



2023

DESIGNED TO LAST

Proudly providing lifetime benefits to our members since 1938

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2023
Pension and OPEB Trust Funds of the County of Los Angeles, California

What's

INSIDE

2 About LACERA

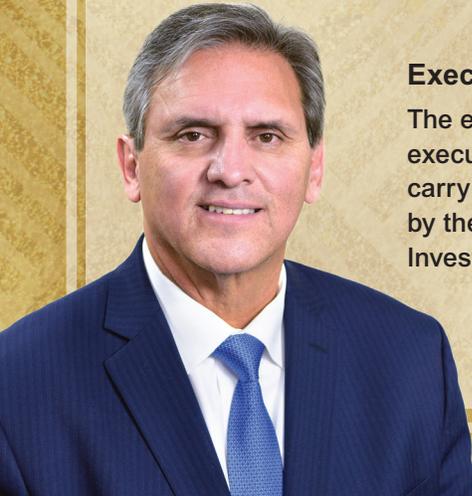
3 Pension Plan

6 Retiree Healthcare

8 Awards & Accomplishments

“Times, trends, and technologies change, but LACERA continuously evolves and rises to challenges—ensuring that our member benefits are **designed to last**. Fiscal durability is one of our five key strategic priorities, as demonstrated in our meticulously diversified portfolio and long-term investment focus. Despite recent economic and geopolitical uncertainty, this approach has helped us realize solid returns, with a net return this year of 6.4 percent and five- and 10-year net returns of 7.6 percent and 8.1 percent, respectively.”

—**SANTOS H. KREIMANN**, Chief Executive Officer



Executive Team

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

LUIS A. LUGO
Deputy Chief Executive Officer

LAURA GUGLIELMO
Assistant Executive Officer

JJ POPOWICH
Assistant Executive Officer

JONATHAN GRABEL
Chief Investment Officer

JUDE PEREZ
Deputy 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, 2023; 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 2023 Annual Comprehensive Financial Report and 2023 Popular Annual Financial Report are posted online at www.lacera.com/accountability/annual-reports, and our archived annual reports are posted at www.lacera.com/accountability/archived-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 (or Other Post-Employment 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, 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 pension fund and retiree healthcare trust, and actuarial matters related to estimating fund liabilities and establishing contribution rates.

Trustees

ALAN J. BERNSTEIN

Vice Chair
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

Secretary
Board of Retirement
Term Expires 2024
Elected by General Members

DAVID GREEN

Board of Investments
Term Expires 2023
Elected by General Members

JASON E. GREEN

Board of Retirement
Board of Investments
Terms Expire 2025
Elected by Safety Members

ELIZABETH GREENWOOD

Board of Retirement
Term Expires 2023
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

Chair
Board of Retirement
Alternate Trustee
Term Expires 2025
Elected by Safety Members

JOSEPH KELLY

Secretary
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

RONALD OKUM

Board of Retirement
Term Expires 2025
Appointed by Board of Supervisors

LES ROBBINS

Board of Retirement
Term Expires 2023
Elected by Retired Members

DAVID E. RYU

Board of Investments
Term Expires 2025
Appointed by Board of Supervisors

ANTONIO SANCHEZ

Board of Retirement
Term Expires 2024
Appointed by Board of Supervisors

GINA V. SANCHEZ

Chair
Board of Investments
Term Expires 2023
Appointed by Board of Supervisors

HERMAN B. SANTOS

Board of Retirement
Term Expires 2023
Elected by General Members
Vice Chair
Board of Investments
Term Expires 2024
Elected by General Members

List current as of November 30, 2023.

*When ex-officio trustee is absent

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. LACERA's investment portfolio produces investment income and LACERA collects contributions that exceed benefit and administrative expenses, improving the fund's financial health by increasing the fund balance available to pay benefits. For the last 10 years, LACERA's Pension Fund received \$66.6 billion in contributions and investment income, while LACERA paid out \$34.5 billion in pension benefits and administrative expenses. This resulted in a \$32.1 billion net increase to LACERA, bringing the total Pension Fund to \$73.9 billion as of June 30, 2023.

Growth of the Pension Plan

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



Additions and Deductions in Net Position: Pension Plan

For the Fiscal Years Ended June 30, 2023, 2022, and 2021

(Dollars in Millions)

	2023	2022	2021	Difference	% Change	Difference	% Change
Contributions	\$3,095	\$2,959	\$2,774	\$136	4.6%	\$185	6.7%
Net Investment Income/(Loss)	4,861	(1,536)	15,633	6,397	416.5%	(17,169)	(109.8)%
Total Additions/(Declines)	\$7,956	\$1,423	\$18,407	\$6,533	459.1%	(\$16,984)	(92.3)%
Benefits and Refunds	(\$4,281)	(\$4,045)	(\$3,814)	(\$236)	5.8%	(\$231)	6.1%
Administrative Expenses and Miscellaneous	(113)	(100)	(91)	(13)	13.0%	(9)	9.9%
Total Deductions	(\$4,394)	(\$4,145)	(\$3,905)	(\$249)	6.0%	(\$240)	6.1%
Net Increase/(Decrease)	\$3,562	(\$2,722)	\$14,502	\$6,284	230.9%	(\$17,224)	(118.8)%
Fiduciary Net Position Beginning of Year	70,290	73,012	58,510	(2,722)	(3.7)%	14,502	24.8%
Fiduciary Net Position End of Year	\$73,852	\$70,290	\$73,012	\$3,562	5.1%	(\$2,722)	(3.7)%

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 Fiduciary Net Position, which is the plan's net assets.

Net Pension Liability

As of June 30, 2023, 2022, and 2021
(Dollars in Millions)

	2023	2022	2021
Total Pension Liability	\$88,469	\$83,931	\$80,304
Less: Fiduciary Net Position	(\$73,852)	(\$70,290)	(\$73,012)
Net Pension Liability	\$14,617	\$13,641	\$7,292
Fiduciary Net Position as a Percentage of Total Pension Liability	83.5%	83.8%	90.9%



ANNUAL INVESTMENT RETURNS

LACERA's Pension Plan investment return outperformed its policy benchmark for all periods and exceeded the 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, 2023.

Annualized Total Returns (Net of Fees): Pension Plan

As of June 30, 2023

	1 Year	3 Years	5 Years	7 Years	10 Years
Pension Plan	6.4%	10.1%	7.6%	8.5%	8.1%
Total Fund Policy Benchmark*	5.0%	7.2%	6.4%	7.3%	7.3%

*Total Fund Policy Custom Benchmark for LACERA.

Net Investment Activities: Pension Plan

(Dollars in Thousands)

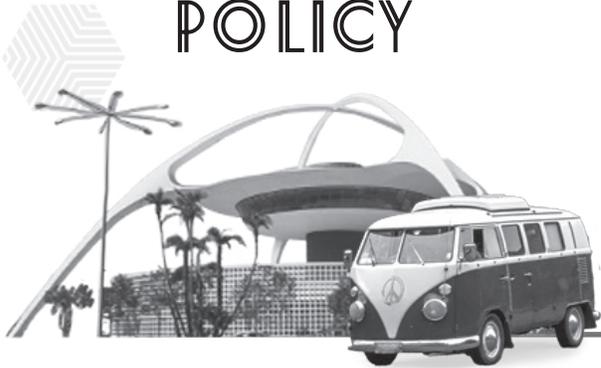
Fiscal Year	Net Investment Activities
2023	\$4,842,190
2022	(1,551,248)
2021	15,625,160
2020	1,441,036
2019	3,171,235
2018	4,710,957
2017	6,122,880
2016	75,160
2015	1,982,806
2014	6,903,965
10-Year Total	\$43,324,141

10-YEAR
GROWTH TOTAL
\$43.3 BILLION



Art deco style buildings are often characterized by tiered designs, ornamentation, and a vertical emphasis. Other important elements can include smooth surfaces and artful asymmetry.

ASSET ALLOCATION POLICY



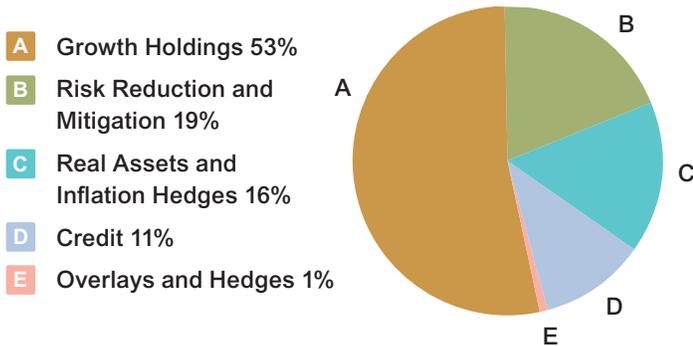
The LACERA Board of Investments adopts and periodically reviews investment policies with a fundamental principle that the trust funds are managed for the sole purpose of providing benefits to LACERA's members. An investment fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. 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 next strategic asset allocation review cycle for the Pension Plan will be completed in 2024.

Post-World War II modernist designs focused on clean, streamlined aesthetics; functionality; and particularly technology.

Pension Plan Asset Allocation

As of June 30, 2023

Asset Categories: Functional Groups



FUNDED STATUS

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2022 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, 2022	79.6 %
June 30, 2021	79.3 %
June 30, 2020	76.3 %

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 12.2 percent below the amount budgeted as of June 30, 2023.

Administrative Expenses

As of June 30, 2023

(Dollars in Thousands)

	2023	2022	2021
Operating Budget Request	\$127,767	\$114,807	\$100,291
Administrative Expenses	(112,150)	(100,121)	(90,586)
Unexpended Operating Budget	\$15,617	\$14,686	\$9,705

Eclectic post-modern architecture of the 1970s and 1980s frequently referenced previous styles while simultaneously embracing elements like sleek glass exteriors and playful geometric shapes.



RETIREE HEALTHCARE

The Retiree Healthcare Benefits Program, or Other Post-Employment Benefits Program (OPEB Program), offers a variety of medical and dental/vision healthcare plans, as well as death/burial benefits, for two tiers of retired members. 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. The participating employers historically discharged their current healthcare premium subsidy obligations on a pay-as-you-go basis.

OPEB TRUST

Los Angeles County, Superior Court, and LACERA established an OPEB Trust that accumulates and invests assets for prefunding future retiree healthcare obligations. LACERA administers the OPEB Trust—depositing employer contributions, earning interest and investment income, and paying administrative expenses. In 2013, employers provided an initial contribution of \$448 million. Employers have made consistent contributions to the OPEB Trust, increasing amounts each year.

FIDUCIARY NET POSITION

The OPEB Trust Net Position is derived from OPEB Trust prefunding contributions of \$2 billion over the last 10 years, and when combined with investment returns, achieved the current balance of \$3.1 billion as of

Growth of the OPEB Trust

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



June 30, 2023. For the fiscal year ended June 30, 2023, additions included employer prefunding contributions of \$451.2 million, net investment income of \$247.5 million, and deductions of \$0.9 million for administrative expenses.

CONTRIBUTIONS

The County and other plan sponsors funded the current ongoing OPEB Program benefits through their operating budgets. In addition, plan sponsors made regular contributions to the OPEB Trust, which are accumulated and invested to offset future retiree healthcare benefit liabilities.

Contributions: OPEB Trust

For the Fiscal Years Ended June 30, 2023, 2022, and 2021
(Dollars in Thousands)

	2023	2022	2021
Los Angeles County	\$441,452	\$372,243	\$357,269
LACERA	3,740	3,131	1,477
Superior Court	6,000	1,000	3,955
Total Contributions¹	\$451,192	\$376,374	\$362,701

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

ANNUAL RETURNS

The OPEB Trust exceeded its policy benchmark return for all periods and was ahead of its actuarial expected return of 6.0 percent* for all periods except the five-year period. All returns are presented net of investment management fees.

*The OPEB Trust's actuarial expected return for the period ending June 30, 2023.

Annualized Total Returns (Net of Fees): OPEB Trust

As of June 30, 2023

	1 Year	3 Years	5 Years	7 Years	10 Years
OPEB Master Trust	9.3%	7.6%	5.6%	8.4%	6.5%
Master Trust Policy Benchmark*	8.2%	7.3%	5.2%	7.2%	5.5%

*OPEB Master Trust Custom Policy Benchmark for LACERA.

Net Investment Activities: OPEB Trust

(Dollars in Thousands)

Fiscal Year	Net Investment Income
2023	\$247,487
2022	(288,500)
2021	452,122
2020	6,172
2019	62,116
2018	78,746
2017	94,505
2016	(8,095)
2015	4,688
2014	35,113
10-Year Total	\$684,354

ASSET ALLOCATION

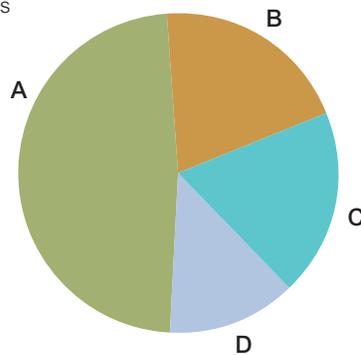
LACERA's Board approved new strategic asset allocations for the OPEB Trust in June 2021. During fiscal year 2023, LACERA selected an investment manager for the private market asset mandate for the Trust.

OPEB Trust Asset Allocation

As of June 30, 2023

Asset Categories: Functional Groups

- A** Growth Holdings 48%
- B** Credit 20%
- C** Real Assets and Inflation Hedges 19%
- D** Risk Reduction and Mitigation 13%



10-YEAR GROWTH TOTAL
\$684.4 MILLION



Modern styles emphasize innovative materials, organic forms, sustainability, and adaptable construction for evolving needs and purposes over time.

LACERA Membership

As of June 30, 2023, 2022, and 2021

			2023-2022		2022-2021		
	2023	2022	2021	Difference	% Change	Difference	% Change
Active Members	117,331	115,599	116,239	1,732	1.5%	(640)	(0.6)%
Retired Members	73,022	71,585	69,524	1,437	2.0%	2,061	3.0%
Total Membership	190,353	187,184	185,763	3,169	1.7%	1,421	0.8%

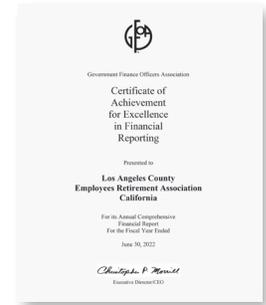
2023 Public Pension Standards Award

In 2023, LACERA received its 21st 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 25th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) presented 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, 2022. 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.

Administrative Services ≡ 318,738 ≡ Pieces of Mail Processed	Administrative Services ≡ 797,367 ≡ Member Documents Scanned & Indexed	Benefits ≡ 73,023 ≡ Monthly Retirement Allowances Paid	Benefits ≡ 3,223 ≡ New Retirees
My LACERA ≡ 119,483 ≡ Registered Members	My LACERA ≡ 243,562 ≡ Retirement Benefit Estimates	My LACERA ≡ 582,350 ≡ Visits	Member Services ≡ 215 ≡ Workshops & Benefit Fairs (10,240 attendees)
Member Services ≡ 7,684 ≡ One-on-One Counseling Sessions	Member Services ≡ 145,783 ≡ Phone Inquiries	Retiree Healthcare ≡ 67,968 ≡ Phone Inquiries	Retiree Healthcare ≡ 58,119 ≡ Annual Healthcare Packets Mailed