

LIVE VIRTUAL BOARD MEETING



TO VIEW VIA WEB



TO PROVIDE PUBLIC COMMENT

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

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

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

AGENDA

A REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, PASADENA, CA 91101

9:00 A.M.*, WEDNESDAY, OCTOBER 12, 2022

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

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

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

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Meeting of September 13, 2022

B. Approval of the Minutes of the Regular Meeting of September 14, 2022

III. PUBLIC COMMENT

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

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

IV. EXECUTIVE UPDATE

- A. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated September 27, 2022)
- B. CHIEF INVESTMENT OFFICER'S REPORT
(Presentation dated October 12, 2022)

V. CONSENT ITEMS

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that other public agencies still recommend social distancing such that each Board and its Committees shall hold teleconference meetings for the next 30 days, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of Section 54953(e)(3). Action taken by each Board will only apply to that Board and its Committees. (Memo dated September 26, 2022)
- B. Recommendation that the Board approve attendance of Trustees at the SuperReturn Japan in Tokyo, Japan on November 30, 2022 to December 1, 2022 and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Memo dated October 4, 2022) (Placed on the agenda at the request of Trustee Kehoe)

VI. NON-CONSENT ITEM

- A. Recommendation as submitted by Esmeralda del Bosque, Acting Principal Investment Officer, Ron Senkandwa, Investment Officer Jeff Jia, Senior Investment Analyst and Magdalia Armstrong, Senior Investment Analyst: That the Board approve to increase the global equity emerging manager program (EMP) range from 0-5% to 0-10%. (Memo dated September 27, 2022)

VII. REPORTS

- A. Presentation on Fiduciary Duty in Actuarial Decision-Making
Steven P. Rice, Chief Counsel
Ashley K. Dunning, Nossaman LLP, Partner, Co-Chair, Public Pensions and Investments Group
(Presentation and Memo dated October 5, 2022)
(Upon Request and Submission of Required Information, MCLE Credit will be Provided for LACERA Trustees and Employees Who Are Members of the California Bar)
- B. Pension Plan Actuarial Assumption Review
Santos H. Kreimann, Chief Executive Officer
Ted Granger, Interim Chief Financial Officer
Nick Collier, Milliman Actuary
Craig Glyde, Milliman Actuary
(Memo dated September 29, 2022)
- C. Council of Institutional Investors Voting Ballot
Scott Zdrazil, Principal Investment Officer
(For Information Only) (Memo dated September 26, 2022)
- D. Real Estate Process Workflow Findings – Update IV
Esmeralda del Bosque, Acting Principal Investment Officer
Cindy Rivera, Senior Investment Analyst
(For Information Only) (Memo dated October 1, 2022)
- E. RFP For Securities Litigation Monitoring and Approved Counsel
Michael D. Herrera, Senior Staff Counsel
(For Information Only) (Memo dated September 29, 2022)
- F. 2023 Star Cola Program Award
Ted Granger, Interim Chief Financial Officer
(For Information Only) (Memo dated September 27, 2022)
- G. Monthly Status Report on Legislation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated September 27, 2022)
- H. Legal Projects
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated October 3, 2022)

VII. REPORTS (Continued)

- I. Monthly Travel & Education Reports – August 2022
Ted Granger, Interim Chief Financial Officer
Monthly Trustee Travel & Education Reports for August 2022
(Public memo dated September 21, 2022)
(Confidential memo dated September 21, 2022 – Includes Pending Travel)

- J. September 2022 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(For Information Only) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(Memo dated September 26, 2022)

VIII. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agenda item at a future meeting.)

IX. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

X. GOOD OF THE ORDER

(For information purposes only)

XI. EXECUTIVE SESSION

- A. Conference with Staff and Legal Counsel to Consider the Purchase or Sale of Particular, Specific Pension Fund Investments
(Pursuant to California Government Code Section 54956.81)
 - 1. Global Equity Emerging Separate Account Manager Search Recommendation
Esmeralda del Bosque, Acting Principal Investment Officer
Ron Senkandwa, Investment Officer
Jeff Jia, Senior Investment Analyst
Magdalia Armstrong, Senior Investment Analyst
(Memo dated September 27, 2022)

October 12, 2022

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XI. EXECUTIVE SESSION (Continued)

- B. Public Employee Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

Title: Chief Investment Officer

- C. Public Employee Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

Title: Chief Counsel

XII. ADJOURNMENT

****Although the meeting is scheduled for 9:00 a.m., it can start anytime thereafter, depending on the length of the Committee meeting preceding it.***

Documents subject to public disclosure that relate to an agenda item for an open session of the Board of Investments that are distributed to members of the Board of Investments 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 Board of Investments Members at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101, during normal business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday.

Persons requiring an alternative format of this agenda pursuant to Section 202 of the Americans with Disabilities Act of 1990 may request one by calling Cynthia Guider at (626) 564-6000, from 8:30 a.m. to 5:00 p.m. Monday through Friday, but no later than 48 hours prior to the time the meeting is to commence. Assistive Listening Devices are available upon request. American Sign Language (ASL) Interpreters are available with at least three (3) business days' notice before the meeting date.

Requests for reasonable modification or accommodation of the telephone public access and 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 BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

HYATT REGENCY LONG BEACH

200 SOUTH PINE AVENUE, LONG BEACH, CA 90802

TUESDAY, SEPTEMBER 13, 2022

8:30 A.M. – REGENCY ROOM A

This meeting was conducted in person and by teleconference under California Government Code Section 54953(e).

PRESENT: Herman Santos, Chair (In Person)

Shawn Kehoe, Secretary (By Teleconference)

Keith Knox (In Person)

Elizabeth B. Ginsberg (In Person)

Onyx Jones (In Person)

Patrick Jones (In Person)

Gina Sanchez (Joined meeting at 8:35 a.m.) (In Person)

ABSENT: David Green, Vice Chair

Elizabeth Greenwood

Joseph Kelly

STAFF ADVISORS AND PARTICIPANTS

Jonathan Gabel, Chief Investment Officer

Santos H. Kreimann, Chief Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Steven P. Rice, Chief Counsel

Luis Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

Vache Mahseredjian, Principal Investment Officer

James Rice, Principal Investment Officer

Jude Pérez, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Scott Zdrazil, Principal Investment Officer

Esme del Bosque, Acting Principal Investment Officer

Chad Timko, Senior Investment Officer

Dale Johnson, Investment Officer

Mel Tsao, Investment Officer

Derek Kong, Investment Officer

Didier Acevedo, Investment Officer

Quoc Nguyen, Investment Officer

Pushpam Jain, Investment Officer

Noah Damsky, Senior Investment Analyst

STAFF ADVISORS AND PARTICIPANTS (Continued)

Meketa Investment Group (General Investment Consultants)
Aysun Kilic, Managing Principal
Tim Filla, Managing Principal

Albourne (Real Assets ex-Real Estate, Illiquid Credit & Hedge Funds
Consultant)
James Walsh, Partner
Steven Kennedy, Partner

StepStone Group LP (Real Estate Consultants)
Thomas Hester, Managing Director
Margaret McKnight, Partner

I. CALL TO ORDER

The meeting was called to order by Chair Santos at 8:30 a.m.

II. WELCOME AND OPENING REMARKS

Chair Santos and Mr. Grabel made introductory comments.

III. PUBLIC COMMENT

Amanda Mendoza from Private Equity Stakeholder Project addressed the Board regarding agenda item VII.

IV. CONSENT ITEM

- A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That the Board approves that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability

IV. CONSENT ITEM (Continued)

of each Board and its Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that each Board and its Committees shall hold teleconference meetings for the next 30 days, and if so, direct staff to comply with the agenda and public comment requirements of the statute. Action taken by each Board will only apply to that Board and its Committees. (Memo dated August 29, 2022)

Mr. Knox made a motion, Mr. Jones seconded, to approve consent item, IV.A. The motion passed (roll call), with Messrs. P. Jones, Kehoe, Knox, Santos and Mses. O. Jones and Sanchez voting yes. Messrs. Green, Kelly, and Ms. Greenwood were absent from the vote.

V. THE MACRO ENVIRONMENT

Derek Kong, LACERA
Kevin Kajiwara, Teneo
Quoc Nguyen, LACERA
Jason Cummins, Brevan Howard

The macro session was divided into two sections and started with a discussion of views on current geopolitical themes that could impact the current and longer-term macro environment. The discussion presented challenges facing the US and global economy along with views on how to navigate an investment portfolio in a complicated macro environment.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board.

VI. INVESTMENT OPPORTUNITIES RELATED TO ENERGY TRANSITION

Dale Johnson, LACERA
Scott Zdazil, LACERA
Michael Cembalest, J.P. Morgan
Mark Carney, Brookfield; United Nations Special Envoy for Climate Action and Finance
Jim Rice, LACERA
Pierre Anctil, Axium Infrastructure
Sunniva Bjornstad, Hitec-Vision

The panel discussed the state of play of the global transition to a low carbon economy and how the transition is shaping investment opportunities in the near and longer term.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board.

VII. GLOBALIZATION AND EMERGING MARKETS

Dr. Pushpam Jain, LACERA
Dr. Alison Adams, Meketa
Dr. Monica de Bolle, Peterson Institute for International Economics
Zoltan Poszar, Credit Suisse

The panel discussed the evolving nature of globalization and its implications for LACERA's investments, and how this also impacts emerging markets.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board.

VIII. EMBRACING TECHNOLOGY

Mel Tsao, LACERA
Didier Acevedo, LACERA
John Claisse, Albourne
Diaine Pascale, Storm Ventures
David Snyderman, Magnetar Capital
Noah Damsky, LACERA
Steve Bezner, Altus
Mike Curry, State Street Corporation
Stephen Scharf, BlackRock

This session discussed the implementation of technology across various investment departments along with the critical nature of operations and cyber security.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board.

IX. CLOSING

Mr. Grabel provided a meeting discussion summary.

X. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:04 p.m.

SHAWN KEHOE, SECRETARY

HERMAN SANTOS, CHAIR

MINUTES OF THE REGULAR MEETING OF THE BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

HYATT REGENCY LONG BEACH

200 SOUTH PINE AVENUE, LONG BEACH, CA 90802

WEDNESDAY, SEPTEMBER 14, 2022

8:30 A.M. – REGENCY ROOM A

This meeting was conducted in person and by teleconference under California Government Code Section 54953(e).

PRESENT: Herman Santos, Chair (In Person)

David Green, Vice Chair (In Person)

Shawn Kehoe, Secretary (By Teleconference)

Joseph Kelly (By Teleconference)

Keith Knox (In Person)

Elizabeth B. Ginsberg (In Person)

Onyx Jones (In Person)

Patrick Jones (In Person)

Gina Sanchez (In Person)

ABSENT: Elizabeth Greenwood

STAFF ADVISORS AND PARTICIPANTS

Jonathan Grabel, Chief Investment Officer

Santos H. Kreimann, Chief Executive Officer

STAFF ADVISORS AND PARTICIPANTS (Continued)

Steven P. Rice, Chief Counsel

Luis Lugo, Deputy Chief Executive Officer

JJ Popowich, Assistant Executive Officer

Laura Guglielmo, Assistant Executive Officer

Vache Mahseredjian, Principal Investment Officer

James Rice, Principal Investment Officer

Jude Pérez, Principal Investment Officer

Christopher Wagner, Principal Investment Officer

Scott Zdrazil, Principal Investment Officer

Esmeralda del Bosque, Acting Principal Investment Officer

Chad Timko, Senior Investment Officer

Dale Johnson, Investment Officer

John Kim, Investment Officer

Amit Aggarwal, Investment Officer

Magdalia Armstrong, Investment Officer

Krista Powell, Senior Investment Analyst

Cindy Rivera, Senior Investment Analyst

Terra Elijah, Senior Investment Analyst

STAFF ADVISORS AND PARTICIPANTS (Continued)

Meketa Investment Group (General Investment Consultants)
Aysun Kilic, Managing Principal
Tim Filla, Managing Principal

Albourne (Real Assets ex-Real Estate, Illiquid Credit & Hedge Funds
Consultant)
James Walsh, Partner
Steven Kennedy, Partner

StepStone Group LP (Real Estate Consultants)
Thomas Hester, Managing Director
Margaret McKnight, Partner

I. CALL TO ORDER

The meeting was called to order by Chair Santos at 8:30 a.m.

II. WELCOME AND OPENING REMARKS

Chair Santos and Mr. Grabel made introductory comments.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. REAL ESTATE OPPORTUNITIES

Amit Aggarwal, LACERA
Mary Ludgin, Heitman
Margaret McKnight, Stepstone Group
Bob Perry, CBRE Investment Management
Broderick Storie, PAG

This session commenced with a discussion on megatrends that will shape the future of real estate. Thereafter, there was a panel discussion on

IV. REAL ESTATE OPPORTUNITIES (Continued)

economic growth, demographics, climate change, and how all three may influence real estate investing.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board.

V. INVESTMENT BELIEFS

Magdalia Armstrong, LACERA
Krista Powell, LACERA
Cindy Rivera, LACERA

There was an evaluation on the existing Investment Beliefs that were developed and adopted by the Board in 2016 – how they should be constructed and how applicable the beliefs are today. Also, a discussion on existing and potential new themes to expand on or incorporate into the Investment Beliefs.

Investments staff, consultants and guest speakers provided a presentation and answered questions from the Board.

VI. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of August 10, 2022

Mr. Green made a motion, Ms. Sanchez seconded, to approve the minutes of the regular meeting of August 10, 2022. The motion passed (roll call), with Messrs. Green, P. Jones, Kehoe, Kelly, Knox, Santos and Meses. O. Jones and Sanchez voting yes. Ms. Greenwood was absent from the vote.

VII. CHIEF EXECUTIVE OFFICER'S REPORT
(Memo dated August 30, 2022)

Mr. Kreimann provided a brief presentation on the Chief Executive Officer's Report and answered questions from the Board.

VIII. CHIEF INVESTMENTS OFFICER'S REPORT
(Memo dated September 14, 2022)

Mr. Grabel provided a brief presentation on the Chief Investment Officer's Report and answered questions from the Board.

IX. CONSENT ITEMS

Ms. Sanchez made a motion, Mr. Green seconded, to approve consent items, IX.A. The motion passed (roll call), with Messrs. Green, P. Jones, Kehoe, Knox, Santos and Mses. O. Jones and Sanchez voting yes and Mr. Kelly voting no. Ms. Greenwood was absent from the vote.

- A. Recommendation that the Board approve attendance of Trustees at the PPI Executive Seminar and the Asia Pacific Roundtable in Singapore on October 16-21, 2022 and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies. (Memo dated July 26, 2022) (Placed on the agenda at the request of Trustee Green)

X. NON-CONSENT ITEMS

- A. Recommendation as submitted by Jude Pérez, Principal Investment Officer and John Kim, Investment Officer: That the Board approve BlackRock Institutional Trust Company, N.A. ("BlackRock") to manage a long-term U.S. Treasury bond index portfolio in a separate account for the OPEB Master Trust ("OPEB") on an interim basis. (Memo dated September 1, 2022)

X. NON-CONSENT ITEMS

Messrs. Perez and Kim provided a presentation and answered questions from the Board.

Mr. Kelly made a motion, Ms. Jones seconded, to approve BlackRock Institutional Trust Company, N.A. ("BlackRock") to manage a long-term U.S. Treasury bond index portfolio in a separate account for the OPEB Master Trust ("OPEB") on an interim basis. The motion passed (roll call) with Messrs. Green, P. Jones, Kelly, Kehoe, Knox, Santos and Meses. O. Jones and Sanchez voting yes. Ms. Greenwood was absent from the vote.

XI. REPORTS

- A. LACERA OPEB Quarterly Performance Book
Meketa OPEB Quarterly Performance Book
Jude Perez, Principal Investment Officer
(Memo dated September 1, 2022)

Messrs. Perez, Johnson and Kim and Ms. Elijah provided a presentation and answered question from the Board. This item was received and filed.

- B. LACERA Quarterly Performance Book
Meketa Quarterly Performance Book
Jude Pérez Principal Investment Officer
(For Information Only) (Memo dated September 1, 2022)

This item was received and filed.

XI. REPORTS (Continued)

- C. Principles For Responsible Investment Board Nomination Window
Scott Zdrazil, Principal Investment Officer
(For Information Only) (Memo dated September 6, 2022)

This item was received and filed.

- D. International Corporate Governance Network (ICGN) Annual
General Meeting Ballot
Scott Zdrazil, Principal Investment Officer
(For Information Only) (Memo dated August 24, 2022)

This item was received and filed.

- E. Sustainability Accounting Standards Board (SASB) Alliance
Conversion to IFRS Sustainability Alliance
Scott Zdrazil, Principal Investment Officer
(For Information Only) (Memo dated August 24, 2022)

This item was received and filed.

- F. Monthly Status Report on Legislation
Barry W. Lew, Legislative Affairs Officer
(For Information Only) (Memo dated August 30, 2022)

This item was received and filed.

- G. Legal Projects
Christine Roseland, Senior Staff Counsel
(For Information Only) (Memo dated September 2, 2022)

This item was received and filed.

- H. 2023 Star COLA Program
Ted Granger, Interim Chief Financial Officer
(For Information Only) (Memo dated August 26, 2022)

This item was received and filed.

XI. REPORTS (Continued)

- I. Monthly Travel & Education Reports – July 2022
Ted Granger, Interim Chief Financial Officer

Monthly Trustee Travel & Education Reports for July 2022
(Public memo dated August 22, 2022)
(Confidential memo dated August 22, 2022 – Includes Pending Travel)

4th Quarter Trustee Travel & Education Reports
(Public memo dated August 22, 2022)

This item was received and filed.

- J. August 2022 Fiduciary Counsel Contact and Billing Report
Steven P. Rice, Chief Counsel
(For Information Only) (Privileged and Confidential)
(Attorney-Client Communication/Attorney Work Product)
(Memo dated August 31, 2022)

This item was received and filed.

XII. ITEMS FOR STAFF REVIEW

There was nothing to report.

XIII. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

- XIV. GOOD OF THE ORDER
(For information purposes only)

Trustees thanked staff for their work on the BOI Offsite.

XV. EXECUTIVE SESSION

- A. Public Employee Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957)

Title: Chief Executive Officer

There was nothing to report.

XVI. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 3:30 p.m.

SHAWN KEHOE, SECRETARY

HERMAN SANTOS, CHAIR



September 27, 2022

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Santos H. Kreimann *SHK*
Chief Executive Officer

SUBJECT: **CHIEF EXECUTIVE OFFICER'S REPORT – OCTOBER 2022**

The following Chief Executive Officer's Report highlights key operational and administrative activities that have taken place during the past month.

Strategic Plan Update

The LACERA leadership team, along with key staff members throughout the organization, are in the process of further assessing and revising the various goals and objectives identified by the Action Planning Teams (APT). Over the course of the next several weeks, the LACERA leadership team and KH Consulting will put together a presentation of the finalized draft of goals, objectives, and action plans for the Advisory team to review and approve. We anticipate meeting with the Advisory team in late October 2022. Thereafter, we will then focus our efforts on presenting the final draft of LACERA's Strategic Plan to the Board of Retirement (BOR) during the December 2022 or January 2023 meeting.

KH Consulting will also present the results of the Member and Employee survey to the Advisory Team during the meeting scheduled for late October 2022.

Return to Boardroom

During its Joint Board meeting on Friday, September 23, 2022, trustees from both the Board of Investments (BOI) and Board of Retirement (BOR) voted to resume in-person board meetings effective with meetings scheduled in November 2022. Trustees from both boards will still have the option to participate in board and committee meetings remotely as part of the Brown Act State of Emergency Order.

Communication Plan Update

The LACERA executive team met on August 30, 2022, to review and discuss Communication Plan(s) drafted by both EKA and the LACERA Communications division. Both plans outlined a more tactical approach to engaging our members and various stakeholders, as opposed to a strategic roadmap. The team discussed opportunities and ideas for improving the Communication plan document. We are going to coordinate these efforts with our Strategic Planning process, since the work overlaps with our current Strategic Planning efforts.

September 27, 2022

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We will transition the Communication Plan updates to the Operations Oversight Committee briefing beginning November 2022, since this project has a longer-term horizon.

Board/Committee Agenda Management, Recordings, Online Archives, and Public Interface Update

At its March 2022 Board of Retirement meeting, the Board approved to utilize and contract with Prime Government Solutions, Inc. (PrimeGov) now called OneMeeting. This application will be used for both Boards and all Committee meetings, including agenda management, livestreaming, recordings, online archives, and a public interface solution, with an indefinite retention period for archiving the audio and visual recordings. Staff is working with the vendor in developing workflows and solutions for the processes currently being done manually. In the next few weeks, staff will provide trustees with an opportunity to access the site, provide training and obtain user feedback. Once that is completed, testing for the in-meeting management (voting, public comment, speaker queue, livestreaming, archive materials/recording) and public interface will go into beta testing in preparation for implementation in January 2023. Staff will be incorporating trustee feedback and training in October and November. Staff plans on presenting an overview of the public interface at the Operations Oversight Committee in November 2022. BOI trustees will be provided with the OOC material, livestreaming information, as well as the recording following the presentation.

2022 Safety Member Elections

The 2022 safety member election was closed on August 31, 2022, for the safety member trustee seats on both boards. The positions are: seventh trustee seat and alternate safety trustee seat on the Board of Retirement, and the fourth trustee seat on the Board of Investments. The trustees' three-year terms will run from January 1, 2023 through December 31, 2025.

The Executive Office of the Board of Supervisors notified candidates of the results of the election in mid-September. The preliminary results (which are not final until the Board of Supervisors declares the election results official) show that Jason E. Green (Captain, Los Angeles County Fire Department) has been elected to be the Seventh Member on the Board of Retirement, as well as the Fourth Member on the Board of Investments. Current LACERA Trustee Shawn Kehoe (Captain, Los Angeles County Sheriff's Department) will remain on the Board of Retirement as the Alternate Safety Trustee. Both trustees will begin their service in these capacities effective January 1, 2023.

The Board of Supervisors is expected to certify the election results by October 18, 2022.

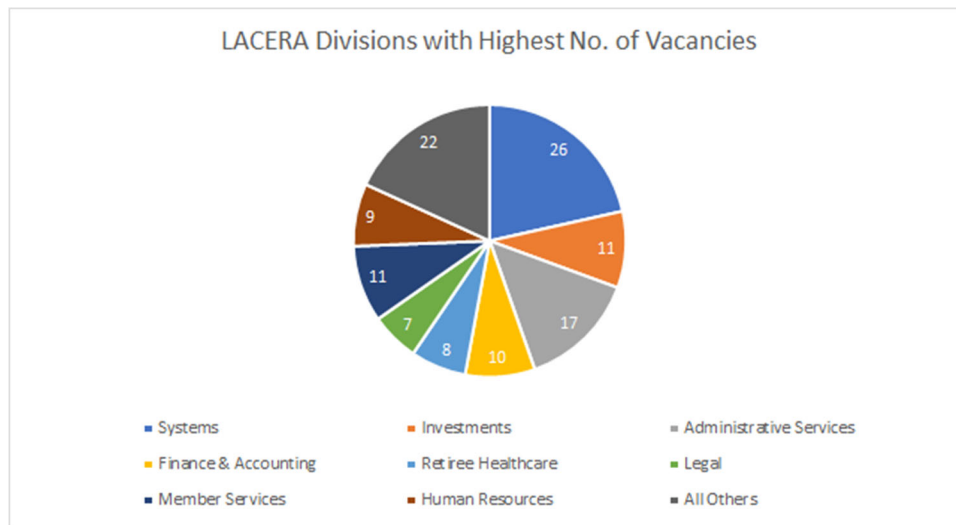
Recruitment Updates

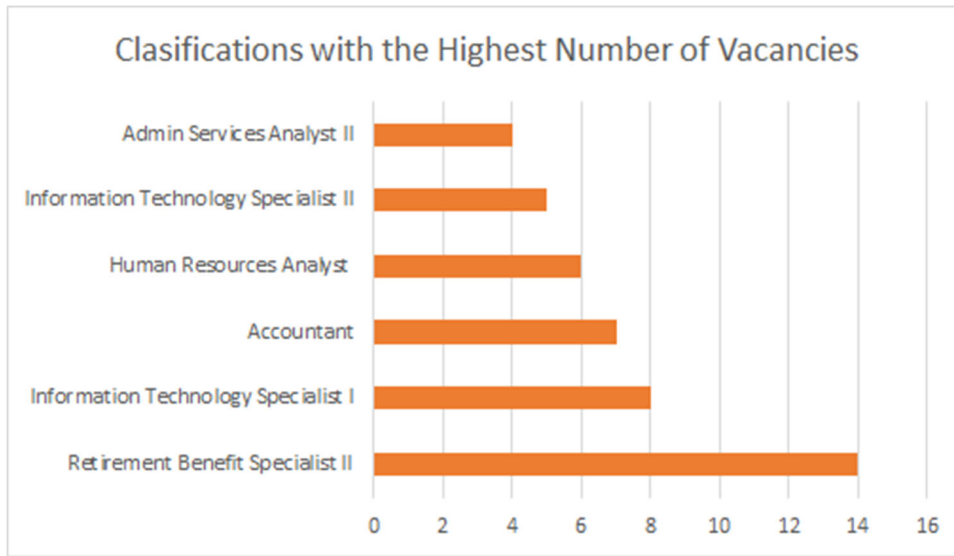
Vacancies and Hiring

The current hiring priority in the Investments Division recruitment efforts is the Senior Investment Officer. There are eleven (11) vacancies in Investments (24% vacancy rate) and below is a summary of the recruitment status of these positions.

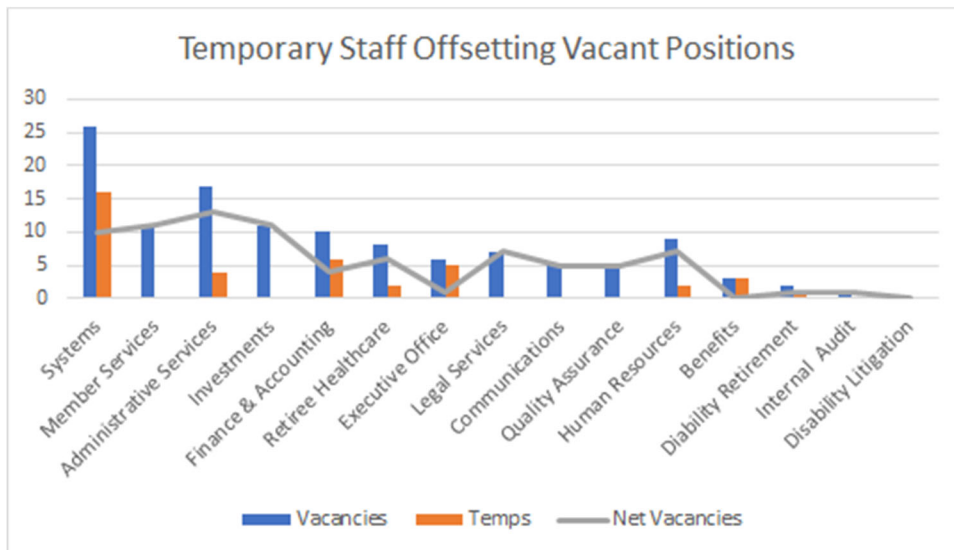
Classification	# of Vacancies	LACERA Priority	Recruitment Stage
Deputy Chief Investment Officer	1	Tier 1 – December 2022	Outsourced Recruitment
Senior Investment Officer (SIO)	1	Tier 1 – June 2022	9 – Division Interviews
Finance Analyst III (FA III)	3	Tier 1 – June 2022	9 – Division Interviews
Finance Analyst II (FA II)	3	Tier 2 – December 2022	
Executive Administrative Asst.	1	Tier 2 – December 2022	N/A
Principal Investment Officer (PIO)	1	Tier 2 – December 2022	N/A
Senior Investment Officer	1	Unassigned	N/A

LACERA has 530 budgeted positions, of which 121 are vacant (23% vacancy rate). The Divisions with the highest number of vacancies, and the classifications with the highest number of vacancies, are shown below.





The chart below highlights temporary hires across divisions to address critical vacancy needs in the short term.



Development

Human Resources works with the hiring Division to review the classification description, create an ideal candidate profile, and discuss the assessment process. This information is used by HR to create the job bulletin and recruiting brochure (management positions only). The recruitments/assessments for the following classifications are currently in development:

- Retirement Systems Specialist
- Staff Counsel (Benefits)
- Deputy Chief Investment Officer

Human Resources is working with the Administrative Services Division to complete the contracting process for a vendor to facilitate the Deputy Chief Investment Officer and

Chief, Financial Officer recruitments, and another vendor to facilitate the Chief, Information Technology and Information Security Officer recruitments.

Recruiting & Assessment

The Human Resources Team has open recruitments for the following positions:

- Staff Counsel (Investments)
- Financial Analyst III (Corporate Governance and Stewardship)
- Senior Human Resources Assistant
- Human Resources Analyst
- Senior Human Resources Analyst

The assessment process is ongoing for Retirement Benefits Specialist I.

New Lists Promulgated

A new eligible register was promulgated for Accountant. Selection interviews continue for Senior Investment Officer - Real Estate and Financial Analyst III for Real Estate. Recruitment for the Financial Analyst III - Corporate Governance and Real Estate positions continue. Additional candidates are in the assessment phase and those that pass will be added to the eligibility register (list).

Hiring

The hiring and selection activity for the month of September is as follows:

Division	# of Positions	Classification	Status
Systems	1	Data Systems Analyst	Started September 1
Administrative Services	2	Procurement and Supply Clerk	Selections made; pending background
FASD	1	Accountant	Selection made; starting October 3
FASD	1	Senior Accountant	Selection made (promotion)

Retiree Healthcare (RHC) Update

\$1 Million Lifetime Maximum Benefit (LMB) for Non-Medicare Plans - Update

LACERA staff continues to be engaged with the Board of Supervisors and County of Los Angeles CEO’s office on the elimination of the \$1 million Lifetime Maximum Benefit (LMB). LACERA and the County CEO’s office recently met on September 9, 2022 and continue to make progress on addressing the \$1 Million LMB.

The LMB applies to over 8,700 County active members and retirees enrolled now (or in the future) in the Anthem PPO and indemnity plan options.

2023 Medicare Parts A & B Premiums and Deductibles Announced

Each year the Medicare Part B premium, deductible, and coinsurance rates are determined according to the Social Security Act. On September 27, 2022, the Centers for Medicare & Medicaid Services (CMS) released the 2023 premiums, deductibles, and coinsurance amounts for the Medicare Part A and Part B programs, and the 2023 Medicare Part D income related monthly adjustments amount (Attachment A).

For 2023, the standard monthly premium for Medicare Part B will be \$164.90, a decrease of \$5.20 from \$170.10 in 2022. The annual deductible for all Medicare Part B beneficiaries is \$226 in 2023, a decrease of \$7.00 from the annual deductible of \$233 in 2022.

Lower than projected spending on both Aduhelm (a new drug used to treat Alzheimer's disease) and other Part B items and services resulted in larger reserves in the Part B account of the Supplementary Medical Insurance (SMI) Trust Fund. The decrease in the 2023 Part B premium aligns with CMS' recommendation in a May 2022 report that excess SMI reserves be passed along to people with Medicare Part B coverage.

Staff have communicated with both the plan sponsor, LA County, and Segal, our healthcare consultants, to initiate the annual analysis needed in our seeking approval to continue the Medicare Part B Reimbursement Program. Upon obtaining approval, an informative written communication will be sent out to members and reported back to the Trustees.

Anthem Blue Cross Prudent Buyer Prescription Benefit Manager (PBM) Name Change

Beginning January 1, 2023, IngenioRx, the current Anthem Blue Cross Prudent Buyer plan prescription drug manager (PBM), will become CarelonRx. CarelonRx will continue its clinical expertise and medical insights to develop tools and solutions that lead to improved outcomes and lower overall costs.

Important things about the change to CarelonRx:

- IngenioRx Home Delivery Pharmacy will become CarelonRx Mail.
- IngenioRx Specialty Pharmacy will become CarelonRx Specialty Pharmacy.
- This name change will not impact our members' benefits, coverage, or how they fill their medications. In addition to our mail and specialty pharmacies, our members can continue to fill their prescriptions at any in-network retail pharmacy.
- Members will not need new prescriptions for existing medications they currently take.
- There is no impact to member ID cards because of this name change. There is no mention of IngenioRx on these ID cards and the pharmacy information on the cards.
- In October, a communications kick to providers via their health plan provider newsletters, with an email reminder in January. Retail pharmacies will receive information via email and fax. Both the provider and pharmacy communications will include multiple touches.

- In October, a message banner will be launched on the secure health plan member portals, on the Pharmacy Dashboard, letting members know about the name change.
- Members using the IngenioRx home delivery and specialty pharmacies will receive targeted communications starting in October.
 - Between October and December, members will see an insert in their home delivery and specialty pharmacy prescription packaging alerting them to the name change.
 - From mid-November through mid-December, members using our home delivery and specialty pharmacies will receive a letter reminding them of the pharmacy name change.
 - In January, members will receive an insert in their first prescription filled by CarelonRx Mail and CarelonRx Specialty Pharmacy introducing them to the new pharmacy brand.

This change **WILL NOT** affect the Anthem Blue Cross I, II, or III plans. CVS Caremark will remain the prescription drug manager (PBM) for those medical plans.

SHK
CEO report October 2022.doc

Attachments



Fact sheet

2023 Medicare Parts A & B Premiums and Deductibles 2023 Medicare Part D Income-Related Monthly Adjustment Amounts

Sep 27, 2022 Medicare Parts A & B

On September 27, 2022, the Centers for Medicare & Medicaid Services (CMS) released the 2023 premiums, deductibles, and coinsurance amounts for the Medicare Part A and Part B programs, and the 2023 Medicare Part D income-related monthly adjustment amounts.

Medicare Part B Premium and Deductible

Medicare Part B covers physician services, outpatient hospital services, certain home health services, durable medical equipment, and certain other medical and health services not covered by Medicare Part A.

Each year the Medicare Part B premium, deductible, and coinsurance rates are determined according to the Social Security Act. The standard monthly premium for Medicare Part B enrollees will be \$164.90 for 2023, a decrease of \$5.20 from \$170.10 in 2022. The annual deductible for all Medicare Part B beneficiaries is \$226 in 2023, a decrease of \$7 from the annual deductible of \$233 in 2022.

The 2022 premium included a contingency margin to cover projected Part B spending for a new drug, Aduhelm. Lower-than-projected spending on both Aduhelm and other Part B items and services resulted in much larger reserves in the Part B account of the Supplementary Medical Insurance (SMI) Trust Fund, which can be used to limit future Part B premium increases. The decrease in the 2023 Part B premium aligns with the CMS recommendation in a May 2022 report that excess SMI reserves be passed along to people with Medicare Part B coverage.

Beginning in 2023, certain Medicare enrollees who are 36 months post kidney transplant, and therefore are no longer eligible for full Medicare coverage, can elect to continue Part B coverage of immunosuppressive drugs by paying a premium. For 2023, the immunosuppressive drug premium is \$97.10.

Medicare Open Enrollment and Medicare Savings Programs

Medicare Open Enrollment for 2023 will begin on October 15, 2022 and ends on December 7, 2022. During this time, people eligible for Medicare can compare 2023 coverage options between Original Medicare, and Medicare Advantage, and Part D prescription drug plans. In addition to the soon-to-be released premiums and cost sharing information for 2023 Medicare Advantage and Part D plans, the Fee-for-Service Medicare premiums and cost sharing information released today will enable people with Medicare to understand their Medicare coverage options for the year ahead. Medicare health and drug plan costs and covered benefits can change from year to year, so people with Medicare should look at their coverage choices annually and decide on the options that best meet their health needs.

To help with their Medicare costs, low-income seniors and adults with disabilities may qualify to receive financial assistance from the Medicare Savings Programs (MSPs). The MSPs help millions of Americans access high-quality health care at a reduced cost, yet only about half of eligible people are enrolled. The MSPs help pay Medicare premiums and may also pay Medicare deductibles, coinsurance, and copayments for those who meet the conditions of eligibility. Enrolling in an MSP offers relief from these Medicare costs, allowing people to spend that money on other vital needs, including food, housing, or transportation. People with Medicare interested in learning more can visit: <https://www.medicare.gov/your-medicare-costs/get-help-paying-costs/medicare-savings-programs>.

Medicare Part B Income-Related Monthly Adjustment Amounts

Since 2007, a beneficiary's Part B monthly premium is based on his or her income. These income-related monthly adjustment amounts affect roughly 7 percent of people with Medicare Part B. The 2023 Part B total premiums for high-income beneficiaries with full Part B coverage are shown in the following table:

Full Part B Coverage

Beneficiaries who file individual tax returns with modified adjusted gross income:	Beneficiaries who file joint tax returns with modified adjusted gross income:	Income-Related Monthly Adjustment Amount	Total Monthly Premium Amount
Less than or equal to \$97,000	Less than or equal to \$194,000	\$0.00	\$164.90
Greater than \$97,000 and	Greater than \$194,000	\$65.90	\$230.80

less than or equal to \$123,000	and less than or equal to \$246,000		
Greater than \$123,000 and less than or equal to \$153,000	Greater than \$246,000 and less than or equal to \$306,000	\$164.80	\$329.70
Greater than \$153,000 and less than or equal to \$183,000	Greater than \$306,000 and less than or equal to \$366,000	\$263.70	\$428.60
Greater than \$183,000 and less than \$500,000	Greater than \$366,000 and less than \$750,000	\$362.60	\$527.50
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$395.60	\$560.50

The 2023 Part B total premiums for high-income beneficiaries with immunosuppressive drug only Part B coverage are shown in the following table:

Part B Immunosuppressive Drug Coverage Only

Beneficiaries who file individual tax returns with modified adjusted gross income:	Beneficiaries who file joint tax returns with modified adjusted gross income:	Income-Related Monthly Adjustment Amount	Total Monthly Premium Amount
Less than or equal to \$97,000	Less than or equal to \$194,000	\$0.00	\$97.10
Greater than \$97,000 and less than or equal to \$123,000	Greater than \$194,000 and less than or equal to \$246,000	\$64.70	\$161.80
Greater than \$123,000 and less than or equal to \$153,000	Greater than \$246,000 and less than or equal to \$306,000	\$161.80	\$258.90

Greater than \$153,000 and less than or equal to \$183,000	Greater than \$306,000 and less than or equal to \$366,000	\$258.90	\$356.00
Greater than \$183,000 and less than \$500,000	Greater than \$366,000 and less than \$750,000	\$356.00	\$453.10
Greater than or equal to \$500,000	Greater than or equal to \$750,000	\$388.40	\$485.50

Premiums for high-income beneficiaries with full Part B coverage who are married and lived with their spouse at any time during the taxable year, but file a separate return, are as follows:

Full Part B Coverage

Beneficiaries who are married and lived with their spouses at any time during the year, but who file separate tax returns from their spouses, with modified adjusted gross income:	Income-Related Monthly Adjustment Amount	Total Monthly Premium Amount
Less than or equal to \$97,000	\$0.00	\$164.90
Greater than \$97,000 and less than \$403,000	\$362.60	\$527.50
Greater than or equal to \$403,000	\$395.60	\$560.50

Premiums for high-income beneficiaries with immunosuppressive drug only Part B coverage who are married and lived with their spouse at any time during the taxable year, but file a separate return, are as follows:

Part B Immunosuppressive Drug Coverage Only

Beneficiaries who are married and lived with their spouses at any time during the year, but who file separate tax returns from their spouses, with modified	Income-Related Monthly	Total Monthly Premium
--	-------------------------------	------------------------------

adjusted gross income:	Amount	
	Adjustment Amount	
Less than or equal to \$97,000	\$0.00	\$97.10
Greater than \$97,000 and less than \$403,000	\$356.00	\$453.10
Greater than or equal to \$403,000	\$388.40	\$485.50

Medicare Part A Premium and Deductible

Medicare Part A covers inpatient hospital, skilled nursing facility, hospice, inpatient rehabilitation, and some home health care services. About 99 percent of Medicare beneficiaries do not have a Part A premium since they have at least 40 quarters of Medicare-covered employment.

The Medicare Part A inpatient hospital deductible that beneficiaries pay if admitted to the hospital will be \$1,600 in 2023, an increase of \$44 from \$1,556 in 2022. The Part A inpatient hospital deductible covers beneficiaries' share of costs for the first 60 days of Medicare-covered inpatient hospital care in a benefit period. In 2023, beneficiaries must pay a coinsurance amount of \$400 per day for the 61st through 90th day of a hospitalization (\$389 in 2022) in a benefit period and \$800 per day for lifetime reserve days (\$778 in 2022). For beneficiaries in skilled nursing facilities, the daily coinsurance for days 21 through 100 of extended care services in a benefit period will be \$200.00 in 2023 (\$194.50 in 2022).

Part A Deductible and Coinsurance Amounts for Calendar Years 2022 and 2023 by Type of Cost Sharing

	2022	2023
Inpatient hospital deductible	\$1,556	\$1,600
Daily coinsurance for 61 st -90 th Day	\$389	\$400
Daily coinsurance for lifetime reserve days	\$778	\$800
Skilled Nursing Facility coinsurance	\$194.50	\$200.00

Enrollees age 65 and over who have fewer than 40 quarters of coverage and certain persons with disabilities pay a monthly premium in order to voluntarily enroll in Medicare Part A. Individuals who had at least 30 quarters of coverage or were married to someone with at least 30 quarters of coverage may buy into Part A at a reduced monthly premium rate, which will be \$278 in 2023, a \$4 increase from 2022. Certain uninsured aged individuals who have less than 30 quarters of coverage and certain individuals with disabilities who have exhausted other entitlement will pay the full premium, which will be \$506 a month in 2023, a \$7 increase from 2022.

For more information on the 2023 Medicare Parts A and B premiums and deductibles Notices (CMS-8080-N, CMS-8081-N, CMS-8082-N), please visit:

CMS-8080-N: <https://www.federalregister.gov/public-inspection/2022-21180/medicare-program-calendar-year-2023-inpatient-hospital-deductible-and-hospital-and-extended-care>

CMS-8081-N: <https://www.federalregister.gov/public-inspection/2022-21176/medicare-program-cy-2023-part-a-premiums-for-the-uninsured-aged-and-for-certain-disabled-individuals>

CMS-8082-N: <https://www.federalregister.gov/public-inspection/2022-21090/medicare-program-medicare-part-b-monthly-actuarial-rates-premium-rates-and-annual-deductible>

Medicare Part D Income-Related Monthly Adjustment Amounts

Since 2011, higher income beneficiaries' Part D monthly premiums are based on income. These income-related monthly adjustment amounts affect roughly 8 percent of people with Medicare Part D. These individuals will pay the income-related monthly adjustment amount in addition to their Part D premium. Part D premiums vary from plan to plan and roughly two-thirds of beneficiaries pay premiums directly to the plan, while the remaining beneficiaries have their premiums deducted from their Social Security benefit checks. Regardless of how a beneficiary pays their Part D premium, the Part D income-related monthly adjustment amounts are deducted from Social Security benefit checks or paid directly to Medicare. The 2023 Part D income-related monthly adjustment amounts for high-income beneficiaries are shown in the following table:

Beneficiaries who file individual tax returns with modified adjusted gross income:	Beneficiaries who file joint tax returns with modified adjusted gross income:	Income-related monthly adjustment amount
---	--	---

Less than or equal to \$97,000	Less than or equal to \$194,000	\$0.00
Greater than \$97,000 and less than or equal to \$123,000	Greater than \$194,000 and less than or equal to \$246,000	12.20
Greater than \$123,000 and less than or equal to \$153,000	Greater than \$246,000 and less than or equal to \$306,000	31.50
Greater than \$153,000 and less than or equal to \$183,000	Greater than \$306,000 and less than or equal to \$366,000	50.70
Greater than \$183,000 and less than \$500,000	Greater than \$366,000 and less than \$750,000	70.00
Greater than or equal to \$500,000	Greater than or equal to \$750,000	76.40

Premiums for high-income beneficiaries who are married and lived with their spouse at any time during the taxable year, but file a separate return, are as follows:

Beneficiaries who are married and lived with their spouses at any time during the year, but file separate tax returns from their spouses, with modified adjusted gross income:	Income-related monthly adjustment amount
Less than or equal to \$97,000	\$0.00
Greater than \$97,000 and less than \$403,000	70.00
Greater than or equal to \$403,000	76.40

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A federal government website managed and paid for by the U.S. Centers for Medicare & Medicaid Services.

7500 Security Boulevard, Baltimore, MD 21244



CEO DASHBOARD



October 6, 2022



Striving for Excellence

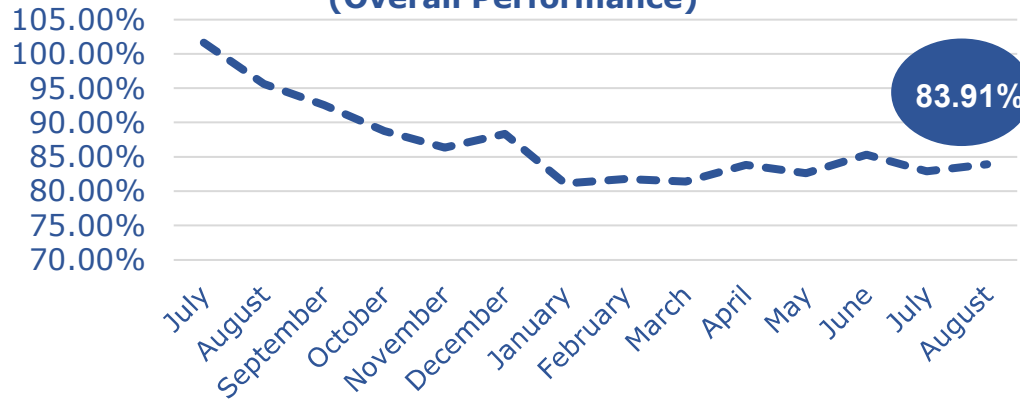
Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2022

 <p>WORKSHOP ATTENDANCE 1,495</p> <p>Year-to-Date: 2,551</p>	 <p>OUTREACH EVENTS 23</p> <p>Year-to-Date: 42</p>	 <p>WORKSHOP SATISFACTION N/A</p> <p>Mo. To Mo. Change: N/A</p>	 <p>MSC SATISFACTION N/A</p> <p>Mo. To Mo. Change: N/A</p>	 <p>MEMBER SERVICES CALL CENTER 11,679</p> <p>3 Month Average: 11,750</p>
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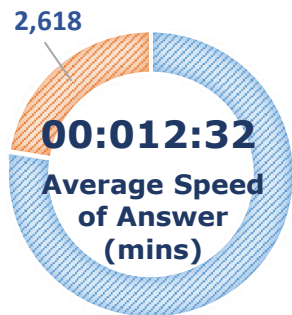
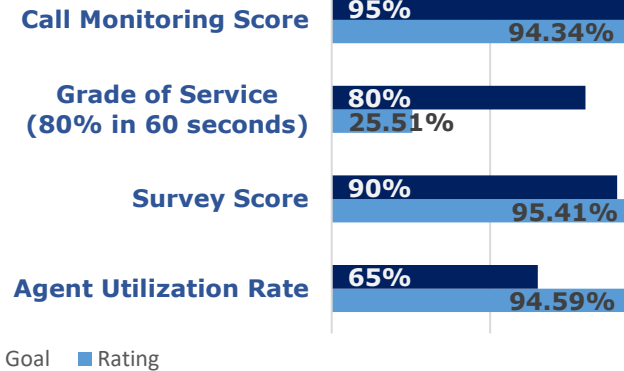
Member Services

Key Performance Indicator (Overall Performance)

Goal: 100%



Key Performance Indicator (Components)



■ Calls Answered ■ Calls Abandoned

Top Calls

1. Retirement Counseling: Process Overview
2. Retirement Counseling: Estimate
3. Retirement Counseling: Plan Overview



Emails

696
Avg. Response Time (ART)

24:00 hours

Secure Message
1,207



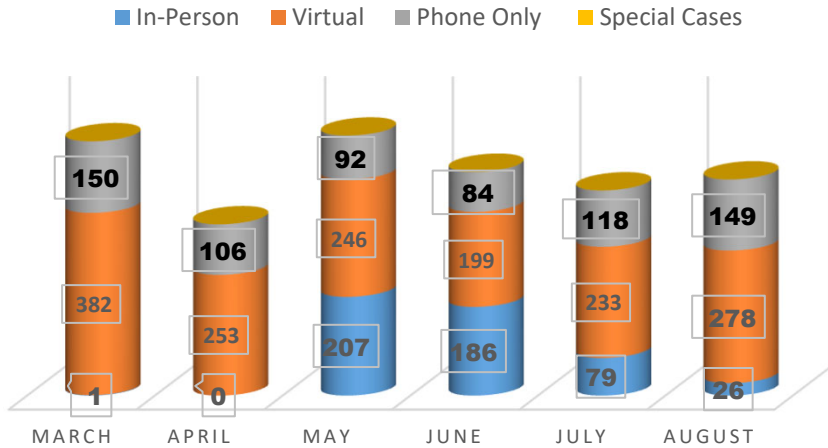


Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2022

Member Services

Member Service Center Appointments

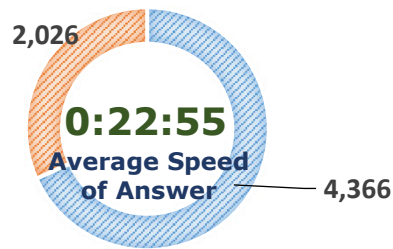


COMING SOON

Retiree Healthcare



Total RHC Calls: 6,392



■ Calls Answered ■ Calls Abandoned

Top Calls

1. Medical/Dental Enrollments

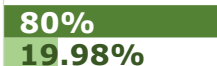
2. Medicare Part B Inquiries

3. General Inquiries

Call Monitoring Score



Grade of Service (80% in 60 seconds)



Survey Score



Agent Utilization Rate



■ Goal ■ Rating



Emails 470

Avg. Response Time (ART) 5 Days



Secure Messages

477



Striving for Excellence

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2022

Applications
901

In Process
As Of
8/31/2022

893 Pending on: 7/31/2022

67 Received

123 Year-to-Date

0 Re-Opened

0 Year-to-Date

56 To Board - Initial

111 Year-to-Date

3 Closed

6 Year-to-Date

Appeals
76

In Process
As Of
8/31/2022

77 Pending on: 7/31/2022

0 Received

2 Year-to-Date

0 Admin Closed/Rule 32

1 Year-to-Date

0 Referee Recommended

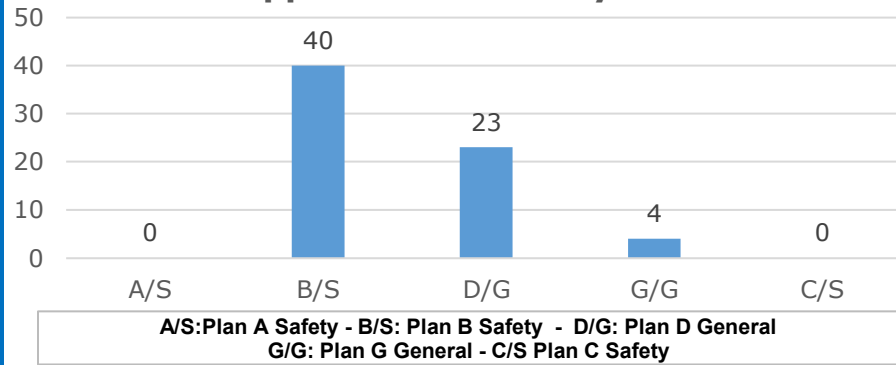
0 Year-to-Date

1 Revised/Reconsidered for Granting

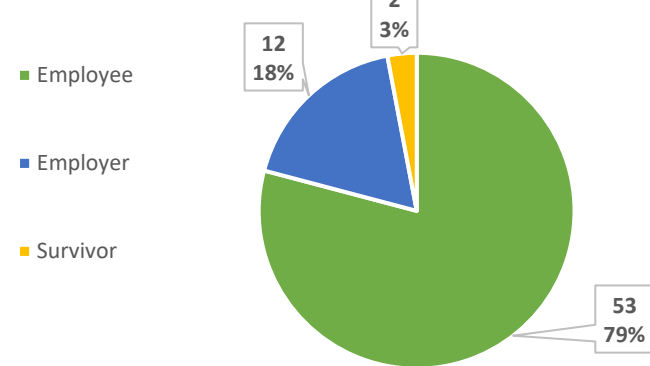
2 Year-to-Date

Disability

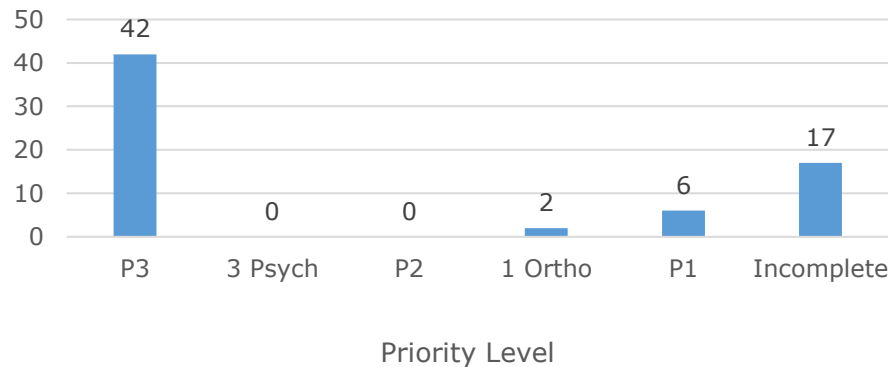
Applications Filed By Plan



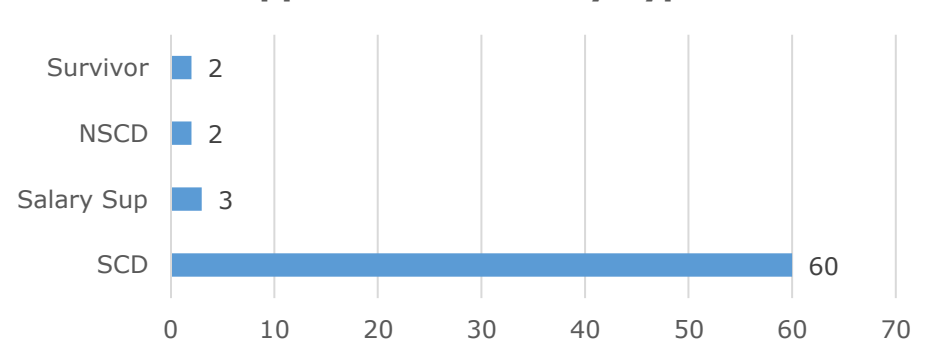
Applications Filed By Source



Applications Filed By Priority Level



Applications Filed By Type

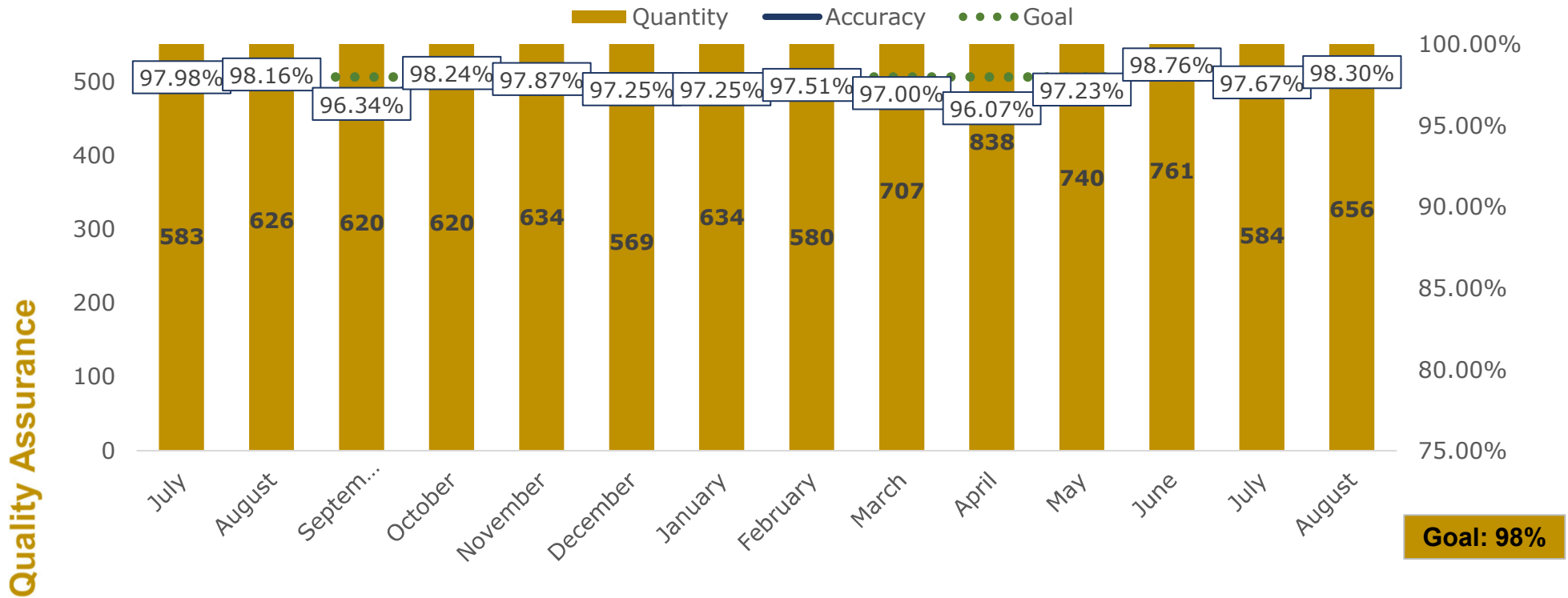




Striving for Excellence in Quality

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2022

Audits of Retirement Elections, Payment Contracts, and Data Entry Completed by QA



August 2022

98.30%



Retirement Elections

269 Samples
97.88% Accuracy

Payment Contracts

297 Samples
97.94% Accuracy

Data Entry

90 Samples
99.07% Accuracy

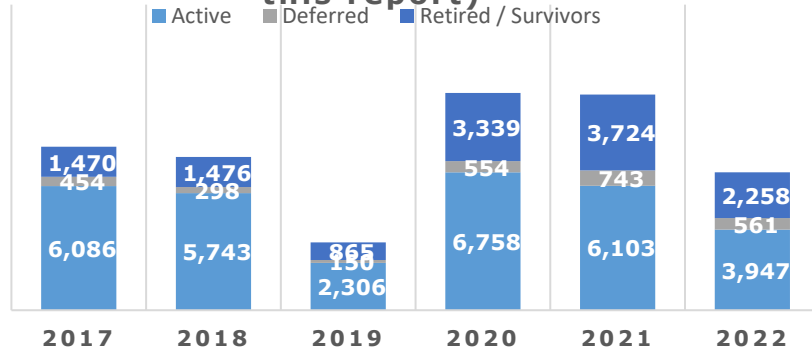


Service On-Line for All

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2022

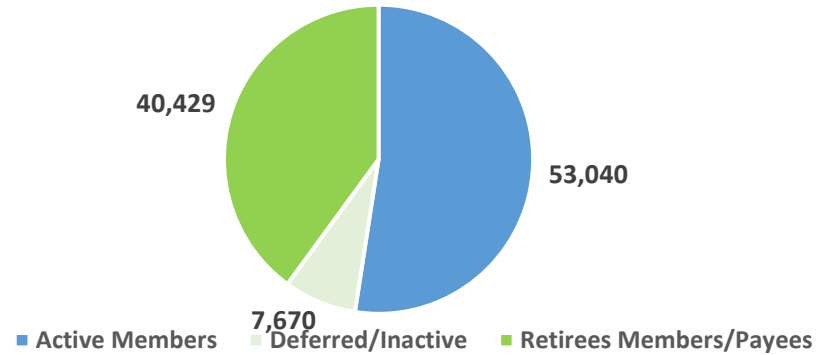
Serving Members Through LACERA.com and MyLACERA

MyLACERA Annual Registration
(as of the 15th of the month prior to this report)

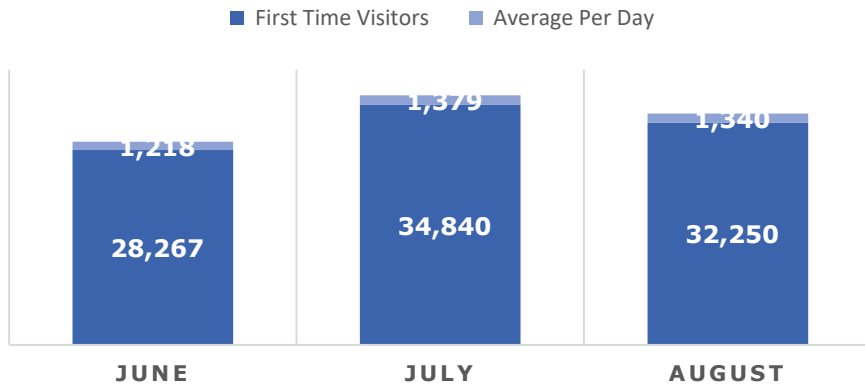


Total Registered Members 101,139 60%

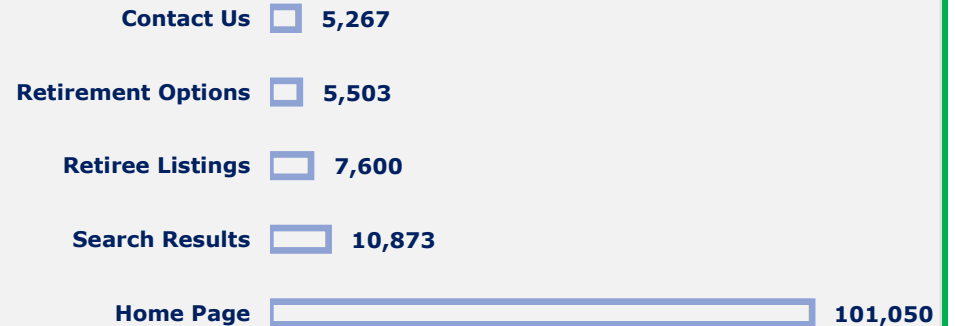
Total Registrations By Member Type



LACERA.com User Traffic



Top Five LACERA.com Page Views



Home Page "I Would Like To" View	Views	% of Change	Home Page Tile Views	Views	% of Change
See my retirement options	5,503	6%	My LACERA	5,108	23%
Download 2022 RHC forms	2,560	7%	Pre-Retirement Workshops	2,610	7%
Start my retirement planning*	2,532	N/A	Careers	3,121	14%
Learn about service credit*	1,866	N/A	Investments	1,941	10%
Add or update my beneficiary*	1,286	N/A	Annual Reports	1,232	7%
Busiest Day of the Month:	Tuesday, 8/30/2022		Forms and Publications	264	0%

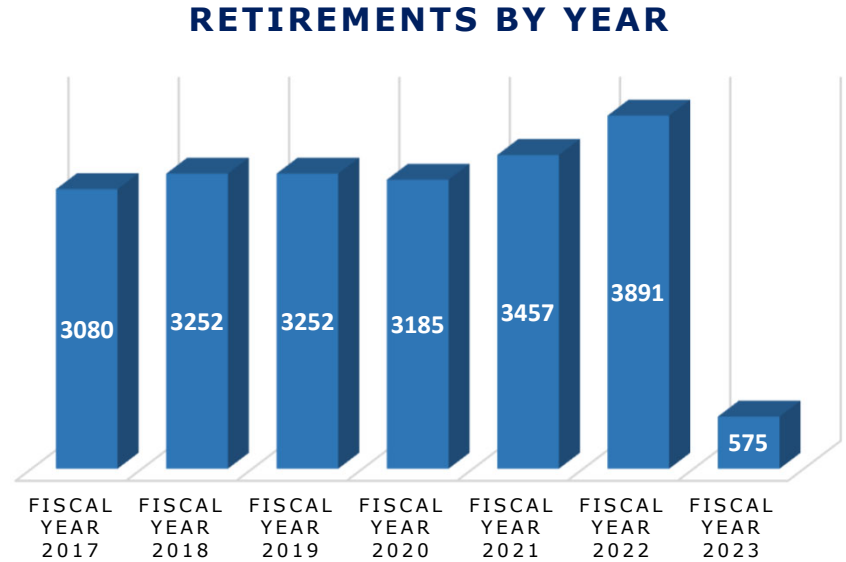
*Added these topics in August, no data to compare with.



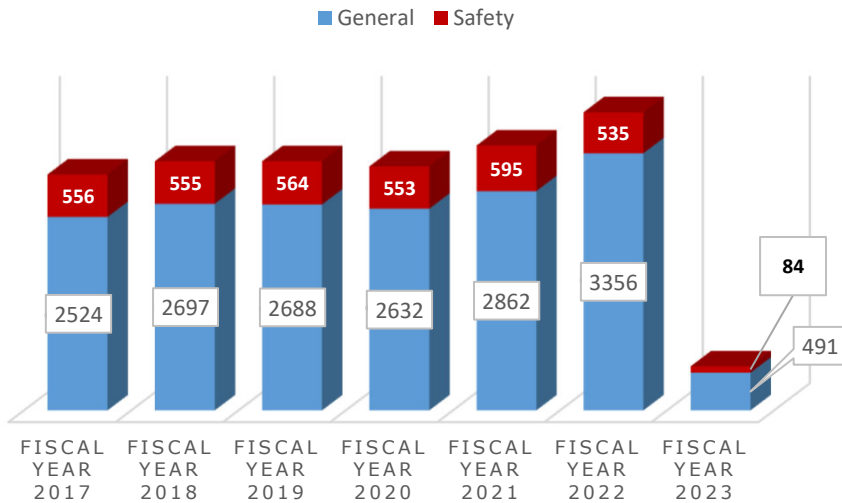
Member Snapshot

Service Metrics Reported on a Fiscal Year Basis (July 1) Through: August 2022

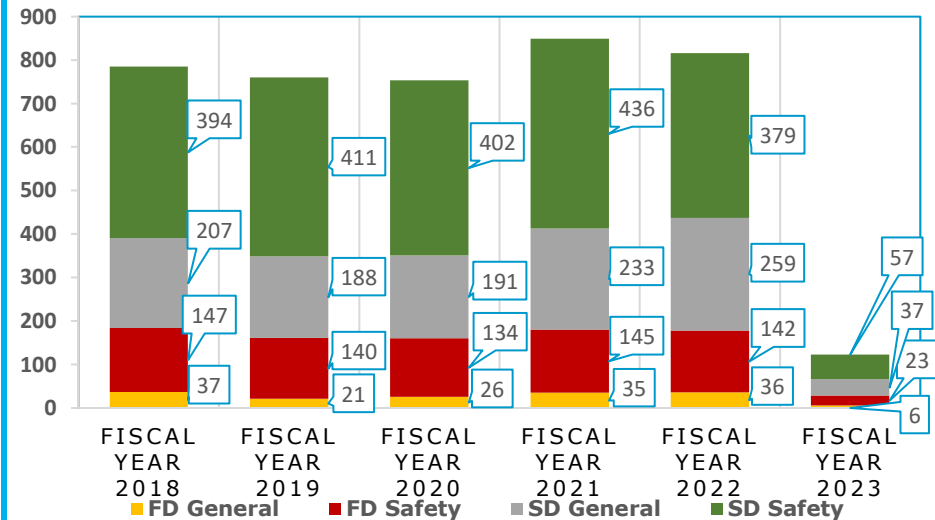
		Members as of 09/15/2022			
	Plan	Active	Retired	Survivors	Total
General	Plan A	54	13,769	4,140	17,963
	Plan B	14	639	71	724
	Plan C	17	417	66	500
	Plan D	35,506	20,162	1,855	57,523
	Plan E	13,832	14,974	1,554	30,360
	Plan G	34,056	200	14	34,270
	Total General	83,479	50,161	7,700	141,340
Safety	Plan A	1	4,482	1,654	6,137
	Plan B	8,029	7,489	386	15,904
	Plan C	4,774	20	2	4,796
	Total Safety	12,804	11,991	2,042	26,837
TOTAL MEMBERS		96,283	62,152	9,742	168,177
% by Category		57%	37%	6%	100%



ANNUAL RETIREMENTS BY TYPE



GENERAL VS. SAFETY RETIREMENTS FOR FIRE AND SHERIFF





Member Snapshot

Average Monthly Benefit Allowance Distribution Sept. 23, 2022

	General	Safety	Total	%
\$0 to \$3,999	30,180	1,499	31,679	51.0%
\$4,000 to \$7,999	14,199	3,454	17,653	28.4%
\$8,000 to \$11,999	4,048	4,280	8,328	13.4%
\$12,000 to \$15,999	1,123	2,122	3,245	5.2%
\$16,000 to \$19,999	369	433	802	1.3%
\$20,000 to \$23,999	112	137	249	0.4%
\$24,000 to \$27,999	30	41	71	0.1%
> \$28,000	23	5	28	0.0%
Totals	50,084	11,971	62,055	100%

Average Monthly Benefit Amount:

\$ 4,756.00

Healthcare Program

(Mo. Ending: 8/31/2022)

	Employer	Member
Medical	\$99.7	\$7.3
Dental	\$7.8	\$0.7
Part B	\$15.2	\$0.0
Total	\$122.7	\$8.0

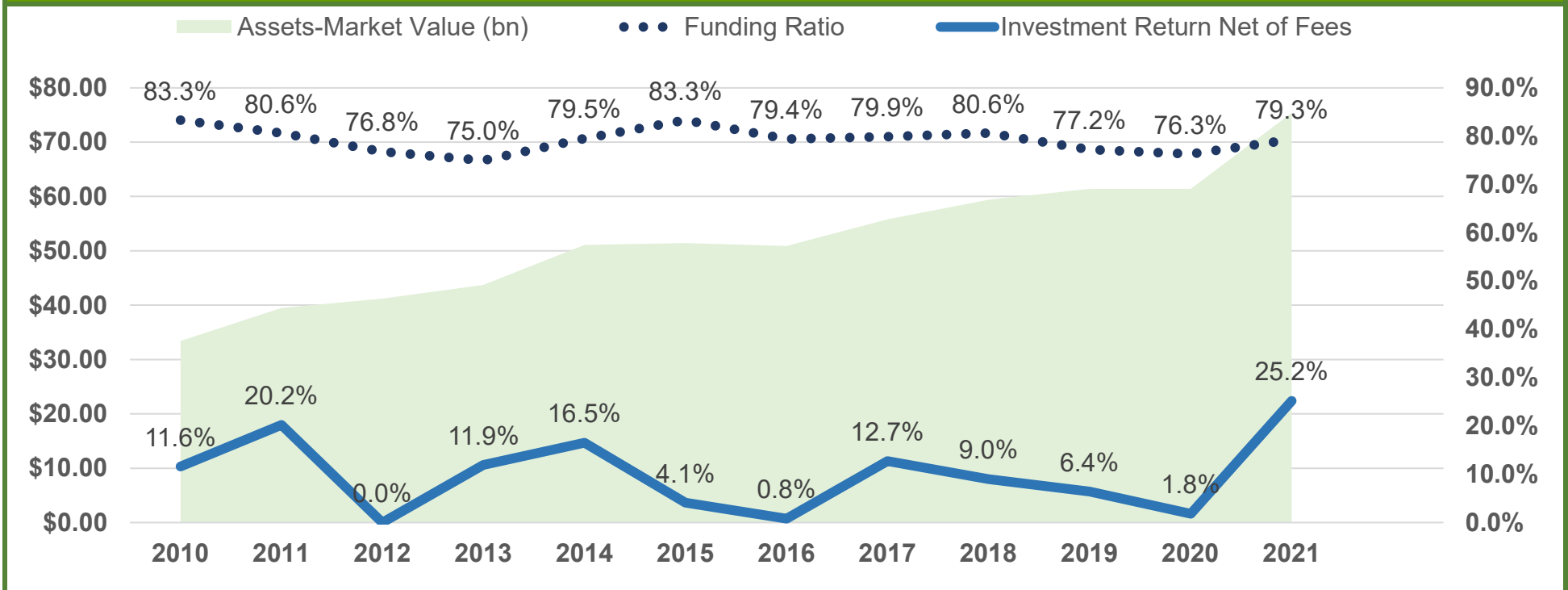
Health Care Enrollments

(Mo. Ending: 8/31/2022)

Medical	54,166
Dental	55,857
Part B	37,144
LTC	526
Total	147,693

KEY FINANCIAL METRICS

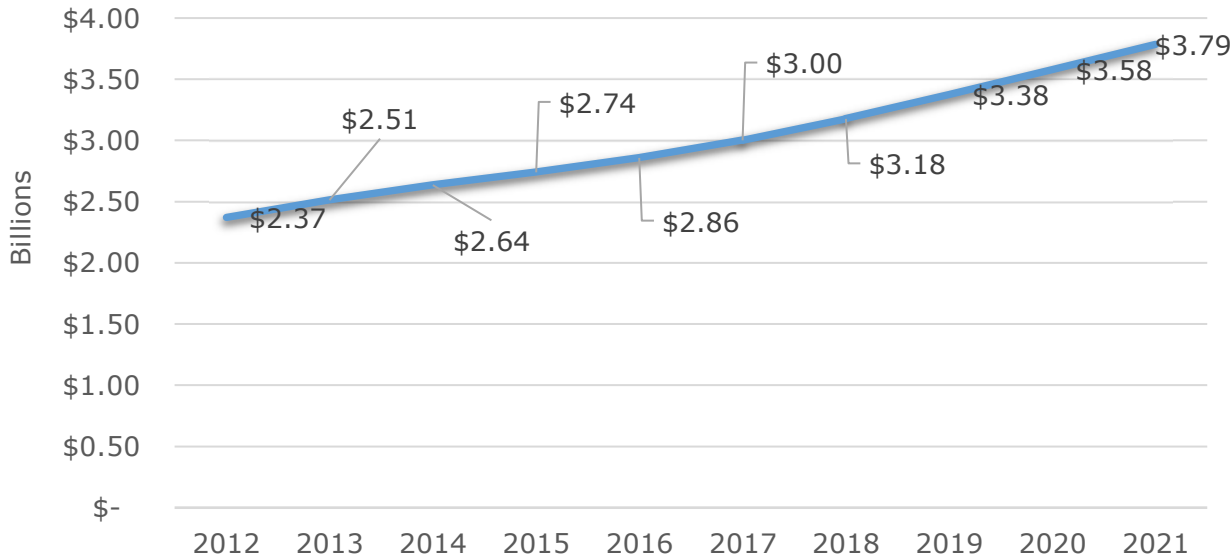
Fiscal Year End Financial Update (as of 06/30/2021)





Key Financial Metrics

Retiree Payroll by Year



FUNDING METRICS (as of 6/30/21)

Employer NC	10.88%
UAAL	13.58%
Assumed Rate	7.00%
Star Reserve	\$614m
Total Assets	\$73.0b

Contributions (as of 6/30/21)

	Employer	Member
Annual Adc	\$2.0b	\$761.0m
% of Payrol	24.46%	7.87%

Contributions (as of 6/30/21)

(Net of Fees)

5 YR:	10.8%	10 YR:	8.6%
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Retired Members Payroll

(As of 8/31/2022)

Monthly Payroll	\$355.73 m
Payroll YTD	\$0.77 b
New Retired Payees Added	293
Seamless %	95.22%
New Seamless Payees Added	625
Seamless YTD	95.36%
By Check %	2.00%
By Direct Deposit %	98.00%

QUIET PERIOD LIST

Last Update 9/19/2022

ADMINISTRATIVE/OPERATIONS

RFP/RFI Name	Issuing Division	RFP Issued	Status*	Quiet Period for RFP Respondents*
Search for Classification & Compensation Study Services (HR)	Human Resources	5/24/2021	Bid Review	<ul style="list-style-type: none"> • Koff and Associates • Magnova Consultant • Grant Thornton • Reward Strategy Group
Search for Classification & Compensation Study Services (RHC)	Human Resources	5/24/2021	Bid Review	<ul style="list-style-type: none"> • Koff and Associates • Magnova Consultant • Grant Thornton • Reward Strategy Group
Contract Lifecycle Management Application	Administrative Services/ Systems	3/4/2022	<ul style="list-style-type: none"> • BOR Approved the Vendor Recommendation. • SOW Development and Contract Negotiation • Notified Vendor Finalists of Selection and Rejection 	<ul style="list-style-type: none"> • Cobblestone
Case Management Software Solution	Systems Division	10/6/2021	Project Started – Assessment and Requirements Gathering Phase	<ul style="list-style-type: none"> • Eccentex
Investments Operational Due Diligence	Internal Audit	5/20/2022	Solicitation Process	<ul style="list-style-type: none"> • KPMG
Prepaid Debit Card Services	Benefits	6/15/2022 Posted on ISD's solicitation website August 2022	Solicitation Process Vendor QA posted 9/14/2022	<ul style="list-style-type: none"> • US Bank • FIS • T4L • Original Digital Corporation • Conduent • Brinks Netspend



RFP/RFI Name	Issuing Division	RFP Issued	Status*	Quiet Period for RFP Respondents*
				<ul style="list-style-type: none"> • Prepaid Technologies
Executive Recruitment Services	Human Resources	2/23/2022	Bid Review	<ul style="list-style-type: none"> • Alliance Consulting • David Gomez Partners, Inc • EFL • Ralph Anderson • Spencer Stuart • WBCP
Budget Software	Administrative Services/ Systems	3/10/2022	Vendor Proof of Concept	<ul style="list-style-type: none"> • Neubrain • ClearGov • Workday • Vena • Prophix • Questica • Denovo/Oracle • Board • TruEd/TruGov • IGM/Gravity

*Subject to change

INVESTMENTS QUIET PERIOD FOR SEARCH RESPONDENTS

Global Equity Emerging Separate Account Manager Search

- ✓ Attucks Asset Management, LLC
- ✓ Bivium Capital Partners, LLC
- ✓ Leading Edge Investment Advisors, LLC
- ✓ New Alpha Asset Management
- ✓ Stable Asset Management
- ✓ Xponance, Inc

Date	Conference
October, 2022	
8-11	National Association of Corporate Directors (NACD) Summit 2022 National Harbor, MD <i>(or virtual)</i>
9-10	CRCEA (California Retired County Employees Association) Fall Conference Sacramento, CA
12-13	16 th Annual Small and Emerging Managers (SEM) Conference Chicago, IL
10-14	Investment Strategies & Portfolio Management Wharton School, University of Pennsylvania
16-21	PPI Executive Seminar and Asia Pacific Roundtable Singapore
19-21	PREA (Pension Real Estate Association) Annual Institutional Investor Conference Washington D.C.
19-21	Pacific Pension Institute (PPI) Asia Roundtable Singapore
23-26	NCPERS (National Conference on Public Employee Retirement Systems) Public Safety Conference Nashville, TN
23-26	IFEBP (International Foundation of Employment Benefit Plans) Annual Employee Benefits Conference Las Vegas, NV
28	CALAPRS (California Association of Public Retirement Systems) Round Table – Trustees Virtual
November, 2022	
8-10	Institutional Limited Partners Association (ILPA) General Partner Summit New York, NY
8-11	SACRS Fall Conference Long Beach, CA
December, 2022	
5-7	2022 SuperReturn Africa Cape Town, South Africa
6-7	Infrastructure Investor America Forum Conference New York, NY
14-15	National Association of Corporate Directors (NACD) Master Class Scottsdale, AZ

Chief Investment Officer Monthly Report

Board of Investments
October 12, 2022



Jonathan Grabel 
Chief Investment Officer

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Table of Contents

1. Market Environment
2. Portfolio Performance and Risk Updates
3. Portfolio Structural Updates
4. Key Initiatives and Operational Updates
5. Commentary



Market Environment

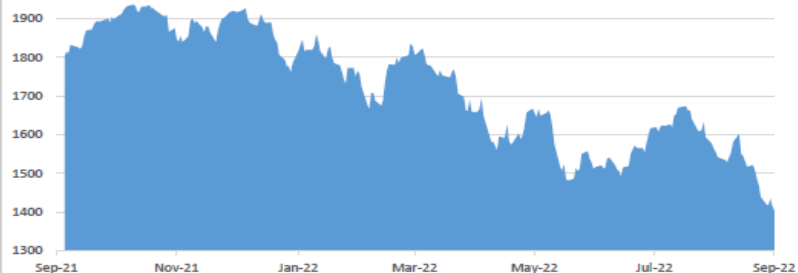


Global Market Performance as of September 30, 2022

MSCI ACWI Index (Global Equity Market)*

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-9.7	-6.6	-25.7	-21.2	3.6	4.2	7.2

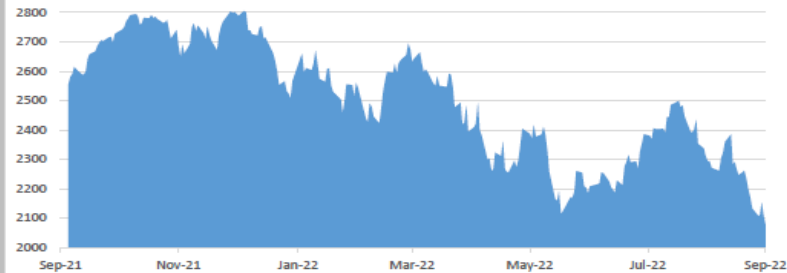
MSCI ACWI IMI Index 1-Year Performance



Russell 3000 Index (U.S. Equity Market)

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-9.3	-4.5	-24.6	-17.6	7.7	8.6	11.4

Russell 3000 1-Year Performance



MSCI Emerging Market Index

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-11.7	-11.6	-27.2	-28.1	-2.1	-1.8	1.0

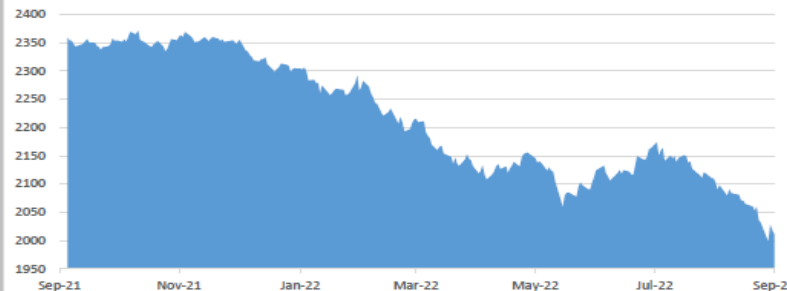
MSCI Emerging Markets 1-Year Performance



Barclays U.S. Aggregate Bond Index**

Trailing Returns (%)			Annualized Returns (%)			
1-month	3-month	YTD	1Y	3Y	5Y	10Y
-4.3	-4.8	-14.6	-14.6	-3.3	-0.3	0.9

Barclays U.S. Aggregate Bond Index 1-Year Performance



*Global Equity Policy Benchmark - MSCI ACWI IMI Index

**Investment Grade Bonds Policy Benchmark - Barclays U.S. Aggregate Bond Index

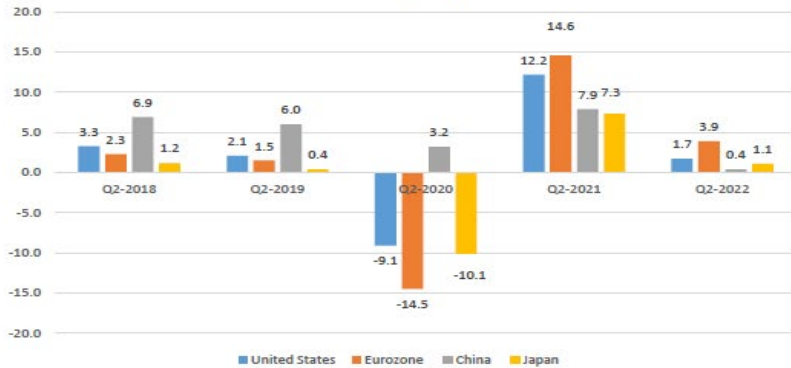
Source: Bloomberg



Key Macro Indicators*

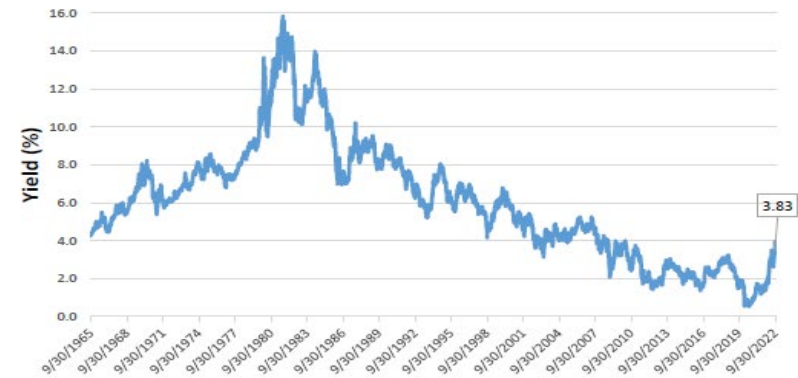
GDP Growth of Major Economies¹

Real GDP Growth YoY (%) - Last Five Years



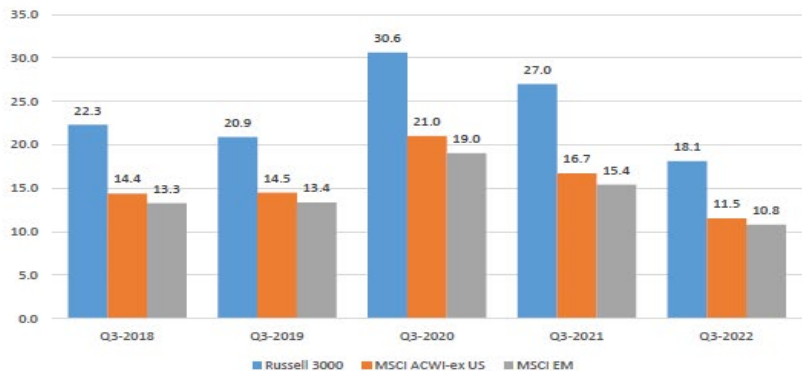
10-Year Treasury Yield²

Historical 10-Year Treasury Yield



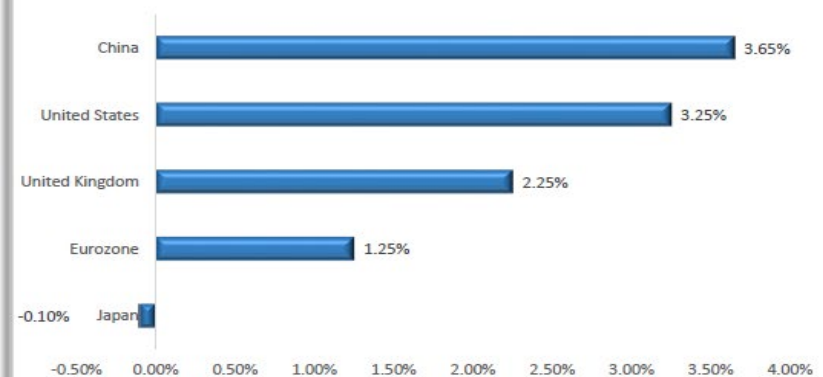
World Equity Valuation³

Price-to-Earnings - Last Five Years



Central Bank Rates⁴ (as of 9/30/2022)

Central Bank Rates



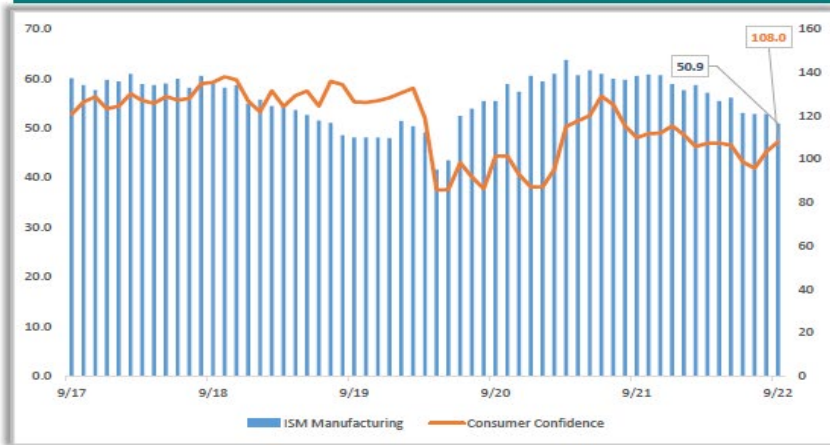
*The information on the "Key Macro Indicators" charts is the best available data as of 9/30/22 and may not reflect the current market and economic environment.

Sources: 1. Bloomberg
2. St. Louis Federal Reserve
3. FactSet
4. FactSet

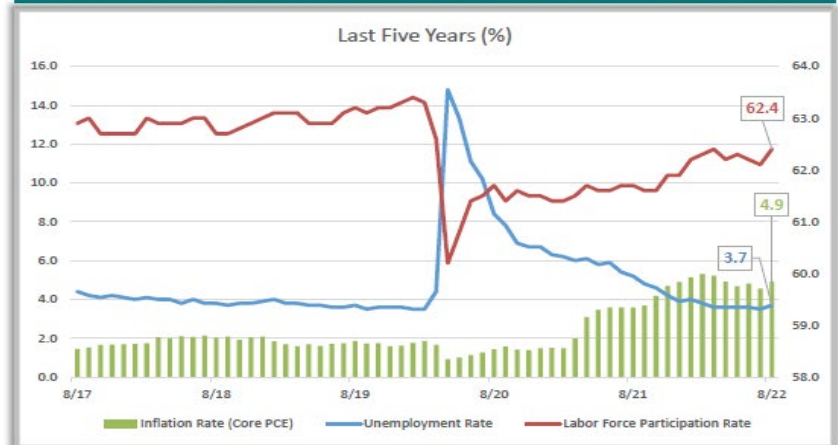


Key Macro Indicators*

Consumer Confidence & ISM Manufacturing¹



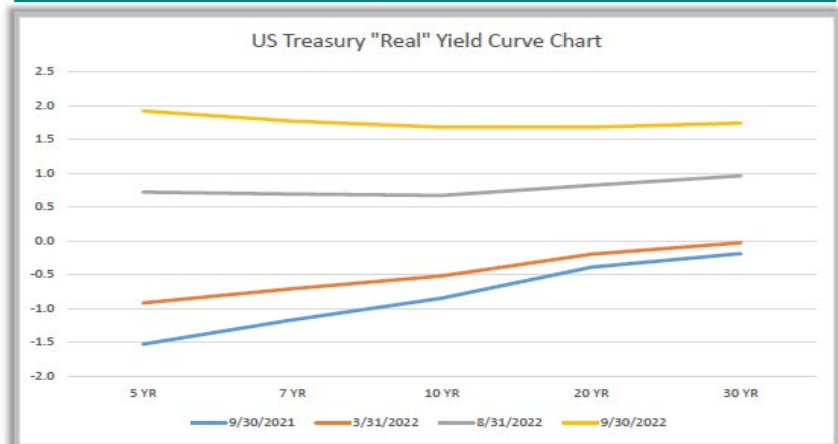
U.S. Inflation, Unemployment, & Labor Force Participation²



U.S. Household Debt as % of Personal Income³



U.S. Treasury "Real" Yield Curve⁴



Sources: 1. Bloomberg 3. Bloomberg
2. Bloomberg 4. U.S. Treasury

*The information on the "Key Macro Indicators" charts is the best available data as of 9/30/22 and may not reflect the current market and economic environment.



Market Themes and Notable Items to Watch

Recent Themes

- The Federal Reserve raised its benchmark interest rate by 0.75% and indicated it will keep hiking beyond the current level
 - Combating inflation remains a top priority for the Federal Reserve
- Eurostat, the European Union's statistics agency, estimated that annual inflation in the 19-country euro area reached 10.0% in September with energy prices rising 40.8%
- The U.S. 10-year Treasury yield ended September at 3.83%, up from 1.52% at the end of 2021 and 0.93% at the end of 2020
 - 30-year fixed consumer mortgage rates approached 7% at the end of September
- Global equities (MSCI All Country World Investable Market Index) declined 9.7% in September and are now down 25.7% in 2022

What to Watch

- Interest rates and central bank actions
- Economic data and trends
 - Inflation, supply chains, and labor developments
- Macro conditions and geopolitical risks
- Environmental, social, governance
 - Public Company Accounting Oversight Board and China reach agreement enabling inspection access to audit firms of US-listed companies per 2010 Dodd-Frank law
- Covid-19
 - Covid variants, cases, transmission, vaccines
 - Economic and consumer behavior implications



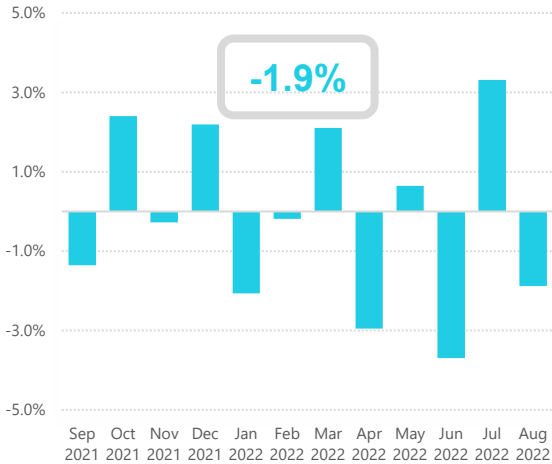
Portfolio Performance & Risk Updates



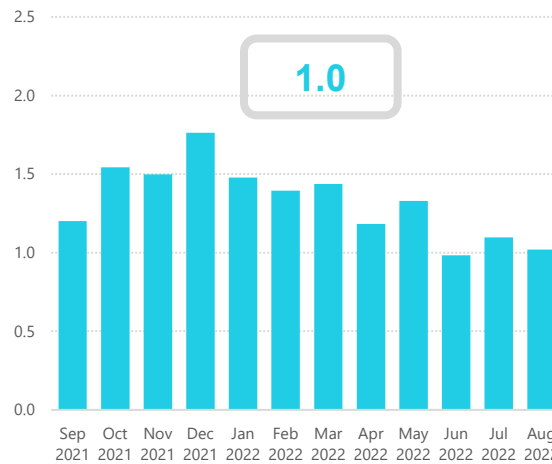
Total Fund Summary

as of August 2022

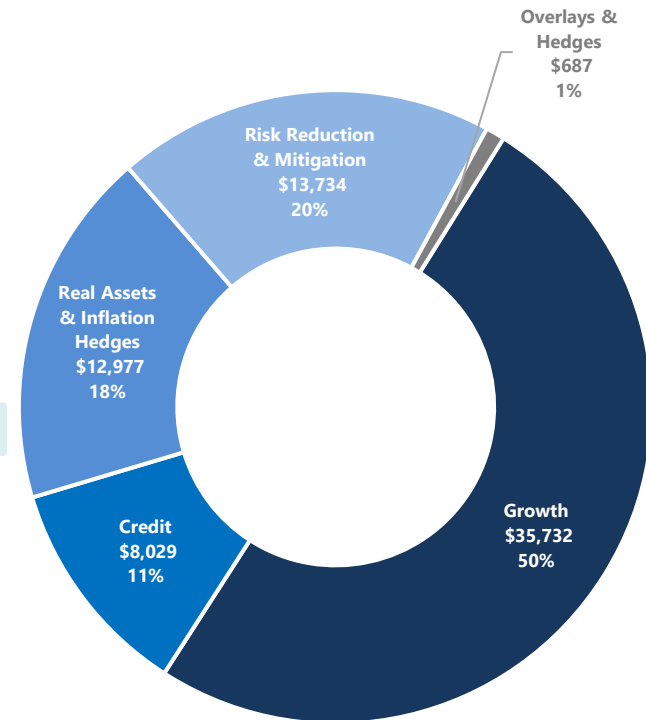
Monthly Return (net)



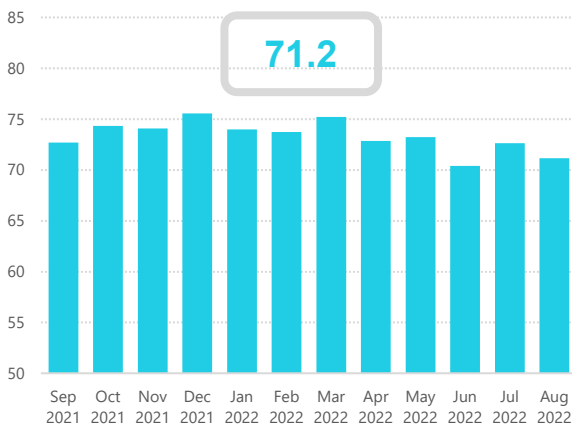
Sharpe Ratio (3-year annualized)



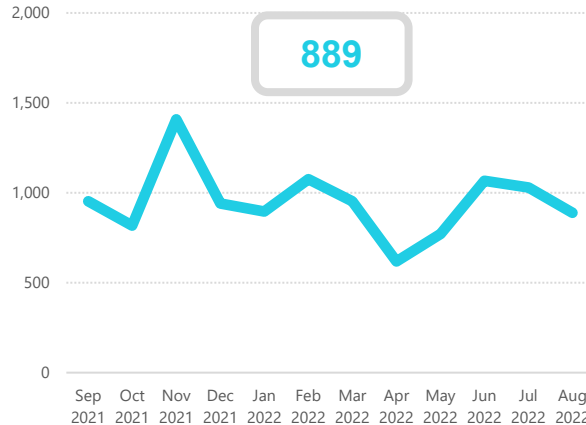
Asset Allocation (\$ millions)



Total Market Value (\$ billions)



Cash (\$ millions)

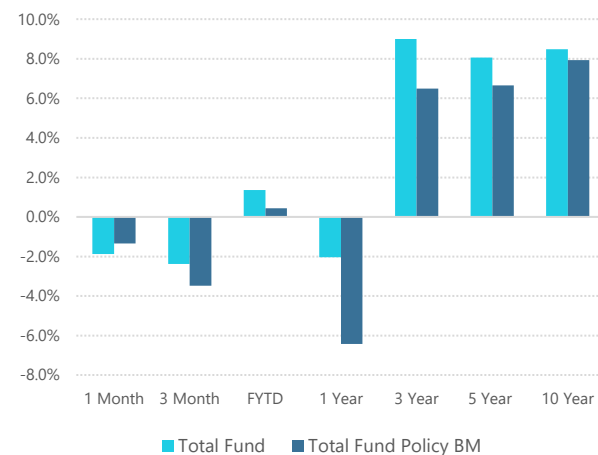


Historical Net Performance

as of August 2022

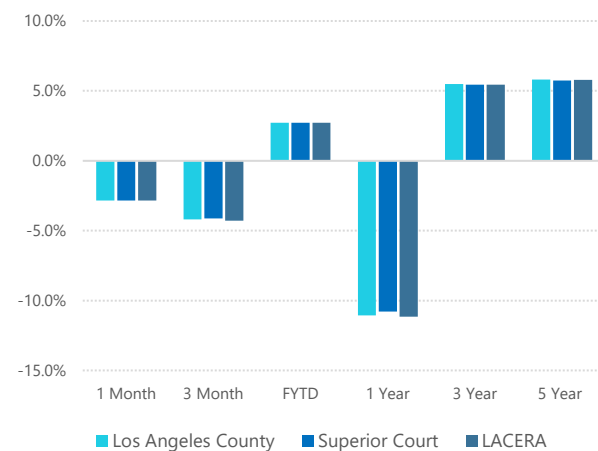
LACERA Pension Fund

	Market Value (\$ millions)	% of Total Fund	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund	71,158	100.0%	100.0%	-1.9%	-2.4%	1.4%	-2.0%	9.0%	8.1%	8.5%
Total Fund Policy BM				-1.3%	-3.5%	0.4%	-6.4%	6.5%	6.6%	7.9%
7% Annual Hurdle Rate				0.6%	1.7%	1.1%	7.0%	7.0%	7.0%	7.0%
Growth	35,732	50.2%	53.0%	-3.1%	-3.8%	1.1%	-6.2%	13.4%		
Growth Policy BM				-1.9%	-5.0%	0.0%	-11.4%	10.4%		
Credit	8,029	11.3%	11.0%	0.5%	-1.9%	1.4%	-4.0%	3.4%		
Credit Policy BM				2.1%	-2.3%	0.5%	-8.0%	1.1%		
Real Assets & Inflation Hedges	12,977	18.2%	17.0%	0.3%	-1.8%	3.3%	15.0%	9.3%		
Real Assets & Inflation Hedges Policy BM				-0.9%	-2.2%	2.8%	13.5%	9.7%		
Risk Reduction & Mitigation	13,734	19.3%	19.0%	-2.2%	-1.7%	-0.6%	-8.2%	-0.2%		
Risk Reduction & Mitigation Policy BM				-2.1%	-1.5%	-0.4%	-8.9%	-1.1%		
Overlays & Hedges	687	1.0%		-2.1%	56.8%					



OPEB Master Trust¹

	Market Value (\$ millions)	% of Master Trust	Interim Target	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year
OPEB MASTER TRUST	2,459			-2.8%	-4.2%	2.7%	-11.1%	5.5%	5.8%
Los Angeles County	2,391	97.2%	—	-2.8%	-4.2%	2.7%	-11.1%	5.5%	5.8%
Superior Court	57	2.3%	—	-2.8%	-4.1%	2.7%	-10.8%	5.4%	5.7%
LACERA	11	0.5%	—	-2.8%	-4.3%	2.7%	-11.2%	5.4%	5.8%
OPEB Growth	1,240	50.4%	47.5%	-3.6%	-5.5%	3.3%	-16.1%	8.2%	7.0%
OPEB MT Growth Policy BM				-3.4%	-6.1%	2.8%	-16.7%	7.8%	6.6%
OPEB Credit	491	20.0%	19.0%	-0.1%	-1.3%	3.1%	-7.4%	0.3%	--
OPEB MT Credit Policy BM				0.3%	-1.8%	2.6%	-7.9%	0.6%	--
OPEB Real Assets & Inflation Hedges	487	19.8%	20.0%	-4.0%	-4.8%	2.4%	-1.6%	5.9%	--
OPEB MT RA & IH Policy BM				-1.6%	-5.4%	1.7%	-2.6%	5.5%	--
OPEB Risk Reduction & Mitigation	241	9.8%	13.5%	-2.2%	-1.5%	-0.3%	-9.2%	-1.4%	1.3%
OPEB MT RR & M Policy BM				-2.7%	-1.8%	-0.6%	-9.5%	-1.6%	1.1%
Operational Cash	0	0.0%							

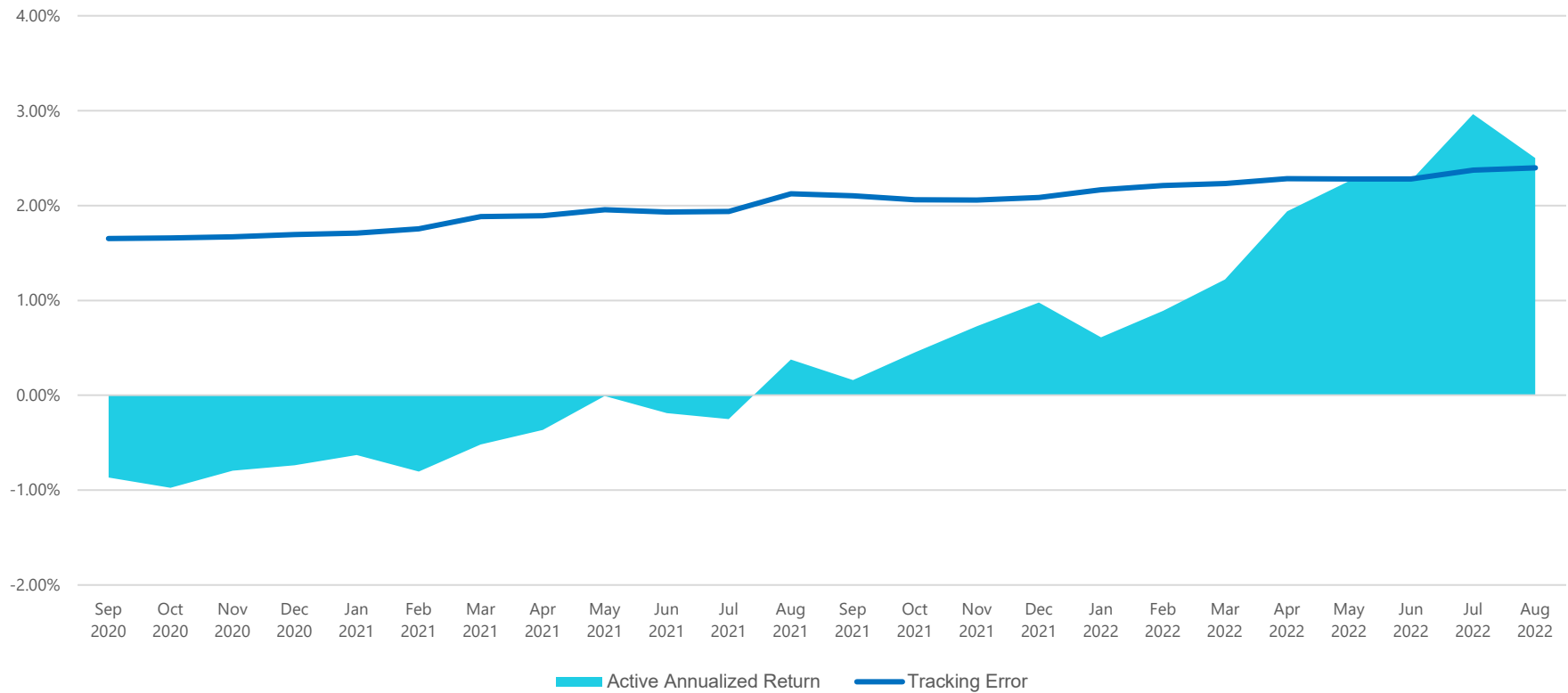


1. Market value differences between the sub-trusts and functional composites are due to operational cash.

Performance Based Risk

as of August 2022

Active Return vs. Tracking Error^{1,2,3}



Period Ending	Annualized Return	Annualized Benchmark Return	Annualized Active Return	Tracking Error
Aug 2022	9.0%	6.5%	2.5%	2.4%

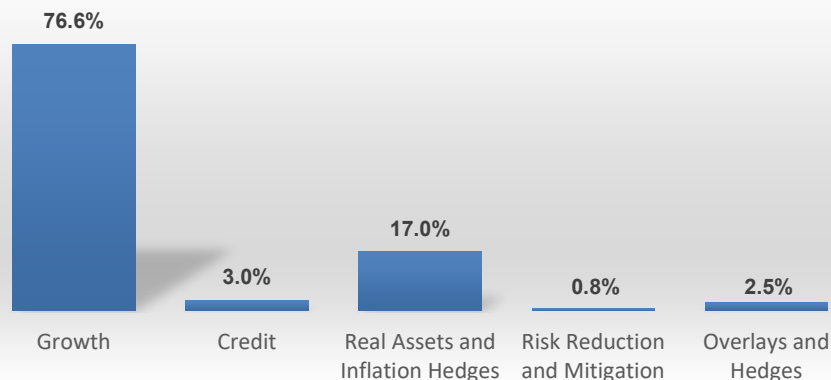
1. Rolling 36 months.
 2. Active return equals the difference in return between a portfolio and its benchmark.
 3. Tracking error (or active risk) measures the volatility of active returns.



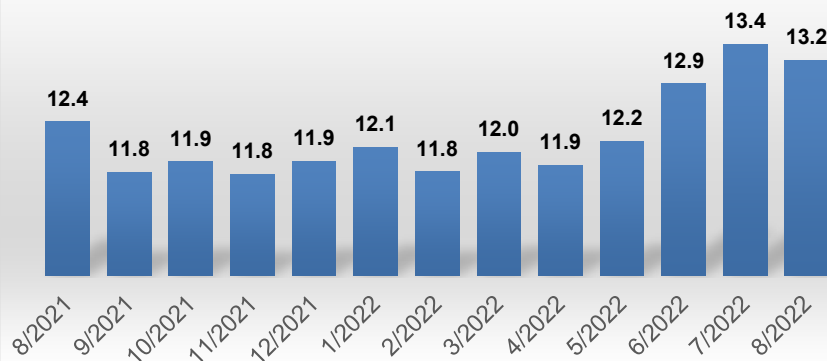
Total Fund Forecast Risk*

as of August 2022

%Contribution to Total Risk



Total Risk



	%Weight	% Cont. to Total Risk	Standalone Total Risk	Standalone BMK Risk**
Total Fund			13.2	12.6
Growth	50.1%	76.6%	20.4	19.3
Global Equity	31.4%	40.9%	18.1	18.3
Private Equity	17.1%	32.8%	28.9	26.9
Non-Core Private Real Estate	1.6%	3.0%	37.2	19.5
Credit	11.2%	3.0%	4.7	5.7
Liquid Credit	6.4%	2.3%	6.1	5.7
Illiquid Credit	4.8%	0.8%	4.1	5.7
Real Assets & Inflation Hedges	18.5%	17.0%	13.9	13.6
Core Private Real Estate	6.5%	7.4%	21.8	19.5
Natural Resources & Commodities	4.1%	3.5%	16.3	21.1
Infrastructure	5.1%	5.7%	16.8	17.0
TIPS	2.8%	0.5%	6.0	6.0
Risk Reduction and Mitigation	19.2%	0.8%	5.5	5.3
Investment Grade Bonds	7.7%	0.4%	5.6	5.5
Diversified Hedge Funds	5.7%	0.5%	3.9	0.2
Long-Term Government Bonds	4.5%	-0.1%	12.7	12.7
Cash	1.3%	0.0%	-	-
Overlays and Hedges	1.0%	2.5%	-	-

*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2022

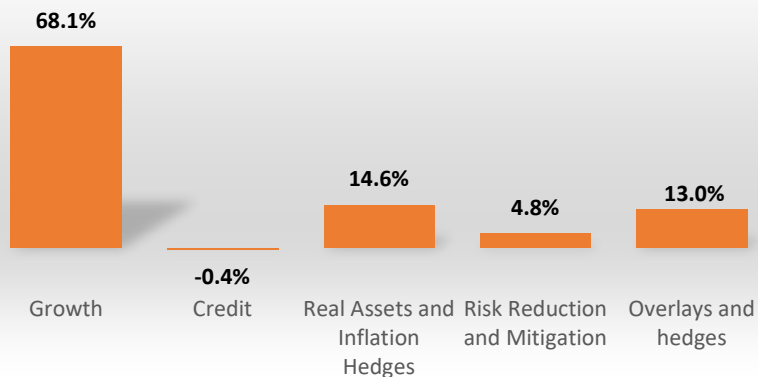
**BMK Risk stands for Benchmark Risk



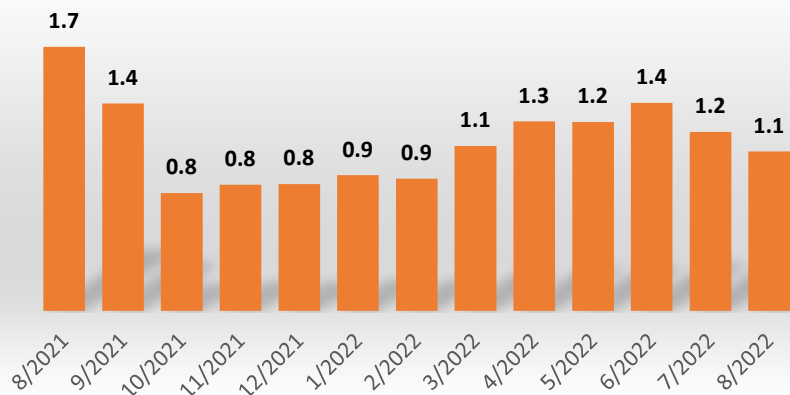
Total Fund Forecast Active Risk*

as of August 2022

Active Risk Contribution



Active Risk



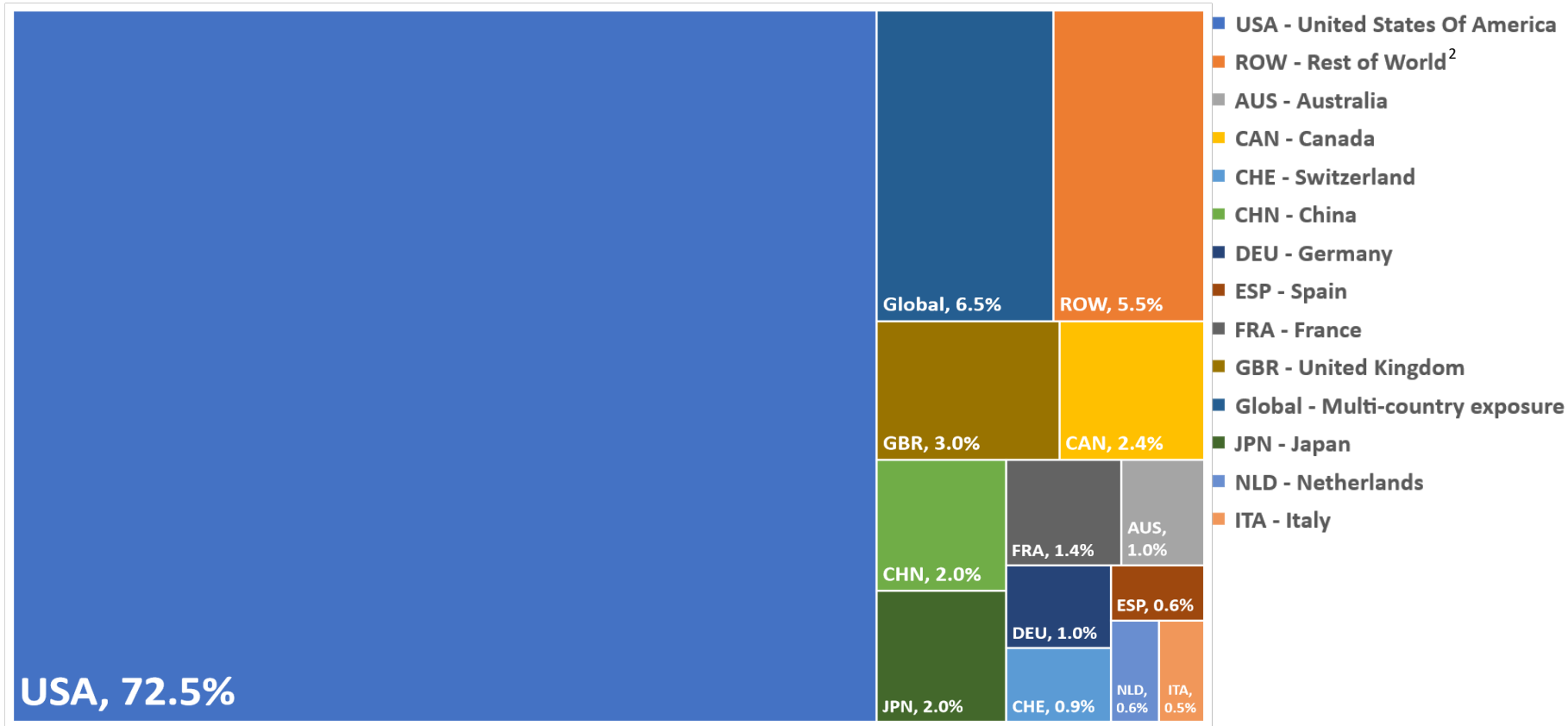
	%Weight	Active Weight%	Active Risk	Active Risk Allocation	Active Risk Selection
Total Fund			1.05	-0.04	1.10
Growth	50.1%	-2.89%	0.72	-0.12	0.84
Global Equity	31.4%				
Private Equity	17.1%				
Non-Core Private Real Estate	1.6%				
Credit	11.2%	0.20%	0.00	-0.01	0.01
Liquid Credit	6.4%				
Illiquid Credit	4.8%				
Real Assets & Inflation Hedges	18.5%	1.50%	0.15	-0.04	0.19
Core Private Real Estate	6.5%				
Natural Resources & Commodities	4.1%				
Infrastructure	5.1%				
TIPS	2.8%				
Risk Reduction and Mitigation	19.2%	0.20%	0.05	-0.01	0.06
Investment Grade Bonds	7.7%				
Diversified Hedge Funds	5.7%				
Long-Term Government Bonds	4.5%				
Cash	1.3%				
Overlays and Hedges	1.0%	1.00%	0.14	0.14	-

*Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2022



Geographic Exposures by AUM* - Total Fund

as of August 2022 ex-overlays and hedges



*AUM = assets under management

¹ Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2022

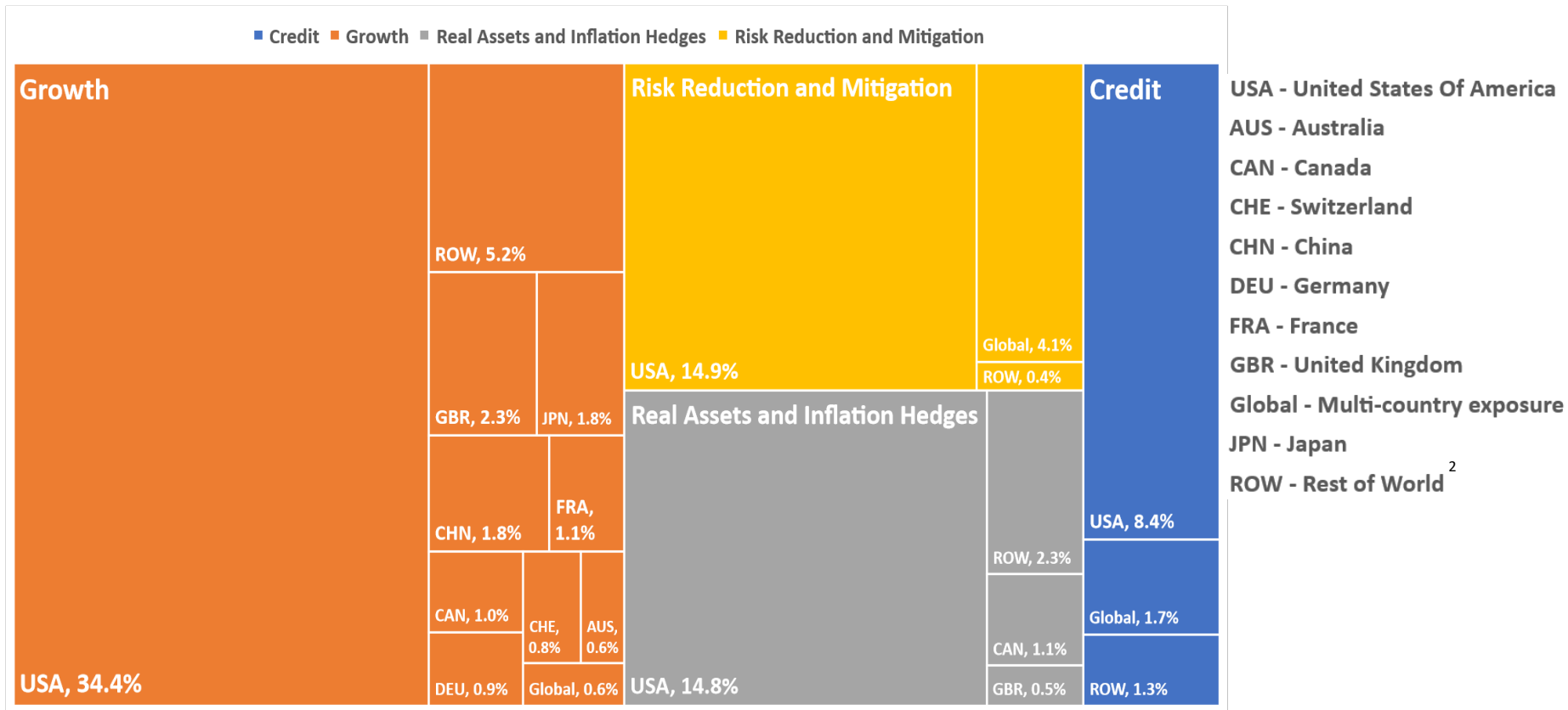
² "ROW - Rest of World" is sum of countries with weight below 0.5%

³ Geographic exposure is based on the domicile country of a given security/asset



Geographic Exposures by AUM* - Asset Categories

as of August 2022 ex-overlays and hedges



*AUM = assets under management

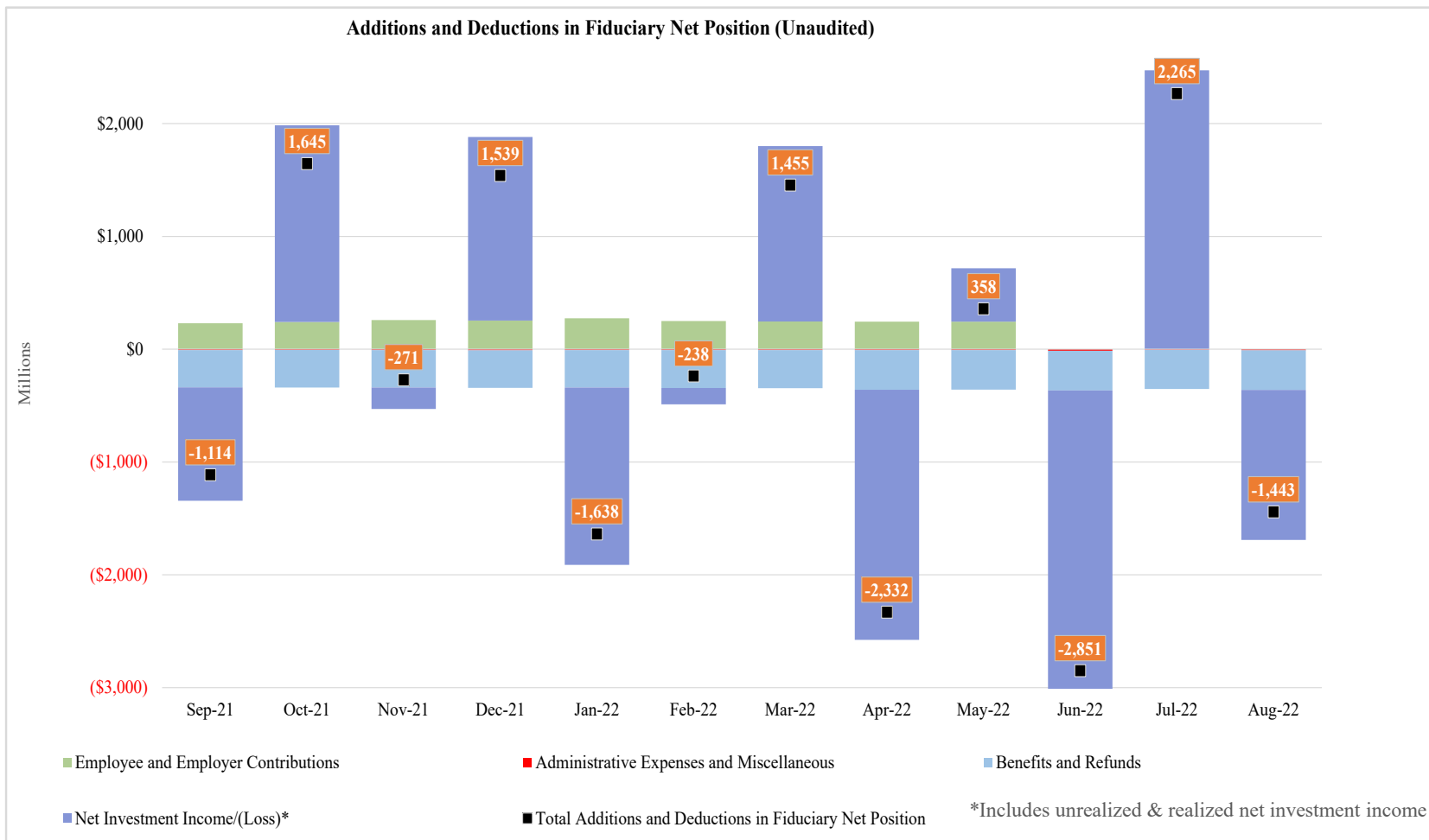
¹ *Implementation of the MSCI Risk Platform is ongoing; reconciliation and refinement of the data is progressing and subject to change. Real estate and private equity data used is as of 3/31/2022

² "ROW - Rest of World" is sum of countries with weight below 0.5%

³ Geographic exposure is based on the domicile country of a given security/asset



Change In Fiduciary Net Position



Fiscal Year	Negative Months	Positive Months	Total Net Position Change \$
FY-21	2	10	\$13.8 billion
FY-22	7	5	(\$2.5 billion)
FY-23	1	1	\$822.5 million



Portfolio Structural Updates



Portfolio Structural Updates

Portfolio Movements

Rebalancing Activity



Hedges and Overlays

Program	Aug Return	Aug Gain/(Loss)	Inception* Gain/(Loss)
Currency Hedge**	1.3%	\$60.4 Million	\$1.3 Billion
Cash/Rebalance Overlay***	-2.7%	(\$95.6 Million)	\$209.3 Million

*Currency and overlay program inception dates are 9/2010 & 7/2019, respectively.

** LACERA's currency hedge program's 1-month return is calculated monthly whereas the monthly gain/loss amount for the same period is the net realized dollar amount at contract settlement over three monthly tranches.

*** LACERA's overlay program's 1-month return includes interest earned on the cash that supports the futures contracts.

Current Search Activity

Status of Active Searches – Subject to Change

Name	RFP Issued	Due Diligence	BOI Review
Global Equity Emerging Separate Account Manager Search	●	●	Anticipated October 2022

Quiet Period for Search Respondents

Global Equity Emerging Separate Account Manager Search

- ✓ Attucks Asset Management, LLC
- ✓ Bivium Capital Partners, LLC
- ✓ Leading Edge Investment Advisors, LLC
- ✓ New Alpha Asset Management
- ✓ Stable Asset Management
- ✓ Xponance, Inc.



Key Initiatives and Operational Updates



Notable Initiatives and Operational Updates

Key Initiative Updates

- Implementation is ongoing for the new strategic asset allocation final policy targets and benchmarks
- Annual Work Plan development is underway

Operational Updates

- Annual contract compliance review underway
- Annual DEI diligence of all investment partners is underway.

Manager/Consultant Updates

State Street Global Advisors (SSGA) – Growth – Has named Yie-Hsin Hung as the next head of its asset management business. Yie-Hsin Hung was the CEO of New York Life Investment Management and will begin her new role at SSGA in December. Hung will report to State Street president and CEO Ron O’Hanley and will be part of State Street’s executive committee.

Team Searches and Open Positions

- Working on launching new searches
 - 1 – Deputy Chief Investment Officer
 - 1 – Principal Investment Officer
 - 2 – Senior Investment Officer
 - 1 search in progress
 - 3 – Financial Analyst-III
 - 3 searches in progress
 - 3 – Financial Analyst-II

Commentary

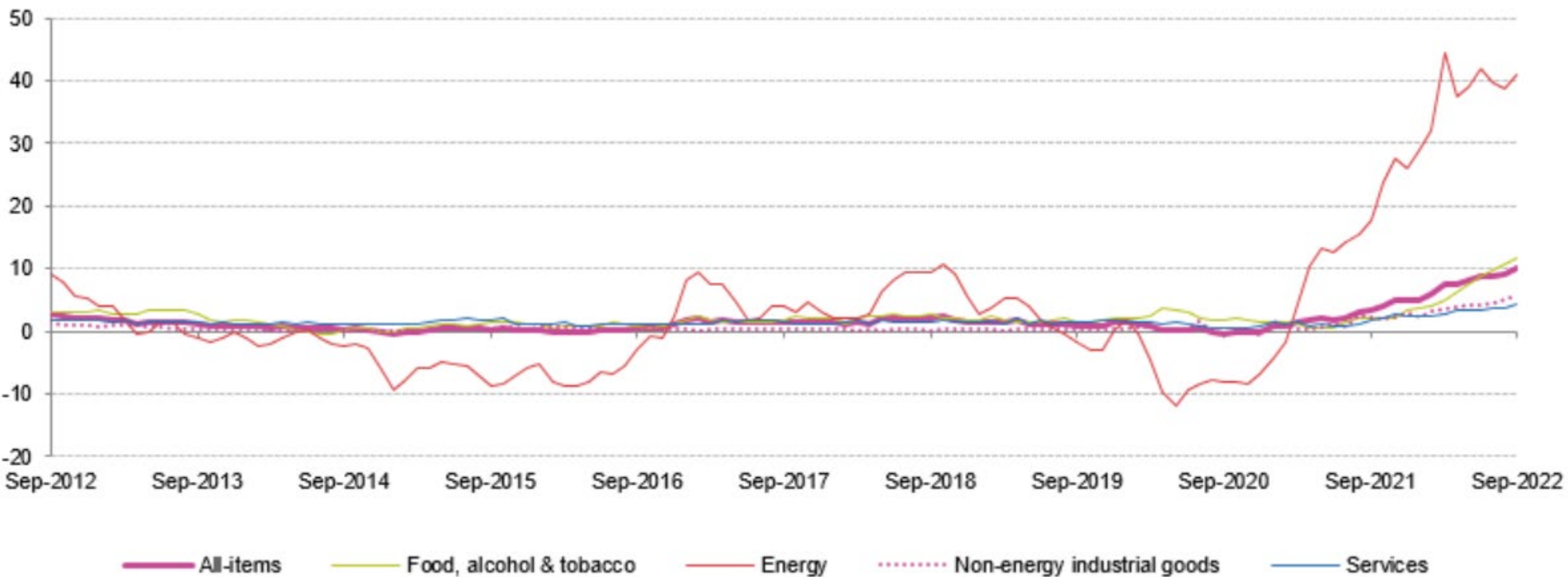


Staff Chart of the Month

Euro Area Annual Inflation and Main Components

Euro area annual inflation and its main components, September 2012 - September 2022 (estimated)

(%)



Source: Eurostat (online data code: prc_hicp_manr)

eurostat 

Staff Chart of the Month*

Most Consecutive Quarterly Declines for US Equities Since Global Financial Crisis

US stocks decline for three consecutive quarters

Quarterly performance, %, for the S&P 500



Sources: @_PeterWells, Refinitiv
© FT

Staff Chart of the Month*

U.S. Dollar Performance Against The Euro, Pound, and Yen

Performance of select currencies against U.S. dollar

■ Euro ■ British pound ■ Japanese yen



Source: Tullett Prebon

September 26, 2022

TO: Each Trustee,
Board of Retirement
Board of Investments

FROM: Steven P. Rice, *SPR*
Chief Counsel

FOR: October 6, 2022 Board of Retirement Meeting
October 12, 2022 Board of Investments Meeting

SUBJECT: Approval of the Use of Teleconference Meeting Technology Under AB 361 and Government Code Section 54953(e), including as Part of Hybrid Board and Committee Meetings

RECOMMENDATION

That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that other public agencies still recommend social distancing such that each Board and its Committees shall hold teleconference meetings for the next 30 days, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of Section 54953(e)(3). Action taken by each Board will only apply to that Board and its Committees.

Pursuant to the action of both Boards at the joint meeting on September 23, 2022, starting with the November 2022 Board and Committee meetings, teleconference meetings, if approved, will be agendized as hybrid meetings where trustees may attend by teleconference or in person in the boardroom at LACERA's offices at 300 N. Lake Avenue, Pasadena, California 91101, with adequate provision being made for public comment via teleconference, in person, and in writing and for public attendance via teleconference and in person.

LEGAL AUTHORITY

Under Article XVI, Section 17 of the California Constitution, the Boards have plenary authority and exclusive fiduciary responsibility for the fund's administration and investments. This authority includes the ability of each Board to manage their own Board and Committee meetings and evaluate legal options for such meetings, such as whether to invoke teleconferencing of meetings under AB 361 and Government Code Section 54953(e) of the Brown Act to protect the health and safety of Trustees, staff, and the

public. The Boards previously took this action at their meetings since October 2021. Findings made under this memo will be effective for meetings during the next 30 days, so long as the State of Emergency remains in effect.

DISCUSSION

A. Summary of Law.

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

Specifically, Section 54953(e)(3) provides that the Boards may hold teleconference meetings without the need to comply with the more stringent procedural requirements of Section 54953(b)(3) if a state of emergency under Section 8625 of the California Emergency Services Act impacts the safety of in person meetings or state or local officials have imposed or recommended social distancing rules, provided that the Board makes the following findings by majority vote:

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

(B) Any of the following circumstances exist:

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

If each Board makes the required findings, that Board and its Committees may hold teleconference meetings for the next 30 days without the need to comply with the regular rules of Section 54953(b)(3) provided that: agendas are prepared and posted under the Brown Act; members of the public are allowed to access the meeting via a call-in option or an internet-based service option; and the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment. Upon making the required findings, the Boards have discretion to hold meetings either entirely by teleconference or as hybrid meetings with individual trustees and the public able to attend either by teleconference or in person.

B. Information Supporting the Required Findings and Process if the Boards Determine to Invoke Section 54953(e).

The Governor's State of Emergency for the COVID-19 pandemic as declared in the Proclamation of a State of Emergency dated March 4, 2020 remains active. The

Proclamation was issued under the authority of Section 8625 of the California Emergency Services Act. It is unclear when the State of Emergency will end, although over the past year the Governor actively terminated many emergency provisions. See, e.g., Order No. N-21-21, issued November 10, 2021, Order No. N-04-22, issued February 25, 2022. Very recently, the Governor terminated additional COVID provisions. See Order No. N-11-22, issued June 17, 2022. In the press release for the June 17 Order, the Governor's Office stated that, after June 30, 2022, "only 5 percent of the COVID-19 related executive order provisions issued throughout the pandemic will remain in place."

The Los Angeles County Department of Public Health maintains guidance to "Keep your distance. Use two arms lengths as your guide (about 6 feet) for social distancing with people you don't live with." <http://publichealth.lacounty.gov/acd/ncorona2019/reducingrisk/>. The County Public Health Department also maintains guidance that employers should, "Whenever possible, take steps to reduce crowding indoors and encourage physical distancing: ... Limit indoor occupancy to increase the physical space between employees at the worksite, between employees and customers, and between customers.... Continue, where feasible to offer telework options for employees. Offer teleworking options during times of high community transmission (100 or more new cases per 100,000 persons in the past 7 days). In addition, at other times, consider offering teleworking arrangements that do not interfere with business operations to reduce crowding indoors." <http://publichealth.lacounty.gov/acd/ncorona2019/bestpractices/>.

Despite this County Health Department guidance, the Board of Supervisors recently determined that, it will resume in person meetings on September 27, 2022 because the COVID transmission rating in Los Angeles County remained at a "low" level for seven days as measured by CDC ratings. The County will provide enhanced air filtration, will limit attendance to 100 people, and will provide a designated media area. All persons in attendance must be masked. Telephonic public comment and livestreaming will still be provided. The LACERA Boards are not required to follow the Board of Supervisors' decision with regard to how meetings are conducted.

The City of Pasadena (City), where LACERA's offices are located and Board and Committee meetings are held, has substantially revised its guidance to give more flexibility. The City still offers guidance that businesses recognize that COVID-19 continues to pose a risk to communities, and it is important for employers to continue to take steps to reduce the risk of COVID-19 transmission among their workers and visitors. <https://www.cityofpasadena.net/economicdevelopment/covid-19-business-resources/>. Earlier guidance promoting physical distancing by business in certain circumstances also remains posted on the City's COVID web page as a reference. As of the date of this

Re: Approval of Teleconference Meetings

September 26, 2022

Page 4 of 5

memo, the City Council continues to hold its meetings by videoconference/teleconference, although some council members attend in person in the council chambers. At its September 12, 2022 meeting, the City Council voted to extend the video and teleconference meeting process through October 12, 2022.

The Centers for Disease Control and Prevention (CDC) has updated its guidance, but the CDC still advises the public that “Small particles that people breathe out can contain virus particles. The closer you are to a greater number of people, the more likely you are to be exposed to the virus that causes COVID-19. To avoid this possible exposure, you may want to avoid crowded areas, or keep distance between yourself and others. These actions also protect people who are at high risk for getting very sick from COVID-19 in settings where there are multiple risks for exposure.”
<https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html#stay6ft%20>.

Under these circumstances, the Boards may reasonably conclude and find that teleconferencing under Section 54953(e) is appropriate for Board and Committee meetings, including on a hybrid basis, during the next 30 days, so long as the State of Emergency remains in effect, because (1) the State of Emergency continues to impact the ability of the Trustees to meet safely in person, or (2) the County and other authorities continue to recommend measures to promote a safe workplace, including physical distancing, as required by the statute. Either finding is sufficient under Section 54953(e) to support continued teleconference meeting.

If each Board makes these findings and directs teleconferencing under Section 54953(e), procedures exist and will be implemented to ensure compliance with the agenda and public comment requirements of the statute, as stated above. Starting with the November meetings, hybrid in person and teleconference meetings will be implemented in accordance with procedures required by the Brown Act.

Finally, on August 12, 2022, due to a reduction in transmission levels, LACERA management returned to established hybrid in office/telework procedures. Management recommends masks and social distancing for in office staff. These restrictions followed LACERA staff’s return to the office on May 2, 2022 under hybrid work schedules for most employees. The return to office for staff was made under COVID safety protocols, including vaccination and testing procedures and encouraging masks and social distancing. Staff are able to achieve the physical distancing recommendation of six feet, because of changes to physical office layout and because of the phasing of in office work. Staff will implement arrangements for hybrid meetings starting in November in accordance with reasonable safety standards.

CONCLUSION

Based on the above information, staff recommends that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Board of Retirement and Board of Investments separately consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of each Board and its Committees to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that each Board and its Committees shall hold teleconference meetings for the next 30 days, so long as the State of Emergency remains in effect, and if so, direct staff to comply with the agenda and public comment requirements of the statute. Action taken by each Board will only apply to that Board and its Committees.

If the required findings are made, starting with the November 2022 meetings, teleconference technology will be used as part of hybrid Board and Committee meetings conducted by teleconference and in person at LACERA's Pasadena offices.

c:	Santos H. Kreimann	Luis Lugo	JJ Popowich
	Jonathan Grabel	Laura Guglielmo	Carly Ntoya



October 4, 2022

TO: Each Trustee,
Board of Investments

FOR: Board of Investments Meeting of October 12, 2022

SUBJECT: 2022 SuperReturn Japan in Tokyo, Japan on November 30 – December 1, 2022

The 2022 SuperReturn Japan will be held in Tokyo, Japan on November 30 – December 1, 2022. The program will bring together Japan's private capital industry with leading executives sharing their insights through educational panel discussion, cutting edge keynotes, fireside chats, and more. Topical themes for this year include Japan's buyout markets, the global state of private equity, start-ups, venture capital, private credit, portfolio management, secondaries, ESG and impact.

The main conference highlights include the following:

- Macro focus: Japan's private equity in review
- Mid-market: uncovering opportunities in the US, Europe, and Japan
- Through the investor lens: the state of private markets

Following are approximate conference and travel costs:

Registration: \$500.00

Additional Travel Days: 4

Hotel: \$475.00 daily rate (plus taxes and fees)

Airfare: \$8,200.00 to \$12,200.00

Ground Transportation: \$80.00 per day

Daily Per Diem & Incidentals: \$116.00 per day

(The registration fee includes most meals)

Approximate Cost Per Traveler: \$13,500.00 - \$17,500.00

If the registration fee is insufficient to pay the cost of the meals provided by the conference sponsor, LACERA must reimburse the sponsor for the actual cost of the meals, less any registration fee paid. Otherwise, the attendee will be deemed to have received a gift equal to the value of the meals, less any registration fee paid, under California's Political Reform Act.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD:

Approve attendance of Trustees at the 2022 SuperReturn Japan being held in Tokyo, Japan on November 30, 2022 to December 1, 2022 and approve reimbursement of all travel costs incurred in accordance with LACERA's Trustee Education and Trustee Travel Policies.

SESSIONS

SUPERRETURN JAPAN DAY ONE - 30/11/2022

SuperReturn Japan

30 November - 1 December 2022

The Conrad
Tokyo

Registration and welcome coffee

08:30 - 09:00

Main Conference Sessions

登録およびウェルカムコーヒー

08:30 - 09:00

主な会議セッション

Chair's welcome address

09:00 - 09:05

Main Conference Sessions

Participants

Chairman: Stanley Howard - Managing Director and CEO, Teneo Partners Japan Limited

司会者の歓迎の挨拶

09:00 - 09:05

主な会議セッション

Participants

スタンレー ハワード - 常務取締役兼CEO, Teneo Partners Japan Limited

Macro focus: Japan's private equity in review

09:05 - 09:35

Main Conference Sessions

Examining the evolving macro themes: energy, cost of living, supply chain, inflation, dollar index, and potentially a looming recession. What impact will these factors have on Japan's private equity market? Following a period of record fundraising, will the market continue on this trend into the next year or will LPs begin to limit their allocations? How are GPs differentiating themselves in a busy market and can they continue to deliver alpha?

マクロな視点：日本のプライベートエクイティ考察

09:05 - 09:35

主な会議セッション

エネルギーや物価、サプライチェーン、インフレ、ドル指数、今後訪れる可能性のあるリセッションといった、変化し続けるマクロなテーマについて考察。これらの要因は日本のプライベートエクイティ市場にどのような影響を及ぼすのか。プライベートエクイティ市場における資金調達額が記録的な水準に達した時期を経て、このトレンドは来年以降まで続くのか。それとも、リミテッドパートナー（LP）は資金配分を制限し始めるのか。ゼネラルパートナー（GP）は状況を呈する市場において、いかにして差別化を図っているのか。また、アルファを提供し続けることはできるのか。

Keynote address

09:35 - 09:55

Main Conference Sessions

基調講演

09:35 - 09:55

主な会議セッション

The saga continues: carveouts and business succession

09:55 - 10:25

Main Conference Sessions

Does the sale of non-core assets still represent the majority of deals in Japan's buyout market? How are companies addressing succession issues and what role do PE companies play in helping their portfolio companies successfully transition?

物語は続く：カーブアウトと事業継承

09:55 - 10:25

主な会議セッション

非コア資産の売却は依然として、日本のバイアウト市場における取引の大多数を占めているのか。企業は後継者問題にいかにして取り組んでいるのか。また、プライベートエクイティ（PE）企業はポートフォリオ企業の事業移行の成功を支援するうえで、どのような役割を果たすのか。

Keynote address

10:25 - 10:45

Main Conference Sessions

基調講演

10:25 - 10:45

主な会議セッション

Morning coffee and networking break

10:45 - 11:15

Main Conference Sessions

モーニングコーヒーおよびネットワーキング休憩

10:45 - 11:15

主な会議セッション

Mid-market: opportunities in US, Europe and Japan

11:15 - 11:45

Main Conference Sessions

What has been the performance of the middle market post-Covid and macroeconomic headwinds? Which region is currently showing promise and are managers able to deploy at the same pace that they are raising? What are the hottest sectors/industries and are there enough opportunities?

Participants

Panellists: Dr. Jürgen Diegruber - Partner, Senior Member of Management, Partners Group

Tomoko Kitao - Managing Director, Tokyo Representative, Hamilton Lane

ミドルマーケット：米国、欧州、日本における機会の発掘

11:15 - 11:45

主な会議セッション

コロナ禍およびマクロ経済の逆風を経て、ミドルマーケットのパフォーマンスとはどのように推移してきたのか。現時点で将来性のある地域はどこなのか。また、マネジャーは資金調達と同じペースで資金配分を行うことができるのか。最も好調なセクターや業界はどこで、機会は十分に存在するのか。

Participants

北尾 智子 - 取締役社長, Hamilton Lane

Dr. Jürgen Diegruber - パートナー、上級管理職, Partners Group

SESSIONS

SUPERRETURN JAPAN DAY ONE - 30/11/2022

SuperReturn Japan

30 November - 1 December 2022

The Conrad
Tokyo

Engaged conversations

11:15 - 11:55

Connections

Through the investor lens: the state of private markets

11:45 - 12:15

Main Conference Sessions

Discussing the challenges of picking oversubscribed managers, shortened fundraising cycles and manager selection. Are LPs considering reducing commitment size? How are LPs protecting their downside and ensuring inflation doesn't dampen returns?

Participants

Panellists: **Noriko Hayashi** - Managing Director, Head of Private Equity, ORIX Life Insurance Corporation

Akihiro Endo - Co-Head of Private Equity Investments, Tokio Marine Asset Management Co., Ltd.

投資家の視点から：プライベート市場の状況

11:45 - 12:15

主な会議セッション

採用枠を上回る応募があった場合のマネジャーの選び方、資金調達サイクルの短期化、マネジャーの選定といった課題について取り上げる。LPはコミットメントの減額を検討しているのか。LPはいかにしてダウンサイドプロテクションを施し、インフレによるリターンの低下を阻止しようとしているのか。

Participants

Noriko Hayashi - Managing Director, Head of Private Equity, ORIX Life Insurance Corporation

遠藤 章弘 - プライベートエクイティ運用部 部長, 東京海上アセットマネジメント株式会社

Presentation

12:15 - 12:35

Main Conference Sessions

プレゼンテーション

12:15 - 12:35

主な会議セッション

Lunch and networking break

12:35 - 13:50

Main Conference Sessions

昼食およびネットワーキング休憩

12:35 - 13:50

主な会議セッション

LP限定昼食会

12:35 - 13:50

Connections

LPの皆様同士のネットワーキングを目的とした、参加者限定の昼食会です。条件を満たした事前登録済みの開発金融機関、各種基金・財団、保険会社、年金基金、政府系ファンドの皆様を対象に、限られた数の座席をご用意しています。ご登録についてはサマンサ・グラナム (Samantha Grannum) まで電子メール (Samantha.Grannum@informa.com) にてお問い合わせください。

Walk the talk: ESG and sustainability in practice

13:50 - 14:20

Main Conference Sessions

What should be the KPIs and how stringent are GPs in terms of implementing them? Can the industry get to a point where there is something measurable? How can managers stay true to their investment thesis and avoid greenwashing?

Participants

Grace Reyes - CEO, The Investment Diversity Exchange (TIDE)

有言実行：ESGとサステナビリティの実践

13:50 - 14:20

主な会議セッション

何を重要業績評価指標 (KPI) とすべきなのか。また、GPIはKPIをどの程度厳密に実施しているのか。何かが測定可能になる段階まで業界は到達できるのか。マネジャーはどうすれば自らの投資テーマに忠実であり続け、グリーンウォッシュ (見せかけの環境配慮) [A1] を避けることができるのか。

[A1]greenwashing：カッコ内は補足説明 (カタカナ語の日本語訳) です。ご不要の場合は削除をお願いいたします。

The text in the brackets is just a supplementary explanation, it's ok to delete if you don't need.

Participants

Grace Reyes - CEO, The Investment Diversity Exchange (TIDE)

Engaged conversations/主な会議セッション

13:50 - 14:30

Connections

Keynote address

14:20 - 14:50

Main Conference Sessions

基調講演

14:20 - 14:50

主な会議セッション

Fireside chat

14:50 - 15:20

Main Conference Sessions

What is the definition of impact investing and to what extent are LPs interested in this part of the market?

ファイアサイドチャット

14:50 - 15:20

主な会議セッション

インパクト投資はどのように定義されるのか。また、インパクト投資市場に対するLPの関心はどの程度なのか

Afternoon refreshments and networking break

15:20 - 15:50

Main Conference Sessions

午後の軽食およびネットワーキング休憩

15:20 - 15:50

主な会議セッション

SCHEDULE

SUPERRETURN JAPAN DAY ONE - 30/11/2022

SuperReturn Japan

30 November - 1 December 2022

The Conrad
Tokyo

The keys to the castle: portfolio construction and capital allocations

15:50 - 16:20

Main Conference Sessions

In today's environment, what does it take to construct a granular portfolio? With the market where it is today, is it becoming more difficult to achieve a diverse portfolio with downside protection? What factors are influencing allocation decisions and are what can GPs do to help their LPs?

成功への鍵：ポートフォリオの構成と資金配分

15:50 - 16:20

主な会議セッション

今日の環境において、粒度の細かいポートフォリオを構成するには何が必要なのか。市場の現状を踏まえると、ダウンスайдプロテクションを備えた多角的なポートフォリオを実現することの難易度は上がりつつあるのか。どのような要因が資金配分の判断に影響を及ぼしているのか。また、GPIはLPを支援するために何ができるのか。

Roundtable discussions

16:20 - 16:50

Main Conference Sessions

- Fundraising outlook in 2023: are LPs and GPs on the same page?
- Which sectors offer the most attractive returns in an uncertain environment, and can GPs and LPs capitalise on those tailwinds?
- What will it take to get move ESG beyond box-ticking exercise to a meaningful action?

ラウンドテーブルディスカッション

16:20 - 16:50

主な会議セッション

- 2023年の資金調達の見通し：LPとGPの認識は一致しているのか。
- 不確実な環境において最も魅力的なリターンをもたらすセクターはどこなのか。そして、GPとLPはそれらの追い風に乗ることができるのか。
- ESGを形式的なチェック作業から有意義な行動へと発展させるには何が必要なのか。

Chair's closing remarks and End of Day One

16:50 - 16:55

Main Conference Sessions

Participants

Stanley Howard - Managing Director and CEO, Teneo Partners Japan Limited

司会者の結びの挨拶と1日目の終了

16:50 - 16:55

主な会議セッション

Participants

スタンレー ハワード - 常務取締役兼CEO, Teneo Partners Japan Limited

SuperReturn Japan Day One Drinks Reception

16:55 - 18:50

Main Conference Sessions

SuperReturn Japan 1日目ドリンクレセプション

16:55 - 18:00

主な会議セッション

TIME	MAIN CONFERENCE SESSIONS	主な会議セッション	CONNECTIONS
08:00	08:30 - Registration and welcome coffee	08:30 - 登録およびウェルカムコーヒー	

SESSIONS

SUPERRETURN JAPAN DAY TWO - 01/12/2022

SuperReturn Japan

30 November - 1 December 2022

The Conrad
Tokyo

TIME	MAIN CONFERENCE SESSIONS	主な会議セッション	CONNECTIONS
09:00	09:00 - Chair's welcome address 09:05 - Macro focus: Japan's private equity in review 09:35 - Keynote address 09:55 - The saga continues: carveouts and business succession	09:00 - 司会者の歓迎の挨拶 09:05 - マクロな視点：日本のプライベートエクイティ考察 09:35 - 基調講演 09:55 - 物語は続く：カーブアウトと事業継承	
10:00	10:25 - Keynote address 10:45 - Morning coffee and networking break	10:25 - 基調講演 10:45 - モーニングコーヒーおよびネットワーキング休憩	
11:00	11:15 - Mid-market: opportunities in US, Europe and Japan 11:45 - Through the investor lens: the state of private markets	11:15 - ミドルマーケット：米国、欧州、日本における機会の発掘 11:45 - 投資家の視点から：プライベート市場の状況	11:15 - Engaged conversations
12:00	12:15 - Presentation 12:35 - Lunch and networking break	12:15 - プレゼンテーション 12:35 - 昼食およびネットワーキング休憩	12:35 - LP限定昼食会
13:00	13:50 - Walk the talk: ESG and sustainability in practice	13:50 - 有言実行：ESGとサステナビリティの実践	13:50 - Engaged conversations/主な会議セッション
14:00	14:20 - Keynote address 14:50 - Fireside chat	14:20 - 基調講演 14:50 - ファイアサイドチャット	
15:00	15:20 - Afternoon refreshments and networking break 15:50 - The keys to the castle: portfolio construction and capital allocations	15:20 - 午後の軽食およびネットワーキング休憩 15:50 - 成功への鍵：ポートフォリオの構成と資金配分	
16:00	16:20 - Roundtable discussions 16:50 - Chair's closing remarks and End of Day One 16:55 - SuperReturn Japan Day One Drinks Reception	16:20 - ラウンドテーブルディスカッション 16:50 - 司会者の結びの挨拶と1日目の終了 16:55 - SuperReturn Japan 1日目ドリンクレセプション	

Registration and coffee

09:00 - 09:30
Main Conference Sessions

登録およびウェルカムコーヒー

09:00 - 09:30
主な会議セッション

Chair's welcome address

09:30 - 09:35
Main Conference Sessions

司会者の歓迎の挨拶

09:30 - 09:35
主な会議セッション

Let's start-up Japan: Economy 2.0

09:35 - 10:10
Main Conference Sessions

As Japan's start-ups getting the right momentum and support from the government, which sectors are expected to be the most attractive? Is there a time horizon for when Japan's next unicorns will emerge? Can the market expect other institutions to follow? What are the unique opportunities and challenges within Japan's venture ecosystem?

Participants

Moderator: Yuka Hata - Managing Director / Head of Funds Investments, Japan Investment Corporation

Speaker: Pogos Saiadian - CEO, Greyhound Capital

日本をスタートアップさせよう：経済2.0

09:35 - 10:10
主な会議セッション

日本のスタートアップ企業が勢いづき、政府からも支援を得ている今、魅力が最も高まると見込まれるのはどのセクターなのか。日本の次なるユニコーン企業が登場する時期は存在するのか。市場はその他の機関が追従することを期待できるのか。日本のベンチャーエコシステムに特有の機会と課題にはどのようなものがあるのか。

Keynote address

10:10 - 10:40
Main Conference Sessions

基調講演

10:10 - 10:40
主な会議セッション

Morning coffee and networking break

10:40 - 11:10
Main Conference Sessions

モーニングコーヒーおよびネットワーキング休憩

10:40 - 11:10
主な会議セッション

Disruptive innovation: climate tech and the role of venture capital

11:10 - 11:40
Main Conference Sessions

How should climate tech be defined and what are some examples of it? What role can VC play in decarbonisation and the transition to green energy? Can climate tech strike the balance between real impact and profitable investments?

Participants

Speaker: Kazushige Kobayashi - Managing Director, MCP Asset Management

Jerry Yang - General Partner, HCVC

破壊的イノベーション：気候テックとベンチャーキャピタルの役割

11:10 - 11:40
主な会議セッション

気候テックはどのように定義すべきなのか。また、気候テックの例にはどのようなものがあるのか。脱炭素とグリーンエネルギーへの移行を実現するうえで、ベンチャーキャピタル（VC）はどのような役割を果たすことができるのか。気候テックは実質的なインパクトと投資の収益性のバランスを取ることができるのか。

Participants

小林 和成（こばやし かずしげ）- 取締役社長, MCP アセットマネジメント

Jerry Yang - ゼネラルパートナー, HCVC

Looking beyond Japan: What's the latest in Europe and the US' VC market?

11:40 - 12:10
Main Conference Sessions

As tech market have seen valuations drop from an all-time high, where can LPs and GPs find the best opportunity? Late stage vs early stage: which one is more appealing at this time? Beyond Saas and cybersecurity, what are the hottest sectors?

Participants

Panellists: Alan Feld - Founder & Managing Partner, Vintage Investment Partners

日本国外に目を向けて：欧州と米国のVC市場の最新動向

11:40 - 12:10
主な会議セッション

史上最高の水準を記録したテック市場のバリュエーションが低下した今、LPとGPは最善の機会をどこに見出すことができるのか。現時点ではレイターステージとアーリーステージのどちらの魅力が高いのか。SaaSとサイバーセキュリティ以上に好調なセクターはどこなのか。

Keynote address

12:10 - 12:40
Main Conference Sessions

基調講演

12:10 - 12:40
主な会議セッション

Lunch and networking break

12:40 - 13:55
Main Conference Sessions

昼食およびネットワーキング休憩

12:40 - 13:55
主な会議セッション

Searching for yield: the role of private credit in creating a diversified portfolio

13:55 - 14:30
Main Conference Sessions

Is private credit now an essential part of the institutional portfolio? Which strategies are managers pursuing and how effective have they been in mitigating headwinds over the past two years? From senior secured, to mezzanine and subordinated debt, are LPs looking to move up or down the cap stack and how will it impact their returns?

利回りの追求：ポートフォリオを多角化するうえでプライベートクレジットの役割

13:55 - 14:30
主な会議セッション

プライベートクレジットは今や、機関投資家のポートフォリオに不可欠な要素となったのか。マネジャーはどのような戦略を推進しているのか。また、過去2年間でそれらの戦略には逆風を緩和する効果がどの程度あったのか。担保付きシニア債からメザニン債、劣後債に至るまで、LPは資本構造の上位または下位へ向かうことを検討しているのか。また、そのことはLPのリターンにどのような影響を及ぼすのか。

Finding your niche: opportunities in special situations and distressed debt

14:30 - 15:05
Main Conference Sessions

Is the market beginning to see an avalanche of distressed debt? Pandemic, Ukraine war and heightened geopolitical tensions: have those events created an environment for special sits and opportunistic investments? What are the 'must-have' qualities for managers who deploy with these spaces?

SCHEDULE

SUPERRETURN JAPAN DAY TWO - 01/12/2022

SuperReturn Japan

30 November - 1 December 2022

The Conrad
Tokyo

ニッチの見つけ方：スペシャルシチュエーションズとディストレスト債における機会

14:30 - 15:05
主な会議セッション

市場にはディストレスト債が押し寄せ始めているのか。パンデミック、ウクライナ戦争、地政学的緊張の高まりによって、スペシャルシチュエーションズ投資[A1] やオポチュニスティック投資向きの環境が生まれたのか。これらの分野で資金配分を行うマネジャーに「必須」の資質とはどのようなものか。

Fireside chat

15:05 - 15:35
Main Conference Sessions

As the asset class becomes more crowded and opportunities more difficult to source, what can specialised credit and non-correlated strategies offer in a competitive market?

ファイアサイドチャット

15:05 - 15:35
主な会議セッション

アセットクラスにさらなる資金が流入し、機会を獲得することの難易度が高まると、競争の激しい市場において特殊クレジット戦略や非相関戦略はどのような効果を発揮する可能性があるのか。

Afternoon refreshments and networking break

15:35 - 16:05
Main Conference Sessions

午後の軽食およびネットワーキング休憩

15:35 - 16:05
主な会議セッション

Exit for liquidity: innovations in the secondaries market

16:05 - 16:40
Main Conference Sessions

As the market continues to grow globally, what has been the appetite in Japan? GP-led transactions: has the market reached a saturation point or is there room for expansion and have LPs changed their perspective about it? Continuation funds: are LPs willing to accept the risks associated and what are the challenges they face in terms of due diligence?

Participants

Heidi Piper - Vice President , Northgate

流動性のためのエグジット：セカンダリー市場におけるイノベーション

16:05 - 16:40
主な会議セッション

世界全体で市場が成長し続ける中、日本では何が求められてきたのか。GP主導の取引：市場は飽和点に達したのか。あるいは、拡大の余地は残っていて、飽和点に対するLPの見方が変わったのか。継続ファンド：LPは関連するリスクを進んで受け入れているのか。また、LPはデューデリジェンス面でどのような課題に直面しているのか。

Tapping into the co-investment opportunities

16:40 - 17:15
Main Conference Sessions

With LPs getting access to the top companies, are co-investment vehicles becoming more attractive than traditional private equity vehicles? Given the effort needed for due diligence, how can GPs help their LPs assess opportunities they present them with?

Participants

Speaker: Stephen O'Neill - Co-Founder & Managing Director , 57 Stars LLC

共同投資の機会の活用

16:40 - 17:15
主な会議セッション

LPがトップ企業へのアクセスを獲得することで、共同投資ビークルは従来のプライベートエクイティ・ビークルよりも魅力的なものになりつつあるのか。デューデリジェンスに必要な労力を踏まえると、それらのビークルがもたらす機会をLPが評価するための支援をGPはどのように行うことができるのか。

SCHEDULE

SUPERRETURN JAPAN DAY TWO - 01/12/2022

SuperReturn Japan


30 November - 1 December 2022


The Conrad
Tokyo


TIME	MAIN CONFERENCE SESSIONS	主な会議セッション
09:00	09:00 - Registration and coffee 09:30 - Chair's welcome address 09:35 - Let's start-up Japan: Economy 2.0	09:00 - 登録およびウェルカムコーヒー 09:30 - 司会者の歓迎の挨拶 09:35 - 日本をスタートアップさせよう：経済2.0
10:00	10:10 - Keynote address 10:40 - Morning coffee and networking break	10:10 - 基調講演 10:40 - モーニングコーヒーおよびネットワーキング休憩
11:00	11:10 - Disruptive innovation: climate tech and the role of venture capital 11:40 - Looking beyond Japan: What's the latest in Europe and the US' VC market?	11:10 - 破壊的イノベーション：気候テックとベンチャーキャピタルの役割 11:40 - 日本国外に目を向けて：欧州と米国のVC市場の最新動向
12:00	12:10 - Keynote address 12:40 - Lunch and networking break	12:10 - 基調講演 12:40 - 昼食およびネットワーキング休憩
13:00	13:55 - Searching for yield: the role of private credit in creating a diversified portfolio	13:55 - 利回りの追求：ポートフォリオを多角化するうえでのプライベートクレジットの役割
14:00	14:30 - Finding your niche: opportunities in special situations and distressed debt	14:30 - ニッチの見つけ方：スペシャルシチュエーションズとディストレスト債における機会
15:00	15:05 - Fireside chat 15:35 - Afternoon refreshments and networking break	15:05 - ファイアサイドチャット 15:35 - 午後の軽食およびネットワーキング休憩
16:00	16:05 - Exit for liquidity: innovations in the secondaries market 16:40 - Tapping into the co-investment opportunities	16:05 - 流動性のためのエグジット：セカンダリー市場におけるイノベーション 16:40 - 共同投資の機会の活用


September 27, 2022

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque 
Acting Principal Investment Officer

Jeff Jia, CFA 
Senior Investment Analyst

Ron Senkandwa 
Investment Officer

Magdalia Armstrong, CFA, CAIA 
Senior Investment Analyst

FOR: October 12, 2022 Board of Investments Meeting

SUBJECT: **GLOBAL EQUITY EMERGING MANAGER PROGRAM RECOMMENDATION-
ALLOCATION RANGE INCREASE**

RECOMMENDATION

Increase the global equity emerging manager program (EMP) range from 0-5% to 0-10%.

BACKGROUND

The recommendation to increase the global equity EMP allocation range is related to the global equity emerging separate account manager search. This is a program-related guideline and therefore it is placed in open session. In the closed session of today's Board meeting, a recommendation to hire two separate account managers for the global equity emerging separate account manager search will be presented.

DISCUSSION

The attached presentation (**Attachment 1**) includes the rationale for increasing the range. Namely, if the Board approves the addition of two EMP managers, per the closed session recommendation, the EMP will have ample room to grow.

CONCLUSION

It is recommended that the global equity EMP range increase from 0-5% to 0-10%, allowing for a larger allocation to differentiated strategies which may improve portfolio returns, thereby increasing the opportunities for manager graduation. The increased allocation to emerging managers will also move the active management weight for the global equity portfolio closer to the guideline target of 25% and provides the ability to allocate more capital to the EMP over time.

Meketa has provided a memo that concurs with the recommendation (**Attachment 2**).

Attachments

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

Global Equity Emerging Manager Program Recommendation – Allocation Range Increase

Board of Investments Meeting

October 12, 2022



Recommendation and Rationale

Recommendation

- Increase the global equity EMP range from 0-5% to 0-10%

Rationale

- The current EMP consists of one manager, with a market value of \$81 million or 0.4% of global equity

Subcategory	Policy Range	Target Allocation	Allocation as of August-2022
Passive	40-80%	60%	64.4%
Factor-Based	0-30%	15%	21.3%
Active	10-40%	25%	14.3%
Emerging Managers ¹	0-5%		0.4%

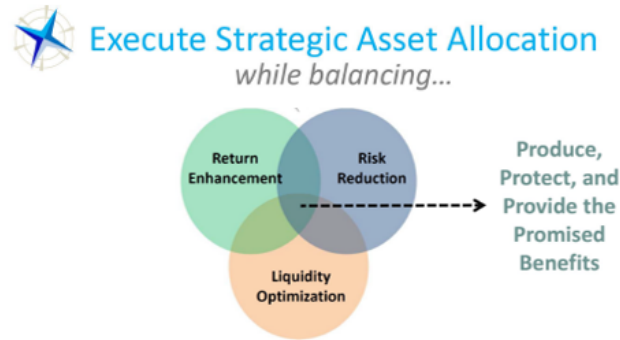
- Two finalists with complementary attributes were identified in the global equity emerging manager program (“EMP”) separate account manager search (see closed session materials)
 - Differentiated portfolio construction approaches provide greater program diversification and may enhance risk-adjusted returns
- Increasing the EMP range from 0-5% to 0-10% would accomplish the following:
 - Allows for a larger allocation to differentiated strategies which may improve portfolio returns thereby increasing the opportunities for manager graduation
 - Moves the active manager weight closer to the guideline target
 - Provides the ability to allocate more capital to the EMP over time

¹ As end of 2021, the EMP was 0.9% of global equity. The Board graduated Global Alpha from the EMP in January 2022.

Strategic Initiatives

Strategic Initiatives

This recommendation aligns with LACERA's strategic initiatives while accelerating the allocation to the global equity EMP



Recommendation advances the following initiatives:

Enhance Operational Effectiveness	Optimize Investment Model	Maximize Stewardship and Ownership Rights	LACERA T.I.D.E.
<ul style="list-style-type: none"> Maximizes the efficiency of the EMP by hiring manager(s) that can ramp up the program faster 	<ul style="list-style-type: none"> Accesses differentiated return sources that provide diversification to broader global equity portfolio Custom-built portfolio; expansion of program increases the opportunities for graduation 	<ul style="list-style-type: none"> Separate account mandate to maximize beneficial ownership rights and portfolio holdings look-through 	<ul style="list-style-type: none"> Partnership with firms that aligned with LACERA T.I.D.E. Demonstrated leadership on DEI issues through industry advocacy

Meketa's concurrence memo is attached

MEMORANDUM

TO: LACERA Board of Investments
FROM: Tim Filla, Aysun Kilic, Leo Festino, and Imran Zahid
CC: Jon Grabel, CIO - LACERA
DATE: October 3, 2022
RE: LACERA Global Equity Emerging Manager Program – Allocation Range Increase

The purpose of this memo is for Meketa Investment Group to formalize its support for Staff's recommendation to increase the Global Equity Emerging Manager Program allocation range from 0-5% to 0-10%.

Evaluation of Recommendation

By increasing the target range up to 10%, LACERA's Global Equity Emerging Manager program would benefit from having exposure to a larger pool of managers and this may also contribute favorably towards the success rate for graduation over time.

In conclusion, we agree with Staff's recommendation to increase the Global Equity Emerging Manager Program range from 0-5% to 0-10%.

If you have any questions, please feel free to reach us at 760-795-3450. We look forward to speaking with you soon.

TF/AK/LF/IZ/sf

October 5, 2022

TO: Each Trustee,
Board of Investments

FROM: Steven P. Rice, *SPR*
Chief Counsel

FOR: October 12, 2022 Board of Investments Meeting

SUBJECT: Presentation on Fiduciary Duty in Actuarial Decision-Making

As part of information provided to the Board of Investments for the upcoming triennial investigation of experience and review of economic and demographic assumptions, annual valuation, and employer and employee contribution setting, fiduciary counsel Ashley Dunning will make a presentation regarding the trustees' fiduciary duty as applied specifically to actuarial decisions. The slide deck is attached.

Attachment

c: Santos H. Kreimann
Jonathan Gabel
Luis A. Lugo
Laura Guglielmo
JJ Popowich
Richard Bendall
Ted Granger
Christina Logan

Fiduciary Principles to Guide Public Retirement Fund Trustees: Actuarial Assumption Setting

Presentation to the Board of Investments
Los Angeles County Employees Retirement Association

October 12, 2022

Ashley K. Dunning

Partner, Co-Chair, Public Pensions and Investments Group



Overview

- Fiduciary duty of care
- Fiduciary duty of loyalty
- Fiduciary principles applicable to actuarial assumption setting

Fiduciary Duty of Care

■ Prudent Fiduciary with Experience

1. The trustee has a duty to administer the trust as a prudent person would, in light of the purposes, terms, and other circumstances of the trust.
2. The duty of prudence requires the exercise of reasonable care, skill, and caution, and the obligation to educate oneself as to the core activities of the retirement system and matters on which the trustee's board has authority and responsibility.
3. If the trustee possesses, or was appointed as the result of possessing, special facilities or greater skill than that of a person of ordinary prudence, the trustee has a duty to use such facilities or skill, such as the skills required of appointed BOI and ex officio members, though other trustees are not required to defer to the special expertise of co-fiduciaries.

Cal. Const., art. XVI, § 17(c); Rest. 3d Trusts, secs. 77, 227.

Fiduciary Duty of Care

■ Prudence Rule

- “As an initial guideline, a trustee ‘has a duty to administer the trust, diligently and in good faith, in accordance with the terms of the trust and applicable law.’”

O’Neal v. Stanislaus County Employees’ Retirement Assoc. (2017)
8 Cal.App. 5th 1184, 1209 (“*O’Neal*”) quoting Rest. 3d Trusts, §76, accord, Prob. Code, §16000]

Fiduciary Duty of Care: the “Prudent Fiduciary with Experience”

- Skill required of trustees, standard is objective, not subjective to the trustee.
 1. Private pension trustees may not escape the “reasonable person” standard of prudence in making investments by having a “pure heart and an empty head”. *Donovan v. Cunningham*, 716 F.2d 1455, 1467 (5th Cir. 1983).
 2. The “prudence standard is ‘not that of a prudent lay person, but rather that of a prudent fiduciary with experience dealing with a similar enterprise’.” *Whitfield v. Cohen*, 682 F. Supp. 188, 194 (S.D.N.Y. 1998) (quoting *Marshall v. Snyder*, 1 Empl.Ben. Cases (BNA) 1878, 1886 (E.D.N.Y. 1979)).
 3. Courts may probe the thoroughness of a fiduciary’s analysis and basis for its decisions, rather than simply deferring to a determination that a fiduciary may make. See *Howard v. Shay*, 100 F.3d 1484, 1488 (9th Cir. 1996), cert. denied, 520 U.S. 1237.

Fiduciary Duty of Care: Actuarial Services and “Competency” of Assets

■ Duty to Assure Competency of Retirement System Assets

“The retirement board of a retirement system . . . consistent with the exclusive fiduciary responsibilities vested in it, shall have the *sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the . . . retirement system.*”

Cal. Const., art. XVI, § 17(e) (emphasis added).

Fiduciary Duty of Care: Actuarial Services and “Competency” of Assets

- In *O’Neal*, petitioners challenged various board decisions relating to the actuarial methodologies and transfers of funds among reserves.
- *O’Neal* concluded that the board had not violated its fiduciary duty of care by making certain actuarial decisions that resulted in lowering the employer contribution rate (such as permitting negative amortization), though it deferred a final decision on that topic with respect to the alleged breach of the duty of loyalty (discussed further below).

O’Neal, 8 Cal. App. 5th at pp. 1209, 1221, n. 10.

Fiduciary Duty of Care: Duty to Monitor, Question and Address

- The duty to monitor and to take corrective action when reasonably appropriate is fundamental to a trustee's exercise of the duty of care.

Rest. 3d Trusts, § 227, p. 14 (1992), comment d.

Fiduciary Duty of Care: Consult with Experts

- “To the extent necessary or appropriate to the making of informed investment judgments by the particular trustee, care also involves securing and considering the advice of others [such as legal, actuarial and investment internal and external experts] on a reasonable basis.” Rest. 3d Trusts, § 227, p. 15, comment d.
- Under CERL, employer contributions are to be set “upon the basis of the investigation, valuation and *recommendation of the actuary*” Gov. Code §31453 (emphasis added).
- As to LACERA, “Until the completion of the next regularly scheduled actuarial survey of the retirement system, the employer contribution required to finance the plan created by this article shall be established by the board, upon the *recommendation of the actuary.*” Gov. Code §31495 (emphasis added).

Fiduciary Duty of Care: Consult with Experts

- The implicit corollary to the duty to consult with experts is that if a fiduciary fails to follow the advice of its expert advisors (either or both of its internal and/or external retained consultants), it must demonstrate an informed, reasonable, and prudent rationale for failing to do so.
- Another implicit corollary is that expert advice from a reasonable source should provide the basis for a Board's decision to take an alternative course of action on a topic within that area of expertise (e.g., investment, actuarial, legal).

Fiduciary Duty of Care: Consult with Experts

- Reliance on expert's opinion is reasonable when:
 - Expert has appropriate qualifications;
 - Expert has accurate and full information;
 - Expert lacks bias;
 - Complexity of the topic and good governance support delegation; and
 - Reliance on expert's opinion is reasonable under the circumstances.
- Prudent fiduciaries should question methods and assumptions that do not make sense.

Fiduciary Duty of Care: Prudent Delegation

- **Prudence** is the key to delegation as to all aspects of the topic:
 - Whether to delegate;
 - How to delegate;
 - To whom a task is delegated; and
 - How to supervise.
- Delegation in the actuarial area includes delegating to LACERA staff the implementation of the BOI's contribution rate determinations (e.g., through submission to the BOS for approval and implementation of rates and collection of contributions).

Summary re Fiduciary Duty of Care

- Duty of care = Duty of prudence
 - Prudence requires *asking questions* and *understanding* the rationale for actions before taking them
 - Prudence requires *analyzing advice* and *recommendations* received from experts, but also, if not adopting the experts' recommendation(s), having a reasonable basis for doing so that is *informed by the applicable expertise* implicated by the decision and that is consistent with fiduciary duties
 - Prudence requires *following the Plan Document and other applicable law*, as well as the Board regulations, policies, resolutions and other rules governing the retirement system

Fiduciary Duty of Loyalty: Exclusive Benefit Rule

- Except as otherwise provided in the terms of the trust, a trustee has a duty to administer the trust solely in the interest of the beneficiaries, or solely in furtherance of the trust's purpose.
- Except in discrete circumstances, the trustee is strictly prohibited from engaging in transactions that involve self-dealing or that otherwise involve or create a conflict between the trustee's fiduciary duties and personal interests.

Cal. Const., art. XVI, § 17(a); Restatement 3d Trusts, sec. 78.

Fiduciary Duty of Loyalty: Prompt Delivery of Benefits and Related Services

“The retirement board of a . . . retirement system shall have the sole and exclusive fiduciary responsibility . . . *to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries*”

Cal. Const., art. XVI, § 17(a) (emphasis added).

Fiduciary Duty of Loyalty: Primary Duty Rule

“The members of the retirement board . . . shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. *A retirement board’s duty to the system’s participants and their beneficiaries shall take precedence over any other duty.*”

Cal. Const., art. XVI, § 17(b) (emphasis added).

Fiduciary Duty of Loyalty: Conflicting Interests Among Various Members and Beneficiaries

- Can be complex and crosscutting.
- Determinations of priorities among members and beneficiaries must serve the *overall best interest of members and beneficiaries of the retirement system*.
- Appropriate balance may not be obvious when the interests within the member and beneficiary groups are not the same.
 - For example, retirees who no longer pay contributions may be indifferent to actuarial assumptions that have no impact on their benefit levels.
 - Similar to income and principal beneficiary conflicts in private trusts.

Fiduciary Duty of Loyalty: Conflicting Interests Among Various Members and Beneficiaries (cont.)

- Dissimilar interests among beneficiaries are built into most trusts.
- Trust law has evolved to grant trustees a fair measure of discretion to balance those competing beneficiary interests.

See Rest. 3d Trusts, §§ 50, 183 comment a, and 232; *Estate of Bissinger*, 212 Cal.App.2d 831, 833 (no liability where trustee bank “acted reasonably, prudently, in good faith and in the exercise of its best judgment . . . and with the intention of being fair to both the income and remainder beneficiaries”); and IIIA Fratcher, Scott on Trusts, § 232, p. 7 (4th ed. 1988) (“The trustee, however, ordinarily has considerable discretion in preserving the balance between beneficiaries”).

Fiduciary Duty of Loyalty: Not an “agent” for another

- Trustees are not permitted to administer the retirement system as an “agent” for the party that appointed, or subgroup of members that elected, that individual to the Board.
- On the contrary, the California Constitution, Art. XVI, Sec. 17 (Prop. 162) seeks to prevent such political “meddling” or “interference” by others and mandates loyalty to the overall best interest of members and beneficiaries.
 - See generally *NLRB v. Amax Coal Co.*, 453 U.S. 322 (1981) (no “dual loyalties”); *Hittle v. Santa Barbara CERA*, 39 Cal. 3d 374 (1985) (traditional fiduciary duties apply to public retirement system trustees); *Claypool v. Wilson*, 4 Cal.App.4th 646, 676-7 (1992) (Cal. Const., art. XVI, sec. 17 imports the existing law of trusts).

Fiduciary Duty of Loyalty: U.S. Supreme Court in *NLRB v. AMAX*

- Under traditional employee benefit trust law, even though the pre-ERISA statute: “requires an equal balance between trustees appointed by the union and those appointed by the employer, nothing in the language of [the provision] reveals any congressional intent that a trustee should or may administer a trust fund in the interest of the party that appointed him, or that an employer may direct or supervise the decisions of a trustee he has appointed.” 453 U.S. at 331 (emphasis added).

Fiduciary Duty of Loyalty: Employer contributions?

- California authorities have, however, permitted (though *not required*) public retirement system fiduciaries to take actions that result in reduction in employer contributions so long as:
 - those actions do not compromise the competency of assets of the retirement system to pay promised benefits;
 - no conflict of interest arises in doing so; and
 - the action is in the *overall best interest of members and beneficiaries as that interest relates to matters of proper concern to the retirement system.*

See generally *Bandt v. Board of Retirement* (2006) 136 Cal.App.4th 140;
see also *Claypool v. Wilson* (1992) 4 Cal.App.4th 646.

- Notably, the constitutional duty to “minimize” employer contributions is secondary to the primary duty to timely pay benefits to members and beneficiaries, which is a fiduciary responsibility.

Fiduciary Duty of Loyalty: Employer contributions?

- Recent *O'Neal* decision also endorsed the conclusion in *Bandt* that “a retirement board could consider its active members’ interest in retaining their jobs when making funding decisions.” *O'Neal*, 8 Cal.App. 5th at p.1219.
- Further, *O'Neal* stated that “A trier of fact could view conduct preserving current jobs as good for current retirees who rely on continuing contributions to ensure the viability of their retirement.”
- However, the court in *O'Neal* required a *trial* to be conducted to determine whether there was a breach of the duty of loyalty in that instance because competing inferences from the record could be drawn regarding the purpose/motives of the actions taken.

Fiduciary Duty of Loyalty: Employer contributions?

- O'Neal trial court issued a 57-page opinion analyzing the retirement board's actuarial and related determinations that plaintiffs had challenged and that had been the subject of trial.
- The court concluded that the board did not breach its fiduciary duty of loyalty in its decision-making because it sought to take actions that were prudent and in the overall best interest of the membership during a time of extreme financial risk to the retirement system and its plan sponsors, stating:

“Most importantly, in this Court’s opinion, the Board’s decisions helped the County manage through the financial crisis in the short term to assure the sound funding of the promised benefits in the long term.” (Statement of Decision, p. 52)
- Court of appeal affirmed in an unpublished decision.

Applying Fiduciary Principles to Setting of Actuarial Assumptions

- Board's actuary leads process for Board discussion of:
 - Review current pension fund asset allocation
 - Review economic and demographic data from plan experience and other sources
 - Risk tolerance
 - Policy considerations
- All assessments to be made with goal of ensuring the competency of retirement system assets to timely pay promised benefits

Suggested Steps for Review and Selection of Actuarial Assumptions

- Economic data from plan experience and other sources should focus on:
 - Investment gains and losses
 - Inflation and productivity
 - Demographic changes, if any
- Consider other data and modeling provided by Actuary and others
- Act upon recommendations that LACERA's Actuary provides to the BOI

Suggested Steps for Review and Selection of Actuarial Assumptions (cont.)

- Based on all input, including the actuary's recommendations, and discussion, determine appropriate long-term (how long?) economic actuarial assumptions regarding:
 - Assumed rate of investment return (real rate of return)
 - Price inflation
 - Wage inflation
 - Any other economic assumption in review
- Similar process with actuary regarding demographic actuarial assumptions

Fiduciary Compliance When Setting Actuarial Assumptions

- Ensure the process used to determine and set appropriate actuarial assumptions are:
 - Well documented and based on actuarial recommendations
 - Adopted as a recurring practice at appropriate intervals
 - Designed to comply with Board's responsibility to act as a prudent, experienced, and loyal trustee with respect to its administration of this aspect of the plan.
 - Specifically, are the assumptions reasonable individually and collectively, and are they thus reasonably calculated to require contributions into the retirement system that will maintain the competency of the retirement assets to timely pay all promised benefits?

Questions?

Thank You!



Ashley K. Dunning

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September 29, 2022

TO: Each Trustee,
Board of Investments

FROM: Santos H. Kreimann *SHK*
Chief Executive Officer

Ted Granger *TG*
Interim Chief Financial Officer

FOR: October 12, 2022 Board of Investments Meeting

SUBJECT: **PENSION PLAN ACTUARIAL ASSUMPTION REVIEW**

Background

The actuarial process at the Los Angeles County Employees Retirement Association (LACERA) is governed by provisions in the County Employees Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). CERL requires LACERA to obtain an investigation of experience (experience study) and actuarial valuation of the Pension Plan at least once every three years.

The LACERA Board of Investments maintains the Retirement Benefit Funding Policy (Funding Policy). The Funding Policy was most recently amended in February 2013 to conform to the new standards mandated in PEPRA. The Funding Policy requires LACERA's consulting actuary to perform actuarial valuations annually and experience studies every three years.

Process

LACERA engages an independent actuarial consulting firm, Milliman, to perform the retirement benefits (Pension Plan) valuation annually, exceeding the regulatory frequency requirements. In addition, every three years, the consulting actuary performs an investigation of experience or experience study.

The experience study is accomplished by reviewing relevant forecasts and comparing actual experience to what was expected to happen according to the assumptions. Milliman reviews the reasonableness of the economic and demographic actuarial methods and 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 actuarial methods and assumptions to be used in future valuations. LACERA's consulting actuary presents the experience study preliminary results with the Board prior to performing the actuarial valuation. This enables

Board of Investment trustees the opportunity to discuss the actuarial assumptions and methods and provide the actuary with direction prior to completing the annual valuation. However, in making its decisions and direction in these matters, the Board is required to act “upon the basis of the investigation, valuation, and recommendation of the actuary.” (Cal. Govt. Code §31453; see also §31495.) Actuarial valuations are prepared to determine employer and employee contribution rates and to review the Pension Plan’s latest funding metrics.

In March 2023, Milliman will complete and present the annual valuation report prepared using updated and/or reconfirmed assumptions from this latest experience study. Based on the annual actuarial valuation report, LACERA’s Board of Investments transmits recommended contribution rates to the County Board of Supervisors, the primary plan sponsor. The County Board of Supervisors then adopt the employer and employee contribution rates.

On a triennial basis, a separate actuarial consulting firm, Cavanaugh Macdonald, reviews both the experience study and the annual valuation.

2022 Actuarial Projects

Milliman completed the last investigation of experience as of June 30, 2019 and the latest actuarial valuation as of June 30, 2021. For the upcoming Pension Plan actuarial project cycle, the consulting actuary will perform an investigation of experience as of June 30, 2022, in preparation to conduct the June 30, 2022 actuarial valuation.

Board of Investment Meetings

The experience study discussion will commence at the October 12, 2022 Board of Investments meeting where LACERA’s consulting actuaries, Nick Collier and Craig Glyde from Milliman, will present their recommended Pension Plan economic assumptions, discuss capital market assumptions, and request the Board of Investments provide direction. The consulting actuary may also recommend the Board make changes to the actuarial methods used in projecting benefit liabilities and asset growth.

Milliman will then attend the Board of Investments meeting on November 9, 2022, to present and request guidance regarding the Pension Plan demographic assumptions including mortality, rates of retirement, and disability. Finally, the 2022 Investigation of Experience draft report will be presented to the Board for consideration and adoption at the December 2022 meeting.

Attached for your review is the actuary's economic assumption and actuarial method review presentation for the October 12, 2022 meeting.

Attachments

- A. Milliman’s October 12, 2022 Presentation Slides
- B. Actuarial Projects 2022 - Roadmap

SHK:tg
Economic Assumptions BOI Oct 2022 - Final.docx

c: Luis Lugo, LACERA Laura Guglielmo, LACERA JJ Popowich, LACERA
 Steven P. Rice, LACERA Jonathan Grabel, LACERA Richard Bendall, LACERA
 Fesia Davenport, CEO, Los Angeles County

Attachment A

Milliman's October 12, 2022 Presentation Slides

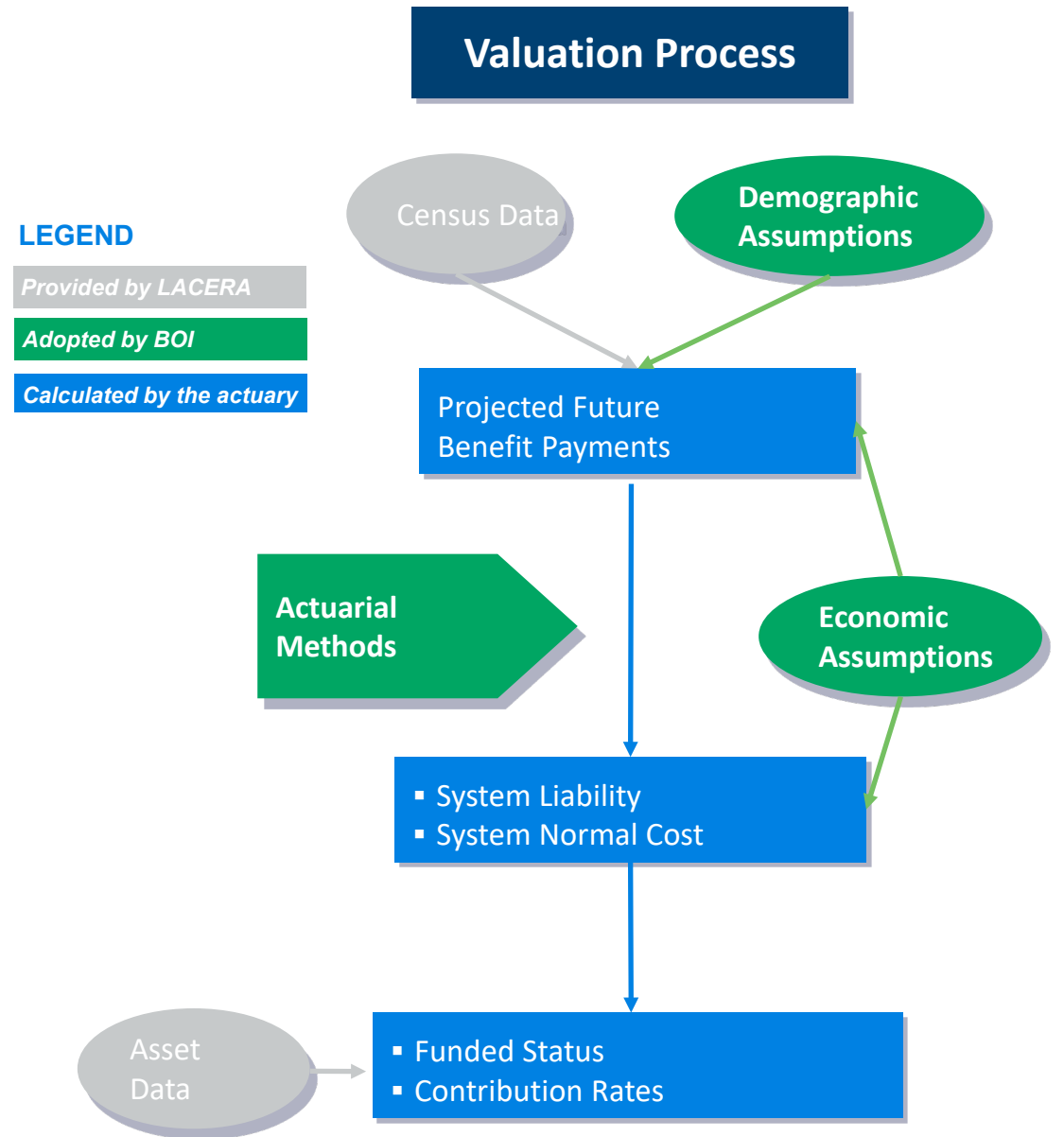
2022 Triennial Investigation of Experience Economic Assumptions & Actuarial Methods

Nick Collier
Craig Glyde

OCTOBER 12, 2022

Schedule

- October 2022 meeting:
 - Discussion and analysis of economic assumptions
 - Reach general consensus on economic assumptions
- November 2022 meeting:
 - Follow-up discussion on economic assumptions
 - Discuss and reach general consensus on demographic assumptions
- December 2022 meeting:
 - Draft experience study report presentation
 - Adopt assumptions to be used in 2022 valuation
- March 2023 meeting:
 - Valuation results
 - Adopt member and employer contribution rates for fiscal year beginning July 1, 2023



Economic Assumptions

Economic Assumptions – Overview

- Summary of economic assumptions. Note these tend to be set based on forecasts.

National Price Inflation: Directly used in the valuation to project PEPRA compensation limit. Indirectly considered as part of investment return assumption.

Local Price Inflation: A key component of assumptions for COLAs, wage and payroll. Does not directly affect valuation.

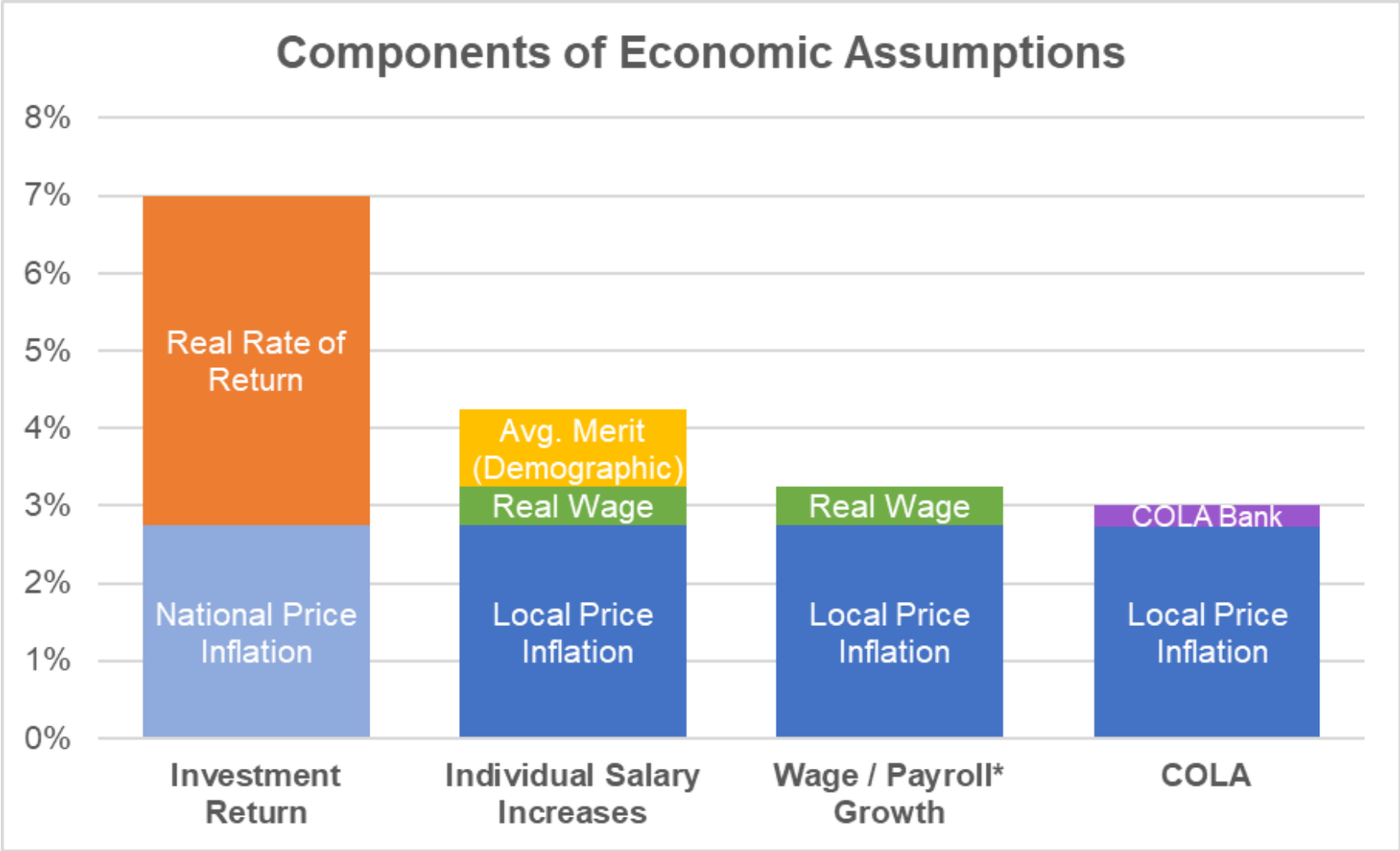
Future COLAs: Used in the valuation to project current and future retiree benefits. Generally equal to lesser of local price inflation and maximum COLA amount. Existing COLA banks are considered.

General Wage Growth: Used in the valuation to project salaries used and therefore affects future benefit amounts. Equal to local price inflation plus an additional amount (if any) for real wage growth.

Payroll Growth: Used in the valuation to project payroll used in the UAAL amortization calculation. Equal to wage growth if stable active population is assumed.

Investment Return (Discount Rate): Used in the valuation to “discount” future payment stream to present value. Generally the most significant assumption in allocation of future contributions.

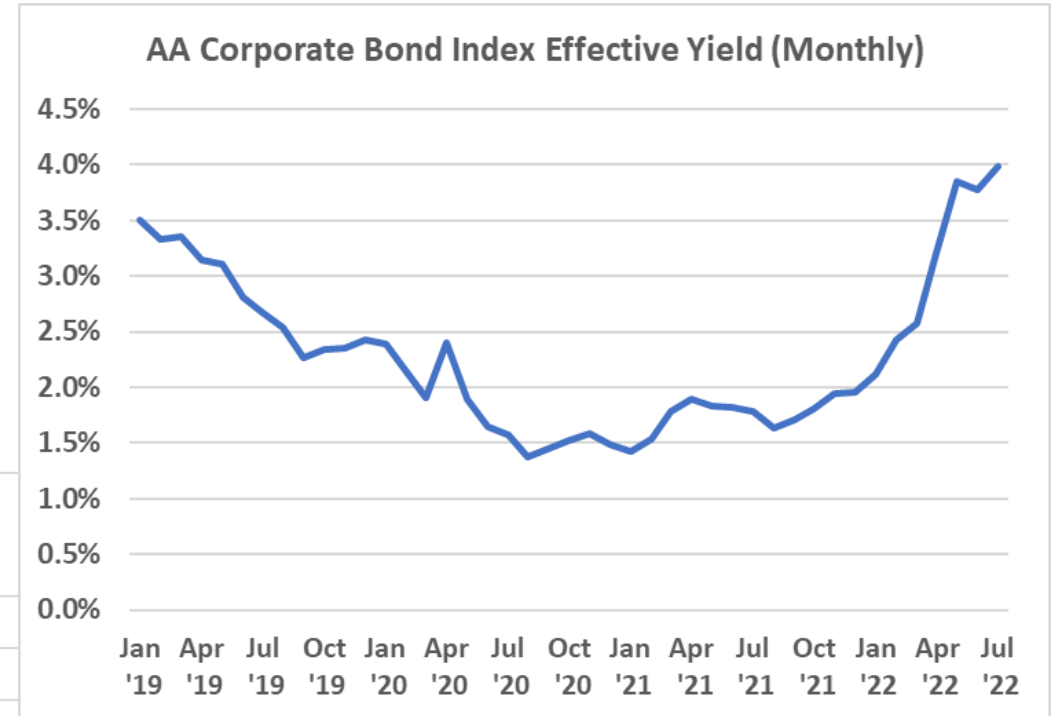
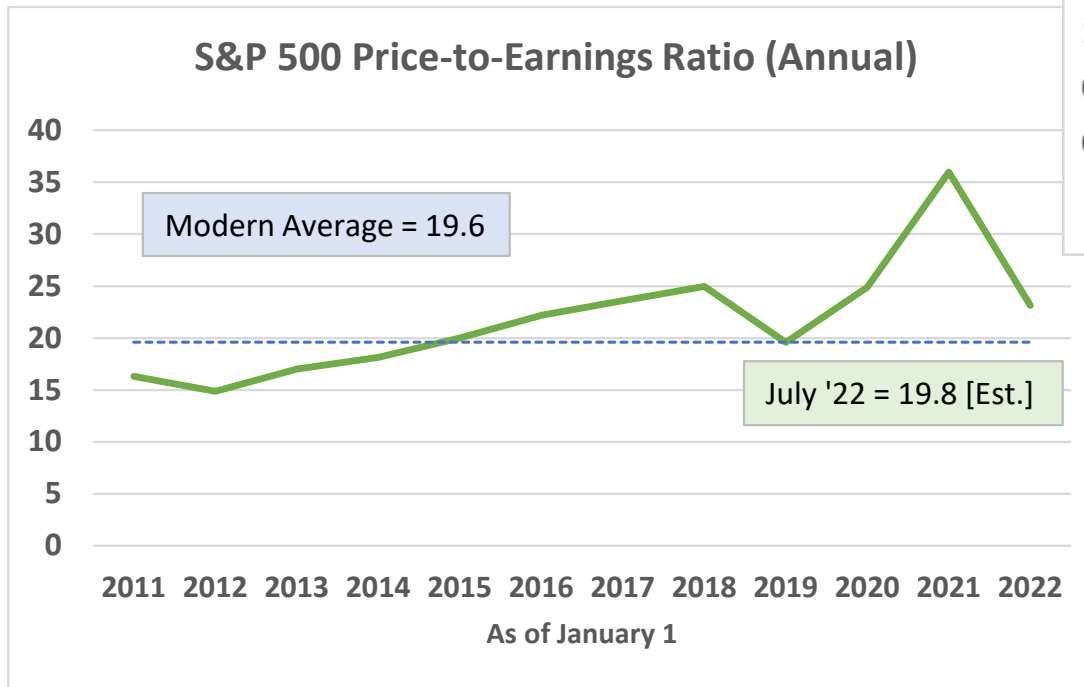
Economic Assumptions – Overview (continued)



*Payroll growth equals wage growth if stable active population is assumed.

Economic Assumptions – Current Environment

- Economic assumptions = changing environment
 - Interest rates have rebounded from historic lows
 - Price-to-earnings ratios have declined in 2022 and are now closer to historic averages
 - Inflation has spiked in 2021 and 2022



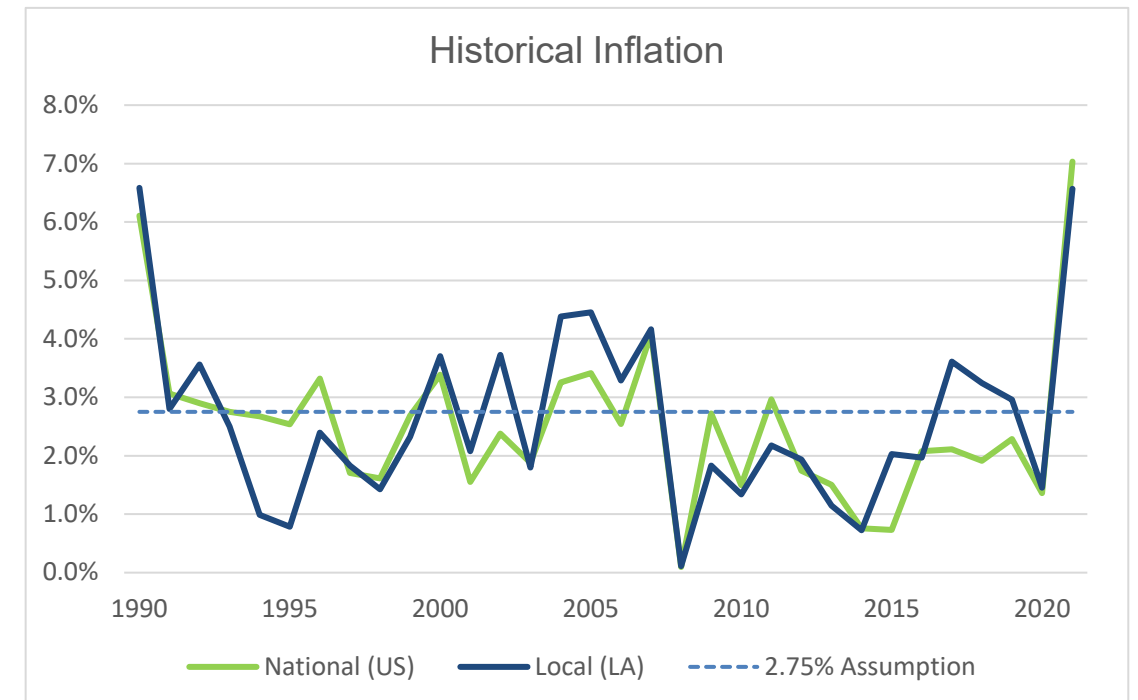
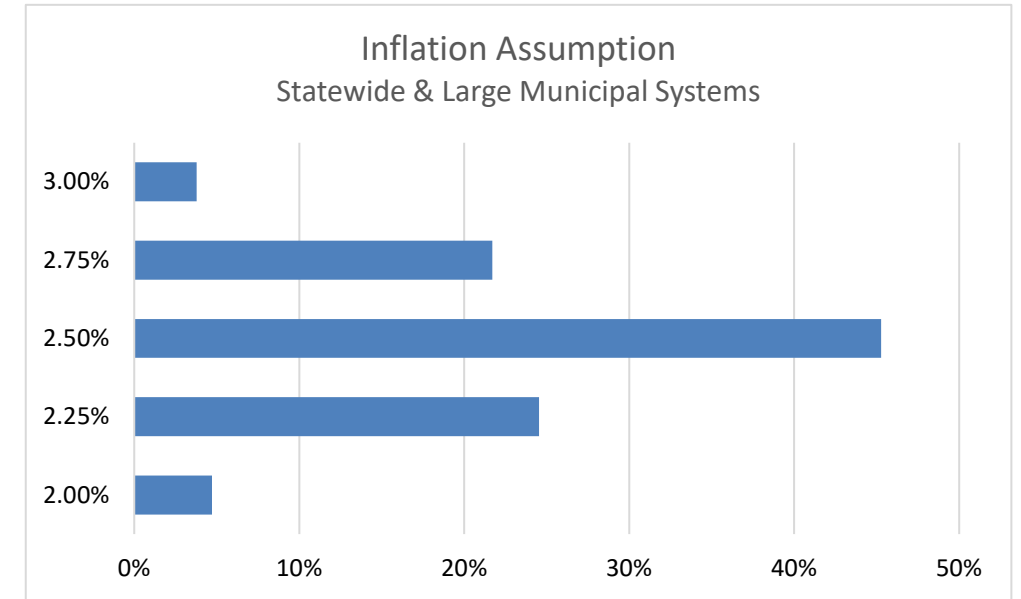
Economic Assumptions Summary

- No changes recommended to current economic assumptions

Economic Assumptions	Current	Recommended	Comment
National Price Inflation	2.75%	No Change	Current inflation levels are much higher than 2.75%, although most long-term forecasts are for less than 2.75%
Local Price Inflation	Equal to National Price Inflation (2.75%)	No Change	Generally set equal to national inflation, although past LA inflation has averaged slightly above national
Future COLAs	Local Inflation not greater than cap with adjustment for COLA bank (Varies by Plan)	No Change	Plan A: Current assumption is 2.75%, but for current retirees with a COLA bank > 0%, assumption is 3.0%. Other Plans: 2.0% (pro-rated amount for Plan E).
Wage Growth	Local Price Inflation + Real Wage Growth (3.25%)	No Change	Current assumption of 0.5% real wage growth over local price inflation is consistent with historical LACERA experience
Payroll Growth	Equal to Wage Growth (3.25%)	No Change	Assumes stable active population
Investment Return (Discount Rate)	7.00%	No Change	Long-term trend of decreasing expected returns continued through January of 2022; however, updated mid-year 2022 capital market expectations indicate some reversal (possibly short-term) of this trend.

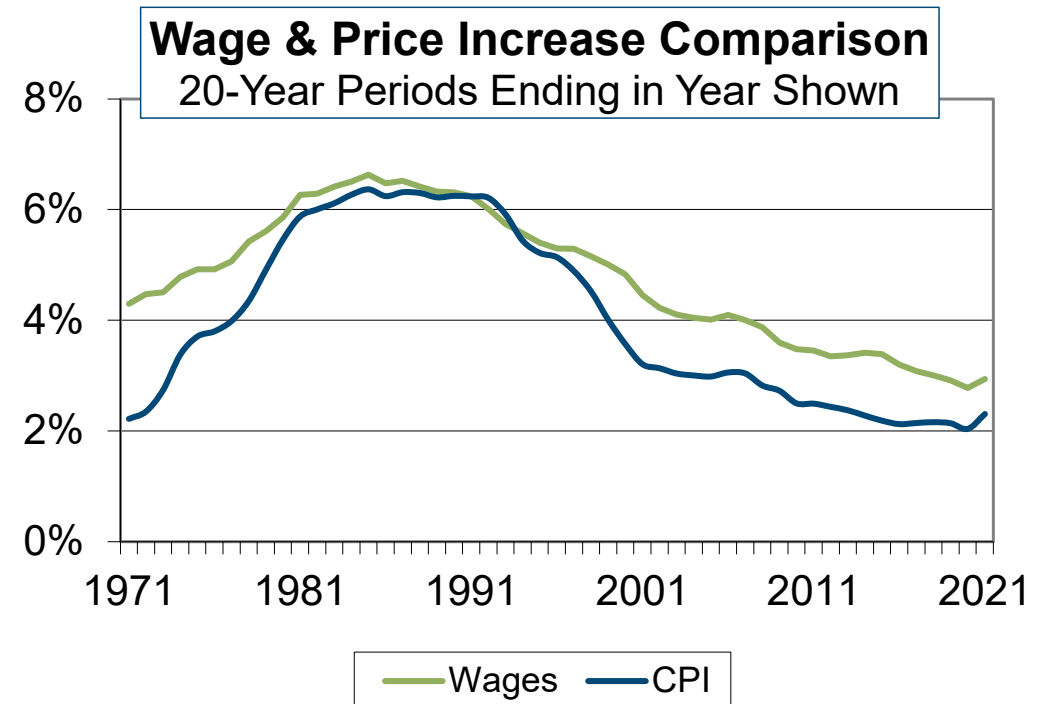
Price Inflation & COLA Assumption

- Current inflation assumption is 2.75%
 - CalPERS is 2.30% and CalSTRS is at 2.75%
 - 2.50% is median assumption for 100 largest systems
- Long-range Social Security projection is 2.4%
- Other forecasts for 20 years at June 30, 2022
 - Implied inflation from TIPS of 2.6%
 - Cleveland Fed = 2.3%
 - Milliman = 2.4% / Meketa = 2.1%
- Recommend keeping current 2.75% assumption
 - Wait and see if inflation reverts back to lower levels
- Set COLA assumption equal to plan maximum COLA, subject to price inflation assumption and COLA Bank levels



General Wage Growth

- An individual member's assumed annual salary increase is composed of:
 - Local inflation
 - Real wage growth
 - Individual merit/longevity component (demographic assumption)
- Real wage growth represents the increase in wages in excess of inflation due to improvements in productivity and competitive market pressures
- National average real wage growth has been 0.6% over last 50 years
- Social Security projections have 1.2% average real wage growth over long term
- Estimated LACERA-specific real wage growth has been close to the current 0.5% assumption
- Current assumption of 3.25% is reasonable
 - Local inflation of 2.75% + real wage growth of 0.5%



Payroll Growth

- The system payroll growth assumption is used in the calculation to amortize the unfunded liability
- Fairly standard among public retirement systems to have payroll growth equal to general wage growth
- Historical County payroll has increased at a greater rate than the general wage increase due to increase in number of active members, but this has for the most part levelled off over the last 10 years
- It is reasonable to keep the payroll growth assumption equal to the general wage growth assumption (currently 3.25%)

Expected Return – 2022 Capital Market Assumptions

- Milliman calculated the median expected return for LACERA’s target portfolio using the 2022 (beginning of year) capital market outlook assumptions from three sources
 - Meketa
 - Milliman
 - 2022 Horizon survey of capital market assumptions (survey of 40 investment advisors)
- Estimates do not reflect any possible “alpha” due to selected managers potentially outperforming market benchmarks over the long term
- Significant changes in economic environment first half of year

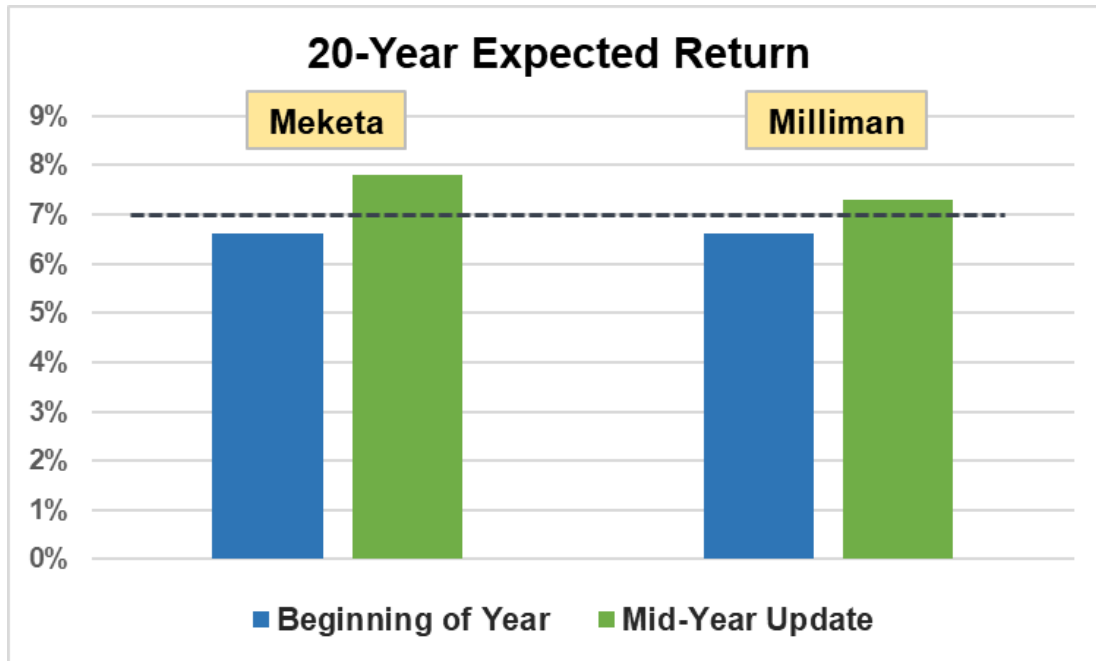
2022 Beginning of Year	Meketa	Milliman	Horizon
Based on 10-Year Assumptions			
Median Annualized Return	5.6%	5.8%	6.4%
Assumed Inflation	2.2%	2.4%	2.5%
Based on 20-Year Assumptions			
Median Annualized Return	6.6%	6.6%	7.0%
Assumed Inflation	2.2%	2.3%	2.4%

Notes:

1. *Returns are net of assumed expenses of 0.20% of assets.*
2. *The Horizon Survey reports a limited number of asset classes. In cases where there was not a corresponding asset class in the survey, Milliman’s assumptions for the corresponding time horizon were used.*
3. *Horizon 10-year assumptions include some consultants with less than 10 years. Horizon 20-year assumptions include some consultants with more than 20 years and are based on a subgroup of less than half of the full group.*

Expected Return – June 30, 2022 Update

- Both Milliman and Meketa updated their capital market assumptions to reflect changes in first half of the year
 - Result is significantly higher expected returns than analysis as of the beginning of the year



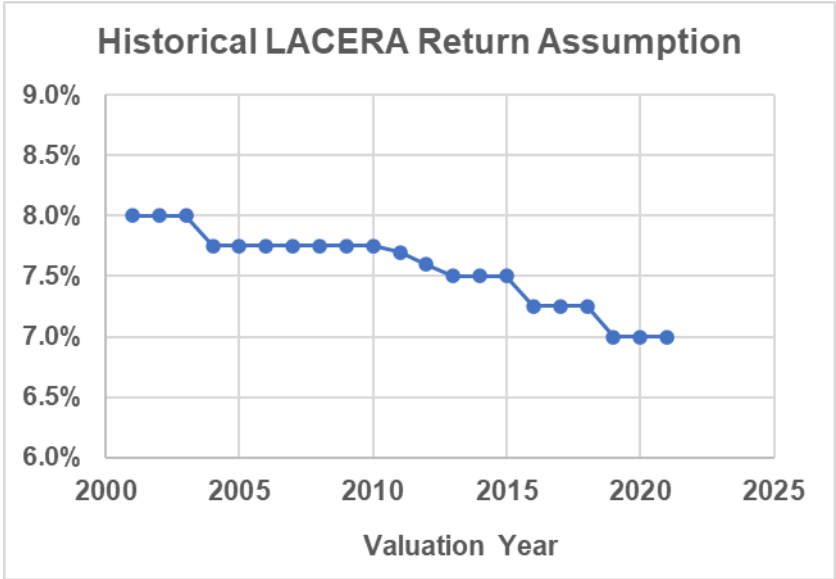
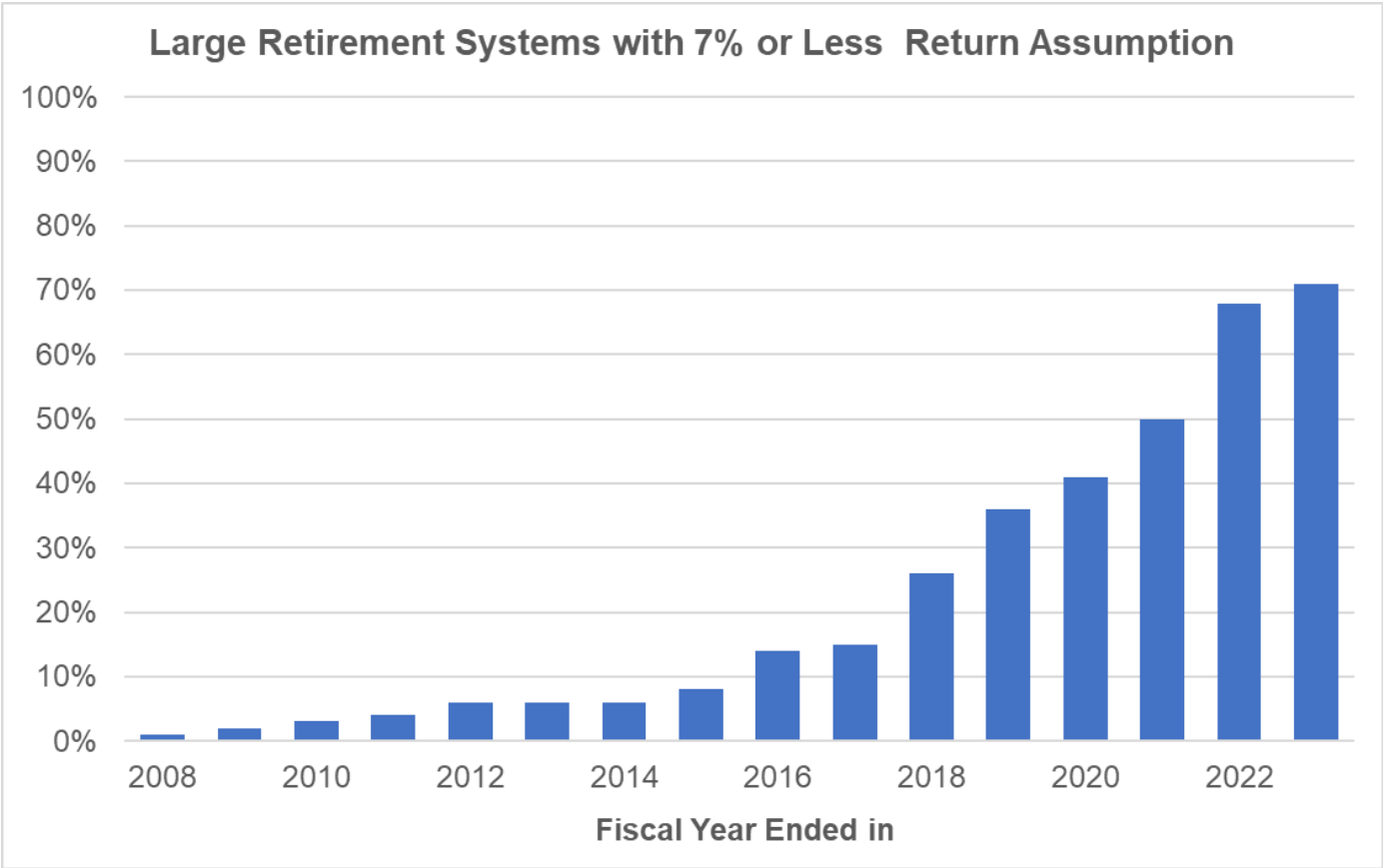
Mid-Year Update 2022	Meketa	Milliman	Horizon
Based on 10-Year Assumptions			
Median Annualized Return	7.3%	6.9%	Not
Assumed Inflation	2.1%	2.5%	Available
Based on 20-Year Assumptions			
Median Annualized Return	7.8%	7.3%	Not
Assumed Inflation	2.1%	2.4%	Available

Notes:

- Returns are net of assumed expenses of 0.20% of assets.
- The Horizon Survey is annual, so mid-year update is not available.

Investment Return Assumption Trend

- Over 70% of large public retirement systems now have an investment return assumption of 7% or less



- LACERA’s return assumption has followed a similar pattern to other large retirement systems
- Price inflation has decreased from 4.00% to 2.75% over period (2000 to 2021)

Actuarial Methods

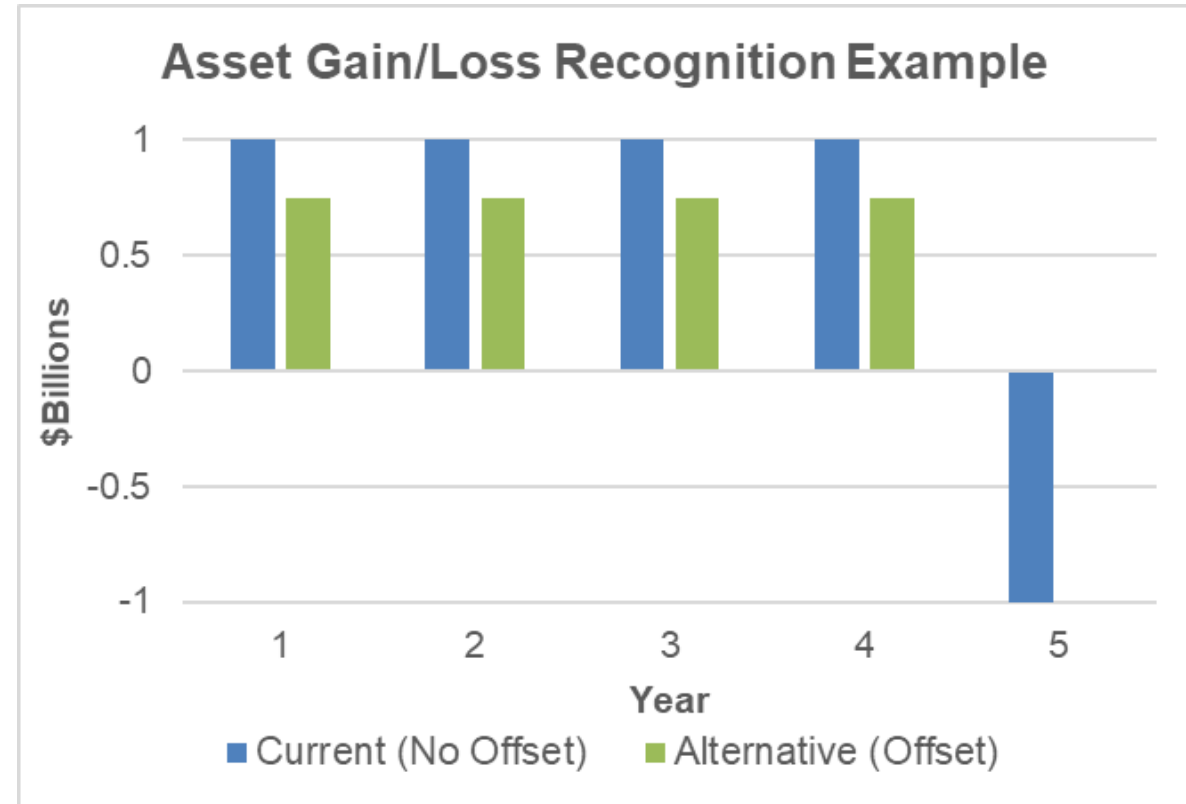
Actuarial Methods

- No changes needed to current actuarial methods, but 3 modifications to current methods recommended for Board consideration

Actuarial Methods	Current	Alternative	Comment
Actuarial Cost Method	Entry Age	None suggested	Current method results in level Normal Cost rate.
Actuarial Asset Method	5-Year Smoothing	5-Year Smoothing with Offsets	Alternative results in smoother employer contribution rates in most cases (difference is generally small). Offsetting method is uncommon.
Amortization Method	20-Year Layered Level % of Pay	None suggested	Current method provides a good balance between progress toward 100% funding and stable employer rates and was studied in detail last experience study.
Administrative Expense Treatment	Implicit	Explicit	Explicit approach may be viewed as more transparent, but in practice it makes little difference and can cause some shifting of costs between members and employers.
STAR Reserve Treatment	STAR Reserve <u>included</u> with Valuation Assets	STAR Reserve <u>excluded</u> with Valuation Assets	Current method includes STAR Reserve in valuation, but does not account for liabilities associated with STAR COLAs that may be granted in the future. Extensive analysis and discussion previously done prior to BOI adopting this approach.

Actuarial Methods – Asset Smoothing Modification Example

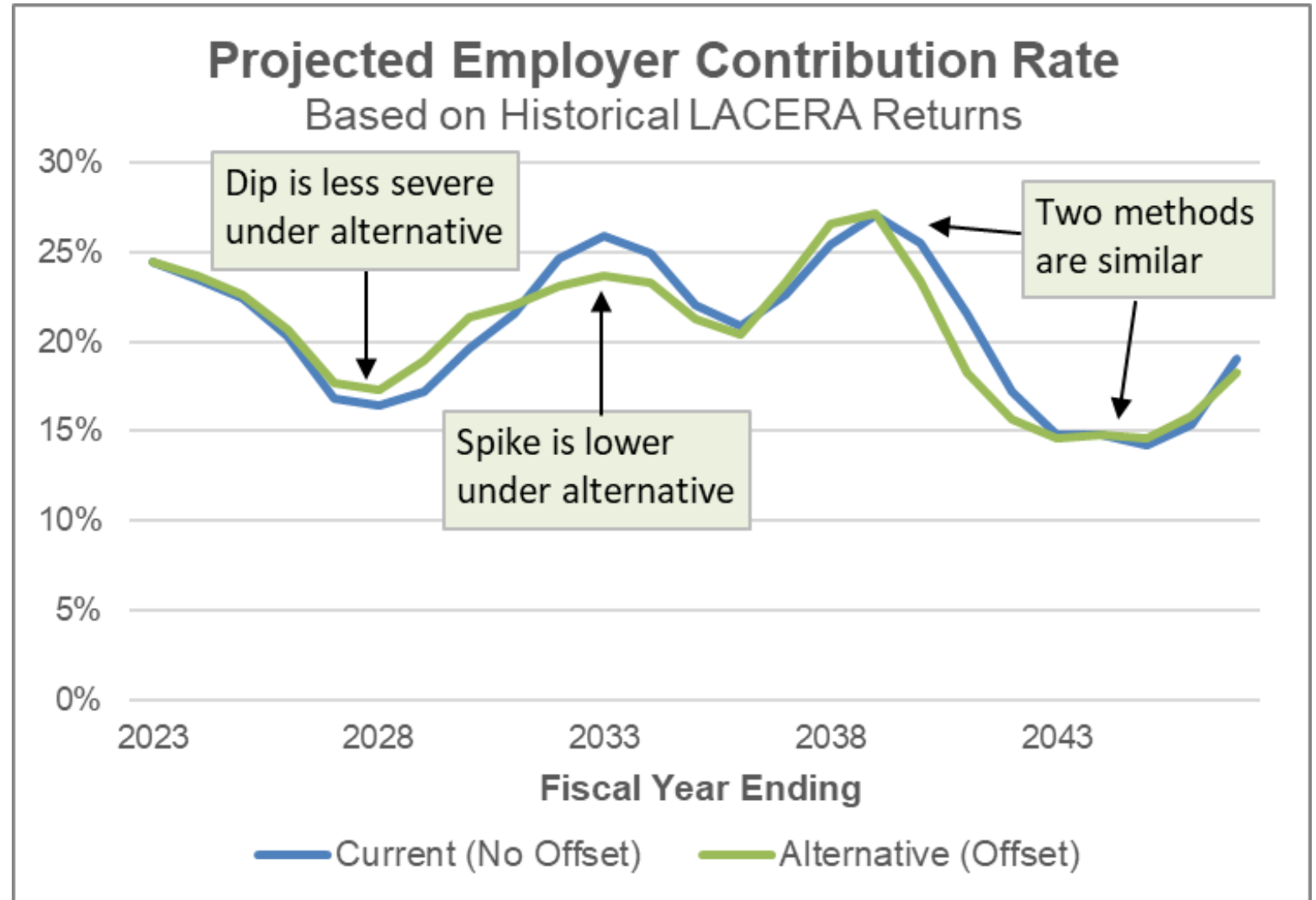
- Alternative would still smooth asset gains and losses over 5 years; however, before smoothing is applied, current year gain (or loss) is offset against prior losses (or gains), if any
 - Offsetting is expected to reduce the likelihood and magnitude of spikes or dips in employer contribution rates in most cases
- Example (simplification of LACERA situation)
 - \$10B gain in FYE2021 → \$2B gain recognized for next 5 years (Years 0-4)
 - \$5B loss in FYE2022 → \$1B loss recognized for next 5 years (Years 1-5)
 - Modification would offset the \$8B gain remaining from the FYE2021 gain in Year 1 with the \$5B loss, leaving a \$3B gain and no loss; \$3B gain is recognized evenly over remaining period (Years 1-4)



Under the current method, a net asset gain is recognized for years 1-4 followed by a loss in year 5, resulting in a decreasing employer rate but an increase in the last year. Under the alternative method, a smaller gain would be recognized resulting in smaller decreases in the employer rate in years 1-4 but there would not be an increase in year 5.

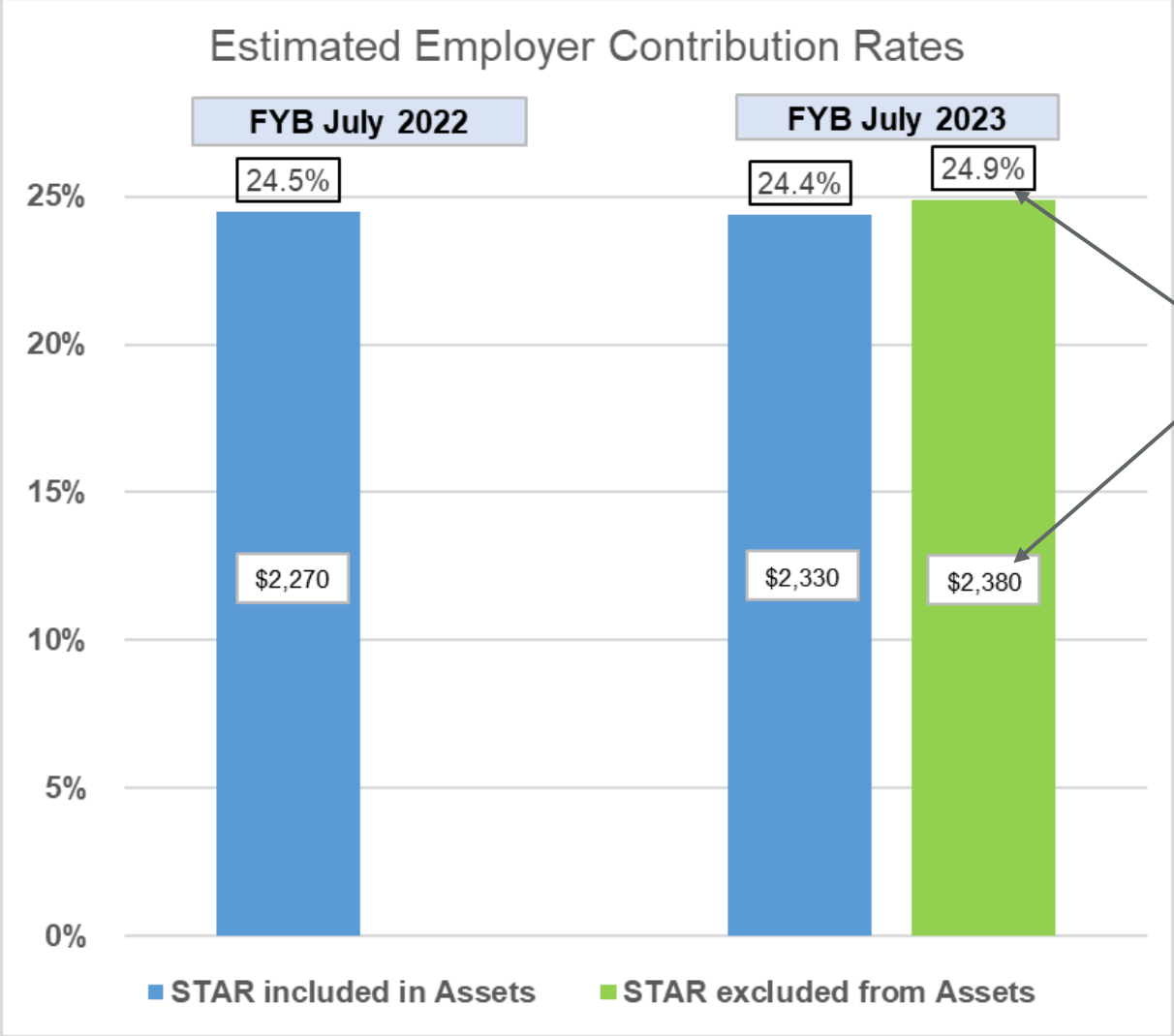
Actuarial Methods – Asset Smoothing Modification Example #2

- “Real life” example:
Projection of employer contribution rate if actual LACERA returns from last 25 years were to repeat for next 25 years
 - Shows lower contribution rate volatility using offsetting method
- Average year-to-year rate change over period:
 - Current: 1.93% of pay
 - Alternative: 1.67% of pay



Estimated Financial Impact

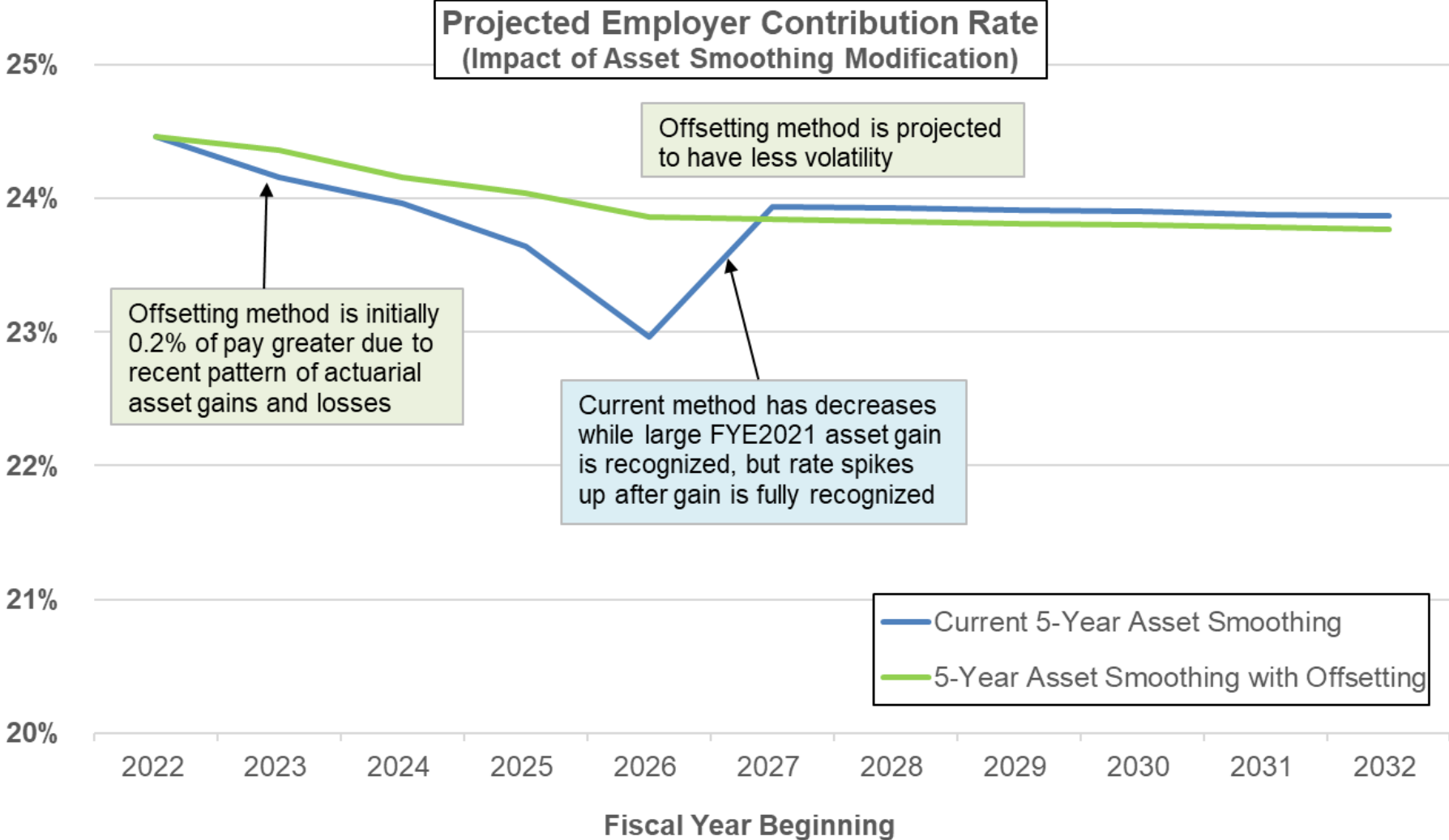
Financial Impact – STAR Treatment and Estimated FYE2022 Experience



Top row of boxes in chart shows estimated employer rates. Bottom row of boxes shows estimated employer contributions in \$millions.

- Estimated FYB 2023 rates reflect
 - Modification to asset smoothing (+0.2% of pay)
 - Following experience
 - Actual return for FYE 2022
 - Actual payroll for FYE 2022
 - Actual CPI for December 2021

Financial Impact – Asset Smoothing Modification



Recommendations

- Economic assumption recommendations
 - Keep investment return assumption at 7.00%
 - Trend of lower return assumptions among public sector retirement system continues; however, there has been a recent increase in forecasts of future returns
 - 7.0% assumption maintains smooth employer and member contribution rates, and allows for some reversion in expected returns
 - Keep other economic assumptions at current levels
- Recommendation for treatment of STAR Reserve
 - Exclude STAR Reserve from valuation assets
- Other actuarial methods recommendation
 - Two modifications to current methods
 - Adding offsetting to asset smoothing
 - Shorter recognition of changes in plan provisions that increase benefits

Questions



Caveats and Disclaimers

This presentation is based on the data, methods, assumptions and plan provisions described in our actuarial valuation report dated November 22, 2021, supplemented by information included in the Preliminary Funding Estimate letter dated September 23, 2022. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation.

These statements include reliance on data provided, on actuarial certification, and the purpose of the report.

Milliman's work product was prepared exclusively for LACERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations, and uses LACERA's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

Appendix: Glossary & Supplemental Information

Glossary

Glossary

- **Actuarial Accrued Liability (AAL):** That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
- **Actuarial Asset Smoothing:** A method used to determine the Actuarial Values of Assets that reduces the effect of short-term market volatility while still tracking the overall movement of the market value of assets.
- **Actuarial Assumptions:** Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disability, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets. The Actuarial Assumptions fall in to two main categories: Demographic and Economic Assumptions.
- **Actuarial Methods:** Procedures used to determine the Actuarial Value of Assets; how the liabilities (value of promised benefit payments) are allocated to accrued and future; how the Unfunded Actuarial Accrued Liability is systematically paid down (amortization method); and other relevant items.
- **Actuarial Standards of Practice:** The Actuarial Standards Board sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.

Glossary (continued)

- **Actuarial Valuation:** The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
- **Actuarial Value of Assets:** The value of cash, investments and other property belonging to a pension plan after reflection of Actuarial Asset Smoothing, as used by the actuary for the purpose of an Actuarial Valuation.
- **Alpha:** Actual investment return, if any, above the benchmark return.
- **Amortization Payment:** That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
- **Capital Market Assumptions (or Expectations):** Capital Market Assumptions are numerical expectations about the future performance of available asset classes that incorporate theories, observations and experience. Each asset class has an expected return, variance and correlation between other asset classes.
- **COLA:** LACERA retirement and survivor allowances are adjusted annually by the cost-of-living adjustment (COLA). The adjustment is based on changes in the cost of living over the previous 12-month period as of December 31.
- **COLA Bank:** Also referred to as the COLA Accumulation. The COLA Bank is the accumulation of annual CPI increases that exceed the COLA Cap. In years where the CPI increase is less than the COLA Cap, a withdrawal from the COLA Bank takes place to increase the actual COLA granted, up to the COLA Cap.

Glossary (continued)

- **COLA Cap (Maximum):** LACERA retirees and beneficiaries cannot receive an annual COLA increase above the COLA Cap. For Plan A, the amount is 3%; for other plans the maximum is 2%.
- **CPI:** Consumer Price Index. Used to measure local and national price inflation.
- **Demographic Assumptions:** Assumptions as to the occurrence of future events specific to member experience, such as: mortality, withdrawal, disability, retirement, and changes in compensation in excess of General Wage Growth.
- **Discount:** The discount is the reduction that is applied to future cash flows (primarily benefit payments and contributions) to determine the present value as of the valuation date of those cash flows. For LACERA, the discount rate is equal to the investment return assumption.
- **Economic Assumptions:** Assumptions as to the occurrence of future events specific to economic factors, such as: investment returns, compensation increases related to inflation and productivity, and inflation.
- **General Wage Growth:** Increases in compensation related to the general economy and not related to individual merit, promotion and longevity increases.
- **Inflation:** See Price Inflation.
- **Investigation of Experience:** Periodic review of Actuarial Assumptions to review recent experience and future forecasts. For LACERA, this is completed every three years

Glossary (continued)

- **Layered Amortization Period:** Payment of each year's change in the Unfunded Actuarial Accrued Liability (UAAL) is amortized over separate closed periods. For LACERA, the original UAAL as of June 30, 2009 is being 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 all existing layers with more than 22 years remaining as of June 30, 2020 were re-amortized over closed 22-year periods. All new UAAL layers thereafter are amortized over closed 20-year periods beginning with the date the contribution is first expected to be made. All amortization payments are based on a level percent of pay.
- **Legacy:** Legacy plans are those plans that existed prior to the implementation of PEPRA. For LACERA, these are the following defined benefit plans: General Plans A, B, C & D and Safety Plans A & B.
- **Median Expected Return:** The numerical value that there is a 50% probability the actual return will exceed (and 50% probability it will fall short of) this value over a long-term time horizon on annualized geometric basis.
- **Merit Salary Increases:** Salary increases in excess of the General Wage Growth that are expected as a member moves through their career related to merit, promotion and longevity.
- **Payroll Growth:** The annual increase in the pensionable payroll used in the calculation of the UAAL amortization rate.

Glossary (continued)

- **PEPRA:** The California Public Employees' Pension Reform Act (PEPRA) of 2013 specifies benefit provisions for LACERA General Plan G and Safety Plan C. It also governs certain provisions of other LACERA plans and places additional restrictions on employer contribution rates to be paid.
- **Price Inflation:** A sustained increase in the general level of prices for goods and services.
- **Price-to-Earnings (P/E) Ratio:** The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its earnings per share. P/E ratios are used by investors and analysts to determine the relative value of a company's shares in an apples-to-apples comparison
- **Projected Benefits:** Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.
- **Real Rate of Return:** The portion of the expected investment return that is in excess of national Price Inflation.
- **Real Wage Growth:** The portion of General Wage Growth that is not related to local Price Inflation.

Glossary (continued)

- **STAR Reserve:** Reserves accumulated for the payment of cost-of-living benefits as defined in California Government Code Section 31874.3. Supplemental Targeted Adjustment for Retirees (STAR) Benefits Supplemental cost-of-living payments to retired members to restore purchasing power at a specified percentage level, as described in California Government Code Section 31874.3.
- **Unfunded Actuarial Accrued Liability (UAAL):** The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
- **Valuation Date:** The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
- **Wage Growth:** See General Wage Growth.

Supplemental Information

Reasonable Assumptions

- Under Actuarial Standards of Practice, an assumption is reasonable if:
 - It is appropriate for the purpose of the measurement
 - It reflects the actuary's professional judgment
 - It takes into account current and historical data that is relevant to selecting the assumption for the measurement date
 - It reflects the actuary's estimate of future experience and/or observation of the estimates inherent in market data
 - It has no significant bias (i.e., it is not significantly optimistic or pessimistic)
- There may be more than one reasonable assumption
 - From ASOP #27: *Range of Reasonable Assumptions—Due to the uncertain nature of the items for which assumptions are selected, the actuary may consider several different assumptions reasonable for a given measurement. Different actuaries will apply different professional judgment and may choose different reasonable assumptions. As a result, a range of reasonable assumptions may develop, both for an individual actuary and across actuarial practice.*

STAR Reserve Treatment

	Current (Include STAR)	Alternative (Excldue STAR)
Treatment of STAR COLA Reserve & Future STAR COLA Awards	STAR Reserve is included with Valuation Assets, but liabilities associated with future STAR COLA awards are excluded	Both STAR Reserve and liabilities associated with future STAR COLA awards are excluded
What happens if a permanent STAR COLA is awarded?	Increase in UAAL. Transfer is made from STAR Reserve to Employer Reserve but has no impact on Valuation Assets (since both Employer and STAR Reserves are included in Valuation Assets), but added STAR COLA benefits increase liabilities	No change in UAAL. Transfer from STAR Reserve increases Valuation Assets by same amount liabilities are increased due to added STAR COLA benefits
Financial Impact -- Immediate (based on 2021 valuation)	None (since current methods include STAR Reserve in Valuation Assets)	Employer Contribution Rate: +0.49% of Pay Funded Ratio: -0.8%
Financial Impact -- Future Years	Each year a STAR COLA award is made, the increase in liabilities will show up as an actuarial liability loss and a gradual increase in the employer contribution rate	None
Actuarial Standards of Practice	To comply with the Actuarial Standards of Practice, the impact of including the STAR Reserve but not the associated liabilities must be disclosed	Complies with Actuarial Standards of Practice. No special disclosure is required

Investment Return Considerations – Expenses

- Investment return is assumed to be net of all expenses
 - → Expected return should be net of expected investment + administrative expenses
- Many capital market assumptions are already net of investment expenses
 - For asset classes that are not net of expenses and other fixed investment expenses (e.g., custodian expenses), we have estimated fees
 - We estimate this is approximately 0.05% of assets
- Administrative expenses
 - Historical analysis shows administrative fees have been approximately 0.15% of the beginning market value

Year	Beginning Market Assets	Admin. Expense	
		Amount	Ratio
2012	\$38,307	\$54	0.14%
2013	41,774	59	0.14
2014	47,722	63	0.13
2015	48,818	67	0.14
2016	47,847	67	0.14
2017	52,743	78	0.15
2018	56,300	83	0.15
2019	58,295	85	0.15
2020	58,510	91	0.16
2021	73,012	100	0.14

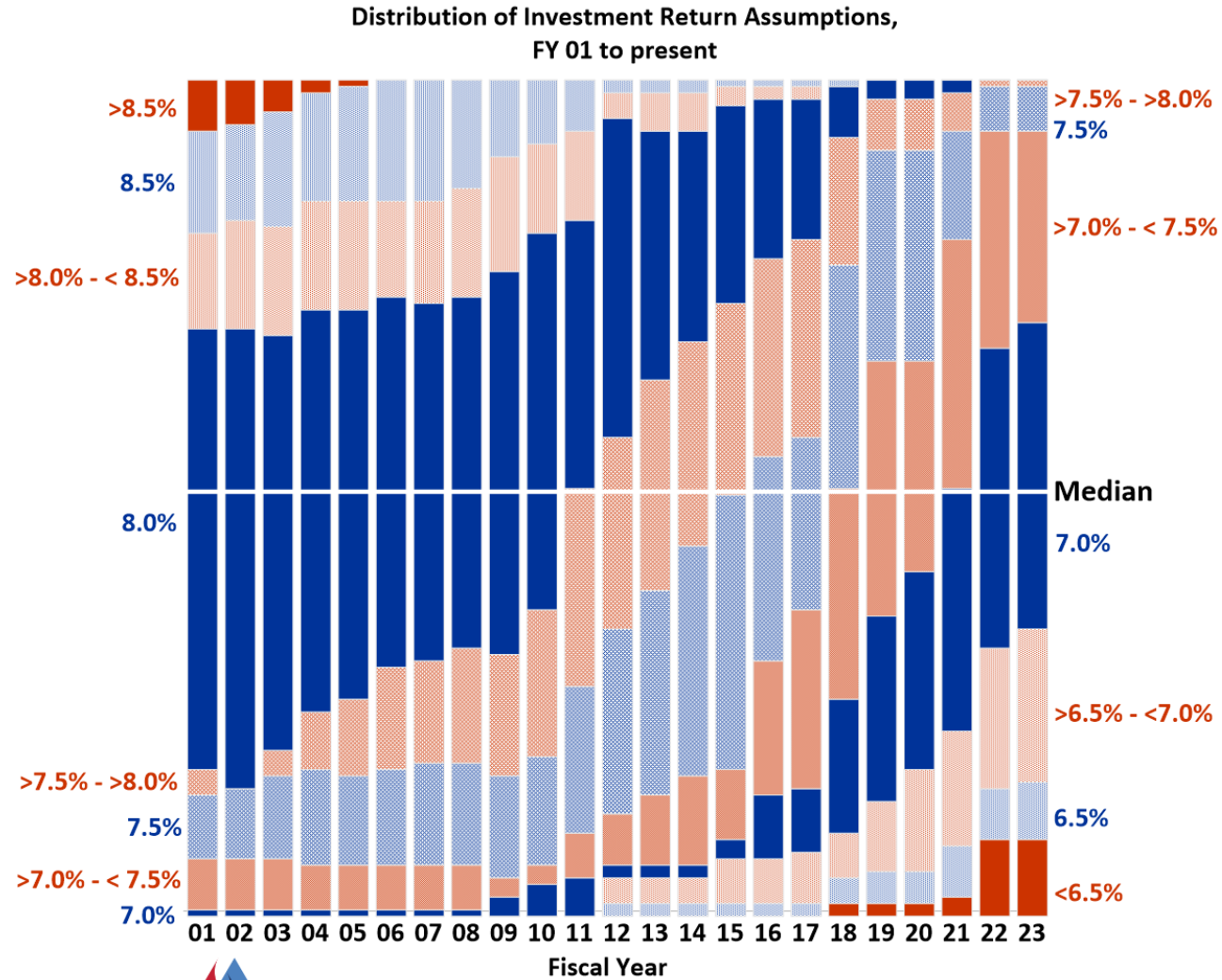
Investment Return Considerations – Time Horizon

- As LACERA has matured, greater portion of benefits to be paid in the short term
 - Present Value of Future LACERA Benefits (PVB) is \$100 billion for all LACERA members and beneficiaries as of June 30, 2021
 - Over half of the value of projected future payments is expected to be paid in the next 15 years

% of PVB Paid by Year		
Years	% of Total	Cumulative
1 - 5	18.9%	18.9%
6 - 10	16.8%	35.8%
11 - 15	14.6%	50.4%
16 - 20	12.4%	62.8%
20 - 25	10.3%	73.1%
26 - 30	8.3%	81.4%
30+	18.6%	100.0%

- Meketa’s 10-year⁽¹⁾ expected return is 7.3% (net of all expenses), compared to 7.8% for 20 years
- Milliman’s 10-year⁽¹⁾ expected return is 6.9% (net of all expenses), compared to 7.3% for 20 years

Investment Return Assumption – Other Systems



Attachment B

Actuarial Projects 2022 - Roadmap

Actuarial Projects 2022

Pension Plan

Risk Assessment Report

Milliman will present the 2022 Risk Assessment report for the June 30, 2021 Valuation report.

Demographic Assumptions

This meeting will focus on the review and methods used for the demographic (retirement rates, mortality rates, etc.) assumptions done by Milliman.

Valuation Report

Milliman will discuss the actuarial valuation results using the Board's approved assumptions in the experience study report.

June 2022

October 2022

November 2022

December 2022

March 2023

Apr.–May 2023

Economic Assumptions

The actuary will review and recommend changes on assumptions such as Price inflation, wages inflation, discount rate, payroll growth.

Experience Study Report

The Board will need to decide on the actuary (Milliman) recommendations for both the demographic and economic assumptions changes.

EE and ER Contribution Rates Presentation

California State Law requires LACERA to transmit the approved and recommended contribution rates to the Board of Supervisors prior to May 15.

FOR INFORMATION ONLY

September 26, 2022

TO: Trustees – Board of Investments

FROM: Scott Zdrazil ^{Sc}
Principal Investment Officer

FOR: October 12, 2022, Board of Investments Meeting

SUBJECT: **COUNCIL OF INSTITUTIONAL INVESTORS VOTING BALLOT**

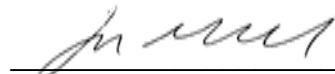
Please find attached LACERA's ballot (**ATTACHMENT**) for the September 21, 2022, business meeting of the Council of Institutional Investors ("CII"), of which LACERA is a member. CII members voted on four ballot items at the meeting, including two amendments to CII's bylaws, approval of CII's annual budget, and one modification to CII policy on best governance standards which it uses for advocacy with companies and regulators. All voting items were overwhelmingly approved. The policy revisions were:

1. Amend CII bylaws to facilitate electronic member voting
This amendment enables CII members to vote electronically going forward.
2. Amend CII bylaws to delegate to the CII board authority to set all member dues
This amendment adjusts the board's delegated authority to set all member dues, whereas previously the board could adjust dues for some but not all categories of membership. The amendment enables the boards to consider dues adjustments in a manner that is consistent across members, fair, and in line with practices at peer associations such as National Coalition of Public Employee Retirement Systems, National Association of State Retirement Administrators, International Corporate Governance Network, and others.
3. Approve CII's 2023 annual budget
4. Amend CII's governance principles regarding overboarding
This update suggests corporate directors should serve on no more than two boards if they are employed full-time and others should limit board service to no more than four boards in order to ensure adequate time to best serve investors' interests.

Staff submitted LACERA's vote in advance of the vote deadline, consistent with *Corporate Governance and Stewardship Principles* guidance and in consultation with the Corporate Governance Committee Chair.

Attachment

Noted and Reviewed:



Jonathan Gabel
Chief Investment Officer

For advance voting, please return proxies before 5:00 PM ET on Friday, September 16, to Michael@cii.org. Alternatively, you may email Michael to request the ballot via DocuSign

CII U.S. Asset Owner Members' 2022 Fall Conference Proxy Date: September 13, 2022

CII Member (Organization/Fund Name): LACERA - Los Angeles County Employees Retirement Association

Member Representative: Print Name: Scott Zdrazil

Business Meeting Action Items:

1. Policies Ballot Item 1: Approve bylaw amendment to enable electronic voting
See Appendix 1, page 4. X FOR _____ AGAINST _____ ABSTAIN

2. Policies Ballot Item 2: Approve bylaw amendment to delegate to the CII board the authority to set dues for all members
See Appendix 2, page 6. X FOR _____ AGAINST _____ ABSTAIN

3. Policies Ballot Item 2: Approve 2023 budget
See Appendix 3, page 9. X FOR _____ AGAINST _____ ABSTAIN



4. Policies Ballot Item 2: Approve update to Section 2.11 of CII Corporate Governance Policies on board size and service
See Appendix 4, page 15. X FOR _____ AGAINST _____ ABSTAIN

PLEASE NOTE: One vote per member organization. All ballots must be signed by a Membership representative. U.S. Asset Owner Members may change their votes at business meetings when they have previously submitted a proxy in advance of the meetings. A majority of U.S. Asset Owner Members must be represented in person or by ballot at Council meetings for the transaction of business. Ballot items require the affirmative vote of a majority of those voting. All ballots are confidential.

FOR INFORMATION ONLY

October 1, 2022

TO: Trustees – Board of Investments

FROM: Esmeralda del Bosque, Acting Principal Investment Officer 
Cindy Rivera, Senior Investment Analyst 

FOR: October 12, 2022 Board of Investments

SUBJECT: **REAL ESTATE PROCESS WORKFLOW FINDINGS – UPDATE IV**

BACKGROUND

At the July 2, 2019 Board of Investments (“BOI”) Offsite, the Real Estate Process Workflow Team (“Team”) presented findings and recommendations that resulted from the Team’s process workflow project. The project documented and reviewed the Investment Division’s real estate operations and incorporated responsibilities from LACERA’s real estate, legal, accounting, internal audit, and investment departments. To facilitate enhanced investment operations for the then 22 commingled funds and 98 Title Holding Companies (“THCs”) that hold title to LACERA’s separate account properties, the Team identified four categories of potential operational improvements: (1) the need for an Independent Book of Record; (2) to Enhance Fiduciary Safeguards with the Banking Partner for real estate separate account portfolios; (3) to Revise Separate Account Investment Manager Contracts; and (4) to Enhance Internal Processes.

Updates to the July 2019 memo were provided at the January 2020, November 2020, and July 2021 BOI meetings. This report is the fourth to include progress reviews for each of the four categories. Notably, many of the identified tasks that posed the most significant operational risk to LACERA’s real estate program, namely independent accounting, wire management, asset valuation, and performance calculation, were completed as of the prior process workflow memo.

In this update, we note completion of efforts focused on improving operational efficiencies such as banking-related cash management processes, manager takeover of day-to-day cash management operations, and refined procedures. The tasks that remain fall under staff’s broader review of THC operations and are addressed in this memo. These include the potential modification of separate account investment manager contracts to facilitate a transfer of additional operational functions (namely, engagement of financial auditors and tax preparers) from staff to asset managers.

REAL ESTATE PROCESS IMPROVEMENTS UPDATE**1. Independent Book of Record**

The first category of improvements, which had initially identified the need to have an independent book of record and a refined reconciliation process for real estate, was completed as of the prior update memo. Currently, State Street provides accounting, administration, outgoing wire management, and performance services for every investment asset class at LACERA. As with all third-party services, the State Street relationship is reviewed regularly, and relevant procedures are revised as necessary.

Status of Completion: 100% 

2. Enhance Fiduciary Safeguards with Banking Partner

Most items in the second category of improvements, which cover enhanced safeguards for THC banking through Bank of America, were complete as of the prior update. Since then, the balance of tasks was addressed with a broader examination of the THC structure during the Real Assets & Inflation Hedges 2021 Structure Review, Part 1: Real Estate (BOI-approved January 2022). In that structure review, BOI Trustees approved an unwinding of the separate account portfolio and its inherent THC structure.

As noted in previous memos, staff recognizes the outsized operational risks that the THC structure introduces to LACERA, many of which touch the THC banking model. THCs require a multi-department coordination and effort. As part of the Real Estate structure review, staff reviewed best practices and took recommendations from the BOI’s general consultant (Meketa Investment Group), real estate consultant (StepStone Group), asset managers, and internal staff on operational duties historically led by LACERA staff. These duties included banking cash management, payment processing, reconciliation procedures and other tasks. Through the review, LACERA staff identified that cash management responsibilities can move to the separate account real estate asset managers who already engage in these services for other clients and have an in-depth control environment that minimizes operational risks.

2 Enhance Fiduciary Safeguards with Banking Partner		
Original memo	Prior Updates	Current Update
<ul style="list-style-type: none"> ▪ Evaluate the feasibility of moving the separate account investment manager accounts to LACERA’s custodian, State Street Bank ▪ Review authority levels of account access & fraud protections ▪ Meet with the bank to refine several day-to-day tasks 	<ul style="list-style-type: none"> ▪ Added to Administrator RFP evaluation ▪ Authority levels of account access ▪ Enhance fraud protections ▪ Set-up a system to reconcile activity and balances for each investment manager account ▪ Improve cash management process: More wires, less physical checks ▪ Review account opening/closing procedures ▪ Assess record keeping practices ▪ Review and update operational procedures for banking relationship 	<ul style="list-style-type: none"> ☑ Complete ☑ Complete ☑ Complete ☑ Complete ☑ Complete <ul style="list-style-type: none"> ▪ Internal audit and LACERA stakeholders reviewed physical check processing and significantly reduced check volume ☑ Complete ☑ Complete ☑ Complete <ul style="list-style-type: none"> ▪ RE Team refined procedures as part of Investment Procedural Manual, which is continually updated, as necessary
Status of Completion: 100%		

After careful consideration and discussions with asset managers, banking relationship managers, and internal LACERA departments (Audit, Legal, and FASD), LACERA real estate has engaged in transferring certain cash management operations to asset managers via:

- 1) Increased online banking administrative access levels so managers may add, delete, and entitle users;
- 2) Increased online wire module access to enable advisors to set up and approve wires. Typical wire activity includes regular distributions to LACERA and occasional payments to third-parties (e.g., JV partner distributions, loan payments, etc.); and
- 3) Direct communication with LACERA’s banking partner, Bank of America, allowing managers to communicate directly with Bank of America with processing questions, thereby removing reliance on LACERA staff as intermediaries.

In addition, when an account needs to be updated or closed, separate account advisors will be able to communicate directly with Bank of America and complete the changes with LACERA’s approval.

3. Revise Separate Account Investment Manager Contracts

Previous memos also discussed the role that LACERA’s Legal Division plays in the ongoing administration of LACERA’s separate account assets. The review of THC best practices identified opportunities to transfer some operational functions from staff to asset managers.

3 Separate Account Investment Manager Contract Revisions		
Original Memo	Prior Updates	Current Update
<ul style="list-style-type: none"> ▪ Amend agreements to expand responsibilities as part of investment manager’s scope of work <ul style="list-style-type: none"> – Monitor and pay invoices and state registration fees – Engage financial auditors and tax preparers – Submit tax filings; monitor unclaimed property 	<ul style="list-style-type: none"> ▪ Staff is reviewing contract terms as a first step in identifying tasks that could potentially be transferred to the separate account investment managers ▪ Scope to include operations, alignment of interests, and capital commitment limits 	<ul style="list-style-type: none"> ☑ Complete <ul style="list-style-type: none"> ▪ Managers now monitor and pay invoices and state registration fees ▪ A review of best practices and manager contracts regarding a transfer of cash management operations was completed 🕒 In Progress <ul style="list-style-type: none"> ▪ A review of best practices and manager contracts regarding engagement of financial auditors and tax preparers is in progress ▪ A review of managers’ ability to take over engagement of financial auditor and tax preparer services for FY23 is forthcoming
Status of Completion: 50%		

Investments and Legal reviewed the THC contracts and determined that it is within the managers’ scope of work to monitor and pay invoices and state registration fees. As a result, the payment processing task was transitioned from Legal staff to the separate account investment managers. On an ongoing basis, Legal and Investments staff will collaboratively monitor the completion of state registration payments.

In addition, the Team’s original findings memo (July 2019) considered manager engagement of financial auditors and tax preparers. These specific tasks relate to contracting terms regarding financial audit services. LACERA’s Internal Audit division manages the financial audit process and noted that the five-year contract for the current service model will expire at the end of the Fiscal Year 2022 audit period. Investments and Legal will review the scope of work for each manager contract and collaborate with Internal Audit to determine managers’ ability to take on the services in the next five-year cycle, starting in Fiscal

Year 2023.

4. Enhance Internal Processes

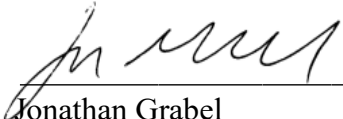
The fourth set of enhancements focused on internal processes. All internal process enhancement efforts originally identified were completed as of prior update. Since audits are conducted regularly, findings will be addressed as they occur. Additionally, process enhancements may be identified as a result of ongoing best practices reviews.

Status of Completion: 100%

CONCLUSION

In July 2019, a multi-departmental team of LACERA staff conducted a process workflow review of LACERA's real estate operations and provided a report of findings and recommendations to the Board. Four sub-categories of findings were identified, and since that time, staff has been working on the operational improvements. Today's memo is the fourth update to Trustees on the progress of enhancements. Staff notes that initially identified sub-categories 1, 2, and 4 are complete: (1) Engagement of an Independent Book of Record; (2) Enhanced Fiduciary Safeguards with Banking Partner of the real estate separate account portfolio; and (4) Enhanced Internal Processes. These changes have reduced the operational risks of LACERA's real estate program. An update on the last pending sub-category: (3) to Revise Separate Account Investment Manager Contracts, will be provided to the Board in the coming months.

Noted and Reviewed:



Jonathan Grabel
Chief Investment Officer

EDB:CR

**FOR INFORMATION ONLY**

September 29, 2022

TO: Each Trustee,
Board of Investments

FROM: Michael D. Herrera, 
Senior Staff Counsel

FOR: Board of Investments Meeting of October 12, 2022

SUBJECT: RFP For Securities Litigation Monitoring And Approved Counsel.

The Legal Office regularly evaluates LACERA's securities litigation monitoring firms and pool of approved litigation counsel to ensure LACERA is receiving the best possible and most cost-effective assistance and representation in this area. In this connection, the Legal Office typically issues a request for proposals every three to five years to identify, evaluate and select qualified firms. Since it has been five years since our last RFP, the Legal Office plans to issue a RFP to identify and evaluate firms to provide this service.

By way of background, virtually every public pension fund with significant funds invested in the securities markets is a passive member of the securities class actions filed every year on behalf of defrauded investors. With a significant portion of its portfolio invested in equity and debt securities, LACERA is well served by evaluating whether to actively participate in these cases or seek recovery as a passive class member. To assist in identifying and evaluating those cases within the United States and in foreign jurisdictions in which LACERA may have recognized losses, the Board of Investment's Securities Litigation Policy provides that "[t]he Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA." A copy of the Policy is attached for ease of reference.

As part of our RFP process, we will evaluate candidates using a variety of factors, including, among others, the qualifications and experience of the attorneys, professionals and other staff, size and resources of the firm, technical capabilities and data security, familiarity and experience in U.S. courts and foreign jurisdictions, as well as their overall success, reputation and specialization in the area of practice. In keeping with past practice, and consistent with the Board's commitment to promoting principles of diversity, equity, and inclusion, we will also evaluate and consider each candidate's commitment to, adherence with, and track record of accessing and retaining a diverse and inclusive workforce.

As with our current securities litigation monitoring counsel, each firm selected to provide this service will do so on a no cost basis. Consistent with the Board's Securities Litigation Policy, firms selected to serve as approved litigation counsel must still be approved by the Board or CEO, as appropriate, to represent LACERA in connection with a particular case only after and upon recommendation by the Legal Office.

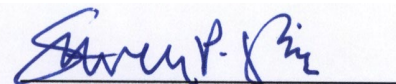
Each Trustee,
Board of Investments
September 29, 2022
Page 2

We expect to issue the RFP by November, complete our initial review and valuation of responses by January, and conduct interviews and make final selections by February. We will keep the Board apprised of our progress and the final outcome.

The Legal Division is sensitive to the need to coordinate securities litigation, including the cases and issues that are pursued or not pursued, and the manner in which cases are litigated and resolved, with the Investment Office to align decisions regarding securities litigation with the goals, principles, and policies of the investment program. Accordingly, representatives of the Investment Office will be invited to participate in the RFP process.

We welcome the involvement of Board members in the evaluation process. If interested, please contact me or Chief Counsel Steven Rice directly.

Reviewed and Approved:



Steven P. Rice
Chief Counsel

cc: Santos H. Kreimann
Jonathan Grabel
Luis A. Lugo
Scott Zdrazil

MDH/kt
L:\Div\Legal\SecLit\BOI Memo_RFP Sec Lit Monitoring and Approved Counsel

EXHIBIT



BOARD OF INVESTMENTS SECURITIES LITIGATION POLICY

PURPOSE

The Board of Investments adopts this policy to establish procedures and guidelines for monitoring and participating in securities class actions as appropriate to protect LACERA's interests. For purposes of this policy, a securities class action includes, but is not limited to, an action alleging claims under state and/or federal securities and antitrust laws and regulations, as well as similar claims arising under the laws and/or regulations of foreign jurisdictions.

PRINCIPLES

As a large institutional shareholder, LACERA is frequently a class member in securities class actions that seek to recover damages resulting from alleged wrongful acts or omissions of others.

The enactment by Congress of the Private Securities Litigation Reform Act ("PSLRA") in 1995 allows institutional investors and other large shareholders to seek appointment as lead or named plaintiff in a securities class action pending within the United States under U.S. federal securities laws. The lead or named plaintiff in a securities class action gains the right to supervise and control, or assist in the supervision or control, of the prosecution of such case.

Since enactment of the PSLRA, it has been demonstrated that active participation in a securities class action by large, sophisticated shareholders, particularly institutional shareholders, has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. The United States Securities and Exchange Commission and leaders in the legal community have commented that the governing board of a public pension system has a fiduciary duty to monitor securities class actions in which the system has an interest, and to participate as lead plaintiff where such participation is likely to enhance the recovery by members of the class.

In 2010, the United States Supreme Court in *Morrison v. National Australia Bank* ("Morrison") held that certain investor losses stemming from corporate wrongdoing cannot be pursued under federal securities laws. Specifically, the Supreme Court held that investors cannot bring or participate in a U.S. securities class action if their claims are based on securities they purchased outside the United States. As a result, investors must now identify and evaluate foreign securities actions in order to fully protect their interests, including the right to participate in such actions and share in any recovery.

STATEMENT OF FUNCTIONS AND RESPONSIBILITIES

1. Review of Class Action Filings

The Legal Office shall identify and evaluate securities class actions, brought or pending within the United States and in foreign jurisdictions, in which LACERA may have recognized losses. In this connection, the Legal Office may retain a vendor specializing in identifying and analyzing securities cases to perform this function, and to report its findings to the

Legal Office on a timely basis. The Legal Office may also select and retain one or more private law firms to identify and evaluate class action filings and, if the firm determines that LACERA's estimated loss meets the thresholds for Active Participation set forth below in Section 3(b), to report its findings to the Legal Office with a recommendation as to whether the case would be meritorious and worthy of further investigation or Active Participation by LACERA.

2. Active Case Monitoring

The Legal Office shall actively monitor each case in which the Legal Office has determined the case has merit and LACERA's estimated loss is \$2 million or more. Active monitoring may include participation by the Legal Office in significant motions and in settlement discussions when permitted by the parties or the court.

3. Active Participation

The Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action beyond monitoring, which may include, but is not limited to, seeking appointment as a lead or named plaintiff, or opting out of the class action and pursuing an individual action, in cases where:

(a) the Legal Office, after consulting with outside counsel, has determined the case has merit and the best interests of LACERA will be served by taking such action, and;

(b) LACERA's estimated loss is \$2 million or more, or LACERA's estimated loss exceeds \$1 million and LACERA will join with one or more other public retirement funds in pursuing such action.

In addition, the Legal Office shall recommend to the Board of Investments that LACERA take an active role in a securities class action by filing an amicus curiae (friend-of-the-court) brief in those cases where the criteria set forth in Section 3(a) is satisfied.

Recommendations on whether to take an active role in a securities class action shall be submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where the Chief Executive Officer determines that immediate approval is required in order to preserve LACERA's rights and/or interests by taking such action, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board. Notwithstanding the foregoing, recommendations on whether to commence new litigation, as in the case of opting out of an existing securities class action and pursuing an individual action, shall be submitted to the Board of Investments for approval.

For purposes of this policy, a foreign securities action is defined as a lawsuit brought or pending outside the United States involving securities purchased on a foreign securities exchange by LACERA or on its behalf. Participation as a class member in a foreign

securities action, if participation in such foreign action requires registration or other affirmative action by LACERA, shall be considered “Active Participation” and shall be submitted to the Board of Investments for approval.

4. Asset Recovery

LACERA’s claims filing agent shall be responsible for filing all proofs of claim, including the necessary supporting documents and information, necessary to recover assets in every securities class action brought or pending within the United States and in foreign jurisdictions in which LACERA has suffered losses. In this connection, the Legal Office shall prepare, and revise as necessary, a retainer agreement and statement of work setting forth formalized claims filing procedures for the claims filing agent to follow, which shall include identifying and reviewing all class action settlements, providing timely notice of each settlement to LACERA, filing claims correctly and timely on LACERA’s behalf, and providing quarterly reports regarding its efforts. The Legal Office, in consultation with the Financial Accounting and Services Division, shall monitor the performance of the claims filing agent in that regard. The claims filing agent shall submit quarterly reports on the securities litigation proceeds recovered, which information shall be shared with the Board.

5. Reports to the Board

The Legal Office shall provide the Board of Investments with annual reports covering its responsibilities under this policy. In addition, the Legal Office shall provide the Board with status reports as needed to keep the Board apprised of major developments in cases in which LACERA is a party.

6. Retention of Outside Counsel

The Legal Office shall retain one or more private law firms with demonstrated expertise and experience in prosecuting securities class actions (the “Securities Litigation Counsel”) to advise and/or represent LACERA in securities actions. All retainer agreements shall be negotiated by the Legal Office and submitted for approval, in advance, to the Board of Investments at a regularly-scheduled meeting or, where immediate approval is necessary, at a specially-called meeting. However, where it is determined that immediate approval is required in order to preserve LACERA’s rights and/or interests by retaining such counsel, and the matter cannot be timely presented for approval at a regularly-scheduled or special meeting of the Board, or where a quorum cannot be reached at such meeting, the Chief Executive Officer is authorized, after consultation with the Chief Counsel, Chief Investments Officer, and Chair of the Board of Investments, to make the decision. In the event such authority is exercised, the Chief Executive Officer shall instruct the Legal Office to concurrently notify the Board of Investments, and provide a summary of the action at the next regularly-scheduled meeting of the Board.

CHANGES TO CURRENT PRACTICE

The Legal Office has been monitoring securities class actions since passage by Congress of the PSLRA and has been evaluating the merits of LACERA taking an active role in such actions in which LACERA has a significant financial interest. The adoption of this policy will formalize the monitoring function being carried out by the Legal Office, and will create additional responsibilities for the Board of Investments and the Legal Office.

No additional staffing requirements or significant expense will result from the implementation of this policy.

Legal/SecuritiesLit/Securities Lit Policy_Revised_102217_FINAL

Policy Revised: November 2, 2017

Policy Revised: November 9, 2011

Policy Revised: April 29, 2010

Policy Adopted: March 28, 2001



September 27, 2022

TO: Each Trustee,
Board of Retirement

FROM: Ted Granger *TG*
Interim Chief Financial Officer

FOR: October 6, 2022 Board of Retirement Meeting

SUBJECT: **2023 STAR COLA PROGRAM AWARD**

RECOMMENDATION

- (1) That the Board of Retirement decide whether or not to award a STAR COLA for Program Year 2023, and
- (2) If awarded, determine whether the STAR COLA benefits will be on an ad-hoc basis at a cost of \$231,000, as determined by LACERA's consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level effective January 1, 2023, or
- (3) If awarded, determine whether the STAR COLA benefits will be on a permanent basis at a cost of \$2,467,000, as determined by LACERA's consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level effective January 1, 2023.

EXECUTIVE SUMMARY

September 2022

At its regularly scheduled meeting on September 7, 2022, the Board of Retirement made public the cost of awarding 2023 STAR Program benefits on an ad-hoc basis and on a permanent basis as determined by LACERA's consulting actuary, Milliman. At that time, the Board of Retirement instructed staff to place this item on the October Board of Retirement meeting agenda so the Trustees may decide whether to award a 2023 STAR COLA and if the 2023 STAR COLA will be applied on an ad-hoc or permanent basis. The annual cost of the ad-hoc benefit is \$231,000 for a one-year period, while the permanent benefit cost is \$2,467,000 for a lifetime benefit.

A significant majority of the language in this memo has been brought forward from the prior "2023 STAR COLA Program" memo dated August 26, 2022, presented at the Board of Retirement meeting on September 7, 2022, with some exceptions. The Recommendation to the Board of Retirement on Page 1 above, the Legal Analysis section beginning on Page 2, the Public Notice Information section on Page 10, and the Conclusion section beginning on Page 10, were updated in this memo.

Overview

LACERA members in General Plans B, C, and D and Safety Plan B who retired on or before March 31, 1991 (and survivors of members who retired during that period) are eligible effective January 2023 for a retirement benefit increase under the Supplemental Targeted Adjustment for Retirees (STAR) cost-of-living adjustment (COLA) Program (STAR COLA Program or STAR Program). For this select group of retirees and survivors, their COLA Accumulation accounts (also referred to as the COLA Bank accounts) exceed the 20% threshold required if the Board of Retirement is to authorize STAR COLA Program benefits. This means the value of their original pension benefit has eroded by more than 20% over time due to actual inflation exceeding the statutory COLA. The Board of Retirement can adopt STAR Program benefits on an ad-hoc or permanent basis to become effective January 1, 2023. Members participating in PEPRA Plans General G and Safety C, and Legacy Safety Plan A are not currently eligible for STAR COLA Program benefits; those members in non-contributory Plan E are not eligible for STAR COLA Program benefits.

These additional retiree benefits are paid by LACERA from the STAR Reserve account held by LACERA. Per the Board of Investment's Retirement Benefit Funding Policy (Funding Policy), the STAR Reserve account is included in valuation assets by the actuary, but potential future STAR Program benefits are not included in the liabilities, so granting STAR Program benefits will increase the valuation liabilities and consequently, the employers' contribution rate will also increase. If the permanent STAR COLA is approved, the impact on the employer contribution rate will be an increase of 0.01% of pay or less in future years, first effective in fiscal year 2024-2025.

The Board of Retirement most recently awarded a STAR COLA for Program Year 2009 and made that award on a permanent basis. Since that time, COLA Accumulation accounts increased in some years, but had not exceeded the 20% amount which would have made STAR COLA benefits available until 2022 (and only for the members described above). Once the Board of Retirement approved the annual statutory 2022 COLA (April 1st COLA), staff reviewed the COLA Accumulation account balances and determined there is STAR Program award eligibility for Program Year 2023. The Board of Retirement can make the STAR Program award on an ad-hoc or permanent basis.

Milliman's Report

The Government Code requires that LACERA's consulting actuary, Milliman, provide an analysis which includes the cost of funding the STAR COLA Program award. Milliman's report, which is included as Attachment I to the memo dated August 26, 2022, provides a detailed analysis of the STAR COLA and should be referred to in conjunction with this memo. LACERA's staff report is meant to provide an overview of the STAR COLA Program history.

LEGAL ANALYSIS

As discussed in detail later in this memo, Government Code Section 31874.3 allows LACERA to provide ad-hoc or permanent STAR Program benefits that, according to the terms of the Program, protect the purchasing power of retirement benefits. The Board of Retirement is not required to approve STAR benefits, even when the required loss of purchasing power has occurred; the decision is in the discretion of the Board.

Pursuant to Government Code Section 7507, a local agency such as LACERA, when considering changes in retirement benefits, such as providing ad-hoc or permanent STAR Program benefits, and before such changes are authorized, must engage an enrolled actuary to provide a statement of actuarial impact upon future annual costs and any additional accrued liability. Section 7507 also requires that a decision to provide either ad-hoc or permanent STAR Program benefits in 2023 can be made only if the future annual cost of the benefit, as determined by an enrolled actuary, is disclosed at a public meeting at least two weeks prior to the adoption of the benefit increase. Further, Government Code Section 31874.3(c) provides that, before the Board of Retirement approves permanent STAR benefits, the cost of the benefits must be determined by a qualified actuary and the Board shall, with the actuary's advice, provide for full funding of the benefits. *In compliance with the Government Code, on September 7, 2022, your Board made public at its regularly scheduled meeting the cost of ad-hoc benefits and the cost of making permanent the 2023 STAR Program benefits at an 80% benefit level.*

DISCUSSION

COLA

Sections 31870 and 31870.1 of the Government Code provide for a maximum annual COLA to be applied to retirement allowances, optional death allowances, or annual death allowances payable to or on account of any member. COLA maximum increases are 3.0% for Plan A retirees and survivors; 2.0% for Legacy Plans B, C, and D and PEPRAs Plans C and G; and up to 2.0% for certain Plan E retirees and survivors¹. These Government Code sections also provide for an accumulation of the annual percentage difference between the consumer price index (CPI) for the Los Angeles-Long Beach-Anaheim area and the maximum cost-of-living increase allowed for each retirement Plan. The accumulated percentage carryover is known as the COLA Accumulation or COLA Bank.

COLA Accumulation

The CPI percentage change from January through December for the prior calendar year is compared to the maximum allowable cost-of-living percentage increase payable to retired LACERA members under Sections 31870 and 31870.1. In years where the change in CPI is greater than the maximum COLA increase, the difference between these two percentages is accumulated annually for each retiree based upon retirement date. In years

¹ Effective June 4, 2002, Plan E members and their survivors were eligible for 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.

where the change in CPI is less than the maximum COLA increase, the actual COLA awarded may be increased above the CPI amount, up to the maximum COLA increase, with a corresponding reduction in the COLA Bank account. The accumulation of differences from each year reflects how much purchasing power has been lost from a retiree's original retirement benefit. By law, the Board of Retirement may provide STAR COLA Program increases once the COLA Bank accounts have exceeded a 20% balance.

CALCULATION ILLUSTRATION

The illustration included below is intended to show an example of how the annual CPI increase impacts the COLA Bank account resulting in the ability to award a STAR COLA. *Section 1* is the scenario where the CPI change is 6.6% while the Plan D maximum allowable COLA is 2.0%. The COLA Award is applied with rounding (to the nearest 0.5%) at 6.5% for the April 1st COLA, while the Plan D COLA statutory maximum limits the final COLA amount to 2.0%.

In *Section 2* below, the original CPI is used to determine the amount that is applied to the COLA Bank account. For this example, the COLA Bank receives a 4.6% increase by deducting the maximum 2.0% COLA Award from the original CPI of 6.6%.

The COLA Bank account is reviewed and updated in *Section 3*. The beginning balance of the COLA Bank is 18.5% and the remaining 4.6% amount of the CPI increases the COLA Bank, resulting in a 23.1% COLA Bank balance after the annual 2.0% April 1st COLA has been applied. When the COLA Bank account exceeds 20%, a STAR COLA award can be considered by the Board of Retirement.

Below in *Section 4* of the illustration, the COLA Bank balance of 23.1% is reviewed and the excess above the 20% balance is determined to be 3.1%. In this example, the 3.1% calculated is the possible STAR COLA award. Once the Board of Retirement approves the STAR COLA award, the COLA Bank account balance is reduced by 3.1% to 20% (if the STAR COLA is awarded on a permanent basis). In future years, any additional amounts added to the Accumulation account which cause it to exceed the 20% level, make this COLA Bank account eligible for another STAR COLA award.

Section 5 below shows the impact on the COLA Bank balance if the STAR COLA award is granted by the Board of Retirement on an ad-hoc basis. In this example, COLA Bank account will remain at 23.1%. For the next STAR Program year, this COLA Bank account will be eligible for a STAR COLA award and any additional amounts, due to increases in the CPI, will be added to the COLA Bank balance.

**COLA Accumulation (Bank) Account Illustration
 STAR COLA Award Application**

<i>SECTION 1</i>	2021 CPI	2022 COLA Award Rounding	2022 COLA Award Plan Maximum
Plan D	6.6%	6.5%	2.0%
<i>SECTION 2</i>	2021 CPI	2022 COLA Award Plan Maximum	COLA Bank Increase
	6.6%	2.0%	+4.6%
<i>SECTION 3</i>	COLA Bank Begin Balance	COLA BANK Increase	COLA Bank Balance
	18.5%	+4.6%	23.1%
<i>SECTION 4</i>	COLA Bank Balance	2023 STAR COLA Award - (Permanent)	COLA Bank End Balance*
	23.1%	-3.1%	20.0%
<i>SECTION 5</i>	COLA Bank Balance	2023 STAR COLA Award - (Ad-Hoc)	COLA Bank End Balance**
	23.1%	0.0%	23.1%

* This reduction in the COLA BANK balance will occur if the STAR COLA is awarded on a permanent basis.

** No reduction in the COLA BANK balance will occur if the STAR COLA is awarded on an ad-hoc basis.

STAR COLA Program

The Board of Retirement initiated the STAR COLA Program in 1990 to restore members' purchasing power that had been eroded by inflation in excess of the protection provided by the statutory COLA. Retirees and survivors in Legacy Plans A, B, C, D and PEPRAs Plans C and G are eligible for STAR COLA Program benefits should their COLA Accumulation accounts exceed a 20% balance. Non-contributory members in Plan E are not eligible for STAR COLA Program benefits.

STAR COLA Program Awards

Beginning in 1990 and through 2000, the STAR Program existed as an ad-hoc benefit designed to provide contributory plan members protection against rising inflation beyond the protection provided by the statutory COLA, and successfully restored LACERA retiree purchasing power to the then maximum allowable 75% level.

On September 4, 2000, the California Governor signed into law a provision, Section 31874.3 of the Government Code, allowing the Board of Retirement to raise the purchasing power protection to a maximum of 80% and allowed the ability to make

permanent the STAR COLA Program benefits using excess earnings². This change provided the Board of Retirement with the flexibility to continue the STAR Program as an ad-hoc benefit or the opportunity to make permanent the STAR COLA benefits using excess earnings. Now and in future years, the Board of Retirement will be required to adopt ad-hoc benefits on an annual basis if the Board wishes to continue the benefits while the permanent method will require no further Board action.

Purchasing Power Example Calculation

The retirement benefit has decreased below 80% of its original purchasing power when the COLA Accumulation accounts exceed the 20% threshold. For example, a 23.1% COLA Accumulation balance means that the member has 76.9% of the purchasing power compared to when the member retired (e.g., $100.0\% - 23.1\% = 76.9\%$). When the member's purchasing power falls below 80.0%, the Board can award a STAR COLA to restore the purchasing power to an 80.0% level (e.g., $76.9\% + 3.1\% = 80.0\%$).

STAR COLA History

On October 9, 2008, the Board of Retirement made permanent the 2009 STAR COLA benefits at an 80% level as authorized in CERL and had already made STAR Program benefits permanent for prior years.

For STAR Program Years 2010 through 2022, minimal increases in the CPI percentage caused COLA Accumulation accounts to remain below the 20% threshold for providing STAR Program benefits. As such, no STAR COLA benefits have been provided since 2009. During these years, the Board of Retirement approved annual statutory COLAs below or at the retirement plan maximums, providing some protection against diminished purchasing power.

Recently, CPI increases for STAR Program Years 2019 through 2021 exceeded the maximum allowable statutory COLA for some plans, causing increases in the COLA Accumulation accounts, however, the ending COLA Accumulation account balances remained at less than 20% until Program Year 2023.

The chart below summarizes the STAR COLA history. Please note that not all retirees in all plans received a STAR COLA award each year; STAR COLA is only awarded to retirees where the COLA Accumulation account exceeds a 20% balance. Since its inception, the Board of Retirement has continued the STAR Program and its commitment to fund the STAR COLA since inception.

² Excess Earnings are actual cash earnings from the investment portfolio earned during the previous year that remain unspent after paying for costs to administer the system, costs to invest the portfolio, paying interest to the member and employer accounts, and satisfying the 1% contingency reserve requirement in Government Code Sections 31592 and 31592.2.

STAR COLA Awards				
Program Year	Eligibility for STAR	BOR Award	Permanent	Maximum Level
1990-2000	Yes	Yes	Yes*	75%
2001-2004	Yes	Yes	Yes	80%
2005	No	N/A	N/A	80%
2006-2009	Yes	Yes	Yes	80%
2010-2022	No	N/A	N/A	80%
2023	Yes	TBD	TBD	80%

* Beginning in 2001, STAR COLA awards became permanent prospectively.

Program Year 2023

The 2021 CPI increase exceeded the maximum allowable COLA, causing some retiree COLA Accumulation account balances to go above 20% after the April 2022 statutory COLA award. This results in a potential STAR COLA for STAR Program Year 2023. Attachment II to the memo dated August 26, 2022, identifies the retiree groups who have experienced diminished purchasing power making them eligible for the STAR COLA award. Only members in General Plans B, C and D and Safety Plan B who retired from 1977 to March 31, 1991 are eligible for STAR Program benefits. Currently, no other retired members or survivors are eligible.

Since the Board previously granted STAR Program benefits on a permanent basis, all retirees and their eligible survivors currently receiving STAR Program benefits continue receiving those benefits without further action.

STAR COLA Method: Ad-Hoc or Permanent

Government Code provisions allow the Board of Retirement to award additional benefits to address the inflation experienced by retirees using one of the following approaches:

Ad-Hoc STAR COLA

Provide an ad-hoc 2023 STAR Program benefit for those contributory plan members whose purchasing power has fallen below 80% due to inflation, thus providing a temporary benefit for the 2023 calendar year. Ad-hoc benefits are awarded on a calendar year basis and the Board of Retirement must approve these benefits each year if these benefits are to be paid in future years. Ad-hoc STAR Program benefits are not included in the calculation of future statutory COLA awards.

Permanent STAR COLA

Make permanent the 2023 STAR Program for those contributory plan members whose purchasing power has fallen below 80% due to inflation. While this protects only those retirees and survivors who have already lost 20% of their purchasing power, it does ensure that the STAR is part of the member's retirement allowance and is payable for

life. In other words, the permanent STAR Program benefit becomes a part of the base allowance upon which future annual statutory COLA increases will be calculated. Permanent benefits do not require Board of Retirement approval in subsequent years.

2023 STAR COLA Program Cost Analysis

LACERA's consulting actuary, Milliman, provided their letter dated August 25, 2022, which is included as Attachment I to the memo dated August 26, 2022. Milliman's letter provides cost and technical information for LACERA's STAR COLA and should be read in conjunction with this memo, which provides an overview of the STAR COLA Program and history. Attachments to Milliman's letter include costs for the 2023 Program Year and projections in anticipation of *future* STAR COLA awards that have not yet occurred. The table below provides the cost for Program Year 2023 as calculated by Milliman using both the ad-hoc and the permanent benefit approaches.

STAR COLA Program Cost

	2023 Annual Cost	Lifetime Cost
Ad-hoc Benefit: STAR Program at 80%	\$231,000	
Permanent Benefit: STAR Program at 80%		\$2,467,000

Should the Board of Retirement decide to approve the permanent STAR COLA Program award, it will provide the greatest possible cost-of-living benefit to those members who have suffered at least a 20% decline in purchasing power. The permanent STAR Program is more valuable to the affected members than the ad-hoc STAR Program since the permanent STAR Program is an everlasting benefit (as long as member or survivor is alive) and is also included in the base allowance used to calculate the statutory annual COLA benefit in future years.

Meaning of 'Permanent STAR Program'

California Government Code Section 31874.3(c) allows the Board of Retirement to make permanent the STAR COLA benefit for the eligible retirees and survivors. In other words, making permanent the STAR Program makes a member's cost-of-living accumulation that exceeds 20% a lasting part of the member's benefit. The value of the permanent STAR COLA to be provided, as calculated by the actuary, cannot exceed the value of excess earnings accumulated in the STAR Reserve because the benefits must be prefunded under the statute. The current value of the STAR Reserve is sufficient to pay for either the ad-hoc or permanent 2023 STAR COLA Program.

This means that all current retirees and survivors eligible to participate in the 2023 STAR Program will have their 2023 STAR Program benefit added to their base allowance and their COLA Accumulation will be reduced to 20%. Except for 2005 and 2010 through 2022, when no members were eligible for a STAR benefit, the Board of Retirement made permanent the 2001 through 2009 STAR Programs. STAR Program benefits for 2001

through 2004 and 2006 through 2009 were permanently added to the participant's base allowance and the respective COLA Accumulations were set to 20%.

However, future increases in the CPI that exceed COLA plan maximums and cause the member's COLA Accumulation to exceed 20%, will require Board action to make permanent such future increases and be contingent upon the availability of the STAR Program Reserve to fund the benefit increase. At this time, the Board of Retirement may only make permanent the current level of benefits payable to eligible 2023 STAR Program participants. Staff will present potential *future* STAR Program awards to the Board of Retirement which will require Board action in *future* years.

Funding the 2023 Program

The STAR Program's funding derived from excess earnings as determined by LACERA's Board of Investments. During the period 1994 through 1998, the Retirement System Funding Agreement required the Board of Investments to allocate all excess earnings using a 75%-25% allocation formula between the Employer Reserves and the STAR Reserve, respectively. Under this agreement the STAR Program received significant funding and has a balance of approximately \$614.0 million for the fiscal period ended June 30, 2022. The STAR Program Reserve balance is sufficient to fund the \$2.467 million needed to make permanent the 2023 STAR Program at the 80% benefit level for all future periods. Should the Board award a permanent STAR COLA, the amount will be transferred to the Employer Reserve to pay STAR COLA Program benefits leaving a balance of approximately \$611.5 million in the STAR Program Reserve.

If the Board approves an ad-hoc STAR Program award at a cost of \$0.231 million, the STAR Reserves balance is sufficient to fund this annual benefit.

Per the Board of Investment's Funding Policy, the actuary includes STAR Reserve assets within total valuation assets. STAR Reserve assets will be reduced when benefits are awarded and paid. The actuary does not include potential STAR COLA liabilities until they are awarded. This methodology causes a new liability to appear when STAR COLA benefits are granted, increasing the valuation liabilities and consequently the employers' contribution rate. When the actuary prepares the June 30, 2023 Actuarial Valuation of Retirement Benefits report, the impact to the employer's contribution will be calculated and included. The actuary is projecting that the employers' contribution rate will increase for the fiscal year beginning July 1, 2024 and in future years. The estimated impact will be a 0.01% of pay increase or less for employer contributions.

Beginning in 1990 when the Funding Policy first established the STAR Reserve, excess earnings were used to increase the STAR Reserve balance, while over time STAR COLA awards caused decreases in the STAR Reserve. The Funding Policy prescribes the semi-annual interest credit process where realized earnings are measured for the six-month period, and interest credits are applied to the Employee and Employer Reserves. Per the Funding Policy, the STAR Reserve is not eligible to receive an interest credit allocation.

Pension fund reserves is an accounting concept that shows how the fund's net position can be divided among various categories including employees, employers, and other classifications designated for specific use. LACERA assets, including balances in the STAR Reserve and the Employer and Employee Reserves, are part of LACERA's investment portfolio which produces investment income. The STAR Reserve balance was \$154 million in 1990, increased to \$1.023 billion in 1999 due to excess earning contributions, and from that time, has been reduced by STAR COLA benefits to a balance of \$614.011 million as of June 30, 2022. LACERA's pension fund net position in 1990 was \$9.4 billion and is approximately \$70.4 billion as of June 30, 2022. During that period of over 30 years, LACERA's investment portfolio contained STAR COLA assets contributing to LACERA's investment earnings and growing the fund's net position. Increases in LACERA's assets reduce employer contribution rates.

September Presentation

Staff prepared and presented discussion topics summarizing the STAR COLA Award methods, a STAR COLA example calculation, and STAR Program funding information. The presentation materials are included as the third attachment to the memo dated August 26, 2022.

Public Notice Requirement

Government Code Sections 7507 and 31874.3 require the Board of Retirement to secure the services of an enrolled actuary to provide a statement of the actuarial impact upon the future annual plan costs. Section 7507 also requires that the actuarial cost information be presented at a public meeting at least two weeks prior to authorizing a benefit increase. The Board of Retirement made public the costs of awarding additional benefits through the STAR COLA Program for 2023 at their meeting on September 7, 2022. This memo, included on the Board of Retirement's agenda for their meeting on October 6, 2022, is a recommendation that the Board of Retirement consider the STAR COLA award, twenty-nine days after the actuarial cost information disclosure, which satisfies the minimum time requirement to authorize a benefit increase.

The letter from LACERA's consulting actuary, Milliman, has been prepared and included as Attachment I to the memo dated August 26, 2022, to satisfy this requirement. On page 1, Milliman's letter states that these potential cost increases represent less than 0.01% of the Future Annual Costs as defined in California Government Code Section 7507.

Conclusion

Certain LACERA retirees are eligible for a STAR COLA Program benefit for the first time since 2009. The recent CPI increases have caused some COLA Accumulation accounts to exceed the 20% threshold. These members have experienced a decline in purchasing power of their monthly retirement allowance which permits the Board of Retirement to authorize a STAR COLA award beginning January 1, 2023. The Board of Retirement has the option of granting the STAR benefit on a year-to-year basis using the ad-hoc

methodology or by choosing the permanent option which makes the additional the benefit a perpetual part of the members' retirement benefit.

It is therefore recommended that the Board of Retirement decide whether or not to award a STAR COLA for Program Year 2023. If awarded, determine whether the STAR COLA benefits will be on an ad-hoc basis at a cost of \$231,000, as determined by LACERA's consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level effective January 1, 2023. Or, if awarded, determine whether the STAR COLA benefits will be on a permanent basis at a cost of \$2,467,000, as determined by LACERA's consulting actuary, Milliman, to restore eligible retirees to an 80% benefit level effective January 1, 2023.

Attachments

NOTED AND REVIEWED:



Luis Lugo
Deputy Chief Executive Officer

09/27/2022

Date

LL:TG
FINAL 2023 STAR COLA Program Award.doc

c: Board of Investments, LACERA

Luis Lugo

Jonathan Grabel

JJ Popowich

Steven P. Rice


Laura Guglielmo

2023 STAR COLA PROGRAM
(Memo Dated August 26, 2022)



August 26, 2022

TO: Each Trustee,
Board of Retirement

FROM: Ted Granger 
Interim Chief Financial Officer

FOR: September 7, 2022 Board of Retirement Meeting

SUBJECT: **2023 STAR COLA PROGRAM**

RECOMMENDATION

- (1) That the Board of Retirement make public at its meeting on September 7, 2022, the cost of the ad-hoc and permanent STAR COLA Program in 2023 at an 80% benefit level. The projected cost for the ad-hoc STAR COLA award is \$231,000, while the cost for awarding a permanent STAR COLA is \$2,467,000 as determined by LACERA's consulting actuary, Milliman; and
- (2) Direct staff to place this item on the Board of Retirement's October agenda to decide at that time whether or not to award a STAR COLA for Program Year 2023, and if awarded, determine whether the STAR COLA benefits will be ad-hoc or permanent.

EXECUTIVE SUMMARY

Overview

LACERA members in General Plans B, C, and D and Safety Plan B who retired on or before March 31, 1991 (and survivors of members who retired during that period) are eligible effective January 2023 for a retirement benefit increase under the Supplemental Targeted Adjustment for Retirees (STAR) cost-of-living adjustment (COLA) Program (STAR COLA Program or STAR Program). For this select group of retirees and survivors, their COLA Accumulation accounts (also referred to as the COLA Bank accounts) exceed the 20% threshold required if the Board of Retirement is to authorize STAR COLA Program benefits. This means the value of their original pension benefit has eroded by more than 20% over time due to actual inflation exceeding the statutory COLA. The Board of Retirement can adopt STAR Program benefits on an ad-hoc or permanent basis to become effective January 1, 2023. Members participating in PEPRA Plans General G and Safety C, and Legacy Safety Plan A are not currently eligible for STAR COLA Program benefits; those members in non-contributory Plan E are not eligible for STAR COLA Program benefits.

These additional retiree benefits are paid by LACERA from the STAR Reserve account held by LACERA. Per the Board of Investment's Retirement Benefit Funding Policy (Funding Policy), the STAR Reserve account is included in valuation assets by the

actuary, but potential future STAR Program benefits are not included in the liabilities, so granting STAR Program benefits will increase the valuation liabilities and consequently, the employers' contribution rate will also increase. If the permanent STAR COLA is approved, the impact on the employer contribution rate will be an increase of 0.01% of pay or less in future years, first effective in fiscal year 2024-2025.

The Board of Retirement most recently awarded a STAR COLA for Program Year 2009 and made that award on a permanent basis. Since that time, COLA Accumulation accounts increased in some years, but had not exceeded the 20% amount which would have made STAR COLA benefits available until 2022 (and only for the members described above). Once the Board of Retirement approved the annual statutory 2022 COLA (April 1st COLA), staff reviewed the COLA Accumulation account balances and determined there is STAR Program award eligibility for Program Year 2023. The Board of Retirement can make the STAR Program award on an ad-hoc or permanent basis.

Milliman's Report

The Government Code requires that LACERA's consulting actuary, Milliman, provide an analysis which includes the cost of funding the STAR COLA Program award. Milliman's report, which is included as Attachment I, provides a detailed analysis of the STAR COLA and should be referred to in conjunction with this memo. LACERA's staff report is meant to provide an overview of the STAR COLA Program history.

LEGAL ANALYSIS

As discussed in detail later in this memo, Government Code Section 31874.3 allows LACERA to provide ad-hoc or permanent STAR Program benefits that, according to the terms of the Program, protect the purchasing power of retirement benefits. The Board of Retirement is not required to approve STAR benefits, even when the required loss of purchasing power has occurred; the decision is in the discretion of the Board.

Pursuant to Government Code Section 7507, a local agency such as LACERA's Board of Retirement, when considering changes in retirement benefits, such as providing ad-hoc or permanent STAR Program benefits, and before such changes are authorized, must engage an enrolled actuary to provide a statement of actuarial impact upon future annual costs and any additional accrued liability. Section 7507 also requires that a decision to provide either ad-hoc or permanent STAR Program benefits in 2023 can be made only if the future annual cost of the benefit, as determined by an enrolled actuary, is disclosed at a public meeting at least two weeks prior to the adoption of the benefit increase. Further, Government Code Section 31874.3(c) provides that, before the Board of Retirement approves permanent STAR benefits, the cost of the benefits must be determined by a qualified actuary and the Board shall, with the actuary's advice, provide for full funding of the benefits. The required actuarial cost analysis is presented in this memo.

DISCUSSION

COLA

Sections 31870 and 31870.1 of the Government Code provide for a maximum annual COLA to be applied to retirement allowances, optional death allowances, or annual death allowances payable to or on account of any member. COLA maximum increases are 3.0% for Plan A retirees and survivors; 2.0% for Legacy Plans B, C, and D and PEPRA Plans C and G; and up to 2.0% for certain Plan E retirees and survivors¹. These Government Code sections also provide for an accumulation of the annual percentage difference between the consumer price index (CPI) for the Los Angeles-Long Beach-Anaheim area and the maximum cost-of-living increase allowed for each retirement Plan. The accumulated percentage carryover is known as the COLA Accumulation or COLA Bank.

COLA Accumulation

The CPI percentage change from January through December for the prior calendar year is compared to the maximum allowable cost-of-living percentage increase payable to retired LACERA members under Sections 31870 and 31870.1. In years where the change in CPI is greater than the maximum COLA increase, the difference between these two percentages is accumulated annually for each retiree based upon retirement date. In years where the change in CPI is less than the maximum COLA increase, the actual COLA awarded may be increased above the CPI amount, up to the maximum COLA increase, with a corresponding reduction in the COLA Bank account. The accumulation of differences from each year reflects how much purchasing power has been lost from a retiree's original retirement benefit. By law, the Board of Retirement may provide STAR COLA Program increases once the COLA Bank accounts have exceeded a 20% balance.

CALCULATION ILLUSTRATION

The illustration included below is intended to show an example of how the annual CPI increase impacts the COLA Bank account resulting in the ability to award a STAR COLA. *Section 1* is the scenario where the CPI change is 6.6% while the Plan D maximum allowable COLA is 2.0%. The COLA Award is applied with rounding (to the nearest 0.5%) at 6.5% for the April 1st COLA, while the Plan D COLA statutory maximum limits the final COLA amount to 2.0%.

In *Section 2* below, the original CPI is used to determine the amount that is applied to the COLA Bank account. For this example, the COLA Bank receives a 4.6% increase by deducting the maximum 2.0% COLA Award from the original CPI of 6.6%.

The COLA Bank account is reviewed and updated in *Section 3*. The beginning balance of the COLA Bank is 18.5% and the remaining 4.6% amount of the CPI increases the COLA Bank, resulting in a 23.1% COLA Bank balance after the annual 2.0% April 1st COLA has

¹ Effective June 4, 2002, Plan E members and their survivors were eligible for 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.

been applied. When the COLA Bank account exceeds 20%, a STAR COLA award can be considered by the Board of Retirement.

Below in *Section 4* of the illustration, the COLA Bank balance of 23.1% is reviewed and the excess above the 20% balance is determined to be 3.1%. In this example, the 3.1% calculated is the possible STAR COLA award. Once the Board of Retirement approves the STAR COLA award, the COLA Bank account balance is reduced by 3.1% to 20% (if the STAR COLA is awarded on a permanent basis). In future years, any additional amounts added to the Accumulation account which cause it to exceed the 20% level, make this COLA Bank account eligible for another STAR COLA award.

Section 5 below shows the impact on the COLA Bank balance if the STAR COLA award is granted by the Board of Retirement on an ad-hoc basis. In this example, COLA Bank account will remain at 23.1%. For the next STAR Program year, this COLA Bank account will be eligible for a STAR COLA award and any additional amounts, due to increases in the CPI, will be added to the COLA Bank balance.

**COLA Accumulation (Bank) Account Illustration
STAR COLA Award Application**

<i>SECTION 1</i>	2021 CPI	2022 COLA Award Rounding	2022 COLA Award Plan Maximum
Plan D	6.6%	6.5%	2.0%
<i>SECTION 2</i>	2021 CPI	2022 COLA Award Plan Maximum	COLA Bank Increase
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<i>SECTION 4</i>	COLA Bank Balance	2023 STAR COLA Award - (Permanent)	COLA Bank End Balance*
	23.1%	-3.1%	20.0%
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	23.1%	0.0%	23.1%

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STAR COLA Program

The Board of Retirement initiated the STAR COLA Program in 1990 to restore members' purchasing power that had been eroded by inflation in excess of the protection provided by the statutory COLA. Retirees and survivors in Legacy Plans A, B, C, D and PEPRAs Plans C and G are eligible for STAR COLA Program benefits should their COLA Accumulation accounts exceed a 20% balance. Non-contributory members in Plan E are not eligible for STAR COLA Program benefits.

STAR COLA Program Awards

Beginning in 1990 and through 2000, the STAR Program existed as an ad-hoc benefit designed to provide contributory plan members protection against rising inflation beyond the protection provided by the statutory COLA, and successfully restored LACERA retiree purchasing power to the then maximum allowable 75% level.

On September 4, 2000, the California Governor signed into law a provision, Section 31874.3 of the Government Code, allowing the Board of Retirement to raise the purchasing power protection to a maximum of 80% and allowed the ability to make permanent the STAR COLA Program benefits using excess earnings². This change provided the Board of Retirement with the flexibility to continue the STAR Program as an ad-hoc benefit or the opportunity to make permanent the STAR COLA benefits using excess earnings. Now and in future years, the Board of Retirement will be required to adopt ad-hoc benefits on an annual basis if the Board wishes to continue the benefits while the permanent method will require no further Board action.

Purchasing Power Example Calculation

The retirement benefit has decreased below 80% of its original purchasing power when the COLA Accumulation accounts exceed the 20% threshold. For example, a 23.1% COLA Accumulation balance means that the member has 76.9% of the purchasing power compared to when the member retired (e.g., $100.0\% - 23.1\% = 76.9\%$). When the member's purchasing power falls below 80.0%, the Board can award a STAR COLA to restore the purchasing power to an 80.0% level (e.g., $76.9\% + 3.1\% = 80.0\%$).

STAR COLA History

On October 9, 2008, the Board of Retirement made permanent the 2009 STAR COLA benefits at an 80% level as authorized in CERL and had already made STAR Program benefits permanent for prior years.

For STAR Program Years 2010 through 2022, minimal increases in the CPI percentage caused COLA Accumulation accounts to remain below the 20% threshold for providing

² Excess Earnings are actual cash earnings from the investment portfolio earned during the previous year that remain unspent after paying for costs to administer the system, costs to invest the portfolio, paying interest to the member and employer accounts, and satisfying the 1% contingency reserve requirement in Government Code Sections 31592 and 31592.2.

STAR Program benefits. As such, no STAR COLA benefits have been provided since 2009. During these years, the Board of Retirement approved annual statutory COLAs below or at the retirement plan maximums, providing some protection against diminished purchasing power.

Recently, CPI increases for STAR Program Years 2019 through 2021 exceeded the maximum allowable statutory COLA for some plans, causing increases in the COLA Accumulation accounts, however, the ending COLA Accumulation account balances remained at less than 20% until Program Year 2023.

The chart below summarizes the STAR COLA history. Please note that not all retirees in all plans received a STAR COLA award each year; STAR COLA is only awarded to retirees where the COLA Accumulation account exceeds a 20% balance. The Board of Retirement has consistently approved the STAR COLA Program awards on a permanent basis.

STAR COLA Awards				
Program Year	Eligibility for STAR	BOR Award	Permanent	Maximum Level
1990-2000	Yes	Yes	Yes*	75%
2001-2004	Yes	Yes	Yes	80%
2005	No	N/A	N/A	80%
2006-2009	Yes	Yes	Yes	80%
2010-2022	No	N/A	N/A	80%
2023	Yes	TBD	TBD	80%

* Beginning in 2001, STAR COLA awards became permanent prospectively.

Program Year 2023

The 2021 CPI increase exceeded the maximum allowable COLA, causing some retiree COLA Accumulation account balances to go above 20% after the April 2022 statutory COLA award. This results in a potential STAR COLA for STAR Program Year 2023. Attachment II identifies the retiree groups who have experienced diminished purchasing power making them eligible for the STAR COLA award. Only members in General Plans B, C and D and Safety Plan B who retired from 1977 to March 31, 1991 are eligible for STAR Program benefits. Currently, no other retired members or survivors are eligible.

Since the Board previously granted STAR Program benefits on a permanent basis, all retirees and their eligible survivors currently receiving STAR Program benefits continue receiving those benefits without further action.

STAR COLA Method: Ad-Hoc or Permanent

Government Code provisions allow the Board of Retirement to award additional benefits to address the inflation experienced by retirees using one of the following approaches:

Ad-Hoc STAR COLA

Provide an ad-hoc 2023 STAR Program benefit for those contributory plan members whose purchasing power has fallen below 80% due to inflation, thus providing a temporary benefit for the 2023 calendar year. Ad-hoc benefits are awarded on a calendar year basis and the Board of Retirement must approve these benefits each year if these benefits are to be paid in future years. Ad-hoc STAR Program benefits are not included in the calculation of future statutory COLA awards.

Permanent STAR COLA

Make permanent the 2023 STAR Program for those contributory plan members whose purchasing power has fallen below 80% due to inflation. While this protects only those retirees and survivors who have already lost 20% of their purchasing power, it does ensure that the STAR is part of the member's retirement allowance and is payable for life. In other words, the permanent STAR Program benefit becomes a part of the base allowance upon which future annual statutory COLA increases will be calculated. Permanent benefits do not require Board of Retirement approval in subsequent years.

2023 STAR COLA Program Cost Analysis

LACERA's consulting actuary, Milliman, provided their letter dated August 25, 2022, which is included as Attachment I. Milliman's letter provides cost and technical information for LACERA's STAR COLA and should be read in conjunction with this memo, which provides an overview of the STAR COLA Program and history. Attachments to Milliman's letter include costs for the 2023 Program Year and projections in anticipation of *future* STAR COLA awards that have not yet occurred. The table below provides the cost for Program Year 2023 as calculated by Milliman using both the ad-hoc and the permanent benefit approaches.

STAR COLA Program Cost

	2023 Annual Cost	Lifetime Cost
Ad-hoc Benefit: STAR Program at 80%	\$231,000	
Permanent Benefit: STAR Program at 80%		\$2,467,000

Should the Board of Retirement decide to approve the permanent STAR COLA Program award, it will provide the greatest possible cost-of-living benefit to those members who have suffered at least a 20% decline in purchasing power. The permanent STAR Program is more valuable to the affected members than the ad-hoc STAR Program since the permanent STAR Program is an everlasting benefit (as long as member or survivor is alive) and is also included in the base allowance used to calculate the statutory annual COLA benefit in future years.

Meaning of 'Permanent STAR Program'

California Government Code Section 31874.3(c) allows the Board of Retirement to make permanent the STAR COLA benefit for the eligible retirees and survivors. In other words, making permanent the STAR Program makes a member's cost-of-living accumulation that exceeds 20% a lasting part of the member's benefit. The value of the permanent STAR COLA to be provided, as calculated by the actuary, cannot exceed the value of excess earnings accumulated in the STAR Reserve because the benefits must be prefunded under the statute. The current value of the STAR Reserve is sufficient to pay for either the ad-hoc or permanent 2023 STAR COLA Program.

This means that all current retirees and survivors eligible to participate in the 2023 STAR Program will have their 2023 STAR Program benefit added to their base allowance and their COLA Accumulation will be reduced to 20%. Except for 2005 and 2010 through 2022, when no members were eligible for a STAR benefit, the Board of Retirement made permanent the 2001 through 2009 STAR Programs. STAR Program benefits for 2001 through 2004 and 2006 through 2009 were permanently added to the participant's base allowance and the respective COLA Accumulations were set to 20%.

However, future increases in the CPI that exceed COLA plan maximums and cause the member's COLA Accumulation to exceed 20%, will require Board action to make permanent such future increases and be contingent upon the availability of the STAR Program Reserve to fund the benefit increase. At this time, the Board of Retirement may only make permanent the current level of benefits payable to eligible 2023 STAR Program participants. Staff will present potential *future* STAR Program awards to the Board of Retirement which will require Board action in *future* years.

Funding the 2023 Program

The STAR Program's funding derived from excess earnings as determined by LACERA's Board of Investments. During the period 1994 through 1998, the Retirement System Funding Agreement required the Board of Investments to allocate all excess earnings using a 75%-25% allocation formula between the Employer Reserves and the STAR Reserve, respectively. Under this agreement the STAR Program received significant funding and has a balance of approximately \$614.0 million for the fiscal period ended June 30, 2022. The STAR Program Reserve balance is sufficient to fund the \$2.467 million needed to make permanent the 2023 STAR Program at the 80% benefit level for all future periods. Should the Board award a permanent STAR COLA, the amount will be transferred to the Employer Reserve to pay STAR COLA Program benefits leaving a balance of approximately \$611.5 million in the STAR Program Reserve.

If the Board approves an ad-hoc STAR Program award at a cost of \$0.231 million, the STAR Reserves balance is sufficient to fund this annual benefit.

Per the Board of Investment's Funding Policy, the actuary includes STAR Reserve assets within total valuation assets. STAR Reserve assets will be reduced when benefits are awarded and paid. The actuary does not include potential STAR COLA liabilities until they

are awarded. This methodology causes a new liability to appear when STAR COLA benefits are granted, increasing the valuation liabilities and consequently the employers' contribution rate. When the actuary prepares the June 30, 2023 Actuarial Valuation of Retirement Benefits report, the impact to the employer's contribution will be calculated and included. The actuary is projecting that the employers' contribution rate will increase for the fiscal year beginning July 1, 2024 and in future years. The estimated impact will be a 0.01% of pay increase or less for employer contributions.

Beginning in 1990 when the Funding Policy first established the STAR Reserve, excess earnings were used to increase the STAR Reserve balance, while over time STAR COLA awards caused decreases in the STAR Reserve. The Funding Policy prescribes the semi-annual interest credit process where realized earnings are measured for the six-month period, and interest credits are applied to the Employee and Employer Reserves. Per the Funding Policy, the STAR Reserve is not eligible to receive an interest credit allocation.

Pension fund reserves is an accounting concept that shows how the fund's net position can be divided among various categories including employees, employers, and other classifications designated for specific use. LACERA assets, including balances in the STAR Reserve and the Employer and Employee Reserves, are part of LACERA's investment portfolio which produces investment income. The STAR Reserve balance was \$154 million in 1990, increased to \$1.023 billion in 1999 due to excess earning contributions, and from that time, has been reduced by STAR COLA benefits to a balance of \$614.011 million as of June 30, 2022. LACERA's pension fund net position in 1990 was \$9.4 billion and is approximately \$70.4 billion as of June 30, 2022. During that period of over 30 years, LACERA's investment portfolio contained STAR COLA assets contributing to LACERA's investment earnings and growing the fund's net position. Increases in LACERA's assets reduce employer contribution rates.

Public Notice Requirement

Government Code Sections 7507 and 31874.3 require the Board of Retirement to secure the services of an enrolled actuary to provide a statement of the actuarial impact upon the future annual plan costs. Section 7507 also requires that the actuarial cost information be presented at a public meeting at least two weeks prior to authorizing a benefit increase. The letter from LACERA's consulting actuary, Milliman, has been prepared and included as Attachment I to satisfy this requirement. On page 1, Milliman's letter states that these potential cost increases represent less than 0.01% of the Future Annual Costs as defined in California Government Code Section 7507.

Conclusion

Certain LACERA retirees are eligible for a STAR COLA Program benefit for the first time since 2009. The recent CPI increases have caused some COLA Accumulation accounts to exceed the 20% threshold. These members have experienced a decline in purchasing power of their monthly retirement allowance which permits the Board of Retirement to authorize a STAR COLA award beginning January 1, 2023. The Board of Retirement has

Re: 2023 STAR COLA Program

August 26, 2022


Page 10 of 10

the option of granting the STAR benefit on a year-to-year basis using the ad-hoc methodology or by choosing the permanent option which makes the additional the benefit a perpetual part of the members' retirement benefit.

It is therefore recommended that the Board of Retirement make public at its meeting on September 7, 2022 the cost of the ad-hoc and permanent STAR COLA Program in 2023 at an 80% benefit level. The projected cost for the ad-hoc STAR COLA Program is \$231,000, while the cost for the 2023 permanent STAR COLA Program is \$2,467,000 as determined by Milliman, LACERA's consulting actuary. In addition, the Board of Retirement should direct staff to place this item on the Board of Retirement's October agenda to decide at that time whether or not to award a STAR COLA for Program Year 2023, and if awarded, determine that the STAR COLA benefits will be ad-hoc or permanent.

Attachments

REVIEWED AND APPROVED:



Santos H. Kreimann
Chief Executive Officer

08/26/2022

Date

SK:TG
2023 STAR COLA.BOR Memo_FINAL_8.26.doc

c: Board of Investments, LACERA

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August 25, 2022

Board of Retirement
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Re: STAR COLA for 2023

Dear Trustees of the Board:

As requested, we have valued the Supplemental Target Adjustment for Retirees (STAR) COLA program as of January 1, 2023. As of April 2022, Accumulation Accounts are greater than 20% (the threshold for providing STAR benefits) for retirees in General Plans B, C, and D and Safety Plan B who retired on or before March 31, 1991. These retirees are therefore eligible for a STAR COLA in 2023, upon Board of Retirement (Board) approval.

The values shown in the following table assume that the Board approves the STAR COLA for 2023 only, on an ad-hoc or a permanent basis, and do not reflect any additional STAR benefits that may be granted in the future. The STAR COLA will be an amount sufficient to restore retirement benefits to 80% of their original purchasing power for those retirees whose benefits currently have less than 80% of their original purchasing power. (80% of the original purchasing power is determined as an Accumulation Account value equaling 20%.) These potential cost increases represent less than 0.01% of the Future Annual Costs as defined in California Government Code Section 7507.

STAR COLA (effective January 1, 2023)	2023 Payment / Transfer from STAR Reserve
Ad Hoc Increase Payment	\$ 231,000
Permanent Increase Transfer	\$ 2,467,000

The ad hoc STAR COLA, as defined in Subsection 31874.3(b), is a temporary benefit provided for one year only and is not part of the member's retirement allowance. Future statutory COLA increases would not apply to this benefit because it is not part of the member's retirement allowance. To continue the ad hoc STAR COLA payments for any future year the Board must approve it on an annual basis.

Making the STAR COLA permanent under Subsection 31874.3(c) means that it becomes a permanent component of the member's retirement allowance and cannot be revoked in the future. Once a STAR COLA has been made permanent, it continues for the life of the member (and the beneficiary, if applicable). As any permanent STAR COLA increases become part of the member's retirement allowance, these payments are eligible for future statutory COLA increases.

This work product was prepared solely for LACERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Under Subsection 31874.3(c), the Board can only make a STAR COLA increase permanent up to the amount determined at the time the action is approved. Therefore, the projected future STAR COLA increases effective January 1, 2024 and later, as shown in the exhibit at the end of this letter, are for informational purposes only and cannot be made permanent at this time.

In the attachment to this letter, we have provided 10-year projections of estimated STAR COLA increases and transfers under the ad hoc and permanent increase options. These attachments also show the estimated number of retirees and survivors projected to be eligible for a STAR COLA benefit in each future year.

STAR COLA and the Accumulation Account

Under the STAR COLA, each retiree and beneficiary in Legacy Plans A, B, C, and-D and PEPRA Plans C and G whose benefit has lost more than 20% of its value is eligible to receive, upon Board approval, an increased benefit payment effective January 1 of the following year. Retirees and beneficiaries in Legacy Plan E are not eligible for the STAR COLA.

The loss of value is measured by the Accumulation Account which is calculated each year by LACERA staff by adjusting the prior year's Accumulation Account by the difference between the actual COLA granted and the prior year's inflation as measured by the Los Angeles-Long Beach-Anaheim, CA Consumer Price Index – All Urban Consumers.

For December 2020 to December 2021, the increase in CPI was 6.6%. Since the increase in CPI is greater than the maximum statutory COLA of 3.0% for Plan A and 2.0% for all other plans, all retirees had an increase in their Accumulation Account in 2022. The following table shows the groups of STAR COLA eligible retirees that have an Accumulation Account balance greater than 20% after application of the 2021 CPI increase and payment of the 2022 statutory COLA, as well as the STAR COLA they are eligible for if it is approved by the Board. There are no retirees of Legacy Plans A or PEPRA Plans C and G that are eligible for a STAR COLA at this time.

Retirement Dates (Legacy Plans B, C, and D)	Accumulation Account	2023 STAR COLA
On or before March 31, 1990	23.10%	3.10%
April 1, 1990 through March 31, 1991	20.50%	0.50%

As an example of how the STAR COLA works, consider a General Plan D member who retired in March of 1990. As of April, 2021 this member had an Accumulation Account of 18.5%. This member received the statutory 2.0% COLA in April of 2022. Since the actual COLA given was less than the CPI of 6.6%, the difference of 4.6% is added to their Accumulation Account, resulting in a new value of 23.1% as of April 2022. Since this member's benefit has lost more than 20% of its original value (i.e., the Accumulation Account is greater than 20.0%), they are eligible for a STAR COLA benefit in 2023. Accordingly, if a STAR COLA is adopted effective January 1, 2023, this member will receive a STAR COLA increase equal to 3.1% of their current retirement allowance.

The member's Accumulation Account will remain at 23.1% unless a permanent STAR COLA is approved, in which case it is adjusted back to 20.0% to reflect the permanent increase in the member's retirement allowance.

Funding

If the permanent STAR COLA is approved under Subsection 31874.3(c), it is required to be prefunded to provide for the increase in future benefit payments. The present value of the 2023 permanent STAR COLA increase is \$2,418,000. Therefore, under the permanent increase scenario, this amount would be transferred from the STAR Reserve to the Employer Reserve. As of June 30, 2021, the STAR Reserve was \$614.0 million; therefore, the current STAR Reserve has a sufficient balance to facilitate this transfer.

The ad-hoc 2023 STAR COLA increase is estimated to cost \$231,000. If this option is approved, we anticipate this amount will be paid from the STAR Reserve.

LACERA's funding policy allows the inclusion of the STAR Reserve in Valuation Assets even though there is no liability included in the valuation for future STAR COLA increases that may be provided. To the extent that the STAR Reserve is reduced as a result of transfers to the Employer Reserve the employer contribution rate will increase. In the June 30, 2021 actuarial valuation, we estimated that if the entire STAR Reserve was excluded from Valuation Assets, the employer contribution rate would increase by approximately 0.49% of payroll effective July 1, 2022. Under both the ad hoc and permanent STAR COLA scenarios for 2023 described in this letter, the estimated impact on the employer contribution rate would be estimated to be a 0.01% or less increase as a percent of payroll.

Projections

We have also attached projections for future STAR COLA increases assuming continued application of the program. These projections are for informational purposes only. For these projections, we have assumed the continued approval of the STAR COLA program by the Board each year at the 80% level, under the following two scenarios:

- 2.75% annual increases in the CPI (the valuation assumption) for 2022 and all future years, and
- 6.60% annual increase in the CPI in 2022, followed by annual CPI increases of 2.75%. This scenario reflects that actual inflation has materially exceeded the assumption in the first half of 2022. The 6.6% is equal to the prior year's inflation and provides an estimate of the potential impact of higher-than-assumed inflation on future STAR COLA benefits, although the actual 2022 inflation is likely to be different.

The attachments show both the expected annual benefits under the ad hoc approach and the estimated transfer amounts to the fund the STAR COLA each year under the permanent approach. The projected benefit payments paid to members each year under the permanent approach is not shown but would be slightly higher than the amounts shown under the ad hoc approach, due to the future statutory COLA increases being applied to the STAR COLA payment under the permanent approach. The transfer amounts are expected to be made from

the STAR Reserve to the Employer Reserve as of the December 31 prior to the calendar year of the STAR COLA increase. These attachments also show the estimated number of retirees and survivors projected to be eligible for a STAR COLA benefit in each future year. The projected number of eligible retirees and survivors is the same under the ad hoc or permanent approach.

Data, assumptions, and methods

The COLA Accumulation Accounts are as of April 1, 2022 and any STAR COLA increases are assumed to be effective as of January 1, 2023. We have assumed that no interest will be credited to the STAR Reserve consistent with LACERA's interest crediting procedures.

Certification

Except as noted elsewhere in this report, all data, methods and assumptions are the same as described and used in the June 30, 2021 actuarial valuation report. In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by LACERA's staff. 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. 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.

Actuarial computations presented in this report are for purposes of estimating expected benefit payments and funding amounts under the LACERA STAR COLA program. These calculations have been made on a basis consistent with our understanding of that program. Determinations for purposes other than described may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. These results were developed using models intended for actuarial valuations that use standard actuarial techniques.

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

The calculations included in this report are subject to the same risk factors as discussed in the June 30, 2021 actuarial valuation and in the Risk Assessment report based on the June 30, 2021 actuarial valuation. Please refer to those reports for a detailed descriptions of the primary risks to LACERA.

Milliman's work is prepared solely for the internal business use of LACERA. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not

intend to benefit or create a legal duty to any third-party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

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

No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own 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, investment, or accounting counsel.

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

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

If you have any further questions regarding this report, please let us know.

Sincerely,

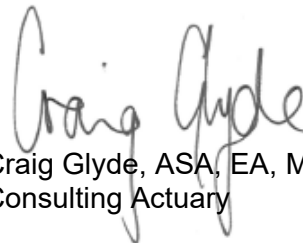
Handwritten signature of Nick Collier in black ink.

Nick Collier, ASA, EA, MAAA
Consulting Actuary

NC/CG/va

Attachments

cc: Ted Granger
Santos Kreimann
Claro Lanting
Ervin Wu

Handwritten signature of Craig Glyde in black ink.

Craig Glyde, ASA, EA, MAAA
Consulting Actuary

LACERA
10-year projection of STAR COLA Benefits
STAR COLA approved each year
to restore benefit to 80% of original value
(if 2022 actual CPI increase is 2.75%)

Calendar Year	Actual CPI	Count of Eligible Retirees & Survivors	Ad-hoc Increase	Permanent Increase Transfers
2022	2.75%			
2023	2.75%	374	\$ 231,000	\$ 2,467,000
2024	2.75%	357	300,000	763,000
2025	2.75%	341	367,000	748,000
2026	2.75%	327	433,000	732,000
2027	2.75%	312	498,000	715,000
2028	2.75%	299	561,000	697,000
2029	2.75%	359	632,000	782,000
2030	2.75%	1,840	1,003,000	3,870,000
2031	2.75%	1,755	1,503,000	5,183,000
2032	2.75%	1,920	1,992,000	5,103,000

1. Estimate based on June 30, 2021 valuation
2. Actual results will vary

LACERA
10-year projection of STAR COLA Benefits
STAR COLA approved each year
to restore benefit to 80% of original value
(if 2022 actual CPI increase is 6.60%)

Calendar Year	Actual CPI	Count of Eligible Retirees & Survivors	Ad-hoc Increase	Permanent Increase Transfers
2022	6.60%			
2023	2.75%	374	\$ 231,000	\$ 2,467,000
2024	2.75%	450	681,000	4,715,000
2025	2.75%	2,278	1,145,000	5,055,000
2026	2.75%	2,190	1,691,000	5,915,000
2027	2.75%	2,809	2,252,000	6,066,000
2028	2.75%	2,695	2,981,000	7,702,000
2029	2.75%	2,579	3,690,000	7,528,000
2030	2.75%	3,375	4,616,000	9,552,000
2031	2.75%	3,225	5,566,000	9,820,000
2032	2.75%	3,076	6,474,000	9,533,000

1. Estimate based on June 30, 2021 valuation
2. Actual results will vary

This work product was prepared solely for LACERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

STAR COLA Accumulation Chart
Percentages as of January 1, 2023

Retirement Date			General Plans B, C, D and Safety Plan B		
			COLA % Accumulation April 1, 2022	STAR Benefit Adjustment in 2023	COLA % Accumulation January 1, 2023
Before 4/1/77			-	-	-
4/1/1977	-	3/31/1978	23.1	3.1	20.0
4/1/1978	-	3/31/1979	23.1	3.1	20.0
4/1/1979	-	3/31/1980	23.1	3.1	20.0
4/1/1980	-	3/31/1981	23.1	3.1	20.0
4/1/1981	-	3/31/1982	23.1	3.1	20.0
4/1/1982	-	3/31/1983	23.1	3.1	20.0
4/1/1983	-	3/31/1984	23.1	3.1	20.0
4/1/1984	-	3/31/1985	23.1	3.1	20.0
4/1/1985	-	3/31/1986	23.1	3.1	20.0
4/1/1986	-	3/31/1987	23.1	3.1	20.0
4/1/1987	-	3/31/1988	23.1	3.1	20.0
4/1/1988	-	3/31/1989	23.1	3.1	20.0
4/1/1989	-	3/31/1990	23.1	3.1	20.0
4/1/1990	-	3/31/1991	20.5	0.5	20.0
4/1/1991	-	3/31/1992	15.9	*	15.9
4/1/1992	-	3/31/1993	15.3	*	15.3
4/1/1993	-	3/31/1994	15.3	*	15.3
4/1/1994	-	3/31/1995	15.3	*	15.3
4/1/1995	-	3/31/1996	15.3	*	15.3
4/1/1996	-	3/31/1997	15.3	*	15.3
4/1/1997	-	3/31/1998	15.3	*	15.3
4/1/1998	-	3/31/1999	15.3	*	15.3
4/1/1999	-	3/31/2000	15.3	*	15.3
4/1/2000	-	3/31/2001	15.0	*	15.0
4/1/2001	-	3/31/2002	13.3	*	13.3
4/1/2002	-	3/31/2003	13.2	*	13.2
4/1/2003	-	3/31/2004	11.5	*	11.5
4/1/2004	-	3/31/2005	11.5	*	11.5
4/1/2005	-	3/31/2006	9.1	*	9.1
4/1/2006	-	3/31/2007	7.9	*	7.9
4/1/2007	-	3/31/2008	7.9	*	7.9
4/1/2008	-	3/31/2009	7.9	*	7.9
4/1/2009	-	3/31/2010	7.9	*	7.9
4/1/2010	-	3/31/2011	7.9	*	7.9
4/1/2011	-	3/31/2012	7.9	*	7.9
4/1/2012	-	3/31/2013	7.9	*	7.9
4/1/2013	-	3/31/2014	7.9	*	7.9
4/1/2014	-	3/31/2015	7.9	*	7.9
4/1/2015	-	3/31/2016	7.9	*	7.9
4/1/2016	-	3/31/2017	7.9	*	7.9
4/1/2017	-	3/31/2018	7.9	*	7.9
4/1/2018	-	3/31/2019	6.3	*	6.3
4/1/2019	-	3/31/2020	5.1	*	5.1
4/1/2020	-	3/31/2021	4.6	*	4.6
4/1/2021	-	3/31/2022	4.6	*	4.6

* Not eligible for STAR COLA increase in 2023.

Note: Plan E members are not eligible for the STAR COLA Program benefits.



2023 STAR COLA Program

September 7, 2022

Board of Retirement Meeting

Discussion Topics



Key Concepts

- **STAR COLA Award Method:**
 - Ad-Hoc
 - Permanent
- **STAR COLA Example**
 - **General Plan D Member Award**
- **STAR Program Funding**
 - History
 - 2023 Funding

STAR COLA

Retirement Payments

Cost of Living

COLA Accumulation

▶ STAR COLA

The Supplemental Targeted Adjustment for Retirees (STAR) is a cost-of-living adjustment (COLA) program designed to ease the effects of inflation for retirees and eligible survivors whose allowance has lost more than 20 percent of its purchasing power since retirement. The STAR COLA program is available for contributory plan retirees and their beneficiaries only; Plan E retirees are not eligible.



01 STAR COLA Method

Ad-Hoc or Permanent

STAR COLA Method



Government Code provisions allow the Board of Retirement to award additional benefits to address the inflation experienced by retirees using one of the following approaches:

Ad-Hoc STAR COLA

- Temporary benefit for the current calendar year
- Not included in the calculation of future statutory April 1st COLA awards
- COLA Accumulation account balance not reduced, remains above 20% and future amounts are added
- Board of Retirement must approve these benefits each year in future years
- Benefits paid from STAR COLA Reserve

Permanent STAR COLA

- Permanent benefit for the current calendar year and future years
- STAR Benefit increases base allowance and is included in the calculation of future statutory April 1st COLA awards
- COLA Accumulation account balance is reduced to 20% level
- Board of Retirement does not need to approve these benefits each year in future years
- Benefits funded by one-time transfer from STAR Reserve and paid from Employer Reserves



02 STAR COLA Example

Plan D Member Award

STAR COLA Example



STEP

1

General Plan D Member
Retired in March 1990

STEP

2

April 1, 2021 Accumulation Account
Balance of 18.5%

STEP

3

Statutory COLA for Plan D Members
CPI was 6.6% and Statutory COLA was 2.0%

STAR COLA Example



STEP

4

Accumulation Account increased by 4.6%
Difference between CPI of 6.6% and Statutory COLA of 2.0%

STEP

5

Accumulation Account value, from 18.5% to 23.1%
As of April 2022

STEP

6

Accumulation Account greater than 20.0%
Member's benefit lost more than 20% of original value

STAR COLA Example



STEP

7

Accumulation Account new value 23.1%
Eligible for STAR COLA benefit in 2023

STEP

8

STAR COLA Award (upon BOR Approval)
Increase benefit 3.1%, effective January 1, 2023
Ad-Hoc Award – Paid for 2023 Only, Permanent Award – Paid for Lifetime

STEP

9

Accumulation Account Balance
Ad-Hoc Award – remain at 23.1%, Permanent Award – reduce to 20.0%



03 STAR Program Funding

History and 2023 Funding

STAR Program Funding



History

Excess Earnings

- **1994 County issued Pension Obligation Bonds**
- **As a result, LACERA's funded ratio exceeded 100% in subsequent years**
- **During the period 1994-1998, Retirement Benefit Funding Policy required the Board of Investments to allocate all excess earnings:**
 - **75% to Employer Reserves (County Contribution Credit Reserve)**
 - **25% to STAR Reserve**

STAR Reserve

- **Highest balance in 1999 due to excess earnings contributions: \$1.023 billion**
- **STAR benefits paid from STAR COLA Reserve for the 1990-2008 Program Years**
- **Current balance as of June 30, 2022: \$614.011 million (same as prior year)**
- **Ad-Hoc STAR Program cost: \$0.231 million**
- **Permanent STAR Program cost: \$2.467 million**

STAR Program Funding



2023 Funding

STAR Reserve

- **STAR COLA Program cost paid from STAR Reserve**
 - Permanent award: amount transferred from STAR Reserve to the Employer Reserves
 - Ad-Hoc award: benefits paid from STAR Reserve
- **STAR Reserve:**
 - Balance included in Valuation Assets
 - STAR COLA benefits not included in Liabilities*
- **STAR COLA Award:**
 - Reduces Valuation Assets
 - Increases Valuation Liabilities
 - Increases employer contribution rate 0.01%

* The valuation liabilities do not account for STAR COLAs that may be granted in the future. STAR COLA benefits previously approved by the BOR are included in the liabilities.

Pension Plan Reserves

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

	2021	2020
Member Reserves	\$24,646,373	\$23,481,576
Employer Reserves	29,026,898	25,818,509
STAR Reserve	614,011	614,011
Contingency Reserve	147,104	—
Total Reserves at Book Value	\$54,434,386	\$49,914,096
Unrealized Investment Portfolio Appreciation	\$18,577,640	\$8,596,312
Total Reserves at Fair Value¹	\$73,012,026	\$58,510,408

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

Thank You!




2023 STAR COLA

Questions?

FOR INFORMATION ONLY

September 27, 2022

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Barry W. Lew 
Legislative Affairs Officer

FOR: October 6, 2022 Board of Retirement Meeting
October 12, 2022 Board of Investments Meeting

SUBJECT: **Monthly Status Report on Legislation**

Attached is the monthly report on the status of legislation that staff is monitoring or on which LACERA has adopted a position.

Reviewed and Approved:



Steven P. Rice, Chief Counsel

Attachments

LACERA Legislative Report Index
LACERA Legislative Report

cc: Santos H. Kreimann
Luis Lugo
JJ Popowich
Laura Guglielmo
Steven P. Rice
Jon Gabel
Scott Zdrasil
Tony Roda, Williams & Jensen
Shari McHugh, McHugh Koepke & Associates
Naomi Padron, McHugh Koepke & Associates

LACERA Legislative Report
 2021-22 Legislative Session
 Status as of September 27, 2022

PUBLIC RETIREMENT	AUTHOR	TITLE	PAGE
AB 551	Rodriguez (D)	Disability Retirement: Covid-19: Presumption	1
AB 826	Irwin (D)	Compensation and Compensation Earnable	1
AB 1667	Cooper (D)	State Teachers' Retirement System: Administration	1
AB 1722	Cooper (D)	Public Employees' Retirement: Safety Members	1
AB 1824	Public Employment and Retirement Cmt	Public Employees' Retirement	2
AB 1971	Cooper (D)	County Employees Retirement Law of 1937	2
AB 2443	Cooley (D)	Judges' Retirement System II: Benefits	2
AB 2493	Chen (R)	County Employees' Retirement Disallowed Compensation	3
HR 2954	Neal (D)	Strong Retirement	3
HR 6241	Thompson M (D)	Use of Retirement Funds	3
S 1703	Grassley (R)	Retirement Plan Administration	3
S 1770	Cardin (D)	Retirement Provisions	4
PUBLIC INVESTMEENT			
SB 1173	Gonzalez (D)	Public Retirement Systems: Fossil Fuels: Divestment	4
SB 1328	McGuire (D)	Investments and Contracts: Russia and Belarus	4
WORKERS COMPENSATION			
AB 334	Mullin (D)	Workers Compensation: Skin Cancer	4
AB 1751	Daly (D)	Workers' Compensation: COVID-19: Critical Workers	5
SB 213	Cortese (D)	Workers Compensation: Hospital Employees	5
SB 284	Stern (D)	Workers' Compensation: Firefighters and Peace Officers	5
SB 335	Cortese (D)	Workers' Compensation: Liability	6
BROWN ACT			
AB 1944	Lee (D)	Local Government: Open and Public Meetings	6
AB 2449	Rubio (D)	Open Meetings: Local Agencies: Teleconferences	6
AB 2647	Levine (D)	Local Government: Open Meetings	6
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PUBLIC RECORDS ACT			
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SOCIAL SECURITY			
HR 82	Davis R (R)	Government Pension Offset Repeal	8
HR 2337	Neal (D)	Noncovered Employment	8
HR 5723	Larson (D)	Social Security System Benefits	8
S 1302	Brown S (D)	Pension Offset	8
HEALTHCARE			
HR 4148	Malinowski (D)	First Responders Medicare Option	9
S 2236	Brown S (D)	Medicare Buy In Option for First Responders	9
S 4312	Brown S (D)	Health and Long Term Care Insurance Distributions	9

LACERA Legislative Report
2021-22 Legislative Session
Status as of September 27, 2022

PUBLIC RETIREMENT

CA AB 551	AUTHOR: TITLE: INTRODUCED: LAST AMEND: SUMMARY:	Rodriguez [D] Disability Retirement: Covid-19: Presumption 02/10/2021 06/28/2022 Establishes a disability retirement presumption that is applicable to the members of various public employee retirement systems who are employed in certain firefighter, public safety officer, and health care job classifications, among others, who test positive for COVID-19, as specified. Extends the operation of the provisions until specified date.
	STATUS:	09/13/2022 *****To GOVERNOR.
CA AB 826	AUTHOR: TITLE: INTRODUCED: LAST AMEND: SUMMARY:	Irwin [D] Compensation and Compensation Earnable 02/16/2021 08/03/2022 Provides that this bill, which would apply only in Ventura County, would provide that compensation and compensation earnable include flexible benefits plan allowances paid by a county or a district on behalf of its employees as part of a cafeteria plan, as specified, if certain conditions are met.
	STATUS:	09/13/2022 *****To GOVERNOR.
	BOR_Position:	Watch 09/01/2021
	IBLC_Recommendation:	Watch 08/12/2021
	Staff_Recommendation:	Watch
CA AB 1667	AUTHOR: TITLE: INTRODUCED: LAST AMEND: SUMMARY:	Cooper [D] State Teachers' Retirement System: Administration 01/19/2022 08/25/2022 Prescribes various requirements and duties in connection with audits of public agencies by the Teachers' Retirement Board. Requires the board to provide written notice of an intended audit to the affected public agency and to the exclusive representative of the members affected by the audit. Requires this notice to apprise the public agency and the exclusive representative of the purpose and scope of the intended audit.
	STATUS:	09/13/2022 *****To GOVERNOR.
CA AB 1722	AUTHOR: TITLE: INTRODUCED: SUMMARY:	Cooper [D] Public Employees' Retirement: Safety Members 01/27/2022 Relates to the Public Employees' Retirement Law which, until January 1, 2023, provides a state safety member of the Public Employees' Retirement System who retires for industrial disability a retirement benefit equal to the greatest amount resulting from 3 possible calculations. Deletes the termination of these

provisions on January 1, 2023, thereby making them operative in perpetuity. Appropriates funds.

STATUS:

09/18/2022 Chaptered by Secretary of State. Chapter No. 2022-404

CA AB 1824

AUTHOR: Public Employment and Retirement Cmt

TITLE: Public Employees' Retirement

INTRODUCED: 02/07/2022

LAST AMEND: 08/01/2022

SUMMARY:

Relates to the Teachers' Retirement Law, the State Teachers' Retirement System and the Defined Benefit Program of the State Teachers' Retirement Plan. Relates to the Cash Balance Benefit Program which provides a retirement plan for the benefit of participating employees who provide creditable service for less than 50% of full time. Revises the description of trustee service. Specifies that termination of creditable services does not include retired member activities or retired participant activities.

STATUS:

09/02/2022 Signed by GOVERNOR.

09/02/2022 Chaptered by Secretary of State. Chapter No. 2022-231

Comments:

Omnibus bill containing SACRS 2022 legislative proposals.

BOR_Position: Support 05/05/2022

IBLC_Recommendation: Support 04/06/2022

Staff_Recommendation: Support

CA AB 1971

AUTHOR: Cooper [D]

TITLE: County Employees Retirement Law of 1937

INTRODUCED: 02/10/2022

LAST AMEND: 06/30/2022

SUMMARY:

Authorizes a person who is retired and receiving a retirement benefit from a county system to serve as a nonsalaried member without reinstatement for service on a part-time board or commission, as specified. Prohibits a retired person acting in this capacity from acquiring benefits, service credit, or retirement rights with respect to the service, but would authorize the receipt of any per diem that is authorized to all members of the board or commission.

STATUS:

09/25/2022 Chaptered by Secretary of State. Chapter No. 2022-524

Comments:

Omnibus bill containing SACRS 2022 legislative proposals.

BOR_Position: Support 06/01/2022

IBLC_Recommendation: Support 05/05/2022

Staff_Recommendation: Support

CA AB 2443

AUTHOR: Cooley [D]

TITLE: Judges' Retirement System II: Benefits

INTRODUCED: 02/17/2022

LAST AMEND: 08/24/2022

SUMMARY:

Relates to the Judges' Retirement System II, which provides retirement and other benefits to its members and is administered by the Board of Administration of the Public Employees' Retirement System. Authorizes a judge

who is not eligible to retire pursuant specified provisions to elect to retire and defer receipt of a monthly allowance, subject to specified formulations. Relates to the Public Employees' Medical and Hospital Care Act (PEMHCA).

STATUS:

09/25/2022 Chaptered by Secretary of State. Chapter No. 2022-531

CA AB 2493

AUTHOR: Chen [R]

TITLE: County Employees' Retirement Disallowed Compensation

INTRODUCED: 02/17/2022

LAST AMEND: 08/17/2022

SUMMARY:

Requires a retirement system established under the County Employees Retirement Law, upon determining that the compensation reported for a sworn peace officer or firefighter is disallowed compensation, to require the employer, as defined, to discontinue reporting the disallowed compensation.

STATUS:

08/31/2022 In SENATE. Read third time. Passed SENATE. *****To ASSEMBLY for concurrence. (40-0)

Comments:

Bill is dead because it did not pass the Legislature before adjournment.

BOR_Position: Neutral 07/06/2022

IBLC_Recommendation: Neutral 06/01/2022

Staff_Recommendation: Neutral

US HR 2954

SPONSOR: Neal [D]

TITLE: Strong Retirement

INTRODUCED: 05/04/2021

LAST AMEND: 03/29/2022

SUMMARY:

Secures a Strong Retirement Act of 2021.

STATUS:

03/30/2022 In SENATE. Read second time.

03/30/2022 To SENATE Committee on FINANCE.

Comments:

Would gradually raise the age for mandatory distributions to age 75 by 2032.

US HR 6241

SPONSOR: Thompson M [D]

TITLE: Use of Retirement Funds

INTRODUCED: 12/09/2021

SUMMARY:

Amends the Internal Revenue Code of 1986 to provide for rules for the use of retirement funds in connection with federally declared disasters.

STATUS:

12/09/2021 INTRODUCED.

12/09/2021 To HOUSE Committee on WAYS AND MEANS.

US S 1703

SPONSOR: Grassley [R]

TITLE: Retirement Plan Administration

INTRODUCED: 05/19/2021

SUMMARY:

Amends the Internal Revenue Code of 1986 to increase retirement savings, to improve retirement plan administration.

STATUS:

05/19/2021 INTRODUCED.
05/19/2021 In SENATE. Read second time.
05/19/2021 To SENATE Committee on FINANCE.

US S 1770

SPONSOR: Cardin [D]
TITLE: Retirement Provisions
INTRODUCED: 05/20/2021
SUMMARY:

Amends the Internal Revenue Code of 1986 to reform retirement provisions.

STATUS:

05/20/2021 INTRODUCED.
05/20/2021 In SENATE. Read second time.
05/20/2021 To SENATE Committee on FINANCE.

PUBLIC INVESTMENT

CA SB 1173

AUTHOR: Gonzalez [D]
TITLE: Public Retirement Systems: Fossil Fuels: Divestment
INTRODUCED: 02/17/2022
LAST AMEND: 04/21/2022
SUMMARY:

Prohibits the boards of the Public Employees' Retirement System and the State Teachers' Retirement System from making new investments or renewing existing investments of public employee retirement funds in a fossil fuel company. Suspends the above described liquidation provision upon a good faith determination by the board that certain conditions materially impact normal market mechanisms for pricing assets.

STATUS:

06/02/2022 To ASSEMBLY Committees on PUBLIC EMPLOYMENT AND RETIREMENT and JUDICIARY.

Comments:

Did not meet deadline to pass policy committee. Will not move forward.

CA SB 1328

AUTHOR: McGuire [D]
TITLE: Investments and Contracts: Russia and Belarus
INTRODUCED: 02/18/2022
LAST AMEND: 05/19/2022
SUMMARY:

Prohibits the boards of specified state and local public retirement systems from making additional or new investments in prohibited companies, as defined, domiciled in Russia or Belarus, as defined, companies that the United States government has designated as complicit in the aggressor countries', as defined, war in Ukraine, or companies that supply military equipment to the aggressor countries, and to liquidate the investments of the board in those companies, as specified.

STATUS:

06/09/2022 To ASSEMBLY Committees on PUBLIC EMPLOYMENT AND RETIREMENT and ACCOUNTABILITY AND ADMINISTRATIVE REVIEW.

Comments:

Did not meet deadline to pass policy committee. Will not move forward.

WORKERS COMPENSATION

CA AB 334

AUTHOR: Mullin [D]

	TITLE:	Workers Compensation: Skin Cancer
	INTRODUCED:	01/27/2021
	SUMMARY:	Relates to existing law which provides that skin cancer developing in active lifeguards, for purposes of workers' compensation, is presumed to arise out of and in the course of employment, unless the presumption is rebutted. Expands the scope of this provision to certain peace officers of the Department of Fish and Wildlife and the Department of Parks and Recreation.
	STATUS:	08/30/2022 *****To GOVERNOR.
CA AB 1751	AUTHOR:	Daly [D]
	TITLE:	Workers' Compensation: COVID-19: Critical Workers
	INTRODUCED:	02/01/2022
	LAST AMEND:	08/25/2022
	SUMMARY:	Extends specified workers' compensation provisions relating to COVID-19 until specified date. Expands the specified provisions applicable to firefighters and police officers to include active firefighting members of a fire department at the State Department of State Hospitals, the State Department of Developmental Services, the Military Department, and the Department of Veterans Affairs and to officers of a state hospital under the jurisdiction of the State Department of State Hospitals.
	STATUS:	09/13/2022 *****To GOVERNOR.
CA SB 213	AUTHOR:	Cortese [D]
	TITLE:	Workers Compensation: Hospital Employees
	INTRODUCED:	01/12/2021
	LAST AMEND:	05/05/2022
	SUMMARY:	Defines injury for a hospital employee who provides direct patient care in an acute care hospital, to include infectious diseases, cancer, musculoskeletal injuries, post traumatic stress disorder, and respiratory diseases. Includes the novel coronavirus 2019, among other conditions, in the definitions of infectious and respiratory diseases. Creates rebuttable presumptions that these injuries that develop or manifest in a hospital employee who provides direct patient care in an acute care hospital.
	STATUS:	06/22/2022 In ASSEMBLY Committee on INSURANCE: Heard, remains in Committee.
CA SB 284	AUTHOR:	Stern [D]
	TITLE:	Workers' Compensation: Firefighters and Peace Officers
	INTRODUCED:	02/01/2021
	LAST AMEND:	08/18/2022
	SUMMARY:	Relates to existing Law which provides that injury includes post-traumatic stress that develops during a period in which the injured person is in the service of the department or unit. Makes that provision applicable to active firefighting members of the State Department of State Hospitals, the State Department of Developmental Services, and the Military Department, and the Department of Veterans Affairs, including security officers of the Department of Justice when

performing assigned duties.

STATUS:

09/06/2022 *****To GOVERNOR.

CA SB 335

AUTHOR: Cortese [D]
TITLE: Workers' Compensation: Liability
INTRODUCED: 02/08/2021
LAST AMEND: 03/10/2021

SUMMARY:

Reduces the time periods after the date the claim form is filed with an employer in which the injury is presumed compensable and the presumption is rebuttable only by evidence discovered subsequent to the time period for certain injuries or illnesses, including hernia, heart trouble, pneumonia, or tuberculosis, among others, sustained in the course of employment of a specified member of law enforcement or a specified first responder.

STATUS:

07/13/2021 In ASSEMBLY Committee on INSURANCE: Failed passage.

BROWN ACT

CA AB 1944

AUTHOR: Lee [D]
TITLE: Local Government: Open and Public Meetings
INTRODUCED: 02/10/2022
LAST AMEND: 05/25/2022

SUMMARY:

Requires the agenda to identify any member of the legislative body that will participate in the meeting remotely. Requires an updated agenda reflecting all of the members participating in the meeting remotely to be posted, if a member of the legislative body elects to participate in the meeting remotely after the agenda is posted.

STATUS:

06/22/2022 In SENATE Committee on GOVERNANCE AND FINANCE:
Not heard.

Comments:

Did not meet deadline to pass policy committee. Will not move forward.

BOR_Position: Support 05/05/2022

IBLC_Recommendation: Support 04/06/2022

Staff_Recommendation: Support

CA AB 2449

AUTHOR: Rubio [D]
TITLE: Open Meetings: Local Agencies: Teleconferences
INTRODUCED: 02/17/2022
LAST AMEND: 08/08/2022

SUMMARY:

Relates to law that authorizes a local agency to use teleconferencing without complying with specified teleconferencing requirements in specified circumstances when a declared state of emergency is in effect, or in other situations related to public health. Revises and recasts those teleconferencing provisions and, until January 1, 2026, authorizes a local agency to use teleconferencing without complying with certain teleconferencing requirements.

STATUS:

09/13/2022 Chaptered by Secretary of State. Chapter No. 2022-285

CA AB 2647

AUTHOR: Levine [D]

TITLE: Local Government: Open Meetings
INTRODUCED: 02/18/2022
LAST AMEND: 08/04/2022

SUMMARY:

Requires a local agency to make certain writings distributed to the members of the governing board available for public inspection at a public office or location that the agency designates and list the address of the office or location on the agenda for all meetings of the legislative body of the agency unless the local agency meets certain requirements, including the local agency immediately posts the writings on the local agency's internet website in a position and manner that makes it clear.

STATUS:

08/29/2022 *****To GOVERNOR.

CA SB 1100

AUTHOR: Cortese [D]
TITLE: Open Meetings: Orderly Conduct
INTRODUCED: 02/16/2022
LAST AMEND: 06/06/2022

SUMMARY:

Authorizes the presiding member of the legislative body conducting a meeting to remove an individual for disrupting the meeting. Requires removal to be preceded by a warning to the individual by the presiding member of the legislative body or their designee that the individual's behavior is disrupting the meeting and that the individual's failure to cease their behavior may result in their removal.

STATUS:

08/22/2022 Signed by GOVERNOR.
08/22/2022 Chaptered by Secretary of State. Chapter No. 2022-171

PUBLIC RECORDS ACT

CA AB 343

AUTHOR: Fong [R]
TITLE: California Public Records Act Ombudsperson
INTRODUCED: 01/28/2021
LAST AMEND: 06/15/2022

SUMMARY:

Requires the California Public Records Act Ombudsperson to create a process through which a person whose information is contained in a record being reviewed may intervene to assert their privacy and confidentiality rights, and would otherwise require the ombudsperson to maintain the privacy and confidentiality of records, as provided.

STATUS:

06/21/2022 From SENATE Committee on JUDICIARY: Do pass to Committee on GOVERNMENTAL ORGANIZATION. (11-0)

CA AB 386

AUTHOR: Cooper [D]
TITLE: Public Employees Retirement: Investments: Confidential
INTRODUCED: 02/02/2021
LAST AMEND: 06/29/2021

SUMMARY:

Exempts from disclosure under the California Public Records Act specified records regarding an internally managed private loan made directly by the Public Employees' Retirement Fund. Provides that these records would include quarterly and annual financial statements of the borrower or its constituent

owners, unless the information has already been publicly released by the keeper of the information. Prescribes specified exceptions to this exemption from disclosure.

STATUS:

07/13/2021 In SENATE Committee on JUDICIARY: Failed passage.
 07/13/2021 In SENATE Committee on JUDICIARY: Reconsideration granted.

SOCIAL SECURITY

US HR 82

SPONSOR: Davis R [R]
TITLE: Government Pension Offset Repeal
INTRODUCED: 01/04/2021
SUMMARY:

Amends the Social Security Act; repeals the Government pension offset and windfall elimination provisions.

STATUS:

09/19/2022 Subcommittee on SOCIAL SECURITY discharged.
 09/20/2022 In HOUSE Committee on WAYS AND MEANS: Consideration and mark-up session held.
 09/20/2022 In HOUSE Committee on WAYS AND MEANS: Ordered to be reported.
 09/21/2022 From HOUSE Committee on WAYS AND MEANS: Reported.
 09/21/2022 In HOUSE. Placed on HOUSE Union Calendar.
BOR_Position: Support 05/05/2021
IBLC_Recommendation: Support 04/15/2021
Staff_Recommendation: Support

US HR 2337

SPONSOR: Neal [D]
TITLE: Noncovered Employment
INTRODUCED: 04/01/2021
SUMMARY:

Amends Title II of the Social Security Act to provide an equitable Social Security formula for individuals with noncovered employment and to provide relief for individuals currently affected by the Windfall Elimination Provision.

STATUS:

04/01/2021 INTRODUCED.
 04/01/2021 To HOUSE Committee on WAYS AND MEANS.
BOR_Position: Support 09/01/2021
IBLC_Recommendation: Support 08/12/2021
Staff_Recommendation: Support

US HR 5723

SPONSOR: Larson [D]
TITLE: Social Security System Benefits
INTRODUCED: 10/26/2021
SUMMARY:

Protects our Social Security system and improve benefits for current and future generations.

STATUS:

10/26/2021 In HOUSE Committee on WAYS AND MEANS: Referred to Subcommittee on SOCIAL SECURITY.

US S 1302

SPONSOR: Brown S [D]
TITLE: Pension Offset

INTRODUCED: 04/22/2021
SUMMARY:
 Amends Title II of the Social Security Act to repeal the government pension offset and windfall elimination provisions.
STATUS:
 04/22/2021 INTRODUCED.
 04/22/2021 In SENATE. Read second time.
 04/22/2021 To SENATE Committee on FINANCE.
BOR_Position: Support 09/01/2021
IBLC_Recommendation: Support 08/12/2021
Staff_Recommendation: Support

HEALTHCARE

US HR 4148	<p>SPONSOR: Malinowski [D] TITLE: First Responders Medicare Option INTRODUCED: 06/24/2021 SUMMARY: Amends Title XVIII of the Social Security Act to provide an option for first responders age 50 to 64 who are separated from service due to retirement or disability to buy into Medicare. STATUS: 06/24/2021 INTRODUCED. 06/24/2021 To HOUSE Committee on WAYS AND MEANS. 06/24/2021 To HOUSE Committee on ENERGY AND COMMERCE. 06/25/2021 In HOUSE Committee on ENERGY AND COMMERCE: Referred to Subcommittee on HEALTH.</p>
US S 2236	<p>SPONSOR: Brown S [D] TITLE: Medicare Buy In Option for First Responders INTRODUCED: 06/24/2021 SUMMARY: Amends Title XVIII of the Social Security Act to provide an option for first responders age 50 to 64 who are separated from service due to retirement or disability to buy into Medicare. STATUS: 06/24/2021 INTRODUCED. 06/24/2021 In SENATE. Read second time. 06/24/2021 To SENATE Committee on FINANCE.</p>
US S 4312	<p>SPONSOR: Brown S [D] TITLE: Health and Long Term Care Insurance Distributions INTRODUCED: 05/25/2022 SUMMARY: Amends the Internal Revenue Code of 1986 to repeal the direct payment requirement on the exclusion from gross income of distributions from governmental plans for health and long term care insurance. STATUS: 05/25/2022 INTRODUCED. 05/25/2022 In SENATE. Read second time. 05/25/2022 To SENATE Committee on FINANCE.</p>

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FOR INFORMATION ONLY

October 3, 2022

TO: Trustees,
Board of Investments

FROM: Christine Roseland *CR*
Senior Staff Counsel

FOR: October 12, 2022 Board of Investments Meeting

SUBJECT: **Legal Projects**

Attached is the monthly report on the status of Board-directed investment-related projects handled by the Legal Division as of October 3, 2022.

Attachment

c: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
Esmeralda Del Bosque
Vache Mahseredjian
Jude Perez
Jim Rice
Christopher Wagner
Scott Zdrazil
Steven Rice
John Harrington
Earl Buehner
Margo McCabe
Lisa Garcia



LACERA Legal Division
Board of Investments Projects
Monthly Status Report - Pending as of October 3, 2022



	Project/ Investment	Description	Amount	Board Approval Date	Completion Status	% Complete	Notes
HEDGE FUNDS	Stable Asset Management	Investment Management Agreement for Illiquid Credit Emerging Manager Program	\$750,000,000	August 10, 2022	In Progress	<div style="width: 20%;"></div> 20%	Legal negotiations in process.
OPEB	Hamilton Lane	Investment Management Agreement	\$500,000,000	August 10, 2022	In Progress	<div style="width: 15%;"></div> 15%	Legal negotiations in process.
	BlackRock Institutional Trust Company, N.A.	Investment Management Agreement for Long-Term U.S. Treasury Bond	\$70,000,000	September 14, 2022	In Progress	<div style="width: 10%;"></div> 10%	Legal negotiations in process.
PORTFOLIO ANALYTICS	State Street Bank and Trust Co.	Global Custody and Commercial Banking Services Agreement for LACERA's Pension Plan and OPEB Master Trust	\$72,000,000,000	August 10, 2022	In Progress	<div style="width: 30%;"></div> 30%	Legal negotiations in process.
PRIVATE EQUITY	Hamilton Lane	Investment Management Agreement	\$400,000,000	February 9, 2022	In Progress	<div style="width: 99%;"></div> 99%	Legal negotiations in process.
REAL ESTATE	Blackstone Real Estate Partners X	Subscription	\$300,000,000	August 10, 2022	In Progress	<div style="width: 90%;"></div> 90%	Legal negotiations in process.
	Brookfield Strategic Real Estate Partners IV	Subscription	\$300,000,000	August 10, 2022	In Progress	<div style="width: 90%;"></div> 90%	Legal negotiations in process.

**FOR INFORMATION ONLY**

September 21, 2022

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Ted Granger *TG*
Interim Chief Financial Officer

FOR: October 6, 2022 Board of Retirement Meeting
October 12, 2022 Board of Investments Meeting

SUBJECT: MONTHLY TRAVEL & EDUCATION REPORT – AUGUST 2022

Attached for your review is the Trustee Travel & Education Report. This report includes all events (i.e., attended and canceled) from the beginning of the fiscal year through August 2022. Staff travel and education reports are provided to the Chief Executive Officer monthly and to the Boards quarterly.

REVIEWED AND APPROVED:

Luis A. Lugo
Deputy Chief Executive Officer

TG/EW/gj

Attachments

c: S. Kreimann
J. Popowich
L. Guglielmo
J. Gabel
S. Rice
R. Van Nortrick

**TRUSTEE TRAVEL AND EDUCATION REPORT
FOR FISCAL YEAR 2022 - 2023
AUGUST 2022**

Attendee	Purpose of Travel - Location	Event Dates	Travel Status
Vivian Gray			
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
	- Admin - SACRS Board of Directors Meeting - Los Angeles CA	08/22/2022 - 08/22/2022	Attended
X	- Edu - TLF Annual Convening 2022 - Cambridge MA	07/18/2022 - 07/20/2022	Canceled
David Green			
A	1 Edu - PPI 2022 Summer Roundtable - Canada, Vancouver	07/13/2022 - 07/15/2022	Attended
Patrick Jones			
A	1 Edu - Leading in Artificial Intelligence: Exploring Technology and Policy - Harvard Kennedy School - Cambridge MA	07/17/2022 - 07/22/2022	Attended
Onyx Jones			
A	1 Edu - SACRS Public Pension Investment Management Program - San Francisco CA	07/17/2022 - 07/20/2022	Attended
V	- Edu - The World to Africa Webinar - VIRTUAL	07/27/2022 - 07/27/2022	Attended
Joseph Kelly			
V	- Edu - NACD Conflict, Climate, Cyber: What's Next? - VIRTUAL	08/23/2022 - 08/23/2022	Attended
William Pryor			
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
Gina Sanchez			
B	- Edu - NCPERS 2022 Public Pension Funding Forum - Los Angeles CA	08/21/2022 - 08/23/2022	Attended
Herman Santos			
A	1 Edu - PPI 2022 Summer Roundtable - Canada, Vancouver	07/13/2022 - 07/15/2022	Attended

Category Legend:

A - Pre-Approved/Board Approved

B - Educational Conferences and Administrative Meetings in CA where total cost is no more than \$2,000 per Trustee Travel Policy; Section III.A

C - Second of two conferences and/or meetings counted as one conference per Trustee Education Policy Section IV.C2 and Trustee Travel Policy Section IV.

V - Virtual Event

X - Canceled events for which expenses have been incurred.

Z - Trip was Canceled - Balance of \$0.00



Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.

**For further information, contact:
LACERA
Attention: Public Records Act Requests
300 N. Lake Ave., Suite 620
Pasadena, CA 91101**



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