

LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

LACERA.COM

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Pension and OPEB Trust Funds of the
County of Los Angeles, California

Prepared by LACERA's Financial and
Accounting Services Division

PULLING TOGETHER



What's Inside

2 About LACERA

3 Our Membership

4 Pension Plan

6 Retiree Healthcare

8 Awards & Accomplishments





“Achieving our goals relies on a winning combination of diverse perspectives, unique talents, and united efforts. For the fiscal year, we continued to see solid returns as a result of our diversified investment portfolio and long-term focus, with a net return of 9.1 percent for the pension plan this fiscal year, and net returns of 8.2 and 7.4 percent for the plan’s five-year and 10-year net returns, respectively.”

— Santos H. Kreimann, Chief Executive Officer

Executive Team

LACERA’s executives are 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 Popowich

Assistant Executive Officer

Jonathan Grabel

Chief Investment Officer

Jude Perez

Deputy Chief Investment Officer

Steven P. Rice

Chief Counsel

2024 Popular Annual Financial Report

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, 2024. While the financial data presented here is derived from the ACFR, it does not replace the ACFR. This PAFR is 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 2024 ACFR and PAFR are posted on 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 (OPEB) Program for the County and outside districts. LACERA is further responsible for managing the investment 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, overseeing the investment management of the Pension Plan and OPEB Trust, and managing actuarial matters related to estimating fund liabilities and establishing contribution rates for the Pension Plan.

Trustees

As of June 30, 2024

NANCY M. DURAZO

Board of Retirement
Term Expires 2026
Elected by General Members

TREVOR G. FAY

Board of Investments
Term Expires 2024
Appointed by Board of Supervisors

MIKE GATTO

Board of Investments
Term Expires 2026
Appointed by Board of Supervisors

ELIZABETH B. GINSBERG

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

VIVIAN H. GRAY

Board of Retirement
Term Expires 2024
Elected by General Members

JASON E. GREEN

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

JAMES P. HARRIS

Board of Retirement
Alternate Trustee
Term Expires 2026
Elected by Retired Members

PATRICK L. JONES

Chair
Board of Investments
Term Expires 2026
Appointed by Board of Supervisors

SHAWN R. KEHOE

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

DEBBIE MARTIN

Board of Investments
Term Expires 2026
Elected by Retired Members

NICOLE MI

Board of Investments
Term Expires 2026
Elected by General Members

WAYNE MOORE

Board of Retirement
Term Expires 2026
Appointed by Board of Supervisors

RONALD OKUM

Secretary
Board of Retirement
Term Expires 2025
Appointed by Board of Supervisors

LES ROBBINS

Vice Chair
Board of Retirement
Term Expires 2026
Elected by Retired Members

DAVID E. RYU

Board of Retirement
Vice Chair
Board of Investments
Terms Expire 2026 (BOR) and 2025 (BOI)
Appointed by Board of Supervisors

ANTONIO SANCHEZ

Board of Retirement
Term Expires 2024
Appointed by Board of Supervisors

Vacant Trustee Seat 3 on the Board of Investments was filled by Aleen Langton through the end of 2024 after certification of the August 2024 election results.

OUR MEMBERSHIP

LACERA members work for L.A. County, the L.A. Superior Court, and four outside districts (Little Lake Cemetery District, Local Agency Formation Commission, L.A. County Office of Education, and South Coast Air Quality Management District), sustaining and supporting the community in hundreds of different professional capacities.

At our founding in 1938, LACERA had 12,250 members and 38 retirees. Our membership has consistently grown with the County over the decades. As of the fiscal year-end 2024, we had 119,961 active members and 74,781 retirees, an increase of 2,630 and 1,759, respectively, from the prior fiscal year-end.

LACERA Membership

As of June 30, 2024, 2023, and 2022

	2024	2023	2022
Active Members	119,961	117,331	115,599
Retired Members	74,781	73,022	71,585
Total Membership	194,742	190,353	187,184



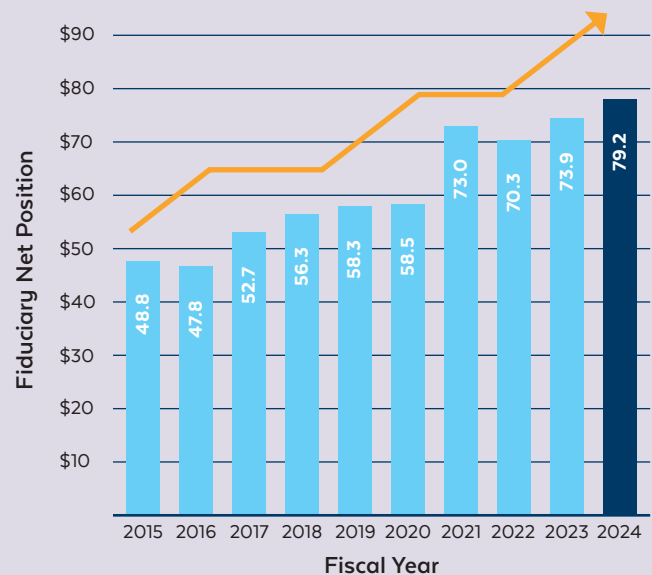
PENSION PLAN

Fiduciary Net Position

The Fiduciary Net Position (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 future retirement benefits. For the last 10 years, LACERA's Pension Fund received \$67.9 billion in contributions and investment income, while LACERA paid out \$36.4 billion in pension benefits and administrative expenses. This resulted in a \$30.4 billion net increase from \$48.8 as of June 30, 2015, bringing the total of the Pension Plan to \$79.2 billion as of June 30, 2024.

Growth of the Pension Plan

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



Changes in 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 \$3.6 billion for 2023. These amounts represent the annual change in fund balance made available for additional investments, retirement benefit payments, and LACERA's cost of operations. The increase in Fiduciary Net Position for both fiscal years was primarily due to appreciation in equity securities and interest earnings from fixed income securities held in LACERA's investment portfolio.

Additions and Deductions in Net Position: Pension Plan

For the Fiscal Years Ended June 30, 2024, 2023, and 2022
(Dollars in Millions)

	2024	2023	2022
Contributions	\$3,370	\$3,095	\$2,959
Net Investment Income/(Loss)	6,617	4,861	(1,536)
Total Additions	\$9,987	\$7,956	\$1,423
Benefits and Refunds	(\$4,518)	(\$4,281)	(\$4,045)
Administrative Expenses and Miscellaneous	(119)	(113)	(100)
Total Deductions	(\$4,637)	(\$4,394)	(\$4,145)
Net Increase/(Decrease)	\$5,350	\$3,562	(\$2,722)
Fiduciary Net Position Beginning of Year	73,852	70,290	73,012
Fiduciary Net Position End of Year	\$79,202	\$73,852	\$70,290

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 Fiduciary Net Position. 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 liability was reduced by additional investment income that increased LACERA's Net Position.

Net Pension Liability

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

	2024	2023	2022
Total Pension Liability	\$92,714	\$88,469	\$83,931
Less: Fiduciary Net Position	(79,202)	(73,852)	(70,290)
Net Pension Liability	\$13,512	\$14,617	\$13,641
Fiduciary Net Position as a Percentage of Total Pension Liability	85.4%	83.5%	83.8%

Annual Investment Returns

LACERA's Pension Plan investment returns (see table below) outperformed its policy benchmark for all periods except the one-year period and exceeded the actuarial expected return of 7.0 percent for all periods reported except the three-year period. All returns are presented net of investment management fees.

Annualized Total Returns (Net-of-Fees): Pension Plan

As of June 30, 2024

	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%

*Total Fund Policy Custom Benchmark for LACERA

Net Investment Activities: Pension Plan

(Dollars in Thousands)

Fiscal Year	Net Investment Income
2024	\$6,593,869
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
10-Year Total	\$43,014,045

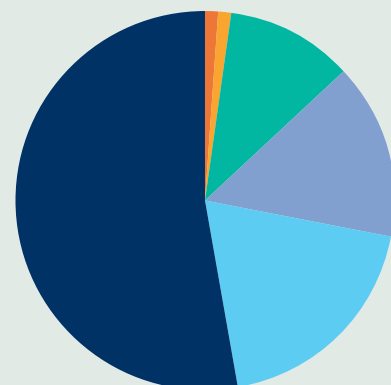
Asset Allocation Policy

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 Board approved a new strategic asset allocation for the Pension Plan during the 2024 fiscal year.

Pension Plan Asset Allocation

As of June 30, 2024

- Growth **53%**
- Risk Reduction and Mitigation **19%**
- Real Assets and Inflation Hedges **15%**
- Credit **11%**
- Overlays & Hedges **1%**
- Other Assets **1%**



Funded Status

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2023 and determined the funded ratio of the actuarial assets compared to the actuarial accrued liabilities. The 0.3 percentage point increase in funded ratio for valuation date June 30, 2023 was primarily due to additional employer contributions, which are required to help improve the funded status of the Plan.

Funded Ratio: Pension Plan

For the Last Three Actuarial Valuations

Valuation Date	Funded Ratio
June 30, 2023	79.9%
June 30, 2022	79.6%
June 30, 2021	79.3%

Annual Administrative Budget

The LACERA Board of Retirement and Board of Investments trustees jointly approve the annual operating budget. The actual expenditures were \$17.1 million less than the amount budgeted for fiscal year 2024.

Administrative Expenses

As of June 30, 2024
(Dollars in Millions)

	2024	2023	2022
Operating Budget Request	\$135,748	\$127,767	\$114,807
Administrative Expenses	(118,628)	(112,150)	(100,121)
Underexpended Operating Budget	\$17,120	\$15,617	\$13,641

RETIREE HEALTHCARE

The LACERA-administered Retiree Healthcare Benefits Program (OPEB Program) offers medical, dental/vision plans, and death/burial benefits for two tiers of retired members. For Tier 1 members, the County subsidy covers the member and/or eligible dependents. For Tier 2, the subsidy is limited to the member only and the qualifying survivor upon the member's death. The participating employers pay their healthcare premium subsidy obligations on a pay-as-you-go basis.

OPEB Trust

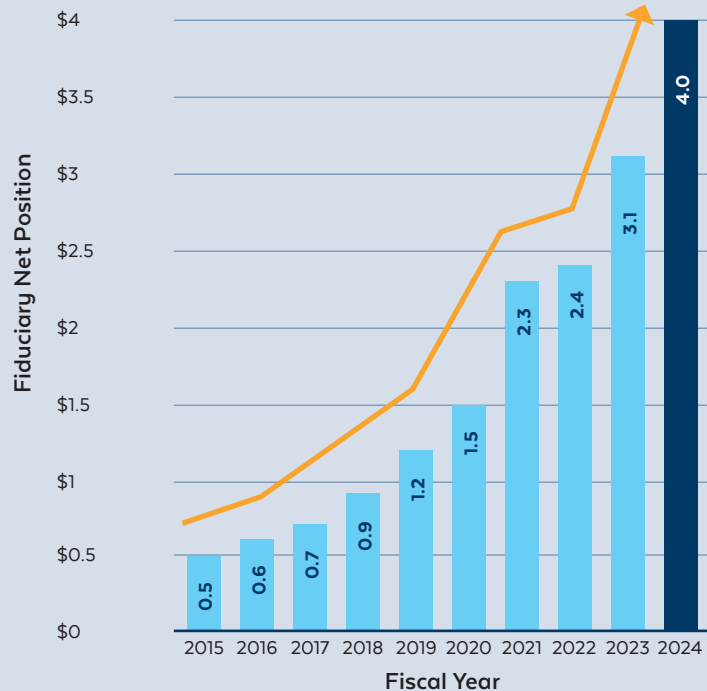
Los Angeles County, Superior Court, and LACERA established an OPEB Trust to prefund future retiree healthcare obligations. LACERA administers the Trust by depositing employer contributions, earning interest and investment income, and paying expenses to administer the Trust. In 2013, employers made an initial contribution of \$448 million. Since then, employers have consistently increased their contributions each year.

Fiduciary Net Position

The OPEB Trust Net Position is derived from \$2.5 billion in prefunding contributions over the last 10 years, and when combined with investment returns and administrative expenses, achieved the current balance of \$4.0 billion as of June 30, 2024. For the fiscal year ended June 30, 2024, additions included employer prefunding contributions of \$518.7 million, net investment income of \$368.4 million, and deductions of \$1.1 million for administrative expenses.

Growth of the OPEB Trust

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



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, 2024, 2023, and 2022
(Dollars in Thousands)

	2024	2023	2022
Los Angeles County	\$503,390	\$441,452	\$372,243
LACERA	4,307	3,740	3,131
Superior Court	11,000	6,000	1,000
Total Contributions¹	\$518,697	\$451,192	\$376,374

¹Contributions 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 returns (see table below) for all periods and was ahead of its actuarial expected return of 6.0 percent for all periods except the three-year period. All returns are presented net of investment management fees.

Annualized Total Returns (Net-of-Fees): OPEB Trust

As of June 30, 2024

	1 Year	3 Years	5 Years	7 Years	10 Years
OPEB Trust	11.0%	2.5%	6.7%	7.0%	6.8%
Policy Benchmark*	10.5%	2.1%	6.2%	6.5%	5.8%

*OPEB Trust Custom Policy Benchmark for LACERA

Net Investment Activities: OPEB Trust

(Dollars in Thousands)

Fiscal Year	Net Investment Income
2024	\$368,411
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
10-Year Total	\$1,017,652

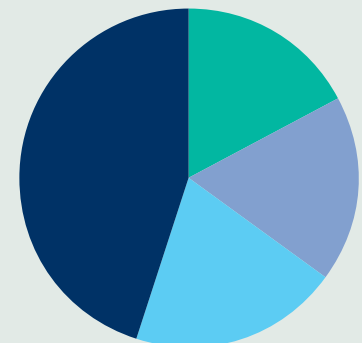
Asset Allocation

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 Board approved a new strategic asset allocation for the OPEB Trust during fiscal year 2024.

- Growth **45%**
- Real Assets and Inflation Hedges **20%**
- Credit **18%**
- Risk Reduction & Mitigation **17%**

OPEB Trust Asset Allocation

As of June 30, 2024

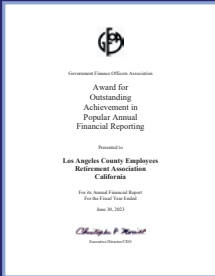


AWARDS



2024 Public Pension Standards Award

In 2024, LACERA received its 22nd 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 26th 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, 2023. 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 fulfill our mission. Following are some of the divisions' fiscal year statistics.

Administrative
Services

321,474

Pieces of Mail
Processed

Administrative
Services

704,894

Member Documents
Scanned & Indexed

Benefits

75,226

Monthly Retirement
Allowances Paid

Benefits

3,439

New Retirees

My LACERA

130,052

Registered Members

My LACERA

259,135

Retirement Benefit
Estimates

My LACERA

582,214

Visits

Member Services

237

Workshops & Benefit
Fairs
(12,800 attendees)

Member Services

9,307

One-on-One
Counseling Sessions

Member Services

118,277

Phone Inquiries

Retiree Healthcare

56,141

Phone Inquiries

Retiree Healthcare

58,120

Annual Healthcare
Packets Mailed