: 2016 to Present
- **Association of Local Government Auditors, National President:** 2012 to 2013
- **Governmental Accounting Standards Board, Task Force on Economic Condition Reporting**: 2010 to 2013
- **Graduate School USA, Faculty, Auditing and Financial Management:** 1993 to Present

Drummond Kahn
Audit Committee Consultant

- **Certified Internal Auditor**
- **Certified Government Auditing Professional**
- **Certified Government Financial Manager**

- **Bachelor of Arts, Whitman College**
- **Master of Science, University of Oregon**

Relevant Experience Areas:

- Committee Consulting/Advising, Subject Matter Expert
- Review of financial audit and reports
- Best practice identification
- Regulatory compliance
- Risk identification
- Advisement on outside auditor
- Advisement of audit recommendations and follow up process
- Education and training

Who We Are

TAP International

TRAINING | ANALYTICS | PERFORMANCE

We believe in

Client Service
Delivering high-quality work and results that lead to change.

Integrity
Providing trusted and fact-based information.

Effective Leadership
Facilitating shared vision and responsibilities.

Practiced Community Engagement
Enables deeper understanding of the role of local government and community service.

We are skilled in

- Executive/Board Consulting
- Teamwork/ Collaboration
- Project Management
- Cost Effective Audits
- Research & Project Design
- Graphic Communication
- Advanced Data Analysis

We are innovative

Created cutting-edge public sector tools and methods

32+
Published articles

JESUIT BUSINESS EDUCATION

PM PUBLIC MANAGEMENT

PAR

IBM Center for The Business of Government

Established 2011

3 Locations, global reach

Experienced Professionals

Public Sector Focus

200+ engagements

PROPOSED FEES

Services	Cost	Total Range of Costs
Meeting Attendance	Attendance (1 to 3 hrs.) Assuming virtual attendance due to COVID.	$200 to $600 ($170 per hour)
Other Services	Meeting preparation, teleconference calls, other services as requested, travel required to attend meetings after COVID restrictions lifted.	$170 per hour

TAPInternational

ATTACHMENT B

RICK WENTZEL

PROPOSAL AND PRESENTATION

RICK WENTZEL

PROPOSAL TO CONTINUE TO SERVE AS THE AUDIT COMMITTEE CONSULTANT
FOR THE LOS ANGELES COUNTY EMPLOYEE RETIREMENT ASSOCIATION

OVERVIEW

I have served as LACERA's Audit Committee Consultant for the past six years. During this time, the Audit Committee has had quite a journey and is currently considering some significant changes to its membership. I would be honored to continue the journey with the Audit Committee, Internal Audit and management in assisting you in establishing the governance standards that other like-kind associations will measure themselves against, as well assisting you fulfill your fiduciary responsibilities.

I have demonstrated to the Audit Committee, Internal Audit and management my independence, in that I am willing to share my opinions and experiences on various topics, whether those opinions are popular or not, with the Audit Committee, Internal Audit or management. As an independent consultant serving LACERA, my responsibility to put LACERA first.

As more fully detailed in my proposal, I have served in public accounting for twenty-nine of the past thirty-five years. The other six years were spent in industry where I served as the controller for both a large not-for-profit organization and a college. The last seventeen years I have served as an external audit partner for both Grant Thornton LLP and PricewaterhouseCoopers LLP.

Over my career, I have worked with governmental and not-for-profit organizations with the last twenty-eight years fully dedicated to these industries. The size of my clients has ranged from very large governmental entities (e.g., the University of California System) and large private not-for-profits entities (e.g., University of Southern California) to smaller organizations.

While both in industry and in public accounting, I have worked directly with my client's audit committees and their boards. During my last year at Grant Thornton, I attended over seventy audit committee/board meetings. I have conducted training sessions for the audit committees and/or the entire boards on topics such as governance best practices, roles and responsibilities of board members, Sarbanes-Oxley, California Not-for-Profit Integrity Act, risk assessments, enterprise risk management (ERM), financial statement literacy, new accounting and auditing standards, as well as upcoming accounting and auditing changes.

I have been directly involved in several ERM projects, including leading meetings with key client personnel and assisting in drafting the final report, as well as presenting the results to both the C-Suite and board members. I have also guided ERM teams who were conducting ERM assignments for my audit clients or for other not-for-profit organizations.

Additionally, I was involved with several Grant Thornton teams who served public transportation agencies in conducting several Internal Audit type projects. This involvement included assisting in developing their risk assessment and designing specific procedures to perform.

I also serve on two boards: Atherton Baptist Homes and First Baptist Church Temple City. At Atherton, I am currently the board treasurer and chairperson of the finance committee and serve as a non-voting member of the audit committee. At First Baptist Church, I am currently the chairperson for the finance committee and am serving a mandatory one-year period off the board, as I recently completed two consecutive three-year terms on the board. Previously, I served as the chairperson of the board for five years. As chairperson of the board, I led the efforts to rewrite the church's constitution and governing documents.

I received my bachelor of science degree in economics/accounting and religion from Claremont McKenna College.

I hold active Certified Public Accountant (CPA) certificates in California, Arizona, and Oregon. Active CPA certifications were previously held in New York, Nevada, New Mexico and Idaho.

My proposed fee structure is the same as the past three years - $700 per hour. This includes time incurred preparing for Audit Committee meetings, attending Audit Committee meetings, and for any additional services I may be requested to undertake. Maximum annual fees are $30,000.

During the past six years I have assisted the Audit Committee, Internal Audit and management in fulfilling their fiduciary responsibilities. My breathe of experience in working with audit committees and boards has provided me with a wide range of experiences that will allow me to continue to provide the Audit Committee and LACERA with the independent assessment and feedback you are expecting and deserve.

Additionally, there will no need to get me "up to speed", as I am very familiar with the projects and topics the Audit Committee is currently working through.

I look forward to working with you for the next three years as you continue to your journey.

Sincerely,

Rick Wentzel

Rick Wentzel, CPA

PROPOSAL TO SERVE LACERA

AS THE

AUDIT COMMITTEE CONSULTANT

Submitted by:

Rick Wentzel, CPA
Rick.Wentzel.85@gmail.com
626-437-0370

November 16, 2020

LACERA Audit Committee &
Leisha Collins, Principal Internal Auditor
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 840
Pasadena, CA 91101

Dear LACERA Audit Committee Members & Ms. Collins,

It has been my distinct honor and pleasure to serve as the current Audit Committee Consultant for the Los Angeles County Employees Retirement Association (LACERA) these past 5+ years as both an audit partner at Grant Thornton and now as a retired audit partner from Grant Thornton.

During my time working with the Audit Committee and Internal Audit Management, I have witnessed and been a part in assisting the Audit Committee debate significant changes to its charter, structure, and its operating model. These changes have strengthened the Audit Committee's oversight of both the Internal Audit Department and LACERA as a whole, as well as changing the public perception of the Committee.

The recent discussions regarding the selection methodology of Audit Committee members from both the Board of Retirement and the Board of Investments is a new paradigm for LACERA and I believe will only assist in strengthening the Audit Committee as a whole and showing the public LACERA aims to be of the highest standards.

Today's environment also brings with it significant changes in how audit committees are perceived by outsiders as well as accounting and reporting requirements for associations such as LACERA. The Audit Committee members already have their day jobs and need assistance in staying abreast of the governance environment brought about by the Sarbanes-Oxley Act and like-kind rules adopted by states and other rule-making bodies.

The Government Accounting Standards Board (GASB) continues to issue new accounting and reporting rules that directly impact LACERA, and as the Audit Committee, you have a responsibility to at least be familiar with these changes so you can better understand LACERA's annual published audited financial statements.

Keeping current with both the changes in the governance environment and the accounting and reporting requirements takes time, and having the right Audit Committee Consultant is important to ensure you do not fall behind.

I would be very interested in continuing to assist the Audit Committee as you continue your governance and oversight journey.

Sincerely,

Rick Wentzt

Rick Wentzel, CPA

Overview

The LACERA Audit Committee is responsible for overseeing LACERA's governance activities, including risk management practices and related internal controls. While Internal Audit is also involved with these aspects on a daily basis and at a detailed level, sometimes it is easy to get mired in the details and lose sight of the current governance and best practices being adopted by other like-kind associations as well as organizations that are not public retirement associations – as much can be learned by looking outside of your organization.

I bring thirty-five years of public and private accounting, governance, risk management, and internal controls experience to LACERA. For the past twenty-eight years, I have worked exclusively with not-for-profit and governmental organizations, under both GASB and FASB.

Outside of six years when I served as the controller for two not-for-profit organizations, a fundraising entity and a college, I have served as an external auditor, the past seventeen years as an audit partner. As an audit partner, I predominantly worked with the C-Suite and the audit committees. With most of my clients, we met with the audit committee at least twice a year first, to present the audit plan for the upcoming external audit and obtain their feedback on our areas of focus and second to report on the completed audit.

I assisted many of my clients' audit committees in strengthening their knowledge of the accounting, auditing, and reporting regulations affecting the organization by conducting training sessions for audit committees on governance best practices. I have served on enterprise risk management engagement teams and have regularly issued recommendations to improve internal controls, processes, and procedures.

As you know, one of the aspects of an external audit is to perform a risk assessment on the organization prior to the commencement of audit fieldwork. This required risk assessment is not dissimilar to the risk assessment currently performed annually by Internal Audit. The risk assessment assists in determining where the auditors will spend their time, as it is used to identify an area's susceptibility to fraud, misappropriation, or misreporting.

As I have served LACERA the past 5+ years, there is not a learning curve for me to get up to speed as to the Audit Committee's current status, the direction you are moving, how Internal Audit leadership works with the Audit Committee, and the concerns of the Audit Committee members. I have worked with Internal Audit leadership to begin to develop a calendar of items to be addressed at various audit committee meetings throughout the year.

Continuing to work with the Audit Committee and Internal Audit leadership will allow for an uninterrupted business relationship and allow both you and Internal Audit to focus on moving forward instead of spending time getting a new Audit Committee Consultant up to speed.

PROPOSAL REQUIREMENTS – Per Exhibit D

1. Provide a brief description of your relevant work history, including a summary of each type of service and years of experience directly related to the services we are seeking, and as specified in the Exhibit B – Statement of Work.

I started my career at Coopers & Lybrand, where I made audit manager and was devoting half my time to not-for-profit organizations and half my time to start-up companies. I then moved to the Jewish Federation Council of Greater Los Angeles as the controller, where I spent two years and rebuilt the business office, focusing on internal controls and internal reporting. I then served as the controller at Occidental College for four years, where again I rebuilt the business office, focusing on internal controls, internal and external reporting, and board relationships. I was very involved with working with both the audit committee and the finance committee and worked with the respective committee chairman to improve board reporting and the governance structure.

After Occidental College, I returned to public accounting with PricewaterhouseCoopers LLP (PwC) as a senior audit manager before becoming an audit partner, and worked exclusively with governmental and not-for-profit organizations. After ten years at PwC, I joined Grant Thornton LLP as an audit partner and served as the West Region Not-for-Profit Practice Leader, and served in this role for eleven years. My clients at Grant Thornton included governmental, not-for-profit, and higher education organizations.

Throughout the past seventeen years as an audit partner, I worked closely with audit committees and boards. This audit committee and board involvement included reporting on the annual external audit, as well as conducting training for the board members on better understanding the organization's financial statements, explaining the impact of Sarbanes-Oxley and the California Not-for-Profit Integrity Act, recommending changes to board governance that are now perceived as best practices. I also shared how to understand the IRS Form 990 from a board member's perspective, explaining the new accounting and reporting standards, discussing opportunities to improve their internal controls, and walking through our annual risk assessment of the organization for the upcoming external audit.

For my clients with an Internal Audit function, we coordinated work efforts so Internal Audit could focus on the details in areas where we had concerns. We also reviewed Internal Audit's annual risk assessment and provided feedback to the Audit Committee on Internal Audit's annual risk assessment. In some instances, this coordination allowed us to reduce our efforts on the external audit.

I was also involved in developing and presenting specific not-for-profit training to our audit staff as well as creating and presenting at local client seminars and on national webcasts.

My volunteer efforts are serving as a board member to various organizations. Since 2011, I have been a board member at Atherton Baptist Homes and have served on both the Finance and Audit Committees. I have served as the board treasurer since 2014.

I have also been a board member at First Baptist Church of Temple City since 2003, with the exception of one-year breaks of service every six years. I have been the chairman of the board, and chairman of the Finance and Property Committee.

Additionally, I served as a member of the Finance and Audit committee at Maranatha High School from 2012-2015.

2. Describe your education, including any degrees and certifications.

I graduated from Claremont McKenna College with a bachelor of science degree in Economics/Accounting and Religion.

I hold active Certified Public Accountant (CPA) certificates in California, Arizona, and Oregon. Active CPA certifications were previously held in Nevada, Idaho, New Mexico, and New York.

3. Describe your knowledge and experience in the following areas:

- **Advanced Degree and related certifications (includes: Doctor of Law (JD), Doctor of Philosophy (PhD), in business related areas, Master of Business Administration (MBA), Certified Public Accountant (CPA) or Certified Internal Auditor (CIA)),**
- **Prior experience advising Audit Committees**
- **Specific knowledge of '37 Act Pension Systems**
- **Broad knowledge of public pension and investment practices and emerging trends, knowledge of financial regulatory sources (GASB, GAAP, GAAS, etc.)**
- **Enterprise Risk Management**

As indicated above, I hold active Certified Public Accountant (CPA) certificates in California, Arizona, and Oregon. Active CPA certifications were previously held in Nevada, Idaho, New Mexico, and New York.

During my last year at Grant Thornton, I had over thirty-five clients in my portfolio, resulting in attending over seventy audit committee and/or board meetings. All of these meetings included either reviewing our annual risk assessment and audit plan for the upcoming external audit or reviewing the results of our audit and discussing any recommendations to strengthen internal controls. All of the meetings included an accounting and reporting update, in order to ensure the audit committee/board members were informed about current developments in accounting and reporting requirements and how their organizations would be impacted in the coming years.

Specific knowledge of the '37 Act Pension Systems and broad knowledge of public pension and investment practices was required to assist clients in implementing new GASB accounting and reporting requirements for their public pensions.

I was directly involved in several Enterprise Risk Management (ERM) projects, including leading meetings with key client personnel and assisting in drafting the final report, as well as presenting the results to both the C-Suite and board members. I have also guided ERM teams who were conducting ERM assignments for my clients or for other not-for-profit organizations.

I was involved with several Grant Thornton teams who served public transportation agencies in conducting several Internal Audit type projects. This involvement included assisting in developing their risk assessment and designing specific procedures to perform.

4. Provide three references from clients that you have acted in a similar advisory role. Provide the dates and type(s) of service provided. Also include the name, title and contact information of individuals that can attest to the quality of your work.

As I currently serve as the Audit Committee Consultant for LACERA, Ms. Gina Sanchez, Mr. Richard Bendall and Ms. Leisha Collins can provide feedback on my service. I have served LACERA in this capacity for the past 5+ years.

References for clients that I served while at Grant Thornton, and who can attest to the quality of my work, include:

Mr. Harry Papp
Audit Committee Chairman
Arizona State University Enterprise Partners (ASU EP)
harry@roypapp.com
602.956.0980
I served as the Audit Partner for the external audits of ASU EP and its five subsidiaries for nine years.

Ms. Leslie Levinson
Chief Financial Officer
San Diego State University Research Foundation
llevinson@mail.sdsu.edu
619.594.1076
I served as the Audit Partner for the external audits of the five SDSU auxiliary organizations for five years.

Mr. Bill Gates
Audit Committee Chairman
Vitalant (formerly Blood Systems, Inc.)
billga@ping.com
602.687.5018
I served as the Audit Partner for the external audits of Vitalant for four years.

5. LACERA values diversity and inclusion and is committed to fostering diversity in its RFP process and obtaining a diverse pool of applicants. Candidates responding, who are associated with a firm, or firms responding on behalf of candidate(s) employed by them, should include the following in their proposal, in addition to the above:

a. **Description of diversity policies, practices, and procedures maintained by the firm regarding equal employment opportunity, including the recruitment, development, retention, and promotion of a diverse and inclusive workforce, non-discrimination based on gender, race, ethnicity, sexual orientation, age, veteran's status, and other legally protected categories, and prohibition of sexual harassment in the workplace.**
b. **Description of the oversight, monitoring, and other compliance processes for implementation and enforcement of the firm's diversity policies, practices, and procedures.**

I am currently a sole proprietor and as such, do not have any employees.

While at Grant Thornton, I led the on-campus recruiting efforts at the University of La Verne, which is designated as a Hispanic Serving Institution. Approximately 50% of their students are Hispanic and 78% of their students are minorities or people of color.

6. Describe any known or perceived conflicts of interest which may result if you are engaged to perform this consulting service. Have you or your firm provided consulting or other services to LACERA or Los Angeles County within the past five years? If so, please describe.

There are no known or perceived conflicts of interest which may result if I am engaged to continue to perform this consulting service.

I currently serve as the Audit Committee Consultant to LACERA, and have for the past 5+ years, but have not provided any additional consulting or other services to LACERA or Los Angeles County within the past five years.

7. Provide any additional information that illustrates your strengths and competitive advantage.

As LACERA's current Audit Committee Consultant, there is no time lost getting me up to speed on the projects and discussions the Audit Committee has held. I am aware of the changes you have made and the changes you are contemplating.

I have also assisted Internal Audit leadership in developing a draft standard agenda schedule so that certain topics (e.g., Audit Committee Charter review, annual risk assessment, annual external audit results, etc.) are reviewed annually at predetermined meetings. Also, I have worked with Internal Audit leadership regarding topics which should be considered as additions to the Audit Committee's agendas (e.g., review the external auditor's audit plan, additional education regarding accounting and reporting requirements, and the annual audit report).

8. State your fees for the following:

- **Attending Audit Committee Meetings: Provide the cost per meeting**
- **Other services: Provide your hourly rate for other expenses (e.g., preparing for meetings, teleconference calls, etc.)**

In recognition of the current positive relationship I have with LACERA, I commit to keeping my hourly rate consistent with the current agreed-upon rate and will hold this hourly rate flat for the three-year term of the contract.

I would propose that we continue to use an hourly rate of $700 for both attending Audit Committee meetings and for other services, with an annual cap of $30,000. This method allows for LACERA to only be charged for time incurred. Travel expenses, if any, would be billed in accordance with LACERA's Education and Travel Policy.

The fees could be negotiated, if that would allow for a mutually beneficial relationship.

Affirmations Requested in the RFP

By submitting this proposal, I represent that I have thoroughly examined and am familiar with the required services and the contents of the issued Request for Proposal and that I am capable of performing quality services to achieve LACERA's objectives.

The pricing, terms, and conditions contained within this proposal are valid for 120 days from the November 17, 2020 deadline.

By submitting this response, I also hereby affirm and represent that I have reviewed the proposal requirements and have submitted a complete and accurate response to the best of my knowledge. By signing above, I hereby affirm that I have reviewed the entire RFP and intend to comply with all requirements.

I also specifically acknowledge the following facts:

1. I possess the required technical expertise and have sufficient capacity to provide the services outlined in the RFP.
2. I have no unresolved questions regarding the RFP and believe that there are no ambiguities in the scope of work.
3. The Fee Schedule Submitted in response to the RFP is for the entire scope of work and no extra charges or expenses will be paid by LACERA.
4. I have completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that I believe any member of LACERA or other officer, agent or employee of LACERA presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.
5. Materials contained in this proposal and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the California Public Records Act.
6. I am not currently under investigation by any state or federal regulatory agency for any reason.
7. The signatory above is authorized to bind the respondent contractually.

Please let me know if you have any questions or would like additional information.

Again, I would be pleased to serve another three-year term as the Audit Committee Consultant for LACERA. Thank you for your consideration.

Rick Wentzel, CPA

Proposal to Continue to Serve as LACERA's Audit Committee Consultant

DECEMBER 2, 2020

RICK.WENTZEL.85@GMAIL.COM
626.437.0370

Experience

Currently serve as LACERA's Audit Committee Consultant (no start up time required)

Have shown that I am indeed independent from the Audit Committee, Internal Audit and management

Served as an external audit partner for 17 years with Grant Thornton and PricewaterhouseCoopers

Served as the controller to a large not-for-profit organization (NFP) and a college

Specialized in governmental and NFPs for past 28 years

Assisted in Internal Audit Projects for Public Transportation Agencies

Recently retired after a 35 year career in public and private accounting

Currently serve on a board and board committees

Consulted with Audit Committees and Boards regarding:

Governance Best Practices

Roles and Responsibilities of Board Members

Sarbanes-Oxley

California Not-for-Profit Integrity Act

Risk Assessments

Enterprise Risk Management

Financial Statement Literacy

Training on New Accounting and Auditing Standards

Training on Upcoming Accounting and Auditing Standards

Fees

Fees – same hourly rate as past three years

Same hourly structure as past three years

Annual maximum fees of $30,000

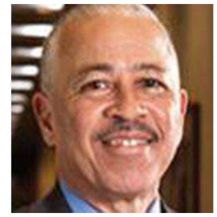
ATTACHMENT B

WILLIAMS ADLEY

PROPOSAL AND PRESENTATION

Robert Griffin, CPA

Williams, Adley & Company, Partner

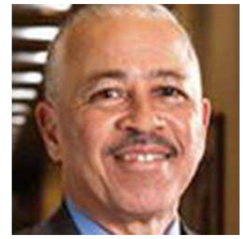


- Member of AICPA, National Association of Black Accountants, NABA- DOF, Cal CPA Society, Government Finance Officer's Association, GFOA CAFR & PAFR reviewer
- Proposed Hourly rates:
  - Basic hourly rate $300
  - Rate per meeting $600
  - Rate per meeting prep and other services $300
- Strengths and Competitive Edge
  - Ability to communicate with all levels in the organization in plain English
  - Extensive knowledge of '37 Act and developments for many years.
  - Broad knowledge of governmental auditing and accounting.

WILLIAMS ADLEY
30 years of excellence

Robert Griffin, CPA

Williams, Adley & Company, Partner



- 25+ years of governmental audit and accounting experience. Detailed knowledge of GAAP, GAGAS. Audit experience for '37 Act Plan where he has been involved in implementation of complex accounting standards involving OPEB.
- 10 year's experience in internal auditing including providing outsourced services and previous industry experience building a large audit group. Duties included performing risk assessments, developing governance structure and reporting protocols.
- Solid knowledge of IT security risks and exposures as result of evaluating IT security as part of audit risk assessments.
- CPA in the state of California and District of Columbia. Initial certificate issued in 1981.
- Quality control partner over Williams, Adley's audit practice, which has received unmodified reports for the past 12 years.
- Managing partner of diverse local government CPA firm.
- Elected school board trustee (24 years) and current Board President for the San Mateo Union High School District. Understands the important of transparent governance and decision making.

WILLIAMS ADLEY
30 years of excellence

Proposal to

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

FOR

AUDIT COMMITTEE CONSULTING SERVICES

For the Period January 2021 through January 2023

Submitted By:
Robert H. Griffin, Partner
7677 Oakport Street, Suite 1000
Oakland, CA 94621
Telephone No. (510) 893-8114
Fax No. (510) 893-2603

November 18, 2020

TABLE OF CONTENTS

LETTER OF TRANSMITTAL

November 18, 2020

Leisha Collins
Principal Internal Auditor
LACERA
Gateway Plaza
300 North Lake Avenue, Suite 840
Pasadena, CA 91101-4199

Dear Ms. Collins:

It is with great pleasure that we submit the attached proposal to provide audit committee consulting services to the Los Angeles County Employees Retirement Association (LACERA) for a three year term beginning January 2021.

I will be the principal consultant on the engagement. Based in Oakland, CA, I lead the local government services audit practice. I have extensive public accounting and internal audit/compliance experience, including a thorough knowledge of GAAP, GAAS, GAGAS, and the requirements applicable to 1937 Act retirement systems.

I have excellent qualifications including:

- Over 20 years of experience providing professional services to the Alameda County Employees' Retirement Association. The engagement has included providing audit services and counsel on a variety of matters including accounting treatment for the Ventura and Aquilino decisions, asset acquisition decisions and systems reviews. My expertise also includes implementation of complex financial reporting standards.

- Over 20 years of experience auditing other retirement systems including the AC Transit Employees' Retirement Plan, County of Los Angeles Defined Contribution Plans, Oakland Police and Fire Retirement System, Oakland Municipal Employees' Retirement System, and the San Francisco Employees' Retirement System.

- Previous experience providing consulting services to the City of San Jose Police and Fire Retirement System regarding benefit payment calculation and Pension Gold system issues.

- Seventeen years of service on the GFOA's Special Review Committee for CAFRs and PAFRs reviewing large public employee retirement systems' financial statements.

- Extensive knowledge of audit committee governance structure and risk assessment through my fifteen years of private industry internal audit experience.

I meet all of the mandatory requirements of the RFP. Additionally, I possess licenses in California and the District of Columbia as a CPA since 1981.

As the primary liaison to LACERA, I am the authorized partner to bind the firm in contract. My contact number is below.

This proposal demonstrates my ability to perform the requested services in a professional and efficient manner. I look forward to further discussions with you regarding this proposal.

Very truly yours,

Robert H. Griffin, CPA
Managing Partner

Williams, Adley & Company-CA, LLP
7677 Oakport St., Suite 1000, Oakland, CA 94621
T510.893.8114 | F510.893.2603 | http://wacllp.com
Federal Tax Identification Number: 94-3408364

Exhibit B Statement of Work

The following table demonstrates a breakdown of the professional services Robert Griffin has provided over his professional career and the corresponding years of experience for each.

Professional Service Type	Years of Experience
Auditing and Attestation Compliance Review in Accordance with GASB, GAAP, GAAS	25+ years of governmental audit and accounting experience including twelve years providing audit services to numerous public agencies. Performed numerous audits under GAGAS, Performed Single audits under OMB Circular A-133. Currently GFOA CAFR And PAFR reviewer.
Internal Auditing and Accounting	Over ten year's internal auditing experience including growing an internal audit/compliance department from two to thirty personnel. The annual program, based on an annual risk assessment, dictated focus and activities.
Financial Management Systems Reviews	Performed system review of Pension Gold prior to "go-live" to determine audit strategy and risk associated with new system.
Risk Assessments	Has performed risk assessments for over twenty years including local government attest services and internal audit services.
Management Consulting	Provided consulting services to a variety of clients.
IT Security Consulting	Routinely oversee IT security reviews as part of large engagement audit services.

Education

ROBERT H. GRIFFIN, CPA
WILLIAMS, ADLEY & COMPANY-CA, LLP
Managing Partner

Mr. Griffin has been a partner in the firm's Bay Area Practice since 1997. His practice emphasizes local governments, education, non-profit organizations, construction, real estate and litigation support. He is in charge of the firm wide peer review, internal inspections, and adoption of and compliance with new professional standards.

- Mr. Griffin graduated with a Bachelor of Science degree in Accounting from the University of San Francisco.
- Robert is a licensed certified public accountant, registered in the state of California and the District of Columbia since 1981.
- He has exceeded Yellow Book Continued Professional Education requirements for the twenty-four year period and annually attends the GFOA government auditing update.
- He has participated in the SACRs conference as a speaker in the internal audit break-outs for a number of years.
- Mr. Griffin has been an instructor of Continued Professional Education classes for 15 years in areas of government and accounting.
- Mr. Griffin was an approved peer review for the California State Society of CPAs Peer Review Program.
- He has served on the GFOA Special Review Committee for CAFR Awards for five years and is currently a PAFR reviewer.
- Mr. Griffin has taught professional education classes for the NABA Division of Firms for 15 years covering a variety of governmental auditing and accounting issues.

Knowledge and Experience

Below is a description of his experience and ability to fulfill the duties described in each area:

- Robert is the managing partner for the firm and oversees introduction and interpretation of new accounting and auditing standards and pronouncements.
- He is also the firm's designated Quality Control partner who oversees both the annual internal inspections and the tri-annual peer reviews.
- He has also served on the GFOA Special Review Committees.
- A major component of his practice includes public retirement systems and he keeps current on issues as a matter of course.
- He also provides litigation support and expert witness services in fraud and other matters.

Mr. Griffin is in a unique position to respond to Audit Committee requests for analysis and advice regarding such topics as:

- Experience reporting to and advising government audit committees.
- Detailed explanations of audit results, accounting standards and recommendations.
- Extensive knowledge of the 37 Act Pension System.
- Detailed knowledge of public pension and pension practices.
- Issues related to fraud or misconduct common with pension funds or other organizations similar in size and operations to LACERA.
- Education of the Audit Committee relating to governance, financial reporting and auditing practices.
- Expert in public company regulatory matters that may affect or relate to operations from regulatory entities such as the Securities and Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB) and Sarbanes-Oxley Act of 2002 (SOX).

Because of his previous internal audit and current public accounting experience, Mr. Griffin is very qualified to:

- Advise the Audit Committee regarding its responsibilities
- Review and comment on the annual financial statement audit of LACERA.
- Review the internal audit department's annual risk assessment.
- Review, provide input and approve the internal audit department's annual audit plan.

Client References

Alameda County Employees' Retirement Association (1994 – Present)

Type of Service: Financial audit and consulting in accordance with *Government Auditing Standards.*

Concurring and Engagement Partner: Robert H. Griffin

Reference: Margo Allen, Fiscal Services Officer
475 14th Street, Suite 1000
Oakland, CA 94612
(510) 628-3127
mallen@acera.org

Oakland Police and Fire Retirement System (2003 – 2015)

Type of Service: Financial consulting and audit

Engagement Partner: Robert H. Griffin

Reference: Tier Jenkins, Investment Officer
150 Frank H. Ogawa Plaza, 3rd Floor
Oakland, CA 94612-2021
(510)-238-6481
tjenkins@oaklandca.gov

County of Los Angeles Defined Contribution Plans (2017 – Present)

Type of Service: Financial and compliance audit for the Deferred Compensation and Thrift Plan, Savings Plan, and Pension Savings Plan

Engagement Partner: Robert H. Griffin

Reference: Rachelle Anema, Chief Accountant
Los Angeles County, Auditor-Controller
500 West Temple
Los Angeles, CA 90012
(213) 974-8327
ranema@auditor.lacounty.gov

Diversity Policies

Williams Adley endeavors to create an inclusive environment. We respect and build upon our differences. As a minority-owned firm, we strive to create a space where employees can feel comfortable expressing themselves. Historically, our workforce has been diverse and one of our core values is Diversity.

Oversight and Compliance Process

Employees are to file complaints with details of the incident, names of individuals involved and names of witnesses, to their supervisor or any Partner as soon as possible after the incident to ensure adherence to our core values, which include Teamwork, Diversity, Excellence and Integrity. We maintain an open-door policy and employees are encouraged to discuss any concerns with the Managing Partner.

Additionally, Williams Adley has a Harassment, Discrimination and Retaliation Prevention Policy which further ensures that employees are treated fairly.

.

Conflict of Interest

Williams, Adley is independent of LACERA as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards* and is not aware of any known or perceived conflict of interest upon engaging to perform this consulting service.

Strengths and Competitive Advantage

Firm's Strengths and Competitive Advantages

Williams, Adley & Company-CA, LLP (Williams Adley), founded in 1982 in Oakland, California, mission since its founding has been to serve local government agencies and not-for-profit organizations. Williams Adley has consistently provided high quality audit and consulting services to local governments and not-for-profit organizations for over 37 years. Our partners and staff professionals have extensive "Big 4" CPA firm experience combined with a wealth of experience serving governmental agencies. We offer an array of services, including auditing and attestation, internal auditing and accounting, financial management systems reviews, risk assessments, management consulting, information technology and, IT security consulting services.

Our local government practice headquarter is located in Oakland and serves local government agencies all over the state. We serve a variety of agencies ranging from cities, counties, transportation agencies, to retirement systems and special districts. Our relationship with the City & County of San Francisco goes back to our founding in 1982. We have experience performing TDA funds audits, single audits and Yellow Book audits. We have experience working with the City & County of San Francisco, Oakland, Alameda County, Alameda County Employees' Retirement Association, AC Transit Employees Retirement Plan, County of Los Angeles Defined Contribution Plans, Oakland Police and Fire Retirement System, Oakland Municipal Employees Retirement System, San Francisco County Transportation Authority, Alameda County Transportation Improvement Agency, Sonoma County Transportation Authority and Santa Clara Valley Transportation Authority, and many more.

Our firm is committed to the highest professional standards. We are members of the American Institute of Certified Public Accountants (AICPA), the California Society of Certified Public Accountants, Maryland Association of Certified Public Accountants, Association of Certified Fraud Examiners (ACFE), Government Finance Officers Association (GFOA), Information Systems Audit and Control Association, Association of Government Accountants (AGA), and National Association of Black Accountants (NABA).

A copy of our most recent peer review report is included in Appendix A.

Robert Griffin's Strengths and Competitive Advantages

Robert Griffin is highly qualified to meet the needs of LACERA. Robert has over 45 years of experience in the fields required under the RFP to serve as the consultant to the Audit Committee.

- He has both significant public accounting and internal audit experience including over 20 years providing attestation to government agencies. As a result, he understands the difference in the focuses of the two types of audit services.
- He understands the risk assessment process that occurs in both internal and external audits. He understands the importance of a comprehensive organizational risk assessment process for the success of the organization. Robert also realizes LACERA, like all government organizations, has limited resources with which to operate.
- Twenty years of service as an elected official on the school board, Robert is very familiar with the Brown Act. He is comfortable in public meeting environments and has an accomplished performance record of being well prepared for meetings upon request.
- Robert is very familiar with the County Employees Retirement Law of 1937 resulting from of his relationship with ACERA. He keeps current on 1937 Act developments as a matter of course of his role as the audit partner.
- Robert is familiar with the issues related to fraud and misconduct in large government organizations as a result of his attestation engagement
- He is technically competent and provides training in technical audit and accounting issues. As both a GFOA, PAFR, and CAFR review, and a peer reviewer, he must be current on technical developments.
- Robert frequently interacts with governmental audit committees presenting audit results and findings, providing background on emerging technical issues and addressing questions. By virtue of interactions with audit committees and internal audit functions, he has a good understanding of the roles and responsibilities of both entities.

Proposed Fees

Rates for services are as follows:

Cost per meeting: $600.00

Travel time shall not be billable. Normal and customary out-of-pocket expenses for travel, meals and lodging will be at the current government per diem rates.

POWELL, SPAFFORD & LANDRY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA
Patrick D. Spafford, CPA
Todd C. Landry, CPA

Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

Report on the Firm's System of Quality Control

To Williams, Adley & Company – CA, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Williams, Adley & Company – CA, LLP (the firm) in effect for the year ended November 30, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards,* including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

447 Missouri Court • Redlands, CA 92373 • P.O. Box 8847 • Redlands, CA 92375
Telephone 909-792-1852 • Fax 909-792-2015

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Williams, Adley & Company – CA, LLP in effect for the year ended November 30, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Williams, Adley & Company – CA, LLP has received a peer review rating of *pass*.

Powell, Spafford & Landry, Inc.

January 23, 2019

L//.CERA

November 30, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall RPB
Chief Audit Executive

Christina Logan CL
Senior Internal Auditor

FOR: December 11, 2020 Audit Committee Meeting

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

Enclosed for your information are the audit reports completed during for 2020 by LACERA's external auditors, Plante & Moran, PLLC (PM):

- Audited Financial Statements and Required Communications to those Charged with Governance for FYE June 30, 2020
- GASB 68 Disclosure Report, Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for FYE June 30, 2019
- GASB 75 Disclosure Report, Statement of Changes in Fiduciary Net Position by Employer for FYE June 30, 2019
- Census Attestation Related to the Total OPEB Liability under GASB 75 for FYE June 30, 2018

Plante Moran will be at the December 11, 2020 Audit Committee meeting to present a summary of their work performed during the year.

Please let me know if you have any questions.

RPB:cl

plante moran

Los Angeles County Employees Retirement Association

Audit Presentation

December 11, 2020

Introductions

Jean Young, CPA

Partner

Michelle Watterworth, CPA

Partner

Amanda Cronk, CPA

Senior Manager

Agenda

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

Audit timeline and deliverables

Audit timeline:

- February/March 2020 – Initiated planning procedures
- May/June 2020 – Performed interim procedures remotely
- July/August 2020 – Performed additional planning and audit procedures remotely
- September/October 2020 – Remote testing and review of financial statements
- October 15, 2020 – Timely issuance of audit opinion

Deliverables:

- LACERA's 2020 Audited Financial Statement opinion and Required Communications with the Board
- GASB 68 Schedule of Employer Allocations and Schedule of Pension Amounts by Employer
- GASB 75 Statement of Changes in Fiduciary Net Position by Employer
- Census data attestation

Audit areas of focus

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

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

Results of the audit

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of Los Angeles County Employees Retirement Association as of June 30, 2020 and 2019 and the changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

- ✓Unmodified Opinion
- ✓Emphasis of Matters
  - ✓Adoption of GASB 84, *Fiduciary Activities*
  - ✓Valuation of Harder to Value Investments

Results of the audit

Required Communication with Those Charged With Governance

- Management estimates included within the financial statements
  - Harder to value investments – based upon information obtained from various sources
  - Actuarial assumptions
    - Long-term expected rate of return and discount rate
    - Mortality assumptions
- No difficulties or disagreements with management in performing the audit
- Additional disclosure included in the financial statements related to impact of COVID-19
- No corrected or uncorrected misstatements

Upcoming pronouncement

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

- GASB Statement No. 87 – Leases – effective for the FYE 6/30/22.
  - This Statement will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases

Questions?

Thank you!

For more information contact:

Jean Young, CPA
517-336-7458
Jean.Young@plantemoran.com

Michelle Watterworth, CPA
248-223-3520
Michelle.Watterworth@plantemoran.com

Amanda Cronk, CPA
810-766-6045
Amanda.Cronk@plantemoran.com

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

October 15, 2020

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

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the fiscal year ended June 30, 2020 and have issued our report thereon dated October 15, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 24, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of LACERA's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of LACERA, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 15, 2020 regarding our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 17, 2020.

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

October 15, 2020

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

As described in Note B, in the current year, LACERA adopted GASB Statement No. 84, *Fiduciary Activities*, which impacted the accounting treatment of the OPEB Custodial Fund (formerly the OPEB Agency Fund). Accordingly, the accounting change has been retrospectively applied to prior periods presented.

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

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates related to LACERA's financial statements surround alternative investments and the assumptions within the pension valuation, as more fully explained below:

Alternative Investments: As explained in Note P, the financial statements include investments valued at $14,671,562,000 (24 percent of net position) at June 30, 2020 whose fair values have been estimated by management in the absence of readily determinable market values. Management uses various means to estimate the fair value of these investments, including utilizing audited financial statements and quarterly investment manager reports. Management also expanded review and analysis of the audited financial statements of these investments to focus on COVID-19 potential impacts.

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

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

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

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

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures related to GASB Statement No. 67, including the actuarial valuation results, the GASB Statement No. 72 fair value disclosures, along with Note R disclosing the impact of the current disease outbreak and the impact related to COVID-19.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

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

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

Corrected and Uncorrected Misstatements

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

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

Significant Findings or Issues

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

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

October 15, 2020

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2020.

Management Consultations with Other Independent Accountants

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

Other Information in Documents Containing Audited Financial Statements

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

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

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

Very truly yours,

Plante & Moran, PLLC

Jean Young

Jean Young, CPA
Partner

Michelle Watterworth

Michelle Watterworth, CPA
Partner

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Los Angeles County Employees Retirement Association (LACERA), which comprise the statement of fiduciary net position as of June 30, 2020 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of LACERA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 15, 2020

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

Issued October 15, 2020 - Final

This page intentionally left blank.

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

This page intentionally left blank.

FINANCIAL SECTION

This page intentionally left blank.

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2020 and 2019 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of Los Angeles County Employees Retirement Association as of June 30, 2020 and 2019 and the changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

This page intentionally left blank.

Emphasis of Matters

As discussed in Note B to the financial statements, LACERA adopted GASB Statement No. 84, *Fiduciary Activities*, which impacted the accounting treatment of custodial activity. Our opinion is not modified with respect to this matter.

As explained in Note P, the financial statements include investments valued at $14,671,562,000 (24 percent of net position) at June 30, 2020 and $14,265,613,000 (24 percent of net position) at June 30, 2019 whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

This page intentionally left blank.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 on our consideration of Los Angeles County Employees Retirement Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Angeles County Employees Retirement Association's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 15, 2020

This page intentionally left blank.

Management's Discussion and Analysis as of June 30, 2020

INTRODUCTION

Management is pleased to provide this discussion and analysis (MD&A) of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) for the year ended June 30, 2020. Readers are encouraged to consider the information presented here in conjunction with information included in the Letter of Transmittal found in the Introductory Section of this Comprehensive Annual Financial Report (CAFR).

FINANCIAL HIGHLIGHTS

Pension Plan

- Net Position Restricted for Benefits, as reported in the June 30, 2020 Statement of Fiduciary Net Position, totaled $58.5 billion, an increase of $0.2 billion or 0.4 percent from June 30, 2019.
- Total Additions, as reflected in the Statement of Changes in Fiduciary Net Position, were $3.9 billion resulting from investment earnings and employer and member contributions. Total Additions decreased in 2020, equal to $1.6 billion or 28.8 percent less than the amounts realized in 2019, primarily due to lower investment activity income.
- Total Deductions, as reflected in the Statement of Changes in Fiduciary Net Position, totaled $3.7 billion, an increase of $202 million or 5.8 percent from the prior year. The increase was primarily attributable to an increase in pension benefits paid to retired members.
- Milliman, LACERA's independent consulting actuary, completed the latest actuarial valuation as of June 30, 2019, which is used in preparing this CAFR, and determined the funded status of the Pension Plan (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 77.2 percent versus 80.6 percent as of June 30, 2018. The decrease in funded ratio was primarily due to the assumption changes (including a reduction in the investment return assumption) effective with the June 30, 2019 valuation which caused a decrease of 2.8%.
- The Net Pension Liability, provided in accordance with Governmental Accounting Standards Board Statement No. 67 (GASB 67), was $18.1 billion for the fiscal year ended June 30, 2020. This represents an increase of $6.1 billion from June 30, 2019, when the liability was $12.0 billion. The significant increase was caused by changes in the actuarial assumptions used as inputs in calculating future liabilities. As of June 30, 2020, the most recent measurement date, the Pension Plan's Fiduciary Net Position was 76.4 percent of the Total Pension Liability, a decrease from 82.9 percent as measured for the previous fiscal year ended 2019. This decrease was due to the significant growth in Total Pension Liability outpacing the slight growth in the Pension Plan's Fiduciary Net Position.

Other Post Employment Benefits (OPEB) Program

- The OPEB Custodial Fund balance at June 30, 2020 increased to $148 million from the prior year when the balance was $133 million for the fiscal year ended 2019. The increase of 11 percent in funds held on behalf of plan sponsors, after funding pay-as-you-go benefit costs, was $15 million.
- The OPEB Trust Fiduciary Net Position increased by $0.3 billion primarily due to contributions received from participating employers. The balance available to fund future OPEB liabilities at

June 30, 2020 increased by 25 percent, totaling $1.5 billion as compared to $1.2 billion for the prior year June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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 based on GASB 67 and contributes to the understanding of the changes in the Net Pension Liability of participating employers. There is some limited information provided regarding the OPEB Program investment returns to support compliance with GASB Statement No. 74 requirements under an Agent Plan.

Other Supplementary Information (OSI) includes the schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants. Due to the implementation of GASB Statement Number 84 (GASB 84), the Statement of Changes in Assets and Liabilities - OPEB Agency Fund was removed from this section. In addition, LACERA's Basic Financial Statements were updated to include the OPEB Custodial Fund activity including additions and deductions that occurred during the year within the Statement of Changes in Fiduciary Net Position. The OSI is presented immediately following the RSI section of this CAFR.

Pension Plan

Under the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the California Public Employees' Pension Reform Act of 2013 (PEPRA), LACERA administers a cost-sharing multiple employer defined benefit retirement plan (Pension Plan) for the employees of the

County of Los Angeles (County), the Los Angeles Superior Court (Court), and four Outside Districts (i.e., Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District). The Pension Plan is presented separately in the Statement of Fiduciary Net Position as an irrevocable trust fund. LACERA collects contributions from employers and active members and earns income on invested assets so the Pension Plan balances accumulate over the long term, such that promised benefits can be paid to retirees now and in future years.

Retiree Healthcare Benefits Program

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

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

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

OPEB Custodial Fund

The OPEB Custodial Fund reflects the annual financial activity of the RHCBP/OPEB Program for all participating employers (i.e., County, Court, and LACERA), including those that have not yet established any advanced funding in the OPEB Trust (i.e., Outside Districts). Plan sponsors and members provide monthly funding using a "pay-as-you-go" methodology, which is used to pay healthcare premiums including administrative fees, as well as other healthcare benefits provided by the OPEB Program. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants.

For the fiscal year ending June 30, 2020, LACERA implemented GASB 84 which required the presentation of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for the OPEB Custodial Fund. In prior years, LACERA's Statement of Changes in Fiduciary Net Position included assets and liabilities of the former OPEB Agency fund, to reflect that LACERA was holding these assets in an agency capacity. In addition, the financial activity within the OPEB Agency Fund, previously presented in LACERA's Notes to the Basic Financial Statements has been removed. GASB 84 changed the presentation format causing the OPEB Custodial Fund's financial activity to be included within the Statement of Changes in Fiduciary Net Position, thereby establishing a fiduciary net position, and removing former OPEB Agency Fund language, replacing it with the new OPEB Custodial Fund terminology.

Implementing the new standard also involved restating the OPEB Custodial Fund Fiduciary Net Position beginning balance for both fiscal years reported, July 1, 2018 and July 1, 2019.

OPEB Trust

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

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

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

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

FINANCIAL ANALYSIS — PENSION PLAN

Net Position Restricted for Benefits

The Pension Plan's Total Net Position Restricted for Benefits represents funds available for future promised benefits. As of June 30, 2020, LACERA had Total Assets of $61.4 billion which exceeded Total Liabilities of $2.9 billion, resulting in a Net Position Restricted for Benefits of $58.5 billion. This amount reflects an increase of $0.2 billion or 0.4 percent from the prior year, was due primarily to investment market performance. As of the prior year June 30, 2019, LACERA had $61.4 billion of Total Assets which was greater than $3.1 billion in Total Liabilities, resulting in $58.3 billion in Net Position Restricted for Benefits.

Net Position Restricted for Benefits — Pension Plan
As of June 30, 2020, 2019, and 2018
(Dollars in Millions)

	2020	2019	2018	2020 - 2019 % Change	2019 - 2018 % Change
Investments	$56,574	$57,976	$55,443	(2.4)%	4.6%
Other Assets	4,787	3,380	3,925	41.6%	(13.9)%
Total Assets	$61,361	$61,356	$59,368	0.0%	3.3%
Total Liabilities	(2,851)	(3,061)	(3,068)	(6.9)%	(0.2)%
Net Position Restricted for Benefits	**$58,510**	**$58,295**	**$56,300**	**0.4%**	**3.5%**

Additions and Deductions to Net Position Restricted for Benefits

The primary sources that finance the promised pension benefits LACERA provides to members and their beneficiaries are the collection of employer and member retirement contributions and realized investment income. For fiscal years ended 2020 and 2019, Total Additions amounted to $3.9 billion and $5.5 billion, respectively, and were due primarily to LACERA's diverse investment strategy producing positive investment performance.

The net investment gain for fiscal year 2020 was $1.4 billion, a decrease of $1.8 billion from the 2019 fiscal year when the net investment gain was $3.2 billion. This fiscal year's time-weighted investment returns of 1.8 percent (net of fees) is less than the actuarial assumed investment earnings rate of 7.0 percent due to COVID-19 pandemic's negative impact on the investment markets for the fiscal year. Only a few defensive asset classes, such as U.S. Treasury Bonds which gained 10 percent, managed to equal or surpass LACERA's actuarial hurdle rate of 7.0 percent. Given this backdrop, LACERA's well-diversified portfolio did not meet the actuarial rate of return. The investment gains and losses experienced will continue to impact the actuarial funded ratio over time as they are recognized in the future through the actuarial asset-smoothing process.

To finance employer contributions that are due to LACERA, the County and the Outside Districts made cash payments monthly or semi-monthly contributions to coincide with the employee payroll cycle. For the fiscal years ended June 30, 2020 and 2019, the required employer contributions due to LACERA were paid in full.

The primary uses of LACERA's assets include the payment of promised benefits to members and their beneficiaries, refunds of contributions to terminated employees, and costs of administering the Pension Plan. These deductions totaled $3.7 billion for fiscal year 2020, an increase of $202 million or 5.8 percent from the prior year. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in pension payments, including cost-of-living-adjustments, for the fiscal year ended June 30, 2020. Administrative and miscellaneous expenses increased 3.6 percent from the fiscal year ended 2019 to 2020 primarily due to the increase in organizational staffing and Memorandum of Understanding (MOU) negotiated and other salary increases. Additional staffing will allow LACERA to continue to serve the needs of its membership now and into the future.

Additions and Deductions in Fiduciary Net Position — Pension Plan
For the Fiscal Years Ended June 30, 2020, 2019, and 2018
(Dollars in Millions)

				2020 - 2019		2019 - 2018	
	2020	**2019**	**2018**	**Difference**	**% Change**	**Difference**	**% Change**
Contributions	$2,459	$2,304	$2,116	$155	6.7%	$188	8.9%
Net Investment Income/(Loss)	1,448	3,181	4,722	(1,733)	(54.5)%	(1,541)	(32.6)%
Total Additions/ (Declines)	**$3,907**	**$5,485**	**$6,838**	**($1,578)**	**(28.8)%**	**($1,353)**	**(19.8)%**
Benefits and Refunds	($3,606)	($3,407)	($3,203)	($199)	5.8%	($204)	6.4%
Administrative Expenses and Miscellaneous	(86)	(83)	(79)	(3)	3.6%	(4)	5.1%
Total Deductions	**($3,692)**	**($3,490)**	**($3,282)**	**($202)**	**5.8%**	**($208)**	**6.3%**
Net Increase/(Decrease)	$215	$1,995	$3,556	($1,780)	(89.2)%	($1,561)	(43.9)%
Fiduciary Net Position Beginning of Year	58,295	56,300	52,744	1,995	3.5%	3,556	6.7%
Fiduciary Net Position End of Year	**$58,510**	**$58,295**	**$56,300**	**$215**	**0.4%**	**$1,995**	**3.5%**

Asset Allocation

Meketa Investment Group (Meketa), LACERA's general investment consultant, reviews the existing allocation structure on a regular basis to recommend an appropriate allocation consistent with the economic environment, considering model assumptions and constraints. In September 2017, the LACERA Board of Investments approved Meketa's capital market assumptions and new asset allocation models which have more attractive return/risk quotients than the current portfolio and reflect greater diversification, potentially resulting in higher market performance throughout a full market cycle. Meketa is scheduled to review LACERA's portfolio in the upcoming fiscal year.

The LACERA Board of Investments approved the use of a "functional" framework for the inclusion of a broader group of Pension Trust investments. The traditional asset classes were reassigned and expanded in these new functional asset categories, labeled as Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation.

During fiscal year 2020, LACERA implemented a cash overlay program for the Pension Plan designed to further rebalance the portfolio towards its functional category strategic weights using the portfolio's excess cash. Additionally, LACERA completed the implementation of the Pension Plan's transition to its strategic asset allocation target weights.

Pension Liabilities

As GASB Statement No. 67 (GASB 67) requires, LACERA reports the Total Pension Liability and the Net Pension Liability as calculated by LACERA's actuary. The Total Pension Liability is the portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the entry age normal cost method based on the requirements of GASB 67. The Net Pension Liability is the Total Pension Liability minus the plan's net assets or fiduciary net position. These liabilities, which are the employers' responsibility, are solely calculated for financial statement reporting purposes and are *not* intended to provide information about the employers' funding of such liabilities. The actuarial valuation of retirement benefits report (funding valuation) provides the Pension Plan funded status and required contributions, which serve as a basis for providing the information required for accounting and reporting disclosures (under GASB standards). The Total Pension Liability as of June 30, 2020, was $76.6 billion or an increase of 8.9 percent from the Total Pension Liability of $70.3 billion as of June 30, 2019. The Net Pension Liability as of June 30, 2020, was $18.1 billion, representing an increase of 50.4 percent from the Net Pension Liability of $12.0 billion as of June 30, 2019, primarily due to a reduction in the investment return assumption. The Net Pension Liability increased by $6.1 billion because LACERA experienced a $6.3 billion increase in Total Pension Liability which is offset by a $0.2 billion increase in the Fiduciary Net Position.

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, 2020 and 2019, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 76.4 percent and 82.9 percent, respectively. This decrease is due the growth in the Total Pension Liability of $6.3 billion compared to a much smaller increase in LACERA's Fiduciary Net Position of $0.2 billion used to offset the liability. The Total Pension Liability increased as generally expected from year-to-year and is consistent with prior experience over time. Other contributing factors to this year's increase include lowering the investment return assumption and greater than expected salary and cost-of-living increases as determined by the 2019 experience and assumption study.

Net Pension Liability
As of June 30, 2020 , 2019, and 2018
(Dollars in Millions)

				2020 - 2019		2019 - 2018	
	2020	**2019**	**2018**	**$ Change**	**% Change**	**$ Change**	**% Change**
Total Pension Liability	$76,580	$70,309	$67,057	$6,271	8.9%	$3,252	4.8%
Less: Fiduciary Net Position	(58,510)	(58,295)	(56,300)	(215)	0.4%	(1,995)	3.5%
Net Pension Liability	**$18,070**	**$12,014**	**$10,757**	**$6,056**	**50.4%**	**$1,257**	**11.7%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**76.4%**	**82.9%**	**84.0%**	**N/A**	**N/A**	**N/A**	**N/A**

OPEB PROGRAM FINANCIAL REPORTING

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

Financial Analysis - OPEB Custodial Fund

The OPEB Custodial Fund is used to pay benefit costs as incurred on a current and ongoing basis. As of June 30, 2020, the OPEB Custodial Fund's total assets exceeded total liabilities resulting in a positive Fiduciary Net Position Restricted for Benefits of $148 million. This balance, where total assets of $252 million exceeded total liabilities by $104 million, represents funds provided by plan sponsor employers in excess of benefits paid, held at LACERA on behalf of the employers. As of the end of the fiscal year, June 30, 2019, the Fiduciary Net Position Restricted for Benefits was $133 million as a result of total assets, reported at $223 million, exceeding total liabilities of $90 million. Implementing GASB 84 involved restating the OPEB Custodial Fund Fiduciary Net Position beginning balance for both fiscal years, with the new balances of $133 million reported for July 1, 2019 and $116 million reported for July 1, 2018.

LACERA's Statement of Changes in Fiduciary Net Position was modified and now includes the financial activity of the OPEB Custodial Fund. For the fiscal year ended June 30, 2020, total additions were $731 million as total deductions amounted to $716 million which caused an increase in the Fiduciary Net Position Restricted for Benefits fund balance of $15 million. Contributions from employers and members exceeded the total of benefit costs and administrative expenses during the year. Balances held in the OPEB Custodial Fund not used to pay benefits are invested by LACERA's Board of Investments. For the fiscal year 2020, net investment income was $5.7 million, the same as the prior year, 2019.

Financial Analysis - OPEB Trust

As reflected in the OPEB Trust's Statement of Changes in Fiduciary Net Position, OPEB Trust additions included net investment income of $6.2 million, significantly reduced as compared to the prior year due to lower investment market performance. Deductions included $0.25 million for total administrative expenses. The OPEB Trust's total Net Position Restricted for Benefits as of the fiscal year ended June 30, 2020, was $1.5 billion. As of June 30, 2019, the total OPEB Trust Net Position Restricted for Benefits was $1.2 billion, after earning $62.1 million in net investment income and deducting $0.23 million for total administrative expenses.

Employers provided OPEB Trust prefunding contributions of $248 million for fiscal year 2020, a 5% increase from $236 million for fiscal year 2019, 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 certain current administrative costs and provide future benefits. GASB standards require the Statement of Changes in Fiduciary Net Position for the OPEB Trust include an adjustment for pay-as-you-go additions to Fiduciary Net Position as OPEB payments become due that would not be reimbursed to the employers using OPEB Trust assets. Correspondingly, Service Benefits included as deductions were increased to reflect all benefit payments by employers as OPEB benefits became due. Total OPEB Trust contributions including this adjustment was $908 million for fiscal year 2020 and $863 million for fiscal year 2019. Actual amounts LACERA paid to provide benefits and reimbursed to LACERA by employers and members are included within the OPEB Custodial Fund held on behalf of employers.

OPEB Trust Investment Structure

In June 2016, the LACERA Board of Investments approved the use of a unitized fund structure for the OPEB Trust funds. The OPEB Master Trust structure allows for unitization of investments at the asset composite level while retaining individual net asset values for each participating employer. The OPEB Master Trust accommodates commingling and co-investing of the County and Court OPEB Trust funds. The OPEB Master Trust is referred to within the Investment Section, commonly referred to as the OPEB Trust throughout this CAFR, includes both the County and Court OPEB Trust investments. In December 2017, the LACERA Board of Investments adopted an asset allocation model including functional asset categories such as global equity, credit, risk reduction and mitigation, and inflation

hedges. This diversified investment strategy was implemented by the fiscal year ended June 30, 2018. Meketa is scheduled to review the OPEB Trust portfolio in the upcoming fiscal year.
Information related to the OPEB Trust is included in the Financial Section, Note Q and other CAFR sections to meet financial reporting requirements. Due to the change to an agent plan structure in the prior year, in accordance with GASB Statement No. 74, LACERA's financial statements have been updated to report limited information about the OPEB Program's Net OPEB Liability.

PLAN ADMINISTRATION

LACERA Membership

The following table provides comparative LACERA membership data for the last two fiscal years. The County hired 916 new employees for the fiscal year ended June 30, 2020, as evidenced by the 0.8 percent increase in active members from the prior year. There was an increase of 1,486 or 2.2 percent in retirees when comparing the two fiscal years ended June 30, 2020 and 2019.

LACERA Membership
As of June 30, 2020 and 2019

			2020 -	2019
	2020	**2019**	**Difference**	**% Change**
Active Members[1]	116,289	115,373	916	0.8%
Retired Members	67,988	66,502	1,486	2.2%
Total Membership	**184,277**	**181,875**	**2,402**	**1.3%**

(1) Effective with fiscal year ended June 30, 2019 and going forward, Active Members counts include Terminated Members, both vested (deferred) and non-vested (inactive) members.

ADMINISTRATIVE EXPENSES

The LACERA Boards of Retirement and Investments jointly approve the annual operating budget, which controls administrative expenses and represents approximately 0.12 percent and 0.13 percent of the allowable basis for the budget calculation for fiscal years ended June 30, 2020 and 2019, respectively. The actual administrative expenses were $85 million for 2020 to 83 million for 2019, resulting in a 2.4 percent increase. The primary factors contributing to the rise was the organization's plan to fill vacant positions, addition of new staffing positions, and scheduled salary increases.

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

The table below provides a comparison of the actual administrative expenses for the fiscal years ended 2020 and 2019. The AAL was used to calculate the statutory budget amount. For both years, LACERA's administrative expenditures were well below the limit imposed by law.

Analysis of Administrative Expenses
As of June 30, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Total Statutory Budget Appropriation	$143,907	$137,153
Basis for Budget Calculation (Actuarial Accrued Liability)	68,527,354	65,310,803
Limit per CERL	**0.21%**	**0.21%**
Administrative Expenses	$85,384	$82,906
Basis for Budget Calculation (Actuarial Accrued Liability)	68,527,354	65,310,803
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	**0.13%**
Total Statutory Budget Appropriation	$143,907	$137,153
Operating Budget Request	(94,600)	(88,622)
Underexpended Statutory Budget Appropriation	**$49,307**	**$48,531**
Operating Budget Request	$94,600	$88,622
Administrative Expenses	(85,384)	(82,906)
Underexpended Operating Budget	**$9,216**	**$5,716**

ACTUARIAL FUNDING VALUATIONS

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

Board Policy

In December 2009, the LACERA Board of Investments adopted a revised Retirement Benefit Funding Policy (Funding Policy). In February 2013, the Funding Policy was further amended to conform to the new PEPRA provisions. In addition, beginning with the June 30, 2012 valuation and on a prospective basis, the LACERA Board of Investments approved inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance in valuation assets. As such, the actuary includes the STAR Reserve as part of actuarial assets available for funding retirement benefits.

Provisions in the 2013 Funding Policy impacted the 2016 and 2019 valuations, including the implementation of a smoothing calculation on actuarial gains and losses. This actuarial smoothing process recognizes an equal proportion of each year's investment gains and losses over a five-year period in order to minimize substantial variations in funding ratios. Variances between the actual market value and the actuarially computed expected market value from investment performance at the actuarially determined assumed rate of return, are smoothed or recognized over a five-year period.

Actuarial Liabilities
The consulting actuary calculates contributions required to fund the Pension Plan. The difference between the present value of all future obligations and the present value of future normal cost contributions is referred to as the Actuarial Accrued Liability (AAL), which totaled $74.6 billion as of June 30, 2019. The $58.3 million of market value of net assets reported for fiscal year end 2019, is used to offset the AAL, and the difference is referred to as the June 30, 2019 Unfunded Actuarial Accrued Liability (UAAL), which was reported at $17.0 billion. The Funding Policy provides an approach for managing the UAAL. The LACERA Board of Investments updated the assumption based on the results of the 2019 investigation of experience report prepared by the consulting actuary. The method LACERA utilizes is an amortization policy which include multiple layers amortized over closed periods. For each fiscal year, gains or losses on the UAAL are calculated and then amortized over the period defined, which was changed from 30-years to 20-years. For existing layers with amortization periods longer than 22-years, these were reset to a term no longer than 22-years. New layers added each year are amortized over 20-years. This process establishes a payoff schedule of the UAAL and helps dampen volatility in required amortization payments which, in turn, provides some volatility mitigation in employer contribution rates.

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

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

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE
LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2019 and determined that the Pension Plan's Funded Ratio of the actuarial assets to the AAL decreased to 77.2 percent as of that date, as compared to 80.6 percent as of the June 30, 2018 valuation.

The investment return on a market basis for 2019, which was below the actuarial assumed investment earnings rate, resulted in a 3.4 percent decrease in the Funded Ratio when applying the five-year actuarial asset smoothing method. For the 2019 and 2018 fiscal year end valuations, respectively, the Pension Plan returned 5.5 percent and 9.0 percent (both net of fees) on a money-weighted market basis, which was less than the assumed rate of 7.0 percent in 2019 and more than the assumed rate of 7.25 percent in 2018. Under the actuarial asset method, with recognizes investment gains and losses over a five-year period, there was an $755 million actuarial loss on market assets relative to the assumed rate of return. The return on actuarial assets using the same method was 6.5 percent for the fiscal year ended June 30, 2019, equivalent to an actuarial loss of $477 million relative to the assumed return.

The table below provides a three-year history of investment and actuarial returns and the actuarial funded ratios. As required by GASB Statement Nos. 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 year ended June 30, 2020, the annual money-weighted rate of return on Pension Plan investments was 1.4 percent (net of fees).

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)	Return on Smoothed Valuation Assets (net of fees)[2]	Actuarial Assumed Rate of Return	Actuarial Funded Ratio
2018	$55,443,060	9.0%	9.0%	8.1%	7.25%	80.6%
2019	$57,976,436	6.4%	5.5%	6.5%	7.00%	77.2%
2020 [3]	**$56,574,410**	**1.8%**	**1.4%**	**—**	**—**	**—**

(1) The returns are presented net of investment management fees.
(2) Returns calculated using the money-weighted rate of return method.
(3) Actuarial valuation report for June 30, 2020 not available at CAFR publication.

The annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses as of the fiscal years ended June 30, 2020 and 2019, were 0.5 percent and 6.0 percent, respectively. As determined for the July 1, 2019 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL increased to 6.0 percent, as compared to 4.5 percent reported in the July 1, 2018 valuation. The County, Superior Court, and LACERA continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL.

LACERA OPERATIONS

In early March 2020, LACERA began taking action to address the COVID-19 pandemic. Health and safety were immediate concerns with a primary focus on several factors which included the well-being of LACERA staff and the organization's ability to provide service and benefits to LACERA's members. The Executive Office developed plans and management executed them diligently. LACERA also began to monitor local and global events related to the pandemic and consider potential impacts to external business partners. During the last three months of the fiscal year, LACERA continued to pay member benefits without exception, and receive contributions from plan sponsors as scheduled, including those for both the Pension Plan and the OPEB Trust. The Investment Office monitored market volatility and maintained LACERA's cash position. Additional administrative funding to address emergency costs was approved by LACERA's governing Boards, primarily used for information technology expenditures. For additional information regarding the COVID-19 pandemic, please refer to Note L — Administrative Expenses, Note R — Global Pandemic, and the Investment Section.

NEW ACCOUNTING AND FINANCIAL REPORTING STANDARDS

Leases

The GASB issued Statement No. 87, *Leases*, to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. The new information will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring notes to the financial statements including the timing, significance, and purpose of a government's leasing arrangements. For LACERA's financial statements, these requirements, which were postponed by GASB for one year due to the COVID-19 pandemic, are now effective for the fiscal year ending June 30, 2022.

REQUESTS FOR INFORMATION

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

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

This page intentionally left blank.

Statement of Fiduciary Net Position

As of June 30, 2020 and 2019

(Dollars in Thousands)

	2020			2019		
	Pension Plan	OPEB Trust	OPEB Custodial Fund [1]	Pension Plan	OPEB Trust	OPEB Custodial Fund [1]
ASSETS						
Cash and Short-Term Investments	**$2,668,515**	**$24,783**	**$63,112**	**$1,310,027**	**$14,491**	**$46,617**
Cash Collateral on Loaned Securities	**1,177,374**	**—**	**—**	**814,829**	**—**	**—**
Receivables						
Contribution Receivable	$101,731	$—	$—	$96,482	$—	$—
Accounts Receivable - Sale of Investment	697,420	—	—	1,046,945	13	1,451
Accrued Interest and Dividends	133,935	5	498	102,714	136	540
Accounts Receivable - Other	7,587	—	58,909	8,335	—	55,845
Total Receivables	**$940,673**	**$5**	**$59,407**	**$1,254,476**	**$149**	**$57,836**
Investments at Fair Value						
Equity	$23,332,239	$755,005	$—	$25,836,066	$624,039	$—
Fixed Income	18,778,182	570,375	129,096	18,028,747	479,773	118,687
Private Equity	7,141,781	—	—	6,028,265	—	—
Real Estate	5,128,771	142,775	—	6,192,619	120,247	—
Hedge Funds	2,193,437	—	—	1,890,739	—	—
Total Investments at Fair Value	**$56,574,410**	**$1,468,155**	**$129,096**	**$57,976,436**	**$1,224,059**	**$118,687**
TOTAL ASSETS	**$61,360,972**	**$1,492,943**	**$251,615**	**$61,355,768**	**$1,238,699**	**$223,140**
LIABILITIES						
Accounts Payable - Purchase of Investments	$1,598,943	$—	$3,453	$2,162,819	$—	$3,050
Retiree Payable and Other	1,177	—	301	922	—	235
Accrued Expenses	34,887	315	458	44,518	222	343
Tax Withholding Payable	38,003	—	—	35,505	—	—
Obligations under Securities Lending Program	1,177,374	—	—	814,829	—	—
Accounts Payable - Other	180	—	98,930	2,339	—	86,780
TOTAL LIABILITIES	**$2,850,564**	**$315**	**$103,142**	**$3,060,932**	**$222**	**$90,408**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	**$58,510,408**	**$1,492,628**	**$148,473**	**$58,294,836**	**$1,238,477**	**$132,732**

(1) GASB Statement No. 84 was applied to the financial statements for the fiscal periods ending June 30, 2020 and 2019.

The accompanying Notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended June 30, 2020 and 2019

(Dollars in Thousands)

	2020			2019		
	Pension Plan	**OPEB Trust**	**OPEB Custodial Fund [2]**	**Pension Plan**	**OPEB Trust**	**OPEB Custodial Fund [2]**
ADDITIONS						
Contributions						
Employer [1]	$1,800,137	$907,521	$668,811	$1,668,151	$863,028	$636,724
Member	659,296	—	50,180	635,415	—	48,719
Total Contributions	**$2,459,433**	**$907,521**	**$718,991**	**$2,303,566**	**$863,028**	**$685,443**
Investment Income						
From Investment Activities:						
Net Appreciation/ (Depreciation) in Fair Value of Investments	($4,256,243)	($6,452)	$1,961	$1,215,625	$56,670	$2,666
Investment Income/(Loss)	5,906,599	13,486	3,925	2,188,736	6,188	3,166
Total Investment Activities Income	**$1,650,356**	**$7,034**	**$5,886**	**$3,404,361**	**$62,858**	**$5,832**
Less Expenses from Investment Activities:	($209,320)	($863)	($149)	($233,126)	($742)	($143)
Net Investment Activities Income	**$1,441,036**	**$6,171**	**$5,737**	**$3,171,235**	**$62,116**	**$5,689**
From Securities Lending Activities:						
Securities Lending Income	$15,987	$—	$—	$26,146	$—	$—
Less Expenses from Securities Lending Activities:						
Borrower Rebates	($10,031)	$—	$—	($20,545)	$—	$—
Management Fees	(1,115)	—	—	(1,113)	—	—
Total Expenses from Securities Lending Activities	**(11,146)**	**—**	**—**	**(21,658)**	**—**	**—**
Net Securities Lending Income	**$4,841**	**$—**	**$—**	**$4,488**	**$—**	**$—**
Total Net Investment Income	**$1,445,877**	**$6,171**	**$5,737**	**$3,175,723**	**$62,116**	**$5,689**
Miscellaneous	**$2,383**	**$—**	**$6,755**	**$5,958**	**$—**	**$7,306**
TOTAL ADDITIONS	**$3,907,693**	**$913,692**	**$731,483**	**$5,485,247**	**$925,144**	**$698,438**
DEDUCTIONS						
Retiree Payroll	$3,578,879	$—	$—	$3,375,752	$—	$—
Service Benefits [1]	—	659,295	708,914	—	627,415	675,620
Administrative Expenses	85,384	246	6,828	82,906	234	6,118
Refunds	25,231	—	—	28,691	—	—
Lump Sum Death Benefits	2,230	—	—	2,711	—	—
Redemptions	—	—	—	—	25	—
Miscellaneous	397	—	—	333	—	—
TOTAL DEDUCTIONS	**$3,692,121**	**$659,541**	**$715,742**	**$3,490,393**	**$627,674**	**$681,738**
NET INCREASE/(DECREASE) IN FIDUCIARY NET POSITION	**$215,572**	**$254,151**	**$15,741**	**$1,994,854**	**$297,470**	**$16,700**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS						
BEGINNING OF YEAR [3]	**$58,294,836**	**$1,238,477**	**$132,732**	**$56,299,982**	**$941,007**	**$116,032**
END OF YEAR	**$58,510,408**	**$1,492,628**	**$148,473**	**$58,294,836**	**$1,238,477**	**$132,732**

(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.
(2) GASB Statement No. 84 was applied to the financial statements for the fiscal periods ending June 30, 2020 and 2019.
(3) OPEB Custodial Fund beginning Fiduciary Net Position has been restated as of July 1, 2018.
The accompanying Notes are an integral part of these financial statements.

NOTE A — Plan Description

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), and the regulations, procedures, and policies adopted by the LACERA Board of Retirement and the LACERA Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multiple-employer defined benefit Pension Plan for Los Angeles County, LACERA and the Los Angeles Superior Court, plus four Outside Districts: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District.

LACERA also administers a Retiree Healthcare Benefits Program (RHCBP) which is also referred to as the Other Post-Employment Benefits (OPEB) Program. The OPEB Program is an agent defined benefit OPEB plan in which Los Angeles County, LACERA, Superior Court, and the Outside Districts participate. OPEB Program description and benefit provisions are explained in Note N — OPEB Program of the Financial Section.

Governance

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

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

Membership

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

LACERA Pension Plan Membership
As of June 30, 2020 and 2019

	2020	2019
Active Members		
Vested	73,522	72,660
Non-Vested	26,593	26,536
Terminated[1]	16,174	16,177
Total Active Members	**116,289**	**115,373**
Retired Members		
Service	48,633	47,518
Disability	10,105	9,891
Survivors	9,250	9,093
Total Retired Members	**67,988**	**66,502**
Total Membership	**184,277**	**181,875**

(1) Effective for the fiscal year ended June 30, 2019 and going forward, the Terminated membership count includes both vested (deferred) and non-vested (inactive) members.

INVESTMENTS

Pension Plan

Assets in the Pension Plan are derived from three sources: employer contributions; employee contributions (including those made by the employer on behalf of employees pursuant to §414(h)(2) of the Internal Revenue Code); and realized investment earnings. Assets of the Pension Plan are held separate from any other assets, including the separate 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

The County and LACERA, as participating employers, established an OPEB Trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program administered by LACERA for eligible retired members and eligible dependents and survivors of LACERA members. The Los Angeles County Superior Court also started making OPEB prefunding contributions into the Court OPEB Trust as of June 2016. The OPEB Trusts do not modify the participating employer benefit programs. The assets held within the OPEB Trusts meet the definition of a qualifying trust under GASB 74 and are administered under an agent plan structure effective 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 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 employer's discretion.

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

OPEB Custodial Fund

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

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

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

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

Benefit Provisions

Retirement benefit vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Depending on the 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 from LACERA. OPEB Program provisions are explained in the Note N — OPEB Program.

Cost-of-Living Adjustment (COLA)

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

If the CPI has increased over 3.00% or 2.00%, the LACERA Board of Retirement grants a Cost-of-Living Adjustment (COLA) increase for monthly allowances for Plan A members and all other members, respectively. If the CPI has decreased, it is possible for the LACERA Board of Retirement to decrease monthly allowances; however, a decrease in allowances has never occurred. In any event, a cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

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

LACERA members may receive more than one type of COLA:

COLA ("April 1st COLA")

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

Plan E COLA

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

Supplemental Targeted Adjustment for Retirees (STAR) Program

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

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

Except for Program Year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR benefits at an 80 percent level as authorized in the CERL. For Program Years 2010 through 2020, 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.

From the inception of the STAR Program in 1990 to the present, the STAR Program has received $1.523 billion in funding. Ad-hoc STAR Program costs from 1990 through 2001 reduced the STAR Program reserve by $556 million. Subsequently, except for Program Year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR benefits which totaled $353 million and was transferred to employer reserves to earn investment income and pay for permanent STAR benefits. As of June 30, 2020, there is $614 million available in the STAR Program reserve to fund future benefits.

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

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own two governing Boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). Due to the nature of the relationship between LACERA and the County, LACERA's Pension Plan and OPEB Trust funds are reflected as fiduciary funds within the County's basic financial statements. LACERA's operations are heavily dependent upon County funding, and the operational results are advantageous to the County, as well as LACERA members. Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA Management. LACERA's Audit Committee and the Chief Audit Executive assist the LACERA Boards of Retirement and Investments (Boards) in fulfilling their fiduciary oversight responsibilities for the organization's financial reporting process, the system of internal controls, the audit processes, and the organization's method for monitoring compliance with laws and regulations.

Method of Reporting

LACERA follows the accounting principles generally accepted in the United States of America (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. Member and employer contributions are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each benefit plan.

OPEB Custodial Fund and OPEB Trust Fund Presentation

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

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

OPEB Trust financial activity includes prefunding contributions provided by plan sponsors either quarterly or on an annual basis, set aside and held in Trust to earn interest, held and used to provide future OPEB benefits at the plan sponsors' discretion. Investment income activity is reported with the OPEB Trust. For financial statement presentation purposes, GASB standards require that employer contributions within the OPEB Trust are increased by pay-as-you-go costs included as additions to the OPEB Trust that will not be reimbursed to the employers using OPEB Trust assets. Matching expenses are charged as Service Benefits to the OPEB Trust through deductions which also include administrative expenses (per paragraphs 28a and 31 of GASB Statement No. 74). See Note Q for OPEB Trust prefunding contributions.

Capital Assets (Including Intangible Assets)
Capital Assets are items that benefit the organization for more than one fiscal year. LACERA's potential Capital Assets are largely held in information technology systems. The information technology environment is continuously changing causing frequent upgrades and as such, LACERA treats these items as 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 and a percentage of their unused sick leave. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2020 and 2019, were \$4.6 million and \$3.7 million, respectively.

Cash and Short-Term Securities
Cash includes deposits with various financial institutions, the County, and non-U.S. currency holdings translated to U.S. dollars using the exchange rates in effect at June 30, 2020 and 2019.

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

Real Estate Separate Account Investments
LACERA's real estate investments utilize several different types of Special Purpose Entities (SPEs), including Title Holding Corporations (THCs) and Limited Liability Companies (LLCs). The THCs are nonprofit corporations under §501(c)(25) and §501(c)(2) of the Internal Revenue Code (IRC). The LLCs do not have tax-exempt status, but their income is excludable from taxation under IRC §115. Both THCs and LLCs invest in real estate assets located throughout the United States. Under GASB Statement No. 72, *Fair Value Measurement and Application*, the THCs and LLCs meet GASB's definition of an investment and therefore are included in the accompanying financial statements as investments at fair value.

Fair Value

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

Investments	Source
Publicly Traded Securities, such as stocks and bonds. Bonds include obligations of the U.S. Treasury, U.S. agencies, non-U.S. governments, and both U.S. and non-U.S. corporations. Also included are mortgage-backed securities and asset-backed securities.	Valuations are provided by LACERA's custodian based on end-of-day prices from external pricing vendors. Non-U.S. securities reflect currency exchange rates in effect at June 30, 2020 and 2019.
Whole Loan Mortgages	For the LACERA Member Home Loan Program, valuation is performed by LACERA staff based on loan information provided by Ocwen Financial Corporation, the program's mortgage servicer, with fair market value adjustments based on the market returns of the Bloomberg Barclays mortgage-backed securities index.
Real Estate Equity Commingled Funds [1]	Fair value as provided by real estate fund managers, based on review of cash flow, exit capitalization rates, and market trends; fund managers commonly subject each property to independent third-party appraisal annually. Investments under development are carried at cumulative cost until developed.
Real Estate: Special Purpose Entities, including Title Holding Corporations and Limited Liability Companies	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	Fair value for real estate debt investments as provided by investment managers.
Private Equity [1]	Fair value provided by investment managers as follows: Private investments — valued by the General Partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments — valued based on quoted market prices, less a discount, if appropriate, for restricted securities.

(1) These assets are reported by LACERA based on the practical expedient allowed under GAAP.

Note: The fair value hierarchy is provided in Note P – Fair Value.

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

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

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, and event risks that may subject LACERA to economic changes occurring in certain industries, sectors, or geographies.

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

PENSION PLAN INVESTMENTS

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

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

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

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

Schedule of Target Allocation and Long-Term Expected Rate of Return
For the Fiscal Year Ended June 30, 2020

Asset Class	Target Allocation (Policy)		Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**47.0 %**		**5.9 %**	
Global Equity		35.0%		4.9%
Private Equity		10.0%		6.5%
Opportunistic Real Estate		2.0%		7.0%
Credit	**12.0 %**		**2.5 %**	
High Yield Bonds		3.0%		2.4%
Bank Loans		4.0%		2.2%
Emerging Market Bonds		2.0%		1.8%
Illiquid Credit		3.0%		2.6%
Real Assets and Inflation Hedges	**17.0 %**		**3.7 %**	
Core and Value Added Real Estate		7.0%		3.7%
Natural Resources and Commodities		4.0%		3.7%
Infrastructure		3.0%		4.3%
TIPS		3.0%		0.1%
Risk Reduction and Mitigation	**24.0 %**		**0.6 %**	
Investment Grade Bonds		19.0%		0.2%
Diversified Hedge Fund Portfolio		4.0%		2.3%
Cash Equivalents		1.0%		(0.3)%

Target Allocation

The LACERA Board of Investments approved the current target allocation as a result of the Asset Allocation Study completed by Meketa in May 2018. At the time, the Board adopted the targets to provide for diversification of assets in an effort to meet LACERA's actuarial assumed rate of return, consistent with market conditions and risk control.

Weighted Average Long-Term Expected Real Rate of Return

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

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

Discount Rate

GASB Statement No. 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 was 7.13 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00 percent, net of all expenses, increased by 0.13 percent, gross of administrative expenses.

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

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

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, 2020 and 2019, were 1.4 percent and 5.5 percent, respectively. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. This method is equivalent to the internal rate of return. Historical returns are presented in the Schedule of Investment Returns – Pension Plan in the Required Supplementary Information Section.

Time-Weighted Rate of Return

The annual time-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2020 and 2019, were 1.8 percent and 6.4 percent, respectively. The time-weighted rate of return is a measure of the compound rate of growth in a portfolio. This measure is often used to compare the performance of investment managers because it eliminates the distorting effects on growth rates created by inflows and outflows of money. The time-weighted return breaks up the return on an investment portfolio into separate intervals based on whether money was added or withdrawn from the fund. Historical returns are presented in the Investments Results Based on Fair Value – Pension Plan in the Investment Section.

Use of Estimates

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

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Also, certain accounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

Adoption of GASB Statement No. 84

LACERA adopted and implemented GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, for fiscal year ending June 30, 2020. This statement establishes criteria for identifying and reporting fiduciary activities for all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and also the beneficiaries with whom a fiduciary relationship exists. The effect on LACERA's financial statements primarily involved updating the terminology from the existing OPEB Agency Fund, presenting a new Statement of Changes in Fiduciary Net Position, and transitioning the OPEB Agency Fund Statement of Fiduciary Net Position presentation to the OPEB Custodial Fund Statement of Fiduciary Net Position. Changes were required to conform to the provisions of GASB 84 which were applied retroactively through restating the OPEB Custodial Fund balances for the fiscal years beginning July 1, 2018 and July 1, 2019.

Upcoming GASB Pronouncements — Leases

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. LACERA is currently evaluating the impact this standard will have on the financial statements, when adopted. The provisions of this statement are effective for LACERA's fiscal year ending June 30, 2022 financial statements.

NOTE C — Pension Plan Contributions

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

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

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

Both member rate methodologies are actuarially designed for the employees, as a group, to make contributions into the Pension Plan, which when combined with employer contributions and investment earnings, provide sufficient funding. 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 No. 82, member contributions paid by the employer are reported in the member contribution amounts.

The employer contribution rate is composed of the normal cost and the UAAL amortization payment. Normal cost is the portion of the actuarial present value of retirement benefits attributable to the current year of service. Amortization of the UAAL is payments made for prior year unfunded benefits not provided by future normal costs. The latest actuarial valuation as of June 30, 2019 increased the Employer normal cost rate from 9.92 percent to 10.86 percent and increased the Employers' required contribution rate to finance the UAAL from 10.99 percent to 13.92 percent. Effective with the June 30, 2019 valuation, all new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made. In addition, all existing amortization layers are set to be amortized over a maximum 22-year period, so they are fully amortized no later than 2042. New member contribution rates are recommended for all Plans effective July 1, 2020.

At its January 2020 meeting, the BOI adopted a 3.29 percent increase in the employer contribution rate due to the 2019 Experience Study which was reduced by a three-year phase-in approach. The calculated total employer contribution rate would have been 24.78% but was reduced by 2.19% resulting in an employer contribution rate of 22.59%, beginning July 1, 2020.

The total employer contribution rate increased 1.68 percent from the previous Valuation as of June 30, 2018 (from 20.91 percent to 22.59 percent) primarily due to the assumption and method changes, and the recognition of total calculated actuarial investment losses effective with the June 30, 2019

Valuation. The 22.59 percent reflects the full three-year phase-in of the increase in the employer contribution rate due to the new assumptions adopted as a result of the 2019 Experience Study. The cost impact of the assumption changes will be fully phased into the employer contribution rate for the fiscal year beginning July 1, 2022.

The most significant factor causing a 3.29 percent employer contribution rate increase was due to actuarial assumption and method changes including shortening the UAAL amortization from 30-year to a 20-year period. The employer contribution rate also increased due to typical year-to-year fluctuations, including the recognition of actuarial investment gains by applying the actuarial smoothing method, which caused the 0.42 percent increase and all other factors accounting for a 0.16 percent increase. These increases were partially offset by a 2.19 percent decrease due the deferred recognition of 2019 assumptions changes, resulting in a net total increase in the Employer contribution rate of 1.68 percent.

For the fiscal years ended June 30, 2020 and June 30, 2019, Los Angeles County, including the Superior Court, and the Outside Districts, paid their employer and employee contributions due to LACERA in the form of cash payments. For the fiscal years ended June 30, 2020 and June 30, 2019, employer contributions totaled $1.80 billion and $1.67 billion, respectively, and employee contributions totaled $659 million and $635 million, respectively.

Pension Plan Contributions
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Employers		
Los Angeles County [1]	$1,732,960	$1,605,150
Superior Court	67,048	62,875
Local Agency Formation Commission	121	119
South Coast Air Quality Management District [2]	—	—
Little Lake Cemetery District	8	7
Los Angeles County Office of Education [3]	—	—
Total Employer Contributions	$1,800,137	$1,668,151
Employee Contributions [4]	$659,296	$635,415
Total Contributions	**$2,459,433**	**$2,303,566**

(1) LACERA contributions are included under Los Angeles County.
(2) South Coast Air Quality Management District has no active employees contributing to the Pension System for the fiscal year ended 2020 and 2019.
(3) Los Angeles County Office of Education has no active employees contributing to the Pension System for the fiscal years ended 2020 and 2019.
(4) In accordance with GASB Statement No. 82, employer pick-up contributions are classified as Employee (Member) Contributions.

NOTE D — Pension Plan Reserves

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

Pension Plan

LACERA's major classes of Pension Plan reserves are:

Member Reserves

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

Employer Reserves

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

Supplemental Targeted Adjustment for Retirees (STAR) Reserve

Supplemental Targeted Adjustment for Retirees (STAR) Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living adjustment (COLA) increases. Twenty-five percent (25%) of excess earnings in fiscal years 1995-1999 were credited to the STAR Reserve pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Additions include transfers from the Contingency Reserve. Deductions include STAR Program payments to retirees and funding for permanent benefits. In October 2008, except for Program Year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR Programs at an 80 percent level, as authorized in the County Employees Retirement Law of 1937 (CERL). For Program Years 2010 through 2019, additional STAR benefits were not provided. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2020 due to the modest Consumer Price Index (CPI) percentage increase. Thus, all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

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

Contingency Reserve
Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment income and other revenues. Deductions include investment expenses; administrative expenses; interest allocated to other reserves, in priority order, to the extent that realized earnings are available for the six-month period, as defined in the 2009 Retirement Benefit Funding Policy (Funding Policy) amended in 2013, approved by the LACERA Board of Investments; and funding of the STAR Reserve when excess earnings are available and authorized by the LACERA Board of Retirement. For the fiscal years ended June 30, 2020 and 2019, the net investment realized earnings were applied as interest credits to some of the reserves in accordance with the Funding Policy, leaving no available credits for the Contingency Reserve.

Pension Plan Reserves
As of June 30, 2020 and 2019
(Dollars in Thousands)

	2020	**2019**
Member Reserves	$23,481,576	$22,363,376
Employer Reserves	25,818,509	22,464,894
STAR Reserve	614,011	614,011
Contingency Reserve	—	—
Total Reserves at Book Value	$49,914,096	$45,442,281
Unrealized Investment Portfolio Appreciation	$8,596,312	$12,852,555
Total Reserves at Fair Value [1]	**$58,510,408**	**$58,294,836**

(1) Total Reserves at Fair Value equals the 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 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.

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

The LACERA Board of Investments adopted new assumptions beginning with the June 30, 2016 and June 30, 2019 actuarial valuations, based on the results of the 2016 and 2019 triennial experience studies. For financial reporting purposes, LACERA reviews these assumptions annually to ensure they continue to represent appropriate plan assumptions under U.S. GAAP.

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

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

The Total Pension Liability as of June 30, 2020, was determined by completing a roll forward calculation based on an actuarial valuation conducted as of June 30, 2019, using the following actuarial assumptions in accordance with the requirements of GASB Statement No. 67 (GASB 67). The actuarial funding valuation serves as a basis for the GASB 67 information. All actuarial methods and assumptions used for this GASB analysis were the same as those used for the June 30, 2019 funding valuation, except where differences are noted. Key methods and assumptions used to calculate the Total Pension Liability are presented as follows. For additional information regarding the actuarial valuation, refer to the Actuarial Section.

Actuarial Methods and Significant Assumptions

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

Discount Rate

Milliman's January 2020 Investigation of Experience analysis was used to develop the 7.13 percent assumption used for the current reporting date. This is equal to the 7.00 percent long-term investment return assumption adopted by the Board of Investments (net of investment and administrative expenses), plus 0.13 percent assumed administrative expenses, as required by GASB 67. LACERA has reviewed this assumption as of the GASB 67 reporting date using current capital market assumptions provided by their external advisors.

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 (retired and deferred) 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.

Other Key Assumptions

Other key actuarial assumptions used to calculate the Total Pension Liability as of the June 30, 2020 measurement date are the same as used to determine the June 30, 2019 actuarial funding valuation. For the determination of the Total Pension Liability as of the June 30, 2019 measurement date, other key actuarial assumptions were the same as used in the June 30, 2018 actuarial funding valuation.

Net Pension Liability

GASB 67 requires public pension plans to provide the calculation of a Net Pension Liability. The Net Pension Liability is measured as the Total Pension Liability less the amount of the Pension Plan's Fiduciary Net Position.

The Net Pension Liability is an accounting measurement for financial statement reporting purposes. The funded status of the Plan is calculated separately by the consulting actuary and the results are included in the actuarial valuation report. The components of LACERA's (the Pension Plan's) Net Pension Liability at fiscal year end June 30, 2020 and 2019, were as follows:

Schedule of Net Pension Liability

For the Fiscal Years Ended June 30, 2020 and 2019

(Dollars in Thousands)

	2020	**2019**
Total Pension Liability	$76,579,594	$70,309,252
Less: Fiduciary Net Position	(58,510,408)	(58,294,837)
Net Pension Liability	**$18,069,186**	**$12,014,415**
Fiduciary Net Position as a Percentage of Total Pension Liability	76.40%	82.91%

The Total Pension Liability and Net Pension Liability both increased due to the new assumptions adopted for the June 30, 2019 experience study, which are primarily due to the interest on TPL and the effect of changes in assumptions including a reduced investment rate of return, shorter amortization period, higher merit salary increases, and implementation of new mortality tables.

Sensitivity Analysis

In accordance with GASB 67, sensitivity of the Net Pension Liability to changes in the discount rate must be reported. The following presents the Net Pension Liability, calculated for the fiscal year ended June 30, 2020 using the discount rate of 7.13 percent, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.13 percent) or 1 percentage point higher (8.13 percent) than the current rate (7.13 percent). A corresponding calculation is presented for the fiscal year ended June 30, 2019 based on the discount rate in effect for that year:

Sensitivity Analysis

For the Fiscal Years Ended June 30, 2020 and 2019

(Dollars in Thousands)

	2020			2019		
	1% Decrease	**Current Discount Rate**	**1% Increase**	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	6.13%	**7.13%**	**8.13%**	**6.38%**	**7.38%**	**8.38%**
Total Pension Liability	$86,990,827	$76,579,594	$67,976,838	$79,765,829	$70,309,252	$62,489,864
Less: Fiduciary Net Position	(58,510,408)	(58,510,408)	(58,510,408)	(58,294,837)	(58,294,837)	(58,294,837)
Net Pension Liability	**$28,480,419**	**$18,069,186**	**$9,466,430**	**$21,470,992**	**$12,014,415**	**$4,195,027**

NOTE F — Partial Annuitization of Pension Benefit Payments

In January 1987, LACERA entered into agreements to purchase single life annuities from two insurance companies to provide pension benefit payments to a portion of the 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, including rights to continuance of benefits to survivors, health insurance subsidies, and cost-of-living adjustments (COLAs). The values of the annuities are entirely allocated to covered members. In accordance with the agreement, the monthly annuity reimbursement from the annuity providers is 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 which are unreimbursed by the insurance companies. The reimbursements received are netted against the pension and annuity payments (i.e., retiree payroll) in LACERA's financial statements. For the fiscal year ended June 30, 2020, LACERA paid $11.0 million to covered members and received $9.1 million in related reimbursements. For the fiscal year ended June 30, 2019, LACERA paid $13.0 million to covered members and received $10.8 million in related reimbursements. As the monthly annuity reimbursement from the annuity providers is allocated to covered members' pension payments, the fair value of contracts was excluded from pension plan assets and actuarially determined amounts.

NOTE G — Deposit and Investment Risks

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

Each Investment Policy Statement recognizes that every investment asset class and type is subject to certain risks. Outlined below are the Deposit and Investment Risks as they relate to fixed income investments.

Credit Risk

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

Investment Grade Bonds

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

High Yield Bonds

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

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

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

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

Quality Ratings	U.S. Treasuries	U.S. Govt Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investments	Non- U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$1,858,678	$1,922,386	$4,058	$153,132	$2,597,269	$8,480	$200,858	$6,744,861	36.0%
Aa	—	—	20,640	79,420	2,020,117	33,057	35,783	2,189,017	11.7%
A	—	—	9,415	531,485	749,190	114,523	128,535	1,533,148	8.2%
Baa	—	—	9,373	772,037	871,061	193,341	360,294	2,206,106	11.8%
Ba	—	—	—	403,950	35,453	104,058	171,367	714,828	3.8%
B	—	—	81	837,605	—	173,683	261,083	1,272,452	6.8%
Caa	—	—	—	153,355	2,882	19,498	166,901	342,636	1.8%
Ca	—	—	4,548	9,495	—	4,180	2,150	20,373	0.1%
C	—	—	—	499	—	—	15	514	—%
Not Rated	—	1,267	828	159,187	3,270,486	49,325	251,064	3,732,157	19.9%
Total	**$1,858,678**	**$1,923,653**	**$48,943**	**$3,100,165**	**$9,546,458**	**$700,145**	**$1,578,050**	**$18,756,092**	**100%**

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

The following is a schedule for the year ended June 30, 2019 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 $27 million are excluded from this presentation.

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

As of June 30, 2019

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investments	Non-U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$1,605,167	$2,040,089	$831	$237,230	$3,335,274	$1,980	$227,427	$7,447,998	41.4%
Aa	—	4,245	24,668	121,835	2,054,723	61,370	61,327	2,328,168	12.9%
A	—	—	8,696	516,024	640,892	155,486	247,339	1,568,437	8.7%
Baa	—	—	13,913	811,571	822,236	176,190	273,128	2,097,038	11.6%
Ba	—	—	—	313,194	53,300	89,342	287,172	743,008	4.1%
B	—	—	91	723,180	654	83,842	411,389	1,219,156	6.8%
Caa	—	—	—	154,927	2,818	10,331	127,317	295,393	1.6%
Ca	—	—	4,918	35,508	—	670	1,519	42,615	0.2%
C	—	—		574	—	—	3	577	—%
Not Rated	—	100,216	5,134	163,465	1,645,893	30,151	314,293	2,259,152	12.5%
Total	**$1,605,167**	**$2,144,550**	**$58,251**	**$3,077,508**	**$8,555,790**	**$609,362**	**$1,950,914**	**$18,001,542**	**100%**

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

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

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

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2019
(Dollars in Thousands)

Quality Ratings	U.S Treasuries	Corporate Debt/Credit Securities	Pooled Investments	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$2,993	$825	$—	$512	$4,330	0.9%
Aa	—	1,333	—	468	1,801	0.4%
A	—	3,382	—	1,249	4,631	1.0%
Not Rated	—	679	468,061	271	469,011	97.8%
Total	**$2,993**	**$6,219**	**$468,061**	**$2,500**	**$479,773**	**100%**

Note: Pooled Investments included with the Not Rated Quality represents investments in commingled funds. As of June 30, 2020, all fixed income securities in the OPEB Trust were invested through commingled funds.

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

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

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2019
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/Credit Securities	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$61,607	$10,281	$4,759	$76,647	64.6%
Aa	—	12,073	1,810	13,883	11.7%
A	—	23,880	4,277	28,157	23.7%
Total	**$61,607**	**$46,234**	**$10,846**	**$118,687**	**100.0%**

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

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

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

Concentration of Credit Risk

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

As of June 30, 2020, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

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

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

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

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

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

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

The Duration in Fixed Income Securities – Pension Plan schedule for the year ended June 30, 2019 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $27 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2019
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasuries	$1,605,167	8.26
U.S. Government Agency	2,144,550	1.86
Municipal / Revenue Bonds	58,250	9.12
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$3,807,967**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$506,275	1.63
Corporate and Other Credit	2,598,402	3.50
Fixed Income Swaps and Options	(27,169)	N/A
Pooled Funds	8,555,790	3.16
Subtotal Corporate Bonds and Credit Securities	**$11,633,298**	
Non-U.S. Fixed Income	$609,363	3.71
Private Placement Fixed Income	1,950,914	3.03
Subtotal Non-U.S. and Private Placement Securities	**$2,560,277**	
Total Fixed Income Securities	**$18,001,542**	

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

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

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

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

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2019
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries	$2,993	1.16
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$1,334	0.27
Corporate and Other Credit	4,885	0.55
Pooled Investments	468,061	2.54
Subtotal Corporate Bonds and Credit Securities	**$474,280**	
Private Placement Fixed Income	$2,500	0.62
Total Fixed Income Securities - OPEB Trust	**$479,773**	

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

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

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

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

Duration in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2019
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries	$61,607	2.28
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	9,414	1.25
Corporate and Other Credit	$36,820	1.71
Subtotal Corporate Bonds and Credit Securities	**$46,234**	
Private Placement Fixed Income	$10,846	1.41
Total Fixed Income Securities	**$118,687**	

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

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment Manager Guidelines. To mitigate Foreign Currency Risk with 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. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds actual securities and/or currencies. The values shown include LACERA's pro rata portion of non-U.S. commingled fund holdings.

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

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

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

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

As of June 30, 2019
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
Ghanaian Cedi	$—	$216	$—	$—	$—	$—	$216
Kenya Shilling	1,884	—	—	—	—	—	1,884
Moroccan Dirham	3,425	—	—	—	—	—	3,425
Nigerian Naira	11,860	199	—	—	—	—	12,059
South African Rand	210,439	12,135	26	—	—	—	222,600
AMERICAS							
Argentine Peso	5,374	15,001	159	—	—	(88)	20,446
Brazilian Real	212,043	40,224	507	—	—	—	252,774
Canadian Dollar	995,278	597	(583)	—	—	(8,732)	986,560
Chilean Peso	29,486	4,711	—	—	—	—	34,197
Colombian Peso	14,749	13,342	2	—	—	—	28,093
Dominican Peso	—	215	—	—	—	—	215
Mexican Peso	83,676	28,228	1,353	—	—	(72)	113,185
Peruvian New Sol	10,213	5,610	—	—	—	—	15,823
Uruguayan Peso	—	792	—	—	—	—	792
ASIA							
Australian Dollar	440,681	3,989	374	—	—	4,055	449,099
Chinese Renminbi	202,261	8,630	247	—	—	—	211,138
Hong Kong Dollar	911,449	16	1,280	—	—	(280)	912,465
Indian Rupee	287,263	15,991	—	—	—	—	303,254
Indonesian Rupiah	61,900	26,622	63	—	—	—	88,585
Japanese Yen	1,586,453	(982)	3,772	—	—	(24,744)	1,564,499
Malaysian Ringgit	49,707	4,522	29	—	—	—	54,258
New Zealand Dollar	36,756	238	73	—	—	(120)	36,947
Pakistan Rupee	913	—	—	—	—	—	913
Philippine Peso	27,783	1,825	1	—	—	—	29,609
Singapore Dollar	103,413	6,114	70	—	—	2	109,599
South Korean Won	442,579	8,084	—	—	—	—	450,663
Taiwan Dollar	215,762	4,773	—	—	—	—	220,535
Thai Baht	87,955	12,617	5	—	—	—	100,577
Vietnamese Dong	33,649	—	—	—	—	—	33,649
EUROPE							
British Pound Sterling	1,607,880	24,663	5,637	1,497	29,526	21,462	1,690,665
Czech Republic Koruna	2,090	12,597	—	—	—	—	14,687

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
Danish Krone	160,765	8,891	81	—	—	(913)	168,824
Euro	2,700,632	109,089	16,151	214,554	246,944	(14,453)	3,272,917
Hungarian Forint	14,420	11,199	30	—	—	—	25,649
Iceland Krona	—	55	—	—	—	—	55
Norwegian Krone	75,780	—	566	—	—	(36)	76,310
Polish Zloty	25,231	22,626	25	—	—	—	47,882
Romanian New Leu	13,717	3,741	—	—	—	—	17,458
Russian Ruble	92,780	23,715	454	—	—	2	116,951
Swedish Krona	315,312	—	270	—	—	(1,270)	314,312
Swiss Franc	721,518	—	49	—	—	(10,084)	711,483
Ukrainian Hryvnia	—	1,046	—	—	—	—	1,046
MIDDLE EAST							
Egyptian Pound	12,027	2,950	—	—	—	—	14,977
Israeli New Shekel	71,842	1,345	33	—	—	(119)	73,101
Jordanian Dinar	5,133	—	—	—	—	—	5,133
Qatari Rial	14,716	—	43	—	—	—	14,759
Saudi Riyal	24,685	(1,250)	—	—	—	—	23,435
Turkish Lira	50,502	3,311	10	—	—	—	53,823
UAE Dirham	17,092	—	10	—	—	—	17,102
Total Investment Securities Subject to Foreign Currency Risk	**$11,993,073**	**$437,687**	**$30,737**	**$216,051**	**$276,470**	**($35,390)**	**$12,918,628**

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

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

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

Non-U.S. Investment Securities at Fair Value — OPEB Trust
As of June 30, 2019
(Dollars in Thousands)

Currency	Equity	Fixed Income	Total
AFRICA			
Liberian Dollar	$—	$3	$3
South African Rand	4,243	4,287	8,530
AMERICAS			
Argentine Peso	250	175	425
Brazilian Real	5,553	5,014	10,567
Canadian Dollar	19,218	5,285	24,503
Cayman Islands Dollar	—	876	876
Chilean Peso	749	1,742	2,491
Colombian Peso	312	3,450	3,762
Dominican Peso	—	96	96
Mexican Peso	1,872	5,527	7,399
Panamanian Balboa	—	76	76
Peruvian Sol	250	1,778	2,028
Uruguay Peso	—	158	158
ASIA			
Australian Dollar	13,664	428	14,092
Chinese Renminbi	21,152	—	21,152
Hong Kong Dollar	7,051	—	7,051
Indian Rupee	6,988	—	6,988
Indonesian Rupiah	1,560	4,976	6,536
Japanese Yen	46,734	478	47,212
Malaysian Ringgit	1,622	2,971	4,593
New Zealand Dollar	686	—	686
Pakistan Rupee	62	—	62
Philippine Peso	811	270	1,081
Singapore Dollar	2,683	8	2,691
South Korean Won	9,172	116	9,288
Taiwan Dollar	8,423	—	8,423
Thailand Baht	2,246	4,248	6,494
EUROPE			—
British Pound Sterling	32,196	2,852	35,048
Czech Republic Koruna	125	2,127	2,252
Danish Krone	3,307	55	3,362
Euro	59,025	7,191	66,216
Hungarian Forint	187	2,232	2,419

Currency	Equity	Fixed Income	Total
Norwegian Krone	1,685	138	1,823
Polish Zloty	811	4,490	5,301
Romanian Leu	—	1,204	1,204
Russian Ruble	2,621	3,976	6,597
Swedish Krona	5,927	193	6,120
Swiss Franc	16,534	—	16,534
MIDDLE EAST			—
Egyptian Pound	125	—	125
Iraqi Dinar	—	217	217
Israeli New Shekel	1,435	32	1,467
Jordanian Dinar	—	7	7
Qatari Rial	686	—	686
Saudi Riyal	998	—	998
Turkish Lira	437	1,773	2,210
UAE Dirham	499	—	499
Total Investment Securities Subject to Foreign Currency Risk	**$281,899**	**$68,449**	**$350,348**

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.

LACERA's securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lends LACERA's non-U.S. equities, U.S. Treasury, and U.S. Agency securities. GSAL lends LACERA's U.S. equities and corporate bonds. Collateralization is set on non-U.S. loans at 105 percent and on U.S. loans at 102 percent of the market value of securities on loan.

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

Under the terms of their lending agreements, both lending agents provide 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, 2020 and 2019.

As of June 30, 2020, the fair value of securities on loan was $1.7 billion, with a value of cash collateral received of $1.2 billion and non-cash collateral of $587.5 million. As of June 30, 2019, the fair value of securities on loan was $927.1 million, with a value of cash collateral received of $814.8 million and non-cash collateral of $136.4 million. LACERA's income, net of expenses from securities lending, was $4.9 million and $4.5 million for the fiscal years ended June 30, 2020 and 2019, respectively.

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

Securities Lending
As of June 30, 2020 and 2019
(Dollars in Thousands)

	2020				2019			
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark [1]**	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark [1]**
U.S. Equity	$610,659	$621,794	$—	$—	$197,819	$199,522	$—	$—
U.S. Fixed Income	625,588	494,950	156,849	(91)	674,828	604,323	90,445	115
Non-U.S. Equity	457,198	60,630	430,620	463	54,423	10,984	45,906	1,204
Total	**$1,693,445**	**$1,177,374**	**$587,469**	**$372**	**$927,070**	**$814,829**	**$136,351**	**$1,319**

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

NOTE I — Derivative Financial Instruments

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

Futures

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

Currency Forwards

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

Currency Forwards Analysis
As of June 30, 2020
(Dollars in Thousands)

Currency Name	Options	Currency Forward Contracts Net Receivables	 Net Payables	Swaps	Total Exposure
Australian Dollar	$4	$2,244	($19,932)	$—	($17,684)
Brazilian Real	—	—	—	331	331
British Pound Sterling	29	(899)	(7,325)	555	(7,640)
Canadian Dollar	—	782	(9,128)	508	(7,837)
Danish Krone	—	84	(1,413)	—	(1,329)
Euro	414	1,564	(19,495)	1	(17,517)
Hong Kong Dollar	—	10	(64)	—	(55)
Israeli New Shekel	—	(16)	(641)	—	(658)
Japanese Yen	—	(3,987)	8,528	—	4,541
Mexican Peso	—	132	(145)	2,323	2,310
New Zealand Dollar	—	43	(738)	—	(695)
Norwegian Krone	—	54	(1,805)	—	(1,751)
Peruvian Sol	—	—	55	—	55
Russian Ruble	—	—	(537)	—	(537)
Singapore Dollar	—	58	(767)	—	(709)
South Korean Won	3	—	—	—	3
Swedish Krona	—	376	(5,977)	—	(5,602)
Swiss Franc	—	363	(4,966)	—	(4,604)
Thailand Baht	4	—	—	—	4
Total	**$454**	**$808**	**($64,350)**	**$3,718**	**($59,374)**

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

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

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

The Investment Derivatives schedule below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended June 30, 2020, classified by type, not including commingled structure.

Investment Derivatives
As of June 30, 2020
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	($193,285)	$—	$—	405,094
Commodity Futures Short	58,166	—	—	(49,401)
Credit Default Swaps Bought	3,018	41	5,947	—
Credit Default Swaps Written	(595)	(39)	19,670	—
Fixed Income Futures Long	148,181	—	—	892,340
Fixed Income Futures Short	(20,665)	—	—	(698,744)
Fixed Income Options Bought	4,397	330	—	23,078
Fixed Income Options Written	(2,629)	(244)	—	(307,189)
Foreign Currency Futures Long	(217)	—	—	5,600
Foreign Currency Futures Short	(244)	—	—	—
Futures Options Bought	(8,884)	77	—	3,281
Futures Options Written	11,661	(1,026)	—	(933)
FX Forwards	119,664	(63,545)	5,239,166	—
Index Futures Long	(8,128)	—	—	268
Index Futures Short	(90,913)	—	—	—
Pay Fixed Interest Rate Swaps	(60,432)	(39,259)	567,556	—
Receive Fixed Interest Rate Swaps	12,115	11,329	394,439	—
Rights	3,286	2,835	5,198	—
Total Return Swaps Bond	(269)	—	342	—
Total Return Swaps Equity	(71,832)	6,023	(339,278)	—
Warrants	(12)	2	6,212	—
Total	**($97,617)**	**($83,476)**	**$5,899,252**	**273,394**

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

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

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

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

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

Counterparty Credit Risk Analysis
As of June 30, 2020
(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America CME	$179	A-	A+	A2
Bank of America ICE	1	A-	A+	A2
Bank of America	333	A-	A+	A2
Bank of America, N.A.	12	A+	AA-	Aa2
Barclays Bank PLC Wholesale	31	A	A+	A1
BNP Paribas, S.A.	573	A+	A+	Aa3
Citibank N.A.	2,162	A+	A+	Aa3
Citigroup Global Markets CME	5,006	BBB+	A	A3
Citigroup Global Markets ICE	4	A+	A+	NR
Citigroup Global Markets LCH	687	BBB+	A	A3
Credit Agricole CIB	2	A+	A+	Aa3
Credit Suisse FOB ICE	31	A+	A	A1
Credit Suisse FOB LCH	536	A+	A	A1
Credit Suisse International	2,592	A+	A	A1
Credit Suisse Securities (USA) LLC	241	A+	A	A1
Deutsche Bank AG	4,490	BBB+	BBB	A3
Goldman Sachs Bank USA	134	BBB+	A	A3
Goldman Sachs CME	4,422	BBB+	A	A3
Goldman Sachs ICE	41	BBB+	A	A3
Goldman Sachs International	3,885	A+	A+	A1
HSBC Bank USA	38	A+	AA-	Aa3
JP Morgan Securities Inc	197	A-	AA-	A2
JP Morgan Chase Bank, N.A.	1,755	A+	AA	Aa2
Macquarie Bank Limited	1,097	A+	A	A2
Merrill Lynch International	575	A-	A+	A2
Morgan Stanley and Co Inc	62	BBB+	A	A3
Morgan Stanley and Co. International PLC	0	BBB+	A	A3
Morgan Stanley Capital Services Inc	61	BBB+	A	A3
Natwest Markets Plc	1,821	A-	A+	Baa2
State Street Bank And Trust Company	96	AA-	AA	Aa3
Toronto Dominion Bank	2	AA-	AA-	Aa3
UBS AG	4,174	A+	AA-	Aa3
Westpac Banking Corporation	206	AA-	A+	Aa3
Total	**$35,446**			

Interest Rate Risk

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

Interest Rate Risk Analysis

As of June 30, 2020
(Dollars in Thousands)

				Investment Maturity (In Years)			
Investment Type	**Notional Value (Dollar)**	**Notional Shares (Units)**	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Credit Default Swaps Bought	$5,947		$41	$—	$41	$—	
Credit Default Swaps Written	19,670		(39)	(5)	(42)	—	8
Fixed Income Options Bought	—	23,078	330	53	277	—	
Fixed Income Options Written	—	(307,189)	(244)	(224)	(20)	—	—
Pay Fixed Interest Rate Swaps	567,556		(39,259)	(1,116)	(7,870)	(13,264)	(17,009)
Receive Fixed Interest Rate Swaps	394,439		11,329	—	7,217	3,963	149
Total Return Swaps Bond	342		—	—	—	—	
Total Return Swaps Equity	(339,278)		6,023	6,265	(242)	—	
Total	**$648,676**	**($284,111)**	**($21,819)**	**$4,973**	**($639)**	**($9,301)**	**($16,852)**

NOTE J — Special Purpose Entities

Real Estate Investments

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

As of June 30, 2020, the LACERA real estate portfolio utilized various SPEs including 41 Title Holding Corporations (THCs) and 56 Limited Liability Companies (LLCs). As of June 30, 2019, the portfolio included 44 THCs and 57 LLCs.

The following is a summary of the THCs' and LLCs' financial positions.

Title Holding Corporations and Limited Liability Companies Financial Position
As of June 30, 2020 and 2019
(Dollars in Thousands)

	2020	**2019**
Assets	$6,393,412	$7,646,302
Less: Liabilities	(2,680,464)	(2,860,234)
Net Assets	**$3,712,948**	**$4,786,068**
Net Income	**$319,190**	**$350,403**

Debt Program

In March 2011, the LACERA Board of Investments approved a $200 million allocation to each of two managers for investment in commercial real estate debt. The managers were Cornerstone Real Estate Advisors (now known as Barings Real Estate Advisors, the real estate investment unit of Barings LLC) and Quadrant Real Estate Advisors LLC. In July 2012 and June 2013, additional allocations of $200 million and $100 million were provided to the Barings account, bringing the total investable equity commitment to $500 million. Furthermore, in July 2012, an additional allocation of $100 million was made to the Quadrant account, bringing the total investable equity commitment to $300 million. In September 2014, a $250 million commitment was added to the Barings account for the purpose of backstopping a subscription facility, though this equity is not considered investable. In June 2020, the subscription facility was lowered by 50%, thereby reducing the commitment backstopping the subscription facility from $250 million to $125 million.

Portfolio net assets increase when new loans are originated from LACERA's portfolio and such assets decrease when loans are paid back by the borrower.

The following is a summary of the Debt Program's financial position.

Debt Program Financial Position
As of June 30, 2020 and 2019
(Dollars in Thousands)

	2020	**2019**
Assets	$354,166	$401,540
Less: Liabilities	(161,872)	(197,346)
Net Assets	**$192,294**	**$204,194**
Net Income	**$19,277**	**$15,306**

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

NOTE K — Related Party Transactions

Office Lease

In 1991, LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza, a 282,000 square foot 13-story office building located in Pasadena, California, which serves as the LACERA headquarters. At that time, LACERA entered into its original lease agreement with the THC to occupy approximately 85,000 square feet of office space. Under the terms of the agreement, LACERA does not pay rent. Instead LACERA is credited with the entire payment of base rent due each month. However, LACERA is required to pay its proportionate share of the building's operating costs and property taxes as defined in the lease agreement.

Over time, numerous lease agreement amendments were executed which adjusted the rentable square footage and lease expiration dates. The Fifteenth Amendment to the Office Lease was completed on October 1, 2018 and the latest, the Sixteenth Amendment, was dated March 31, 2019. The amendments resulted in a net decrease of total rentable space from 126,157 to 125,525 square feet and maintained the lease's existing expiration date of December 31, 2020.

Total operating expenses charged to LACERA were approximately $2.3 million and $2.1 million for the fiscal years ended June 30, 2020 and 2019, respectively.

NOTE L — Administrative Expenses

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

Beginning in fiscal year 2012, LACERA implemented a provision of the CERL which 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 twenty-one hundredths of one percent (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 one-hundredth of one percent (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, 2020 and June 30, 2019, which were prepared based upon the twenty-one hundredths of one percent (0.21 percent) CERL limit. For these years LACERA's approved operating budgets were well below the statutory limit, and the actual amounts spent were less than the approved budgets.

Due to the crisis caused by the COVID-19, in April 2020, the Chief Executive Officer requested approval from the Board of Retirement granting emergency purchasing authority up to and including a total of $1 million above his existing authority, for goods and services deemed necessary to address the COVID-19 emergency. Expenditures are subject to consultation with the Chair and Vice Chair of the Board of Retirement and to be reported with notification to the Board of Investments. This recommendation was adopted and authority granted covering a period of 180 days, subject to renewal. As of June 30, 2020, the total expenses authorized under the emergency purchasing authority was $225,000. Even with the consequential emergency spending increase, LACERA's spending remained within the Operational Budget and did not exceed the statutory limit.

The following budget-to-actual analysis of administrative expenses schedule is based upon the budget, as approved by the LACERA governing boards, in comparison to actual administrative expenses.

Budget-to-Actual Analysis of Administrative Expenses
As of June 30, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Basis for Budget Calculation, Actuarial Accrued Liability [1]	**$68,527,354**	**$65,310,803**
Maximum Allowable for Administrative Expenses	143,907	137,153
Total Statutory Budget Appropriation	**$143,907**	**$137,153**
Operating Budget Request	94,600	88,622
Administrative Expenses	(85,384)	(82,906)
Underexpended Operating Budget	**$9,216**	**$5,716**
Administrative Expenses	85,384	82,906
Basis for Budget Calculation, Actuarial Accrued Liability [1]	68,527,354	65,310,803
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	**0.13%**
Limit per CERL	0.21%	0.21%
Administrative Expenses	85,384	82,906
Net Position Restricted for Benefits	$58,510,408	$58,294,836
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.15%**	**0.14%**

(1) The 2020 and 2019 budget calculations are based on the actuarial accrued liability as of June 30, 2018, and June 30, 2017, respectively.

NOTE M — Commitments and Contingencies

Litigation

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

Securities Litigation

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

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

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

LEASES

Equipment

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments and operating expenses for such equipment leases were approximately $236,000 and $263,000 in fiscal years 2020 and 2019, respectively.

Office Lease

The LACERA office space lease agreement was originally entered in January 1991. Subsequent amendments were made with the latest one dated March 31, 2019. LACERA agreed to reduce its leased space, while maintaining the existing lease agreement expiration date of December 31, 2020.

LACERA's lease agreement is also discussed in Note K — Related Party Transactions. The total operating expenses for leasing the building premises are $2.3 million and $2.1 million in fiscal years 2020 and 2019, respectively.

Capital Commitments

LACERA real estate, private equity, hedge fund, and activist investment managers identify and acquire investments on a discretionary basis. Investment activity is approved by the LACERA Board of Investments are controlled by investment management agreements which 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, 2020, outstanding capital commitments to the various investment managers, as approved by the LACERA Board of Investments, totaled $6.3 billion.

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

Program Description

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

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

On June 17, 2014, the Los Angeles County Board of Supervisors adopted changes to Los Angeles County Code Title 5 – Personnel, which established the Benefit Provisions for Tier 2.

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

Membership

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

LACERA Membership — OPEB Medical and Dental/Vision Benefits
As of June 30, 2020 and 2019

	2020		2019	
	Medical	Dental/ Vision	Medical	Dental/ Vision
Retired Participants				
Retired Members and Survivors	52,336	53,705	51,216	52,499
Spouses and Dependents	26,785	30,668	26,147	29,949
Total Retired	**79,121**	**84,373**	**77,363**	**82,448**
Inactive Members — Vested	8,657	8,657	8,618	8,618
Active Members — Vested [2]	73,522	73,522	72,660	72,660
Total Membership Eligible for Benefits	**161,300**	**166,552**	**158,641**	**163,726**

LACERA Membership — OPEB Death Benefits
As of June 30, 2020 and 2019

	2020	2019
Paid Death Benefits	2,314	2,538
Retired with Eligibility for Death Benefits [1]	58,738	57,409
Active Members — Vested [2]	73,522	72,660
Total Membership Eligible for Benefits	**134,574**	**132,607**

Benefit Provisions

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

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 persons 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 four percent per year, up to a maximum of 100 percent for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

---

(1) Survivors, spouses and dependents are not eligible for Death Benefits.

(2) Active Members include Terminated members that are vested (deferred) who are eligible to receive OPEB benefits. Active Members exclude non-vested (inactive) members that are ineligible for OPEB benefits.

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

Medicare Part B

The County reimburses the member's Medicare Part B Standard rate premiums paid by 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 Tier 2, 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 Tier 2, 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 retiree, paid by LACERA and then reimbursed to LACERA by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit.

Healthcare Reform

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

- Dependent Coverage for Adult Children up to Age 26
- Elimination of Lifetime Maximum Limits
- No Cost-Sharing for Approved Preventive Services

In December 2019, the Further Consolidated Appropriations Act (H.R. 1865) repealed the Health Insurer Fee and the Excise Tax beginning in calendar year 2021. The OPEB assumptions for the July 1, 2019 valuation reflect the exclusion of the Excise Tax and only reflect the Health Insurer Fee for calendar year 2020. There was a moratorium on the Health Insurer Fee in calendar year 2019 and H.R. 1865 removed the Health Insurer Fee after calendar year 2020.

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

Senate Bill (SB) 1088. Until July 1, 2014, SB 1088 exempted retiree-only plans, such as LACERA's from this provision. It required health plan carriers to offer the coverage to dependents up to age 26 but does not obligate the plan sponsor, the County of Los Angeles, to pay for coverage up to age 26. However, effective March 9, 2015, the County determined that it will pay for dependent coverage up to age 26 under the contribution method described above.

Summary of Significant Accounting Policies — OPEB Program

Basis of Presentation

OPEB activity is reported within two distinct funds, the OPEB Custodial Fund and the OPEB Trust Fund, at LACERA, in accordance with GASB Statement No. 74 (GASB 74).

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

The OPEB valuation groups the agents using the structure below. There are total of three agents participating in the OPEB Trust and seven agents included in the OPEB Program. The most recent Experience and Assumption Study conducted as of July 1, 2018, includes the population of all participating agents. Separate liabilities are calculated for the agents participating in the OPEB Trust.

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

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

OPEB Trust — Agent Plan

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

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

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

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

Premium Payments
During the fiscal years ended June 30, 2020 and 2019, respectively, premium payments of $627.2 million and $599.2 million were made to insurance carriers. These premiums were funded by employer subsidy payments of $578.0 million and participant payments of $49.2 million for the fiscal year ended 2020. The employer subsidy payments for the fiscal year ended 2019 were $551.4 million with participant payments of $47.8 million.

In addition, $73.6 million and $8.1 million was funded by employer subsidy payments for Medicare Part B reimbursements and death/burial benefits, respectively, for the fiscal year ended June 30, 2020 and $67.8 million and $8.6 million for these benefits, respectively, during the fiscal year ended June 30, 2019.

A Premium Holiday is a temporary period in which the monthly premium costs for both the Program Sponsor (County) and affected members are waived. Affected members are those retirees/survivors enrolled in certain medical and dental/vision benefit plans who also pay their share of the monthly premiums. There was no Premium Holiday during fiscal year 2020.

Excise Tax
The ACA originally contained provisions to assess an Excise Tax in 2018 on employer-provided health insurance benefits that the ACA determined to be an excess benefit. Additional legislation passed in January 2018 further delaying the Excise Tax implementation until 2022. In December 2019, H.R. 1865 repealed the Excise Tax.

Milliman recognized Excise Tax impact for funding purposes, and this impact was reflected within OPEB funding valuations through the July 1, 2018 report. The actuarial information prepared in accordance with GASB 75 also incorporated the impact of this Excise Tax. With the enactment of H.R. 1865, the Excise Tax was repealed which reduced benefit projections and positively impacted the OPEB Actuarial Accrued Liability for all agents, including the County's portion, beginning with July 1, 2019 funding valuation.

NOTE O — Hedge Fund Investments

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

At the beginning of the fiscal year, LACERA employed two hedge fund of funds managers, Grosvenor Capital Management (GCM) and Goldman Sachs Asset Management (GSAM), and one credit fund of funds manager, Grosvenor Capital Management. During the fiscal year, LACERA initiated the full redemption of the GCM and GSAM hedge fund of funds' portfolios. Furthermore, the GCM credit fund of funds portfolio entered its distribution phase. All three portfolios began returning cash in alignment with the liquidity terms of the portfolios or underlying managers. The relationship with GSAM ended on December 31, 2019. LACERA is managing the redemption process of the residual GSAM holdings. GCM is managing the redemption process of the GCM portfolios.

During the fiscal year, LACERA added two investment managers to the Direct hedge funds portfolio, increasing the portfolio to seven direct investments.

The investment performance for this strategy is measured separately from other asset classes. The fair values of assets invested in hedge funds as of June 30, 2020 and June 30, 2019, were $2.2 billion and $1.9 billion, respectively.

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

NOTE P — Fair Value

For the fiscal year ended June 30, 2016, LACERA adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles in the United States of America (U.S. GAAP or GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the investment securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

Equity and Fixed Income Securities

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

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

Investments in Hedge Fund, Private Equity, Real Estate, Equity and Fixed Income funds are valued at estimated fair value, as determined in good faith by the General Partner (GP), in accordance with GAAP fair value principles and in instances where no observable public market values are available. Investments which 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.

Real Estate Separate Account Investments

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

LACERA has the following recurring fair value measurements as of June 30, 2020 and 2019:

Investments and Derivatives Measured at Fair Value — Pension Plan
As of June 30, 2020
(Dollars in Thousands)

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

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2020

(Dollars in Thousands)

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

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

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

(3) **Hedge Funds:** This portfolio consists of 47 funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms, 66 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. The remaining 34 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.
LACERA's Hedge Funds portfolio invests in the following strategies:
(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.
(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.
(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.
(d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.
(e) Multi-Strategy: This strategy aims to pursue varying strategies to diversify risks and reduce volatility.
(f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.

(4) **Private Equity and Real Estate Funds:** LACERA's Private Equity portfolio consists of 224 funds, investing primarily in buyout funds, with some exposure to venture capital, special situation and co-investments. Due to contractual limitations, none of the 224 funds are eligible for redemption for up to 10 years. The Real Estate portfolio, composed of 23 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. Two out of 23 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years. For Real Estate investments held in separate accounts and debt program investments, See Note J - Special Purpose Entities.

Investments and Derivatives Measured at Fair Value — Pension Plan

As of June 30, 2019

(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	$506,275	$—	$506,194	$81
Corporate and Other Credit	2,598,402	—	2,592,875	5,527
Municipal / Revenue Bonds	58,251	—	58,251	
Non-U.S. Fixed Income	609,363	—	609,363	
Private Placement Fixed Income	1,950,914	—	1,950,914	
U.S. Government Agency	2,144,550	—	2,144,550	
U.S. Treasuries	1,605,167	—	1,605,167	
Pooled Investments	7,243	7,243		
Whole Loan Mortgages	27,205	—	—	27,205
Total Fixed Income Securities	**$9,507,370**	**$7,243**	**$9,467,314**	**$32,813**
Equity Securities				
Non-U.S. Equity	$1,811,817	$1,810,709	$1,100	$8
Pooled Investments	285,532	285,532		
U.S. Equity	13,932,458	13,920,038	11,499	921
Total Equity Securities	**$16,029,807**	**$16,016,279**	**$12,599**	**$929**
Collateral from Securities Lending	**$814,829**	**$—**	**$814,829**	**$—**
Total Investments by Fair Value Level	**$26,352,006**	**$16,023,522**	**$10,294,742**	**$33,742**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$8,548,547			
Equity	9,805,218			
Hedge Funds	1,890,739			
Private Equity	6,028,265			
Real Estate	6,192,619			
Total Investments Measured at NAV	**$32,465,388**			
Total Investments	**$58,817,394**			
Derivatives				
Foreign Exchange Contracts	($35,389)	$—	($35,389)	$—
Foreign Fixed Income Derivatives	5,868	(10)	5,878	—
Foreign Equity Derivatives	(223)	(223)	—	
U.S. Equity Derivatives	1,264	1,264	—	—
U.S. Fixed Income Derivatives	(33,038)	(314)	(32,724)	—
Total Derivatives	**($61,518)**	**$717**	**($62,235)**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2019

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds [1]	$8,548,547	$—	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds [2]	9,805,218	14,544	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds [3]	1,890,739	18,500	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity [4]	6,028,265	4,337,030	Not Eligible	N/A
Real Estate [4]	6,192,619	970,531	Quarterly or Not Eligible	30 days+ or N/A
Total Investments Measured at NAV	**$32,465,388**			

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

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

(3) **Hedge Funds:** The portfolio consists of 70 funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms, 78 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. The remaining 22 percent of fund assets are in self-liquidating funds which do not permit voluntary redemption/withdrawals or in funds that offer periodic liquidity that extends beyond the next 12 months.

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

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

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

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

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

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

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

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

(4) **Private Equity and Real Estate Funds:** LACERA's Private Equity portfolio consists of 207 funds, investing primarily in buyout funds, with some exposure to venture capital, special situation, and co-investments Funds. Due to contractual limitations, none of the 207 funds are eligible for redemption for up to 10 years. The Real Estate portfolio, composed of 23 funds, invests in both U.S. and non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued one quarter in arrears plus current quarter cash flows. Two 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, 2020
(Dollars in Thousands)

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

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2020
(Dollars in Thousands)

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

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

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2019
(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	$1,334	$—	$1,334	$—
Private Placement Fixed Income	2,500	—	2,500	—
Corporate and Other Credit	4,885	—	4,885	—
Pooled Investments	122,194	122,194	0	—
U.S. Treasuries	2,993	—	2,993	—
Total Fixed Income Securities	**$133,906**	**$122,194**	**$11,712**	**$—**
Total Investment by Fair Value Level	**$133,906**	**$122,194**	**$11,712**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$345,867			
Equity	624,039			
Real Estate Investment Trust (REIT)	120,247			
Total Investments Measured Trust at NAV	**$1,090,153**			
Total Investments	**$1,224,059**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2019
(Dollars in Thousands)

Investment by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	$345,867	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	624,039	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	120,247	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV [1]	**$1,090,153**			

(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, 2020
(Dollars in Thousands)

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

Investments Measured at Fair Value — OPEB Custodial Fund
As of June 30, 2019
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$9,414	$—	$9,414	$—
Private Placement Fixed Income	10,846	—	10,846	—
Corporate and Other Credit	36,820	—	36,820	—
U.S. Treasuries	61,607	—	61,607	—
Total Fixed Income Securities	**$118,687**	**$—**	**$118,687**	**$—**
Total Investments by Fair Value Level	**$118,687**	**$—**	**$118,687**	**$—**

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

Establishment of Los Angeles County (County) OPEB Trust

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

The County OPEB Trust was a step by the County to reduce its OPEB unfunded liability. It provides a framework where the County contributes to the Trust and may transition, over time, from funding post-retirement benefits on a pay-as-you-go model to a prefunding model. 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 used to pay expenses associated with future OPEB benefits, such as medical, dental and vision provided by the Retiree Healthcare Program including retiree death/burial benefit. The participating employers will be responsible for and have full discretion over the timing of payments into the Trust. The use of those assets is restricted for OPEB purposes as defined in the Trust Agreement. There are only two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Establishment of Los Angeles Superior Court (Court) OPEB Trust

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

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

In June 2016, similar to the County, the Court entered into a Trust and Investment Services Agreement with the LACERA Board of Investments.

OPEB Master Trust

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

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

Funding Policy

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

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

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

Investment Policies — OPEB Master Trust

Investment Policy

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

Target Allocation

The Board's revised asset allocation policy, adopted in December 2017, divides the Trust into four broad functional categories and contain asset classes that align with the purpose of each function. The Board has approved target weights at both the functional category and asset class level to provide for diversification of assets in an effort to meet the OPEB Program's actuarial assumed rate of return, consistent with market conditions and risk control. The functional categories have target weights of 50.0 percent in Growth, 20.0 percent in Credit, 10.0 percent in Risk Reduction and Mitigation, and 20.0 percent in Inflation Hedges, respectively.

Schedule of Target Allocation
As of June 30, 2020

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

Investment Concentrations
At June 30, 2020, the OPEB Master Trust held approximately 50.6 percent in Growth, 19.8 percent in Credit, 10.0 percent in Risk Reduction and Mitigation, and 19.6 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.

Money-Weighted Rate of Return
For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expense, was 0.45 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts. Historical returns will be presented as they become available in the Schedule of Investment Returns – OPEB Program in the Required Supplementary Information section of this report.

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

During fiscal years ended June 30, 2020 and 2019, the County, Superior Court, and LACERA made total prefunding contributions to the OPEB Trust of $248.2 million and $235.6 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, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Los Angeles County	$246,197	$230,495
LACERA	1,029	940
Superior Court	1,000	4,178
Total Contributions [1]	**$248,226**	**$235,613**

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

Administration

The OPEB Trust administration costs include payments for investment management fees, custodial fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $1.1 million and $1.0 million for fiscal years ended June 30, 2020 and 2019, respectively. The increase was due to asset re-balancing and the addition of new investment accounts. For purposes of the GASB required financial statement reporting, the actuary reclassified approximately $9.1 million of costs from benefit payments to administrative expenses to the OPEB Trust. These costs are paid from premiums, which include a flat administrative charge of $8 per contract per month and the administrative fee is included in the premium payments.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2020 and 2019

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

	2019				
	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Total
Los Angeles County	$422,862	$234,407	$52,711	$175,395	$885,375
LACERA	1,620	902	203	11,693	$14,418
Superior Court	18,033	9,392	2,086	46,772	$76,283
Total Expenses	**$442,515**	**$244,701**	**$55,000**	**$233,860**	**$976,076**

Fund Values

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

Fund Values — OPEB Trust

As of June 30, 2020 and 2019

(Dollars in Thousands)

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

	2019		
	Book Value	Unrealized Investment Appreciation	Fair Value
Los Angeles County	$1,049,568	$139,838	$1,189,406
LACERA	4,059	538	4,598
Superior Court	39,794	4,680	44,473
Total Balance	**$1,093,421**	**$145,056**	**$1,238,477**

NOTE R — Global Pandemic

In early February 2020, LACERA's Executive Office identified the Coronavirus COVID-19 pandemic as a serious health threat and took immediate action. Communications lines were quickly established with our business partners including the Los Angeles County Department of Public Health and the County Human Resources Department. To protect the health and safety of LACERA staff, preliminary protocols were established for employees including self-monitoring of physical symptoms and personal travel voluntary reporting. The organization canceled all nonessential business travel until further notice. Over the next several weeks, LACERA also initiated regularly communication to staff if and when there were COVID-19 related incidents in the workplace and created a centralized location for important information.

Staff quickly initiated safety precautions when interacting with members through the Member Service Center (MSC) which is located in LACERA's offices to provide in-person services to all members. By the middle of March, LACERA had closed its MSC and cancelled all outreach programs until further notice, but was continuing to communicate with and provide services to members services by telephone and through voicemail. Regular communication regarding these abrupt changes was provided to all members.

By mid-March a majority of LACERA staff had been deployed to work remotely, leveraging available technological tools and devices at that time. Alternating staff schedules were implemented to limit the number of staff at LACERA's premises and staff centered technology was rapidly and significantly expanded. New tools provided all of the existing resources remotely, radically expanded communication facilities and group meeting capabilities. Information technology professionals focused on providing access while implementing strict security protocols.

In April 2020, the LACERA Call Center, which serves as the centralized customer service outlet, was re-established through remote platform, with the ability to provide all regular member services. Member retirement counseling via video conference was also deployed and received high ratings from members. Despite LACERA's compromised position to interact with members, all members who elected to retire by March 31 were processed and included in the April month-end benefits payroll cycle.

Since March, LACERA's Benefits, Investment Office, Financial and Accounting Services Division (FASD), Retiree Health Care, and Information Systems Divisions have worked diligently with our external business partners to ensure that monthly member payroll and healthcare benefits were processed. In other words, the members have received their monthly retirement benefits on time in spite of the pandemic. The Investment Office and FASD tightened their partnership to ensure that investment transactions were completed on-time, accurately and with the proper security controls. Routine processes have been executed throughout this period including, payment of management fees and organizational expenses, collection of contributions from plan sponsor employers and employees, and completion of ad-hoc requests to process member benefits.

LACERA is navigating through these turbulent times with continuous guidance from the Trustees of both LACERA's governing Boards, the Board of Retirement and Board of Investments. As you will find throughout this CAFR, the actions taken by LACERA's Boards and executive leadership have resulted in a healthy financial position at the end of June. Although the economic and investment environments can sometimes present unique challenges, LACERA's plan sponsors continued to provide regular contributions and the investment portfolio generated a positive return, which fund the retirement benefits and provide retiree healthcare for members. The organization’s administrative budgeted expenditures and financial flows, including the ability to pay benefits, remained consistent with prior years. LACERA, from a financial perspective, has remained steady through this pandemic maintaining a long-term focus and investment strategy, as we closed the fiscal period and prepared for the next one.

The LACERA Boards, Executives and management team have laid the foundation that will guide LACERA operations going forward with safety, health and security in mind. Organizational protocols for staff were developed and distributed for in-office contact, physical barriers have been installed while other office suite and building modifications are in progress, alternative staffing plans and schedules are being developed, all while the local, regional, and national health information is closely monitored. LACERA’s goal, as always, is to provide members with the service they deserve and expect whether it is provided through a telephone call, via a video chat, or in-person at LACERA’s offices, and each day we continue to move forward.

As of the date of issuance of the financial statements, management’s thoughtful strategy and adaptive approach have caused LACERA’s business operations to endure with no significant impact, however, LACERA continues to monitor the evolving situation. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while LACERA’s results of operations and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

NOTE S — Subsequent Events

Subsequent events have been evaluated by management through October 15, 2020, which is the date the financial statements were issued.

This page intentionally left blank.

FINANCIAL SECTION
(REQUIRED SUPPLEMENTARY INFORMATION)

This page intentionally left blank.

Schedule of Net Pension Liability [1]

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	$76,579,594	$70,309,252	$67,057,218	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Less: Fiduciary Net Position	(58,510,408)	(58,294,837)	(56,299,982)	(52,743,651)	(47,846,694)	(48,818,350)	(47,722,277)
Net Pension Liability	$18,069,186	$12,014,415	$10,757,236	$11,288,026	$10,681,763	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	76.40%	82.91%	83.96%	82.37%	81.75%	86.30%	86.80%
Covered Payroll [2]	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	207.12%	143.54%	135.18%	147.81%	146.73%	111.55%	108.72%

Total Pension Liability

The Total Pension Liability was determined by an actuarial valuation as of the valuation date, based on the discount rate and actuarial methods and assumptions noted below, and was then projected forward to the measurement date taking into account any significant changes between the valuation date and the fiscal year-end as prescribed by GASB Statement No. 67.

Discount Rate

	2020	2019	2018	2017	2016	2015	2014
Discount Rate	7.13%	7.38%	7.38%	7.38%	7.63%	7.63%	7.63%
Long-Term Expected Rate of Return, Net of Expenses	7.00%	7.25%	7.25%	7.25%	7.50%	7.50%	7.50%
Municipal Bond Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Milliman's January 2020 Investigation of Experience analysis was used to develop the 7.13 percent assumption used for the current reporting date. This is equal to the 7.00 percent long-term investment return assumption adopted by the Board of Investments (net of investment and administrative expenses), plus 0.13 percent assumed administrative expenses.

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

Other Key Actuarial Assumptions

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

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement/ Reporting Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

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

(2) In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based.

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

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$1,301,460	$1,239,396	$1,220,274	$1,106,755	$1,069,328	$1,024,288	$1,009,834
Interest on Total Pension Liability	5,154,164	4,916,804	4,699,493	4,393,712	4,214,834	4,073,299	3,957,030
Effect of Plan Changes	—	—	—	—	—	—	—
Effect of Assumption Changes or Inputs	2,626,103	—	—	3,079,892	—	—	—
Effect of Economic/ Demographic (Gains) or Losses	794,955	502,989	309,149	(47,506)	(437,039)	(736,010)	—
CalPERS Transfer	—	—	—	—	—	332	—
Benefit Payments and Refund of Contributions	(3,606,340)	(3,407,155)	(3,203,375)	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Net Change in Total Pension Liability	$6,270,342	$3,252,034	$3,025,541	$5,503,220	$1,957,937	$1,593,499	$2,304,463
Total Pension Liability - Beginning	70,309,252	67,057,218	64,031,677	58,528,457	56,570,520	54,977,021	52,672,558
Total Pension Liability - Ending (a)	$76,579,594	$70,309,252	$67,057,218	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Fiduciary Net Position							
Contributions - Employer [2]	$1,800,137	$1,668,151	$1,524,823	$1,331,357	$1,403,709	$1,455,718	$1,281,795
Contributions - Metropolitan Transportation Authority	—	—	—	2	3	25	—
CalPERS Transfer	—	—	—	—	—	332	—
Contributions - Member [2]	659,296	635,415	591,262	526,579	498,083	480,158	477,648
Net Investment Income	1,432,547	3,163,618	4,705,949	6,129,300	80,588	1,989,358	6,910,439
Net Miscellaneous Income	1,985	5,626	5,163	6,182	2,792	1,483	—
Benefit Payments and Refund of Contributions	(3,606,340)	(3,407,155)	(3,203,375)	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Administrative Expenses	(72,054)	(70,800)	(67,491)	(66,830)	(67,645)	(62,591)	(58,723)
Net Change in Fiduciary Net Position	$215,571	$1,994,855	$3,556,331	$4,896,957	($971,656)	$1,096,073	$5,948,758
Fiduciary Net Position - Beginning	58,294,837	56,299,982	52,743,651	47,846,694	48,818,350	47,722,277	41,773,519
Fiduciary Net Position - Ending (b)	$58,510,408	$58,294,837	$56,299,982	$52,743,651	$47,846,694	$48,818,350	$47,722,277
Net Pension Liability - Ending (a) - (b)	$18,069,186	$12,014,415	$10,757,236	$11,288,026	$10,681,763	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	76.40%	82.91%	83.96%	82.37%	81.75%	86.30%	86.80%
Covered Payroll [3]	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	207.12%	143.54%	135.18%	147.81%	146.73%	111.55%	108.72%

(1) Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) In accordance with GASB Statement No. 82, employer pick-up contributions are classified as Member Contributions.
(3) In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based.

Changes in Pension Plan Assumptions

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

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

2019 Assumption Changes

The Board adopted a decrease in the investment return assumption to 7.00 percent. The CPI assumption of 2.75 percent and general wage growth assumption of 3.25 percent remained unchanged.

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

2016 Assumption Changes

The Board adopted a decrease in the investment return assumption to 7.38 percent, a decrease in the CPI assumption to 2.75 percent, and a corresponding decrease in the general wage growth assumption to 3.25 percent.

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

Schedule of Employer Contributions History — Pension Plan

Last 10 Fiscal Years

(Dollars in Thousands)

	2020 [2]	2019 [2]	2018 [2]	2017 [1], [2]	2016 [2]	2015 [2]	2014 [2]	2013 [1]	2012	2011
Actuarially Determined Contributions	$1,800,137	$1,668,151	$1,524,823	$1,331,357	$1,403,709	$1,455,718	$1,281,795	$1,172,014	$1,078,929	$944,174
Contributions in Relation to Actuarially Determined Contributions	1,800,137	1,668,151	1,524,823	1,331,357	1,403,709	1,455,718	1,281,795	1,172,014	1,078,929	944,174
Contribution Deficiency/ (Excess)	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—
Covered Payroll [3]	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886	$6,595,902	$6,619,816	$6,650,674
Contributions as a Percentage of Covered Payroll	20.63 %	19.93 %	19.16 %	17.43 %	19.28 %	20.95 %	19.21 %	17.77 %	16.30 %	14.20 %

(1) Portion of contributions fulfilled by transfers from County Contribution Credit Reserve: $21,891 (FYE 2017, Superior Court) and, $448,819 (FYE 2013, County).
(2) In accordance with GASB Statement No. 82, employer pick-up contributions are classified as Member Contributions.
(3) In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based.

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

Schedule of Investment Returns — Pension Plan [1]

For the Fiscal Years Ended June 30

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

(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 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 the Plan liabilities, and employer and employee contributions, are based on the results of the 2019 triennial investigation of experience (experience study). The June 30, 2019 actuarial valuation prepared by the consulting actuary reflects all assumptions adopted by the LACERA Board of Investments in January 2020. The LACERA Board of Investments approved a three-year phase-in of the changes to employer contribution rates.

Key Methods and Significant Assumptions[1]

Description	Method
Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions calculated for the June 30, 2019 valuation are applied for the fiscal year July 1, 2020 to June 30, 2021.
Actuarial Cost Method	Entry Age Normal.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.00 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2019 valuation.
Consumer Price Index	Increase of 2.75 percent per annum. This rate was adopted beginning with the June 30, 2016 valuation.
Wage Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.51 percent to 12.54 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage level of membership.
Asset Valuation Method	Assets are valued using a five-year smoothed method based on the difference between expected market value and actual market value. The recognition method is non-asymptotic, and there is no minimum or maximum corridor applied.
Amortization Method	The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. Effective June 30, 2019 existing UAAL layers as of June 30, 2018 are amortized over their remaining periods, not to exceed 22 years. Each new layer effective on or after June 30, 2019 is amortized over a 20-year period. The UAAL contribution rate calculated in the June 30, 2019 funding valuation includes 11 layers.
Retirement Age	A schedule of the probabilities of employment termination based on age due to a particular cause is used. For additional information, see the Probability of Occurrence tables in the Actuarial Section.

(1) Assumptions applied to funding valuation calculations may vary with those applied to GASB 67 calculations.

Key Methods and Significant Assumptions (continued)

Description	Method
Cost-of-Living Adjustments (COLA)	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. This rate was adopted beginning with the June 30, 2016 valuation.
Mortality	Various rates based on Pub-2010 mortality tables and using MP-2014 Ultimate Projection Scale. See June 30, 2019 funding valuation for details.
Recognition of Inflows/ Outflows	
Gains or Losses	
Investment	Straight-line amortization over five years.
Economic/Demographic	Straight-line amortization over expected working life.
Assumption Changes or Inputs	Straight-line amortization over expected working life.

Schedule of Investment Returns — OPEB Program [1]
For the Fiscal Years Ended June 30

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

(1) Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) Money-Weighted Rate of Return is calculated as the internal rate of return on OPEB Trust investments, net of investment expenses.

FINANCIAL SECTION
(OTHER SUPPLEMENTARY INFORMATION)

This page intentionally left blank.

Administrative Expenses — Pension Plan
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Personnel Services		
Salaries and Wages	$42,554	$40,490
Employee Benefits	24,023	22,626
Total Personnel Services	**$66,577**	**$63,116**
Consultant & Professional Services		
County Department Services	$281	$273
External Audit Fees	481	312
Legal Consultants	1,532	1,689
Professional Services	363	460
Temporary Personnel Services	2,749	2,831
Total Consultant & Professional Services	**$5,406**	**$5,565**
Operating Expenses & Equipment		
Administrative Support	$221	$218
General Expenses	864	965
Computer Software	2,050	1,990
Disability Medical Service Fees	2,043	1,763
Educational Expenses	772	1,021
Equipment	945	1,346
Facilities Operations	2,973	3,277
Insurance	593	658
Printing	790	742
Postage	1,163	897
Telecommunications	550	564
Transportation and Travel	437	784
Total Operating Expenses & Equipment	**$13,401**	**$14,225**
Total Administrative Expenses	**$85,384**	**$82,906**

Schedule of Investment Expenses

For the Fiscal Years Ended June 30, 2020 and 2019

(Dollars in Thousands)

	Pension Plan		OPEB Master Trust		OPEB Custodial Fund	
	2020	2019	2020	2019	2020	2019
Investment Management Fees						
Cash and Short-Term	$818	$644	$12	$10	$22	$20
Commodity	3,813	4,640	77	62	—	—
Global Equity	48,077	47,146	133	177	—	—
Fixed Income	27,687	37,950	1,014	808	74	68
Hedge Fund	49,768	42,177	—	—	—	—
Private Equity	165,842	153,753		—	—	—
Real Estate	54,571	54,375	71	79	—	—
Total Investment Management Fees [1]	**$350,576**	**$340,685**	**$1,307**	**$1,136**	**$96**	**$88**
Other Investment Expenses						
Consultants	$2,989	$3,679	$55	$55	$—	$—
Custodian	2,624	2,738	333	245	29	32
Legal Counsel	189	285	10	—	—	—
Other	3,490	6,954	—	—	—	—
Total Other Investment Expenses	**$9,292**	**$13,656**	**$398**	**$300**	**$29**	**$32**
Total Fees & Other Investment Expenses	**$359,868**	**$354,341**	**$1,705**	**$1,436**	**$125**	**$120**

(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.

Schedule of Payments to Consultants — Pension Plan
For the Fiscal Years Ended June 30, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Actuarial		
Actuarial Valuations and Consulting Services	$397	$333
Audit		
External Audit Services	$481	$312
Legal		
Investment Legal Counsel	$189	$285
Legislative Consulting	261	272
Other Legal Services	1,272	1,417
Sub-total	$1,722	$1,974
Management		
Management and Human Resources Consulting	$69	$182
Information Technology Consulting	1	74
Sub-total	$70	$256
Total Payments to Consultants	**$2,670**	**$2,875**

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

This page intentionally left blank.

INVESTMENT SECTION

This page intentionally left blank.

MEKETA
INVESTMENT GROUP

September 21, 2020

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

Dear Board Members,

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

This letter reviews the investment performance of LACERA for the fiscal year ending June 30, 2020.

Fiscal Year 2020 Calendar Year in Review

The past year has seen remarkable shifts in economic and financial market performance. We entered fiscal year 2020 facing considerable uncertainty regarding the path of fiscal and monetary policies, elevated valuations, declining growth in China, a general slowdown in global growth, the potential for additional trade issues, and political uncertainty in Europe (Italy, Greece, Brexit). All of these concerns weighed heavily on most investors' minds. Fast forward to where we sit today at the close of the 2020 fiscal year and much has changed in the world.

The start of the fiscal year was characterized by widespread concerns regarding slowing global growth. This backdrop of uncertainty prompted major central banks to continue their pivot towards more accommodative policies. Here in the US, ongoing concerns regarding a decline in growth and the trade standoff between the US and China played a key role in the Federal Reserve's decision to cut rates several times, and eventually settle at a range of 1.50-1.75% by December 2019. Considering that the Fed had previously embarked on what was characterized as a fairly aggressive rate-hiking cycle until late 2018 given improvements in the economy, this represented a stark reversal of course. Fed Chairman Jerome Powell indicated that these so called "insurance cuts" were to combat recent weakness in the economy and was not necessarily a part of a longer cycle of interest rate cuts.

Outside of the US, major central banks, notably the European Central Bank ("ECB") and the Bank of Japan, affirmed similar accommodative policy stances. ECB President Mario Draghi, in one of his last formal acts as President, re-initiated the ECB's quantitative easing program, prior to being succeeded by Christine Lagarde in November 2019. Continued monetary accommodation, and increasing whispers of more formal fiscal support, set the stage for strong performance in global equities and other risk assets at the end of 2019.

Calendar year 2019 finished strong as a result of broadly accommodative policy stances, coupled with optimism about the pass-through of easier monetary policy to better economic prospects. US equities led the way in the second half of the year, with the Russell 3000 Index posting a return of 10.4%, followed by emerging market equities (MSCI Emerging Markets Index) producing a return of 7.1%, and developed international markets (MSCI EAFE Index) generating a return of 7.0%. With interest rates declining towards multi-decade lows, spread sectors within bond markets enjoyed strong performance as well. Local currency emerging markets debt, US investment grade corporate debt, and US high yield debt led the way; the JP Morgan GBI-EM Global Diversified, Bloomberg Barclays US Corporate Investment Grade, and Bloomberg Barclays US Corporate High Yield indices generated total returns of 4.4%, 4.3%, and 4.0%, respectively in the second half of 2019. The VIX Index (a measure of volatility expectations), which saw a jump in Q4 2018 above 30.0 before ending the year at 25.4, fell markedly as the year came to a close, ending 2019 at an extremely benign level of 13.8. Gold ended the year with a reasonably strong gain, trading at $1,519.50 at the end of 2019, up from $1,278.30 at the end of 2018. WTI Crude ended 2019 at $61.10, an increase from its year-end 2018 level of $45.15.

By most accounts, global financial markets entered 2020 on relatively strong footing. Equity markets continued their march higher early in the year, despite elevated valuations, as investors increasingly began to price in a reflationary growth impulse, as suggested by leading economic indicators in global developed and emerging markets. However, a relatively optimistic backdrop underwent a remarkably rapid shift over the course of just a few weeks.

In January, the first COVID-19 case was acknowledged by Chinese authorities, reportedly originating in Wuhan, China. The actual timeline of the spread of the virus and its origination continue to be the subject of much speculation. With limited historical precedent, market participants leaned on China's relative success in containing SARS as indicative of the path of COVID-19. By March, the virus began to spread globally, particularly in Europe, with Italy and Spain reporting massive spikes in infections and, sadly, mortality rates. Clearly, where SARS was quickly contained, COVID-19's infection rate had exploded globally. By virtue of greater freedom of travel and 21st century globalization, the virus spread far more quickly than was initially expected based on previous viral outbreaks. In March, in an effort to contain the spread, countries responded by enacting stringent lockdown, or "stay at home orders" leading to an abrupt halt in production and consumption. Layoffs expanded dramatically and swiftly, as businesses were forced to close down in an effort to stop the disease from spreading.

The impact on financial markets was extreme. Global equity markets rapidly entered bear market territory, and continued their path downward throughout the month of March, as market participants attempted to price in the impact of a cessation of a large portion of global economic activity. With limited data on COVID-19, the pendulum clearly swung towards pessimism regarding the virus' impact and the likely path of activity going forward. After ending the year 2019 below 14, the VIX spiked above its prior peak during the Global Financial Crisis, briefly breaching 80 in early March. In the US, circuit breakers were triggered at the New York Stock Exchange, with markets opening limit down, on March 9th and March 16th. At the depth of the drawdown from January 1, 2020 to March 23, 2020, the Russell 3000 Index was down -31.6%, the MSCI EAFE Index (developed market equities) was down -33.2%, and the MSCI Emerging Markets Index (emerging market equities) was down -31.8%. The perception of acute stress in credit markets, both in the US and abroad, led to solvency fears; the Barclays High Yield index fell -19.8%. Investors universally fled risk assets, in all forms, during the selloff in favor of perceived safer assets like US Treasuries.

Over this same time period, the spread between large cap stocks, which went into the shock with stronger financial positions and have tended to experience less volatility in drawdowns, and small cap stocks, which are more pro-cyclical and volatile, widened during the selloff. Whereas the Russell 1000 Index fell by 31.1%, the Russell 2000 Index fell by 39.7%, a spread of nearly 10 percentage points. Going further, the ever-widening performance gap between growth and value, which we have highlighted in past CAFR reviews, persisted. The spread between large cap growth and small cap value expanded during the selloff, with the Russell 1000 Growth Index declining 25.1% and the Russell 2000 Value Index falling 44.3%, for a spread of nearly 20 percentage points.

The rapid unwind of risk in early 2020, one of the fastest market selloffs in modern financial history, reinforced the importance of diversification. While equity and credit markets fell precipitously, investment grade bonds provided an offset for investors. The Bloomberg Barclays US Aggregate generated a return of 1.0% over the course of the drawdown noted above, and long-term treasuries, measured by the Bloomberg Barclays Long US Government index, generated a return of 20.2%.

The volatility of the pandemic was exacerbated by volatility in oil prices, which experienced a rapid collapse early in the year. The COVID-19 related restrictions weighed heavily on demand, with Saudi Arabia's untimely decision to flood the market with oil to gain market share creating further stress on prices. Oil futures briefly traded at negative price levels during the depths of the crisis, as demand collapsed and storage capacity dwindled. The May WTI futures contract briefly exchanged hands at nearly -$40 per barrel. Commodity and natural resource asset classes both participated in the broader market selloff; the Bloomberg Commodity Index and the S&P Global Natural Resources Index were down -23.4% and -44.6% at the trough, respectively. While the futures curve has since normalized, the oil supply/demand dynamic remains in flux. OPEC+ (inclusive of additional key producers such as Russia) reached a supply cut agreement in April that supported prices and stabilized the market.

To combat the expected, significant decline in economic activity, fiscal and monetary authorities globally responded with immediate and historic stimulus measures. The Federal Reserve, in the midst of the March drawdown, immediately cut the Fed Funds Target Rate effectively to zero, and subsequently introduced aggressive stimulus measures, including backstop liquidity, funding programs, and trillions of dollars in promised asset purchases. Meanwhile, fiscal authorities released over $2.4 trillion in targeted stimulus, with the promise of additional measures in the future. Importantly, both the speed of the response, and the breadth of the response, made the joint monetary/fiscal stimulus unprecedented.

In Japan and Europe, similarly aggressive monetary and fiscal measures were implemented, although it should be noted that they entered the crisis with no room to cut policy rates, so their focus was on quantitative easing and fiscal measures.

Robust stimulus across global developed and emerging economies, coupled with incremental positive news regarding the spread of COVID-19, and economies slowly reopening, set the stage for a relatively rapid rebound in risk assets in the second quarter. While the pace of the deceleration in economic activity was rapid, and data for the second quarter has been relatively dire in absolute terms, market participants are largely taking a longer-term view with expectations for a recovery in economic activity later this year and into 2021. In the second quarter of 2020, the Russell 3000 (US equities), the MSCI EAFE, (developed market equities), and the MSCI Emerging Markets (emerging market equities) Indices generated total returns of 22.0%, 14.9%, and 18.1%, respectively. Given support from the Federal Reserve and increased risk appetite, credit recovered rapidly as well, with the Bloomberg Barclays US High Yield index generating a return of 10.2%. The broader fixed income market, as measured by the Bloomberg Barclays US Aggregate, benefitted from monetary stimulus, producing a 2.9% total return. While the VIX remained elevated relative to its pre-crisis levels at 30.4 as of June 2020, it had fallen significantly since the peak of the crisis in the first quarter. Equally, bond market volatility as measured by the MOVE Index, fell to nearly a record low.

An investor who had not been following current events over the past year and only chose to look at US equity market performance, could be forgiven for thinking that little had changed regarding the prevailing market regime. Despite a massive risk-off event in the first quarter of 2020 associated with a global pandemic, risk assets have, in some cases, posted moderately positive returns over the past fiscal year. US equities, as represented by the Russell 3000 Index, finished the fiscal year with a 6.5% return. Emerging markets (MSCI Emerging Markets) delivered -3.4% for the year. The MSCI EAFE Index was the worst performer among the headline global regions, posting a total return of -5.1%.

Several important trends underneath the headline results merit emphasis. In the US, the spread between large cap stocks and small cap stocks remains extremely wide. The Russell 1000 Index produced a total return of 7.5% over the fiscal year, whereas the Russell 2000 Index generated a total return of -6.6%.

The spread between growth and value also remains stubbornly wide; the Russell 1000 Growth's return of 23.3% during the fiscal year far outpaced the Russell 1000 Value's total return of -8.8%. Key to the persistent spread between value and growth has been the sector composition of the Value and Growth indices. The Russell 1000 Value's large financials and utilities overweights, coupled with large information technology and consumer discretionary underweights, relative to the Russell 1000 Growth, were key contributors. The two benchmarks' relative allocations to financials and information technology alone generated a performance spread of 14.1% in favor of the growth index. An even starker contrast can be observed between large cap growth (Russell 1000 Growth at 23.3%) and small cap value (Russell 2000 Value at -17.5%) where the total return spread was a massive 40.8%.

Within international developed markets, the MSCI EAFE opportunity set, of which Japan, the UK, and the Eurozone are featured most heavily, underperformed relative to the US and emerging markets. This can largely be attributed to the weak footing on which they entered the crisis to begin with, the robust spread of COVID-19, and the stringency of lockdowns in many of these economies. Within emerging markets, an extremely wide spread between countries that were able to manage the virus' spread and deployed aggressive countermeasures (e.g., China: 9.9% return) relative to countries facing already dire economic circumstances (e.g., Brazil: -33.4%, Mexico: -25.2%, and South Africa: -24.9%) was relatively extreme.

The same style regime observed in the US, with growth outperforming value, persisted in both developed and emerging international markets. Again, the relative performance of financials, information technology, and consumer stocks were key drivers of the spread between value and growth indices.

Fixed income markets generated relatively strong results, due to a collapse in global yield curves coupled with a robust liquidity backstop from central banks. The Bloomberg Barclays US Aggregate produced a total return of 8.7% over the past year. High yield bonds retraced their earlier losses, with the Bloomberg Barclays US High Yield index finishing flat over the fiscal year. However, the standout performer within fixed income has been long maturity Treasuries, with the Bloomberg Barclays Long US Government index gaining an impressive 25.1% over the past year.

While equities, and especially large cap growth equities, as well as fixed income, produced relatively strong results despite the COVID-19 shock, we have seen mixed results from other asset classes. While energy prices recovered to some extent, with WTI Crude Oil trading at $39.28 at the end of the fiscal year, the current level still represents a significant drawdown relative to even a year ago, when it traded at $58.20. Natural resource stocks and commodities, on account of uncertainty regarding supply gluts, especially in the oil market, and the uncertainty regarding the recovery of demand, produced weak total returns. The S&P Global Natural Resources Index returned -16.8% while the Bloomberg Commodity Index returned -17.4%. One of the hardest hit asset classes in markets in 2020 has been real estate, where fears regarding utilization rates in commercial real estate have prevented the asset class from participating in the recovery to the same extent as other asset classes. The MSCI U.S. REIT Index returned -12.9%.

2021 Outlook

Looking ahead, we acknowledge the wide breadth of new issues being presented by the pandemic, amongst those are: 1) economies opening up too soon from virus-related restrictions, and ultimately having to retract and “close down” again, 2) consumers permanently, or for an extended time, changing economic behaviors; 3) persistently high unemployment due to a significant number of companies not surviving the economic downturn; 4) virus-related fears negatively impacting the future of globalization, 5) an increase in sovereign debt risk due to the record issuance by governments; and 6) knock-on effects of unprecedented central bank intervention, including over-extended equity markets and the risk of unexpected inflation.

Globally, countries continue to tentatively ease their lockdown measures, as politicians face increasing pressure to get economic growth and employment back on track after a rapid and severe disruption. As a result, local outbreaks of the virus have arisen in the US and abroad, forcing local restrictive measures in harder-hit areas. The continued need for careful management of the spread of the virus is likely to prompt additional volatility in financial markets. Since market participants remain focused on developments regarding COVID-19, its trajectory will be a key driver of market volatility in the near-term.

We have already observed a rapid change in consumption preferences in the US in the wake of the initial COVID-19 shock. The US savings rate spiked to an unprecedented level, and remains elevated when compared to historical trends. This represents a potential opportunity, as it could represent pent-up demand and, eventually dissaving to increase consumption. However consumer confidence has not fully recovered, and without certainty regarding the path of the virus, survey data suggest that most in the US have chosen to build cash as a defense against further issues with COVID-19, rather than spend aggressively. Importantly, survey data also suggest that stimulus checks were not used for durable goods purchases, and instead were either saved or spent on necessary staples. Until consumers build more confidence in the path of COVID-19, the testing regime improves, and the outlook for a vaccine becomes less opaque, it is likely that consumer confidence, and thus consumption itself, will remain muted relative to pre-crisis levels, placing a damper on the prospective economic recovery.

Unemployment, despite a gradual re-opening of the US economy over the past quarter, remains stubbornly high after spiking to a post-World War II record. Unemployment as of the end of the fiscal year remained at 11.1%. The Bureau of Labor Statistics has also cautioned that considerable uncertainty exists around data quality; the actual numbers could be far better than reported, or far worse. A continued decline in unemployment from its current level will follow an easing of COVID-19 related restrictions, especially in the hard-hit service sector, as well as additional fiscal support. Conversely, companies continue to right-size their workforces to cope with a collapse in their top-lines and increasing solvency risk. The longer that uncertainty regarding the virus persists and leads to measures that are likely to stifle economic activity, the weaker business confidence will continue to be. This increases the risk that many layoffs, which might have been perceived as temporary, could become permanent, resulting in a higher equilibrium rate of unemployment.

COVID-19 has had a meaningful impact on the already-tapering long-term trend towards globalization in the 21st century. In some cases, local trade conflicts have arisen and have been resolved, but the trend towards the re-localization of supply chains is likely to accelerate in the wake of the crisis. The most obvious example of this trend is the continued, protracted conflict between the US and China. While the conflict was set aside in the early stages of COVID-19, it has been rekindled in recent months. The current US presidential administration’s foreign policy approach has increasingly shifted towards a more aggressive anti-China stance. COVID-19 also exposed the reliance of some countries on choke-points in global supply chains that they will undoubtedly seek to address going forward. Global policymakers, such as ECB President Christine Lagarde, have acknowledged that de-globalization is likely to persist in the wake of the virus, beyond the US/China conflict. The risk is most severe for countries that have become reliant on foreign investment and export-driven growth. If global economies increasingly focus on domestic products, export-oriented economies are likely to suffer inordinately in this type of environment.

Historically, crisis periods have often witnessed concurrent periods of either voluntary or involuntary deleveraging, at the sovereign, corporate, and consumer levels. In 2008, for example, the US experienced a rapid de-leveraging in the mortgage market that quickly spread out to corporates and consumers.

In 2020, while consumers entered the crisis in a reasonable financial position, corporates and sovereigns did not. In the US, for example, corporate solvency was a meaningful source of uncertainty even prior to the crisis, as debt built up in the US corporate debt market. With the COVID-19 shock, fears that an economic crisis would become a financial crisis, where in the GFC the opposite had been the case, gripped the markets in March. The Federal Reserve, seeking to prevent this outcome, chose to intervene by essentially backstopping corporate credit. As a result, corporate leverage has rapidly increased, where the opposite was true in previous cycles. Alongside this trend, the US government has massively increased the size of the fiscal deficit in order to support those facing temporary income loss due to unemployment. Suddenly, the US faces the need to finance a widening budget deficit; a large slate of debt issuance will test global investors' willingness to finance a weakening US fiscal position, which could have considerable knock-on effects for interest rates and thus global risk assets. The US, within both the corporate and sovereign sector, continues to push the boundary of investors' appetite for debt.

The evolution of economic growth, and inflation, bear close monitoring going forward. In addition to widening deficits, unprecedented asset purchases by central banks run the risk of creating longer-term distortions in markets. There can be little doubt that the Federal Reserve's actions have boosted market confidence, and thus asset prices, in recent months. While they execute these policies in the hope of creating a virtuous feedback loop in order to stimulate growth, the pass through is indirect, at best.

The Fed is increasingly facing a tightrope walk, backstopping market risk while trying not to lose the market's confidence in its ability to do so with an increasingly narrow set of policy tools. Given that interest rates are probably near a lower bound, at least for now, that leaves them with quantitative easing, which might increasingly become permanent rather than temporary. As evidenced by the path of nominal interest rates across the yield curve, growth expectations remain incredibly weak, while inflation expectations have begun to tick higher, resulting in a collapse in real interest rates. In addition, the Fed has increasingly signaled that it is likely to revise its inflation target, in the interest of allowing inflation to "run hot" in order to focus on achieving growth and full employment, with the added benefit of reducing the US sovereign debt burden. The potential for unexpected inflation within this regime means that asset allocation care is warranted; assets with low yields, like US Treasuries, could experience diminished long-term return prospects, requiring shifts in allocation decisions.

We will continue to monitor these issues and others, as they arise.

Even since the end of the fiscal year, global markets have evolved significantly. The impact of COVID-19 and the extraordinary policy response have engendered profound changes in financial markets that have continued to play out since the end of the fiscal year. The evolution of COVID-19, with respect to its spread and the prospect for an eventual definitive healthcare solution, will continue to impact markets going forward.

LACERA Investment Results[1]

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

LACERA had approximately $58.2 billion in assets at the end of the 2020 fiscal year. For the fiscal year, LACERA returned 1.8% net of fees, underperforming the Total Fund Policy Benchmark return of 2.0% and its assumed actuarial rate of return of 7%. For the fiscal year, LACERA had good performance relative to peers, ranking in the 36th percentile of the peer universe (1st percentile is best and 100th is worst). Over the trailing three- and five-year periods, the LACERA Pension Plan portfolio returned 5.7% and 6.1%, respectively. For the trailing three years, LACERA was in the 25th percentile compared to peers, and over the trailing five years, LACERA was in the 24th percentile compared to peers. For the fiscal year, the OPEB Master Trust returned -0.1%, outperforming the Custom OPEB Master Trust BM by 70 basis points. The OPEB Master Trust stood at $1.5 billion at the end of June.

During fiscal year 2020, LACERA completed transitioning into the final target weights for the Pension Plan in the fourth quarter. In addition, LACERA completed structure reviews for Global Equities, Credit, Real Assets, Hedge Funds, and Private Equity. For the upcoming year, our primary goal will be working closely with staff to conduct a full asset allocation study, which we expect will be completed by the end of the fiscal year. We continue to believe that the Funds are well diversified and look forward to collaborating with the Board and Staff to meet the mission of producing, protecting, and providing the promised benefits.

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

Sincerely,

Leandro Festino, CFA, CAIA	Stephen P. McCourt, CFA
Managing Principal	Managing Principal

SPM/LAF/TF/AY/jls

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

This page intentionally left blank.

Chief Investment Officer's Report — As of June 30, 2020

Dear LACERA members:

It is my privilege to present the Investment Section of LACERA's Comprehensive Annual Financial Report for Fiscal Year 2020. LACERA oversees two funds (the Funds) for the County of Los Angeles, the defined benefit retirement plan (the Pension Plan) and the LACERA Other Post-Employment Benefit Master Trust (the OPEB Trust).[1] This section presents the investment performance of the Pension Plan and the OPEB Trust as well as an overview of the investment portfolio.

Since early March, the spread of the COVID-19 pandemic and the resulting contraction in economic activity have created unprecedented challenges, volatility and uncertainty around the world. Although the global equity markets materially recovered as of the end of the fiscal year from the losses experienced during the first calendar quarter of 2020, the broader economy tells a different story with pervasive joblessness and a staggering decline in economic growth worldwide. In these challenging times, we recognize that LACERA's mission is as critical as ever. We remain committed to maintaining a consistent, long-term strategy to uphold LACERA's mission to produce, protect, and provide the promised benefits to the employees of Los Angeles County and their beneficiaries.

Performance Summary

The Pension Plan returned 1.8 percent during the fiscal year, while the OPEB Trust lost 0.1 percent during the same period.[2] LACERA aims to meet or exceed the Pension Plan's and the OPEB Trust's respective benchmarks over a full market cycle and their respective actuarial expected return assumptions over the long term. As illustrated below, the Pension Plan's return was slightly below its policy benchmark for the past fiscal year, and the three-, five-, and seven-year periods. However, over the ten-year period, the Pension Plan is ahead of its benchmark's return of 8.1 percent and its actuarial expected return of 7.0 percent.[3] The OPEB Trust exceeded its policy benchmark's return during the past fiscal year and for the three-, five-, and seven-year periods, and, over the five- and seven-year periods, met or exceeded its actuarial expected return of 6.0 percent.[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.

[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, 2020.

[4] The OPEB Trust's actuarial expected return for the period ending June 30, 2020.

Annualized Total Returns
Fiscal Year Ended June 30, 2020
(Net of Fees)

	1 Year	3 Years	5 Years	7 Years	10 Years
Pension Plan	1.8%	5.7%	6.1%	7.2%	8.2%
Policy Benchmark	*2.0*	*6.1*	*6.3*	*7.3*	*8.1*
OPEB Trust[5]	-0.1	5.1	6.6	6.0	n/a
Policy Benchmark	*-0.8*	*4.5*	*5.0*	*4.8*	*n/a*

Asset Allocation

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

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

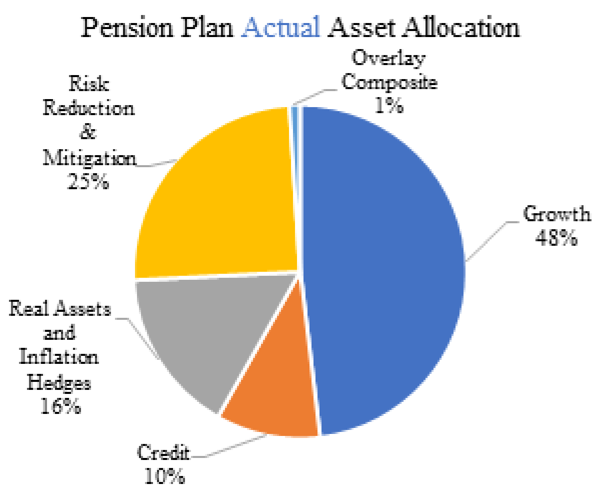
Functional Category	Sub-Asset Classes	Role In Portfolio
Growth	Global Equity Private Equity Opportunistic Real Estate	Primary driver of long-term total returns
Credit	High Yield Bonds Bank Loans Emerging Market Debt Illiquid Credit-Oriented Fixed Income	Produce current income and moderate long - term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

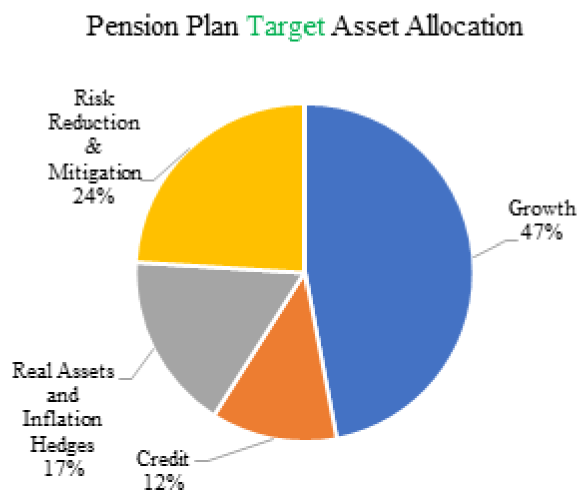
LACERA's Board reviews the Pension Plan's and the OPEB Trust's strategic asset allocations every three to five years or more often if needed to ensure that both portfolios are aligned with anticipated

[5] Performance inception for the OPEB Trust is February 1, 2013.
[6] The functional frameworks of the Pension Plan and the OPEB Trust differ slightly as the OPEB Trust does not invest in private assets.

risks and opportunities. Asset allocation studies consider a number of factors including, but not limited to: the Funds' current and projected funded status, liabilities, and liquidity requirements; the long-term risk, return, and correlation expectations for individual asset categories; and an assessment of future economic conditions. LACERA's Board last approved the strategic asset allocations for the Pension Plan in 2018 and the OPEB Trust in 2017. LACERA will work with its general investment consultant to perform the next asset allocation study for the Pension Plan and OPEB Trust in 2021.

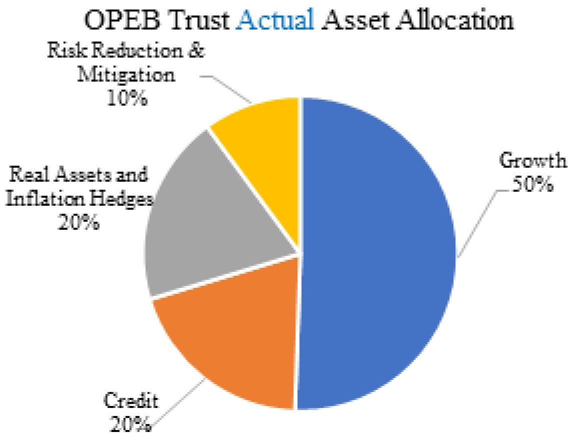
During the fiscal year, LACERA completed the implementation of the Pension Plan's transition towards its new strategic asset allocation target weights. The Pension Plan's June 30, 2020 actual and target asset allocation are shown below.[7]

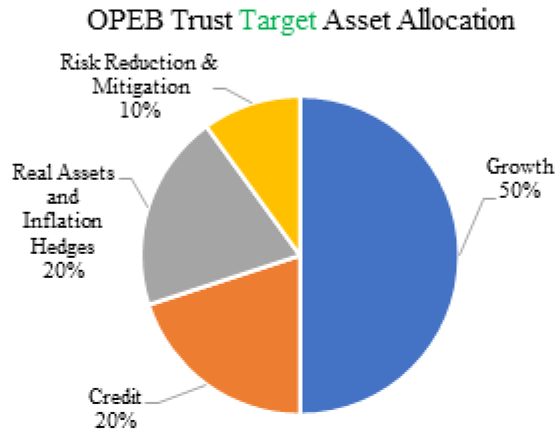




Based on its own liquidity needs and funding status, the OPEB Trust's strategic asset allocation differs from that of the Pension Plan. The OPEB Trust's transition to its target asset allocation was fully implemented by the end of fiscal year 2018. Its fiscal year-end and target allocations are illustrated below.

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





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

Core Performance Drivers

LACERA's portfolio was carefully designed and implemented with the core objective to pay benefits over an indefinite time horizon, including the near term. In the past several years, LACERA took proactive steps to build a more resilient, diversified and risk-mitigating portfolio in preparation for changing economic conditions. While no one could have predicted the scope and depth of the economic disruption created by the COVID-19 induced pandemic, LACERA is better positioned to weather this storm than it was one year ago. The revised strategic asset allocations were designed to dampen the impact of volatility and enable LACERA to navigate both positive and negative market environments.

In a year that has been marked by heightened volatility in markets, the growth asset category produced modest positive gains, with each of the global equity, private equity and opportunistic real estate sub-asset classes contributing to the positive performance. Notably, LACERA's risk reduction and mitigation asset category realized strong positive returns during this period, functioning in its intended role in the portfolio to preserve capital and provide an important source of return during periods of market volatility. Some of the gains realized in the growth and risk reduction and mitigation categories were offset by the negative returns in the credit and real assets categories. Each of LACERA's functional asset classes work together in concert to enhance diversification and provide the portfolio with the ability to endure market shocks, while also being able to benefit from long-term market growth.

The accompanying letter from Meketa Investment Group, LACERA's general investment consultant, discusses the market environment that shaped and influenced the Funds' performance during the fiscal year. Continued economic and market uncertainty underscore the importance of LACERA's balanced approach with its focus on long-term, sustainable performance.

Looking Forward

We are navigating in an increasingly complex and constantly changing environment, and the economic effects of the COVID-19 pandemic will be felt for years to come. LACERA's strategic asset allocations were designed to enhance the Funds' resiliency and enable LACERA to meet its obligations to current and future members regardless of current economic conditions. We remain focused on our fiduciary role to LACERA members, steadfast in diligently monitoring investment risks, and proactive in the face of challenges and opportunities. As always, we strive to best serve the interests of LACERA members.

Respectfully submitted,

Jonathan Grabel

Jonathan Grabel
Chief Investment Officer

This page intentionally left blank.

Investment Summary — Pension Plan [1]

For the Fiscal Year Ended June 30, 2020

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Growth	$27,848,472	
Global Equity	20,799,372	35.7%
Private Equity	6,361,422	10.9%
Opportunistic Real Estate	687,678	1.2%
Credit	$5,864,307	
Bank Loans	2,110,385	3.6%
High Yield	1,895,477	3.3%
Emerging Market Debt	799,051	1.4%
Illiquid Credit	1,057,167	1.8%
Credit Transition Account	2,227	0.0%
Real Assets and Inflation Hedges	$9,502,965	
Core and Value Added Real Estate	4,688,395	8.1%
Natural Resources & Commodities	2,052,423	3.5%
Infrastructure	1,674,529	2.9%
Treasury Inflation-Protected Securities (TIPS)	1,087,618	1.9%
Risk Reduction and Mitigation	$14,446,551	
Investment Grade Bonds	11,553,403	19.8%
Diversified Hedge Fund Portfolio	1,949,618	3.3%
Cash	943,531	1.6%
Overlay Composite	$560,359	1.0%
Total Investments - Pension Plan	**$58,222,654**	**100.0%**

Investment Summary — OPEB Master Trust [1]

For the Fiscal Year Ended June 30, 2020

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Growth	$754,901	
Global Equity	754,901	50.6%
Credit	$294,903	
Bank Loans	147,703	9.9%
High Yield	87,978	5.9%
EM Local Currency Bonds	59,222	4.0%
Real Assets and Inflation Hedges	$292,509	
Real Estate (REITs)	142,730	9.6%
Commodities	60,071	4.0%
Treasury Inflation-Protected Securities (TIPS)	89,708	6.0%
Risk Reduction & Mitigation	$150,060	
Investment Grade Bonds	125,572	8.4%
Cash Equivalents	24,488	1.6%
Uninvested Cash	$279	0.0%
Total Investments - OPEB Master Trust	**$1,492,652**	**100.0%**

Investment Summary — OPEB Custodial Fund [1]
For the Fiscal Year Ended June 30, 2020
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$17,520	11.9%
Fixed Income	129,560	88.1%
Total Investments - OPEB Custodial Fund	**$147,080**	**100.0%**

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

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

As of June 30, 2020

	Quarter End June 30, 2020	Annualized (Net-of-Fees) One-Year	Three-year	Five-year	Ten-year
Growth	12.3%	2.1%			
Growth Custom BM	*9.2%*	*(0.4)%*			
Global Equity	19.8%	1.4%			
Global Equity Custom BM	*19.8%*	*1.2%*			
Private Equity - Growth	(5.6)%	3.5%			
Private Equity - Growth Custom BM	*(22.0)%*	*(11.0)%*			
Opportunistic Real Estate	(0.9)%	8.2%	10.5%	12.4%	6.2%
Opportunistic Real Estate Custom BM	*1.5%*	*7.0%*	*9.0%*	*10.7%*	*13.7%*
Credit	5.2%	(2.9)%			
Credit Custom BM	*8.2%*	*2.4%*			
High Yield	9.4%	(3.1)%			
High Yield Custom BM	*10.2%*	*0.0%*			
Bank Loans	4.8%	3.7%			
Credit Suisse Leveraged Loans	*9.7%*	*(2.3)%*			
Emerging Market Debt	13.7%	(6.3)%	0.7%		
EMD Custom BM	*11.4%*	*0.5%*	*3.3%*		
Illiquid Credit	(5.8)%	(1.7)%			
Illiquid Credit Custom BM	*2.3%*	*12.1%*			
Real Assets & Inflation Hedges	4.0%	(4.5)%			
Real Assets & Inflation Hedges Custom BM	*6.3%*	*(1.3)%*			
Core & Value-Added Real Estate	(0.7)%	(0.6)%	5.0%	6.7%	8.1%
Core & Value-Added Real Estate Custom BM	*0.9%*	*4.4%*	*6.4%*	*8.0%*	*11.0%*
Natural Resources & Commodities	9.4%	(19.1)%	(5.9)%	(7.0)%	(4.6)%
Natural Resources & Commodities Custom BM	*13.3%*	*(16.5)%*	*(5.3)%*	*(7.2)%*	*(5.6)%*
Infrastructure	*12.0%*	(2.2)%			
DJ Brookfield Global Infrastructure TR	*11.9%*	(5.2)%			
TIPS	4.2%	8.3%			
BBG BC TIPS	*4.2%*	8.3%			
Risk Reduction & Mitigation	2.9%	7.5%			
Risk Reduction & Mitigation Custom BM	*2.4%*	*7.7%*			
Investment Grade Bonds	4.0%	8.9%	5.5%	4.8%	4.6%
Bloomberg Barclays U.S. Aggregate BM	*2.9%*	*8.7%*	*5.3%*	*4.3%*	*3.8%*
Diversified Hedge Funds	(2.8)%	1.2%			
Diversified Hedge Funds Custom BM	*0.9%*	*4.3%*			
Cash	0.3%	1.8%	2.0%	1.5%	1.0%
Cash Custom BM	*0.1%*	*1.6%*	*1.7%*	*1.2%*	*0.7%*
Total Fund	**7.9%**	**1.8%**	**5.7%**	**6.1%**	**8.1%**
Total Fund Custom Policy Benchmark	**7.0%**	**2.0%**	**6.1%**	**6.3%**	**8.1%**

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

(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. The second calendar quarter of 2019 was the inaugural reporting period for which the functional asset allocation adopted by the Board of Investments (BOI) in June 2018 were presented.

(2) Some asset categories and their benchmarks are reported with a one or three month lag.

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

As of June 30, 2020

	Annualized (Net-of-Fees)			
	Quarter End June 30, 2020	**One-Year**	**Three-year**	**Five-year**
Growth	19.9%	1.5%	5.9%	
Global Equity	19.9%	1.5%	5.9%	6.4%
MSCI ACWI IMI Net	*19.8%*	1.2%	5.6%	6.1%
Credit	8.8%	(1.7)%		
OPEB Master Trust Credit Custom BM	*9.9%*	*(1.5)%*		
Bank Loans	8.2%	(1.3)%		
S&P/LSTA Leveraged Loan Index	*9.7%*	(2.0)%		
High Yield	9.3%	(1.4)%		
BC High Yield Index	*10.2%*	0.0%		
EM Local Currency Bonds	9.7%	(3.4)%		
JPM GBI-EM Global Diversified Index	*9.8%*	(2.8)%		
Real Assets & Inflation Hedges	7.0%	(9.5)%		
OPEB Master Trust Real Asset & Inflation Hedges Custom BM	*6.9%*	*(9.8)%*		
Real Estate (REITs)	9.1%	(18.0)%		
DJ US Select Real Estate Sec Index	*9.1%*	(17.7)%		
Commodities	5.2%	(17.4)%		
Bloomberg Commodity Index (Total Return)	*5.1%*	(17.4)%		
Treasury Inflation-Protected Securities (TIPS)	4.4%	8.4%		
Bloomberg Barclays U.S. TIPS Index	*4.2%*	8.3%		
Risk Reduction & Mitigation	2.5%	7.5%	5.4%	
OPEB Master Trust Risk Reduction & Mitigation Custom BM	*2.4%*	*7.3%*	*5.1%*	
Investment Grade Bonds	3.0%	8.8%		
Bloomberg Barclays U.S. Aggregate	*2.9%*	8.7%		
Enhanced Cash	0.9%	2.4%	2.4%	1.7%
FTSE 6 M T-Bill Index	*0.3%*	1.8%	1.8%	*1.3%*
Total OPEB Master Trust	**13.9%**	**(0.1)%**	**5.1%**	**6.6%**
Total OPEB Master Trust Policy Benchmark	**13.4%**	**(0.8)%**	**4.5%**	**5.0%**

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

(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.

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]
2011	$39,770,032	20.2%	—%	3.3%	7.70%	80.6%
2012	38,627,163	0.0%	—%	1.8%	7.60%	76.8%
2013	42,285,906	11.9%	—%	5.4%	7.50%	75.0%
2014	49,033,365	16.5%	17.5%	11.8%	7.50%	79.5%
2015	47,990,447	4.1%	4.1%	10.5%	7.50%	83.3%
2016	47,898,667	0.8%	0.7%	6.5%	7.25%	79.4%
2017	52,225,457	12.7%	12.7%	8.2%	7.25%	79.9%
2018	55,443,060	9.0%	9.0%	8.1%	7.25%	80.6%
2019	57,976,436	6.4%	5.5%	6.5%	7.00%	77.2%
2020 [6]	$56,574,410	1.8%	1.4%			

(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 7.25 percent as adopted by the Board of Investments based on the results of the Actuarial Investigation of Experience completed in December 2016. For Fiscal Year 2018-2019, interest crediting and operating tables applied the 7.25 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, 2020 not yet available at publication.

Largest Equity Holdings — Pension Plan [1]
As of June 30, 2020
(Dollars in Thousands)

Shares	Description	Fair Value
6,450,556	Apple Inc.	$588,291
2,714,803	Microsoft Corporation	552,490
156,370	Amazon.com, Inc.	431,397
887,676	Facebook, Inc. Class A	201,565
115,473	Alphabet Inc. Class C	163,234
108,228	Alphabet Inc. Class A	153,473
978,191	Johnson & Johnson	137,563
1,155,523	Nestle S.A.	127,729
630,100	Visa Inc. Class A	121,716
537,690	Alibaba Group Holding Ltd. Sponsored ADR	115,980

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

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

Largest Fixed Income Holdings — Pension Plan [1]

As of June 30, 2020

(Dollars in Thousands)

Par	Description	Fair Value
160,190,000	Federal National Mortgage Association 2.500% 20490201	$166,156
71,375,362	Dresdner Funding Trust I 8.151% 20310630	96,015
95,301,287	United States Treasury 0.375% 20220331	95,721
79,600,000	Federal National Mortgage Association 3.000% 20490101	83,925
54,256,387	Standard Chartered Plc 7.014% 20991231	59,871
51,962,655	United States Treasury 1.750% 20291115	57,422
54,429,530	Federal National Mortgage Association 3.000% 20491101	57,373
41,897,453	United States Treasury 2.750% 20421115	53,601
48,290,000	Federal National Mortgage Association 3.500% 20480101	51,005
46,435,282	United States Treasury 1.625% 20290815	50,895

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

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

Schedule of Investment Management Fees

For the Fiscal Years Ended June 30, 2020 and 2019

(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Custodial Fund	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Cash and Short-Term Managers	$818	$644	$12	$10	$22	$20
Commodity Managers	3,813	4,640	77	62	—	—
Global Equity Managers	48,077	47,146	133	177	—	—
Fixed Income Managers	27,687	37,950	1,014	808	74	68
Hedge Fund Managers	49,768	42,177	—	—	—	—
Private Equity Managers	165,842	153,753	—		—	—
Real Estate Managers	54,571	54,375	71	79	—	—
Total Investment Management Fees [1]	**$350,576**	**$340,685**	**$1,307**	**$1,136**	**$96**	**$88**

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

List of Investment Managers

GROWTH

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

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

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

CREDIT

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

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

Emerging Market Debt
Aberdeen Asset Management, Inc.
Ashmore Investment Management LTD

Illiquid Credit
Barings, LLC
Beach Point Capital Management, LP
Grosvenor Capital Management, LP
Napier Park Global Capital
Quadrant Real Estate Advisors, LLC

REAL ASSETS and INFLATION HEDGES

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

Natural Resources & Commodities
Credit Suisse Asset Management, LLC
Gresham Investment Management, LLC

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

Natural Resources & Commodities (Cont.)
Neuberger Berman Fixed Income, LLC
Pacific Investment Management Company, LLC (PIMCO)
RREEF America, LLC

Infrastructure
RREEF America, LLC

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

RISK REDUCTION and MITIGATION

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

Diversified Hedge Funds
AQR Capital Management
Capula Investment Management
Davidson Kempner Institutional Partners, LP
Goldman Sachs Hedge Fund Strategies, LLC
Grosvenor Capital Management, LP
HBK Capital Management
Hudson Bay Capital Management
Pacific Investment Management Company, LLC (PIMCO)
Polar Asset Management Partners

Cash
J.P. Morgan Investment Management, Inc.

Mortgage Loan Servicer
Ocwen Loan Servicing, LLC

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

Health Reserve Program
Standish Mellon Asset Management Company, LLC

Other Post-Employment Benefits Trust
BlackRock Institutional Trust Company, N.A.
J.P. Morgan Investment Management, Inc.

Overlay Program
Parametric Portfolio Associates, LLC

ACTUARIAL SECTION

This page intentionally left blank.

Actuarial Information Overview — Pension Plan

Introduction

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

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

Valuation Policy

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

The LACERA Board of Investments maintains the Retirement Benefit Funding Policy, which requires annual adjustment of the employer contribution rates based on the actuary's annual valuation. Milliman, the Pension Plan consulting actuary, reviewed the adequacy of the Plan Sponsor funding policies in accordance with Actuarial Standards of Practice (ASOP). Milliman performed the most recent actuarial valuation as of June 30, 2019, and recommended changes to the employer and employee (member) contribution rates. At its March 2020 meeting, the LACERA Board of Investments adopted Milliman's June 30, 2019 valuation report.

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

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

Member Contributions

As part of the experience study, the Pension Plan actuary recommends adjustments to member contribution rates, if necessary, due to changes in the underlying actuarial assumptions and methodologies used in calculating member rates for age-based contributory Plans (General Plans A, B, C, and D, and Safety Plans A and B). Therefore, it is expected that the age-based member rates will change no more frequently than every three years. As such, based on the June 30, 2019 valuation, the actuary recommended new member contribution rates for these plans effective beginning next fiscal year, July 1, 2020. The recommended member contribution rates are higher for all Plans and all members, except the non-contributory General Plan E.

For the Plans that use single-rate member contribution rates (General Plan G and Safety Plan C), the Pension Plan actuary is required to recommend rates that are one-half the normal cost rate. As such, it is expected that member contribution rates for these plans may change annually. Based on the June 30, 2019 valuation, the actuary recommended new member contribution rates effective beginning next fiscal year, July 1, 2020. The recommended member contribution rates are higher for all Plan G and Safety Plan C members.

Employer Contributions

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

For the June 30, 2019 valuation, the actuary recommended new employer normal cost contribution rates for all Plans and a new UAAL contribution rate, effective beginning next fiscal year, July 1, 2020. Based on the 2019 valuation, the employer normal cost rate increased from 9.92 percent to 10.86 percent, and the employers' required contribution rate to finance the UAAL increased from 10.99 percent to 13.92 percent. The increase in the calculated employer contribution rate, from 20.91 percent to 24.78 percent of payroll, before the phase-in of contribution rate changes from the 2019 experience study, was primarily due to the impact of the assumption and amortization method changes. Reflecting the employer contribution rate phase-in methodology, the calculated rate increased from the previous rate of 20.91 percent to the new rate of 22.59 percent of payroll. Due to the phase-in approach, the employer contribution rates set for upcoming immediate fiscal years are lower than determined by actuarial calculations, resulting in an increase in the UAAL. Shortfalls between assets required to fund the plan (contributions and investment earnings) and liabilities (benefit payments) required to be paid, will result in future employer contribution increases to fund the UAAL.

Actuarial Cost Method

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

Amortization Method

LACERA employs a "layered" amortization method to fund the UAAL. Under this method, the initial period UAAL amount as of June 30, 2009 was amortized over a closed 30-year period. Subsequent changes in the UAAL were amortized over new closed 30-year periods. Effective with the June 30, 2019 valuation, the amortization period was decreased so all existing layers with more than 22 years remaining were re-amortized over closed periods not to exceed 22-years. All new UAAL layers are amortized over a 20-year period, beginning July 1, 2020.

Reviews

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

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

Other Actuarial Information

Actuarially Determined Contributions

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

Actuarial Methods and Assumptions

A detailed description of the actuarial methods and assumptions for the Pension Plan valuation used by the consulting actuary to prepare the Pension Plan (Retirement Benefits) funding valuation report is included in this Actuarial Section. The Financial Section also discusses the actuarial methods and significant assumptions used for financial reporting and required Governmental Accounting Standards Board (GASB) Statement No. 67 disclosures. Any differences between these assumptions used for actuarial funding and those applied for financial reporting purposes are noted.

The following additional information is included in this section:

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

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

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

This page intentionally left blank.

September 8, 2020

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

Dear Members of the Board:

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

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

Valuation Date	Funded Ratio
June 30, 2017	79.9%
June 30, 2018	80.6%
June 30, 2019	77.2%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2019. Most of this year's decrease in the Funded Ratio is due to the assumption changes effective June 30, 2019. Using the market value of assets on June 30, 2019, the Funded Ratio would be 77.3%. Currently, a net asset gain is being deferred.

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

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

The current funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1% of the market value of assets as part of the valuation assets. The STAR Reserve is also considered part of the valuation assets. The Board's policy does not include any corresponding liability for future STAR benefits in the valuation. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2019 would decrease to 76.4%.

In preparing the June 30, 2019 valuation report, we relied, without audit, on information (some oral and some in writing) supplied by LACERA. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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

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

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

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

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

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

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

Milliman prepared the following information for the actuarial section:

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

In addition, for Note E – Pension Plan Liabilities of the financial section, Milliman prepared the Schedule of Net Pension Liability, and Sensitivity Analysis.

Except as noted above, LACERA staff prepared the information in Note E and the Required Supplementary Information, based on information supplied in prior actuarial reports, our June 30, 2019 actuarial valuation, and our June 30, 2020 GASB 67 report. Milliman has reviewed the information in Note E for accuracy.

We certify that the assumptions and methods used for funding and financial reporting purposes in the June 30, 2019 funding valuation meet the parameters set by Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Mark C Olleman

Mark C. Olleman, FSA, EA, MAAA
Principal and Consulting Actuary

Nick Collier

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

MCO/NJC/arh

This page intentionally left blank.

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

Summary of Actuarial Methods and Assumptions — Pension Plan	
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.51 percent to 12.54 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage level of membership. Increases are assumed to occur mid-year (i.e., January 1) and apply only to base salary, excluding Megaflex compensation. The mid-year timing reflects that salary increases occur throughout the year, or on average, mid-year. For plans with a one-year final average compensation period, actual average annual compensation is used. These rates were adopted beginning with the June 30, 2019 valuation.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.00 percent, compounded annually, net of both investment and administrative expenses. The same rate of return is used to discount the actuarial accrued liability. This rate was adopted beginning with the June 30, 2019 valuation.
Post-Retirement Benefit Increases	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index (CPI), are assumed payable each year in the future, as they are not greater than the expected increase in the CPI of 2.75 percent per year. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and after June 4, 2002, to the member's total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member. COLA adjustments for members with service credit earned prior to June 4, 2002, are based on a ratio of months of service earned on and after June 4, 2002, divided by the total months of service.
Consumer Price Index (CPI)	Increase of 2.75 percent per annum. This rate was adopted beginning with the June 30, 2016 valuation.
Rates of Separation From Employment	Various rates dependent upon member's age, gender, years of service, and retirement plan. Each rate represents the probability that a member will separate from service at each age (or service duration) due to the particular cause. These rates of separation from active service were adopted beginning with the June 30, 2019 valuation. The Probability of Occurrence schedule included in this Actuarial Section includes a summary of probability of retirement and withdrawal for sample ages.

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

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

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

Summary of Actuarial Methods and Assumptions — Pension Plan	
Recent Changes and Their Financial Impact	An experience study was performed by the consulting actuary for the three-year period ended June 30, 2019. The LACERA Board of Investments adopted the demographic assumptions recommended in that report with a three-year phase-in of the impact of the change on employer contribution rates. In addition, the Board of Investments adopted a lower investment return assumption. Changes to those assumptions and other financial impacts are discussed below. STAR Reserve: The STAR Reserve is included in the 2019 valuation assets. There is no corresponding liability for future potential STAR benefits included in the valuation. The inclusion of the STAR Reserve in the valuation assets was formalized for the current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy. 2019 Assumption Changes: At the January 2020 LACERA Board of Investments meeting, the Board adopted new assumptions with the 2019 Investigation of Experience report. The adopted assumptions included lowering the investment return assumption from 7.25% to 7.00%, increasing the rates of assumed merit salary increases (primarily for Safety members), and updating mortality tables to the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plans Experience Committee (RPEC). Of these changes, the reduction in the investment return assumption had the greatest impact on the results of this valuation. All assumption changes have been reflected in the June 30, 2019 actuarial valuation. Funding: As of June 30, 2019, the Funded Ratio decreased from 80.6% to 77.2% primarily due to the assumption changes which caused a decrease of 2.8% in the Funded Ration. Recognition of current and prior year asset losses caused a 0.7% decrease. Employer Contributions: The total calculated employer contribution rate increased from the prior valuation by 1.68% (from 20.91% to 22.59%) of payroll. The increase in the employer contribution rate is primarily due to the assumption and amortization method changes effective June 30, 2019 and the recognition of current and prior year investment losses. The cost impact of the assumption changes are to be phased-in over a three-year period. Without the phase-in of the increase, the employer contribution rate would have been 24.78% effective beginning next fiscal year July 1, 2020. The remaining 2.19% increase will be phased-in effective July 1, 2021, and considered fully implemented beginning July 1, 2022. The effect of the phase-in is an increase in the UAAL that will require higher employer contribution rates in future years.

Summary of Actuarial Methods and Assumptions — Pension Plan	
Recent Changes and Their Financial Impact (Cont.)	Member Contributions: New member contribution rates are recommended for all Plans effective beginning next fiscal year July 1, 2020, based on the new actuarial assumptions adopted with the 2019 Investigation of Experience. Member contribution rates for all plans, except General Plans E and G and Safety Plan C, vary based on a member's entry age to LACERA and the underlying assumptions. General Plan G and Safety Plan C member rates are required to be equal to 50% of the Gross Normal Cost of the respective plan. The recommended member contribution rates are higher for all Plans and all members, except the noncontributory General Plan E. The effect of the assumption changes will not be phased in, and will be implemented effective at the beginning in the next fiscal year July 1, 2020.

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, 2010	$38,839,392	$46,646,838	$7,807,446	83.3%	$6,695,439	116.6%
June 30, 2011	39,193,627	48,598,166	9,404,539	80.6%	6,650,674	141.4%
June 30, 2012	39,039,364	50,809,425	11,770,061	76.8%	6,619,816	177.8%
June 30, 2013	39,932,416	53,247,776	13,315,360	75.0%	6,595,902	201.9%
June 30, 2014	43,654,462	54,942,453	11,287,991	79.5%	6,672,886	169.2%
June 30, 2015	47,328,270	56,819,215	9,490,945	83.3%	6,949,420	136.6%
June 30, 2016	49,357,847	62,199,214	12,841,367	79.4%	7,279,777	176.4%
June 30, 2017	52,166,307	65,310,803	13,144,496	79.9%	7,637,032	172.1%
June 30, 2018	55,233,108	68,527,354	13,294,246	80.6%	7,957,981	167.1%
June 30, 2019	**$57,617,288**	**$74,635,840**	**$17,018,552**	**77.2%**	**$8,370,050**	**203.3%**

(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, 2010	General	81,413	$5,318,137,692	$65,323	1.24%
	Safety	12,997	1,257,305,532	96,738	0.75%
	Total	94,410	$6,575,443,224	$69,648	1.28%
June 30, 2011	General	80,145	$5,295,354,528	$66,072	1.15%
	Safety	12,641	1,239,553,116	98,058	1.36%
	Total	92,786	$6,534,907,644	$70,430	1.12%
June 30, 2012	General	79,467	$5,271,580,728	$66,337	0.40%
	Safety	12,485	1,229,922,420	98,512	0.46%
	Total	91,952	$6,501,503,148	$70,705	0.39%
June 30, 2013	General	79,006	$5,253,152,532	$66,491	0.23%
	Safety	12,539	1,234,902,228	98,485	(0.03%)
	Total	91,545	$6,488,054,760	$70,873	0.24%
June 30, 2014	General	79,943	$5,487,670,164	$68,645	3.24%
	Safety	12,523	1,252,867,272	100,045	1.58%
	Total	92,466	$6,740,537,436	$72,897	2.86%
June 30, 2015	General	81,228	$5,706,302,532	$70,250	2.34%
	Safety	12,446	1,299,621,108	104,421	4.37%
	Total	93,674	$7,005,923,640	$74,790	2.60%
June 30, 2016	General	82,916	$5,949,587,940	$71,754	2.14%
	Safety	12,528	1,342,684,620	107,175	2.64%
	Total	95,444	$7,292,272,560	$76,404	2.16%
June 30, 2017	General	84,513	$6,290,061,336	$74,427	3.73%
	Safety	12,698	1,388,190,600	109,324	2.01%
	Total	97,211	$7,678,251,936	$78,985	3.38%
June 30, 2018	General	85,703	$6,610,313,328	$77,130	3.63%
	Safety	12,771	1,451,457,324	113,653	3.96%
	Total	98,474	$8,061,770,652	$81,867	3.65%
June 30, 2019	**General**	**86,392**	**$6,815,591,124**	**$78,891**	**2.28%**
	Safety	**12,794**	**1,540,187,040**	**120,384**	**5.92%**
	Total	**99,186**	**$8,355,778,164**	**$84,244**	**2.90%**

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

Retirants and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
(Dollars in Thousands)

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance [1]	Member Count	Annual Allowance [1]	Member Count	Annual Allowance [1]	Percentage Increase in Retiree Allowance	Average Annual Allowance
June 30, 2010	2,947	$188,724 [2]	(1,820)	($54,105)	54,196 [3]	$2,220,344	6.45%	$41.0
June 30, 2011	3,134	185,204 [2]	(1,959)	(62,923)	55,371	2,342,625	5.51%	42.3
June 30, 2012	3,194	193,865 [2]	(1,795)	(61,588)	56,770 [3]	2,474,902	5.65%	43.6
June 30, 2013	3,373	205,659 [2]	(2,057)	(69,494)	58,086 [3]	2,611,067	5.50%	45.0
June 30, 2014	3,128	172,743 [2]	(1,985)	(71,730)	59,229 [3]	2,712,080	3.87%	45.8
June 30, 2015	3,501	180,549 [2]	(2,124)	(80,028)	60,606 [3]	2,812,601	3.71%	46.4
June 30, 2016	3,479	220,632 [2]	(2,171)	(80,881)	61,914 [3]	2,952,352	4.97%	47.7
June 30, 2017	3,721	245,915 [2]	(2,311)	(89,624)	63,324 [3]	3,108,643	5.29%	49.1
June 30, 2018	3,826	276,118 [2]	(2,270)	(89,033)	64,880 [3]	3,295,728	6.02%	50.8
June 30, 2019	**3,978**	**$302,022** [2]	**(2,351)**	**($97,840)**	**66,507** [3]	**$3,499,910**	**6.20%**	**$52.6**

(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, 2010	$6,278	$26,220	$14,148	$38,839	100%	100%	45%
June 30, 2011	6,529	27,559	14,511	39,194	100%	100%	35%
June 30, 2012	6,961	29,118	14,730	39,039	100%	100%	20%
June 30, 2013	7,837	30,980	14,430	39,932	100%	100%	8%
June 30, 2014	8,354	31,882	14,706	43,654	100%	100%	23%
June 30, 2015	8,805	32,734	15,280	47,328	100%	100%	38%
June 30, 2016	8,767	35,316	18,116	49,358	100%	100%	29%
June 30, 2017	9,482	37,077	18,752	52,166	100%	100%	30%
June 30, 2018	9,882	39,192	19,453	55,233	100%	100%	32%
June 30, 2019	**$10,210**	**$42,235**	**$22,190**	**$57,617**	**100%**	**100%**	**23%**

(1) Includes vested and non-vested former members.

Actuarial Analysis of Financial Experience — Pension Plan
(Dollars in Millions)

	Valuation as of June 30									
	2019	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Unfunded Actuarial Accrued Liability	$13,294	$13,145	$12,841	$9,491	$11,288	$13,315	$11,770	$9,405	$7,807	$4,927
Expected Increase/(Decrease) from Prior Valuation	25	146	320	(102)	(54)	338	869	772	565	333
Salary Increases Greater/ (Less) than Expected	486	223	277	162	79	(291)	(563)	(629)	(579)	(353)
CPI Less than Expected	44	45	(139)	(191)	(570)	(427)	(190)	(181)	(215)	(29)
Change in Assumptions	2,528	—	—	2,922	—	—	511	—	—	—
Asset Return Less/(Greater) than Expected	477	(411)	(421)	496	(1,263)	(1,664)	893	2,337	1,761	2,879
All Other Experience	164	146	267	63	11	17	25	66	66	50
Ending Unfunded Actuarial Accrued Liability	**$17,018**	**$13,294**	**$13,145**	**$12,841**	**$9,491**	**$11,288**	**$13,315**	**$11,770**	**$9,405**	**$7,807**

Probability of Occurrence

Plans A, B, and C General Members

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

Plans D and G General Members

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

Probability of Occurrence (continued)

Plan E General Members

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

Plans A, B, and C Safety Members

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

Actuarial Information Overview — Other Post-Employment Benefits (OPEB) Program

Introduction

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

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

Funding Policy and Contributions

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

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

Actuarial Cost Method

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

OPEB Agent Plan

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

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

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

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

Financial Reporting Standards

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

OPEB Actuarial Projects

Milliman, the OPEB consulting actuary, performed the most recent OPEB valuation as of July 1, 2019, using the 2018 OPEB experience study of actuarial assumptions. The revised OPEB Policy not only requires annual OPEB valuations but also requires the actuary to review the reasonableness of the economic and non-economic 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 were adjusted to promote operational efficiency.

Specifically, the OPEB experience study and the OPEB experience study review, and the OPEB valuation review as of July 1, 2018 and as of July 1, 2020 were scheduled in two-year cycles to

---

(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.

eliminate a four-year gap between the current and prior OPEB Policies. The project schedule will revert back to a three-year cycle beginning with the July 1, 2023 OPEB experience study. The OPEB valuations will continue to be performed annually in accordance with the OPEB Policy.

Actuarial Review Results

The most recent actuarial reviews of the OPEB experience study and OPEB valuation were conducted based on the current OPEB Policy. The OPEB Program reviewing actuary, Cavanaugh Macdonald Consulting (CMC), last performed reviews of Milliman's OPEB experience study and OPEB valuation prepared as of July 1, 2018.

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

Other Actuarial Information

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

The following additional information is included in this section:

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

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

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

This page intentionally left blank.

Milliman

September 8, 2020

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

Dear Members 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 provides these benefits on a "pay-as-you-go" basis. Effective July 1, 2017, OPEB actuarial funding valuations are performed annually. The next valuation is expected as of July 1, 2020.

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, 2017	$26.30	$0.74	$25.56	25.57%
July 1, 2018	$21.07	$0.94	$20.13	20.56%
July 1, 2019	$20.75	$1.24	$19.51	18.87%

* Actuarially Determined Contribution (ADC) based on GASB 74/75 terminology and previously known as Annual Required Contribution (ARC) based on GASB 43/45 methodology.

The County's Board of Supervisors affirmed their support for pre-funding its OPEB liabilities by providing specific initial appropriations to the OPEB Trust Fund. 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.

In preparing the July 1, 2019 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, 2019 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, 2019 valuation of the LACERA retirement benefit program, approved by LACERA's Board of Investments. Economic and relevant demographic assumptions from the retirement benefit investigation of experience, conducted by Milliman, are included in the July 1, 2019 OPEB valuation. Assumptions unique to OPEB were identified and evaluated in Milliman's 2018 OPEB investigation of experience study report as of July 1, 2018, 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, 2019 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, 2019 OPEB funding valuation and the forthcoming June 30, 2021 GASB 75 disclosure reports are for purposes of fulfilling financial accounting requirements for LACERA's employers. The liabilities in the July 1, 2019 OPEB funding valuation and the GASB 75 disclosure reports are determined by using the entry age normal actuarial cost method. The assets are recognized at market value. We consider the actuarial assumptions and methods to be internally consistent, to represent a long-term perspective, and to be reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board Statement No. 75 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in the OPEB funding valuation report and the GASB 75 disclosure report due to such factors as the following: OPEB program experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in OPEB

program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.
Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations.

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

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

Milliman prepared the following information for the actuarial section:

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

LACERA staff prepared the information in Note N — OPEB Program, of the financial section and the Required Supplementary Information, based on information supplied in prior actuarial reports, our July 1, 2019 OPEB actuarial funding valuation, and our forthcoming June 30, 2021 GASB 75 report. Milliman has reviewed the information in Note N for accuracy.

We certify that the assumptions and methods used for funding and financial reporting purposes in the July 1, 2019 OPEB funding valuation meet the parameters set by Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). We are members of the American Academy of Actuaries and have experience in performing valuations for public OPEB programs.

Sincerely,

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

Janet O. Jennings, ASA, MAAA
Associate Actuary

RLS/bh

This page intentionally left blank.

Summary of Actuarial Methods and Assumptions — OPEB Program	
Actuarial Methods and Assumptions	The OPEB actuarial methods and assumptions are recommended by the consulting actuary and adopted by the Board of Retirement. The actuarial assumptions used to determine the liabilities are based on the results of the 2019 Pension Plan Investigation of Experience Study and a separate 2018 OPEB Program Investigation of Experience Study approved by the Board of Retirement in March, 2019. Where applicable, the same assumptions are used for the OPEB Program as for the Pension Plan; however, some assumptions developed and applied are unique to the OPEB Program. The assumptions that overlap with the Pension Plan assumptions were reviewed and changed June 30, 2019, as a result of the 2019 Pension Plan triennial Investigation of Experience Study, approved by the Board of Investments in January 2020. The general wage increase and inflation assumptions were evaluated for the Pension Plan and applied to the OPEB Program. The consulting actuary recommended an OPEB specific investment earnings assumption since investment earnings for the OPEB valuation are based on the expected return from the County's general assets or the expected return from the OPEB Trust. These assets are invested based on the OPEB Trust investment policy statement adopted by the Board of Investments which applies different asset allocations than the one used for the Pension Plan. The OPEB specific assumptions including healthcare plan elections, benefit tier enrollment, and retirement of vested terminated members were reviewed and updated as a result of the 2018 OPEB Investigation of Experience Study. These updated assumptions were applied to the OPEB valuation conducted as of July 1, 2019, which was adopted in August 2020 by the Board of Retirement. See the schedule titled Active Member Valuation Data — OPEB Program for active member valuation purposes.

Summary of Actuarial Methods and Assumptions — OPEB Program	
Actuarial Cost Method	Effective with the July 1, 2018 OPEB Funding Valuation, the Entry Age Normal (EAN) actuarial cost method was applied. Under the principles of this method, the actuarial present value of the projected benefits of each member included in the valuation is allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between retirement benefit plans, entry age is based on original entry into the system. The portion of this actuarial present value allocated to a valuation year is called the Normal Cost (NC). The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets, and (b) the actuarial present value of future Normal Costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of the active members, both present and future, covered by the LACERA retirement benefits plan over a 30-year period from the valuation date.
Actuarial Asset Valuation Method	Market Value.
Investment Return	The investment earnings assumption for agents that are prefunding through the OPEB Trust is the OPEB Trust expected return of 6.0%. The investment earnings assumption for agents that are not prefunding through the OPEB Trust is the County's general funds expected return of 3.69%. Besides projecting the OPEB Trust's investment return, this assumption is also used to calculate the AAL. The reporting methodology change from cost sharing to agent began with the July 1, 2018 OPEB Funding Valuation. The investment earnings assumption approach for this funding valuation is intended to reflect the earnings associated with each agent. The separate GASB 75 disclosure report, which provides information for employers and is different from this funding valuation, follows a prescribed discount rate calculation formula for accounting disclosures.
Inflation Rate	2.75 percent per annum. This rate was adopted beginning with the July 1, 2016 OPEB Valuation.
Amortization Method	Level percentage of projected salaries of the active members, both present and future, over a 30-year period. This is commonly referred to as a "rolling 30-year amortization method" and does not cover interest on the UAAL. This assumption was adopted beginning with the July 1, 2006 OPEB Valuation.

Summary of Actuarial Methods and Assumptions — OPEB Program				
Healthcare Cost Trend Rates		**FY 2019 to FY 2020**	**FY 2020 to FY 2021**	**Ultimate (Grading from June 30, 2019 to June 30, 2105)**
	LACERA Medical Under 65	3.30%	6.40%	4.40%
	LACERA Medical Over 65	2.90%	6.30%	4.50%
	Part B Premiums	9.40%	4.70%	4.30%
	Dental/Vision	0.00%	4.50%	3.70%
	Weighted Average Trend	3.53%	6.02%	4.46%
Claim Costs	Claim cost data is reviewed for the membership in aggregate including members of all employers, regardless of their participation in the OPEB Trust. The claim cost assumptions were updated as part of the July 1, 2019 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, 2019 OPEB Valuation for more details.			
Retirement	Members in General Plans A–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.			

Summary of Actuarial Methods and Assumptions — OPEB Program	
Expectation of Life After Retirement [1,2]	The same postretirement mortality rates are used in the valuation for active members after termination, members retired for service, and beneficiaries. Future beneficiaries are assumed to have the same mortality as a general member of the opposite gender. The mortality tables used are listed below while age based rates are illustrated in the July 1, 2019 OPEB Valuation report. These rates were adopted June 30, 2019. **Males:** **General Members**: PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85%,with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110%, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.
Expectation of Life After Disability [1,2]	For disabled members, the mortality tables used are listed below while age based rates are illustrated in the July 1, 2019 OPEB Valuation report. These rates were adopted June 30, 2019. **Males:** **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.

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

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

Summary of Actuarial Methods and Assumptions — OPEB Program	
Retiree Medical and Dental/Vision Eligibility and Enrollment Assumptions	Any retired or vested terminated members who have not elected a refund of their member pension contributions, and will receive a retirement benefit other than a refund, are eligible for retiree medical and dental/vision enrollment. Refer to Tables A-14 through A-19 of the July 1, 2019 OPEB Valuation for more details regarding the enrollment assumptions.
Other Employment Termination	Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further retirement, medical, dental/vision and death benefits, or they may leave their contributions on deposit with LACERA. Former contributing members whose contributions are on deposit may later elect to receive a refund, may return to work, or may remain inactive until becoming eligible to receive a retirement benefit under either LACERA or a reciprocal retirement plan. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately. All terminating members are assumed not to be rehired. The Probability of Occurrence schedule included in this Actuarial Section provides a summary of probability of retirement and withdrawal for sample ages. Although these assumptions were developed for the Retirement Benefits Plan, they apply to the OPEB Program participant population.

Schedule of Funding Progress — OPEB Program
(Dollars in Thousands)

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

(1) The resulting July 1, 2017 OPEB valuation report was the first annual (versus biennial) valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement No. 75 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 [2]	Annual Salary	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
July 1, 2010	General	81,352	$5,313,595,764	$65,316	6.34%
	Safety	12,991	1,256,733,372	96,739	4.50%
	Total	94,343	$6,570,329,136	$69,643	6.08%
July 1, 2012	General	79,416	$5,267,863,044	$66,333	1.56%
	Safety	12,482	1,229,551,596	98,506	1.83%
	Total	91,898	$6,497,414,640	$70,702	1.52%
July 1, 2014	General	79,878	$5,482,792,752	$68,640	3.48%
	Safety	12,515	1,251,582,744	100,007	1.52%
	Total	92,393	$6,734,375,496	$72,888	3.09%
July 1, 2016	General	82,780	$5,938,289,628	$71,736	4.51%
	Safety	12,515	1,340,879,628	107,142	7.13%
	Total	95,295	$7,279,169,256	$76,386	4.80%
July 1, 2017 [1]	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%**

(1) 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 No. 75 reporting requirements.

(2) Includes both Medicare and non-Medicare eligible individuals.

Retirants and Beneficiaries Added to and Removed From Rolls — OPEB Program
(Dollars in Thousands)

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

(1) Includes changes for continuing retirees and beneficiaries.
(2) The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement No. 75 reporting requirements.

Actuary Solvency Test — OPEB Program [1]
(Dollars in Millions)

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

(1) Trend information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) Includes vested former members.
(3) The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement No. 75 reporting requirements.

Actuarial Analysis of Financial Experience — OPEB Program
(Dollars in Millions)

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

(1) Includes the medical care claim cost trend assumption change.
(2) In 2016, this amount includes the impact from implementing the Tier 2 Retiree Health Care benefits plan.
(3) In 2018, this amount is primarily due to the impact of the Excise Tax.
(4) The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement No. 75 reporting requirements.
(5) The resulting OPEB valuation report excludes the Excise Tax.

STATISTICAL SECTION

This page intentionally left blank.

Statistical Information Overview

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

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

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

- *Changes in Fiduciary Net Position — Pension Plan* and *Changes in Fiduciary Net Position — OPEB Trust* present additions by source, deductions by type, and the total change in Fiduciary Net Position for each year.
- *Pension Benefit Expenses by Type* presents retirement benefits, lump-sum death benefits, and refund deductions by type of benefit (e.g., Service and Disability Retirement from General and Safety Plans).

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

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

Changes in Fiduciary Net Position — Pension Plan

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Additions										
Employer Contributions	$1,800,137	$1,668,151	$1,524,823	$1,331,359	$1,403,712	$1,494,975	$1,320,442	$723,195	$1,078,929	$944,174
Member Contributions	659,296	635,415	591,262	526,579	498,083	441,258	439,001	679,572	506,758	463,743
Net Investment Income/(Loss)	1,445,877	3,175,723	4,716,640	6,129,300	80,588	1,989,358	6,908,412	4,659,015	(291,009)	6,930,358
Miscellaneous	2,383	5,958	5,613	6,370	2,781	1,695	2,256	385	1,004	591
Total Additions/ (Declines)	**$3,907,693**	**$5,485,247**	**$6,838,338**	**$7,993,608**	**$1,985,164**	**$3,927,286**	**$8,670,111**	**$6,062,167**	**$1,295,682**	**$8,338,866**
Deductions										
Total Benefit Expenses [1]	$3,606,340	$3,407,154	$3,203,375	$3,029,633	$2,889,186	$2,768,410	$2,662,401	$2,541,351	$2,390,598	$2,269,791
Administrative Expenses	85,384	82,906	78,181	66,830	67,645	62,591	58,723	53,863	50,218	50,605
Miscellaneous	397	333	451	188	(11)	212	229	190	121	347
Total Deductions	**$3,692,121**	**$3,490,393**	**$3,282,007**	**$3,096,651**	**$2,956,820**	**$2,831,213**	**$2,721,353**	**$2,595,404**	**$2,440,937**	**$2,320,743**
Net Increase/(Decrease) in Fiduciary Net Position	**$215,572**	**$1,994,854**	**$3,556,331**	**$4,896,957**	**($971,656)**	**$1,096,073**	**$5,948,758**	**$3,466,763**	**($1,145,255)**	**$6,018,123**

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

Changes in Fiduciary Net Position — OPEB Trust

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

(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013
Additions								
Employer Contributions [2]	$907,521	$863,452	$706,709	$645,381	$615,275	$—	$—	$448,819
Net Investment Income/(Loss)	6,171	62,116	78,746	94,505	(8,095)	4,688	35,113	209
Miscellaneous	—	—	—	2	—	—	—	—
Total Additions	$913,692	$925,568	$785,455	$739,888	$607,180	$4,688	$35,113	$449,028
Deductions								
Administrative Expenses	$246	$234	$190	$374	$192	$153	$144	$173
Benefit Payments [2]	659,295	627,839	583,406	557,381	534,597	—	—	—
Redemptions	—	25	3,735	—	—	—	—	—
Total Deductions	**$659,541**	**$628,098**	**$587,331**	**$557,755**	**$534,789**	$153	**$144**	**$173**
Net Increase in Fiduciary Net Position	**$254,151**	**$297,470**	**$198,124**	**$182,133**	**$72,391**	**$4,535**	**$34,969**	**$448,855**

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

(2) Beginning in 2016, the Trust is now reflecting 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. Correspondingly, deductions to Fiduciary Net Position, starting in 2016, now reflect all benefit payments whether made through the Trust or by employers as OPEB comes due (per paragraph 28a and 31 of GASB Statement No. 74).

Pension Benefit Expenses by Type

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Service Retiree Payroll										
General	$2,174,355	$2,060,365	$1,946,614	$1,845,791	$1,762,274	$1,692,558	$1,631,285	$1,556,814	$1,465,218	$1,383,478
Safety	543,901	507,909	478,802	445,473	419,092	397,962	384,248	367,471	340,177	315,745
Total	**$2,718,256**	**$2,568,274**	**$2,425,416**	**$2,291,264**	**$2,181,366**	**$2,090,520**	**$2,015,533**	**$1,924,285**	**$1,805,395**	**$1,699,223**
Disability Retiree Payroll										
General	$190,386	$186,120	$177,879	$173,550	$169,821	$165,543	$162,338	$157,406	$152,698	$150,585
Safety	670,237	621,358	574,431	538,116	507,824	484,907	459,311	432,405	413,300	395,197
Total	**$860,623**	**$807,478**	**$752,310**	**$711,666**	**$677,645**	**$650,450**	**$621,649**	**$589,811**	**$565,998**	**$545,782**
Total Retiree Payroll										
General	$2,364,741	$2,246,485	$2,124,493	$2,019,341	$1,932,095	$1,858,101	$1,793,623	$1,714,220	$1,617,916	$1,534,063
Safety	1,214,138	1,129,267	1,053,233	983,589	926,916	882,869	843,559	799,876	753,477	710,942
Total	**$3,578,879**	**$3,375,752**	**$3,177,726**	**$3,002,930**	**$2,859,011**	**$2,740,970**	**$2,637,182**	**$2,514,096**	**$2,371,393**	**$2,245,005**
Refunds										
General	$22,418	$27,096	$20,782	$21,970	$23,470	$22,050	$18,994	$19,406	$14,523	$17,498
Safety	2,813	1,595	2,439	2,482	3,622	3,361	4,534	5,606	3,098	5,220
Total	**$25,231**	**$28,691**	**$23,221**	**$24,452**	**$27,092**	**$25,411**	**$23,528**	**$25,012**	**$17,621**	**$22,718**
Lump-Sum Death Benefits	**$2,230**	**$2,711**	**$2,428**	**$2,251**	**$3,083**	**$2,029**	**$1,691**	**$2,243**	**$1,584**	**$2,068**
Total Benefit Expenses	**$3,606,340**	**$3,407,154**	**$3,203,375**	**$3,029,633**	**$2,889,186**	**$2,768,410**	**$2,662,401**	**$2,541,351**	**$2,390,598**	**$2,269,791**

Active Members

For the Last 10 Fiscal Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Active Vested										
General	63,647	62,589	61,734	61,608	61,820	62,532	63,301	62,803	61,433	59,055
Safety	9,875	10,071	10,286	10,429	10,743	11,024	11,188	11,177	10,663	10,054
Subtotal	**73,522**	**72,660**	**72,020**	**72,037**	**72,563**	**73,556**	**74,489**	**73,980**	**72,096**	**69,109**
Active Non-Vested										
General	23,289	23,811	23,975	22,915	21,096	18,696	16,642	16,203	18,034	21,090
Safety	3,304	2,725	2,489	2,269	1,785	1,422	1,335	1,362	1,822	2,587
Subtotal	**26,593**	**26,536**	**26,464**	**25,184**	**22,881**	**20,118**	**17,977**	**17,565**	**19,856**	**23,677**
Terminated [1]										
General	15,133	15,567	7,856	7,752	7,665	7,623	7,550	7,462	7,379	7,423
Safety	1,041	610	603	589	573	563	540	497	480	465
Subtotal	**16,174**	**16,177**	**8,459**	**8,341**	**8,238**	**8,186**	**8,090**	**7,959**	**7,859**	**7,888**
Total Active Members										
General	102,069	101,967	93,565	92,275	90,581	88,851	87,493	86,468	86,846	87,568
Safety	14,220	13,406	13,378	13,287	13,101	13,009	13,063	13,036	12,965	13,106
Total	**116,289**	**115,373**	**106,943**	**105,562**	**103,682**	**101,860**	**100,556**	**99,504**	**99,811**	**100,674**

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

Retired Members by Type of Pension Benefit
As of June 30, 2020

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [1]			Retirement Option Selected [2]					
		A	B	C	Unmodified	Unmodified+ Plus	Option 1	Option 2	Option 3	Option 4
$1 - $1,000	13,671	8,681	1,102	3,888	11,950	786	103	451	104	277
$1,001 - $2,000	14,202	9,647	1,908	2,647	12,347	1,057	133	328	103	234
$2,001 - $3,000	11,124	8,195	1,780	1,149	9,662	937	93	159	71	202
$3,001 - $4,000	7,872	6,065	1,173	634	6,804	723	50	90	34	171
$4,001 - $5,000	5,634	4,527	769	338	4,746	615	41	57	34	141
$5,001 - $6,000	4,025	3,225	572	228	3,393	466	26	29	12	99
$6,001 - $7,000	2,913	2,288	494	131	2,351	428	12	22	4	96
> $7,000	8,547	6,005	2,307	235	6,330	1,771	28	23	31	364
	67,988	**48,633**	**10,105**	**9,250**	**57,583**	**6,783**	**486**	**1,159**	**393**	**1,584**

(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, 2020

	Medical Benefit Premium Amounts					
	$1- $500	$501- $1000	$1,001- $1500	$1,501- $2000	> $2,000	Total Member Count
Medical Plans by Plan Type						
Anthem Blue Cross I	2	—	709	19	316	1,046
Anthem Blue Cross II	2	—	2,214	177	2,738	5,131
Anthem Blue Cross III	—	7,002	4,157	1,033	148	12,340
Anthem Blue Cross Prudent Buyer Plan	—	—	593	294	78	965
Cigna-HealthSpring Preferred Rx	30	17	1	8	3	59
Cigna Network Model Plan	—	—	—	268	118	386
Kaiser - California	—	—	3,234	—	2,701	5,935
Kaiser - Senior Advantage	11,296	5,774	2,139	18	170	19,397
Kaiser - Colorado	—	—	7	—	6	13
Kaiser - Georgia	—	—	23	—	2	25
Kaiser - Hawaii	—	3	—	5	1	9
Kaiser - Oregon-Washington	—	—	12	—	9	21
Firefighters Local 1014	—	—	503	—	1,506	2,009
SCAN Health Plan	307	97	—	—	—	404
UnitedHealthcare	1	—	442	—	797	1,240
UnitedHealthcare Medicare Advantage (HMO)	1,771	1,134	—	451	—	3,356
Total Medical by Plan Type	**13,409**	**14,027**	**14,034**	**2,273**	**8,593**	**52,336**
Medical Plans by Retirement Type						
Service Retirees	10,452	10,879	10,184	1,643	5,546	38,704
Disability Retirees	813	1,409	2,180	462	2,877	7,741
Survivors	2,144	1,739	1,670	168	170	5,891
Total Medical by Retirement Type	**13,409**	**14,027**	**14,034**	**2,273**	**8,593**	**52,336**

	Dental/Vision Benefit Premium Amounts $1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	48,004
CIGNA HMO Dental/Vision	5,701
Total Dental/Vision by Plan Type	**53,705**
Dental/Vision Plans by Retirement Type	
Service Retirees	39,507
Disability Retirees	8,095
Survivors	6,103
Total Dental/Vision by Retirement Type	**53,705**

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+**
7/1/10 to 6/30/11						
Retirants						
General Members						
Average Monthly Benefit	$1,721	$1,249	$1,810	$2,784	$3,418	$5,082
Average Final Salary	$5,702	$5,064	$5,296	$6,286	$6,576	$6,820
Number of Active Retirants	127	238	269	284	258	922
Safety Members						
Average Monthly Benefit	$2,336	$4,135	$5,198	$5,308	$7,347	$9,667
Average Final Salary	$6,862	$9,057	$9,158	$9,679	$10,365	$11,617
Number of Active Retirants	10	28	21	30	91	152
Survivors						
General Members						
Average Monthly Benefit	$629	$786	$871	$1,654	$1,325	$2,485
Average Final Salary	$3,677	$3,698	$3,359	$5,351	$3,678	$5,238
Number of Active Survivors	24	36	43	44	60	93
Safety Members						
Average Monthly Benefit	$3,187	$1,715	$2,386	$3,499	$3,788	$5,461
Average Final Salary	$6,572	$5,766	$5,589	$6,862	$6,768	$6,929
Number of Active Survivors	3	2	8	4	10	25
7/1/11 to 6/30/12						
Retirants						
General Members						
Average Monthly Benefit	$1,793	$1,362	$2,082	$2,567	$3,525	$4,956
Average Final Salary	$5,624	$5,141	$5,683	$5,686	$6,711	$6,830
Number of Active Retirants	141	291	234	278	297	918
Safety Members						
Average Monthly Benefit	$2,203	$4,924	$6,474	$4,417	$7,372	$9,750
Average Final Salary	$6,307	$8,948	$9,929	$9,108	$10,380	$11,587
Number of Active Retirants	8	29	13	33	103	183
Survivors						
General Members						
Average Monthly Benefit	$1,055	$691	$965	$1,770	$1,643	$2,736
Average Final Salary	$4,661	$3,821	$3,766	$5,244	$4,301	$5,662
Number of Active Survivors	21	46	26	43	57	94
Safety Members						
Average Monthly Benefit	$2,786	$2,352	$2,789	$3,271	$3,221	$5,580
Average Final Salary	$5,771	$6,466	$7,785	$7,019	$6,127	$7,824
Number of Active Survivors	5	5	5	7	8	23

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+**
7/1/12 to 6/30/13						
Retirants						
General Members						
Average Monthly Benefit	$1,825	$1,562	$2,116	$2,663	$3,570	$5,043
Average Final Salary	$6,046	$5,405	$6,042	$6,009	$6,758	$6,888
Number of Active Retirants	112	324	233	271	338	897
Safety Members						
Average Monthly Benefit	$2,233	$5,909	$6,416	$5,507	$7,360	$10,046
Average Final Salary	$7,299	$9,266	$9,611	$9,843	$10,481	$11,921
Number of Active Retirants	12	29	20	33	118	191
Survivors						
General Members						
Average Monthly Benefit	$861	$804	$1,097	$1,403	$1,889	$2,496
Average Final Salary	$4,743	$4,020	$3,961	$4,451	$4,930	$5,611
Number of Active Survivors	22	54	39	70	60	103
Safety Members						
Average Monthly Benefit	$989	$1,523	$2,523	$3,378	$4,137	$5,460
Average Final Salary	$4,454	$4,896	$5,990	$8,242	$7,055	$7,468
Number of Active Survivors	6	7	10	5	20	31
7/1/13 to 6/30/14						
Retirants						
General Members						
Average Monthly Benefit	$1,913	$1,624	$2,024	$2,722	$3,553	$4,788
Average Final Salary	$6,415	$5,241	$5,657	$5,930	$6,724	$6,733
Number of Active Retirants	109	307	240	305	358	726
Safety Members						
Average Monthly Benefit	$1,542	$4,454	$6,018	$5,225	$7,467	$9,719
Average Final Salary	$6,452	$8,381	$10,140	$9,414	$10,753	$11,823
Number of Active Retirants	8	31	18	20	83	212
Survivors						
General Members						
Average Monthly Benefit	$1,017	$837	$936	$1,726	$1,888	$2,550
Average Final Salary	$4,475	$4,679	$3,794	$4,913	$4,732	$6,064
Number of Active Survivors	29	51	37	41	63	119
Safety Members						
Average Monthly Benefit	$1,031	$1,709	$2,056	$3,132	$3,827	$5,358
Average Final Salary	$6,377	$6,249	$5,830	$6,874	$6,772	$7,309
Number of Active Survivors	2	8	6	6	15	22

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+**
7/1/14 to 6/30/15						
Retirants						
General Members						
Average Monthly Benefit	$1,422	$1,716	$2,202	$3,106	$3,360	$5,017
Average Final Salary	$5,939	$5,543	$5,903	$6,731	$6,294	$6,970
Number of Active Retirants	126	331	280	308	436	784
Safety Members						
Average Monthly Benefit	$2,917	$5,412	$5,374	$6,477	$7,082	$9,923
Average Final Salary	$7,015	$9,261	$9,810	$10,748	$10,400	$11,847
Number of Active Retirants	20	19	21	28	116	215
Survivors						
General Members						
Average Monthly Benefit	$903	$1,021	$1,342	$1,854	$1,799	$2,741
Average Final Salary	$4,076	$4,471	$5,243	$5,464	$4,814	$5,525
Number of Active Survivors	32	53	40	52	71	126
Safety Members						
Average Monthly Benefit	$2,101	$2,054	$1,768	$2,911	$4,530	$6,206
Average Final Salary	$5,564	$6,518	$4,737	$6,552	$6,815	$8,367
Number of Active Survivors	6	4	9	12	16	29
7/1/15 to 6/30/16						
Retirants						
General Members						
Average Monthly Benefit	$1,619	$1,809	$2,265	$2,893	$3,462	$5,163
Average Final Salary	$6,022	$5,607	$6,020	$6,414	$6,440	$7,372
Number of Active Retirants	118	331	273	274	471	837
Safety Members						
Average Monthly Benefit	$3,134	$3,776	$5,743	$6,290	$7,540	$10,730
Average Final Salary	$7,077	$9,355	$10,057	$10,613	$11,062	$12,654
Number of Active Retirants	24	16	27	22	109	205
Survivors						
General Members						
Average Monthly Benefit	$929	$752	$957	$1,174	$1,745	$2,470
Average Final Salary	$6,444	$4,670	$3,996	$4,367	$4,825	$5,339
Number of Active Survivors	30	55	50	51	69	143
Safety Members						
Average Monthly Benefit	$1,446	$3,207	$3,071	$3,053	$4,468	$5,611
Average Final Salary	$5,927	$6,777	$6,628	$6,941	$6,825	$7,529
Number of Active Survivors	6	6	8	9	16	33

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+**
7/1/16 to 6/30/17						
Retirants						
General Members						
Average Monthly Benefit	$1,416	$1,858	$2,364	$3,425	$3,730	$5,149
Average Final Salary	$5,917	$5,860	$6,367	$7,202	$6,791	$7,441
Number of Active Retirants	142	338	328	209	507	856
Safety Members						
Average Monthly Benefit	$2,987	$3,087	$6,412	$6,885	$7,888	$11,358
Average Final Salary	$7,651	$8,870	$10,320	$11,308	$11,362	$13,288
Number of Active Retirants	24	25	50	36	153	248
Survivors						
General Members						
Average Monthly Benefit	$833	$786	$1,392	$1,577	$1,898	$2,942
Average Final Salary	$5,469	$4,190	$4,959	$5,059	$5,175	$6,105
Number of Active Survivors	29	52	63	41	72	136
Safety Members						
Average Monthly Benefit	$3,522	$4,150	$2,131	$3,715	$4,316	$6,581
Average Final Salary	$6,792	$7,451	$7,234	$6,906	$7,400	$8,411
Number of Active Survivors	3	5	9	7	16	36
7/1/17 to 6/30/18						
Retirants						
General Members						
Average Monthly Benefit	$1,639	$1,752	$2,482	$3,609	$3,907	$5,275
Average Final Salary	$7,147	$5,725	$6,223	$7,627	$7,071	$7,605
Number of Active Retirants	99	339	323	255	470	883
Safety Members						
Average Monthly Benefit	$3,140	$4,015	$5,714	$6,482	$8,329	$11,650
Average Final Salary	$7,739	$9,039	$10,242	$11,266	$11,835	$13,559
Number of Active Retirants	22	21	36	32	126	241
Survivors						
General Members						
Average Monthly Benefit	$681	$1,112	$1,345	$1,503	$2,179	$2,888
Average Final Salary	$4,138	$5,668	$5,145	$5,071	$5,596	$6,179
Number of Active Survivors	17	50	47	38	80	133
Safety Members						
Average Monthly Benefit	$2,815	$3,252	$3,528	$3,200	$3,603	$5,479
Average Final Salary	$7,817	$7,192	$6,670	$6,327	$6,905	$7,833
Number of Active Survivors	7	8	5	7	18	31

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+**
7/1/18 to 6/30/19						
Retirants						
General Members						
Average Monthly Benefit	$1,659	$1,578	$3,091	$3,613	$3,994	$6,007
Average Final Salary	$6,332	$5,585	$7,078	$7,481	$7,398	$8,630
Number of Active Retirants	122	337	371	313	447	938
Safety Members						
Average Monthly Benefit	$4,251	$4,072	$5,960	$8,466	$9,038	$12,076
Average Final Salary	$8,564	$9,754	$10,348	$12,556	$12,737	$14,367
Number of Active Retirants	25	30	36	38	137	278
Survivors						
General Members						
Average Monthly Benefit	$1,129	$921	$1,243	$1,660	$1,894	$2,898
Average Final Salary	$5,507	$5,704	$5,510	$5,402	$5,204	$5,928
Number of Active Survivors	38	69	80	81	111	183
Safety Members						
Average Monthly Benefit	$801	$2,157	$2,885	$2,704	$3,208	$6,016
Average Final Salary	$4,148	$6,656	$7,462	$5,607	$6,217	$8,495
Number of Active Survivors	4	8	14	17	29	45
7/1/19 to 6/30/20						
Retirants						
General Members						
Average Monthly Benefit	$1,529	$1,917	$2,998	$3,506	$4,414	$5,772
Average Final Salary	$6,503	$6,414	$7,197	$7,410	$8,151	$8,315
Number of Active Retirants	121	337	332	350	400	958
Safety Members						
Average Monthly Benefit	$2,606	$4,498	$6,070	$7,800	$9,336	$12,485
Average Final Salary	$7,489	$10,058	$11,768	$12,329	$13,251	$14,963
Number of Active Retirants	15	24	21	38	119	320
Survivors						
General Members						
Average Monthly Benefit	$969	$964	$1,171	$1,739	$1,961	$2,794
Average Final Salary	$5,282	$4,866	$4,956	$5,962	$5,469	$6,085
Number of Active Survivors	31	62	69	84	101	179
Safety Members						
Average Monthly Benefit	$3,839	$2,467	$3,078	$2,973	$4,646	$5,847
Average Final Salary	$5,723	$4,966	$6,705	$5,977	$7,952	$8,081
Number of Active Survivors	7	9	10	16	31	63

Active Members and Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

	2020		2019		2018		2017		2016	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	86,929	86.829%	86,392	87.092%	85,701	87.020%	84,515	86.931%	82,907	86.865%
Safety Members	13,179	13.164%	12,796	12.900%	12,775	12.972%	12,698	13.061%	12,528	13.126%
Total	**100,108**	**99.993%**	**99,188**	**99.992%**	**98,476**	**99.992%**	**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%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission	6	0.006%	7	0.007%	7	0.007%	6	0.006%	7	0.007%
Total Participating Agencies	**7**	**0.007%**	**8**	**0.008%**	**8**	**0.008%**	**8**	**0.008%**	**9**	**0.009%**
Total Active Membership [1]										
General Members	86,936	86.836%	86,400	87.100%	85,709	87.028%	84,523	86.939%	82,916	86.874%
Safety Members	13,179	13.164%	12,796	12.900%	12,775	12.972%	12,698	13.061%	12,528	13.126%
Total	**100,115**	**100.000%**	**99,196**	**100.000%**	**98,484**	**100.000%**	**97,221**	**100.000%**	**95,444**	**100.000%**

	2015		2014		2013		2012		2011	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	81,219	86.704%	79,934	86.447%	78,997	86.293%	79,459	86.413%	80,133	86.363%
Safety Members	12,446	13.286%	12,523	13.543%	12,539	13.697%	12,485	13.578%	12,641	13.624%
Total	**93,665**	**99.990%**	**92,457**	**99.990%**	**91,536**	**99.990%**	**91,944**	**99.991%**	**92,774**	**99.987%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%	—	—%	—	—%	3	0.003%
Little Lake Cemetery District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission	7	0.008%	7	0.008%	7	0.008%	6	0.007%	7	0.008%
Total Participating Agencies	**9**	**0.010%**	**9**	**0.010%**	**9**	**0.010%**	**8**	**0.009%**	**12**	**0.013%**
Total Active Membership [1]										
General Members	81,228	86.714%	79,943	86.457%	79,006	86.303%	79,467	86.422%	80,145	86.376%
Safety Members	12,446	13.286%	12,523	13.543%	12,539	13.697%	12,485	13.578%	12,641	13.624%
Total	**93,674**	**100.000%**	**92,466**	**100.000%**	**91,545**	**100.000%**	**91,952**	**100.000%**	**92,786**	**100.000%**

(1) Active Membership excludes Terminated vested (deferred) and non-vested (inactive) members.

Retired Members of Participating OPEB Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles and Participating Agencies	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Medical	52,336	51,216	50,052	48,812	47,653	46,567	45,576	44,753	43,746	42,627
Dental/Vision	53,705	52,499	51,225	49,890	48,671	47,486	46,383	45,485	44,344	43,114

Employer Contribution Rates: County of Los Angeles
For the Last 10 Years

			General Members						Safety Members		
Effective Date			Plan A	Plan B	Plan C	Plan D	Plan E	Plan G [1]	Plan A	Plan B	Plan C [1]
10/1/2010	to	9/30/2011	19.40%	12.74%	12.23%	12.65%	12.67%	—	29.46%	22.69%	—
10/1/2011	to	9/30/2012	21.59%	15.00%	14.51%	14.80%	15.30%	—	30.38%	24.10%	—
10/1/2012	to	9/30/2013	22.65%	15.55%	15.35%	16.00%	16.77%	—	31.55%	25.37%	—
1/1/2013	to	9/30/2013	—	—	—	—	—	15.61%	—	—	20.98%
10/1/2013	to	9/30/2014	25.08%	17.95%	17.54%	18.24%	19.09%	17.81%	34.63%	27.92%	23.18%
10/1/2014	to	6/30/2015	26.99%	19.49%	19.01%	19.74%	20.95%	19.53%	35.91%	29.26%	25.29%
7/1/2015	to	6/30/2016	25.13%	17.45%	16.90%	17.70%	18.97%	17.66%	34.64%	27.50%	23.46%
7/1/2016	to	9/30/2017	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%	32.25%	25.94%	21.93%
10/1/2017	to	9/30/2018	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%	34.45%	27.75%	23.73%
10/1/2018	to	9/30/2019	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%	34.11%	28.36%	23.97%
10/1/2019	**to**	**9/30/2020**	**27.81%**	**19.33%**	**18.33%**	**19.42%**	**20.79%**	**19.42%**	**35.32%**	**29.30%**	**24.68%**

(1) As a result of PEPRA implementation, effective January 1, 2013.

Employer Contribution Rates: Little Lake Cemetery District [1], Local Agency Formation Commission [2], and Los Angeles County Office of Education [3]

For the Last 10 Years

Effective Date			General Members			
			Plan A	Plan D	Plan E	Plan G [4]
10/1/2010	to	9/30/2011	19.40%	12.65%	12.67%	—
10/1/2011	to	9/30/2012	21.59%	14.80%	15.30%	—
10/1/2012	to	9/30/2013	—	16.00%	16.77%	—
1/1/2013	to	9/30/2013	—	—	—	15.61%
10/1/2013	to	9/30/2014	—	18.24%	19.09%	17.81%
10/1/2014	to	6/30/2015	—	19.74%	20.95%	19.53%
7/1/2015	to	6/30/2016	—	17.70%	18.97%	17.66%
7/1/2016	to	9/30/2017	—	16.19%	17.49%	16.07%
10/1/2017	to	9/30/2018	—	18.17%	—	18.04%
10/1/2018	to	9/30/2019	—	18.51%	—	18.53%
10/1/2019	**to**	**9/30/2020**	**—**	**19.42%**	**—**	**19.42%**

(1) Rates applicable to Little Lake Cemetery District are limited to Plan D.

(2) Rates applicable to the Local Agency Formation Commission are limited to Plans D, E, and G. As of November 2016, there were no participating members under Plan E.

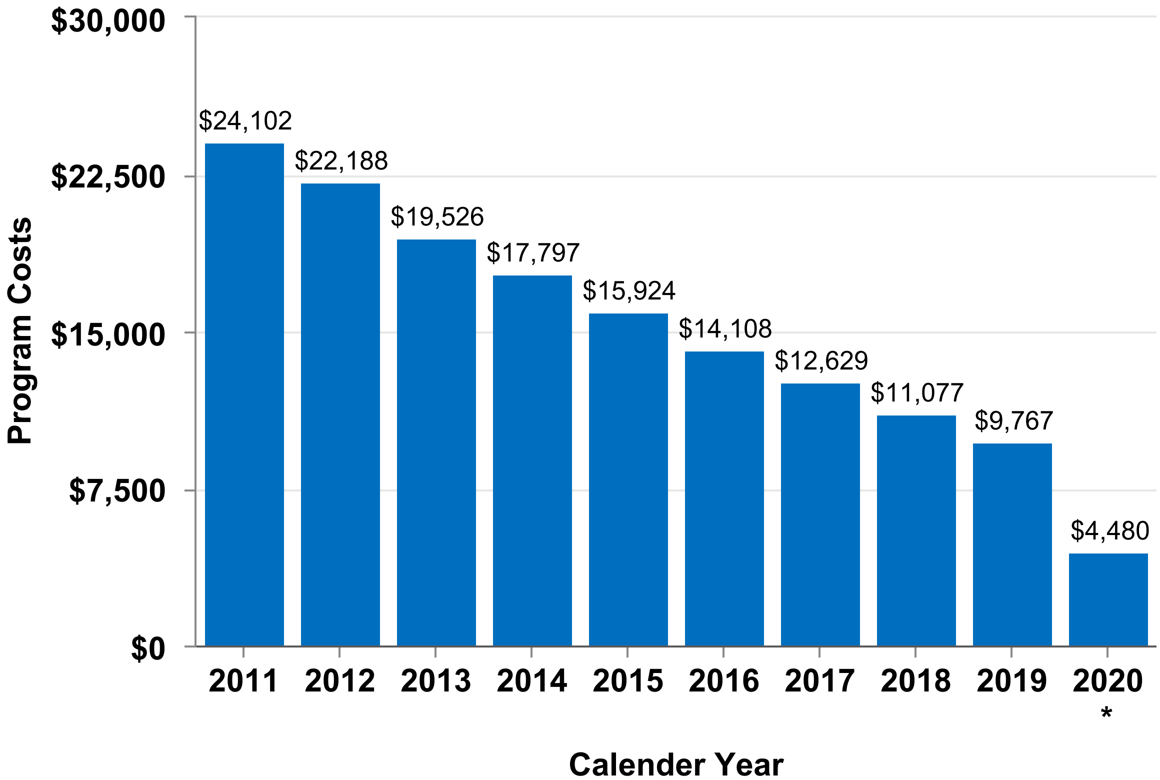
(3) Rates applicable to the Los Angeles County Office of Education are limited to Plan A. As of June 2012, there were no participating members.

(4) Rates effective January 1, 2013, were a result of PEPRA implementation.

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

The STAR Program is administered on a calendar-year basis. The chart below represents the STAR Program costs for the last 10 years.

STAR Program Costs
For the Last 10 Calendar Years
(Dollars in Thousands)



*Represents partial fiscal year January 1 through June 30.

Calendar Year	STAR Program Costs
2011	$24,102
2012	22,188
2013	19,526
2014	17,797
2015	15,924
2016	14,108
2017	12,629
2018	11,077
2019	9,767
2020 *	4,480

Los Angeles County Employees Retirement Association

Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer
As of and for the Year Ended June 30, 2019
With Independent Auditor's Report

Member Reporting Period: June 30, 2020

Table of Contents

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

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

We have audited the accompanying schedule of employer allocations of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2019 and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources (excluding contributions made subsequent to June 30, 2019), total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of LACERA as of and for the year ended June 30, 2019 and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities in the Los Angeles County Employees Retirement Association defined benefit pension plan as of and for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As explained in Note (2) to the schedules, the schedules include investments that are part of the calculation of the net pension liability, which are valued at $14,145,366,000 (24 percent of net position) at June 30, 2019, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of LACERA as of and for the year ended June 30, 2019, and our report thereon, dated October 11, 2019, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of LACERA's management, the boards of retirement and investments, LACERA employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

Southfield, Michigan
May 15, 2020

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Defined Benefit Pension Plan

Schedule of Employer Allocations

As of and for the year ended June 30, 2019

Amounts rounded to nearest thousand

	Measurement Date June 30, 2019				
Employer	Actual Employer Contribution (1)	Employer Contribution Percentage	Adjusted Contribution Percentage	Employer Proportion	Employer Net Pension Liability
Los Angeles County	$ 1,605,150,000	96.22331%	96.22331%	96.22331%	$ 11,560,668,000
Los Angeles County Superior Court	62,875,000	3.76914%	3.76914%	3.76914%	452,840,000
South Coast Air Quality Management District	-	0.00000%	0.00000%	0.00000%	-
Los Angeles County Office of Education	-	0.00000%	0.00000%	0.00000%	-
Local Agency Formation Commission	119,000	0.00713%	0.00713%	0.00713%	857,000
Little Lake Cemetery District	7,000	0.00042%	0.00042%	0.00042%	50,000
Total	$ 1,668,151,000	100%	100%	100%	$ 12,014,415,000

(1) Employer contributions exclude any pickup contributions and include contributions from the Metropolitan Transportation Authority (MTA). Our understanding is that the MTA is a nonemployer contributing entity that is not in a special funding situation. We have considered contributions from the MTA as a county contribution in the above table.

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2019

Amounts rounded to nearest thousand

		Deferred Outflows of Resources				Deferred Inflows of Resources				Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
Employer Name	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Changes of Assumptions	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences between Expected and Actual Economic Experience	Differences Between Projected and Actual Plan Investment Earnings	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Allocable Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Los Angeles County	$11,560,668,000	$ 646,597,000	$ 1,852,233,000	$ 36,818,000	$ 2,535,648,000	$ 504,419,000	$ 42,135,000	$ -	$ 546,554,000	$ 2,275,656,000	$ 10,295,000	$ 2,285,951,000
Los Angeles County Superior Court	452,840,000	25,328,000	72,553,000	-	97,881,000	19,758,000	1,650,000	36,848,000	58,256,000	89,139,000	(10,312,000)	78,827,000
South Coast Air Quality Management District	-	-	-	25,000	25,000	-	-	-	-	-	8,000	8,000
Los Angeles County Office of Education	-	-	-	-	-	-	-	-	-	-	-	-
Local Agency Formation Commission	857,000	48,000	137,000	133,000	318,000	37,000	3,000	146,000	186,000	169,000	3,000	172,000
Little Lake Cemetery District	50,000	3,000	8,000	21,000	32,000	2,000	-	3,000	5,000	10,000	6,000	16,000
Total for All Employers	$12,014,415,000	$ 671,976,000	$ 1,924,931,000	$ 36,997,000	$ 2,633,904,000	$ 524,216,000	$ 43,788,000	$ 36,997,000	$ 605,001,000	$ 2,364,974,000	$ -	$ 2,364,974,000

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Notes to Schedule of Employer Allocations and

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2019

Amounts rounded to nearest thousand

(1) Plan Description

Los Angeles County Employees Retirement Association (LACERA) administers a cost-sharing multiple-employer defined benefit pension plan for Los Angeles County and its affiliated Superior Court, plus four outside districts: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District. For additional information, please refer to the Comprehensive Annual Financial Report, which can be found on LACERA's website at www.LACERA.com.

Plan benefits are specified in and provided to members based on the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act (PEPRA) and the regulations, procedures, and policies adopted by the LACERA Board of Retirement and the LACERA Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members. Benefits are provided to members of the plan based on the provisions of PEPRA.

(2) Basis of Presentation and Significant Accounting Principles

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer presents amounts that are elements of the financial statements of the plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the plan or its participating employers. The accompanying schedules were prepared in accordance with the full accrual basis of accounting under accounting principles generally accepted in the United States of America. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member and employer contributions are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each benefit plan.

The preparation of these schedules requires management of LACERA to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

The plan net position, which is part of the calculation of the net pension liability (per Note (4)), includes investments valued at $14,145,366,000 (24 percent of net position) at June 30, 2019, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments.

(3) Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the plan to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the plan's total employer contributions during the measurement period July 1, 2018 through June 30, 2019.

(3) Allocation Methodology (Continued)

Total contribution per the Schedule of Employer Allocations and per the LACERA audited financial statements for the year ended June 30, 2019 is $1,668,151,000.

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2019 are as follows:

Total pension liability	$ 70,309,252,000
Plan fiduciary net position	(58,294,837,000)
Net pension liability	$ 12,014,415,000

Actuarial Assumptions

The collective net pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with updated procedures used to roll forward the total pension liability to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75 percent
General wage growth	3.25 percent
Projected salary increases	3.51 percent to 11.51 percent
Projected COLAs	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. Supplemental Targeted Adjustment for Retirees (STAR) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR Program benefits.
Investment rate of return	7.38 percent, compounded annually, net of investment expense

Mortality rates were based on the RP-2014 Healthy and Disabled Annuitant mortality tables and included projection for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2016.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75 percent.

(4) Collective Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Allocation		Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**47.0%**		**6.5%**	
Global Equity		35.0%		5.7%
Private Equity		10.0%		7.1%
Opportunistic Real Estate		2.0%		6.2%
Credit	**12.0%**		**3.4%**	
High Yield Bonds		3.0%		3.6%
Bank Loans		4.0%		3.3%
Emerging Market Bonds (Local)		2.0%		2.5%
Illiquid Credit		3.0%		3.2%
Real Assets and Inflatio	**17.0%**		**3.8%**	
Core and Value Added Real Estate		7.0%		3.2%
Natural Resource and Commodities		4.0%		4.4%
Infrastructure		3.0%		4.1%
TIPS		3.0%		0.8%
Risk Reduction & Mitig	**24.0%**		**1.4%**	
Investment Grade Bonds		19.0%		1.1%
Diversified Hedge Fund Portfolio		4.0%		2.8%
Cash Equivalents		1.0%		0.1%

Single Discount Rate

The discount rate used to measure the total pension liability was 7.38 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.25 percent, net of all expenses, increased by .13 percent, gross of administrative expenses.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability calculated using a discount rate of 7.38 percent, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.38 percent) or 1 percentage point higher (8.38 percent) than the current rate:

	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Collective net pension liability	$21,470,992,000	$ 12,014,415,000	$ 4,195,027,000

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2019:

	Year of Deferral	Amortization Period (years)	Beginning of Year Balance	Additions	Deductions	End of Year Balance
Deferred Outflow of Resources:						
Difference between expected and actual experience	2019	8	$ -	$ 502,989,000	$ 62,874,000	$ 440,115,000
	2018	8	270,505,000	-	38,644,000	231,861,000
Subtotal			270,505,000	502,989,000	101,518,000	671,976,000
Difference between projected and actual earnings on pension plan investments	2019	5	-	948,757,000	189,751,000	759,006,000
	2016	5	1,440,780,000	-	720,390,000	720,390,000
	2015	5	323,373,000	-	323,373,000	-
Subtotal			1,764,153,000	948,757,000	1,233,514,000	1,479,396,000
Changes of assumptions	2017	8	2,309,918,000	-	384,987,000	1,924,931,000
Subtotal			2,309,918,000	-	384,987,000	1,924,931,000
Total Deferred Outflows of Resources			$ 4,344,576,000	$ 1,451,746,000	$ 1,720,019,000	$ 4,076,303,000
Deferred Inflows of Resources						
Difference between expected and actual experience	2017	8	$ 35,630,000	$ -	$ 5,938,000	$ 29,692,000
	2016	8	273,149,000	-	54,630,000	218,519,000
	2015	8	368,006,000	-	92,001,000	276,005,000
Subtotal			676,785,000	-	152,569,000	524,216,000
Difference between projected and actual earnings on pension plan investments	2018	5	684,257,000	-	171,064,000	513,193,000
	2017	5	1,514,987,000	-	504,996,000	1,009,991,000
Subtotal			2,199,244,000	-	676,060,000	1,523,184,000
Total Deferred Inflows of Resources			$ 2,876,029,000	$ -	$ 828,629,000	$ 2,047,400,000

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized (amortized) in pension expense as follows:

Years Ending June 30		
2020	$	568,017,000
2021		(152,372,000)
2022		352,620,000
2023		615,691,000
2024		480,561,000
Thereafter		164,386,000
Total	$	2,028,903,000

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is eight years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts.

(6) Pension Expense

The components of allocable pension expense for the year ended June 30, 2019 (excluding employer specific pension expense for changes in proportion) are as follows:

Service cost	$ 1,239,396,000
Interest on the total pension liability	4,916,804,000
Member contributions	(635,415,000)
Projected earnings of plan investments	(4,112,375,000)
Net miscellaneous income	(5,626,000)
Administrative expense	70,800,000
(Amortization) recognition of deferred outflows and inflows of resources:	
Difference between expected and actual experience	(51,051,000)
Difference between projected and actual earnings on pension plan investments	557,454,000
Changes of assumptions	384,987,000
Total	$ 2,364,974,000

(7) Subsequent Events

Subsequent to year-end, LACERA's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

LOS ANGELES COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

AGENT MULTIPLE-EMPLOYER OTHER POST-EMPLOYMENT BENEFITS TRUST

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

Introduction

The Los Angeles County Employees Retirement Association (LACERA) administers the Los Angeles County Other Post-Employment Benefits (OPEB) Program for eligible members of LACERA that have retired from Los Angeles County (County), Los Angeles County Superior Court (Court), LACERA, or a participating Outside District. LACERA also administers the OPEB Trust for the County, Court, and LACERA (Employers) which was established to provide a pre-funding vehicle for each employers' OPEB liabilities. For better precision in allocating and accounting for these liabilities and ongoing program costs, as of July 1, 2018, the OPEB Program transitioned from a cost-sharing plan structure to an agent multiple-employer plan structure.

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB Statement No. 75), employers are required to recognize their specific OPEB amounts which include net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense.

The accompanying Schedule of Changes in Fiduciary Net Position by Employer includes the additions and deductions made to each Employer's OPEB Trust Fund as well as the beginning and ending fiduciary net position restricted for benefits by each employer. The fiduciary net position or "assets" calculated for each employer are deducted from its total OPEB liability to determine the employer's net OPEB liability.

LACERA has also completed a SOC-1 Type 2 audit on the controls over the calculation and allocation of additions and deductions to employer accounts. The SOC 1 Type 2 Audit Report can be found ...
(Not sure we need to include this language.)

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

July 20, 2020

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

We have audited the fiduciary net position and the changes in fiduciary net position (collectively, the "Schedule") of the Agent Multiple-Employer Other Post-Employment Benefits Trust of Los Angeles County Employee Retirement Association (LACERA) as of and for the year ended June 30, 2019 and have issued our report thereon dated July 20, 2020. This additional audit report is used primarily to record accounting information under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Professional standards require that we provide you with any internal control matters we noted as a result of this additional audit. In addition, we are required to communicate certain other matters identified in our audit. We previously provided you with these communications in our letter dated October 11, 2019, issued in conjunction with the completion of the June 30, 2019 financial statement audit. We did not note any additional items that we are required to communicate as a result of this additional audit.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have not identified likely misstatements during our additional audit procedures on the Schedule.

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

This information is intended solely for the use of the board of retirement, the board of investments, and management of the Los Angeles County Employees Retirement Association and the participating employers, along with their auditors; this report is not intended to be and should not be used by anyone other than these specified parties.

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

Very truly yours,

Michelle Watterworth **Plante & Moran, PLLC**

Michelle Watterworth, CPA
Partner

Jean Young

Jean Young, CPA
Partner

Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust

For the Fiscal Year Ended June 30, 2019

(Dollars in Thousands)

	Los Angeles County	Superior Court	LACERA	Total
Additions				
Employer Contributions	$832,480	$27,929	$2,619	$863,028
Net Investment and Miscellaneous Income	59,666	2,219	231	62,116
Total Additions	**$892,146**	**$30,148**	**$2,850**	**$925,144**
Deductions				
Service Benefits	$601,985	$23,751	$1,679	$627,415
Administrative Expenses	175	47	12	234
Redemptions	—	25	—	25
Total Deductions	**$602,160**	**$23,823**	**$1,691**	**$627,674**
Net Increase/(Decrease) in Fiduciary Net Position	**$289,986**	**$6,325**	**$1,159**	**$297,470**
Fiduciary Net Position Restricted for Benefits				
Beginning of Year	**$899,421**	**$38,148**	**$3,438**	**$941,007**
End of Year	**$1,189,407**	**$44,473**	**$4,597**	**$1,238,477**

The accompanying Notes are an integral part of this schedule.

NOTE A — Plan Description

Establishment of the County OPEB Trust

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

The County OPEB Trust was the County's first step to reduce its OPEB unfunded liability. It provides a framework where the County contributes to the Trust and transitions, over time, from funding post-retirement benefits as a pay-as-you-go model to a prefunding model. 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 used to pay expenses associated with future OPEB benefits, such as medical, dental and vision provided by the Retiree Healthcare Program including retiree death/burial benefit. The participating employers will be responsible for and have full discretion over the timing and use of those assets restricted for OPEB purposes as defined in the Trust Agreement. There are only two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Establishment of the Court OPEB Trust

Similar to the OPEB Trust established by the County, the Court followed the County's lead and established a separate OPEB Trust Fund, the Court OPEB Trust, to begin prefunding its own OPEB unfunded liability.

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

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

In June 2016, similar to the County, the Court entered into a Trust and Investment Services Agreement with the LACERA Board of Investments.

OPEB Master Trust

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

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

NOTE B — Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accompanying Schedule was prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, LACERA adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The OPEB Trust is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are voluntarily determined by the employer's own funding schedule, and there are no long-term contracts for contributions to LACERA. As such, contributions are elective and not required. LACERA recognizes employer contributions received by June 30 each fiscal year.

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. LACERA allocates Investment income/loss to each employer monthly based on the employer's ownership percentage in the Ownership account using the average daily net asset value (NAV) provided by the custodian bank. The recognition of investment income/loss is also affected by the timing of contributions and reimbursements.

The participating employers are charged investment and administrative expenses, which covers all program costs. Administrative expenses are charge to each employer based on the annual budget rates. The annual budget rates are approved by LACERA's Executive Office. Investment expenses are charged to each employer based on their average daily NAV.

Use of Estimates in the Preparation of the Schedule

The preparation of the Schedule in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results may differ from these estimates.

Relationship of the Schedule to LACERA's Financial Statements

The Schedule was reconciled to the Statement of Changes in Fiduciary Net Position in LACERA's CAFR for the fiscal year ended June 30, 2019.

NOTE C — Additional Financial Information

Additional financial information is located within LACERA's CAFR for the fiscal year ended June 30, 2019, which can be found on LACERA's website. Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to the Chief Financial Officer, Beulah Auten, at bauten@lacera.com.

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

Independent Auditor's Report

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

We have examined management's assertion that the census data sent to the actuary of Los Angeles County Employees Retirement Association (the LACERA) for the year ended June 30, 2018, for the purpose of computing the total OPEB liability under GASB 75 for the OPEB Trust Fund, is complete and accurate based on the criteria laid out below. Management of LACERA is responsible for the assertion and the accuracy and completeness of the census data. Our responsibility is to express an opinion on management's assertion regarding the census data based on our examination.

Management asserts the following:

- The significant elements of the census data as of June 30, 2018, provided by LACERA to the actuary of LACERA, are complete and accurate based on the accumulation of census data reported by participating employers for the period from July 1, 2017 to June 30, 2018. The significant elements of the census data include the following:
  - Employee name
  - Gender
  - Date of birth
  - Date of hire
  - Years of service
  - Class of employee
  - Employment status
  - Date of termination or retirement
  - Marital status
  - Spouse's date of birth
  - OPEB benefit election

- The census data provided by LACERA to the actuary as of June 30, 2018 properly reflects current benefit provisions in effect as of that date included in the Los Angeles County Employees Retirement Association ordinance.

- The significant elements of census data provided to the actuary of Los Angeles County Employees Retirement Association for the valuation as of June 30, 2018 properly exclude deceased members based on LACERA's validation of the existence of active, inactive, and retired members. LACERA has contracted with a vendor, Pension Benefit Information (PBI), to review Social Security death records on a monthly basis and maintain information on a site that is accessed and reviewed monthly by LACERA's staff.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, management's assertion that LACERA's census data is complete and accurate based on the aforementioned criteria for the year ended June 30, 2018 is fairly stated in all material respects. This report is intended solely for the information and use of management and participating LACERA employers and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

January 11, 2020

LACERA

December 4, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Santos H. Kreimann SHK
Chief Executive Officer

Richard P. Bendall RPB
Chief Audit Executive

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: **Management Response to Plante Moran's Comments to Management**

BACKGROUND

On October 28, 2020, after Plante Moran's (PM) completion of LACERA's financial audit, they issued a Comments to Management memo (see Attachment A). Their comments and suggestions relate to matters of internal control, operating efficiency, and future accounting standards that will impact LACERA. However, these matters do not rise to the level of material deficiencies as defined by the American Institute of Certified Public Accountants (AICPA), and therefore are not reportable to "those charged with governance." Rather, PM directs them to the Chief Executive Officer (CEO) as suggestions for LACERA to consider.

Internal Audit met with the Executive Office and related stakeholders to discuss the comments and then management responses were provided by stakeholders.

MANAGEMENT RESPONSE BY COMMENT

1. Disability Retirement Sampling

While we performed analysis to support that these known errors would not rise to a significant level, we recommend that LACERA consider a review of disability reversal cases that were originally calculated prior to the implementation of LACERA's current benefit payment system, along with benefit election forms to assess the magnitude of the total miscalculations.

Management Response

Management has considered PM's recommendation to conduct a full review of disability reversal cases that were conducted prior to the implementation of LACERA's current benefit system (legacy accounts). Management has assessed the findings and believes the recommendation from a risk/reward perspective would be cost prohibitive and administratively burdensome given the difficulty in verifying data for older cases, the differences in legal interpretations of laws, and the differing levels of documented standard operating procedures. Moreover, the minimal staff resources available to address other workload challenges and higher priority issues was a determining factor in Management's decision to not conduct a full review but to address any errors that are identified through the ordinary course of business and/or PM's review.

Management acknowledges that errors are possible and have occurred from time to time for legacy accounts processed pre-2007. However, since 2007, LACERA has made a concerted effort to ensure that every retirement (both disability and service) is evaluated by our Quality Assurance Division against defined standards. Over the last five years we have taken these additional steps:

1) LACERA's Legal Office reviewed and updated LACERA's interpretation of applicable laws to enhance LACERA's compliance.

2) Benefits reviewed and revised applicable procedures to ensure that appropriate controls are in place to ensure accuracy and compliance. This included:

    a. Through the coordination of the Program Management Group (PMG), Implementing thoroughly documented and approved business rules, systems tools and templates for disability calculations and legal compliance.

    b. Implementing the Benefit Staging Analysis, which is a thorough review of every disability applicant's account as early in the application process as possible to ensure that members receive sufficient counseling to make fully informed disability application decisions.

    c. Establishing a closer partnership between Benefits, Member Services, Disability, QA, and Systems to help eliminate the errors caused by process silos.

    d. Increasing coordination between LACERA and reciprocal agencies to promote greater compliance with disability reciprocity laws and regulations.

While we are confident in these process improvements, we acknowledge that it is still possible an error could occur.

2. Check Receipting

During our conversations with various LACERA staff, it was brought to our attention that instances have occurred where checks related to THCs sent to the investments division to process were not deposited timely, and, in some instances, the checks became stale. Upon further discussion, it was identified that various checks are routed to the investments division, which were not reviewed and deposited in the Bank of America account timely, as these checks do not go through the normal check depositing process. As a result, a number of checks went stale, dating back to 2014, many of which are in the process of being reissued. We recommend the process for these checks be reviewed and controls be put in place to ensure these checks are deposited timely.

Management Response

The Investments Office has deposited most of the outstanding stale checks and is waiting for the remaining checks to be re-issued. Investments has changed many of its check receiving and sending processes, with a focus on eliminating as many checks as possible and for those checks that remain, ensuring segregation of duties and accountability. Investments is also, working with internal stakeholders to improve the process and document procedures so that checks are deposited in a timelier manner.

3. Real Estate Investment Activity

As identified during prior audits, LACERA is currently maintaining the noncustodial real estate investment activity outside of the general ledger in "no-post" accounts. As a result, the general ledger does not reflect market value adjustments for these particular investments. Based upon discussions with management during the current year audit, LACERA has undertaken this project, and management is exploring the potential to begin recording the real estate investments within the general ledger through the engagement of a third party. We would recommend that a process be instituted to ensure the activity is recorded within the general ledger to ensure the general ledger reflects the activity throughout the year.

Management Response

FASD has addressed this with auditors in the past and we are close to a resolution on resolving the vast majority of the "no post" issue. Because LACERA's real estate consultant, Townsend, has served as the book of record for all of LACERA's real estate accounts, those not custodied at State Street Bank (real estate separate account properties/THCs) are outside of the general ledger. At the September BOI meeting, the Board approved hiring State Street as the account administrator, and official book of record for real estate. Investments and FASD are currently working with State Street to on-board the historical data onto the State Street platform and anticipate the inclusion of real estate separate account activity into LACERA's general ledger in the first quarter 2021. Please note that the Investments Office plans to review the separate account/THC commercial banking relationship via a search mid-next year, which will further enhance LACERA's general ledger accounting.

4. General Ledger

During our audit, it was also identified that the OPEB Custodial Fund is maintained in the general ledger in the same "company" as the Pension Trust. The accounts utilized to record the OPEB Custodial Fund activity are designated 002 in the account number structure, which provides for identification of the Custodial Fund accounts. With the accounting for the OPEB Custodial Fund becoming more complex with the adoption of GASB Statement No. 84, *Fiduciary Activities*, we recommend that the activity for the OPEB Custodial Fund be maintained in a separate company within the general ledger system.

Management Response

Management agrees that a best practice approach would be to capture the OPEB Custodial Fund activity within a separate company as part of the general ledger. We do believe, however, that the current accounting structure is acceptable as it does contain separate accounts for the various funds (the Pension Trust and OPEB Custodial Fund) and poses minimal risk of improperly recording transactions between the two. Staff spent considerable time setting up the OPEB Custodial Fund reporting to capture financial activity based on the designated "002" middle segment accounts within the general ledger. The accounts for the OPEB Custodial Fund are maintained separately but they are included under one umbrella company within the software. Plante Moran did acknowledge that the transactions were accounted for separately. Management will address Plante Moran's comments regarding the general ledger architecture during the next Enterprise Resource Planning software implementation when individual accounting companies can be established initially.

5. Systems

As a result of the pandemic, LACERA was required to assess its functions to determine how most work could be done remotely and securely. While this was achieved, there are certainly additional considerations and analysis we would recommend LACERA consider, including efficiency of systems used. We recommend LACERA continue to focus on disaster planning, including storage and recovery process should a natural disaster occur, as LACERA is significantly dependent upon paper documentation from a participant demographic aspect. We also recommend LACERA review the efficiency and ease of use of the current systems, particularly Workspace. Currently, Workspace is not user friendly and requires significant manual input, which could lead to inaccurate information being used and security concerns.

Management Response Disaster Planning

Systems management agrees with this recommendation. We are planning a two-phased approach to verify and modernize our Disaster Recovery (DR) plan. The first phase of the planning and testing will be completed by January 31, 2021. This phase will be a DR test of the operational applications used at LACERA. This test will involve restoring systems and data from replicated and tape back-ups. While this is not a modern approach, it is important that we establish as quickly as possible that our systems are recoverable in the event of a disaster. The second phase will start in February 2021; this will be the modernization and retesting of our DR plan. The modernization plan will be to move from tape restoration at a cold site to an optimized combination of on-premise and cloud solutions for both operational and administrative applications.

Management Response the Use of Current Systems, Particularly Workspace
LACERA recognizes Workspace requires manual entries of some data, as well as needing some workaround processes to support the processing and tracking of work. The reasons for manual entries vary from historic data issues related to pre-computer-based member record management including the 1990's transition to modern technology to process improvements still in development as our needs evolve. Some manual entries are also required to accommodate format challenges for some data received from the plan sponsor's payroll system that are being addressed separately through a strong, collaborative partnership with our plan sponsor. We also recognize that all systems can benefit from usability improvements. These are issues that any pension system would need to address through the normal business operations, as no single off the shelf-system would accommodate any one pension system's needs.

While recognizing these issues, LACERA's management remains confident that currently Workspace – our primary member services system, is the right system for our needs. Workspace is a proprietary software designed to fit LACERA's specific needs and is a solution that is scalable and modifiable by LACERA which allows us to make process improvements, adjust to new legislation, and innovative ideas as needed.

Recognizing the importance of this tool and the abilities it provides, LACERA recently implemented an Agile programming development approach that will enhance the close collaboration between users and Systems Developers. A significant initiative from this approach is an expanded consideration of novel business solutions, such as externally developed applications that can be efficiently integrated into LACERA's existing infrastructure.

We agree that there are manual calculations being completed outside of Workspace and with the risks associated with manual calculations. Our Program Management Group has been working closely with the Systems Developers to develop and maintain an on-going priority list of projects based on risk, need, and development time.

6. GASB No. 87 - Leases

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which changes the accounting and financial reporting for leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In general, this statement will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This standard would be applicable for LACERA's 2021-2022 fiscal year. The first step to the comprehensive implementation of this new standard is identifying the population of contracts/agreements that will need to be analyzed. GASB is very clear within this new standard that governments should carefully consider within the population contracts and agreements that may not traditionally have been deemed a "lease" or that necessarily carry the name "lease" within the agreement terms. Because determining this population and then analyzing all of these agreements under GASB 87 could take significant effort, depending upon the size of the population, we encourage LACERA to commence this implementation process in the near term.

Management Response

Management agrees that GASB 87 implementation process will require some time and effort. Our preliminary survey of the organization's leases determined a list that appears to be manageable. Management will implement GASB 87 in accordance with the required timeline which is for the fiscal year end June 30, 2022.

CONCLUSION

Management would like to acknowledge the high-level of collaboration between PM and LACERA to ensure the audit was completed timely. Management appreciates the comments and suggestions PM provided for our consideration in making process improvements.

RPB:/cl

Attachment:

A: PM's Comments to Management

MEMORANDUM DISTRIBUTION

2020 Audit Committee	Santos H. Kreimann, Chief Executive Officer	Kathy Delino, Interim Systems Division Manager
Internal Audit Group	J.J. Popowich, Assistant Executive Officer	Summy Voong, Interim Assistant Systems Manager
Rick Wentzel, Audit Committee Consultant	Steven Rice, Chief Legal Counsel	Carlos Barrios, Benefits Division Manager
Ted Granger, Interim Chief Financial Officer	Jonathon Grabel, Chief Investment Officer	Bernie Buenaflor, QA Division Manager
	Bob Schlotfelt, Interim Chief Information Security Officer	Allan Cochran, Member Services Division Manager

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

To: Santos Kreimann, Chief Executive Officer

CC: Steven Rice, Chief Counsel
Ted Granger, Interim Chief Financial Officer
Richard Bendall, Chief, Internal Audit
Christina Logan, Senior Internal Auditor
Cassandra Smith, Director, Retiree Healthcare

From: Plante & Moran, PLLC

Date: October 15, 2020

Subject: Comments to Management as a Result of the June 30, 2020 Audit

We have recently completed our audit of the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the fiscal year ended June 30, 2020.

In planning and performing our audit of the financial statements of LACERA as of and for the fiscal year ended June 30, 2020, in accordance with audit standards generally accepted in the United States of America, we considered LACERA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACERA's internal control. As a result of our audit, we offer the following suggestions and/or comments related to internal control, operating efficiencies, and future accounting standards impacting LACERA. While none of these items are required under the audit standards to be communicated, we offer them as suggestions for LACERA to consider. There are certainly cost/benefit implications of some of these items that management would have to consider prior to deciding whether and how to respond to these observations.

Results of Disability Retirement Sampling

Plante & Moran, PLLC included sampling of disability retirement benefit payments in our audit testing. As a result of that testing, calculation and enrollment errors were identified related to the following situations:

- A disability reversal situation resulted in the incorrect service credits being used due to the participant being in multiple plans (Plan A General and Plan A Safety). The service credits were miscalculated when calculating the Plan A Safety service credit and incorrectly included the Plan A General service credit, double counting the Plan A General service credits.

- A disability reversal situation resulted in a cost of living adjustment (COLA) not being awarded for 2006 due to the incorrect disability retirement date being used.

- A disabled member had completed the enrollment form; however, it was unclear which dental plan the member was wishing to enroll in, as information was completed for multiple options. The member was subsequently enrolled in a plan without any formal communication from LACERA to the member to verify that the member was being enrolled in the correct plan.

While we performed analysis to support that these known errors would not rise to a significant level, we recommend that LACERA consider a review of disability reversal cases that were originally calculated prior to the implementation of LACERA's current benefit payment system, along with benefit election forms to assess the magnitude of the total miscalculations.

Internal Control Suggestions

Check Receipting: During our conversations with various LACERA staff, it was brought to our attention that instances have occurred where checks related to THCs sent to the investments division to process were not deposited timely, and, in some instances, the checks became stale. Upon further discussion, it was identified that various checks are routed to the investments division, which were not reviewed and deposited in the Bank of America account timely, as these checks do not go through the normal check depositing process. As a result, a number of checks went stale dating back to 2014, many of which are in the process of being reissued. We recommend the process for these checks be reviewed and controls be put in place to ensure these checks are deposited timely.

Potential Operating Efficiencies

While the nature of an external financial statement audit is not to identify process efficiencies, during our audit process, we did identify the following suggestions that, if implemented, might improve certain operating efficiencies at LACERA.

Investments: As identified during prior audits, LACERA is currently maintaining the noncustodial real estate investment activity outside of the general ledger in "no-post" accounts. As a result, the general ledger does not reflect market value adjustments for these particular investments. Based upon discussions with management during the current year audit, LACERA has undertaken this project, and management is exploring the potential to begin recording the real estate investments within the general ledger through the engagement of a third party. We would recommend that a process be instituted to ensure the activity is recorded within the general ledger to ensure the general ledger reflects the activity throughout the year.

General Ledger: During our audit, it was also identified that the OPEB Custodial Fund is maintained in the general ledger in the same "company" as the Pension Trust. The accounts utilized to record the OPEB Custodial Fund activity are designated 002 in the account number structure, which provides for identification of the Custodial Fund accounts. With the accounting for the OPEB Custodial Fund becoming more complex with the adoption of GASB Statement No. 84, *Fiduciary Activities*, we recommend that the activity for the OPEB Custodial Fund be maintained in a separate company within the general ledger system.

Systems: As a result of the pandemic, LACERA was required to assess its functions to determine how most work could be done remotely and securely. While this was achieved, there are certainly additional considerations and analysis we would recommend LACERA consider, including efficiency of systems used. We recommend LACERA continue to focus on disaster planning, including storage and recovery process should a natural disaster occur, as LACERA is significantly dependent upon paper documentation from a participant demographic aspect. We also recommend LACERA review the efficiency and ease of use of the current systems, particularly Workspace. Currently, Workspace is not user friendly and requires significant manual input, which could lead to inaccurate information being used and security concerns.

To: Santos Kreimann, Chief Executive Officer

New Accounting Standards on the Horizon Impacting LACERA

While there are a number of pronouncements that will be effective in the next several years that LACERA will need to evaluate, the following standard, in particular, will have the most significant impact on LACERA:

GASB No. 87 - *Leases*: In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which changes the accounting and financial reporting for leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In general, this statement will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This standard would be applicable for LACERA's 2021-2022 fiscal year. The first step to the comprehensive implementation of this new standard is identifying the population of contracts/agreements that will need to be analyzed. GASB is very clear within this new standard that governments should carefully consider within the population contracts and agreements that may not traditionally have been deemed a "lease" or that necessarily carry the name "lease" within the agreement terms. Because determining this population and then analyzing all of these agreements under GASB 87 could take significant effort, depending upon the size of the population, we encourage LACERA to commence this implementation process in the near term.

This communication is intended solely for the information and use of management and others within LACERA and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Jean Young

Jean Young, CPA
Partner

Michelle Watterworth

Michelle Watterworth, CPA
Partner

L/A/CERA

December 4, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall RPB
Chief Audit Executive

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: **Information Security (InfoSec) Report**

In August 2020, LACERA hired Robert (Bob) Schlotfelt as the Interim Chief Information Security Officer. Bob is working directly with the Executive Office and Systems to provide cybersecurity expertise needed to enhance our data protection capabilities and to secure all critical information systems depended on by staff to perform their essential job functions.

Since cybersecurity is a significant and ongoing risk, we have asked Bob to provide a high-level discussion on the evolution of cybersecurity, current risks, and the general framework LACERA will be employing. We anticipate that InfoSec will become a regular report to the Audit Committee as we move forward.

Please let me know if you have any questions.

RPB:/cl

Audit Committee

Information Security Update
December 11, 2020

Bob Schlotfelt, CISSP
Interim Chief Information Security Officer

Executive Summary

This update item is being brought to the Audit Committee in order to share the vision for improving our cybersecurity posture and the long-term approach by which it will be accomplished.

An Information Security Office cannot by itself secure this vast organization. Therefore, we must develop a culture in which users take ownership for the security of the resources which they are entrusted.

The Information Security Office along with the LACERA Systems Division is working to implement standards, processes, and technologies that empower users with the tools they need to secure the resources they oversee. In addition, Information Security we will be the driving force for the implementation of processes and technologies to secure LACERA.

NIST CSF - Cyber Security Framework

This professional Framework consists of standards, guidelines, and best practices to manage cybersecurity-related risk. The Cybersecurity Framework's prioritized, flexible, and cost-effective approach helps to promote the protection and resilience of critical infrastructure and other sectors important to the economy and national security.

NIST Cyber Security Framework

Identify	Protect	Detect	Respond	Recover
Asset Management	Access Control	Anomalies and Events	Response Planning	Recovery Planning
Business Environment	Awareness and Training	Security Continuous Monitoring	Communications	Improvements
Governance	Data Security	Detection Processes	Analysis	Communications
Risk Assessment	Info Protection Processes and Procedures		Mitigation	
Risk Management Strategy	Maintenance		Improvements	
	Protective Technology			

Security Threat Evolution

Pre-1995 | Present Day

Pre-1995		Present Day
Casual Curiosity	Motivation Evolution	Profit Driven
Single Source	Threat Evolution	Distributed/Complex
Simple Access	Target Evolution	PII, Credit Card, ePHI

Pre 1995 :
IT Intellects – Script Kiddies

- **Goal**
  Just gain access; time sharing
- **Motivation**
  Curiosity, credibility
- **Attacks**
  Password guessing, account compromise
- **Common Vulnerabilities**
  User friendly passwords, configurations

1995 – 2001 : Casual Hacking

- **Goal**
  Remote access, control, Piracy
- **Motivation**
  Publicity / Showing Off
- **Attacks**
  Buffer overflow, Email attachment, Remote access compromise
- **Common Vulnerabilities**
  Lax software, poor detection, performance

2001 – 2010:
Opportunistic Hacking

- **Goal**
  Large scale activity (botnets)
- **Motivation**
  Publicity and now money $$$
- **Attacks**
  DOS, Worms, rootkits
- **Common Vulnerabilities**
  Self-propagating worms (Slammer, Blaster, etc.)

2008 – Present :
Professionals, Org Crime, Nation States

- **Goal**
  ID theft, extortion, system compromise, Data/Systems Ransome
- **Motivation**
  Profit (PII is worth $$)
- **Attacks**
  Web-based attacks, phishing, DDOS
- **Common Vulnerabilities**
  SPAM, DDOS, Botnets, App vulnerabilities

1996
- HIPAA

2002
- Sarbanes Oxley
- State Data Breach Laws

2003
- HIPAA Privacy Rule

2004
- PCI

2012
- Cybersecurity Act of 2012

2018
- GDPR
- CCPA (California)

2019 - Beyond
- Federal Chief Information Security Officer

Cybersecurity Threats

Data Exfiltration
Loss of sensitive data such as customer's personally identifiable information (PII) or payment information due to security breach or unauthorized access

Fraud / Phishing
Direct and cross-channel fraud by fraudsters who impersonate legitimate customers to alter or obtain information using techniques such as phishing emails or direct call to agents

Ransomware / Denial of Service
Business and/or operational disruptions caused by malware or denial of service threats (e.g., Telephony Denial Of Service attacks) limiting ability to transact with clients and the market

Brand and reputation threat
Threats such as hacktivism due to direct or indirect exposure via the customers are constantly impacting the brand and reputation

Insider Threat
Originating from within the organization from employees, contractors or business associates, who have inside information and knowledge about organization's security practices, infrastructure and data.

Physical security threats
Global operations lead to localization of sensitive data in geo-locations that may not have robust cybersecurity regulations/laws including safeguards, thus affecting the organization on a larger scale

Outsourced third party threats
Inadequate security at third parties providing services such infrastructure solutions or resources may inadvertently expose or act as an entry point for cyber attacks

Organized Crime / Nation State threats
Highly sophisticated cyber attacks from organized criminals and/or nation states on direct financial assets, critical intellectual property (IP), customer and employee personally identifiable information (PII)

LACERA

November 30, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall RPB
Chief Audit Executive

Leisha E. Collins LEC
Principal Internal Auditor

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: **FYE 2021 Audit Plan Status Report**

According to the Institute of Internal Auditor's (IIA's) International Standards for the Professional Practice of Internal Auditing (Standards), the Chief Audit Executive (CAE) must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. To remain in compliance with the Standards, as well as the Audit Committee Charter, Internal Audit developed the FYE 2021 Audit Plan (Audit Plan). The Audit Plan is designed to ensure audit resources are appropriately allocated to address top priorities and key risk areas for the organization.

The FYE 2021 Audit Plan consists of forty-three planned projects and three unplanned projects in the areas of assurance, consulting, advisory and other Internal Audit activities. As of November 30, 2020, twenty-eight projects have been completed or are in progress towards completion. The attached report contains the status on all projects including the estimated versus actual hours to-date, and a brief description of the scope and objective of each project (Attachment A).

I would like to thank our team for all their hard work and the Audit Committee for your continued support of Internal Audit.

INTERNAL AUDIT PLAN FYE 2021

A description of each audit area is included in Exhibit A.

	Audit Projects	Project Type	Est. Hours	Actual Hours	Status
	EXECUTIVE / LEGAL / ORGANIZATION				
1	Audit Committee Composition	Advisory	150	48	In Progress
2	LA County Audit – Recommendation Oversight	Consulting	100	14	In Progress
3	Form 700 Compliance Audit	Assurance	200	17	Q3 Assignment
4	Fiduciary Review Planning	Advisory	250	-	Q3 Assignment
5	Business Continuity / Disaster Recovery	Assurance	300	7	Q4 Assignment
6	Ethical Cultural Assessment	Consulting	300	2	Q4 Assignment
7	SOC 1 Type 2 Engagement (External)	Assurance	400	11	In Progress
8	Governance, Risk, Ethics, Fraud, Compliance	Consulting	1000	14	Ongoing
9	Ethics Hotline & Investigations	Consulting	200	43	Ongoing
	ADMINISTRATION				
10	IT End-User Manual	Advisory	150	90	Completed
11	Penetration Tests (External)	Assurance	150	-	TBD
12	Contract Compliance / Third Party Data Security	Assurance	300	-	Q3 Assignment
13	Security Incident Management Review (External)	Assurance	100	3	Q4 Assignment
14	Privilege Access Review	Assurance	100	-	Q3 Assignment
15	Updated Inventory Process	Consulting	150	7	Q3 Assignment
16	Employee Salary Bonuses	Assurance	200	-	Q4 Assignment
17	Continuous Auditing Program - Administration	Assurance	500	74	In Progress
	INVESTMENTS & FASD				
18	Accounts Payables	Assurance	150	129	In Progress
19	Corporate Credit Cards	Assurance	300	413	Report 10/5/2020
20	Investments Due Diligence	Assurance	400		Q3 Assignment
21	Oversight of Actuarial Services (External)	Assurance	150	76	In Progress
22	Oversight of Financial Audit (External)	Assurance	450	351	In Progress
23	Oversight of THC RE Financial Audits	Assurance	150	75	Completed
24	Real Estate Manager Reviews	Assurance	200	159	In Progress
25	Custodial Bank Services	Advisory	100	-	Ongoing
26	Updated Wire Transfer Process	Advisory	150	-	Q4 Assignment
	OPERATIONS				
27	Death Legal Process Audit	Assurance	200	27	In Progress
28	LA County Rehired Retirees	Assurance	200	134	In Progress
29	Member Benefits Calculation Audit / Database	Assurance	300	-	Q3 Assignment
30	Quality Assurance Operations Review	Consulting	450	306	In Progress
31	Foreign Payee Audit	Assurance	150	-	Q3 Assignment
32	Governance, Risk, and Controls - Benefits	Consulting	400	2	Q3 Assignment
33	Governance, Risk, and Controls - RHC	Consulting	250	-	Q3 Assignment
34	Account Settlement Collections (ASC)	Advisory	150		In Progress
35	Continuous Audit Program - Operations	Assurance	500	431	In Progress
	IA ADMINISTRATION PROJECTS				
36	Audit Pool – RFP	Assurance	200	195	In Progress
37	TeamMate Optimization	Admin	100	218	In Progress
38	Annual Risk Assessment & Audit Plan	Assurance	300	147	Q3 Assignment
39	External Quality Assessment Review	Admin	100	7	Q4 Assignment
40	Audit Committee Support	Admin	300	188	Ongoing
41	Professional Development	Admin	2	122	Ongoing
42	Quality Assurance & Improvement Program	Admin	300	169	Ongoing
43	Recommendation Follow-Up	Assurance	250	419	Ongoing
	UNPLANNED PROJECTS				
44	KPMG Reco Follow-up	Admin	-	181	In Progress
45	Real Estate THC Deposit Review	Assurance	-	187	In Progress
46	THC Operations Review	Advisory	-	9	In Progress

Indicates projects currently in progress
Indicates projects completed

Attachment A

AUDIT PLAN FYE 2021

The following table provides a description of each audit area included in the FYE 2021 Audit Plan.

	Audit Projects	Description of Project
	EXECUTIVE / LEGAL / ORGANIZATION	
1	Audit Committee Composition	Review AC best practices and industry trends. Suggest and facilitate changes.
2	LAC Audit – Recommendation Oversight	Internal Audit provided oversight of the LA County audit and currently tracks and reports to the Exec Office the status of recommendations.
3	Form 700 Compliance Audit	Audit of Form 700s to assess Board and Staff compliance.
4	Fiduciary Review Planning (Year 1 of 2)	Planning of the review. The purpose of the review is to assess the effectiveness of LACERA governance and operations.
5	Business Continuity / DRP	Audit of BC plans to ensure they are complete, reviewed and approved, and staff has been trained on them. Participation in DR testing.
6	Ethical Cultural Assessment	External vendor will assess LACERA’s ethical culture. Benefits include the early prevention and detection of problems, improved management of workforce and processes, and enhanced communication.
7	Systems & Organization Change -1 (SOC 1) - Type 2	Plante Moran (PM) will perform a SOC audit over the controls related to OPEB data. Due to the complexity of this project and coordination among several divisions, IA has taken on the role of project manager.
8	Governance, Risk, Ethics, Fraud, Compliance	Working with Exec. Management to assess and guide LACERA’s development of formalized governance, risks, ethics, fraud, and compliance programs.
9	Ethics Hotline & Investigations	Monitor and administer the Ethics Hotline. Provide AC summary of incidents.
	ADMINISTRATION	
10	IT End-User Manual	Facilitate group meetings/discussion in the development of the IT End-User Manual.
11	Penetration Tests	The objective of the engagement is to evaluate the information security of the network from an external perspective to determine any risks posed from an uncredentialed attacker.
12	Contract Compliance / Third Party Data Security	Follow-up on CMS audit from FY 2019-2020, perform compliance testing of a broad sample of contracts, including a review of third-party data security.
13	Security Incident Event Management Review (External)	Review SIEM processes to ensure good practices exist for analyzing log-event data used to monitor threats and facilitate timely incident response.
14	Privilege Access Review / Segregation of Duties	Review the creation, monitoring, and maintenance of privileged access credentials for compliance with best practice guidelines.
15	Updated Inventory Process	Review the updated inventory control process for completeness and efficiency.
16	Employee Salary Bonuses	Audit of employee bonuses since management recently revised its process based on recommendations from the LA County’s audit.
17	Continuous Automated Process (CAP) - Administration	CAP consists of testing transactions and information systems, provides continuous assurance in key areas of compliance, and includes fraud detection audits.
	INVESTMENTS & FASD	
18	Accounts Payables	Audit of accounts payables, payment vouchers, and ACH transactions for accuracy.
19	Corporate Credit Cards	Audit credit card usage to verify compliance with LACERA's Corporate Credit Card Policy.
20	Investments Due Diligence	Review due diligence practices relating to all asset classes for efficiency and effectiveness.

	Audit Projects	Description of Project
	INVESTMENTS & FASD	
21	Oversight of Actuarial Services	Internal Audit manages the relationship with the Actuarial Consultant and Auditor for services relating to actuarial projects.
22	Oversight of Financial Audit	Internal Audit manages the relationship with LACERA's external financial auditors for the annual financial statement audit.
23	Oversight of THC RE Financial Audits	Internal Audit manages the relationship with the real estate external auditors who perform the real estate THC financial audits.
24	Real Estate Manager Reviews	External audit firms conduct real estate manager contract compliance and operational reviews on an as-needed basis.
25	Custodial Bank Services	Participating on a consulting basis with the Investments Office and FASD in operational improvements of custodial bank services.
26	Updated Wire Transfer Process	Participating on a consulting basis with the Investments Office and FASD in operational updates and improvements to the wire transfer process.
	OPERATIONS	
27	Death Legal Process Audit	Benefits: Review Benefits, Member Services, and Legal divisions' processes for tracking and processing member death and legal split cases.
28	LA County Rehired Retirees	Benefits: Audit of LA County's rehired retirees to ensure compliance with PEPRA.
29	Member Benefits Calculation Audit / Database	Benefits: Audit member benefit calculations (on a risk basis) for accuracy and completeness.
30	Quality Assurance Operations Review	QA: Review QA operations for auditing benefit transactions and reporting audit results.
31	Foreign Payee Audit	Benefits: Periodic audit that confirms the living status of retirees living abroad.
32	Governance, Risk, and Controls Benefits Division	Benefits: Working with division to gain a deeper understanding of its governance, risks, and controls.
33	Governance, Risk, and Controls RHC	RHC: Working with division to gain a deeper understanding of its governance, risks, and controls.
34	Account Settlement Collections	Benefits: The review will serve as a follow-up of management's progress in addressing areas of concern and deficiencies from the FY 2019 review and IA will consult with Benefits on their development of new policies and procedures.
35	CAP - Operations	Continuous Automated Program (CAP) is automated testing of LACERA's transactions and information systems. CAP provides continuous assurance in key areas of compliance and includes fraud detection audits.
	IA ADMINISTRATION PROJECTS	
36	Audit Pool – RFP	RFP for audit firms to assist with specialized audit work.
37	TeamMate Optimization	Working and training to re-configure TeamMate for improved efficiency and effectiveness.
38	Annual Risk Assessment & Audit Plan	Updating Audit Universe, analyzing Risk Assessments, and developing Audit Plan.
39	External Quality Assessment Review	Working with an external independent reviewer for the required Quality Assessment Review.
40	Audit Committee Support	Preparation of Audit Committee materials and attendance at meetings.
41	Professional Development	Annual self-assessment, developing self-development program, and allocating for 30 hours of annual training per staff.
42	Quality Assurance & Improvement Program (QAIP)	The QAIP includes ongoing improvement of IA performance through periodic and ongoing internal self-assessments, client surveys, and communication of results to key stakeholders.
43	Recommendation Follow-Up	Quarterly review of outstanding recommendations.
	UNPLANNED PROJECTS	
44	KPMG Reco Follow-up	Audit Committee engagement to review IA Recommendation Follow-Up Process.
45	Real Estate THC Deposit Review	Incident follow-up to review internal controls.
45	THC Operations Review	Review of real estate bank operations and advise key divisions on controls, and procedures to improve processes.

RPB:lec

L//.CERA

FOR INFORMATION ONLY

November 30, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall RPB
Chief Audit Executive

Leisha Collins LC
Principal Internal Auditor

Kathryn Ton KT
Senior Internal Auditor

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: **Update on Real Estate Manager Review Reports**

In 2018, Internal Audit prequalified four audit firms to perform compliance and consulting reviews of LACERA's real estate investment managers on an as-needed basis. These engagements are designed to assist LACERA in determining if managers are in compliance with specific provisions of their internal business controls and contractual business policies and procedures established under their Master Real Estate Investment Advisor Agreement. There have been 8 compliance reviews completed thus far.

At the October 2020 Audit Committee meeting, staff provided the Committee with a summary of the recent compliance audits (see memo attached). These audit engagements included a property manager review of Avison Young which was performed by Conrad LLP, and a RREEF investment manager review performed by Kreischer Miller. The Committee subsequently requested staff to provide the Avison Young and RREEF audit reports. We are working on this request and hope to share the reports with the Committee later this month for inclusion and discussion at the next Audit Committee meeting in February.

Staff will be available to address questions at your December 2020 Audit Committee meeting.

Attachment
RPB:lec:kt

FOR INFORMATION ONLY

October 9, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall RPB
Chief Audit Executive

Leisha E. Collins LEC
Principal Internal Auditor

Kathryn Ton KT
Senior Internal Auditor

FOR: October 21, 2020 Audit Committee Meeting

SUBJECT: Real Estate Manager Compliance Reviews

Internal Audit hired four audit firms to perform compliance and consulting reviews of LACERA's real estate investment managers on an as-needed basis. These engagements are designed to assist LACERA in determining if managers are in compliance with specific provisions of their internal business controls and contractual business policies and procedures established under their Master Real Estate Investment Advisor Agreement.

This memorandum is to inform the Committee of manager reviews completed since the August 2020 meeting.

- Kreischer Miller completed a manager review of RREEF America, LLC. There were six findings related to compliance with the statement of work and one finding in each of the following areas: asset management fees, Securities Organization Control (SOC) 1 report, authorized signors list, and routine SEC examination. The manager has provided an action plan to address the findings and recommendations. The report was discussed with LACERA's Investment Office. The Investments Office will monitor the status of the recommendations and notify Internal Audit at the completion and/or closeout of the recommendations.

- Conrad LLP completed a property management review of Avison Young. There were five findings related to accounting and financial procedures, two findings related to leasing and tenant procedures, and one finding related to an operations and maintenance procedure. The property manager has provided an action plan to address the findings and recommendations. The report was discussed with LACERA's Investment Office. The Investments Office will monitor the status of the recommendations and notify Internal Audit at the completion and/or closeout of the recommendations.

Internal Audit plans to have external auditors conduct three to five manager compliance reviews on a five-year cycle unless significant issues arise requiring a review of a manager on a more frequent basis. Staff will continue to provide updates to the Committee regarding future manager audits.

RPB:lec:kt

LACERA

FOR INFORMATION ONLY

November 30, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

Audit Committee Consultant
Rick Wentzel

FROM: Richard P. Bendall RPB
Chief Audit Executive

Leisha E. Collins LEC
Principal Internal Auditor

Kathryn Ton KT
Senior Internal Auditor

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: Request for Proposal for Auditing and Consulting Services Pool

As part of the Fiscal Year 2021 Audit Plan, Internal Audit plans to issue a Request for Proposal (RFP) to hire a pool of external firms to perform auditing and consulting services (See draft RFP attached). The RFP will establish a pool of pre-qualified firms to perform audits, advisory, co-sourcing, consulting, training, and special projects as it relates to LACERA's organizational activities, information technology, and investment-related services. Internal Audit will use the pool as a resource for hiring firms on an as-needed basis, in accordance with LACERA's Procurement Policy, during the life of the pool which shall not exceed LACERA's maximum five-year term.

Firms may be hired in the future to perform independent assessments in subject matters described in the RFP statement of work. Information technology services may include technical assessments of LACERA's IT systems or projects, IT risk assessments, data management, integrity and reliability, application development, IT customer service, network security, penetration tests or other activities within the organization. Investment activities may include performing audits or reviews and consulting services related to LACERA's asset classes, which includes growth, credit-oriented fixed income, real assets and inflation hedges, and risk reducing and mitigating.

Internal Audit anticipates that this RFP process will begin mid-December and take approximately three months to complete. The following table provides the timeline for the RFP, which is subject to change, but we anticipate completing by March 1, 2021.

Task	**Date**
Request for Proposal Release Date	December 14, 2020
Written Questions from Firms Due Date	December 31, 2020
Post Responses to Written Questions	January 11, 2021
Intent to Respond Closing Date	January 18, 2021
Request for Proposals Due Date	**February 1, 2021**
Selection and Notification to Firms included in the Pool	March 1, 2021

Overall, this pool of audit consultants will provide additional audit resources to address high risks areas identified in our risk assessment and Audit Plan. Staff will be available at the December meeting to answer questions from the Committee.

Attachment

RPB:lec:kt

December 2020

REQUEST FOR PROPOSAL

Auditing and Consulting Services Pool

Kathryn Ton, Senior Internal Auditor
626-564-6000 ext. 3525 | kton@lacera.com
300 N. Lake Avenue, Suite 840
Pasadena, CA 91101

TABLE OF CONTENTS

EXHIBITS LIST

1. INTRODUCTION

1.1. Purpose of Request

The Los Angeles County Employees Retirement Association (LACERA), a $58.4 billion public pension fund, is seeking proposals to establish a pool of pre-qualified firms (as defined in Section 1.6 below) to perform audits, advisory services, consulting and special projects as it relates to organizational activities, information technology, or investment-related services. The audits are to be performed in accordance with Generally Accepted Auditing Standards (GAAS) as adopted and approved by the American Institute of Certified Public Accountants (AICPA).

Firms may be selected, deleted, or added on a continuous basis during the life of the pool, which shall not exceed LACERA's maximum five-year term. LACERA anticipates assigning audit engagements to firms included in the Audit Pool for services as described in section 3, Scope of Services, of this RFP. Inclusion in the Audit Pool does not guarantee a firm will be awarded any engagements.

1.2. Instructions for Response

Respondents to this RFP must submit the following for delivery **no later than 5:00 PM PDT on February 1, 2021** to the Point of Contact specified in Section 1.3. below:

- One original unbound and five bound copies of the written response to this RFP. Exhibit B specifies the services that LACERA seeks.

- One unbound copy marked "REDACTED", if applicable (See Section 5, Notice to Respondents Regarding the Public Records Act and Ralph M. Brown Act). The redacted copy should exclude all material from your proposal that you wish to disclose to LACERA but that you believe in good faith is exempt from disclosure under the California Public Records Act, Cal. Government Code Section 6250, et seq. Redactions should appear as blacked out material or blank page(s) with the word "REDACTED" or "PROPRIETARY" inserted. LACERA will comply with its legal obligations under the Public Records Act with respect to disclosure of redacted material. See Section IV below.

- An electronic copy of both the original and the redacted response in PDF format saved on separate DVDs, each labeled accordingly.
- Submittals shall be double sided with text in at least 10-point font, but no larger than 12-point font. Submittals shall address all RFP sections in the

same order presented and be responsive to each section. Optional material such as brochures or company information may be included as an attachment but will not be counted as responsive to this RFP and will not be used in scoring.

Responses received after the specified deadline may be considered for evaluation solely at the discretion of LACERA. In addition, LACERA reserves the right to request additional information or clarifications from respondents, or to allow corrections of errors or omissions.

1.3. Contacts with LACERA Personnel

Contacts with LACERA personnel regarding this RFP, and all inquiries and requests for information shall be directed to the Point of Contact identified below:

Kathryn Ton
Senior Internal Auditor
LACERA

Gateway Plaza	Email: kton@lacera.com
300 North Lake Avenue, Suite 840	Phone: 626-564-6000 ext. 3525
Pasadena, CA 91101-4199	

1.4. Intent to Respond

If your firm chooses to respond to this RFP, please submit the Intent to Respond and identify the Exhibits (B-1, B-2 and/or B-3) for which you are applying via email to Kathryn Ton by 5:00 p.m. PDT**,** January 18, 2021**.** Failure to submit your Intent to Respond may disqualify your firm from submitting a response to this RFP.

1.5. RFP Questions

All questions, inquiries, and requests for additional information concerning this RFP should be directed to the Point of Contact, either by mail or email no later than December 31, 2020. LACERA's responses to written requests for clarification, or additional information, will be provided to all firms that have submitted an Intent to Respond posted to LACERA's website in the RFP page.

1.6. Quiet Period

Upon publication of this RFP, there shall be a quiet period to ensure that the RFP process is efficient, diligent, and fair. The quiet period is a "no contact period" and is intended to establish guidelines by which Trustees and staff will communicate with any firm that intends to or actually does submit a response to the RFP ("Firm").

Questions concerning the quiet period should be directed to LACERA's Legal Office.

The quiet period shall continue until a final selection is made or the process is otherwise terminated. During the quiet period, all Trustees and staff, except for designated LACERA contact persons, shall refrain from communicating with Firms.

During the quiet period, no Trustee or staff member shall accept meals, travel, lodging, entertainment, or any other good or service of value from any Firm. If any Trustee or staff member is contacted by a Firm during the quiet period about a matter relating to the pending selection, the Trustee or staff member shall refer the Firm to the Project Manager and report the contact to the Chief Counsel.

The quiet period does not prevent Board-approved meetings or communications by staff with an incumbent contractor that is also a bidding Firm, so long as their communication is strictly limited to matters necessary in connection with the contractor's existing scope of work.

The quiet period does not prevent Board-approved meetings and communications by staff with any bidding Firm to the extent such communication is necessary as part of a due diligence process or necessary in connection with other LACERA business. Other than due diligence, discussion related to the pending selection is not permitted during these activities. A Firm may be disqualified from a search process for a willful violation of this policy.

1.7. RFP Scoring and Selection Criteria

RFPs will be scored according to Exhibit D, Selection Criteria. LACERA staff may select Firms based upon the selection criteria or utilizing a combination of onsite interviews and reference verification.

The highest scoring Firms may be invited to an interview by LACERA's Internal Audit Division. Firms may be offered the opportunity to present their materials to the Audit Committee for questions.

1.8. RFP Important Dates

The following table provides a tentative schedule of important dates and deadlines for this RFP. All dates are subject to modification by LACERA without notice.

Task	Date
Issuance of Request for Proposal	December 14, 2020
Written Questions and Requests for Clarification Due	December 31, 2020

Responses to Written Questions Posted	January 11, 2021
Intent to Respond Closing Date	January 18, 2021
Request for Proposals Due	**February 1, 2021**
Selection of Firms	March 1, 2021

2. BACKGROUND INFORMATION

LACERA was established in 1938 under the provisions of the County Employees Retirement Law of 1937 (Government Code Section 31450 et. seq.) ("CERL"). The California Constitution, CERL, the Public Employees' Pension Reform Act of 2013 (Government Code Section 7522 et seq.) ("PEPRA"), and the bylaws, procedures, and policies adopted by its two governing bodies, the Board of Retirement and Board of Investments, govern LACERA's operations.

LACERA collects, deposits, invests, and manages retirement trust funds solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries. As of June 30, 2019, LACERA's membership included 108,000 active and deferred members and 66,000 retired members. LACERA acts as a fiduciary agent for the accounting and control of member and employer contributions and investment income. As of June 30, 2019, the pension fund had net assets of $58.4 billion.

The Board of Retirement is responsible for the general management of LACERA. Daily functions include the administration of retirement, disability and death benefits, member services, financial and accounting operations, information technology management, and administration of other post-employment benefits and related funding.

The Board of Investments is responsible for LACERA's investment program. This includes the development of investment strategies, objectives, guidelines, and policies. The Board of Investments may directly invest the assets of LACERA or may delegate investment authority to outside investment managers who are required to operate according to law and in conformance with LACERA's Investment Policy Statement and any other investment policies adopted by the Board of Investments.

2.1 LACERA's Internal Audit

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. Internal Audit helps LACERA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Chief Audit Executive (CAE) reports directly to LACERA’s Board of Retirement and Board of Investments through the Audit Committee for functional purposes and administratively to LACERA’s Chief Executive Officer (CEO). Internal Audit consists of ten staff members.

2.2 Audit Pool Process

In the future, LACERA may seek to “refresh” the Audit Pool by adding new firms. When refreshing the pool, LACERA may either re-issue this RFP or target specific firms for possible inclusion in the pool, in its sole discretion, will determine the necessity of advertising.

LACERA will ensure that all new firms selected must meet the same minimum qualifications as stated in this RFP. Firms shall satisfy all selection criteria as is applicable to the pool.

LACERA may refresh the Audit Pool to change criteria as necessary to meet the needs of the Internal Audit Division as the program evolves over time. Existing pool members will be advised of LACERA's intent to add a new service category and afforded an opportunity to submit a proposal for the service category.

If LACERA determines that an audit pool no longer serves the best interests of LACERA, then it may eliminate it. Contracts awarded to firms at the time of creation of the Audit Pool shall all be of the same defined duration, with a right for LACERA to terminate the contracts for convenience at any time. Any contracts issued to firms joining the pool after its creation shall be awarded for a term necessary to make the expiration date coincide with that of the initial group. Each Audit Pool member is bound to honor the compensation, fee, or proposal that formed the basis for its including in the pool. LACERA will approve changes to fees on an annual basis.

3. SCOPE OF SERVICES

ORGANIZATIONAL ACTIVITIES

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Engagements could include:

Performing audits/reviews (compliance, performance, operational, financial, investigations, enterprise risk management assessments, and business continuity reviews), co-sourcing audits, and/or providing research and technical assistance for identifying and evaluating the effectiveness of internal controls encompassing LACERA, its business, governance, and operations, including any auditable entity or activity that the Internal Audit Division may identify.

1. Audit Engagements

   The audit engagement may include any or all of the following:

   - Perform a risk assessment of auditable activities
   - Prepare an engagement letter to the auditee(s) prior to beginning on-site work
   - Schedule and lead an entrance conference
   - Develop an audit plan and audit program that includes specific audit steps
   - Discuss audit plan and audit program with Internal Audit
   - Obtain Internal Audit written approval for the audit plan and program
   - Perform audit testing on-site
   - Document all work in working papers
   - Provide all working papers to Internal Audit upon completion of audit
   - Provide progress reports to Internal Audit or designee on engagement
   - Discuss audit findings with Internal Audit
   - Obtain Internal Auditor's written approval of audit findings
   - Schedule and lead exit conferences
   - Prepare draft and final audit reports
   - Provide advice and training on the audit area as requested by Internal Audit
   - Provide materials and present audit results or be available for questioning during Audit Committee meetings
   - Perform follow-up work, as necessary

2. Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Assist in discussions with the Audit Committee
- Advise in area of best practices
- Provide subject matter expertise

4. Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

INFORMATION TECHNOLOGY

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Information Technology (IT) audit engagements can include a review of information systems-related activities within LACERA. These engagements may require specialists with knowledge and experience in information technology to test or acquire data from an IT system. Some engagements might require the use of portions of Information Systems Audit and Control Association's (ISACA's) Control Objectives for Information and related Technology (CobiT) 5 framework, National Institute of Standards and Technology (NIST) or other frameworks. Some engagements may require data recovery skills. Possible activities could include a technical assessment of LACERA's IT systems or projects, IT risk assessments, data management, integrity and reliability, application development, IT customer service, network security, penetration tests or other activities within LACERA.

1. Audit Engagements

   The audit engagement may include any or all of the following:

   - Perform a risk assessment of auditable activities
   - Prepare an engagement letter to the auditee(s) prior to beginning on-site work
   - Schedule and lead an entrance conference
   - Develop an audit plan and audit program that includes specific audit steps
   - Discuss audit plan and audit program with Internal Audit
   - Obtain Internal Audit written approval for the audit plan and program
   - Perform audit testing on-site
   - Document all work in working papers
   - Provide all working papers to Internal Audit upon completion of audit
   - Provide progress reports to Internal Audit or designee on engagement
   - Discuss audit findings with Internal Audit
   - Obtain Internal Auditor's written approval of audit findings
   - Schedule and lead exit conferences
   - Prepare draft and final audit reports
   - Provide advice and training on the audit area as requested by Internal Audit
   - Provide materials and present audit results or be available for questioning during Audit Committee meetings
   - Perform follow-up work, as necessary

2. Co-source Audits and Co-source Consulting Engagements

   - The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.

- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Assist in discussions with the Audit Committee
- Advise in area of best practices
- Provide subject matter expertise

4. Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

INVESTMENTS

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Investment engagements could include but are not limited to auditing and consulting related to the following asset classes within LACERA's Investments Office. Please reference the Investment Policy Statement at https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/invest_policy_stmt.pdf

- Growth – such as global equity, private equity, and opportunistic real estate
- Credit-Oriented Fixed Income – such as high-yield bonds, bank loans, emerging market debt, and illiquid credit
- Real Assets and Inflation Hedges – such as core and value-added real estate, natural resources/commodities, infrastructure, and TIPS
- Risk Reducing and Mitigating – such as investment grade (IG) bonds, diversified hedge fund portfolio, and cash

1. Audit Engagements

   The audit engagement may include any or all of the following:

   - Perform a risk assessment of auditable activities
   - Prepare an engagement letter to the auditee(s) prior to beginning on-site work
   - Schedule and lead an entrance conference
   - Develop an audit plan and audit program that includes specific audit steps
   - Discuss audit plan and audit program with Internal Audit
   - Obtain Internal Audit written approval for the audit plan and program
   - Perform audit testing on-site
   - Document all work in working papers
   - Provide all working papers to Internal Audit upon completion of audit
   - Provide progress reports to Internal Audit or designee on engagement
   - Discuss audit findings with Internal Audit
   - Obtain Internal Auditor's written approval of audit findings
   - Schedule and lead exit conferences
   - Prepare draft and final audit reports
   - Provide advice and training on the audit area as requested by Internal Audit
   - Provide materials and present audit results or be available for questioning during Audit Committee meetings
   - Perform follow-up work, as necessary

2. Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Assist in discussions with the Audit Committee
- Advise in area of best practices
- Provide subject matter expertise

4. Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

4. MINIMUM QUALIFICATIONS

All respondents must clearly demonstrate and document in the proposal the following minimum qualifications:

A. The proposing firm must have been a professional firm that provides audit and/or consulting services for the past three (3) years.

B. The proposing firm must have performed audit and consulting services in the applied for specialty areas in this RFP within the past three (3) years.

C. Key Personnel (Director, Manager/Supervisor) with planning and on-site supervisory responsibilities must have at least five (5) years of experience in the applied for specialty areas set forth in this RFP.

LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

5. NOTICE TO RESPONDENTS REGARDING THE PUBLIC RECORDS ACT AND RALPH M. BROWN ACT

The information you submit in response to this RFP will be subject to public disclosure pursuant to the California Public Records Act (Cal. Gov. Code Section 6250, et seq., the "Act") in the sole discretion of LACERA based on its interpretation of its legal obligations under the Act. The Act provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under one of several exemptions set forth in the Act. In addition, if LACERA staff chooses to recommend your Firm to the Board of Retirement for hiring, such recommendation and the relevant proposal(s) will appear on a publicly posted agenda for a public meeting of the Board of Retirement in accordance with the Ralph M. Brown Act (Cal. Gov. Code Section 54950, et seq.), and parts or all of your proposal may be included in the agenda packet that is available to the public generally. If it is included in the agenda packet, your proposal will not be exempt from disclosure under the Act.

If you believe that any portion of your response to this RFP that is provided to LACERA for its review is exempt from public disclosure under the Act and should not be included as part of the agenda packet, you must mark such portion "TRADE SECRETS," "CONFIDENTIAL," or "PROPRIETARY," make it readily separable from the balance of your response and offer a brief explanation for the exemption under the Act. Responses marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY" in their entirety will not be honored, and LACERA will not deny disclosure of all or any portion of responses so marked. By submitting a response with material marked "TRADE SECRET," "CONFIDENTIAL," or "PROPRIETARY" you represent you have a good faith belief that the material is exempt from disclosure under the Act; however, such designations will not be conclusive or bind LACERA.

You may be required to justify in writing why such material should not, upon request, be disclosed by LACERA under the Act and should not be included in the agenda packet. Fee and pricing proposals are not considered “TRADE SECRET,” “CONFIDENTIAL,” OR “PROPRIETARY”. LACERA may also in its sole discretion produce any information in your RPF response, including information marked “TRADE SECRET,” “CONFIDENTIAL,” or “PROPRIETARY,” in response to a Public Records Act request if LACERA believes it is required by law to do so.

If a request is made pursuant to the Act for materials you have marked “TRADE SECRET,” “CONFIDENTIAL,” or “PROPRIETARY,” and LACERA agrees that the material requested is not subject to disclosure under the Act, LACERA will either notify you so you can seek a protective order at your own cost and expense, or LACERA will not disclose those materials. If LACERA denies public disclosure, then by submitting your proposal you agree to reimburse LACERA for, and to indemnify, defend, and hold harmless LACERA, its officers, fiduciaries, employees, and agents from and against any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs, and expenses including, without limitation, attorneys' fees, expenses, and court costs of any nature whatsoever (collectively, “Claims”) arising from, in connection with or relating to LACERA's nondisclosure. By submitting your proposal, you also agree to indemnify, defend, and hold LACERA harmless from and against any and all Claims arising from, in connection with, or relating to LACERA’s public disclosure of any such designated portions of your response if LACERA reasonably determines disclosure is required by law, or if disclosure is ordered by a court of competent jurisdiction.

Nothing in this RFP requires LACERA to withhold any documents from production under the Act.

6. NOTICE TO RESPONDENTS REGARDING LACERA DATA PROTECTION

LACERA, its consultants, vendors, and contractors have a duty to protect all LACERA data, including without limitation, information related to members and beneficiaries, finances, systems, and operations.

Depending upon the scope of work, the finalist selected through this procurement may have access to sensitive information protected by LACERA’s internal policies, state law, and federal law. In such a case, by submitting a proposal, respondent agrees to subject itself to certain contractual terms designed to protect such information, including without limitation cyber liability insurance, SOC-2 reports (or, in the alternative, a *Security Controls Report* as per Exhibit G), systems penetration testing, and HIPAA Business Associate agreements, as the case may be.

7. RESPONSES BECOME LACERA PROPERTY

The information you submit in response to this RFP will become the exclusive property of LACERA. Your response will not be returned to you, and LACERA will not be liable for and will not reimburse you for any costs your Firm incurs in connection with the preparation or submission of any proposal.

8. CONTRACT NEGOTIATIONS

Upon Board approval, staff will enter into contract negotiations with the approved Firm(s). LACERA may terminate negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received; you should not rely upon the opportunity to alter your proposal (e.g., services to be provided, fees, etc.) during contract negotiations.

The final contract must allow LACERA to terminate a) for its convenience, b) if funds are not appropriated for the services to be provided, and c) for default.

The general form of the contract LACERA intends to use for this engagement is attached as Exhibit E. By submitting a proposal without comment on the general form contract, Firm agrees to each term in the contract, and will not seek any modifications to the contract. LACERA has the right to change, or negotiate contract terms different than those in Exhibit E in our sole discretion.

If a Firm objects to a term in the general form contract, or wishes to modify or add terms, the Firm's proposal must identify each objection, and propose language for each modification and additional term sought, including the rationale for the change. LACERA reserves the right to make changes to the contract prior to execution, including material changes.

9. RESERVATIONS BY LACERA

LACERA reserves the right to cancel this RFP, in whole or in part, any time before the closing date.

LACERA is not liable and will not reimburse you for any costs your Firm incurs in connection with the preparation or submission of any proposal.

If you submit a response to this RFP, LACERA reserves the right to make such investigations as it deems necessary to determine your ability to furnish the required services, and you agree to furnish all such information for this purpose as LACERA may request.

LACERA also reserves the right to reject the proposal of anyone who is not currently in a position to perform the contract, or who has previously failed to perform similar contracts properly, or in a timely manner.

LACERA reserves the right to reject, in whole or in part, any and all proposals received; waive minor irregularities; negotiate in any manner necessary to best serve the public interest, and make a whole award, multiple awards, partial award, or no award.

LACERA reserves the right to award a contract, if at all, to the Firm or Firms that, in LACERA's sole discretion and judgment, will provide the best match to the requirements of the RFP and the needs of LACERA, which may not be the proposal offering the lowest fees.

LACERA reserves the right to request additional documentation or information from Firm. Requested information may vary by Firm. LACERA may ask questions of any Firm to seek clarification of a proposal or to ensure the Firm understands the scope of the work or other terms of the RFP. LACERA reserves the right to terminate or modify this RFP.

LACERA reserves the right to submit the final agreement between LACERA and the Firm to the BOR, BOI, or both, as applicable, for approval.

This RFP is not an offer of a contract. Acceptance of a proposal does not commit LACERA to award a contract to any Firm, even if the Firm satisfied all requirements stated in this RFP. Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal. LACERA reserves the right to choose to not enter into an agreement with any of the respondents to this RFP.

EXHIBIT A
INTENT TO RESPOND AND
MINIMUM QUALIFICATIONS CERTIFICATION

Intent to Respond

If you choose to respond to this RFP, please submit this form to Kathryn Ton via email no later than 5:00 p.m. PDT, January 18, 2021. Failure to submit your Intent to Respond may disqualify your firm from submitting a proposal.

LACERA's responses to written requests for clarification or additional information will be provided to all firms that have submitted an Intent to Respond.

To:	Kathryn Ton	**From:**
Co.:	LACERA – Internal Audit	**Title:**
		Co.:
Phone:	626-564-6000 ext. 3525	**Phone:**
Email:	kton@lacera.com	**Email:**
Re:	Intent to Respond	**Date:**

Our firm intends to submit a response for LACERA's RFP for the Auditing and Consulting Services Audit Pool, Exhibit B-1, Exhibit B-2, and/or Exhibit B-3.

Please forward inquiries to the following contact:

Name: ______________________________

Title: ______________________________

Company: ______________________________

Mailing Address: ______________________________

Telephone: ______________________________

Facsimile: ______________________________

Email Address: ______________________________

MINIMUM QUALIFICATIONS CERTIFICATION

All Firms are required to sign and return this attachment, along with written evidence of how you meet each qualification. The undersigned hereby certifies that the Firm submitting this response fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

Minimum Qualifications include:

Auditor Minimum Qualifications*	Yes	No
The proposing firm must have been a professional firm that provides audit and/or consulting services for the past three (3) years.		
The proposing firm must have performed audit and consulting services in the applied for specialty areas in this RFP within the past three (3) years.		
Key Personnel (Director, Manager/Supervisor) with planning and on-site supervisory responsibilities must have at least five (5) years of experience in the applied for specialty areas set forth in this RFP.		

* LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

The undersigned hereby certifies that he/she is an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.

_______________________________ _______________

Authorized Signature Date

____

Name and Title (please print)

____

Name of Firm

EXHIBIT B-1
STATEMENT OF WORK

ORGANIZATIONAL ACTIVITIES

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Engagements could include:

Performing audits/reviews (compliance, performance, operational, financial, investigations, enterprise risk management assessments, and business continuity reviews), and/or providing research and technical assistance for identifying and evaluating the effectiveness of internal controls encompassing LACERA, its business, governance, and operations, including any auditable entity or activity that the Internal Audit Division may identify.

1. <u>Audit Engagements</u>

   The audit engagement may include any or all of the following:

   - Perform a risk assessment of auditable activities
   - Prepare an engagement letter to the auditee(s) prior to beginning on-site work
   - Schedule and lead an entrance conference
   - Develop an audit plan and audit program that includes specific audit steps
   - Discuss audit plan and audit program with Internal Audit
   - Obtain Internal Audit written approval for the audit plan and program
   - Perform audit testing on-site
   - Document all work in working papers
   - Provide all working papers to Internal Audit upon completion of audit
   - Provide progress reports to Internal Audit or designee on engagement
   - Discuss audit findings with Internal Audit
   - Obtain Internal Auditor's written approval of audit findings
   - Schedule and lead exit conferences
   - Prepare draft and final audit reports
   - Provide advice and training on the audit area as requested by Internal Audit
   - Provide materials and present audit results or be available for questioning during Audit Committee meetings
   - Perform follow-up work, as necessary

2. Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Assist in discussions with the Audit Committee
- Advise in area of best practices
- Provide subject matter expertise

4. Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

EXHIBIT B-2
STATEMENT OF WORK

INFORMATION TECHNOLOGY

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Information Technology (IT) audit engagements can include a review of information systems-related activities within LACERA. These engagements may require specialists with knowledge and experience in information technology to test or acquire data from an IT system. Some engagements might require the use of portions of Information Systems Audit and Control Association's (ISACA's) Control Objectives for Information and related Technology (CobiT) 5 framework, National Institute of Standards and Technology (NIST) or other frameworks. Some engagements may require data recovery skills. Possible activities could include a technical assessment of LACERA's IT systems or projects, IT risk assessments, data management, integrity and reliability, application development, IT customer service, network security, penetration tests or other activities within LACERA.

1. <u>Audit Engagements</u>

   The audit engagement may include any or all of the following:

   - Perform a risk assessment of auditable activities
   - Prepare an engagement letter to the auditee(s) prior to beginning on-site work
   - Schedule and lead an entrance conference
   - Develop an audit plan and audit program that includes specific audit steps
   - Discuss audit plan and audit program with Internal Audit
   - Obtain Internal Audit written approval for the audit plan and program
   - Perform audit testing on-site
   - Document all work in working papers
   - Provide all working papers to Internal Audit upon completion of audit
   - Provide progress reports to Internal Audit or designee on engagement
   - Discuss audit findings with Internal Audit
   - Obtain Internal Auditor's written approval of audit findings
   - Schedule and lead exit conferences
   - Prepare draft and final audit reports
   - Provide advice and training on the audit area as requested by Internal Audit
   - Provide materials and present audit results or be available for questioning during Audit Committee meetings
   - Perform follow-up work, as necessary

2. <u>Co-source Audits and Co-source Consulting Engagements</u>

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Assist in discussions with the Audit Committee
- Advise in area of best practices
- Provide subject matter expertise

4. <u>Training Engagements</u>

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

EXHIBIT B-3
STATEMENT OF WORK

INVESTMENTS

All services performed by the contractor shall be under the direction of, and approved by, the Chief Audit Executive or designee. Investment engagements could include but are not limited to auditing and consulting related to the following asset classes within LACERA's Investments Office. Please reference the Investment Policy Statement at https://www.lacera.com/BoardResourcesWebSite/BoardOrientationPdf/policies/invest_policy_stmt.pdf

- Growth – such as global equity, private equity, and opportunistic real estate
- Credit-Oriented Fixed Income – such as high-yield bonds, bank loans, emerging market debt, and illiquid credit
- Real Assets and Inflation Hedges – such as core and value-added real estate, natural resources/commodities, infrastructure, and TIPS
- Risk Reducing and Mitigating – such as investment grade (IG) bonds, diversified hedge fund portfolio, and cash

1. Audit Engagements

The audit engagement may include any or all of the following:

- Perform a risk assessment of auditable activities
- Prepare an engagement letter to the auditee(s) prior to beginning on-site work
- Schedule and lead an entrance conference
- Develop an audit plan and audit program that includes specific audit steps
- Discuss audit plan and audit program with Internal Audit
- Obtain Internal Audit written approval for the audit plan and program
- Perform audit testing on-site
- Document all work in working papers
- Provide all working papers to Internal Audit upon completion of audit
- Provide progress reports to Internal Audit or designee on engagement
- Discuss audit findings with Internal Audit
- Obtain Internal Auditor's written approval of audit findings
- Schedule and lead exit conferences
- Prepare draft and final audit reports
- Provide advice and training on the audit area as requested by Internal Audit
- Provide materials and present audit results or be available for questioning during Audit Committee meetings
- Perform follow-up work, as necessary

2. Co-source Audits and Co-source Consulting Engagements

- The contractor shall provide audit work or agreed upon procedures in accordance with applicable auditing standards.
- Co-source audits will be based on a knowledge transfer process where the contractor will lead, train, and involved designated Internal Audit staff in all audit or agreed upon procedures work from the engagement planning phase through the fieldwork and reporting phases. The knowledge transfer will enable Internal Audit to conduct these audits independently in the future.

3. Consulting Engagements

The consulting engagements work environment may be located within LACERA's business area or in another location, depending on where records reside. Depending on the project, the contractor may provide consulting services on-site and/or through telephone or e-mail for any or all of the following services. The contractor may provide any or all of the following services with Internal Audit involvement and participation during each phase:

- Develop, review, and comment on audit plans and audit programs
- Develop, review and comment on testing plans
- Conduct/assist in the interpretation of testing results
- Conduct/assist in finalizing audit recommendations
- Provide technical assistance for evaluating and analyzing data
- Provide assistance, advice, and training
- Perform and/or provide technical assistance with risk assessments
- Management assessment and planning
- Assist in discussions with the Audit Committee
- Advise in area of best practices
- Provide subject matter expertise

4. Training Engagements

The contractor may be asked to:

- Develop course materials for the area specified by Internal Audit
- Provide training to audit services staff on continuing professional education

EXHIBIT C
FEE SCHEDULE

Proposer must complete the following table with maximum hourly rates for all relevant staff levels. Travel and per diem will be in accordance with LACERA's Education and Travel Policy. Proposer must complete all boxes for the proposing work area(s).

Note: The time period for an awarded agreement may be up to five (5) years. Rates may not increase (1) more than 3% annually and (2) more than once during any 12-month period.

ORGANIZATIONAL ACTIVITIES

Engagement Types	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate
Management Levels	$	$	$	$	$
Staff Levels	$	$	$	$	$

INFORMATION TECHNOLOGY

Engagement Types	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate
Management Levels	$	$	$	$	$
Staff Levels	$	$	$	$	$

INVESTMENTS

Engagement Types	Audits	Co-source Audits	Consulting	Co-source Consulting	Training
	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate	Maximum Hourly Rate
Management Levels	$	$	$	$	$
Staff Levels	$	$	$	$	$

EXHIBIT D
SELECTION CRITERIA

The selection criteria below and the weighting schedule of the evaluation factors is a guide only and does bind or limit LACERA in any way in its selection of firms.

A. General Information

This section describes the guidelines LACERA will use to analyze and evaluate proposals. LACERA reserves the right to evaluate all factors deemed appropriate, whether or not such factors have been stated in this section. This RFP is not an offer of an agreement (contract). Acceptance of a proposal neither commits LACERA to award a contract to any Proposer, even if the Proposer has satisfied all requirements stated in this RFP. Publication of this RFP does not limit LACERA's right to negotiate for the services described in this RFP. If deemed by LACERA to be in its best interests, LACERA may negotiate for the services described in this RFP with a party that did not submit a proposal.

B. Evaluation Committee

An Evaluation Committee consisting of LACERA staff will evaluate the proposals.

C. Evaluation of Proposals

LACERA will initially review all proposals to determine the responsiveness to this RFP. LACERA will perform an evaluation of each proposal. Criteria used as the basis for evaluation shall include:

- Adherence to RFP Instructions
- Professional capability, demonstrated competence, and specialized experience of the proposer
- Staffing capability, workload, and ability to meet schedules
- Experience and education of key personnel
- Diversity and inclusion efforts within the Firm
- Nature and quality of completed services for other clients
- Reliability and continuity of firm
- Work plan and methodology
- Proposed agreement terms and price proposal

The factors will be considered as a whole, without a specific weighting. The balancing of the factors is in LACERA’s sole discretion. Factors other than those listed may be considered by LACERA in making its selection.

D. Right to Reject Proposals

Notwithstanding, anything contained in this RFP to the contrary, LACERA reserves the right without prejudice to reject any or all proposals.

E. Incomplete Proposals

If the information provided in a Proposer's proposal is deemed by the Evaluation Committee to be insufficient for evaluation, LACERA reserves the right to request additional information or to reject the proposal outright. False, incomplete, or unresponsive statements in connection with a proposal may be sufficient cause for its rejection. The evaluation and determination of the fulfillment of the requirements will be determined by LACERA, and LACERA alone, and such judgment shall be final.

F. Formal Presentations

During the evaluation process, any one or more of the Proposers may be requested to make a formal presentation to the Board of Retirement, Board of Investments, or a Committee of the Board such as the Audit Committee. Such presentation will provide the Proposer with an opportunity to answer any questions LACERA may have regarding the Proposer's proposal. Expenses incurred by the Proposer for such presentation will not be reimbursed.

G. Agreement Negotiations

Contract negotiations will be initiated upon CAE approval, LACERA expects contract negotiations to be brief. If the contract cannot be negotiated quickly with the selected Proposer, LACERA may, in its sole discretion, terminate negotiations with the selected Proposer and commence contract negotiations with another party, whether or not that party submitted a proposal to this RFP.

H. Agreement Approval and Award

LACERA reserves the right to submit the final Audit Services Agreement (contract) to the Boards or Committee for approval.

After approval and agreement award by LACERA, all Proposers will be notified of the outcome.

EXHIBIT E

AGREEMENT FOR SERVICES

This Contract for Auditing and Consulting Services Pool ("Contract") is made and entered into by and between Los Angeles County Employees Retirement Association ("LACERA") and [__________________] ("Consultant"), and is effective as of the date shown in Section 5.

Recitals

LACERA seeks to select a pool of external firms with subject matter expertise to perform independent reviews of the organization's activities, including information technology and investment-related services. Consultant represents that they possess the qualifications and expertise necessary to provide auditing or consulting services to assist the Internal Audit Division in the performance of its duties and desires to provide such services to LACERA.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

Contract

1. <u>Services to be Provided</u>.

1.1 Consultant agrees to perform the services ("Services") described in the Statement of Work ("Statement of Work") attached to this Contract as Exhibit B.

1.2 Consultant agrees to perform the Services at LACERA's offices, and with LACERA's consent, via telephone or email, and when appropriate, at a location of Consultant's choice.

1.3 All writings prepared or furnished by Consultant to LACERA in the performance of this Contract shall be the exclusive property of LACERA and may be used by LACERA, as LACERA deems appropriate.

1.4 Consultant's quality of service will be at least equivalent to that which Consultant provides to other clients he serves in the same capacity. Consultant will be held to the same standard of care, skill, prudence, and diligence that applies to other experts practicing in a like enterprise.

2 <u>Independent Contractor</u>.

2.1 Consultant agrees to perform the Services as an independent contractor and agrees they will be acting at all times as such. Neither party intends, and this Contract may not to be construed, to create any relationship of agent, servant, employee, partnership, joint venture, or association between Consultant and LACERA. Consultant is not, and will not, be deemed to be for any purpose (including, without limitation, Workers' Compensation) an employee of Los Angeles County (the "County"). Consultant is not entitled to any rights, benefits, or privileges of County employees. Consultant is not eligible to participate in any insurance, savings, pension, or deferred compensation offered by LACERA or the County.

2.2 Consultant has no power or authority to assume or create any obligation or responsibility, express or implied, on behalf of LACERA or the County, or to bind LACERA or the County in any way whatsoever.

2.3 Consultant accepts full and complete responsibility for filing all tax returns and paying all taxes, which may be required, or due for payments received from LACERA under this Contract. LACERA will memorialize payments for Consultant's services on a Form 1099.

2.4 Consultant represents and warrants that they comply with all applicable federal, state, and local laws, including without limitation, those laws respecting business licenses, withholding, reporting, and payment of taxes. Consultant further represents and warrants that they will report any income accruing to him from this Contract to the appropriate taxing authorities.

3. LACERA's Project Director.

LACERA's Project Director, or designee, has responsibility for determining whether the Services are performed to LACERA's satisfaction. LACERA's Project Director is Richard Bendall.

4. Indemnification and Insurance.

4.1 Consultant shall indemnify, defend and save harmless LACERA, its agents, officers and employees from and against any and all liability, damage, suit, cost of suit, or expense, including defense costs and attorney's fees, arising out of or connected with third party claims for damages of any nature whatsoever arising from or connected with Consultant's operations or its services, including, without limitation, claims for bodily injury, death, personal injury, or property damage, including damage to Consultant's property, caused by Consultant in the performance of this agreement. Notwithstanding the foregoing, the Consultant shall not be liable for any special, consequential, incidental, exemplary damages or loss (or any lost profits, taxes, interest, tax penalties, savings or business opportunity) or any loss, damage, or liability arising from the negligence or willful misconduct of LACERA.

LACERA agrees that the liability of Consultant, including but not limited to, Consultant's negligence shall not exceed five times the fees he receives for the portion of the work giving rise to such liability. In addition, LACERA agrees that Consultant shall not under any circumstances be liable for any special, consequential, incidental or exemplary damages or loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity), even it Consultant was advised in advance of such potential damages. This limitation shall not apply to the extent that it is finally determined to be the result of the Consultant's willful misconduct or fraud. This paragraph shall apply to any type of claim asserted, including contract, statute, tort, or strict liability, whether by LACERA, Consultant, or others.

4.2. Without limiting Consultant indemnification of LACERA, Consultant shall provide and maintain at its own expense during the term of this Agreement the following policy or policies of insurance covering its operations hereunder. Such insurance shall be secured through a carrier satisfactory to LACERA and certificates evidencing such insurance shall be delivered to LACERA on or before the effective date of this Agreement. LACERA is to be given by Consultant at least thirty (30) days written notice in advance of any modification or cancellation of any policy of insurance.

4.2.1 Liability. Such insurance shall be primary in all instances and shall name Los Angeles County Employees Retirement Association as an additional insured, and shall include:

Certificate(s) or other evidence of coverage satisfactory to LACERA shall be delivered to prior to commencing services under this Contract and annually thereafter to:

Kathryn Ton, LACERA
300 N. Lake Avenue, Suite 840
Pasadena, CA 91101-4199

4.3 Such certificates or other evidence shall:

4.3.1 Specifically identify this Contract.

4.3.2 Clearly evidence all coverages required in this Contract.

4.3.3. Contain the express condition that LACERA is to be given written notice by mail at least 45 days in advance of cancellation for all policies, or, alternatively, in the event the insurers that otherwise provide satisfactory insurance hereunder do not assume third-party notification provisions, Consultant hereby agrees to notify LACERA at least 45 days in advance of any cancellation of any of the policies provided for herein.

4.3.4 Include copies of the additional insured endorsement to the commercial general liability policy, adding that LACERA, its trustees, officers, and employees as insureds for all activities arising from this Contract.

4.3.5 Self-Insured Retentions must be declared to and approved by the LACERA. LACERA may require Consultant to purchase coverage with no retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. The policy language shall provide, or be endorsed to provide, that the self-insured retention will be satisfied by the named Consultant

4.3.6 LACERA reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.

4.4 Insurer Financial Ratings. Insurance is to be provided by an insurance company acceptable to LACERA with an A.M. Best rating of not less than A-, X, unless otherwise approved by LACERA.

4.5 Failure to Maintain Coverage. Consultant's failure Consultant to maintain the required insurance, or to provide evidence of insurance coverage acceptable to LACERA, shall constitute a material breach of the contract upon which LACERA may immediately terminate or suspend this Contract. LACERA, at its sole option, may obtain damages from Consultant resulting from said breach.

4.6 Compensation for LACERA Costs. In the event that Consultant fails to comply with any of the indemnification or insurance requirements of this Contract, and such failure to comply results in any costs to LACERA, Consultant shall pay full compensation for all costs incurred by LACERA up to levels of insurance stipulated below.

4.7 Cooperation Regarding Insurance. LACERA may elect to procure insurance against loss or damage it may sustain in connection with Consultant's performance under this Contract. Consultant will promptly cooperate with any reasonable request for information regarding Consultant which is required to obtain such insurance.

4.8 Survival of Obligations. Consultant's obligations under this Section 4 shall survive expiration or termination of this Contract.

4.9 Commercial General Liability. Consultant shall provide and maintain a Commercial General Liability insurance policy, which names LACERA as additional insured. Such policy shall cover legal liability for bodily injury and property damage arising out of Consultant's business operations and services that Consultant provides pursuant to this Contract. Such policy shall include, without limitation, endorsements for Property Damage, Premises-Operations, Products/Completed Operations, Contractual, and Personal/Advertising Injury with a limit of at least $1,000,000 per occurrence and an annual aggregate of at least $1,000,000.

4.10 Auto Liability. Consultant shall provide and maintain a comprehensive auto liability insurance policy endorsed for all "owned", "non-owned", and "hired" vehicles, or coverage for any "auto", with a combined single limit of not less than $300,000 each occurrence.

4.11 Workers' Compensation. Consultant shall bear sole responsibility and liability for furnishing Workers' Compensation benefits to Consultant's employees for injuries arising from or connected with any services provided to LACERA under this Contract. Consultant shall provide and maintain a program of Workers' Compensation, in an amount and form to meet all applicable statutory requirements, if Consultant hires employees.

5. <u>Term</u>.

The term of this Agreement commences on the EFFECTIV DATE and continues through [DATE]. LACERA may terminate this Agreement for its convenience by giving CONSULTANT at least 30 days prior written notice of termination. CONSULTANT may terminate the Agreement for his convenience by giving LACERA's Committee at least 30 days prior written notice of termination.

6. Non-Exclusive Services.

This Contract is not exclusive. Consultant has the right to perform services for others during the term of this Contract, but Consultant agrees not to engage in any business, work or services of any kind under contract, or otherwise, for any person, organization or agency, which in the opinion of LACERA is detrimental to the interests of LACERA or that would materially interfere with the performance of the Services. Consultant agrees to disclose such information regarding business, work, or services they perform on behalf of any person, organization, or agency as LACERA may reasonably require verifying Consultant's compliance with this Section.

7. Compensation.

LACERA will compensate CONSULTANT for services rendered hereunder at the rate of [$XXX] per hour plus reasonable expenses. Expenses include, for example and without limitation, postage, copying fees, and similar expenses, but specifically exclude, without limitation, workplace rental, office equipment and supplies, internet access, facsimile, pager and telephone expenses, utilities, clerical support, and mileage (except as mileage may be expressly authorized under LACERA's Education and Travel Policy. In no event, except as otherwise provided herein or by law, shall CONSULTANT's compensation exceed [$XXXXX] per calendar year during the term of this Agreement, unless the Audit Committee engages the CONSULTANT to perform assignments supplemental to this agreement. From time to time, Consultant may receive certain incentives in the form of bonuses and rewards from its corporate card and other vendors. Such incentives to the extent received will be retained by Consultant to cover firm expenses.

8. Invoices.

Consultant agrees to submit invoices to LACERA's Project Director, in arrears, by the tenth day of each calendar month for Services performed during the previous calendar month. Each invoice must (a) describe in detail the Services performed and expenses incurred by Consultant during the invoice period, (b) show the cumulative charges year-to-date (based on a fiscal year beginning July 1) for all Services and expenses, and (c) include such other information as LACERA may reasonably request. Each invoice will be payable within thirty days of receipt by LACERA. If LACERA's Project Director disputes any portion of an invoice, however, LACERA will pay the undisputed portion only and notify Consultant in writing of the disputed portion. Consultant and LACERA agree to act in good faith to resolve such disputes.

9. Contract Not Assignable.

Consultant may not assign any of its rights, duties, or obligations under this Contract without the prior written consent of LACERA, which LACERA may grant or withhold in its sole discretion.

10. Confidentiality.

10.1 Confidential Information. Consultant understands that, during the performance of this Contract, it will have access to confidential and proprietary LACERA information, policies and procedures, benefits, business practices, and technology concerning LACERA's operations, as well as sensitive confidential member information and business critical non-member information (collectively, "Confidential Information"). For clarity, Confidential Information includes all information of any and every kind provided to Consultant, regardless of whether it may previously have been disclosed by LACERA or others in other contexts, in that LACERA needs to know to whom, when, where, and how all of its information has been disseminated and reserves to itself the right to determine to whom, when, where, and how such information is released. Confidential Information further includes all information related in any way to LACERA provided to Consultant.

Confidential Information may be provided to Consultant or generated or stored by Consultant in written, electronic, verbal, and all others forms. Consultant understands and agrees that:

10.1.1 Consultant shall not disclose Confidential Information to any person within its organization except those persons required to perform the services of the Contract.

10.1.2 Consultant shall not disclose Confidential Information to any third party without LACERA's advance written approval.

10.1.3 Consultant's agreement not to disclose Confidential Information includes an agreement not to disclose information even on a no-names basis.

10.1.4 Consultant will use best efforts, including but not limited to the highest level of care Consultant accords to its own most sensitive information and the most sensitive information of its other clients, to secure and maintain the confidential nature of the Confidential Information.

10.1.5 Consultant will not use the Confidential Information for any purpose other than to perform the services required by this Contract. This confidentiality provision will survive the termination of the Contract.

11. <u>Nondiscrimination</u>.

Consultant hereby promises and agrees that it will comply with Subchapter VII of the Civil Rights Act of 1964, 43USC Section 2000e through 2000e (17), to the end that no person shall, on grounds of race, creed, color, sex, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this Contract, or under any project, program or activity supported by this Contract.

Consultant shall take affirmative action to ensure that applicants and employees are treated in an unbiased manner without regard to their race, color, religion, sex, age, ancestry, or national origin, physical or mental handicap, marital status, or political affiliation. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

12. <u>Compliance with Laws</u>.

Consultant shall comply with all applicable Federal, State and local laws, rules, regulations, ordinances, and directives, and all provisions required to be included in this Contract are incorporated by this reference. Consultant shall indemnify and hold LACERA harmless from any loss, damage or liability resulting from a violation by Consultant of any such laws, rules, regulations, ordinances, and directives. Notwithstanding the foregoing, Consultant shall not be liable for any special, consequential, incidental, exemplary damages or loss (or any lost profits, taxes, interest, tax penalties, savings or business opportunity) or any loss, damage, or liability arising from the negligence or willful misconduct of LACERA.

13. Conflict of Interest.

No officer or employee of LACERA whose position enables him or her to influence the award of this Contract or any competing agreement, and no spouse or economic dependent of such officer or employee shall be employed in any capacity or in any way remunerated by Consultant, or have any direct or indirect financial interest in this Contract or in Consultant.

14. Modifications.

Any modification to this Contract must be in writing, signed by Consultant and LACERA, to be effective.

15. Termination for Default.

Services performed under this Contract may be terminated in whole or in part by LACERA providing to Consultant a written Notice of Default if (1) Consultant fails to perform the services within the time specified in this Contract or any extension approved by LACERA, provided Consultant shall not be liable for delays beyond his reasonable control, or (2) Consultant fails to materially perform any other covenant or condition of this Contract, or (3) Consultant fails to make progress so as to endanger its performance under this Contract provided Consultant shall not be liable for delays beyond his reasonable control.

Consultant shall have ten (10) calendar days from the date of the Notice of Default in which to cure the Default(s), however, in its sole discretion, LACERA may extend this period or authorize a longer period for cure.

Without limitation of any additional rights or remedies to which it may be entitled, if LACERA terminates all or part of the services for Consultant's Default, LACERA, in its sole discretion, may procure replacement services.

If it is determined that Consultant was not in Default under the provisions of this Contract, or that the Default was excusable, then the rights and obligations of the parties shall be the same as if the Notice of Termination had been issued under Section 16. Termination for Convenience.

16. Termination for Convenience.

Services performed under this Contract may be terminated in whole or in part at any time LACERA or Consultant deems that termination is in its best interest. LACERA or Consultant shall terminate services by delivering a written Termination Notice which specifies the extent to which services are terminated and the effective termination date.

After receiving a Termination Notice under this section, and unless otherwise expressly directed by LACERA, Consultant shall take all necessary steps and shall stop services on the date and to the extent specified in the Termination Notice and shall complete services not so terminated.

In the event that Consultant determines, in his professional judgment, that he cannot complete the services, Consultant may withdraw from the engagement without liability. In addition, Consultant reserves the right to, in whole or in part, decline to perform services if information comes to his attention indicating that performing any Services could cause Consultant to be in violation of applicable law, regulations or standards or in a conflict of interest, or to suffer reputational damage. On termination of this Contract for whatever reason: (i) Consultant shall render an invoice in respect of any Services performed and expenses incurred since the date of the last invoice issued, and (ii) LACERA shall pay the undisputed amounts of such invoice.

17. Disaster Recovery & Business Continuity

Consultant will implement and maintain disaster recovery and business continuity procedures that are reasonably designed to recover data processing systems, data communications facilities, information, data and other business related functions of LACERA in a manner and time frame consistent with legal, regulatory and business requirements applicable to LACERA.

18. Data Breach Verification

18.1 Consultant shall provide an annual written, signed attestation that to the best of its knowledge, no data breach, hacking, or incidental divulging of Member Records has occurred and that no Member Record has been compromised. The attestation shall verify that adequate internal policies and procedures exist to prevent data theft and unauthorized access.

18.3 Consultant shall comply with California Civil Code § 1798.29(e) and California Civ. Code § 1798.82(f). In the event of a security breach of more than 500 records, the Consultant shall electronically submit a single sample copy of that security breach notification, excluding any personally identifiable information, to the Attorney General.

18.4 Consultant shall notify any California resident whose unencrypted personal information, as defined, was acquired, or reasonably believed to have been acquired, by an unauthorized person as required by California Civil Code §1798.29(a) and California Civ. Code §1798.82(a).

18.5 Notwithstanding the legal notification requirements in the preceding paragraphs, Consultant will immediately notify LACERA upon its discovery of any incident or data breech.

19. Entire Contract and Severability.

This document (including Attachment A) constitutes the final, complete, and exclusive statement of the terms of the Contract between LACERA and Consultant for the services to be performed and supersedes all prior and contemporaneous understandings or Contracts of the parties. The provisions of this Contract are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions or parts thereof shall nevertheless be binding and enforceable and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision which comes closest to the intent of the parties.

20. Governing Law and Venue.

20.1 This Contract shall be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to principles of conflicts of laws.

20.2 Any party bringing a legal action or proceeding against any other party arising out of or relating to this Contract or the transactions it contemplates (whether in contract, tort, equity, or otherwise), shall bring the legal action or proceeding in either the United States District Court or in any court of the State of California sitting in Los Angeles County.

20.3 Each party to this Contract consents to the exclusive personal and subject matter jurisdiction of any United States District Court sitting in the County of Los Angeles and any court of the State of California sitting in the County of Los Angeles, and their appellate courts for the purpose of all legal actions and proceedings arising out of or relating to this Contract or the transactions it contemplates, including all claims of any nature or type, whether in contract, tort, statutory, equitable, legal, or otherwise.

21. Attorney's Fees.

In the event of litigation between the parties concerning this Contract, the prevailing party shall be entitled to recover reasonable costs and expenses incurred therein, including attorney's fees, which shall be included in the limitation of liability described in Section 4. These expenses shall be in addition to any other relief to which the prevailing party may be entitled and shall be included in and as part of the judgment or decision rendered in such proceeding.

22. Interpretation.

Consultant acknowledges they have been given the opportunity to have counsel of their own choosing to participate fully and equally in the review and negotiation of this Contract. The language in all parts of this Contract shall be construed in all cases according to its fair meaning, and not strictly for or against any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Contract.

23. Waiver.

No waiver of a breach, failure of any condition, or any right or remedy contained in or granted by the provisions of this Contract shall be effective unless it is in writing and signed by the party waiving the breach, failure, right, or remedy. No waiver of any breach, failure, right or remedy shall be deemed a waiver of any other breach, failure, right or remedy, whether or not similar, or preceding or subsequent, nor shall any waiver constitute a continuing waiver unless the writing so specifies.

24. Standards of Performance.

LACERA acknowledges that the Services will involve analysis, judgment and other performance from time to time in a context where the participation of LACERA or others is necessary, where answers often are not certain or verifiable in advance, and where facts and available information change with time. Accordingly, evaluation of Consultant's Services shall be based solely on his substantial conformance with any standards or specifications expressly set forth in this Contract and any applicable Statement of Work hereunder, and all applicable federal and state laws and regulations and applicable professional standards (including, but not limited to, the American Institute of Certified Public Accountants ("AICPA") Statements on Standards for Consulting Services). LACERA acknowledges that the Services will involve the participation and cooperation of management and others of LACERA. Unless LACERA and Consultant agree otherwise, in writing, Consultant shall have no responsibility to update any of his work after its completion.

25 Other Costs.

Unless expressly provided for, the Services do not include giving testimony or appearing or participating in discovery proceedings, in administrative hearings, in court, or in other legal or regulatory inquiries or proceedings. Except with respect to a dispute or litigation between Consultant and LACERA, Consultant's costs, expenses, and time spent in legal and regulatory matters or proceedings arising from this Agreement, such as subpoenas, testimony, bankruptcy filings or proceedings, consultation involving private litigation, arbitration, government or industry regulation inquiries, whether made at LACERA's request or the request of a third party, will be billed to LACERA separately at Consultant's standard rates for such services.

26 Third Party Beneficiaries.

The information contained in documents prepared by Consultant in the course of providing services under the terms of this Contract is for the sole use of LACERA in accordance with the purpose of this Contract hereunder. The Deliverables are not for a third party's benefit of reliance, and Consultant disclaims and contractual or other responsibility or duty of care to others based upon the Services, Work Product or Deliverables. Any Work Product, Deliverables, or documents delivered by Consultant shall be released only as redacted in accordance with law or with the prior written permission of Consultant. Except to the extent expressly provided hereto to the contrary, no third-party beneficiaries are intended under this Contract.

IN WITNESS WHEREOF, Consultant has signed this Contract, and the [SIGNATORY TITLE] of LACERA has signed this Contract, effective as of the date indicated in Section 5.

LACERA:	[Consultant Name]:
Los Angeles County Employees Retirement Association	
By: ____________________ [TITLE]	____________________ [Authorized Signatory Title]
Address for notices:	Address for notices:
Richard Bendall, Chief Audit Executive LACERA 300 N. Lake Avenue, Suite [XXX] Pasadena, CA 91101	[NAME] [STREET] [CITY, STATE, ZIP]

Approved as to form:

____
John Harrington
LACERA Staff Counsel

EXHIBIT F
PROPOSAL COVER PAGE AND CHECK LIST
(TO BE SUBMITTED IN FIRM'S LETTERHEAD)

Respondent Name:

Respondent Address:

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to comply with all requirements.

Respondent specifically acknowledges the following facts:

1. Respondent possesses the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.

2. Respondent has no unresolved questions regarding the RFP and believes that there are no ambiguities in the scope of work.

3. The Fee Schedule Submitted in response to the RFP is for the entire scope of work and no extra charges or expenses will be paid by LACERA.

4. Respondent has completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of LACERA, or other officer, agent or employee of LACERA presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.

5. Materials contained in proposals and all correspondence and written questions submitted during the RFP process are subject to disclosure pursuant to the Act.

6. Respondent is not currently under investigation by any state of federal regulatory agency for any reason.

7. The signatory below is authorized to bind the respondent contractually.

A. Proposal Contents

Your response to this RFP must be prepared and submitted according to the specifications set forth below, both for content and sequence. The proposal must provide a straightforward and concise description of the Proposer's capabilities to satisfy the requirements indicated in this RFP. Failure to adhere to these specifications may be cause for rejection of the proposal.

Section	Title
1.	Cover Letter
2.	Table of Contents
3.	Organization and Key Personnel
4.	Qualifications and Experience
5.	Assigned Professionals
6.	Quality Control/Peer Review
7.	Client References
8.	Project Planning/Approach
9.	Potential Conflict
10.	Legal Situations
11.	Fee Schedules

Each required section is listed below with a description of information that must be included in the proposal.

1. Cover Letter

   a) Introduction and background of the Proposer.

   b) Name, title, telephone number, and email address of the Proper's representative(s) who is/are designated as the primary liaison(s) to LACERA.

   c) Name, title, telephone number, and email address of the representative who is authorized to legally bind the Proposer.

   d) A Statement indicating the Proposer's understanding and commitment to providing LACERA with the audit consulting services as described in the Scope of Work in this RFP.

   e) A Statement that the Proposer's proposal is an irrevocable offer, including proposed fees and proposed assigned staff, for 120 days following the date of proposal.

2. Table of Contents

   Your proposal must include a table of contents identifying the proposal sections and corresponding page numbers.

3. Organization and Key Personnel

   Please include the following information in this section:

   a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.

   b) Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.

   c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.

   d) Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries for negligent acts or omissions. Attach proof of coverage (e.g., a certificate of insurance) for such insurance that apply to proposer's actions under the contract.

4. Qualifications and Experience

   a) Provide a detailed resume for each member of the professional staff who will provide services under this LACERA contract, including their experience in audits and reviews with large retirement systems and other relevant institutions. For key personnel (Partner, Manager/Supervisor) who will have planning and on-site supervisory responsibilities include a description of audit experience and services provided within the last five (5) years.

   b) Provide a schedule of audit and consulting services completed by your firm within the last (5) five years for each of the areas listed in this RFP your firm will submit a proposal. Please indicate the size of investment portfolios reviewed and describe the nature of compliance reviews or consulting reviews performed. Provide an example of an audit report similar to the services requested in this RFP.

5. Assigned Professionals

   The proposal must state the name of the lead consultant and all other professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with LACERA's Boards and staff in performing the scope of services. Diversity is a core LACERA value, and therefore the proposal must specifically address the diversity of the proposed team members in meaningful roles across levels of seniority to support the firm's work for LACERA. LACERA expects that this section of the response will only include those persons committed to supporting LACERA and investing in a relationship with LACERA on a regular and long-term basis. The proposal should include a commitment by the lead consultant to be reasonably available to LACERA on an ongoing basis.

With respect to diversity, the response must include a description of diversity policies, practices, and procedures maintained by the firm regarding equal employment opportunity, including the recruitment, development, retention, and promotion of a diverse and inclusive workforce, non-discrimination based on gender, race, ethnicity, sexual orientation, age, veteran's status, and other legally protected categories, and prohibition of sexual harassment in the workplace. If the respondent has written policies, a copy should be provided with the response to this RFP. The response should identify the oversight, monitoring, and other compliance processes for implementation and enforcement of the firm's diversity policies, practices, and procedures, including the name of the perform who is responsible for oversight the firm's method to measure the effectiveness of the policies, and conclusions as to effectiveness. Please describe any judicial, regulatory, or other legal finding, formal action, or claims related to equal employment opportunity, workplace discrimination, or sexual harassment during the past ten (10) years.

6. Quality Control/Peer Review

   a) Please describe your firm's quality control relating to audit planning, fieldwork, and reporting.
   b) Please include an external quality control review report (Peer Review) within the last five (5) years.

7. Client References

The Proposer shall provide three clients for whom it has provided information technology or investments-related audit services in the past five (5) years. For each client reference listed, please include:

- Entity name, address, and key contact person
- Date of service(s)
- Nature of business
- Fund asset size and annual revenue
- Number of plan or program members
- Primary contact name, title, telephone number, and email address
- Nature and length of Proposer's relationship with said entity
- Description of services provided by Proposer

LACERA reserves the right to contact any of the individuals/agencies provided above.

8. Project Planning and Approach

Describe the specific methodology used to accomplish the scope of work set forth in this RFP and describe all services necessary to accomplish the audit and compliance services for LACERA.

9. Potential Conflicts

a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

b) Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

d) Provide details of any other affiliates offering services to LACERA that could represent conflicts of interest. Briefly describe your firm's policies and procedures for doing business with these affiliates, while safeguarding against conflicts of interest.

e) Describe any known relationship your Firm or any staff have with any member of LACERA's Boards, management, staff, or plan sponsors (including, but not limited to, Los Angeles County).

f) Describe the purpose and monetary value of any gifts, travel, expenses, entertainment, or meals given to any member of the LACERA Boards, management, or staff in the last two (2) years.

g) Describe your firm's approach to resolving potential conflict issues that may be encountered during the performance of audit or consulting services for LACERA and any special assistance that will be requested from LACERA.

10. Legal Situations

a) Describe the circumstances and status of any investigation, non-routine examination, complaint, disciplinary action, or other proceeding against your firm or any officer or principal of your firm commenced by any state or federal regulatory body or professional organization during the past five (5) years.

b) Describe any situation whereby your firm or any officer or principal of your firm was censured or fined by any regulatory body within the last five (5) years.

c) Describe any claims or litigation brought against your firm or any officer or principal of your firm by any entity for fraud, malpractice, misrepresentation, negligence, or similar cause of action within the last five (5) years.

d) Describe each audit engagement with other clients, involving any member of the team that would be assigned to the LACERA, which has been the subject of litigation, arbitration, mediation, or other dispute resolution mechanisms within the past five (5) years. Identify the individual(s) involved, and provide the case name and number, the damages sought, and the outcome.

e) Describe any situation within the last five (5) years, when your firm was notified, by any actuarial consulting or actuarial auditing client, that your firm is in default of its contract, or that conditions exist jeopardizing the continuation of that contract. State the client's name, the year the notice was received, reasons for the notice, and resolutions or current status of the relationship.

11. Terms and Conditions

If a Firm from the Audit Pool is selected for an engagement, the CAE will authorize staff to enter into negotiations with the approved firm(s) which will result in a formal Contract between the parties, An Audit Engagement Letter, approved by LACERA, will serve as the formal contract of services. LACERA may terminate negotiations, at its sole discretion, if it believes a satisfactory agreement cannot be negotiated. LACERA reserves the right to award a contract based upon proposals received; you should not rely upon the opportunity to alter your proposal (e.g., services to be provided, fees, etc.) during contract negotiations.

The final contract must allow LACERA to terminate (a) for its convenience upon not more than 30 days' notice, (b) if funds are not appropriated for the services to be provided, and (c) for default. The contract must also include indemnity by your firm to LACERA from third party claims.

12. Fee Schedules

The Proposer must submit a Fee Proposal in the format prescribed in Exhibit C.

EXHIBIT G
IT SECURITY CONTROLS

Respondent shall provide an initial Security Controls Report in the form attached hereto prior to executing the agreement. All subsequent Security Controls Reports that are required after this first report shall be performed and submitted annually. The questionnaires are to focus on security as it applies to the technologies impacting services provided in relation the scope of work. If a control is found to be inadequate, respondent will develop a remediation plan within 30 days. Respondent will implement the plan and inform LACERA of the change within a mutually agreed upon and reasonable time.

The Security Controls Reports shall report in writing on the respondent's system(s) and the suitability of the design and operating effectiveness of controls, information functions, and/or processes applicable to the environment in which the respondent receives and maintains LACERA records, including the security requirements.

Respondent shall provide to LACERA, within 30 calendar days of the issuance of each Security Controls Report, a documented corrective action plan that addresses each audit finding or exception contained therein. The corrective action plan shall identify in detail the required remedial action by respondent along with the implementation date(s) for each remedial action.

If respondent fails to obtain an annual Security Controls Report, LACERA shall have the right to retain an independent audit firm to perform such an audit engagement for such a report. The audit will include the controls, information functions, and processes utilized or provided by respondent. Respondent agrees to allow the independent audit firm to access its facilities for purposes of conducting this audit engagement. They will provide the necessary support and cooperation to the independent audit firm.

The independent audit firm will be engaged by LACERA's legal department and subject to the same confidentiality requirements provided for in this agreement, and any disclosure will be on a need-to-know basis only for the purpose of the Security Controls Report. LACERA will invoice respondent for the expense of the report(s), or deduct the cost from future payments to the respondent.

IT Security Controls - LACERA Environment

Control Section	Control Name	Control Description	Control Validation Test/ Review Performed	Control Validation Results
Access Control	Access control policy	An access control policy shall be established, documented, and reviewed based on business and information security requirements.		
	Access to networks and network services	Users shall only be provided with access to the network and network services that they have been specifically authorized to use.		
	User registration and de-registration	A formal user registration and de-registration process shall be implemented to enable assignment of access rights.		
	User access provisioning	A formal user access provisioning process shall be implemented to assign or revoke access rights for all user types to all systems and services.		
	Review of user access rights	Asset owners shall review users' access rights at regular intervals.		
	Removal or adjustment of access rights	The access rights of all employees and external party users to information and information processing facilities shall be removed upon termination of their employment, contract, or agreement, or adjusted upon change.		
	Use of password information	Users shall be required to follow consultant's practices in the use of password information.		
	Secure log-on procedures	Where required by the access control policy, access to systems and applications shall be controlled by a secure log-on procedure.		
	Password management	Password management systems shall be interactive and shall ensure quality passwords.		
Physical and Environmental Security	Physical security perimeter	Security perimeters shall be defined and used to protect areas that contain either sensitive, critical information or information processing facilities.		
	Physical entry controls	Secure areas shall be protected by appropriate entry controls to ensure that only authorized personnel are allowed access.		

	Protecting against external and environmental threats	Physical protection against natural disasters, malicious attacks, or accidents shall be designed and applied.		
	Supporting utilities	Equipment shall be protected from power failures and other disruptions caused by failures in supporting utilities.		
	Equipment maintenance	Equipment shall be correctly maintained to ensure its continued availability and integrity.		
Network Security Management	Network controls	Networks shall be managed and controlled to protect information in systems and applications.		
	Security of network services	Security mechanisms, service levels, and management requirements of all network services shall be identified and included in network services agreements, whether these services are provided in-house or outsourced.		
	Information transfer policies and procedures	Formal transfer policies, procedures, and controls shall be in place to protect the transfer of information through the use of all types of communication facilities.		
Operational	Documented operating procedures	Operating procedures shall be documented and made available to all users who need them.		
	Change management	Changes to consultant, business processes, information processing facilities and systems that affect information security shall be controlled.		
	Capacity management	The use of resources shall be monitored and tuned, and projections made of future capacity requirements to ensure the required system performance.		
	Controls against malware	Detection, prevention, and recovery controls to protect against malware shall be implemented, combined with appropriate user awareness.		
	Information backup	Backup copies of information, software, and system images shall be taken and tested regularly in accordance with an agreed backup policy.		
	Event logging	Event logs recording user activities, exceptions, faults, and information security events shall be produced, kept, and regularly reviewed.		
	Protection of log information	Logging facilities and log information shall be protected against tampering and unauthorized access.		

	Clock Synchronization	The clocks of all relevant information processing systems within an organization or security domain shall be synchronized to a single reference time source.		
	Management of technical vulnerabilities	Information about technical vulnerabilities of information systems being used shall be obtained in a timely fashion, consultant's exposure to such vulnerabilities evaluated and appropriate measures taken to address the associated risk.		
Information Security Incident Management	Responsibilities and procedures	Management responsibilities and procedures shall be established to ensure a quick, effective, and orderly response to information security incidents.		
	Reporting information security events	Information security events shall be reported through appropriate channels as quickly as possible.		
	Reporting information security weaknesses	Employees and contractors using consultant's information systems and services shall be required to note and report any observed or suspected information security weaknesses in systems or services.		
	Response to information security incidents	Information security incidents shall be responded to in accordance with the documented procedures.		
	Learning from information security incidents	Knowledge gained from analyzing and resolving information security incidents shall be used to reduce the likelihood or impact of future incidents.		

LACERA

FOR INFORMATION ONLY

November 30, 2020

TO: 2020 Audit Committee
Gina V. Sanchez, Chair
Keith Knox, Vice Chair
Herman B. Santos, Secretary
Vivian H. Gray
David Green

FROM: Richard P. Bendall RB
Chief Audit Executive

Leisha E. Collins LEC
Principal Internal Auditor

Kathryn Ton KT
Senior Internal Auditor

FOR: December 11, 2020 Audit Committee Meeting

SUBJECT: **Ethics Hotline Status Report**

The purpose of this memorandum is to provide the Committee with information on ethics cases handled by LACERA through 2020. Since November 2019, LACERA has worked externally with NAVEX Global's EthicsPoint for its ethics hotline reporting and case management needs.

To date, LACERA has received four case reports, three of which have been closed out and one of which is under investigation at this time.

Issue Type	Count	Divisions Involved	Status
Time Abuse	1	Quality Assurance	In Process
Accounting & Auditing Matters	1	Systems	Closed
Time Abuse	1	Legal	Closed
Violations of Policy	1	Systems	Closed

Staff will continue to provide updates to the Committee on future reports.

RPB:lec:kt