

WOVEN TOGETHER

Connecting service, stewardship, and
diverse strengths for a financially secure future

What's **INSIDE**

- 2 About LACERA
- 2 Operations and Administration
- 4 Pension Plan
- 6 OPEB Trust
- 7 Accomplishments

2021



Santos H. Kreimann

Chief Executive Officer

LACERA's strength stems from the diversity of our community, members, and employees, and the collective understanding that our lives and destinies are interwoven. This year, our fund returns outperformed policy benchmarks, as we continue to apply a long-term, diversified asset allocation strategy and weave environmental, social, and governance factors into our investment decisions.

EXECUTIVE TEAM

The executive team comprises four executive officers responsible for carrying out the strategic goals set by the Boards of Retirement and Investments. Divisional managers lead LACERA's 15 specialty departments and oversee day-to-day operations.

SANTOS H. KREIMANN

Chief Executive Officer

LUIS A. LUGO

Deputy Chief Executive Officer

LAURA GUGLIELMO

Assistant Executive Officer

JJ POPOWICH

Assistant Executive Officer

This Popular Annual Financial Report (PAFR) of the Los Angeles County Employees Retirement Association (LACERA) summarizes the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021; it does not replace the ACFR. Financial data presented herein is derived from the ACFR and prepared in accordance with the Governmental Accounting Standards Board's reporting guidelines and Generally Accepted Accounting Principles of the United States of America (U.S. GAAP). The [2021 ACFR](#) is posted on lacera.com, as well as an [archive](#) of our annual reports..

ABOUT LACERA

In 1937, Los Angeles County established a pension trust fund to provide defined retirement and death benefits to eligible County employees.

In 1938, LACERA was introduced to administer it, and the Board of Retirement was established to oversee the organization. The Board of Investments was created in 1971 to spearhead LACERA's increasingly sophisticated investment strategies and achieve its long-term funding goals.

Our Services

LACERA is the largest county retirement system in the United States, and our mission is to produce, protect, and provide the promised benefits to our members. We are an independent governmental entity, separate and distinct from the County of Los Angeles (County), responsible for administering and managing the retirement fund and, since 1971, the Retiree Healthcare Benefits Program for the County and outside districts. LACERA is further responsible for managing the trusts that fund these programs.

Our Management

LACERA's Boards

LACERA is governed by two boards, both of which are composed of elected and appointed trustees. The **Board of Retirement** is responsible for the overall administration of the retirement system, the review and processing of disability retirement applications, and administration of the County-subsidized Retiree Healthcare Benefits Program (or Other Post-Employment Benefits Program) including overseeing actuarial matters. The **Board of Investments** is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the fund and actuarial matters relating to setting of contribution rates and estimation of fund liabilities.

OPERATIONS AND ADMINISTRATION

Continued COVID-19 Response

In 2021, health and safety remained a primary focus to ensure the well-being of LACERA staff and the organization's ability to provide uninterrupted service and benefits to our members. LACERA continued to carefully monitor local and global events related to the pandemic and considered potential impacts to internal operations and external business partners.

TRUSTEES

The following list of trustees is current as of December 1, 2021.

ALAN J. BERNSTEIN
Chair

Board of Retirement
Term Expires 2023

Secretary

Board of Investments
Term Expires 2021
Appointed by Board of Supervisors

ELIZABETH B. GINSBERG

Board of Retirement
Board of Investments
Chief Deputy County Treasurer and
Tax Collector
Alternate Ex-Officio Member

VIVIAN H. GRAY

Vice Chair

Board of Retirement
Term Expires 2021*
Elected by General Members

DAVID GREEN

Board of Investments
Term Expires 2023
Elected by General Members

ELIZABETH GREENWOOD

Board of Investments
Term Expires 2022
Appointed by Board of Supervisors

JAMES P. HARRIS

Board of Retirement Alternate
Member
Term Expires 2023
Elected by Retired Members

PATRICK L. JONES

Board of Investments
Term Expires 2023
Appointed by Board of Supervisors

SHAWN R. KEHOE

Board of Retirement
Term Expires 2022
Board of Investments
Term Expires 2022
Elected by Safety Members

JOSEPH KELLY

Vice Chair

Board of Investments
Term Expires 2023
Elected by Retired Members

KEITH KNOX

Board of Retirement
Chair
Board of Investments
County Treasurer and Tax Collector
Ex-Officio Member

WAYNE MOORE

Board of Retirement
Term Expires 2022
Appointed by Board of Supervisors

RONALD A. OKUM

Board of Retirement
Term Expires 2021
Appointed by Board of Supervisors

WILLIAM R. PRYOR

Board of Retirement Alternate
Member
Term Expires 2022
Elected by Safety Members

LES ROBBINS

Board of Retirement
Term Expires 2023
Elected by Retired Members

GINA V. SANCHEZ

Board of Investments
Term Expires 2023
Appointed by Board of Supervisors

HERMAN B. SANTOS

Board of Retirement
Term Expires 2023
Board of Investments
Term Expires 2021*
Elected by General Members

GINA ZAPANTA

Secretary

Board of Retirement
Term Expires 2023
Appointed by Board of Supervisors

*Reelected to new term starting in January 2022.

The organization’s administrative expenditures and financial flows, including the ability to pay benefits, endured: We administered member benefits without exception, and received contributions from plan sponsors as scheduled, including those for the pension plan, OPEB Trust, and Retiree Healthcare Benefits Program.

From a financial perspective, LACERA persisted through this pandemic by maintaining its long-term investment strategy and operational focus, navigating through turbulent times with continuous guidance from the Board of Retirement and Board of Investments trustees. The actions taken by LACERA’s Boards and Executive Office resulted in a strong financial position at the fiscal year-end. Although the economic and investment environments presented unique challenges, LACERA’s investment portfolio generated a robust return, increasing the fund balance to over \$73 billion.

During most of the pandemic, LACERA served members through a remote call center, virtual face-to-face appointments, and online workshops, providing the same personalized service members expect. The Member Service Center at LACERA’s offices reopened in July for in-person visits, adopting a permanent appointment-only model to increase efficiency and reduce wait times for members.

Annual Administrative Budget

The LACERA Board of Retirement and Board of Investments trustees jointly approve the annual operating budget. The actual expenditures represented an underexpenditure of 9.7 percent below the amount budgeted for the fiscal year ended June 30, 2021.

Administrative Expenses

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Operating Budget Request	\$100,291	\$94,600
Administrative Expenses	(90,586)	(85,384)
Underexpended Operating Budget	\$9,705	\$9,216

LACERA Membership

As of June 30, 2021 and 2020

	2021	2020	Difference	% Change
Active Members	116,239	116,289	(50)	—%
Retired Members	69,524	67,988	1,536	2.3%
Membership	185,763	184,277	1,486	0.8%

PENSION PLAN

Fiduciary Net Position Restricted for Benefits

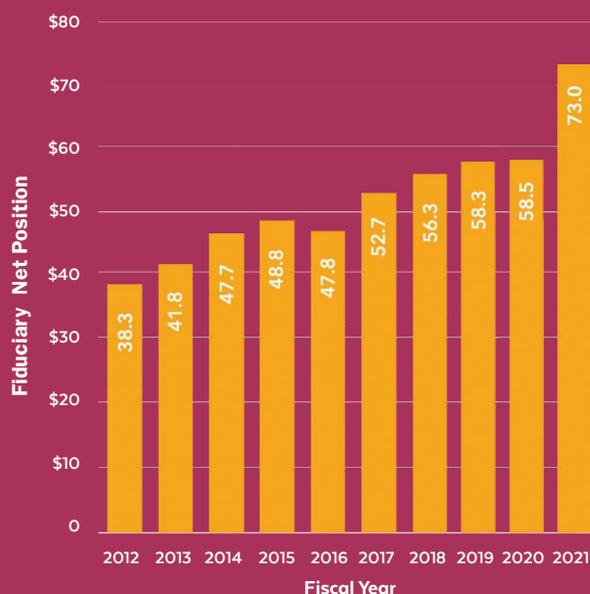
The Fiduciary Net Position Restricted for Benefits (Net Position) represents the assets available for future payments to retirees and their beneficiaries. As of June 30, 2021, LACERA has \$73 billion to pay future pension benefits.

As compared with the prior fiscal year, the Net Position increased by \$14.5 billion, which was primarily due to LACERA's diverse investment strategy producing positive investment performance.

Size of fund in 2021:
\$73 Billion

Growth of the Pension Plan

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



Additions and Deductions in Fiduciary Net Position — Pension Plan

For the Fiscal Years Ended June 30, 2021, 2020, and 2019

(Dollars in Millions)

	2021	2020	2019	2021 - 2020		2020 - 2019	
				Difference	% Change	Difference	% Change
Contributions	\$2,774	\$2,459	\$2,304	\$315	12.8%	\$155	6.7%
Net Investment Income/(Loss)	15,633	1,448	3,181	14,185	979.6%	(1,733)	(54.5)%
Total Additions/(Declines)	\$18,407	\$3,907	\$5,485	\$14,500	371.1%	(\$1,578)	(28.8)%
Benefits and Refunds	(\$3,814)	(\$3,606)	(\$3,407)	(\$208)	5.8%	(\$199)	5.8%
Administrative Expenses and Miscellaneous	(91)	(86)	(83)	(5)	5.8%	(3)	3.6%
Total Deductions	(\$3,905)	(\$3,692)	(\$3,490)	(\$213)	5.8%	(\$202)	5.8%
Net Increase/(Decrease)	\$14,502	\$215	\$1,995	\$14,287	6645.1%	(\$1,780)	(89.2)%
Fiduciary Net Position Beginning of Year	58,510	58,295	56,300	215	0.4%	1,995	3.5%
Fiduciary Net Position End of Year	\$73,012	\$58,510	\$58,295	\$14,502	24.8%	\$215	0.4%

Pension Liabilities

As calculated by LACERA's actuary, the Total Pension Liability is the amount of projected benefit payments attributable to past periods of member service. The Net Pension Liability is the Total Pension Liability minus the

plan's net assets or Fiduciary Net Position. These liabilities, which are the employers' responsibility, are calculated under the guidance of GASB Number 67 for financial statement reporting purposes.

Net Pension Liability

As of June 30, 2021, 2020, and 2019

(Dollars in Millions)

	2021	2020	2019
Total Pension Liability	\$80,304	\$76,579	\$70,309
Less: Fiduciary Net Position	(73,012)	(58,510)	(58,295)
Net Pension Liability	\$7,292	\$18,069	\$12,014
Percentage of Total Pension Liability	90.9%	76.4%	82.9%

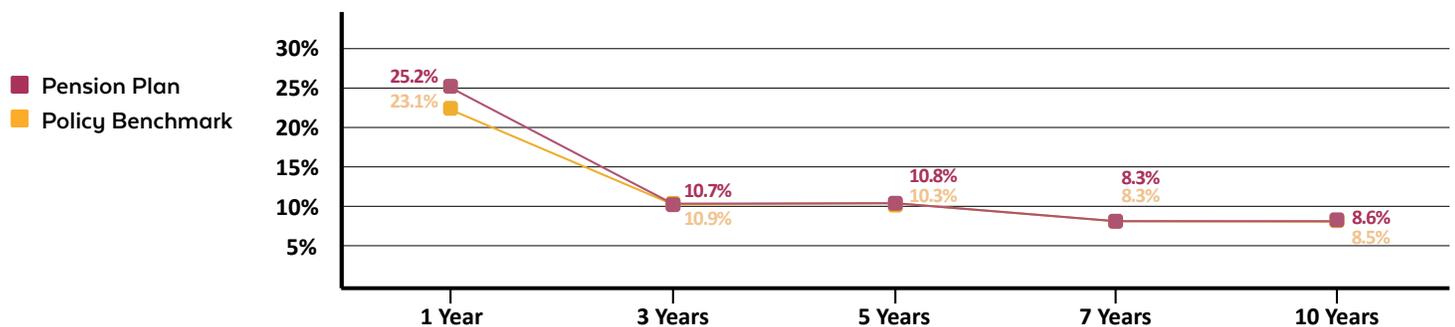


Annual Returns

LACERA's Pension Plan investment return met or exceeded the policy benchmark and the 7 percent actuarial assumed rate of return over the last 10 years. All returns are presented net of investment management fees.

Annualized Total Returns (Net of Fees) – Pension Plan

As of June 30, 2021



Asset Allocation Policy

The Board of Investments adopts and periodically reviews investment policies with a fundamental principle that the funds are managed for the sole purpose of providing benefits to LACERA's members. An investment fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. Over the last fiscal year, LACERA's general consultant performed a full review of its asset allocation for both the Pension Plan and

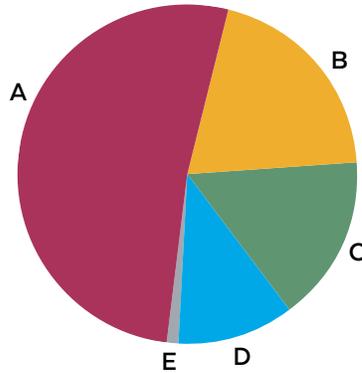
OPEB Trust, and this resulted in the Board approving new strategic asset allocations in May and June 2021. These target allocations and rebalances within the portfolio are designed to be more efficient, enhance the portfolio's expected compensation relative to risk, and compound durable investment returns for the long-term benefit of LACERA's members.

Pension Plan Asset Allocation

As of June 30, 2021

Asset Categories: Functional Groups

- A** Growth 52%
- B** Risk Reduction and Mitigation 20%
- C** Real Assets and Inflation Hedges 16%
- D** Credit 11%
- E** Overlay Composite 1%



Funded Status

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2020 and determined the funded ratio of the actuarial assets compared to the actuarial accrued liabilities.

Funded Ratio: Pension Plan

For the Last Three Actuarial Valuations

Valuation Date	Funded Ratio
June 30, 2020	76.3 %
June 30, 2019	77.2 %
June 30, 2018	80.6 %

OPEB TRUST

Fiduciary Net Position

The OPEB Trust Net Position includes prefunding contributions from the County, LACERA, and the Superior Court, as well as investment activity and administrative expenses. For the fiscal year ended June 30, 2021, additions included net investment income of \$452.1 million and deductions of \$0.6 million for administrative expenses.

The OPEB Trust Net Position increased by \$814.2 million as compared with the prior fiscal year. This increase was primarily due to positive investment performance as well as additional prefunding contributions from the employers participating in the OPEB Trust.

Contributions

The County and other plan sponsors funded the current ongoing OPEB Program benefits due on a pay-as-you-go basis. In addition, plan sponsors made regular contributions to the OPEB Trust, which are accumulated and invested to offset future benefit liabilities.

Growth of the OPEB Trust

For the Last Seven Fiscal Years Ended June 30

(Dollars in Thousands)



Contributions – OPEB Trust

For the Fiscal Years Ended June 30, 2021 and 2020

(Dollars in Thousands)

	2021	2020
Los Angeles County	\$357,269	\$246,197
LACERA	1,477	1,029
Superior Court	3,955	1,000
Total Contributions¹	\$362,701	\$248,226

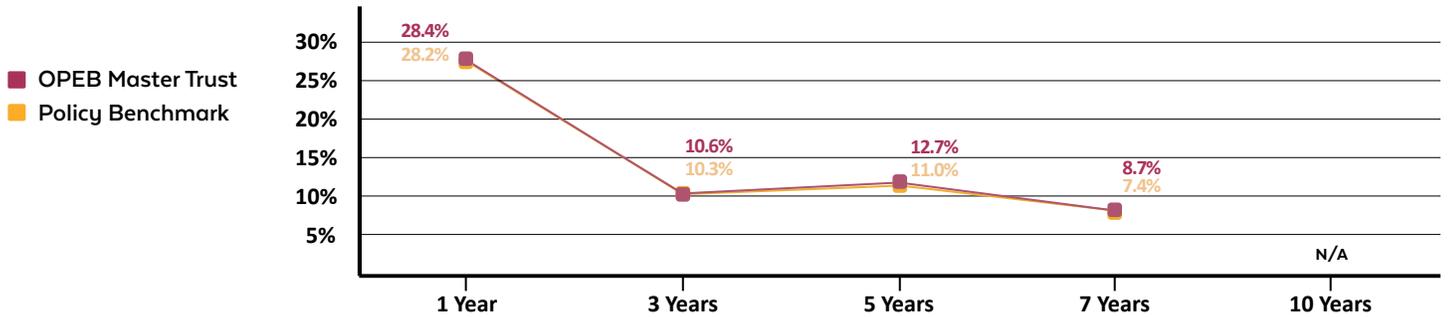
¹Contributions presented here are limited to OPEB Trust prefunding and exclude pay-as-you-go contributions, which are included in the OPEB Trust employer contributions as presented in the ACFR's Statement of Changes in Fiduciary Net Position.

Annual Returns

The OPEB Trust investment returns exceeded policy benchmarks during the past fiscal year and for the three-, five-, and seven-year periods, and exceeded the actuarial assumed rate of return of 6 percent. All returns are presented net of investment management fees.

Annualized Total Returns (Net of Fees) – OPEB Trust

As of June 30, 2021

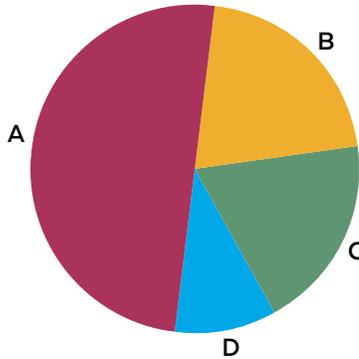


OPEB Trust Asset Allocation

As of June 30, 2021

Asset Categories: Functional

- A** Growth 50%
- B** Credit 21%
- C** Real Assets and Inflation Hedges 19%
- D** Risk Reduction and Mitigation 10%



Cost-of-Living Adjustments

By law, LACERA retiree and survivor monthly benefit allowances are subject to an annual cost-of-living adjustment (COLA), which is effective on April 1 and begins with the April benefit payments.

On April 7, 2021, the LACERA Board of Retirement approved the maximum allowable COLA increases for all retirement plans retroactively effective to April 1, 2021.

COLAs are driven by changes in the cost of living over the previous 12-month period as of December 31. The

maximum allowable COLA adjustment is determined by the provisions of each LACERA retirement plan. Plan A allows a maximum adjustment of 3 percent; the other LACERA plans allow a maximum of 2 percent. Members who retired prior to April 1 and eligible survivors of members who passed away before April 1 are eligible for a COLA. In addition, retirees and eligible survivors whose allowance has lost more than 20 percent of its purchasing power since retirement are eligible to receive a supplemental COLA. See www.lacera.com/retirement-payments/star-cola for more information.

ACCOMPLISHMENTS

2021 Public Pension Standards Award

Toward the end of 2021, LACERA received its 19th consecutive award from the Public Pension Coordinating Council (PPCC) in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards. These standards are intended to reflect minimum expectations for public retirement systems management and administration and serve as a benchmark by which all defined benefit public plans should be measured.



Award for Outstanding Achievement in Popular Annual Financial Reporting

For the 23rd consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) granted an Award for Outstanding Achievement in Popular Annual Financial Reporting to LACERA for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020. This prestigious national award recognizes conformance with the highest standards of creativity, presentation, understandability, and reader appeal for state and local government popular reports and is valid for one year. We believe our current report continues to conform to the PAFR requirements, and we are submitting it to the GFOA for consideration again this year.



*Statistics were impacted by the ongoing closure of our in-person service center and change to online-only workshops and benefit fairs.

Los Angeles County Employees Retirement Association
 lacera.com
 300 N. Lake Avenue Pasadena, CA 91101 626-564-6000