

# PROVIDING DIRECTION

Charting our course for enhanced service,  
efficacy, and financial sustainability

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2022





## Santos H. Kreimann

Chief Executive Officer

“Once a course is set, reaching our destination still depends on adapting to changing conditions and making corrections en route. Achieving positive market returns was a challenge in 2022, with a nearly flat return for the pension fund. Regardless, the fund exceeded the policy benchmark for the year by nearly 5 percent, a testament to our diligent management, carefully diversified asset allocation structure, and long-term focus.”

## Executive Team

The executive team comprises six executive officers responsible for carrying out the strategic goals set by the Boards of Retirement and Investments.

### SANTOS H. KREIMANN

Chief Executive Officer

### LUIS A. LUGO

Deputy Chief Executive Officer

### LAURA GUGLIELMO

Assistant Executive Officer

### JJ POWICH

Assistant Executive Officer

### JONATHAN GRABEL

Chief Investment Officer

### STEVEN P. RICE

Chief Counsel

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, 2022; 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 2022 ACFR is posted on lacera.com under About LACERA > Annual Reports, and our archived annual reports are posted in the Public Records section.

## ABOUT LACERA

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

## Our Management

### LACERA’s Boards

LACERA is governed by two boards, which are both 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 OPEB 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 related to establishing contribution rates and estimating fund liabilities.

## 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, 2022, LACERA has over \$70 billion to pay pension benefits.

## Trustees

The following list of trustees is current as of November 30, 2022.

### ALAN J. BERNSTEIN

Secretary  
Board of Retirement  
Term Expires 2023  
Appointed by Board of Supervisors

### ELIZABETH B. GINSBERG

Board of Retirement  
Board of Investments  
Chief Deputy County Treasurer and Tax Collector  
Acting Ex-Officio Trustee\*

### VIVIAN H. GRAY

Board of Retirement  
Term Expires 2024  
Elected by General Members

### DAVID GREEN

Vice Chair  
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 Trustee  
Term Expires 2023  
Elected by Retired Members

### ONYX JONES

Board of Investments  
Term Expires 2024  
Appointed by Board of Supervisors

### PATRICK L. JONES

Board of Investments  
Term Expires 2023  
Appointed by Board of Supervisors

### SHAWN R. KEHOE

Vice Chair  
Board of Retirement  
Term Expires 2022  
Elected by Safety Members  
Secretary  
Board of Investments  
Term Expires 2022  
Elected by Safety Members

### JOSEPH KELLY

Board of Investments  
Term Expires 2023  
Elected by Retired Members

### KEITH KNOX

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

### WAYNE MOORE

Board of Retirement  
Term Expires 2022  
Appointed by Board of Supervisors

### WILLIAM R. PRYOR

Chair  
Board of Retirement  
Alternate Trustee  
Term Expires 2022  
Elected by Safety Members

### LES ROBBINS

Board of Retirement  
Term Expires 2023  
Elected by Retired Members

### ANTONIO SANCHEZ

Board of Retirement  
Term Expires 2024  
Appointed by Board of Supervisors

### GINA V. SANCHEZ

Board of Investments  
Term Expires 2023  
Appointed by Board of Supervisors

### HERMAN B. SANTOS

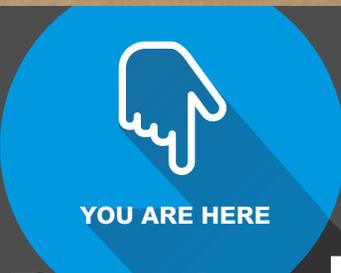
Board of Retirement  
Term Expires 2023  
Elected by General Members  
Chair

Board of Investments  
Term Expires 2024  
Elected by General Members

### GINA ZAPANTA

Board of Retirement  
Term Expires 2023  
Appointed by Board of Supervisors

\* When ex-officio trustee is absent



# 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, 2022, 2021, and 2020  
(Dollars in Millions)

	2022	2021	2020	2022 - 2021		2021 - 2020	
				Difference	% Change	Difference	% Change
Contributions	\$2,959	\$2,774	\$2,459	\$185	6.7%	\$315	12.8%
Net Investment Income/(Loss)	(1,536)	15,633	1,448	(17,169)	(109.8)%	14,185	979.6%
<b>Total Additions/(Declines)</b>	<b>\$1,423</b>	<b>\$18,407</b>	<b>\$3,907</b>	<b>(\$16,984)</b>	<b>(92.3)%</b>	<b>\$14,500</b>	<b>371.1%</b>
Benefits and Refunds	(\$4,045)	(\$3,814)	(\$3,606)	(\$231)	6.1%	(\$208)	5.8%
Administrative Expenses and Miscellaneous	(100)	(91)	(86)	(9)	9.9%	(5)	5.8%
<b>Total Deductions</b>	<b>(\$4,145)</b>	<b>(\$3,905)</b>	<b>(\$3,692)</b>	<b>(\$240)</b>	<b>6.1%</b>	<b>(\$213)</b>	<b>5.8%</b>
Net Increase/(Decrease)	(\$2,722)	\$14,502	\$215	(\$17,224)	(118.8)%	\$14,287	6,645.1%
Fiduciary Net Position Beginning of Year	73,012	58,510	58,295	14,502	24.8%	215	0.4%
<b>Fiduciary Net Position End of Year</b>	<b>\$70,290</b>	<b>\$73,012</b>	<b>\$58,510</b>	<b>(\$2,722)</b>	<b>(3.7)%</b>	<b>\$14,502</b>	<b>24.8%</b>

# 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.

## Net Pension Liability

As of June 30, 2022, 2021, and 2020  
(Dollars in Millions)

	2022	2021	2020
Total Pension Liability	\$83,931	\$80,304	\$76,580
Less: Fiduciary Net Position	(\$70,290)	(\$73,012)	(\$58,510)
<b>Net Pension Liability</b>	<b>\$13,641</b>	<b>\$7,292</b>	<b>\$18,070</b>
Fiduciary Net Position as a Percentage of Total Pension Liability	83.8%	90.9%	76.4%



# Annual Returns

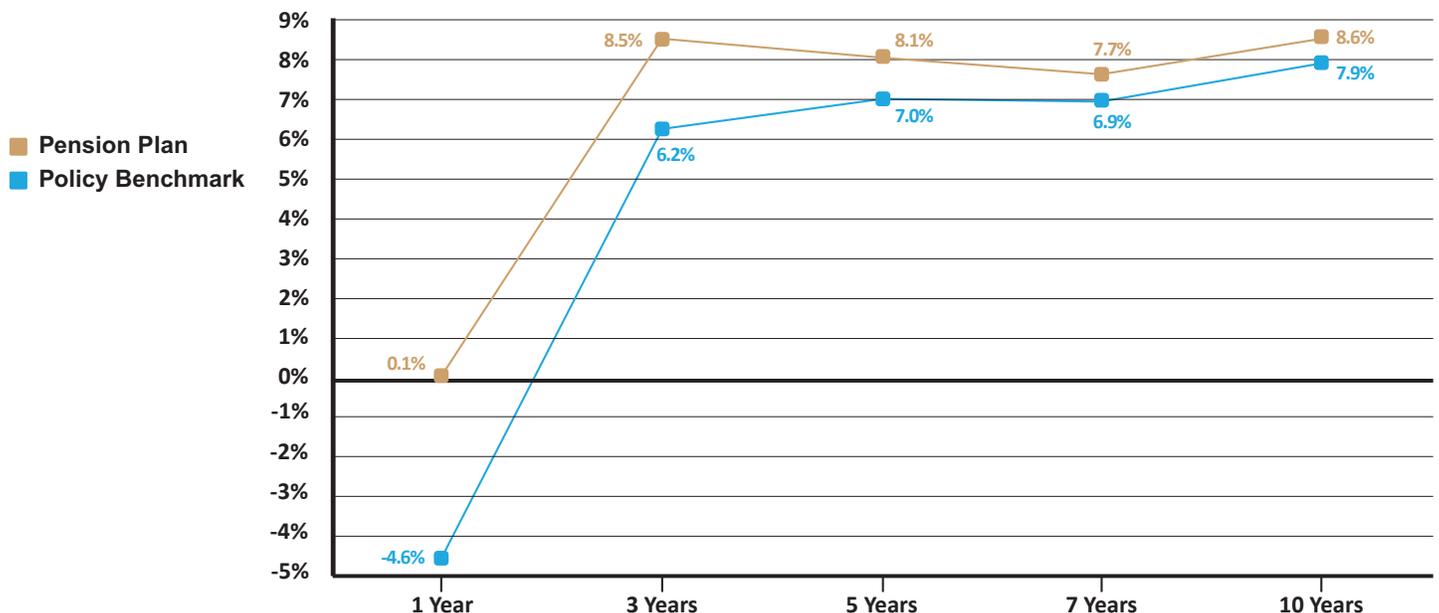


LACERA's Pension Plan investment return outperformed its policy benchmark for all periods and is ahead of its actuarial expected return of 7.0 percent\* for all periods reported except the one-year period. All returns are presented net of investment management fees.

\*The Pension Plan's actuarial expected return for the period ending June 30, 2022

## Annualized Total Returns (Net of Fees) — Pension Plan

As of June 30, 2022



# Asset Allocation Policy



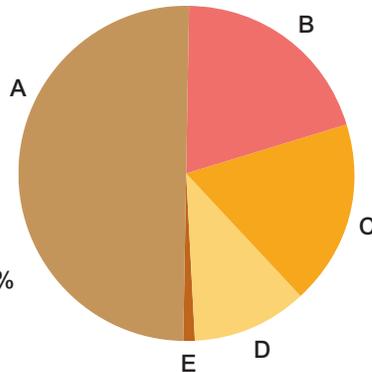
The LACERA Board of Investments periodically reviews and adopts policies with a fundamental principle that the trust funds are managed for the sole purpose of providing benefits to LACERA's members. An investment fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. LACERA's Board approved new strategic asset allocations for the Pension Plan and OPEB Trust in May and June 2021, respectively. 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. The Pension Plan's new asset allocation weights were implemented as of October 2021. The OPEB Trust will begin investing in private assets during the 2023 fiscal year.

## Pension Plan Asset Allocation

As of June 30, 2022

Asset Categories: Functional Groups

- A** Growth Holdings 50%
- B** Risk Reduction and Mitigation 20%
- C** Real Assets and Inflation Hedges 18%
- D** Credit 11%
- E** Overlays and Hedges 1%



## Funded Status



LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2021 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, 2021	79.3 %
June 30, 2020	76.3 %
June 30, 2019	77.2 %

# Annual Administrative Budget

The LACERA Board of Retirement and Board of Investments trustees jointly approve the annual operating budget. The actual expenditures represented unexpended funds of 12.8 percent below the amount budgeted as of June 30, 2022.

## Administrative Expenses

As of June 30, 2022

(Dollars in Thousands)

	2022	2021	2020
Operating Budget Request	\$114,807	\$100,291	\$94,600
Administrative Expenses	(100,121)	(90,586)	(85,384)
<b>Unexpended Operating Budget</b>	<b>\$14,686</b>	<b>\$9,705</b>	<b>\$9,216</b>

**12.8%  
BELOW  
AMOUNT BUDGETED**

# OPEB Trust

The Other Post-Employment Benefits Program (OPEB Program), or Retiree Healthcare Benefits Program, offers a variety of medical and dental/vision healthcare plans, as well as death/burial benefits, for retired members and their eligible dependents. The OPEB Trust, established in 2013, is an irrevocable, tax-exempt trust that holds and invests assets for prefunding the cost of the OPEB Program, which LACERA administers.

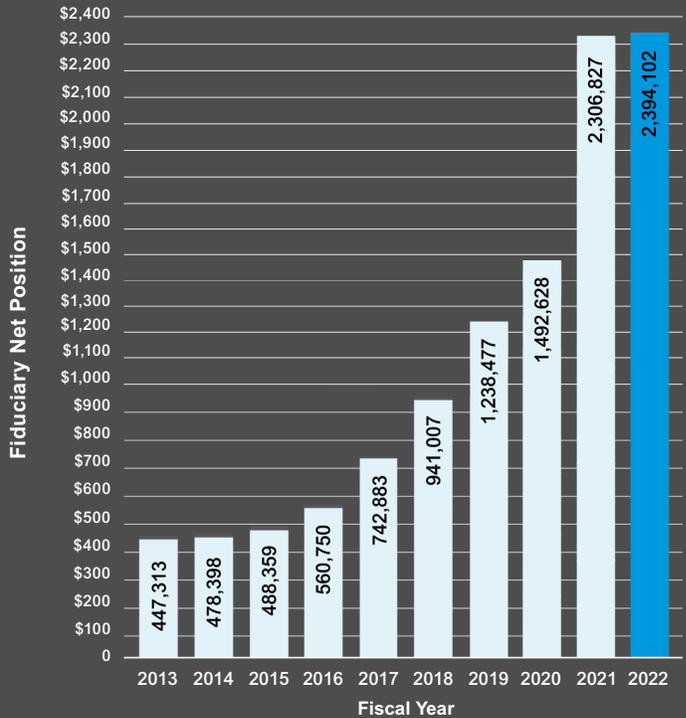
## FIDUCIARY NET POSITION

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, 2022, additions included employer prefunding contributions of \$376 million, net investment loss of \$288.5 million, and deductions of \$0.6 million for administrative expenses.

## Growth of the OPEB Trust

For the Last Eight Fiscal Years Ended June 30

(Dollars in Thousands)



# 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.

## Contributions — OPEB Trust

For the Fiscal Years Ended June 30, 2022, 2021, and 2020

(Dollars in Thousands)

	2022	2021	2020
Los Angeles County	\$372,243	\$357,269	\$246,197
LACERA	\$3,131	1,477	1,029
Superior Court	\$1,000	3,955	1,000
<b>Total Contributions<sup>1</sup></b>	<b>\$376,374</b>	<b>\$362,701</b>	<b>\$248,226</b>

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

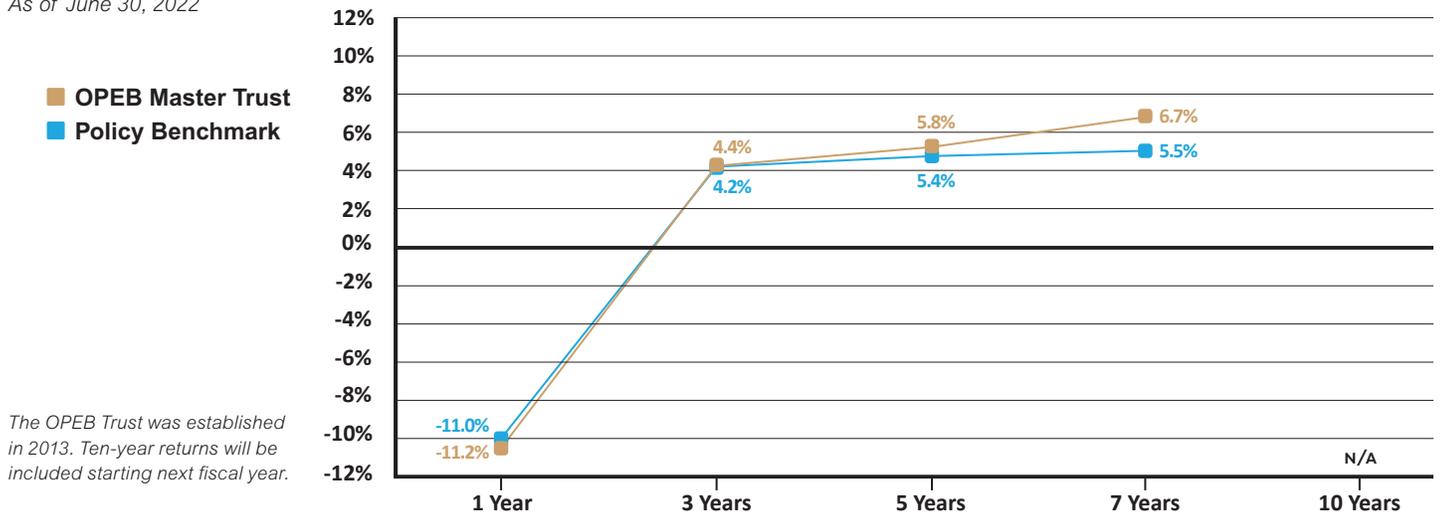
# Annual Returns

The OPEB Trust exceeded its policy benchmark return for the three-, five-, and seven-year periods, but did not meet its actuarial expected return of 6.0 percent\* for any time period other than the seven-year period. All returns are presented net of investment management fees.

\* The OPEB Trust's actuarial expected return for the period ending June 30, 2022

## Annualized Total Returns (Net of Fees) — OPEB Trust

As of June 30, 2022



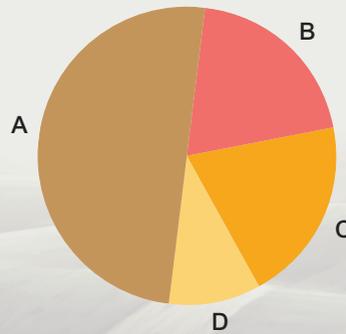
The OPEB Trust was established in 2013. Ten-year returns will be included starting next fiscal year.

## OPEB Trust Asset Allocation

As of June 30, 2022

Asset Categories: Functional Groups

- A** Growth Holdings 50%
- B** Credit 20%
- C** Real Assets and Inflation Hedges 20%
- D** Risk Reduction and Mitigation 10%



## LACERA Membership

As of June 30, 2022, 2021, and 2020

	2022	2021	2020	2022 - 2021		2021 - 2020	
				Difference	% Change	Difference	% Change
Active Members	115,599	116,239	116,289	(640)	(0.6)%	(50)	—%
Retired Members	71,585	69,524	67,988	2,061	3.0%	1,536	2.3%
<b>Total Membership</b>	<b>187,184</b>	<b>185,763</b>	<b>184,277</b>	<b>1,421</b>	<b>0.8%</b>	<b>1,486</b>	<b>0.8%</b>

# Cost-of-Living Adjustment



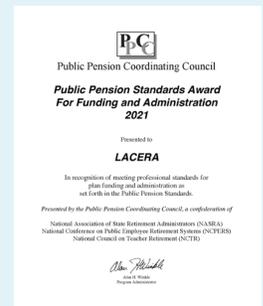
By law, LACERA retiree and survivor monthly benefit allowances are subject to an annual cost-of-living adjustment (COLA), which begins with the April benefit payments. On February 2, 2022, the LACERA Board of Retirement approved the maximum allowable COLA increases, based on retirement plan, for retirees and eligible survivors, effective April 1, 2022.

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](http://www.lacera.com/retirement-payments/star-cola) for more information.

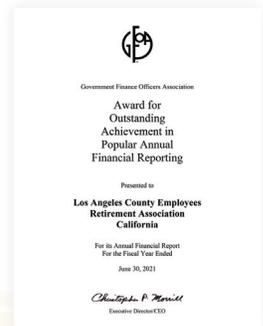
## 2022 Public Pension Standards Award

Toward the end of 2022, LACERA received its 20th 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 24th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) gave 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, 2021. 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 Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA for consideration again this year.



## Accomplishments

LACERA's 15 specialized divisions provide a range of professional services to ensure we meet our mission. Here are some of the divisions' fiscal year accomplishments.

<p>Administrative Services</p> <p><b>331,992</b></p> <p>Pieces of Mail Processed</p>	<p>Administrative Services</p> <p><b>910,080</b></p> <p>Member Documents Scanned &amp; Indexed</p>	<p>Benefits</p> <p><b>71,587</b></p> <p>Monthly Retirement Allowances Paid</p>	<p>Benefits</p> <p><b>3,911</b></p> <p>New Retirees</p>
<p>My LACERA</p> <p><b>121,242</b></p> <p>Registered Members</p>	<p>My LACERA</p> <p><b>257,521</b></p> <p>Retirement Benefit Estimates</p>	<p>My LACERA</p> <p><b>564,943</b></p> <p>Visits</p>	<p>Member Services</p> <p><b>171</b></p> <p>Virtual Workshop &amp; Benefit Fairs (5,663 attendees)</p>
<p>Member Services</p> <p><b>6,482</b></p> <p>One-on-One Counseling Sessions</p>	<p>Member Services</p> <p><b>182,054</b></p> <p>Call Center Phone Calls</p>	<p>Retiree Healthcare</p> <p><b>82,027</b></p> <p>Call Center Phone Calls</p>	<p>Retiree Healthcare</p> <p><b>56,885</b></p> <p>Annual Healthcare Packets Mailed</p>