

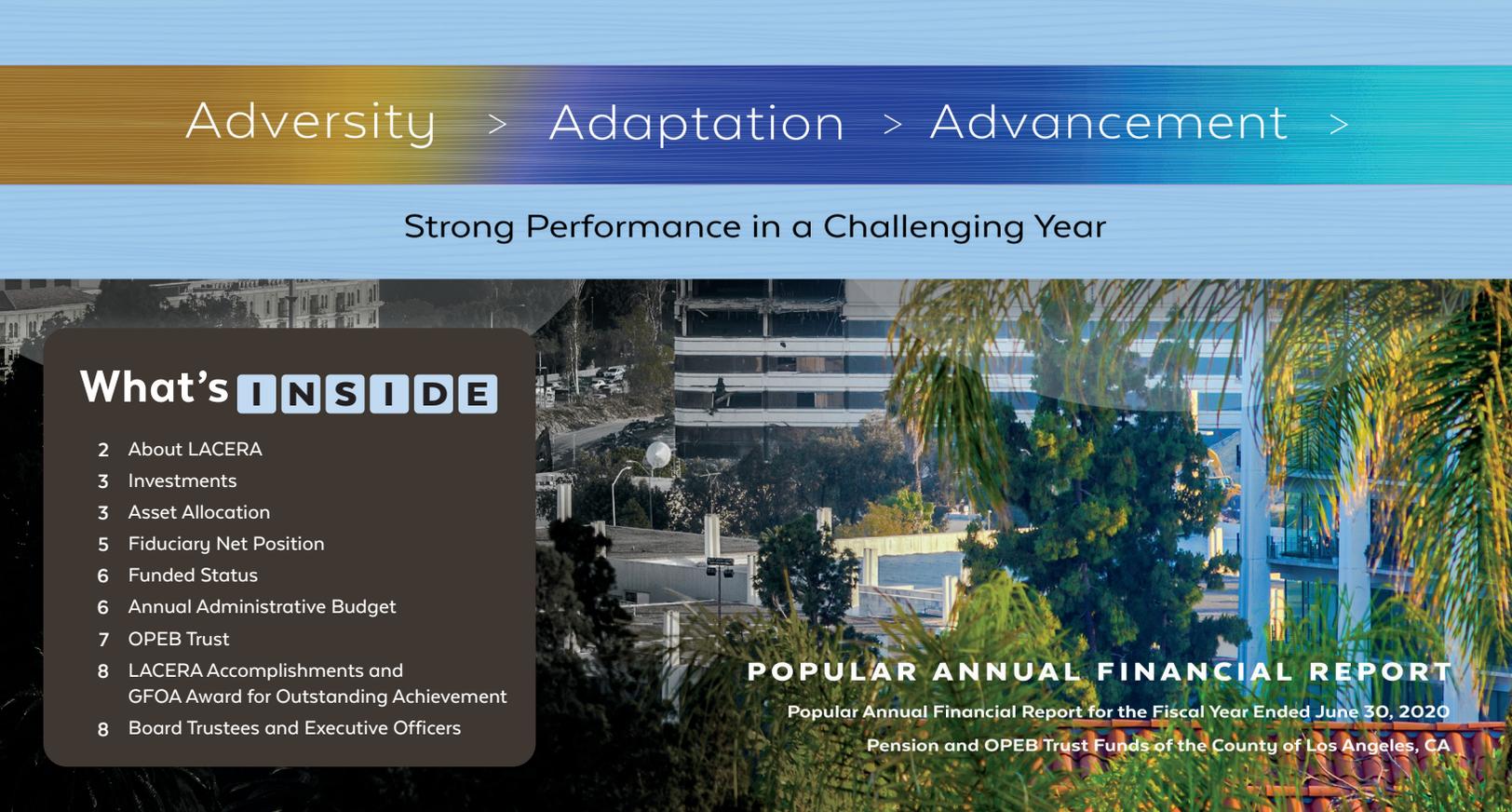
A photograph of a city skyline with several skyscrapers under a blue sky with light clouds. A palm tree is visible in the foreground on the right. The image is overlaid with large, semi-transparent blue and white circular and polygonal shapes.

Adversity > Adaptation > Advancement >

Strong Performance in a Challenging Year

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POPULAR ANNUAL FINANCIAL REPORT

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2020

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



In a year full of adverse events, we adapted to changes and ultimately advanced as an organization. Our ongoing strategic management of the trusts paid off, mitigating market downturns and maintaining positive long-term returns.

Santos H. Kreimann
Chief Executive Officer

This Popular Annual Financial Report (PAFR) of the Los Angeles County Employees Retirement Association (LACERA) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020; it does not replace the CAFR. Financial data presented herein is derived from the CAFR and prepared in accordance with the Governmental Accounting Standards Board's reporting guidelines and Generally Accepted Accounting Principles of the United States of America (GAAP). The CAFR is available at www.lacera.com/investments/Annual_Report/cafr.html.

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. Since 1971, LACERA has also administered the Retiree Healthcare Benefits Program.

OUR SERVICES

LACERA is an independent governmental entity, separate and distinct from the County of Los Angeles (County), that administers and manages the retirement fund for the County and Outside Districts. We are the largest county retirement system in the United States, and our mission is to produce, protect, and provide the promised benefits.

OUR MANAGEMENT

LACERA is governed by two boards. Both boards are composed of elected and appointed trustees. The LACERA Board of Retirement is responsible for the overall management of the retirement system and the LACERA-administered Retiree Healthcare Benefits Program (or Other Post-Employment Benefits Program), which is subsidized by the County. The LACERA 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.

COVID-19 RESPONSE

In early February 2020, LACERA began taking action to address the COVID-19 global pandemic. Health and safety were immediate concerns with a primary focus on several factors, including the well-being of LACERA staff and the organization's ability to provide service and benefits to LACERA's members. The Executive Office quickly developed plans, and management executed them diligently. LACERA also began to monitor local and global events related to the pandemic and consider potential impacts to external business partners. During the last three months of the fiscal year, LACERA continued to pay member benefits without exception, and received contributions from plan sponsors as scheduled, including those for both the Pension Plan and the Other Post-Employment Benefits Trust. The Investments Office monitored market volatility and maintained LACERA's cash position. Additional administrative funding to address emergency costs was approved by LACERA's governing boards, primarily used for information technology expenditures.

In April 2020, the LACERA Call Center, which serves as the centralized customer service outlet, was reestablished through a remote platform, with the ability to provide all regular member services. Member retirement counseling via video conference was also deployed and received high ratings from members. Despite LACERA's compromised position to interact with members, all members who elected to retire by March 31 were processed and included in the April month-end benefits payroll cycle.

LACERA continues navigating through these turbulent times with continuous guidance from the Trustees of both LACERA's governing boards. The actions taken by LACERA's boards and executive leadership have resulted in a healthy financial position at the end of June and thereafter. Although the economic and investment environments can sometimes present unique challenges, LACERA's plan sponsors continued to provide regular contributions and the investment portfolio generated a positive return. In conjunction with a fund balance of over \$58 billion, this allowed LACERA to pay the retirement benefits and provide retiree healthcare for members without delays. The organization's administrative budgeted expenditures and financial flows, including the ability to pay benefits,

remained consistent with prior years. LACERA, from a financial perspective, has remained steady through this pandemic, maintaining a long-term focus and investment strategy, as we closed the fiscal period and prepared for the next one.

As of year-end, LACERA continues serving members through a remote call center. Although member transactions are handled a little differently, LACERA continues to provide the same superior service that members have come to expect. For maximum safety and convenience, it is also expanding self-service transactions and account information via the My LACERA member portal.

INVESTMENTS

LACERA is responsible for the administration and investment of two separate funds (Fund or Funds): the County defined benefit retirement plan (Pension Plan or Plan), the assets of which provide retirement benefits for employees of the County and Outside Districts; and the LACERA Other Post-Employment Benefits Trust (OPEB Trust or Trust), the assets of which are accumulated to provide benefits such as retiree healthcare for employees of the County, LACERA, and the Superior Court of California (Court).

Size of fund in
2011:
\$39.4 Billion

Size of fund in
2020:
\$58.5 Billion

ASSET ALLOCATION

In its role as a fiduciary, the LACERA Board of Investments adopts and periodically reviews distinct Investment Policy Statements (IPS), which provide an overall framework for the governance and management of the Pension Plan and the OPEB Trust assets. A fundamental principle that serves as the cornerstone of each Fund's IPS and implementation approach is that the Funds are managed for the sole benefit of 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. During fiscal year 2018, the LACERA Board of Investments conducted a strategic asset allocation analysis for both the Pension Plan and OPEB Trust and approved updated investment return assumptions, additional investment strategies, and a new asset allocation overlay that will enhance the focus on risk management across both portfolios. During fiscal year 2019, LACERA staff

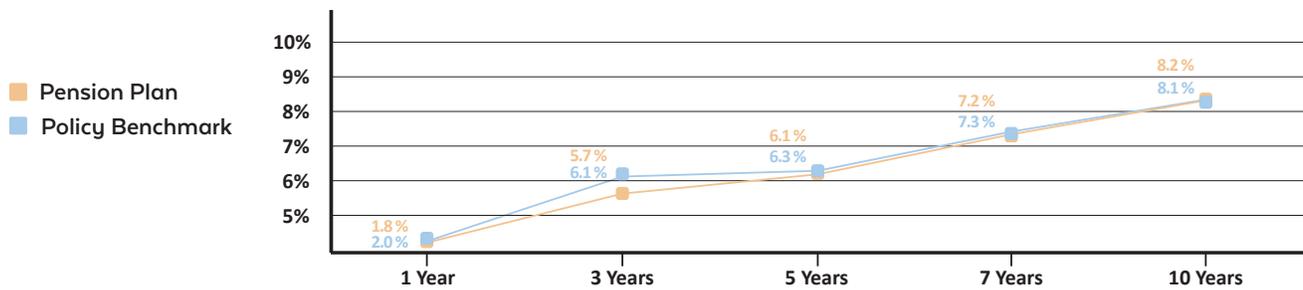
worked together internally and closely with its external service providers to transition the new functional asset allocation strategy. By June 30, 2019, the new model was implemented, having completed the re-categorization of Pension Plan assets, repositioned assets where necessary, and updated communications to the LACERA Board of Investments pertinent to the new strategy. During 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. Additionally, LACERA completed the implementation of the Pension Plan's transition to its strategic allocation target weights. The Investment Policy Statements require an asset liability study to be conducted no later than every three to five years, and these reviews are expected to be completed in the upcoming fiscal year.

PENSION PLAN ANNUAL RETURNS

For the fiscal year ended June 30, 2020, the Pension Plan returned 1.8 percent. As illustrated below, the Pension Plan's return exceeded the policy benchmark and actuarial assumed rate of return over 10 years, but was slightly below its policy benchmark for the past fiscal year, and the three-, five-, and seven-year periods. LACERA's goal is to meet or slightly exceed each Fund's policy benchmark over a full market cycle and, with respect to the Pension Plan, achieve its actuarial expected return assumption of 7.0 percent over in the long term. All returns are presented net of investment management fees. Historical performance for the Pension Plan for the fiscal year ended June 30, 2020 is presented below.

Annualized Total Returns (Net of Fees) – Pension Plan

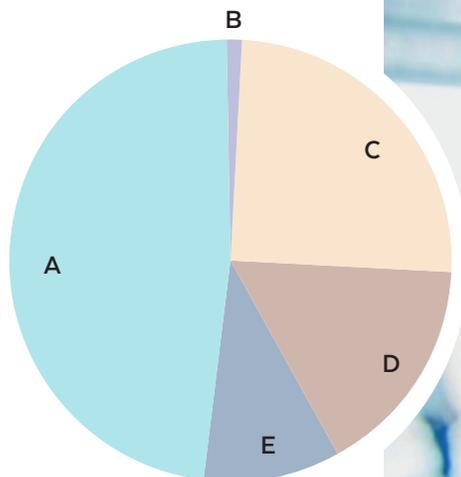
For the Fiscal Year Ended June 30, 2020



Pension Plan Asset Allocation

As of June 30, 2020

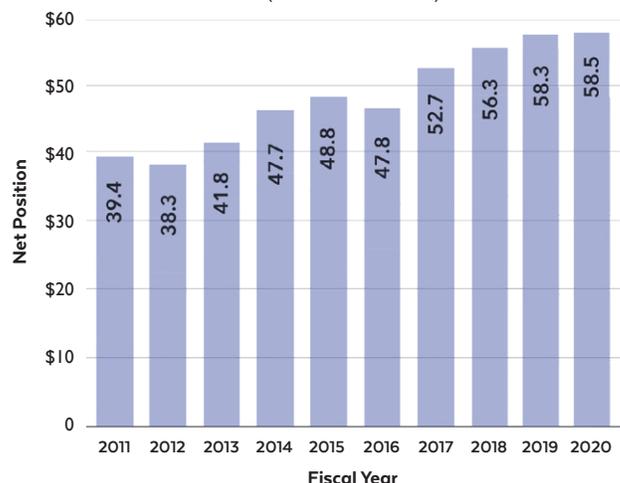
- A** Growth 48%
- B** Overlay Composite 1%
- C** Risk Reduction and Mitigation 25%
- D** Real Assets and Inflation Hedges 16%
- E** Credit 10%



Over the last 10 years, LACERA's Pension Plan has grown steadily in size from \$39.4 billion to \$58.5 billion. The LACERA Board of Investments strives to implement policies that position the portfolio for continued long-term growth.

Growth of the Pension Plan

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



PENSION PLAN

FIDUCIARY NET POSITION

As of June 30, 2020, the Fiduciary Net Position Restricted for Benefits totaled \$58.5 billion, and represents the assets available for future payments to retirees and their beneficiaries. This amount represents an increase of \$215 million, or 0.4 percent, from the prior year.

The primary sources that finance the promised benefits LACERA provides are investment income and the collection of member (employee) and plan sponsors

(employers) retirement contributions. For fiscal year 2020, Total Additions amounted to \$3.9 billion, achieved through investment returns and retirement contributions.

The primary uses of LACERA's assets include the payment of promised benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the Plan. Total Deductions for fiscal year 2020 amounted to \$3.7 billion.

Additions and Deductions in Fiduciary Net Position — Pension Plan

For the Fiscal Years Ended June 30, 2020, 2019, and 2018

(Dollars in Millions)

	2020	2019	2018
Contributions	\$2,459	\$2,304	\$2,116
Net Investment Income/(Loss)	1,448	3,181	4,722
Total Additions/(Declines)	\$3,907	\$5,485	\$6,838
Benefits and Refunds	(\$3,607)	(\$3,407)	(\$3,203)
Administrative Expenses and Miscellaneous	(85)	(83)	(79)
Total Deductions	(\$3,692)	(\$3,490)	(\$3,282)
Net Increase/(Decrease)	215	1,995	3,556
Fiduciary Net Position Beginning of Year	58,295	56,300	52,744
Fiduciary Net Position at End of Year	\$58,510	\$58,295	\$56,300

FUNDED STATUS

LACERA’s independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2019 and determined that the Funded Ratio of the actuarial assets to the actuarial accrued liabilities decreased to 77.2 percent, as compared to 80.6 percent as of the prior June 30, 2018 valuation.

LACERA Funded Ratio

For the Last Five Actuarial Valuations

Valuation Date	Funded Ratio
June 30, 2019	77.2 %
June 30, 2018	80.6 %
June 30, 2017	79.9 %
June 30, 2016	79.4 %
June 30, 2015	83.3 %

LACERA Membership

As of June 30, 2020 and 2019

	2020	2019	2020 Difference	2020 % Change
Active Members	116,289	115,373	916	0.8%
Retired Members	67,988	66,502	1486	2.2%
Total Membership	184,277	181,875	2,402	1.3%

COST-OF-LIVING ADJUSTMENTS

LACERA members may receive more than one type of cost-of-living adjustment (COLA).

COLA (“April 1st COLA”): By law, LACERA retirement and survivor allowances are subject to an annual cost-of-living adjustment (COLA). The adjustment is driven by changes in the cost of living over the previous 12-month period as of December 31.

Each year, the LACERA Board of Retirement is required to review the Bureau of Labor Statistics Consumer Price Index for all Urban Consumers in the Los Angeles-Long Beach-Anaheim metro area to determine whether there has been an increase or decrease in the cost of living over the prior year. The difference is reflected as a percentage. 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.

By law, LACERA applies the percentage of annual increase or decrease in the cost of living, rounded to the nearest

one-half of one percent, to each total retirement and survivor allowance. Any percentage above the maximum allowable amount is added to the COLA Accumulation to supplement future COLA benefits. The adjustment is effective annually on April 1 and begins with April allowances. Members who retired prior to April 1 and eligible survivors of members who died prior to April 1 are eligible for a COLA.

On February 5, 2020, the LACERA Board of Retirement approved the maximum allowable COLA increases based on retirement plan for retirees and eligible survivors, which was effective April 1, 2020.

Plan E COLA: Effective June 4, 2002, Plan E members and their survivors are also eligible for a COLA. Until 2002, only contributory members were eligible. 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.

ANNUAL ADMINISTRATIVE BUDGET

For fiscal year 2020, the LACERA Boards of Retirement and Investments jointly approved the \$94.6 million annual operating budget. The actual expenditures were

\$85.4 million, which represents an underexpenditure of \$9.2 million, or 9.7 percent below the amount budgeted as of June 30, 2020.

OPEB TRUST

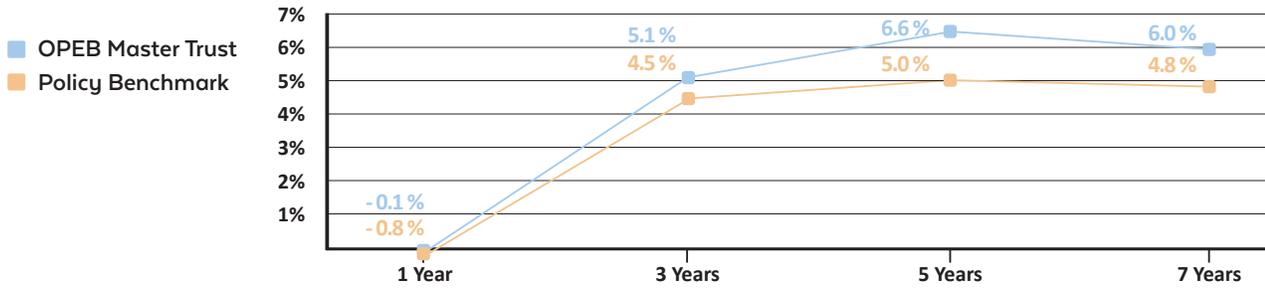
ANNUAL RETURNS

For the fiscal year ended June 30, 2020, the OPEB Trust exceeded its policy benchmarks during the past fiscal year and for the three-, five-, and seven-year periods. Over the five- and seven-year periods, it met or exceeded its

actuarial expected return of 6.0 percent. All returns are presented net of investment management fees. Historical performance for the OPEB Trust for the fiscal year ended June 30, 2020 is presented below.

Annualized Total Returns (Net of Fees) – OPEB Trust

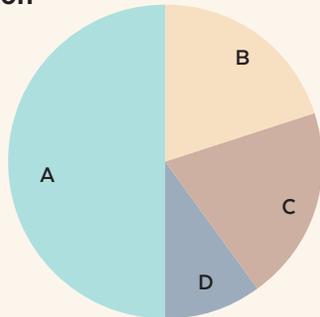
For the Fiscal Year Ended June 30, 2020



OPEB Trust Asset Allocation

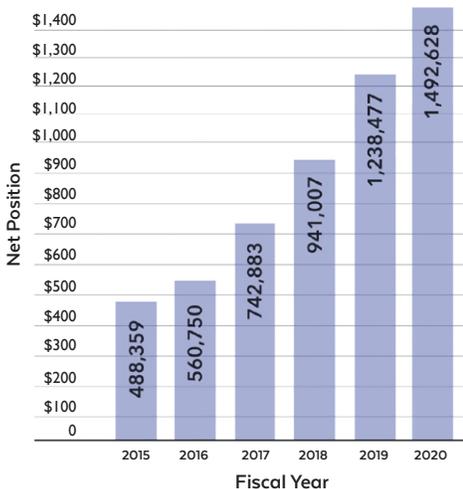
As of June 30, 2020

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



Growth of the OPEB Trust

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



The County and other plan sponsors continue to fund 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, 2020 and 2019

(Dollars in Thousands)

	2020	2019
Los Angeles County	\$246,197	\$230,495
LACERA	1,029	940
Superior Court	1,000	4,178
Total Contributions¹	\$248,226	\$235,613

¹ Contributions are limited to OPEB Trust prefunding and exclude pay-as-you-go contributions as included in OPEB Trust employer contributions in the Statement of Changes in Fiduciary Net Position.

The OPEB Trust has tripled over the past six years due to contributions from the County, LACERA, and the Superior Court, as well as investment earnings. The Net Positions include net investment income of \$6.2 million and administrative expense of \$0.2 million as of June 30, 2020. The total Net Position for the OPEB Trust as of fiscal year ended June 30, 2020 is \$1.5 billion, which has been set aside to pay for future benefits.

Accomplishments

Administrative Services 327,553 Pieces of Mail Processed	Administrative Services 890,567 Member Documents Scanned & Indexed	Benefits 69,747 Monthly Retirement Allowances Paid	Benefits 3,010 New Retirees	lacera.com My LACERA 88,357 Registered Members	lacera.com My LACERA 290,670 Visits
lacera.com My LACERA 200,095 Retirement Benefit Estimates	Member Services 377* Workshop & Benefits Fairs (13,705* Attendees)	Member Services 17,186* One-on-one Counseling Sessions	Member Services 109,482* Call Center Phone Calls	Retiree Healthcare 52,254* Call Center Phone Calls	Retiree Healthcare 55,014 Annual Healthcare Packets Mailed

*Statistics were impacted by the ongoing closure of our in-person service center, temporary call center closures, and cancellation of workshops and benefit fairs.

Award for Outstanding Achievement in Popular Annual Financial Reporting

For the 22nd 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, 2019. 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.

Board Trustees

ALAN J. BERNSTEIN

Board of Investments
 Term Expires 2021
 Appointed by Board of Supervisors

ELIZABETH 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

Chair
 Board of Investments
 Term Expires 2020
 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 2020
 Elected by Retired Members

SHAWN R. KEHOE

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

KEITH KNOX

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

WAYNE MOORE

Board of Retirement
 Term Expires 2022
 Appointed by Board of Supervisors
Secretary
 Board of Investments
 Term Expires 2020
 Appointed by Board of Supervisors

DAVID L. MUIR

Board of Investments
 Term Expires 2020
 Elected by Retired Members

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 2020
 Elected by Retired Members

GINA V. SANCHEZ

Board of Investments
 Term Expires 2020
 Appointed by Board of Supervisors

HERMAN B. SANTOS

Chair
 Board of Retirement
 Term Expires 2020
Vice Chair
 Board of Investments
 Term Expires 2021
 Elected by General Members

THOMAS WALSH

Board of Retirement
 Term Expires 2020
 Appointed by Board of Supervisors

GINA ZAPANTA

Secretary
 Board of Retirement
 Term Expires 2020
 Appointed by Board of Supervisors

Executive Officers

Santos H. Kreimann
 Chief Executive Officer

JJ Popowich
 Assistant Executive Officer