IN PERSON & VIRTUAL BOARD MEETING

DECEMBER 12, 2024 9:00 AM

AUDIT, COMPLIANCE, RISK, AND ETHICS COMMITTEE MEETING

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TO PROVIDE PUBLIC COMMENT

Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit the above link and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

Attention: If you have any questions, you may email PublicComment@lacera.com. If you would like to make a public comment during the committee meeting, review the Public Comment instructions.

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

AGENDA

A REGULAR MEETING OF THE AUDIT, COMPLIANCE, RISK, AND ETHICS

(ACRE) COMMITTEE AND

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., THURSDAY, DECEMBER 12, 2024

This meeting will be conducted by the Audit, Compliance, Risk, and Ethics (ACRE) Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953 (f).

Any person may view the meeting in person at LACERA's offices or online at https://LACERA.com/leadership/board-meetings.

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

AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE) COMMITTEE TRUSTEES:
- Debbie Martin (BOI), Chair
- Wayne Moore (BOR), Vice Chair
- Vivian Gray (BOR), Secretary
- Nancy Durazo (BOR), Trustee
- Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
- Jason Green (BOI), Trustee
- Nicole Mi (BOI), Trustee

AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE) COMMITTEE CONSULTANT
- Larry Jensen

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953 (f)

A. Just Cause
B. Action on Emergency Circumstance Requests
C. Statement of Persons Present at Teleconference Locations

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of September 12, 2024

V. PUBLIC COMMENT
(Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit https://LACERA.com/leadership/board-meetings and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

If you select oral comment, we will contact you via email with information and instruction as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. Oral comment requests will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email PublicComment@lacera.com.)

VI. NON-CONSENT ITEMS

A. **Fiscal Year Ending 2025 Audit Plan Amendments and Status Update**
Recommendation as submitted by Christina Logan, Principal Internal Auditor, and Nathan K. Amick, Senior Internal Auditor: The ACRE Committee review and approve amendments to Internal Audit's Fiscal Year Ending (FYE) 2025 Audit Plan.
(Presentation) (Memo dated November 15, 2024)

VI. NON-CONSENT ITEMS (Continued)

B. **ACRE Committee's Annual Report to Boards**
Recommendation as submitted by Debbie Martin, Audit, Compliance, Risk, and Ethics (ACRE) Committee Chair and Richard P. Bendall, Chief Audit Executive: The Audit, Compliance, Risk, and Ethics (ACRE) Committee provide suggested revisions and/or approve the issuance of the Audit, Compliance, Risk, and Ethics (ACRE) Committee Annual Report to the Boards and direct staff to issue the report to the Boards at their respective January 2025 meetings.
(Memo dated November 14, 2024)

C. **Request for Proposal for Auditing Services Pool**
Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor: The ACRE Committee authorize staff to release a Request for Proposal (RFP) for Internal Audit's pre-qualified Audit Services Pool for a maximum five-year term.
(Presentation) (Memo dated November 8, 2024)

D. **Los Angeles County's Compliance with Requirements for Rehired Retirees – FYE June 30, 2024**
Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor: The ACRE Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.
(Presentation) (Memo dated November 15, 2024)

E. **Chief Ethics and Compliance Officer, LACERA Proposed Classification and Compensation**
Recommendation as submitted by Carly Ntoya, Director of Human Resources: The ACRE Committee take the following actions:

VI. NON-CONSENT ITEMS (Continued)

1. Approve establishment of one (1) new non-represented classification and salary range for a designated position applicable only to LACERA and refer the classification and salary to the Joint Organizational Governance Committee (JOGC) for review and recommendation to the Board of Retirement and Board of Investments:

New Classification Title	**Salary Schedule**
Chief Ethics and Compliance Officer, LACERA	LS12

2. Recommend to the JOGC and joint Boards that they direct staff, upon approval by the JOGC and the joint Boards, to submit to the Board of Supervisors the required ordinance language to implement the new LACERA classification and pay range by amending the Los Angeles County Salary Code Sections 6.28.050, 6.127.010, and 6.127.030.
(Memo dated November 20, 2024)

VII. REPORTS

A. **Plante Moran Financial Audit Reports**
Christina Logan, Principal Internal Auditor
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated November 14, 2024)

B. **Updating LACERA's Code of Ethical Conduct**
Steven P. Rice, Chief Counsel
Jessica Rivas, Staff Counsel
(Presentation) (Memo dated November 15, 2024)

C. **Ethics and Compliance Program Foundational Work Plan Status**
Steven P. Rice, Chief Counsel
Allison Barrett, Senior Staff Counsel
(Presentation) (Memo dated November 19, 2024)

D. **February 2025 ACRE Orientation and Key Topic Discussions**
Christina Logan, Principal Internal Auditor
(Memo dated November 15, 2024)

VII. REPORTS (Continued)

E. **Policy Management**
Steven P. Rice, Chief Counsel
Allison Barrett, Senior Staff Counsel
(For Information Only) (Memo dated November 18, 2024)

F. **ACRE Requested Update on Recommendations of the Audit of Termination of User Access Process**
Leisha Collins, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated November 8, 2024)

G. **ACRE Requested Follow-Up on LACERA Bonus Program Continuous Auditing Program (CAP) Audit Memorandum**
Richard P. Bendall, Chief Audit Executive
(For Information Only) (Memo dated November 17, 2024)

H. **Recommendation Follow-Up Report**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated November 15, 2024)

I. **Recommendation Follow-Up for Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated November 8, 2024)

J. **Ethics Hotline Status Report**
Leisha E. Collins, Principal Internal Auditor
(For Information Only) (Memo dated November 14, 2024)

K. **Internal Audit Staffing Activity Report Update**
Richard P. Bendall, Chief Audit Executive
(Verbal Update)

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

VIII. CONSULTANT COMMENTS
Larry Jensen, ACRE Committee Consultant
(Verbal Presentation)

IX. 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 agendized item at a future meeting.)

X. 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.)

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

XII. EXECUTIVE SESSION

A. Potential Threats to Public Services or Facilities (Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with Cindy Gross, Director and Priya V. Kumar, Senior Manager from Moss Adams, Richard P. Bendall, Chief Audit Executive, Santos H. Kreimann, Chief Executive Officer, Luis Lugo, Deputy Chief Executive Officer, Kathy Delino, Chief Information Technology Officer, Chaitanya Errande, Information Security Officer and other LACERA Staff.

B. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with: Santos H. Kreimann, Chief Executive Officer, Luis Lugo, Deputy Chief Executive Officer, Richard P. Bendall, Chief Audit Executive, Christina Logan, Principal Internal Auditor, Kathy Delino, Chief Information Technology, Chaitanya Errande, Information Security Officer and other LACERA Staff.

XII. EXECUTIVE SESSION (Continued)

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

Title: Chief Audit Executive

XIII. ADJOURNMENT

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

Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee 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 Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday *and will also be posted on lacera.com at the same time,* *Board Meetings | LACERA*.

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

MINUTES OF THE REGULAR MEETING OF THE AUDIT COMMITTEE AND

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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

9:00 A.M., THURSDAY, SEPTEMBER 19, 2024

This meeting was conducted by the Audit Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953 (b)(f).

COMMITTEE TRUSTEES:

PRESENT: Debbie Martin (BOI), Chair

Wayne Moore (BOR), Vice Chair (Joined the meeting at 9:08 a.m.)

Nancy Durazo (BOR), Trustee

Jason Green (BOI), Trustee

Nicole Mi (BOI), Trustee

Elizabeth Ginsberg, Ex-Officio (Joined the meeting at 10:47 a.m.)

ABSENT: Vivian Gray (BOR), Secretary

OTHER TRUSTEE:

Patrick L. Jones, Board of Investments (Left the meeting at 10:00 a.m.)

STAFF, ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

STAFF, ADVISORS AND PARTICIPANTS (Continued)

Laura Guglielmo, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Allison Barrett, Senior Staff Counsel

Carly Ntoya, Human Resources Director

Richard P. Bendall, Chief Audit Executive

Leisha E. Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Nathan K. Amick, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

George Lunde, Senior Internal Auditor

Larry Jensen, Audit Committee Consultant

I. CALL TO ORDER

This meeting was called to order by Chair Martin at 9:03 a.m. in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Audit Committee Consultant, Larry Jensen led the Trustees and staff in reciting the Pledge of Allegiance.

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953 (f)

A. Just Cause
B. Action on Emergency Circumstance Requests

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953 (f) (Continued)

C. Statement of Persons Present at Teleconference Locations

No requests were received for Just Cause (A) or Emergency Circumstances (B).

IV. APPROVAL OF THE MINUTES

(Trustee Moore joined the meeting at 9:08 a.m.)

A. Approval of the Minutes of the Regular Meeting of March 18, 2024

Trustee Mi made a motion, Trustee Durazo seconded, to approve the Minutes of the Regular meeting of March 18, 2024. The motion passed by the following roll call vote:

Yes: Durazo, Green, Mi, Martin

Absent: Ginsberg, Gray, Moore

B. Approval of the Minutes of the Regular Meeting of June 20, 2024

Trustee Mi made a motion, Trustee Durazo seconded, to approve the Minutes of the Regular Meeting of June 20, 2024. The motion passed by the following roll call vote:

Yes: Durazo, Green, Mi, Martin

Absent: Ginsberg, Gray, Moore

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. NON-CONSENT ITEMS

A. **2024 Audit, Compliance, Risk, Ethics (ACRE) Committee Charter**
Recommendation as submitted by, Steven P. Rice, Chief Counsel, Richard P. Bendall, Chief Audit Executive, Christina Logan, Principal Internal Auditor, Allison E. Barrett, Senior Staff Counsel: That the Committee (1) review and approve the 2024 Audit Compliance, Risk, and Ethics (ACRE) Committee Charter, (2) and upon approval, recommend to the Board of Retirement and Board of Investments to approve and adopt the 2024 ACRE Committee Charter.
(Presentation) (Memo dated July 9, 2024)

Ms. Logan, Ms. Barrett and Messrs. Bendall, Rice provided a presentation and answered questions from the Committee.

Trustee Green made a motion, Trustee Moore seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: Durazo, Green, Mi, Moore, Martin

Absent: Ginsberg, Gray

B. **Updated Internal Audit Charter**
Recommendation as submitted by Christina Logan, Principal Internal Auditor: That the Committee approve the Internal Audit's Revised Charter. (Memo dated July 9, 2024)

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

Trustee Green made a motion, Trustee Mi seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: Durazo, Green, Mi, Moore, Martin

Absent: Ginsberg, Gray

C. **Ethics and Compliance Program Charter**
Recommendation as submitted by Shawn R. Kehoe, Chair, on behalf of the Board of Retirement, and Patrick L. Jones, Chair, on behalf of the Board of Investments: That the Committee review and approve the

VI. NON-CONSENT ITEMS (Continued)

proposed Ethics and Compliance Program Charter and recommend it to the Board of Retirement and Board of Investments (Boards) for final approval. (Presentation) (Memo dated June 4, 2024) (Supplemental Memo dated July 9, 2024)

Ms. Barrett and Mr. Rice were present and answered questions from the Committee.

Trustee Moore made a motion, Trustee Green seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: Durazo, Green, Mi, Moore, Martin

Absent: Ginsberg, Gray

D. **Ethics and Compliance Program Foundational Work Plan**
Recommendation as submitted by Steven P. Rice, Chief Counsel; and Allison Barrett, Senior Staff Counsel: That the Committee (1) review and approve the proposed Ethics and Compliance Program Foundational Work Plan; and (2) forward the proposed Work Plan to the Board of Retirement and Board of Investments.
(Memo dated September 4, 2024)

Ms. Barrett, Messrs. Rice, Lugo, and Bendall were present and answered questions from the Committee.

Trustee Moore made a motion, Trustee Green seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: Durazo, Green, Mi, Moore, Martin

Absent: Gray

VI. NON-CONSENT ITEMS (Continued)

E. **Fiscal Year 2024 – 2025 Internal Audit Plan**

(Trustee Ginsberg arrived at 10:47 a.m.)

Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Committee review and approve the Fiscal Year End 2024 -2025 Audit Plan.
(Presentation) (Memo dated September 5, 2024)

Mr. Bendall provided a presentation and Messrs. Santos, Jensen answered questions from the Committee.

Trustee Green made a motion, Trustee Mi seconded, to approve staff's recommendation. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Mi, Moore, Martin

Absent: Gray

F. **LACERA Rehired Retirees Program Audit Fiscal Years Ended June 30, 2023, and 2024**

Recommendation as submitted by George Lunde, Senior Internal Auditor: That the Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.
   (Presentation) (Memo dated July 9, 2024)

Mr. Bendall was present and answered questions from the Committee.

VI. NON-CONSENT ITEMS (Continued)

Trustee Green made a motion, Trustee Ginsberg seconded, to accept and file the report and forward to the Boards of Investments and Board of Retirement as a For Information Only item. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Mi, Moore, Martin

Absent: Gray

G. **Audit of Termination of User Access Process**
Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor: That the Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.
   (Presentation) (Memo dated August 30, 2024)

Messrs. Tafoya, Bendall provided a brief presentation answered questions from the Committee.

Trustee Moore made a motion, Trustee Durazo seconded, to accept and file the report and provide a status report at the next meeting. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Mi, Moore, Martin

Absent: Gray

H. **Review of Chief Executive Officer's Credit Card Expenditures**
Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor: That the Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,

VI. NON-CONSENT ITEMS (Continued)

3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or

4. Provide further instruction to staff.
(Presentation) (Memo dated August 30, 2024)

Trustee Mi made a motion, Trustee Moore seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Mi, Moore, Martin

Absent: Gray

I. **LACERA's Bonus Program Continuous Auditing Program (CAP) Audit Memorandum**

Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.
(Memo dated September 4, 2024)

Mr. Bendall answered questions from the Committee.

Trustee Moore made a motion, Trustee Green seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Durazo, Ginsberg, Green, Mi, Moore, Martin

Absent: Gray

VII. REPORTS

A. **Audit/Proposed ACRE Committee Training**
(Trustee Moore joined the meeting at 9:08 a.m.) (Trustee Jones left the meeting at 10:00 a.m.)

Richard P. Bendall, Chief Audit Executive
Steven P. Rice, Chief Counsel
(Presentation) (Memo dated September 5, 2024)

This item was held prior to item VI. A.

Messrs. Bendall, Lugo, Rice and Jensen provided a presentation and answered questions from the Committee.

This item was received and filed.

B. **Internal Audit Annual Performance Report – Fiscal Year Ended 2024**
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated September 4, 2024)

This item was received and filed.

C. **Fiscal Year Ending (FYE) 2025 Internal Audit Goals**
Richard P. Bendall, Chief Audit Executive
(Memo dated August 21, 2024)

This item was received and filed.

D. **Organizational Culture Engagement**
Christina Logan, Principal Internal Auditor
(For Information Only) (Memo dated August 30, 2024)

This item was received and filed.

E. **Recommendation Follow-Up**
Nathan Amick, Senior Internal Auditor
(For Information Only) (Memo dated September 4, 2024)

This item was received and filed.

VII. REPORTS (Continued)

F. **Recommendation Follow-Up for Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated September 4, 2024)

This item was received and filed.

G. **Ethics Hotline Status Report**
Leisha E. Collins, Principal Internal Auditor
(For Information Only) (Memo dated August 21, 2024)

This item was received and filed.

H. **Internal Audit Staffing Activity Report**
Richard P. Bendall, Chief Audit Executive
(For Information Only) (Memo dated September 4, 2024)

This item was received and filed.

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

This item was received and filed.

VIII. CONSULTANT COMMENTS
Larry Jensen, Audit Committee Consultant
(Verbal Presentation)

There was nothing to report.

IX. ITEMS FOR STAFF REVIEW

Trustee Green requested staff to provide a status on VI. G. and VI. I at the next Audit Committee meeting. In addition, Trustee Green requested a copy of the Bonus Policy for reference.

X. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

XI. GOOD OF THE ORDER

(For Information Purposes Only)

There was nothing to report.

XII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:47 a.m.

LACERA

November 15, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Christina Logan CL
Principal Internal Auditor

Nathan K. Amick
Senior Internal Auditor

FOR**:** December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Fiscal Year Ending 2025 Audit Plan Amendments and Status Update**

RECOMMENDATION

The ACRE Committee review and approve amendments to Internal Audit's Fiscal Year Ending (FYE) 2025 Audit Plan.

BACKGROUND

According to the Institute of Internal Auditor's (IIA's) *Global Internal Audit Standards (Standards)*, Standard 9.4, "the Chief Audit Executive (CAE) must create an internal audit plan that supports the achievement of the organization's objectives." Additionally, the Internal Audit Charter mandates that the CAE annually develops a risk-based Audit Plan and informs the Committee of any interim changes. In alignment with the Standards and the Internal Audit Charter, the Committee approved the FYE 2025 Audit Plan (Audit Plan) at its September 2024 meeting.

STATUS UPDATE ON AUDIT PLAN

At the September 2024 meeting, the Audit Plan consisted of 35 projects. Internal Audit staff has completed four (12%) of the 35 projects, and 13 (37%) are current and continuous, resulting in a total 17 (49%) projects completed or current and up-to-date. Of the 18 remaining projects, 8 (23%) are currently in progress, and 10 (28%) have yet to be started.

REQUESTED AMENDMENTS

In accordance with IIA Standards and the Internal Audit Charter, Internal Audit requests the Committee's approval to add two engagements and remove three engagements to the FYE 2025 Audit Plan. This request arises from emerging priorities and current resource constraints.

Project Name	Division	Addition/Remove
Vendor Security Assessment	Administrative Services	Addition
RFP for Financial Auditor	FASD	Addition
Financial Controls Review	FASD	Remove
Operations Review	Human Resources	Remove
TBD: Aligned with Strategic Goal #1	Member Services	Remove

At the October 2024 Board of Retirement meeting, the Board instructed Internal Audit to add an audit of the Third-Party Agency Deductions program to its plan once the related policy is finalized. Staff discussed the status of the program with Management and agreed it would be added to the FYE 2026 Audit Plan.

Staff has prepared the following attachments for your review:

- Attachment A – FYE 2025 Audit Plan as of November 15, 2024
- Attachment B – Red lined version of FYE 2025 Audit Plan, with requested amendments
- Attachment C – Clean version of amended FYE 2025 Audit Plan
- Attachment D – FYE 2025 Audit Plan presentation detailing the worked performed, and the requested amendments

CL:nka

ATTACHMENT A

FYE 2025 INTERNAL AUDIT PLAN				
ENTERPRISE RISK MANAGEMENT (ERM) PLAN				**10 - 20 Percent**
ERM TASKS				**SOURCE/STATUS**
	ERM Program Plan			
1	IA	Develop ERM Charter	Program Dev	Strategic Plan
2	IA	Define LACERA ERM Framework	Program Dev	Strategic Plan
3	IA	Develop LACERA ERM Structure	Program Dev	Strategic Plan
AUDIT PLAN				**80 - 90 Percent**
	DIVISION	**AUDIT / PROJECT NAME**	**PROJECT TYPE**	**STATUS**
	EXECUTIVE/LEGAL/ORGANIZATIONAL			
1	Exec Office	LA County Rehired Retiree FY 2024	Assurance/Audit	Complete
2	Exec Office	Business Continuity Plan	Assurance/Audit	
3	Exec Office	One Meeting Application Follow-Up Review	Assurance/Audit	Complete
4	Organizational	Continuous Audit Processing (CAP)	Assurance/Audit	Ongoing
5	Organizational	Recommendation Follow-Up	Other Projects	Ongoing
6	Organizational	Risk Assessment	Other Projects	Ongoing
7	Organizational	Organizational Culture	Value-Added	Ongoing
8	Legal Office	Ethics and Compliance (Hotline)	Value-Added	Ongoing
	ADMINISTRATION - Admin Serv, HR, Systems, Info Sec			
9	Admin Serv	Inventory Asset Management	Value-Added	Ongoing
10	HR	HR Operations Review	Advisory	
11	HR	Follow-up Assessment of Recruitment & Hiring	Assurance/Audit	In Progress
12	Systems	IT Risk Assessment	Assurance/Audit	In Progress
13	Systems	Oversight of SOC Audits FY 24 & 25	Oversight	Ongoing
14	Info Sec	Cyber Security NIST Review	Assurance/Audit	
	INVESTMENTS & FASD			
15	FASD	Financial Controls Review - Phase 2	Advisory	
16	FASD	CEO Credit Card	Assurance/Audit	Complete
17	FASD	Oversight of Financial Audit FY 24 & 25	Oversight	Ongoing
18	FASD/Inv	Investment Accounting Middle/Back-Office	Advisory	In Progress
19	FASD/Inv	Oversight of Actuarial Audit FY 24 & 25	Oversight	Ongoing
20	Investments	Strategic Asset Allocation	Assurance/Audit	
21	Investments	Securities Lending Review	Assurance/Audit	
22	Investments	THC Financial Audits/Tax - FY 24 & 25	Oversight	Ongoing
	OPERATIONS - Benefits, DRS, RHC, Member Services			
23	Benefits	Accounts Settlement Collections	Value-Added	Complete
24	Benefits	LA County Payroll (LACERA Controls)	Assurance/Audit	In Progress
25	Benefits	Death Claims Process	Assurance/Audit	
26	Benefits	GRC Review - Benefits Protection Unit (BPU)	Advisory	
27	RHC	Provider Premium Calculations & Payments	Assurance/Audit	
28	Mbr Serv	TBD - Project aligned with Strategic Priority 1 -	Advisory	
	INTERNAL AUDIT OPERATIONS			
29	IA	Quality Assurance Improvement Program	Other Projects	Ongoing
30	IA	Audit Committee Support	Other Projects	Ongoing
31	IA	Develop Internal Audit 3-Year Roadmap	Strategic/IA Goal	In Progress
32	IA	Provide training to MAC and Audit Committee	Strategic/IA Goal	Ongoing
33	IA	Develop IA Staff Training Plan	Strategic/IA Goal	Complete
34	IA	RFP to Expand Audit Pool	Strategic/IA Goal	In Progress
35	IA	Develop formal Continous Audit Process (CAP)	Strategic/IA Goal	In Progress

ATTACHMENT B

Audit Plan 2024-2025 Status as of November 6, 2024					
	Enterprise Risk Management Plan				
	Division	**Project Name**	**Project Type**	**Status**	
	Organizational	Develop ERM Charter	Program Dev	Q3	
	Organizational	Define LACERA ERM Framework	Program Dev	Q3	
	Organizational	Develop LACERA ERM Structure	Program Dev	Q3	
	Audit Plan				
	Division	**Project Name**	**Project Type**	**Status**	**Audit Rating**
	Executive / InfoSec/Legal / Organizational				
1	Executive Office	LA County Rehired Retirees Audit FYE June 30, 2024	Assurance	Completed Q2	Opportunities for Improvement
2	Executive Office	Business Continuity	Assurance	Q3	
3	Executive Office	Follow-up Techincal Audit of Granicus' OneMeeting	Assurance	Completed Q2	N/A
4	Organizational	Continous Audit Processing (CAP)	C A P	Continuous	N/A
5	Organizational	Reco F/U (coordination)	Assurance	Continuous	N/A
6	Organizational	Risk Assessment	Assurance	Continuous	N/A
7	Organizational	Organizational Culture	Value Added	Continuous	N/A
8	Information Security	Cyber Security NIST Audit	Assurance	Q4	
9	Legal	Ethics and Compliance Hotline	Value Added	Continuous	N/A
	Business Services Group - Administrative Services (Admin Serv), Human Resources (HR), Systems Division				
10	Admin Serv	Inventory Asset Management	Value Added	Continuous	N/A
11	Admin Serv	Vendor Security Assessment	Assurance	Q4	
	~~Human Resources~~	~~Human Resources Operations Review~~	~~Advisory~~	~~Scheduled~~	
12	Human Resources	Recruitment and Hiring Process Advisory Review	Advisory ~~Assurance~~	In Progress	
13	Systems	IT Risk Assessment	Assurance	In Progress	
14	Systems	Oversight of SOC FYE 2024 & 2025	Value Added	Continuous	N/A
	Investments & Financial Accounting Services Division (FASD)				
	~~FASD~~	~~Financial Controls Review~~	~~Advisory~~	~~Scheduled~~	
15	FASD	CEO Corporate Credit Cards - FYE 2024	Assurance	Completed Q1	Satisfactory
16	FASD & Investments	Investment, FASD, and Custodian Roles and Responsibilities Review	Advisory	In Progress	
17	Investments	Securities Lending Audit	Assurance	Q4	
18	Investments	Strategic Asset Allocation Audit	Assurance	Q4	
19	FASD	RFP for Financial Auditor (will include as part of scope Financial Controls Review)	Value Added	Q3	
20	FASD	Oversight of Financial Audit FYE 2024 & 2025	Value Added	Continuous	N/A
21	FASD	Oversight of Audit of Actuarial Services	Value Added	Continuous	N/A
22	Investments	Oversight of THC Financial Audits and Tax	Value Added	Continuous	N/A
	Member Operations - Benefits, Disability Retirement Services (DRS), Retiree Healthcare (RHC), Members Services (MS)				
23	Benefits	Account Settlement Collections	Value Added	In Progress	
24	Benefits	LA County Payroll - LACERA's Controls	Assurance	In Progress	
25	Benefits	Death Claims Process Audit	Assurance	Q3	
26	Benefits	GRC Review of Benefits Protection Unit (BPU)	Advisory	Q3 ~~Q2~~	
27	Retiree Healthcare	Provider Premium Calculations & Payments	Assurance	Q3	
	~~Member Services~~	~~TBD: Aligned with Strategic Goal #1~~	~~Advisory~~	~~Q3~~	
	Internal Audit Operations				
28	Internal Audit	Quality Assurance Improvement Program	IA Administration	Continuous	N/A
29	Internal Audit	Provide training to MAC and ACRE Committee	IA Administration	Continuous	N/A
30	Internal Audit	Audit Committee Support	IA Administration	Continuous	N/A
31	Internal Audit	Develop IA 3-Year Roadmap	IA Administration	In Progress	N/A
32	Internal Audit	Develop IA Staff Training Plan	IA Administration	Completed Q2	N/A
33	Internal Audit	RFP to Expand Audit Pool	IA Administration	In Progress	N/A
34	Internal Audit	Develop Formal CAP	IA Administration	In Progress	N/A

ATTACHMENT C

Audit Plan 2024-2025 Status as of November 6, 2024

Enterprise Risk Management Plan

	Division	Project Name	Project Type	Status
	Organizational	Develop ERM Charter	Program Dev	Q3
	Organizational	Define LACERA ERM Framework	Program Dev	Q3
	Organizational	Develop LACERA ERM Structure	Program Dev	Q3

Audit Plan

	Division	Project Name	Project Type	Status	Audit Rating
	Executive / InfoSec/Legal / Organizational				
1	Executive Office	LA County Rehired Retirees Audit FYE June 30, 2024	Assurance	Completed Q2	Opportunities for Improvement
2	Executive Office	Business Continuity	Assurance	Q3	
3	Executive Office	Follow-up Techincal Audit of Granicus' OneMeeting	Assurance	Completed Q2	N/A
4	Organizational	Continous Audit Processing (CAP)	C A P	Continuous	N/A
5	Organizational	Reco F/U (coordination)	Assurance	Continuous	N/A
6	Organizational	Risk Assessment	Assurance	Continuous	N/A
7	Organizational	Organizational Culture	Value Added	Continuous	N/A
8	Information Security	Cyber Security NIST Audit	Assurance	Q4	
9	Legal	Ethics and Compliance Hotline Update	Value Added	Continuous	N/A
	Business Services Group - Administrative Services (Admin Serv), Human Resources (HR), Systems Division				
10	Adm Services	Inventory Asset Management	Value Added	Continuous	N/A
11	Adm Services	Vendor Security Assessment	Assurance	Q4	
12	Human Resources	Recruitment and Hiring Process Advisory Review	Advisory	In Progress	
13	Systems	IT Risk Assessment	Assurance	In Progress	
14	Systems	Oversight of SOC FYE 2024 & 2025	Value Added	Continuous	N/A
	Investments & Financial Accounting Services Division (FASD)				
15	FASD	CEO Corporate Credit Cards - FYE 2024	Assurance	Completed Q1	Satisfactory
16	FASD & Investments	Investment, FASD, and Custodian Roles and Responsibilities Review	Advisory	In Progress	
17	Investments	Securities Lending Audit	Assurance	Q4	
18	Investments	Strategic Asset Allocation Audit	Assurance	Q4	
19	FASD	RFP for Financial Auditor (will include as part of scope Financial Controls Review)	Value Added	Q3	
20	FASD	Oversight of Financial Audit FYE 2024 & 2025	Value Added	Continuous	N/A
21	FASD	Oversight of Audit of Actuarial Services	Value Added	Continuous	N/A
22	Investments	Oversight of THC Financial Audits and Tax	Value Added	Continuous	N/A
	Member Operations - Benefits, Disability Retirement Services (DRS), Retiree Healthcare (RHC), Members Services (MS)				
23	Benefits	Account Settlement Collections	Value Added	In Progress	
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25	Benefits	Death Claims Process Audit	Assurance	Q3	
26	Benefits	GRC Review of Benefits Protection Unit (BPU)	Advisory	Q3	
27	Retiree Healthcare	Provider Premium Calculations & Payments Audit	Assurance	Q3	
	Internal Audit Operations				
28	Internal Audit	Quality Assurance Improvement Program	IA Administration	Continuous	N/A
29	Internal Audit	Provide training forto MAC and ACRE Committee	IA Administration	Continuous	N/A
30	Internal Audit	Audit Committee Support	IA Administration	Continuous	N/A
31	Internal Audit	Develop IA 3-Year Roadmap	IA Administration	In Progress	N/A
32	Internal Audit	Develop IA Staff Training Plan	IA Administration	Completed Q2	N/A
33	Internal Audit	RFP to Expand Audit Pool	IA Administration	In Progress	N/A
34	Internal Audit	Develop Formal CAP	IA Administration	In Progress	N/A

Attachment D

Amendment to the Audit Plan and Status Update – FYE 2025 (As of November 15, 2024)

Presented by:

Nathan K. Amick, Senior Internal Auditor

Action Item

RECOMMENDATION

Staff recommends the ACRE Committee review and approve amendments to Internal Audit's Fiscal Year Ending (FYE) 2025 Audit Plan.

Completed Items (since Sep. 4, 2024)

Audit Plan Engagements - FYE 2025	Engagement Type	Report Date
One Meeting Application Follow-Up Review	Assurance	October 29, 2024
LA County Rehired Retiree FY 2024	Assurance	November 15, 2024

Internal Audit Goals - FYE 2025	Goal Type	Completion Date
Develop IA Staff Training Plan	Strategic	October 23, 2024

Continuous and Current Audit Engagements

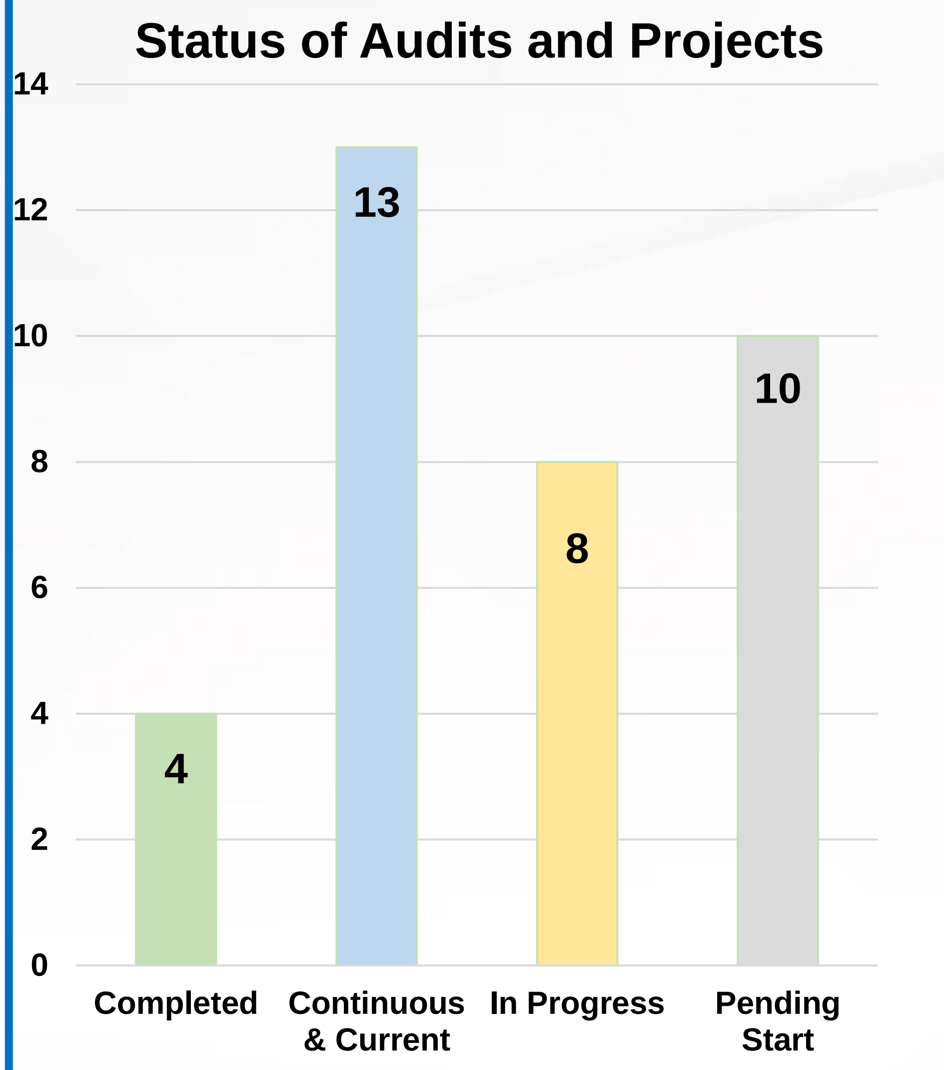
The 13 projects below are perpetual, and the work is up to date as of November 15, 2024. All projects will be completed by June 30, 2025, and will recommence July 1, 2025 for FYE 2026.

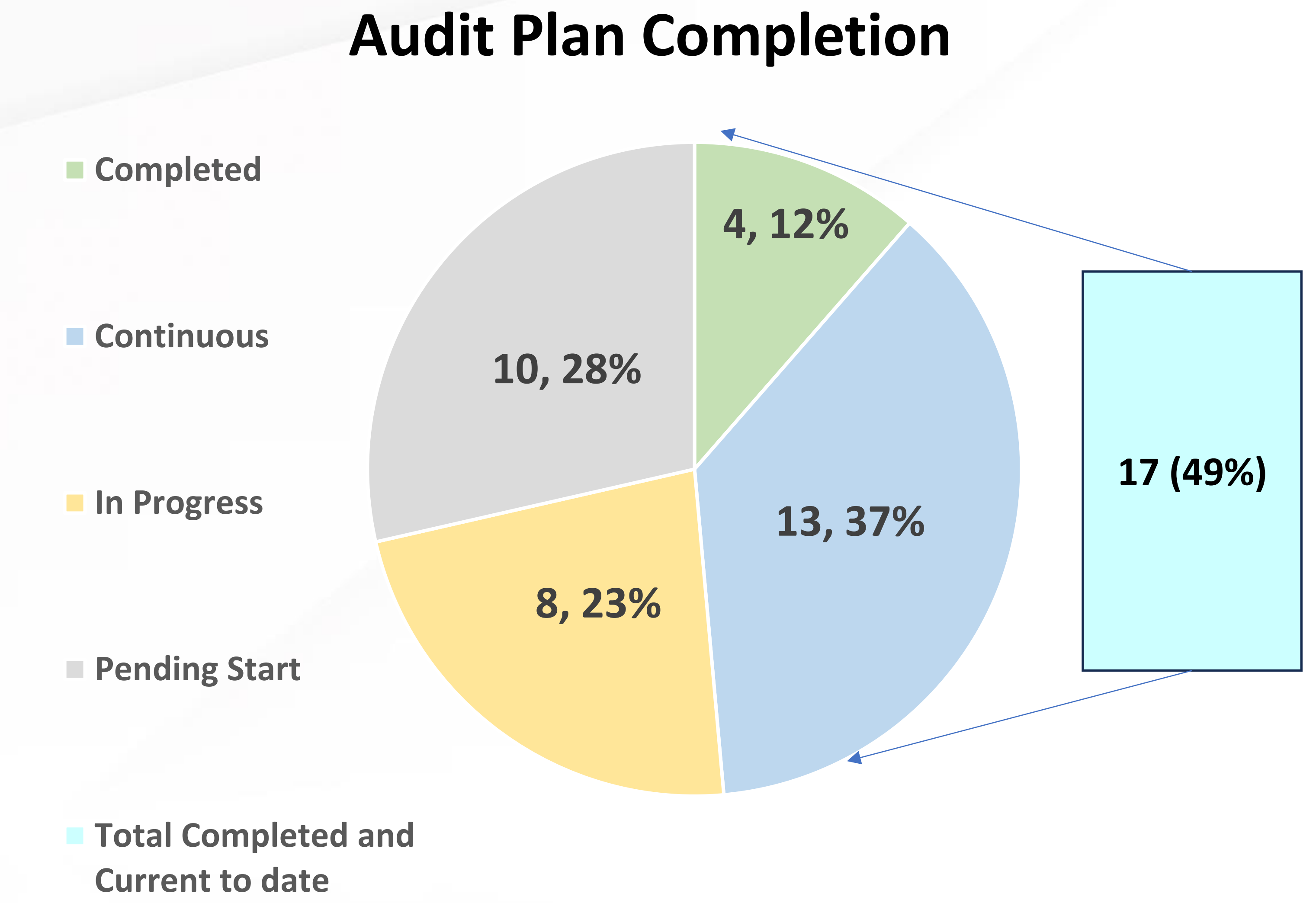
Continuous Audit Engagements/Projects
Audit Committee Support
Continuous Audit Processing (CAP)
Ethics and Compliance (Hotline)
Inventory Asset Management
Organizational Culture
Oversight of Actuarial Audit FY 24 & 25
Oversight of Financial Audit FY 24 & 25
Oversight of SOC Audits FY 24 & 25
Provide training to MAC and Audit Committee
Quality Assurance Improvement Program
Recommendation Follow-Up
Risk Assessment
THC Financial Audits/Tax - FY 24 & 25

In Progress Audit Engagements & Projects

Engagement/Project	Engagement Assignment	Estimated Completion	Planning Scope	Prelim Audit Work	Audit Field Work	Draft Report	Exit Meeting
Recruitment and Hiring Process Advisory Review	Human Resources	Dec 2024	√	√	√		
LA County Payroll (LACERA Controls)	Benefits	Feb 2025	√	√			
Investment, FASD, and Custodian Roles and Responsibilities Review	FASD & Investments	Mar 2025	√				
IT Risk Assessment	Systems	Jun 2025	√				
Accounts Settlement Collections	Benefits	Feb 2025	N/A – Informal value-add engagement, IA is advising & participating in meetings				
Develop IA 3-Year Road Map	Internal Audit	Feb 2025	N/A – Project is in early planning stage				
Develop Formal CAP Program	Internal Audit	Mar 2025	N/A – Project is in early planning stage				
RFP to Expand Audit Pool	Internal Audit	Apr 2025	N/A - Draft RFP submitted to ACRE Committee for approval on 12/12/24				

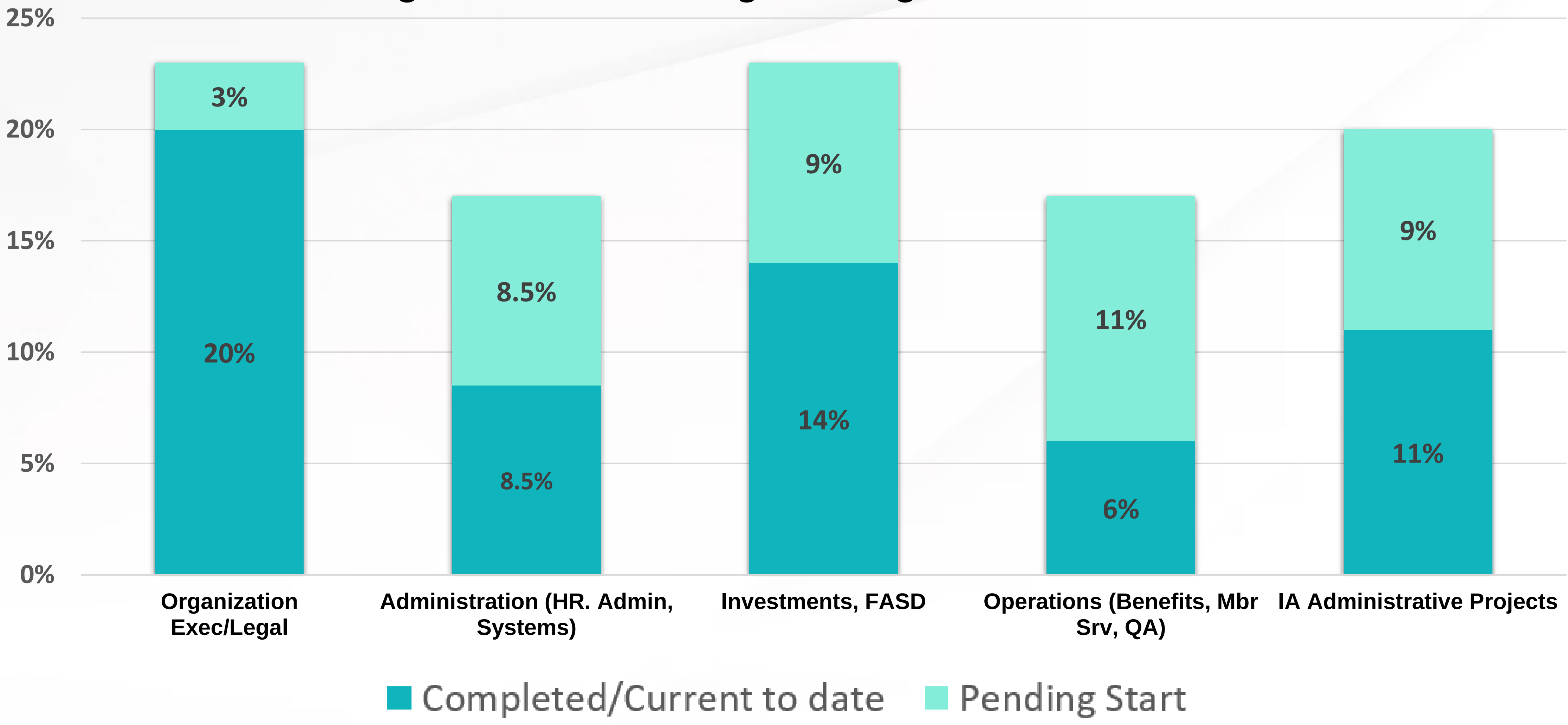
FYE 2025 Audit Project Dashboard





FYE 2025 Audit Project Dashboard

Audit Plan Coverage Allocated Throughout Organization

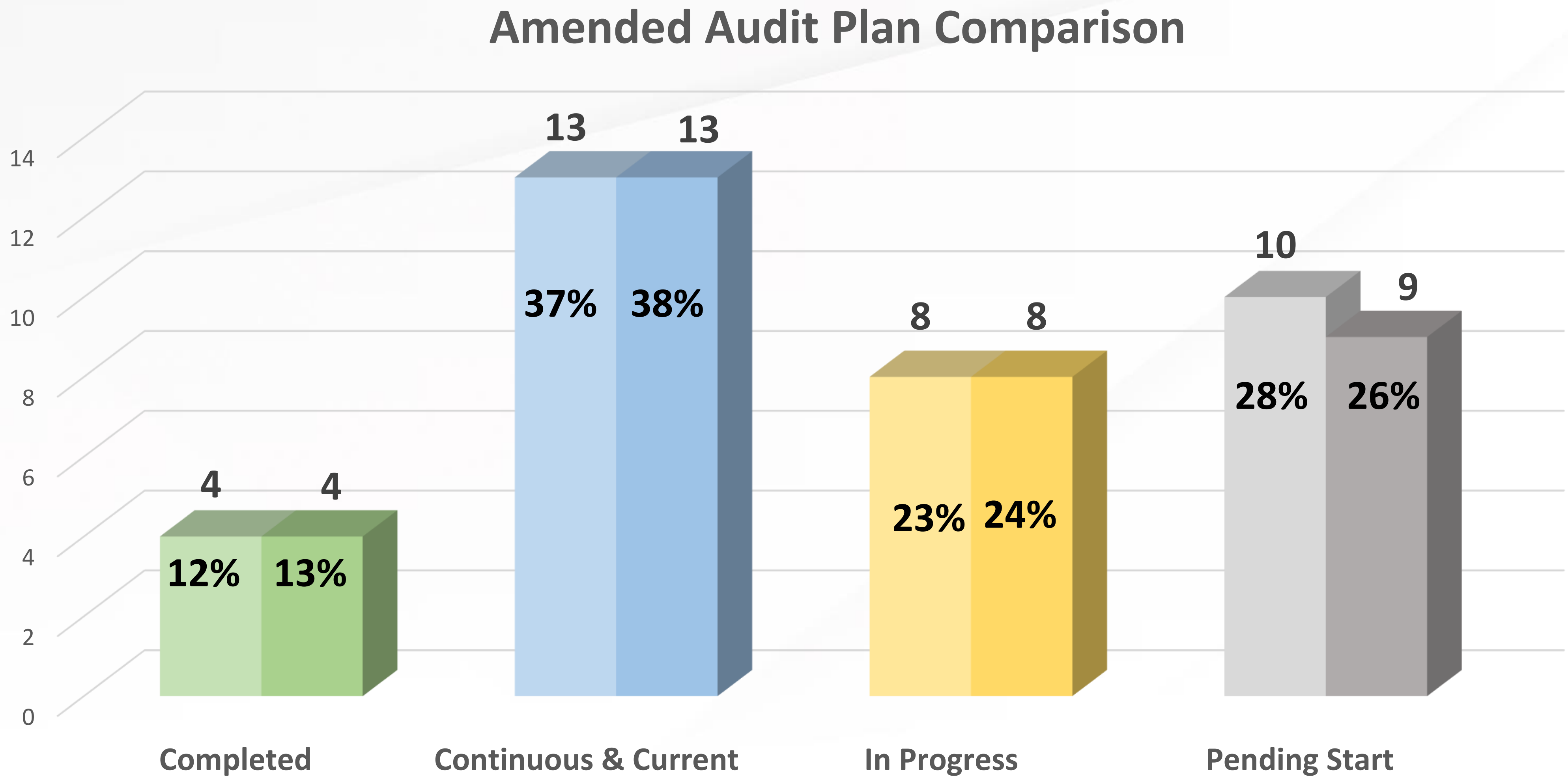


Audit Plan Amendments

Project Name	Add/ Delete	Justification
Vendor Security Assessment	Add	Due to the risks related to SaaS solutions and a management request. IA will determine high risk vendors which will be subject to a technical security assessment.
RFP for Financial Auditor	Add	The current financial audit contract expires after the FYE 2025 financial statements. Earlier RFP will allow for smoother transition. The new audit contract will include a Financial Controls Review as readiness assessment.
Human Resources Operations Review	Delete	IA has recently reviewed several of HR’s processes. HR is implementing recommendations and working on its strategic priorities.
TBD: Aligned with Strategic Goal #1	Delete	Given the two additions and our limited resources, we consider this a low priority for now.
Financial Controls Review	Delete	In the RFP for the Financial Auditor, we will include the planned financial controls review work in the contract with the selected firm.

Refer to **ATTACHMENT- B** of your package for a redlined version of the FYE 2025 Audit Plan noting edits and requested additions & deletions.

FYE 2025 Audit Project Dashboard



The lighter shades indicate the current status of the FYE 2025 Audit Plan, while the darker shades reflect the requested amendments.

Questions

LACERA

November 14, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg, (BOR, BOI), Ex-Officio
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Richard P. Bendall RPB
Chief Audit Executive

FOR: December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee

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

RECOMMENDATION

The ACRE Committee (Committee) provide suggested revisions and/or approve the issuance of the ACRE Committee Annual Report to the Boards and direct staff to issue the report to the Boards at their respective January 2025 meetings.

BACKGROUND

Attached please find the draft of the ACRE Committee Annual Report from Committee to the Boards. This is a report that provides the boards with a summary of key responsibilities performed by or overseen by the calendar year 2024 ACRE Committee, mapped to the ACRE Committee Calendar (Calendar).

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

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

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

Attachment

RPB;rpb

December XX, 2024

TO: Each Trustee
Board of Retirement
Board of Investments

FROM: Debbie Martin
2024 ACRE Committee Chair

Richard P. Bendall
Chief Audit Executive

FOR: January XX, 2025 Board of Retirement Meeting
January XX, 2025 Board of Investments Meeting

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

This is the annual report of the ACRE Committee to the boards, included as a best practice in the ACRE Committee Charter, but limited to the Committee's oversight of Internal Audit's activities, which includes both internal and external audit work as well as Enterprise Risk Management (ERM).

The Legal Office, responsible to the ACRE Committee for the ethics and compliance portions of the ACRE Charter will be presenting to the Committee under separate cover their proposed report to the boards for the Committee's activities in 2024 related to ethics and compliance.

The legacy Audit Committee supported the boards in assessing the risks facing LACERA, including assessing the governance risk and control framework, reviewing the system of internal controls and overseeing the operations of the internal audit function.

In October 2024, LACERA's Boards expanded the Audit Committee's responsibilities to include Compliance, Risk, and Ethics. Subsequently, the Audit Committee was renamed the Audit, Compliance, Risk, and Ethics (ACRE) Committee. The ACRE Charter encapsulates the Committee's enhanced role in the oversight of LACERA's Ethics and Compliance, and ERM Programs.

As stated in section II. of the ACRE Charter, the purpose of the ACRE Committee is to provide structured, systematic oversight of LACERA's governance, risk management, ethics and compliance, and system of internal controls. The Committee assists the boards in fulfilling their fiduciary oversight duties for LACERA's Audit Activity and Organizational Governance Activities, which includes Ethics, Compliance and ERM.

The Committees responsibilities in each of these areas is detailed in the **attached** ACRE Committee Calendar of responsibilities, extracted from the ACRE Committee Charter. The ACRE Committee's efforts and actions are further highlighted under each of these five key areas of responsibility below.

A. Internal Audit Activity

a. Oversaw the completion of the Fiscal Year Ended June 30, 2024 Audit Plan.
b. Audits completed during calendar year 2024 included:
   i. Bank of America Wire Transfer Audit
   ii. Procurement of Goods Audit
   iii. Technical Audit of Granicus/One Meeting Application
   iv. LACERA Rehired Retiree Program for FYs 2023 and 2024
   v. Termination of User Access Audit
   vi. Review of Chief Executive Officer (CEO) Credit Card
   vii. Bonus Program Continuous Process Audit (CAP) Audit Memorandum
   viii. LA County Rehired Retirees Program Compliance FYE 2024

c. Approved the Fiscal Year ending June 30, 2025 Audit Plan
d. Oversaw the work of Internal Audit and evaluated the CAE's performance.

B. Professional Service Provider Activity
   a. Oversaw Moss Adams' work on the SOC1 over the OPEB program.
   b. Reviewed the Net Force report on their audit of Granicus (One Meeting Application).

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

D. Values and Ethics
   a. Oversaw reports from Internal Audit on their Ethics Hotline reports.

E. Organizational Governance
   a. Approved the inclusion of an Enterprise Risk Management (ERM) component to the Annual Audit Plan.
   b. During 2024, Internal Audit supported the Legal Office in revising the Audit Committee Charter to evolve it into the ACRE Committee Charter and assisted the Legal Office in the development of their Ethics and Compliance Charter and Work Program.
   c. As a reminder, in calendar year 2023, staff provided follow up on the work previously performed by Weaver & Tidwell around Ethics and Values. In 2022, Weaver & Tidwell performed an assessment of LACERA's maturity in the following key organizational governance areas:
      i. Ethics and values
      ii. Risk management
      iii. Detection and prevention of fraud
      iv. System of internal control
      v. System of compliance

Attachment

RPB:rb

2024 ACRE Committee Charter Responsibilities			
Documentation	**Ref to *ACRE Charter**	**Frequency**	**Comments**
Audit Engagement Reports	VII.A.1.h.	Every Meeting	See summary of reports reviewed and approved by the AC during calendar year 2024 cover memo.
Audit Plan Status Update	VII.A.1.	Every Meeting	At each meeting, the AC reviewed the Audit Plan Status Update report.
Summary of Hotline Investigations	VII.B.8 & VII,B,9.a &b	Every Meeting	At each meeting, the AC reviewed the Summary of Hotline Investigations report.
Recommendation Follow-Up Reports	VII.A.1.i.	Every Meeting	AC reviewed the Recommendation Follow-Up Reports at the Febuary, June, August and December AC meetings.
Proposed Audit Plan and Budget	VII.A.1.f.	Annually	AC reviewed and approved the Proposed Audit Plan and Budget at the Febuary meeting.
Annual Risk Assessment	VII.A.1.f.	Annually	In February and June, Trustees, including those on the AC, provided feedback on current risks for the Annual Risk Assessment.
Annual Audit Plan	VII.A.1.f.	Annually	AC reviewed and approved the FY 2025 Annual Audit Plan at the June meeting.
Presentation / memo by Financial Auditor detailing proposed scope of work and timing.	VII.2.a.	Annually	Plante Moran, LACERA's external auditor, presented to the AC its proposed scope of work and timing at the August meeting.
Internal Audit Charter	VII.A.1.c.	Annually	Staff revised the Internal Audit Charter to ensure it aligned with the 2024 IIA Global Internal Audit Standards and took it to the September 2024 Audit Committee meeting for approval along with the revised Audit (ACRE) Committee Charter. Both were approved by the Committee and the Committee forwarded the ACRE Charter to the boards where it was approved by both boards in October.
Internal Audit Annual Performance Report	VII.A.1	Annually	*IA presented its Annual Performance Report at the September 2024 meeting.
CAE Performance Evaluation	VII.A.1.k.	Annually	The CAE presented his self-evaluation with CEO comments to AC at the December 2024 meeting. AC trustees were requested to submit their scored evaluations of the CAE to the Director of HR.
Organizational Governance Review	II	Annually	IA presented an update on Weaver's Organizational Governance Review and related strategic recommendations at the August 2023 AC meeting. During 2024, Internal Audit worked with the Legal Office to update the Audit Committee Charter to incorporate compliance, ethics and a section for enterprise risk management.
Compliance Memo from Executive Management and Legal Office	II	Annually	Executive Management and Legal presented an assessment of LACERA's status in regard to compliance at the March 2024 AC meeting.
Financial Statements, Correspondence, & Presentation	VII.2.d.	Annually	Plante Moran presented the Financial Statements, Correspondence, and related reports to the AC at the December 2024 meeting.
Audit Committee Annual Performance Report	VII E.1.	Annually	We are recommending at the December 2024 AC meeting that the AC take its Annual Performance Report to the Boards at their January 2025 meetings.

2024 ACRE Committee Charter Responsibilities			
Documentation	**Ref to *ACRE Charter**	**Frequency**	**Comments**
ACRE Committee Charter	VII.E.4.	Every 3rd year	Staff presented the revisions to the Audit Committee Charter, updating it to conform with the IIA's 2024 Global Internal Audit Standards and expanding the Committee's responsibilities in oversight of compliance, risk and ethics, converting the charter to the Audit Compliance Risk and Ethics (ACRE) Charter. At the September meeting of the Audit Committee, the Committee approved staff's changes and a recommendation to both boards for approval of the ACRE Charter. The Boards approved the ACRE Charter in October 2024.
Approve the appointment and compensation of the External Financial Auditor	VII.2.a.	Every 5th year**	The Audit Committee approved the issuance of an RFP at the November 2022 meeting, interviewed three finalists at the March 2023 meeting and selected Plante Moran to continue as external financial auditor for a three year term with two additional one year extensions, at the discretion of the Audit Committee.
Ensure IA has an external quality assessment performed every five years.	VII.A.3.d.	Every 5th year	External Quality Assessment (EQA) Auditor, The Institute of Internal Auditors (IIA) Quality Services presented their report to the AC at the March 2022 meeting.

2024 ACRE Committee Charter Responsibilities			
Documentation	**Ref to *ACRE Charter**	**Frequency**	**Comments**
Provide an open avenue of communication between IA, all Professional Service Providers, Management, and the Boards.	VII.2.e.	Continous	Continuous
Approve the appointment & compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations	VII.2.c.	As needed	In 2023 the ACRE Committee approved the hiring of Moss Adams to perform LACERA's SOC 1 Type II audits of the OPEB program and Moss Adams performed their first such audit during calendar year 2024. Also, in 2024 Internal Audit used the services of NetForce, one of the Internal Audit pool firms to complete two application security reviews of the OneMeeting application.
Review with Professional Service Providers, including the Financial Auditor, and Mgmt the results of the work performed, any findings & recommendations, Mngmt's responses, and actions taken to implement the audit recommendations.	VII.2.d., VII.3.a.-e.	As needed	Presentations are made by the external service providers to the AC on work completed, as necessary throughout the year, and the AC has the opportunity to discuss findings and recommendations with the external providers and management. Findings are included in Internal Audit's recommendation follow-up process and Internal Audit reports on the status of implementation to the AC on an ongoing basis until resolved.
Advise the Boards about any recommendations for the continuous improvement of the internal audit activity steming from the annual Quality Assurance Improvement Program (QAIP).	VII.A.1.e.	Annually	_
Make recommendations to both Boards regarding the appointment, discipline, and/or dismissal, of the CAE, which will be addressed by the Boards in a joint meeting.	VII.A.1.j.	As needed	_
Perform other activities related to this Charter as requested by the Boards.	VII.E.3.	As needed	_

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

L//.CERA

November 8, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Leisha E. Collins
Principal Internal Auditor

FOR: December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Request for Proposal for Audit Services Pool**

RECOMMENDATION

The ACRE Committee authorize staff to release a Request for Proposal (RFP) for Internal Audit's pre-qualified Audit Services Pool for a maximum five-year term.

BACKGROUND

The RFP aims to select additional qualified firms for inclusion in Internal Audit's existing audit pool for three years, with a two-year extension option. These firms will conduct assurance, advisory, and value-added engagements, based on Internal Audit's Audit Plan and on an as-needed basis. Inclusion in the audit pool does not guarantee a firm is awarded any engagements and firms may be added or deleted in accordance with the ACRE charter.

In April 2021, the Committee approved the audit pool, listed below, to conduct audit engagements and special projects in the areas of Investment, IT, and Organizational operations.

Firm	Investments	IT	Organizational
Crowe LLP	X	X	X
Eide Bailey LLP			X
KPMG LLP	X	X	X
Moss Adams LLP	X	X	X
Net Force		X	
Vasquez & Co LLP			X
Weaver and Tidwell LLP	X	X	X

The Audit Pool has been crucial to Internal Audit, particularly during times of resource limitations and challenges relating to hiring IT and Investment auditors. Since its inception Internal Audit has used the audit pool for engagements in key risk areas of IT, organizational governance and human resources.

Though we've benefited from our current firms, we would like to explore adding additional interested firms. Furthermore, we also plan to expand the expertise of the audit pool to an additional service area, Internal Audit Consulting, which would be used for process improvements and consulting on new standards and emerging risks.

MINIMUM QUALIFICATIONS:
We will seek firms with the following minimum qualifications:

A. The proposing firm must have been a professional firm that provides audit, advisory and/or consulting services for the past five (5) years.

B. The proposing firm must have performed audit, advisory and consulting services in the specialty areas in this RFP for the past five (5) years.

C. Key Personnel (Director, Manager/Supervisor) with planning and on-site supervisory responsibilities must have at least five (5) years of experience in the specialty areas set forth in this RFP.

STATEMENT OF SERVICES
Refer to Attachment A - Statement of Work (SOW) for a detailed listing of services.
The areas of expertise we seek include the following:

- Information Technology (IT) – Services include assurance and advisory engagements related to assessing the governance, risk, and controls of LACERA's System Division and Information Security operations, LACERA's IT network, architecture, applications, and projects. These engagements will require extensive knowledge and experience in information technology risks and controls.

- Investments – Services include performing assurance and advisory engagements related to LACERA's portfolio. Services may also include value-added engagements and special projects related to investment risk assessments, investment accounting, middle and back-office operations and due diligence policies and procedures.

- Organizational - Services include assurance audits, advisory services, agreed-upon procedure reviews. Service may also include evaluating the effectiveness of internal controls encompassing LACERA's governance, and/or operations. Engagements could be conducted in any of LACERA's divisions.

- Internal Audit – Services to the Internal Audit Division will enhance audit competencies and improve operation efficiencies. Services include consulting on audit standards and emerging audit issues, as well as assistance in implementing audit best practices and enhancing our quality assurance and improvement program.

RFP TIMELINE

Internal Audit anticipates that this RFP process will begin mid-January 2025 and take approximately four months to complete. The following table provides the timeline for the RFP.

Task	Est. Completion
Request for Proposal Release Date	January 2025
Request for Proposals Due Date	February 2025
Selection and Notification to Firms included in the Pool	March 2025
Seek ACRE Approval of firms	March 2025
Contract	April 2025

Staff will provide an overview of the RFP process at the December 2024 Meeting.

CONCLUSION

The ACRE Committee authorize staff to release a Request for Proposal (RFP) for Internal Audit's pre-qualified Audit Services Pool for a maximum five-year term.

Attachments

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ATTACHMENT A

RFP – Request for Proposal for Auditing Services Pool
STATEMENT OF SERVICES

We seek expertise in the following areas:

1. Information Technology (IT) – IT services include assurance and advisory engagements related to assessing the governance, risk, and controls of LACERA's System Division and Information Security operations, LACERA's IT network, architecture, applications, and projects. These engagements will require extensive knowledge and experience in information technology risks and controls. Engagements may require the use of Information Systems Audit and Control Association's (ISACA's) control objectives, National Institute of Standards and Technology (NIST) or other applicable frameworks.

2. Investments – Investment services include performing assurance and advisory engagements related to governance, risk, and controls of LACERA's portfolio which includes: Growth, Credit Real Assets and Inflation Hedges, Risk Reduction and Mitigation, and Overlays and Hedges. Refer to LACERA Investment Policy Statement for additional information. Services may include value-added engagements and special projects related to investment risk assessments, investment accounting, middle and back-office operations and due diligence policies and procedures. These engagements will require specialists with extensive knowledge and experience in Investment accounting and operations.

3. Organizational – Organizational Services include assurance audits, advisory services, agreed-upon procedure reviews. Services may also include providing Internal Audit with technical assistance in evaluating the effectiveness LACERA's governance, risk and controls in key operations. In addition, services may include compliance, operational, financial and investigation engagements as well as enterprise risk management assessments, and business continuity reviews. Engagements could be conducted in any of LACERA's divisions and key business operations.

The above services include assurance and advisory engagements which may include any or all of the following:

- Perform a risk assessment of the audit area
- Prepare an engagement letter to the auditee
- Schedule and lead an entrance conference
- Develop an audit plan and audit program for CAE approval
- Perform audit testing (on-site, or remote)
- Document all work in working papers; use of audit software is preferred
- Provide progress reports to Internal Audit or designee on engagement
- Discuss audit findings with Internal Audit
- Obtain Internal Auditor's written approval of audit findings
- Schedule and lead exit conferences

- Prepare draft and final audit reports
- Provide Internal Audit access to all audit work papers
- Provide materials and report at ACRE Committee Meeting
- Perform follow-up work on recommendations, as necessary
- Provide advice and training on the audit area as requested by Internal Audit

4. Internal Audit –Internal Audit Services will enhance audit staff competencies and improve operation efficiencies. Services may include any or all of the following services:

   - Provide technical assistance for evaluating and analyzing audit data
   - Perform and/or provide technical assistance with risk assessments
   - Advise in area of audit best practices
   - Provide subject matter expertise on audit related activities
   - Develop course materials and conduct educational workshops on audit standards, emerging audit issues, and other topics specified by Internal Audit
   - Provide assistance in the implementation of audit processes and best practices
   - Assist in enhancing our quality assurance and improvement programs and
   - Consult on enterprise risk management

ATTACHMENT B

Request for Proposal
Audit Services Pre-Qualified Pool

Presented by:

Leisha E. Collins, Principal Internal Auditor

Recommendation and Background

Recommendation

The ACRE Committee authorize staff to release a Request for Proposal (RFP) for Internal Audit's pre-qualified Audit Services Pool for a maximum five-year term.

Background

- The purpose of the RFP is to select additional qualified firms for inclusion in Internal Audit's existing audit pool to conduct assurance, advisory engagements, and other value-added engagements based on Internal Audit's Audit Plan and on an as-needed basis.

- In April 2021, the Committee approved the existing audit pool to conduct audit engagements and special projects in the areas of Investment, IT, and Organizational operations.

- The current pool includes Crowe LLP, Eide Bailey LLP, KPMG LLP, Moss Adams LLP, Net Force, Vasquez & Co LLP, and Weaver and Tidwell LLP. Internal Audit has used the audit pool for engagements in key risk areas of IT, organizational governance and human resources.

- In light of the evolving organizational landscape, strategic goals, and initiatives, broadening our range of firms will enable Internal Audit and the organization to address risks more effectively.

- Expanding the expertise of the audit pool to also include Internal Audit Consulting services, will be used for process improvements and consulting on new standards and emerging risks.

Proposed Minimum Qualifications

We will seek firms with the following minimum qualifications

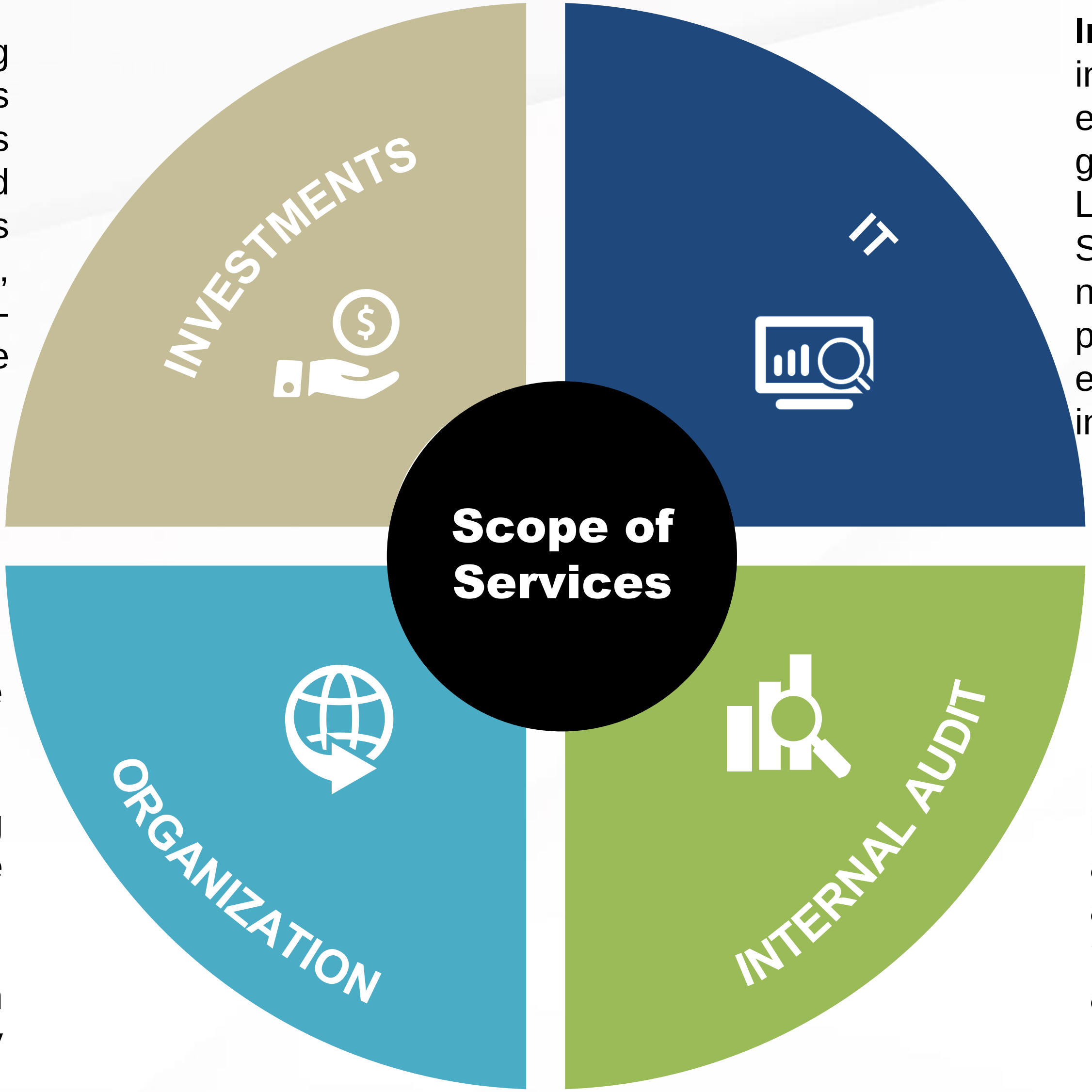
The proposing firm must have been a professional firm that provides audit, advisory and/or consulting services for the past five (5) years

The proposing firm must have performed audit, advisory and consulting services in the RFP's specialty areas for the past five (5) years

Key Personnel (Director, Manager/Supervisor) with planning and on-site supervisory responsibilities must have at least five (5) years of experience in the specialty areas set forth in this RFP.

Scope of Services

Investment services include performing assurance and advisory engagements related to LACERA’s portfolio. Services may also include value-added engagements and special projects related to investment risk assessments, investment accounting, middle and back-office operations and due diligence policies and procedures.



Information Technology (IT) services include assurance and advisory engagements related to assessing the governance, risk, and controls of LACERA’s System Division and Information Security operations as well as LACERA’s IT network, architecture, applications, and projects. These engagements will require extensive knowledge and experience in information technology risks and controls.

Organizational Services include assurance audits, advisory services, agreed-upon procedure reviews. Services may also include providing Internal Audit with technical assistance in evaluating LACERA’s governance, risk, and controls of key operations. Engagements could be conducted in any of LACERA’s divisions and key business operations.

Internal Audit Services will enhance Internal Audit staff competencies and improve operation efficiencies. Services include consulting on audit standards and emerging audit issues, as well as assistance in implementing audit best practices and enhancing our quality assurance and improvement program.

Evaluation Criteria

Firm Background
- Firm longevity and continuity
- Firm’s experience providing services we seek
- Diversity and inclusion efforts within the Firm
- Firm references align with knowledge and experience

Staff Experience
- Experience meets or exceeds LACERA’s minimum requirements
- Professionalism, competencies, and applicable knowledge and experience
- Staffing resources, workload, and ability to meet schedules

Methodology
- Workplan and approach for engagements
- Relevant and effective reporting framework

Adherence to RFP Instructions
- Clearly addresses RFP information requested
- Overall RFP presentation and completeness

Fees
- Fees proposed to address the scope of work are in adherence to RFP Instructions
- Appropriateness of proposed agreement terms and price proposal

RFP PROCESS AND TIMELINE

Release RFP
RFP is released and Bids due mid-February

Jan 2025

Select Firms
Feb 2025

RFP process completed (including interview) and firms selected

ACRE Approval
Committee approval of firms requested at ACRE meeting

March 2025

Contracts
April 2025

Staff works with Legal Office to execute contracts

QUESTIONS

Thank You

L///CERA

November 15, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin, (BOI), Chair
Wayne Moore, (BOR), Vice Chair
Vivian Gray, (BOR), Secretary
Nancy Durazo, (BOR) Trustee
Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
Jason Green, (BOI) Trustee
Nicole Mi, (BOI) Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Gabriel Tafoya
Senior Internal Auditor

FOR: December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2024**

RECOMMENDATION

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

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

ENGAGEMENT REPORT

Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2024 (Report Issued: November 15, 2024)

Attachments

GT

Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2024

November 15, 2024

AUDIT PERFORMED BY:

Gabriel Tafoya
Senior Internal Auditor

AUDIT REPORT

Audit Name:	Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2024
Responsible Division	Executive Office
Audit Rating*:	Opportunities for Improvement
Prior Audit Rating*:	Opportunities for Improvement
Prior Report Date:	November 14, 2023

BACKGROUND

As part of our Fiscal Year 2024-25 Audit Plan, we conducted an audit of Los Angeles County's (County) compliance with requirements for hiring County retirees for fiscal year ended June 30, 2024. We perform this audit annually as failure to adhere to the regulations and requirements violates the state law governing retirement benefits. Furthermore, non-compliance, could jeopardize LACERA's qualified tax deferred status, under federal tax law, because LACERA's has the responsibility to only pay benefits to rehired retirees whose reemployment is compliant.

The State of California's County Employees Retirement Law of 1937 (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that the County has the option to employ retirees as "Rehired Retirees" subject to certain requirements. Under Government Code Section 31680.3 of CERL and Section 7522.56, Rehired Retirees may work up to 960 hours per fiscal year, and for a limited duration, without affecting their retirement status or benefits.

In addition, Internal Revenue Service (IRS) regulations require a "bona fide" break-in-service after retirement if the retiree is under the "normal retirement age," before the retiree can be rehired.
"Normal retirement age," as defined by LACERA's Board of Retirement, is as follows:

- Age 57 for general members of Plan A, B, C, D, or G
- Age 65 for general members of Plan E
- Age 55 for safety members

To comply with the IRS regulation, in 2006 LACERA's Board of Retirement adopted a resolution stating that all Rehired Retirees under their "normal retirement age" must comply with at least the 90-day break-in-service requirement and the separate requirement that there be no pre-arrangement for their return to County employment, as well as the PEPRA requirements.

Subsequently, PEPRA added an additional restriction requiring 180-continuous days of separation from the date of retirement before a retiree may be rehired. PEPRA does allow the following two limited exceptions to the 180-day requirement:

1. If the employer can certify it is necessary to fill a critically needed position and the hiring has been approved by the Board of Supervisors (or the Board of Retirement, for LACERA positions) in an open meeting.
2. If the retiree is a public safety officer or firefighter.

Those eligible for the PEPRA 180-day break-in-service exceptions still must comply with the IRS's "bona fide" break-in-service of 90 days if under normal retirement age. In the event of a conflict between the CERL and PEPRA provisions, PEPRA's requirements take precedence over CERL.

PEPRA section 7522.56 (c) provides that appointing employers may only rehire retirees either during an emergency to prevent stoppage of public business or because the rehired person has skills needed to perform work of "limited duration". The limited duration requirement is in addition to and separate from the 960-hour per fiscal year requirement.

AUDIT OBJECTIVE & SCOPE

For Fiscal Year Ended June 30, 2024, LACERA Internal Audit received payroll detail from the County Auditor-Controller and identified 417 retirees who worked as Rehired Retirees during that Fiscal Year.

We tested all 417 (100%) for compliance with:

- CERL's 960-hour requirement, hours worked did not exceed 960 hours for the Fiscal Year.
- IRS' "bona fide" break-in-service requirement, defined as 90 days by LACERA's Board of Retirement.
- PEPRA's 180-day break in service requirement.

Additionally, to test the PEPRA requirement of "limited duration," we stratified all 417 retirees, based on continuous years worked. We used the data that we have accumulated over the last 14 years, to perform this compliance test.

AUDIT RATING & SUMMARY OF FINDINGS

The audit rating of Opportunities for Improvement remains the same as last year as we noted continued violations of PEPRA's "limited duration." We did, however, remove and close out the finding from the prior year, related to rehired retirees exceeding the 960-hour limit.

As depicted in the table below, our audit continues to identify a notable decline in the number of rehired retirees surpassing the 960-hour limit compared to previous years. Internal Audit believes this decline is due to the proactive initiatives undertaken by LACERA management and staff, in conjunction with the ongoing partnership with the County CEO's office. This year, only one individual exceeded the 960-hour limit by only 5 hours.

Fiscal Year Ended June 30	Rehired Retirees	Noncompliant Rehired Retirees	Noncompliance as a Percentage	Total Overage	Average Overage
2024	417	1	0.24%	5	5
2023	393	3	0.76%	32.5	11
2022	381	17	4.46%	964	57
2021	408	10	2.40%	1778	177

* See Appendix 1 for Audit Rating

The County has taken additional measures to strengthen its controls for managing rehired retirees. On July 15, 2024, Assembly Bill 2474 was signed into law further refining the requirements of Rehired Retirees as authorized by PEPRA. The County's Department of Human Resources (DHR) partnered with the County's Chief Executive Office, in consultation with LACERA, to revise Countywide Policies, Procedures, and Guidelines (PPG) No. 505, now retitled as *Appointment of Retirees to a 120-Day Temporary Assignment.*

Notable revisions to this policy include:

- Adding clarifying language, contacts, and links throughout the policy.
- Adding the new monitoring procedure by which all departments employing 120-day retirees must provide written notification to the employee before they are within 10-business days or 80 hours of the time limits of the policy.
- Updating the required *Condition for Post-Retirement Employment and Waiver* with improved content and a fillable format that can be digitally signed.
- Providing a new *Frequently Asked Questions* document to address the common questions received by CEO and DHR regarding rehiring retirees.
- Providing a new template notice, titled *Appointment of Retiree to 120-Day Temporary Assignment Written Notice of Reported Hours for* departments to use to meet the notification requirements.

The updated policy does not specifically address requirements of "limited duration," despite LACERA's input that it should be included. Our audit data continues to demonstrate concerns with the County's compliance with the "limited duration" clause of PEPRA, Therefore, we continue to report that the finding from fiscal year 2021's audit remains open, as indicated below.

Summary of Finding

Finding#	Page	Description of Finding	Risk Rating**
F1	6	Continued Violation of PEPRA's "limited duration" language	High

The above Finding is detailed in the following pages, including our recommendation and Management Action Plan.

We noted no issues of noncompliance with regards to the PEPRA 180-day break-in-service requirement or the IRS 90-day break-service requirement.

REPORT DISTRIBUTION

2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee	Santos H. Kreimann, CEO	J.J. Popowich, AEO
Steven P. Rice, Chief Legal Counsel	Luis Lugo, DCEO	Laura Guglielmo, AEO
Larry Jensen, ACRE Consultant	2024 Plante Moran Audit Team	

** See Appendix 2 for Finding's Risk Rating

FINDING #1

Continued Violation of PEPRA's "limited duration" language	Risk Level **
	High

OBSERVATION

We utilized data sourced from the Auditor-Controller over the last 14 years to categorize the group of Rehired Retirees according to their continuous years of employment. Presented in the subsequent table are details of the 417 Rehired Retirees who were active during the fiscal year ending on June 30, 2024. The table specifies the department of employment, the duration of consecutive years an employee worked, and presents the average number of hours rehired retirees worked in each department during FYE 2024.

County Department	Continuous Years as Rehired Retiree														Total Rehired Retirees FYE 2024	Average Hours FYE 2024 Per Rehired Retiree
	1	2	3	4	5	6	7	8	9	10	11	12	13	14		
Alternate Public Defender		1	2												3	667
Workforce Dev Aging & Comm	6	4	1												11	497
Animal Control	1														1	925
Chief Executive Office	2	3		6	2				1						14	609
Assessor	5	8	4				2		1					3	23	767
Auditor-Controller	3	1	1		1										6	484
Agricultural Comm/Weights					1										1	977
Beaches and Harbor												1			1	934
Board of Supervisors	2	2		3							1	1			9	223
County Counsel	1														1	44
Community Services			1												1	240
Child Support Services		7													7	469
Children and Family Services		9	13		10		10		8	1	2	3	3	12	71	730
District Attorney	13	9	11		1	1	3		1		1	1	3		44	674
District Attorney 2	1														1	204

Fire Department	1	1							1					1	4	347
LAC USC Medical Center		1		1											2	638
Harbor UCLA	1														1	78
Human Resources	3	2		3						2	1	1		1	13	714
Ambulatory Care Network			1												1	41
Health Services Admin		1										1			2	749
Internal Services							1		1				1		3	684
Internal Svcs.	1	1													2	720
Medical Examiner Coroner										1		1			2	139
Mental Health	1														1	555
LACERA		1	1		1									1	4	473
Probation	7	2		1											10	535
Public Defender	15	6	6	1			1		1						30	692
Public Health		1	1	1	3				1		2				9	717
Parks and Recreation		3			1		1								5	784
Public Library	1	1													2	641
Public Works	5	1									1				7	284
Register-Recorder	1	1	1												3	388
Superior Court	1	4	1	2	1				1	1		2		1	14	430
Sheriff	18	9	5		10		3	9	4	12	16	9	2	11	108	749
Total Retirees and Hours	89	79	49	18	31	1	21	9	20	17	24	20	9	30	417	18,802

Of the 417 Rehired Retirees, 249 (60%) have worked for an extended duration as a temporary rehired retiree, which is for three or more years, with 100 (24%) having worked for 10 or more years.

LACERA is concerned that this situation may violate PEPRA section 7522.56 (c) which states, "A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of **limited duration.**" The County does not provide LACERA with sufficient information to assess the individual circumstances of each department and the assignments of each rehired employee to determine if there is a rationale for the duration of their post-retirement employment.

If it is determined that an extended duration violation has occurred, LACERA, as benefit trust fund administrator, could proceed with recovery of trust funds for benefits paid during the period of excessive, unlawful work duration.

The Post Retirement Employment Policy adopted by the Board of Retirement for LACERA's own employees addresses the limited duration requirement and puts a process in place for Board approval of rehired retirees based on exceptional circumstances after two years' of Executive approval.

RISK

The above chart highlights a situation which could potentially lead to headline risk regarding the lack of compliance with the PEPRA laws around the use of Rehired Retirees and gives the appearance of allowing "double dipping." More than that, it potentially could risk LACERA's qualified plan status under the Internal Revenue Code (IRC) if LACERA fails to exercise its responsibilities as plan administrator in ensuring compliance with PEPRA, which, along with PEPRA, is LACERA's plan document.

RECOMMENDATION

We restate our recommendation from our previous audit reports of November 4, 2022 (FYE 2021 report), April 28, 2023 (FYE 2022 report), and November 14, 2024 (FYE 2023 report), that,

1. LACERA's Executive Office and Legal Office continue their discussions with the County regarding limited duration and whether policy provisions or practices can be added or strengthened to explicitly address the statutory requirement of limited duration.

2. LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition, tracking, and annual review of limited duration for County retirees, in addition to the current policy for LACERA employees, to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.

MANAGEMENT'S RESPONSE

November 2, 2024 (Update)
Management agrees with the recommendations. Management, including the Executive Office, Legal Office, and Benefits Division, will continue discussions with the County concerning the need for the County to explicitly address the issue of limited duration in its policy to ensure, document, and monitor PEPRA compliance. Management also will review the need for a Board of Retirement policy to enable the Board to perform its fiduciary responsibility to ensure PEPRA compliance, including compliance with the limited duration requirement applicable to the County's returning retirees. Finally, Management encourages the Internal Audit Division to seek additional information from the County to enable LACERA to audit the presence or absence of the County's compliance with limited duration as to its rehired retirees.

Comments have been made in prior years as to the appropriateness of a one size fits all definition of limited duration for the County's rehired retirees across its broad and diverse organizational structure and its diverse and varying needs. Nevertheless, as stated, Management agrees that the County should explicitly address the issue in its policy and practices, as LACERA has done in its own Post Retirement Employment Policy, although not necessarily in the exact same way. The key elements of a policy are monitoring, documentation of the justification based on good cause flowing from legitimate business need, and enforcement to ensure compliance, as now in place for the 960-hour requirement.

November 4, 2022 (Original Management Response)
The current LACERA policy allows for a broad definition of limited duration for non-COVID-related work. We believe that most CERL systems have not yet "defined" limited duration in terms of a specified timeline regarding Rehired Retirees,' instead they focus on ensuring Retirees are meeting the annual 960-hour compliance.

For an employer as large as the County of Los Angeles, it's difficult to determine a one size fits all definition for "limited duration" due to the workforce complexities of the various departments (Sheriffs, Dept. of Health, Dept. Human Services, etc.). Instead, our revised recommendation is to provide the County CEO's office with education around PEPRA's intent behind limited duration for Rehired Retirees.

March 2023 (Update)
We have been in contact with CalPERS and are monitoring their efforts to regulate limited duration employment for Rehired Retirees. CalPERS is developing updated regulations that they expect to submit to their Board for approval. LACERA is monitoring their process and may develop similar regulations that will generally limit re-employment to a two-year period. LACERA's Legal Office was provided the proposed regulations and are monitoring CalPERS' progress. The Legal and the Executive Office will make a determination if LACERA will develop similar regulations by June 2023 or propose a different alternative.

November 2023 (Update)
The LACERA Board of Retirement (BOR) approved a revised and restated LACERA-Agency policy on July 7, 2023. In approving the new LACERA policy, the Operations Oversite Committee (OOC) and Board trustees expressed views on certain aspects of LACERA's oversight of the County's program, particularly the concept that there may need to be some flexibility in the definition of limited duration among the many County departments and their widely varying circumstances. With the LACERA-Agency policy as a framework, work will now begin on drafting a policy for returning retirees hired by the County. Much work remains before presentation to OOC in the 4th quarter of FYE 2024.

TARGET COMPLETION DATE

June 30, 2025

APPENDIX 1
AUDIT RATING SCALE

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

Satisfactory

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

Opportunities for Improvement

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

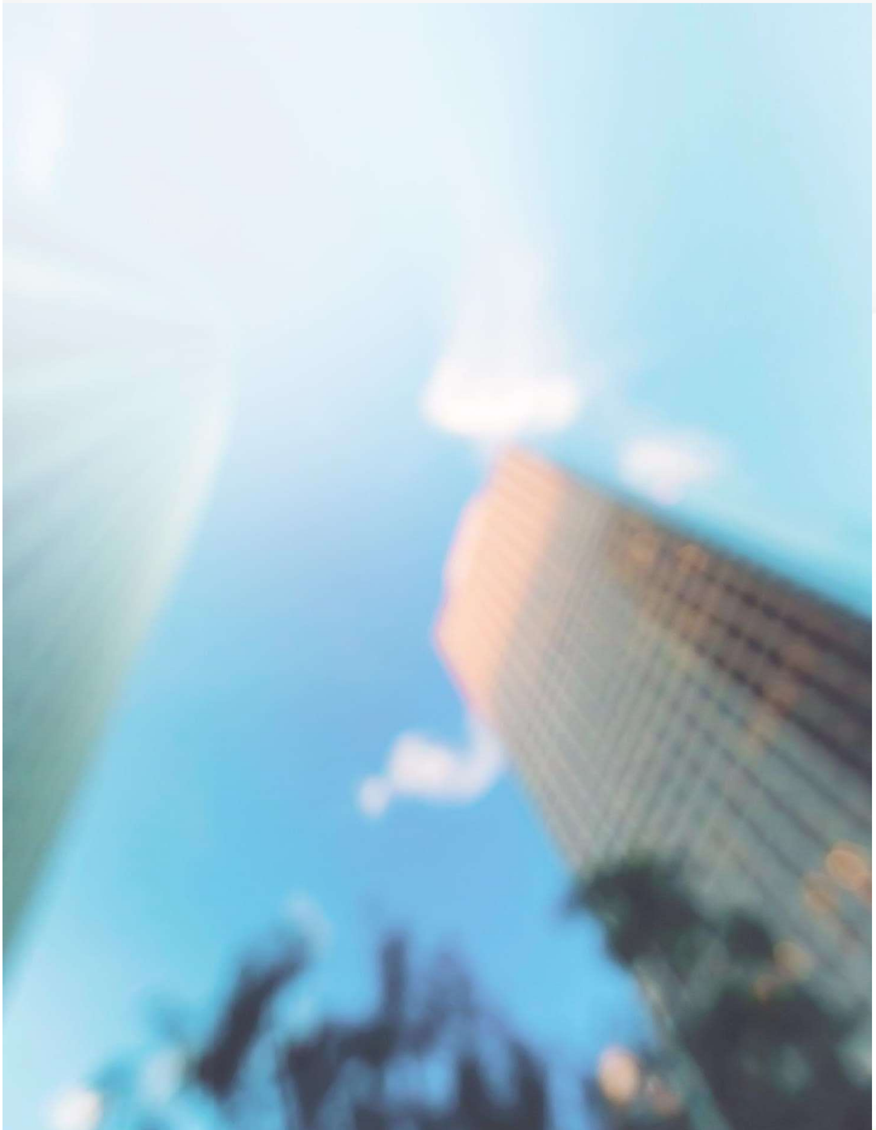
Unsatisfactory

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

APPENDIX 2
FINDING'S RISK RATING SCALE

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

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



Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2024

Issued Date: November 15, 2024

Presenter Name:

Gabriel Tafoya, Senior Auditor

Summary of Engagement

Responsible Division:	**Executive Office**
Type of Engagement:	Advisory
Audit Rating:	Opportunities for Improvement
Prior Audit Rating:	Opportunities for Improvement

Type of Engagements

Assurance: Provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit, Compliance, Risk, and Ethics (ACRE) Committee on governance, risk management, and control processes for LACERA.

Advisory: Collaborate with Management to provide formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

Value Added: Provide Management with informal advice.

Background, Scope, Objective

Background: We perform this audit annually as failure to adhere to the regulations and requirements not only violates state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law

Scope: Internal Audit received payroll detail from the County Auditor-Controller identifying 417 retirees who worked as Rehired Retirees during the 2024 Fiscal Year

Objective:
Determine compliance with:
- CERL's 960-hour work limit requirement
- IRS' "bona fide" break-in-service requirement
- PEPRA's 180-day break in service requirement
- PEPRA requirement of "limited duration

Summary of Findings

Finding	Rating	Management Response
Continued Violation of PEPRA's "limited duration" language	High	Management agrees with the recommendations. Management, including the Executive Office, Legal Office, and Benefits Division, will continue discussions with the County concerning the need for the County to explicitly address the issue of limited duration in its policy to ensure, document, and monitor PEPRA compliance. Management also will review the need for a Board of Retirement policy to enable the Board to perform its fiduciary responsibility to ensure PEPRA compliance, including compliance with the limited duration requirement applicable to the County's returning retirees. Finally, Management encourages the Internal Audit Division to seek additional information from the County to enable LACERA to audit the presence or absence of the County's compliance with limited duration as to its rehired retirees. Comments have been made in prior years as to the appropriateness of a one size fits all definition of limited duration for the County's rehired retirees across its broad and diverse organizational structure and its diverse and varying needs. Nevertheless, as stated, Management agrees that the County should explicitly address the issue in its policy and practices, as LACERA has done in its own Post Retirement Employment Policy, although not necessarily in exacting the same way. The key elements of a policy are monitoring, documentation of the justification based on good cause flowing from legitimate business need, and enforcement to ensure compliance, as now in place for the 960-hour requirement.

Thank You

LACERA

November 20, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg (BOR/BOI), Ex-Officio Trustee

FROM: Carly Ntoya, Ph.D. CN
Director, Human Resources

FOR: December 12, 2024, 2024, Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Chief Ethics and Compliance Officer, LACERA Proposed Classification and Compensation**

RECOMMENDATION

That the ACRE Committee:

1. Approve establishment of one (1) new non-represented classification and salary range for a designated position applicable only to LACERA and refer the classification and salary to the Joint Organizational Governance Committee (JOGC) for review and recommendation to the Board of Retirement and Board of Investments:

New Classification Title	**Salary Schedule**
Chief Ethics and Compliance Officer, LACERA	LS12

2. Recommend to the JOGC and joint Boards that they direct staff, upon approval by the JOGC and the joint Boards, to submit to the Board of Supervisors the required ordinance language to implement the new LACERA classification and pay range by amending the Los Angeles County Salary Code Sections 6.28.050, 6.127.010, and 6.127.030.

LEGAL AUTHORITY

The authority to implement the proposed new classification, additional budgeted position, and salary for the above classification rests jointly with the Board of Retirement and Board of Investments. Such authority is provided in the California Government Code Sections 31522.1, 31522.2, and 31522.4, and will require the Board of Supervisors to amend the Ordinance. The

Boards' authority for LACERA classifications and salaries is also found in Article XVI, Section 17 of the California Constitution, which provides that they have "plenary authority and fiduciary responsibility for investment of moneys and administration of the system," and in Article XVI, Section 17(a), which provides that the Boards have "exclusive fiduciary responsibility over the assets of the public pension or retirement system" and "shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries."

Specific authority to create the Chief Ethics and Compliance Officer, LACERA (CECO) position and salary, and the process to be followed, is found in LACERA's governing Board and ACRE Committee documents.

The ACRE Committee Charter, approved by the Committee and the joint Boards in September and October 2024, grants the Committee oversight responsibility for LACERA's Ethics and Compliance Program (EC Program), including oversight of the CECO, in conjunction with the Chief Executive Officer, LACERA (CEO) and joint Boards[1]. The Ethics and Compliance Program Charter, approved by the Committee and joint Boards on the same dates stated above, calls for a CECO to lead the EC Program, lead the Ethics and Compliance Office, and report functionally to the ACRE Committee, the Boards, and the CEO[2]. Creation of the CECO classification and salary is, therefore, necessary to implement these actions of the ACRE Committee and Boards. The Ethics and Compliance Program Charter is attached as **Attachment A**.

Upon action by the ACRE Committee, the CECO classification and salary should be referred to the JOGC for a final recommendation to the Boards. The JOGC Charter provides that Committee has responsibility to "Review and make recommendations on staff requests to create all new Staff Member classifications [and] … initial compensation levels and ranges applicable to new positions to be added to the County Code."

BACKGROUND ON THE EC PROGRAM AND CECO POSITION

Creation of an Ethics and Compliance Program is a goal of the Board of Retirement's 2023-2028 Strategic Plan, approved in July 2023. (*See* Strategic Plan, Priority 4, Objective 4.1.) The purpose of this Goal is to further performance of LACERA's Mission to produce, protect, and provide the promised benefits to members; its Vision to empower our members to enjoy a healthy and secure retirement; and its Core Values of integrity, innovation, inclusivity, accountability, collaboration, and transparency by facilitating "management's efforts in regard to compliance and risk management. These efforts are continuous because risks constantly change." (Plan, page 19.) (*See* JOGC Charter, Section 7.1.) This Goal seeks to enhance the performance of LACERA's fiduciary duty to members and beneficiaries and develop a "Fully implemented integrated, structured, and mature organizational compliance and risk programs." (Plan, page 20.)

[1] ACRE Committee Charter Section VIII(B)(1).
[2] Ethics and Compliance Program Charter, Section III.

After approval of the Strategic Plan, staff developed and presented to the ACRE Committee and Boards an Ethics and Compliance Program Charter (EC Charter) to guide the Program. The Program is built to assist the Committee, Boards, and CEO "in performing their duty of oversight by providing an independent structure within management for assessment, mitigation, and reporting of LACERA's ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA's operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement of LACERA's ethics and compliance controls." (EC Charter, Section I.)

Research supports that strong Ethics and Compliance Programs will achieve the desired results of the Strategic Goal. A strong program is shown to result in an improved staff experience because an ethical culture fosters feelings of trust, purpose, and teamwork, enhanced staff morale and engagement, and will aid in staff retention, loyalty, and recruitment. An ethical and compliant culture also empirically leads to improved organizational performance, including improved productivity and efficiency, increased member service and satisfaction, more innovation and adaptability to changed circumstances and new business initiatives, and reputational gains with stakeholders. The research shows that improved performance from a strong ethical and compliant culture is not only at the individual level but to an even greater extent in teams, where there is a multiplier effect as to the impact of a well-designed and implemented Program. Research shows that a strong, well-built, and maintained Program will result in reduced misconduct and claims, and increased internal reporting, without a fear of retaliation, and therefore reduction in the organizational costs that flow from misconduct. Most importantly, a strong Program will set strong behaviors and tone at the top and assist the ACRE Committee, the Boards, and the CEO and other management in performing their fiduciary duty to oversee and respond to ethics and compliance issues. The role of leadership in the Program is especially important in that research shows that the behaviors and processes actually observed by staff, more than written standards alone, are the largest single factor in explaining variations in ethical and compliant cultures.

As described in the EC Charter, the EC Program is to be "led by the Chief Ethics and Compliance Officer (CECO), who will have the authority and responsibility to independently implement the Program." Under the Program Charter:

- Functionally, the CECO reports to the ACRE Committee, both Boards, and the CEO with respect to the activities of the Program as provided in this Charter and the ACRE Committee Charter to facilitate the ACRE Committee, Board, and CEO oversight of ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee and the Boards will respond to substantive ethics and compliance issues presented by the CECO; approve the CEO's hiring, termination, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; approve the Ethics and Compliance Office budget for inclusion in LACERA's annual administrative budget; and approve any additional unexpected expenses for necessary work within the scope of this Charter in accordance with LACERA's Policy for Purchasing Goods and Services.

- Administratively, the Chief Ethics and Compliance Officer reports to the Chief Counsel, who will support the day-to-day operations of the Ethics and Compliance Office and serve as a resource and provide guidance to the CECO on ethics and compliance issues when requested by the CECO. The CECO has direct and independent access to the ACRE Committee, both Boards, and the CEO.

(Ethics and Compliance Program Charter, Section III.)

The EC Program activities over which the CECO will be responsible include: the Ethics and Compliance Program Framework, including resourcing and staffing; Ethics and Compliance Risk Assessment; Monitoring, as to the ethics and compliance of LACERA's operations, business practices, and key risk indicators; Review of Policies and Procedures, including the ethics and compliance aspects of all LACERA policies, identification of gaps in LACERA's policy and process control environment, and periodic policy review; Vendor/Third-Party Ethics and Compliance Risk Management; Privacy, including serving as LACERA's Privacy Officer; Training, Communications, and Incentives, focusing on ethics and compliance risk related education; Channels for Staff to Report Ethics and Compliance Concerns, including but not limited to the Ethics Hotline; Investigation, Response, and Commitment to Non-Retaliation, regarding ethics and compliance concerns; Measurement of Organizational Culture of Ethics and Compliance; Reporting, to the ACRE Committee, the Boards, and the CEO, regarding the Program's activities and status; and Self-Assessment and Review of the Program. The CECO will develop the Program budget and will select, train, and lead subordinate Ethics and Compliance Office staff. In connection with these activities, the CECO will develop a Three-Year Roadmap of strategic priorities and an Annual Work Plan. (*See* Ethics and Compliance Program Charter, Sections VII, VIII.)

The Ethics and Compliance Program is designed as a best practice program, including the responsibilities of the CECO, in accordance with The Institute of Internal Auditors' "Three Lines Model" (2020), the United State Sentencing Commission's *Sentencing Guidelines for Organizations* (2023), and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (2024).

A proposed Organizational Chart for the Ethics and Compliance Office is shown as **Attachment B**. This Organizational Chart has been shared with the ACRE Committee and Boards in memos and presentations leading to the approval of the Ethics and Compliance Program Charter. The first step in development of the Program is the hiring of the CECO. The CECO will then, based on the CECO's expertise and experience and in conjunction with the ACRE Committee, the Boards, and CEO, develop other Ethics and Compliance Office staff, which is expected to include two technical supervisors (one focusing on benefits-related compliance and one focused on financial compliance) and subordinate analyst-level and administrative support staff.

PROPOSED NEW CLASSIFICATION

Chief Ethics and Compliance Officer, LACERA Classification

Civil Service Rule 5.01 Standards for the Classification of Positions, C. states that a new class shall be established when it has been determined that the duties and responsibilities of a position or positions, assigned by competent authority, are unique in terms of character, difficulty, and responsibility and do not meet the specifications for an existing class.

To implement the ACRE Committee and Boards' action in creating the EC Program as governed by the Ethics and Compliance Charter, staff proposes creation of the new Chief Ethics and Compliance Officer, LACERA classification with the knowledge and experience to act as a dedicated position to the ethics and compliance efforts of management as described above**.** The EC Program is led by the CECO, who has the authority and responsibility to independently implement it, reporting directly to the ACRE Committee, the Boards, and the CEO. The position will enable LACERA to implement a compliance structure in line with the Institute of Internal Auditor's "Three Lines" Model of compliance, which describes a dedicated ethics and compliance function within management as a second line within management (operations inhabits the first line and Internal Audit provides independent assurance as the third). The Chief Ethics and Compliance Officer, LACERA fits within the second line, which currently does not have dedicated staff at LACERA. The Program and CECO position and responsibilities are also in line with the best practices set forth in the U.S. Sentencing Guidelines for Organizations and U.S. Department of Justice guidance, both as referenced above.

LACERA has an operational need for a full-time position with primary responsibility for the development, direction, and management of LACERA's Ethics and Compliance Office and Ethics and Compliance Program, including operational ethics and compliance throughout the entire organization, conflicts of interest and ethics, and serving as Privacy Officer. The CECO will oversee an independent Ethics and Compliance Office and staff members, located in the Legal Division, although Chief Counsel will not provide functional oversight. This operational positioning will support the Program in its early implementation stages and is a synergistic fit considering the legal nature of LACERA's operations.

HR reviewed LACERA's existing classifications and found that LACERA does not have any classifications with a specialization in the second line management of risk related to operational ethics and compliance at the level of a Chief Ethics and Compliance Officer position, which requires knowledge and experience in compliance and ethics principles and practices to perform the many specialized program activities described above. Knowledge and abilities are also necessary in the areas of California Government Code provisions, including: the County Employees Retirement Law of 1937; the Public Employees' Pension Reform Act of 2013 (PEPRA); the Ralph M. Brown Act; the Public Records Act; the Political Reform Act (and related Fair Political Practices Commission regulations); other laws and regulations relating to public pension governance, conflicts of interest and ethics; securities laws and regulations; and privacy law and practices, including California law, the Health Insurance Portability and Accountability Act (HIPAA), and related regulations.

Some ethics and compliance functions are currently distributed throughout the Legal Office and other parts of the organization. The intent of the Chief Ethics and Compliance Officer is to go beyond consolidating existing corporate compliance functions under one position. Reporting to the Chief Executive Officer, LACERA, Board of Retirement, Board of Investments, and the ACRE Committee and administratively to the Chief Counsel, LACERA, the expectation is that the Chief Ethics and Compliance Officer (CECO) will serve as a corporate ethics and compliance subject matter expert in the design and implementation of innovative and comprehensive strategies, policies, procedures, and action plans to lead LACERA in elevating its ethics and compliance program to ensure continuous and proactive improvements in LACERA's control environment. This exceeds all ethics and compliance related duties currently performed at LACERA. The incumbent must have the ability to influence and be a change agent, design strategy, deliver results, and create metrics and accountability for the new EC Program. As the Program evolves and grows, the Ethics and Compliance Office expects to request additional positions, the proposed CECO class specification will be updated in the future for consistency as subordinate positions are developed.

The proposed class specification for Chief Ethics and Compliance Officer, LACERA is shown as **Attachment C**. It lists examples of job duties based on the Ethics and Compliance Program Charter and references the minimum requirements: A bachelor's degree in accounting, business administration, finance, legal studies, public administration, or a related field and necessary knowledge and abilities **AND** five (5) years of responsible experience designing, developing, and implementing ethics and compliance programs or auditing and investigating ethics and compliance risks and concerns.

The proposed Chief Ethics and Compliance Officer, LACERA classification qualifies for exemption under the Fair Labor Standards Act (FLSA) based on the Department of Labor administrative exemption test.

Based on the role and responsibility of the CECO at the executive level, it is recommended that this position be added to the LACERA Management Appraisal and Performance Plan (MAPP), Tier II. The position will be evaluated based on annual MAPP goals set by the ACRE.

<u>Compensation Recommendation</u>

LACERA typically recommends aligning the compensation for the studied positions to market rates while taking into consideration internal equity and sufficient salary differentials between positions. However, Human Resources canvassed CERL, local regional agencies, and utilized private salary survey data for comparable classifications and market data and found that comparable specialized positions in the public sector is limited due to the specific needs of LACERA and because a stand-alone ethics and compliance office is relatively new in the public sector and within pension systems. Based on the information reviewed, HR proposes setting the salary range for the Chief Ethics and Compliance Officer, LACERA based on internal equity.

Orange County Employees Retirement System (OCERS) recently established a Chief Compliance Officer classification to develop a compliance program and staff and lead the new OCERS Office of Enterprise Compliance. As an organization, OCERS' responsibilities to its members is similar to LACERA. However, the size of the organization, the size of the membership, assets under management, and size of the compliance office is significantly smaller than LACERA making LACERA's EC Program much larger than the OCERS program. In addition, the OCERS program has internal audit design and testing responsibilities, as well as community and business involvement that does not apply to the LACERA EC program. The Chief Compliance Officer at OCERS is the closest benchmark yet it is not a match.

Similarly, the compliance programs of smaller California pension programs, such as the Alameda County Employees Retirement Association (ACERA), Contra Costa County Employees' Retirement Association (CCCERA), San Diego County Employees Retirement Association (SDCERA), and San Diego City Employees' Retirement System (SDCERS), are not comparable to the size and complexity of LACERA and its EC program.

LACERA found that there were no appropriate salary benchmark matches in the following local public sector agencies:

- Los Angeles County compliance classifications such as the Head Compliance Officer and Senior Deputy Compliance Officer are not a match as they perform duties related to internal audit or administering diversity, equal opportunity, and civil-rights related programs, including conducting investigations. Los Angeles County is currently creating a centralized Audit and Compliance Unit within the Risk Mitigation Section; however, the unit will be performing audits and managing a broader range of county-wide risks related to IT, Artificial Intelligence, privacy/security, programs, and operations including for Health Services and Sheriff's.

- The organizational structure of agencies such as CalSTRS, CalPERS, Metropolitan Water District, and LA County Metropolitan Transportation Authority are much larger with multiple layers of compliance-related staffing and oversight. No match was found.
    - At CalSTRS, the Director of Enterprise Risk Management and Compliance position reports to the Chief Financial Officer and oversees financial and audit related functions, which is not done by the LACERA position. The Ethics and Compliance Office reports to the General Counsel.
    - At CalPERS, the Chief Compliance Officer is a functional title used for a budgeted Investment Director position and oversees 28 compliance staff. The Enterprise Compliance, Risk, and Governance Office reports to the General Counsel.
    - At Metropolitan Water District, the Ethics Officer oversees three (3) levels of subordinate staff which hold juris doctorate degrees. The office prepares administrative code and reports on California legislative activity, as well as performing ethics and compliance.
    - At the Metropolitan Transportation Authority, the Chief Ethics Officer oversees compliance including lobbyist regulation enforcement and requires staff members have a juris doctorate degree. There are four (4) levels of subordinate staff under the Chief.
    - At the Los Angeles City Ethics Commission, the Ethics Officer III oversees a division handling additional functions such as campaign donation, lobbying, audits and more.

Market-data from the Economic Research Institute (ERI) a well-known reliable compensation resource, was taken into consideration for general public and private sector data. Chief Compliance Officer is a C-suite senior executive level position. Although the reporting relationship appears to be similar to the Chief Compliance and Ethics Officer, LACERA, the market data includes a broad range of sources such as very large complex global healthcare, insurance, investment, life science, technology and other highly regulated industries which has a higher level of compensation and compliance needs. In some companies, this position also oversees audit functions.

ERI (Los Angeles Regional Area)

Classification Title	50th Percentile – Experienced Level	75th Percentile – Experienced Level
Chief Compliance Officer (Manages a Division, C-Suite)	$278,766 annual / $23,230 monthly	$362,895 annual / $30,241 monthly

Market-data was sourced from NCPERS/CBIZ specific to national public pension funds. NCPERS/CBIZ does not have data specific to compliance. The market-data provided shows that the two functions are typically combined or valued at the same market rate. This supports the recommendation to align LACERA's Ethics and Compliance Office with Internal Audit.

NCPERS/CBIZ (Public Pension/National))

Classification Title	50th Percentile – Experienced Level	75th Percentile – Experienced Level
Chief Auditor/Compliance Officer	$152, 300 annual / $12,691 monthly	$194,200 annual / $16,183 monthly
Deputy Chief Auditor/Compliance Officer	$126,000 annual / $10,500 monthly	$167,100 annual / $13,925 monthly

Market-data was also sourced from the Society of Corporate Compliance and Ethics (SCCE). The following data is for non-healthcare related positions.

SCCE (Filtered Categories Below)

Classification Title	Filter	50th Percentile – Experienced Level	75th Percentile – Experienced Level
Chief Compliance Officer	Pacific Region	$155,000 annual / $12,916 monthly	$221,900 annual / $18,491 monthly
	Governmental	$132,000 annual/ $11,000 monthly	$185,100 annual/ $15,425 monthly
	500-999 Employees	$198,500 annual/ $16,541 monthly	$244,600 annual/ $20,383 monthly

Internal Equity

Due to the lack of strong market compensation benchmarks, LACERA recommends aligning the compensation for the Chief, Ethics and Compliance Officer, LACERA with the Chief, Internal Audit, LACERA based on internal equity. The Chief, Ethics and Compliance Officer, LACERA and the Chief, Internal Audit, LACERA make up leadership for the two parallel lines of the three-line model described in the Ethics and Compliance Program Charter approved by the LACERA Boards on October 2, 2024, and October 9, 2024. The third line is responsible for the delivery of services and support operations. Management oversees the first and second lines. The third line is independent of management.

LACERA recommends setting the compensation for the Chief, Ethics and Compliance Officer, LACERA at LS12 to align with the Chief, Internal Audit, LACERA. The monthly maximum salary of $17,629.65 per month ($211,555.80 annual) is slightly above the NCPERS/CBIZ market-data for Chief Auditor/Compliance Officer at the 75th percentile and slightly below the average of the three SCCE data points at the 75th percentile.

Ethics and Compliance Program Charter "three lines" model

Item	Classification Title	Sal Sch	Monthly Sal Max*	Annual Sal Max*
0774	Chief, Internal Audit, LACERA	LS12	$17,629.65	$211,555.80
NEW	**Chief, Ethics and Compliance Officer, LACERA**	**LS12**	**$17,629.65**	**$211,555.80**
0773	Division Manager, LACERA	LS12	$17,629.65	$211,555.80
0425	Director, Human Resources, LACERA	LS12	$17,629.65	$211,555.80
0800	Chief Financial Officer, LACERA	LS12	$17,629.65	$211,555.80

Notes: *LACERA Compensation effective 1/1/2024. A 3% increase effective 1/1/2025 was approved by the LACERA Boards.

Comparison with other LACERA Classifications

Item	Classification Title	Sal Sch	Sal Max*
NEW	Chief Ethics and Compliance Officer	LS 12	$17,629.65
0425	Director, Human Resources	LS12	$17,629.65
0773	Division Manager	LS12	$17,629.65
0774	**Chief Internal Audit**	**LS12**	**$17,629.65**
0800	Chief Financial Officer	LS 12	$17,629.65
0804	Information Technology Manager II	LS12	$17,629.65
0806	Information Security Officer	LS12	$17,629.65
9212	Staff Counsel	LS12	$17,629.65

*Note: LACERA Compensation effective 1/1/2024. A 3% increase effective 1/1/2025 was approved by the LACERA Boards.

Implementation and Budget Impact

Implementation of the study findings as recommended will result in an annual budget increase of $327,911.49.

No. of Additional Budgeted/ Ordinance Pos. Requested	Position Title	SALARY (1/1/23)			TOTAL ANNUAL TOTAL BUDGET IMPACT
		Sch	Max Salary	Annual	w/Benefits @ 55%
1 BUD/ 1 ORD	Chief Ethics and Compliance Officer, LACERA	LS12	$17,629.65	$211,555.80	$116,355.69
				TOTAL	$327,911.49

PROCEDURE FOR ESTABLISHING CLASSIFICATIONS AND PAY RANGES

LACERA provides Local 721 notice and consult regarding new classifications of which the primary duties are derived from represented classifications. The LACERA classification currently addressed is non-represented; therefore, union notification is not needed.

Establishment of new classification titles and salary require LACERA Boards approval and County BOS action due to the need for revision in the LACERA ordinance. Upon approval from the Board of Retirement and Board of Investments, Human Resources (HR) will prepare a memorandum to the Los Angeles County's Chief Executive Office (LACCEO) which will include the class specification and salary schedule. The LACCEO Class and Compensation staff will review the submitted documents to assure all necessary information is provided in order to add the classification title and salary schedule in the County's Payroll System. HR staff, with the LACERA Legal Office's oversight, will prepare and submit an ordinance amending Sections 6.28.050 and 6.127.010 of LACERA's Salary Code to the Los Angeles County Counsel's Office and the BOS for adoption.

RECOMMENDATION

That the ACRE Committee recommend the proposed actions to the JOGC for recommendation to the Board of Retirement and Board of Investments:

1. Approve establishment of one (1) new non-represented classification and salary range for a designated position applicable only to LACERA:

New Classification Title	**Salary Schedule**
Chief Ethics and Compliance Officer, LACERA	LS12

2. Direct staff to submit to the Board of Supervisors the required ordinance language to implement the new LACERA classification and revised pay range by amending the Los Angeles County Salary Code Sections 6.28.050, 6.127.010, and 6.127.030.

Reviewed and Approved:

Santos H. Kreimann

cc: Steven P. Rice
Luis Lugo
Laura Guglielmo
JJ Popowich

Attachments: A Ethics and Compliance Program Charter
B Proposed Organizational Chart
C Chief Ethics and Compliance Officer Classification Specification

LACERA ETHICS AND COMPLIANCE PROGRAM CHARTER

I. STATEMENT OF PURPOSE

The LACERA Ethics and Compliance Program (Program) promotes a strong and engaged culture of ethical conduct and compliance with all applicable laws, regulations, policies, and procedures across the organization.

At LACERA, ethics comes first. “Ethics” means the application of sound judgment and the diligent practice of LACERA’s Values of accountability, collaboration, inclusivity, innovation, integrity, and transparency in order to do the right thing, even when hard or inconvenient, in furtherance of the fund's fiduciary duty and Mission to produce, protect, and provide the promised benefits to our members. Compliance is also a requirement. “Compliance” means adhering to laws, regulations, policies, and procedures. Ethics guides LACERA’s compliance – and both are necessary – because decisions must be made based on what *should* be done under applicable standards, not just what *can* be done.

The Program supports the Audit, Compliance, Risk, and Ethics (ACRE) Committee, the Board of Retirement and Board of Investments, and management in performing their duty of oversight by providing an independent structure within management for assessment, mitigation, and reporting of LACERA’s ethics and compliance risks throughout the organization. The Program seeks to provide ongoing assurance and accountability, in a changing environment, that LACERA’s operations are conducted in an ethical and compliant manner. The Program promotes continuous improvement of LACERA’s ethics and compliance controls.

II. AUTHORITY

LACERA’s Program is established under Article XVI, Section 17 of the California Constitution and California Government Code Section 31595 of the County Employees Retirement Law of 1937 (CERL) in furtherance of the Boards’ fiduciary duty of prudence and loyalty, which requires oversight of the organization’s ethics and compliance function. The Program is consistent with LACERA’s Mission, Vision, and Values.

A formal Ethics and Compliance Program is one of the goals of the Board of Retirement’s “2023-2028 Strategic Plan” for LACERA and is supported by best practices in the public pension community.

The Program is consistent with The Institute of Internal Auditors’ “Three Lines Model” publication (2020), which describes a dedicated ethics and compliance function within management as a second line to supplement the first line of ethics and compliance in LACERA’s operational divisions. A third line of independent assurance outside management is provided by the Internal Audit Division.

The Program also aligns with the principles outlined in the United States Sentencing Commission's *Sentencing Guidelines for Organizations* (2023), which is the most influential of applicable compliance program standards, and the U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023), which describes the factors used to determine the adequacy and effectiveness of an organization's compliance program by federal prosecutors in the context of a criminal investigation.

III. ROLES AND REPORTING STRUCTURE

- The ACRE Committee approves this Charter, under authority granted by the Board of Retirement and Board of Investments (Boards) in the ACRE Committee Charter.

- The ACRE Committee, the Board of Retirement and Board of Investments, and the Chief Executive Officer (CEO) oversee the Program, with reporting as provided in this Charter and in the ACRE Committee Charter.

- The Program resides in a separate Ethics and Compliance Office in the Legal Division. The Program is led by the Chief Ethics and Compliance Officer (CECO), who has the authority and responsibility to independently implement the Program. The CECO reports administratively to the Chief Counsel and functionally to the ACRE Committee, both Boards, and the CEO.

    - Functionally, the CECO reports to the ACRE Committee, both Boards, and the CEO with respect to the activities of the Program as provided in this Charter and the ACRE Committee Charter to facilitate the ACRE Committee, Board, and CEO oversight of ethics and compliance risk mitigation. The CEO will be the CECO's appointing authority. The ACRE Committee and the Boards will respond to substantive ethics and compliance issues presented by the CECO; approve the CEO's hiring, termination, and discipline of the CECO and contribute to the CEO's performance evaluation of the CECO; approve the Ethics and Compliance Office budget for inclusion in LACERA's annual administrative budget; and approve any additional unexpected expenses for necessary work within the scope of this Charter in accordance with LACERA's Policy for Purchasing Goods and Services.

    - Administratively, the Chief Ethics and Compliance Officer reports to the Chief Counsel, who will support the day-to-day operations of the Ethics and Compliance Office and serve as a resource and provide guidance to the CECO on ethics and compliance issues when requested by the CECO. The CECO has direct and independent access to the ACRE Committee, both Boards, and the CEO.

- The CEO and Chief Counsel will not be involved in any matter as to which they have a conflict of interest. In the event of such a conflict, the CECO will consult with the ACRE Committee and/or the Boards. In the event the CECO has a conflict, the Chief Counsel – or the CEO if Chief Counsel has a conflict – will confer with the ACRE Committee and/or the Boards as to the proper handling of the matter.

IV. OBJECTIVES

- **Ethics and Compliance Objectives.**
  The Program independently and objectively performs the following functions:

  A. Establish and maintain the Program as a sound and durable structure in LACERA;
  B. Conduct ethics and compliance risk assessments;
  C. Monitor, review, evaluate, and make recommendations to improve ethics and compliance in LACERA's operational processes and business practices;
  D. Review and provide input on ethics and compliance-related policies and procedures;
  E. Promote third-party/vendor risk management practices;
  F. Protect privacy of member information and confidentiality of other sensitive information in LACERA's possession;
  G. Provide ethics and compliance training and communications;
  H. Maintain channels for LACERA staff and others to report suspected misconduct and seek guidance on ethics and compliance matters;
  I. Respond to, investigate, or participate in investigations, and make recommendations regarding ethics and compliance concerns;
  J. Measure and promote an organizational culture of ethics and compliance;
  K. Report to the CEO and other senior leaders, the ACRE Committee, and the Boards regarding the Program and organizational ethics and compliance; and
  L. Annually self-assess, and adjust as needed, subject to periodic independent review of the Program.

- **Consulting and Advisory Objectives.**
  The Program will work collaboratively with other divisions, management, the ACRE Committee, and the Boards to provide formal or informal consultation and advice to identify, evaluate, and mitigate potential ethics and compliance risks and make recommendations regarding ethics and compliance controls.

V. STANDARDS FOR INDEPENDENT AND OBJECTIVE OPERATION OF THE PROGRAM

- *Charters.* The Program is designed and implemented in accordance with the terms of this Charter and the ACRE Committee Charter.

- *Best Practices and Education.* The Program incorporates best practices among public pension ethics and compliance programs and is designed and implemented considering LACERA's fiduciary duty and other legal responsibilities as outlined in Section II above. The CECO and other participants in the Program will regularly seek continuing education in ethics and compliance.

- *Independence and Objectivity.* The Program operates independently and objectively. Annually, the CECO will assure the CEO, the ACRE Committee, and the Boards that the Program is operating independently and without interference or conflicts of interest. The CECO will immediately disclose to the CEO, the ACRE Committee, and the Boards all actual or attempted interference with the Program and all conflicts of interest.

- *Collaboration.* The Program will employ a collaborative approach with all LACERA divisions, while maintaining independence and objectivity.

VI. AUTHORITY FOR ACCESS

The CECO and Ethics and Compliance Office staff, with strict accountability for confidentiality and the safeguarding of records and information, are authorized to have full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within information technology systems or databases, physical properties, and personnel pertinent to carrying out the work of the Program, excluding the work papers of Internal Audit. All LACERA staff are required to cooperate with and assist the CECO and the Ethics and Compliance Office in connection with work in the scope of the Program's role and responsibilities.

The CECO has unrestricted access to communicate directly with the CEO, the ACRE Committee, and the Boards, subject to the requirements of the Ralph M. Brown Act and other applicable laws, regulations, policies, and procedures.

VII. SCOPE OF PROGRAM ACTIVITIES

The Program seeks to identify and address ethics and compliance risks; monitor and evaluate operations for compliance and ethical conduct; review and provide input on policies, procedures, and practices; maintain channels for LACERA staff and others to report suspected misconduct and seek guidance; provide training to ensure organizational ethics and compliance awareness; investigate potential issues and violations and make recommendations; and advise and report on LACERA's ethics and compliance to the ACRE Committee, the Boards, the CEO, and other senior leaders. The Program's activities will be implemented in accordance with all applicable laws, regulations, policies, and procedures. The Program includes consulting and advisory work, as requested. The CECO may hire outside advisors when necessary and approved by the ACRE Committee or the Boards.

A. *Ethics and Compliance Program Framework.* The Program will be adequately resourced and staffed within the Ethics and Compliance Office. The Program's authority and independence will be protected through the CECO's direct reporting to the CEO, ACRE Committee, and the Boards. The multi-divisional staff Ethics and Compliance Committee will assist the CECO in operationalizing the Program and by providing staff input and support. The Program will also use other methods to promote and obtain staff input, involvement, and engagement.

B. *Ethics and Compliance Risk Assessment.* The Program will perform ethics and compliance risk assessments no less than every two years to review organization-wide conduct, operations, and processes to proactively anticipate, identify, evaluate, and monitor potential ethics and compliance risks, control gaps and key risk indicators. Assessment findings will be reported to the CEO, other senior leaders, the ACRE Committee, and the Boards, along with recommendations on upgrading current or establishing new controls to mitigate any identified ethics and compliance risks.

C. *Monitoring.* The Program will review and monitor LACERA's relevant operations, business practices, and key risk indicators, as appropriate, to promote organization-wide compliance with laws, regulations, policies, procedures, and standards of ethical conduct. The Program will make recommendations for improvement in compliance and ethics controls, working collaboratively with all divisions to receive and provide information.

D. *Review of Policies and Procedures.* The Program, with the participation of the Ethics and Compliance Committee, will review and provide input on new and revised policies before they are finalized and will ensure that existing policies are reviewed on a regular cycle and updated as indicated. The Program will:

   1. Serve as a resource for ethics and compliance questions or issues relating to the development of policies and procedures.
   2. Provide guidance on the drafting of policies and procedures, including the LACERA Code of Ethical Conduct and the Conflict of Interest Code.
   3. Identify operations or ethics and compliance control gaps and risks requiring new policies and procedures and recommend new policies and procedures as indicated.
   4. Determine the timing for periodic review and updating of policies and procedures as indicated by the scope of the particular policy or procedure.

E. Vendor/Third-Party Ethics and Compliance Risk Management. The Program will review and monitor ethics and compliance controls for vendor management and other third-parties with which LACERA does business, including ethics and compliance risk management, ethics and compliance controls related to procurement and contracting, background checks, performance of and ethics and compliance-related contract requirements, investigation of ethics and compliance-related concerns, and enforcement of ethics and compliance-related rights.

F. *Privacy.* The Program will review and monitor ethics and compliance controls to protect the privacy of member information and confidentiality of other information created, received, or shared by LACERA, including internal and external vendor activities. The CECO will serve as LACERA's Privacy Officer.

G. *Training, Communications, and Incentives.* The Program will provide, and coordinate with other divisions as needed on, risk-based compliance training and communications to the ACRE Committee, the Boards, the CEO, and staff on LACERA's governing laws, regulations, policies, and procedures on a regular cycle. The Program will also provide training and communications on LACERA's values and ethics, including LACERA's Code of Ethical Conduct, Conflict of Interest Code, and other ethical standards and expectations. The Program will include training and communications on the purpose and importance of an ethics and compliance program. The Program will coordinate with Human Resources in the development of positive incentives for improving and modeling ethics and compliance and demonstrating ethical leadership.

H. *Channels for Staff to Report Ethics and Compliance Concerns.* The Program will provide and monitor channels through which staff and others will be encouraged to report suspected misconduct and express other comments and concerns about organizational ethics and compliance.

I. *Program Investigation, Response, and Commitment to Non-Retaliation*. The Program will evaluate, investigate, respond to, and recommend remediation or other resolution, as needed, of internal and external reports, comments, and concerns regarding ethics and compliance and any alleged violations of applicable laws, regulations, policies, procedures, and ethical standards. The Program will promote understanding of LACERA's commitment to non-retaliation against those who express concerns or participate in investigations.

J. *Measure Organizational Culture of Ethics and Compliance*. The Program will periodically conduct a survey of LACERA's culture of ethics and compliance to assist in measuring the success of organizational controls and promoting the Program's objectives.

K. *Reporting.* The Program will report to the ACRE Committee, the Boards, and CEO concerning the Program's status and operations, including information to facilitate oversight of the Program and awareness of ethics and compliance risks and concerns. Reporting will also be made to senior leaders as needed relating to ethics and compliance issues under their authority.

L. *Self-Assessment and Review of Program.* The Program will conduct an annual self-assessment against the requirements of this Charter, best practices, and key performance indicators to provide quality assurance and improvement of the Program. The ACRE Committee and the Boards will also undertake a periodic independent review of the Program. The Internal Audit Division, when and as it deems appropriate within its authority, may independently review the adequacy of the Program as a system of control for ethics and compliance risks.

VIII. ACCOUNTABILITY OF THE PROGRAM

Under the leadership of the CECO, the Program shall be accountable to the ACRE Committee, Boards, and the CEO for the following:

A. *Program Staff.* Select, train, develop, and retain competent Ethics and Compliance Office staff that collectively have the ability to meet the requirements of this Charter. Staff development procedures and changes in Program staff will be reported to the ACRE Committee and the Boards.

B. *LACERA Staff Input, Involvement, and Reporting.* Develop a process for staff input into the Program, which will be reported to the ACRE Committee and the Boards. The process will include an Ethics and Compliance Committee (ECC) consisting of a cross-section of LACERA senior leaders to serve an advisory function to the CECO. The ECC will meet monthly to discuss ethics and compliance issues, review policies and procedures, maintain a list of ethics and compliance training opportunities, and discuss Program implementation issues.

C. *Program Roadmap of Priorities.* Following initial Program implementation, the CECO will develop a Three-Year Roadmap of priorities and Program management for review and approval by the CEO, ACRE Committee, and Boards.

D. *Annual Work Plan.* Annually develop a written Program work plan, which is presented to the CEO and the ACRE Committee for review and approval and provide quarterly status reports thereafter. The approved work plans will also be provided to the Boards.

E. *Program Budget.* Annually obtain approval from the ACRE Committee of a budget for the Ethics and Compliance Office for inclusion in the administrative budget approved by the Boards.

F. *Risk Assessment.* Report to the ACRE Committee and the Boards the results of all ethics and compliance risk assessments and key risk indicators.

G. *Investigations.* Provide written reports to the ACRE Committee, Boards, and CEO of alleged ethics and compliance risks, concerns, and violations that are received, the results of any investigations, the recommended response, and the outcome.

H. *Policies and Procedures.* Provide written quarterly reports to the ACRE Committee of any policy and procedure review and to the Boards on review related to their areas of authority.

I. *Vendor/Third-Party Ethics and Compliance Risk Management.* Provide quarterly reports to the ACRE Committee on vendor/third-party ethics and compliance risks and organizational management and response and to the Boards related to their areas of authority.

J. *Annual Ethics and Compliance Report.* Provide a written annual report to the ACRE Committee and the Boards regarding the status of the Program, the approved work plan, consulting, or advisory engagements, and LACERA's overall ethics and compliance performance. The report will document exceptions to ethics and compliance standards and the basis for the exceptions.

K. *Annual Privacy Report.* Provide a written annual report to the ACRE Committee and the Boards, in collaboration with other interested divisions, regarding the status of LACERA's efforts to protect the privacy of member information and the confidentiality of other organizational information held internally and by LACERA vendors.

L. *Organizational Culture of Ethics and Compliance Report.* Provide a written report of the periodic survey of LACERA's culture of ethics and compliance.

M. *Work Papers.* The Program will preserve its work papers and other documentation pursuant to a protocol approved by the ACRE Committee and the CEO.

N. *Self-Assessment and Program Review.* Provide the CEO, other senior leaders, and the ACRE Committee and the Boards with a written report of the annual Program self-assessment and review, including metrics based on key performance criteria, for review and discussion. Key performance indicators will include the overall effectiveness of the Program in performing the activities described in Section VIII and LACERA's system of ethics and compliance controls, such as training programs, reporting channels, and ethics and compliance risk assessment, monitoring, detection, investigation and response.

IX. RESPONSIBILITIES OF MANAGERS, SUPERVISORS, AND STAFF

Every LACERA manager, supervisor, and staff member, temporary worker, and contractor has a significant role in implementing and supporting the Program and in promoting ethical and compliant conduct in the organization.

A. *Managers and Supervisors.* Every LACERA manager and supervisor has a duty to communicate and model the requisite ethical standards and to act in accordance with all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. In addition to modeling an ethics and compliance mindset and setting behavioral norms, managers and supervisors have a duty to promote a culture of ethics and compliance by creating a space for all staff members, temporary workers, and contractors to safely report any ethics and compliance concerns without retaliation.

   Additional manager and supervisor responsibilities include, but are not limited to: collaborating with the Program on identification of ethics and compliance risks and the development of risk mitigation strategies; participating in compliance monitoring and control implementation to strengthen compliance; encouraging staff to identify and report ethics and compliance risks or violations; monitoring for retaliation; ensuring LACERA's commitment to nonretaliation; communicating with division staff about ethics and compliance; participating in ethics and compliance training; ensuring staff complete ethics and compliance training; encouraging employees to review and use the Code of Ethical Conduct and helping them understand their responsibilities under the Code; and escalating issues or reports of suspected misconduct to an appropriate resource.

B. *Staff Members.* Every LACERA staff member, temporary worker, and contractor has a responsibility to perform day-to-day operations in accordance with the highest ethical standards and to adhere to all laws, regulations, policies, procedures, and business practices, including but not limited to LACERA's Code of Ethical Conduct. Every LACERA staff member, temporary worker, and contractor has a duty to report any activity or behavior that falls below those standards or does not comply with laws, regulations, policies, procedures, and business practices. Every LACERA staff member, temporary worker, and contractor is responsible and accountable for completing all assigned ethics and compliance training.

X. RESOURCES

A. Board of Retirement's "2023-2028 Strategic Plan"
B. Article XVI, Section 17 of the California Constitution

C. California Government Code Section 31595
D. The Institute of Internal Auditors' "Three Lines Model" publication (2020)
E. United States Sentencing Commission's *Sentencing Guidelines for Organizations* (2023)
F. U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (March 2023)

XI. CHARTER REVIEW

This Charter shall be annually reviewed by the ACRE Committee and the Boards until the Program is fully operational and the Ethics and Compliance Office is developed and staffed. Once those milestones are met, review shall be every three years by the ACRE Committee and the Boards, or more frequently as needed.

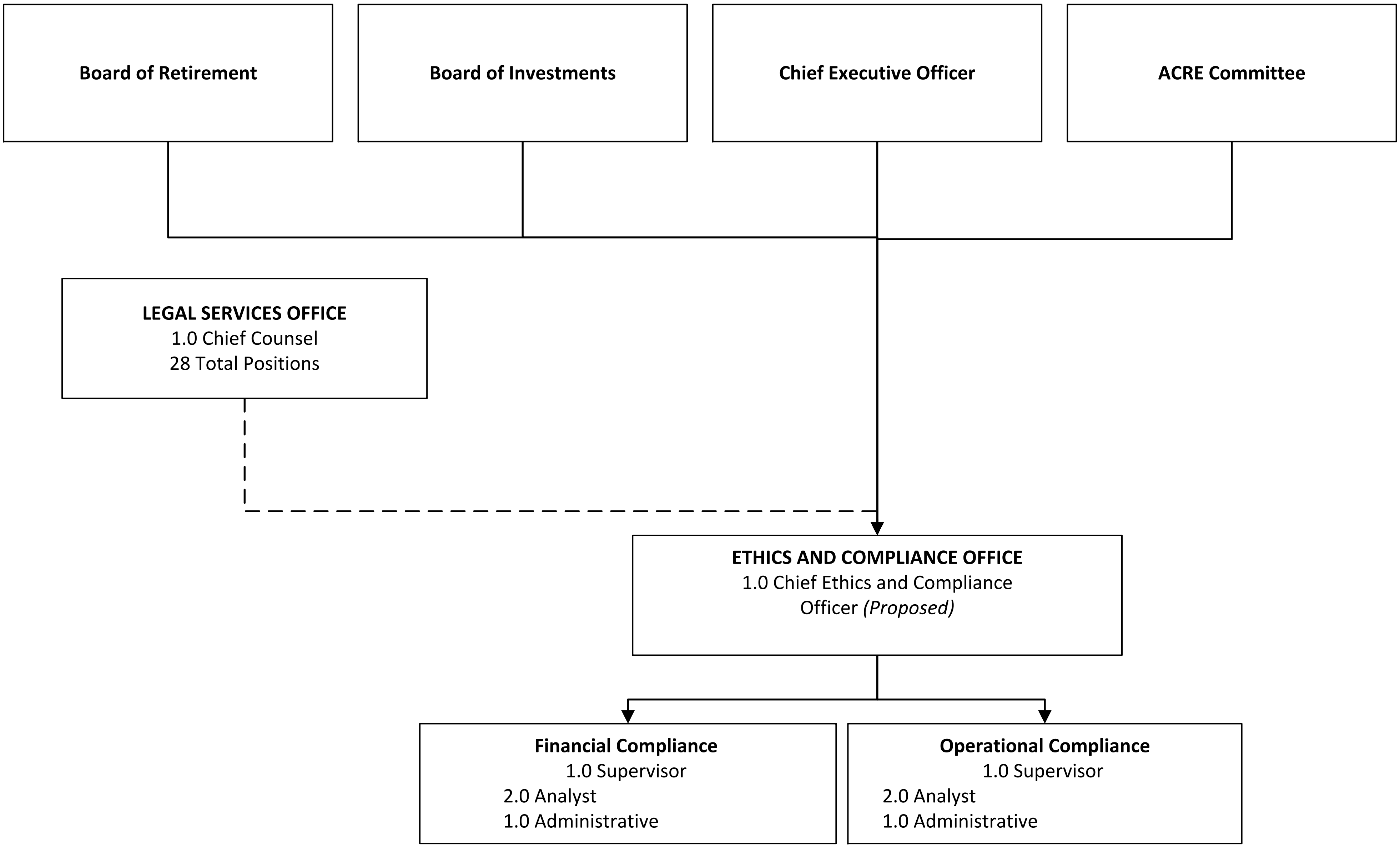
Audit, Compliance, Risk, and Ethics Committee
Approved September 19, 2024

Board of Retirement
Approved October 2, 2024

Board of Investment
Approved October 9, 2024

ATTACHMENT B

Proposed Organizational Structure
COMPLIANCE AND ETHICS OFFICE



Legend
Solid Line – Functional Reporting Relationship
Dotted Line – Administrative Reporting Relationship

Final DRAFT 11 14 2024

CLASS TITLE: CHIEF ETHICS AND COMPLIANCE OFFICER, LACERA

ITEM NUMBER: TBD

APPROVAL DATE: TBD

DEFINITION:

Directs and oversees the ethics and compliance program for the Los Angeles County Employees Retirement Association (LACERA).

POSITION INFORMATION:

The one (1) position allocable to this class oversees the Ethics and Compliance Office and reports functionally to the Chief Executive Officer, LACERA, Board of Retirement, Board of Investments, and the Boards' Audit, Compliance, Risk, and Ethics (ACRE) Committee, and administratively to the Chief Counsel, LACERA. The position is responsible for directing the formulation, development, and implementation of an enterprise-wide ethics and compliance program, as an independent function within management, in relation to the risks related to ethical standards and compliance with laws, regulations, policies, and procedures applicable to LACERA's governance and operations, including pension administration, benefits, healthcare, finance, and investments.

As a key member of LACERA's executive team, the position will collaborate with the Executive Office and internal business partners to promote a risk intelligent environment by aligning ethics and compliance risk management and compliance with strategy setting, including the development and implementation of polices, guidelines, processes, and education that promote compliance effectiveness and a positive control culture.

The position must possess a thorough knowledge of ethics and compliance risk principles and practices, and sufficient experience in ethics and compliance processes to understand and effectively address legal obligations, assess, and mitigate ethics and compliance risk, and promote organizational integrity through the operation of effective ethics and compliance programs. The position must also exercise a knowledge of organizational and management practices related to the development and implementation of programs, policies, and operational needs; methods and techniques of designing workflows and mapping processes; defined benefit plan structures, designs, and administration; and principles and practices of investment management compliance and monitoring, project management, and supervision with respect to ethics and compliance risk programs.

The position must possess knowledge of and the ability to analyze and apply California Government Code provisions, including the County Employees Retirement Law of 1937, the Public Employees' Pension Reform Act of 2013 (PEPRA), the Ralph M. Brown Act, and the Public Records Act; the Political Reform Act (and related Fair Political Practices

Commission regulations); Generally Accepted Accounting Principles (GAAP); Governmental Accounting Standards Board (GASB) principles and standards; audit standards, methods, and techniques; Securities and Exchange Commission (SEC) requirements; Internal Revenue Code and other tax policies and regulatory compliance pertaining to retirement plan and pension benefits administration; Los Angeles County Code; and other laws and regulations relating to public pension governance; conflicts of interest and ethics codes; and privacy law and practices, including California law, the Health Insurance Portability and Accountability Act (HIPAA) and related regulations, and other applicable privacy standards and systems to keep abreast of changes and advise on issues concerning ethics and compliance matters, including recommending and developing continuous improvements and controls designed to ensure an effective ethics and compliance program.

In addition, the position must have refined written and oral communication skills to develop policies and procedures; oversee investigations and make recommendations; effectively present and convey ethics and compliance activities and concerns to the Board of Retirement; the Board of Investments; the ACRE Committee; and the Chief Executive Officer, LACERA; and other internal business partners; and the ability to establish and maintain effective and collaborative working relationships with the executive office, managers, staff members, and other governmental agencies.

This class is distinguished from the Process Management Group positions in that the latter is responsible for maintaining effective internal controls and for executing risk and control procedures on a day-to-day basis. This consists of identifying and assessing controls and mitigating risk as a process owner, guiding the development and implementation of internal policies and procedures in alignment with LACERA strategic goals and objectives.

This class is distinguished from the Internal Auditor series in that the latter provides independent and objective appraisals of the organization and provides assurance that internal controls over operations are adequate to safeguard assets and comply with applicable laws, policies, procedures, and professional standards.

EXAMPLES OF ESSENTIAL JOB FUNCTIONS:

The following examples are intended to describe the general nature and level of work performed by persons assigned to each classification. Depending on the assignment, duties may include, but are not limited to the following:

Administers the enterprise-wide ethics and compliance program in accordance with the approved program charter.

Develops and oversees ethics and compliance strategies, and annual work plans approved by the Chief Executive Officer, Boards, and ACRE Committee.

Manages and coordinates the activities of staff members as required in the overall operations and administration of LACERA's Ethics and Compliance program.

Establishes reporting mechanism to advise the Chief Executive Officer, Boards, and ACRE Committee as to the activities of the ethics and compliance program and provide Board and committee education on ethics and compliance.

Manages periodic ethics and compliance risk assessments to identify, evaluate, and monitor risks, controls, key risk indicators, and metrics,

Directs the monitoring of LACERA's governance and operational activities with regard to ethics and compliance risks.

Oversees the ethics and compliance review of LACERA's policies, procedures, and systems for policy development, review, maintenance, and compliance.

Oversees review and monitoring of third-party and vendor ethics and compliance risks.

Serves as LACERA's Privacy Officer and monitor controls to protect the privacy of member information and the confidentiality of other information created, received, or shared by LACERA.

Develops and oversees ethics and compliance training and communication on risk awareness, ethical standards, governing laws, regulations, policies, and procedures, and the role and responsibility of all internal stakeholders for ethical and compliant behavior.

Establishes and monitor channels for reporting of suspected misconduct and other ethics and compliance concerns, with a commitment to non-retaliation, and positive incentives for ethical and compliant behavior.

Manages enforcement, investigations, remediation proposals in response to ethics and compliance concerns.

Directs periodic measurements of organizational culture of ethics and compliance and develop strategies to enhance organizational culture.

Advises and consults with LACERA executive management, division managers, supervisors, and other staff members, including the staff Ethics and Compliance Committee, regarding ethical standards and governing laws, regulations, policies, and procedures, ethics and compliance risks, concerns, and controls.

Oversees periodic assessments of the ethics and compliance program and its effectiveness against the requirements of the program charter, best practices, and key performance indicators.

Manages and develops plans for adequate staffing and resources to support the goals and responsibilities of the ethics and compliance program.

Manages development of internal policies and procedures for the operations of the Ethics and Compliance Office.

Performs other related duties as assigned.

MINIMUM REQUIREMENTS:

TRAINING AND EXPERIENCE:

A bachelor's degree in accounting, business administration, finance, legal studies, public administration, or a related field from an accredited college or university -**AND-** Five (5) years of responsible experience designing, developing, and implementing ethics and compliance programs or auditing and investigating ethics and compliance risks and concerns for a large public pension or multi-service public or private sector organization.

LICENSE:

A valid California Class C Driver License or the ability to utilize an alternative method of transportation when needed to carry out job-related essential functions.

PHYSICAL CLASS:

2 – Light

LACERA

November 14, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee
Elizabeth Ginsberg, Ex-Officio

Audit Committee Consultant
Larry Jensen

FROM: Nathan K. Amick
Senior Internal Auditor

FOR**:** December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Plante Moran Financial Audit Reports**

Enclosed for your information are the audit reports completed by LACERA's external auditors, Plante Moran, PLLC. Plante Moran will be at the December 12, 2024 ACRE Committee meeting to present a summary of the work they performed during Fiscal Year Ended (FYE) June 30, 2024.

Attachments:

- A - Plante Moran's Audit Presentation
- B - Those Charged with Governance Memo
- C - Internal Controls on Financial Reporting Memo
- D - Audited Financial Statements for FYE June 30, 2024
- E - GASB 68 Disclosure Report, Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for FYE June 30, 2023
- F - GASB 75 Disclosure Report, Statement of Changes in Fiduciary Net Position by Employer for FYE June 30, 2023

NKA

ATTACHMENT A

plante moran

Los Angeles County Employees Retirement Association

Audit Presentation

December 12, 2024

Introductions

Kristin Hunt, CPA

Partner

Amanda Cronk, CPA

Principal

Agenda

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

Audit timeline and deliverables

Audit timeline:

- March/April 2024 – Initiated planning procedures
- May/June 2024 – Performed interim procedures remotely
- July/August 2024 – Performed additional planning and fieldwork audit procedures
- September/October 2024 – Finalize testing and review of financial statements
- October 15, 2024 – Issuance of audit opinion on audited financial statements

Deliverables:

- LACERA's 2024 Audited Financial Statement opinion and Required Communications with the Board
- GASB 68 Schedule of Employer Allocations and Schedule of Pension Amounts by Employer
- GASB 75 Statement of Changes in Fiduciary Net Position by Employer

Audit areas of focus

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

- Investment valuations
  - Analysis of trends along with substantive testing
- Census data testing, particularly at the County level
  - Use of technology for analytics, substantive testing
- Actuarial assumptions and actuarial calculations
- Accuracy of benefit calculations and related payments, including disability payments
  - Use of technology for analytics, substantive testing
- Financial reporting

Results of the audit

Opinion

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LACERA as of June 30, 2024 and 2023 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Results of the audit

Required Communication with Those Charged With Governance

- Management estimates included within the financial statements:
  - Harder to value investments – based upon information obtained from various sources
  - Actuarial assumptions:
    - Long-term expected rate of return and discount rate
    - Mortality assumptions
- No difficulties or disagreements with management in performing the audit
- No corrected or uncorrected misstatements
- Review of Annual Comprehensive Financial Report (ACFR) and Popular Annual Financial Report (PAFR)

Questions?

Thank you!

For more information contact:

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419-842-6110

Kristin.Hunt@plantemoran.com

Amanda Cronk, CPA

810-766-6045

Amanda.Cronk@plantemoran.com

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

October 15, 2024

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

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2024 and 2023 and have issued our report thereon dated October 15, 2024. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 17, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits of the financial statements do not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audits to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audits, we considered the internal control of LACERA. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Our audit of LACERA's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of LACERA, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 15, 2024 regarding our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audits

We performed the audits according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 10, 2024.

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

October 15, 2024

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by LACERA are described in Note B to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2024.

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

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

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

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

- **Alternative Investments** - As explained in Note P, the financial statements include investments valued at $25,879,000,000 (31 percent of net position) at June 30, 2024, whose fair values have been estimated by management in the absence of readily determinable market values. Management uses various means to estimate the fair value of these investments, including utilizing audited financial statements, quarterly investment manager reports, and various pricing sources obtained by LACERA's custodian bank.

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

    - *Long-term Assumed Rate of Return* - For the purpose of GASB 67, as of June 30, 2024, LACERA is currently using 7.15 percent for the assumed long-term expected rate of return (gross of administrative expense load of 0.15 percent). The return is based on the results of an investigation of experience study completed in 2022 and supported by LACERA's external advisor's current capital market assumptions.

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

- *Mortality Assumptions* - The pre- and post-retirement mortality assumptions impact the total pension liability projected by LACERA's actuary. The assumptions about mortality were estimated by the actuary based on the results of an experience study that was performed during 2022 utilizing the actuarial experience of LACERA for the period from July 1, 2019 through June 30, 2022. Based on that experience study, in the actuarial valuation, the actuary has used the Pub-2010 tables with the MP-2021 Ultimate Projection Scale.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

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

Difficulties Encountered in Performing the Audits

We encountered no significant difficulties in performing and completing our audits.

Disagreements with Management

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

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audits, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2024.

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

October 15, 2024

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to LACERA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants, except for the consultation with KPMG regarding the related accounting for the sale of private equity investments that occurred during the year ended June 30, 2024. During the engagement, we met with KPMG and Management to review the relevant facts of the transaction and subsequently, reviewed the results of this consultation, noting the treatment is materially accurate in the financial statements.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports does not extend beyond the financial statements, and we do not express an opinion or any form of assurance on the other information. However, we read the investment, actuarial, and statistical sections of the Annual Comprehensive Financial Report (ACFR), and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements. The introductory section and Popular Annual Financial Report (PAFR) will be reviewed prior to issuance of the ACFR and PAFR to ensure they are not materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements.

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

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

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

Very truly yours,

Plante & Moran, PLLC

Kristin L. Hunt

Kristin L. Hunt, CPA
Partner

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of fiduciary net position and the related statement of changes in fiduciary net position of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise LACERA's financial statements, and have issued our report thereon dated October 15, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of This Report

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

Plante & Moran, PLLC

October 15, 2024

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

Issued October 15, 2024 - Final

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

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LACERA as of June 30, 2024 and 2023 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As explained in Note P, the financial statements include investments valued at $25,879,000,000 (31 percent of net position) at June 30, 2024 and at $26,849,000,000 (35 percent of net position) at June 30, 2023, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management's estimates are based on alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise LACERA's basic financial statements. The supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024 on our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERA's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 15, 2024

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Management's Discussion and Analysis as of June 30, 2024

INTRODUCTION

Management is pleased to present the Management's Discussion and Analysis (MD&A) of the Los Angeles County Employees Retirement Association's (LACERA's) financial activities for the fiscal years ended June 30, 2024 and June 30, 2023. Readers are encouraged to consider the information presented here in conjunction with the information included in the Letter of Transmittal found in the Introductory Section of the Annual Comprehensive Financial Report (ACFR).

FINANCIAL HIGHLIGHTS

Pension Plan

Statement of Fiduciary Net Position

- As of June 30, 2024, LACERA's Fiduciary Net Position was $79.2 billion, which is an increase of $5.4 billion or 7.2 percent from June 30, 2023, resulting from investment portfolio performance.

Statement of Changes in Fiduciary Net Position

- Total additions to fiduciary net position were $10.0 billion, an increase of $2.0 billion, which is 25.5 percent more than the amounts realized in 2023, primarily due to higher investment activity income.
- Total deductions to fiduciary net position totaled $4.6 billion, an increase of $243 million or 5.5 percent from the prior year, primarily attributable to an increase in pension benefits paid to retired members.

Funding Valuation

- Milliman, LACERA's independent consulting actuary, completed the latest actuarial valuation as of June 30, 2023, and determined the funded status of the Pension Plan (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 79.9 percent versus 79.6 percent as of June 30, 2022. The 0.3 percentage point increase in funded ratio was primarily due to employer contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL). The annual 2024 Pension Plan valuation report is not yet available at this time.

Governmental Accounting Standards Board Statement Number 67 (GASB 67)

- The Net Pension Liability, provided in accordance with GASB 67, was $13.5 billion for the fiscal year ended June 30, 2024. This represents a decrease of $1.1 billion from June 30, 2023, when the liability was $14.6 billion. The decrease was primarily due to an increase in investment activity income.
- As of June 30, 2024, the most recent measurement date, the Pension Plan's Fiduciary Net Position was 85.4 percent of the Total Pension Liability, an increase from 83.5 percent as measured for the previous fiscal year ended 2023. The ratio increased due to the growth in the Pension Plan's Fiduciary Net Position outpacing the growth in the Total Pension Liability.

Other Post-Employment Benefits (OPEB) Program

OPEB Trust

- The OPEB Trust receives and invests prefunding contributions from participating employers to satisfy liabilities of the Retiree Healthcare Benefits Program (also referred to as the OPEB Program). The Fiduciary Net Position increased by $886.0 million, primarily due to employer contributions and investment gains for the fiscal year. The balance available to fund future

OPEB liabilities as of June 30, 2024 increased by 28.7 percent, totaling $4.0 billion as compared to $3.1 billion for the prior fiscal year ended June 30, 2023.

OPEB Custodial Fund

- The OPEB Custodial Fund captures the operating activity of the Retiree Healthcare Benefits Program. The balance as of June 30, 2024 increased to $215.3 million from the prior fiscal year ended 2023, when the balance was $206.2 million. The increase of $9.1 million or 4.4 percent, held on behalf of plan sponsors after funding pay-as-you-go benefit costs, was primarily due to plan sponsor contributions and investment gains.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A introduces the LACERA Basic Financial Statements, which include the following primary components: the Statement of Fiduciary Net Position; Statement of Changes in Fiduciary Net Position; and Notes to the Basic Financial Statements. These statements are prepared in accordance with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB), using the accrual basis of accounting as prescribed by Generally Accepted Accounting Principles of the United States (U.S. GAAP). Separate statements are provided for the Pension Plan, OPEB Trust, and OPEB Custodial Fund, each of which reports annual financial activity results.

Statement of Fiduciary Net Position

This statement provides a snapshot of account balances at fiscal year-end and reflects assets available for upcoming payments to retirees and their beneficiaries, minus any current liabilities as of the report date. The Fiduciary Net Position Restricted for Benefits (Fiduciary Net Position) amount, which equals total assets minus total liabilities, represents the funds available for future benefits payments.

Statement of Changes in Fiduciary Net Position

All the financial transactions that occurred during the fiscal year and the impact of those additions and deductions on the Fiduciary Net Position are included in this statement. The additions versus deductions trend indicates the financial condition over time for the Pension Plan, OPEB Trust, and OPEB Custodial Fund, separately.

Notes to the Basic Financial Statements (Notes)

The Notes are an integral part of the financial statements and provide detailed discussions of key policies, programs, and fiscal activity that occurred during the year.

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

Required Supplementary Information (RSI): presents historical trend data to satisfy GASB 67 reporting requirements and discloses historical information to support the Net Pension Liability. Additionally, it includes OPEB Trust investment returns to ensure compliance with GASB Statement Number 74 requirements under an agent plan structure.

Supplementary Information (SI): includes the schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants, and is presented immediately after the RSI section.

Pension Plan

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

Other Post-Employment Benefits Program

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

<u>Program Tiers</u>

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

<u>Benefits</u>

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County, Superior Court, LACERA, or a participating outside district. The OPEB Program offers members a choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits. Program benefits are provided through third-party insurance carriers with the participant's cost for medical and dental/ vision insurance varying according to an employer subsidy for certain participants based on their years of retirement service credit with LACERA, selected plan, and number of persons covered. Dependent eligibility differs between Tier 1 or Tier 2 enrollment.

<u>Employer Subsidy</u>

Depending on the member's years of service credit, retirees may qualify for employer-paid medical/ dental insurance subsidies ranging from 40 percent up to 100 percent of the selected plan or benchmark plan premium. LACERA bills the participating employers and members for healthcare premiums and receives reimbursement on a monthly basis. The subsidies cover dependents in Tier 1; dependents in Tier 2 are not covered. Program members are required to pay their unsubsidized portion of the premium cost.

OPEB Custodial Fund

The OPEB Custodial Fund reflects the annual financial activity of the OPEB Program for all participating employers. Plan sponsors and members provide monthly funding through the OPEB Custodial Funds using a pay-as-you-go methodology, which finances healthcare insurance premiums, including administrative fees, and other healthcare benefits provided by the OPEB Program.

LACERA maintains two investment accounts that hold excess balances from Retiree Healthcare operations, including administrative fees and insurance premium reserves. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants. The OPEB Custodial Fund is presented separately in the Statement of Fiduciary Net Position.

OPEB Trust

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

<u>Los Angeles County</u>

In May 2012, the County negotiated a trust and investment services agreement with the LACERA Board of Investments to manage and invest the OPEB Trust assets. The two participating employers, the County and LACERA, provide quarterly contributions, while administrative costs are deducted from the OPEB Trust.

<u>Los Angeles County Superior Court</u>

The Superior Court began prefunding its OPEB obligations through a Superior Court OPEB Trust, which became effective and initially funded as of June 30, 2016. LACERA and the Superior Court negotiated a trust and investment services agreement setting forth the terms under which the LACERA Board of Investments serves as Trustee of the Superior Court OPEB Trust. The Superior Court makes contributions on a discretionary basis at fiscal year-end, while administrative costs are deducted from the OPEB Trust.

OPEB Master Trust

An OPEB Master Trust was created to facilitate combined assets and investment strategies for the County, LACERA, and the Superior Court, excluding the four outside districts. LACERA administers the OPEB Master Trust as one investment pool.

The OPEB Trust is legally distinct from the Pension Plan, so its assets are held and reported independently from that of the Pension Plan. Pension Plan assets are used to finance benefits under the OPEB Program, in a limited instance when LACERA pays for post-employment costs, as an employer, for its retired employees and their eligible dependents. LACERA's Board of Investments manages the OPEB Trust through an investment policy statement that defines goals and objectives. The OPEB Trust's Fiduciary Net Position at year-end measures the effort in prefunding future costs primarily associated with retiree healthcare benefits provided through the OPEB Program. The OPEB Trust income and expenses are also presented separately in the OPEB Trust's Statement of Changes in Fiduciary Net Position.

FINANCIAL ANALYSIS — PENSION PLAN

Fiduciary Net Position

The Pension Plan's Fiduciary Net Position represents funds available for retirement benefits. This includes the balances of assets held by LACERA—such as investments, cash, and receivables—and liabilities, including amounts payable and due to others.

As of June 30, 2024, LACERA had Total Assets of $82.2 billion, which exceeded Total Liabilities of $3.0 billion, resulting in a Fiduciary Net Position of $79.2 billion. This amount reflects an increase of $5.4 billion or 7.2 percent from the prior year, primarily due to the appreciation of equity investment holdings and the increase in interest income from fixed income securities. As of the prior year June 30, 2023, LACERA had $76.1 billion of Total Assets, which was greater than $2.3 billion in Total Liabilities, resulting in a Fiduciary Net Position of $73.8 billion. This amount reflects an increase of $3.6 billion or 5.1 percent from the prior year 2022, primarily due to an increase in investment earnings.

Fiduciary Net Position — Pension Plan

As of June 30, 2024, 2023, and 2022

(Dollars in Millions)

				2024 - 2023	2023 - 2022
	2024	**2023**	**2022**	**% Change**	**% Change**
Investments	$75,016	$71,461	$67,467	5.0%	5.9%
Other Assets	7,155	4,678	5,172	52.9%	(9.6)%
Total Assets	$82,171	$76,139	$72,639	7.9%	4.8%
Total Liabilities	(2,969)	(2,287)	(2,349)	29.8%	(2.6)%
Fiduciary Net Position	**$79,202**	**$73,852**	**$70,290**	**7.2%**	**5.1%**

Additions and Deductions to Fiduciary Net Position

Additions

The primary sources that finance the promised pension benefits LACERA provides are investment earnings and the collection of employer and member retirement contributions. For fiscal years ended 2024 and 2023, Total Additions from these two sources amounted to $10.0 billion and $8.0 billion, respectively. Total Additions increased in 2024 primarily due to the appreciation of equity investment holdings and the increase in interest income from fixed income securities. For the fiscal year ended 2022, Total Additions amounted to $1.4 billion. The differences between fiscal years 2023 and 2022 were primarily due to an increase in investment earnings.

The net investment gain for fiscal year 2024 was approximately $6.6 billion, an increase of $1.7 billion from the 2023 fiscal year, when the net investment gain was $4.9 billion. This fiscal year's time-weighted investment return of 9.1 percent (net of fees) was higher than the actuarial assumed investment earnings rate of 7.0 percent, primarily due to robust performance in the global equity markets. In fiscal year 2023, the net investment gain was $4.9 billion, $6.4 billion greater than the net investment loss in 2022. The fiscal year 2023 time-weighted investment return of 6.4 percent (net of fees) was lower than the actuarial assumed investment earnings rate of 7.0 percent, primarily due to a strong recovery in the equity market while other asset classes such as fixed income and real estate still faced economic headwinds.

Contributions

To finance employer contributions that are due to LACERA, the County and the outside districts made monthly cash payments or semi-monthly contributions to coincide with the employee payroll cycle. For the fiscal years ended June 30, 2024, and 2023, the required employer contributions due to LACERA were paid in full.

Deductions

The primary uses of LACERA's assets include the payment of promised benefits to members and their beneficiaries, refunds of contributions to terminated employees, and costs of administering the Pension Plan. These deductions totaled $4.6 billion for fiscal year 2024, an increase of $243 million or 5.5 percent from the prior year. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in retirement benefit payments, including cost-of-living adjustments, for the fiscal year ended June 30, 2024. These deductions totaled $4.4 billion for fiscal year 2023, an increase of $249 million or 6.0 percent from the prior year, 2022. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in retirement benefit payments, including cost-of-living adjustments, for the fiscal year ended June 30, 2023.

Administrative Expenses

Administrative and miscellaneous expenses increased 5.3 percent from the fiscal years ended June 30, 2023 to June 30, 2024 due to salary and employee benefit growth, occupancy of previously vacant positions, higher staff development costs such as educational and travel expenses, and higher insurance and postage fees. Administrative and miscellaneous expenses increased 13.0 percent from the fiscal years ended June 30, 2022 to June 30, 2023, primarily due to scheduled salary and employee benefit increases, occupancy of previously vacant positions, an increase in computer software, equipment and facilities costs, and higher professional services fees including legal, consulting, and disability medical services.

Fiduciary Net Position

For the fiscal years ended June 30, 2024 and 2023, the Fiduciary Net Position had a net increase of $5.4 billion for 2024 and a $3.6 billion net increase for 2023. These amounts represent the annual change fund balance made available for additional investments, retirement benefit payments, and LACERA's cost of operations. The increase in Fiduciary Net Position in fiscal year 2024 was due to the positive performance of LACERA's investment portfolio. The net increase to the Fiduciary Net Position from fiscal years ended June 30, 2022 to June 30, 2023 was $3.6 billion, which resulted primarily from positive performance of LACERA's investment portfolio.

Additions and Deductions in Fiduciary Net Position — Pension Plan
For the Fiscal Years Ended June 30, 2024, 2023, and 2022
(Dollars in Millions)

				2024 - 2023		2023 - 2022	
	2024	**2023**	**2022**	**Difference**	**% Change**	**Difference**	**% Change**
Contributions	$3,370	$3,095	$2,959	$275	8.9%	$136	4.6%
Net Investment Income/(Loss)	6,617	4,861	(1,536)	1,756	36.1%	6,397	416.5%
Total Additions	**$9,987**	**$7,956**	**$1,423**	**$2,031**	**25.5%**	**$6,533**	**459.1%**
Benefits and Refunds	($4,518)	($4,281)	($4,045)	($237)	5.5%	($236)	5.8%
Administrative Expenses and Miscellaneous	(119)	(113)	(100)	(6)	5.3%	(13)	13.0%
Total Deductions	**($4,637)**	**($4,394)**	**($4,145)**	**($243)**	**5.5%**	**($249)**	**6.0%**
Net Increase/(Decrease)	$5,350	$3,562	($2,722)	$1,788	50.2%	$6,284	230.9%
Fiduciary Net Position Beginning of Year	73,852	70,290	73,012	3,562	5.1%	(2,722)	(3.7)%
Fiduciary Net Position End of Year	**$79,202**	**$73,852**	**$70,290**	**$5,350**	**7.2%**	**$3,562**	**5.1%**

Pension Plan Investment Structure

Meketa Investment Group (Meketa), LACERA's general investment consultant, along with Investment Office staff, reviews the existing asset allocation structure every three to five years to recommend an appropriate allocation consistent with the economic environment, considering financial model assumptions and constraints.

Functional Categories

In March 2018, the LACERA Board of Investments approved a functional asset category structure creating new asset allocation models that had more attractive return/risk quotients than the current portfolio structure at that time, and reflected greater diversification, potentially resulting in higher market performance throughout a full market cycle. The functional framework provides for a broader group of Pension Plan investments. The traditional asset classes were reassigned and expanded in these new functional asset categories, labeled as Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation.

Cash Overlay

In fiscal year 2020, LACERA implemented a cash overlay program for the Pension Plan designed to further rebalance the portfolio toward its functional category strategic weights using the portfolio's excess cash. LACERA maintains a strategic allocation to cash that would allow it to fund member benefit payments for three months in the event of a disaster.

Strategic Asset Allocation

During fiscal year 2024, the Board approved a new strategic asset allocation (SAA), and correspondingly, an updated investment policy statement and performance benchmarks for the Pension Plan. The newly adopted SAA allows the Pension Plan to maintain a well-diversified portfolio consistent with LACERA's Investment Beliefs and with a mix of assets that the LACERA team will implement in the next 12 to 24 months; provides a greater probability of achieving LACERA's current 7.0 percent actuarial assumed rate of return; delivers a higher modeled Sharpe ratio net-of-fees than the Policy Allocation; and maintains a sufficient degree of liquidity to accommodate expenses and benefit payments.

Pension Plan Liabilities

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

Net Pension Liability

The actuarial valuation of retirement benefits report (funding valuation) provides information about the employers' funding of such liabilities, including the Pension Plan's required contributions and funded status. In addition, the funding valuation serves as a basis for providing the information required for accounting and reporting disclosures (under GASB standards). The Total Pension Liability as of June 30, 2024 was $92.7 billion, or an increase of 4.8 percent from the Total Pension Liability of $88.5 billion as of June 30, 2023. The Net Pension Liability as of June 30, 2024 was $13.5 billion, representing a decrease of 7.6 percent from the Net Pension Liability of $14.6 billion as of June 30, 2023. The Net Pension Liability decreased by $1.1 billion because LACERA experienced a $5.4 billion increase in the Fiduciary Net Position, while the Total Pension Liability increased at a slower rate of $4.2 billion.

GASB 67 requires the presentation of the Fiduciary Net Position as a percentage of the Total Pension Liability. For the fiscal years ended June 30, 2024 and 2023, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 85.4 percent and 83.5 percent, respectively. The decrease for the fiscal year ended June 30, 2024 is due to the growth in the Total Pension Liability of $4.2 billion with a higher increase in LACERA's Fiduciary Net Position of $5.4 billion, compared to the liability. The Total Pension Liability increased as generally expected from year to year and is consistent with prior experience over time. Contributing factors include the cost of benefits earned over the period, interest on the Total Pension Liability, investment activity, and benefit payments.

Net Pension Liability
As of June 30, 2024, 2023, and 2022
(Dollars in Millions)

				2024 - 2023		2023 - 2022	
	2024	**2023**	**2022**	**$ Change**	**% Change**	**$ Change**	**% Change**
Total Pension Liability	$92,714	$88,469	$83,931	$4,245	4.8%	$4,538	5.4%
Less: Fiduciary Net Position	(79,202)	(73,852)	(70,290)	(5,350)	7.2%	(3,562)	5.1%
Net Pension Liability	**$13,512**	**$14,617**	**$13,641**	**($1,105)**	**(7.6)%**	**$976**	**7.2%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**85.4%**	**83.5%**	**83.8%**	**N/A**	**N/A**	**N/A**	**N/A**

OPEB PROGRAM FINANCIAL REPORTING

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

Financial Analysis — OPEB Trust

Additions

As reflected in the OPEB Trust's Statement of Changes in Fiduciary Net Position, OPEB Trust additions included net investment income of $368 million for the fiscal year ended June 30, 2024, which was an increase of $121 million from the prior fiscal year ended June 30, 2023. Increases in investment income were primary due to changes in fair values of investments and investment income less any investment-related expenses.

Deductions

Deductions included $1.1 million for total administrative expenses, an increase of $0.14 million from the prior fiscal year, as a result of adding new asset classifications to the investment portfolio requiring additional administration. The OPEB Trust's Fiduciary Net Position as of the fiscal year ended June 30, 2024, was $4.0 billion, representing a $886 million increase from last year primarily due to employer contributions and investment income. For the fiscal year ended June 30, 2023, the total OPEB Trust Fiduciary Net Position was $3.1 billion, representing an increase of $698 million from the fiscal year ended June 30, 2022. The increase was primarily due to employer contributions and investment-related income.

Contributions

Employers provided OPEB Trust prefunding contributions of $519 million for fiscal year 2024, a 15.0 percent increase from $451 million for fiscal year 2023, which represents a portion of the total contributions presented in this statement.

Contributions Adjustment

The OPEB Trust holds funding set aside by certain participating employers to pay current administrative costs, and to accumulate and fund future benefits. GASB standards allow—for financial statement presentation only—pay-as-you-go activity from the OPEB Custodial Fund to be adjusted for and reported on the Statement of Changes in Fiduciary Net Position under the OPEB Trust. This adjustment increases Employer Contribution additions; however, pay-as-you-go contributions are not actually made to the OPEB Trust, but instead to the OPEB Custodial Fund. Correspondingly, OPEB Trust Service Benefit deductions were increased to reflect pay-as-you-go benefit payments made by employers through the OPEB Custodial Fund as OPEB benefits became due. Total OPEB Trust contributions including this adjustment were $1.3 billion for fiscal year 2024 and $1.2 billion for fiscal year 2023. The OPEB Custodial Fund, held on behalf of employers, includes the actual contributions LACERA collected from member and employer reimbursements to pay for retiree healthcare benefits.

OPEB Trust Investment Structure

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

Strategic Asset Allocation

During fiscal year 2024, the Board adopted a new strategic asset allocation (SAA) for the OPEB Master Trust. The primary difference between the newly adopted SAA and the 2021 SAA is the reduction of the Real Assets functional category to strengthen the weight of the Risk Reduction and Mitigation functional category through an increase to investment grade bonds.

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

Financial Analysis — OPEB Custodial Fund

The OPEB Custodial Fund is used to pay benefit costs as incurred on an ongoing pay-as-you-go basis. As of June 30, 2024, the OPEB Custodial Fund's total assets exceeded total liabilities, resulting in a Fiduciary Net Position of $215 million. This balance, where total assets of $334 million exceeded total liabilities of $119 million, represents accumulated balances of excess healthcare premiums held in reserve and rebates due to federal program participation, both of which can be used to offset future OPEB costs. These funds are held at LACERA on behalf of the employers. At fiscal year end June 30, 2023, the Fiduciary Net Position was $206 million as a result of total assets, reported at $304 million, exceeding total liabilities of $98 million.

As required under GASB 84, LACERA's Statement of Changes in Fiduciary Net Position includes the financial activity of the OPEB Custodial Fund. For the fiscal years ended June 30, 2024 and 2023, total additions were $871 million and $820 million, and total deductions amounted to $862 million and $806 million, respectively. This caused a $9 million and $14 million net increase in the Fiduciary Net Position over the last two fiscal years, as contributions from employers and members exceeded the total of benefit costs and administrative expenses. The net increase for FY 2024 was less than the increase for FY 2023 because of higher service benefit payments and other expenses. The OPEB Custodial Fund generated a net investment income of $11.2 million for the fiscal year ended June 30, 2024 and $2.8 million for the fiscal year ended June 30, 2023.

PLAN ADMINISTRATION

LACERA Membership

The following table summarizes the changes in active and retired members over the last three years. Active members increased by 2,630 or 2.2 percent as of June 30, 2024, primarily due to the County's growing workforce. The retired member population increased by 1,759 or 2.4 percent when comparing the two fiscal years ended June 30, 2024 and 2023, as a slightly higher percentage of members retired and there were fewer retiree deaths. When contrasting the two fiscal years ended June 30, 2023 and 2022, active members increased by 1,732 or 1.5 percent as of June 30, 2023, while retired members increased by 1,437 or 2.0 percent.

LACERA Membership

As of June 30, 2024, 2023, and 2022

				2024 - 2023		2023 - 2022	
	2024	**2023**	**2022**	**Difference**	**% Change**	**Difference**	**% Change**
Active Members[1]	119,961	117,331	115,599	2,630	2.2%	1,732	1.5%
Retired Members	74,781	73,022	71,585	1,759	2.4%	1,437	2.0%
Total Membership	**194,742**	**190,353**	**187,184**	**4,389**	**2.3%**	**3,169**	**1.7%**

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

ADMINISTRATIVE EXPENSES

The LACERA Board of Retirement and Board of Investments jointly approve the Operating Budget, which becomes effective at the beginning of the fiscal year. During the fiscal year ended 2020–2021, LACERA adopted a mid-year operating budget review and adjustment process to allow funding for urgent staffing changes and operating needs that may arise during the year. The Operating Budget information presented in these financial statements represents the Board approved adjusted budget amounts for the fiscal years ended June 30, 2024 and 2023.

LACERA's annual budget plan controls administrative expenses and represents approximately 0.14 percent of the allowable basis for the budget calculation for each fiscal year ended June 30, 2024 and 2023, respectively. The actual administrative expenses were $119 million for 2024 compared to $112 million for 2023, a 6.3 percent increase. The primary factors contributing to the increase were employee salary and benefit growth, including progression in size and complexity of the investment portfolio, hiring of new employees to fill vacant positions, and higher costs toward staff development such as educational and travel costs. For the fiscal years ended June 30, 2023 and 2022, the actual administrative expenses were $112 million for 2023 compared to $100 million for 2022, a 12.0 percent increase. Factors contributing to the increase were employee salary and benefit growth, hiring of new employees to fill vacant positions, higher consulting and software licensing costs, and an increase in medical services fees for disability cases.

<u>Statutory Limit</u>

CERL governs the Pension Plan annual budget process and requires that administrative expenses may not exceed 0.21 percent of the Actuarial Accrued Liability (AAL). In addition, CERL provides allowances for other administrative costs to be excluded from this limit, such as certain costs for legal representation and expenditures for information technology projects; however, LACERA includes such costs in the administrative expense allocation.

The following table provides a comparison of the actual administrative expenses for the fiscal years ended 2024, 2023, and 2022. The AAL was used to calculate the statutory budget limit. For both years, LACERA's administrative expenditures were below the legal maximum.

Analysis of Administrative Expenses
As of June 30, 2024, 2023, and 2022
(Dollars in Thousands)

	2024	2023	2022
Total Statutory Budget Appropriation	$181,272	$171,986	$164,378
Basis for Budget Calculation (Actuarial Accrued Liability)	86,320,151	81,898,044	78,275,175
Limit per CERL	**0.21%**	**0.21%**	**0.21%**
Administrative Expenses	$118,628	$112,150	$100,121
Basis for Budget Calculation (Actuarial Accrued Liability)	86,320,151	81,898,044	78,275,175
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.14%**	**0.14%**	**0.13%**
Total Statutory Budget Appropriation	$181,272	$171,986	$164,378
Operating Budget Request	(135,748)	(127,767)	(114,807)
Underexpended Statutory Budget Appropriation	**$45,524**	**$44,219**	**$49,571**
Operating Budget Request	$135,748	$127,767	$114,807
Administrative Expenses	(118,628)	(112,150)	(100,121)
Underexpended Operating Budget	**$17,120**	**$15,617**	**$14,686**

ACTUARIAL FUNDING VALUATIONS

The actuarial funded status determines if the Fiduciary Net Position can meet the Pension Plan's future obligations. An actuarial valuation, similar to an inventory process, appraises the assets available for promised benefits on the valuation date. These assets are compared with the actuarial liabilities, representing the actuarial present value of all future benefits expected for each member. The actuarial valuation identifies future contribution amounts needed from the employers (plan sponsors) and the employees (members) to provide all promised future benefits and to assess the Pension Plan's funded status. A valuation is performed annually, while an experience study is performed every three years to review the actuarial assumptions and methods applied in preparing the annual valuations.

Board Policy

In December 2009, the LACERA Board of Investments adopted a revised Retirement Benefit Funding Policy (Funding Policy). In February 2013, the Funding Policy was further amended to conform to the new PEPRA provisions. In December 2022, the Board of Investments approved the exclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance from valuation assets as recommended by the consulting actuary in the 2022 experience study. The Board of Retirement may approve future STAR COLA awards funded by the STAR Reserve balance. During the fiscal year, the Board of Investments initiated a review of the 2013 Funding Policy and is scheduled to adopt a revised Actuarial Funding Policy, effective for fiscal year 2024-2025.

Asset Smoothing

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

Actuarial Liabilities

Pursuant to the customary reporting timeline, the actuarial valuation as of June 30, 2023 is the most recent valuation available. The consulting actuary calculates liabilities, funded status, and contributions required to fund the Pension Plan. The difference between the present value of all future obligations and future normal cost contributions is referred to as the Actuarial Accrued Liability (AAL), which totaled $90.7 billion as of June 30, 2023. The actuarial value of assets for fiscal year-end 2023 was $72.5 billion, and when offset against the AAL, results in an Unfunded Actuarial Accrued Liability (UAAL) of $18.2 billion as of June 30, 2023. The annual 2024 Pension Plan valuation report is not yet available at this time.

Amortization

The Funding Policy outlines the approach for managing the UAAL. LACERA applies an amortization method with multiple layers amortized over closed periods. Each fiscal year, gains or losses on the UAAL are calculated and amortized over the defined period. As of the June 30, 2021 valuation going forward, all amortization periods are 20 years or less. This process establishes a payoff schedule for the UAAL, helping to dampen volatility in required amortization payments and providing stability in employer contribution rates. The 2022 investigation of experience report introduced a modification where any increase in the UAAL due to changes in the benefit provisions would be amortized over a 10-year period.

Actuarial Assumptions

In December 2022, as a result of the most recent experience and assumption study completed as of June 30, 2022, the LACERA Board of Investments adopted to reaffirm the investment return assumption of 7.0 percent for the June 30, 2022 actuarial valuation due to capital market projections and economic forecasts reviewed at that time. Changes to actuarial assumptions included revising assumed rates of merit salary increases, updating service retirement rates to reflect both a member's length of service and their age, and refreshing the mortality improvement scale to the latest publication. The June 30, 2023 actuarial valuation, which uses the most recent experience and assumption study completed as of June 30, 2022, increased employee and employer contribution rates for the fiscal year beginning July 1, 2024, as recommended by the consulting actuary and adopted by LACERA's Board of Investments.

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE

The funded ratio measures the funded status of the Pension Plan. It is calculated by dividing the Valuation Assets by the AAL. Valuation Assets include cash, investments, and other Pension Plan assets used by the actuary for the purpose of preparing the actuarial valuation. Investment returns vary over time, causing fluctuations in Valuation Assets. LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2023 and determined that the Pension Plan's Funded Ratio of the actuarial assets to the AAL increased to 79.9 percent from 79.6 percent as of the June 30, 2022 valuation. The investment return on a market basis for 2023 resulted in a 0.3 percentage point increase in the Funded Ratio when applying the five-year actuarial asset smoothing method. The annual 2024 Pension Plan valuation report is not yet available at this time.

Time-Weighted Return

For the 2023 and 2022 fiscal year-end actuarial valuations, respectively, the Pension Plan investment portfolio returned 6.4 percent and 0.1 percent (both net of fees) on a time-weighted market basis, compared to the 7.0 percent investment return assumption effective since 2019. For June 30, 2023, when compared to the assumed rate of return, in total there was a $131 million loss on the fair value of assets. Under the actuarial asset smoothing method, which recognizes investment gains and losses over a five-year period, the return on actuarial assets was 7.2 percent, equivalent to a gain of $181 million relative to the assumed return of 7.0 percent.

Money-Weighted Return

The following table provides investment and actuarial returns and the actuarial funded ratios. As required by GASB Statement Numbers 67 and 74, the money-weighted rate of return is presented as an expression of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2024, the annual money-weighted rate of return on Pension Plan investments was 9.1 percent (net of fees), and the time-weighted return for the same period is 9.1 percent (net of fees). The annual 2024 Pension Plan valuation report is not yet available at this time.

Total Investment Rates of Return — Pension Plan

For the Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[1]	Return on Smoothed Valuation Assets (net of fees)[1,2]	Actuarial Assumed Rate of Return	Actuarial Funded Ratio
2021	$70,297,718	25.2%	25.2%	10.4%	7.0%	79.3%
2022	$67,467,013	0.1%	0.6%	8.5%	7.0%	79.6%
2023	$71,460,616	6.4%	6.4%	7.2%	7.0%	79.9%
2024 [3]	**$75,015,737**	**9.1%**	**9.1%**	**—**	**—**	**—**

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

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

[3]Investment information including total investment portfolio fair value, time-weighted, and money-weighted returns are available. However, the actuarial valuation report for June 30, 2024 is not yet available at this time.

<u>OPEB Trust</u>

The annual time-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses as of the fiscal years ended June 30, 2024, 2023, and 2022, were 11.0 percent, 9.3 percent, and (11.2) percent respectively. As determined for the July 1, 2023 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL increased to 13.2 percent, as compared to 10.4 percent reported in the July 1, 2022 valuation. The County, LACERA, and the Superior Court continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL. The annual 2024 OPEB Program valuation report is not yet available.

LACERA OPERATIONS

LACERA's mission to produce, protect, and provide promised benefits has consistently guided our decisions. The financial statements demonstrate LACERA's capability to serve members and manage the retirement system effectively, even in a dynamic environment. LACERA's financial flows and operational approaches remained consistent as the fund collected contributions from members and plan sponsors; provided counseling and retirement services to members through multiple channels; successfully managed the pension fund investment portfolio, achieving returns exceeding the actuarial investment return assumption; and delivered retirement and retiree healthcare benefits to our members without interruption. Throughout the year, LACERA's governing Boards and executive team remained focused on implementing strategic plans and organizational initiatives to prepare for the future.

ACCOUNTING AND FINANCIAL REPORTING STANDARDS EFFECTIVE FOR UPCOMING FISCAL YEARS

Compensated Absences

In June 2022, GASB issued Statement Number 101 (GASB 101), Compensated Absences, to align recognition and measurement guidance for all types of employee compensated absences under a unified model to result in greater consistency and improved comparability. This Statement requires that a liability be recognized under various factors and should exclude leave that is more likely than not to be settled through conversion to defined post-employment benefits. GASB 101 will result in a liability for compensated absences that more appropriately reflect when a government incurs an obligation. The requirements of this Statement are effective for LACERA's fiscal year ending June 30, 2025.

Certain Risk Disclosures

GASB issued Statement Number 102 (GASB 102), Certain Risk Disclosures, in December 2023 to provide users of governmental financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that limit its ability to acquire resources or control spending. GASB 102 requires disclosure of the concentration or constraint, any event that could cause a substantial impact, and actions taken by the government to mitigate the risk. The requirements of this Statement are effective for LACERA's fiscal year ending June 30, 2025.

Financial Reporting Model Improvements

In April 2024, GASB issued Statement Number 103 (GASB 103), Financial Reporting Model Improvements, to improve the effectiveness of providing information that is essential for decision-making and assessing a government's accountability while also addressing certain application issues. GASB 103 requires the MD&A provide an objective and easily readable analysis of the government's financial activities, provide results of operations in comparison with the prior year, refer users to the component unit's separately issued financial statements, remove unnecessary duplication, and include relevant explanations rather than boilerplate discussion. The requirements of this Statement are effective for LACERA's fiscal year ending June 30, 2026.

REQUESTS FOR INFORMATION

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

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

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

Respectfully submitted,

Theodore Granger

Theodore Granger
Chief Financial Officer

Statement of Fiduciary Net Position

As of June 30, 2024 and 2023

(Dollars in Thousands)

	2024			2023		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
ASSETS						
Cash & Short-Term Investments						
Cash and Cash Equivalents	$3,149,007	$177,282	$64,266	$2,222,257	$70,347	$45,447
Cash and Short-Term Investments on Loaned Securities	2,359,153	—	—	1,869,433	—	—
Total Cash & Short-Term Investments	**$5,508,160**	**$177,282**	**$64,266**	**$4,091,690**	**$70,347**	**$45,447**
Receivables						
Contributions Receivable	$139,950	$—	$—	$127,192	$—	$—
Accounts Receivable - Sale of Investment	154,063	12,415	7,714	233,150	467	7,502
Accrued Interest and Dividends	197,731	15,507	1,044	220,244	1,007	1,098
Accounts Receivable - Other	6,418	—	73,099	5,941	—	68,880
Notes Receivable - Sale of Investments	1,149,153	—	—	—	—	—
Total Receivables	**$1,647,315**	**$27,922**	**$81,857**	**$586,527**	**$1,474**	**$77,480**
Investments, at Fair Value						
Equity	$29,462,196	$2,107,137	$—	$27,130,122	$1,468,752	$—
Fixed Income	19,855,304	1,735,690	187,775	17,921,557	1,241,233	181,677
Private Equity	13,057,191	18,175	—	13,894,495	—	—
Real Estate	4,406,609	2,431	—	5,109,454	311,966	—
Hedge Funds	4,875,300	—	—	4,890,856	—	—
Real Assets	3,359,137	16,894	—	2,514,132	—	—
Total Investments at Fair Value	**$75,015,737**	**$3,880,327**	**$187,775**	**$71,460,616**	**$3,021,951**	**$181,677**
TOTAL ASSETS	**$82,171,212**	**$4,085,531**	**$333,898**	**$76,138,833**	**$3,093,772**	**$304,604**
LIABILITIES						
Accounts Payable - Purchase of Investments	$517,077	$60,007	$7,879	$332,063	$1,652	$7,546
Retiree Payable and Other	2,830	—	465	2,259	—	441
Accrued Expenses	30,428	986	839	29,344	280	864
Tax Withholding Payable	45,367	—	—	43,525	—	—
Obligations under Securities Lending Program	2,359,152	—	—	1,869,433	—	—
Accounts Payable - Other	14,133	46,667	109,394	10,323	—	89,545
TOTAL LIABILITIES	**$2,968,987**	**$107,660**	**$118,577**	**$2,286,947**	**$1,932**	**$98,396**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	**$79,202,225**	**$3,977,871**	**$215,321**	**$73,851,886**	**$3,091,840**	**$206,208**

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

Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended June 30, 2024 and 2023

(Dollars in Thousands)

	2024			2023		
	Pension Plan	**OPEB Trust**	**OPEB Custodial Fund**	**Pension Plan**	**OPEB Trust**	**OPEB Custodial Fund**
ADDITIONS						
Contributions						
Employer[1]	$2,509,071	$1,316,128	$807,722	$2,301,706	$1,196,205	$755,333
Member	861,042	—	51,207	793,244	—	49,358
Total Contributions	**$3,370,113**	**$1,316,128**	**$858,929**	**$3,094,950**	**$1,196,205**	**$804,691**
Investment Income						
From Investment Activities:						
Net Appreciation in Fair Value of Investments	$2,834,757	$234,787	$2,076	$1,943,783	$221,919	$1,920
Investment Income	3,943,479	137,210	9,275	3,087,891	26,681	1,047
Total Investment Activities Income	**$6,778,236**	**$371,997**	**$11,351**	**$5,031,674**	**$248,600**	**$2,967**
Less Expenses from Investment Activities:	($184,367)	($3,586)	($150)	($189,484)	($1,112)	($147)
Net Investment Activities Income	**$6,593,869**	**$368,411**	**$11,201**	**$4,842,190**	**$247,488**	**$2,820**
From Securities Lending Activities:						
Securities Lending Income	$134,663	$—	$—	$63,652	$—	$—
Less Expenses from Securities Lending Activities:						
Borrower Rebates	($114,315)	$—	$—	($47,869)	$—	$—
Management Fees	(2,233)	—	—	(1,687)	—	—
Total Expenses from Securities Lending Activities	**($116,548)**	**$—**	**$—**	**($49,556)**	**$—**	**$—**
Net Securities Lending Income	**$18,115**	**$—**	**$—**	**$14,096**	**$—**	**$—**
Total Net Investment Income	**$6,611,984**	**$368,411**	**$11,201**	**$4,856,286**	**$247,488**	**$2,820**
Miscellaneous	**$5,334**	**$—**	**$1,320**	**$5,009**	**$—**	**$12,363**
TOTAL ADDITIONS	**$9,987,431**	**$1,684,539**	**$871,450**	**$7,956,245**	**$1,443,693**	**$819,874**
DEDUCTIONS						
Retiree Payroll	$4,470,099	$—	$—	$4,234,600	$—	$—
Service Benefits[1]	—	797,431	847,991	—	745,013	793,711
Administrative Expenses	118,628	1,077	11,910	112,150	942	12,465
Refunds	43,666	—	—	43,412	—	—
Lump Sum Death Benefits	4,372	—	—	3,351	—	—
Miscellaneous	327	—	2,436	458	—	—
TOTAL DEDUCTIONS	**$4,637,092**	**$798,508**	**$862,337**	**$4,393,971**	**$745,955**	**$806,176**
NET INCREASE IN FIDUCIARY NET POSITION	**$5,350,339**	**$886,031**	**$9,113**	**$3,562,274**	**$697,738**	**$13,698**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS						
BEGINNING OF YEAR	**$73,851,886**	**$3,091,840**	**$206,208**	**$70,289,612**	**$2,394,102**	**$192,510**
END OF YEAR	**$79,202,225**	**$3,977,871**	**$215,321**	**$73,851,886**	**$3,091,840**	**$206,208**

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

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

NOTE A — Benefit Plan Descriptions

Pension Plan

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

Retiree Healthcare Benefits Program

In April 1982, the County adopted an ordinance pursuant to CERL that created a Retiree Healthcare Benefits Program. also referred to as the Other Post-Employment Benefits Program (OPEB Program). The OPEB Program provides medical, dental, and vision insurance, including a subsidy for eligible dependents, as well as death/burial benefits for retired employees. In that same year, the County and LACERA entered into an agreement whereby LACERA would administer the program subject to the terms and conditions of the agreement. In 1994, the County amended the agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

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

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

Governance

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

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

In October 2021, the Los Angeles County Employees Retirement Association (LACERA) filed a lawsuit in Los Angeles Superior Court against the County of Los Angeles and the County Board of Supervisors regarding LACERA's ability as an independent fiduciary to set classifications and salaries for its personnel. LACERA is a separate public agency from the County and provides independent administration of the County pension system, including its assets and the payment of benefits. LACERA seeks a court order confirming LACERA's authority and implementing critical personnel actions approved by the LACERA Boards that the County has blocked from becoming effective. In December 2022, the Superior Court denied LACERA's petition. LACERA filed an appeal with the Second District Court of Appeal, which was decided in LACERA's favor in June 2024. In August 2024, the County filed a petition for review in the California Supreme Court, which remains pending.

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

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

Membership

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

LACERA Pension Plan Membership
As of June 30, 2024 and 2023

	2024	2023
Active Members		
Vested	75,427	75,388
Non-Vested	23,273	21,529
Total Active Members	**98,700**	**96,917**
Inactive Members[1]		
Vested[2]	9,719	9,612
Non-Vested	11,542	10,802
Total Inactive Members	**21,261**	**20,414**
Total Active & Inactive Members	**119,961**	**117,331**
Retired Members		
Service	53,600	52,415
Disability	11,051	10,737
Survivors & Beneficiaries	10,130	9,870
Total Retired Members	**74,781**	**73,022**
Total Membership	**194,742**	**190,353**

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

INVESTMENTS

Pension Plan

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

OPEB Trust

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

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

The LACERA Board of Investments periodically reviews and adopts a strategic asset allocation for the purpose of investment diversification to optimize growth and mitigate risk across the assets of the OPEB Trust. The investment policy statement defines the framework by which LACERA manages the Trust assets and is updated with the Board of Investments' approval when the asset allocation changes. Contributions and transfers to the OPEB Trust are determined at the employers' discretion, as there are no statutory requirements for minimum contributions.

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

OPEB Custodial Fund

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

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

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

***OPEB Premiums Account**:* This account is primarily used to fund the OPEB Program's healthcare benefits. Additions include the monthly health insurance premium subsidies collected from the participating employers; premium payments collected from program participants; and interest income. Deductions include premium payments made to insurance carriers.

***OPEB Reserve Account**:* This account was established by the Board of Retirement to help stabilize health insurance premium rates over time. Annual surpluses and deficits for the various insurance plans result from the difference between premiums received and the healthcare costs incurred. The accumulated surplus is held in this account to address deficits and/or emergency premiums. Additions include rebates from insurance carriers and other income. Deductions include management fees and County-authorized payments to offset waived premium costs (i.e., insurance premium holidays) for both the County and affected program participants. In 2013, the LACERA Board of Retirement adopted a policy that established an account balance minimum target amount, which is 20 percent of the total annual premium cost by plan for indemnity medical and dental/vision plans. As of fiscal years ended June 30, 2024 and 2023, the OPEB Reserve Account balance was in compliance with the Board's policy.

Benefit Provisions

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

Replacement Benefit Program (RBP)

In addition to the Pension Plan, the County established the Replacement Benefit Program (RPB) pursuant to Ordinance 2010-0048 and as permitted by and in accordance with CERL Section 31899.4. For certain retired members of LACERA whose annual Pension Plan benefits exceed the limits set forth under Internal Revenue Code (IRC) Section 415, the RPB provides additional retirement benefit payments that would have otherwise been payable under the Plan except for the federal limit. For such retirees, the retirement benefit permitted by IRC Section 415 is paid by LACERA under the Plan and the excess benefit payment amount is paid from the RBP. The RBP is funded solely by the County, and RBP benefits are paid from the general assets of the County. As provided by CERL Section 31899.4, subdivision (a), LACERA, the Superior Court, and outside districts shall also provide a replacement benefit program if needed to not "impair the vested rights of any person," though PEPRA Section 7522.43 prohibits such plans for replacement benefits of any "new member." LACERA expects to address the RBP topic uniformly among its participating employers.

See Note C – Pension Plan Contributions, for an explanation of the RBP's impact on County contributions.

Cost-of-Living Adjustment (COLA)

Each year, the LACERA Board of Retirement considers how the change in the cost-of-living, a measure of inflation, has affected the purchasing power of monthly retirement benefit allowances paid by LACERA. The cost-of-living is measured by the Bureau of Labor Statistics, which releases the

Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Long Beach-Anaheim area as of January 1. The difference between the current and previous year's CPI shows whether the cost-of-living has increased or decreased within this geographic region during the past year.

The LACERA Board of Retirement may grant a cost-of-living adjustment (COLA) increase for monthly retirement allowances up to 3 percent for Plan A members or 2 percent for all other retired members. If the CPI has decreased, it is possible for the LACERA Board of Retirement to decrease monthly allowances; however, a decrease in allowances has never occurred. If applied, a cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

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

LACERA members may receive more than one type of COLA:

Statutory COLA ("April 1 COLA")

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

Plan E COLA

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

Supplemental Targeted Adjustment for Retirees (STAR) Program

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

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

Except for program year 2005, the LACERA Board of Retirement made the 2001 through 2009 and 2023 through 2024 STAR benefits permanent at an 80 percent level, as authorized in the CERL. For program years 2010 through 2022, STAR benefits were not provided, due to minimal increases in the

CPI percentage such that all eligible members maintained COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

The STAR Program has received $1.5 billion in funding from its inception in 1990 to the present. Ad hoc STAR Program costs from 1990 through 2001 reduced the STAR Reserve by $556 million. Subsequently, except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 and 2023 through 2024 STAR benefits totaling $358 million, which was transferred to the Employer Reserve to invest and pay for permanent STAR benefits awarded. As of June 30, 2024, there is $609 million remaining in the STAR Reserve to fund future STAR Program benefits.

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

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own two governing Boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County) and having plenary authority and sole and exclusive fiduciary responsibility for the system's management, administration and investment of funds. Due to the nature of the relationship between LACERA and the County and pursuant to GASB Statement Number 84, Fiduciary Activities, the LACERA Pension and Other Post-Employment Benefit (OPEB) Trust Funds are considered fiduciary component units of Los Angeles County and are reported in the County's financial statements as fiduciary funds, due to the Trust Funds' reliance on County funding and their operations primarily benefiting the County. In addition, LACERA's financial statements include the OPEB Custodial Fund held by LACERA on behalf of Los Angeles County and participating employers. The OPEB Custodial Fund reports fiduciary activities not included in a qualified trust or equivalent arrangement but conducted by LACERA on behalf of the County pursuant to the 1982 Agreement, as amended.

Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA management. LACERA's Audit Committee and the Chief Audit Executive assist the LACERA Board of Retirement and Board of Investments (Boards) in fulfilling their fiduciary oversight responsibilities for the organization's financial reporting process, values and ethics, internal controls, compliance with laws and regulations, and risk management.

Method of Reporting

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

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

OPEB Custodial Fund and OPEB Trust Fund Presentation

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

<u>OPEB Trust</u>

OPEB Trust financial activity includes receiving prefunding contributions provided by plan sponsors either quarterly or on an annual basis. The contributions are set aside and placed in trust to earn investment income and interest, which is held and used to provide future OPEB benefits at the plan sponsors' discretion. Investment income activity is reported in the OPEB Trust. For financial statement presentation purposes, GASB standards require that employer contributions within the OPEB Trust be increased by the monthly pay-as-you-go costs included as additions to the OPEB Trust, which will not be reimbursed to the employers using OPEB Trust assets. Matching expenses are charged as service benefits to the OPEB Trust through deductions, which also include administrative expenses (per paragraphs 28a and 31 of GASB 74). See Note Q for OPEB Trust prefunding contributions from participating employers.

OPEB Custodial Fund

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

Capital Assets (Including Intangible Assets)

Capital assets are items that benefit the organization for more than one fiscal year. LACERA primarily holds potential tangible capital assets within information technology (IT) systems. Due to the constant evolving IT landscape, frequent updates and enhancements occur. In recent years, LACERA has entered into agreements with external service providers, which has reduced the need to acquire and maintain significant tangible IT equipment. LACERA classifies these items as budgeted expenses, as they are immaterial to LACERA's overall financial statements. Management reviewed and considered all expenses that could be capitalized as either capital or intangible assets and determined these items to be appropriately classified as expenses for the current fiscal year.

Accrued Vacation and Sick Leave Time

Employees who terminate or retire from active employment are entitled to full compensation for all unused vacation time and a percentage of their unused sick leave time. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2024 and 2023 were $6.6 million and $6.1 million, respectively.

Cash and Short-Term Securities

Cash includes deposits with various financial institutions, the County, and non-U.S. currency holdings, translated to U.S. dollars using the exchange rates in effect on June 30, 2024 and 2023.

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

Real Estate Separate Account Investments

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

Receivables

LACERA recognizes short-term receivables as amounts expected to be collected within one year or less, while long-term receivables are amounts expected to be collected after one year. Long-term receivables may be discounted using a discount method and rate deemed most applicable to a transaction. LACERA records the long-term receivable in the period in which the transaction occurs.

Fair Value of Investments

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

Investments	Source
Publicly Traded Securities (such as stocks and bonds) Bonds include obligations of the U.S. Treasury, U.S. agencies, non-U.S. governments, and both U.S. and non-U.S. corporations. Also included are mortgage- backed securities and asset-backed securities.	Valuations are provided by LACERA's custodian based on end-of-day prices from external pricing vendors. Non-U.S. securities reflect currency exchange rates in effect on June 30, 2024 and 2023.
Whole Loan Mortgages	For the LACERA Member Home Loan Program, valuation is performed by LACERA using loan information provided by Ocwen Financial Corporation, the program's mortgage servicer, with fair value adjustments based on the investment returns of the Bloomberg Barclays mortgage-backed securities index.
Real Estate Equity Commingled Funds[1]	Fair value as provided by real estate fund managers, based on review of cash flow, exit capitalization rates, and market trends. Fund managers commonly subject each property to independent third-party appraisals annually. Investments under development are carried at cumulative cost until development is completed.
Real Estate: Special Purpose Entities, including Title Holding Companies and Limited Liability Companies[1]	Fair value of the investment as provided by investment managers. Each property is subject to independent third-party appraisals every year.
Real Estate Debt Investments[1]	Fair value for real estate debt investments as provided by investment managers.
Private Equity and Real Assets[1]	Fair value provided by investment managers as described below. Private investments: valued by the general partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments: valued based on quoted market prices, less a discount, if appropriate, for restricted securities.

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

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

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

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

PENSION PLAN INVESTMENTS

Investment Policy Statement

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

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

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

LACERA's financial statements are prepared using traditional investment asset classifications (i.e., equity, fixed income, private equity, real estate, hedge funds, and real assets). LACERA's Board of Investments developed and practices its Investment Beliefs, which state that long-term strategic allocation will be the determinant of LACERA's risk/return outcomes. Based on the Pension Trust Asset Allocation Study completed by general investment consultant Meketa Investment Group (Meketa) in March 2018, the Board of Investments approved the use of a functional framework

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

Note: The fair value hierarchy is provided in Note P — Fair Value of Investments.

developed by LACERA's Investments Office for modeling purposes, which offers the inclusion of a broader group of investments within Credit, and Real Assets and Inflation Hedges. The functional categories include various asset classes that represent the risk/return characteristics of each area. LACERA expects the four functional categories to diversify the Fund, generate returns, and optimize growth, while mitigating downside risk, ultimately to build a portfolio that can meet LACERA's future benefit obligations.

In the following table and in the Investment Section, investment portfolio information is presented in functional asset categories. The asset allocation determines what proportion of the Fund is allocated to each functional category and underlying asset class, including target weights and allowable ranges as a percentage of the Fund.

Schedule of Target Allocation and Long-Term Expected Rate of Return
For the Fiscal Year Ended June 30, 2024 and 2023

Asset Class	2024 Target Allocation (Policy)		2024 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)		2023 Target Allocation (Policy)		2023 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**53.0 %**		**6.1 %**		**53.0 %**		**6.2 %**	
Global Equity		32.0%		5.0%		32.0%		5.0%
Private Equity		17.0%		7.3%		17.0%		7.0%
Non-Core Private Real Estate		4.0%		5.9%		4.0%		6.5%
Credit	**11.0 %**		**3.1 %**		**11.0 %**		**3.1 %**	
Liquid Credit		4.0%		3.0%		4.0%		2.2%
Illiquid Credit		7.0%		4.0%		7.0%		3.3%
Real Assets and Inflation Hedges	**17.0 %**		**3.9 %**		**17.0 %**		**3.7 %**	
Core Private Real Estate		6.0%		2.5%		6.0%		3.2%
Natural Resources and Commodities		3.0%		4.0%		3.0%		3.9%
Infrastructure		5.0%		4.5%		5.0%		4.9%
TIPS		3.0%		0.7%		3.0%		0.1%
Risk Reduction and Mitigation	**19.0 %**		**1.1 %**		**19.0 %**		**1.1 %**	
Investment Grade Bonds		7.0%		1.0%		7.0%		0.2%
Diversified Hedge Funds		6.0%		2.0%		6.0%		2.1%
Long-Term Government Bonds		5.0%		0.8%		5.0%		0.7%
Cash Equivalents		1.0%		(0.5)%		1.0%		(0.8)%

Target Allocation

LACERA's Board of Investments adopts asset allocation targets to provide for asset diversification in an effort to meet LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. Per the Investment Policy Statement, a comprehensive asset allocation study is conducted every three to five years or at the Board's request. The Board approved the current functional asset class allocation structure as a result of the asset allocation study completed in 2018 by Meketa, LACERA's investment consultant. The most recent strategic asset allocation study was completed in 2024 and approved by the Board.

Weighted Average Long-Term Expected Real Rate of Return

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

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

GASB Discount Rate

GASB Statement Number 67 requires determination of whether the Pension Plan's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the Total Pension Liability was 7.15 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00 percent, net of all expenses, increased by 0.15 percent, gross of administrative expenses.

The valuation assumption for the long-term expected return is reassessed in detail at the triennial investigation of experience and is set based on a long-term time horizon; the most recent analysis was completed in January 2023. See Milliman's Investigation of Experience for Retirement Benefit Assumptions report for the period July 1, 2019 to June 30, 2022 for more details. The consulting actuary's internal investment consultants review the long-term expected return assumption annually for continued compliance with the relevant actuarial standards of practice. As part of this assessment, Milliman compares the assumption with the 20-year expected geometric return determined by LACERA's investment consultant, Meketa, and other measures of expected long-term returns.

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

Money-Weighted Rate of Return

The annual money-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2024 and 2023, were 9.1 percent and 6.4 percent, respectively. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. This method is equivalent to the internal rate of return. Historical returns are presented in the Schedule of Investment Returns — Pension Plan in the Required Supplementary Information (RSI) Section.

Time-Weighted Rate of Return
The annual time-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2024 and 2023, were 9.1 percent and 6.4 percent, respectively. The time-weighted rate of return is a measure of the compound growth rate in a portfolio. This measure is often used to compare the performance of investment managers because it eliminates the distorting effects on growth rates created by inflows and outflows of money. The time-weighted return divides the return on an investment portfolio into separate intervals based on whether money was added or withdrawn from the fund. Historical returns are presented in the Investments Results Based on Fair Value – Pension Plan in the Investment Section.

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

UPCOMING GASB PRONOUNCEMENTS
Compensated Absences
In June 2022, GASB issued Statement Number 101 (GASB 101), Compensated Absences, to align recognition and measurement guidance for all types of compensated absences under a unified model to result in greater consistency and improved comparability. This statement requires a liability be recognized under various factors, such as whether leave has not been used or paid, whether the leave accumulates, and the likelihood the leave will be used, paid, or settled, among other factors. The liability for compensated absences should exclude leave that is more likely than not to be settled through conversion to defined post-employment benefits. GASB 101 will result in a liability for compensated absences that more appropriately reflect when a government incurs an obligation. The requirements of this Statement are effective for LACERA's fiscal year ending June 30, 2025.

Certain Risk Disclosures
In December 2023, GASB issued Statement Number 102 (GASB 102), Certain Risk Disclosures, to provide users of governmental financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that limit its ability to acquire resources or control spending. A concentration is a lack of diversity related to an aspect of significant inflow or outflow of resources. A constraint is a limitation imposed by an external party or by formal action of a government's highest level of authority. GASB 102 requires disclosure of the concentration or constraint, any event that could cause a substantial impact, and actions taken by the government to mitigate the risk. The requirements of this Statement are effective for LACERA's fiscal year ending June 30, 2025.

Financial Reporting Model Improvements
In April 2024, GASB issued Statement Number 103 (GASB 103), Financial Reporting Model Improvements, to improve the effectiveness of providing information that is essential for decision-making and assessing a government's accountability while also addressing certain application issues. This statement establishes or modifies accounting and financial reporting requirements included in Management's Discussion and Analysis (MD&A), unusual or infrequent items, budgetary comparison information, and financial trends information in the Statistical Section, among other requirements. GASB 103 requires the MD&A provide an objective and easily readable analysis of the government's financial activities, provide results of operations in comparison with the prior year, refer users to the

component unit's separately issued financial statements, remove unnecessary duplication, and include relevant explanations rather than boilerplate discussion. The requirements of this Statement are effective for LACERA's fiscal year ending June 30, 2026.

NOTE C — Pension Plan Contributions

Funding Policy

In December 2009, the LACERA Board of Investments adopted a Retirement Benefit Funding Policy (Funding Policy) to establish a funding goal, provide benefit security for LACERA members, and maintain stable employer contribution rates that are as low as practicably possible. In addition, the Funding Policy provides LACERA with guidance in performing interest crediting for reserve accounts and actuary direction in performing the plan's retirement benefit actuarial. The Funding Policy was amended in February 2013 to conform to the new standards mandated in the California Public Employees' Pension Reform Act of 2013 (PEPRA), which restricted the ability to reduce employer contribution rates and redefined excess earning requirements. The Funding Policy requires actuarial valuations to be performed annually to determine employer and employee contribution rates.

Member and Employer Contribution Rates

Members and employers contribute to LACERA based on unisex rates recommended by an independent consulting actuary and adopted by the LACERA Board of Investments and thereafter by the Los Angeles County Board of Supervisors. Member and employer contributions received from the outside districts constitute part of LACERA's Pension Plan as a whole.

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

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

Contributory plan members are required to contribute between approximately 6 percent and 18 percent of their annual covered salary. On May 7, 2024, the Los Angeles County Board of Supervisors adopted new member contribution rates for all retirement plans, including both legacy and PEPRA plans, effective July 1, 2024.

The employer contribution rate is composed of a share of the normal cost and the UAAL amortization payment. The normal cost is the portion of the actuarial present value of retirement benefits attributable to a valuation year. The UAAL amortization payment reduces the funding shortfall related to liabilities accrued in the past that are not provided for by future normal costs.

The employer normal cost rate from the latest actuarial valuation as of June 30, 2023 slightly decreased from 11.12 percent to 11.01 percent, and the employers' required contribution rate to finance the UAAL increased from 14.72 percent to 14.87 percent. Effective with the June 30, 2019 valuation, all new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made. In addition, all existing amortization layers were set to be amortized over a maximum 22-year period and now have a period of 20 years of less, so they are fully amortized no later than 2042.

At its December 2023 meeting, the Board of Investments adopted an increase of 0.04 percent in the total employer contribution rate beginning July 1, 2024, as compared to the previous valuation as of June 30, 2022 (from 25.84 percent to 25.88 percent). Per the County Employees Retirement Law (CERL), the increase is effective within 90 days after fiscal year-end, between July 1 and September 29 each year. Los Angeles County implemented the new employer contribution rates for fiscal year 2024–2025 effective with the payroll cycle beginning September 16. The most significant factor causing the increase in employer contribution rate was the greater than expected salary increases; however, this was mostly offset by the rate-reducing impact of higher payroll growth than expected, which caused a reduction in the percentage of payroll needed to amortize the unfunded liability.

Contribution Payments
For the fiscal years ended June 30, 2024 and 2023, Los Angeles County, including the Superior Court and LACERA, paid their employer contributions and withholding of employee pension plan contributions due to LACERA in the form of semi-monthly cash payments. The remaining outside districts with active members, the Local Agency Formation Commission of the County of Los Angeles (LAFCO) and Little Lake Cemetery District (LLCD), paid pension plan contributions due to LACERA in the form of monthly cash payments. For the fiscal years ended June 30, 2024 and 2023, employer contributions totaled $2.5 billion and $2.3 billion, in that order, and member contributions totaled $861 million and $793 million, respectively.

Replacement Benefit Program (RBP) Offset
The County contributions to the Pension Plan are reduced by the exact dollar amount that it paid in benefits under the RBP each year, as permitted by CERL Section 31899.4, subdivision (d). Milliman reviewed this contribution offsetting method and determined there to be appropriate pension plan funding from an actuarial perspective. In preparing the annual actuarial valuation, Milliman takes into account both the benefits paid by LACERA and the RBP benefits paid by the County in calculating both the employer contribution normal cost rates and the Unfunded Actuarial Accrued Liability; therefore, the employer contribution rates calculated in the valuation include the cost of RBP benefits. In Milliman's opinion, due to this valuation approach, the contribution offset by the County results in providing the normal cost and UAAL funding necessary to support all benefits that LACERA is anticipated to pay.

For the fiscal year ended June 30, 2024, the County offset contributions in the amount of $2.5 million to fund the RBP and $2.9 million for the fiscal year ended June 30, 2023. These adjustments represent 0.10% of the $2.5 billion employer contribution for FY 2023-2024 and 0.13% of the $2.3 billion employer contribution for FY 2022-2023.

See Note A — Benefit Plan Descriptions for additional information regarding RBP benefits.

Pension Plan Contributions
For the Fiscal Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Employers		
Los Angeles County[1]	$2,410,853	$2,216,111
Superior Court	98,006	85,407
Local Agency Formation Commission for the County of Los Angeles	200	177
Little Lake Cemetery District	12	11
South Coast Air Quality Management District[2]	—	—
Los Angeles County Office of Education[3]	—	—
Total Employer Contributions	**$2,509,071**	**$2,301,706**
Member Contributions[4]	$861,042	$793,244
Total Contributions	**$3,370,113**	**$3,094,950**

[1]LACERA contributions are included with Los Angeles County.
[2]South Coast Air Quality Management District has no active members contributing to the Pension Plan for the fiscal years ended 2024 and 2023.
[3]Los Angeles County Office of Education has no active members contributing to the Pension Plan for the fiscal years ended 2024 and 2023.
[4]In accordance with GASB Statement No. 82, payments made by an employer to satisfy member contribution requirements are classified as member contributions. These payments amounted to $36.3 million and $37.5 million for the fiscal years ended 2024 and 2023.

NOTE D — Pension Plan Reserves

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

Pension Plan

LACERA's major classes of Pension Plan reserves are:

Member Reserves

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

Employer Reserves

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

Supplemental Targeted Adjustment for Retirees (STAR) Reserve

The STAR Reserve represents the balance available to fund future STAR Program benefit increases. During the fiscal years ended 1995 through 1999, 25 percent of excess earnings were credited to the STAR Reserve pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Additions include transfers from the Contingency Reserve. Deductions are STAR Program payments to retirees and funding for permanent benefits. In October 2008, except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR Program benefits at an 80 percent level, as authorized in the County Employees Retirement Law of 1937 (CERL). For program years 2010 through 2022, additional STAR benefits were not provided, since modest increases in the Consumer Price Index (CPI) percentage caused COLA Accumulation accounts to remain below the 20 percent threshold. When the COLA Accumulation accounts exceed 20 percent, the Board of Retirement, at its discretion, may grant STAR benefits.

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

For STAR Program years 2023 and 2024, the LACERA Board of Retirement approved the permanent STAR benefit award for certain eligible members to restore their purchasing power at an 80 percent benefit level and to adjust their COLA Accumulation accounts to 20 percent.

Contingency Reserve

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment earnings and other revenues. Deductions include investment expenses; administrative expenses; interest allocated to other reserves, in priority order, to the extent that realized earnings are available for the six-month period, as defined in the 2009 Retirement Benefit Funding Policy (Funding Policy) amended in 2013 and approved by LACERA's Board of Investments; and with Board of Retirement approval, funding of the STAR Reserve. For the fiscal years ended June 30, 2024 and 2023, the net investment realized earnings were applied as interest credits to the Reserve accounts, leaving no available balances in the Contingency Reserve.

Pension Plan Reserves

As of June 30, 2024 and 2023

(Dollars in Thousands)

	2024	2023
Member Reserves	$28,180,342	$26,932,000
Employer Reserves	33,774,629	32,504,476
STAR Reserve	608,631	611,544
Contingency Reserve	—	—
Total Reserves at Book Value	**$62,563,602**	**$60,048,020**
Unrealized Investment Portfolio Appreciation	$16,638,623	$13,803,866
Total Reserves at Fair Value[1]	**$79,202,225**	**$73,851,886**

[1]Total Reserves at Fair Value equals the Fiduciary Net Position as presented in the Basic Financial Statements.

NOTE E — Pension Plan Liabilities

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

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

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

Actuarial Assumptions

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

The Total Pension Liability (TPL) as of June 30, 2024 was determined by completing a roll-forward calculation based on the most recent actuarial valuation conducted as of June 30, 2023, using the following actuarial assumptions in accordance with the requirements of GASB 67. The actuarial funding valuation serves as a basis for the GASB 67 financial reporting information. All actuarial methods and assumptions used for this GASB analysis were the same as those used for the June 30, 2023 funding valuation, except where differences are noted. Key actuarial methods and significant assumptions used to calculate the TPL are presented as follows. For additional information regarding the actuarial funding valuation, refer to the Actuarial Section.

Actuarial Methods and Significant Assumptions

Method/Assumption	Description
Actuarial Cost Method	Individual entry age.
Discount Rate	7.15 percent, net of Pension Plan investment expense, including inflation and addition of 0.15 percent administrative expense load. The 7.00 percent rate (net of all expenses) was adopted beginning with the June 30, 2019 valuation and reaffirmed in the 2022 triennial experience study.
Price Inflation	2.75 percent annual rate. This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
General Wage Growth and Projected Salary Increases	General wage growth: 3.25 percent. Projected salary increases: 3.66 percent to 12.54 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2022 triennial experience study.
Cost-of-Living Adjustments	Post-retirement COLA (cost-of-living adjustment) benefit increases of either 2.75 percent or 2 percent per year (a pro-rata portion for Plan E) are assumed. For the Total Pension Liability, STAR (supplemental cost-of-living adjustments) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR benefits. This roll-forward calculation includes a future liability for STAR benefits. See Note A — Benefit Plan Description for additional COLA and STAR information.
Mortality	Various rates based on the Pub-2010 mortality tables and using the MP–2021 Ultimate Projection Scale for expected future mortality improvement. This assumption was adopted with the June 30, 2022 valuation.

Other Key Assumptions

Other key actuarial assumptions used to calculate the TPL as of the June 30, 2024 and 2023 measurement dates are the same as used to prepare actuarial funding valuations for June 30, 2023 and 2022, respectively.

Net Pension Liability

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

The NPL is an accounting measurement for financial statement reporting purposes. The funded status of the Pension Plan is calculated separately by the consulting actuary and the results along with other funding metrics are included in the actuarial funding valuation report. The NPL amounts at fiscal year-end June 30, 2024 and 2023 for the Pension Plan were as follows.

Schedule of Net Pension Liability
For the Fiscal Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	2024	**2023**
Total Pension Liability	$92,713,809	$88,469,442
Less: Fiduciary Net Position	(79,202,225)	(73,851,886)
Net Pension Liability	**$13,511,584**	**$14,617,556**
Fiduciary Net Position as a Percentage of Total Pension Liability	85.43%	83.48%

The TPL increased primarily due to the regular operations of LACERA, which include Service Cost increases and interest on the TPL, minus benefit payments. The NPL decreased primarily due to an increase in contributions received and strong investment performance, which resulted in a higher Fiduciary Net Position, offsetting the TPL for the fiscal year ended June 30, 2024.

GASB Discount Rate
Milliman's June 30, 2022 Investigation of Experience was used to develop the 7.15 percent investment return assumption used for the current reporting date. This is equal to the 7.00 percent long-term investment return assumption (net of investment and administrative expenses) adopted by the Board of Investments, plus 0.15 percent assumed administrative expenses. See Note L — Administrative Expenses for additional information regarding LACERA's annual budget.

The plan's projected Fiduciary Net Position, after reflecting employee and employer contributions, was expected to be sufficient to make all future benefit payments of current active and inactive employees. Therefore, a separate calculation using the municipal bond rate is not required; the discount rate for calculating the TPL, as prescribed by GASB, is equal to the long-term expected rate of return plus administrative expenses.

GASB Discount Rate
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	**2023**
GASB Discount Rate	7.15%	7.13%
Long-Term Expected Rate of Return, Net of Expenses	7.00%	7.00%
Municipal Bond Rate	N/A	N/A

Sensitivity Analysis
In accordance with GASB 67, sensitivity of the NPL to changes in the discount rate must be reported. The following presents the NPL, calculated for the fiscal year ended June 30, 2024, using the discount rate of 7.15 percent, as well as the results of NPL calculations using a discount rate that is 1 percentage point lower (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate (7.15 percent). A corresponding calculation is presented for the fiscal year ended June 30, 2023, based on the 7.13 percent discount rate in effect for that year.

Sensitivity Analysis
For the Fiscal Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	2024			2023		
	1.0% Decrease	**Current Discount Rate**	**1.0% Increase**	**1.0% Decrease**	**Current Discount Rate**	**1.0% Increase**
	6.15%	**7.15%**	**8.15%**	**6.13%**	**7.13%**	**8.13%**
Total Pension Liability	$104,968,757	$92,713,809	$82,553,421	$100,194,067	$88,469,442	$78,750,275
Less: Fiduciary Net Position	(79,202,225)	(79,202,225)	(79,202,225)	(73,851,886)	(73,851,886)	(73,851,886)
Net Pension Liability	**$25,766,532**	**$13,511,584**	**$3,351,196**	**$26,342,181**	**$14,617,556**	**$4,898,389**

NOTE F — Partial Annuitization of Pension Benefit Payments

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

In accordance with the agreements, the annuity providers make monthly annuity reimbursements to LACERA limited to the straight life annuity payments and statutory COLA increases. LACERA is responsible for any difference in pension benefit payments payable to covered members that are not reimbursed by the insurance companies. As the annuity providers' monthly annuity reimbursements are allocated to covered members' pension payments, the fair value of contracts was excluded from pension plan assets, and the valuation liability includes only net benefits paid by LACERA.

The reimbursements received are netted against the pension and annuity payments (i.e., retiree payroll) reported in LACERA's financial statements. For the fiscal year ended June 30, 2024, LACERA paid $4.5 million to covered members and received $3.7 million in related reimbursements. For the fiscal year ended June 30, 2023, LACERA paid $5.6 million to covered members and received $4.6 million in related reimbursements.

NOTE G — Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the LACERA Board of Investments with exclusive control over LACERA's investment portfolio. The Board of Investments establishes investment policy statements and investment manager guidelines for the management of the LACERA defined benefit retirement plan investments (Pension Plan) and the LACERA Other Post-Employment Benefits Master Trust (OPEB Master Trust or OPEB Trust). The Board of Investments exercises authority and control over the management of LACERA's investment assets by setting a policy that the LACERA's Investment Office executes either internally or through the use of prudent external experts.

Investment policy statements recognize that every investment asset class and type is subject to certain risks. Outlined below are the deposit and investment risks as they relate to fixed-income investments.

Credit Risk

Credit Risk is the risk that an issuer or a counterparty to an investment transaction will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed and floating rate instruments in order to obtain the highest total return for the Pension Plan Trust at an acceptable level of risk within this asset class. To manage credit risk, credit guidelines have been established.

Investment Grade Bonds

Investment grade bonds are categorized as a component of the Risk Reduction and Mitigation functional asset category presented in the Investment Section. The majority of this category is invested in an indexing strategy that provides exposure to the Bloomberg U.S. Aggregate Bond Index. LACERA also invests with managers that employ a low active-risk “core bond” approach. Investment guidelines require that managers invest predominantly in sectors represented in their benchmark index. As a result, these portfolios contain almost 100 percent of bonds rated investment grade by the major credit rating agencies: Moody's, S&P Global Ratings (S&P), and Fitch.

High Yield Bonds

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

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

The following is a schedule for the year ended June 30, 2024 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $8.7 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan
As of June 30, 2024
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate and Asset-Backed Securities	Pooled Investments	Non-U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$6,052,414	$823,751	$—	$118,170	$1,604,320	$581	$51,304	$8,650,540	43.6%
Aa	—	—	3,871	30,128	80,320	1,145	18,601	134,065	0.7%
A	—	—	—	264,037	396,844	28,953	40,083	729,917	3.7%
Baa	—	—	—	306,056	394,010	24,568	42,838	767,472	3.9%
Ba	—	—	—	102,453	17,297	17,154	202,448	339,352	1.7%
B	—	—	—	486,583	—	52,435	286,620	825,638	4.2%
Caa	—	—	—	91,324	—	4,536	108,068	203,928	1.0%
Ca	—	—	—	1,808	—	600	3,580	5,988	—%
C	—	—	—	693	—	80	—	773	—%
Not Rated	—	420	—	203,108	7,805,688	48,092	131,615	8,188,923	41.2%
Total	**$6,052,414**	**$824,171**	**$3,871**	**$1,604,360**	**$10,298,479**	**$178,144**	**$885,157**	**$19,846,596**	**100.0%**

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

The following is a schedule for the year ended June 30, 2023 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $10 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan
As of June 30, 2023
(Dollars in Thousands)

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

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

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2024
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate and Asset-Backed Securities	Pooled Investments	Non- U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$633,286	$113,312	$—	$9,229	$—	$4,742	$—	$760,569	43.8%
Aa	—	—	1,314	5,023	—	3,156	—	9,493	0.5%
A	—	—	587	41,662	—	8,941	—	51,190	3.0%
Baa	—	—	—	44,722	—	8,647	3,314	56,683	3.3%
Ba	—	—	—	93,585	—	14,526	81,048	189,159	10.9%
B	—	—	—	167,408	—	9,874	104,345	281,627	16.2%
Caa	—	—	—	16,187	—	1,301	32,682	50,170	2.9%
Ca	—	—	—	311	—	—	1,187	1,498	0.1%
C	—	—	—	—	—	—	20	20	—%
Not Rated	—	64	73	25,762	294,517	11,247	3,618	$335,281	19.3%
Total	**$633,286**	**$113,376**	**$1,974**	**$403,889**	**$294,517**	**$62,434**	**$226,214**	**$1,735,690**	100.0%

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2023
(Dollars in Thousands)

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

Note: Pooled Investments included with the Not Rated Quality represents investments in commingled funds.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2024
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Corporate and Asset-Backed Securities	Total	Percentage of Portfolio
Aaa	$180,471	$421	$180,892	96.3%
Aa	—	2,356	2,356	1.3%
A	—	4,161	4,161	2.2%
Not Rated	—	366	366	0.2%
Total	**$180,471**	**$7,304**	**$187,775**	**100.0%**

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2023
(Dollars in Thousands)

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

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

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

Counterparty Risk

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

On March 31, 2024, LACERA sold 17 private equity limited partnership interests, which were valued at $1.2 billion to three separate buyers. The buyer will remit payments for these partnership interests to LACERA at the end of an 18-month deferral period on September 30, 2025. To estimate the fair value of these transactions, LACERA discounted the future payments to net present value utilizing a 5 percent discount rate, which included the current swap rate plus an appropriate spread, to arrive at the long-term Notes Receivable–Sale of Investments balance of $1.1 billion reported on the Statement of Fiduciary Net Position. LACERA determined the fair value of these payments applying judgment and considering factors such as general market conditions and the time value of money. LACERA contemplated other elements of the transactions, including each buyer’s respective risk of default, which did not impact the fair value for this reporting period.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that can occur when there is a concentration of exposure to a single or small number of debt issuers versus having exposure to a relatively more diversified pool of debt issuers. For diversification purposes, all investment grade and liquid credit portfolios limit the exposure to a single issuer. This limitation does not apply to U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds and fund-of-one vehicles.

As of June 30, 2024, LACERA did not hold any investments in any one debt issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

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

To manage interest rate risk, investment manager guidelines require that the duration of all investment grade bond portfolios must remain within a range centered around the duration of the benchmark index. Deviations from any of the portfolio structure guidelines are monitored as part of LACERA’s compliance review process.

The Duration in Fixed Income Securities – Pension Plan schedule for the year ended June 30, 2024 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $8.7 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2024
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries, U.S. Government Agencies, and Municipal Instruments:		
U.S. Treasuries	$6,052,414	10.81
U.S. Government Agencies	824,171	4.41
Municipal/Revenue Bonds	3,871	14.03
Subtotal U.S. Treasuries, U.S. Government Agencies, and Municipal Instruments	**$6,880,456**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$178,877	2.19
Corporate and Other Credit	1,425,483	2.73
Pooled Funds	10,298,479	1.51
Subtotal Corporate Bonds and Credit Securities	**$11,902,839**	
Non-U.S. Fixed Income	$178,144	1.97
Private Placement Fixed Income	885,157	2.98
Subtotal Non-U.S. and Private Placement Securities	**$1,063,301**	
Total Fixed Income Securities	**$19,846,596**	

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

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

The Duration in Fixed Income Securities – Pension Plan schedule for the year ended June 30, 2023 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $10 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2023
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries, U.S. Government Agencies, and Municipal Instruments:		
U.S. Treasuries	$5,565,802	11.82
U.S. Government Agencies	809,533	4.29
Municipal/Revenue Bonds	8,141	10.47
Subtotal U.S. Treasuries, U.S. Government Agencies, and Municipal Instruments	**$6,383,476**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$196,008	2.03
Corporate and Other Credit	1,991,678	2.13
Pooled Funds	7,831,882	1.70
Subtotal Corporate Bonds and Credit Securities	**$10,019,568**	
Non-U.S. Fixed Income	$223,581	1.64
Private Placement Fixed Income	1,285,038	3.37
Subtotal Non-U.S. and Private Placement Securities	**$1,508,619**	
Total Fixed Income Securities	**$17,911,663**	

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

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

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2024
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries, U.S. Government Agencies, and Municipal Instruments:		
U.S. Treasuries	$633,286	8.84
U.S. Government Agencies	113,376	4.94
Municipal/Revenue Bonds	1,974	9.72
Subtotal U.S. Treasuries, U.S. Government Agencies, and Municipal Instruments	**$748,636**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$5,513	3.20
Corporate and Other Credit	398,376	2.07
Pooled Funds	294,517	N/A
Subtotal Corporate Bonds and Credit Securities	**$698,406**	
Non-U.S. Fixed Income	$62,434	2.69
Private Placement Fixed Income	226,214	3.21
Subtotal Non-U.S. and Private Placement Securities	**$288,648**	
Total Fixed Income Securities	**$1,735,690**	

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

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2023
(Dollars in Thousands)

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

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

Duration in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2024
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries	$180,471	2.15
Corporate Bonds and Credit Securities:		
Asset-Backed	$787	0.28
Corporate and Other Credit	6,517	1.11
Subtotal Corporate Bonds and Credit Securities	**$7,304**	
Total Fixed Income Securities	**$187,775**	

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

Duration in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2023
(Dollars in Thousands)

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

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

Foreign Currency Risk

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

The following schedules represent LACERA's Pension Plan and OPEB Trust exposure to foreign currency risk in U.S. dollars. Most of the exposure is from separately managed accounts with the remaining exposure from non-U.S. commingled funds that are denominated in foreign currency. For the commingled funds, LACERA owns units, and the fund holds actual securities and/or currencies. The values shown include LACERA's separately managed account holdings and the pro rata portion of non-U.S. commingled fund holdings. The OPEB Trust did not hold any non-U.S. investment securities as of June 30, 2023, so no schedule is presented.

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

As of June 30, 2024

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity	Forward Contracts	Total
AFRICA								
South African Rand	$84,344	$—	$161	$—	$—	$—	$—	$84,505
AMERICAS								
Brazilian Real	106,481	—	1,124	—	—	—	—	107,605
Canadian Dollar	898,571	1,712	8,448	—	152,310	—	588	1,061,629
Chilean Peso	7,996	—	194	—	—	—	—	8,190
Colombian Peso	2,106	—	105	—	—	—	—	2,211
Mexican Peso	39,695	—	969	—	—	—	—	40,664
ASIA								
Australian Dollar	437,024	—	766	—	—	15,699	(5,222)	448,267
Chinese Renminbi	65,275	—	3,138	—	—	—	—	68,413
Hong Kong Dollar	557,649	—	2,548	—	—	—	(29)	560,168
Indonesian Rupiah	47,328	—	1,680	—	—	—	—	49,008
Japanese Yen	1,343,462	—	10,973	—	—	—	46,401	1,400,836
Malaysian Ringgit	43,802	—	801	—	—	—	—	44,603
New Zealand Dollar	9,822	—	304	—	—	—	(33)	10,093
Pakistani Rupee	—	—	29	—	—	—	—	29
Philippine Peso	12,954	—	193	—	—	—	—	13,147
Singapore Dollar	86,614	—	464	—	—	—	347	87,425
South Korean Won	278,007	—	1,701	—	—	—	—	279,708
Taiwan Dollar	447,679	—	1,600	—	—	—	—	449,279
Thai Baht	37,123	—	603	—	—	—	—	37,726
EUROPE								—
British Pound Sterling	1,320,543	12,885	6,712	54	—	249,139	1,240	1,590,573
Czech Republic Koruna	3,286	—	130	—	—	—	—	3,416
Danish Krone	295,161	—	430	—	—	—	1,347	296,938
Euro	2,466,836	34,770	14,508	290,417	355,378	867,790	11,638	4,041,337
Hungarian Forint	7,697	—	263	—	—	—	—	7,960
Norwegian Krone	75,500	—	774	—	—	—	(298)	75,976
Polish Zloty	38,938	—	1,222	—	—	—	—	40,160
Russian Ruble	—	—	1,978	—	—	—	—	1,978
Swedish Krona	223,745	—	689	—	—	—	(569)	223,865

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

As of June 30, 2024

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity	Forward Contracts	Total
Swiss Franc	614,346	—	1,045	—	—	—	(412)	614,979
MIDDLE EAST								
Egyptian Pound	3,320	—	128	—	—	—	—	3,448
Israeli New Shekel	38,411	—	1,020	—	—	—	421	39,852
Kuwaiti Dinar	25,521	—	484	—	—	—	—	26,005
Qatari Rial	30,699	—	407	—	—	—	—	31,106
Saudi Riyal	6,469	—	—	—	—	—	—	6,469
Turkish Lira	32,771	—	647	—	—	—	—	33,418
UAE Dirham	41,894	—	1,038	—	—	—	—	42,932
Total Investment Securities Subject to Foreign Currency Risk	**$9,731,069**	**$49,367**	**$67,276**	**$290,471**	**$507,688**	**$1,132,628**	**$55,419**	**$11,833,918**

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

As of June 30, 2023

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity	Forward Contracts	Total
AFRICA								
South African Rand	$79,420	$—	$1,346	$—	$—	$—	$—	$80,766
AMERICAS								
Brazilian Real	137,294	—	2,195	—	—	—	—	139,489
Canadian Dollar	975,906	2,676	5,384	—	150,149	—	(9,163)	1,124,952
Chilean Peso	9,280	—	1,129	—	—	—	—	10,409
Colombian Peso	2,288	—	415	—	—	—	—	2,703
Mexican Peso	59,152	—	1,521	—	—	—	—	60,673
ASIA								
Australian Dollar	485,905	—	3,183	—	—	11,013	1,020	501,121
Chinese Renminbi	96,786	—	1,641	—	—	—	—	98,427
Hong Kong Dollar	663,581	—	2,826	—	—	—	183	666,590
Indonesian Rupiah	53,459	—	3,702	—	—	—	—	57,161
Japanese Yen	1,297,919	—	13,606	—	—	—	63,747	1,375,272
Malaysian Ringgit	31,769	—	1,859	—	—	—	—	33,628
New Zealand Dollar	11,375	—	497	—	—	—	133	12,005
Pakistani Rupee	—	—	28	—	—	—	—	28
Philippine Peso	13,232	—	406	—	—	—	—	13,638
Singapore Dollar	85,120	—	675	—	—	—	373	86,168
South Korean Won	275,212	—	3,092	—	—	—	—	278,304

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

As of June 30, 2023

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity	Forward Contracts	Total
Taiwan Dollar	327,583	—	7,229	—	—	—	—	334,812
Thai Baht	47,002	—	(165)	—	—	—	—	46,837
EUROPE								
British Pound Sterling	1,253,582	13,785	15,218	68	—	173,007	(16,208)	1,439,452
Czech Republic Koruna	4,069	—	421	—	—	—	—	4,490
Danish Krone	269,940	—	1,144	—	—	—	(114)	270,970
Euro	2,448,886	44,322	21,511	310,590	383,847	1,263,178	(2,674)	4,469,660
Hungarian Forint	4,643	—	343	—	—	—	—	4,986
Norwegian Krone	74,432	—	893	—	—	—	233	75,558
Polish Zloty	28,567	—	935	—	—	—	—	29,502
Russian Ruble	—	—	1,906	—	—	—	—	1,906
Swedish Krona	231,093	—	720	—	—	—	4,364	236,177
Swiss Franc	574,640	—	1,548	—	—	—	245	576,433
MIDDLE EAST								
Egyptian Pound	3,438	—	123	—	—	—	—	3,561
Israeli New Shekel	39,465	—	876	—	—	—	417	40,758
Kuwaiti Dinar	23,827	—	792	—	—	—	—	24,619
Qatari Rial	30,922	—	1,747	—	—	—	—	32,669
Saudi Riyal	6,220	—	—	—	—	—	—	6,220
Turkish Lira	19,948	—	438	—	—	—	—	20,386
UAE Dirham	40,609	—	201	—	—	—	—	40,810
Total Investment Securities Subject to Foreign Currency Risk	**$9,706,564**	**$60,783**	**$99,385**	**$310,658**	**$533,996**	**$1,447,198**	**$42,556**	**$12,201,140**

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

As of June 30, 2024

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Assets	Grand Total
AMERICAS					
Canadian Dollar	$47,141	$—	$145	$—	$47,286
ASIA					
Australian Dollar	31,856	—	106	—	31,962
Hong Kong Dollar	7,270	—	184	—	7,454
Japanese Yen	99,563	—	535	—	100,098
New Zealand Dollar	1,147	—	10	—	1,157
Singapore Dollar	5,545	—	27	—	5,572
EUROPE					
British Pound Sterling	60,236	—	274	—	60,510
Danish Krone	15,623	—	69	—	15,692
Euro	126,606	479	528	8,715	136,328
Norwegian Krone	3,440	—	254	—	3,694
Swedish Krona	14,769	—	64	—	14,833
Swiss Franc	36,679	—	142	—	36,821
MIDDLE EAST					
Israeli New Shekel	2,582	—	6	—	2,588
Total Investment Securities Subject to Foreign Currency Risk	**$452,457**	**$479**	**$2,344**	**$8,715**	**$463,995**

NOTE H — Securities Lending Program

The Board of Investments' policies authorize LACERA to participate in a securities lending program. LACERA generates income by lending securities that it owns to market participants such as brokers and dealers ("borrowers"). In return for lending securities, LACERA receives collateral, either in the form of cash or other securities. When cash collateral is received, LACERA pays the borrower interest on the cash and invests it with the goal of earning a higher yield than the interest rate paid to the borrower. When non-cash collateral is received, the borrower pays a fee for borrowing the securities. At the end of the loan, the borrower returns the securities and LACERA returns the collateral. In addition, either party to the transaction can terminate a loan on demand.

State Street Bank and Trust is LACERA's custodian and the lending agent for LACERA's securities lending program. The amount of collateral LACERA receives is based on the market value of the security loaned and depends on the type of security: 105 percent of market value for non-U.S. securities and 102 percent on U.S. securities are the minimum amounts of collateral received.

State Street Global Advisors (SSGA) invests the cash collateral received from the lending program. The collateral is invested in short-term highly liquid instruments. Loans are marked to market daily, so that if the fair value of a security on loan rises, LACERA receives additional collateral. Conversely, if the fair value of a security on loan declines, LACERA returns a portion of the collateral. Earnings generated in excess of the interest paid to borrowers represent net investment income to LACERA.

Under the terms of the lending agreement, the lending agent provides indemnification against borrower default. In the event a borrower does not return securities on loan, the terms of the lending agreement entitle LACERA to terminate the loan and use the collateral to purchase a like amount of "replacement securities." In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest.

At fiscal year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the fiscal years ended June 30, 2024 and 2023.

As of June 30, 2024, the fair value of securities on loan was $8.0 billion, with a value of cash collateral received of $2.4 billion and non-cash collateral of $6.1 billion. As of June 30, 2023, the fair value of securities on loan was $3.8 billion, with a value of cash collateral received of $1.9 billion and non-cash collateral of $2.0 billion. LACERA's investment income, net of expenses from securities lending, was $18.1 million and $14.1 million for the fiscal years ended June 30, 2024 and 2023, respectively.

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

Securities Lending
As of June 30, 2024 and 2023
(Dollars in Thousands)

	2024					2023				
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark[1]**	**Collateral Percent[2]**	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark[1]**	**Collateral Percent[2]**
U.S. Equity	$2,042,727	$1,058,414	$1,060,711	$1,650	103.8%	$2,332,066	$1,561,245	$840,301	$18,375	103.8%
U.S. Fixed Income	5,460,388	1,139,561	4,685,295	(55,248)	105.7%	927,308	233,202	743,620	4,685	105.8%
Non-U.S. Equity	469,192	161,178	340,324	(781)	106.7%	499,246	74,986	457,963	3,673	107.5%
Total	**$7,972,307**	**$2,359,153**	**$6,086,330**	**($54,379)**		**$3,758,620**	**$1,869,433**	**$2,041,884**	**$26,733**	

[1]Calculated mark is performed daily. It is the amount LACERA will collect from the borrower (if the amount is positive) or payment to the borrower (if the amount is negative) to bring the collateralization to appropriate levels based on fair value.
[2]Collateral percent is the total collateral received divided by the fair value of securities on loan. U.S. loans are collateralized at 102 percent minimum of the fair value of the securities on loan, while non-U.S. loans are collateralized at 105 percent minimum.

NOTE I — Derivative Financial Instruments

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

Futures

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

Currency Forwards

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

Currency Forwards Analysis — Pension Plan
As of June 30, 2024
(Dollars in Thousands)

Currency Name	Options	Currency Forwards Contracts Net Receivables	Currency Forwards Contracts Net Payables	Swaps	Total Exposure
Australian Dollar	$—	$593	($5,816)	$—	($5,223)
Brazilian Real	3	—	—	—	3
Canadian Dollar	—	40	548	—	588
Swiss Franc	—	(363)	(49)	—	(412)
Danish Krone	—	42	1,305	—	1,347
Euro	6	348	11,290	—	11,644
Pound Sterling	—	(51)	1,291	—	1,240
Hong Kong Dollar	22	(6)	(23)	—	(7)
Israeli New Shekel	—	(70)	492	—	422
Japanese Yen	—	(6,208)	52,609	—	46,401
Norwegian Krone	—	(85)	(214)	—	(299)
New Zealand Dollar	—	(20)	(13)	—	(33)
Swedish Krona	—	(266)	(302)	—	(568)
Singapore Dollar	—	(15)	362	—	347
Thailand Baht	1	—	—	—	1
Total	**$32**	**($6,061)**	**$61,480**	**$—**	**$55,451**

Currency Forwards Analysis — OPEB Trust
As of June 30, 2024
(Dollars in Thousands)

Currency Name	Options	Currency Forwards Contracts Net Receivables	Currency Forwards Contracts Net Payables	Swaps	Total Exposure
Euro	$2	$—	$—	$—	$2
Total	**$2**	**$—**	**$—**	**$—**	**$2**

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

Options

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

The following Investment Derivatives schedule reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended June 30, 2024 classified by type, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Investment Derivatives — Pension Plan
As of June 30, 2024
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$76,267	$—	$—	474,707
Commodity Futures Short	(9,843)	—	—	(43)
Fixed Income Futures Long	(20,514)	—	—	262,900
Fixed Income Futures Short	1,713	—	—	—
Fixed Income Options Written	(46)	—	—	—
Foreign Currency Futures Long	(670)	—	—	3,100
Foreign Currency Futures Short	1,540	—	—	(47,500)
FX Forwards	219,485	55,419	6,898,869	—
Index Futures Long	251,730	—	—	534
Index Futures Short	(79,154)	—	—	(374)
Rights	2,664	25	569	—
Warrants	589	3,292	216	—
Total	**$443,761**	**$58,736**	**$6,899,654**	**693,324**

Investment Derivatives — OPEB Trust
As of June 30, 2024
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Index Futures Long	$1,232	$—	$—	15
Rights	1	2	4	—
Warrants	1	5	—	—
Total	**$1,234**	**$7**	**$4**	**15**

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes.

Counterparty Credit Risk

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

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

Counterparty Credit Risk Analysis — Pension Plan

As of June 30, 2024

(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Barclays Bank PLC Wholesale	$354	A+	A+	A1
Citibank N.A.	103	A+	A+	Aa3
Deutsche Bank AG	4,482	A	A-	A1
Goldman Sachs International	27,095	A+	A+	A1
Natwest Markets Plc	6,293	A	A+	A1
State Street Bank And Trust Company	122	AA-	AA	Aa3
The Bank of New York Mellon	15,896	A	AA-	A1
UBS AG	18,664	A+	A+	Aa2
Westpac Banking Corporation	5,172	AA-	AA-	Aa2
Total	**$78,181**			

NOTE J — Special Purpose Entities

Real Estate Investments

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

As of June 30, 2024, the LACERA real estate portfolio held 28 title holding companies (THCs) and 36 limited liability companies (LLCs). As of June 30, 2023, the portfolio held 31 THCs and 36 LLCs.

The total fair values of assets invested in THCs and LLCs as of June 30, 2024 and June 30, 2023 were $2.1 billion and $3.3 billion, respectively. Investment managers responsible for managing real estate investments held in THCs can be found in the Investment Section, List of Investment Managers under Real Assets and Inflation Hedges — Core Real Estate.

Debt Program

The investment managers for the Debt Program are Barings, LLC and Quadrant Real Estate Advisors, LLC. The total fair value of assets invested in these two Debt Program accounts as of June 30, 2024 and June 30, 2023 were $64 million and $63 million, respectively. The Debt Program is included in LACERA's Credit functional category portfolio. Per LACERA's Board-approved 2021 Credit Structure Review, the legacy Credit assets, which include the underlying assets within the Debt Program, will be liquidated over the natural life of the investment cycle.

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

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

NOTE K — Related Party Transactions

Office Space Lease

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

LACERA entered into the 17th Amendment with the THC to occupy 125,559 square feet of office space in December 2020. The latest amendment extended the term of the lease for an additional 60-month period, commencing on January 1, 2021 and ending on December 31, 2025. Under this lease agreement, LACERA is required to pay monthly rent for the new term, with an initial three-month rent abatement period allowed from January 1, 2021 to March 31, 2021. The rent amounts are based on the current market rate for comparable space. In addition to rent, as defined in the lease agreement, LACERA is required to pay its proportionate share of the increase in the building's operating costs and property taxes over its base year.

Total rent expenses paid by LACERA were approximately $6.5 million and $6.1 million for the fiscal years ended June 30, 2024 and June 30, 2023, respectively.

NOTE L — Administrative Expenses

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

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

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

Under applicable sections of the CERL, both LACERA Boards approved the operating budgets for fiscal years ended June 30, 2024 and June 30, 2023, which were prepared based upon the 0.21 percent CERL limit. For these years, LACERA's approved operating budgets were well below the statutory limit, and the actual administrative expenditures were less than the approved budgets.

Beginning with the operating budget for the fiscal year ended June 30, 2021, LACERA implemented a staggered budget development approach of 1) obtaining Board approval of an operating budget before the start of the new fiscal year, 2) completing a mid-year budget review, and 3) recommending budget amendments during the mid-year budget review, if deemed necessary, for the Boards' approval. Board-approved adjustments made during the mid-year budget review are included in the final budgeted amounts for the fiscal year. This staggered approach enables executive leadership the opportunity to realign resources with the strategic direction of the organization and support the management team in implementing new or urgent initiatives that might occur during the year.

LACERA also pays Los Angeles County departments for services they provide to LACERA, primarily related to administering employee payroll and benefits, recruitment exams, fingerprinting, background checks, and cloud customer service software. For the fiscal years ended June 30, 2024 and 2023, LACERA paid Los Angeles County $373,591 and $447,428, respectively, for the use of these County services and systems.

The following budget-to-actual analysis of administrative expenses schedule is based upon the mid-year budget review for the fiscal years ended June 30, 2024 and June 30, 2023*, as approved by the LACERA governing boards, in comparison to actual administrative expenses.*

Budget-to-Actual Analysis of Administrative Expenses
As of June 30, 2024 and 2023
(Dollars in Thousands)

	2024	**2023**
Basis for Budget Calculation, Actuarial Accrued Liability[1]	$86,320,151	$81,898,044
Maximum Allowable for Administrative Expenses	$181,272	$171,986
Total Statutory Budget Appropriation	**$181,272**	**$171,986**
Operating Budget Request	$135,748	$127,767
Administrative Expenses	(118,628)	(112,150)
Underexpended Operating Budget	**$17,120**	**$15,617**
Administrative Expenses	$118,628	$112,150
Basis for Budget Calculation, Actuarial Accrued Liability[1]	$86,320,151	$81,898,044
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.14%**	**0.14%**
Limit per CERL	0.21%	0.21%
Administrative Expenses	$118,628	$112,150
Net Position Restricted for Benefits	$79,202,225	$73,851,886
Administrative Expenses as a Percentage of Fiduciary Net Position	**0.15%**	**0.15%**

[1]The 2024 and 2023 budget calculations are based on the most recent Pension Plan actuarial reports available at the time the budget is prepared, which are the Actuarial Accrued Liabilities as of June 30, 2022 and June 30, 2021, respectively.

NOTE M — Commitments and Contingencies

Litigation

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

Securities Litigation

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

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

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

LEASES

Equipment

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments and operating expenses for such equipment leases were approximately $208,000 and $189,000 for the fiscal years ended 2024 and 2023, respectively.

Office Space Lease

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

The lease agreement for LACERA's office space is also discussed in Note K — Related Party Transactions. The total rent expenses for leasing the building premises were $6.5 million and $6.1 million in fiscal years ended 2024 and 2023, respectively.

Capital Commitments

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

As of June 30, 2024, capital commitments approved by LACERA's Board of Investments, that are outstanding to the various investment managers but not yet funded, totaled $9.7 billion.

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

Program Description

In April 1982, the County adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) to establish a retiree healthcare insurance program and death/burial benefits for retired employees and their eligible dependents. That same year, the County and LACERA entered into an agreement (the “1982 Agreement”) whereby LACERA’s Board of Retirement would administer the program subject to the terms and conditions of the agreement. In 1994, the County amended the Agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

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

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

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

Membership

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, Superior Court, LACERA, or a participating outside district. Healthcare benefits are also offered to qualifying survivors of deceased retired members and qualifying survivors of deceased active employees who were eligible to retire at the time of death. Eligible dependents are covered for Tier 1 members, whereas Tier 2 members receive retiree-only coverage for the County medical and dental/vision insurance subsidy. However, Tier 2 dependents can still enroll without a subsidy. Eligibility to receive a pension benefit is a prerequisite for retiree healthcare and death benefits. Therefore, the eligibility and qualifications applicable to retiree healthcare and death/burial benefits are substantially similar to pension benefits. The Summary of Major OPEB Program Provisions is available by contacting LACERA or visiting the lacera.com for additional information.

LACERA Membership — OPEB Medical and Dental/Vision Benefits
As of June 30, 2024 and 2023

	2024		2023	
	Medical	**Dental/Vision**	**Medical**	**Dental/Vision**
Retired Participants				
Retired Members and Survivors	56,365	58,524	55,359	57,271
Spouses and Dependents	28,706	33,396	28,274	32,699
Total Retired	**85,071**	**91,920**	**83,633**	**89,970**
Inactive Members — Vested	9,719	9,719	9,612	9,612
Active Members — Vested[1]	75,427	75,427	75,388	75,388
Total Membership Eligible for Benefits	**170,217**	**177,066**	**168,633**	**174,970**

LACERA Membership — OPEB Death/Burial Benefits
As of June 30, 2024 and 2023

	2024	2023
Retired with Eligibility for Death/Burial Benefits[2]	64,651	63,152
Total Retired	**64,651**	**63,152**
Inactive Members — Vested	9,719	9,612
Active Members — Vested[1]	75,427	75,388
Total Membership Eligible for Benefits	**149,797**	**148,152**

[1]Active members include terminated members who are vested (deferred) and eligible to receive OPEB benefits. Active members exclude non-vested (inactive) members who are ineligible for OPEB benefits.
[2]Survivors, spouses, and dependents are not eligible for death benefits.

Benefit Provisions

The OPEB Program offers the same selection of medical plans as well as two dental/vision plans for both Tier 1 and Tier 2 participants. The medical plans include HMOs and indemnity plans, some of which are designed to work with Medicare benefits, such as the Medicare Advantage Prescription Drug (HMO) or Medicare Supplement (indemnity) plans. Coverage is available regardless of preexisting medical conditions. Under the Tier 2 benefits structure, retirees/survivors and their eligible dependents who qualify for Medicare must enroll in Medicare Parts A and B, as well as a LACERA-administered Medicare HMO plan or a Medicare Supplement plan. However, the healthcare benefits coverage subsidy and the Medicare Part B premium reimbursement (annually reviewed and approved by the Board of Supervisors) only apply to retirees/survivors under the Tier 2 program, not eligible dependents.

Medical and Dental/Vision

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

Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

LACERA offers benefits for Tier 1 and Tier 2 members that are nearly identical. Retired members may enroll themselves, their spouse, and dependents if all eligibility requirements are met. For Tier 1 members, the County subsidy applies to the member and/or eligible dependents, while Tier 2 limits the subsidy to the member only and the qualifying survivor upon the member's death. Under the Tier 1 benefits structure, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision plans. Under Tier 2, the County subsidy is based on retiree/survivor-only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members/survivors, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B

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

Disability

If a member with less than 13 years of service is granted a service-connected disability retirement, the County contributes the lesser of 50 percent of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under the Tier 2 program, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52 percent subsidy. This percentage increases 4 percent for each additional completed year of service, up to a maximum of 100 percent for a member with 25 years or more of service credit. Members are responsible for any premium difference each month on premiums exceeding the benchmark amounts (including those with 25 years of service).

Death/Burial Benefit

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

Healthcare Reform

The Affordable Care Act (ACA), signed into law in March 2010, impacts the County's future healthcare liabilities. Estimated ACA fees are included in the OPEB liabilities. However, as a retiree-only group plan, LACERA is exempt from many of the provisions implemented thus far, including these significant provisions that do not apply to LACERA insurance plans except as noted below:

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

In December 2019, the Further Consolidated Appropriations Act (H.R. 1865) repealed the excise tax and health insurer fee beginning in the calendar year 2021 and extended the Patient-Centered Outcomes Research Institute (PCORI) Fee through 2029. The OPEB assumptions for the July 1, 2023 valuation reflect the exclusion of the excise tax and the health insurer fees.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — OPEB PROGRAM

Basis of Presentation

LACERA reports OPEB activity in the basic financial statements under two distinct funds: the OPEB Custodial Fund and the OPEB Trust Fund, as per GASB Statement Number 74 (GASB 74).

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

The OPEB actuarial valuation groups the agents using the following structure. There are three agents participating in the OPEB Trust, who are also included in the seven agents of the OPEB Program. The most recent OPEB Program Investigation of Experience Study report, prepared as of July 1, 2023, includes the population of all participating agents. Separate liabilities are calculated for the agents participating in the OPEB Program and the OPEB Trust.

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

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

OPEB Trust — Agent Plan

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

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

Investment Valuation

Investments are carried at fair value, derived by various methods. Additional details on fair value methodology are provided in Note B — Summary of Significant Accounting Policies and Note P — Fair Value of Investments.

Contributions Authority

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

Premium Payments

As of June 30, 2024 and 2023

(Dollars in Thousands)

	2024	**2023**
Healthcare Premium Payments Funded by:		
Employer Subsidy	$686,863	$638,037
Member Payments	50,255	48,378
Total Premium Payments Made to Insurance Carriers	**$737,118**	**$686,415**
Other Employer Subsidies:		
Medicare Part B Reimbursements	$101,481	$97,484
Death/Burial Benefit	9,392	9,812
Total Other Employer Subsidies	**$110,873**	**$107,296**

A premium holiday is a temporary period in which the monthly premium costs for both the Program sponsors (i.e., County and participating employers) and affected members are waived. Affected members are those retirees/survivors enrolled in certain medical and dental/vision benefit plans who also pay their share of the monthly premiums. The Board of Retirement approved the most recent premium holiday for the January 2015 insurance coverage period. There were no premium holidays during the fiscal years ended June 30, 2024 and 2023.

NOTE O — Hedge Fund Investments

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

The status of LACERA's hedge fund investment program as of June 30, 2024 is as follows:

- In the core hedge funds portfolio, LACERA is invested in nine direct hedge fund managers and one hedge fund-of-funds manager.
- LACERA is invested in a total of 10 hedge fund emerging managers in the hedge funds emerging manager program. Stable Asset Management, LACERA's discretionary separate account manager for the hedge funds emerging manager program, selected three new emerging managers during fiscal year 2024.
- LACERA continues to maintain one hedge fund-of-funds manager, Grosvenor Capital Management (GCM). In 2019, LACERA initiated the full redemption of the GCM hedge fund of funds' portfolio. This portfolio began returning cash during fiscal year 2020 and will continue to distribute cash in alignment with the liquidity terms of the portfolio or underlying managers. GCM is managing the redemption process of the GCM portfolio.

The investment performance for this strategy is measured separately from other asset classes. The fair values of assets invested in hedge funds as of June 30, 2024 and June 30, 2023 were $4.9 billion and $4.9 billion, respectively.

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

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

NOTE P — Fair Value of Investments

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

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Certain other investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP. The table below illustrates investments classified by their fair value hierarchy (Levels 1, 2, and 3) as well as investments measured at NAV.

Equity and Fixed Income Securities

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

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

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

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

Investments in hedge funds, private equity, real assets, real estate, equity, and fixed income funds are valued at the estimated net asset value (NAV) based upon the fair value of the underlying investments, as determined in good faith by the general partner (GP), in accordance with GAAP fair value principles in instances where no observable public market values are available. Investments that are estimated at fair value are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP. In instances where observable public market values are available for the underlying securities held, fair value is determined by the fund's administrator using independent pricing sources.

Real Estate Separate Account Investments

Real estate investments are valued at NAV, based upon estimated fair value, as determined in good faith by the investment manager. These investments are initially valued at cost, with subsequent adjustments that reflect third-party transactions, financial operating results, and other factors deemed relevant by the investment manager. Properties are subject to independent third-party appraisals annually.

LACERA has the following recurring fair value measurements as of June 30, 2024 and 2023.

Investments and Derivative Instruments Measured at Fair Value — Pension Plan
As of June 30, 2024
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$178,877	$—	$178,877	$—
Corporate and Other Credit	1,425,484	—	1,365,945	59,539
Municipal/Revenue Bonds	3,871	—	3,871	—
Non-U.S. Fixed Income	178,144	—	147,184	30,960
Private Placement Fixed Income	885,157	—	876,344	8,813
U.S. Government Agencies	824,171	—	824,171	—
U.S. Treasuries	6,052,414	—	6,052,414	—
Whole Loan Mortgages	8,661	—	—	8,661
Total Fixed Income Securities	**$9,556,779**	**$—**	**$9,448,806**	**$107,973**
Equity Securities				
Non-U.S. Equity	$10,463,610	$10,457,776	$1,091	$4,743
Pooled Investments	473,278	473,278	—	—
U.S. Equity	17,962,579	17,925,521	7,247	29,811
Total Equity Securities	**$28,899,467**	**$28,856,575**	**$8,338**	**$34,554**
Collateral from Securities Lending	**$2,359,152**	**$—**	**$2,359,152**	**$—**
Total Investments by Fair Value Level	**$40,815,398**	**$28,856,575**	**$11,816,296**	**$142,527**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$10,298,479			
Equity	559,458			
Hedge Funds	4,875,300			
Private Equity	13,057,192			
Real Estate	4,406,609			
Real Assets	3,359,137			
Total Investments Measured at NAV	**$36,556,175**			
Total Investments	**$77,371,573**			
Derivative Instruments				
Foreign Exchange Contracts	$55,419	$—	$55,419	$—
Foreign Equity Derivatives	543	543	—	—
U.S. Fixed Income Derivatives	46	46	—	—
U.S. Equity Derivatives	2,728	2,728	—	—
Total Derivative Instruments	**$58,736**	**$3,317**	**$55,419**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2024

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds[1]	$10,298,479	$617,178	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds[2]	559,458	—	Annual or Not Eligible	1-90 days or N/A
Hedge Funds[3]	4,875,300	—	Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity[4]	13,057,192	5,273,126	Not Eligible	N/A
Real Estate[4]	4,406,609	1,514,021	Quarterly or Not Eligible	30 days+ or N/A
Real Assets[4]	3,359,137	1,896,738	Not Eligible	N/A
Total Investments Measured at NAV	**$36,556,175**			

[1]**Fixed Income Funds:** Twenty-two fixed income funds are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Approximately 65 percent of assets are available for redemption within 12 months; these funds provide daily, monthly, or quarterly liquidity. Approximately 35 percent of the fund assets have liquidity beyond 12 months.

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

[3]**Hedge Funds:** This portfolio consists of 18 current funds and one fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 75 percent of the fund assets are available for redemption within 12 months; these funds provide monthly, quarterly, semiannual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. Approximately 25 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

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

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

[4]**Private Equity, Real Assets, and Real Estate Funds:** LACERA's Private Equity portfolio consists of 278 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, and co-investments. Due to contractual limitations, none of the funds are eligible for redemption. The Real Assets portfolio consists of 29 funds, investing primarily in infrastructure and natural resources. Four of the funds are eligible for redemption after an initial lockup period, and the other 25 of the funds are not eligible for redemption as the lockup period is typically from 10 to 15 years. The Real Estate portfolio, composed of 28 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. Six out of 28 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J — Special Purpose Entities.

Investments and Derivative Instruments Measured at Fair Value — Pension Plan
As of June 30, 2023
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$196,008	$—	$196,008	$—
Corporate and Other Credit	1,991,678	—	1,932,426	59,252
Municipal/Revenue Bonds	8,141	—	8,141	—
Non-U.S. Fixed Income	223,581	—	179,595	43,986
Private Placement Fixed Income	1,285,038	—	1,280,928	4,110
U.S. Government Agencies	809,533	—	809,533	—
U.S. Treasuries	5,565,801	—	5,565,801	—
Whole Loan Mortgages	9,894	—	—	9,894
Total Fixed Income Securities	**$10,089,674**	**$—**	**$9,972,432**	**$117,242**
Equity Securities				
Non-U.S. Equity	$10,285,308	$10,280,730	$519	$4,059
Pooled Investments	414,172	414,172	—	—
U.S. Equity	15,976,842	15,967,901	1,770	7,171
Total Equity Securities	**$26,676,322**	**$26,662,803**	**$2,289**	**$11,230**
Collateral from Securities Lending	**$1,869,433**	**$—**	**$1,869,433**	**$—**
Total Investments by Fair Value Level	**$38,635,429**	**$26,662,803**	**$11,844,154**	**$128,472**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$7,831,883			
Equity	453,239			
Hedge Funds	4,890,856			
Private Equity	13,894,495			
Real Estate	5,109,454			
Real Assets	2,514,132			
Total Investments Measured at NAV	**$34,694,059**			
Total Investments	**$73,329,488**			
Derivative Instruments				
Foreign Exchange Contracts	$42,556	$—	$42,556	$—
Foreign Equity Derivatives	562	562	—	—
Total Derivative Instruments	**$43,118**	**$562**	**$42,556**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2023

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds[1]	$7,831,883	$1,834,547	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds[2]	453,239	—	Annual or Not Eligible	1-90 days or N/A
Hedge Funds[3]	4,890,856	181,598	Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity[4]	13,894,495	5,299,231	Not Eligible	N/A
Real Estate[4]	5,109,454	1,289,323	Quarterly or Not Eligible	30 days+ or N/A
Real Assets[4]	2,514,132	913,268	Not Eligible	N/A
Total Investments Measured at NAV	**$34,694,059**			

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

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

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

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

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

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

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

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

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

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

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

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2024

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$5,513	$—	$5,513	$—
Corporate and Other Credit	398,371	—	398,065	$306
Municipal/Revenue Bonds	1,974	—	1,974	—
Non-U.S. Fixed Income	62,435	—	62,435	—
Private Placement Fixed Income	226,213	—	226,213	—
U.S. Government Agencies	113,376	—	113,376	—
U.S. Treasuries	633,286	—	633,286	—
Pooled Investments	20,365	20,365	—	—
Total Fixed Income Securities	**$1,461,533**	**$20,365**	**$1,440,861**	**$306**
Equity Securities				
Non-U.S. Equity	$479,762	$479,762	$—	$—
Pooled Investments	188,244	188,244	—	—
U.S. Equity	1,439,129	1,439,129	1	—
Total Equity Securities	**$2,107,135**	**$2,107,135**	**$1**	**$—**
Total Investment by Fair Value Level	**$3,568,668**	**$2,127,500**	**$1,440,862**	**$306**
Investments Measured at Net Asset Value (NAV)				
Fixed Income Funds	$274,152			
Private Equity	18,175			
Real Estate	2,431			
Real Assets	16,894			
Total Investments Measured at NAV	**$311,652**			
Total Investments	**$3,880,320**			
Derivative Instruments				
U.S. Fixed Income Derivatives	$5	$5	$—	$—
Foreign Equity Derivatives	2	2	—	—
Total Derivative Instruments	**$7**	**$7**	**$—**	**$—**

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2024

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds[1]	$274,152	$95,856	Daily, Monthly, or Not Eligible	1-60 days or N/A
Private Equity[2]	18,175	117,098	Not Eligible	N/A
Real Estate[3]	2,431	67,395	Not Eligible	N/A
Real Assets[4]	16,894	96,508	Not Eligible	N/A
Total Investments Measured at NAV[1]	**$311,652**			

[1]Fixed Income Funds: The portfolio consists of nine fixed income funds value at the net asset value (NAV) of units held at the end of the period based on the fair value of underlying investments. Approximately 95 percent of assets are available for redemption within 12 months. Approximately 5 percent of the fund assets are not eligible for redemption due to contractual limitations.

[2]Private Equity: Seven private equity funds are valued at NAV. Due to contractual limitations, none of the funds are eligible for redemption.

[3]Real Estate: The Real Estate Portfolio is composed of one fund. Due to contractual limitations, the fund is not eligible for redemption.

[4]Real Assets: The Real Assets portfolio consists of five funds. Due to contractual limitations, none of the funds are eligible for redemption.

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2023

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
U.S. Treasuries	$75,346	$—	$75,346	$—
Pooled Investments	293,690	293,690	—	—
Total Fixed Income Securities	**$369,036**	**$293,690**	**$75,346**	**$—**
Total Investment by Fair Value Level	**$369,036**	**$293,690**	**$75,346**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$872,197			
Equity	1,468,752			
Real Estate Investment Trust (REIT)	311,966			
Total Investments Measured at NAV	**$2,652,915**			
Total Investments	**$3,021,951**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2023

(Dollars in Thousands)

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

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

Investments Measured at Fair Value — OPEB Custodial Fund
As of June 30, 2024
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$787	$—	$787	$—
Corporate and Other Credit	6,517	—	6,517	—
U.S. Treasuries	180,471	—	180,471	—
Total Fixed Income Securities	**$187,775**	**$—**	**$187,775**	**$—**
Total Investments by Fair Value Level	**$187,775**	**$—**	**$187,775**	**$—**

Investments Measured at Fair Value — OPEB Custodial Fund
As of June 30, 2023
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$3,636	$—	$3,636	$—
Private Placement Fixed Income	2,925	—	2,925	—
Corporate and Other Credit	22,413	—	22,413	—
U.S. Treasuries	152,703	—	152,703	—
Total Fixed Income Securities	**$181,677**	**$—**	**$181,677**	**$—**
Total Investments by Fair Value Level	**$181,677**	**$—**	**$181,677**	**$—**

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

Los Angeles County (County) OPEB Trust

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

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

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

Los Angeles Superior Court (Court) OPEB Trust

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

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

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

OPEB Master Trust

In July 2016, LACERA's Board of Investments adopted the OPEB Master Trust Declaration approving the use of a unitized fund structure for the County and Court OPEB Trusts. As trustee, the Board of Investments has sole and exclusive authority, control over, and responsibility for directing the investment and management of the Master OPEB Trust assets.

A unitized fund structure provides participants the ability to pool assets and resources while retaining total fund and functional category values and reporting for each participant. This approach can offer administrative efficiency, potential cost savings, and permit flexibility in asset allocation. Unitized sub-funds preserve the ability to base investments on the individual needs of each participating employer.

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

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

LACERA OPEB Liability Funding
In June of 2023 and 2022, LACERA's Board of Retirement and Board of Investments approved LACERA's revised administrative budget policy each year to include additional OPEB Trust prefunding contributions at the discretion of LACERA's Chief Executive Officer. The policy states that based upon a projected budget surplus, an additional OPEB contribution may be up to, but not exceed, the OPEB contribution amount originally budgeted for that year; so, an administrative budget surplus can be used to increase LACERA's total OPEB prefunding contribution for the year. For the fiscal years ended 2024 and 2023, the Chief Executive Officer approved and authorized the transfer of an additional OPEB Trust contribution for LACERA.

The Court continues to pay its OPEB liability on a pay-as-you-go basis. The Court makes prefunding contributions on a discretionary basis without a formal OPEB funding policy. When budgeted surplus funds are available at fiscal year-end, the Court may earmark such excess funds as OPEB Trust contributions.

INVESTMENT POLICIES — OPEB MASTER TRUST
Investment Policy Statement
LACERA's Board of Investments approves the allocation of investment assets within the OPEB Master Trust. As outlined in the OPEB Master Trust Investment Policy Statement, assets are managed on a total return basis with the overall goal to provide retiree healthcare program participants with post-employment healthcare benefits as promised, via a long-term investment program.

Target Allocation
The Board's revised asset allocation policy, adopted in December 2017, divided the Trust into four broad functional categories and contains asset classes that align with the purpose of each function. The Board approved target weights at both the functional category and asset class level to provide for

diversification of assets in an effort to meet the OPEB Program's actuarial assumed rate of return, consistent with market conditions and risk control.

During fiscal year 2024, the Board adopted a new strategic asset allocation (SAA) for the OPEB Master Trust. The primary difference between the newly adopted SAA and the former 2021 SAA is the reduction of the Real Assets and Inflation Hedges functional category to strengthen the weight of the Risk Reduction and Mitigation functional category through an increase of investment grade bonds.

Schedule of Target Allocation
For the Fiscal Years Ended June 30, 2024 and 2023

Asset Class	2024 Target Allocation		2023 Target Allocation	
Growth	**45.0%**		**47.5%**	
Global Equity		40.0%		45.0%
Private Equity		5.0%		2.5%
Credit	**18.0%**		**19.0%**	
Liquid Credit		13.0%		16.5%
Illiquid Credit		5.0%		2.5%
Risk Reduction & Mitigation	**17.0%**		**13.5%**	
Investment Grade Bonds		10.0%		9.0%
Long-Term Government Bonds		5.0%		2.5%
Cash and Cash Equivalents		2.0%		2.0%
Real Assets & Inflation Hedges	**20.0%**		**20.0%**	
Real Estate		8.0%		9.0%
Natural Resources		2.0%		1.0%
Commodities		2.0%		3.0%
Infrastructure		2.0%		1.0%
Treasury Inflation-Protected Securities		6.0%		6.0%

Investment Concentrations
On June 30, 2024, the OPEB Master Trust held approximately 45.0 percent in Growth, 18.0 percent in Credit, 17.0 percent in Risk Reduction and Mitigation, and 20.0 percent in Real Assets and Inflation Hedges. In addition, the OPEB Master Trust did not hold investments in any one issuer that would represent 5 percent or more of the OPEB Master Trust Fiduciary Net Position.

Money-Weighted Rate of Return
For the fiscal years ended June 30, 2024 and 2023, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses, were 11.1 percent and 9.7 percent, respectively. Historical returns will be presented as they become available in the Schedule of Investment Returns — OPEB Program presented in the Required Supplementary Information (RSI) section.

Contributions
The participating employers historically discharged their current healthcare premium subsidy obligations on a pay-as-you-go basis. LACERA bills the participating employers and members for healthcare premiums on a monthly basis and receives payment. The County, Superior Court, and LACERA use the OPEB Trust as a mechanism to prefund these obligations, depositing monies into

the irrevocable OPEB Trust, earning interest and investment income, and dispersing funds in accordance with the terms of the trust agreements. Retiree healthcare program participants are required to pay the difference between the employer-paid subsidy and the actual premium cost.

For the fiscal years ended June 30, 2024 and 2023, LACERA contributed a total of $4.3 million and $3.7 million, respectively, to prefund LACERA's portion of OPEB benefits. These amounts include the contributions originally funded through LACERA's administrative budget, plus additional contributions based on a projected budget surplus, as allowed within LACERA's budget policy, for both fiscal years ended 2023–2024 and 2022–2023.

During fiscal years ended June 30, 2024 and 2023, the County, Superior Court, and LACERA made total prefunding contributions to the OPEB Trust of $518.7 million and $451.2 million respectively, in excess of the pay-as-you-go amounts, both of which are recorded as revenue within the OPEB Trust.

Contributions — OPEB Trust
For the Fiscal Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Los Angeles County	$503,390	$441,452
LACERA	4,307	3,740
Superior Court	11,000	6,000
Total Contributions[1]	**$518,697**	**$451,192**

[1]Contributions presented here are limited to OPEB Trust prefunding from plan sponsors. OPEB Trust employer contributions presented in the Statement of Changes in Fiduciary Net Position include pay-as-you-to contributions per GASB reporting requirements. Please see Note B - Summary of Significant Accounting Policies for additional information.

Administration
The OPEB Trust administration costs, expensed to the Trust, include payments for investment management fees, custodial fees, consultant fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $4.7 million and $2.1 million for fiscal years ended June 30, 2024 and 2023, respectively. Higher fund balances and new investments in private asset partnership funds caused an increase in investment management fees.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2024 and 2023

	2024			
	Los Angeles County	**LACERA**	**Superior Court**	**Total**
Management Fees	$1,718,488	$8,813	$36,884	$1,764,185
Custodial Fees	135,697	705	2,927	139,329
Consultant Fees	86,555	441	1,868	88,864
Investment Expenses	53,471	266	1,088	54,825
Investment Expenses-Legal Fees	302,386	1,568	6,414	310,368
Partnership Expenses-Real Assets	11,751	49	406	12,206
Partnership Expenses-Private Equity	308,493	1,610	6,627	316,730
Foreign Income Taxes	875,830	4,465	18,855	899,150
Administrative Expenses	815,325	52,276	209,103	1,076,704
Total Expenses	**$4,307,996**	**$70,193**	**$284,172**	**$4,662,361**

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

Fund Values

OPEB Trust Fund additions include contributions from participating employers and investment income. Deductions include investment expenses, administrative expenses, and redemptions. There were no redemptions made by OPEB Trust participating during the fiscal years ended June 30, 2024 and 2023. The OPEB Trust Fund values were as follows.

Fund Values — OPEB Trust

As of June 30, 2024 and 2023

(Dollars in Thousands)

	2024		
	Book Value	**Unrealized Investment Appreciation**	**Fair Value**
Los Angeles County	$3,171,467	$699,366	$3,870,833
LACERA	18,562	3,146	21,708
Superior Court	66,812	18,518	85,330
Total Balance	**$3,256,841**	**$721,030**	**$3,977,871**

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

NOTE R — Subsequent Events

Subsequent events have been evaluated by management through October 15, 2024, which is the date the financial statements were issued.

FINANCIAL SECTION
(REQUIRED SUPPLEMENTARY INFORMATION)

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Schedule of Net Pension Liability and Related Ratios
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability	$92,713,809	$88,469,442	$83,931,424	$80,303,904	$76,579,594	$70,309,252	$67,057,218	$64,031,677	$58,528,457	$56,570,520
Less: Fiduciary Net Position	(79,202,225)	(73,851,886)	(70,289,612)	(73,012,026)	(58,510,408)	(58,294,837)	(56,299,982)	(52,743,651)	(47,846,694)	(48,818,350)
Net Pension Liability	$13,511,584	$14,617,556	$13,641,812	$7,291,878	$18,069,186	$12,014,415	$10,757,236	$11,288,026	$10,681,763	$7,752,170
Fiduciary Net Position as a Percentage of Total Pension Liability	85.43%	83.48%	83.75%	90.92%	76.40%	82.91%	83.96%	82.37%	81.75%	86.30%
Covered Payroll[1]	$9,860,647	$9,425,690	$9,100,791	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420
Net Pension Liability as a Percentage of Covered Payroll	137.03%	155.08%	149.90%	80.47%	207.12%	143.54%	135.18%	147.81%	146.73%	111.55%

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

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

Schedule of Changes in Net Pension Liability and Related Ratios

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2024	2023	2022	2021	2020
Total Pension Liability					
Service Cost	$1,676,917	$1,635,318	$1,583,222	$1,499,597	$1,301,460
Interest on Total Pension Liability	6,269,137	5,950,906	5,696,846	5,433,409	5,154,164
Effect of Plan Changes	—	—	—	—	—
Effect of Assumption Changes or Inputs	(222,966)	855,336	—	—	2,626,103
Effect of Economic/Demographic (Gains) or Losses	1,039,417	377,821	392,019	605,566	794,955
CalPERS Transfer	—	—	—	—	—
Benefit Payments and Refund of Contributions	(4,518,138)	(4,281,363)	(4,044,567)	(3,814,262)	(3,606,340)
Net Change in Total Pension Liability	$4,244,367	$4,538,018	$3,627,520	$3,724,310	$6,270,342
Total Pension Liability - Beginning	88,469,442	83,931,424	80,303,904	76,579,594	70,309,252
Total Pension Liability - Ending (a)	$92,713,809	$88,469,442	$83,931,424	$80,303,904	$76,579,594
Fiduciary Net Position					
Contributions: Employer[1]	$2,509,071	$2,301,706	$2,199,889	$2,012,877	$1,800,137
Contributions: Metropolitan Transportation Authority	—	—	—	—	—
CalPERS Transfer	—	—	—	—	—
Contributions: Member[1]	861,042	793,244	758,632	760,994	659,296
Net Investment Income[2]	6,595,188	4,841,151	(1,554,155)	15,615,699	1,432,547
Net Miscellaneous Income	5,008	4,551	3,898	2,680	1,985
Benefit Payments and Refund of Contributions	(4,518,138)	(4,281,363)	(4,044,567)	(3,814,262)	(3,606,340)
Administrative Expenses[2]	(101,832)	(97,015)	(86,111)	(76,370)	(72,054)
Net Change in Fiduciary Net Position	5,350,339	3,562,274	(2,722,414)	14,501,618	215,571
Fiduciary Net Position - Beginning	73,851,886	70,289,612	73,012,026	58,510,408	58,294,837
Fiduciary Net Position - Ending (b)	$79,202,225	$73,851,886	$70,289,612	$73,012,026	$58,510,408
Net Pension Liability - Ending (a) - (b)	$13,511,584	$14,617,556	$13,641,812	$7,291,878	$18,069,186
Fiduciary Net Position as a Percentage of Total Pension Liability	85.43%	83.48%	83.75%	90.92%	76.40%
Covered Payroll[3]	$9,860,647	$9,425,690	$9,100,791	$9,062,051	$8,724,151
Net Pension Liability as a Percentage of Covered Payroll	137.03%	155.08%	149.90%	80.47%	207.12%

[1]In accordance with GASB Statement Number 82, employer pickup contributions are classified as Member Contributions.
[2]In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.
[3]In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

Schedule of Changes in Net Pension Liability and Related Ratios (Continued)
For the Fiscal Years Ended June 30
(Dollars in Thousands)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	$1,239,396	$1,220,274	$1,106,755	$1,069,328	$1,024,288
Interest on Total Pension Liability	4,916,804	4,699,493	4,393,712	4,214,834	4,073,299
Effect of Plan Changes	—	—	—	—	—
Effect of Assumption Changes or Inputs	—	—	3,079,892	—	—
Effect of Economic/Demographic (Gains) or Losses	502,989	309,149	(47,506)	(437,039)	(736,010)
CalPERS Transfer	—	—	—	—	332
Benefit Payments and Refund of Contributions	(3,407,155)	(3,203,375)	(3,029,633)	(2,889,186)	(2,768,410)
Net Change in Total Pension Liability	$3,252,034	$3,025,541	$5,503,220	$1,957,937	$1,593,499
Total Pension Liability - Beginning	67,057,218	64,031,677	58,528,457	56,570,520	54,977,021
Total Pension Liability - Ending (a)	$70,309,252	$67,057,218	$64,031,677	$58,528,457	$56,570,520
Fiduciary Net Position					
Contributions: Employer[1]	$1,668,151	$1,524,823	$1,331,357	$1,403,709	$1,455,718
Contributions: Metropolitan Transportation Authority	—	—	2	3	25
CalPERS Transfer	—	—	—	—	332
Contributions: Member[1]	635,415	591,262	526,579	498,083	480,158
Net Investment Income[2]	3,163,618	4,705,949	6,129,300	80,588	1,989,358
Net Miscellaneous Income	5,626	5,163	6,182	2,792	1,483
Benefit Payments and Refund of Contributions	(3,407,155)	(3,203,375)	(3,029,633)	(2,889,186)	(2,768,410)
Administrative Expenses[2]	(70,800)	(67,491)	(66,830)	(67,645)	(62,591)
Net Change in Fiduciary Net Position	$1,994,855	$3,556,331	$4,896,957	($971,656)	$1,096,073
Fiduciary Net Position - Beginning	56,299,982	52,743,651	47,846,694	48,818,350	47,722,277
Fiduciary Net Position - Ending (b)	$58,294,837	$56,299,982	$52,743,651	$47,846,694	$48,818,350
Net Pension Liability - Ending (a) - (b)	$12,014,415	$10,757,236	$11,288,026	$10,681,763	$7,752,170
Fiduciary Net Position as a Percentage of Total Pension Liability	82.91%	83.96%	82.37%	81.75%	86.30%
Covered Payroll[3]	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420
Net Pension Liability as a Percentage of Covered Payroll	143.54%	135.18%	147.81%	146.73%	111.55%

[1]In accordance with GASB Statement Number 82, employer pickup contributions are classified as Member Contributions.
[2]In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.
[3]In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

Schedule of Employer Contributions History — Pension Plan[1]

Last 10 Fiscal Years
(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017[2]	2016	2015
Actuarially Determined Contributions	$2,509,071	$2,301,706	$2,199,889	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,357	$1,403,709	$1,455,718
Contributions in Relation to Actuarially Determined Contributions	2,509,071	2,301,706	2,199,889	2,012,877	1,800,137	1,668,151	1,524,823	1,331,357	1,403,709	1,455,718
Contribution Deficiency/ (Excess)	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—
Covered Payroll[3]	$9,860,647	$9,425,690	$9,100,791	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420
Contributions as a Percentage of Covered Payroll	25.45%	24.42%	24.17%	22.21%	20.63%	19.93%	19.16%	17.43%	19.28%	20.95%

[1]In accordance with GASB Statement Number 82, employer pickup contributions are classified as Member Contributions.
[2]Portion of contributions fulfilled by transfers from County Contribution Credit Reserve: $21,891 (FYE 2017, Superior Court).
[3]In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

See Notes to Required Supplementary Information for actuarial funding valuation assumptions used to calculate the actuarially determined contributions.

Schedule of Investment Returns — Pension Plan

For the Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual Money-Weighted Rate of Return (Net of Investment Expense)[1]	9.1%	6.4%	0.6%	25.2%	1.4%	5.5%	9.0%	12.7%	0.7%	4.1%

[1]Money-Weighted Rate of Return is calculated as the internal rate of return on Pension Plan investments, net of investment expenses.

Notes to Required Supplementary Information — Pension Plan

Actuarial Methods and Significant Assumptions

The actuarial assumptions used to determine Pension Plan liabilities and employer and employee contributions are based on the results of the 2022 triennial investigation of experience (experience study). The June 30, 2023 actuarial valuation prepared by the consulting actuary was based on all assumptions adopted and reaffirmed by the LACERA Board of Investments in December 2022.

Key Methods and Significant Assumptions[1]

Method/Assumption	Description
Valuation Timing	*Contribution Rates Effective Two Years After Valuation* Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions calculated for the June 30, 2022 valuation are applied for the fiscal year July 1, 2023 to June 30, 2024.
Actuarial Cost Method	Individual entry age.
Investment Rate of Return	*Annual Rate of 7.0 Percent* Future investment earnings are assumed to accrue at an annual rate of 7.0 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2019 valuation and reaffirmed in the 2022 triennial experience study.
Consumer Price Index	*Annual Rate of 2.75 Percent* This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
Salary Increases and Wage Growth	*Projected Salary Increases: 3.66 percent to 12.54 percent* In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general wage growth. These rates are updated each year.
Asset Valuation Method	*Five-Year Asset Smoothing* Assets are valued using a five-year smoothed method based on the difference between expected fair value and actual fair value. The recognition method has no minimum or maximum corridor applied. This rate was adopted with the 2016 triennial experience study. The asset valuation method was modified to include an offsetting of gains and losses prior to applying asset smoothing. Offsetting was adopted with the 2022 triennial experience study.

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

Method/Assumption	Description
Amortization Method	*20-Year Amortization* The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. Effective June 30, 2019, existing UAAL layers as of June 30, 2018 are amortized over their remaining periods, not to exceed 22 years. Each new layer effective on or after June 30, 2019 is amortized over a 20-year period. The UAAL contribution rate calculated in the June 30, 2022 funding valuation includes 14 layers.
Rates of Separation From Employment	*Various Rates and Probabilities* A schedule of the probabilities of employment termination based on age and/or service due to a particular cause is used. For additional information, see the Retirement Probability of Occurrence tables in the Actuarial Section.
Cost-of-Living Adjustments (COLAs)	*Annual COLAs of 2.75 Percent or 2.0 Percent* Post-retirement benefit increases of either 2.75 percent or 2 percent per year are assumed for the valuation in accordance with the benefits provided. This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed with the 2022 experience study.
Mortality	*Mortality Tables for Public Employees* Various rates based on Pub-2010 mortality tables and using MP-2021 Ultimate Projection Scale. See the June 30, 2022 actuarial funding valuation report for details.
Recognition of Inflows/ Outflows	*Straight-Line Amortization*
Gains or Losses	
Investment	Straight-line amortization over five years.
Economic/Demographic	Straight-line amortization over expected working life.
Assumption Changes or Inputs	Straight-line amortization over expected working life.

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

Changes in Pension Plan Assumptions

In addition to the annual actuarial valuations, LACERA requires its consulting actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. LACERA's consulting actuary completed an investigation of experience for the three-year period ended June 30, 2022. This review, commonly referred to as the experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. Based upon the experience study results, the actuary determines whether changing the assumptions or methodology will better project benefit liabilities and asset growth. At the December 2022 Board of Investments meeting, the Board reaffirmed some existing assumptions and adopted some new valuation assumptions with the approval of the 2022 experience study report.

Assumption changes from the June 30, 2016 and June 30, 2019 experience study reports are also presented to meet GASB 67 requirements to disclose significant assumptions and other inputs to measure and report the Total Pension Liability over a 10-year period.

2022 Assumption Changes

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

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

- Modified the five-year actuarial asset smoothing method to include gain and loss offsetting.
- Updated the rates of assumed merit salary increases and assumed service retirement to reflect a member’s length of service in addition to their age.
- Updated the mortality improvement scale to reflect the most recently published Society of Actuaries mortality projection scale.
- Designated the Supplemental Targeted Adjustment for Retirees (STAR) Reserve as a non-valuation reserve, which was previously included as a valuation reserve.

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

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

2019 Assumption Changes

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

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

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

2016 Assumption Changes

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

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

Schedule of Investment Returns — OPEB Trust[1]

For the Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense)[2]	11.1%	9.7%	(11.8)%	28.2%	0.5%	6.0%	10.0%	16.0%

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

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

FINANCIAL SECTION
(SUPPLEMENTARY INFORMATION)

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Administrative Expenses — Pension Plan
For the Fiscal Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Personnel Services		
Salaries and Wages	$51,228	$48,391
Employee Benefits	33,253	30,475
Total Personnel Services	**$84,481**	**$78,866**
Consultant & Professional Services		
County Services	$374	$447
External Audit Fees	237	432
Legal Consultants	2,446	3,712
Professional Services	969	1,216
Temporary Personnel Services	5,857	5,244
Total Consultant & Professional Services	**$9,883**	**$11,051**
Operating Expenses & Equipment		
Administrative Support	$196	$178
General Expenses	1,825	1,371
Computer Software	4,773	4,747
Disability Medical Service Fees	2,802	3,045
Educational Expenses	911	656
Equipment	1,129	1,395
Facilities Operations	7,870	7,119
Insurance	1,381	976
Printing	861	1,078
Postage	1,386	757
Telecommunications	628	559
Transportation and Travel	502	352
Total Operating Expenses & Equipment	**$24,264**	**$22,233**
Total Administrative Expenses	**$118,628**	**$112,150**

Schedule of Investment Expenses

For the Fiscal Years Ended June 30, 2024 and 2023

(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Custodial Fund	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Investment Management Fees						
Cash and Short-Term	$352	$269	$31	$22	$7	$8
Commodities	2,082	2,409	210	154	—	—
Global Equity	29,557	26,190	510	244	—	—
Fixed Income	89,870	46,816	1,444	1,768	113	104
Hedge Funds	116,197	139,506	0	—	—	—
Private Equity	178,052	210,556	168	—	—	—
Real Assets	39,251	26,282	373	—	—	—
Real Estate	47,712	61,942	6	130	—	—
Total Investment Management Fees[1]	**$503,073**	**$513,970**	**$2,742**	**$2,318**	**$120**	**$112**
Other Investment Expenses						
Fund Expenses[2]	$42,491	$56,104	$1,481	$—	$—	$—
Consultants	4,547	2,627	89	86	—	—
Custodian	3,589	3,495	139	217	30	21
Legal Counsel	1,681	1,848	310	—	—	—
Other	1,854	4,126	954	—	—	—
Total Other Investment Expenses	**$54,162**	**$68,200**	**$2,973**	**$303**	**$30**	**$21**
Total Fees & Other Investment Expenses	**$557,235**	**$582,170**	**$5,715**	**$2,621**	**$150**	**$133**

[1]Difference in management fee expense from the Statement of Changes in Fiduciary Net Position are due to the inclusion of incentive fees and carry allocations in the schedule above. These incentive fees and carry allocations are deducted from investment income in the Statement of Changes in Fiduciary Net Position.

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

Schedule of Payments to Consultants — Pension Plan
For the Fiscal Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Actuarial		
Actuarial Valuations and Consulting Services	$326	$458
Audit		
External Audit Services	$237	$432
Legal		
Investment Counsel	$1,681	$1,848
Legislative Consulting	325	157
Other Legal Services	2,121	3,555
Subtotal	$4,127	$5,560
Management		
Management and Human Resources Consulting	$164	$56
Information Technology Consulting	126	80
Subtotal	$290	$136
Total Payments to Consultants	**$4,980**	**$6,586**

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

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INVESTMENT SECTION

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Chief Investment Officer's Report — As of June 30, 2024

Dear LACERA Members:

I am pleased to present the Investment Section of LACERA's Annual Comprehensive Financial Report for Fiscal Year 2024. LACERA oversees two funds (the Funds) for the County of Los Angeles, the defined benefit retirement plan (the Pension Plan) and the LACERA Other Post-Employment Benefit Master Trust (the OPEB Trust).[1] This section provides an overview of the investment performance of the Pension Plan and the OPEB Trust, along with a summary of the investment portfolio.

Fiscal year 2024 has been marked by strong performance in the capital markets despite an environment of elevated interest rates, higher cost of capital, and continued economic and geopolitical uncertainty. Global equity markets delivered robust performance after posting positive returns in the prior fiscal year. The global economy still faces a variety of macroeconomic challenges, including high, albeit moderating, inflation in the U.S. and much of Europe; the humanitarian and economic toll of the war in Ukraine and conflicts in the Middle East; and trade tensions that appear to be escalating deglobalization trends. LACERA's Board of Investments (the Board) recognizes that, over the long-term, there will be times of strong market returns and times of market turmoil, and has constructed a well-diversified portfolio designed to be resilient and responsive in a variety of market conditions to meet LACERA's future benefit obligations.

Performance Summary

The Pension Plan returned 9.1 percent during the fiscal year, while the OPEB Trust returned 11.0 percent during the same period.[2] The OPEB Trust's higher return during the fiscal year is primarily attributable to its larger allocation to public market investments. However, that also means that the OPEB Trust's portfolio is more sensitive to public market movements relative to the Pension Plan. The OPEB Trust began investing in private assets during the previous fiscal year, after the Board approved an 18 percent allocation to private assets for the OPEB Trust in June 2021. As the OPEB Trust increases its allocation in private assets, it is expected that the OPEB Trust's performance return profile will closer align with the Pension Plan's. LACERA aims to meet or exceed the Funds' respective benchmarks over a full market cycle and their respective actuarial expected return assumptions over the long term. As illustrated below, the Pension Plan underperformed its policy benchmark for the one-year period, but outperformed during each of the three-, five-, seven-, and ten-year periods. The OPEB Trust outperformed its policy benchmark for all periods. Both Funds' returns are ahead of their actuarial expected returns for all periods except the three-year period.[3]

[1]LACERA is responsible for the administration and investment of two separate funds: the County of Los Angeles (the County) defined benefit retirement plan, whose assets provide retirement benefits for employees of the County and outside districts, and the LACERA Other Post-Employment Benefit Master Trust, whose assets are held in trust to provide post-employment healthcare benefits for retirees of the County, LACERA, and the Superior Court of California, County of Los Angeles. LACERA also oversees two custodial fund accounts used to fund the OPEB Program's operations and related healthcare premiums.

[2]The Pension Plan and OPEB Trust returns are calculated based on a time-weighted rate of return. All returns are net of fees unless otherwise noted.

[3]The Pension Plan's and the OPEB Trust's actuarial expected returns for the period ending June 30, 2024 are 7.0 percent and 6.0 percent, respectively.

Annualized Total Returns
Fiscal Year Ended June 30, 2024
(Net of Fees)

	1 Year	3 Years	5 Years	7 Years	10 Years
Pension Plan	9.1%	5.2%	8.2%	8.1%	7.4%
Policy Benchmark	*11.2%*	*3.6%*	*6.9%*	*7.3%*	*6.9%*
OPEB Trust[4]	11.0%	2.5%	6.7%	7.0%	6.8%
Policy Benchmark	*10.5%*	*2.1%*	*6.2%*	*6.5%*	*5.8%*

Asset Allocation

The Board adopts separate Investment Policy Statements to guide the Pension Plan's and the OPEB Trust's investments. Each Investment Policy Statement defines a strategic asset allocation that aims to maximize long-term growth while ensuring that LACERA meets its current and future obligations. To that end, LACERA expects the Funds' strategic asset allocations to be the core driver of risk-adjusted returns over the long term.

The Pension Plan's and the OPEB Trust's strategic asset allocations apportion investment dollars among functional categories and sub-asset classes based on long-term risk and return objectives and short-term liquidity needs. A table detailing the functional categories, sub-asset classes, and the role each is expected to fulfill in LACERA's investment portfolios is presented below.[5]

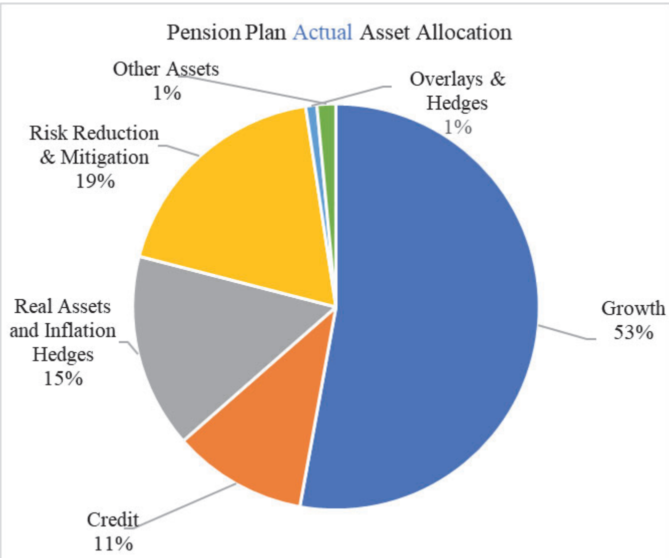
Functional Category	Sub-Asset Classes	Role In Portfolio
Growth	Global Equity Private Equity Non-Core Real Estate	Primary driver of long-term total returns
Credit	Liquid Credit Illiquid Credit	Produce current income and moderate long-term total returns with lower risk than growth assets
Real Assets and Inflation Hedges	Core Real Estate Natural Resources/Commodities Infrastructure Treasury Inflation Protected Securities	Provide income and hedge against inflation
Risk Reduction and Mitigation	Investment Grade Bonds Diversified Hedge Funds Long-term Government Bonds Cash	Provide current income and a modest level of return while reducing total portfolio risk
Overlay and Hedges	Cash Overlay Currency Hedge	Assist the Pension Plan's adherence to policy allocation targets and manage risks

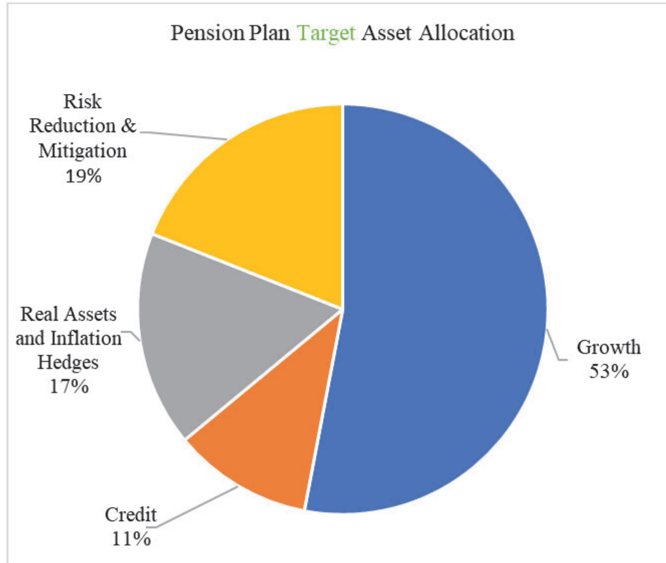
The Board reviews the strategic asset allocation for each Fund every three to five years to ensure that both portfolios are aligned with anticipated risks and opportunities. A new strategic asset allocation study for each Fund was completed during the fiscal year and implementation is in process. In establishing the new strategic asset allocations, the Board considered a number of factors including,

[4]Performance inception for the OPEB Trust is February 1, 2013.
[5]The overlay and hedges functional category only applies to the Pension Plan.

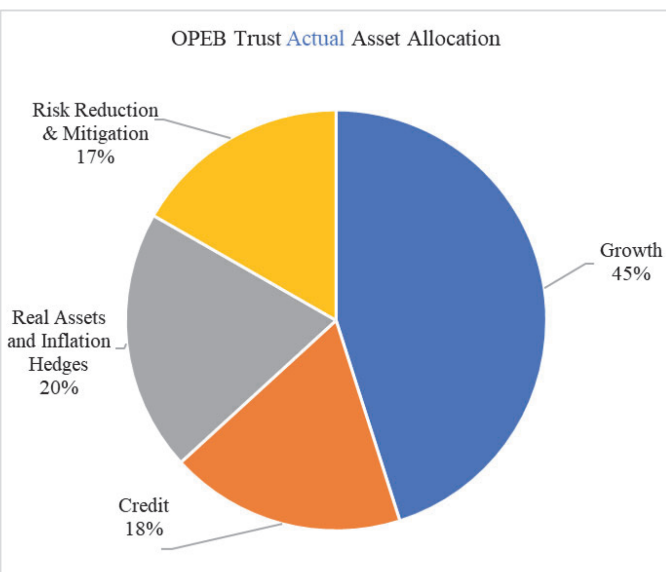
but not limited to: the Funds' current and projected funded status, liabilities, and liquidity requirements; the long-term risk, return, and correlation expectations for individual asset categories; and an assessment of future economic conditions.

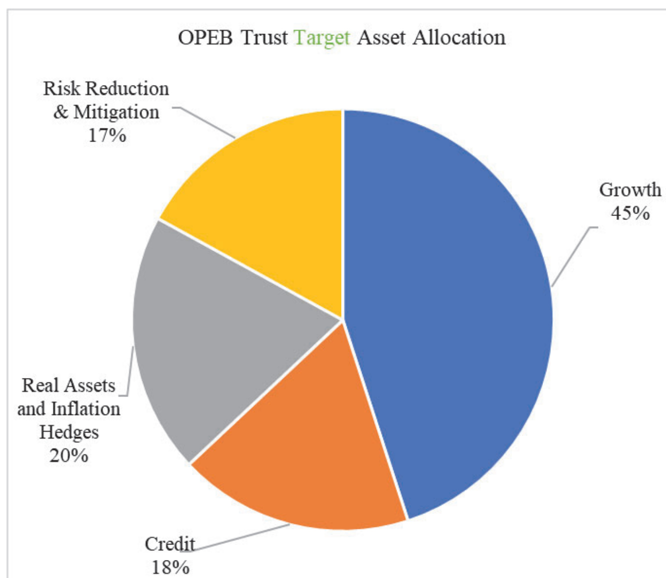
The Pension Plan's June 30, 2024 actual and target asset allocation are shown below.[6]





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





[6] The Pension Plan's actual asset allocation has a 1% allocation to "Other Assets" which include receivables due to deferred sales and rebalancing activity pending settlement. The Pension Plan has an overlay and hedges composite which invests LACERA's excess cash (cash in excess of the target allocation of 1% of the Pension Plan's total assets) in synthetic securities that provide similar investment exposure to the Pension Plan and hedges 50% of the non-US developed market currency exposure in Pension Plan's global equities' portfolio. The Pension Plan's overlay and hedges composite has a 0% policy target weight.

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

Beyond strategic asset allocation, LACERA continues executing on its strategic initiatives across every portfolio decision, furthering its evolution from allocator to a best-in-class investor. The five distinct strategic initiatives enumerated in LACERA's strategic plan include: 1) enhance operational effectiveness, 2) optimize investment model, 3) maximize stewardship and ownership rights, 4) strengthen influence on fees and cost of capital, and 5) execute LACERA's T.I.D.E. (Towards Inclusion, Diversity, and Equity) initiative. LACERA implements a principles-based approach to investments with a dynamic investment program that provides a robust and flexible framework to adapt and evolve to changing macro environments, technological advancements, and workforce composition. Taken together, the strategic initiatives and dynamic investment program are designed to maximize investment returns while mitigating risks, all of which inure to the benefit of our members.

Core Performance Drivers

We continue to see the benefits of LACERA implementing a more resilient and diversified portfolio consistent with the Board-adopted strategic asset allocation. During the fiscal year, the Pension Plan benefited from its exposure to credit investments and real assets and inflation hedges. However, in contrast to the prior fiscal year, the Pension Plan's investments in the growth functional category did not meet the benchmark. The underperformance is largely attributable to the Pension Plan's private equity investments, which are compared to a benchmark based on public equity market returns. In short-term periods when global equity market returns are strong, private equity performance is prone to underperform relative to its benchmark given that the valuations of privately held companies are determined less frequently and may not reflect the most recent market conditions. Over a longer time horizon, the Pension Plan's private equity portfolio has outperformed its benchmark over the three- and five-year periods. The cash overlay and hedges composite continued to add value, contributing $418 million in gains during the fiscal year, after contributing $374 million in gains during the prior fiscal year.

Looking Forward

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

Respectfully submitted,

Jonathan Grabel

Jonathan Grabel
Chief Investment Officer

Investment Summary — Pension Plan[1]
For the Fiscal Year Ended June 30, 2024
(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	**$41,740,916**		
Global Equity		27,645,513	35.0%
Private Equity		12,956,900	16.4%
Non-Core Private Real Estate		1,138,503	1.4%
Credit	**$8,460,416**		
Liquid Credit		2,077,071	2.6%
Illiquid Credit		6,383,345	8.1%
Real Assets and Inflation Hedges	**$12,207,795**		
Core Private Real Estate		3,322,767	4.2%
Natural Resources		2,373,764	3.0%
Infrastructure		4,148,002	5.3%
Treasury Inflation Protected Securities (TIPS)		2,363,262	3.0%
Risk Reduction and Mitigation	**$14,696,638**		
Investment Grade Bonds		5,698,475	7.2%
Diversified Hedge Funds		4,856,693	6.1%
Long-Term Government Bonds		2,990,120	3.8%
Cash		1,151,350	1.5%
Overlay and Hedges	**$671,271**		
Cash Overlay		616,076	0.8%
Currency Hedges		55,195	0.1%
Other Assets	**$1,149,152**		1.5%
Total Investments — Pension Plan		**$78,926,188**	**100.0%**

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

Investment Summary — OPEB Master Trust[1]
For the Fiscal Year Ended June 30, 2024
(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	**$1,790,183**		
Global Equity		1,771,884	44.6%
Private Equity		18,299	0.5%
Credit	**$719,574**		
Liquid Credit		706,497	17.8%
Illiquid Credit		13,077	0.3%
Real Assets and Inflation Hedges	**$795,958**		
Real Estate		352,953	8.9%
Natural Resources		4,731	0.1%
Commodities		147,283	3.7%
Infrastructure		11,073	0.3%
Treasury Inflation Protected Securities (TIPS)		279,918	7.1%
Risk Reduction and Mitigation	**$662,673**		
Investment Grade Bonds		429,457	10.8%
Long-Term Government Bonds		174,275	4.4%
Cash		58,941	1.5%
Operational Cash[2]	**$8,325**		N/A
Total Investments — OPEB Master Trust		**$3,976,713**	**100.0%**

[1]Fair values presented in this schedule are based on the Investment Book of Record and differ from information presented in the Statement of Fiduciary Net Position, which is based on the Accounting Book of Record.
[2]Represents cash balances held in the Sub-Trust ownership funds.

Investment Summary — OPEB Custodial Fund[1]

For the Fiscal Year Ended June 30, 2024

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$17,398	8.3%
Fixed Income	192,045	91.7%
Total Investments - OPEB Custodial Fund	**$209,443**	**100.0%**

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

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

As of June 30, 2024

		Annualized (Net-of-Fees)			
	Quarter-End June 30, 2024	**One-Year**	**Three-Year**	**Five-Year**	**Ten-Year**
Growth	**2.0%**	12.8%	6.8%	12.2%	
Growth Policy Benchmark	*3.9%*	*18.6%*	*5.6%*	*11.0%*	
Global Equity	2.5 %	19.0 %	5.6 %	11.0 %	
Global Equity Policy Benchmark	*2.4 %*	*18.4 %*	*4.7 %*	*10.4 %*	
Private Equity - Growth	1.2 %	4.3 %	10.7 %	16.2 %	
Private Equity - Growth Custom Benchmark	*8.2 %*	*24.9 %*	*8.4 %*	*12.8 %*	
Non-Core Private Real Estate	(1.2)%	(14.0)%	3.4 %	5.9 %	9.7%
Opportunistic Real Estate Custom Benchmark	*(2.0)%*	*(10.0)%*	*4.8 %*	*5.2 %*	*8.8%*
Credit	**4.0%**	15.3%	6.0%	6.4%	
Credit Policy Benchmark	*1.8%*	*12.1%*	*3.2%*	*4.3%*	
Liquid Credit	1.2 %	10.9 %			
Liquid Credit Policy Benchmark	*1.2 %*	*10.0 %*			
Illiquid Credit	4.9 %	17.1 %	9.7 %	11.2 %	
Illiquid Credit Custom Benchmark	*2.1 %*	*13.3 %*	*4.3 %*	*5.4 %*	
Real Assets & Inflation Hedges	**(0.6)%**	(1.0)%	4.2%	4.5%	
Real Assets & Inflation Hedges Policy Benchmark	*(0.9)%*	*(1.6)%*	*3.2%*	*4.6%*	
Core Private Real Estate	(3.2)%	(15.4)%	2.1 %	1.2 %	5.1%
Core Private Real Estate Custom Benchmark	*(2.6)%*	*(12.0)%*	*2.5 %*	*2.8 %*	*6.2%*
Natural Resources & Commodities	(0.9)%	6.6 %	8.5 %	9.0 %	0.2%
Natural Resources & Commodities Policy Benchmark	*(0.3)%*	*6.7 %*	*6.8 %*	*8.4 %*	*(0.6)%*
Infrastructure	1.0 %	7.1 %	4.2 %	6.3 %	
Dow Jones Brookfield Global Infrastructure Company	*(0.4)%*	*3.8 %*	*2.1 %*	*3.0 %*	
Treasury Inflation Protected Securities (TIPS)	0.9 %	2.7 %	(1.4)%	2.0 %	
Bloomberg U.S. Treasury: U.S. TIPS	*0.8 %*	*2.7 %*	*(1.3)%*	*2.1 %*	
Risk Reduction & Mitigation	**0.6%**	2.8%	(1.6)%	1.0%	
Risk Reduction & Mitigation Policy Benchmark	*0.3%*	*2.5%*	*(1.8)%*	*0.4%*	
Investment Grade Bonds	0.2 %	2.9 %	(3.0)%	0.0 %	1.7%
Bloomberg Barclays Aggregate Bond Index	*0.1 %*	*2.6 %*	*(3.0)%*	*(0.2)%*	*1.3%*
Diversified Hedge Funds	2.0 %	7.3 %	5.3 %	6.6 %	
Diversified Hedge Funds Custom Benchmark	*2.0 %*	*8.2 %*	*5.6 %*	*4.7 %*	
Long-Term Government Bonds	(1.6)%	(5.7)%			
Bloomberg U.S. Treasury: Long	*(1.8)%*	*(5.6)%*			
Cash	1.8 %	6.1 %	4.3 %	3.1 %	2.1%
Cash Policy Benchmark	*1.4 %*	*5.6 %*	*3.2 %*	*2.2 %*	*1.6%*
Total Fund	**1.6%**	**9.1%**	**5.2%**	**8.2%**	**7.4%**
Total Fund Policy Benchmark	***2.2%***	***11.2%***	***3.6%***	***6.9%***	***6.9%***

[1]Functional asset category returns are calculated based on time-weighted rates of return, net of manager fees; Total Fund performance is calculated based on the weighted average returns of the functional asset categories, net of manager fees.
[2]Some asset categories and their benchmarks are reported with a one- or three-month delay.

*A complete list of custom benchmark definitions is available upon request.

Investment Results Based on Fair Value[1] — OPEB Master Trust*

As of June 30, 2024

		Annualized (Net-of-Fees)			
	Quarter-End June 30, 2024	**One-Year**	**Three-Year**	**Five-Year**	**Ten-Year**
Growth	**2.5%**	18.7 %	4.9 %	10.6 %	
Growth Policy Benchmark	*3.0%*	*19.4 %*	*4.7 %*	*10.3 %*	
Global Equity	2.5 %	18.5 %	4.9 %	10.6 %	8.5%
MSCI ACWI IMI Net	*2.4 %*	*18.4 %*	*4.7 %*	*10.4 %*	*8.2%*
Private Equity[2]	— %				
Private Equity Policy Benchmark	— %				
Credit	**0.9%**	8.3 %	2.7 %	3.3 %	
Credit Policy Benchmark	*1.5%*	*11.1 %*	*3.0 %*	*3.8 %*	
Liquid Credit	1.0 %	8.3 %			
Liquid Credit Policy Benchmark	*1.3 %*	*10.2 %*			
Illiquid Credit[2]	— %				
Illiquid Credit Policy Benchmark	— %				
Real Assets & Inflation Hedges	**0.6%**	4.9 %	(0.2)%	3.1 %	
Real Asset & Inflation Hedges Policy Benchmark	*(0.5)%*	*(0.5)%*	*(0.9)%*	*2.7 %*	
Commodities	2.9 %	5.1 %	5.7 %	7.3 %	
Bloomberg Commodity Index Total Return	*2.9 %*	*5.0 %*	*5.7 %*	*7.2 %*	
Treasury Inflation Protected Securities (TIPS)	0.9 %	2.6 %	(1.3)%	2.1 %	
Bloomberg U.S. Treasury: U.S. TIPS	*0.8 %*	*2.7 %*	*(1.3)%*	*2.1 %*	
Infrastructure[2]	— %				
Infrastructure Policy Benchmark	— %				
Natural Resources[2]	— %				
Natural Resources Policy Benchmark	— %				
Real Estate	(0.3)%	6.9 %	(0.2)%	2.7 %	
Real Estate Custom Benchmark	*(1.9)%*	*(7.2)%*	*(5.4)%*	*(0.5)%*	
Risk Reduction & Mitigation	**(0.1)%**	1.0 %	(2.4)%	0.0 %	
Risk Reduction & Mitigation Policy Benchmark	*(0.3)%*	*0.6 %*	*(3.0)%*	*(0.5)%*	
Investment Grade Bonds	0.2 %	2.7 %	(3.0)%	(0.2)%	
Bloomberg Barclays Aggregate Bond Index	*0.1 %*	*2.6 %*	*(3.0)%*	*(0.2)%*	
Long-Term Government Bonds	(1.6)%	(5.5)%			
Bloomberg U.S. Treasury: Long	*(1.8)%*	*(5.6)%*			
Cash	2.5 %	7.7 %	4.1 %	2.9 %	2.1%
Cash Policy Benchmark	*1.4 %*	*5.6 %*	*3.2 %*	*2.3 %*	*1.6%*
Total OPEB Master Trust	**1.4%**	**11.0 %**	**2.5 %**	**6.7 %**	**6.8%**
Total OPEB Master Trust Policy Benchmark	***1.5%***	***10.5 %***	***2.1 %***	***6.2 %***	***5.8%***

[1]Functional asset category returns are calculated based on time-weighted rates of return, net of manager fees; Total OPEB Master Trust performance is calculated based on the weighted average returns of the asset classes, net of manager fees.
[2]Newly funded accounts: Time-weighted performance is not available.

*A complete list of custom benchmark definitions is available upon request.

Total Investment Rates of Return — Pension Plan

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year-End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[2]	Return on Smoothed Valuation Assets (net of fees)[3]	Actuarial Assumed Rate of Return[4]	Actuarial Funded Ratio[5]
2015	$47,990,447	4.1%	4.1%	10.5%	7.50%	83.3%
2016	47,898,667	0.8%	.7%	6.5%	7.25%	79.4%
2017	52,225,457	12.7%	12.7%	8.2%	7.25%	79.9%
2018	55,443,060	9.0%	9.0%	8.1%	7.25%	80.6%
2019	57,976,437	6.4%	5.5%	6.5%	7.00%	77.2%
2020	56,574,410	1.8%	1.4%	5.8%	7.00%	76.3%
2021	70,297,718	25.2%	25.2%	10.4%	7.00%	79.3%
2022	67,467,013	0.1%	0.6%	8.5%	7.00%	79.6%
2023	71,460,616	6.4%	6.4%	7.2%	7.00%	79.9%
2024[6]	$75,015,737	9.1%	9.1%	N/A	N/A	N/A

[1]**Total Fund — Time-Weighted Rate of Return** is the aggregate increase or decrease in the value of the portfolio resulting from the net appreciation or depreciation of the principal of the fund, plus or minus the net income or loss experienced by the fund during the period. The returns are presented net of investment management fees.

[2]**Total Fund — Money-Weighted Rate of Return** is a measurement of investment performance, net of investment expenses, adjusted for the changing amounts actually invested. The returns are presented net of investment management fees.

[3]**Return on Smoothed Valuation Assets** consists of annual investment income in excess or shortfall of the expected rate of return on a valuation (actuarial) basis, smoothed over a specified period with a portion of the year's asset gains or losses being recognized each year beginning with the current year.

[4]**Actuarial Assumed Rate of Return** is the future investment earnings of the assets, which are assumed to accrue at an annual rate, compounded annually, net of both investment and administrative expenses. The actuarial assumed rate of return is 7.0 percent, based upon the June 30, 2023 actuarial valuation report as adopted by the Board of Investments in December 2023. For fiscal year 2023-2024, interest crediting and operating tables applied the 7.0 percent actuarial assumed rate of return.

[5]**Actuarial Funded Ratio** is a measurement of the funded status of the fund calculated by dividing the valuation assets by the actuarial accrued liability.

[6]**Actuarial Valuation** report for June 30, 2024 is not yet available at financial statement publication.

Largest Equity Holdings — Pension Plan[1]

As of June 30, 2024

(Dollars in Thousands)

Shares	Description	Fair Value
2,312,218	Microsoft Corporation	$1,033,446
4,794,929	Apple Inc.	1,009,908
8,129,216	NVIDIA Corporation	1,004,283
3,562,859	Alphabet Inc.	651,049
3,043,277	Amazon.com Inc.	588,113
722,494	Meta Platforms Inc.	364,296
271,966	Eli Lilly And Company	246,232
150,515	Broadcom Inc.	241,656
1,899,457	Exxon Mobil Corporation	218,665
6,825,063	Taiwan Semiconductor Manufacturing Company Ltd.	209,614

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

[1]Reflects the global equity exposure of assets held in custody.

Largest Equity Holdings — OPEB Master Trust[1]

As of June 30, 2024

(Dollars in Thousands)

Shares	Description	Fair Value
150,107	Microsoft Corporation	$67,091
535,929	NVIDIA Corporation	66,209
311,755	Apple Inc.	65,662
232,325	Alphabet Inc.	42,455
351,543	Prologis Inc.	39,482
197,445	Amazon.com Inc.	38,156
35,889	Equinix Inc.	27,154
225,587	Welltower Inc.	23,517
46,490	Meta Platforms Inc.	23,441
122,968	Simon Property Group Inc.	18,667

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

[1]Reflects the global equity exposure of assets held in custody.

Largest Fixed Income Holdings — Pension Plan[1]

As of June 30, 2024

(Dollars in Thousands)

Par	Description	Fair Value
1,156,689,963	United States Treasury 0.000% 20240926	$1,142,000
124,040,099	United States Treasury 4.250% 20540215	120,039
129,169,658	United States Treasury 2.000% 20411115	89,036
90,261,150	United States Treasury 1.750% 20340115	88,301
130,206,455	United States Treasury 1.750% 20410815	86,885
90,117,171	United States Treasury 1.375% 20330715	85,668
86,148,062	United States Treasury 1.625% 20271015	85,035
90,344,524	United States Treasury 1.125% 20330115	84,062
92,590,176	United States Treasury 0.625% 20320715	83,299
80,143,965	United States Treasury 2.375% 20281015	81,580

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

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

Largest Fixed Income Holdings — OPEB Master Trust[1]

As of June 30, 2024

(Dollars in Thousands)

Par	Description	Fair Value
11,035,296	United States Treasury 1.750% 20340115	$10,796
10,701,596	United States Treasury 1.125% 20330115	9,957
10,466,165	United States Treasury 1.375% 20330715	9,949
10,964,977	United States Treasury 0.625% 20320715	9,865
9,649,863	United States Treasury 2.125% 20290415	9,702
9,303,000	United States Treasury 2.375% 20281015	9,470
9,420,694	United States Treasury 0.375% 20250715	9,204
10,573,418	United States Treasury 0.125% 20320115	9,159
9,148,185	United States Treasury 1.625% 20271015	9,030
9,184,172	United States Treasury 1.250% 20280415	8,893

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

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

Schedule of Investment Management Fees
For the Fiscal Years Ended June 30, 2024 and 2023
(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Custodial Fund	
Investment Managers	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Cash and Short-Term	$352	$269	$31	$22	$7	$8
Commodities	2,082	2,409	210	154	—	—
Global Equity	29,557	26,190	510	244	—	—
Fixed Income	89,870	46,816	1,444	1,768	113	104
Hedge Funds	116,197	139,506	—	—	—	—
Private Equity	178,052	210,556	168	—	—	—
Real Assets	39,251	26,282	373	—	—	—
Real Estate	47,712	61,942	6	130	—	—
Total Investment Management Fees[1]	**$503,073**	**$513,970**	**$2,742**	**$2,318**	**$120**	**$112**

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

List of Investment Managers

GROWTH

Global Equity
Acadian Asset Management, LLC
BlackRock Institutional Trust Company, N.A.
Capital International, Inc.
Cevian Capital, LTD
CornerCap Investment Counsel
Frontier Capital Management Company, LLC
Global Alpha Capital Management, LTD
J.P. Morgan Investment Management, Inc.
Lazard Asset Management, LLC
Leading Edge Investment Advisors, LLC
New Alpha Asset Management, SAS
Parametric Portfolio Associates, LLC
State Street Global Advisors (SSGA)
Systematic Financial Management, LP

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

Private Equity[1]
Hamilton Lane Advisors, LLC
J.P. Morgan Investment Management, Inc.
Morgan Stanley Alternative Investments, LLC
Pathway Capital Management, LP

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

CREDIT

High Yield
Beach Point Capital Management, LP
Brigade Capital Management, LLC
PineBridge Investment, LLC

Bank Loans
Bain Capital Credit, LP
Crescent Capital Group, LP
UBS Asset Management

Emerging Market Debt
Aberdeen Standard Investments
Ashmore Investment Management, LTD

Illiquid Credit
Barings, LLC
Beach Point Capital Management, LP
Grosvenor Capital Management, LP
Magnetar Capital, LLC
Napier Park Global Capital
Pacific Investment Management Company, LLC (PIMCO)
Quadrant Real Estate Advisors, LLC
Silver Rock Capital Management
Stable Asset Management
Tennenbaum Capital Partners, LLC
Värde Partners
Waterfall Asset Management

REAL ASSETS AND INFLATION HEDGES

Core Real Estate
CityView Management Services, LLC
Clarion Partners, LLC
CB Richard Ellis Global Investor, LLC
Heitman Capital Management, LLC
IDR Investment Management, LLC
Invesco Advisers, Inc.
Prologis Management II, S.a.r.l
RREEF America, LLC
Stockbridge Capital Group

Infrastructure
RREEF America, LLC

<u>List of Investment Managers, cont.</u>

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

Natural Resources and Commodities
UBS Asset Management, LLC
Gresham Investment Management, LLC
Neuberger Berman Fixed Income, LLC
RREEF America, LLC

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

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

RISK REDUCTION AND MITIGATION

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

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

Cash
State Street Global Advisors (SSGA)

Mortgage Loan Servicer
Ocwen Loan Servicing, LLC

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

Health Reserve Program
Standish Mellon Asset Management Company, LLC

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

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

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ACTUARIAL SECTION

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Actuarial Information Overview — Pension Plan

Introduction

The actuarial process at the Los Angeles County Employees Retirement Association (LACERA) is governed by provisions in the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the California Public Employees' Pension Reform Act of 2013 (PEPRA). CERL requires LACERA to obtain an investigation of experience and actuarial valuation of the Pension Plan at least once every three years. It further requires the LACERA Board of Investments to transmit its recommendations for contribution rates to the Los Angeles County Board of Supervisors, the primary plan sponsor. The County Board of Supervisors adopts contribution rates in accordance with LACERA's recommendations but may make minor adjustments to comply with Memoranda of Understanding (MOUs) established between the County and employee labor unions.

LACERA engages an independent actuarial consulting firm to perform the Pension Plan valuation annually, exceeding the regulatory frequency requirements. In addition, every three years, in compliance with CERL, the consulting actuary performs an investigation of experience of retirement benefits (experience study). On a triennial basis, a separate actuarial consulting firm reviews both the annual valuation and experience study.

Valuation Policy

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

The Funding Policy requires an adjustment of the employer contribution rates each year based on the actuary's annual valuation. Milliman, the Pension Plan consulting actuary, reviewed the adequacy of the plan sponsor funding policies in accordance with actuarial standards of practice (ASOP). Milliman performed the most recent actuarial valuation as of June 30, 2023 and recommended changes to the employer and employee (member) contribution rates. At its December 2023 meeting, the LACERA Board of Investments adopted Milliman's June 30, 2023 valuation report.

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. This review, commonly referred to as the experience study, is accomplished by reviewing relevant forecasts and comparing actual experience to what was expected to happen according to the actuarial assumptions. Based on this review, the actuary recommends changes in the assumptions or methodology that will better project benefit liabilities and asset growth. The LACERA Board of Investments adopts, possibly with modification, the recommended actuarial methods and assumptions to be used in future valuations. At its December 2022 meeting, the LACERA Board of Investments adopted Milliman's recommendations based on the 2022 Investigation of Experience for Retirement Benefit Assumptions report. Some assumptions and methods remained unchanged from the prior experience study while others were updated, including demographic assumptions, projected salary increases, and modifications to current actuarial methods.

LACERA discloses actuarial valuation data one year in arrears compared to the financial statement reporting date, due to the nature and timing of the required process and the availability of year-end information. Since the 2024 valuation report was not yet available when LACERA prepared the 2024 financial statements, LACERA utilized the latest valuation report as of June 30, 2023.

Member Contributions
Member contribution rates for contributory legacy plans (General Plans A, B, C, and D, and Safety Plans A and B) vary based on the age a member joins LACERA and the underlying actuarial assumptions and methodologies. Typically, these member contribution rates will change no more frequently than every three years. As part of the experience study or annual valuation, the Pension Plan actuary recommends adjustments to member contribution rates, if necessary, due to changes in the underlying actuarial assumptions and methodologies. Since no new assumptions were adopted effective with the June 30, 2023 valuation, there are no recommended changes to member contribution rates for the legacy plans.

PEPRA plans (General Plan G and Safety Plan C) use single-rate member contribution rates equal to one-half of the respective plan's normal cost rate, as required by PEPRA. Member contribution rates for these plans may change annually. Based on the June 30, 2023 valuation, the actuary recommended, and Board of Investments approved, new member contribution rates for all Plan G and Safety C active members, with increased rates effective July 1, 2024.

Employer Contributions
The consulting actuary reviews employer contribution rates each year and recommends changes if necessary. The members and employers are responsible for contributing a portion of the present value of pension plan benefits and expenses, which is allocated to a valuation year by the actuarial cost method, known as normal cost contributions. The portion not funded by expected member contributions is the responsibility of the employers and is their normal cost. The employers are also responsible for contributions to eliminate funding shortfalls related to liabilities accrued in the past, including changes in the economic and demographic assumptions impacting past service credit. This portion of the employer's contribution rate is known as the Unfunded Actuarial Accrued Liability (UAAL) contribution.

For the June 30, 2023 valuation, the actuary recommended new employer normal cost contribution rates for all plans and a new UAAL contribution rate, effective July 1, 2024. Based on the 2023 valuation, the aggregate employer normal cost rate decreased from 11.12 percent to 11.01 percent, and the employers' required contribution rate to finance the UAAL increased from 14.72 percent to 14.87 percent. The increase in the calculated employer contribution rate from 25.84 percent to 25.88 percent of payroll was primarily due to greater than expected salary increases. These increases were mostly offset by the rate-reducing impact of higher payroll growth than expected.

Actuarial Cost Method
The entry age actuarial cost method is used for both funding requirements and financial reporting purposes. This method was approved by LACERA in 1999, as recommended by the consulting actuary. The entry age normal method allocates costs to each future year as a level percentage of payroll, which is ideal for employers to budget for future costs.

Amortization Method
LACERA employs a layered amortization method to fund the UAAL. Under this method, the initial UAAL amount as of June 30, 2009 was amortized over a closed 30-year period. Subsequent changes in the UAAL were amortized over new closed 30-year periods. Effective with the June 30, 2019 valuation, the amortization period was decreased so all existing layers with more than 22 years

remaining were re-amortized over closed 22-year periods. All new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made.

Actuarial Reviews

The LACERA Board of Investments Actuarial Audit Policy Directive requires actuarial reviews of retirement benefit valuations and experience studies at regular intervals in the same cycle as LACERA's triennial experience study and valuation. CavMac, LACERA's reviewing actuary, performed the most recent review of Milliman's experience study and valuation reports as of June 30, 2022.

In the most recent triennial review of the experience study, CavMac concluded, “We find the proposed actuarial assumptions and methods to be reasonable. The Investigation of Experience was performed by qualified actuaries and was performed in accordance with the principles and practices prescribed by the Actuarial Standards Board.” According to CavMac's most recent triennial review of Milliman's valuation report, “We find the June 30, 2022 actuarial valuation results to be reasonable and accurate, based on the assumption and methods used.”

Other Actuarial Information

Actuarially Determined Contributions: The Schedule of Employer Contributions History — Pension Plan included in the Required Supplementary Information of the Financial Section provides 10 years of actuarially determined contributions in relation to the actual contributions provided to the Pension Plan.

Actuarial Methods and Assumptions: A detailed description of the actuarial methods and assumptions for the Pension Plan valuation used by the consulting actuary to prepare the Pension Plan (Retirement Benefits) funding valuation report is included in this Actuarial Section. The Financial Section also discusses the required Governmental Accounting Standards Board (GASB) Statement Number 67 disclosures, including actuarial methods and significant assumptions used for financial reporting. Any differences between these assumptions used for actuarial funding in this Actuarial Section and those applied for financial reporting purposes are noted.

The following additional information is included in this section:

- Actuary's Certification Letter — Pension Plan
- Summary of Actuarial Methods and Assumptions — Pension Plan
- Schedule of Funding Progress — Pension Plan
- Active Member Valuation Data — Pension Plan
- Retirees and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
- Funded Liabilities by Type — Pension Plan
- Actuarial Analysis of Financial Experience — Pension Plan
- Retirement Probability of Occurrence

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

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

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September 15, 2024

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

Dear Trustees of the Board:

The basic financial goal of LACERA is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members.[1] Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

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

Valuation Date	Funded Ratio
June 30, 2021	79.3%
June 30, 2022	79.6%
June 30, 2023	79.9%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2023. Using the fair value of assets as of June 30, 2023, the Funded Ratio would be 80.0%. As of June 30, 2023 a net asset gain is being deferred.

LACERA's funding policy provides that employer contributions are equal to the normal cost rate, net of member contributions, plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any Surplus Funding. A UAAL occurs when the Funded Ratio is less than 100%. The amortization of the UAAL uses a layered 20-year approach, under which increases or decreases in the UAAL each year are amortized over closed 20-year periods. Surplus Funding occurs when the Funded Ratio is greater than 120%. If the Funded Ratio exceeds 120% and all conditions in California Government Code Section 7522.52(b) are satisfied, then the Surplus Funding is amortized over an open 30-year period.

Based on the current funding policy, Valuation Reserves are the actuarial value of assets minus the 1% Contingency Reserve, the County Contribution Credit Reserve, the Advanced Employer Contribution Reserve, and the STAR Reserve.

[1] A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code.

In preparing the June 30, 2023 funding valuation report, we relied, without audit, on information (some oral and some in writing) supplied by LACERA. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were reviewed and adopted by the Board of Investments. The funding assumptions were based on the triennial investigation of experience study report as of June 30, 2022, which was adopted at the December 14, 2022 Board of Investments meeting. The assumptions and methods used for financial reporting under GASB 67 are the same as the funding assumptions and methods with the following exceptions:

1. The discount rate is gross of administrative expenses,
2. The STAR COLA is treated as substantively automatic and is valued to the extent it is projected to be paid from the STAR Reserve in the future, and
3. The Fiduciary Net Position is equal to the fair value of assets.

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

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

Future actuarial measurements may differ significantly from the current measurements as presented in the funding valuation report and the GASB 67 disclosure report due to factors such as: experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in the program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations. Milliman does not intend to benefit or create a legal duty to any third-party recipient of our work product. No third-party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

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

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

Milliman prepared the following information for the actuarial section:

1. Retirees and Beneficiaries added to and removed from Retiree Payroll – Pension
2. Actuarial Analysis of Financial Experience – Pension
3. Funded Liabilities by Type – Pension
4. Schedule of Funding Progress – Pension

In addition, for Note E – Pension Plan Liabilities of the financial section, Milliman prepared the Schedule of Net Pension Liability, and Sensitivity Analysis.

Except as noted above, LACERA staff prepared the information in Note E and the Required Supplementary Information, based on information supplied in prior funding valuation reports, our June 30, 2023 funding valuation report, and our June 30, 2024 GASB 67 disclosure report. Milliman has reviewed the information in Note E for accuracy.

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

Sincerely,

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

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Summary of Actuarial Methods and Assumptions – Pension Plan

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

Method/Assumption	Application
Overview	*2022 Pension Plan Experience Study* The actuarial methods and assumptions used to determine Pension Plan liabilities are based on the results of the 2022 experience study as recommended by Milliman, the consulting actuary, and adopted by the LACERA Board of Investments. *2023 Pension Plan Actuarial Valuation* Milliman used the 2022 experience study results to prepare the annual actuarial valuation report as of June 30, 2023. LACERA used the 2023 Actuarial Valuation report to update the valuation disclosures in this Actuarial Section. *Retirement Benefit Funding Policy* In 2009, the Board of Investments approved the Retirement Benefits Funding Policy (Funding Policy). Under the Funding Policy, modifications to the asset valuation and amortization methods were adopted beginning with the June 30, 2009 actuarial valuation. The Funding Policy was amended in February 2013 to conform with the standards mandated in PEPRA. In December 2022, the Board of Investments approved an exclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve from valuation assets as an exception to the Funding Policy. During the next fiscal year, the Board of Investments is expected to review and update the Funding Policy.
Actuarial Cost	*Entry Age Normal* Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between plans, entry age is based on original entry into the retirement system. This method was reaffirmed in the 2022 triennial experience study.

Method/Assumption	Application
Actuarial Asset Valuation	*Five-Year Asset Smoothing With Offsetting* The valuation assets are valued using a five-year smoothing method based on the difference between expected and actual fair value of assets as of the valuation date. The gains and losses on fair value are recognized over a five-year period to spread out the impact of investment market performance, rather than recognizing the entire effect of market changes each year. The expected fair value is the prior year's fair value increased with the net cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. To the extent that there is a loss for the year and there are unrecognized gains from previous years, or to the extent that there is a gain for the year and there are unrecognized losses from previous years, the gain or loss for the year shall be used to offset unrecognized gains or losses from previous years in the order of oldest to most recent. Any remaining gain or loss for the year is recognized over a five-year period. The five-year asset smoothing method was adopted effective June 30, 2009, and the offsetting methodology was adopted effective June 30, 2022. *STAR Reserve Assets* Valuation assets exclude the statutory Contingency Reserve and the STAR Reserve. This treatment of the STAR Reserve as a non-valuation reserve was adopted effective June 30, 2022.
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	*20-Year Amortization* As of the June 30, 2019 valuation, all existing amortization layers were set to be amortized over a maximum 22-year period and now have a period of 20 years or less. Future actuarial gains and losses are amortized over new closed 20-year periods, beginning with the date the contribution is first expected to be made. This approach is referred to as layered amortization. For the June 30, 2023 valuation, 15 amortization layers were used to calculate the total amortization payment beginning July 1, 2024.
General Wage Growth and Projected Salary Increases	*3.25 Percent Wage Growth and Various Rates* Projected salary increases: 3.66 percent to 12.54 percent. The total expected increase in salary includes both merit and the general wage increase assumption of 3.25 percent per annum. The total result is compounded rather than additive. Increases are assumed to occur in the middle of the fiscal year (i.e., January 1) and apply only to base salary. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year. The General Wage Growth rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2022 triennial experience study.

Method/Assumption	Application
Investment Rate of Return	*Annual Rate of 7.0 Percent* Future investment earnings are assumed to accrue at an annual rate of 7 percent, compounded annually, net of both investment and administrative expenses. The same rate of return is used to discount the actuarial accrued liability. This rate was adopted beginning with the June 30, 2019 valuation.
Post-Retirement Benefit Increases	*Post-Retirement Benefit Increases of 2.75 Percent or 2.0 Percent* Annual cost-of-living adjustments (COLAs) up to 3.0 percent or 2.0 percent per year may be provided in accordance with the plan benefits provisions, These adjustments are assumed payable each year in the future but are limited to not exceed the expected increase in the Consumer Price Index (CPI) of 2.75 percent per year, with the exception of any adjustments from the COLA accumulation bank for Plan A members. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and after June 4, 2002 to the member's total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member. COLA adjustments for members with service credit earned prior to June 4, 2002 are based on a ratio of months of service earned on and after June 4, 2002 divided by the total months of service. These rates were adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
Consumer Price Index (CPI)	*Annual Rate of 2.75 Percent* This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
Rates of Separation From Employment	*Various Rates and Probabilities* Various rates are dependent upon member's age, gender, years of service, and retirement plan. Each rate represents the probability that a member will separate from service at each age (or service duration) due to the particular cause. These rates of separation from active service were adopted beginning with the June 30, 2022 valuation. The Retirement Probability of Occurrence schedule included in this Actuarial Section includes a summary of probability of retirement and withdrawal for sample ages.

Method/Assumption	Application
Expectation of Life After Retirement[1,2]	*Mortality Tables for Public Employees* The same post-retirement mortality probabilities are used in the valuation for both members retired from service and their beneficiaries. Current beneficiary mortality is assumed to be the same as for healthy general members of the same sex. Future beneficiaries are assumed to be of the opposite sex and have the same mortality as general members. **Males:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2021 Ultimate Projection Scale. **Females:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale. The amount-weighted Pub-2010 mortality table probabilities were adopted June 30, 2019. The MP-2021 Ultimate Projection Scale for expected future mortality improvement was adopted June 30, 2022.
Expectation of Life After Disability[1,2]	*Mortality Tables for Public Employees* **Males:** **General Members:** Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Females:** **General Members:** Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale The amount-weighted Pub-2010 mortality table probabilities were adopted June 30, 2019. The MP-2021 Ultimate Projection Scale for expected future mortality improvement was adopted June 30, 2022.

[1]The Pub-2010 mortality tables were published by the Society of Actuaries' (SOA) Retirement Plans Experience Committee (RPEC) in January 2019. The data studied includes approximately 46 million life-years of exposure and 580,000 deaths from public pension plans over the period 2008 to 2013. The Pub-2010 mortality tables include separate tables for general and safety members, and for each of those classes of members includes separate mortality tables for healthy annuitants, disabled retirees, and employees.

[2]The ultimate improvement rates from the SOA's Mortality Improvement Scale MP-2021 (published in October 2021) are used to adjust the Pub-2010mortality tables to account for anticipated changes in mortality rates in future years. In general, it is assumed that mortality rates will improve (implying longer lifetimes) in the future, partially due to improvements in healthcare.

Method/Assumption	Application
Recent Changes and Their Financial Impact	*2022 Pension Plan Experience Study* An experience study was performed by the consulting actuary for the three-year period ended June 30, 2022. The LACERA Board of Investments adopted the demographic assumptions, projected salary increases, and actuarial methods recommended in that report. The investment return assumption and other economic assumptions remain unchanged. Changes to assumptions and other financial impacts are discussed below. *STAR Reserve* The STAR Reserve is excluded from the 2022 valuation assets. This is consistent with the treatment of STAR benefits as there is no corresponding liability for future potential STAR benefits included in the valuation. The exclusion of the STAR Reserve in the valuation assets was adopted by the Board of Investments in December 2022. *2022 Assumption Changes* At the December 2022 LACERA Board of Investments meeting, the Board adopted new assumptions with the 2022 Investigation of Experience report. The adopted assumptions included updating: rates of assumed merit salary increases; assumed rates of service retirement to reflect a member's length of service in addition to their age; and the mortality improvement scale, to reflect the most recent improvement scale published by the Society of Actuaries' Retirement Plans Experience Committee (RPEC). Of these changes, the update to the service retirement assumption had the greatest single impact on the results of the valuation. All assumption changes have been reflected in the June 30, 2022 actuarial valuation. *Funded Ratio* As of June 30, 2023, the Funded Ratio increased from 79.6 percent to 79.9 percent, due primarily to employer contributions to amortize the Unfunded Actuarial Accrued Liability. *Employer Contributions* The total calculated employer contribution rate increased from the prior valuation by 0.04 percent (from 25.84 percent to 25.88 percent) of payroll. The increase in the employer contribution rate is primarily due to greater than expected salary increases. This increase was mostly offset by the rate-reducing impact of higher payroll growth than expected. *Member Contributions* New member contribution rates were recommended for PEPRA members, General Plan G (from 9.24 percent to 9.28 percent) and Safety Plan C (from 14.76 percent to 14.97 percent) effective July 1, 2024, an increase for both plans. PEPRA plan member rates are required to be equal to 50 percent of the gross normal cost of the respective plan. Member contribution rates for all contributory legacy plans (General Plans A, B, C, and D, and Safety Plans A and B) vary based on a member's entry age when joining LACERA and the underlying assumptions. The member contribution rates for legacy plans were not recommended to increase as of July 1, 2024.

Schedule of Funding Progress — Pension Plan
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Valuation Assets (a)	Actuarial Accrued Liability (AAL)[1] (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll[2] (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2014	$43,654,462	$54,942,453	$11,287,991	79.5%	$6,672,228	169.2%
June 30, 2015	47,328,270	56,819,215	9,490,945	83.3%	6,948,738	136.6%
June 30, 2016	49,357,847	62,199,214	12,841,367	79.4%	7,279,777	176.4%
June 30, 2017	52,166,307	65,310,803	13,144,496	79.9%	7,637,032	172.1%
June 30, 2018	55,233,108	68,527,354	13,294,246	80.6%	7,957,981	167.1%
June 30, 2019	57,617,288	74,635,840	17,018,552	77.2%	8,370,050	203.3%
June 30, 2020	59,762,991	78,275,175	18,512,184	76.3%	8,724,151	212.2%
June 30, 2021	64,909,377	81,898,044	16,988,667	79.3%	9,062,051	187.5%
June 30, 2022	68,711,610	86,320,151	17,608,541	79.6%	9,100,791	193.5%
June 30, 2023	**$72,414,936**	**$90,651,092**	**$18,236,156**	**79.9%**	**$9,425,690**	**193.5%**

[1]Calculated using the entry age normal actuarial cost method.
[2]Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

See Schedule of Employer Contributions History — Pension Plan included in the Required Supplementary Information of the Financial Section, which provides a 10-year schedule of actuarially determined contributions in relation to the actual contributions provided to the Pension Plan.

Active Member Valuation Data — Pension Plan

Valuation Date	Plan Type	Member Count	Annual Salary[1]	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
	General	79,943	$5,487,670,164	$68,645	3.24%
	Safety	12,523	1,252,867,272	100,045	1.58%
June 30, 2014	Total	92,466	$6,740,537,436	$72,897	2.86%
	General	81,228	$5,706,302,532	$70,250	2.34%
	Safety	12,446	1,299,621,108	104,421	4.37%
June 30, 2015	Total	93,674	$7,005,923,640	$74,790	2.60%
	General	82,916	$5,949,587,940	$71,754	2.14%
	Safety	12,528	1,342,684,620	107,175	2.64%
June 30, 2016	Total	95,444	$7,292,272,560	$76,404	2.16%
	General	84,513	$6,290,061,336	$74,427	3.73%
	Safety	12,698	1,388,190,600	109,324	2.01%
June 30, 2017	Total	97,211	$7,678,251,936	$78,985	3.38%
	General	85,703	$6,610,313,328	$77,130	3.63%
	Safety	12,771	1,451,457,324	113,653	3.96%
June 30, 2018	Total	98,474	$8,061,770,652	$81,867	3.65%
	General	86,392	$6,815,591,124	$78,891	2.28%
	Safety	12,794	1,540,187,040	120,384	5.92%
June 30, 2019	Total	99,186	$8,355,778,164	$84,244	2.90%
	General	86,930	$7,186,102,392	$82,665	4.78%
	Safety	13,178	1,590,549,948	120,697	0.26%
June 30, 2020	Total	100,108	$8,776,652,340	$87,672	4.07%
	General	85,963	$7,437,522,936	$86,520	4.66%
	Safety	13,138	1,650,856,932	125,655	4.11%
June 30, 2021	Total	99,101	$9,088,379,868	$91,708	4.60%
	General	83,689	$7,334,839,584	$87,644	1.30%
	Safety	12,850	1,626,909,156	126,608	0.76%
June 30, 2022	Total	96,539	$8,961,748,740	$92,830	1.22%
	General	**84,295**	**$7,842,601,440**	**$93,038**	**6.15%**
	Safety	**12,610**	**1,683,476,580**	**133,503**	**5.45%**
June 30, 2023	**Total**	**96,905**	**$9,526,078,020**	**$98,303**	**5.90%**

[1]Active Member Valuation Annual Salary is an annualized compensation of only those members who were active as of the actuarial valuation date. Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
(Dollars in Thousands)

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance[1,2]	Member Count	Annual Allowance[1]	Member Count[3]	Annual Allowance[1]	Percentage Increase in Retiree Allowance	Average Annual Allowance
June 30, 2014	3,128	$172,743	(1,985)	($71,730)	59,229	$2,712,080	3.87%	$45.8
June 30, 2015	3,501	180,549	(2,124)	(80,028)	60,606	2,812,601	3.71%	46.4
June 30, 2016	3,479	220,632	(2,171)	(80,881)	61,914	2,952,352	4.97%	47.7
June 30, 2017	3,721	245,915	(2,311)	(89,624)	63,324	3,108,643	5.29%	49.1
June 30, 2018	3,826	276,118	(2,270)	(89,033)	64,880	3,295,728	6.02%	50.8
June 30, 2019	3,978	302,022	(2,351)	(97,840)	66,507	3,499,910	6.20%	52.6
June 30, 2020	3,930	311,206	(2,425)	(104,914)	68,012	3,706,202	5.89%	54.5
June 30, 2021	4,350	327,745	(2,865)	(132,185)	69,497	3,901,762	5.28%	56.1
June 30, 2022	4,796	378,343	(2,722)	(130,089)	71,571	4,150,016	6.36%	58.0
June 30, 2023	**4,071**	**$347,718**	**(2,634)**	**($129,276)**	**73,008**	**$4,368,458**	**5.26%**	**$59.8**

[1]Annual Allowance is the monthly benefit allowance annualized for those members counted as of June 30.
[2]Includes COLAs that occurred during the fiscal year and therefore were not included in the previous years' Annual Allowance totals.
[3]For the actuarial valuation year, Member Count includes retirees who, due to timing at year-end, are not yet included in the total retired members count disclosed in the Financial Section, see Note A — Plan Description.

Funded Liabilities by Type — Pension Plan
(Dollars in Millions)

	Actuarial Accrued Liability (AAL) for				Portion of AAL Covered by Assets		
Actuarial Valuation Date	**(A) Active Member Contributions**	**(B) Retirees and Beneficiaries[1]**	**(C) Active Members (Employer Financed Portion)**	**Actuarial Value of Valuation Assets**	**(A) Active**	**(B) Retired**	**(C) Employer**
June 30, 2014	$8,354	$31,882	$14,706	$43,654	100%	100%	23%
June 30, 2015	8,805	32,734	15,280	47,328	100%	100%	38%
June 30, 2016	8,767	35,316	18,116	49,358	100%	100%	29%
June 30, 2017	9,482	37,077	18,752	52,166	100%	100%	30%
June 30, 2018	9,882	39,192	19,453	55,233	100%	100%	32%
June 30, 2019	10,210	42,235	22,190	57,617	100%	100%	23%
June 30, 2020	10,650	44,500	23,125	59,763	100%	100%	20%
June 30, 2021	11,115	46,774	24,009	64,909	100%	100%	29%
June 30, 2022	11,029	49,637	25,654	68,712	100%	100%	31%
June 30, 2023	**$11,930**	**$52,116**	**$26,605**	**$72,415**	**100%**	**100%**	**31%**

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

Actuarial Analysis of Financial Experience — Pension Plan
(Dollars in Millions)

	Valuation as of June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Unfunded Actuarial Accrued Liability	$17,608	$16,989	$18,512	$17,018	$13,294	$13,145	$12,841	$9,491	$11,288	$13,315
Expected Increase/(Decrease) From Prior Valuation	(108)	(76)	171	306	25	146	320	(102)	(54)	338
Salary Increases Greater/ (Less) Than Expected	771	(21)	484	388	486	223	277	162	79	(291)
CPI Greater/(Less) Than Expected	—	355	(73)	43	44	45	(139)	(191)	(570)	(427)
Change in Assumptions	—	1,364	—	—	2,528	—	—	2,922	—	—
Asset Return Less/(Greater) Than Expected	(118)	(996)	(2,039)	701	477	(411)	(421)	496	(1,263)	(1,664)
All Other Experience	83	(7)	(66)	56	164	146	267	63	11	17
Ending Unfunded Actuarial Accrued Liability	**$18,236**	**$17,608**	**$16,989**	**$18,512**	**$17,018**	**$13,294**	**$13,145**	**$12,841**	**$9,491**	**$11,288**

Retirement Probability of Occurrence

Plans A, B, and C General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Other Terminations
Male						
20	0.0000	0.0001	0.0001	N/A	0.0004	0.0050
30	0.0000	0.0001	0.0002	N/A	0.0004	0.0050
40	0.0300	0.0006	0.0002	N/A	0.0008	0.0050
50	0.0300	0.0011	0.0005	N/A	0.0018	0.0050
60	0.3000	0.0039	0.0009	N/A	0.0038	0.0050
70	0.2200	0.0045	0.0013	N/A	0.0084	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0132	0.0000
Female						
20	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
30	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
40	0.0300	0.0005	0.0002	N/A	0.0005	0.0050
50	0.0300	0.0013	0.0005	N/A	0.0011	0.0050
60	0.3000	0.0022	0.0007	N/A	0.0024	0.0050
70	0.2200	0.0025	0.0011	N/A	0.0064	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0105	0.0000

Plans D and G General Members

Age	Service Retirement Plan D	Service Retirement Plan G	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male								
20	0.0000	0.0000	0.0001	0.0001	N/A	0.0004	5	0.0310
30	0.0000	0.0000	0.0001	0.0002	N/A	0.0004	10	0.0170
40	0.0150	0.0000	0.0006	0.0002	N/A	0.0008	15	0.0100
50	0.0150	0.0120	0.0011	0.0005	N/A	0.0018	20	0.0075
60	0.0700	0.0560	0.0039	0.0009	N/A	0.0038	25	0.0050
70	0.2400	0.2400	0.0045	0.0013	N/A	0.0084	30 & up	0.0000
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0132		
Female								
20	0.0000	0.0000	0.0002	0.0001	N/A	0.0002	5	0.0310
30	0.0000	0.0000	0.0002	0.0001	N/A	0.0002	10	0.0170
40	0.0150	0.0000	0.0005	0.0002	N/A	0.0005	15	0.0100
50	0.0150	0.0120	0.0013	0.0005	N/A	0.0011	20	0.0075
60	0.0700	0.0560	0.0022	0.0007	N/A	0.0024	25	0.0050
70	0.2400	0.2400	0.0025	0.0011	N/A	0.0064	30 & up	0.0000
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0105		

Retirement Probability of Occurrence (Continued)

Plan E General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	N/A	N/A	N/A	0.0004	5	0.0310
30	0.0000	N/A	N/A	N/A	0.0004	10	0.0230
40	0.0000	N/A	N/A	N/A	0.0008	15	0.0144
50	0.0000	N/A	N/A	N/A	0.0018	20	0.0108
60	0.0400	N/A	N/A	N/A	0.0038	25	0.0100
70	0.2000	N/A	N/A	N/A	0.0084	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0132		
Female							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0310
30	0.0000	N/A	N/A	N/A	0.0002	10	0.0230
40	0.0000	N/A	N/A	N/A	0.0005	15	0.0144
50	0.0000	N/A	N/A	N/A	0.0011	20	0.0108
60	0.0400	N/A	N/A	N/A	0.0024	25	0.0100
70	0.2000	N/A	N/A	N/A	0.0064	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0105		

Plans A, B, and C Safety Members

Age	Service Retirement Plans A-B	Service Retirement Plan C	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male								
20	0.0000	0.0000	0.0020	0.0000	0.0001	0.0004	5	0.0113
30	0.0000	0.0000	0.0020	0.0000	0.0001	0.0004	10	0.0076
40	0.0075	0.0000	0.0028	0.0000	0.0001	0.0006	15	0.0048
50	0.0200	0.0200	0.0075	0.0000	0.0001	0.0012	20	0.0028
60	0.2100	0.2100	0.1000	0.0000	0.0001	0.0026	25	0.0020
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0041	30 & up	0.0000
Female								
20	0.0000	0.0000	0.0030	0.0000	0.0001	0.0002	5	0.0113
30	0.0000	0.0000	0.0042	0.0000	0.0001	0.0003	10	0.0076
40	0.0075	0.0000	0.0092	0.0000	0.0001	0.0005	15	0.0048
50	0.0200	0.0200	0.0180	0.0000	0.0001	0.0009	20	0.0028
60	0.2100	0.2100	0.0600	0.0000	0.0001	0.0017	25	0.0020
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0023	30 & up	0.0000

Actuarial Information Overview — Other Post-Employment Benefits (OPEB) Program

Introduction

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

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

The OPEB actuarial valuations are performed to review program funding metrics and to satisfy financial statement reporting guidelines that apply to sponsoring employers, such as the County, and employers who fund OPEB benefit programs for their retirees, such as the Los Angeles Superior Court (Superior Court).

Contributions and Funding Policy

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

In June 2015, the County Board of Supervisors approved the countywide budget with a dedicated funding promise for the OPEB liability, using the multiyear approach to enhance the County's OPEB Trust balances in a consistent manner. This funding commitment provides prefunding goals and indicates that the County has placed a priority on making OPEB contributions. The County, LACERA, and Superior Court regularly prefund these obligations, depositing monies into an irrevocable OPEB trust. The plan sponsors provide updated funding projections each year including a five-year forecast. Milliman reviewed the adequacy of the plan sponsor funding policies and found them to be in compliance with Actuarial Standards of Practice (ASOP) Number 6.

Actuarial Cost Method

Effective with the July 1, 2018 OPEB valuation, the actuarial cost method was changed to entry age normal. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between retirement plans, entry age is based on original entry into the retirement system. The entry age normal actuarial cost method is also used for financial reporting purposes as required by GASB.

OPEB Agent Plan

The July 1, 2018 OPEB valuation marked the first valuation prepared under an agent plan structure, changing OPEB funding reporting from the cost-sharing plan structure used in OPEB valuations since July 1, 2006. At the direction of the County, to precisely allocate its own liabilities, the agent plan structure allows for projecting the unfunded actuarial accrued liability based on each individual agents' assets and investment rate of return assumptions. The investment earnings assumption for agents that are prefunding through the OPEB Trust is the expected return for the OPEB Trust. The investment earnings assumption for the agents that are not prefunding through the OPEB Trust is the County's general funds' expected return. However, OPEB specific demographic assumptions such as initial enrollment, medical plan and tier selection, spouse age difference, and re-enrollment assumptions are combined for all of the agents.

The following agents and agent groupings were developed to determine the liability for the individual agents, the total OPEB Trust, and the total OPEB Program:

- Total OPEB Trust — Los Angeles County, Superior Court, and LACERA
- Total OPEB Program — Los Angeles County, Superior Court, LACERA, and outside districts[1]

The total OPEB Program agent grouping is used to disclose the aggregate amounts throughout the Actuarial Section.

Financial Reporting Standards

In June 2015, the GASB issued Statement Numbers 74 and 75, which govern new accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 applies to OPEB program administrators (LACERA) and was effective beginning for the plan fiscal year July 1, 2016.[2] GASB 75 is for employers (County) that sponsor OPEB programs and was effective beginning for the employer fiscal year July 1, 2017.[3]

The data, assumptions, program provisions, and funding goals described in the OPEB valuation report serve as a basis for preparing separate GASB 74 and 75 disclosure reports. GASB sets forth specific financial reporting requirements for LACERA and the County, which result in different computations and data—including discount rates—than the information provided in the OPEB valuation report.

Due to the July 1, 2018 transition from a cost-sharing to an agent plan, LACERA, as the plan administrator, does not disclose the OPEB Program's Net OPEB Liability (NOL) and has determined that GASB 74 disclosures were reduced. Under the agent structure reporting model, the program administrator (LACERA) provides agent-specific information, as each individual agent is required to report their portion of the NOL within their annual financial statements in accordance with GASB 75. LACERA's June 30, 2024 and 2023 financial statements contain some limited information within the Required Supplementary Information Section to support compliance with GASB 74 requirements under an agent plan structure.

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[1] South Coast Air Quality Management District (SCAQMD), Los Angeles County Office of Education (LACOE), Local Agency Formation Commission for the County of Los Angeles (LAFCO), and Little Lake Cemetery District (LLCD).
[2] LACERA implemented GASB 74 as of June 30, 2017.
[3] The LACERA OPEB Program participating employers implemented GASB 75 as of June 30, 2018.

OPEB Actuarial Projects

The OPEB Policy requires annual OPEB valuations and for the actuary to review the reasonableness of the economic and demographic assumptions every three years. Milliman performed the latest OPEB valuation as of July 1, 2023, using the actuarial assumptions from the 2023 OPEB experience study. LACERA discloses actuarial valuation data one year in arrears compared to the financial statement reporting date due to the nature and timing of the required process and the availability of year-end information. Since the 2024 valuation report was not yet available when LACERA prepared the 2024 financial statements, LACERA utilized the latest valuation report as of June 30, 2023.

Actuarial Review Results

Actuarial reviews of the OPEB experience study and OPEB valuation are conducted based on the OPEB Policy. The OPEB Program reviewing actuary, CavMac, last performed reviews of Milliman's OPEB experience study and OPEB valuation as of July 1, 2023.

Other Actuarial Information

Actuarial Methods and Assumptions: A description of the actuarial methods and assumptions for the OPEB valuation used by the OPEB consulting actuary are included in this Actuarial Section.

The following additional information is included in this section:

- Actuary's Certification Letter — OPEB Program
- Summary of Actuarial Methods and Assumptions — OPEB Program
- Schedule of Funding Progress — OPEB Program
- Active Member Valuation Data — OPEB Program
- Retirees and Beneficiaries Added to and Removed from Benefits — OPEB Program
- Funded Liabilities by Type — OPEB Program
- Actuarial Analysis of Financial Experience — OPEB Program

A Summary of Major OPEB Program Provisions is available upon request by contacting LACERA.

See Note N — OPEB Program for details regarding the program description and benefits.

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September 15, 2024

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

Dear Trustees of the Board:

Los Angeles County provides Other Postemployment Benefits (OPEB): retiree medical, dental/vision, and death/burial insurance benefits to the retired Los Angeles County (County) workers who also participate in the Los Angeles County Employees Retirement Association (LACERA) retirement benefits program. These healthcare related benefits are called the Los Angeles County OPEB Program, or the "Program". The Program currently provides these benefits on a "pay-as-you-go" basis while also prefunding into the OPEB Trust. OPEB actuarial funding valuations are performed annually.

A summary of the results of the past three actuarial valuations is shown below. All dollar amounts are in billions.

Valuation Date	Actuarial Accrued Liability	Assets	Unfunded Actuarial Accrued Liability	ADC* as a Percentage of Payroll
July 1, 2021	$21.16	$2.31	$18.85	16.76%
July 1, 2022	$23.10	$2.39	$20.71	18.27%
July 1, 2023	$23.46	$3.09	$20.37	17.10%

* Actuarially Determined Contribution (ADC) based on GASB 74/75 terminology.

The County's Board of Supervisors affirmed their support for pre-funding its OPEB liabilities by providing specific initial appropriations to the OPEB Trust. Since the July 1, 2012 Valuation, details of a long-term funding policy have been finalized. The funding policy provides for steady increases in contributions each year with the ultimate goal of making contributions equal to the ADC. The July 1, 2014, July 1, 2016 and annual OPEB Valuations thereafter include assets invested in the OPEB Trust.

Milliman has developed certain models to estimate the values included in these valuations. The intent of the models was to estimate the assumed investment earnings, analysis of OPEB demographic assumptions, retiree health claim costs, and annual trends for retiree health benefits. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP). The models, including all input, calculations, and output may not be appropriate for any other purpose.

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

In preparing the July 1, 2023 OPEB funding valuation report, we relied, without audit, on information (some oral and some in writing) supplied by Los Angeles County, LACERA, and Segal (LACERA's healthcare consultant). This information includes, but is not limited to, benefit descriptions, membership data, and financial information. In our examination of these data we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. In some cases, where the data was incomplete, we made assumptions as noted in Table C-10 of our July 1, 2023 OPEB funding valuation report. It should be noted that if any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

The valuation is also based on our understanding of the Program's current benefit provisions and the actuarial assumptions, which were reviewed and adopted by the Board of Retirement. The retirement benefit related demographic and economic assumptions were based on those developed for the June 30, 2023 valuation of the LACERA retirement benefit program, approved by LACERA's Board of Investments. Economic and relevant demographic assumptions from the 2022 retirement benefit investigation of experience, conducted by Milliman, are included in the July 1, 2023 OPEB valuation. Assumptions unique to OPEB were identified and evaluated in Milliman's 2023 OPEB investigation of experience study report as of July 1, 2023, approved by LACERA's Board of Retirement.

The OPEB Program changed from cost sharing to agent effective with the July 1, 2018 OPEB funding valuation. The OPEB demographic and trend assumptions are combined for all of LACERA's agents. The investment rate of return assumption differs by the agents that are prefunding into the OPEB Trust and the agents that are not prefunding into the OPEB Trust.

With the change from cost sharing to agent, a GASB 74 disclosure report for LACERA's financial statements is no longer required to report the OPEB Program liability in LACERA's financial statements. The employer specific information will be provided in the GASB 75 disclosure reports for employer financial reporting. The assumptions and methods used for financial reporting under GASB 75 are the same as the funding assumptions and methods used in the July 1, 2023 OPEB funding valuation report, with the following exceptions:

1. The GASB 75 discount rate is determined using depletion date methodology, and it changes on each measurement date.
2. The GASB 75 liabilities have LACERA operational administrative expenses removed.

The actuarial computations presented in the July 1, 2023 OPEB funding valuation and the forthcoming June 30, 2025 GASB 75 disclosure reports are for purposes of fulfilling financial accounting requirements for LACERA's employers. The liabilities in the July 1, 2023 OPEB funding valuation and the GASB 75 disclosure reports are determined by using the entry age normal actuarial cost method. The assets are recognized at fair value. We consider the actuarial assumptions and methods to be internally consistent, to represent a long-term perspective, and to be reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board Statement No. 75 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in the OPEB funding valuation report and the GASB 75 disclosure report due to such factors as the following: OPEB program experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in OPEB program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations. Milliman does not intend to benefit or create a legal duty to any third party recipient of our work product. No third party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

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

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work. Milliman prepared the following information for the Actuarial Section:

1. Retirees and Beneficiaries Added to and Removed from Benefits – OPEB Program
2. Actuarial Analysis of Financial Experience – OPEB Program
3. Funded Liabilities by Type – OPEB Program
4. Schedule of Funding Progress – OPEB Program

LACERA staff prepared the information in Note N-OPEB Program, of the Financial Section and the Required Supplementary Information, based on information supplied in prior actuarial reports, our July 1, 2023 OPEB actuarial funding valuation, and our forthcoming June 30, 2025 GASB 75 report. Milliman has reviewed the information in Note N for accuracy.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the July 1, 2023 OPEB actuarial funding valuation is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion of the July 1, 2023 OPEB actuarial funding valuation. We have experience in performing valuations for Public OPEB programs.

Sincerely,

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

Janet O. Jennings, ASA, MAAA
Consulting Actuary

RLS/JOJ/wb

Summary of Actuarial Methods and Assumptions — OPEB Program

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

Method/Assumption	Application
Overview	*2022 Pension Plan Experience Study and 2023 OPEB Experience Study* The OPEB actuarial methods and assumptions are recommended by the consulting actuary and adopted by the Board of Retirement. The actuarial assumptions used to determine the OPEB Program's liabilities are based on the results of the 2022 Pension Plan Investigation of Experience Study and a separate 2023 OPEB Program Investigation of Experience Study approved by the Board of Retirement in July 2024. Where applicable, assumptions used for the Pension Plan are carried over to the OPEB Program; however, some assumptions developed and applied are unique to the OPEB Program. Pension Plan assumptions were reviewed and changed as of June 30, 2022, as a result of the 2022 Pension Plan triennial Investigation of Experience Study approved by the Board of Investments in December 2022. The general wage increase and inflation assumptions were evaluated for the Pension Plan and applied to the OPEB Program. *OPEB Assumptions* The consulting actuary recommended an OPEB-specific investment earnings assumption, as the investment earnings for the OPEB valuation are based on the expected investment return from either the County's general assets or the OPEB Trust. OPEB Trust assets are invested according to the OPEB Trust Investment Policy Statement adopted by the Board of Investments. These OPEB-specific investment earnings assumptions were reviewed and updated in July 2024, following the 2023 OPEB Experience Study. For agents that are prefunding into LACERA's OPEB Trust, the expected return on the OPEB Trust assets is based on the asset allocation, which was last approved by the Board of Investments in April 2024. This allocation differs from that used for the Pension Plan Trust. The OPEB-specific assumptions, including healthcare plan elections, benefit tier enrollment, and retirement of vested terminated members, were reviewed and updated as a result of the 2023 OPEB Investigation of Experience Study and were applied to the OPEB valuation conducted as of July 1, 2023. See the schedule titled Active Member Valuation Data — OPEB Program for active member valuation information.

Method/Assumption	Application
Actuarial Cost	*Entry Age Normal* Effective with the July 1, 2018 OPEB funding valuation, the entry age normal (EAN) actuarial cost method was applied. Under the principles of this method, the actuarial present value of the projected benefits of each member included in the valuation is allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between retirement benefit plans, entry age is based on original entry into the system. *Unfunded Actuarial Accrued Liability (UAAL)* The portion of this actuarial present value allocated to a valuation year is called the normal cost (NC). The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of the active members, both present and future, covered by the LACERA retirement benefits plan over a 30-year period from the valuation date.
Actuarial Asset Valuation Method	*Fair Value*
Investment Return	*Annual Rate of 6.25 Percent for Prefunding Agents and 3.50 Percent for Other Agents* The investment earnings assumption for agents that are prefunding through the OPEB Trust is the OPEB Trust expected return of 6.25 percent. The investment earnings assumption for agents that are not prefunding through the OPEB Trust is the County's general fund's expected return of 3.50 percent. Besides projecting the OPEB Trust's investment return, this assumption is also used to calculate the Actuarial Accrued Liability (AAL). *GASB 75 Discount Rate Calculation* The reporting methodology change from cost-sharing to agent plan structure began with the July 1, 2018 OPEB Valuation. The investment earnings assumption approach for this funding valuation is intended to reflect the earnings associated with each agent. The separate GASB 75 disclosure report, which provides information for employers and is different from this funding valuation, follows a prescribed discount rate calculation formula for accounting disclosures.
Inflation Rate	*Annual Rate of 2.75 Percent* This rate was adopted beginning with the July 1, 2016 OPEB Valuation.

<table>
<tr><th>Method/Assumption</th><th colspan="4">Application</th></tr>
<tr><td>Amortization</td><td colspan="4">30-Year Amortization
Level percentage of projected salaries of the active members, both present and future, over a 30-year period. This is commonly referred to as a rolling 30-year amortization method and does not cover interest on the UAAL. This assumption was adopted beginning with the July 1, 2006 OPEB valuation.</td></tr>
<tr><td rowspan="6">Healthcare Cost Trend Rates</td><th></th><th>FY 2024 to FY 2025</th><th>FY 2025 to FY 2026</th><th>Ultimate (Grading from June 30, 2024 to June 30, 2106)</th></tr>
<tr><td>LACERA Medical Under 65</td><td>7.60%</td><td>6.30%</td><td>4.20%</td></tr>
<tr><td>LACERA Medical Over 65</td><td>8.80%</td><td>7.30%</td><td>4.20%</td></tr>
<tr><td>Part B Premiums</td><td>11.20%</td><td>6.70%</td><td>4.10%</td></tr>
<tr><td>Dental/Vision</td><td>2.60%</td><td>3.00%</td><td>3.70%</td></tr>
<tr><td>Weighted Average Trend</td><td>8.31%</td><td>6.62%</td><td>4.16%</td></tr>
<tr><td>Claim Costs</td><td colspan="4">Costs Vary By Program Tier
Claim cost data is reviewed for the membership in aggregate, including members of all employers, regardless of their participation in the OPEB Trust. The claim cost assumptions were updated as part of the July 1, 2023 valuation and differ by Tier 1 and Tier 2. Retiree Healthcare Benefits Program—Tier 1 is for members who were hired before July 1, 2014. Members who were hired after June 30, 2014 are in Retiree Healthcare Benefits Program—Tier 2. The tiers have different maximum employer contributions, which impacts medical plan election patterns, resulting in different claim costs. Refer to Table A-21 of the July 1, 2023 OPEB Valuation report for more details.</td></tr>
<tr><td>Retirement</td><td colspan="4">Minimum Retirement Ages
Members in General Plans A through D may retire at age 50 with 10 years of service, or any age with 30 years of service, or age 70 regardless of the number of years of service. General Plan G members are eligible to retire at age 52 with five years of service, or age 70 regardless of the number of years of service. Non-contributory Plan E members may retire at age 55 with 10 years of service. Members of Safety Plans A and B may retire at age 50 with 10 years of service, or any age with 20 years of service. Safety Plan C members are eligible to retire at age 50 with five years of County service.</td></tr>
</table>

Method/Assumption	Application
Expectation of Life After Retirement[1,2]	*Mortality Tables for Public Employees* The same post-retirement mortality rates are used in the valuation for members retired from service and beneficiaries. Future beneficiaries are assumed to have the same mortality as a general member of the opposite gender. The mortality tables used are listed below. Age-based rates are illustrated in the July 1, 2023 OPEB Valuation report. These rates were adopted June 30, 2019. The new projection scale was adopted June 30, 2022. **Males:** **General Members**: PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2021 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale.
Expectation of Life After Disability[1,2]	*Mortality Tables for Public Employees* For disabled members, the mortality tables used are listed below while age-based rates are illustrated in the July 1, 2023 OPEB Valuation report. These rates were adopted June 30, 2019. The new projection scale was adopted June 30, 2022. **Males:** **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Females**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale.

[1]The Pub-2010 mortality tables were published by the Society of Actuaries' (SOA) Retirement Plans Experience Committee (RPEC) in January 2019. The data studied includes approximately 46 million life years of exposure and 580,000 deaths from public pension plans over the period 2008 to 2013. The Pub-2010 mortality tables include separate tables for general and safety members, and for each of those classes of members includes separate mortality tables for healthy annuitants, disabled retirees, and employees.

[2]The ultimate improvement rates from the SOA's Mortality Improvement Scale MP-2021 (published in October 2021) are used to adjust the Pub-2010 mortality tables to account for anticipated changes in mortality rates in future years. In general, it is assumed that mortality rates will improve (implying longer lifetimes) in the future due partially to improvements in healthcare.

Method/Assumption	Application
Retiree Medical and Dental/Vision Eligibility and Enrollment Assumptions	*Various* Any retired or vested terminated members who have not elected a refund of their member pension contributions and who will receive a retirement benefit other than a refund are eligible for retiree medical and dental/vision enrollment. Refer to Tables A-14 through A-19 of the July 1, 2023 OPEB Valuation report for more details regarding the enrollment assumptions.
Other Employment Termination	*Withdrawal of Contributions and Probability of Occurrence* Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further retirement, medical, dental/vision, and death benefits, or they may leave their contributions on deposit with LACERA. Former contributing members whose contributions are on deposit may later elect to receive a refund, return to work, or remain inactive until becoming eligible to receive a retirement benefit under either LACERA or a reciprocal retirement plan. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately. All terminating members are assumed not to be rehired. The Probability of Occurrence schedule included in this Actuarial Section provides a summary of probability of retirement and withdrawal for sample ages. Although these assumptions were developed for the Retirement Benefits Plan, they apply to the OPEB Program participant population.

Schedule of Funding Progress — OPEB Program
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Employee Payroll (c)	UAAL as a Percentage of Covered Employee Payroll [(b-a)/c]
July 1, 2014	$483,800	$28,546,600	$28,062,800	1.7%	N/A	N/A
July 1, 2016	560,800	25,912,600	25,351,800	2.2%	N/A	N/A
July 1, 2017[1]	742,900	26,300,800	25,557,900	2.8%	$8,544,140	299.1%
July 1, 2018[2]	941,010	21,066,800	20,125,790	4.5%	8,954,417	224.8%
July 1, 2019	1,238,480	20,752,600	19,514,120	6.0%	9,471,632	206.0%
July 1, 2020	1,492,600	21,302,700	19,810,100	7.0%	9,813,912	201.9%
July 1, 2021	2,306,800	21,157,400	18,850,600	10.9%	10,065,113	187.3%
July 1, 2022	2,394,100	23,097,800	20,703,700	10.4%	10,269,429	201.6%
July 1, 2023	**$3,091,800**	**$23,459,700**	**$20,367,900**	**13.2%**	**$10,772,896**	**189.1%**

[1]The resulting July 1, 2017 OPEB valuation report was the first annual (versus biennial) valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy Statement, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

[2]Effective with the July 1, 2018 OPEB valuation, the actuarial cost method used to project the AAL changed from projected unit credit to entry age normal.

Active Member Valuation Data — OPEB Program

Valuation Date	Plan Type	Member Count[1]	Annual Salary	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
	General	79,878	$5,482,792,752	$68,640	3.48%
	Safety	12,515	1,251,582,744	100,007	1.52%
July 1, 2014	Total	92,393	$6,734,375,496	$72,888	3.09%
	General	82,780	$5,938,289,628	$71,736	4.51%
	Safety	12,515	1,340,879,628	107,142	7.13%
July 1, 2016	Total	95,295	$7,279,169,256	$76,386	4.80%
	General	84,454	$6,284,503,344	$74,413	3.73%
	Safety	12,695	1,387,680,972	109,309	2.02%
July 1, 2017[2]	Total	97,149	$7,672,184,316	$78,973	3.39%
	General	85,645	$6,604,776,960	$77,118	3.64%
	Safety	12,770	1,451,326,572	113,651	3.97%
July 1, 2018	Total	98,415	$8,056,103,532	$81,858	3.65%
	General	86,337	$6,809,906,844	$78,876	2.28%
	Safety	12,791	1,539,796,908	120,381	5.92%
July 1, 2019	Total	99,128	$8,349,703,752	$84,232	2.90%
	General	86,875	$7,180,721,760	$82,656	4.79%
	Safety	13,176	1,590,271,044	120,695	0.26%
July 1, 2020	Total	100,051	$8,770,992,804	$87,665	4.08%
	General	85,911	$7,432,707,960	$86,516	4.67%
	Safety	13,133	1,650,137,676	125,648	4.10%
July 1, 2021	Total	99,044	$9,082,845,636	$91,705	4.61%
	General	83,647	$7,330,651,500	$87,638	1.30%
	Safety	12,843	1,625,956,740	126,603	0.76%
July 1, 2022	Total	96,490	$8,956,608,240	$92,824	1.22%
	General	**84,254**	**$7,838,142,012**	**$93,030**	**6.15%**
	Safety	**12,603**	**1,682,389,368**	**133,491**	**5.44%**
July 1, 2023	**Total**	**96,857**	**$9,520,531,380**	**$98,295**	**5.89%**

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

[2]The resulting OPEB valuation report was an annual (versus biennial) valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy Statement, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Retirees and Beneficiaries Added to and Removed From Benefits — OPEB Program

(Dollars in Thousands)

	Added to Rolls		Removed From Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance[1]	Member Count	Annual Allowance	Member Count	Annual Allowance	Percentage Increase in Retiree Allowance	Average Annual Allowance
July 1, 2014	5,335	$89,205	(3,369)	($29,925)	48,168	$482,744	14.00%	$10,022
July 1, 2016	5,710	103,373	(3,514)	(30,745)	50,364	555,372	15.04%	11,027
July 1, 2017[2]	3,229	41,266	(1,839)	(18,052)	51,754	578,586	4.18%	11,180
July 1, 2018	3,028	61,697	(1,977)	(20,530)	52,805	619,753	7.12%	11,737
July 1, 2019	3,259	71,970	(1,996)	(22,487)	54,068	669,236	7.98%	12,378
July 1, 2020	3,216	53,933	(2,077)	(23,865)	55,207	699,304	4.49%	12,667
July 1, 2021	3,431	53,821	(2,353)	(28,386)	56,285	724,739	3.64%	12,876
July 1, 2022	3,815	42,812	(2,331)	(27,823)	57,769	739,728	2.07%	12,805
July 1, 2023	**3,316**	**$75,746**	**(2,303)**	**($28,725)**	**58,782**	**$786,749**	**6.36%**	**$13,384**

[1] Includes changes for continuing retirees and beneficiaries.

[2] The resulting OPEB valuation report was the first annual valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy Statement, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Funded Liabilities by Type — OPEB Program
(Dollars in Millions)

	Actuarial Accrued Liability (AAL) for				Portion of AAL Covered by Assets		
Actuarial Valuation Date	(A) Active Member Contributions	(B) Retirees and Beneficiaries[1]	(C) Active Members (Employer Financed Portion)	Actuarial Value of Valuation Assets	(A) Active	(B) Retired	(C) Employer
July 1, 2014	$—	$11,791	$16,756	$484	N/A	4%	—%
July 1, 2016	—	11,365	14,548	561	N/A	5%	—%
July 1, 2017[2]	—	11,640	14,661	743	N/A	6%	—%
July 1, 2018	—	10,108	10,959	941	N/A	9%	—%
July 1, 2019	—	10,260	10,493	1,239	N/A	12%	—%
July 1, 2020	—	10,597	10,706	1,493	N/A	14%	—%
July 1, 2021	—	10,751	10,406	2,307	N/A	21%	—%
July 1, 2022	—	11,543	11,555	2,394	N/A	21%	—%
July 1, 2023	**$—**	**$12,083**	**$11,377**	**$3,092**	**N/A**	**26%**	**—%**

[1]Includes vested inactive members.
[2]The resulting OPEB valuation report was prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy Statement to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Actuarial Analysis of Financial Experience — OPEB Program
(Dollars in Millions)

	Valuation as of July 1									
	2023	2022	2021	2020	2019[1]	2018	2017[2]	2016	2014	2012
Prior Unfunded Actuarial Accrued Liability	$20,704	$18,851	$19,810	$19,514	$20,126	$25,558	$25,352	$28,063	$26,953	$24,031
Expected Increase/ (Decrease) from Prior Valuation	624	621	747	911	1,005	1,170	1,462	3,240	3,873	3,771
Claim Costs Greater/(Less) than Expected[3]	93	287	(1,202)	(1,000)	(1,589)	(1,067)	(1,213)	(2,322)	(5,471)	(3,864)
Change in Assumptions[4]	(919)	567	—	314	(35)	(6,936)	—	(3,385)	3,238	3,423
Asset Return Less/ (Greater) than Expected	(89)	438	(352)	76	1	(28)	(54)	78	(484)	N/A
All Other Experience[5]	(45)	(60)	(152)	(5)	6	1,429	11	(322)	(46)	(408)
Ending Unfunded Actuarial Accrued Liability	**$20,368**	**$20,704**	**$18,851**	**$19,810**	**$19,514**	**$20,126**	**$25,558**	**$25,352**	**$28,063**	**$26,953**

[1]Beginning with the 2019 report, subsequent OPEB valuation reports exclude the excise tax.
[2]The resulting OPEB valuation report was an annual valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy Statement to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.
[3]Includes the medical care claim cost trend assumption change.
[4]In 2016, this amount includes the impact from implementing the Tier 2 Retiree Healthcare Benefits Plan.
[5]In 2018, this amount is primarily due to the impact of the excise tax.

STATISTICAL SECTION

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Statistical Information Overview

The objective of the Statistical Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information to understand and assess the status of the Pension Plan, OPEB Program and discretionary benefits administered by LACERA as of the fiscal year-end. Statistical data is maintained within the member services platform—a sophisticated and proprietary member management system in which LACERA actively maintains member-specific data, comprehensive plan membership records, and related member-specific documents. This section reports the most current membership status information for each type of member (general, safety, active, retired, etc.). The statistical information provided here is divided into Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how LACERA's financial position has changed over time:

- *Changes in Fiduciary Net Position — Pension Plan and Changes in Fiduciary Net Position — OPEB Trust* present additions by source, deductions by type, and the total change in Fiduciary Net Position for each year.
- *Pension Benefit Expenses by Type* presents retirement benefits, refunds of contributions, and lump-sum death benefits, as deductions by type of benefit (e.g., service and disability retirement from general and safety plans).

Operating Information provides contextual information about LACERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition:

- *Active Members* provides membership statistics for active vested and active non-vested members. In addition, members who are not considered retired are included as inactive members and defined as either vested members with deferred benefits or non-vested members with inactive benefits.
- *Retired Members by Type of Pension Benefit and Retired Members by Type of OPEB Benefit* presents benefit information for the current year by dollar level and benefit type.
- *Schedule of Average Pension Benefit Payments* presents the average monthly Pension Plan benefit, average final salary, and number of retired members, organized in five-year increments of credited service.
- *Active Members of Participating Pension Employers* presents the employers and their corresponding employees (active members) who are or may become eligible for Pension Plan benefits.
- *Retired Members of Participating OPEB Employers* presents the number of retired members enrolled in medical and/or dental/vision benefits.
- *Employer Contribution Rates* shown by employer for the Pension Plan is provided as additional information.
- *Supplemental Targeted Adjustment for Retirees (STAR) Program Costs* trends the Program's costs through the current calendar year-end.

Changes in Fiduciary Net Position — Pension Plan

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Additions										
Employer Contributions	$2,509,071	$2,301,706	$2,199,889	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,359	$1,403,712	$1,494,975
Member Contributions	861,042	793,244	758,632	760,994	659,296	635,415	591,262	526,579	498,083	441,258
Net Investment Income/(Loss)	6,611,984	4,856,286	(1,540,145)	15,629,915	1,445,877	3,175,723	4,716,640	6,129,300	80,588	1,989,358
Miscellaneous	5,334	5,009	4,117	2,928	2,383	5,958	5,613	6,370	2,781	1,695
Total Additions/ (Declines)	**$9,987,431**	**$7,956,245**	**$1,422,493**	**$18,406,714**	**$3,907,693**	**$5,485,247**	**$6,838,338**	**$7,993,608**	**$1,985,164**	**$3,927,286**
Deductions										
Total Benefit Expenses[1]	$4,518,138	$4,281,363	$4,044,567	$3,814,262	$3,606,340	$3,407,154	$3,203,375	$3,029,633	$2,889,186	$2,768,410
Administrative Expenses	118,628	112,150	100,121	90,586	85,384	82,906	78,181	66,830	67,645	62,591
Miscellaneous	327	458	219	248	397	333	451	188	(11)	212
Total Deductions	**$4,637,092**	**$4,393,971**	**$4,144,907**	**$3,905,096**	**$3,692,121**	**$3,490,393**	**$3,282,007**	**$3,096,651**	**$2,956,820**	**$2,831,213**
Net Increase/(Decrease) in Fiduciary Net Position	**$5,350,339**	**$3,562,274**	**($2,722,414)**	**$14,501,618**	**$215,572**	**$1,994,854**	**$3,556,331**	**$4,896,957**	**($971,656)**	**$1,096,073**

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

Changes in Fiduciary Net Position — OPEB Trust

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Additions										
Employer Contributions[1]	$1,316,128	$1,196,205	1,097,284	$1,057,366	$907,521	$863,452	$706,709	$645,381	$615,275	$—
Net Investment Income/(Loss)	368,411	247,488	(288,500)	452,122	6,171	62,116	78,746	94,505	(8,095)	4,688
Miscellaneous	—	—	—	—	—	—	—	2	—	—
Total Additions	**$1,684,539**	**$1,443,693**	**$808,784**	**$1,509,488**	**$913,692**	**$925,568**	**$785,455**	**$739,888**	**$607,180**	**$4,688**
Deductions										
Administrative Expenses	$1,077	942	$599	$584	$246	$234	$190	$374	$192	$153
Benefit Payments[1]	797,431	745,013	720,910	694,665	659,295	627,839	583,406	557,381	534,597	—
Redemptions	—	—	—	40	—	25	3,735	—	—	—
Total Deductions	**$798,508**	**$745,955**	**$721,509**	**$695,289**	**$659,541**	**$628,098**	**$587,331**	**$557,755**	**$534,789**	**$153**
Net Increase in Fiduciary Net Position	**$886,031**	**$697,738**	**$87,275**	**$814,199**	**$254,151**	**$297,470**	**$198,124**	**$182,133**	**$72,391**	**$4,535**

[1]Beginning in 2016:

Contributions: The Trust reflects both prefunding contributions actually made to the OPEB Trust as well as additions to Fiduciary Net Position, including amounts for OPEB as the benefits come due that will not be reimbursed to the employers using OPEB program assets.

Benefit Payments: The Trust includes all benefit payments whether made through the Trust or by employers as OPEB benefits comes due (per paragraph 28a and 31 of GASB Statement Number 74).

Pension Benefit Expenses by Type

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Service Retiree Payroll										
General	$2,699,607	$2,560,490	$2,419,417	$2,291,480	$2,174,355	$2,060,365	$1,946,614	$1,845,791	$1,762,274	$1,692,558
Safety	645,670	630,916	602,547	574,362	543,901	507,909	478,802	445,473	419,092	397,962
Total	**$3,345,277**	**$3,191,406**	**$3,021,964**	**$2,865,842**	**$2,718,256**	**$2,568,274**	**$2,425,416**	**$2,291,264**	**$2,181,366**	**$2,090,520**
Disability Retiree Payroll										
General	$213,683	$205,748	$201,231	$195,818	$190,386	$186,120	$177,879	$173,550	$169,821	$165,543
Safety	911,139	837,446	779,078	723,948	670,237	621,358	574,431	538,116	507,824	484,907
Total	**$1,124,822**	**$1,043,195**	**$980,309**	**$919,766**	**$860,623**	**$807,478**	**$752,310**	**$711,666**	**$677,645**	**$650,450**
Total Retiree Payroll										
General	$2,913,290	$2,766,238	$2,620,648	$2,487,298	$2,364,741	$2,246,485	$2,124,493	$2,019,341	$1,932,095	$1,858,101
Safety	1,556,809	1,468,362	1,381,625	1,298,310	1,214,138	1,129,267	1,053,233	983,589	926,916	882,869
Total	**$4,470,099**	**$4,234,600**	**$4,002,273**	**$3,785,608**	**$3,578,879**	**$3,375,752**	**$3,177,726**	**$3,002,930**	**$2,859,011**	**$2,740,970**
Refunds										
General	$38,631	$36,968	$32,470	$21,622	$22,418	$27,096	$20,782	$21,970	$23,470	$22,050
Safety	5,035	6,444	5,619	2,890	2,813	1,595	2,439	2,482	3,622	3,361
Total	**$43,666**	**$43,412**	**$38,089**	**$24,512**	**$25,231**	**$28,691**	**$23,221**	**$24,452**	**$27,092**	**$25,411**
Lump-Sum Death Benefits	**$4,372**	**$3,351**	**$4,205**	**$4,142**	**$2,230**	**$2,711**	**$2,428**	**$2,251**	**$3,083**	**$2,029**
Total Benefit Expenses	**$4,518,137**	**$4,281,363**	**$4,044,567**	**$3,814,262**	**$3,606,340**	**$3,407,154**	**$3,203,375**	**$3,029,633**	**$2,889,186**	**$2,768,410**

Active Members

For the Last 10 Fiscal Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Active Vested										
General	65,479	65,414	64,875	64,622	63,647	62,589	61,734	61,608	61,820	62,532
Safety	9,948	9,974	9,921	9,812	9,875	10,071	10,286	10,429	10,743	11,024
Subtotal	**75,427**	**75,388**	**74,796**	**74,434**	**73,522**	**72,660**	**72,020**	**72,037**	**72,563**	**73,556**
Active Non-Vested										
General	20,810	18,894	18,826	21,355	23,289	23,811	23,975	22,915	21,096	18,696
Safety	2,463	2,635	2,930	3,329	3,304	2,725	2,489	2,269	1,785	1,422
Subtotal	**23,273**	**21,529**	**21,756**	**24,684**	**26,593**	**26,536**	**26,464**	**25,184**	**22,881**	**20,118**
Inactive[1]										
General	19,761	18,994	17,761	15,996	15,133	15,567	7,856	7,752	7,665	7,623
Safety	1,500	1,420	1,286	1,125	1,041	610	603	589	573	563
Subtotal	**21,261**	**20,414**	**19,047**	**17,121**	**16,174**	**16,177**	**8,459**	**8,341**	**8,238**	**8,186**
Total Active Members										
General	106,050	103,302	101,462	101,973	102,069	101,967	93,565	92,275	90,581	88,851
Safety	13,911	14,029	14,137	14,266	14,220	13,406	13,378	13,287	13,101	13,009
Total	**119,961**	**117,331**	**115,599**	**116,239**	**116,289**	**115,373**	**106,943**	**105,562**	**103,682**	**101,860**

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

Retired Members by Type of Pension Benefit

As of June 30, 2024

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement[1] A	B	C	Retirement Option Selected[2] Unmodified	Unmodified Plus	Option 1	Option 2	Option 3	Option 4
$1 - $1,000	12,368	7,976	809	3,583	10,350	923	84	453	124	434
$1,001 - $2,000	13,929	9,442	1,661	2,826	11,719	1,294	114	332	116	354
$2,001 - $3,000	12,004	8,785	1,768	1,451	10,191	1,153	89	169	81	321
$3,001 - $4,000	9,232	7,142	1,235	855	7,811	931	58	94	50	288
$4,001 - $5,000	6,747	5,423	843	481	5,552	829	37	60	41	228
$5,001 - $6,000	4,868	3,887	646	335	4,024	617	26	33	17	151
$6,001 - $7,000	3,607	2,875	538	194	2,869	545	17	23	11	142
> $7,000	12,026	8,070	3,551	405	9,015	2,299	33	33	40	606
	74,781	**53,600**	**11,051**	**10,130**	**61,531**	**8,591**	**458**	**1,197**	**480**	**2,524**

[1]Type of Retirement:

A: Service Retiree
B: Disability Retiree
C: Beneficiary/Continuant/Survivor

[2]Retirement Option Selected:

Unmodified: For Plans A–D and G, beneficiary receives 65 percent of the member’s allowance (60 percent if the member retired before June 4, 2002); for Plan E, beneficiary receives 55 percent of member’s allowance (50 percent if the member retired before June 4, 2002).

The following options reduce the member’s monthly benefit:

Unmodified Plus: For all Plans (A–G), member’s allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/partner.
Option 1: Beneficiary receives lump sum of member’s unused contributions.
Option 2: Beneficiary receives 100 percent of member’s reduced monthly benefit.
Option 3: Beneficiary receives 50 percent of member’s reduced monthly benefit.
Option 4: Beneficiary(ies) receives percentage of member’s reduced monthly benefit as designated by member.

Retired Members by Type of OPEB Benefit

As of June 30, 2024

	Medical Benefit Premium Amounts					Total Member Count
	$1-$500	$501-$1000	$1,001-$1500	$1,501-$2000	> $2,000	
Medical Plans by Plan Type						
Anthem Blue Cross I	1	—	533	21	300	855
Anthem Blue Cross II	—	—	2,400	247	2,999	5,646
Anthem Blue Cross III	—	7,655	4,635	1,174	186	13,650
Anthem Blue Cross Prudent Buyer	—	—	475	—	309	784
Cigna - HealthSpring Preferred Rx	36	20	—	7	1	64
Cigna Network Model Plan	—	—	—	226	78	304
Kaiser - California	—	—	3,461	—	2,542	6,003
Kaiser - Senior Advantage	12,241	6,460	38	2,018	4	20,761
Kaiser - Colorado	—	—	3	—	9	12
Kaiser - Georgia	—	—	0	24	4	28
Kaiser - Hawaii	—	5	—	4	5	14
Kaiser - Oregon	—	—	2	3	8	13
Kaiser - Washington	—	—	—	6	4	10
Firefighters Local 1014	—	—	552	—	1,787	2,339
SCAN Health Plan - Desert	7	—	—	—	—	7
SCAN Health Plan - California	279	99	—	—	—	378
SCAN Health Plan - Nevada	13	2	—	—	—	15
UnitedHealthcare	2	—	—	579	888	1,469
UnitedHealthcare Medicare Advantage (HMO)	2,104	1,410	—	394	105	4,013
Total Medical by Plan Type	**14,683**	**15,651**	**12,099**	**4,703**	**9,229**	**56,365**
Medical Plans by Retirement Type						
Service Retirees	11,518	12,268	8,701	3,724	5,558	41,769
Disability Retirees	824	1,458	1,938	725	3,512	8,457
Survivors	2,341	1,925	1,460	254	159	6,139
Total Medical by Retirement Type	**14,683**	**15,651**	**12,099**	**4,703**	**9,229**	**56,365**

	Dental/Vision Benefit Premium Amounts
	$1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	51,201
CIGNA HMO Dental/Vision	7,323
Total Dental/Vision by Plan Type	**58,524**
Dental/Vision Plans by Retirement Type	
Service Retirees	43,106
Disability Retirees	8,912
Survivors	6,506
Total Dental/Vision by Retirement Type	**58,524**

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/14 to 6/30/15						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,422	$1,716	$2,202	$3,106	$3,360	$5,017
Average Monthly Final Salary	$5,939	$5,543	$5,903	$6,731	$6,294	$6,970
Number of Retirees	126	331	280	308	436	784
Safety Members						
Average Monthly Retirement Benefit	$2,917	$5,412	$5,374	$6,477	$7,082	$9,923
Average Monthly Final Salary	$7,015	$9,261	$9,810	$10,748	$10,400	$11,847
Number of Retirees	20	19	21	28	116	215
Survivors						
General Members						
Average Monthly Retirement Benefit	$903	$1,021	$1,342	$1,854	$1,799	$2,741
Average Monthly Final Salary	$4,076	$4,471	$5,243	$5,464	$4,814	$5,525
Number of Survivors	32	53	40	52	71	126
Safety Members						
Average Monthly Retirement Benefit	$2,101	$2,054	$1,768	$2,911	$4,530	$6,206
Average Monthly Final Salary	$5,564	$6,518	$4,737	$6,552	$6,815	$8,367
Number of Survivors	6	4	9	12	16	29
7/1/15 to 6/30/16						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,619	$1,809	$2,265	$2,893	$3,462	$5,163
Average Monthly Final Salary	$6,022	$5,607	$6,020	$6,414	$6,440	$7,372
Number of Retirees	118	331	273	274	471	837
Safety Members						
Average Monthly Retirement Benefit	$3,134	$3,776	$5,743	$6,290	$7,540	$10,730
Average Monthly Final Salary	$7,077	$9,355	$10,057	$10,613	$11,062	$12,654
Number of Retirees	24	16	27	22	109	205
Survivors						
General Members						
Average Monthly Retirement Benefit	$929	$752	$957	$1,174	$1,745	$2,470
Average Monthly Final Salary	$6,444	$4,670	$3,996	$4,367	$4,825	$5,339
Number of Survivors	30	55	50	51	69	143

Safety Members						
Average Monthly Retirement Benefit	$1,446	$3,207	$3,071	$3,053	$4,468	$5,611
Average Monthly Final Salary	$5,927	$6,777	$6,628	$6,941	$6,825	$7,529
Number of Survivors	6	6	8	9	16	33

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/16 to 6/30/17						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,416	$1,858	$2,364	$3,425	$3,730	$5,149
Average Monthly Final Salary	$5,917	$5,860	$6,367	$7,202	$6,791	$7,441
Number of Retirees	142	338	328	209	507	856
Safety Members						
Average Monthly Retirement Benefit	$2,987	$3,087	$6,412	$6,885	$7,888	$11,358
Average Monthly Final Salary	$7,651	$8,870	$10,320	$11,308	$11,362	$13,288
Number of Retirees	24	25	50	36	153	248
Survivors						
General Members						
Average Monthly Retirement Benefit	$833	$786	$1,392	$1,577	$1,898	$2,942
Average Monthly Final Salary	$5,469	$4,190	$4,959	$5,059	$5,175	$6,105
Number of Survivors	29	52	63	41	72	136
Safety Members						
Average Monthly Retirement Benefit	$3,522	$4,150	$2,131	$3,715	$4,316	$6,581
Average Monthly Final Salary	$6,792	$7,451	$7,234	$6,906	$7,400	$8,411
Number of Survivors	3	5	9	7	16	36
7/1/17 to 6/30/18						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,639	$1,752	$2,482	$3,609	$3,907	$5,275
Average Monthly Final Salary	$7,147	$5,725	$6,223	$7,627	$7,071	$7,605
Number of Retirees	99	339	323	255	470	883
Safety Members						
Average Monthly Retirement Benefit	$3,140	$4,015	$5,714	$6,482	$8,329	$11,650
Average Monthly Final Salary	$7,739	$9,039	$10,242	$11,266	$11,835	$13,559
Number of Retirees	22	21	36	32	126	241

Survivors						
General Members						
Average Monthly Retirement Benefit	$681	$1,112	$1,345	$1,503	$2,179	$2,888
Average Monthly Final Salary	$4,138	$5,668	$5,145	$5,071	$5,596	$6,179
Number of Survivors	17	50	47	38	80	133
Safety Members						
Average Monthly Retirement Benefit	$2,815	$3,252	$3,528	$3,200	$3,603	$5,479
Average Monthly Final Salary	$7,817	$7,192	$6,670	$6,327	$6,905	$7,833
Number of Survivors	7	8	5	7	18	31

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/18 to 6/30/19						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,659	$1,578	$3,091	$3,613	$3,994	$6,007
Average Monthly Final Salary	$6,332	$5,585	$7,078	$7,481	$7,398	$8,630
Number of Retirees	122	337	371	313	447	938
Safety Members						
Average Monthly Retirement Benefit	$4,251	$4,072	$5,960	$8,466	$9,038	$12,076
Average Monthly Final Salary	$8,564	$9,754	$10,348	$12,556	$12,737	$14,367
Number of Retirees	25	30	36	38	137	278
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,129	$921	$1,243	$1,660	$1,894	$2,898
Average Monthly Final Salary	$5,507	$5,704	$5,510	$5,402	$5,204	$5,928
Number of Survivors	38	69	80	81	111	183
Safety Members						
Average Monthly Retirement Benefit	$801	$2,157	$2,885	$2,704	$3,208	$6,016
Average Monthly Final Salary	$4,148	$6,656	$7,462	$5,607	$6,217	$8,495
Number of Survivors	4	8	14	17	29	45
7/1/19 to 6/30/20						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,529	$1,917	$2,998	$3,506	$4,414	$5,772
Average Monthly Final Salary	$6,503	$6,414	$7,197	$7,410	$8,151	$8,315
Number of Retirees	121	337	332	350	400	958

Safety Members						
Average Monthly Retirement Benefit	$2,606	$4,498	$6,070	$7,800	$9,336	$12,485
Average Monthly Final Salary	$7,489	$10,058	$11,768	$12,329	$13,251	$14,963
Number of Retirees	15	24	21	38	119	320
Survivors						
General Members						
Average Monthly Retirement Benefit	$969	$964	$1,171	$1,739	$1,961	$2,794
Average Monthly Final Salary	$5,282	$4,866	$4,956	$5,962	$5,469	$6,085
Number of Survivors	31	62	69	84	101	179
Safety Members						
Average Monthly Retirement Benefit	$3,839	$2,467	$3,078	$2,973	$4,646	$5,847
Average Monthly Final Salary	$5,723	$4,966	$6,705	$5,977	$7,952	$8,081
Number of Survivors	7	9	10	16	31	63

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/20 to 6/30/21						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,231	$1,531	$2,726	$3,349	$4,089	$5,735
Average Monthly Final Salary	$7,640	$6,281	$7,509	$7,453	$7,590	$8,508
Number of Retirees	125	335	293	346	432	1,250
Safety Members						
Average Monthly Retirement Benefit	$2,235	$3,767	$5,041	$6,732	$9,337	$12,659
Average Monthly Final Salary	$8,945	$9,648	$10,518	$12,239	$13,433	$15,336
Number of Retirees	12	24	25	67	132	313
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,106	$948	$1,320	$1,535	$1,862	$3,111
Average Monthly Final Salary	$6,340	$5,370	$5,211	$5,245	$5,155	$6,344
Number of Survivors	26	67	69	79	107	225
Safety Members						
Average Monthly Retirement Benefit	$2,606	$2,369	$4,302	$2,886	$4,557	$5,946
Average Monthly Final Salary	$6,195	$7,058	$9,070	$7,532	$7,368	$8,553
Number of Survivors	6	7	10	13	26	56
7/1/21 to 6/30/22						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,120	$1,748	$2,599	$3,437	$4,397	$6,151
Average Monthly Final Salary	$7,100	$6,985	$7,610	$7,647	$8,399	$9,047
Number of Retirees	138	322	347	497	479	1,499
Safety Members						
Average Monthly Retirement Benefit	$1,626	$4,161	$5,283	$8,017	$9,502	$13,277
Average Monthly Final Salary	$7,145	$9,588	$11,387	$13,751	$13,856	$15,933
Number of Retirees	11	21	17	57	113	304
Survivors						
General Members						
Average Monthly Retirement Benefit	$610	$730	$1,506	$1,690	$2,014	$3,201
Average Monthly Final Salary	$4,460	$4,307	$5,417	$5,501	$5,776	$7,098
Number of Survivors	19	49	72	75	118	218
Safety Members						
Average Monthly Retirement Benefit	$2,323	$2,548	$2,120	$3,491	$5,006	$6,050
Average Monthly Final Salary	$8,156	$6,962	$4,880	$7,107	$8,830	$8,644
Number of Survivors	3	11	5	11	33	54

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/22 to 6/30/23						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,116	$1,697	$2,595	$3,638	$4,388	$6,346
Average Monthly Final Salary	$7,546	$6,742	$7,390	$8,134	$8,337	$9,356
Number of Retirees	138	249	346	387	400	1,129
Safety Members						
Average Monthly Retirement Benefit	$2,442	$3,649	$5,267	$8,899	$9,693	$13,793
Average Monthly Final Salary	$10,258	$10,391	$11,683	$14,229	$14,410	$16,426
Number of Retirees	10	16	31	72	109	285
Survivors						
General Members						
Average Monthly Retirement Benefit	$852	$1,129	$1,089	$1,969	$2,270	$3,552
Average Monthly Final Salary	$4,681	$5,307	$4,793	$6,312	$5,955	$7,009
Number of Survivors	19	64	72	81	88	207
Safety Members						
Average Monthly Retirement Benefit	$3,594	$3,827	$2,093	$3,201	$4,115	$6,127
Average Monthly Final Salary	$6,330	$6,760	$8,410	$7,238	$7,645	$8,762
Number of Survivors	2	5	7	14	26	62
7/1/23 to 6/30/24						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,286	$1,747	$2,708	$3,759	$4,562	$6,712
Average Monthly Final Salary	$7,691	$7,614	$7,512	$8,241	$8,614	$9,793
Number of Retirees	122	212	326	381	490	1,290
Safety Members						
Average Monthly Retirement Benefit	$2,361	$4,107	$5,447	$8,045	$10,736	$14,712
Average Monthly Final Salary	$9,741	$9,971	$11,833	$13,811	$15,492	$17,033
Number of Retirees	16	18	34	61	134	250
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,165	$934	$1,563	$2,044	$2,357	$3,456
Average Monthly Final Salary	$6,451	$4,472	$6,899	$6,424	$6,211	$7,211
Number of Survivors	24	68	69	67	92	229
Safety Members						
Average Monthly Retirement Benefit	$2,047	$2,012	$2,424	$3,068	$4,929	$6,184
Average Monthly Final Salary	$6,798	$7,953	$9,992	$7,458	$7,991	$8,787
Number of Survivors	2	3	5	11	40	63

Active Members of Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles	2024 Covered Members	2024 Percentage of Total Covered Members	2023 Covered Members	2023 Percentage of Total Covered Members	2022 Covered Members	2022 Percentage of Total Covered Members	2021 Covered Members	2021 Percentage of Total Covered Members	2020 Covered Members	2020 Percentage of Total Covered Members
General Members	86,282	87.418%	84,301	86.983%	83,695	86.684%	85,970	86.735%	86,929	86.829%
Safety Members	12,411	12.574%	12,609	13.010%	12,851	13.310%	13,141	13.258%	13,179	13.164%
Total	**98,693**	**99.993%**	**96,910**	**99.993%**	**96,546**	**99.994%**	**99,111**	**99.993%**	**100,108**	**99.993%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	—	—%	—	—%	—	—%	—	—%	—	—%
Los Angeles County Office of Education	—	—%	—	—%	—	—%	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	6	0.006%	6	0.006%	5	0.005%	6	0.006%	6	0.006%
Total Participating Agencies	**7**	**0.007%**	**7**	**0.007%**	**6**	**0.006%**	**7**	**0.007%**	**7**	**0.007%**
Total Active Membership[1]										
General Members	86,289	87.426%	84,308	86.990%	83,701	86.690%	85,977	86.742%	86,936	86.836%
Safety Members	12,411	12.574%	12,609	13.010%	12,851	13.310%	13,141	13.258%	13,179	13.164%
Total	**98,700**	**100.000%**	**96,917**	**100.000%**	**96,552**	**100.000%**	**99,118**	**100.000%**	**100,115**	**100.000%**

County of Los Angeles	2019 Covered Members	2019 Percentage of Total Covered Members	2018 Covered Members	2018 Percentage of Total Covered Members	2017 Covered Members	2017 Percentage of Total Covered Members	2016 Covered Members	2016 Percentage of Total Covered Members	2015 Covered Members	2015 Percentage of Total Covered Members
General Members	86,392	87.092%	85,701	87.020%	84,515	86.931%	82,907	86.865%	81,219	86.704%
Safety Members	12,796	12.900%	12,775	12.972%	12,698	13.061%	12,528	13.126%	12,446	13.286%
Total	**99,188**	**99.992%**	**98,476**	**99.992%**	**97,213**	**99.992%**	**95,435**	**99.991%**	**93,665**	**99.990%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	—	—%	—	—%	1	0.001%	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%	—	—%	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	7	0.007%	7	0.007%	6	0.006%	7	0.007%	7	0.008%
Total Participating Agencies	**8**	**0.008%**	**8**	**0.008%**	**8**	**0.008%**	**9**	**0.009%**	**9**	**0.010%**
Total Active Membership[1]										
General Members	86,400	87.100%	85,709	87.028%	84,523	86.939%	82,916	86.874%	81,228	86.714%
Safety Members	12,796	12.900%	12,775	12.972%	12,698	13.061%	12,528	13.126%	12,446	13.286%
Total	**99,196**	**100.000%**	**98,484**	**100.000%**	**97,221**	**100.000%**	**95,444**	**100.000%**	**93,674**	**100.000%**

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

Retired Members of Participating OPEB Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles and Participating Agencies	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Medical	56,365	55,359	54,065	52,832	52,336	51,216	50,052	48,812	47,653	46,567
Dental/Vision	58,524	57,271	55,772	54,262	53,705	52,499	51,225	49,890	48,671	47,486

Employer Contribution Rates: County of Los Angeles

For the Last 10 Years

	General Members						Safety Members		
Effective[1]	**Plan A**	**Plan B**	**Plan C**	**Plan D**	**Plan E**	**Plan G**	**Plan A**	**Plan B**	**Plan C**
FY 2014-2015 [2]	26.99%	19.49%	19.01%	19.74%	20.95%	19.53%	35.91%	29.26%	25.29%
FY 2015-2016	25.13%	17.45%	16.90%	17.70%	18.97%	17.66%	34.64%	27.50%	23.46%
FY 2016-2017	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%	32.25%	25.94%	21.93%
FY 2017-2018 [2]	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%	34.45%	27.75%	23.73%
FY 2018-2019	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%	34.11%	28.36%	23.97%
FY 2019-2020 [2]	27.81%	19.33%	18.33%	19.42%	20.79%	19.42%	35.32%	29.30%	24.68%
FY 2020-2021 [2]	29.59%	21.13%	19.72%	20.94%	22.47%	20.84%	38.10%	31.99%	26.27%
FY 2021-2022 [2]	31.40%	24.16%	21.39%	22.94%	24.49%	22.85%	40.12%	34.59%	28.17%
FY 2022-2023	31.11%	24.13%	21.23%	22.75%	24.30%	22.66%	39.93%	34.79%	27.91%
FY 2023-2024 [2]	**31.52%**	**25.79%**	**22.45%**	**24.16%**	**25.74%**	**23.96%**	**42.18%**	**36.31%**	**29.48%**

[1]Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. However, Sections 31454 and 31454.7 of CERL require the County Board of Supervisors to adjust contribution rates in accordance with LACERA's recommendations no later than 90 days following the beginning of the immediately succeeding fiscal year. Adjustments must be made effective July 1, or thereafter, but not later than September 29 of each year.

[2]Contribution rates were made effective with the September 16-30 payroll cycle.

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

For the Last 10 Years

Effective[3]	Plan D	Plan E	Plan G
FY 2014-2015 [4]	19.74%	20.95%	19.53%
FY 2015-2016	17.70%	18.97%	17.66%
FY 2016-2017	16.19%	17.49%	16.07%
FY 2017-2018 [4]	18.17%	—%	18.04%
FY 2018-2019 [4]	18.51%	—%	18.53%
FY 2019-2020 [4]	19.42%	—%	19.42%
FY 2020-2021 [4]	20.94%	—%	20.84%
FY 2021-2022 [4]	22.94%	—%	22.85%
FY 2022-2023	22.75%	—%	22.66%
FY 2023-2024	**24.16%**	**—%**	**23.96%**

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

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

[3]Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. However, Sections 31454 and 31454.7 of CERL require the contribution rates of outside districts to be adjusted in accordance with LACERA's recommendations no later than 90 days following the beginning of the immediately succeeding fiscal year. Adjustments must be made effective July 1, or thereafter, but not later than September 29 of each year.

[4]Contribution rates were made effective with the September monthly payroll cycle.

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

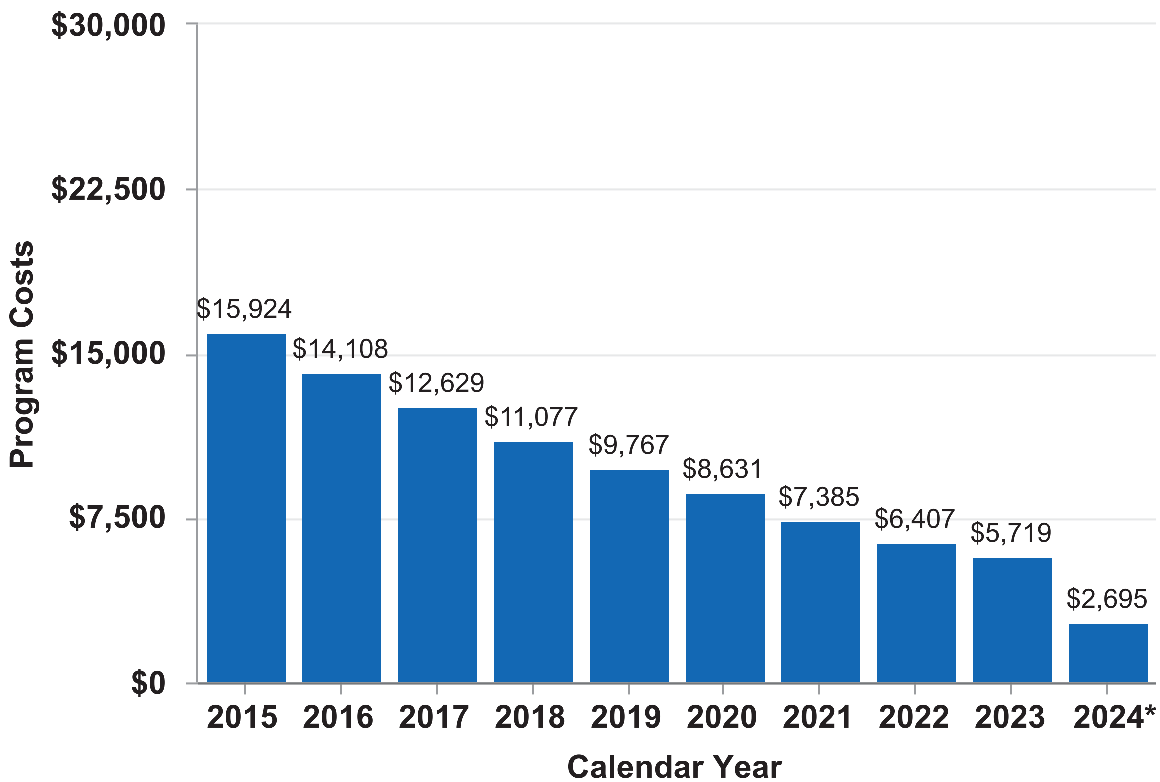
STAR Program benefits are discretionary and require Board of Retirement approval. Retiree Cost-of-Living Adjustment (COLA) Accumulation accounts are monitored, and when the minimum balance is exceeded, retirees can become eligible for STAR Program benefits.

The STAR Program is administered on a calendar-year basis. Each year, LACERA's consulting actuary calculates both the annual (ad hoc) and lifetime costs, which are funded by the STAR Reserve. For ad-hoc awards, benefits are paid from the STAR Reserve directly; for the lifetime awards, funds are transferred from the STAR Reserve to the Employer Reserve to pay benefits.

The Board of Retirement has approved previous STAR Program awards on a permanent basis, increasing benefit payments for the members' lifetimes. Please refer to Note A — Benefit Plan Descriptions for additional information regarding the STAR Program.

The chart below represents the STAR Program costs for the last 10 years. The annual costs shown are STAR Program benefits paid from the Employer Reserve. For additional information related to reserve accounts, please see Note D — Pension Plan Reserves.

STAR Program Costs
For the Last 10 Calendar Years
(Dollars in Thousands)



*Represents partial year, January 1 through June 30

ATTACHMENT E

Los Angeles County Employees Retirement Association

Schedule of Employer Allocations and Schedule of Pension Amounts by Employer As of and for the Year Ended June 30, 2023 With Independent Auditor's Report

Employer Reporting Period: June 30, 2024

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Independent Auditor's Report

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

Opinions

We have audited the schedule of employer allocations of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2023 and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources (excluding contributions made subsequent to June 30, 2023), total deferred inflows of resources, and total pension expense (the “specified column totals”), included in the accompanying schedule of pension amounts by employer of LACERA as of and for the year ended June 30, 2023, and the related notes.

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedules* section of our report. We are required to be independent of LACERA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As explained in Note 2 to the schedules, the schedules include investments that are part of the calculation of the net pension liability, which are valued at $26,537,410,000 (36 percent of net position) at June 30, 2023, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management’s estimates are based on alternative sources of information, including audited financial statements, audited interim reports, independent appraisals, and other similar sources of information to determine the fair value of investments. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Schedules

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

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

Auditor's Responsibilities for the Audit of the Schedules

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

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer and the related disclosures.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

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

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2023, and our report thereon dated October 13, 2023 expressed an unmodified opinion on the financial statements.

Restriction on Use

Our report is intended solely for the information and use of LACERA's management, the retirement board, LACERA's employers, and its auditors and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

April 3, 2024

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Defined Benefit Pension Plan

Schedule of Employer Allocations

As of and for the year ended June 30, 2023

	Measurement Date 6/30/2023				
Employer	Actual Employer Contribution (1)	Employer Contribution Percentage	Adjusted Contribution Percentage	Employer Proportion	Employer Net Pension Liability
Los Angeles County	$ 2,216,111,000	96.28123%	96.28123%	96.28123%	$ 14,073,963,000
Los Angeles County Superior Court	85,407,000	3.71060%	3.71060%	3.71060%	542,399,000
South Coast Air Quality Management District	-	0.00000%	0.00000%	0.00000%	-
Los Angeles County Office of Education	-	0.00000%	0.00000%	0.00000%	-
Local Agency Formation Commission	177,000	0.00769%	0.00769%	0.00769%	1,124,000
Little Lake Cemetery District	11,000	0.00048%	0.00048%	0.00048%	70,000
Total	$ 2,301,706,000	100%	100%	100%	$ 14,617,556,000

(1) Employer contributions exclude any pickup contributions and include contributions from the Metropolitan Transportation Authority (MTA). Our understanding is that the MTA is a nonemployer contributing entity that is not in a special funding situation. We have considered contributions from the MTA as a county contribution in the above table.

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2023

		Deferred Outflows of Resources					Deferred Inflows of Resources			Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
Employer Name	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Net Differences between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences between Expected and Actual Economic Experience	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Allocable Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Los Angeles County	$ 14,073,963,000	$ 1,598,001,000	$ 100,005,000	$ 2,340,769,000	$ 22,070,000	$ 4,060,845,000	$ 5,720,000	$ 16,093,000.00	$ 21,813,000	$ 2,792,382,000	$ 4,974,000	$ 2,797,356,000
Los Angeles County Superior Court	542,399,000	61,586,000	3,854,000	90,211,000	16,006,000	171,657,000	220,000	22,066,000	22,286,000	107,616,000	(4,966,000)	102,650,000
South Coast Air Quality Management District	-	-	-	-	6,000	6,000	-	-	-	-	2,000	2,000
Los Angeles County Office of Education	-	-	-	-	-	-	-	-	-	-	-	-
Local Agency Formation Commission	1,124,000	128,000	8,000	187,000	111,000	434,000	-	38,000	38,000	223,000	(12,000)	211,000
Little Lake Cemetery District	70,000	8,000	-	12,000	11,000	31,000	-	7,000	7,000	14,000	2,000	16,000
Total for All Employers	$ 14,617,556,000	$ 1,659,723,000	$ 103,867,000	$ 2,431,179,000	$ 38,204,000	$ 4,232,973,000	$ 5,940,000	$ 38,204,000	$ 44,144,000	$ 2,900,235,000	$ -	$ 2,900,235,000

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Notes to Schedule of Employer Allocations and

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2023

(1) Plan Description

Los Angeles County Employees Retirement Association (LACERA) administers a cost-sharing multiple-employer defined benefit pension plan for Los Angeles County and its affiliated Superior Court, plus four outside districts: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District. For additional information, please refer to the Annual Comprehensive Financial Report, which can be found on LACERA's website at www.LACERA.com.

Plan benefits are specified in and provided to members based on the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act (PEPRA) and the regulations, procedures, and policies adopted by the LACERA Board of Retirement and the LACERA Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members. Benefits are provided to members of the plan based on the provisions of PEPRA.

(2) Basis of Presentation and Significant Accounting Principles

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer presents amounts that are elements of the financial statements of the plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the plan or its participating employers. The accompanying schedules were prepared in accordance with the full accrual basis of accounting under accounting principles generally accepted in the United States of America. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member and employer contributions are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each benefit plan.

The preparation of these schedules requires management of LACERA to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

The plan net position, which is part of the calculation of the net pension liability (per Note (4)), includes investments valued at $26,537,410,000 (36 percent of net position) at June 30, 2023, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments.

(3) Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the plan to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the plan's total employer contributions during the measurement period July 1, 2022 through June 30, 2023.

(3) Allocation Methodology (Continued)

Total contribution per the Schedule of Employer Allocations and per the LACERA audited financial statements for the year ended June 30, 2023 is $2,301,706,000.

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2023 are as follows:

Total pension liability	$ 88,469,442,000
Plan fiduciary net position	(73,851,886,000)
Net pension liability	$14,617,556,000

Actuarial Assumptions

The collective net pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, with updated procedures used to roll forward the total pension liability to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75 percent
General wage growth	3.25 percent
Projected salary increases	3.66 percent to 12.54 percent
Projected COLAs	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. Supplemental Targeted Adjustment for Retirees (STAR) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR Program benefits.
Investment rate of return	7.13 percent, compounded annually, net of investment expense

Mortality rates were based on the Pub-2010 mortality tables and included projection for expected future mortality improvement using the MP-2021 Ultimate Projection Scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2019 to June 30, 2022.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75 percent.

(4) Collective Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Allocation		Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**53.0%**		**6.2%**	
Global Equity		32.0%		5.0%
Private Equity		17.0%		7.0%
Non-Core Private Real Estate		4.0%		6.5%
Credit	**11.0%**		**3.1%**	
Liquid Credit		4.0%		2.2%
Illiquid Credit		7.0%		3.3%
Real Assets and Inflation Hedges	**17.0%**		**3.7%**	
Core Private Real Estate		6.0%		3.2%
Natural Resource and Commodities		3.0%		3.9%
Infrastructure		5.0%		4.9%
TIPS		3.0%		0.1%
Risk Reduction & Mitigation	**19.0%**		**1.1%**	
Investment Grade Bonds		7.0%		0.2%
Diversified Hedge Fund Portfolio		6.0%		2.1%
Long-Term Government Bonds		5.0%		0.7%
Cash Equivalents		1.0%		-0.8%

Single Discount Rate

The discount rate used to measure the total pension liability was 7.13 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00 percent, net of all expenses, increased by .13 percent, gross of administrative expenses.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(4) Collective Net Pension Liability (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.13%)	Current Discount Rate (7.13%)	1% Increase (8.13%)
Collective net pension liability	$26,342,181,000	$14,617,556,000	$4,898,389,000

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2023:

	Year of Deferral	Amortization Period (years)	Beginning of Year Balance	Additions	Deductions	End of Year Balance
Deferred Outflow of Resources:						
Difference between expected and actual experience	2023	7	-	$ 377,821,000	53,974,000	323,847,000
	2022	8	343,017,000	-	49,002,000	294,015,000
	2021	8	454,174,000	-	75,696,000	378,478,000
	2020	8	496,848,000	-	99,369,000	397,479,000
	2019	8	251,493,000	-	62,874,000	188,619,000
	2018	8	115,929,000	-	38,644,000	77,285,000
Subtotal			1,661,461,000	377,821,000	379,559,000	1,659,723,000
Difference between projected and actual earnings on pension plan investments	2023	5	-	125,691,000	25,138,000	100,553,000
	2022	5	5,375,185,000		1,343,796,000	4,031,389,000
	2020	5	1,130,202,000	-	565,101,000	565,101,000
	2019	5	189,753,000	-	189,753,000	-
Subtotal			6,695,140,000	125,691,000	2,123,788,000	4,697,043,000
Changes of assumptions	2023	7	-	855,336,000	122,191,000	733,145,000
	2020	8	1,641,314,000	-	328,263,000	1,313,051,000
	2017	8	769,970,000	-	384,987,000	384,983,000
Subtotal			2,411,284,000	855,336,000	835,441,000	2,431,179,000
Total Deferred Outflows of Resources			$ 10,767,885,000	$ 1,358,848,000	$ 3,338,788,000	$ 8,787,945,000
Deferred Inflows of Resources						
Difference between expected and actual experience	2017	8	$ 11,878,000	$ -	$ 5,938,000	$ 5,940,000
	2016	8	54,629,000	-	54,629,000	-
Subtotal			66,507,000	-	60,567,000	5,940,000
Difference between projected and actual earnings on pension plan investments	2021	5	6,889,764,000	$ -	$ 2,296,588,000	$ 4,593,176,000
Total Deferred Inflows of Resources			$ 6,956,271,000	$ -	$ 2,357,155,000	$ 4,599,116,000

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized (amortized) in pension expense as follows:

Years Ending June 30		
2024	$	846,503,000
2025		(97,644,000)
2026		2,160,301,000
2027		753,636,000
2028		300,861,000
Thereafter		225,172,000
Total	$	4,188,829,000

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is eight years for the 2022, 2021, 2020, 2019, 2018, 2017, and 2016 amounts and 7 years for the 2023 amount.

(6) Pension Expense

The components of allocable pension expense for the year ended June 30, 2023 (excluding employer specific pension expense for changes in proportion) are as follows:

Service cost	$ 1,635,318,000
Interest on the total pension liability	5,950,906,000
Member contributions	(793,244,000)
Projected earnings of plan investments	(4,966,842,000)
Net miscellaneous income	(4,551,000)
Administrative expense	97,015,000
(Amortization) recognition of deferred outflows and inflows of resources:	
Difference between expected and actual experience	318,992,000
Difference between projected and actual earnings on pension plan investments	(172,800,000)
Changes of assumptions	835,441,000
Total	$ 2,900,235,000

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

AGENT MULTIPLE-EMPLOYER OTHER POST-EMPLOYMENT BENEFITS TRUST

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

Introduction

The Los Angeles County Employees Retirement Association (LACERA) administers the Los Angeles County Retiree Healthcare Benefits Program (RHCBP), which is also commonly referred to as the Other Post-Employment Benefits (OPEB) Program, for eligible retired members and eligible dependents or survivors of LACERA members, who were formerly employed by Los Angeles County (County), Los Angeles County Superior Court (Court), LACERA, or a participating outside district[1]. LACERA also administers the OPEB Trusts for the OPEB Program on behalf of the County, Court, and LACERA (Employers) for the purpose of providing a pre-funding vehicle for each Employers' OPEB liabilities. In order to track and allocate these liabilities and ongoing program costs by Employer, as of July 1, 2018, the OPEB Program transitioned the reporting structure from a cost-sharing plan to an agent multiple-employer plan.

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB Statement No. 75), employers are required to recognize and report their specific OPEB amounts which include Net OPEB Liability (NOL), deferred outflows of resources, deferred inflows of resources, and OPEB expenses. For those participating Employers who request the information, LACERA works with its consulting actuary, Milliman, to provide this information.

The accompanying Schedule of Changes in Fiduciary Net Position by Employer includes the additions and deductions made to each Employer's OPEB Trust Fund as well as the beginning and ending Fiduciary Net Position Restricted for Benefits for each Employer. The Total OPEB Liability (TOL) is reduced by the Fiduciary Net Position (FNP) or "net assets" to determine the Employers' Net OPEB Liability (NOL).

LACERA's external auditor, Plante Moran, has also completed the System and Organizational Controls 1 (SOC-1 Type 2) audit which examines transactions processed by LACERA (service organization) throughout the period July 1, 2022 to June 30, 2023 and the suitability of the design and operating effectiveness of controls as they are relevant to Employers' (user organizations) internal control over financial reporting. The SOC-1 Type 2 audit report is required by GASB Statement No. 75 to provide user organizations assurance to report the NOL as provided by the service organization within the user organizations' financial statements.

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

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Independent Auditor's Report

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

Report on the Schedule

Opinion

We have audited the fiduciary net position as of June 30, 2023 and the changes in fiduciary net position for the year then ended, included in the accompanying schedule of changes in fiduciary net position by employer (the "Schedule") of the Agent Multiple-Employer Other Post-Employment Benefits Trust of Los Angeles County Employees Retirement Association (LACERA), and the related notes. We have also audited the fiduciary net position of the Los Angeles County column as of June 30, 2023 and the changes in fiduciary net position of the Los Angeles County column for the year then ended, included in the accompanying Schedule.

In our opinion, the accompanying Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Agent Multiple-Employer Other Post-Employment Benefits Trust of LACERA as of June 30, 2023 and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Los Angeles County column as of June 30, 2023 and the changes in fiduciary net position of the Los Angeles County column for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are required to be independent of LACERA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note A, the Schedule presents only the fiduciary net position and changes in fiduciary net position by employer of the Agent Multiple-Employer Other Post-Employment Benefits Trust and does not purport to, and does not, present fairly the fiduciary net position of LACERA as a whole or Los Angeles County itself as of June 30, 2023, nor their related changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Schedule

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

Auditor’s Responsibilities for the Audit of the Schedule

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

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

Supplementary Information

Our audit of the financial statements of LACERA was conducted for the purpose of forming an opinion on the financial statements as a whole. The individual employer information presented in each of the individual columns of the accompanying Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The individual employer information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Each column of individual employer information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual employer information presented in each individual column of the accompanying Schedule is stated fairly, in all material respects, in relation to the financial statements of LACERA as a whole. We do not express an opinion on the fiduciary net position or changes in fiduciary net position of each individual employer other than the county, as noted above.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of LACERA as of and for the year ended June 30, 2023, and our report thereon dated October 13, 2023 expressed an unmodified opinion on those financial statements. The Agent Multiple-Employer Other Post-Employment Benefits Trust is reported as a fund of LACERA.

Other Information

Management is responsible for the other information included with the Schedule. The other information comprises the introductory section. Our opinion on the Schedule does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Restriction on Use

Our report is intended solely for the information and use of management, the board of retirement, the board of investments, LACERA employers, and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.

Plante & Moran, PLLC

April 3, 2024

Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

	Los Angeles County	Superior Court	LACERA	Total
Additions				
Employer Contributions	$1,153,553	$36,570	$6,082	$1,196,205
Net Investment and Miscellaneous Income Gain/(Loss)	241,153	5,218	1,117	247,488
Total Additions	$1,394,706	$41,788	$7,199	$1,443,693
Deductions				
Service Benefits	$712,101	$30,570	$2,342	$745,013
Administrative Expenses	714	182	46	942
Redemptions	—	—	—	—
Total Deductions	$712,815	$30,752	$2,388	$745,955
Net Increase in Fiduciary Net Position	$681,891	$11,036	$4,811	$697,738
Fiduciary Net Position Restricted for Benefits				
Beginning of Year	2,327,435	55,868	10,799	2,394,102
End of Year	$3,009,326	$66,904	$15,610	$3,091,840

The accompanying Notes are an integral part of this schedule.

NOTE A — Plan Description

The County OPEB Trust and the Court OPEB Trust for the Retiree Healthcare Benefits Program are administered through trusts that are considered as qualified OPEB plans under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. A qualifying OPEB plan meets the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Establishment of the County OPEB Trust
Pursuant to the California Government Code Sections 31694.3 and 31694.4, the County established an irrevocable, tax exempt OPEB Trust for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Benefits Program, which LACERA administers. In May 2012, the County Board of Supervisors approved entering into a Trust and Investment Services Agreement with the LACERA Board of Investments to serve as trustee and investment services manager.

Establishing and funding an OPEB Trust was the County's initial action in offsetting the unfunded OPEB liability. This reporting method provides a framework in which the County prefunds OPEB costs through a Trust and over time, transitions from funding post-retirement benefits using the existing "pay-as-you-go" model to a prefunding model. The County OPEB Trust and agent reporting method does not modify the participating Employers' existing benefits structure and programs.

The County OPEB Trust serves as a funding tool for the participating Employers to hold and invest assets used to pay expenses associated with OPEB benefits, such as medical, dental, and vision insurance plans and Medicare Part B reimbursements administered by the Retiree Healthcare Benefits Program including the retiree death/burial benefit. The participating Employers will be responsible for and have discretion over OPEB Trust funding and in applying those assets restricted for paying OPEB benefits as defined in the Trust Agreement. There are two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Establishment of the Court OPEB Trust
Similar to the OPEB Trust established by the County, the Court followed the County's action and established a separate OPEB Trust Fund, the Court OPEB Trust, to begin prefunding its own OPEB unfunded liability.

Pursuant to the California Government Code, the Court established an irrevocable, tax exempt OPEB Trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program, which LACERA administers for the Court retirees. In April 2016, the Judicial Council of California approved the Los Angeles County Superior Court's request to establish a qualified irrevocable Trust, as well as engage LACERA's Board of Investments as trustee and investment services manager.

In May 2016, to conform the language of the County OPEB Trust agreement to the language of the Court's OPEB Trust agreement, the Board of Supervisors approved the First Amendment to the *Trust and Investment Services Agreement for the County of Los Angeles OPEB Program* between the County and LACERA. This amendment permits the pooling of County and Court OPEB Trust assets solely for investment purposes and updates the fiduciary duty provisions due to the addition of the Court's OPEB Trust agreement. Although the County and Court OPEB Trust assets are pooled for investment purposes, separate accounts are maintained for each employer.

In June 2016, similar to the County, the Court entered into a Trust and Investment Services Agreement with the LACERA Board of Investments to serve as trustee and investment services manager.

OPEB Master Trust

In July 2016, the LACERA Board of Investments adopted the OPEB Master Trust Declaration and unitized fund structure for OPEB Trust investments. As trustee of the separate OPEB Trusts established by the County and the Court, the Board of Investments has sole and exclusive authority, control over, and responsibility for directing the investment and management of the Master Trust assets which includes all of the assets held in both OPEB Trusts. This investment pool is commonly referred to throughout LACERA's financial statements and note disclosures as the "OPEB Trust" or the "OPEB Master Trust".

The OPEB Master Trust was established as a unitized fund structure which may allow synergy from the shared economy and leveraged investment opportunities for greater diversification of assets. Unitization also provides Trust participants the ability to pool assets and resources while retaining total fund and functional category values and reporting for each participant. The Board of Investments adopted an investment policy statement to define the strategic asset allocation that aims to maximize long-term growth while ensuring that current and long-term obligations are met. The Board reviews the asset allocation every three to five years or at the Board's discretion to align portfolio investments with anticipated risks and opportunities.

NOTE B — Summary of Significant Accounting Policies

Basis of Accounting, Basis of Presentation and Measurement Focus

The accompanying Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust (Schedule) was prepared in accordance with U.S. Generally Accepted Accounting Principles (U. S. GAAP) as applicable to governmental organizations. In doing so, LACERA adheres to the financial statement reporting requirements established by the Governmental Accounting Standards Board (GASB).

The OPEB Trust is accounted for based on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are voluntarily determined by each Employers' funding schedule, and there are no long-term contracts established for contributions to LACERA. As such, contributions are elective and not required. LACERA recognizes employer contributions received by June 30, the end of the fiscal year. In addition, inflows of employer contributions and outflows of pay-as-you-go OPEB benefits that are paid through the OPEB Custodial Fund are included in LACERA's financial statements.

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. LACERA allocates investment income/loss to each Employer monthly based on the Employers' ownership percentage using the average daily net asset value (NAV) provided by the custodian bank. The recognition of investment income/loss is also affected by the timing of contributions and redemptions.

The County Employees Retirement Law of 1937 (CERL) states that the Post-Employment Benefits Trust Account shall be used to pay the reasonable costs related to investment expenses and administration of the Post-Employment Benefits Trust Account to the extent allowed by federal tax law. Prior to the beginning of the fiscal year, these expenses are estimated in an annual budget which is approved jointly by LACERA's two governing Boards. During the fiscal year, the participating Employers are charged investment management and administrative expenses, which covers all costs to administer the OPEB Trust. Investment expenses are charged against the investment earnings of the OPEB Trust and allocated to each Employer in proportion to their average daily net asset value (NAV). Administrative expenses are charged to each Employer consistent with the annual budget. Actual expenses are reconciled and reported to the Employers subsequent to fiscal year end.

Redemptions are uncommon but can be conducted at each employer's discretion to fund the OPEB Program pay-as-you-go benefits or for investment management and administrative expenses incurred by the OPEB Trust.

OPEB Program investments are presented at fair value. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP. The OPEB Trust is invested in equity, fixed income, and real estate. These funds are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.

Use of Estimates in the Preparation of the Schedule
The preparation of the Schedule in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results may differ from these estimates.

Relationship of the Schedule to LACERA's Financial Statements
The Schedule was reconciled to the Statement of Changes in Fiduciary Net Position in LACERA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023.

NOTE C — Subsequent Events

Management has evaluated subsequent events as of the date of issuance of this Schedule, and determined there are none to report.

NOTE D — Additional Financial Information

Additional financial information is located within LACERA's ACFR for the fiscal year ended June 30, 2023, which can be found on LACERA's website (https://www.lacera.com/accountability/annual-reports). Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to the Chief Financial Officer, Theodore Granger, at tgranger@lacera.com.

November 15, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee:
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg (Ex-Officio), Trustee
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant: Larry Jensen

FROM: Steven P. Rice SPR
Chief Counsel

Allison E. Barrett AEB
Senior Staff Counsel

Jessica Rivas JR
Staff Counsel

FOR: December 12, 2024 ACRE Committee Meeting

SUBJECT: Updating LACERA's Code of Ethical Conduct

INTRODUCTION

LACERA's current Code of Ethical Conduct (Code) was approved in November 2021. A copy is attached as Exhibit A. Since it has a three-year review cycle (Code, § XVI, p. 23), it is time to review and update it. Maintaining and reviewing LACERA's Code is central to the implementation of LACERA's Ethics and Compliance Program (adopted under its Charter by the Boards in October 2024). This update will result in a new Code that is comprehensive in scope, has improved clarity and organization, and is accessible through multiple channels.

As we begin this important process, this memo shares staff's vision for how this key foundational document can be enhanced. Staff proposes to reimagine the Code as a document that not only sets clear ethical standards of conduct in a complete and accessible way, but also inspires and motivates the entire organization (Trustees, Management, Supervisors, Staff, Third Party Contractors) to meet and exceed those standards. Staff looks forward to the Committee's comments on the current Code, our vision for the updated version, and the ACRE Committee's (Committee) input into the remodeling of LACERA's Code.

Staff will apply this input in preparing a revised Code to be presented to the Committee at its first regular meeting in 2025.

BACKGROUND AND LEGAL AUTHORITY

LACERA's ACRE Committee Charter and Ethics and Compliance Program Charter are designed in accordance with the U.S. Sentencing Guidelines and the Department of Justice's "Evaluation of Corporate Compliance Programs" (DOJ Evaluation). These programs establish the leading standards and authority to determine the effectiveness of ethics and compliance programs. A code of conduct is a fundamental component of an effective ethics and compliance program. Accordingly, the ACRE Committee and Ethics and Compliance Program (Program) Charters provide for Committee and Program oversight of LACERA's Code.[1]

According to the Sentencing Guidelines, effective ethics and compliance programs shall promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law. Such commitment requires established standards and procedures—standards of conduct and internal controls designed to reduce ethics and compliance risk.[2] A code of ethical conduct is the foundational document that establishes those standards. The DOJ Evaluation advises that a threshold matter in determining a compliance program's effectiveness is assessing whether an organization has a code of conduct that sets forth the organization's commitment to full compliance with the law.[3]

The proposed Code updates will be consistent with best practices in ethics and compliance programs, based on the Ethics and Compliance Program team's research, which includes LACERA's Ethics and Compliance consultant, Rebecca Walker, Esq., the ACRE Committee's consultant, Larry Jensen, and resources such as the Society of Corporate Compliance and Ethics (SCCE), Gartner, Inc. (a consultant service used by LACERA), as well as a wide-scale review of codes of conduct from other pension systems, American universities, and corporations on Ethisphere's "World's Most Ethical Companies in 2024."[4]

PROJECT DEVELOPMENT

Content

The purpose of LACERA's Code is to set expectations and norms in alignment with LACERA's Mission, Vision, and Values and serve as an ethical decision-making guide for the entire organization. Since the Code was last reviewed, the Board of Retirement has

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[1] ACRE Committee Charter, Section VII, B4; B5b; 7a-b; Ethics and Compliance Program Charter, Sections VII, D2; G; IX,A-B.
[2] 18 USCS Appx Section 8B2.1, "Effective Compliance and Ethics Program."
[3] U.S. Department of Justice "Evaluation of Corporate Compliance Programs" (2024).
[4] https://ethisphere.com/worlds-most-ethical-companies/.

adopted a new Vision[5], Values[6] and Guiding Principles, along with the Ethics and Compliance Program, and other applicable 2023-2028 strategic plan initiatives (e.g., Enterprise Risk; Diversity, Equity, and Inclusion; Innovation through Technology; Fiscal Durability). These important organizational developments will be incorporated into and referenced throughout the Code.

The Code will continue to address and further define fiduciary duties, ethical judgment, conflicts of interest, confidentiality, reporting roles and responsibilities, and LACERA's investigative process for instances of misconduct. The Code will include updates regarding LACERA's reporting channels and a reference to the organization's nonretaliation policy, emphasizing its importance in strengthening LACERA's culture of ethics and compliance. The Code will also address ethics and compliance risks specific to LACERA's operations, emerging risks such as data privacy and artificial intelligence (AI), and ever-evolving risks such as workplace health and safety. A proposed draft revised Table of Contents is attached as Exhibit B for the Committee's review and comment.

Finally, the language for all subjects will be updated throughout for clarity, conciseness, and impact to enhance use, understanding, and retention. The current Code (Exhibit A) uses more formal legal language.

Format

The format of the Code will be restructured by subject matter to maximize its accessibility and effectiveness. We plan to organize the relevant subjects by LACERA's newly adopted Values – Integrity, Inclusivity, Innovation, Accountability, Collaboration, and Transparency (I ACT). LACERA should be an organization that is guided by its Values (which are inherent to ethical conduct), and it will be helpful for the new Code to clearly reflect the I ACT model. The draft Table of Contents is based on this organizing principle. (Exhibit B.)

We plan to ensure the Code is available through multiple channels to serve users' individual communication preferences. LACERA will continue to have a comprehensive written document, available on-line; however, the forthcoming revised document will also include instructive features such as call-out boxes, FAQ's, learning aids, and "do vs. do not" scenarios. Excerpts of codes of conduct from other organizations that include these features are attached as Exhibits C through F. Communications has drafted initial mockups on what our revised Code could look like – one based on a Los Angeles County theme and one based on a utopian theme are attached as Exhibits G & H, respectively. Staff is also exploring developing an interactive online version and having a separate, abridged "Executive Summary" of the Code to serve as a quick reference guide that can

[5] LACERA's Vision (2023): "Empowering our members to enjoy a healthy and secure retirement."
[6] LACERA's Values (2023): Integrity, Inclusion, Innovation, Accountability, Collaboration, Transparency (I ACT).

be regularly consulted during one's day-to-day functions. Staff will explore other potential channels, such as have the Code automatically installed on all LACERA devices.

The Code, which is currently posted on LACERA.com, is not frequently accessed. We have learned that the LACERA.com "Governing Documents" page where it is posted only received 124 hits per month on average over the last three years. In contrast, the pages with the top views on LACERA.com receive 5,000 to 10,000 hits per month. As part of this update process, we will study ways to improve visibility of the Code on LACERA.com and LACERA's intranet—LACERA Connect.

Training

Once the Code has been revamped, it will be distributed to all staff with a required attestation that it has been received and read.

Comprehensive training will be conducted organization-wide, specifically tailored to Trustees, LACERA's 16 divisions, and staff members' particular roles and responsibilities. Training will be provided live and via an on-demand video library. The Code will remain on a 3-year review cycle (unless otherwise indicated). Training with attestation will be required biennially to further integrate the Code into LACERA's day-to-day operations and to continuously educate the organization on the Code's content, value, and every LACERA employees' commitment to upholding its tenets.

Process

The multi-divisional Ethics and Compliance Committee (ECC) will also provide review and feedback on the proposed updates. Today, the team will present an updated Table of Contents, which highlights the proposed direction and approach for the restructuring and reorganization of the Code's subject matter. Upon the ACRE Committee's feedback on these recommended changes and any other comments on the current Code and ideas for the new one, the team will develop a fully realized proposed draft for final review by the Committee at its March 2025 regular meeting and consideration of a recommendation for approval to the Board of Retirement and Board of Investments.

In addition to the Legal Office and ECC, the Code's drafting, restructuring, training, and communications campaign will ultimately involve multiple divisions, including Systems, Communications, Human Resources, Administrative Services, Internal Audit, and the Executive Office. This multi-divisional effort emphasizes the Code's significance as central to the entire organization and LACERA's commitment to fostering a culture of ethics and compliance.

Attachments

C: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich

Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Christina Logan
Cynthia Martinez
Erika Heru
Veronica Yi-Martinez

Code of Ethical Conduct 2025 Update

Steven Rice, Jessica Rivas, and Allison Barrett
Legal Office

Background

LACERA's Ethics & Compliance Program (October 2024)

- Ethics & Compliance Charter
- Audit, Compliance, Risk, and Ethics (ACRE) Committee Charter

Other Important Recent Developments

- Strategic Plan Initiatives (2023-2028): e.g., Enterprise Risk; Diversity, Equity, and Inclusion; Innovation through Technology; Fiscal Durability
- LACERA's Vision (2023): "Empowering our members to enjoy a healthy and secure retirement"
- LACERA's Values (2023): Integrity, Inclusion, Innovation, Accountability, Collaboration, Transparency (I ACT)

Background

What is a Code of Ethical Conduct?

- Key document that establishes standards of conduct and internal controls designed to reduce ethics and compliance risk.

- Effective ethics and compliance programs promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

- Department of Justice's "Evaluation of Corporate Compliance Programs" – threshold matter in determining a compliance program's effectiveness is assessing whether an organization has a code of conduct that sets forth the organization's commitment to full compliance with the law.

Current Code of Ethical Conduct

- Last updated in November 2021
- 3-year update cycle
- Uses dense, legalistic language
- Not organized around themes or larger issues; simply a list of topics

Goals for New Code

- Set expectations and norms in alignment with LACERA's mission, vision, and values and serve as an ethical decision-making guide for the entire organization (Trustees, Management, Supervisors, Staff, Third Party Contractors).

- Engage and inspire all to not just meet standards, but exceed them.

- Comprehensive in scope, improved clarity and organization, and accessible through multiple channels.

Planned Updates

- ***Content***
  - Additional topics to ensure Code is comprehensive
  - Clearer, more concise and less dense language

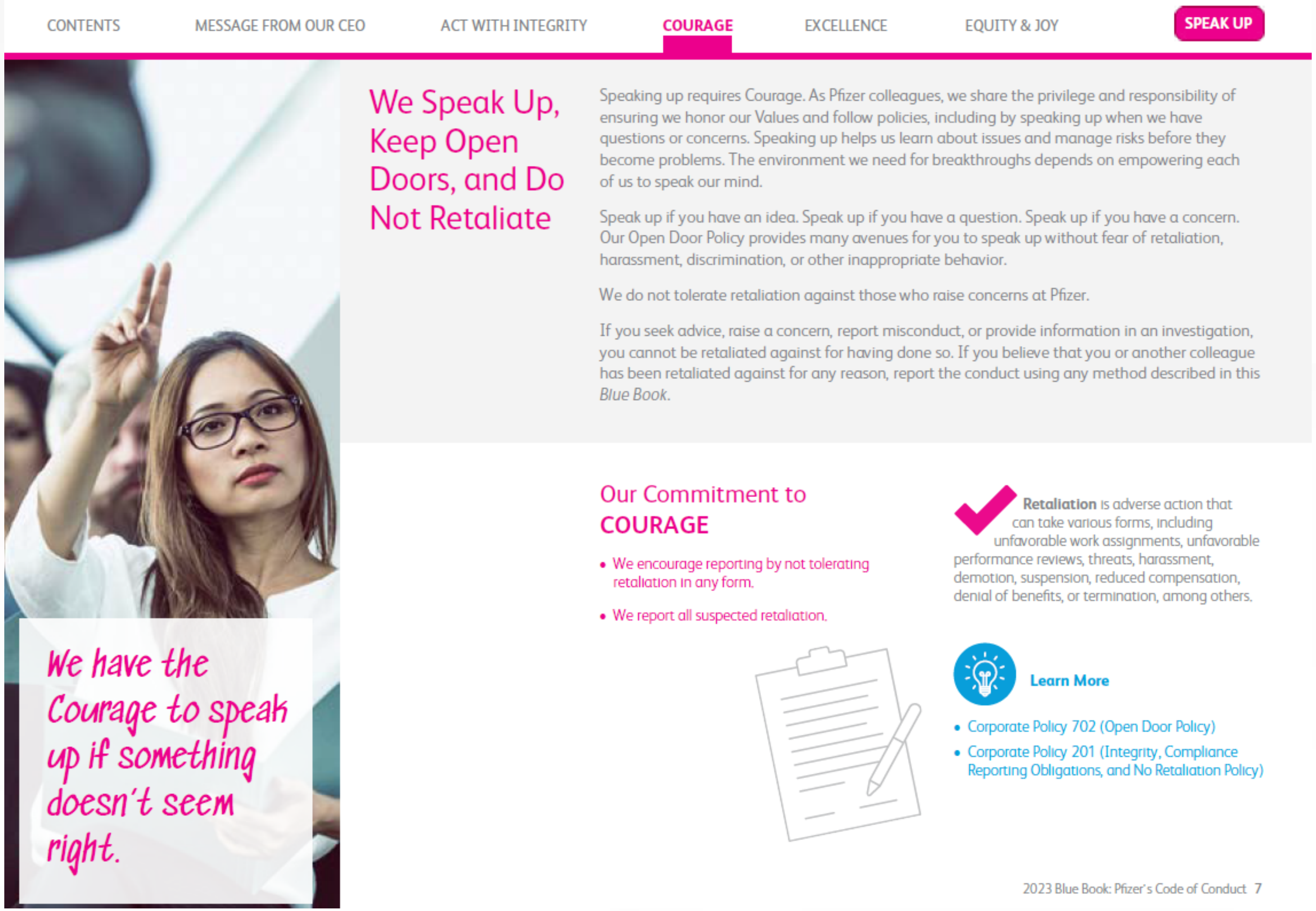
- ***Format***
  - Re-organized around our Values
  - New helpful features: call out boxes, Q & A's, etc.
  - Accessible through multiple channels

- ***Training***
  - Trustees & Staff
  - Biennially

Proposed Table of Contents

- Letter from Chief Executive Officer Santos Kreimann
- **We Are Guided by Our Values**
  - Purpose and Scope
  - Values (I ACT)
  - Fiduciary Duties
  - Ethics and Compliance
- **We Are Inclusive and Collaborative**
  - DEI+A
  - Anti-Discrimination Policy
  - Safe and Healthy Work Environment
  - Drug and Alcohol-Free Work Environment
  - No Harassment
- **We Act with Integrity**
  - Avoid Conflicts of Interest
    - Gifts, Honoraria, Travel, Loans
    - Investments
    - Contracts
    - Reporting (Form 700)
    - Disclosure and Recusal
    - Incompatible Activities/Offices
    - Outside Employment
  - Employment of Related and Unrelated Persons
  - Use of LACERA Position, Resources, and Information
  - Political Activities
  - Leaving LACERA
- **We Hold Ourselves Accountable**
  - Ethics Hotline/Reporting Channels
  - Investigative Process for Misconduct
  - No Retaliation
  - Information Security
  - Confidentiality & Privacy
- **We Are Transparent**
  - Communication
  - Public Records Act & Other Requests for Records
  - Records Retention
- **We are Innovative**
  - Artificial Intelligence
  - Information Security
  - Acceptable Use
- Code Administration
  - Training
  - Enforcement
  - Review of Code

Samples



CONTENTS | MESSAGE FROM OUR CEO | ACT WITH INTEGRITY | COURAGE | EXCELLENCE | EQUITY & JOY | SPEAK UP

We Speak Up, Keep Open Doors, and Do Not Retaliate

Speaking up requires Courage. As Pfizer colleagues, we share the privilege and responsibility of ensuring we honor our Values and follow policies, including by speaking up when we have questions or concerns. Speaking up helps us learn about issues and manage risks before they become problems. The environment we need for breakthroughs depends on empowering each of us to speak our mind.

Speak up if you have an idea. Speak up if you have a question. Speak up if you have a concern. Our Open Door Policy provides many avenues for you to speak up without fear of retaliation, harassment, discrimination, or other inappropriate behavior.

We do not tolerate retaliation against those who raise concerns at Pfizer.

If you seek advice, raise a concern, report misconduct, or provide information in an investigation, you cannot be retaliated against for having done so. If you believe that you or another colleague has been retaliated against for any reason, report the conduct using any method described in this *Blue Book*.

We have the Courage to speak up if something doesn't seem right.

Our Commitment to COURAGE

- We encourage reporting by not tolerating retaliation in any form.
- We report all suspected retaliation.

Retaliation is adverse action that can take various forms, including unfavorable work assignments, unfavorable performance reviews, threats, harassment, demotion, suspension, reduced compensation, denial of benefits, or termination, among others.

Learn More

- Corporate Policy 702 (Open Door Policy)
- Corporate Policy 201 (Integrity, Compliance Reporting Obligations, and No Retaliation Policy)

2023 Blue Book: Pfizer's Code of Conduct 7

- Icons to highlight key information
- References and links to other key policies
- Avoiding long blocks of text

Samples

Uphold Our Legal and Ethical Standard

We count on you to be honest, fair and trustworthy in all company activities and relationships. Every employee is required to understand and comply with applicable laws, regulations and company policies. Unlawful or unethical activity, or any activity that may appear unlawful or unethical, is not tolerated.

Know Our Responsibilities

Compliance Responsibility

Our businesses are heavily regulated by many federal, state and local governmental entities, including the Federal Energy Regulatory Commission (FERC), the Environmental Protection Agency (EPA), the Occupational Safety and Health Administration (OSHA), the Nuclear Regulatory Commission (NRC) and the Securities and Exchange Commission (SEC). In addition, state agencies, such as public utility commissions, pollution control agencies and departments of natural resources have regulatory oversight, and government-sponsored entities such as the North American Electric Reliability Council (NERC) have oversight responsibilities.

It is our responsibility to ensure that we perform our jobs in accordance with the law. We also have a role in encouraging others to comply with the law. References to "law" in this Code of Conduct include any applicable federal, state or local statute, regulation, order or standard.

We are obligated to comply with the FERC Standards of Conduct

The No Conduit Rule outlined in the Standards of Conduct states that employees, contractors and consultants are prohibited from sharing Non-Public Transmission Function Information with Wholesale Merchant Function employees such as Energy Traders, Energy Schedulers, Power System Traders and Originators.

If you have questions about sharing information, contact the Standards of Conduct Chief Compliance Officer. If you think you have shared Non-Public Transmission Function Information (NPTI) with a Wholesale Merchant Function worker, you should notify Xcel Energy's Standards of Conduct Chief Compliance Officer immediately at **SOCChiefComplianceOfficer@xcelenergy.com**.

Q

Tom, a dispatcher working in transmission dispatch responding to customer calls after a transmission outage, has an exact time for restoration and has posted the time publically on OASIS (Open Access Same-time Information System). A Wholesale Merchant Function employee calls in and asks when the service will be restored. Is Tom able to provide this employee with general information?

A

Yes. The Standards of Conduct prohibit access to Non-Public Transmission Function Information. However, since the restoration time has been posted, it is no longer Non-Public Transmission Function Information. If Tom is unsure whether it's okay to share the information, he can contact the Standards of Conduct Chief Compliance Officer.

- Call out boxes to highlight key information
- Q & A to provide real world examples

Samples

Communication

In support of our core values and CalSTRS culture, we encourage communication among our employees, stakeholders, members and business partners to stimulate conversation and discussion. We are also committed to making sure that communications regarding CalSTRS and its business are accurate, reflect our organization's values and views, and are made by employees who are authorized to speak on behalf of CalSTRS. In addition, we recognize our obligation to comply with regulatory requirements regarding various types of communication and to protect the confidentiality of our business and customer information.

As representatives of CalSTRS, we will only communicate on social media, online forums, blogs, newsletters, broadcasts, online or printed publications when authorized. CalSTRS has designated spokespersons from the General Counsel and Public Affairs Branch that have the knowledge and responsibility to communicate on behalf of CalSTRS.

I will	I will not
• Refer any media inquiries to **Newsroom@CalSTRS.com**. • Always receive approval at the division level, consult with Media Relations and the communications director. • Obtain written authorization from Media Relations and division leadership.	• Contact, respond to, or speak publicly to the media without approval from Media Relations, the communications director and my division leader. • Communicate through social media or any online forums on behalf of CalSTRS. • Create account names or social media handles that appear to represent a speaker of CalSTRS (ex: @ Name_CalSTRS).

Learn more in the **CalSTRS Media Contact Policy** and the **CalSTRS Social Media Use Policy**.

- DOs & DON'Ts

Feedback

- Thoughts on current Code?
- What features from the samples do you find most helpful?
- Thoughts on organization based on our values?
- Would you appreciate the Code being available in multiple channels? Which would you find most convenient to access and use?
- Would you like to see additional topics covered?
- What topics are most relevant to Trustees?
- Other suggestions or comments?

EXHIBIT A

LACERA

Los Angeles County Employees Retirement Association

CODE OF ETHICAL CONDUCT

For LACERA Boards and Staff

REVISED AND APPROVED:

Board of Retirement: November 3, 2021

Board of Investments: November 17, 2021

To LACERA Board Trustees and Staff:

LACERA prides itself on conducting its business in a lawful and ethical manner. Our work and interactions are guided by laws, rules, regulations, and policies.

We are a mission driven organization rooted in its core values of *Professionalism*, *Respect*, *Open Communication*, *Fairness*, *Integrity*, *and Teamwork*. We know how important it is to draw on our shared values and behaviors to effectively produce, protect, and provide the promised benefits to our members and their beneficiaries.

As a public entity serving over 180,000 active members and retirees, it is imperative that we establish an organization-wide culture and accountability for ethics. No matter your role at LACERA, you each play a vital role in fostering the confidence of our members, plan sponsors, and other stakeholders in LACERA's institutional integrity and our standing as a well-managed public pension system. We must each demonstrate a commitment to building a strong ethical culture by exhibiting *honesty*, *integrity*, *trust*, *fairness*, *and duty* in connection with LACERA's business as a public pension fund.

LACERA's commitment to ethical standards is reflected in the attached Code of Ethical Conduct (Code). The Code demonstrates the way we will conduct our business each day. It outlines the standards of ethical conduct required of LACERA Board trustees and staff. Please read the Code carefully and ask questions if something isn't clear.

By holding ourselves and each other accountable to our ethical standards, we deliver on our promise to build a strong ethical culture at LACERA.

Very truly yours,

Santos H. Kreimann
Chief Executive Officer

TABLE OF CONTENTS

I. PURPOSE AND SCOPE

The Los Angeles County Employees Retirement Association (LACERA) is a public pension plan organized under the County Employees Retirement Law of 1937 (CERL) (Cal. Gov't Code §§ 31450 et seq.) and the California Public Employees' Pension Reform Act of 2013 (PEPRA) (Cal. Gov't Code §§ 7522 et seq.). The management and administration of LACERA are vested in the Board of Retirement. All investments of LACERA are the responsibility of the Board of Investments.

The Trustees of the LACERA Boards are mindful of the positions of trust and confidence they hold. The Boards adopt this Code of Ethical Conduct to define standards of ethical conduct required of LACERA Board Trustees and staff. The purpose of the Code is to ensure the proper administration of LACERA and to foster public confidence in LACERA's institutional integrity as a well-managed public pension system.

"Ethics" and "ethical conduct" are defined for purposes of this Code as conduct that complies with principles of honesty, integrity, trust, fairness, and duty in connection with LACERA's business as a public pension fund. This Code looks to three sources for determination of ethical standards:

- First, laws and regulations applicable to LACERA and its business, Board Trustees, and staff, including the California Constitution, CERL, the Political Reform Act and the regulations adopted thereunder, the Ralph M. Brown Act, and other statutes, regulations, and case law.
- Second, best practices of ethical conduct. Best practices are drawn from ethical codes and practices of other public pension systems in California and elsewhere, professional associations, and similar sources.
- Third, LACERA's **Mission**, **Values**, and **Vision**, historical LACERA practices, and judgment as to the moral principles and behavior that LACERA as an organization strives to follow.

This Code provides ethical standards for LACERA Board Trustees and staff. The Code provides specific guidance for common situations raising ethical issues. However, the Code does not specifically address every issue that Board Trustees and staff will encounter. As to those other situations, the Code should be used and followed as a reference for standards of conduct and the basis for evaluation of facts and circumstances. The Code requires that additional information be requested when a user is unsure as to how the Code should be interpreted or when a user encounters an ethical issue not covered in the Code.

This Code is important:

- To ensure legal compliance with ethics laws and regulations.
- To further best ethical business practices.
- To establish an organization-wide culture and accountability for ethics.
- To foster trust, credibility, and positive relationships between LACERA and all parties necessary for the effective performance of LACERA's Mission to produce, protect and provide the promised benefits. These parties include others inside the organization, members, the plan sponsor and other participating employers, vendors, the public, and all others with whom LACERA may deal.
- To further LACERA's Values and Vision, which incorporate ethics, honesty, integrity, fairness, and trust.
- To establish common ethical standards followed by everyone at LACERA, instead of leaving ethics to unguided and possibly inconsistent personal judgment and interpretation.
- To mitigate the legal and business risks associated with ethical issues.
- To further the organization's business goals and objectives.
- To confirm the process for reporting or raising ethical concerns or questions.
- To identify resources for additional information concerning ethics and the applicable laws and regulations.

The Code shall not be construed as the sole source of ethics laws and regulations which must be observed by LACERA Board Trustees and staff. Nothing in this Code shall exempt any person from any other applicable federal, state, or local law or regulation. The standards of ethical conduct in this Code are in addition to any such other laws and regulations.

II. GENERAL ETHICAL STANDARDS

This Code addresses specific ethical requirements in subsequent sections. The application of those specific requirements is summarized in this Section II as General Ethical Standards.

The following General Ethical Standards apply to LACERA Board Trustees and staff:

- Recognize and be accountable for all fiduciary responsibilities.
- Comply with all applicable laws and regulations, including those listed in Section I and elsewhere in this Code or which may be determined to be applicable in individual circumstances.

- Further the interests of transparency in the conduct of the public's business as described in the Ralph M. Brown Act and Public Records Act.
- Conduct all LACERA business in a fair manner and be honest in all business dealings.
- Strive to provide the highest quality of performance and counsel.
- Avoid any activity which, based on available information and reasonable due diligence and inquiry under the circumstances, constitutes an actual conflict of interest or which could be perceived or interpreted as a conflict of interest by others.
- Avoid exerting improper influence or being improperly influenced, and the appearance of improper influence or being improperly influenced.
- Exercise prudence and integrity in the management of funds.
- Report to an appropriate person actions of themselves or other persons or entities of which they become aware or suspect based on available information and reasonable due diligence and inquiry under the circumstances which may constitute violations of this Code of Ethical Conduct.
- Be responsible for maintaining professional competence.
- Be respectful, professional, and courteous to all LACERA Board Trustees and staff, LACERA members, and all persons and entities with which LACERA does business or may otherwise interact.
- Maintain the confidentiality of all plan member information and all other confidential or privileged information so designated, including but not limited to information provided for or related to closed sessions of the Boards, which is received from or created or maintained by LACERA.
- To the extent not otherwise covered by the preceding bullets, conduct LACERA business in a manner consistent with:
    - LACERA's **Mission** *to produce, protect, and provide the promised benefits.*
    - LACERA's **Values** of *Professionalism, Respect, Open Communications, Fairness, Integrity, and Teamwork.*
    - LACERA's **Vision** of *Excellence, Commitment, Trust, and Service.*
    - All other applicable LACERA policies and procedures.
- Report or seek additional information from an appropriate person, when necessary, concerning ethical questions and issues.

III. PROHIBITED TRANSACTIONS

The specific ethical requirements in subsequent sections of the Code define and describe certain prohibited conduct. Those prohibitions are summarized in this Section III as Prohibited Transactions.

LACERA Board Trustees and staff shall not engage in the following Prohibited Transactions:

- Utilizing or permitting others to use any property, resources, information, or opportunity of LACERA for personal gain.
- Engaging in any activity or failing to disclose any activity which, based on available information and reasonable due diligence and inquiry under the circumstances, constitutes an actual conflict of interest or which could be perceived or interpreted by others as a conflict of interest in the impartial and objective execution of duty to LACERA and its members.
- Falsifying or failing to record proper entries on any books or records of LACERA.
- Engaging in serial meetings or other conduct in violation of the Ralph M. Brown Act.
- Knowingly becoming a party to, or condoning, any illegal activity, including failing to report misconduct under this Code of themselves or other persons or entities.
- Authorizing payment of any amount on behalf of LACERA, or for any purpose, other than that explicitly disclosed in the original request for payment.
- Directly or indirectly seeking or accepting gifts, money, property, or other benefit that would influence or appear to influence the conduct of duties.
- Selling or providing goods or services to LACERA without disclosure.
- Utilizing the services of relatives or close personal associates for LACERA business without disclosing such relationship prior to execution and obtaining the appropriate approval.
- Engaging in activities involving dishonesty, fraud, deceit or misrepresentation.
- Engaging in outside employment with any providers of supplies or services to LACERA.
- Engaging in outside employment that would interfere with or hamper expected performance at LACERA.
- Engaging in other activities which compromise or appear to compromise one’s objectivity in the conduct of one’s duties.

- Releasing to any third person plan member information or other confidential or privileged information so designated, including but not limited to member information and information provided for or related to closed sessions of the Boards protected by the Ralph M. Brown Act, which is received from or created or maintained by LACERA.
- Engaging in any other conduct prohibited by this Code of Ethical Conduct, Board or LACERA policy, or applicable laws and regulations.

IV. FIDUCIARY DUTIES

Trustees of LACERA's Board of Retirement and Board of Investments have fiduciary duties under the California Constitution and other law. LACERA as an organization also has fiduciary duties, which are implemented through LACERA's employees. Finally, certain of LACERA's vendors have a fiduciary duty to LACERA. This Section IV addresses all three categories of fiduciary duty. Board Trustees and staff shall report actions of which they become aware or suspect based on available information and reasonable due diligence and inquiry under the circumstances that may constitute a breach of fiduciary duty by any person or entity known to have such a duty.

A. FIDUCIARY DUTIES OF BOARD TRUSTEES

The California Constitution, Article XVI, Section 17, defines the fiduciary duties of the LACERA Boards, and the Board Trustees:

- The Boards "shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system."
- The Boards "shall have the sole and exclusive fiduciary responsibility over the assets of the system. The retirement board also has sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system."
- The Trustees of the LACERA Boards "shall discharge their duties 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 its participants and their beneficiaries shall take precedence over any other duty."

- The Trustees of the LACERA Boards "shall discharge their duties with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise with a like character and like aims."
- As to the Board of Investments, the Trustees "shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so."

These duties are also included in Section 31595 of CERL.

California case law provides that the Boards and the Board Trustees have a trust relationship with LACERA's members and beneficiaries. This trust relationship means that the Boards and the Board Trustees have a fiduciary duty of prudence and loyalty to members and beneficiaries, which must be exercised in good faith. Further, the Boards and the Board Trustees have a duty to deal fairly with the members and beneficiaries, without the slightest misrepresentation, concealment, threat, or adverse pressure. *Hittle v. Santa Barbara County Employees Retirement Assn.* (1985) 39 Cal.3d 374.

To perform their fiduciary duties, each Trustee of the LACERA Boards shall diligently attend to the business of the Board on which he or she serves and shall not leave to the other Trustees control over the administration of the affairs of such Board.

B. FIDUCIARY DUTIES OF LACERA, AND STAFF'S ROLE

LACERA as an organization has the same fiduciary duties. LACERA staff supports the organization, the LACERA Boards, and Board Trustees in the fulfillment of their fiduciary duties as described in Section IV(A) of this Code. Accordingly, LACERA staff shall be familiar with the fiduciary duties described in Section IV(A) and conduct themselves at all times in a manner consistent with those duties. LACERA staff shall take no action inconsistent with those duties. LACERA staff shall avoid any conduct which is, or may be perceived to be, detrimental to LACERA and its members and beneficiaries. In dealing with members, LACERA staff shall be honest and forthright. Staff shall ensure that the information provided to members in connection with their rights, questions, choices and decisions, concerns, and issues is complete and accurate.

C. FIDUCIARY DUTIES OF CERTAIN VENDORS

Certain LACERA vendors have a fiduciary duty to the organization under applicable law or under the terms of a contract with LACERA. LACERA shall monitor those vendors that owe a fiduciary duty to ensure that the vendors comply with that duty. Staff shall ensure that the contract of any vendor with a fiduciary duty includes a provision confirming that duty.

V. CONFLICTS OF INTEREST

LACERA Board Trustees and staff shall avoid conflicts of interest, including the appearance of conflicts of interest, in all aspects of their work for LACERA and shall comply with applicable laws and regulations relating to conflicts.

A. FORM 700 STATEMENT OF ECONOMIC INTERESTS

Public officials, including LACERA Board Trustees and certain staff, who make or influence governmental decisions are required to submit Form 700 Statements of Economic Interests. Form 700s are an important tool in the identification of actual or potential conflicts of interest by LACERA Board Trustees and staff. Form 700s are public documents. LACERA Board Trustees and designated staff, as generally described below, shall file Form 700s when and as required by applicable law and regulations, which are generally summarized here. Additional information can be obtained from LACERA's Legal Office and from Fair Political Practices Commission publications.

Pursuant to California's Political Reform Act, LACERA's Boards have adopted, and the County of Los Angeles Board of Supervisors has approved as code reviewing authority, a Conflict of Interest Code that requires the filing of a Form 700 by positions "which involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest," except positions which manage public investments. Cal. Gov't Code § 87302(a). Persons, including Trustees of the Board of Retirement and identified staff, who file under an agency-adopted Conflict of Interest Code are referred to as "Code Filers." LACERA's Conflict of Interest Code sets forth the positions of all Code Filers and describes the specific economic interest Disclosure Categories that apply to each position.

There is also a separate Conflict of Interest Code for staff who serve as officers or hold other positions in LACERA's wholly-owned title holding entities.

The LACERA and title holding entity Conflict of Interest Codes are subject to biennial review.

Separate provisions of the Political Reform Act require positions managing public investments to file a Form 700. Cal. Gov't Code § 87200. Persons who file under Section 87200, including Trustees of the Board of Investments, the Los Angeles County Treasurer and Tax Collector as an ex officio member of both Boards, and identified staff, are referred to as "87200 Filers." 87200 Filers are required to disclose investments, interests in real property, income (including gifts, loans, and travel payments), and business positions as described in Form 700 and the Political Reform Act. While 87200 Filers are not subject to LACERA's Conflict of Interest Codes, they are listed as a matter of information in the Appendix to LACERA's Code.

Form 700s shall be filed, both by Code Filers and 87200 Filers, upon assuming an applicable position, annually thereafter, and on leaving an applicable position. Certain Board Trustees and staff are Code Filers and 87200 Filers in different capacities and may complete a combined Form 700. Form 700s shall be filled out by all required filers in a timely, accurate, and thorough and complete manner.

B. GIFTS, HONORARIA, TRAVEL & LOANS

The Political Reform Act, and Regulations promulgated thereunder by the Fair Political Practices Commission (FPPC), impose limitations on gifts, honoraria, travel, and loans. The legal rules associated with gifts, honoraria, travel, and loans are lengthy and detailed. Additional information can be obtained from LACERA's Legal Office and from FPPC publications. A summary of the general standards with respect to these matters is as follows:

<u>Gifts.</u> LACERA Board of Retirement Trustees and staff who are Code Filers are prohibited from receiving gifts totaling more than the legally established gift limit from any single source in a calendar year if receipts of gifts from that source are required to be disclosed on Form 700 by LACERA's Conflict of Interest Code. LACERA Board of Investments Trustees and staff who are 87200 Filers may not accept gifts totaling more than the legally established limit from <u>any</u> single source in a calendar year. Even if a gift is not subject to Form 700 reporting or the gift limit, a gift may still create a conflict of interest; therefore, LACERA requires Board Trustees and all staff shall make disclosure to the Legal Office of all gifts from a single source with a combined total equal to or greater than $50 in a calendar year from any individual or entity. Gifts to family members are included in the gift rules under certain circumstances. There are also exceptions to the gift rules for certain gifts; questions should be addressed to LACERA's Legal Office or the FPPC. The gift limit is adjusted biennially. The gift limit for 2021-2022 is $520; the limit for any date after December 31, 2022 should be confirmed with the LACERA Legal Office or the FPPC. Gifts from a single source with a combined total less than $50 in a calendar year currently are not reportable under FPPC law and regulations; gifts equal to or in excess of this limit are subject to reporting on Form 700, subject to the requirements and limitations described above. A more detailed SUMMARY OF GIFT LIMITATIONS AND RESTRICTIONS is attached as Appendix A.

Honoraria. LACERA Board of Retirement Trustees and staff who are Code Filers are prohibited from receiving honoraria from any source in consideration for any speech, article published, or attendance at any public or private conference, convention, meeting, social event, meal, or like gathering, if receipt of gifts from that source is required to be disclosed on Form 700 by LACERA's Conflict of Interest Code. LACERA Board of Investments Trustees and staff who are 87200 Filers may not accept any honoraria payments. There are certain exceptions to the honoraria rules; questions should be addressed to LACERA's Legal Office or the FPPC. Even if an honorarium is not subject to disclosure, Board Trustees and staff shall make disclosure to the Legal Office of such a payment from any individual or entity as to which LACERA will take any action. Honoraria include money, advances, reimbursements, and gifts of any other type that have more than nominal value.

Travel. Payments or reimbursement for travel are subject to the reporting requirements for gifts and income. If a travel payment is a gift, it is subject to the gift limit. A travel payment can also be considered an honorarium. Recusal may be required from any decision that will have a materially foreseeable financial effect on the source of a travel payment. There are exceptions to the travel rules; additional information can be obtained from LACERA's Legal Office or the FPPC.

Loans. 87200 Filers and elected Trustees of the Boards may not receive a personal loan that exceeds $250 at any given time from an officer, employee, member, or consultant of LACERA or from any individual or entity that has a contract with LACERA. Ordinary retail loans and credit card transactions are excepted if they are offered on the same terms as generally available to the public. Elected Trustees of the Boards may not receive a loan of $500 or more unless the loan is made in writing and clearly states the terms. There are other limitations and exceptions. A loan can constitute a gift under certain circumstances. Additional information is available from LACERA's Legal Office or the FPPC.

Board Trustees and staff are prohibited from soliciting any gift or any other consideration (including but not limited to money, service, gratuity, favor, entertainment, hospitality, loan, or other thing of value) from anyone who is doing or is seeking to do business of any kind with LACERA.

Board Trustees and staff are prohibited from accepting any gift from anyone who is doing or is seeking to do business of any kind with LACERA, when the gift is offered with a view toward securing favorable treatment in the awarding of any contract or agreement, or the making of any determination.

All rules relating to gifts, honoraria, travel, and loans are subject to change by the FPPC and other authority. Confirmation of the current rules can be obtained from LACERA's Legal Office or the FPPC.

C. INCOMPATIBLE ACTIVITIES/INCOMPATIBLE OFFICES

LACERA Board Trustees and staff shall not engage in any employment, activity, or enterprise which is inconsistent, incompatible, in conflict with, or inimical to his or her duties for or on behalf of LACERA, or with the duties, functions, or responsibilities of the position he or she occupies for LACERA. LACERA Board Trustees and staff shall not perform any work, service, or counsel outside his or her responsibilities for LACERA where any part of his or her efforts will be subject to approval by the Boards or any employee of LACERA acting in that capacity. Cal. Gov't Code § 1126.

Board Trustees may not simultaneously hold two public offices where the functions of the offices are inconsistent or where there are conflicting interests. Cal. Gov't Code § 1199. The Los Angeles County Treasurer and Tax Collector holds that position as well as, under CERL, positions as a member of both the Board of Retirement and Board of Investments; these are not incompatible offices.

D. CONTRACTS

LACERA Board Trustees and staff shall not be financially interested, directly or indirectly, in any contract made between LACERA and any individual or entity. The making of a contract includes any participation whatsoever, including the development of the need for the goods or services subject to the contract, issuance of a Request for Proposals (RFP), Request for Information (RFI), purchase order, or other solicitation or contracting process, evaluation of prospective contracting parties, selection of contracting parties, negotiation of the terms of the contract, and performance of the contract. Cal. Gov't Code § 1090 et seq.

E. INVESTMENTS

LACERA Board Trustees and staff shall not have any personal interest, direct or indirect, in the making of any investment by LACERA, or in the gains or profits from any investment. Board Trustees and staff shall not, directly or indirectly, for themselves, or as an agent or partner of others, sell or provide any investment product to LACERA. Cal Gov't Code § 31528 (a), (b).

F. DISCLOSURE AND RECUSAL

LACERA Board Trustees and staff shall disclose actual or potential conflict of interest, based on available information and reasonable due diligence and inquiry under the circumstances, or the appearance of an actual or potential conflict of interest, to the Chief Executive Officer and the Legal Office. Board Trustees and staff shall recuse themselves from involvement, consideration, and decision of a matter as to which the member has an actual conflict of interest. Recusal, or disqualification, is mandatory in certain circumstances, and discretionary in others. Board Trustees and staff should consider recusing themselves from consideration and decision of a matter as to which the member has a potential conflict of interest, or the appearance of an actual or potential conflict of interest. Board Trustees and staff shall consult with the Legal Office on any issue of recusal to discuss legal requirements that may apply to the particular circumstances, including whether recusal is required, whether recusal is an effective remedy for a conflict or potential conflict or whether other steps (up to and including disqualification of an individual or the Board) are necessary, and the way in which recusal, if possible, should be documented.

G. CONFLICTS OF INTEREST BY VENDORS

LACERA's contracts shall include appropriate provisions to ensure that there are no conflicts of interest during the contracting process and to prevent conflicts of interest during the term of a contract. Board Trustees and staff should be alert to, and take other appropriate steps to prevent, actual or potential conflicts of interest of which they are aware or suspect based on available information and reasonable due diligence and inquiry under the circumstances by vendors in connection with the making or performance of contracts.

VI. EMPLOYMENT OF RELATED AND UNRELATED PERSONS

To avoid nepotism or the appearance of nepotism, including the potential conflicts of interest and appearance of unfairness that may result, LACERA may not employ a person who is related to:

- A Board Trustee.
- The Chief Executive Officer.
- Persons serving as Deputy Chief Executive Officer, an Assistant Executive Officer, and any other employee reporting directly to the Chief Executive Officer.
- A division manager.

This prohibition does not prevent the continued employment of a person who has already been working for LACERA in a full time and non-probationary capacity for thirty consecutive days prior to the date the Board Trustee or other individual described above acquired their position, or the related party became related. If a related party is retained under these circumstances, any actual or potential conflict of interest must still be corrected or sufficiently mitigated.

Related parties of other LACERA staff may be considered for employment by LACERA provided the applicant possesses all the qualifications for employment and that no preferential or unfair treatment is given based on any relationship. Such a related party may not be hired for or assigned to a position which would either:

1. Create either a direct or indirect supervisor/subordinate relationship with a related party; or
2. Create either an actual conflict of interest or the appearance of a conflict of interest.

These criteria will also be considered when assigning, transferring, or promoting a staff member.

For purposes of this policy, "related parties" include:

- Spouse, parent or grandparent, child or grandchild, or sibling.
- First degree aunt, uncle, niece, nephew or cousin.
- Any "step" or "in-law" variant of the aforementioned relationships.
- Any member of the employee's household, whether or not related.

A LACERA Board Trustee or staff may not exercise individual discretionary authority to hire, evaluate or promote a related party under any circumstances, even when otherwise permitted under the standards above.

Board Trustees and staff may participate in the hiring process for any person, whether related or unrelated, only in accordance with established LACERA policies and procedures and shall not use or attempt to use influence outside of their individual hiring authority to cause the organization to hire any individual as a permanent or temporary LACERA employee. Board Trustees and staff may refer individuals interested in potential employment to LACERA's Human Resources.

VII. CONTRACTING AND VENDOR RELATIONSHIPS

LACERA Board Trustees and staff shall not have contact with individuals or entities who are or should be reasonably known, based on available information and reasonable due diligence and inquiry under the circumstances, to be seeking engagement by LACERA in response to an RFP, RFI, purchase order, or other solicitation or contracting process, except in accordance with the published terms of the contracting process or except for, and limited to, contact necessary in connection with ongoing LACERA business with an individual or entity.

LACERA's RFPs, RFIs, and other contract solicitations shall include notice that a "quiet period" will be in place from the beginning of the contracting process until the selection of the successful party such that LACERA Board Trustees and staff, as well as potential contracting parties, are instructed that contact between Board Trustees and staff, on the one hand, and all potential contracting parties, on the other hand, shall not occur, except as provided in the preceding paragraph. As part of the contracting process, potential contracting parties shall be required to disclose potential conflicts of interest. LACERA staff shall provide quiet period lists to Board Trustees and staff in monthly Board of Retirement and Board of Investments meeting packets to assist in compliance.

LACERA Board Trustees and staff shall participate in the contracting process only in accordance with established LACERA policies and procedures, and the published terms of the process. Board Trustees and staff shall not use or attempt to use influence, outside of their individual authority to cause the organization to enter into a contract with any individual or entity. Board Trustees and staff may refer individuals or entities for consideration for contracting to the appropriate LACERA staff responsible for the particular procurement or contract process.

VIII. USE OF LACERA POSITION, RESOURCES, AND INFORMATION

LACERA Board Trustees and staff shall not use their position or status with LACERA, LACERA property, funds, or other resources, or LACERA information, including plan member information, investment information, and other information concerning LACERA's business, for any personal purpose or gain, to secure any special privilege or exemption for themselves or any other individual or entity, or to assist or further the interests of any other individual or entity except in the normal course of LACERA's business. LACERA position, resources and information are to be exclusively used for LACERA business.

Board Trustees and staff shall maintain the confidentiality of plan member information. Cal. Gov't Code § 31532.

Disclosures of public LACERA information pursuant to the Public Records Act shall be handled by the Legal Office to ensure compliance with legal requirements, consistency, and proper recordkeeping.

Board Trustees and staff shall not disclose information acquired during a closed session of the Board unless the Board takes action to authorize disclosure. Cal. Gov't Code § 54963.

Board Trustees and staff shall not, directly or indirectly, for themselves, or as an agent or partner of others, borrow or use any of the funds or deposits of LACERA, except to make authorized current and necessary payments of the retirement system. Cal. Gov't Code § 31528(a).

IX. PERSONAL CONDUCT AND COMMUNICATION

LACERA Board Trustees and staff shall adhere to the following standards in their personal conduct in performing their work on behalf of LACERA:

- Board Trustees and staff shall conduct themselves in accordance with this Code of Ethical Conduct.
- Board Trustees and staff shall abide all applicable laws and regulations.
- Board Trustees and staff shall act in a manner consistent with LACERA's Mission, Values, and Vision and shall follow all LACERA policies and procedures.
- Board Trustees and staff shall treat similarly situated individuals and entities in a similar way, absent good cause, in the conduct of LACERA's business and decision-making to ensure consistency and fairness.
- Board Trustees and staff shall communicate with, orally and in writing, and otherwise in all respects and at all times treat each other and all others in a respectful, professional, courteous, and civil manner.

A Board Trustee shall not correspond with a non-LACERA person or entity using LACERA letterhead unless the communication is authorized by the Board on which the member serves. Copies of all written communications from a Board Trustee to a current service provider, or person or entity related to a current service provider, relating to LACERA's business (other than purely personal or social correspondence) shall be provided to the Chief Executive Officer for subsequent distribution to all Trustees of the Board on which the Trustee serves. A copy of any written communication (other than purely personal or social correspondence, routine announcements, generally distributed newsletters, and the like) received by a Board Trustee from a current LACERA service provider, or person or entity related to a current service provider, shall be forwarded to the Chief Executive Officer for subsequent distribution to all Trustees of the Board on which the Trustee serves. For purposes of this paragraph, the terms “communication” and “written communication” include email and other forms of electronic communication as well as physical or hard copy forms of communication.

Board Trustees and staff shall be aware of the risk of communicating inaccurate information to plan members. Board Trustees and staff shall refrain from providing specific advice or counsel with respect to a plan member’s rights, benefits, or obligations, except staff who are authorized to communicate with members on such matters. All others should refer plan member questions and concerns to the Chief Executive Officer or appropriate designee.

X. POLITICAL ACTIVITIES

LACERA Board Trustees and staff may work on individual candidate and ballot campaigns, and attend campaign events, during their personal time. They may make campaign contributions using personal funds, subject to applicable campaign finance laws. No LACERA funds, property, technology, letterhead, logo, or other resources may be used by LACERA Board Trustees and staff to support personal political activities. LACERA Board Trustees and staff may not solicit political contributions to a candidate or ballot campaign from other Board Trustees and staff except (1) as part of a solicitation that is made to a significant segment of the public or (2) with respect to a ballot measure which would affect the rate of pay, hours of work, retirement, civil service, or other working conditions of LACERA employees; solicitations permitted by these two exceptions may only be made on personal time. LACERA Board Trustees and staff may not use their influence or make any threats or promises relating to potential or current employment, promotion, or compensation to secure a vote or financial or other support for a candidate or ballot campaign. Cal. Gov’t Code §§ 3201 et seq. LACERA Board Trustees and staff may use their LACERA position to identify themselves when making an endorsement, provided that no statement may be made or action taken directly or indirectly indicating that the person represents LACERA in making the endorsement or that the endorsement is supported by or represents the position of LACERA, except when providing information authorized by the Boards. Nothing in this section is intended to impose any limitation on the personal political activities of LACERA Board Trustees and staff not permitted by California law.

XI. LEAVING LACERA

A. PROSPECTIVE EMPLOYMENT

LACERA Board Trustees and all staff shall not make, participate in making, or influence a decision by LACERA that directly relates to a nongovernmental prospective employer while negotiating or after reaching an employment agreement. The foregoing prohibition is triggered by an interview with a nongovernmental prospective employer or a nongovernmental prospective employer's agent, discussing an offer of employment with a nongovernmental prospective employer or a nongovernmental prospective employer's agent, or accepting an offer of employment. The foregoing prohibition does not apply if the Board Trustee or staff is legally required to make or participate in the making of the decision or if the decision affects the nongovernmental prospective employer in substantially the same way as it will affect a significant segment of the public generally. Cal. Gov't Code § 87407.

B. LIMITATIONS ON SUBSEQUENT ACTIVITIES

LACERA Board Trustees, the Chief Executive Officer, Deputy Chief Executive Officer, Assistant Executive Officers, persons next in line to Assistant Executive Officers, Chief Counsel, chief deputy legal officers, the Chief Investment Officer, and persons next in line to the Chief Investment Officer shall not, for two years after leaving that position, for compensation, act as agent or attorney for, or otherwise represent, any person except the County of Los Angeles, by making any formal or informal appearance before, or any oral or written communication to, LACERA, or any Board Trustee or employee of LACERA, for the purpose of influencing action by LACERA, including any action involving the awarding or issuance of a contract or sale or purchase of goods or property. Cal. Gov't Code § 31528(c).

In addition, under Government Code Section 87406.3, elected Trustees and the CEO shall not, for a period of one year after leaving that office or employment, act as agent or attorney for, or otherwise represent, for compensation, any other person, by making any formal or informal appearance before, or by making any oral or written communication to, LACERA, the Boards, or any committee of the Boards, or any LACERA officer or employee if the appearance or communication is made for the purpose of influencing action by LACERA involving the issuance, amendment, awarding, or revocation of a contract or the sale or purchase of goods or property.

XII. REPORTING

Reporting of ethical issues with respect to their own conduct or the conduct of others of which they become aware or suspect based on available information and reasonable due diligence and inquiry under the circumstances is an important element of ensuring compliance with ethical requirements. Any such concerns by Board Trustees and staff about possible violations of this Code of Ethical Conduct or other ethical issues by themselves or others shall be reported to the Chief Executive Officer, the Chief Audit Executive, or Chief Counsel. Board Trustees may also report concerns to their Board Chair. Staff may also report ethical issues to their immediate supervisor or division manager.

Concerns may be reported anonymously at the LACERA Ethics Hotline, which may be reached by telephone at (844) 794-9416 or online at lacera.ethicspoint.com.

XIII. ENFORCEMENT

LACERA's Chief Executive Officer is responsible for communicating, implementing and enforcing the Code of Ethical Conduct with respect to LACERA staff. The Board Chairs will enforce this Code with respect to Board Trustees and the Chief Executive Officer in accordance with Board administrative policies and applicable laws.

Violations of any of the provisions of the Code by staff may result in disciplinary action as the situation may warrant, up to and including termination of employment. Violations by Board Trustees will be handled in accordance with Board Regulations, Bylaws, and policies and applicable law.

With respect to the Los Angeles County Treasurer and Tax Collector, application of this Code shall take into account their responsibilities in that position and Los Angeles County policies applicable to the position, while recognizing that the Treasurer and Tax Collector has separate and independent fiduciary duties and legal obligations to LACERA and its members as described in this Code.

Questions on this matter should be referred to LACERA's Director of Human Resources, Internal Audit, or the Legal Office.

XIV. TRAINING

LACERA management will provide training to new staff on this Code of Ethical Conduct as part of the new employee orientation. Management will provide training to existing staff on this Code at least every two years.

Management will include discussion of this Code in the training for new and incoming Board Trustees. The Code will be circulated to all Board Trustees at least every two years.

XV. RESOURCES

Board Trustees and staff may refer to the following resources for additional information concerning this Code, questions concerning the application and interpretation of the Code to specific situations, and other issues concerning ethics and ethical conduct relevant to the performance of their duties and work for LACERA and its members and beneficiaries.

A. LACERA'S LEGAL OFFICE

The LACERA Legal Office is familiar with the laws and regulations that form the foundation for this Code. The Legal Office is experienced in applying those laws and regulations to specific situations. The Legal Office is available at any time to provide additional information concerning ethics questions and issues and provide written or oral advice or opinions with respect to specific situations. The Legal Office will respond to information about potential ethical issues, concerns, and violations in the LACERA organization and take appropriate action. Questions for the Legal Office should be directed to LACERA's Chief Counsel.

B. LACERA'S INTERNAL AUDIT DIVISION/ETHICS HOTLINE

LACERA's Internal Audit Division will respond to information concerning ethical issues, problems, and concerns regarding acts or omissions in connection with LACERA's operations and will take appropriate action. Questions for the Internal Audit Division should be directed to LACERA's Chief Audit Executive. The Internal Audit Division may also be contacted anonymously on the LACERA Ethics Hotline, which may be reached by telephone at (844) 794-9416 or online at lacera.ethicspoint.com.

C. LACERA'S CONFLICT OF INTEREST CODE

Board Trustees and staff should refer to LACERA's current Conflict of Interest Code, which is available on LACERA's website, www.lacera.com, with respect to LACERA's requirements for the filing of Form 700 Statements of Economic Interests.

D. CALIFORNIA CONSTITUTION

The California Constitution, Article XVI, Section 17, which sets forth the fiduciary duties of the Board and Board Trustees and the retirement system, is available online at https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CONS&sectionNum=SEC.%2017.&article=XVI.

E. CERL

CERL, California Government Code §§ 31450 et seq., is available online at https://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=GOV&division=4.&title=3.&part=3.&chapter=3.&article=.

F. PEPRA

PEPRA, California Government Code §§ 7522 et seq., is available online at https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=7.&title=1.&part=&chapter=21.&article=4.

G. CALIFORNIA GOVERNMENT CODE SECTION 1090 ET SEQ.

Conflict of interest rules relating to financial interest in the making of contracts, incompatible activities, and incompatible offices are contained in California Government Code Section 1090 et seq., which is available online at https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=4.&title=1.&part=&chapter=1.&article=4.

H. CALIFORNIA GOVERNMENT CODE SECTION 3201 ET SEQ.

Rules regarding political activities are contained in California Government Code Section 3201 et seq., which is available online at https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=4.&title=1.&part=&chapter=9.5.&article=.

I. THE BROWN ACT

The Brown Act may be found online at:
https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?division=2.&chapter=9.&part=1.&lawCode=GOV&title=5.

J. OTHER CALIFORNIA STATUTES

Other California statutes relating to ethics issues are available online at https://leginfo.legislature.ca.gov/faces/codes.xhtml.

K. FAIR POLITICAL PRACTICES COMMISSION

The California Fair Political Practices Commission (FPPC) has a large number of resources available concerning ethics issues under the Political Reform Act, FPPC Regulations, and related law. FPPC resources include:

1. Website: www.fppc.ca.gov/.
2. FPPC Publications available on the website:
    a. Form 700 Statement of Economic Interests, and Form 700 Statement of Economic Interests Reference Pamphlet.
    b. Limitations and Restrictions on Gifts, Honoraria, Travel and Loans: A Fact Sheet for Local Officials.
    c. Recognizing Conflicts of Interest: A Guide to the Conflict of Interest Rules of the Political Reform Act.
    d. Leaving Local Government Employment.
    e. Political Reform Act, including the full text of the law.
    f. FPPC Regulations, including the full text of the regulations.
    g. FPPC Letters and Opinions, including a searchable database of letter and opinions issued by the FPPC on ethical issues.
3. Campaign Rules/Finance. http://www.fppc.ca.gov/learn/campaign-rules.html.
4. Advice and Enforcement. The FPPC offers informal and formal advice on ethical issues and has procedures for making a complaint. Instructions for seeking advice or making a complaint are on the FPPC website.

L. CALIFORNIA ATTORNEY GENERAL CONFLICT OF INTEREST GUIDE

The California Attorney General has published a Conflict of Interest Guide which contains information on a wide range of conflict of interest issues. Although the Guide was last updated in 2010, it remains a useful reference. The Guide is available online at https://oag.ca.gov/sites/all/files/agweb/pdfs/publications/coi.pdf.

M. LOS ANGELES COUNTY REGISTRAR-RECORDER/ COUNTY CLERK

Information concerning Los Angeles County campaign rules and finance can be obtained at https://lavote.net/home/voting-elections/candidate-measure-information/campaign-finance-prop-b-reporting/campaign-disclosure-information.

N. LOS ANGELES COUNTY FRAUD HOTLINE

Ethical concerns may be reported to the Los Angeles County Fraud Hotline, http://fraud.lacounty.gov/. The County Fraud Hotline will not generally investigate LACERA issues, but it will forward concerns to LACERA for response.

XVI. REVIEW OF CODE

This Code shall be reviewed by the Board of Retirement and Board of Investments every three years. The Legal Office and Internal Audit shall monitor applicable laws, regulations, and best practices on an ongoing basis and shall request amendment of the Code when deemed necessary and appropriate. This Code may be amended by action of both Boards at any time.

APPENDIX A – SUMMARY OF GIFT LIMITATIONS AND RESTRICTIONS

WHAT IS A GIFT? A "gift" is any payment or other benefit that confers a personal benefit for which you do not provide payment or services of equal or greater value. Gifts are valued at fair market value as of the time the gift is received. Gifts include price discounts and rebates, unless generally available to the public. Gifts are income reportable on Form 700, Schedule D or E, subject to applicable rules and exceptions, including those below.

Examples of Gift Exceptions (no reporting/no dollar limit/no conflict of interest):

1. Items returned unused to the donor, or for which you reimburse the donor, within 30 days.
2. Items donated unused, within 30 days of receipt, to (a) a 501(c)(3) non-profit with which you do not hold a position, or (b) a government agency. You cannot claim a tax deduction.
3. Gifts from a family member (spouse or former spouse, child, parent, grandparent, grandchild, sibling, current or former parent-in-law, siblings-in-law, aunt, uncle, niece, nephew, or first cousin, or the spouse of any such person), unless the family member is acting for another person.
4. Informational material provided to assist you in performing your official duties, including books, periodicals, videos, admission or discounts to informational conferences, demonstrations, or tours. This exception does NOT apply to meals, lodging, or (generally) transportation.
5. Tickets that you do not use and do not give to another person.
6. Two tickets, used by you and one guest, to attend a fundraiser for a campaign committee or candidate or a 501(c)(3) non-profit, provided the tickets are received from the organizer.
7. Items provided to LACERA and used by you for official business.
8. Travel payments made to LACERA and used to pay for your official business travel.

Examples of Limited Gift Exceptions:

1. Gifts commonly received from a dating partner, long-time personal friend, existing personal or business relationship unrelated to LACERA, or as an act of human compassion (no reporting or dollar limit, but these exceptions do not apply if person has LACERA business).
2. Wedding gifts received (not subject to dollar limit but reportable on Form 700 if meet gift threshold, with ½ of value reportable by each spouse; disqualification applies if donor has LACERA business).
3. Gifts commonly exchanged on holidays, birthdays, or similar occasions to the extent the gifts exchanged are not disproportionate in value.
4. Reciprocal exchanges with another individual (e.g., rotating lunches) so long as payments are not substantially disproportionate, payments are roughly equal over any calendar year, and no single payment is greater than the gift limit.
5. Travel payments for actual transportation, meals, and lodging the day of, day before, and day after you give a speech for a legitimate LACERA business purpose or on a state/national policy issue. Such payments are reportable on Form 700 and subject to conflict of interest disqualification.

GIFT LIMITS

Gifts with a combined total of under $50 from a single source for the calendar year need not be disclosed. Gifts greater than the gift limit below in any 12-month period may require disqualification.

Board of Retirement and Staff Identified in LACERA Conflict of Interest Code ("Code Filers"):
For 2021-2022, you may not accept gifts from a single source with a combined total of more than $520 for the calendar year if the Code requires you to report gifts from that source on your Form 700.

Board of Investments and Staff Identified in Appendix to the Conflict of Interest Code ("87200 Filers"):
For 2021-2022, you may not accept gifts from ANY single source with a combined total of more than $520 for the calendar year.

IMPORTANT NOTE: This document is only a summary of applicable law as of September 2021; additional rules apply. Any gift may create the appearance of a conflict of interest. Please contact the LACERA Legal Office with any questions. This summary will be updated as needed.

welcome@lacera.com 800-786-6464 *lacera.com*

CODE OF
ETHICAL CONDUCT

LACERA
300 N. Lake Ave., Pasadena, CA 91101

EXHIBIT B

Code of Ethical Conduct – 2025 Update – Draft Table of Contents

- Letter from Chief Executive Officer Santos Kreimann
- We Are Guided by Our Values
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  - Values (I ACT)
  - Fiduciary Duties
  - Ethics and Compliance
- We Are Inclusive and Collaborative
  - DEI+A
  - Anti-discrimination policy
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  - Drug and Alcohol Free Work Environment
  - No Harassment
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    - Gifts, Honoraria, Travel, Loans
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    - Contracts
    - Reporting (Form 700)
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    - Outside Employment
  - Employment of Related and Unrelated Persons
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- We Hold Ourselves Accountable
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  - Confidentiality & Privacy
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  - Records Retention
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- Code Administration
  - Training
  - Enforcement
  - Review of Code

EXHIBIT C

CALSTRS®
HOW WILL YOU SPEND YOUR FUTURE?

CODE OF ETHICS
AND BUSINESS CONDUCT

A Message from the CEO

I am very proud that CalSTRS has a long-standing tradition of ethical standards and a deep commitment to living its core values every day. Together, we have a solemn responsibility to continue this tradition. These values are an integral part of our daily work life, in fulfilling our responsibility to our members and to one another.

Our Code of Ethics and Business Conduct is a critical component to our organization and sets the foundation of our commitment to comply with the laws, regulations, policies and standards that apply to our business.

The code is a valuable resource as we deliver quality services for our members. As a financial services organization, maintaining the trust of our members, business partners and the public is essential to our credibility. CalSTRS fosters a culture of trust, as well as collaboration, to achieve our mission and strategic goals. The code supports our efforts in conducting ourselves with integrity, compliance and high ethical standards on a daily basis.

An important role for each of us at CalSTRS is to ensure that our core values drive the work we do and how we serve our members. I appreciate your commitment to our mission and values that guide us and continue to support our success.

Sincerely,

C. M. Lichnock

Cassandra Lichnock, Chief Executive Officer

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Code introduction

Overview and purpose

The CalSTRS Code of Ethics and Business Conduct addresses the standard of conduct and ethics for the way we provide services to our stakeholders. It is a commitment to our core values and compliance with laws, regulations, CalSTRS policies and standards. The code helps us exercise sound personal judgment.

Culture

Mission and values

Living our core values guides us in serving our members.

Our mission

Securing the financial future and sustaining the trust of California's educators.

Core values

The CalSTRS Core Values are a set of attitudes, beliefs and behaviors that define CalSTRS and its employees.

Customer Service

We never compromise on quality as we strive to meet or exceed the expectations of our customers.

Accountability

We operate with transparency and accept responsibility for our actions.

Leadership

We model best practices in our industry and innovate to achieve higher standards.

Strength

We ensure the strength of our system by embracing a diversity of ideas and people.

Trust

We conduct ourselves with integrity, acting ethically in every endeavor.

Respect

We respect the needs of our members, co-workers, and others, treating everyone with fairness, honesty, and courtesy.

Stewardship

We recognize our fiduciary responsibility as the foundation for all decision-making.

What if?

I am a manager. What if someone comes to me with an accusation involving a senior leader?

Misconduct of a senior leader observed by an employee should be reported just as any misconduct should be reported.

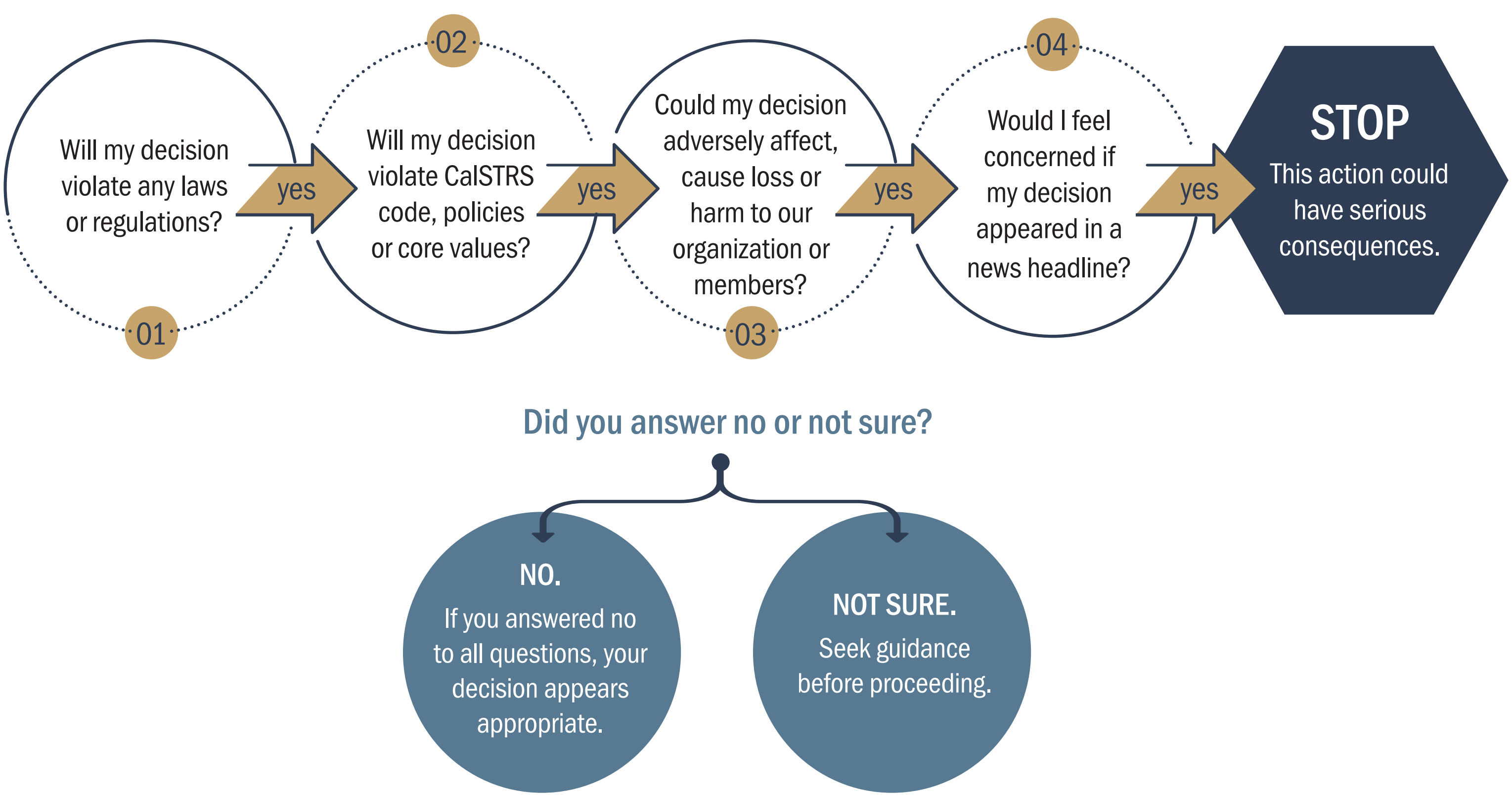
I am a manager. What if I observe misconduct in an area not under my supervision, am I still required to report the issue?

Yes. CalSTRS employees of all levels are required to report any misconduct or possible violation of which they become aware. As a leader, you are responsible to set this example.

Enterprise Compliance Services

Enterprise Compliance Services supports the organization in maintaining a strong ethical and compliant culture. ECS provides oversight and a centralized approach to compliance functions at CalSTRS. If you have questions, ask them. Promptly report any concerns or possible violations to your supervisor or other resources provided to you in the code. Our actions should reflect our commitment to living our core values every day. If in doubt or unsure of the proper course of action, use the decision tree provided in the code to assist you in decision-making.

In any ethical dilemma, ask yourself:



Diversity and Inclusion

CalSTRS is dedicated to bringing together employees with a wide variety of backgrounds, skills, cultures and beliefs. In combining this wealth of talent and resources, we create diverse and dynamic teams that drive excellence. We work better together because of our differences, not despite of them. We believe our organization will best serve everyone and enrich our culture through the diverse skills, experiences and backgrounds that each of us brings to CalSTRS.

- Learn more about **Diversity and Inclusion** at CalSTRS.

Our core values of strength and respect mean that CalSTRS is a place where:

Diversity of ideas and people are not only respected but valued and supported.

Everyone is treated fairly.

Fair employment practices

CalSTRS provides objective, equitable and consistent employment practices across the organization. We are committed to hiring and promoting practices that are free of unlawful or inappropriate bias and conflicts.

CalSTRS commitment to diversity and equal opportunity employment:

1. **We do not tolerate any discrimination based on protected characteristics in any of our employment practices.**

2. **Employment practices include all aspects of employment:**
    - Recruitment, hiring, performance evaluations and promotions.
    - Reinstatement, layoffs, adverse action and termination.
    - Training, assignment, transfer, benefits and compensation.

Personnel actions are based strictly on individual ability, qualifications, performance, experience, achievements and demonstrated skill. We stand firm in avoiding actions influenced by personal relationships and discriminatory practices of any kind. We aim to structure a work environment that provides personal satisfaction and challenge. We are committed to these goals and our compliance with employment laws. Any form of discrimination, witnessed or experienced, must be reported immediately.

Reporting options
- Leadership
- **EEO Officer**
- **CalSTRS Compliance and Ethics Hotline**

I will	I will not
• Treat all colleagues, members and business partners fairly and equally.	• Favor colleagues, members or business partners based on personal, social or financial relationship.
• Hire employees based solely on qualifications, ability to perform work required and business need.	• Provide or deny employment opportunity based on race, sex, age or any other protected characteristic.

Learn more about fair employment practices in the **Discrimination, Harassment, and Retaliation Prevention policy.**

EXHIBIT D

Pfizer

BREAKTHROUGHS that change patients' lives

BLUE BOOK: Pfizer's Code of Conduct

Contents

Pfizer's Code of Conduct (the *Blue Book*) is a general reference for all colleagues everywhere we do business. The *Blue Book* is not a legal document and is intended for informational use only. It does not describe all applicable laws or Company policies or give full details on any individual law or policy. Pfizer reserves the right to modify, revise or alter any policy, procedure or condition related to employment at its sole discretion and at any time without notice and without revision of the *Blue Book*. The contents of the *Blue Book* do not constitute the terms of a contract of employment, and nothing contained herein should be construed as a guarantee of continued employment or employment for any particular period of time—employment at Pfizer is on an at-will basis (subject to applicable laws). The information herein can be changed or revoked unilaterally by the Company at any time and is not all-inclusive. This online version of the *Blue Book*, accessible through the Compliance website (integrity.pfizer.com), supersedes all prior versions of the *Blue Book*.

At Pfizer, patients are at the center of everything we do. In fact, they are at the heart of our purpose: *Breakthroughs that change patients' lives.*

Our ability to deliver breakthroughs depends upon each of us living by our four core Values—**Courage, Excellence, Equity,** and **Joy.** Together these Values define our culture and guide our day-to-day interactions with customers, business partners, and colleagues.

Pfizer's *Blue Book*—our Code of Conduct—is designed to support these Values, particularly Excellence, as **we perform at our best together,** and Equity, as we always **act with integrity.** The *Blue Book* describes how we operate and guides the decisions we make in support of our purpose, including how **we speak up** when we see something that concerns us—a behavior essential to our Value of Courage. Seeking advice, raising concerns, and reporting misconduct are critical to our ability to serve patients.

Each of us is responsible for understanding the *Blue Book* and adhering to our Code of Conduct every day. In doing so, we demonstrate our continued commitment to living our Values and earning the trust of the patients we serve.

Albert

ACT WITH INTEGRITY

We Live Our Values & Are All Responsible

At Pfizer, we do the right thing because patients' lives depend on us. We act with integrity in everything we do, and our Values guide us in making the right decisions ethically, thoughtfully, and responsibly so that our business can appropriately meet patient and societal needs. Ethical decisions promote trust and accountability for doing the right thing, both internally and externally.

To fully realize Pfizer's purpose—breakthroughs that change patients' lives—we have established clear expectations regarding what we need to achieve for patients and how we will achieve those goals. The "how" is represented by our four powerful Values—Courage, Excellence, Equity, and Joy—that define our Company and our culture.

Each of us is responsible for living our Code of Conduct and holding each other accountable for the same. The *Blue Book* applies to everyone, including all colleagues and officers of Pfizer and its subsidiaries. In certain circumstances, this Code also applies to contingent workers. Managers set the tone and model ethical behavior, cultivate an inclusive Open Door culture, and communicate the expectation that each of us must live our Values of Courage, Excellence, Equity, and Joy every day.

Remember, not following our Code may harm our Company, colleagues, patients, customers, communities, business partners, and investors. Violation of the Code or policies may result in disciplinary action up to and including termination of employment.

The Code does not answer how to act in every situation, but it does outline the Values and principles you need to guide you in your daily work. It also provides information on how to seek further guidance, ask questions, and raise concerns.

Courage. Breakthroughs start by challenging convention, especially in the face of uncertainty or adversity. This happens when we think big, speak up, and are decisive.

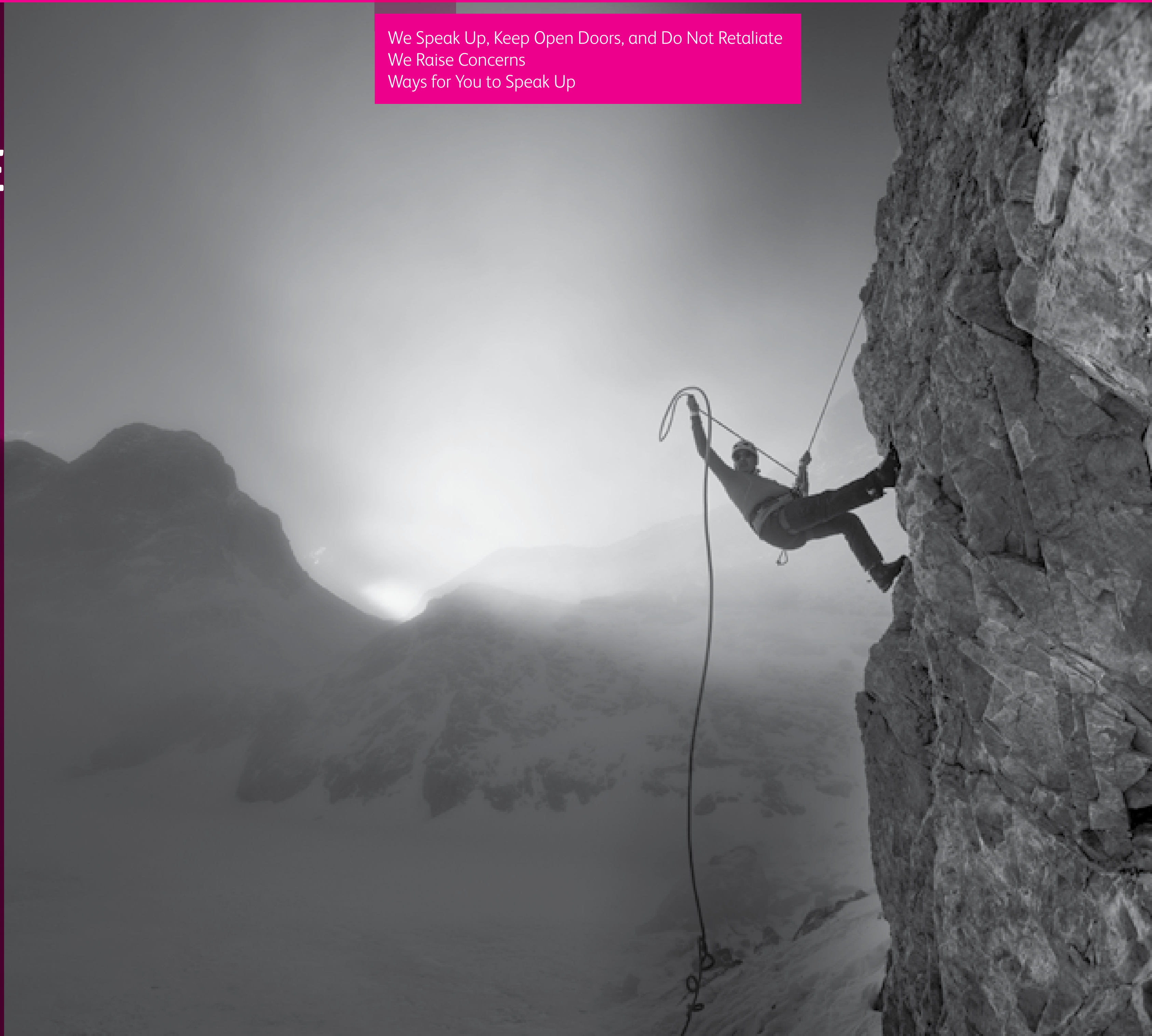
Excellence. We can only change patients' lives when we perform at our best together. This happens when we focus on what matters, agree who does what, and measure outcomes.

Equity. We believe that every person deserves to be seen, heard, and cared for. This happens when we are inclusive, act with integrity, and reduce healthcare disparities.

Joy. We give ourselves to our work, and it also gives to us. We find Joy when we take pride, recognize one another, and have fun.

Our Values guide us in our daily work. That is why they are incorporated into every section of this *Blue Book*.

COURAGE



We have the Courage to speak up if something doesn't seem right.

We Speak Up, Keep Open Doors, and Do Not Retaliate

Speaking up requires Courage. As Pfizer colleagues, we share the privilege and responsibility of ensuring we honor our Values and follow policies, including by speaking up when we have questions or concerns. Speaking up helps us learn about issues and manage risks before they become problems. The environment we need for breakthroughs depends on empowering each of us to speak our mind.

Speak up if you have an idea. Speak up if you have a question. Speak up if you have a concern. Our Open Door Policy provides many avenues for you to speak up without fear of retaliation, harassment, discrimination, or other inappropriate behavior.

We do not tolerate retaliation against those who raise concerns at Pfizer.

If you seek advice, raise a concern, report misconduct, or provide information in an investigation, you cannot be retaliated against for having done so. If you believe that you or another colleague has been retaliated against for any reason, report the conduct using any method described in this *Blue Book*.

Our Commitment to COURAGE

- We encourage reporting by not tolerating retaliation in any form.
- We report all suspected retaliation.

Retaliation is adverse action that can take various forms, including unfavorable work assignments, unfavorable performance reviews, threats, harassment, demotion, suspension, reduced compensation, denial of benefits, or termination, among others.

Learn More

- Corporate Policy 702 (Open Door Policy)
- Corporate Policy 201 (Integrity, Compliance Reporting Obligations, and No Retaliation Policy)

We Raise Concerns

We value, respect, and review all reports. If you suspect potential misconduct, report it. Potential misconduct includes failing to follow laws, regulations or policies, or failing to live our Values. You can raise concerns to your manager, another manager, People Experience, the Legal Division, the Employee Relations Group, or the Compliance Division. You can also make anonymous reports to the Compliance Helpline (subject to local restrictions).

Your concerns will be analyzed and addressed by the appropriate Pfizer group according to our policies and procedures. For example, significant potential, suspected, or actual violations of law or policy—referable compliance issues (RCIs)—are investigated exclusively by the Compliance Division.

Our Commitment to **COURAGE**

- We raise concerns when safety, quality, or integrity are in question.
- Confidentiality is maintained to the fullest extent possible.

Personal Disclosure Requirements

If you have been excluded, debarred, or suspended, or become otherwise ineligible to participate in U.S. federal healthcare or procurement or non-procurement programs, you must disclose this immediately to the Compliance Division. You also must disclose if you are under investigation for certain criminal offenses and may become excluded, debarred, or suspended.

If I report a concern to the Compliance Division, can I expect a response?

Yes. The Compliance Division's goal is to respond promptly to all questions and reported concerns and take appropriate action to investigate.

Learn More

- Corporate Policy 201 (Integrity, Compliance Reporting Obligations, and No Retaliation Policy)

EXHIBIT E

Code of Business Ethics

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Our Purpose

Always with You, Building a More Confident Future

Living our purpose is how MetLife contributes to a more confident future as an investor, an employer, and a provider of financial solutions and expertise. It's at the heart of our virtuous circle of serving our colleagues, our communities, our customers, and our shareholders. The work of building our purpose-driven inclusive culture starts with trust. Trust permits us, as a team, to be curious, forthcoming, open, imaginative, confident, and inclusive.

Live Our Success Principles

Our Success Principles articulate the behaviors that help us bring MetLife' s purpose to life and execute on our strategy. They outline the behaviors we all are expected to exhibit on a daily basis and are embedded into our performance development approach to encourage and incentivize individual and collective success. Together, these principles guide how we do business, interact with each other purposefully and deliver for our stakeholders.

Build Tomorrow

We change and innovate for sustained performance

- **Seize opportunity:** Drive responsible growth and identify areas for continuous improvement
- **Experiment with confidence:** Courageously learn and test new ideas without fear of failure
- **Act with urgency:** Demonstrate speed to action with agility and determination

Win Together

We collaborate and empower each other to succeed

- **Seek diverse perspectives:** Source ideas and feedback to expand thinking and make informed decisions
- **Champion inclusion:** Foster an environment where everyone is valued, heard and can speak up
- **Create alignment:** Partner with others across the organization with candor and transparency

Own It

We deliver for our customers

- **Take responsibility:** Be accountable and act in pursuit of the right outcomes
- **Enable solutions:** Anticipate and address obstacles while managing risk
- **Deliver what matters:** Execute meaningful priorities and follow through on commitments

Find Out More

Success Principles

Our Purpose

Know Your Responsibilities

We are proud to foster a culture where all of us take responsibility for our actions, adopt an ownership mindset, and feel comfortable speaking up. Our customers and shareholders expect us to conduct ourselves with honesty and integrity, and we, as a MetLife community, expect this from one another as well.

Our Code of Business Ethics (Code) helps us live our purpose with every customer, in every interaction, every day. It helps us navigate an always-changing external environment while meeting the highest professional standards. Our Code is the foundation for our Success Principles and represents our core beliefs for conducting business.

- **Read our Code to help you understand MetLife's expectations and commit to follow it.**
- **Take personal responsibility for your actions and know that your behavior matters and impacts MetLife's workplace culture and reputation.**
- **Collaborate and communicate among different groups in the Company.**
- **Prevent misconduct and speak up if you observe any violation, actual or suspected, of our Code or policies.**
- **Report concerns immediately.**
- **Cooperate in any investigation, when asked.**
- **Complete your mandatory training and annual Code Attestation timely to stay up to date on what's expected of you.**

Speak Up

We expect all who work with MetLife – whether as an employee or as a non-employee worker, vendor, or other third party – to conduct themselves in a way consistent with our Code, purpose, Success Principles, policies and other standards as described here and in our Supplier Code of Business Ethics. Violations of our Code and policies, or any applicable laws and regulations, may result in disciplinary action, up to and including termination of employment for employees and termination of a work assignment or other business association with MetLife for non-employees and other third parties.

Find Out More

MetLife Policy Directory

Code of Business Ethics Site

Supplier Code of Business Ethics

Make Ethical Decisions

Each day we are responsible for making ethical decisions. No written document can possibly address every circumstance we may encounter. Hence, we have to exercise our judgment consistent with our purpose, Success Principles, and Code.

When faced with challenging decisions or uncertain situations, consider these questions to help guide your actions.

- **Is the action legal and compliant with regulatory requirements?**
- **Does it comply with our Code and our policies?**
- **Does it reflect our purpose and Success Principles?**
- **Is it in the best interest of our colleagues, customers, and shareholders?**
- **Can the action withstand public scrutiny?**
- **Would your family, friends, and community approve?**

If your answer to any of these questions is “no,” the action could have serious consequences for you and MetLife. If you are not sure, reach out to your manager or Compliance for guidance.

EXHIBIT F

Code of Conduct

Do What's Right: Report What *Seems* Wrong

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TRUSTWORTHY

We act with integrity

Know Our Responsibilities

Leader Responsibilities

If you're an employee in a leadership position (supervisors, managers, directors, vice presidents, executive officers, etc.), you have additional responsibilities.

MODEL OUR CODE AND OUR VALUES We count on you to model ethical business conduct and live by our values, setting a strong standard for employees and each other. Never encourage or direct any employee to violate our Code of Conduct or the law in an attempt to achieve a business result. Further, you should always enforce safety policies and procedures and support a reward and recognition system that fosters a safety culture.

TALK ABOUT OUR CODE AND OUR VALUES Discuss the importance of our values, ethics and compliance and let employees know you expect them to always do what's right.

MAINTAIN A POSITIVE AND INCLUSIVE WORK ENVIRONMENT Create an inclusive workplace free of discrimination and harassment where everyone feels that they can come to work and be their whole, authentic self.

FOSTER A SPEAK-UP CULTURE Foster a culture where employees feel comfortable reporting what seems wrong and speaking up when they are concerned.

RESPOND TO REQUESTS FOR GUIDANCE Be available to respond to requests for guidance. Use the Code of Conduct, company policies and other resources within the company when responding. When in doubt, always escalate the question or ask for additional help. It's better to say you don't know and will follow up, rather than provide a wrong answer.

REPORT WRONGDOING Any leader who observes conduct that may violate the Code **MUST** take immediate action to stop it and promptly report the matter. All leaders who learn of a violation or potential violation of the Code must promptly (ideally within 24 hours) forward that report to Legal, EEO or the Xcel Energy Corporate Compliance and Business Conduct Office at 612.215.5354 or **compliancebusinessconduct@xcelenergy.com** for investigation.

Nuclear Employee Responsibilities

If you work in or with our nuclear operations, you must also comply with specific health and safety laws that govern Xcel Energy's nuclear operations. Workers in our industry are held to a high standard regarding attitudes and behaviors toward nuclear safety.

In addition, nuclear workers are responsible for complying with the company's Nuclear Access Authorization and Fitness for Duty Program procedures and must immediately report any threats or acts of workplace violence, as nuclear facilities carry additional concern.

Transparency in Our Relationships

Conflicts of Interest

We all have an obligation to protect Xcel Energy's reputation. We are expected to act in the best interest of Xcel Energy and to avoid conflicts of interest or activities that could reasonably create the appearance of a conflict of interest.

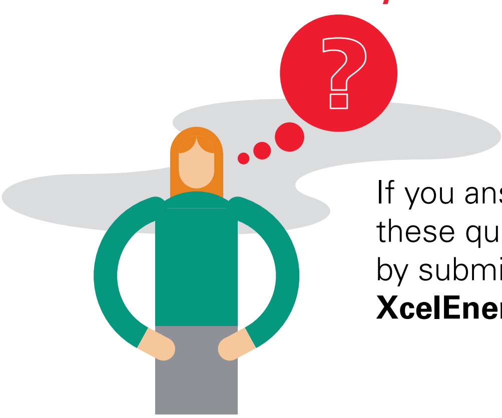
What is a conflict of interest?
A conflict of interest may occur when personal interests interfere with or may appear to interfere with your responsibilities to the company. Conflicts can also occur when you, a family member or a close personal friend take opportunities that are discovered through your position with the company. You should not use your position at Xcel Energy to personally benefit yourself or someone else at the expense of the company.

Perception Matters
The appearance of a conflict of interest can be just as damaging to the company's or your individual reputation as an actual conflict. Even if you don't think a conflict exists, it could be perceived that way by others.

Is it a Conflict? Ask Yourself:

Could my personal interests or relationship influence the decisions I make?

Could it look that way to someone else?



If you answer **yes** or **maybe** to these questions, seek guidance by submitting a COI form on **XcelEnergyComplianceHotline.com**

Conflict Disclosures

We know you want to do the right thing; transparency is the key to avoiding and managing conflicts of interest. The best way to remove a conflict and avoid a misunderstanding is to disclose any situation that has the potential to be misinterpreted by others. When you are open about potential conflicts, it creates the opportunity to address the situation. We know it is not always clear whether an activity or relationship creates a conflict. You do not need to make the determination; but you do need to disclose the potential conflict.

Always disclose your relationships when your family member or close personal friend is employed by or does business with Xcel Energy and you have, or will have, any decision-making or decision-influencing ability. We will then evaluate the situation and work with you to appropriately address or resolve it.

How does Xcel Energy define family member and close personal friend?

Family Member
A spouse, parent, sibling, grandparent, child, grandchild, in-law, domestic partner, as well as any other family member who lives with you or who is otherwise financially dependent on you or on whom you are financially dependent.

Close Personal Friend
Any person with whom you have a meaningful social relationship outside of your work at Xcel Energy. Some examples include your boyfriend/girlfriend, immediate circle of friends, roommates, and a godparent to your child.

Transparency in Our Relationships

Conflicts, or potential or perceived conflicts, can occur in many forms and situations. The following examples are not all-inclusive, but provide some common situations where conflicts might occur and should either be avoided or disclosed.

Conflicts to Avoid:

- Directing Xcel Energy business to family members or close personal friends, including participating in the business selection process
- Using company information or time for personal gain
- Diverting an Xcel Energy business opportunity for your personal gain
- Supervising a family member or having direct or indirect influence over a family member (even if not supervisory)

Potential Conflicts to Disclose and Seek Guidance on:

- Having, or having a family member, with a significant financial interest (over 1%) in an organization that does business with or seeks to do business with Xcel Energy
- Having an outside job with a competitor, supplier or regulator
- Accepting a board of directors position at a for-profit organization
- Requesting charitable contributions from suppliers without receiving advance approval using the Soliciting Goods and Services form on the Supply Chain website

Disclose potential or perceived conflicts or seek guidance by filling out the **Conflicts of Interest form** at XcelEnergyComplianceHotline.com.

Q

My project team needs some quick design assistance, and my aunt runs a small business that could do this work for my team quickly and inexpensively. The Code of Conduct does not include aunt in the definition of family member. Can I ask her to help complete the project?

A

While you can recommend your aunt's small business, it is important that you recuse yourself from the selection process and disclose this relationship on XcelEnergyComplianceHotline.com. Any time you think it could be perceived by others that a conflict exists, be transparent and disclose the relationship to protect both yourself and the other party.

Transparency in Our Relationships

Here are some examples of what might be considered appropriate and not appropriate:

APPROPRIATE	NOT APPROPRIATE
An occasional lunch with a current supplier to discuss business	A modest lunch with a current supplier on a weekly basis
A logo branded item (cup, hat, shirt) given by a current vendor	Golf clubs or an iPad given by a vendor
Local golf outing with a business partner	Local golf outing provided by a vendor while you are directly or indirectly involved in contract negotiations
A current vendor pays for your attendance at a conference and asks you to speak	Airfare and accommodations to a golf resort provided by a vendor
Conference "goodie bag" with pens, paper, snacks	A "thank you" gift basket including NBA tickets and expensive sports gear
A holiday box of chocolates	A holiday case of wine

Read and follow:

Signing Agreements and Delegations of Authority policy

Procurement of Normal Goods and Services policy

Supplier Diversity policy

Outside Employment policy

Employment of Family Members policy

Travel and Employee Expense Reimbursement policy

Q I received a holiday gift basket of fruit, crackers and cheese from a vendor. It's probably over $50. What should I do with it?

A As this is a perishable gift, simply share it with your team or colleagues. Sharing both helps reduce the appearance of influence and is nice to do!

Q A supplier gave me a nice golf bag and set of clubs in advance of an outing we have coming up. I know the gift is excessive and don't even want the clubs but it might seem rude to return them. What should I do?

A This can be an uncomfortable situation. Please reach out to the Corporate Compliance and Business Conduct Office or go to XcelEnergyComplianceHotline.com to ask a policy question. We will work with you to resolve the situation in a way that doesn't negatively impact your relationship with the giver.

Q I have been in all day negotiations with a vendor. They have invited me to dinner to continue the conversation. Can I go?

A Yes, we recognize the value in building business relationships with the vendor and understand that business will continue to be done during dinner. Just tell the vendor upfront that you will need to pay your own way and when the bill comes, please be responsible for your portion.

EXHIBIT G

LACERA

Los Angeles County Employees Retirement Association

CODE OF ETHICAL CONDUCT

LACERA

Los Angeles County Employees Retirement Association

CODE OF ETHICAL CONDUCT

LACERA

Los Angeles County Employees Retirement Association

CODE OF ETHICAL CONDUCT

For LACERA Boards and Staff

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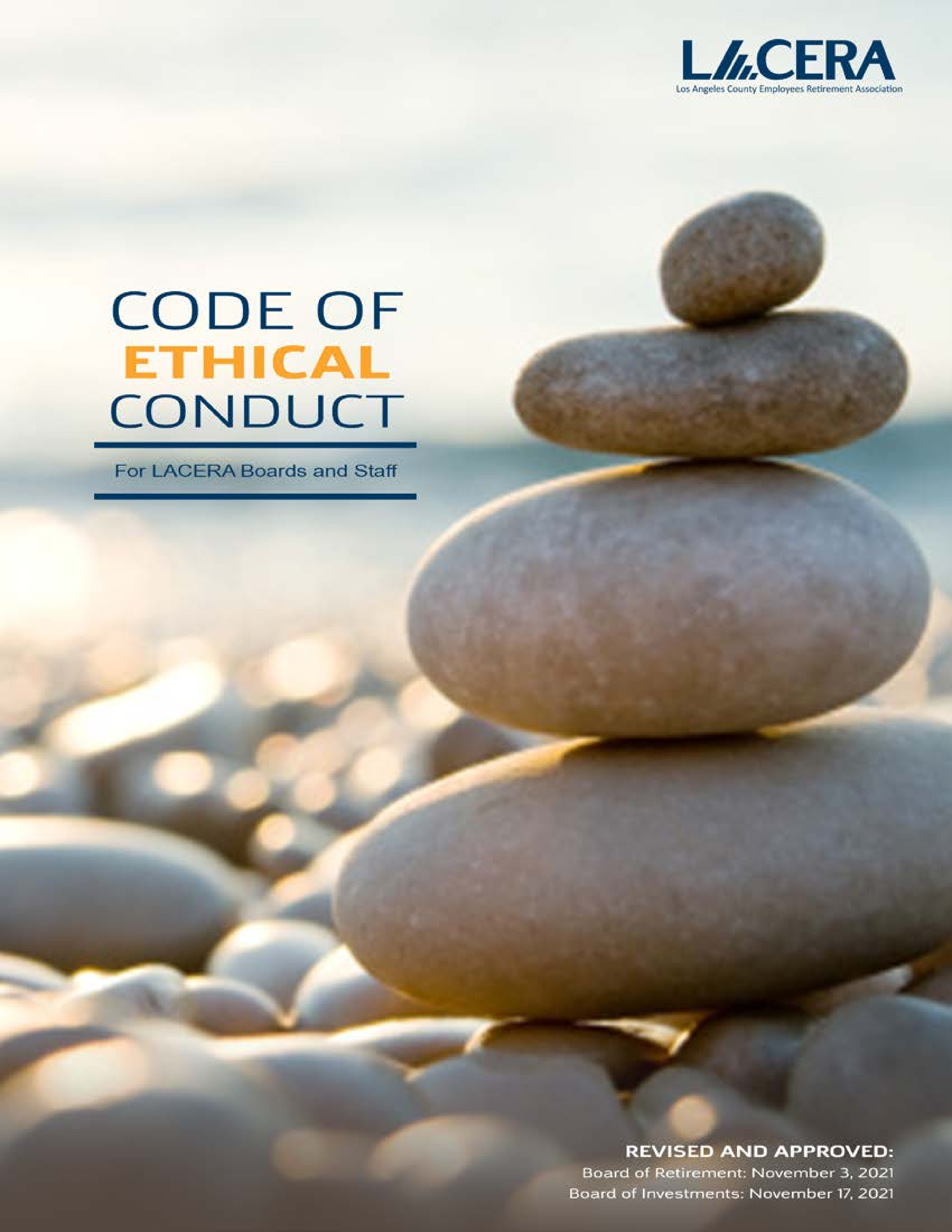
EXHIBIT H



LACERA
Los Angeles County Employees Retirement Association

CODE OF ETHICAL CONDUCT

For LACERA Boards and Staff

REVISED AND APPROVED:

Board of Retirement: November 3, 2021

Board of Investments: November 17, 2021

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L//.CERA

November 19, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee:
Debbie Martin, (BOI), Chair
Wayne Moore, (BOR), Vice Chair
Vivian Gray, (BOR), Secretary
Nancy Durazo, (BOR), Trustee
Elizabeth Ginsberg, (BOR/BOI), Trustee
Jason Green, (BOI), Trustee
Nicole Mi, (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Steven P. Rice, SPR
Chief Counsel

Allison E. Barrett, KOB
Senior Staff Counsel

FOR: December 12, 2024, ACRE Committee Meeting

SUBJECT: **Ethics and Compliance Program Foundational Work Plan Status**

BACKGROUND AND LEGAL AUTHORITY

LACERA's Ethics and Compliance Program Charter is designed in accordance with the U.S. Sentencing Guidelines and the 2024 Department of Justice "Evaluation of Corporate Compliance Programs" (DOJ Evaluation) which establish the leading standards and authority to determine the effectiveness of Ethics and Compliance Programs. The DOJ asks three fundamental questions when evaluating Ethics and Compliance Programs:

1. Is the program well designed?
2. Is the program adequately resourced and empowered to function effectively?
3. Does the organization's compliance program work in practice?

These questions drive the ACRE Committee's oversight of the Ethics and Compliance Program (Program). Both the ACRE Committee and Ethics and Compliance Program Charters require staff to provide regular reporting to the Committee on Program activity (including its work plan) so the Committee may effectively exercise its oversight role.[1]

Section VII.B.13 of the ACRE Charter specifies that Chief Counsel and the CEO will perform foundational work pending the hiring of the Chief Ethics and Compliance Officer

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[1] *ACRE Committee Charter, section VII.B.2.b. Ethics and Compliance Program Charter section VIII.D;J*;

(CECO) and the establishment of the Ethics and Compliance Office. The Ethics and Compliance Foundational Work plan was approved by the ACRE Committee at its September meeting and subsequently by the Boards in October 2024. Work plan activities include: 1) an Education Plan; 2) Policy Management; 3) Baseline Ethics and Compliance Risk Assessments; 4) Baseline Ethics and Compliance Culture Survey; 5) Updating the Code of Ethical Conduct; and 6) Class Specifications for Ethics and Compliance Office personnel—Chief Ethics and Compliance Officer (CECO), Deputy Compliance Officers, and an Administrative Assistant-III (ASA-III). Each of the foundational elements in the work plan serve to build LACERA's culture of ethics and compliance, manage ethics and compliance risk, and prepare the Program for a seamless transition with the arrival of a CECO.

The following chart summarizes the status of the Foundational Work Plan activities, with additional detail regarding each activity outlined below.

<u>WORK PLAN STATUS</u>

Program Activity	Target Date	Status
Education Plan	Ongoing	Training and communications are continuous. Notable milestones: 1) began quarterly training for the Ethics and Compliance Committee (October 2024) and 2) began discussion with LACERA leaders at the management offsite (November 2024). ACRE Committee orientation (February 2025) will also include discussion of key topics (*Item VII.F on today's agenda*).
Policy Management	December 2024	Phase 1 is complete—*Compass Policy Library* will be operational in December 2024 and presented under *Item VII.G on today's agenda*. All policies procedures, charters, governance documents, et. al., have been transferred from LACERA Connect and LACERA.com into *Compass*. All-staff *Compass* training will begin January 2025. Phase 2 of Policy Management is ongoing—inventorying policies, procedures, and charters (not previously housed on LACERA Connect or LACERA.com) for inclusion in *Compass*.

Baseline Ethics and Compliance Risk Assessment	January 2025	On target: Ethics and Compliance risk specific questionnaires/surveys and interviews (tailored to each division's particular risk profile) will be conducted alongside Internal Audit's annual risk assessment.
Baseline Ethics and Compliance Culture Survey	January 2025	On target: Legal, Internal Audit, and HR staff meet weekly and introduced an organizational culture project at the November 2024 management offsite, engaging in discussion with 70 plus LACERA leaders on organizational culture and its business value. LACERA-wide focus groups and written surveys will follow.
Chief Ethics and Compliance Officer (CECO) Deputy, and Administrative Assistant-III (ASA) Class Specifications	January 2025	On Target: HR, Chief Counsel, and Executive Office have drafted the CECO Class Specification for review by the ACRE Committee (*Item VI.D . on today's agenda*). Additional positions (Deputy CECO and administrative support positions) will be brought to the ACRE Committee next year.
Code of Ethical Conduct	March 2025	On Target: An Ethics and Compliance Committee subcommittee meets weekly to revamp LACERA's Code of Ethical Conduct. The Code's Table of Contents (demonstrating proposed restructuring and organization) is presented for Committee discussion in *Item VII.C on today's agenda.* A full proposed draft of the Code will follow at the Committee's March 2025 meeting.

<u>EDUCATION PLAN</u>

The ACRE Committee and Ethics and Compliance Program Charters provide for Committee oversight of communication and training plans, including quarterly reports from Program staff to the Committee.[2] Additionally, the ACRE Committee Charter requires the Committee undergo regular ethics and compliance training on LACERA's

[2] *ACRE Charter, Section VII.B.7.a; Ethics and Compliance Program Charter Sections IV.G and VII.G*.

governing laws, regulations, policies, procedures, Code of Ethical Conduct, and Conflict of Interest Code.[3]

According to the Sentencing Guidelines, effective ethics and compliance programs promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.[4] Education is fundamental to meet that objective. Specifically, the guidelines state that to successfully foster a culture of ethics and compliance, the organization shall periodically communicate its standards, procedures, and other key elements of the program by conducting effective training programs and disseminating information customized to trustee, executive, management, supervisor, and front-line staffs' respective roles and responsibilities.[5] The DOJ Evaluation (2024) reiterates that specifically tailored training and communications are a hallmark of a well-designed ethics and compliance program. Robust training ensures that ethics and compliance policies and procedures are integrated into the organization's day-to-day operations and that the Program and its objectives are understood and followed by all LACERA employees.

The Ethics and Compliance Program will be communicated to all staff through various channels, including an Ethics and Compliance intranet landing page, updates at LACERA's monthly brown bag meetings, and regular reporting from each member of the multi-divisional Ethics and Compliance Committee to their respective divisions.

Organization-wide comprehensive training will include separate orientations on the Program and its objectives according to individuals' roles and responsibilities. Following orientation, similarly tailored training programs will be required biennially, along with training on LACERA's Code of Ethical Conduct. Under the Ethics and Compliance Program Charter, training is one of several key performance criteria that is part of the Program's annual self-assessment. In considering whether training is effective, the DOJ considers whether the organization has evaluated employees' engagement with the training, whether employees have learned the material covered, and whether the organization has evaluated the extent to which training has a measurable impact on employees' behavior and the organization's operations.

In addition to all-staff training, Program staff (and ultimately the CECO, Deputies, et. al.) participate in continuing professional development and education. Various members of the ECC are members of the Society of Corporate Compliance and Ethics (SCCE) and have completed training programs, including SCCE's Compliance and Ethics Essentials Workshop (which provides the requisite Continuing Education Units to sit for SCCE Certified Compliance & Ethics Professional (CCEP) exam) as well as ethics and compliance courses provided by the Practicing Law Institute (PLI).

[3] *ACRE Charter, Section VII.B.7.b.*
[4] *18 USCS Appx Sec. 8B2.1(a)(2).*
[5] *18 USCS Appx Sec. 8B2.1(b)(4)(A).*

The Ethics and Compliance Committee has also scheduled quarterly training at its monthly meetings. The October 2024 training (facilitated by LACERA ethics and compliance counsel, Rebecca Walker, Esq.) covered policy governance--standards for meaningful policy drafting and review. At LACERA's 2024 management offsite, the Ethics and Compliance Program team presented a foundational education session, including an overview of the Program, status of the work plan, and a robust discussion on ethics and compliance risk and culture. Over 70 LACERA leaders attended the offsite, including the executive office, management, and supervisors from throughout the organization.

In February 2025, during a dedicated orientation for new ACRE Committee trustees, Internal Audit and the Ethics and Compliance Program team will continue its discussion of key topics (which began at the September 2024 Committee meeting). February 2025 topics will include an overview of Ethics and Compliance roles, responsibilities, and processes, in addition to Internal Audit roles and responsibilities, financial reporting, cybersecurity, and enterprise risk management. Additional topics may be added subject to request by ACRE Committee trustees. (*Item VII.F on today's agenda*).

Under the Program Charter, the Ethics and Compliance team will be working on communications and training in partnership with Human Resources, Communications, Legal, Internal Audit, the Executive Office, and other key divisions.

POLICY MANAGEMENT

The ACRE Committee and Ethics and Compliance Program Charters provide for the Committee and the Program's oversight of LACERA's policies and procedures with regular reporting by staff to the Committee and Boards regarding the organization's policy and procedure review and management.[6]

Policy management is a critical element of mitigating ethics and compliance risk and establishing expected ethical and operational norms. The DOJ Evaluation guidelines identify Policies and Procedures as an essential element to determine whether a Compliance Program is well-designed. The DOJ not only considers the comprehensiveness of an organization's policies to address the spectrum of risk specific to its operations, but whether those policies are easily accessible to all employees and relevant third parties. Policies and Procedures must be readily available, searchable, and understood to be effectively integrated into day-to-day operations in order to successfully manage risk.

[6] *ACRE Committee Charter, Section VII.B.5; Ethics and Compliance Program Charter, Sections IV.D; VII.D, and VIII.H.*

To meet this objective, the Ethics and Compliance Committee established a subcommittee (Governance, Risk, and Compliance--GRC-360) to research various software solutions for Audit, Compliance, Policy, IT Security, and Enterprise Risk Management. Staff's extensive research resulted in internal development of LACERA's policy management solution—*Compass: LACERA's Policy Library* (*Item VII.G* on today's agenda).

BASELINE ETHICS AND COMPLIANCE RISK ASSESSMENT

An effective ethics and compliance program requires an organization to exercise due diligence to prevent and detect misconduct.[7] In accordance with the US Sentencing Guidelines and DOJ Evaluation, LACERA will periodically assess the risk (likelihood and impact) of potential misconduct and respond by updating existing and implementing new controls as identified through periodic organization-wide risk assessments.[8]

Under LACERA's Program Charter, the Ethics and Compliance Office will conduct ethics and compliance risk assessments no less than every two years to review organization-wide operations and proactively identify ethics and compliance risks, control gaps, and key risk indicators; and report these findings to the ACRE Committee.[9] Under the ACRE Committee Charter, the Committee reviews scheduled risk assessment findings along with recommendations to upgrade current or establish new controls to mitigate any identified risks.[10] This assessment and review process is an ongoing and critical component of Program accountability and protecting LACERA's members and the fund.[11]

The first steps of this process include conducting baseline ethics and compliance risk assessments throughout the organization to define LACERA's risk profile.[12] The ACRE Committee and the Boards approved initial risk assessments as part of the Program's Foundational Work Plan. Accordingly, the Ethics and Compliance team will conduct baseline interviews and query of division leaders regarding ethics and compliance risk profiles and operational gaps to determine what additional controls may be needed, such as divisional training, ethics and compliance action plans, and/or policies and procedures. Initial assessments will include ethics and compliance risk questionnaires followed by interviews. The assessment process will also ensure management understands how the Program will serve as a valuable resource to support their individual operations and what their roles and responsibilities are to carry out an effective program.

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[7] *18 USCS Appx 8B2.1 (a)(1).*
[8] *18 USCS Appx 8B2.1 (c).*
[9] *Ethics and Compliance Program Charter, section IV.B and VII.B.*
[10] *ACRE Committee Charter section VII.B.3.a,b.*
[11] *Ethics and Compliance Program Charter, section VIII.F.*
[12] *US Department of Justice Evaluation of Corporate Compliance Programs* (2024).

Ethics and compliance risk specific assessments (tailored to each division's particular risk profile) will be conducted alongside Internal Audit's annual risk assessment. The ethics and compliance risk assessment process will be regularly reviewed and updated to evolve with internal, external, and emerging risks.

BASELINE ETHICS AND COMPLIANCE CULTURE SURVEY

An effective ethics and compliance program requires an organization to promote a culture that encourages ethical conduct and commitment to compliance with the law.[13] An ethical and compliant culture is integrated into an organization's day-to-day operations through the other essential elements of an effective ethics and compliance program (e.g., policies and procedures, code of ethical conduct, risk assessments, training and communications).[14] Leadership's commitment to ethics and compliance and measuring staff's perception of that commitment is paramount to an engaged culture and an ethics and compliance program's success. Under the Program Charter, the Ethics and Compliance Office will periodically conduct a survey of LACERA's culture of ethics and compliance to measure the effectiveness of organizational controls and promote the Program's objectives; with a written report of survey findings presented to the ACRE Committee.[15]

The baseline survey will establish a baseline for benchmarking the organization's understanding of, appetite for, and adherence to LACERA's ethics and compliance standards at a cultural level. The initial survey will measure elements such as: 1) staff's comprehension of the meaning, value, and necessity of ethics and compliance for the organization; 2) staff's perception of senior leadership's commitment to ethics and compliance; 3) staff's knowledge of reporting channels--how to access those channels and report suspected misconduct; 4) staff's confidence in LACERA's commitment to nonretaliation; and 5) staff's trust in organizational justice, i.e., that LACERA has a methodical and fair investigative process and treats misconduct consistently. The baseline survey will also serve as an additional educational tool and communicate to staff the significance of the Program, their involvement in it and leadership's commitment to it.

The Ethics and Compliance team, members of Internal Audit and HR meet weekly to discuss this project, which was introduced at the November 2024 management offsite of 70 plus LACERA leaders on organizational culture. Organization-wide focus groups and a survey will follow, with a report out to the ACRE Committee upon completion.

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[13] *18 USCS Appx 8B2.1(a)(2).*
[14] *US Department of Justice Evaluation of Corporate Compliance Programs* (2024).
[15] *Ethics and Compliance Program Charter, sections IV.J, VII.J., VIII.L*. *ACRE Committee Charter Section VII.B.11*.

ETHICS AND COMPLIANCE PERSONNEL CLASS SPECIFICATIONS

The Chief Ethics and Compliance Officer proposed class specification and salary are presented under *item VI.D* on today's agenda. The Ethics and Compliance Office (to be located in the Legal Division) will also include two Deputies (class specifications to be submitted to the Committee in early 2025) and additional administrative support personnel. The CECO position, job description, and salary, and those for other positions as developed will then be submitted to the Board of Supervisors for addition to the County salary ordinance. Once the CECO is approved, recruited, and hired, they will oversee the recruitment process and hiring of additional Ethics and Compliance Office staff as needed.

CODE OF ETHICAL CONDUCT

The ACRE Committee and Ethics and Compliance Program Charters provide for Committee and Program oversight of LACERA's Code of Ethical Conduct.[16] As noted above, under the Sentencing Guidelines, effective ethics and compliance programs shall promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law. Commitment requires established standards of conduct and internal controls designed to reduce ethics and compliance risk.[17] A code of ethical conduct is the foundational document that establishes those standards. The DOJ Evaluation advises that a threshold matter in determining a compliance program's effectiveness, is assessing whether an organization has a code of conduct that sets forth the organization's commitment to full compliance with the law.[18]

LACERA's Code of Ethical Conduct was last revised in November 2021. Review is timely as well as central to the implementation of LACERA's Ethics and Compliance Program (adopted under its Charter, October 2024). *The current update process for LACERA's Code of Ethical Conduct is presented for discussion and Committee input in item VII.C on today's agenda*.

CONCLUSION

Each of the foundational elements in the foundational work plan serve to build LACERA's culture of ethics and compliance, manage ethics and compliance risk, and prepare the Program for a seamless transition with the arrival of a CECO. The Ethics and Compliance Program team, along with members of the Legal Division, ECC, and several other LACERA Divisions (e.g., Human Resources, Communications, Internal Audit, and the

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[16] *ACRE Committee Charter section VII. B.4, 5*; *Ethics and Compliance Program Charter section VII.D.2*.
[17] *18 USCS Appx section 8B2.1*.
[18] *US Department of Justice Evaluation of Corporate Compliance Programs* (2024).

Executive Office) will continue performing the work outlined in the plan and provide quarterly reports to the Committee as indicated.

C: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Christina Logan

Ethics and Compliance Program

Foundational Work Plan Status Update

PROGRAM AUTHORITY

1. **Fiduciary Duty (Cal. Const. Art. XVI, Sec. 17)**

2. **The ACRE Committee and Ethics and Compliance Program Charters**

3. **The United States Sentencing Guidelines and DOJ Evaluation of Corporate Compliance Programs (2024)**

EFFECTIVE

Ethic & Compliance Programs

(DOJ Guidelines)

1 **Is the Program well designed?**

2 **Is the program adequately resourced and empowered to function effectively?**

3 **Does the Program work in practice?**

EDUCATION PLAN

1. October 2024: Quarterly training for the Ethics and Compliance Committee (ECC) began—policy drafting and review.

2. November 2024: Leadership discussion about ethics and compliance began at the LACERA Management offsite.

3. February 2025: ACRE Committee ethics and compliance training will continue. (*Item VII.G*).

POLICY MANAGEMENT

1. At the beginning of 2024, an ECC subcommittee began researching various options for a policy management system.

2. After six months of research and demonstrations, the group determined the most effective response to immediately manage risk was to build an in-house policy management system.

3. *Compass Policy Library* will become operational in December 2024 (*Item VII.G*).

4. All-staff Compass training will begin in January 2025.

Baseline Ethics and Compliance Risk Assessment

1. Ethics and Compliance risk assessments will be conducted alongside Internal Audit's annual risk assessment.

    A. Ethics and Compliance risk specific surveys.
    B. Ethics and Compliance risk specific interviews.

2. Ethics and Compliance risk assessments will be tailored to each division's particular risk profile.

Baseline Ethics and Compliance Culture Survey

1. September 2024: Legal, Internal Audit, and HR began weekly meetings to build LACERA's organizational culture plan, including ethics and compliance.

2. October 2024: The team met with the Executive Office for feedback.

3. November 2024: Introduced project at the management offsite, through discussion among the 70 leaders in attendance regarding organizational culture.

4. January 2025: The team will begin conducting LACERA-wide focus groups, followed by written surveys.

CLASS SPECIFICATIONS

1. The CECO Class Specification is presented for review by the ACRE Committee today (*Item VI.D*)

2. The Deputy Ethics and Compliance Officer Class Specification will be submitted for review within the coming fiscal year.

3. The Ethics & Compliance Office will also have other administrative support positions as needed and approved by the Committee and Boards.

4. Once the CECO is hired, they will fill the remaining positions and determine whether to recommend further class specifications.

CODE OF ETHICAL CONDUCT

1. An Ethics & Compliance subcommittee has been meeting weekly since September 2024.

2. A Table of Contents demonstrating proposed restructuring and organization is presented on today's agenda (*Item VII. C*).

2. A full proposed draft will follow at the ACRE Committee's March 2025 meeting.

THANK YOU!

Legal Division
Ethics and Compliance

abarrett@lacera.com

626-685-4688

QUESTIONS?

LACERA

November 15, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg (BOR/BOI), Ex-Officio
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Steven P. Rice SPR
Chief Counsel

Allison E. Barrett
Senior Staff Counsel

Richard P. Bendall
Chief Internal Auditor

Leisha E. Collins
Principal Internal Auditor

Christina Logan
Principal Internal Auditor

FOR: December 12, 2024 - Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **February 2025 ACRE Orientation and Key Topic Discussions**

BACKGROUND

For the past few years, Internal Audit provided each newly-formed Audit Committee with a short Audit Committee Orientation at its first meeting of the year. However, due to the Committee's expanded responsibilities into compliance, risk, and ethics and a request received from members on the 2024 Committee, staff thought it would be beneficial to have a more in-depth orientation and discussions on key topics.

LOGISTICS

Staff is proposing to hold the February 2025 ACRE Orientation and Key Topics Discussions on Wednesday, February 26, 2025, from 9am - 12pm in the Board Room, or such other date and time as the Committee directs.

PROPOSED AGENGA

1. Introduction
2. ACRE and Internal Audit's Roles, Responsibilities & Processes
3. ACRE and Ethics and Compliance's Roles, Responsibilities & Processes
4. Values and Culture
5. Enterprise Risk Management and Risk Assessments
6. Division Risk Management
7. Information Security and Data Security
8. Reading to Understand Financial Reports and Actuarial Reports, including ASOP 51 Reports
9. Committee Consultant's Comments

We would appreciate the Committee's input on the proposed agenda and any topics for future education or discussion.

CLcl

L//.CERA

FOR INFORMATION ONLY

November 18, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg (BOR/BOI), Ex-Officio
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Steven P. Rice, SPR
Chief Counsel

Allison E. Barrett AEB
Senior Staff Counsel

FOR: December 12, 2024, ACRE Committee Meeting

SUBJECT: **Policy Management**

BACKGROUND AND LEGAL AUTHORITY

LACERA's ACRE Committee Charter and Ethics and Compliance Program Charter are designed in accordance with the U.S. Sentencing Guidelines and the Department of Justice "Evaluation of Corporate Compliance Programs" (2024) (DOJ Evaluation) which establish leading standards and authority that determine the effectiveness of ethics and compliance programs. Policy management is an essential component of an effective ethics and compliance program and the reduction of organizational risk. Accordingly, the ACRE Committee (Committee) and Ethics and Compliance Program (Program) Charters provide for the Committee and the Program's oversight of LACERA's policies and procedures with regular reporting by staff to the Committee and Boards regarding the organization's policy and procedure review and management.[1]

Policy management is a critical element of mitigating ethics and compliance risk and establishing expected ethical and operational norms. The DOJ Evaluation guidelines (2024) identify Policies and Procedures as an essential element to determine whether a Compliance Program is well-designed. The DOJ not only considers the comprehensiveness of an organization's policies to address the spectrum of risk specific to its operations, but whether those policies are easily

[1] *ACRE Committee Charter*, Section VI.B.5; *Ethics and Compliance Program Charter*, Sections IV.D; VII.D, and VIII.H.

accessible to all employees and relevant third parties. Policies and Procedures must be readily available, searchable, and understood to be effectively integrated into day-to-day operations in order to successfully manage risk.

To meet this objective, the Ethics and Compliance Committee (ECC) established a subcommittee (Governance, Risk, and Compliance--GRC-360) to research various software solutions for Audit, Compliance, Policy, IT Security, and Enterprise Risk Management. GRC-360's research included extensive review of on-line and written data from a list of approximately sixty vendors compiled by Gartner (which provides advisory services for the Ethics and Compliance Program). For Policy Management, the GRC-360 team also reviewed websites and interviewed representatives from Colleges and Universities throughout the Country regarding their policy management software programs.

Staff's extensive research resulted in the decision that LACERA's policy management needs would best be need by an internally developed approach. These efforts produced LACERA's policy management solution—"*Compass: LACERA's Policy Library* – Ethics First, Compliance Always." *Attachment A*.

PROGRAM DEVELOPMENT

Compass is a Sharepoint site constructed and designed in-house by subject matter experts from the ECC—Christina Logan (Internal Audit) and Bonnie Nolley (Executive Office) in conjunction with the Systems Division Project Management Group (Selassie Burke). Collaboration also included the Ethics and Compliance Committee and Management Action Committee (MAC) which provided feedback regarding the site as well as policy review to ensure all Board and divisional policies, procedures, and charters were included in the *Compass* library. To date, all policies, procedures, and charters previously housed on LACERA Connect and governance documents located on LACERA.com have been transferred to *Compass*.

Compass was introduced to the ECC at its October 2024 meeting and will be introduced to other staff at the MAC and Brown Bag meetings in December 2024. The site will become operational on December 19, 2024. Training for all-staff will commence (in-person and virtually) in January 2025. A Policy Management Handbook is in development, to be included in the training as well to serve as a day-to-day resource.

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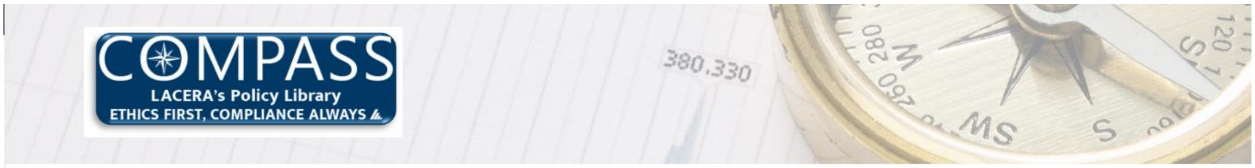
Compass is accessible by LACERA employees through Sharepoint, and documents are organized according to categories such as: Business Services; Financial; Governance, Ethics and Compliance; Human Resources; IT and Data Security; and Member Operations. Search and other key functions include: policy index; policy review status; scheduled review; new and recently revised policies; and an advanced search feature. The Library also houses information on the Ethics and Compliance Committee, its Charter, LACERA's Policy on Policies, and the Policy, Procedure, and Charter (PPC) Submission Process.

Staff will continue to inventory any remaining organization-wide policies, procedures, and charters (not previously stored on LACERA Connect or LACERA.com, but located in separate divisional databases) for central placement in the *Compass* repository. Inventory efforts include archiving outdated policies, re-drafting and merging policies with duplicative subject matter, and bringing any outdated policy review schedules current. Updates on this ongoing endeavor, including a demonstration of the program, will be provided at the next ACRE Committee meeting in March 2025. In the interim, *Compass* will be operational for daily use beginning in mid-December 2024 and serves as a fundamental tool to control ethics and compliance (and ultimately enterprise) risk.

C: Santos H. Kreimann
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Laura Guglielmo
Ted Granger
Chaitanya Errande
Richard Bendall
Carly Ntoya, Ph.D.
Christina Logan

ATTACHMENT A



Welcome to Compass, LACERA's new library where you can access LACERA's policies, procedures, charters, forms, and so much more!

Code of Ethical Conduct

IMPORTANT ANNOUNCEMENTS

NEW POLICIES:

Actuarial Funding Policy

Interest Crediting Policy for Reserve Accounts

Ethics and Compliance Program Charter

Business Services
Administrative Documents, Procurement, Contract Management, Facility...

Financial
Budget, Credit Card Program, Expense Reimbursement, Staff Travel

Governance, Ethics, and Compliance
Board Documents, Code of Ethical Conduct, Conflict of Interest, Privacy,...

Human Resources
Employee Conduct, Employee Handbook, Health and Safety, New Hir...

IT and Data Security
Acceptable Use of IT Resources, Cybersecurity, Data Privacy, Incident...

Member Operations
Benefits, Disability Retirement Services Disability Litigation Office, Member...

Policy Library

Responsible Division: Internal Audit ×

Name	Category	Subcategory	Audience	Responsible Divisi...	Effective Date
Audit Committee Charter.pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Trustees	Internal Audit	July 14, 2021
Ethics Hotline Brochure.pdf	Human Resources	HR - Employee Conduc...	Employees	Internal Audit	
Ethics Hotline Policy.pdf	Human Resources	HR - Employee Conduc...	Employees Trustees	Internal Audit	December 9, 2019
Fiscal Year 2023-2024 Internal Audit Plan.pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Employees Trustees	Internal Audit	July 1, 2023
Institute of Internal Auditors Quality Assessment Report (QAR).pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Trustees Employees	Internal Audit	February 18, 2022
Internal Audit Charter (Archived).pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Trustees	Internal Audit	September 15, 2021
Internal Audit Charter.pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Employees Trustees	Internal Audit	September 19
Internal Audit's Recommendation Follow-Up Process.pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Employees	Internal Audit	March 19, 2021
Internal Audit's Recommendation Follow-Up Report.pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Employees	Internal Audit	March 15, 2023
The Audit Process.pdf	Governance, Ethics, & Compliance	GEC - Internal Audit	Employees	Internal Audit	October 22, 2021

Review Status

Policies, Procedures, and Charters (PPC), and Other Documents

The following are the PPCs currently under review.

Needs Review

Under Management Review

Under Ethics & Compliance Committee Review

Pending Board Review

New and Recently Revised

Policies, Procedures, and Charters (PPC), and Other Documents

NEW

October 2024

Actuarial Funding Policy

Interest Crediting Policy for Reserve Accounts

Ethics and Compliance Program Charter

REVISED

September 2024

Policy for Purchasing Goods & Services (PGS)

Ethics and Compliance Committee

Committee Role & Responsibilities

PURPOSE

Ethics and Compliance are an integral part of LACERA's constitutionally mandated fiduciary duty to act in the best interests of our members and serve our mission to produce, protect, and provide the promised benefit.

The multi-divisional Ethics and Compliance Committee (ECC) is an advisory body that supports LACERA's Chief Ethics and Compliance Officer (CECO) and LACERA's Ethics and Compliance Program. The ECC provides cross-divisional input on the development, applicability, implementation, and effectiveness of Program activities, to promote a culture of ethics and compliance throughout the organization.

RESPONSIBILITIES

The ECC provides input and support, as requested by the CECO, including:

- Reviewing proposed board, administrative, and divisional policies to ensure proper translation of governmental and legislative mandates into meaningful and effective policy.
- Reviewing ethics and compliance-related policies, procedures, codes, charters, and initiatives in accordance with LACERA's Mission, Vision, Values, legal, regulatory, policy, and ethical requirements.

Resources

- Ethics and Compliance Committee Charter
- Policy on Policies, Procedures, and Charters (PPPC)

Upcoming Committee Meetings Third Thursday Every Month

See all

+ Add event

NOV 21 — Ethics & Compliance Committee — Thu, Nov 21, 1:00 PM

DEC 19 — Ethics & Compliance Committee — Thu, Dec 19, 1:00 PM

Submission Process

Process Overview

All LACERA Policies, Procedures, and Charters (PPC), and other informative documents are developed and reviewed in a manner that ensures consistency to enhance accessibility, search, and navigation functions for users.

Once a PPC has been created or revised, the author of the document shall submit the document to the Ethics & Compliance Committee (ECC) along with the PPC Development Checklist.

The policy development process is a continuous cycle from identifying a need for a new PPC to the periodic review, approval, and publication of new or revised policies. At times, the review of an existing policy will indicate that the policy should be retired (archived). In keeping with LACERA's commitment to transparency, collaboration, and shared decision-making, robust stakeholder engagement occurs throughout the PPC development, review, and revision processes.

Step-by-Step Guide

1. Fill out the LACERA PPC Development Checklist
2. Use the templates to create/revise a Policy, Charter, or Procedures
   a. Use the Template Instructions for reference
3. Submit the Checklist and PPC to ECC@lacera.com

- Submissions should only be completed once the PPC has been reviewed by relevant stakeholders and approved by the policy's responsible division and Executive Officer.

Once received, the ECC will complete the following:

- Agendize for a 1st Reading at an upcoming ECC meeting, and additional readings thereafter.
- Ensure that the PPC submission follows the Policy on Policies, Procedures and Charters (PPPC)
- Upon completion of ECC review, the PPC will post the completed PPC on COMPASS | LACERA Policy Library, LACERA.com, and other shared resources

Additional Resources

- Compass Library | Submission Process
- Ethics & Compliance Committee (ECC)
- LACERA Calendar - ECC Meetings
- Policy Library
- New & Recently Revised
- PPC Review Status

Policy, Procedure, Charter (PPC) Lifecycle

FOR INFORMATION ONLY

November 8, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin, (BOI), Chair
Wayne Moore, (BOR Trustee), Vice Chair
Vivian Gray, (BOR Trustee), Secretary
Nancy Durazo, BOR Trustee
Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
Jason Green, BOI Trustee
Nicole Mi, BOI Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Leisha E. Collins
Principal Internal Auditor

Gabriel Tafoya
Senior Internal Auditor

FOR: December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **ACRE Requested Audit of Termination of User Access Process Update on Implementation of Recommendations**

Internal Audit completed the Termination of User Access Audit and presented the report to the ACRE Committee at its September 2024 meeting. The audit resulted in four high-level risk recommendations which management agreed to implement by December 31, 2024. Given the critical nature of these recommendations, the Committee requested a progress update at the December 2024 meeting.

Please refer to the attached table for an update on the four recommendations as of October 31, 2024. Staff will continue to provide updates to the Committee on implementation of the recommendations.

Attachment

LEC:gt

Recommendation Follow Up Report
Termination of User Access Process

All recommendations have a High Risk Rating and implementation dates of 12/31/24

Finding #1: Policies and procedures relating to the Termination Process are outdated and incomplete		
Management Response: Management will revise offboarding forms and instructions per the recommendation while eliminating redundant procedures already in progress through the implementation of HRSD, collaborate on developing and documenting comprehensive procedures, establish criteria for the frequency of updates, and provide training on these procedures while continuing to leverage ServiceNow to further automate additional manual workflows.		
	Recommendations	**Status as of 10/31/2024**
1	Human Resources (HR) management revise the Off-Boarding Forms and instructions to ensure that all separation activities, as noted in our report, are included. Responsible Party: HR	Planned for completion by 12/31/2024.
2	HR, Systems, and the Executive Board Assistants collaborate on developing and documenting comprehensive procedures related to each of their respective roles in offboarding staff and terminating system access rights. Responsible Party: HR, Systems, Exec Board Asst	Partial Implementation: Board Office provided a revised trustee onboarding and offboarding checklist and procedures. Full completion of recommendation pending the ServiceNow Offboarding instruction planned for completion by 12/31/2024.
3	HR establish criteria for the frequency of updates to the off-boarding procedures and training to key stakeholders. Responsible Party: HR	Planned for completion by 12/31/2024.
Finding #2 There are inconsistencies in the application of Off-Boarding Procedures resulting in missing and incomplete separation records		
Management Response: Following the execution of recommendations 1 and 2 from Finding #1, management will establish suitable procedures to train relevant stakeholders on the updated offboarding and access termination processes. Additionally, the Board Assistants and Systems Division will work closely with Human Resources to integrate a standardized checklist into their offboarding protocols.		
	Recommendations	**Status as of 10/31/2024**
4	After implementation of Recommendations 1 and 2, ensure that the appropriate staff in all divisions are provided training on the revised off boarding and termination of access processes. Responsible Party: HR, Systems, Exec Board Asst	Planned for completion by 12/31/2024.
5	Executive Board Assistants and the Systems Division should incorporate a checklist into their off-boarding process to manage collection of devices and the removal of access privileges from all applications. Responsible Party: HR, Systems, Exec Board Asst	Partial Implementation: Board Office provided a revised trustee onboarding and offboarding checklist and procedures. Full completion of recommendation pending the ServiceNow Offboarding instruction planned for completion by 12/31/2024

Finding #3 Systems Access was not consistently deactivated in a timely manner.		
Management Response: As noted in Finding #1, management will work together to develop and document thorough offboarding procedures, while setting a timeline and criteria for ensuring prompt removal of access after termination. Currently, Systems management conducts a quarterly review of keycard access to sensitive IT areas and an annual review of network access. Moving forward, Systems will collaborate with Human Resources and the Board Assistants to broaden the scope and frequency of these reviews		
	Recommendations	**Status as of 10/31/2024**
6	HR, Systems, and the Executive Board Assistants collaborate in establishing a timeline and criteria to ensure timely removal of user access rights upon termination [for inclusion in the policies/procedures developed per recommendation #1]. Responsible Party: HR, Systems, Exec Board Asst	Partial Implementation: Board Office provided a revised trustee onboarding and offboarding checklist and procedures. Full completion of recommendation pending the ServiceNow Offboarding instruction planned for completion by 12/31/2024.
7	Perform a periodic review of user access to the Keycard system and Network, for removal of users that no longer require access. Responsible Party: HR, Systems, Exec Board Asst	Planned for completion by 12/31/2024.

Finding #4 Process improvements are needed to adequately monitor and deactivate user access to non-network applications.		
Management Response: Systems management is currently gathering a detailed list of all non-SSO applications within the LACERA infrastructure to further our initiative of implementing SSO where practicable. Additionally, Systems management will develop appropriate procedures for regular reviews of the non-SSO application list. Furthermore, divisional responsibilities related to the removal of non-SSO applications will be integrated into the offboarding procedures as outlined in Finding #1		
	Recommendations	**Status as of 10/31/2024**
8	Systems Division Management should maintain a complete and current inventory of all non-SSO applications within LACERA. Responsible Party: Systems	Planned for completion by 12/31/2024.
9	Systems Division Management should continue in their effort to incorporate current non-SSO applications under the SSO control umbrella whenever feasible. Responsible Party: Systems	Planned for completion by 12/31/2024.
10	HR Management should ensure that updates to the Offboarding process to include procedures for notifying and ensuring that managers who oversee non-SSO applications remove terminated staff from those applications. Responsible Party: HR, Systems	Planned for completion by 12/31/2024.

November 17, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg, (BOR/BOI)Ex-Officio
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Richard P. Bendall RPB
Chief Audit Executive

FOR**:** December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **ACRE Committee Requested Follow Up on the LACERA Bonus Program Continuous Audit Program (CAP) Memorandum**

At the September 19th ACRE Committee meeting, staff presented the subject CAP memorandum that resulted from the determination of significant control failures in the Bonus Program through CAP tests performed of the program [Attachment A]

Included in that CAP Memorandum, Internal Audit made the following recommendations.

1. Upon approval and adoption of the revised Policy and procedure(s), Management and HR should ensure that necessary management, supervisors and staff are adequately trained on the Policy and procedures to ensure compliance.

2. Executive Management and HR should work together to perform a comprehensive review of all bonuses currently being paid and ensure they are approved in compliance with the Policy (current and/or revised) or take action to remediate unauthorized bonuses and collect any associated overpayments.

Due to the short time before the September meeting that Internal Audit presented the above recommendations to Management, they were unable to include management responses before that meeting.

The Committee directed staff to report back to the Committee at the December meeting.

Internal Audit has noted that Management has been working diligently to address the recommendations and has provided us with documentation to support their efforts. This includes documentation to support their ongoing efforts to revise the Bonus Program Policy, as well as documentation to support Executive Management's retroactive approval, where necessary, of bonuses paid through June 30, 2024, and/or the bonus end dates, and finally, Management's efforts to ensure that approvals are being obtained for new and ongoing bonuses in the current fiscal year.

Management's formal response to the above recommendations is included [Attachment B].

Internal Audit will continue to follow up on the implementation of the two recommendations and report their status to the ACRE Committee through our normal recommendation follow up process.

Further, Internal Audit will perform ongoing periodic CAP tests of the Bonus Program and if we determine material compliance, report the results to management. If further material non-compliance is determined, we will report the results back to the ACRE Committee.

This update is presented for the Committee's information, but Internal Audit staff and Management will be available at the December meeting, should you have any questions.

Attachments
A: LACERA Bonus Program Continuous Audit Program (CAP) Audit Memorandum
(Dated September 4, 2024)
B: Management Responses to Bonus Program Recommendations
(Dated November 15, 2024)

RPB:rb

ATTACHMENT A

LACERA

September 4, 2024

TO: 2024 Audit Committee
Debbie Martin, (BOI Trustee), Chair
Wayne Moore, (BOR Trustee), Vice Chair
Vivian Gray, (BOR Trustee), Secretary
Nancy Durazo, BOR Trustee
Elizabeth Ginsberg, Ex-Officio
Jason Green, BOI Trustee
Nicole Mi, BOI Trustee

Audit Committee Consultant
Larry Jensen

FROM: Richard P. Bendall RPB
Chief Audit Executive

FOR: September 19, 2024 Audit Committee Meeting

SUBJECT: **LACERA Bonus Program Continuous Auditing Program (CAP) Audit Memorandum**

RECOMMENDATION

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

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

Background

Internal Audit's continuous audit program (CAP) is a way we perform quick transactional tests in areas of known controls and expectations of outcome. This allows us to obtain and be able to provide assurance to management and the Audit Committee that controls are effective and working in a broader area of the organization than we can do through the performance of full scope audits alone.

We perform these CAP tests in areas that we have previously performed audits and either obtained assurance that controls are satisfactory and working well or areas where we have made recommendations to improve controls and management has implemented changes to address our recommendations. In this latter case, our CAP tests serve, beyond Internal Audit's recommendation follow-up efforts, to obtain and provide assurance that the control improvements are in fact operating as intended. Our CAP testing usually provides us positive assurance that controls are operating as intended, and we report the results to divisional and Executive Management and summarize the results of all testing done to the Audit Committee. In cases where Internal Audit performs CAP transactional tests in an area and finds that a significant portion of the sample population fails the test, signifying a failure of the overall control, we report that to the Audit Committee in an audit memorandum such as this one. In this case the CAP test was of the LACERA Bonus Program managed by Human Resources (HR).

LACERA Bonus Program

The County Code and LACERA's Bonus Program provide for the ability to pay staff additional compensation in the way of bonuses if staff qualify to receive them in certain limited circumstances. As of April 2024, the following bonuses were active and being paid by LACERA:

Additional Responsibilities Bonus (ARB)	11
Bilingual Bonus (BB)	14
Certification Bonus (CB)	53
Out of Class Bonus (OCB)	6
Supervisorial-Subordinate Bonus (SSB)	2
	86

The bonus program has been an area of heightened focus because it was included as an area of concern in an audit of LACERA by the Plan Sponsor, LA County, in November 2019. Subsequently, Internal Audit performed an audit of the LACERA Bonus Program in February 2022 and noted ongoing concerns, reporting an unsatisfactory result for the audit. Both audits identified the need for and recommended the development of a comprehensive bonus policy (Policy) and procedure(s), improved reporting on bonuses by HR to the Executive Office, and a reconciliation to ensure that current bonuses being paid complied with the Policy.

Internal Audit validated through our recommendation follow-up process that the audit recommendations had been satisfactorily implemented by April 2022.

Bonus Program CAP Test 2024

We recently completed a CAP test of bonuses paid by LACERA, covering the period of July 1, 2023 through the end of Fiscal Year 2024.

We tested a sample of certification bonuses and determined that HR had current renewal documentation and/or that the licenses were active and valid on all, in compliance with the Policy.

However, our testing of 100 percent of the Additional Responsibility Bonuses (ARBs), Out of Class Bonuses (OCB) and Superior/Subordinate Bonuses (SSB) identified that 95% of the bonuses were out of compliance with the Policy. They were out of compliance because, although most had Personnel Requestions, they did not contain Executive Office approval.

Of the eleven (11) ARBs, nine (9) had been renewed from June 30, 2023 end dates to June 30, 2024 end dates but HR had no documentation to support that the Executive Office had approved the renewals. The other two (2) had end dates of June 30, 2023 but were still being paid as of the time of our test work in April 2024.

Of the six (6) OCBs, three (3) had been renewed from June 30, 2023 end dates to June 30, 2024 end dates but HR had no documentation to support that the Executive Office had approved the renewals. The other three (3) had end dates of June 30, 2023 (1) and December 31, 2023 (2) but were also still being paid as of the time of our test work in April 2024.

Of the two (2) SSBs being paid as of April 2024, HR did not have documentation of Executive Office approval for one of them.

We did not test the bilingual bonus category during this CAP test but intend to include them in our follow-up CAP test, discussed further below.

Conclusion

We presented the results of our CAP testing to both HR and the Executive Office, and they both acknowledged the lack of compliance and the need to remediate the issue found by our CAP test. They attributed much of the non-compliance to the need for clarifying the Bonus Policy and procedures with an emphasis on refining the process surrounding the determination of bonuses to be awarded and the approval of them.

To that end, the HR Director has taken the lead and assembled a cross-functional team that is assessing the Policy and the procedures around bonuses. This team consists of representatives from numerous divisions, including the Administrative Services Division Manager, the Chief Legal Counsel and the Chief Audit Executive.

As a participant on the cross-functional team, I have seen that the Executive Office and the HR Director are working to remediate the shortcomings of the current Policy and process. They plan to present the revised Policy and procedures to the Management Action Committee (MAC) at their September meeting.

Further, we have proposed the following recommendations to management.

1. Upon approval and adoption of the revised Policy and procedure(s), Management and HR should ensure that necessary management, supervisors and staff are adequately trained on the Policy and procedures to ensure compliance.

2. Executive Management and HR should work together to perform a comprehensive review of all bonuses currently being paid and ensure they are approved in compliance with the Policy (current and/or revised) or take action to remediate unauthorized bonuses and collect any associated overpayments.

Management expressed that while they did not disagree with the recommendations, there are certain staffing and workforce considerations that also contribute to the bonus issues. Due to these complexities and the short window of time we provided them to provide responses to our recommendations before the mailing for this meeting, they requested additional time to provide those responses and action plans.

Internal Audit will report back to the Committee at the December meeting on managements responses and actions taken or planned by that time. We also plan to perform additional audit work or CAP testing once management has completely implemented their revised Bonus Policy and process.

Staff will be available to address any questions you may have at your September meeting.

RPB:gl

LACERA

November 15, 2024

TO: Richard P. Bendall
Chief Internal Auditor

FROM: Laura Guglielmo,
Assistant Executive Officer

SUBJECT: **MANAGEMENT RESPONSE TO FY 2023-24 LACERA BONUS PROGRAM CAP AUDIT**

As part of Internal Audit (IA) Division's continuous audit program (CAP) IA conducted a CAP test of LACERA's Bonus Program for FY 2023-24 which revealed a lack of compliance and resulted in the following recommendations:

1. Upon approval and adoption of the revised Policy and procedure(s), Management and HR should ensure that necessary management, supervisors and staff are adequately trained on the Policy and procedures to ensure compliance.

2. Executive Management and HR should work together to perform a comprehensive review of all bonuses currently being paid and ensure they are approved in compliance with the Policy (current and/or revised) or take action to remediate unauthorized bonuses and collect any associated overpayments.

Management Response:

Management generally agrees with the recommendations.

Recommendation No. 1. – In Progress

Executive Management and HR assessed the bonus policy and sample requests and determined that the policy was not sufficiently clear, resulting in several requests that did not meet the requirements, delays in reviewing process, and frustration among staff and managers. To address this problem, the HR Director convened a committee of interested managers to review and revise the Bonus Policy to provide greater clarity and direction, specifically surrounding additional responsibility and out of class bonuses, as these were the two areas where the greatest disconnect between managers and HR/Executive Management existed. Service level and timeline commitments were also included for Human Resources and Executive Management to help ensure both a thorough and timely review process. The proposed revisions were shared and discussed with the MAC team on October 8, 2024 where the HR Director walked managers through the process, highlighted changes and address questions. In addition, managers were encouraged to once again provide feedback via written comments.

The first reading of the revised Bonus Policy is scheduled for the December 2024 Ethics and Compliance Committee (ECC) and adoption is anticipated by March 1, 2025 and training will be completed prior to June 30, 2025.

Recommendation No. 2 – In Progress.

Management reviewed each of the bonuses outlined in the exception report and determined that no bonuses were paid for work not performed. With regard to additional responsibilities and out of class bonuses, requests were for continuation of bonuses that had previously been approved and there were no changes in duties or circumstances. In most of the cases, the Division Manager submitted a formal request to continue the bonus to Human Resources and/or to their Executive Administrative Officer, but the manual process in place at the time and shortage of staff in HR resulted in lapses. In a few cases, the request to continue the bonus was inadvertently not submitted. On November 12, 2204, the CEO provided HR retroactive approval for each of these bonus requests, confirming the duties that were performed during FY 23-24. Management asserts that no overpayments were made.

To help ensure this problem of lost or incomplete paperwork does not persist, HR began utilizing Smartsheets to help track requests and more recently implemented Service Now. Both tools made submitting requests more efficient and easier for the managers, but Service Now also includes tracking and reporting tools to help HR manage the status of requests and identify potential bottlenecks. To date HR has received 35 bonus requests FY 24-25, 31 continuations and four new requests. All 31 of the requests for continuation have been processed. The four new requests are in various stages from approved to under review, but all are expected to be completed by December 31, 2024.

Exception to the Audit Findings

Management would also like to note that after the release of the Audit, HR found and provided IA documentation of the CEO's clear approval of the one superior/subordinate bonus request which IA found to be non-compliant. Although IA requested supporting documentation, it was not provided to them at the time of the audit, resulting in the inaccurate finding of non-compliance.

L//.CERA

FOR INFORMATION ONLY

November 15, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin, (BOI), Chair
Wayne Moore, (BOR), Vice Chair
Vivian Gray, (BOR), Secretary
Nancy Durazo, (BOR), Trustee
Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
Jason Green, (BOI), Trustee
Nicole Mi, (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Gabriel Tafoya
Senior Internal Auditor

FOR**:** December 12, 2024 Audit Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Recommendation Follow-Up Report**

Background

The Institute of Internal Auditors' (IIA) Performance Standard 2500 requires the Chief Audit Executive (CAE) to establish and maintain a follow-up process to monitor and ensure recommendations have been effectively implemented or that executive management has accepted the risk of not addressing the underlying finding of the recommendation.

Internal Audit's Follow-Up Process

During the audit process, Internal Audit may identify findings or make recommendations to address risks and improve a process. The responsible Division Manager (Manager) and the Executive Office review the findings and recommendations. Subsequently, the Manager provides responses indicating how and when planned improvements will be made. The final audit report includes the audit findings, recommendations, Management's responses, and targeted completion date. Internal Audit tracks recommendations through TeamMate+, our audit management software, and regularly follows up with Management. Internal Audit is responsible for 1) ensuring that Management's action plans have been effectively implemented, or 2) ensuring that Management remains aware of the risks that they accept by not taking action in a timely manner. On a quarterly basis, Internal Audit reports the status of all outstanding audit recommendations to the Committee.

Recommendations (Attachment B) are classified based on the responsible party's progress as follows:

- **On Track** – The responsible party began implementing the recommendation and is currently on track to meet the target implementation due date. Management can extend the target implementation due date with the Executive Office's approval.

- **At Risk / Behind Schedule** – The responsible party has not made enough progress to implement the recommendation by the target implementation due date.
- **Implemented** – The responsible party provided documentation, and the Internal Auditor verified the satisfactory implementation of the audit recommendation.
- **Pending Internal Audit's Verification** – The responsible party has stated and provided support to addressed implementation of the recommendation, but Internal Audit has not yet verified the implementation. Internal Audit does not close out a recommendation without completing an internal verification procedure.
- **Overdue** – The responsible party has failed to implement the recommendation by the target implementation due date and has not completed the extension request.

Monitoring and Reporting for Fiscal Year 2024
As a result of the audit and consulting projects completed in recent months, Internal Audit is tracking both audit recommendations and long-term strategic recommendations. Audit recommendations are focused on improving internal controls while strategic recommendations are centered on organizational risks that may impact LACERA in the future. The reporting period is from September 5, 2024, through October 31, 2024.

	# of Audit Recommendations	**# of Strategic Recommendations**
Balance as of 09/05/2024	**20**	**15**
+ New Findings	12	0
- Accepts Risk	0	0
Transitioned (+In, -Out)	0	0
[-]Pending Internal Audit Verification	0	0
- Implemented Findings	-10	-2
Balance as of 10/31/2024	**22**	**13**

Included with this memo are the following attachments for review:
- Attachment A – Presentation of outstanding audit recommendations and long-term strategic recommendations for the period from September 5, 2024, through October 31, 2024.
- Attachment B – Details of outstanding audit recommendations as of October 31, 2024.
- Attachment C – Details of outstanding long-term strategic recommendations as of October 31, 2024.

Staff from the respective divisions will be present at the December 12, 2024, Audit Committee meeting to address any questions.

ATTACHMENT A

Recommendation Follow-Up Progress

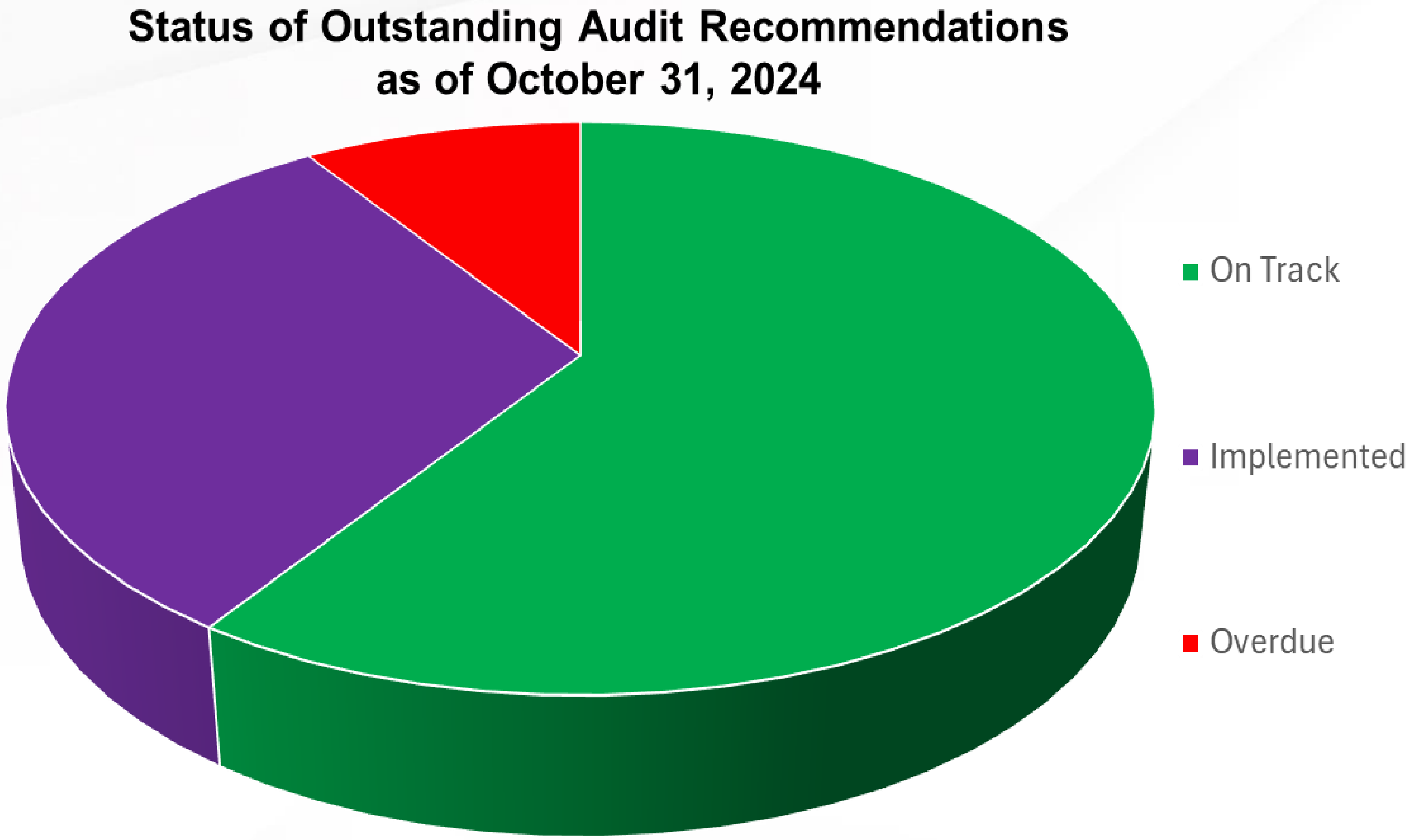
(As Of October 31, 2024)

Presented by:

Gabriel Tafoya, Senior Internal Auditor

Status of Open Audit Recommendations

Outstanding audit recommendations are classified based on the responsible party's progress and assigned categories based on the fundamental intent of the recommendation. The reporting period is from September 5, 2024 to October 31, 2024.



Status of Open Audit Recommendations

Audit recommendations address operational risks and focus on improving internal controls. These recommendations are directed towards specific divisions within the organization. In some cases, implementation requires extensive coordination between multiple divisions. Table below illustrates the outstanding audit recommendations by divisions.

Open Audit Recommendation By Divisions

Division	Implemented	Pending Internal Audit's Verification	Transitioned Out	Overdue	On Track
Administrative Services Division	8	-	-	-	-
Disability Retirement Services Division (DRS)	-	-	-	-	-
Financial Accounting & Services Division (FASD)	1	-	-	2	5
Human Resources Division (HR)	1	-	-	-	7
Systems Division	-	-	-	-	6
Information Security Office (ISO)	-	-	-	1	1
Total	**10**	**0**	**0**	**3**	**19**

Status of Open Strategic Observations

Strategic observations cover the broader operating risks and control gaps that require attention from the Executive Office. Executive Office is addressing many of these recommendations through LACERA's Strategic Plan FYE 2023-2028. Internal Audit last conducted its annual in-depth assessment of these recommendations in September 2024.

Strategic COSO* Area	# of Observations as of Sept 2024	Completed during FY	Added during FY	# of Observations as of Oct 2024
Forcasting / Budget	1			1
Internal and External Reporting	1			1
Organizational Structure	4			2
Performance Measures	2			2
Risk Assessment	1			1
Training and Development & Talent Management	6			6
Total	**15**			**13**

* Internal Audit aligned these Strategic Recommendations against COSO's Internal Control Framework as many of these recommendations relate to broad organizational level controls described in the Framework. *COSO refers to the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.*

Operational Recommendation Follow-Up Report
as of October 31, 2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Responsible Division: Administrative Services Division					
Audit of Contract Operations (Procurement of Services)	2019 Policy and 2020 Manual are past review dates	Medium	Administrative Services Division Management should review and update the 2019 Policy for Purchasing Goods and Services and 2020 Purchasing and Contract Administration Manual accordingly.	**Implemented** The BOR approved the “Policy for The Procurement of Goods and Services” at the September 2024 Meeting. Training was also provided at the October MAC meeting.	9/30/2024
Procurement of Goods	1. The Procurement Policy and Manual are outdated.	Medium	1. Administrative Services Management should update the Policy for Purchasing Goods and Services (Policy) and the Purchasing and Contracting Administration Manual in accordance with the Policy’s requirement.	**Implemented** The BOR approved the “Policy for The Procurement of Goods and Services” at the September 2024 Meeting. Training was also provided at the October MAC meeting.	9/30/2024
Procurement of Goods	1. The Procurement Policy and Manual are outdated.	Medium	2. Administrative Services Management should provide training on the updated Policy and Manual to staff responsible for the procurement of goods and services.	**Implemented** The BOR approved the “Policy for The Procurement of Goods and Services” at the September 2024 Meeting. Training was also provided at the October MAC meeting.	9/30/2024
Procurement of Goods	2. Missing and Incomplete Procurement Forms and Supporting Documentation.	Medium	3. Provide Training to Staff on Procurement Requirements Once the Policy and Manual are Updated.	**Implemented** The BOR approved the “Policy for The Procurement of Goods and Services” at the September 2024 Meeting. Training was also provided at the October MAC meeting.	9/30/2024
Procurement of Goods	3. Missing Documentation of the Verification of Receipt of Goods.	Medium	4. Ensure that a Three-Way Match Between the PO, Invoice, and Packing Slip is Performed and Documented.	**Implemented** The BOR approved the “Policy for The Procurement of Goods and Services” at the September 2024 Meeting. Training was also provided at the October MAC meeting.	9/30/2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Responsible Division: Administrative Services Division					
Procurement of Goods	4. Missing and Unclear Documentation Supporting Justification for Use of Single and Sole Source Vendors.	Medium	5. Administrative Services management should evaluate the pervasive use of single and sole source vendors and clarify the criteria and supporting documentation necessary to justify the practice.	**Implemented** The policy and training documents address Sole and Single Source procurement. Training was also provided at the October MAC meeting.	9/30/2024
Procurement of Goods	4. Missing and Unclear Documentation Supporting Justification for Use of Single and Sole Source Vendors.	Medium	6. Procurement Supervisors should ensure that requesters and procurement staff comply with providing the appropriate documentation and justification to support sole and single source procurements.	**Implemented** The policy and training documents address Sole and Single Source procurement. Training was also provided at the October MAC meeting.	9/30/2024
Procurement of Goods	5. Missing and Inadequate Documentation of 3-Bid Process and Selection of Vendor.	Medium	7. Update the Policy and Manual to include guidelines for selecting a bid if the lowest one is not accepted; a detailed explanation for the reason should be documented.	**Implemented** The BOR approved the “Policy for The Procurement of Goods and Services” at the September 2024 Meeting. Training was also provided at the October MAC meeting.	9/30/2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Responsible Division: Administrative Services Division					
Procurement of Goods	6. Inefficiencies and discrepancies noted on the Forms Inventory Tracking Spreadsheets.	Low	8. Management from Administrative Services, Communications Division and other key stakeholders involved in the process of ordering forms should discuss and collaborate on additional controls to incorporate into the updated process for purchasing and inventory of forms.	**Implemented** Procedures were developed that address purhasing and inventory of forms.	9/30/2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Responsible Division: Financial and Accounting Services Division (FASD)					
Audit of Corporate Credit Cards	1 - The Corporate Credit Card Policy has not been updated to reflect current practices.	Medium	1. FASD Management should update LACERA's Corporate Credit Card Policy. The Policy should include the date of next review in accordance with LACERA's requirements.	**ON TRACK - 3rd Approved Extension** Revised Policy is scheduled in September to be submitted to the Internal Policy Committee for review and discussion.	2/28/2025
Audit of Corporate Credit Cards	1 - The Corporate Credit Card Policy has not been updated to reflect current practices.	Medium	2. FASD Management should provide training on the new policy and requirements to all cardholders and division secretaries.	**ON TRACK - 2nd Approved Extension** Revised Policy is scheduled in September to be submitted to the Internal Policy Committee for review and discussion. Training will be provided when updates to the policy are completed.	5/30/2025
Audit of Corporate Credit Cards	2 - Missing and untimely reporting of supporting documentation for credit card transactions.	High	4. FASD Management should provide training to staff once the Policy is revised to ensure that staff are aware of requirements and expectations for supporting documentation.	**ON TRACK - 4th Approved Extension** Revised Policy is scheduled in September to be submitted to the Internal Policy Committee for review and discussion. Training will be provided when updates to the policy are completed.	5/30/2025
Audit of Corporate Credit Cards	3 - There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated employment or transferred to a new position.	High	5. FASD Management should ensure that the Policy and/or procedures incorporate controls to ensure the timely notification to FASD of changes in the employment status of a cardholder.	**ON TRACK - 4th Approved Extension** FASD now receives HR outgoing staff emails to deactivate accounts and destroy credit cards for outgoing staff. Revised Policy is scheduled in September to be submitted to the Internal Policy Committee for review and discussion.	2/28/2025
Audit of Corporate Credit Cards	3 - There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated employment or transferred to a new position.	High	6. FASD Management should ensure that the Policy and/or procedures require FASD staff to deactivate the cards and associated access to the banking application.	**ON TRACK - 4th Approved Extension** Internal processes for card deactivation and card destruction are in place. Revised Policy is scheduled in September to be submitted to the Internal Policy Committee for review and discussion.	2/28/2025

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Replacement Benefit Plan Process 415(b)	Opportunities for Refinement and Alignment Exist in LACERA's RBP	Medium	LACERA Management should ensure recommendations made by Fiduciary and Tax Counsel, with regards to RBP administrativefees, are considered and addressed, as necessary, to ensure alignment with best practices and compliance with tax code.	**Overdue** Legal in the process of incorporating further changes to the draft and handling of administrative fees	8/30/2024
Replacement Benefit Plan Process 415(b)	Opportunities for Refinement and Alignment Exist in LACERA's RBP	Medium	Request written assurance from Milliman that the practice of netting RBP payments against contributions does not materially impair the actuarial funding of LACERA, and that it is an appropriate contribution adjustment as described in Government Code 31899.4.	**Overdue** Legal to connect with our outside counsel and CFO will be reaching out to our actuaries, and then we will have a better idea of when we can expect their drafts	7/31/2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Responsible Division: Human Resources Division (HR)					
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	HR should perform a needs assessment to determine whether additional resources are needed by performing the following activities: i.) an evaluation of the competencies of the team; ii.) performing a skills and capabilities assessment; iii.) identifying areas of strengths and professional development needs; iv.) an analysis of the division's tasks performed; and v.) the associated time requirements.	**On Track - 3rd Approved Extension** HR created a requested for bid for this scope of work and sent it to three vendors. All three vendors responded, one was selected, and HR is in the contracting process to begin work. Estimated completion date is pending.	06/30/2025
LACERA Rehired Retirees Audit	#1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	LACERA's Executive Office and HR should meet and confer around the expectations for compliance with the Post Employment Rehired Retiree Policy. HR should then revise their procedure accordingly.	**Implemented** Procedure document approved by ECC 10/18/24 and Division Manager indicated it will be in effect for FYE 2025.	8/31/2024
CAP Bonus Review FYE 2024	Missing Executive Office ApprovalS	Medium	2. Executive Management and HR should work together to perform a comprehensive review of all bonuses currently being paid and ensure they are approved in compliance with the Policy (current and/or revised) or take action to remediate unauthorized bonuses and collect any associated overpayments.	**ON TRACK** Retroactive approvals through FYE 6-31-2024 were obtained and signed by the CEO.	3/31/2025
CAP Bonus Review FYE 2024	Missing Executive Office ApprovalS	Medium	1. Upon approval and adoption of a revised Policy and procedure(s), Management and HR should ensure that necessary management, supervisors and staff are adequately trained on the Policy and procedures to ensure compliance.	**ON TRACK** Revised procedure has been drafted and is under review.	3/31/2025

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Termination of User Access Process	1. Policies and procedures relating to the Termination Process are outdated and incomplete	High	1. Human Resources (HR) management revise the Off-Boarding Forms and instructions to ensure that all separation activities, as noted in our report, are included.	**ON TRACK** Management will revise offboarding forms and instructions per the recommendation while eliminating redundant procedures already in progress.	12/31/2024
Termination of User Access Process	1. Policies and procedures relating to the Termination Process are outdated and incomplete	High	2. HR, Systems, and the Executive Board Assistants collaborate on developing and documenting comprehensive procedures related to each of their respective roles in offboarding staff and terminating system access rights.	**ON TRACK** Partial Implementation: Board Offices provided a revised trustee onboarding and offboarding checklist and procedures. Full completion of recommendation pending the ServiceNow Offboarding instructions.	12/31/2024
Termination of User Access Process	1. Policies and procedures relating to the Termination Process are outdated and incomplete	High	3. HR establish criteria for the frequency of updates to the off-boarding procedures and training to key stakeholders.	**ON TRACK** Management will revise offboarding forms and instructions per the recommendation while eliminating redundant procedures already in progress through the implementation of HRSD.	12/31/2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Termination of User Access Process	2. There are inconsistencies in the application of Off-Boarding Procedures resulting in missing and incomplete separation records	High	4. After implementation of Recommendations 1 and 2, ensure that the appropriate staff in all divisions are provided training on the revised off boarding and termination of access processes.	**ON TRACK** Following the execution of recommendations 1 and 2 from Finding #1, management will establish suitable procedures to train relevant stakeholders on the updated offboarding and access termination processes. Additionally, the Board Assistants and Systems Division will work closely with Human Resources to integrate a standardized checklist into their offboarding protocols.	12/31/2024
Responsible Division: InfoSec					
Board Vantage Security Settings	Expected application access control restrictions were not validated	High	LACERA's Information Security Office should require and ensure that appropriate and available audit trails are built and/turned on, and periodically reviewed for all LACERA [OneMeeting] applications.	**ON TRACK - 3rd Approved Extension** The Information Security Office is finalizing its policy on audit trails as part of its WISP (written information security program). Subsequent to the policy being finalized, the Project Management Office will assess internal and external applications' audit logs for compliance with the policy.	8/31/2025
Third-Party Data Security	Finding #1 Inadequate communication regarding non-compliance with vendor contracts	High	Administrative Services should build into its control process additional warnings to Contract Administrators, escalating non-compliance to the Executive Office, and implementing consequences, like stopping payments for vendors with non-compliance contracts.	**Overdue** Information Security Office is drafting procedures which will be submitted to the Information Security Council by mid-September 2024	6/30/2024
Responsible Division: Systems Division					
Termination of User Access Process	2. There are inconsistencies in the application of Off-Boarding Procedures resulting in missing and incomplete separation records	High	5. Executive Board Assistants and the Systems Division should incorporate a checklist into their off-boarding process to manage collection of devices and the removal of access privileges from all applications.	**ON TRACK** Partial Implementation: Board Offices provided a revised trustee onboarding and offboarding checklist and procedures. Full completion of recommendation pending the ServiceNow Offboarding instructions.	12/31/2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Termination of User Access Process	3. Systems Access was not consistently deactivated in a timely manner.	High	6. HR, Systems, and the Executive Board Assistants collaborate in establishing a timeline and criteria to ensure timely removal of user access rights upon termination [for inclusion in the policies/procedures developed per recommendation #1].	**ON TRACK** Partial Implementation: Board Offices provided a revised trustee onboarding and offboarding checklist and procedures. Full completion of recommendation pending the ServiceNow Offboarding instructions.	12/31/2024
Termination of User Access Process	3. Systems Access was not consistently deactivated in a timely manner.	High	7. Perform a periodic review of user access to the Keycard system and Network, for removal of users that no longer require access.	**ON TRACK** As noted in Finding #1, management will work together to develop and document thorough offboarding procedures, while setting a timeline and criteria for ensuring prompt removal of access after termination.	12/31/2024
Termination of User Access Process	4. Process improvements are needed to adequately monitor and deactivate user access to non-network applications.	High	8. Systems Division Management should maintain a complete and current inventory of all non-SSO applications within LACERA.	**ON TRACK** Systems management is currently gathering a detailed list of all non-SSO applications within the LACERA infrastructure to further our initiative of implementing SSO where practicable. Additionally, Systems management will develop appropriate procedures for regular reviews of the non-SSO application list.	12/31/2024
Termination of User Access Process	4. Process improvements are needed to adequately monitor and deactivate user access to non-network applications.	High	9. Systems Division Management should continue in their effort to incorporate current non-SSO applications under the SSO control umbrella whenever feasible.	**ON TRACK** Systems management is currently gathering a detailed list of all non-SSO applications within the LACERA infrastructure to further our initiative of implementing SSO where practicable. Additionally, Systems management will develop appropriate procedures for regular reviews of the non-SSO application list.	12/31/2024

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Termination of User Access Process	4. Process improvements are needed to adequately monitor and deactivate user access to non-network applications.	High	10. HR Management should ensure that updates to the Offboarding process to include procedures for notifying and ensuring that managers who oversee non-SSO applications remove terminated staff from those applications.	**ON TRACK** Systems management is currently gathering a detailed list of all non-SSO applications within the LACERA infrastructure to further our initiative of implementing SSO where practicable. Additionally, Systems management will develop appropriate procedures for regular reviews of the non-SSO application list.	12/31/2024

Strategic Oberservation Status Update
As of October 2024

Project Name	Finding Title	Recommendation	Status Update
COSO: Forecasting / Budgeting			
Risk & Controls Assessment - Retiree Healthcare	OBS 4 - RHC's administrative fee process is not formalized.	N/A - This was a strategic observation made by Internal Audit.	The Executive Team has already met with LA County's CEO and agreed on a process for tracking, monitoring, and reporting on RHC's administrative fee. As of August 2024, the Executive Office is in the process of drafting a Memo of Understanding (MOU) to formalize the process.
COSO: Internal & External Reporting			
Organizational Governance Review	OBS 7 - LACERA does not have a communication plan	LACERA should finalize the existing draft Communication Plan for the organization. In addition, guidelines for style and format of reporting should be developed to ensure consistency. Staff should be trained on the implemented Communication Plan and style and format guidelines.	This recommendation is being addressed through various means - 1) currently there is a draft staff communications plan, which Management expects to finalize FY 2024-2025, 2) a task within the Strategic Plan's 1st Objective is to develop a member-centric communications plan, and 3) Management plans to hire a public relations consultant
COSO: Organizational Structure			
Quality Assurance Operations Review	Finding #1 - The QA Division's independence is weakened when reporting to the same AEO over the operational areas in which they perform quality assurance audits.	LACERA Executive Management should work with QA and the MOG Divisions to develop a plan and timeline for a) relocating training and metrics out of the QA Division to an operational division, and b) changing the reporting structure such that the QA Division reports independently to the Administrative AEO.	The Executive Team, QA and Benefits, are working together to address this in the long-term as this requires a significant amount of resource planning and strategizing within the organization.
Organizational Governance Review	OBS 5 - The LACERA CEO job description and the responsibilities of the Board Committees overlap/conflict	The BOR's Committee Charters and the Chief Executive Officer's (CEO) job description should be reviewed and updated to reflect the appropriate responsibilities of each. The Charters should include oversight responsibilities while the CEO job description should include responsibilities for carrying out the Board directives and management of the organization.	Addressed. On July 23, 2024, the Executive Office provided the following update: Management will address at a later date. This recommendation will be addressed when Board charters are reviewed at a later date.

Strategic Oberservation Status Update
As of October 2024

Project Name	Finding Title	Recommendation	Status Update
Organizational Governance Review	OBS 6 - LACERA does not have a formal enterprise fraud prevention and detection program	LACERA should implement a formal fraud prevention and detection program that includes a policy separate from the Ethics Policy, consistent training for staff including how to report suspected fraud, and a process to incorporate what is learned from the fraud reporting into the organization's policies.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 4th Objective "Enterprise Risk Management and Compliance."
LA County Rehired Retirees FYE 2021	Lack of adherence to PEPRA's "limited duration" language	We recommend LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition of limited duration to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.	Moved to Strategic in September 2024. Pending staff and then Board of Retirement discussions regarding creating a new LACERA policy as pension administrator with respect to the County use of rehired retirees, to supplement the existing policy applicable to LACERA.
COSO: Performance Measures			
Quality Assurance Operations Review	Finding #6: QA management does not have an annual quality assurance audit plan and does not have metrics and KPIs for managing their staff's work.	QA management should develop an annual quality assurance audit plan and key performance indicators (KPIs) to allocate and monitor QA staff resources.	The Executive Team, QA and Benefits, are working together to address this in the long-term as this requires a significant amount of resource planning and strategizing within the organization.
Organizational Governance Review	OBS 8 - LACERA lacks defined Key Performance Indicators (KPI)	LACERA should develop and implement key performance indicators (KPI's) for any divisions that have not yet defined them. The KPI's should be quantifiable and be linked to the goals of the organization as established in the Strategic Plan. In addition, reporting mechanisms should be established for the reporting of the KPI's so that the data can be used to inform decision making.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s Innovation thru Technology. Managment is in the process of creating data lakes to use Power Bi to update KPIs for Member Operations groups.

Strategic Oberservation Status Update
As of October 2024

Project Name	Finding Title	Recommendation	Status Update
COSO: Risk Assessment			
Organizational Governance Review	OBS 9 - LACERA does not have a formal enterprise risk management and compliance program	LACERA should implement a formal enterprise risk management and compliance program for the organization that includes identification of risks and how to address those risks.The risk information should be used by the organization to make decisions.	During FY 2023-2024, Management made significant strides in formalizing LACERA's Compliance Program, including developing a program charter and revising the Audit Committee's charter. Enterprise Risk Management to be focused on during FY 2024-2025.
COSO: Training and Development & Talent Management			
Organizational Governance Review	OBS 3 - LACERA has not implemented a professional development plan	LACERA executive leadership should engage in a facilitated analysis of employees across the organization and identify specific development needs of employee classifications and functional groups.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024. This specific recommendation is targeted for FY 2024-2025.
Organizational Governance Review	OBS 4 - LACERA does not have a succession plan	LACERA should implement a succession planning process to ensure that the organization can maintain a workforce that collectively possesses the core competencies and skills needed to accomplish its strategic objectives.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024. This specific recommendation is targeted for post FY 2024-2025.
Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	1.a. LACERA's Executive Team should work with HR Management to develop an effective Workforce Plan and Implementation Strategies that clearly align with the organization's current and future Strategic Plans related to recruitment efforts.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024.

Strategic Oberservation Status Update
As of October 2024

Project Name	Finding Title	Recommendation	Status Update
Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	Identify an individual or committee (governance structure) to oversee the alignment of the approved Workforce Plan and HR's Implementation Strategies for recruiting.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024.
Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	LACERA's Workforce Plan should address succession planning as a key component. Each division should perform forecasting of future vacancies through retirement and attrition. Succession candidates should be identified in each division and professional development should occur to prepare these members for future roles.	This recommendation is part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s "Investing in People." Foundational work on this objective was done in FY 2023-2024.
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	LACERA should perform an assessment of their HR Division to evaluate the team member cohesiveness related to employee satisfaction, level of engagement, perception of HR division management, and alignment with organizational strategy.	HR created a request for bid for this scope of work and sent it to three vendors. All three vendors responded, one was selected, and HR is currently in the contracting process before starting work.

FOR INFORMATION ONLY

November 8, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin, (BOI), Chair
Wayne Moore, (BOR), Vice Chair
Vivian Gray, (BOR), Secretary
Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
Nancy Durazo, (BOR), Trustee
Jason Green, (BOI), Trustee
Nicole Mi, (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Gabriel Tafoya
Senior Internal Auditor

FOR: December 12, 2024 Audit Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Recommendation Follow-Up for Sensitive Information Technology Areas**

Internal Audit reports to the ACRE Committee a summary of recently implemented and outstanding recommendations related to system and network security audits and assessments. This summary is intended to keep the Committee informed about current security measures and ongoing improvements.

No recommendations were implemented during this reporting period, September 2024 through October 2024. Table 1 provides the status of recommendations related to eight sensitive information technology (IT) engagements along with one category where we have previously consolidated duplicated recommendations. Table 2 summarizes the twelve (12) outstanding recommendations by the different IT general controls areas.

SUMMARY OF OPEN RECOMMENDATIONS

Table 1: Recommendations Status – By Audit Engagement

Engagement Name Report Date / **Recommendation Status by Risk Level**	**Total Recos**	**Implemented During Prior Periods**	**Implemented Sep 2024 – Oct 2024**	**In Progress Nov 2024**
PM SOC FYE 2023 June 2023				
Medium	5	4	—	1
PM SOC FYE 2022 June 2022				
Medium	5	5	—	—
Moss Adams Pen and Social Engineering April 2022				
High	3	3	—	—
Medium	3	2	—	1
Low	1	1	—	—
PM SOC FYE2021 September 2021				
Medium	5	5	—	—
PM SOC Readiness Assessment February 2020				
Medium	10	9	—	1
Clear Skies Penetration Test and VeraCode Report March 2020				
High	1	1	—	—
Medium	25	22	—	3
Low	17	11	—	6
Tevora 2019 Penetration Test June 2019				
Low	5	5	—	—
Tevora 2018 Security Risk Assessment July 2018				
Medium	3	3	—	—
Low	6	6	—	—
Consolidated Recos January 2021				
High	2	2	—	—
Medium	2	2	—	—
Totals	**93**	**81**	—	**12**

The Systems Division, and Information Security provided a summary of work to be performed and a timeline for completion for recommendations listed as **In Progress**.
RECOMMENDATIONS CATEGORIZED

IT General Controls (ITGC) are the basic controls that can be applied to IT systems such as applications, operating systems, databases, and supporting IT infrastructure. The general objective for ITGC is to ensure the integrity of the data and processes that systems support.

To provide additional insight into these sensitive recommendations, we categorized the recommendations from sensitive IT engagements into the following ITGC areas:

ITGC	Description of control
Data Backup and Recovery	Controls provide reasonable assurance that data and systems are backed up successfully, completely, stored offsite, and validated periodically.
Environmental	Controls provide reasonable assurance that systems equipment and data is adequately protected from environmental factors.
Information Security	Controls provide reasonable assurance that policies and procedures are in place to ensure effective communication of information security practices.
Logical Access	Controls provide reasonable assurance that logical access to applications and data is limited to authorized individuals.
Physical Security	Controls provide reasonable assurance that physical access to systems equipment and data is restricted to authorized personnel.
System Development & Change Management	Controls provide reasonable assurance that changes to or development of applications is authorized, tested, and approved. Controls also, provide reasonable assurance that segregation of duties exist.
System Monitoring & Maintenance	Controls provide reasonable assurance that systems are monitored for security issues, and that patches and antivirus definition file updates are applied in a timely manner.

Table 2: Recommendations Status – By IT General Control Areas

	Total Recos	Implemented During Prior Periods	Implemented Sep 2024 – Oct 2024	In Progress Nov 2024
Data Back Up & Recovery	2	2	—	—
Environmental	—	—	—	—
Information Security	12	12	—	0
Logical Access	55	46	—	9
Physical Security	3	3	—	0
System Development & Change Management	2	2	—	—
System Monitoring & Maintenance	19	16	—	3
Total by Implementation Status	**93**	**81**	—	**12**

Internal Audit will continue to update the ACRE Committee on the status of recommendations at each Committee meeting.

Staff will be available to address questions at the December 12, 2024, ACRE Committee meeting, but please remember that due to the sensitive nature of these IT recommendations we cannot provide additional details.

GT

LACERA

FOR INFORMATION ONLY

November 14, 2024

TO: 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Wayne Moore (BOR), Vice Chair
Vivian Gray (BOR), Secretary
Nancy Durazo (BOR), Trustee
Elizabeth Ginsberg, (BOR/BOI), Ex-Officio
Jason Green (BOI), Trustee
Nicole Mi (BOI), Trustee

ACRE Committee Consultant
Larry Jensen

FROM: Leisha E. Collins
Principal Internal Auditor

FOR: December 12, 2024 Audit, Compliance, Risk, and Ethics (ACRE) Committee Meeting

SUBJECT: **Ethics Hotline Status Report**

BACKGROUND

The purpose of this memorandum is to provide the Committee with an update on ethics cases reported to LACERA through the Ethics Hotline. Since November 2019, LACERA has contracted with NAVEX Global' s EthicsPoint Hotline for ethics reporting and case management needs. As of this reporting date, there are no open cases, and all past cases have been closed since the December 2023 Committee meeting.

For the Committee's information, Internal Audit is not currently investigating, nor has it received any new reports of wrongdoing and/or become aware of any matters of wrongdoing outside of the Ethics Hotline. Furthermore, we have not identified any matters of fraud in any of our recent or current audit and consulting work. Staff will continue to provide updates to the Committee on future reports.

2024 ETHICS HOTLINE RELAUNCH

Internal Audit periodically updates LACERA's Hotline communications to raise staff awareness of this program and its role in promoting ethics and compliance. Recently, Internal Audit, Ethics and Compliance and the Communication Division collaborated to update and rebrand the Ethics Hotline materials. The relaunch will occur by year-end and will highlight LACERA's commitment to transparency, accountability, and ethical values. Staff will present an overview of the relaunch at the next Committee meeting.

LEC

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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