IN PERSON & VIRTUAL BOARD MEETING

NOVEMBER 17, 2022 8:00 AM

AUDIT COMMITTEE MEETING

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You may submit a request to speak during Public Comment or provide a written comment by emailing PublicComment@lacera.com. If you would like to remain anonymous at the meeting without stating your name, please let us know.

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LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
300 N. LAKE AVENUE, SUITE 650, PASADENA, CA

AGENDA

A REGULAR MEETING OF THE AUDIT COMMITTEE

AND BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CALIFORNIA 91101

8:00 A.M., THURSDAY, NOVEMBER 17, 2022

This meeting will be conducted by the Audit Committee both in person and by teleconference under California Government Code Section 54953(e).

Any person may view the meeting online at
http://lacera.com/leadership/board-meetings

The Committee may take action on any item on the agenda and agenda items may be taken out of order.

2022 AUDIT COMMITTEE MEMBERS
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

AUDIT COMMITTEE CONSULTANT
Robert H. Griffin

I. CALL TO ORDER

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Audit Committee Meeting of August 18, 2022

III. PUBLIC COMMENT

(Written Public Comment - You may submit written public comments by email to PublicComment@lacera.com. Correspondence will be made part of the official record of the meeting. Please submit your written public comments or documentation as soon as possible and up to the close of the meeting.

Verbal Public Comment - You may also request to address the Committee. A request to speak must be submitted via email to PublicComment@lacera.com. We will contact you with information and instructions as to how to access the meeting as a speaker. If you would like to remain anonymous at the meeting without stating your name, please let us know.)

IV. CONSENT ITEMS

A. Recommendation as submitted by Steven P. Rice, Chief Counsel: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that other public agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days as part of hybrid meetings also in person, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of statute. (Memo dated October 31, 2022)

V. NON-CONSENT ITEMS

A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Kathryn Ton, Senior Internal Auditor: That the Audit Committee approve the engagement of KPMG LLP (KPMG) to perform a consulting review of LACERA's Investment Office's Operational Due Diligence Program and Processes. (Memo dated October 28, 2022)

B. Recommendation as submitted by Christina Logan, Principal Internal Auditor and Gabriel Tafoya, Senior Internal Auditor: That the Audit Committee review and approve a one-year extension for Plante Moran (PM) to perform a SOC-1 Type 2 (SOC) audit for Fiscal Year Ending (FYE) June 2023. (Memo dated October 21, 2022)

V. NON-CONSENT ITEMS (Continued)

C. Recommendation as submitted by George Lunde, Senior Internal Auditor: That the Audit Committee review and discuss the Los Angeles County's Compliance with Requirements for Rehired Retirees - Fiscal Year Ended June 30, 2021and take the following action(s):

1. Accept and file report,

2. Instruct staff to forward report to Boards or Committees,

3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or

4. Provide further instruction to staff.
(Memo dated November 7, 2022)

D. Recommendation as submitted by George Lunde, Senior Internal Auditor: That the Audit Committee review and discuss the BoardVantage Secure Document Access Review and take the following action(s):

1. Accept and file report,

2. Instruct staff to forward report to Boards or Committees,

3. Make recommendations to the Boards or Committees regarding actions
as may be required based on audit findings, and/or

4. Provide further instruction to staff.
(Memo dated October 28, 2022)

VI. REPORTS

A. Audited Financial Statements
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated November 8, 2022)

B. Management's Response to Plante Moran's Comments to Management
Luis A. Lugo, Deputy Chief Executive Officer
(Memo dated November 1, 2022)

VI. REPORTS (Continued)

C. FYE 2023 Audit Plan Status Report
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated November 1, 2022)

D. Review of Privacy Audit Recommendations – FYE 2022 Update
Kristina Sun, Senior Internal Auditor
(Memo dated October 25, 2022)

E. Recommendation Follow-Up Report
Kristina Sun, Senior Internal Auditor
(Memo dated October 25, 2022)

F. Recommendation Follow-Up for Sensitive Information Technology Areas
Gabriel Tafoya, Senior Internal Auditor
(Memo dated October 15, 2022)

G. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

H. Internal Audit Staffing Activity Report
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

I. Continuous Auditing Program (CAP)
George Lunde, Senior Internal Auditor
(For Information Only) (Memo dated November 1, 2022)

J. Ethics Hotline Status Report
Kathryn Ton, Senior Internal Auditor
(For Information Only) (Memo dated October 31, 2022)

VII. CONSULTANT COMMENTS
Robert H. Griffin,
Audit Committee Consultant
(Verbal Presentation)

VIII. ITEMS FOR STAFF REVIEW

(This item summarizes requests and suggestions by individual trustees during the meeting for consideration by staff. These requests and suggestions do not constitute approval or formal action by the Board, which can only be made separately by motion on an agendized item at a future meeting.)

IX. ITEMS FOR FUTURE AGENDAS

(This item provides an opportunity for trustees to identify items to be included on a future agenda as permitted under the Board's Regulations.)

X. GOOD OF THE ORDER

(For Information Purposes Only)

XI. EXECUTIVE SESSION

A. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957)

Consultation with: Plante Moran, Terry Olejnik, Engagement Partner, Kyle Cawley, Engagement Senior Manager, LACERA Chief Audit Executive Richard P. Bendall, LACERA Chief Executive Officer, Santos H. Kreimann, Deputy Chief Executive Officer, Luis Lugo, Systems Division Interim Manager, Kathy Delino, Chief Information Security Officer, Bob Schlotfelt, and other LACERA Staff.

B. Performance Evaluation – Chief Audit Executive Goals Report
(Pursuant to Government Code Section 54957(b)(1)]
(FOR AUDIT COMMITTEE ONLY PER COUNTY SALARY ORDINANCE 6.127.040.S.1)

Title: Chief Audit Executive

XII. ADJOURNMENT

The Board of Retirement and Board of Investments have adopted a policy permitting any member of the Boards to attend a standing committee meeting open to the public. In the event five (5) or more members of either the Board of Retirement and/or the Board of Investments (including members appointed to the Committee) are in attendance, the meeting shall constitute a joint meeting of the Committee and the Board of Retirement and/or Board of Investments. Members of the Board of Retirement and Board of Investments who are not members of the Committee may attend and participate in a meeting of a Board Committee but may not vote on any matter discussed at the meeting. Except as set forth in the Committee's Charter, the only action the Committee may take at the meeting is approval of a recommendation to take further action at a subsequent meeting of the Board.

Documents subject to public disclosure that relate to an agenda item for an open session of the Board and/or Committee that are distributed less than 72 hours prior to the meeting will be available for public inspection at the time they are distributed to a majority of the members of any such Board and/or Committee at LACERA's offices at 300 N. Lake Avenue, Suite 820, Pasadena, CA 91101 during normal business hours [e.g., 8:00 a.m. to 5:00 p.m. Monday through Friday].

Requests for reasonable modification or accommodation of the telephone public access and Public Comments procedures stated in this agenda from individuals with disabilities, consistent with the Americans with Disabilities Act of 1990, may call the Board Offices at (626) 564-6000, Ext. 4401/4402 from 8:30 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.com, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE REGULAR MEETING OF THE AUDIT COMMITTEE AND

BOARD OF RETIREMENT AND BOARD OF INVESTMENTS

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 N. LAKE AVENUE, SUITE 810, PASADENA, CA 91101

8:00 A.M., MONDAY, AUGUST 18, 2022

This meeting was conducted by teleconference pursuant to the Governor's Executive Order N-29-20.

PRESENT: Gina V. Sanchez, Chair

Joseph Kelly, Vice Chair (Joined the meeting at 8:06 a.m.)

Patrick L. Jones, Secretary

Alan J. Bernstein (Left the meeting at 8:47 a.m.)

Keith Knox

Wayne Moore

Herman B. Santos

MEMBERS AT LARGE

Vivian Gray, Board of Retirement

Onyx Jones, Board of Investments

STAFF, ADVISORS, PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

Jonathan Grabel, Chief Investment Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Laura Guglielmo, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

Steven P. Rice, Chief Counsel

Jasmine Bath, Senior Staff Counsel

Ted Granger, Interim Chief Financial Officer

Leisha E. Collins, Principal Internal Auditor

Christina Logan, Principal Internal Auditor

Nathan K. Amick, Senior Internal Auditor

George Lunde, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Alyssa Martin, Engagement Partner, Weaver & Tidwell, LLP

Adam Jones, Strategic Governance Director, Weaver & Tidwell, LLP

Marci Sundbeck, Process Evaluation Lead, Weaver & Tidwell, LLP

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

The meeting was called to order virtually by Chair Sanchez at 8:00 a.m.

II. APPROVAL OF MINUTES

A. Approval of the Minutes of the Special Audit Committee Meeting of May 9, 2022

II. APPROVAL OF MINUTES (Continued)

Mr. Moore made a motion, Mr. Knox seconded, to approve the minutes of the Special Audit Committee meeting of May 9, 2022. The motion passed (roll call) with Messrs. Bernstein, Jones, Knox, Moore, Santos and Ms. Sanchez voting yes. Mr. Kelly was absent from the vote.

III. PUBLIC COMMENT

There were no requests from the public to speak.

IV. CONSENT ITEMS

A. Recommendation as submitted by Steven P. Rice, Chief Council: That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that the County of Los Angeles and other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of the statute.
(Memo dated July 25, 2022)

Mr. Rice was present and answered questions from the Committee.

Mr. Santos made a motion, Mr. Knox seconded, to approve staff's recommendations. The motion passed (roll call) with Messrs. Bernstein, Jones, Knox, Moore, Santos and Ms. Sanchez voting yes. Mr. Kelly was absent from the vote.

A. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive: That the Audit Committee review and approve the Fiscal Year Ending 2023 Audit Plan. (Memo dated August 5, 2022)

V. NON-CONSENT ITEMS (Continued)

Ms. Logan provided a brief presentation. Mr. Kreimann and Ms. Guglielmo were present and answered questions from the Committee.

Mr. Bernstein made a motion, Mr. Knox seconded, to accept staff's recommendation. The motion passed (roll call) with Messrs. Bernstein, Jones, Kelly Knox, Moore, Santos and Ms. Sanchez voting yes.

B. Recommendation as submitted by Christina Logan, Principal Internal Auditor and Nathan K. Amick, Senior Internal Auditor: The Audit Committee approve our request to release a Request for Proposal (RFP) for a Financial Auditor. The RFP will request certified public accounting firms submit bids to audit LACERA's annual financial statements for fiscal years ending June 30, 2023 – 2027, with an option to extend for up to two years. (Memo dated August 1, 2022)

Mr. Amick provided a brief presentation. Messrs. Kreimann, Lugo and Grabel and Ms. Logan were present and answered questions from the Committee.

Mr. Kelly made a motion, Mr. Knox seconded, to approve staff's recommendation. The motion passed (roll call) with Messrs. Jones, Kelly, Knox, Moore, Santos, and Ms. Sanchez voting yes. Mr. Bernstein was absent from the vote.

(Mr. Bernstein left the meeting at 8:47 a.m.)

C. Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Kathryn Ton, Senior Internal Auditor: That the Audit Committee approve the engagement of KPMG LLP (KPMG) to perform a consulting review of LACERA's Investment Office's Operational Due Diligence Program and Processes.
(Memo dated August 1, 2022)

V. NON-CONSENT ITEMS (Continued)

This item was pulled by staff for further development.

D. Recommendation as submitted by Christina Logan, Principal Internal Auditor and Kristina Sun, Senior Internal Auditor: That the Audit Committee review and discuss the Organizational Governance Assessment and take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.
(Memo dated August 1, 2022)

Ms. Martin, Ms. Sundbeck and Mr. Jones provided a brief presentation.

Messrs. Kreimann, Griffin and Ms. Logan were present and answered questions from the Committee.

Mr. Kelly made a motion, Mr. Moore seconded, to accept and file staff's recommendation and request a management response for each recommendation in alignment with the strategic planning efforts. The motion passed (roll call) with Messrs. Jones, Kelly, Knox, Moore, Santos, and Ms. Sanchez voting yes. Mr. Bernstein was absent from the vote.

V. NON-CONSENT ITEMS (Continued)

E. Recommendation as submitted by Kristina Sun, Senior Internal Auditor: That the Audit Committee review and discuss the Risk and Control Assessment - Retired Healthcare Division and take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.
(Memo dated July 22, 2022)

Mr. Kelly made a motion, Mr. Knox seconded, to accept and file staff's report and include the observations from the report on the Recommendation Follow-up Report and further define consulting engagements. The motion passed (roll call) with Messrs. Jones, Kelly, Knox, Moore, Santos, and Ms. Sanchez voting yes. Mr. Bernstein was absent from the vote.

F. Recommendation as submitted by Nathan K. Amick, Senior Internal Auditor: That the Audit Committee review and discuss the Audit of LACERA's Rehired Retiree Program and take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions
as may be required based on audit findings, and/or
4. Provide further instruction to staff.
(Memo dated August 8, 2022)

V. NON-CONSENT ITEMS (Continued) (Mr. Kelly joined at 8:06 a.m.)

Mr. Kelly made a motion, Mr. Knox seconded, to accept and file staff's recommendation. The motion passed (roll call) with Messrs. Jones, Kelly, Knox, Moore, Santos, and Ms. Sanchez voting yes. Mr. Bernstein was absent from the vote.

VI. REPORTS

A. FYE 2022 Internal Audit Annual Performance Report
Leisha E. Collins, Principal Internal Auditor
(Presentation) (Memo dated August 8, 2022)

Ms. Collins provided a brief presentation. Ms. Collins and Ms. Logan were present and answered questions from the Committee. This item was received and filed.

B. Fiscal Year Ending (FYE) 2023 Internal Audit Goals
Richard P. Bendall, Chief Audit Executive
(Memo dated July 22, 2022)

Ms. Collins and Ms. Logan were present and answered questions from the Committee. This item was received and filed.

C. Census Testing Report – Limited Scope Memo
Christina Logan, Principal Internal Audit
Kristina Sun, Senior Internal Auditor
Nathan K. Amick, Senior Internal Auditor
(Memo dated July 25, 2022)

Mr. Amick was present and answered questions from the Committee. This item was received and filed.

VI. REPORTS (Continued)

D. Status Update on Staff Bonus Policy
Santos H. Kreimann, Chief Executive Officer
Carly Ntoya, Director of Human Resources
(Memo dated July 25, 2022)

Ms. Logan, Ms. Ntoya and Mr. Lugo were present and answered questions from the Committee. This item was received and filed.

E. Recommendation Follow-Up Report
Kristina Sun, Senior Internal Auditor
(Memo dated August 1, 2022)

Ms. Sun was present and answered questions from the Committee. This item was received and filed.

F. Recommendation Follow-Up for Sensitive Information Technology Areas
Christina Logan, Principal Internal Auditor
Gabriel Tafoya, Senior Internal Auditor
(Memo dated August 1, 2022)

Mr. Tafoya was present and answered questions from the Committee. This item was received and filed.

G. Status of Other External Audits Not Conducted at the Discretion of Internal Audit
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

Ms. Collins was present and answered questions from the Committee. This item was received and filed.

H. Internal Audit Staffing Activity Report
Richard P. Bendall, Chief Audit Executive
(Verbal Presentation)

This item was received and filed.

VI. REPORTS (Continued)

I. Ethics Hotline Status Report
Kathryn Ton, Senior Internal Auditor
(For Information Only) (Memo dated August 1, 2022)

This item was received and filed.

VII. CONSULTANT COMMENTS
Robert H. Griffin, Audit Committee Consultant
(Verbal Presentation)

Mr. Griffin provided brief comments on best practices and risk assessment for audits to the Committee.

VIII. ITEMS FOR STAFF REVIEW

Mr. Bernstein requested that staff adjust font and paper size for better readability. Mr. Knox requested staff to provide an update regarding the staff on loan from Internal Audit division and the hiring plan. Mr. Santos requested staff to include the Diversity, Equity, and Inclusion due diligence in the RFP process. Staff will look at the Committee Charters and bring back to the respective Committees for review. Mr. Kelly requested staff to further define consulting engagement and provide observations items on the recommendation follow-up reports. Mr. Kelly requested staff to address the rehire of retirees during the budget season and add a new goal of tracking budgeted to actual hours used on engagements. Lastly, Mr. Moore requested staff to address how race and gender are used in the census data.

IX. GOOD OF THE ORDER
(For Information Purposes Only)

The Committee thanked staff for their work.

XI. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 10:53 a.m.

L//.CERA

October 31, 2022

TO: Each Trustee,
Audit Committee

FROM: Steven P. Rice, SPR
Chief Counsel

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: Approval of the Use of Teleconference Meeting Technology Under AB 361 and Government Code Section 54953(e), including as Part of Hybrid Meetings

RECOMMENDATION

That, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that other public agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days as part of hybrid meetings also in person, so long as the State of Emergency remains in effect, and direct staff to comply with the agenda and public comment requirements of the statute.

Pursuant to the action of the Board of Retirement and Board of Investments at the joint meeting on September 23, 2022, starting with the November 2022 Board and Committee meetings, teleconference meetings, if approved, will be agendized as hybrid meetings where Trustees may attend by teleconference or in person in the boardroom at LACERA's offices at 300 N. Lake Avenue, Pasadena, California 91101, with adequate provision being made for public comment via teleconference, in person, and in writing and for public attendance via teleconference and in person. Audit Committee meetings are agendized as meetings of the Board of Retirement and Board of Investments.

LEGAL AUTHORITY

Under Section VI of its Charter, the Audit Committee controls its own meeting schedule and specifically "has such other powers as provided in the Brown Act." This authority includes the ability to manage the scheduling and manner of Committee meetings and to evaluate and act on legal options for the conduct of such meetings, such as whether to invoke teleconferencing of meetings under the terms and conditions provided in AB 361 and Government Code Section 54953(e) of the Brown Act to protect the health and safety of Trustees, staff, and the public.

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DISCUSSION

A. Summary of Law.

On September 16, 2021, the Governor signed AB 361 which enacted new Government Code Section 54953(e) of the Brown Act to put in place, effective immediately and through December 31, 2023, new teleconferencing rules that may be invoked by local legislative bodies, such as the Audit Committee, upon making certain findings and following certain agenda and public comment requirements.

Specifically, Section 54953(e)(3) provides that the Committee may hold teleconference meetings without the need to comply with the more stringent procedural requirements of Section 54953(b)(3) if a state of emergency under Section 8625 of the California Emergency Services Act impacts the safety of in person meetings or state or local officials have imposed or recommended social distancing rules, provided that the Committee makes the following findings by majority vote:

(A) The Committee has considered the circumstances of the state of emergency; and

(B) Any of the following circumstances exist:

- (i) The state of emergency continues to directly impact the ability of the Trustees to meet safely in person; or
- (ii) State or local officials continue to impose or recommend measures to promote social distancing.

If the Committee makes the required findings, the Committee may hold teleconference meetings for the next 30 days, so long as the State of Emergency remains in effect, without the need to comply with the regular rules of Section 54953(b)(3) provided that: agendas are prepared and posted under the Brown Act; members of the public are allowed to access the meeting via a call-in option or an internet-based service option; and the agenda provides an opportunity for public comment in real time and provides notice of the means of accessing the meeting for public comment. Upon making the required findings, the Committee has discretion to hold meetings either entirely by teleconference or as hybrid meetings with individual Trustees and the public able to attend either by teleconference or in person.

B. Information Supporting the Required Findings and Process if the Audit Committee Determine to Invoke Section 54953(e).

The Governor's State of Emergency for the COVID-19 pandemic as declared in the Proclamation of a State of Emergency dated March 4, 2020 remains active. The Proclamation was issued under the authority of Section 8625 of the California Emergency Services Act. It is unclear when the State of Emergency will end, although over the past year the Governor actively terminated many emergency provisions. *See, e.g.,* Order No.

N-21-21, issued November 10, 2021, Order No. N-04-22, issued February 25, 2022. Very recently, the Governor terminated additional COVID provisions. *See* Order No. N-11-22, issued June 17, 2022. In the press release for the June 17 Order, the Governor's Office stated that, after June 30, 2022, "only 5 percent of the COVID-19 related executive order provisions issued throughout the pandemic will remain in place."

On October 17, 2022, the Governor announced that the COVID State of Emergency will end on February 28, 2023. However, the State of Emergency remains in effect until then. The Governor's press release stated that one of the purposes of deferring the end of pandemic until 2023 was to "provid[e] state and local partners the time needed to prepare for this phaseout and set themselves up for success afterwards." Among the transition items reasonably interpreted as included for local agencies such as LACERA is a phaseout of teleconference meetings.

The Los Angeles County Department of Public Health still maintains guidance, even if not a requirement, to "Keep your distance. Use two arms lengths as your guide (about 6 feet) for social distancing with people you don't live with." http://publichealth.lacounty.gov/acd/ncorona2019/reducingrisk/. The County Public Health Department also maintains guidance for employers: "Reduce indoor crowding. A few example strategies to decrease crowding include, but are not limited to: ● Host larger meetings outdoors or virtually. ● Reduce occupancy and spread-out seating in meeting rooms and other small spaces such as locker rooms, weight rooms, restrooms, and saunas. Ensure good ventilation . . . . ● Establish procedures to prevent crowding among persons waiting to enter or exit a large event. Limiting attendance, establishing unidirectional foot traffic patterns, reservations, online waiting lists, timed entry or exit, and using staff to help direct traffic and limit access if the area becomes too crowded can help." http://publichealth.lacounty.gov/acd/ncorona2019/bestpractices/.

Despite this County Health Department guidance, the Board of Supervisors recently resumed in person meetings on September 27, 2022 because the COVID transmission rating in Los Angeles County remained at a "low" level for seven days as measured by CDC ratings. The County provides enhanced air filtration, limits attendance to 100 people, and provides a designated media area. All persons in attendance must be masked. Telephonic public comment and livestreaming are still be provided. The Committee is not required to follow the Board of Supervisors' decision with regard to how meetings are conducted, but the County's change in practices is instructive.

The City of Pasadena (City), where LACERA's offices are located and Audit Committee meetings are held, has substantially revised its guidance to give more flexibility. The City still offers guidance that businesses recognize that COVID-19 continues to pose a risk to communities, and it is important for employers to continue to take steps to reduce the risk of COVID-19 transmission among their workers and visitors. https://www.cityofpasadena.net/economicdevelopment/covid-19-business-resources/. Earlier guidance promoting physical distancing by business in certain circumstances also remains posted on the City's COVID web page as a reference. As of the date of this memo, the City Council continues to hold its meetings by videoconference/teleconference, although some council members attend in person in the council chambers. At its October 24, 2022 meeting, the City Council voted to extend the video and teleconference meeting process through November 23, 2022.

The Centers for Disease Control and Prevention (CDC) recently updated its guidance, but the CDC still advises the public that they can "Prevent the Spread of COVID-19." Among the methods cited by CDC is "Keeping a Safe Distance Helps Stop COVID-19: Stay away from people who are sick. Stay away from people who have COVID-19. Stay away from people with COVID-19 even if they don't feel sick. Stay away from crowds. Stay away from inside places with lots of people." https://www.cdc.gov/coronavirus/2019-ncov/easy-to-read/prevent-getting-sick/how-covid-spreads.html.

Under these circumstances, the Committee may reasonably conclude and find that teleconferencing under Section 54953(e) is appropriate for Committee meetings, including on a hybrid basis, during the next 30 days, so long as the State of Emergency remains in effect, because (1) the State of Emergency continues to impact the ability of the Trustees to meet safely in person, or (2) the County and other authorities continue to recommend measures to promote a safe workplace, including physical distancing, as required by the statute. Either finding is sufficient under Section 54953(e) to support continued teleconference meeting.

If the Committee makes these findings and directs teleconferencing under Section 54953(e), procedures exist and will be implemented to ensure compliance with the agenda and public comment requirements of the statute, as stated above. Starting with the November meetings, hybrid in person and teleconference meetings will be implemented in accordance with procedures required by the Brown Act.

Finally, on August 12, 2022, due to a reduction in transmission levels, LACERA management returned to established hybrid in office/telework procedures.

CONCLUSION

Based on the above information, staff recommends that, under AB 361 and Government Code Section 54953(e)(3) of the Brown Act, the Audit Committee consider whether to find that the Governor's COVID-19 State of Emergency continues to directly impact the ability of the Committee to meet safely in person and that other agencies still recommend social distancing such that the Committee shall hold teleconference meetings for the next 30 days as part of hybrid meetings also in person, so long as the State of Emergency remains in effect, and if so, direct staff to comply with the agenda and public comment requirements of the statute.

If the required findings are made, starting with the November 2022 meetings, teleconference technology will be used as part of hybrid Audit Committee meetings conducted by teleconference and in person at LACERA's Pasadena offices, so long as permissible under applicable law.

c: Santos H. Kreimann Jonathan Grabel Luis Lugo JJ Popowich Laura Guglielmo
Richard Bendall Leisha Collins Christina Logan Carly Ntoya

LACERA

October 28, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

Kathryn Ton KT
Senior Internal Auditor

FOR**:** November 17, 2022 Audit Committee Meeting

SUBJECT: **Approval of KPMG LLP to Perform an Investment Operational Due Diligence Consulting Review**

RECOMMENDATION

Internal Audit recommends that the Audit Committee approve the engagement of KPMG LLP (KPMG) to perform a consulting review of the LACERA's Investment Office's Operational Due Diligence Program and Processes.

DISCUSSION

At the May 9, 2022 meeting, the Audit Committee approved Internal Audit's request to issue a Request for Proposal (RFP) for an investment operational due diligence review. The evaluation team has completed its review and assessment of the firms that responded to the RFP. The results of the evaluation are presented in Attachment A. Refer to Attachment B for the KPMG proposal.

RB:kt

Attachments

A. Presentation to Approve KPMG for LACERA's Investment Operational Due Diligence Review
B. KPMG's Proposal for LACERA's Investment Operational Due Diligence Review

LACERA

RFP – Investment Operational Due Diligence Consulting Engagement

Prepared by
Richard Bendall, Chief Audit Executive
Kathryn Ton, Senior Internal Auditor

Background

- At the May 9, 2022 meeting, the Audit Committee approved Internal Audit's request to issue a Request For Proposal (RFP) to select a qualified investment firm to perform a consulting review of LACERA's Investment Office's Operational Due Diligence (ODD) program and processes. Internal Audit received proposals from Deloitte & Touche, LLP and KPMG LLP.

- The firm selected for this review will perform an independent assessment of LACERA's operational due diligence practices over a broad range of functional categories including growth, credit-oriented fixed income, real assets and inflation hedges, and risk reduction and mitigation.

- ODD along with investment due diligence (IDD) are important components in the decision to invest and is performed both pre- and post-investment.

    - Pre-investment ODD is the process of evaluating whether the investment manager has the necessary operational capabilities, controls, and framework to execute on an investment mandate that LACERA is considering.

    - Post-investment ODD is the process of evaluating whether the investment manager continues to have the necessary operational capabilities, controls, and framework to execute on the investment mandate that LACERA hired the manager to perform.

Scope of Work

Scope includes, but is not limited to, the following areas:

- Review of the effectiveness of Operational Due Diligence (ODD) in the execution of LACERA's investment program, pre- and post-investment.
- Evaluating the effectiveness, frequency, and degree/comprehensiveness of ODD performed.
- Assessing the effectiveness of reliance by LACERA staff on investment consultants and third parties for the performance of ODD in asset classes where those resources are available.
- Completeness and comprehensiveness of ODD documentation.
- Assessing whether the ODD program covers all appropriate risk factors. Examples include internal controls over operational processes, investment operations, infrastructure and business continuity, compliance, risk management, disclosures, manager organization, fund terms, custody and counterparties, valuation policies, financial statements, and Form ADVs.
- Evaluation of ODD for internal investment operations.
- Communication of ODD efforts to the Board of Investments and utilization of data in managing portfolio.
- Input of best practices in managing an effective ODD program.

Evaluation Team and Scoring Criteria

Evaluation Team

- Richard Bendall, Chief Audit Executive
- Leisha Collins, Principal Internal Auditor
- Christina Logan, Principal Internal Auditor
- Kathryn Ton, Senior Internal Auditor
- Steven Rice, Chief Counsel *(participated in interviews only)*
- Christine Roseland, Senior Staff Counsel

Evaluation Team scored each section independently.

20%

Firm Background

- Firm has investment-related consulting or auditing services related to ODD for institutional clients for a minimum of 10 years.
- Reliability and continuity of firm
- Firm has adequately demonstrated their approach to diversity, equity, and inclusion in workplace
- Firm references align with knowledge and experience

35%

Team Experience

- Team lead has at least 10 years of experience performing ODD-related work for institutional clients
- No team member has less than 5 years of experience working on ODD-related work for institutional clients
- Work hours assigned to each team member is adequate for this type of review
- Professional capability, demonstrated competence, and specialized experience of team

25%

Methodology

- Proposal includes a detailed and relevant work plan and methodology to accomplish objectives for this review
- Sample reports demonstrate that firm has knowledge and experience to perform this review

10%

Adherence to RFP Instructions

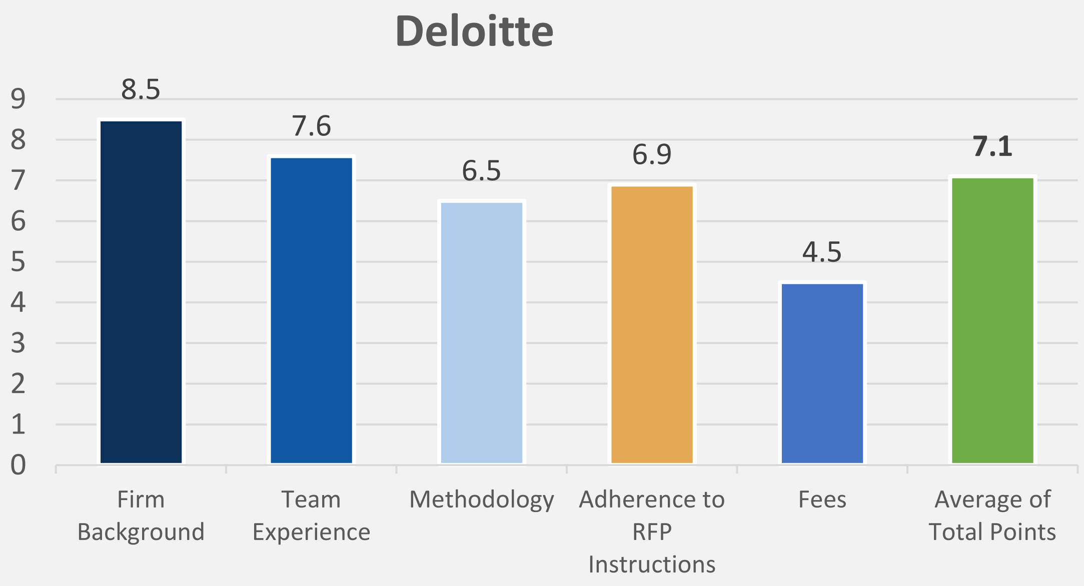
- Clearly addresses information requested
- Overall presentation

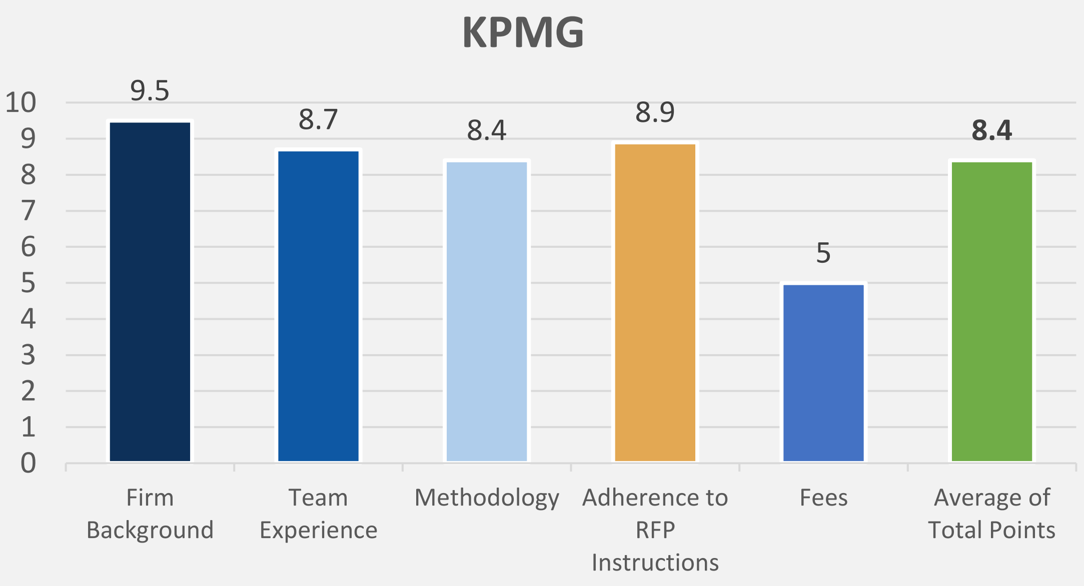
10%

Fees

- Fees and hours proposed to complete engagement

Evaluation Scoring





Fee Proposal

Proposal reflects each firm's estimate for a 12-week engagement

	Deloitte	KPMG
Project Fee	$520,000	$470,000
Project Hours	1,464	1,464
Hourly Rate Range	$300-$500	$250-$400

Basis for Selection of KPMG

Based on the responsiveness and extent of the RFP, both firms were interviewed and given the opportunity to submit additional information with regards to the scope of work, team, and fees. While both firms have ample experience and skill sets, the evaluation team recommends KPMG for this review.

- KPMG as a firm, services more than 80% of the 50 leading asset management firms in the United States.

- The KPMG team more clearly demonstrated their extensive experience working in the areas of ODD, pricing and valuation governance, compliance program development, board reporting, fund operations and risk management. The team's prior experience include General Counsel at an asset management firm, Senior Securities Compliance Examiner with the SEC, and other senior compliance officer roles.

- KPMG's proposal articulated their approach and methodology drawing on their prior experience performing similar reviews. KPMG's approach was also more structured and illustrated their understanding of and expectation for good ODD practices.

- KPMG's engagement team hours consisted of more senior level professionals.

KPMG Client Team

Mark McKeever is the Lead Engagement Director responsible for this consulting engagement. Mr. McKeever has more than 20 years of financial services experience, including service as a senior securities compliance examiner with the SEC. His areas of concentration include US federal securities laws and regulations and their practical applications across various business models within the investment management, wealth management, and alternative investment industries. Considered a recognized leader in the practice, Mr. McKeever runs engagements for major investment management firms in the areas of ODD, pricing and valuation governance, compliance program development, internal audit support, and fund operations and risk management.

Larry Godin is the Lead Engagement Principal with more than 20 years of experience in the financial services industry and focuses on legal, risk, and compliance issues in the asset management space. Mr. Godin has held positions as chief legal officer for asset management, senior counsel and general counsel at large institutional asset management firms and dually registered broker-dealer/investment advisory firms. He has worked closely with compliance in the creation and implementation of asset and wealth management compliance programs.

Bridghet Donato is the Engagement Director with 20 years of financial services experience with specializations in asset management, compliance, and insurance. Her areas of concentration include knowledge of the US federal securities laws and regulations as well as their practical application across mutual fund complexes, investment advisors, trading operations, and treasury functions. Ms. Donato has served in numerous senior compliance officer roles for investment management firms with responsibilities in areas of ODD pricing and valuation governance, compliance program development, board reporting, fund operations, and risk management.

Katherine Kim is the Engagement Manager with more than 15 years of experience in financial investment management and capital markets. Ms. Kim has experience in the development, implementation, and testing of compliance programs; the assessment of enterprise risk management frameworks and standards; and providing compliance advisory support. Ms. Kim has also performed risk-based ODD of third-party investment managers and subadvisors covering a broad range of strategies including private equity, real estate, long/short equity, fixed income, credit liability-driven investing, and register funds.

Hannah Deits is the Engagement Associate and has prior experience working for a financial arm of an international construction company. Ms. Deits has performed extensive control mappings and analysis for premier capital market clients and will support senior staff ODD professionals on this engagement. Ms. Deits graduated from Belmont University with a BBA degree in economics, with a focus in behavioral economics.

KPMG Project Methodology

PHASE 1

ODD Framework Current State Assessment

Objective: Gain an understanding of LACERA's current state ODD framework and related operational risk factors given the scope and risk profile of its external manager population. This includes a review of the pre- and post-investment ODD processes in place.
Key activities: Obtain an overview of LACERA's Investment Office, review relevant documents, conduct interviews with key stakeholders, and perform a pre- and post-investment ODD assessment.
Deliverables: Detailed matrix documenting the inventory of key ODD activities, risk assessments, governance, control, and reporting processes in place, and a summary of preliminary gaps, redundancies identified, and recommendations.

PHASE 2

Gap Analysis

Objective: Perform a deep dive gap analysis of the current state of the ODD framework against its understanding of lead industry practices and the Investment Office ODD Working Group's action plans.
Key activities: Interviews with stakeholders, documentation requests, and select representative sample of ODD materials created by LACERA internally and by third party vendors to gain insight into the operating effectiveness of the current ODD framework and against leading industry practices.
Deliverables: Completion of the ODD assessment matrix and summaries of gaps and recommendations.

PHASE 3

Final Report

Objective: Completion of deliverables through a series of workshop review sessions with key stakeholders.
Deliverables: Written report detailing the scope, approach, procedures, observations, and recommendations. PowerPoint deck that summarizes observations and recommended next steps.

KPMG Revised Fee Proposal

KPMG submitted a revised fee proposal based on a 8-week engagement

	KPMG
Project Fee	$304,400
Project Hours	938
Hourly Rate Range	$250-$400

Recommendation

KPMG offers a detailed work plan and an experienced team to provide LACERA with insight on its investment operational due diligence practices.

Internal Audit recommends that the Audit Committee approve the engagement of KPMG to perform a consulting review of LACERA's Investment Office's operational due diligence program and processes.

ATTACHMENT B

KPMG

"Achieving the right balance"

Proposal to serve Los Angeles County Employees Retirement Association

Investments Operational Due Diligence Review

July 18, 2022

kpmg.com

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Telephone +1 212 758 9700
Fax +1 212 758 9819
kpmg.com

EXHIBIT A

PROPOSAL COVER PAGE AND CHECKLIST

Respondent Name: KPMG LLP

Respondent Address: 345 Park Avenue, New York, NY 10154-0102

By submitting this response, the undersigned hereby affirms and represents that they have reviewed the proposal requirements and have submitted a complete and accurate response to the best of their knowledge. By signing below, I hereby affirm that the respondent has reviewed the entire RFP and intends to follow all requirements.

Respondent specifically acknowledges the following facts:

1. Respondent has the required technical expertise and has sufficient capacity to provide the services outlined in the RFP.

   Response: Yes. Please refer to sections 3 and 4

2. Respondent has no unresolved questions about the RFP and believes that there are no ambiguities in the scope of work.

   Response: We have responded all questions and have no unresolved questions.

3. The fee schedule or price proposal sent in response to the RFP is for the entire scope of work and no extra charges or expenses will be paid by LACERA.

   Response: Please refer to Section 11 of the proposal document for further details.

4. To the best of our knowledge, Respondent has completely disclosed to LACERA all facts bearing upon any possible interests, direct or indirect, that Respondent believes any member of LACERA, or other officer, agent or employee of LACERA presently has, or will have, in this contract, or in the performance thereof, or in any portion of the profits thereunder.

   Response: Yes, except as further explained in the submitted proposal in Section 9

5. Materials contained in proposals and all correspondence and written questions sent during the RFP process may be subject to disclosure pursuant to the Act.

   Response: Yes, except as further explained in the submitted proposal in Section "Other Matters"

6. Respondent is not currently under investigation by any state of federal regulatory agency for any reason.

   Response: Yes, except as further explained in the submitted proposal in Section 09 and Section 10

7. The signatory below is authorized to bind the respondent contractually.

   Response: Yes

1. Cover letter

July 18, 2022

Ms. Kathryn Ton
Senior Internal Auditor
Los Angeles County Employees Retirement Association (LACERA)
Gateway Plaza
300 North Lake Avenue, Suite 840
Pasadena, CA 91101-4199

Dear Ms. Kathryn,

On behalf of KPMG LLP (KPMG), we are pleased to present our qualifications to assess the Los Angeles County Employees Retirement Association's (LACERA) Investment Office's Operational Due Diligence (ODD) process. To accomplish these imperatives, you need a service provider who can immediately provide the right functional and operational skill sets. Our objective in this proposal is to clearly articulate why we believe KPMG, and more specifically our proposed engagement team, will offer LACERA the technical skills and services you are requesting.

We look forward to continuing to build our long-lasting professional relationship with LACERA and believe that you would benefit from a professional service provider that can bring a thoughtful, client-first perspective, and an engaged responsiveness to your varied needs.

We know you, and you know us: We can begin work immediately as we have had the privilege of working directly with LACERA in the past, so we understand your organization, culture, goals, and challenges. KPMG is demonstrating its commitment to LACERA by assembling a dedicated team of highly experienced partners and professionals. More importantly, you know us and the quality of services we deliver.

A Team with extensive experience conducting similar engagements: The professionals on this engagement to serve LACERA have been chosen based on their investment manager ODD experience as well as their integrity, industry experience, project management skills, and commitment to open and ongoing communication. LACERA can benefit from a highly skilled team with access to subject matter professionals, that is intimately familiar with the asset management industry and the importance of both initial and ongoing ODD performed on external managers. Led by KPMG Principal **Laurence Godin**, the team members can apply their wealth of asset management knowledge to provide the right perspectives and insights for LACERA, conducting a high-quality ODD assessment.

People with the right experience that understand your industry: For close to 100 years, the KPMG State & Local Government practice has assisted a wide variety of public sector clients, including federal agencies, states, cities, counties, school districts, public hospitals, airports, and transit authorities, among other institutions. Today, our Public Sector practice serves more than 2,300 clients throughout the country, including the audits of nearly two-thirds of the nation’s "billion- dollar" governments that are audited by an independent audit firm.

The KPMG subject matter professionals assigned to this proposed engagement with LACERA have extensive experience in the asset management industry and have performed similar ODD services to retirement plan investment offices within the public and private sectors. Additionally, this team has deep knowledge gained from performing regulatory and operational risk services to asset managers of all types and asset classes: Mutual Funds, Real Estate Funds, Private Equity Funds, Hedge Funds, and separate account structures.

Understanding your needs and expectations is essential to our ability to deliver an unmatched client experience. Our approach to this project is designed to be focused, impactful, and tailored to LACERA. As you will see in the proposal details that follow, this document summarizes our approach for this project, and the experience and passionate focus on our clients that each team member brings, along with valuable insights and innovative ideas. These qualities, along with our core values, define who we want to be as a firm.

We appreciate this opportunity to present our proposal and look forward to working with you on this important initiative.

Very truly yours,

KPMG LLP

Laurence S. Godin

Laurence Godin
Lead Engagement Principal
212-954-1939

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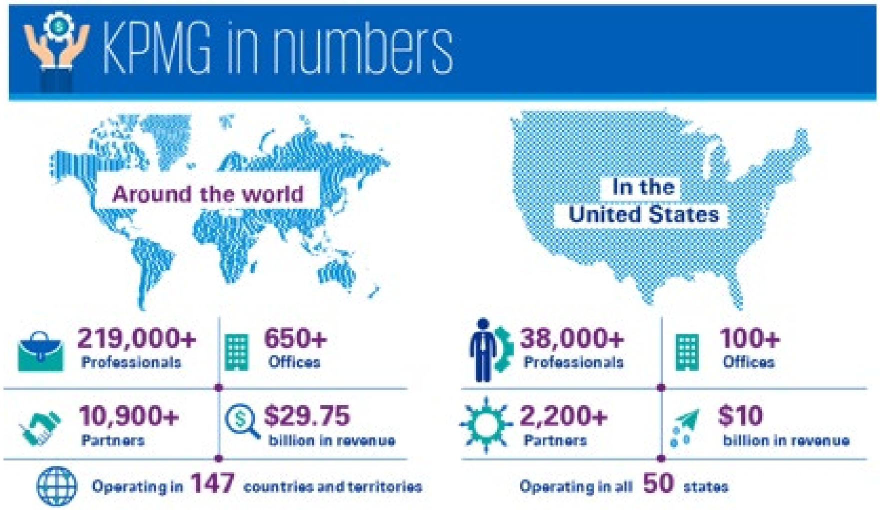
3. Organization and key personnel

a) Describe your organizational structure giving specific details about your parent, any affiliated companies, or joint ventures.

KPMG overview



KPMG International Limited (KPMG International) is a global organization of independent firms providing audit, tax, and advisory services. KPMG firms operate in 144 countries and territories with more than **236,000 partners and employees**.

KPMG LLP (KPMG) is the U.S. member firm of KPMG International, tracing its origins back to 1897. Since 1994 KPMG has been a limited liability partnership registered in the state of Delaware, with more than **38,000 professionals**, including more than **2,200 partners**, in more than 100 offices.

b) Identify the locations of the headquarters and branch office(s) that will be providing services under this LACERA contract.

Location detail	
Headquarter and Servicing Office address	KPMG LLP 345 Park Avenue, New York, NY 10154-0102 Tel: +1-212-758-9700, Fax: +212-758-9819

c) Describe the areas of audit specialty that your firm provides and the number of years that your firm has been providing the services.

Since 1997, the KPMG Risk Advisory Solutions practice has been leveraging the right complement of actuarial; compliance; enterprise risk management (ERM); forensic; governance, risk and compliance (GRC); internal audit; and information technology (IT) audit professionals to deliver a host of technology-enabled risk and compliance services to more than 2,700 U.S. clients. Depending on client needs, any one of these services may take the "lead role" on an engagement, while the team draws on the bench strength of all Risk Advisory Solutions professionals to place subject matter resources where and when they are needed most.

We help clients establish or improve governance, risk, and compliance functions across an organization's internal audit, IT audit risk management, and regulatory and compliance functions. We also support organizations' fraud and third-party risk management functions and perform due diligence, investigations, e-discovery and forensic data analysis, help establish or monitor antifraud and corruption programs, and monitor or advise on disputes.

Our experience with asset management organizations

KPMG provides services to more than 80 percent of the 50 leading asset management firms in the United States. Our clients' fund portfolios range in number from one to more than 600 and encompass a wide variety of product structure and distribution channels. We serve widely known leaders in the investment management industry as well as organizations starting up or spinning out from larger financial institutions. Our Regulatory Risk & Compliance practice provides a wide range of services to a variety of organizations, including:

— Investment managers

— Pension fund sponsors and asset managers

— Mutual fund sponsors

— Institutional investment advisers

— Hedge fund managers

— Private equity fund managers

— Real estate managers

Our professionals, your resources

The KPMG Investment Management practice is one of the fastest growing sectors of KPMG. It has three segments—Mutual Funds, Investment Advisers, and Alternative Investments—and has more than 700 experienced audit, tax, and advisory professionals serving our clients across the United States and more than 3,000 professionals globally.

Strength in financial services

KPMG has dedicated considerable resources to become a leading service provider to the financial services industry. The KPMG global Financial Services practice is our largest line of business, representing more than 25 percent of total firm revenue. Globally, this includes more than 21,000 professionals and 1,500 partners. These professionals are deeply experienced in the issues, challenges, trends, and risks relevant to financial services companies.

Our wide range of services enables a holistic response to regulatory changes, extending beyond compliance to incorporate operations, risk management, governance, change management, IT, training, and other areas. Our Regulatory Risk and Compliance practice works closely with management consulting and operations risk to provide you with an integrated, strategic implementation approach toward regulatory changes.

Five reasons why asset management companies choose KPMG:

1. **Deep experience in asset management:** Regardless of where your firm is in its evolution—from launch to globalization to exit—our professionals have the experience to help you deal with the issues and challenges that impact you today as well as prepare you for what lies ahead.

2. **Depth and breadth of services:** We serve a broad range of industry players—from start-ups to Fortune 50 diversified financial services firms—with varying structures including private partnerships, offshore vehicles, and registered funds.

3. **Integrated implementation approach:** Our Regulatory Risk and Compliance practice works hand-in-hand with Management Consulting, Operations Risk, and other groups to provide an integrated and coordinated implementation approach toward regulatory changes.

4. **Global strength and capabilities:** Professionals located in the world's commercial hubs, working through our global network of member firms, serve our clients wherever they do business.

5. **Outstanding team leadership by senior professionals:** Our engagement teams, led by experienced partners and professionals, work hand-in-hand with you, members of senior management, and fund boards of directors to (1) help identify, measure, monitor, and control regulatory risk, and (2) deliver practical, customized, and appropriate insight and guidance.

d) Please describe the levels of coverage for errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries for negligent acts or omissions. Attach proof of coverage (e.g., a certificate of insurance) for such insurance that apply to proposer's actions under the contract.

KPMG LLP maintains a comprehensive professional liability insurance program that provides coverage limits that equal or exceed those of other major professional services firms. The policies provide coverage that is underwritten with various insurers, which include both a captive and commercial insurance and/or reinsurance companies.

Current LACERA Insurance Certificates provided:

2022 - 112 - KPMG - Los Angeles County

Los Angeles County Employees_1119773

4. Qualifications and experience

a) Provide a detailed resume for each member of the professional staff who will provide services under this LACERA contract, including their experience in audits and reviews with large retirement systems and other relevant institutions. For key personnel (Partner, Manager/Supervisor) who will have planning and on-site supervisory responsibilities include a description of audit experience and services provided within the last five (5) years.

The strength of the firm that serves you is only as good as the team of people who deliver these services. Our commitment to LACERA is demonstrated by the strength of the team we have selected to serve you. The professionals on this engagement to serve LACERA have been chosen based on their asset management industry experience , as well as their integrity, industry experience, project management skills, and commitment to open, ongoing communication. As your central point of contact from an account perspective, your lead engagement principal, Laurence Godin, will be supported by directors, senior managers, and subject matter professionals who understand and practice our rigorous quality standards. Our professionals strive to "get it right the first time."

We will carefully staff all audit projects with professionals selected for their relevant technical qualifications and track record in helping clients meet a variety of challenges like LACERA's. The team's strong credentials, business minded approach, and commitment to quality service delivery and open communication will help enable us to confirm that issues are dealt with promptly and in an open and transparent manner.

Exception request for minimum experience requirement

KPMG would like to request an exception to the 5 year minimum experience requirement for one junior staff member, Hannah Deits, for the following reasons:

Although Hannah is a junior resource with 2 years professional experience, she has been a proven performer with the practice and in those two years has performed extensive control mappings and analysis for our premier capital markets clients since joining the firm. Hannah is already familiar with the project accelerators we plan to use for this engagement and will work well with the senior staff on this engagement. Her role on this engagement will primarily be supporting the senior staff ODD professionals on the engagement with very important tasks such as:

- Preparation of draft deliverables at the instruction of the senior staff members;
- Coordinator for all meetings with LACERA stakeholders including attendance at all meetings and responsible for preparation of meeting minutes and tracking issues identified and follow up items;
- Tracking and monitoring documentation requests;
- Participate in reviews of LACERA ODD materials and extracting needed information for purposes of analysis based on specified criteria provided by the senior staff ODD professionals;
- Organization of all KPMG workpapers and outputs as required per KPMG's internal risk management procedures for engagements of this nature.

We believe Hannah is highly qualified for this important role and is the most cost efficient approach for meeting LACERA's objectives and KPMG's quality standards on all of our engagements.

We have provided the detail résumés of our core team in ***Appendix A***.

Short biography

Team member	Roles and responsibilities
 **Larry Godin** *Lead Engagement Principal*	Prior to joining KPMG in 2016, Larry spent more than 20 years in the financial services industry focusing on legal, risk and compliance issues in the asset management space. He has held such positions as chief legal officer for asset management, senior counsel and general counsel at large institutional asset management firms and dually registered broker-dealer at investment advisory firms.
 **Mark F. McKeever** *Lead Engagement Director*	Mark is a director with more than 20 years of financial services experience including service as a senior securities compliance examiner with the SEC. His areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across various business models within the public investment management, wealth management, and alternative investment industry sectors. As a recognized leader in the practice, Mark runs engagements for major investment management firms in areas of operational due diligence, pricing and valuation governance, compliance program development, internal audit support, and fund operations and risk management. He has performed enterprise-wide regulatory risk assessment and compliance reviews of large SEC-registered investment advisers, which included performing gap analysis, making recommendations for control enhancements and efficiency gains, and lastly assisting with the successful implementation and integration of an enhanced control environment and risk assessment process.
 **Bridghet Donato** *Engagement Director*	Bridghet is a director with 20 years of financial services experience with specialization in asset management, compliance, and insurance. Her areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across mutual fund complexes, investment advisers, trading operations, and treasury functions. Bridghet has served in numerous senior compliance officer roles for investment management firms responsible for areas of operational due diligence, pricing and valuation governance, compliance program development, board reporting, fund operations, and risk management. She has performed enterprise-wide regulatory risk assessments and compliance reviews of large mutual fund complexes, which included performing annual compliance program reviews, ongoing compliance monitoring, and testing.

Team member	Roles and responsibilities
 **Katherine C. Kim** *Engagement Manager*	Katherine is a manager in KPMG Advisory, Financial Services, Regulatory & Compliance Risk practice with more than 15 years in the financial investment management and capital markets. Katherine has focused on the development, implementation, and testing of compliance programs; the assessment of enterprise risk management frameworks and standards; and providing compliance advisory support. Additionally, Katherine has performed risk-based operational due diligence of third-party investment managers and subadvisers covering a broad range of strategies including private equity, real estate, long/short equity, fixed income, credit liability-driven investing, and register funds.
 **Hannah Deits** *Associate*	Hannah is an associate in the Financial Services, Regulatory & Compliance Risk practice. She graduated from Belmont University with a BBA degree in economics, with a focus in behavioral economics. After graduation, Hannah worked as an associate for the financial arm of an international construction company before joining KPMG.

b) Provide a schedule of audit and consulting services completed by your firm within the last (5) five years for each of the areas listed in this RFP your firm will submit a proposal. Please indicate the size of investment portfolios reviewed and describe the nature of compliance reviews or consulting reviews performed. Provide an example of an audit report similar to the services requested in this RFP.

KPMG firms work with a number of clients including fund distribution platforms, private wealth managers, family offices, pension schemes, and sovereign wealth funds. We have worked in both an outsourced capacity and alongside our firms' client's in-house specialists. The case studies below highlight some of our experience, and we would welcome the opportunity to explore how we can assist you.

Global Investment Bank—Structured Credit Division

Client issue

Our firm's client, the structured credit division of a global investment bank, was looking to promote third-party credit-structured funds managed by external third-party managers. The bank had concerns over reputational risk following the collapse of Lehman Brothers and the high-profile fraud case involving Madoff.

KPMG services

KPMG in the U.K. assisted with the development of a set of agreed due diligence procedures to be applied to a number of third-party managers and proposed funds. Such procedures included:

— Desktop review of general information

— Desktop analysis over the financial stability of the target managers

— On-site review of risk management arrangements and specific walk-through procedures of key operational processes and controls.

As part of our work, we agreed a set of performance benchmarks against which we assessed the arrangements in place at each manager/fund. The procedures were consistently applied across a range of UK and European managers and their related funds. Types of funds included hedge funds, infrastructure funds, structured credit and distressed debt funds. The results were then reported to the bank for each manager/fund.

Benefits

By establishing a set of performance benchmarks, the bank was able to objectively assess whether there was any excessive reputational risk resulting from their commercial relationship with each manager. The results of the ODD reviews enabled the bank to satisfy its own risk management and assessment procedures concerning the appointment of third parties.

U.S. Pension Fund

Client issue

Our client, a U.S. pension fund, was enhancing its existing investment platform and associated investment strategy to move toward “direct” investments in private funds (hedge funds, private equity funds, real estate funds, and infrastructure funds) and away from “indirect” investments through fund of funds. As part of this evolution, our client’s audit committee requested an industry point of view on the content and structure of its current ODD program. In addition, our client was interested in how it would need to evolve its current ODD program to respond to the increased complexity of direct private fund investing (the “readiness assessment”).

KPMG services

KPMG assisted our client’s audit committee, CFO, and chief investment officer (CIO) by providing an ODD program framework for their consideration. Our client requested that KPMG conduct ODD on new hedge fund managers where our client was allocating direct investment capital. KPMG implemented our ODD program (including proprietary assessment and verification procedures with respect to third-party service providers) and provided reports of findings to the audit committee, CFO, and CIO. In addition, our client participated in on-site fieldwork with KPMG subject matter professionals to facilitate knowledge sharing.

Benefits

Through the implementation of an enhanced ODD program, our client is well positioned to accelerate the repositioning of the current portfolio, emphasizing direct investments.

Additionally, our Asset Management Regulatory & Operational Risk practice has extensive relationships and experience working with all types of asset managers and is well positioned to assess the quality of LACERA’s ODD program across all manager types. Below is a summary of the depth of our experience:

Public and Private Pension Plan Investment Offices

KPMG performed compliance program assessments of a public pension plan investment office that manages over $300 billion in assets under management (AUM) that included the following:

— Gap analysis of the firm’s readiness to withstand SEC examination scrutiny in the specified scope areas; although not an SEC-registered entity, many of the investment activities conducted by the pension plan sponsor were SEC-regulated activities

— Assessment of existing policies, procedures and processes that were designed to protect against the misuse of material nonpublic information (MNPI) (e.g., Insider Trading Policy, Personal Trading Regulation, and Restricted Trading List Procedures)

— For each policy, procedure and process, provided: (i) guidance with respect to industry-leading practices and (ii) specific recommendations based, among other things, on the legal and regulatory framework governing its particular business strategies and practices

— Provided specific recommendations with respect to the use of a restricted securities list

Mutual Fund Managers

Client retained KPMG in response to an SEC order that required the company to retain an independent third party to perform a compliance program review and assessment. The assessment focused on the activities relating to the governance and supervisory framework of the company's investment advisory activities and mutual fund operations and included:

— Compliance program and supervisory model

— Board and committee structure and processes (including fund governance)

— Reviews of compliance policies and procedures and their alignment with the relevant rules and regulations

— Monitoring and evaluation of conflicts of interest

— Portfolio management processes

— Enterprise Risk Management program

Private Equity Fund Managers

Performed multiple fund expense allocation gap assessments and control reviews of major private equity fund complexes:

— Led an internal audit cosource project of the expense allocation process, assisting the firm draft a comprehensive expense allocation policy that detailed the allocation methodologies used for each fund expense category

— Developed a list of recommendations for remediation of various gaps and inequities identified in the fund's expense allocation methodology related to the handling of broken deal expenses, affiliated consulting fees, travel related expenses, technology costs, and public relations fees

— Assisted with the drafting of expense allocation policies and procedures

— Recommended a more fair and equitable allocation process by suggesting certain investment vehicles be included in the list of participating entities sharing in certain types of expenses when appropriate

Hedge Fund Managers

Conducted reviews of enterprise-wide compliance programs and SEC examination readiness of various alternative investment firms managing private funds, which included:

— Mapping of rules, regulations and laws

— Risk assessment of the investment management operations in order to determine the "inherent" regulatory risk rating associated with each business activity;

— A gap analysis of the supervisory and compliance controls applicable to each business activity identified, which included related policies, procedures, and controls

— Analysis of the roles and responsibilities related to the supervisory and compliance programs associated with each applicable business

5. Assigned professionals

The proposal must state the name of the lead consultant and all other professional staff expected to be assigned to LACERA work, including a detailed profile of each person's background and relevant individual experience and the ability of the professionals collectively to function together as a team and also to work effectively with LACERA's Audit Committee and staff in performing the scope of services.

LACERA values diversity, equity, and inclusion ("DEI"), and believes that effectively accessing and managing diverse talent leads to improved outcomes. LACERA takes a broad view of diversity, inclusive of varied backgrounds including, but not limited to, age, experience, race, ethnicity, sexual orientation, gender, gender identity, disability status, national origin, and culture. LACERA expects its business partners to respect and reflect LACERA's value of DEI.

With respect to diversity, the response must include:

— Description of diversity policies, practices, and procedures maintained by the firm regarding equal employment opportunity, including the recruitment, development, retention, and promotion of a diverse and inclusive workforce, non-discrimination based on gender, race, ethnicity, sexual orientation, age, disability status, veteran's status, and other legally protected categories, and prohibition of sexual harassment in the workplace. If the respondent has written policies, a copy should be provided with the response to this RFP.

DEI provided attached docs to address

Equal Employment Opportunity_KPMG.

KPMG_Commitment to DEI_v2.pdf

— The oversight, monitoring, and other compliance processes for implementation and enforcement of the firm's diversity policies, practices, and procedures, including the name of the individual who is responsible for oversight of the firm's method to measure the effectiveness of the policies, and conclusions as to effectiveness.

See above, DEI provided attached docs to address.

Any judicial, regulatory, or other legal finding, formal action, or claims related to equal employment opportunity, workplace discrimination, or sexual harassment during the past ten (10) years.

KPMG LLP (KPMG or firm) is an equal opportunity employer and is committed to a diverse workplace that is free from discrimination. The firm also is committed to treating all employees with respect and dignity. Diversity and inclusion are, and have long been, top priorities for the firm, and are woven into our culture and everything we do. To the best of our knowledge, KPMG is in compliance with all applicable employment laws relating to discrimination, harassment, and equal opportunity in the past 10 years. We have no pending labor or employment law matters that would materially affect the firm's operations or our ability to perform services for you.

KPMG incorporates multiple components to develop a comprehensive DEI approach

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Current-State Assessment

Understand current organizational DEI capabilities, and identify opportunities and gaps.

Corporate Social Responsibility

Ensure the organization has measures in place holding them socially accountable to its workforce and other stakeholders.

Brand and Reputation

Respond to negative press by making efforts to improve the organization's reputation within the market and among the labour force.

Capability Development

Support the development of learning curricula to create an inclusive culture that understands how bias and behavior impact the workplace.

DEI Strategy

Define what DEI means to the organization in the long-term, and design a roadmap of initiatives that will support long-term ambitions

Talent Management & Succession Planning

Embed DEI principles into talent processes to attract people from a wider talent pool, fill skills gaps, and reduce turnover.

Financial Impact and Shareholder Value

Quantify the potential financial benefits of a strong DEI program as a way of "making a business case" for DEI investment and focus.

Health & Wellness

Analyze connections between employee health and wellness and organizational success. Identify inclusive initiatives that can have positive impacts on productivity, collaboration, and morale.

Metrics/Data

Gain a clear understanding of DEI progress on an individual and organizational level.

Identify which DEI initiatives are driving the most opportunity across the business or hindering success.

KPMG believes an organization's diversity, equity, and inclusion strategy originates within the company walls and translates to the community.

Setting The Strategy	Engaging Your Workforce	Enhancing How We Work Together	Building Your Brand In The Marketplace
Board Composition	Performance Management	Culture of Inclusion	Talent Attraction & Rewards
Wide-Ranging Maturity & Culture Assessments	Learning & Development	DEI Business Strategy Management	Corporate Communications
Strategy & Governance	Mentorship & Sponsorship	Business Employee Resource Groups	Community Impact
Executive Engagement	Succession Planning	DEI Councils	Sponsorships & Affiliations
Measurement & Analytics	Employee Experience	DEI Strategy Communications	Supplier Diversity
Comparative Benchmarking	Competency & Skills		SEC Disclosures
Shareholder Value			
Product Portfolio Strategy			
Strategic View			

6. Client references

The Proposer shall provide three clients for whom it has provided investments-related audit/consulting services relating to ODD in the past five (5) years. For each client reference listed, please include:

— Entity name, address, and key contact person

— Date of service(s)

— Nature of business

— Fund asset size and annual revenue

— Primary contact name, title, telephone number, and email address

— Nature and length of Proposer's relationship with said entity

— Description of services provided by Proposer

Perhaps one of the leading indicators of our success as a professional services provider is the clients we serve and what these companies' perspectives are related to their experience with us. We welcome LACERA to contact our references to discuss the services provided by KPMG and the level of quality account service experienced throughout the many years of serving these organizations. To make efficient use of your time, we would be happy to set up a call with any one of these references and we encourage you to obtain their thoughts on our industry knowledge, interactive approach, and overall level of professionalism.

Reference -1

Entity name, address, and key contact person	AllianceBernstein
Date of service(s)	2012–2022
Nature of business	Asset Management
Fund asset size and annual revenue	$700 Billion in AUM
Number of plan or program members	N/A
Primary contact name, title, telephone number, and email address	Vince Noto, Chief Compliance Officer vince.noto@alliancebernstein.com
Nature and length of Proposer's relationship with said entity	10 years
Description of services provided by Proposer	KPMG performed a review of the asset management compliance and ethics oversight infrastructure program (Compliance Program) of AB pursuant to a

	certain Securities and Exchange Commission (SEC) Amended Administrative Order dated January 15, 2004 (the Amended Order). Consistent with the Amended Order, the KPMG review has two objectives: (1) to assess whether the current AB Compliance Program is consistent with the requirements set forth in Part IV, Paragraph B of the Amended Order, and (2) to assess the current AB supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the code of ethics, and federal securities law violations by AB and its employees in connection with their duties and activities on behalf of and related to the AB mutual funds as required under Part IV, Paragraph E of the Amended Order against the KPMG understanding of SEC regulatory requirements and industry leading practices. A special focus to the Compliance Program assessment will be in areas deemed a high priority to the SEC Examination Staff and/or the Division of Investment Management: i. Investment Guidelines Compliance ii. Operational Due Diligence iii. Cybersecurity iv. Business continuity v. Certain mutual fund distribution and subaccounting practices related to the results of the SEC's "Distribution in Guise" examination sweep

Reference -2

Entity name, address, and key contact person	California State Teachers' Retirement System 100 Waterfront Place, West Sacramento, CA 95605
Date of service(s)	2019–2020
Nature of business	State Pension Plan Investment Office
Fund asset size and annual revenue	$300 Billion in AUM
Number of plan or program members	N/A
Primary contact name, title, telephone number, and email address	Larry Jensen, Chief Auditor LJensen@calstrs.com
Nature and length of Proposer's relationship with said entity	3 years
Description of services provided by Proposer	KPMG assisted the client in executing the Global Equity Investments audit, as part of their Internal Audit Plan. The scope and objectives of the audits included a review of internal control design and operating effectiveness relating to Global Equity Investments. In particular, the audit covered the below-noted areas: A. Governance B. Broker-Dealer Selection and Monitoring C. Trade Execution

	D. Investment Operations (New Account Set Up, Pricing, Confirmation/Settlement, Position Reconciliation) E. Trading System Compliance (with investment policies) F. External Manager Due Diligence and Oversight G. Transition Management H. Derivatives I. Stock Distributions (for other asset classes) J. Investment Compliance (Guidelines) K. Investment Accounting L. Reporting

Reference -3

Entity name, address, and key contact person	Centerbridge Partners, L.P. 375 Park Avenue, 11th Floor, New York, NY 10152-0002
Date of service(s)	2018–2019
Nature of business	Private Sector Asset Manager (Structured debt, Real Estate, Private Equity)
Fund asset size and annual revenue	$20 billion AUM
Number of plan or program members	N/A
Primary contact name, title, telephone number, and email address	Susanne Clark, General Counsel sclark@centerbridge.com
Nature and length of Proposer's relationship with said entity	4 years
Description of services provided by Proposer	KPMG work was performed under strict confidentiality terms, which included performing a targeted risk and compliance program assessment of certain "Targeted Focus Areas" such as: 1) Fair and equitable allocations of investment opportunities 2) Valuation of fund assets 3) Handling of MNPI 4) Risk and Conflicts Matrix 5) Safeguarding of client assets

7. Project planning/Approach

Describe the specific methodology and services necessary to accomplish the scope of work set forth in this RFP for LACERA.

How KPMG can help you

ODD over investment managers has never been more critical. Investment managers are facing an increasing amount of regulatory scrutiny on top of recent volatile market conditions during an inflationary economic outlook. Adding in other factors such as dealing with compliance with a comprehensive set of new and emerging regulations in both the public and private funds space. All of these challenges while investors' search for the alpha generating operationally sound investment managers becomes increasingly difficult. KPMG ODD specialists have extensive experience in conducting operational due diligence procedures over a broad range of strategies, including hedge fund, infrastructure, private equity, and traditional asset managers. Our global network of ODD specialists and local subject matter specialists challenge and assess key aspects of the target manager. These aspects include tone at the top, compliance culture, operational risk management and conflicts of interest. We conduct a tailored set of due diligence procedures to answer the questions that matter most to member firm clients.

Overview of the KPMG ODD approach

An approach tailored to your needs

KPMG has provided advice and assistance on ODD to a variety of clients across the financial services industry including banks, fund distributors, pension funds, other institutional investors and sovereign wealth funds. Our approach can be specifically tailored according to the needs of each client's circumstances. We help clients in a variety of ways—the key stages of our approach are summarized below and illustrated in the case studies that follow. Our overall aim is to adopt a highly collaborative approach, drawing on both our deep industry experience as well as insights gained from our significant due diligence work.

Key to the success of any ODD governance framework is agreeing on the scope and depth of procedures to be performed from the outset, establishing the performance benchmarks for assessment, and agreeing the format of reporting. An essential element of a sound ODD framework is the on-site visit to third-party managers, including interviews with key staff and the inspection of evidence to support key operational processes.

Scoping/defining procedures

Agreeing scope of procedures to be performed

Defining reporting format, assessment benchmarks, logistics and timescales

Documentation review

Review of the fund's corporate documents, prospectus, audited financial statements

Review of the manager's documents including the compliance manual, disaster recovery plan, pricing policy, etc. This helps to facilitate our understanding of the fund and manager and assists us in identifying areas which may require further clarification during our on-site work

Identification of service providers, e.g., administrators, auditors custodians, prime brokers, etc.

On-site visit

Meetings with key staff

In-depth discussions on the management of the company, fund structure, investment execution processes, back office operations and controls, pricing and valuation

Performing walkthroughs of the key operational processes and controls and observing the operation of such controls

Discussions with senior management and review of oversight activities over third-party service providers

Service providers review

Independent verification of service providers may be appropriate to identify the scope of services being performed

Meeting with the service providers may be deemed necessary and review of relevant documentation

In-depth discussions on services provided and controls in place

Reporting

Reporting factual findings in a formal report

Provide indicative scoring against agreed benchmarks (where required)

Key areas of coverage

Just as investment managers and funds vary in size, complexity, and strategy, no two ODD reviews are the same. While a tailored approach to designing specific procedures is appropriate, the following overarching focus areas, at a minimum, should be evident in an ODD governance framework.

Intrinsic to our approach is a focus on how ODD programs address the following:

— Assessing conflicts of interest within the manager along with their processes designed to mitigate, and continuously monitor, existing and emerging conflicts of interest

— Gauging the firm's "tone at the top" and "culture of compliance"

— Understanding the firm's approach to operational risk management

— Ultimately, challenging the manager to demonstrate that client's/investor's interests come first.

General Information
- Review of legal structure and ownership
- Review of fee arrangements
- Establish legal domicile of fund
- Review of terms and conditions
- Review of redemption policies

Third party providers
- Confirm identity of third parties
- Management's oversight/monitoring of key service providers:
  - Administrators
  - Custodians
  - Prime brokers
  - Auditors
- Monitoring of other service providers

Financial stability
- Review of audited financial statements
- Review of cash flow information
- Performing financial ratio analysis against agreed benchmarks

People
- Identify key personnel and directors (including background checks)
- Remuneration

Trading and operations
- Trading process and procedures
- Operational processes and procedures

Risk and compliance
- Operational Risk Management framework
- Compliance arrangements
- Internal controls over key operational processes
- Personal trading and insider dealing policies and procedures
- Valuation policy and responsibility
- Review policies and procedures over:
  - Complaints management
  - Conflict of interest
  - Insider dealing
  - Internal fraud
  - Trading errors

IT infrastructure
- IT Infrastructure and Disaster Recovery
- Business continuity

Proposed approach and methodology

Phase I: ODD Framework Current State Assessment

Objective: Gain an understanding of LACERA's current-state ODD Framework and related operational risk factors deployed considering the scope and inherent risk profiles of LACERA's external manager population. This includes a review of the pre and post (ongoing) investment ODD processes in place.

Key Activities:

— **LACERA Investment Office Overview:** Gain an understanding of the organizational structure, roles, and responsibilities supporting the activities of the Investment Office across portfolio management, operations, risk management, and compliance. This would include organization charts, various metrics such as assets under management (AUM) across the manager population, breakdown between public market and private market managers, LACERA's investment philosophy, asset allocation strategy, portfolio construction (manager selection), ESG strategy, fee structures, etc. These activities will consist of reviews of relevant and available documentation and initial broad-level interviews with key stakeholders in the aforementioned focus areas.

— **Documentation review:** Obtain and review relevant documentation related to LACERA's current ODD framework: governance framework, policies and procedures, scope of operational risk factors, process flows, use of third-party vendors, management reporting, example ODD reporting, etc.

— **Initial walkthrough interviews:** Conduct a series of walk through process and control interviews deemed appropriate by KPMG and mutually agreed upon, with key stakeholders to perform a deeper dive into the pre and post investment ODD processes.

— **Pre-investment ODD assessment:** By performing the above mentioned document reviews and interview sessions, gain an initial understanding of the initial manager selection process and intersections between the investment due diligence (IDD) activities and ODD activities and the decision-making process.

— **Post-investment ODD assessment:** By performing the above mentioned document reviews and interview sessions, gain an initial understanding of the ongoing ODD processes such as but not limited to inherent and residual risk scoring, frequency of reviews, depth of reviews, red flag criteria, issues tracking, remediation, and manager termination protocols.

— **Project Management Framework for the project:** (Project plan, Status reporting, communication protocols, roles and responsibilities, etc.)

Phase I Deliverables:

— Project management framework with detailed project plan with key milestones and target dates, progress reporting, issues tracking, roles and responsibilities, etc.

— Detailed matrix documenting the inventory of key ODD activities, risk assessments, governance, control, and reporting processes in place

— Summary of any preliminary gaps and redundancies identified and enhancement recommendations

Phase II: Gap analysis

Objective: Perform a deep dive gap analysis of the current state of the ODD framework against our understanding of leading industry practices and LACERA Investment Office's ODD Working Group action plans outlined in a report dated 10/22/2020 "Operational Due Diligence – Deep Dive Assessment" ("LACERA's ODD Deep Dive Report"), the goal being to identify opportunities for ODD improvements and alignment with leading industry practices. Assess process design, roles and responsibilities, and overall framework design and metrics reporting.

Key Activities:

— Based on the information gathered in phase I along with the detailed assessment matrix developed, perform a detailed gap analysis of the pre and post investment ODD processes in place against our understandings of leading industry practices of organizations similarly situated as LACERA, and against the results and actions plans outlined in LACERA's ODD Deep Dive Report.

— During this phase, follow-up clarification interviews and documentation requests may be necessary to confirm understandings to validate observations and recommendations.

— Vetting sessions with LACERA stakeholders will be conducted to validate findings of the gap assessment.

— During the deep dive assessment, KPMG will select risk based representative samples of ODD materials created by LACERA internally and by third party vendors for various public and private sector managers in order to gain insight into the operating effectiveness of the current ODD framework and against leading industry practices.

Example of seeking the following opportunities during the gap analysis:

— Identify gaps, make recommendations to assist LACERA in strengthening its current ODD processes and controls so that there is a systematic and efficient approach to improving adherence to LACERA's mission of protecting trust assets and optimizing the goal of optimizing risk adjusted returns.

Phase II Deliverables:

— Completion of the ODD assessment Matrix with results from phases I and II.

— Summaries of gaps and recommendations

Phase III: Final Report:

Objective: Finalization of phases I–II deliverables through a series of workshop review sessions with key stakeholders

— Throughout the project phases, KPMG will provide draft deliverables and conduct feedback sessions on each deliverable as needed.

— Formal weekly progress reporting meetings will be conducted with KPMG engagement leadership to provide updates and present draft deliverables.

— All deliverables outlined in phases I–II will be fully vetted with the LACERA and submitted for their approval.

— Final Report detailing scope, approach, procedures performed, and observations and recommendations.

— PowerPoint deck summary overview of observations and recommendations for presentation to the board.

— A summary of lessons learned and recommended next steps will be documented and provided.

Project Management Discipline

KPMG will leverage its deep project management and industry experience to design and establish a disciplined approach to monitoring key performance indicators (KPIs) for the LACERA Investment ODD Review. Our extensive experience working with global firms and executing large-scale assessments and review initiatives helps enable KPMG to efficiently apply the appropriate disciplines and rigor without introducing burdensome and over-built governance routines.

KPIs and service level agreements overview

A key component of the governance program for WBG is the establishment of performance indicators.

An effective set of metrics must be designed to benefit both WBG and KPMG by clearly defining expected outcomes of the services provided. Here are example KPIs for this engagement:

Project management

Budget variance reporting
Engagement spend remains in line with expectations

Resource utilization
Engagement resources are staying on task

Planned vs. spent hours
Resource remain available and effective

Project milestones completed on time
KPMG is meeting the WBG's needs

Issues management

Identification of exceptions and variances
Tracking exceptions and variances for resolution

Escalation of exceptions and variances
Tracking open issues for resolution with process owners

Closure of open issues
Final closure of open issues with appropriate documentation and explanations and signoffs

Project Schedule

Considering the proposed approach and the estimated timeframe of approximately 8 weeks as discussed with LACERA during oral presentation on July 14, KPMG is ready to perform the requested activities as outlined in the below timeline upon a mutual agreed-upon timeline that works for LACERA.

Week 0: This week is critical to the project success in allowing KPMG access to start gathering existing ODD framework materials and manager data, identifying and finalizing stakeholder list, developing kickoff meeting, and providing support to scheduling kickoff and interviews.

*Note: Timeline may be adjusted due to the finalization of contract agreements.

★ Start Date

	Week 0–2	Week 3–4	Week 5–6	Week 7–8
Phase I Current State Assessment				
Phase II Gap Analysis				
Phase III Final Deliverables				

8. Sample reports

Submit sample reports performing similar services to the scope in this RFP.

The below are example reports from two perspectives: a.) A specific manager ODD report b.) an overall assessment of an ODD program broadly.

a) Below is a sample ODD Report of an external manager that is an example of a core end deliverables of KPMG ODD services:

ODD Report_with red flags.pdf

b) Below is an example of a report template that is designed to be the final report deliverable for an assessment of an ODD program assessment for firms similarly situated as LACERA's investment office:

Sample ODD Program Assessmen

KPMG recognizes the unique risks and objectives of our clients; therefore, while we have project accelerators and templates to begin work efficiently on this type of project, we tailor our end deliverables and assessments to each client.

9. Potential conflict

a) Describe in detail any potential conflicts of interest related to any other client relationships if awarded the LACERA engagement.

To the best of our knowledge, we are currently unaware of any conflicts of interest related to any other client relationships if awarded the LACERA engagement.

b) Describe any potential conflicts of interest with the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

To the best of our knowledge, we are currently unaware of any conflicts of interest related to the proposed Engagement Director and/or Engagement Manager relative to the LACERA engagement.

c) List any perceived conflict of interest issues you anticipate if your firm is awarded this LACERA engagement.

To the best of our knowledge, we are currently unaware of any potential conflicts or issues that would impair our independence and objectivity in performing this engagement.

d) Provide details of any other affiliates offering services to LACERA that could represent conflicts of interest. Briefly describe your firm's policies and procedures for doing business with these affiliates, while safeguarding against conflicts of interest.

We use Sentinel, our independence monitoring system, to identify and manage potential independence issues and conflicts of interest within and across the KPMG global organization of independent firms. When a potential conflict of interest is identified, your lead partner, Laurence Godin, may consult with a member of the KPMG Independence, Risk Management, or Office of General Counsel groups, as needed, to determine how to resolve the potential conflict after appropriate consultations and the resolution of all matters is documented.

Once the engagement is accepted, it may be necessary to establish "ethical dividers" with respect to the professionals assigned and to communicate with appropriate parties. If a potential independence issue or conflict cannot be satisfactorily resolved in accordance with professional and firm standards, the prospective engagement will be declined.

e) Describe any known relationship your Firm or any staff have with any member of LACERA's Boards, management, staff, or plan sponsors (including, but not limited to, Los Angeles County).

To the best of our knowledge, we are not currently aware of any relationships that exist between our staff and directors, officers, or key employees of LACERA that would pose a conflict or impair our objectivity or independence.

f) Describe the purpose and monetary value of any gifts, travel, expenses, entertainment, or meals given to any member of the LACERA Boards, management, or staff in the last two (2) years.

To the best of our knowledge KPMG has not paid for any gifts, travel, expenses, entertainment, or meals for any member of the LACERA Boards, to include the Board of Retirement and Board of Investments, within the last 2 years. We are unable to make a certification regarding LACERA management and employees as we do not have access to a list of all LACERA management and employees.

g) Describe your firm's approach to resolving potential conflict issues that may be encountered during the performance of audit or consulting services for LACERA and any special assistance that will be requested from LACERA.

The KPMG independence policies require that the firm, its partners, and certain other professionals be free from financial interests in and prohibited relationships with the entities we provide service and their affiliates, management, directors and significant owners. The firm requires adherence to applicable independence requirements and ethical standards, which meet or exceed the standards promulgated by the PCAOB, SEC, AICPA, Government Accountability Office (GAO) and other applicable regulatory bodies. These policies and procedures, which cover areas such as personal independence, postemployment, business, financial, and vending relationships, partner rotation of certain engagement personnel, and approval of audit and nonaudit services, are monitored continuously.

KPMG independence technology tools

Service Independence

KPMG International's proprietary system, Sentinel, facilitates compliance with the firm's policies related to the provision of services and is also used to identify and manage potential conflicts of interest within and across the KPMG global organization of independent firms. Engagement partners and professionals are required to maintain organizational structures for the entities we audit in the system

For SEC-registered and certain nonpublic entities for whom we provide service, the applicable Lead Engagement Partner reviews and approves or denies any proposed service upon receipt of the Sentinel notification. For engagements subject to GAO standards, the firm also requires approval by the Lead Engagement Partner before commencement of nonaudit services.

Investment independence

KPMG monitors compliance with its independence policies for financial interests through the KPMG independence compliance system (called KICS), as well as through a compliance audit process; this compliance audit process also exists for engagements. KICS contains an inventory of SEC registrants and other entities that require us to be independent and the securities they have issued; these entities are marked "restricted" in KICS. Before purchasing a security, securing a loan, or initiating another financial relationship, our partners, managing directors and certain managers are required to use KICS to determine if the entity is restricted. Additionally, personal investments, including mandatory broker imports, are required to be reported in KICS, which automatically notifies professionals if an investment becomes "restricted."

Each professional is ultimately responsible for maintaining their personal independence. In addition to our policies prohibiting any firm partner or employee from trading on inside information, our partners, managing directors, managers and those providing professional services to an entity we audit may not have direct or material indirect investments in an entity we audit or its affiliates (collectively, restricted entities), regardless of whether they are in possession of inside information about such entities. Certain other financial relationships with restricted entities we audit (e.g., loans, credit cards, insurance products, and brokerage accounts) may be prohibited or subject to limitations. Close family members of certain

KPMG partners, managing directors and employees may not hold accounting or financial reporting roles with restricted entities we audit.

Compliance with rules

KPMG has established processes to communicate independence policies and procedures to our personnel. Among other things, the firm requires all professionals to complete independence training every year and affirm their independence using an electronic confirmation system. This confirmation is completed upon commencement of employment at the firm, every year thereafter and at key promotions.

To confirm our professionals' and the firm's independence, in fiscal year 2018, the firm audited the financial relationships of more than 1,200 individuals subject to the independence requirements. Failures to comply with the firm's independence policies are referred to a panel of specified members of leadership for review, remediation, and disciplinary actions, helping to enable consistent resolution.

Business relationship independence

Our firm has policies and procedures in place that are designed to help certify that business and supplier relationships are identified, assessed, and maintained in accordance with applicable independence standards. Compliance with these policies and procedures is monitored by the Independence Group.

Conflicts and independence clearance

Engagement teams proposing to perform a new audit engagement are required to perform a series of procedures, including a review of any nonaudit services provided to the potential entity to be audited. The Sentinel system is used to identify and manage potential independence issues and conflicts of interest within and across member firms in the KPMG International network. When a potential conflict of interest is identified, the lead partner may consult with a member of Risk Management to determine how to resolve the potential conflict after appropriate consultations, if needed, with the Office of General Counsel, and the resolution of all matters is documented. Resolution of potential conflicts requires approval from someone outside the audit engagement team, which could include the professional practice partner, Sentinel conflicts resolver or the functional risk management group, before signing the initial audit engagement letter.

If the engagement is accepted, it may be necessary to establish "ethical dividers" with respect to the professionals assigned and to communicate with appropriate parties. If a potential independence issue or conflict cannot be resolved satisfactorily, in accordance with professional and firm standards, the prospective entity or engagement is declined.

10. Legal situations

a) Describe the circumstances and status of any investigation, non-routine examination, complaint, disciplinary action, or other proceeding against your firm or any officer or principal of your firm commenced by any state or federal regulatory body or professional organization during the past five (5) years.

On June 17, 2019, the Securities and Exchange Commission (SEC) issued an order (the SEC Order) instituting public administrative and cease and desist proceedings against KPMG LLP (KPMG or firm), based on misconduct by certain personnel. The SEC Order censured KPMG for a violation of Public Company Accounting Oversight Board (PCAOB) Rule 3500T and other standards. Rule 3500T requires KPMG and associated persons to comply with ethics standards mandated by the American Institute of Certified Public Accountants. The SEC Order ordered the firm to cease and desist from committing or causing any future violations of PCAOB Rule 3500T, and imposed a $50 million civil money penalty and remedial sanctions upon the firm. The remedial sanctions obligate the firm to take certain actions, including a comprehensive review of the firm's ethics and integrity policies and processes. That policy review was evaluated by an independent, third-party consultant that KPMG retained. KPMG reported the completion of its review to the SEC, and the independent consultant reported to the SEC the completion of its review, which is nonpublic.

The SEC Order resolves two matters involving the firm. The first relates to inappropriate access to PCAOB inspections information by a handful of former KPMG personnel. When the firm's leadership became aware of this misconduct, the matter immediately was reported to the KPMG regulators. The firm retained outside counsel to conduct an investigation, and the responsible individuals were separated from the firm. The second relates to training exams and arose in late 2018. Some KPMG professionals shared the answers to open-book tests that were administered in connection with internal, firm-sponsored training. In the context of investigating the training exams, KPMG discovered that prior to 2016 certain individuals also had manipulated the hyperlink associated with the training exams in order to ensure passing scores. KPMG immediately reported this misconduct to its regulators, and, in addition, the KPMG Board of Directors established a Special Committee to oversee the investigation conducted by outside counsel. The SEC Order imposed no limitations on the firm's ability to perform services for existing or new clients. In addition, the firm has entered settlements with certain state boards of accountancy in response to the SEC Order described above. These settlements have not limited the firm's or individual personnel's ability to provide services. KPMG is aware of other state board inquiries involving the firm and/or current or former personnel resulting from the SEC Order. These matters have no impact on the firm's or individual personnel's ability to serve commercial or government clients.

b) Describe any situation whereby your firm or any officer or principal of your firm was censured or fined by any regulatory body within the last five (5) years.

Please refer to the response in 10.a

c) Describe any claims or litigation brought against your firm or any officer or principal of your firm by any entity for fraud, malpractice, misrepresentation, negligence, or similar cause of action within the last five (5) years.

As is the case with all major professional services firms, from time to time KPMG LLP and/or individual partners or principals have been named as defendants in lawsuits by regulatory bodies and civil plaintiffs, particularly when one of the firm's clients suffers an economic downturn. Understandably, the details of such litigation are sensitive and highly confidential. KPMG has a professional indemnity insurance program in place to insure against such risks, and we have no pending litigation or litigation commenced in the past 5 years that would materially affect the firm's operations or our ability to perform services for you.

d) Describe each audit engagement with other clients, involving any member of the team that would be assigned to the LACERA, which has been the subject of litigation, arbitration, mediation, or other dispute resolution mechanisms within the past five (5) years. Identify the individual(s) involved, and provide the case name and number, the damages sought, and the outcome.

Please refer to the response provided in 10.c

e) Describe any situation within the last five (5) years, when your firm was notified, by any actuarial consulting or actuarial auditing client, that your firm is in default of its contract, or that conditions exist jeopardizing the continuation of that contract. State the client's name, the year the notice was received, reasons for the notice, and resolutions or current status of the relationship.

KPMG LLP is a national professional services firm and works on thousands of engagements each year across the country. From time to time, KPMG, like other major professional services firms, may receive a question or complaint from a client about the conduct of a particular engagement. KPMG attempts to promptly address and resolve issues with clients so that they do not invoke contractual termination or default clauses. While the firm does not centrally track contract terminations/stop work orders/contract performance problems, KPMG is not aware of any significant issues relating to client contracts in the last five years, or any terminations of those contracts, which would interfere with KPMG ability to successfully perform the services contemplated by this proposal/contract.

11. Fee schedules

KPMG goal in serving LACERA is to generate value and benefits greater than the costs of our advisory services. Our experience with LACERA and other leading companies allows us to help minimize the fees you ultimately pay for advisory services. We believe our pricing is competitive and consistent with the high-quality service you expect from us. Further, long-term business relationships are based upon strong personal relationships, mutual professional respect, and reasonable fees for advisory services.

If you believe that our fees do not reflect the market, we would appreciate that feedback and the opportunity to reevaluate.

Proposed Fee Schedule

KPMG LLP

Resources	Rate per hours
Partner	$400
Director	$385
Manager	$325
Associate	$250

Position/Hourly Rate	Larry Godin $400		Mark McKeever $385		Bridget Donato $385		Katherine Kim $325		Hannah Deits $250		Subtotal	
Engagement Phases	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
I. Current State Assessment	6	$2,400	100	$38,500	20	7,700	120	$39,000	120	30,000	366	$117,600
II. Gap Analysis (Deep Dive)	6	$2,400	100	$38,500	20	7,700	120	$39,000	120	30,000	366	$117,600
III. Final Deliverables	6	$2,400	70	$26,950	10	3,850	80	$26,000	40	10,000	206	$69,200
Project Fees	18	$7,200	270	$103,950	50	$19,250	320	$104,000	280	$70,000	938	$304,400
Estimated Travel												$0
Other												$0
Travel Costs		$0		$0	$0	$0		$0		$0	**Total**	$304,400

Fee Considerations

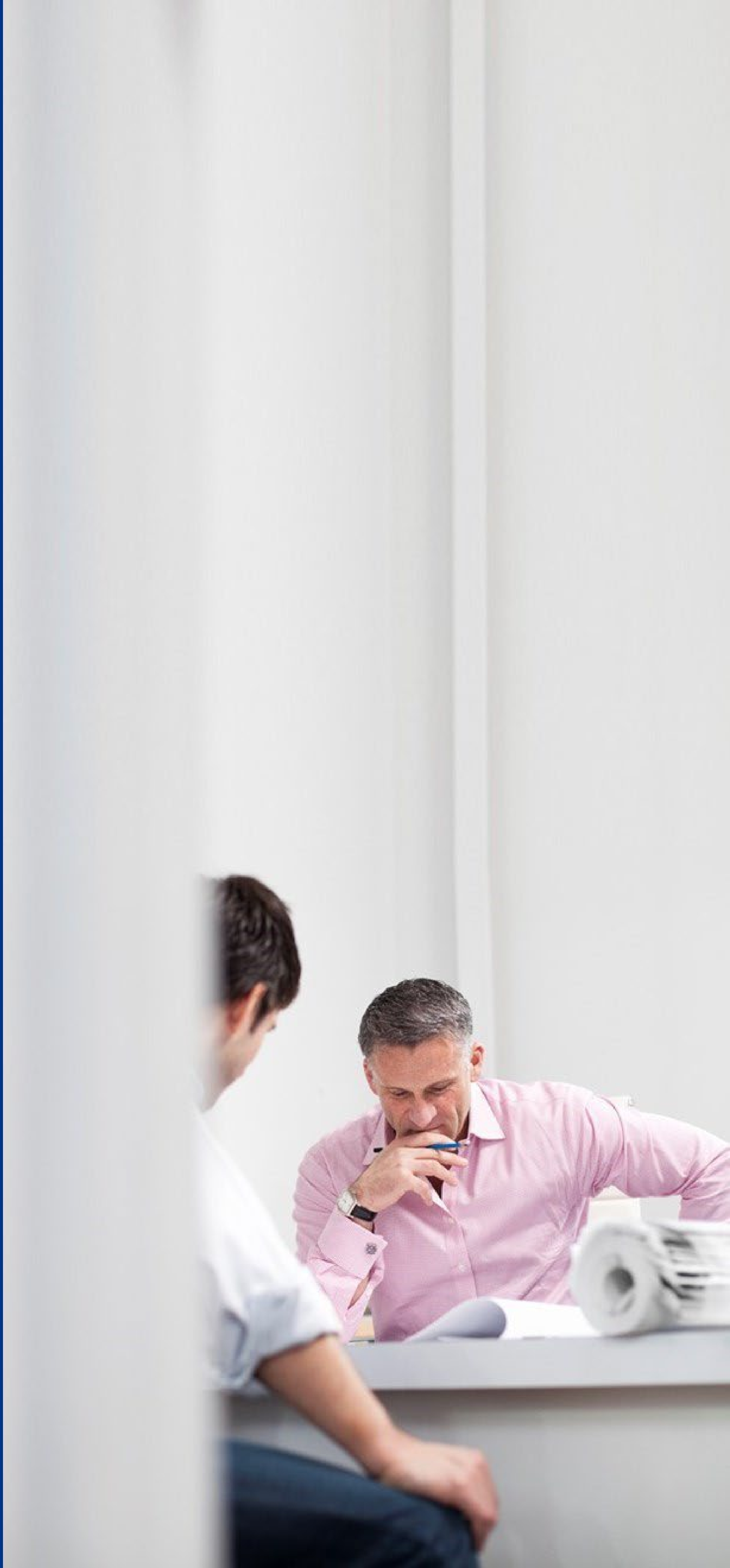
- **Out-of-pocket expenses**: All services are anticipated to be performed remotely throughout the project duration. Therefore, travel expenses are not expected to be incurred. However, if travel is deemed necessary and mutually agreed upon, in addition to our professional fees, we expect to be reimbursed for out-of-pocket expenses (mileage, travel, meals, and lodging), which are billed at cost and will not exceed 5 percent of professional fees. We do not bill separately for administrative or overhead costs.
- **Scope:** With respect to ODD reviews of individual managers, KPMG anticipates selecting a limited risk-based sample of managers for review of ODD materials prepared by LACERA and/or its service providers, in addition to interviews with LACERA stakeholders. The scope of these services does not include KPMG originating and executing initial or ongoing ODD reviews on managers directly or interviewing managers directly.
-

Other Matters

- **Remote working capabilities**: In light of COVID-19 and guidelines relating to social interaction, KPMG will work with the LACERA to make sure we are aligned on expectations if any in-person meetings are deemed necessary. Furthermore, we will assess appropriate virtual meeting tools for this engagement and adapt to changing circumstances, when needed. KPMG technology leads are continuously monitoring our Virtual Meeting Capabilities in response to COVID-19 to support additional requirements as they arise, and increased load limits, as needed.
- KPMG services, as outlined in this proposal, constitute an Advisory engagement conducted under the American Institute of Certified Public Accountants (AICPA) Standards for Consulting Services. Such services are not intended to be an audit, examination, attestation, special report or agreed-upon procedures engagements as those services are defined in AICPA literature applicable to such engagements conducted by independent auditors. Accordingly, these services shall not result in the issuance of a written communication to third parties by KPMG directly reporting on financial data or internal control or expressing a conclusion or any other form of assurance.

Appendices

Appendix A Team résumés



Larry Godin
Principal

KPMG LLP
345 Park Avenue
New York, NY 10154

Tel 212-954-1939
Cell 914-309-8449
lgodin@kpmg.com

Function and specialization
Larry is the national leader of the Investment Management segment of the KPMG Financial Services Regulatory practice.

Representative clients
— Alternative Investment Private Fund Advisers (PE, RE, Hedge)
— Diversified Bank Holding Companies
— Dually Registered BD/RIA
— Mutual Fund Complex

Professional associations
— Member, New York State Bar
— Member, Connecticut State Bar

Education, licenses & certifications
— BA degree, Binghamton University
— JD, degree Albany Law School

Engagement Principal

Background
Prior to joining KPMG in 2016, Larry spent more than 20 years in the financial services industry focusing on legal, risk and compliance issues in the asset management space. He has held such positions as chief legal officer for asset management, senior counsel and general counsel at large institutional asset management firms and dually registered broker-dealer/investment advisory firms. He has worked closely with Compliance in the creation and implementation of asset and wealth management compliance programs. Most recently, Larry was the Head of Governance for a large global wealth management firm where he worked closely with the firm's legal, compliance and risk partners to ensure the proper development and maintenance of its asset management products and services.

Professional and industry experience
— Acted as senior asset management counsel to the institutional asset and wealth management entities of financial services firms.

— Provided advice and counsel related to single strategy funds, fund of funds and private equity funds.

— Advised on the creation and distribution of wrap fee managed account, dual contract, financial planning, mutual fund asset allocation and hedge fund consulting programs.

— Assisted in the development of compliance and conduct policies and procedures for asset and wealth management entities.

— Reviewed investment advisory and mutual fund performance advertising and other client communication to help ensure compliance with applicable securities rules and regulations.

— Assisted with the legal and compliance issues related to the development of private fund seeding programs.

— Provided advice, and assisted in regulatory due diligence, for the potential acquisition of investment management firms, lift outs and joint ventures.

— Regularly advises institutional asset and wealth management firms on the adequacy and reasonableness of their compliance programs and supervisory systems, including policies, procedures, processes and controls to determine compliance with regulatory rules, regulations and industry best practices.

— Assisted institutional asset and wealth management firms in creating a framework to identify high risk processes with their businesses and performed targeted reviews to access the adequacy of key business and compliance controls.

— Performed targeted compliance reviews related to high risk SEC focus areas for registered investment advisers.

Mark F. McKeever
Director

KPMG LLP
1601 Market Street
Philadelphia, PA 19103

Tel 267-256-1704
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mmckeever@kpmg.com

Function and specialization
Mark is a director in the Financial Risk Management Advisory practice specializing in investment management regulatory, compliance, and risk management.

Representative clients
— Alternative Investment Private Fund Advisers (PE, RE, Hedge)
— Diversified Bank Holding Companies
— Dually Registered BD/RIA
— Mutual Fund Complex

Professional associations
— Member, American Institute of Certified Public Accountants

Education, licenses & certifications
— BS degree, accounting, Temple University
— BA degree, communication Arts, Villanova University
— MS degree, taxation and finance, Widener University
— PA Licensed CPA (inactive status)

Lead Engagement Director

Background
Mark is a director with more than 20 years of financial services experience including service as a senior securities compliance examiner with the SEC. His areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across various business models within the public investment management, wealth management, and alternative investment industry sectors. Mark has successfully assisted clients with implementing end-to-end enterprise-wide compliance programs that result in sustainable models for performing ongoing risk assessments, regulatory requirements and controls road-mapping, and ongoing compliance monitoring and effectiveness testing.

Professional and industry experience
Mark has strong knowledge of the Investment Advisors Act of 1940, Investment Company Act of 1940, OCC Reg. 9 and related OCC Handbooks and interpretive guidance, and U.S federal securities laws broadly. As a recognized leader in the practice, Mark runs engagements for major investment management firms in areas of operational due diligence, pricing and valuation governance, compliance program development, internal audit support, and fund operations and risk management. He has performed enterprise wide regulatory risk assessment and compliance reviews of large SEC registered investment advisors which included performing gap analysis, making recommendations for control enhancements and efficiency gains, and lastly assisting with the successful implementation and integration of an enhanced control environment and risk assessment process. His prior experience also includes the following:

— Led the KPMG internal audit support services to an asset manager of a large corporate sponsored pension plan that manages over $60B in assets. This included all aspects of the audit life cycle: Risk Assessment, Scoping, Test Program development and execution, validation of findings, evaluation of auditee responses, audit report preparation and presentation. Scope of auditable areas included trade execution, investment guidelines, asset allocation, external manager due diligence, valuation governance, custody, securities lending, etc.

— Assessed the design and effectiveness of wealth management platform's regulatory compliance, risk oversight, surveillance and governance activities, including compliance with 12 CFR Part 9 and preparing for regulatory examinations.

— As a senior securities compliance examiner with the SEC, Mark was responsible for leading exam teams in conducting routine, cause, and risk-targeted examinations of investment advisers, investment companies, hedge fund advisers, transfer agents, and administrators.

— As a vice president with a major third-party fund administrator, Mark managed the business relationships and fund services of several hedge fund clients as well as provided project management services for the implementation of new hedge fund products.

Publications and speaking engagements

— Speaker, KPMG Regulatory Share Forums; Mid-Atlantic Hedge Fund Association, Moderator, Hedge Fund Forum at SEC headquarters, Washington, DC

— Training instructor, Regulatory Reform and Compliance Transformations

Bridghet Donato

Director

KPMG LLP
191 West Nationwide Blvd.
Columbus, OH 43215

Tel 614-249-2300
bridghetdonato@kpmg.com

Function and specialization

Bridghet is a director in the KPMG Financial Risk Management Advisory practice specializing in investment management regulatory, compliance, and risk management.

Education, licenses & certifications

— BS degree, administration and finance, Arcadia University

— MBA degree, administration and finance, St. Joseph's University

— FINRA Series 7 and 24

Engagement Director

Background

Bridghet is a director with 20 years of financial services experience with specialization in asset management, compliance and insurance. Her areas of concentration include a deep knowledge of the U.S. federal securities laws and regulations and their practical applications across mutual fund complexes, investment advisers, trading operations, and treasury functions.

Professional and industry experience

Bridghet has strong knowledge of the Investment Advisors Act of 1940, Investment Company Act of 1940, and U.S federal, state, and local securities laws broadly. Bridghet has served in numerous senior compliance officer roles for investment management firms responsible for areas of operational due diligence, pricing and valuation governance, compliance program development, board reporting, fund operations, and risk management. She has performed enterprise wide regulatory risk assessments and compliance reviews of large mutual fund complexes which included performing annual compliance program reviews, ongoing compliance monitoring, and testing. She is also responsible for implementation and integration of identified enhanced control environment opportunities and risk assessment processes.

Bridghet's prior experience also includes the following:

— Assessed the design and effectiveness of large mutual fund compliance programs consisting of surveillance, governance activities, board reporting, performance of the annual 38a-1 Compliance Review and Report, and preparing for and managing regulatory examinations

— Created and maintained a laws and rules monitoring consisting of over 1000 rules within the firm's pre and post trade compliance platforms

— Reviewed, updated and converted investment guidelines & regulatory guidelines of general account and advisory accounts for large insurance company

— Managed team for ongoing monitoring and updates to investment guidelines for house accounts and client accounts

— Created the development and design of an enterprise level treasury department and related reporting function

— Served as an outsource chief compliance officer for multiple asset management firms focusing on private equity, hedge fund, mutual funds, and separate account platforms.

— Served as an institutional trader for more than 300 banks and clients

— Compliance monitoring for allocation models across over 20 managers

Katherine C. Kim

Manager

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Tel 212-954-8992
Cell 347-323-0103
kckim@kpmg.com

Function and specialization

Katherine is a member of the Financial Risk Management practice specializing in Investment Management /Capital Markets Operations & Compliance Risk

Education, licenses & certifications

— BA English, Hobart and William Colleges

— Graduate studies in economics, Columbia University

— Continuing education; financial risk management, fixed income, New York University School of Continuing Education

Engagement Manager

Background

Katherine is a manager in the KPMG Advisory, Financial Services, Regulatory and Compliance Risk practice with more than 15 years in the financial investment management and capital markets. She has focused on the development, implementation, and testing of compliance programs, the assessment of enterprise risk management frameworks and standards, and providing compliance advisory support.

Professional and industry experience

Strategic Business Initiatives and Integrations

— Led Compliance project management for strategic business acquisition integration. Established and assisted in the execution of the project plan for each in-scope Compliance workstream.

— Performed risk-based operational due diligence of third-party investment managers and sub-advisors covering broad range of strategies including private equity, real estate, long/short, fixed income, credit liability driven investing and register funds.

Business and Regulatory Transformation

— Assessed and implemented enhancements for a top tier global banking institutions which included developing a remediation plan, leading and managing multiple workstreams, and/or executing the remediation plan to develop target/sustainable operating models.

— Assessed, implemented and facilitated the governance and oversight management of remediation efforts for market conduct requirements globally.

Compliance Program Assessment

— Performed front to back assessments of global compliance programs of registered investment advisers for compliance with laws, rules, and regulations. Measured maturity against KPMG's leading practices and peer programs of size and complexity.

— Led efforts in securities rule analysis for U.S. and non-U.S. jurisdictions (e.g., Japan, Hong Kong, Netherlands, UK, and Canada) involving, among other things, marketing, information barriers, short selling, derivatives, registration, and regulatory reporting ((e.g., HSR Act, Section 13 and Section 16).

Hannah Deits

Associate

KPMG LLP
345 Park Avenue
New York, NY 10154

Tel 212-872-3825
Cell 262-388-0059
email@kpmg.com

Function and specialization

Hannah is a member of the KPMG FSRCR practice, specializing in operational risk management within the banking and capital markets sectors

Education, licenses & certifications

— BBA degree, economics, Belmont University

Associate

Background

Hannah is an associate in the KPMG Financial Services, Regulatory and Compliance Risk practice. She graduated from Belmont University with a BBA degree in economics, with a focus in behavioral economics. After graduation, Hannah worked as an associate for the financial arm of an international construction company before joining KPMG.

Professional and industry experience

— Supported the financial arm of an international construction company in the deployment of a new financial/accounting system, while also actively completing financial transactions for clients.
  - Crafted workflow guides and worked to find system efficiencies that could be executed across various departments.
  - Trained more than15 new team members by leading daily training calls, crafting workflow guides, and standardizing intake processes for future new hires

— Analyzed DMA and Conduct Risk Plain English summaries for an international bank to assist their compliance with a regulatory violation
  - Identified gaps in the regulatory Plain English summaries
  - Mapped risks, controls, and policies & procedures at the obligation level

— Analyzed laws pertaining to corporate governance and wrote obligation descriptions to communicate the core requirement that the client must follow.
  - Curated a full inventory of corporate governance laws for banks that can be used on future engagements.

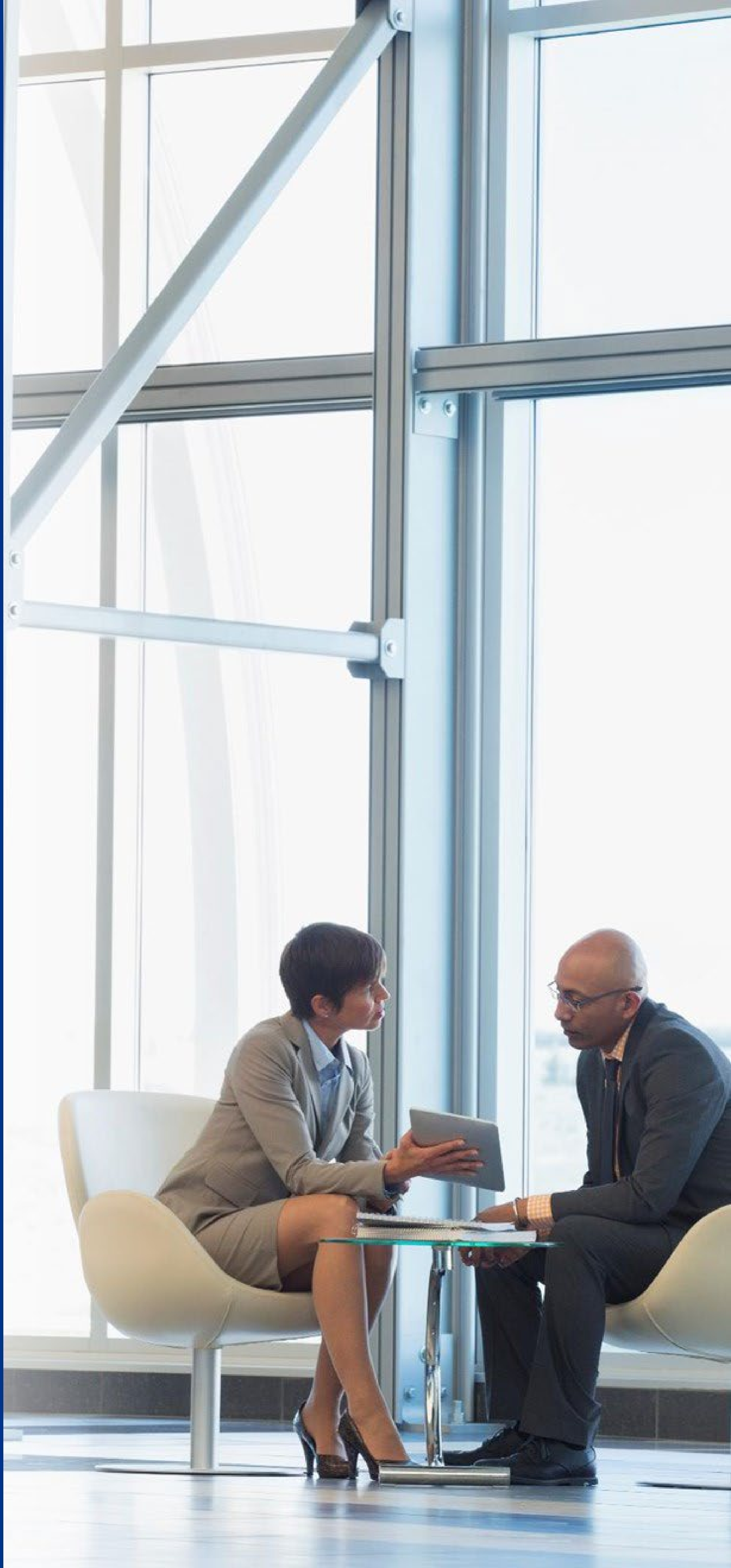
— Executed the role of project manager on a data curation project for an international financial institution
  - Led daily status calls with the team and external developers to track project status
  - Closely tracked and reviewed the deliverable status and reported the status to senior leadership

— Supported the development of RFP responses for Operational Risk projects at top tier banks

Technical Skills

Microsoft Office Suite, Microsoft Teams, SharePoint, Oracle

Other matters



REQUESTED EXCEPTIONS TO THE RFP,
EXHIBIT E, & ASSUMPTIONS

KPMG's acceptance of this engagement is contingent upon the successful completion of our standard engagement acceptance process. KPMG's acceptance is also contingent upon the ability to reach mutually agreeable additional terms and conditions as provided below. For ease of negotiations, KPMG requests the previously accepted terms and conditions under LACERA PSA for Auditing and Consulting Services Pool dated August 3, 2021 be accepted for this Agreement.

EXHIBIT E – AGREEMENT FOR SERVICES	
1. Services to be Provided. 1.4 Consultant's quality of service will be in accordance with the terms of the Contract and applicable professional standards .	Mutually accepted under LACERA PSA dated 8.3.2021
3. LACERA's Project Director. LACERA's Project Director, or designee, has responsibility for determining whether the Services are performed in accordance with the terms of the Contract and applicable professional standards. LACERA's Project Director is Richard Bendall.	Mutually accepted under LACERA PSA dated 8.3.2021
4. Indemnification and Insurance. 4.1 LACERA agrees that the liability of Consultant, including but not limited to, Consultant's negligence shall not exceed three times the fees he receives for the portion of the work giving rise to such liability. In addition, LACERA agrees that Consultant shall not under any circumstances be liable for any special, consequential, indirect, punitive, incidental or exemplary damages or loss (nor any lost profits, taxes, interest, tax penalties, savings or business opportunity costs), even it Consultant was advised in advance of such potential damages. This limitation shall not apply to the extent that it is finally determined to be the result of the Consultant's willful misconduct or fraud. This paragraph shall apply to any type of claim asserted, including contract, statute, tort, or strict liability, whether by LACERA, Consultant, or others. The Consultant's indemnification obligations under this section with respect to any legal action are contingent upon LACERA giving the Consultant: (1) written notice of any action or threatened action, (2) the opportunity to take over and settle or defend any such action at Consultant's sole expense, and (3) assistance in defending the action at Consultant's sole expense. The Consultant shall not be liable for any cost, expense, or compromise incurred or made by LACERA or Customer in any legal action without the Consultant's prior written consent, which shall not be unreasonably withheld.	Limitation of Liability mutually accepted under LACERA PSA dated 8.3.2021 KPMG standard language regarding indemnification obligations with respect to any legal actions.
4. Indemnification and Insurance. 4.3.4 Include copies of the additional insured endorsement to the commercial general liability policy, adding that LACERA as insureds for all activities arising from this Contract. 4.3.5 4.9 Commercial General Liability. Consultant shall provide and maintain a Commercial General Liability insurance policy, which names LACERA as additional insured. Such policy shall cover legal liability for bodily injury and	Mutually accepted under LACERA PSA dated 8.3.2021 (4.34 thru 4.11)

property damage arising out of Consultant's negligent acts or omissions in the performance of this Contract. Such policy shall include, without limitation, endorsements for Property Damage, Premises-Operations, Products/Completed Operations, Contractual, and Personal/Advertising Injury with a limit of at least $1,000,000 per occurrence and an annual aggregate of at least $1,000,000. 4.10 Auto Liability. Consultant shall provide and maintain a comprehensive auto liability insurance policy endorsed for all "non-owned" and "hired" vehicles with a combined single limit of not less than $1,000,000 each claim. 4.11 Workers' Compensation. Consultant shall bear sole responsibility and liability for furnishing Workers' Compensation benefits to Consultant's employees for injuries arising from or connected with any services provided to LACERA under this Contract. Consultant shall provide and maintain a program of Workers' Compensation, in an amount and form to meet all applicable statutory requirements if Consultant hires employees. 4.12 Errors and Omissions, including Cyber Liability. Consultant shall provide and maintain insurance covering liability arising from any error, omission, negligent or wrongful act of the Consultant, its officers, employees or Agents, with limits of at least $2,000,000 per claim and an annual aggregate of at least $5,000,000. The coverage also shall provide an extended one-year reporting period commencing upon termination or cancellation of this Contract.	KPMG's Professional Liability policy is underwritten to include third party Cyber Liability coverage. See above.
6. Non-Exclusive Services. This Contract is not exclusive. Consultant has the right to perform services for others during the term of this Contract, but Consultant agrees not to engage in any business, work or services of any kind under contract, or otherwise, for any person, organization or agency, which would materially interfere with the performance of the Services. Consultant agrees to disclose such information regarding business, work, or services they perform on behalf of any person, organization, or agency as LACERA may reasonably require verifying Consultant's compliance with this Section.	Mutually accepted under LACERA PSA dated 8.3.2021
10. Confidentiality. 10.1.1 Consultant shall not disclose Confidential Information to any person within its organization except those persons required to perform the services of the Contract, except to the extent that such disclosure may be required for internal corporate, accounting or legal review. 10.1.2 Consultant shall not disclose Confidential Information to any third party without LACERA's advance written approval; except as required pursuant to any applicable law, regulation, judicial or administrative order or decree, or request by other regulatory organization having authority pursuant to the law provided, however, that the Contractor shall use reasonable efforts to minimize such disclosure. 10.1.4 Consultant shall exercise the same level of care to protect the other's information as it exercises to protect its own confidential information but in no event less than reasonable care, except to the extent that LACERA identifies applicable law,	Sections 10.1.1 thru 10.1.4, mutually accepted under LACERA PSA dated 8.3.2021

policies, or standards or Consultant identifies professional standards that impose a higher requirement. 10.1.5 Consultant will not use the Confidential Information for any purpose other than to perform the services required by this Contract. This confidentiality provision will survive the termination of the Contract. Notwithstanding the foregoing, Consultant shall be permitted to disclose confidential information as required to comply with applicable professional standards	As an accounting firm and to maintain compliance with professional standards, KPMG may at times be required to disclose client confidential information. However, KPMG will comply with the LACERA confidentiality provisions as previously agreed on.
12. Compliance with Laws. Consultant shall comply with all applicable Federal, State and local laws, rules, regulations, ordinances, and directives, and all provisions required to be included in this Contract are incorporated by this reference. Consultant shall indemnify and hold LACERA harmless from any loss, damage or liability resulting from a violation by Consultant of any such laws, rules, regulations, ordinances, and directives to the extent caused by Consultant's negligent acts or omissions in the performance of this Contract.	Mutually accepted under LACERA PSA dated 8.3.2021
15. Termination for Default. Services performed under this Contract may be terminated in whole or in part by LACERA providing to Consultant a written Notice of Default if (1) Consultant fails to perform the services within the time specified in this Contract or any extension approved by LACERA, provided Consultant shall not be liable for delays beyond his reasonable control, or (2) Consultant fails to perform any other covenant or condition of this Contract, or (3) Consultant fails to make progress so as to endanger its performance under this Contract. Consultant shall have ten (10) calendar days from the date of the Notice of Default in which to cure the Default(s), however, in its sole discretion, LACERA may extend this period or authorize a longer period for cure. Without limitation of any additional rights or remedies to which it may be entitled, if LACERA terminates all or part of the services for Consultant's Default, LACERA, in its sole discretion, may procure replacement services. In the event the Contract is terminated for default, the Consultant shall not have any liability to LACERA as a result of LACERA's use of any unfinished, incomplete, or draft work products and materials that are furnished to LACERA, provided that CONSULTANT has notified LACERA of the incomplete status of such material.	Mutually accepted under LACERA PSA dated 8.3.2021
16. Termination for Convenience. ADD In the event the Contract is terminated for convenience, the Contractor shall not have any liability to LACERA as a result of LACERA's use of any unfinished, incomplete, or draft work products and materials that are furnished to LACERA, provided that CONSULTANT has notified LACERA of the incomplete status of such material.	Mutually accepted under LACERA PSA dated 8.3.2021

17. S OC-2	
SOC-2 Report. Upon request, and where applicable and available ,the Consultant shall provide a summary of its most recent annual audit relating to information technology security and operational processes to provide such security applicable to LACERA information within Consultant's possession or control, as applicable to Consultant's provision of services. 17.4 All SOC 2 Audits, including those of the Consultant and any subcontractors, shall be performed at no additional expense to LACERA. 17.5 Upon request, the Consultant and all relevant subcontractors shall promptly provide a complete copy of the final SOC 2 Report(s) to the Project Director upon completion of each SOC 2 Audit engagement. 17.6 The Consultant shall provide to LACERA, within 30 calendar days of the request, a documented corrective action plan that addresses any material audit finding or exception contained in a SOC 2 Report as applicable to LACERA information.. 17.7 If the Consultant or any subcontractor fails to provide an applicable annual SOC 2 Report summary in response to LACERA's request, upon request, LACERA shall have the right to perform assessment as applicable to the LACERA information functions and processes utilized or provided by the Consultant and any relevant subcontractor under the Contract. Upon request, the Consultant and any subcontractor agree to allow LACERA reasonable access to its facilities for purposes of conducting this assessment. Consultant will provide reasonable support and cooperation to LACERA to perform the assessment. LACERA will invoice the Consultant for the expense of the assessment, or deduct the cost from future payments to the Consultant.	KPMG can make SOC reports available in regards to certain aspects of its IT environment with the following requested revisions. 17.1 KPMG can provide a SOC report after executing the contract but not a SOC audit. 17.2, 17.3, & 17.6 – SOC report will pertain to applicable LACERA information within Consultant's possession or control, as applicable to Consultant's provision of services. 17.7 KPMG requests that third-party audit rights for information security be changed to an "assessment." If LACERA wants to have a third party perform such

	assessment, KPMG will need to retain the right to approve such third party.
18. Disaster Recovery & Business Continuity As applicable to the provision of services, Consultant will implement and maintain disaster recovery and business continuity procedures that are reasonably designed to recover data processing systems, data communications facilities, information, data and other business related functions of LACERA in a manner and time frame consistent with legal, regulatory and business requirements applicable to LACERA.	Mutually accepted under LACERA PSA dated 8.3.2021
19. Data Breach Verification 19.1 Consultant shall provide written, signed attestation that to the best of its knowledge, no data breach, hacking, or incidental divulging of Member Records has occurred and that no Member Record has been compromised. The attestation shall verify that adequate internal policies and procedures exist to prevent data theft and unauthorized access. For the avoidance of doubt, the attestation requirement in this section shall be limited to Member Records processed by Consultant during the term of this Agreement, and such attestation requirement shall expire upon termination of the Agreement. 19.3 Consultant shall comply with California Civil Code §1798.29(e) and California Civ. Code §1798.82(f) , as applicable to the provision of services. 19.4 Consultant shall reimburse LACERA for the notification of any California resident whose unencrypted personal information, as defined, was acquired, or reasonably believed to have been acquired, by an unauthorized person as required by California Civil Code §1798.29(a) and California Civ. Code §1798.82(a). 19.5 Notwithstanding the legal notification requirements in the preceding paragraphs, Consultant will promptly and without undue delay notify LACERA upon its discovery of any data breach of personal information provided to Consultant by LACERA including, but not limited to, any personal information included in a Member Record.	19.1 mutually accepted under LACERA PSA dated 8.3.2021 but revised here clarify that attestation is specific to LACERA agreement only. 19.2 thru 19.5 - Mutually accepted under LACERA PSA dated 8.3.2021
22. **Attorney's Fees.** In the event of litigation between the parties concerning this Contract, the prevailing party shall be entitled to recover reasonable costs and expenses incurred therein, including attorney's fees which shall be included in the limitation of liability described in Section 4. These expenses shall be in addition to any other relief to which the prevailing party may be entitled and shall be included in and as part of the judgment or decision rendered in such proceeding.	Mutually accepted under LACERA PSA dated 8.3.2021
23. Interpretation. The parties acknowledge that they have been given the opportunity to have counsel of their own choosing to participate fully and equally in the review and negotiation of this Contract. The language in all parts of this Contract shall be construed in all cases according to its fair meaning, and not strictly for or against	Mutually accepted under LACERA PSA dated 8.3.2021

any party hereto. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Contract.	
25. Additional Provisions: **(a) Third Party Usage.** LACERA acknowledges and agrees that any advice, recommendations, information, Deliverables or other work product (“Advice”) provided by the Consultant in connection with the services under the Contract is intended for LACERA’s sole benefit and the Consultant does not authorize any party other than LACERA to benefit from or rely upon such Advice, or make any claims against the Consultant relating thereto. Any such benefit or reliance by another party shall be at such party’s sole risk. KPMG may, in its sole discretion mark such Advice to reflect the foregoing. Except for disclosures that are required by law or that are expressly permitted by this Contract, LACERA will not disclose, or permit access to such Advice to any third party without KPMG’s prior written consent. **(b) California Accountancy Act. For** engagements where services will be provided by KPMG through offices located in California, LACERA acknowledges that certain of Consultant's personnel who may be considered "owners" under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a); 16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with this engagement, may not be licensed as certified public accountants under the laws of any of the various states. Note to team: This may be omitted where you have no individuals coded to California AND where you do not plan to use any individuals later on. If this section is omitted in the contract, you may not use any employees coded to California.] **(c) Ownership.** Except for Consultant Property, and upon full and final payment to Consultant under the Contract, Consultant assigns and grants to Client, title in the tangible items specified as deliverables or work product in task orders issued by LACERA under this Contract (the “Deliverables”) and any copyright interest in the Deliverables; provided that if and to the extent that any Consultant property is contained in any of the Deliverables (“Consultant Property”), Consultant hereby grants Client, under Consultant’s intellectual property rights in such Consultant Property, a royalty-free, non-exclusive, non-transferable, perpetual license to use such Consultant Property solely in connection with LACERA’s use of the Deliverables. Consultant Property includes: (i) concepts, ideas, methods, methodologies, procedures, processes, know-how, techniques, models, formulas, templates and software, and (ii) the general elements of style, design, artwork and graphics and content of general applicability included in Consultant’s Deliverables not specific to LACERA or the services under this Agreement. Consultant retains all ownership and use rights in the Consultant Property. Consultant acknowledges that it shall obtain no ownership right in Confidential Information of Client. In addition, LACERA acknowledges and agrees that Consultant shall have the right to retain for its files copies of each of the Deliverables and all information necessary to comply with its contractual obligations and applicable professional standards. **(d) Use of Vendors.** LACERA acknowledges and agrees that in connection with the performance of services under the Contract, Consultant and its Member Firms, in their discretion or at Client’s direction, may utilize the services of third	Mutually accepted under LACERA PSA dated 8.3.2021 Mutually accepted under LACERA PSA dated 8.3.2021 Mutually accepted under LACERA PSA dated 8.3.2021

parties within and outside of the United States to complete the services under the Contract. LACERA further acknowledges and agrees that Consultant-controlled parties, member Firms of KPMG International, and other third party service providers (collectively, “Vendors”) may have access to Confidential Information from offshore locations, and that the Consultant uses Vendors within and outside of the United States to provide at Consultant’s direction administrative or clerical services to Consultant. These Vendors may in the performance of such services have access to Client’s Confidential Information. Consultant represents to LACERA that with respect to each Vendor, Consultant has technical, legal and/or other safeguards, measures and controls in place to protect Confidential Information of LACERA from unauthorized disclosure or use. Consultant shall be responsible to LACERA for Consultant-controlled, member Firms or Vendor’s failure to comply.	Mutually accepted under LACERA PSA dated 8.3.2021
(e) Force Majeure. Neither party shall be liable for failure to fulfill its obligations under this Agreement if that failure is caused, directly or indirectly, by flood, communications failure, extreme weather, fire, mud slide, earthquake, or other natural calamity or act of God, interruption in water, electricity, heating or air conditioning (depending on the season), acts of terrorism, riots, civil disorders, rebellions or revolutions, acts of governmental agencies, epidemics, quarantines, embargoes, malicious acts of third parties, labor disputes affecting vendors or subcontractors and for which the party claiming force majeure is not responsible, or any other similar cause beyond the reasonable control of that party.	
(f) DATA RETENTION AND LATENT DATA DISCLAIMER KPMG may retain a copy of information received, developed, or otherwise relating to this contract in order to comply with its contractual obligations and applicable professional standards.	Mutually accepted under LACERA PSA dated 8.3.2021
Information stored on routine back-up media for the purpose of disaster recovery will be subject to destruction in due course. Latent data such as deleted files and other non-logical data types, such as memory dumps, swap files, temporary files, printer spool files and metadata that can customarily only be retrieved by computer forensics experts and are generally considered inaccessible without the use of specialized tools and techniques will not be within the requirement for the return or destruction of records as contemplated by this paragraph.	Mutually accepted under LACERA PSA dated 8.3.2021
(g) Volume Rebates. Where Consultant is reimbursed for expenses, Consultant’s policy is to bill clients the amount incurred at the time the good or service is purchased. If Consultant subsequently receives a volume rebate or other incentive payment from a vendor relating to such expenses, Consultant does not credit such payment to its clients. Instead, Consultant applies such payments to reduce its overhead costs, which costs are taken into account in determining Consultant’s standard billing rates and certain transaction charges that may be charged to clients.	KPMG notice to Clients regarding rebates/incentive payments it may receive and how they are handled if KPMG bills Client for expense reimbursements. Rebates are considered when we regularly review and adjust rates.
(h) Disputes. The parties agree that any dispute or claim arising out of or relating to the Contract or the services provided thereunder shall first be submitted to non-binding mediation as a prerequisite to litigation. Mediation may take place at a location to be designated by the parties using the Mediation Procedures of the International Institute for Conflict Prevention and Resolution, with the exception of paragraph 2 (Selecting the Mediator). If, after good faith efforts, the parties are unable to resolve their dispute through mediation within ninety (90) days after the issuance by one of the parties of a request for mediation, then the parties are free	

to pursue all other legal and equitable remedies available to them. Nothing herein shall preclude Contractor from filing a timely formal claim in accordance with applicable California law provided, however, that Contractor shall, if permitted, seek a stay of said claim during the pendency of any mediation. Either party may seek to enforce any written agreement reached by the parties during mediation in any court of competent jurisdiction.	KPMG requests that non-binding mediation be used as a prerequisite to litigation should any dispute or claim arise.
PROPOSAL ASSUMPTIONS	
Management Decisions. LACERA acknowledges and agrees that the Consultant's services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client.	
LEGAL ADVICE: Neither KPMG LLP nor its professionals will provide legal advice or engage in the practice of law in connection with the resulting engagement. All questions of law, including potential changes to current law, are the sole responsibility of LACERA in consultation with LACERA's counsel.	

Contact

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October 21, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Christina Logan
Principal Internal Auditor

Gabriel Tafoya
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **One-Year Extension Request for Plante Moran to Perform a System of Operating Controls (SOC-1) Audit**

RECOMMENDATION

Internal Audit recommends that the Audit Committee review and approve a one-year extension for Plante Moran (PM) to perform a SOC-1 Type 2 (SOC) audit for Fiscal Year Ending (FYE) June 2023.

BACKGROUND

On November 16, 2016, LACERA entered a five-year contract with PM for financial statement audit services for fiscal year ended (FYE) June 2017 – 2021. The contract provided LACERA an option to extend for an additional two years, FYEs June 2022 and 2023.

This contract was amended on April 22, 2020 to add SOC audit services which included a readiness assessment performed in February 2020 and then a nine-month SOC audit performed for October 1, 2020 to June 30, 2021. The SOC became necessary after Los Angeles County requested to change LACERA's Other Post-Employment Benefits (OPEB) plan structure from a cost-sharing multiple employer plan to an agent multiple employer plan beginning in FYE 2019.

On April 23, 2021, the Audit Committee approved staff's request to amend the contract a second time. The amendment was to exercise LACERA's option to extend the contract for the first of the two additional optional years, FYE June 2022, for both the financial and SOC audit work.

On August 18, 2022, the Audit Committee approved staff's request to issue a Request for Proposal (RFP) for a financial auditor. The RFP requested that certified public accounting firms submit bids to audit LACERA's annual financial statements for fiscal years ending June 30, 2023 – 2027, with an option to extend for up to two years. The related RFP memo stated that due to the information technology specialization of SOC audits, staff decided to separate this work out from the Financial Audit RFP and issue a separate RFP for a SOC audit.

As of this memo date, we anticipate receiving the SOC report for FYE June 2022 by early November 2022. We anticipate the report will be a qualified opinion due to the deviations PM's SOC team found regarding our controls related to providing security awareness information to employees. PM will provide a more detailed presentation on the report during closed session.

EXTENSION REQUEST

In September 2022, we determined that due both to the timing of the SOC testing, and to the nature of the SOC opinion for FYE June 2022, it would make sense to extend the current contract with Plante Moran, just for the SOC work, for the second optional year under the contract, FYE June 30, 2023. As a reminder, the SOC work is performed under a different Plante Moran partner and entirely different audit staff than the financial audit team.

PM has provided a detailed proposal for the SOC audit work related to FYE June 2023 in Attachment A. The proposal is based on an hourly rate for each type of service and is consistent with their prior years' fees. Below is a chart that shows the previous years and FYE June 30, 2023 proposed fees:

Scope of Services	FYE June 30, 2021 Actual	FYE June 30, 2022 Actual	FYE June 30, 2023 Proposed
SOC-1 Audit (9 months)	$84,000		
SOC-1 Audit (12 months)		$92,000	$92,000

PM'S SOC TEAM PERFORMANCE

PM's SOC team has consistently provided LACERA with a high-level of service. The team has asked insightful questions and made recommendations to help LACERA improve its controls and has been collaborative with LACERA.

PM has been consistent and timely in submitting the required annual contract documentation, proof of insurance, and a summary of information technology general controls.

LACERA's Executive Office, Systems Division, and Retiree HealthCare, key stakeholders for the SOC-1 audit, have been satisfied with their work and agree with the extension.

CONCLUSION
We recommend the Audit Committee review and approve extending PM's contract for SOC audit services work for one additional fiscal year, FYE June 30, 2023.

Please note further, we will bring a request to the February 2023 Audit Committee meeting for the release of an RFP for the OPEB SOC work for a multi-year engagement beginning with Fiscal Year ended June 30, 2024.

Attachment

CL:gt

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

Make the mark.

LACERA | August 25, 2022

3 Year SOC Examination Fee Estimates

plante moran | Audit. Tax. Consulting. Wealth Management.

SOC Examination Fees Estimate

LACERA and Plante Moran

Included is an estimate of the 3 year SOC 1 Type 2 examination fees we expect to incur based on scoping conversations with the LACERA team. Below we have noted some assumptions made while making these estimates. If we determine the assumptions to be incorrect, we will modify and provide an updated copy of our fee estimate. An engagement letter will be drafted upon agreement between both parties, indicating scope and fee amounts.

Assumptions

1. The scope of the examination will include the Other Post-Employment Benefits (OPEB) system.
2. The reporting periods for each report will be a 12 month (July 1 – June 30) period.
3. We will keep fees for the 2022-2023 examination period the same as the 2021-2022 examination period. Fees for the 2023-2024 and 2024-2025 periods have an increase of 1% each for inflationary items.
4. Any scope changes will need to be discussed as they would be above and beyond the fee estimates indicated below.

Fee Estimates

Engagement Services	Fees
2022-2023 SOC 1 Type 2 Examination	$92,000
2023-2024 SOC 1 Type 2 Examination	$93,000
2024-2025 SOC 1 Type 2 Examination	$94,000

plante moran | Audit. Tax. Consulting. Wealth Management.

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L//.CERA

November 7, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: George Lunde GL
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2021**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

a. **Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2021**
George Lunde, Senior Internal Auditor
(Report Issued: November 4, 2022)

Attachment

GL

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

INTERNAL AUDIT DIVISION

Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2021

November 4, 2022

REVIEW PERFORMED BY:
George Lunde, Senior Internal Auditor

AUDIT REPORT

Audit Name:	Los Angeles County's Compliance with Requirements for Rehired Retirees
Responsible Division:	Executive Office
Audit Rating*:	Unsatisfactory
Prior Audit Rating*:	N/A
Prior Report Date:	N/A

BACKGROUND

As part of our Audit Plan, we conducted an audit of Los Angeles County's (County) compliance with requirements for hiring County retirees for fiscal year ended June 30, 2021. We perform this audit annually as failure to adhere to the regulations and requirements not only violates the state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law.

The State of California's County Employees Retirement Law (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that if the County believes its retirees possess special skills or knowledge, the County has the option to employ those retirees as "Rehired Retirees." Under Government Code Section 31680.3 of CERL, rehired retirees may work up to 960 hours per fiscal year, on a temporary basis, without affecting their retirement status or benefits.

In addition, Internal Revenue Service (IRS) regulations require a "bona fide" break in service after retirement if the retiree is under the "normal retirement age," before the retiree can be rehired. To comply with the IRS regulation, LACERA's Board of Retirement adopted a resolution in 2006 stating that a member under the "normal retirement age" may not return to temporary County service within 90 days of his or her retirement date. All rehired retirees under their "normal retirement age" must comply with at least the 90-daybreak in service requirement, as well as the requirements of PEPRA.

"Normal retirement age", as defined by LACERA's Board of Retirement, is as follows:

- Age 57 for general members of Plan A, B, C, D, or G
- Age 65 for general members of Plan E
- Age 55 for safety members

In addition to IRS requirements, the California Public Employees' Pension Reform Act of 2013 (PEPRA) added additional restrictions for Rehired Retirees under "the normal age of retirement". The PEPRA regulations reinforced the 960-hour limit and added its own break in service requirement of 180 continuous days before allowing for rehire. PEPRA does allow the following two exceptions to the 180-day requirement:

- If the employer can certify it is necessary to fill a critically needed position and the hiring has been approved by the Board of Supervisors (or the Board of Retirement, for LACERA positions) in an open meeting
- If the retiree is a public safety officer or firefighter

Those who are eligible for the PEPRA 180-day break-in-service exceptions still must comply with the IRS's "bona fide" break-in-service of 90 days. In the event of a conflict between the CERL and PEPRA provisions, PEPRA's requirements generally take precedence over CERL.

PEPRA section 7522.56 (c) emphasizes that the work is to be of a limited duration. It provides that appointing employers may rehire retirees either during an emergency to prevent stoppage of public business or because the rehired person has skills needed to perform work of limited duration.

On March 4, 2020, the Governor of California declared a statewide emergency due to the COVID-19 pandemic. He issued Executive Order N-25-20 on March 12, 2020, to enhance California's ability to respond to COVID-19 by suspending certain reinstatement and work hour limitations under California Public Employees' Pension Reform Act (PEPRA). Subsequently, he issued Executive Order N-35-20 on March 21, 2020, to extend the suspension of these limitations to local governments.

On March 30, 2020, the County Chief Executive Officer (CEO) issued a notification to Department Heads that the Governor's declarations superseded applicable portions of Countywide Policy, Procedure, and Guideline (PPG) 505 "Reinstatement of Retirees to a 120-Day Temporary Assignment."

Effective March 12, 2020 as a result of, both the State Executive Orders and the related County notification, the following compliance requirements were suspended for those rehired retirees working on job assignments directly related combating the Covid-19 pandemic:

- Limitation of 960 hours per fiscal year
- 90-day IRS break in service requirements
- 180-day PEPRA break in service requirements

This suspension of compliance requirements remained in place through the end of our testing year of fiscal year ended June 30, 2021.

AUDIT OBJECTIVE & SCOPE

For Fiscal Year Ended June 30, 2021, LACERA Internal Audit received payroll detail from the County Auditor-Controller identifying 408 retirees who worked as rehired retirees during that Fiscal Year.

We tested all 408 (100%) for compliance with:

- CERL's 960-hour requirement, hours worked did not exceed 960 hours for the Fiscal Year except where the Rehired Retiree's time was coded as COVID-19 related work,
- IRS' "bona fide" break-in-service requirement, defined as 90 days by LACERA's Board of Retirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work, and

- PEPRA's 180-day break in service requirement, except where the Rehired Retiree's assignment was coded as COVID-19 related work.

Additionally, to test the PEPRA requirement of "limited duration," we stratified all 408 retirees, based on continuous years worked. We used the data that we have accumulated over the last 9 years, to perform this compliance test.

AUDIT RATING & SUMMARY OF FINDINGS

In our opinion, the current effectiveness of the key controls applicable to the audit scope are **Unsatisfactory**.

Summary of Findings

Finding#	Page	Description of Finding	Risk Rating**
F1	5	Spike in the number of rehired retirees Exceeding 960-Hour Limit	High
F2	7	Lack of adherence to PEPRA's "limited duration" language	High

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We noted no issues of noncompliance with regards to the PEPRA 180-day break-in-service requirements, or the IRS 90-day break-service requirement.

REVIEWED AND APPROVED

Richard P. Bendall
Chief Audit Executive

Date: November 4, 2022

** See Appendix 2 for Finding's Risk Rating

REPORT DISTRIBUTION

2022 Audit Committee	Santos H. Kreimann, CEO	Steven P. Rice, Chief Legal Counsel
2022 Plante Moran Audit Team	Luis A. Lugo, DCEO	
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO	
Internal Audit Group	Laura Guglielmo, AEO	

FINDING #1

Spike in the number of Rehired Retirees Exceeding 960-Hour Limit	**Risk Rating****
	High

OBSERVATION

As indicated in the table below, our testing noted a spike in the number of rehired retirees who exceeded the 960-hour limit relative to prior years. Internal Audit reported all 10 exceptions noted to the Benefits and Employee Relations Division of the County's CEO office.

Fiscal Year Ended June 30	Rehired Retirees	Noncompliant Rehired Retirees	Noncompliance as a Percentage	Total Overage Hours	Average Hours Over
2021	408	10	2.4%	1778	177
2020	500	1	<1.0%	414	414
2019	482	5	1.0%	47	9.4
2018	476	6	1.3%	145	24

We noted that of the 10 exceptions,

- Two were each over the limit by 703 and 917 hours, respectively
- One was over the limit by 76 hours
- The remaining seven were each over the limit by less than 50 hours

There were 14 other rehired retirees that exceeded 960 hours but for each of them we verified that they had the appropriate documentation to support a COVID-19 exemption. It is possible, due to this unusual spike in retirees exceeding the limit, that their departments intended for some of these 10 audit exceptions to be classified as COVID-19 exceptions, but their departments did not comply with the steps to ensure they were classified appropriately.

Internal Audit reported all 10 exceptions noted to the Benefits and Employee Relations Division of the County's CEO office.

Based on discussions with other peer pension systems, plan sponsors are required to report to the plan the rehired retirees' worked hours as part of payroll. This allows the plan to warn the rehired retiree when they approach the limit and also, to either terminate retirement benefits or require repayment to prevent "double-dipping."

RISK

Failure to adhere to the 960-hour limit is a violation CERL Section 31680.3, LA County PPG 505, the IRS and PEPRA. Non-compliance with CERL, IRS regulations and/or PEPRA could risk LACERA's qualified plan status.

RECOMMENDATION

1. We recommend LACERA's CEO formally request the County CEO in conjunction with the County Director of Human Resources and Auditor-Controller to prepare a corrective action plan that consolidates and actively monitors the rehired retiree (960-hour limit) reporting requirements for all County departments.

2. We recommend LACERA's Executive Office, Systems, and Benefits work with the County's CEO Office and Auditor-Controller to establish an automated feed of rehired retirees' hours as part of payroll data.

3. We recommend LACERA's Executive Office, Legal Office, and Benefits develop a policy and procedure to address both preventing overages and taking the required action on the retirement payroll of retirees that exceed the 960-hour limit.

MANAGEMENT'S RESPONSE

LACERA management supports the outlined recommendation(s) in working with the County's CEO office, Auditor Controller, and County Human Resource department to determine if we're able to obtain (preferrable in an automated fashion) Rehired Retirees' hours to ensure compliance against the 960-hour limit.

In terms of actionable steps, management will set-up a meeting with County CEO, Auditor Controller, and Human Resources to explore data feed options. The County is currently in the process of a "black-out" year-end system maintenance and will not take on new data projects until mid-January 2023, as described by the Auditor Controller Division Chief. We're not able to provide an exact timeframe for when this recommendation will be implemented, since it's predicated on the County's bandwidth and willingness to provide data. We commit to engaging the County in January 2023 and providing an update by March 30, 2023.

After conferring with the County and assessing the extent of their ability to track employee time, LACERA will develop and implement a policy and set of procedures to include the normal process as well the consequences and remediation needed to ensure compliance with CERL, PEPRA and the IRS requirements.

TARGET COMPLETION DATE

To Be Determined (Update will be provided March 30, 2023).

FINDING #2

Lack of adherence to PEPRA's "limited duration" language	**Risk Rating**[**]
	High

OBSERVATION

Based on available data Internal Audit received, we stratified the rehired retiree population based on continuous years worked. The following table breaks out the 408 rehired retirees by the number of consecutive years worked and identifies the average hours worked by RRs up to the most recent four years (less for those with under 4 consecutive years).

Consecutive Years RRs Worked Through FYE 2021	RR Count	Most Recent 4 Year Averaged Hours (per) RR (per) Year
1	46	131
2	71	274
3	50	449
4	43	626
5	39	606
6	40	689
7	37	693
8	19	614
9+	63	729

Of the 408 current rehired retirees (RRs), 63 (15%) have worked consecutively as rehired retirees for nine or more years, averaging 729 hours per year, per rehired retiree, over the past four years.

This situation violates PEPRA section 7522.56 (c) where it states, "A person who retires from a public employer may serve without reinstatement from retirement or loss or interruption of benefits provided by the retirement system upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of limited duration."

LACERA, as benefit trust fund administrator, could proceed with recovery of trust funds for benefits paid during the period of excessive, unlawful work duration.

RISK

The above chart highlights a situation which could potentially lead to headline risk regarding the lack of compliance with the PEPRA laws around rehired retirees and gives the appearance of allowing "double dipping." It also highlights a continued reliance on the rehired retiree to avert an implied risk of business disruption in their absence.

[**] See Appendix 2 for Finding's Risk Rating

RECOMMENDATION

4. We recommend LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition of limited duration to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.

MANAGEMENT'S RESPONSE

LACERA management supports the outlined recommendation in working with the Legal Office and Board of Retirement, with appropriate consultation with other stakeholders, to develop a communication and enforcement policy and procedures, including a "bright-line" definition of limited duration to ensure compliance with PEPRA and provide for steps to be taken in the case of violation, while recognizing the need for flexibility within statutorily permissible guardrails. Such a policy and procedures are in the interest of LACERA in its role in enforcing PEPRA. They are also in the interest of retirees to avoid unintended effects on their pension. Finally, they are in the interest of the County and other participating employers in ensuring that their workforce utilization complies with PEPRA.

After conferring with internal and external stakeholders to evaluate the circumstances that may require use of returning retirees and the range of duration of such use, LACERA will develop and implement a policy and set of procedures to include the normal process as well the consequences and remediation needed to ensure compliance with PEPRA, as well as CERL and IRS requirements. Actionable steps and timeline will include the development of a policy and procedures for presentation to the Operations Oversight Committee and Board of Retirement by June 30, 2023.

This work will be coordinated for consistency with development of a policy and procedures to guide LACERA in managing its own use of returning retirees to comply with the limited duration requirement.

TARGET COMPLETION DATE

June 30, 2023

APPENDIX 1
AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

Satisfactory

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

Opportunities for Improvement

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

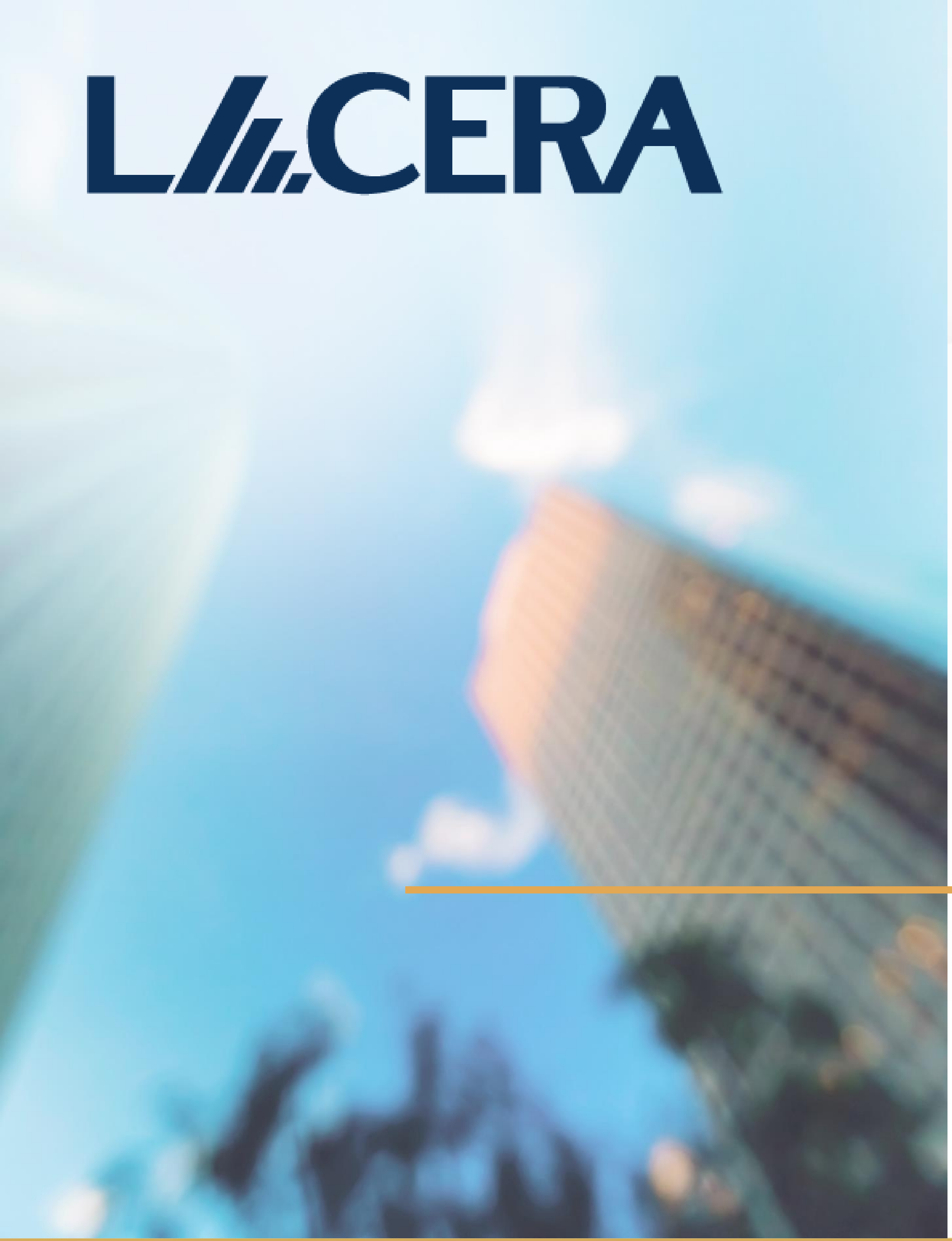
Unsatisfactory

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

APPENDIX 2
FINDING'S RISK RATING SCALE

Findings identified during the course of the audit are assigned a risk rating, as outlined inthe table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	Non-compliance with applicable Federal or state laws or LACERA's policies	High probability forexternal auditissues and/or negative public perception	Important critical business process identified by Exec Office Requires immediate attention
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	Potential for external auditissues and/or negative public perception	Relatively important May or may not require immediate attention
Low	Low financial impact to LACERA or members	Internal controls in place but not consistently efficient/effective Implementing / enhancing controls could prevent future problems	General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist	Low probability forexternal auditissues and/or negative public perception	Lower significance Does not require immediate attention



Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2021

November 4, 2022

George Lunde, Senior Internal Auditor

Summary of Engagement

Responsible Division:	Executive Office
Type of Engagement:	Assurance
Audit Rating:	Unsatisfactory
Prior Audit Rating:	None

Type of Engagements

Assurance: Provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA.

Consulting: Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

Advisory: Provide Management with informal advice.

Background, Objectives, Scope

Background

The State of California's County Employees Retirement Law (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that if the County believes its retirees possess special skills or knowledge, the County has the option to employ those retirees as "Rehired Retirees."

Objectives

We developed the following test objectives for our review:

- Hours worked did not exceed 960 hours for the fiscal year except where retiree's time was coded as COVID-19 related work
- IRS' "bona fide" 90-day break-in-service requirement, defined by LACERA's Board of Retirement, was met except where the Rehired Retiree's assignment was coded as COVID-19 related work
- PEPRA's 180-day break in service requirement was met, except where the Rehired Retiree's assignment was coded as COVID-19 related work.
- PEPRA's limited duration was observed.

Scope

The scope of this engagement covered FYE 2021

Summary of Findings

Finding #	Title of Finding	Rating
1	**Issue:** Spike in the number of rehired retirees exceeding 960-hour limit; – 10 in 2021 vs 1 in 2020, two RRs over by 703 and 917 hours **Management response:** Agreed – LACERA will develop and implement a policy and set of procedures to include a normal process as well the consequences and remediation needed to ensure compliance with CERL, PEPRA and the IRS requirements	High
2	**Issue:** Lack of adherence to PEPRA's "limited duration" language; - 15% (63 RRs) have worked consecutively as rehired retirees for nine or more years, averaging 729 hours per year, per rehired retiree, over the past four years. **Management response:** Agreed – After conferring with stakeholders to evaluate the circumstances that may require use of returning retirees and the range of duration of such use, LACERA will develop and implement a policy and a set of normal process procedures as well as consequences and remediation to ensure compliance with PEPRA, CERL and IRS	High

Thank You!

Internal Audit

Questions?

glunde@lacera.com | 626-524-3521

LACERA

October 28, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: George Lunde GL
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **BoardVantage Secure Document Access Review**

RECOMMENDATION

In accordance with your current Audit Committee Charter, staff recommends that the Audit Committee review and discuss the following engagement report to take the following action(s):

1. Accept and file report,
2. Instruct staff to forward report to Boards or Committees,
3. Make recommendations to the Boards or Committees regarding actions as may be required based on audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

a. BoardVantage Secure Document Access Review
George Lunde, Senior Internal Auditor
(Report Issued: October 21, 2022)

Attachment

GL

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

INTERNAL AUDIT DIVISION

BoardVantage Secure Document Access Review 2022 09

October 21, 2022

Audit Performed By:
George Lunde, Senior Internal Auditor

AUDIT REPORT

Audit Name:	BoardVantage Secure Document Access Review
Division:	Systems Division and Executive Office
Audit Rating:	Opportunities for Improvement
Prior Audit Rating*:	None
Prior Report Date:	None

BACKGROUND

As part of our 2021-2022 audit plan, Internal Audit committed to a review of the Nasdaq BoardVantage (BV) application. BV is a vendor cloud-based software application acquired in 2011 by LACERA's System Division and in 2018 the Executive Office began to manage user access. It provides for a secure application on which Trustees and authorized staff can view board and committee documents. This review was included in our audit plan due to concern raised by the prior Audit Committee Chair. Upon returning as the elected retired member on the Board of Investments (BOI), he noted that he had access to restricted Board of Retirement (BOR) materials, not normally provided to BOI trustees.

There are two LACERA developed applications that support the BV application and contains all seven levels of security documents that are included on BV. These are Board Packages (BP) and Board Notes (BN).

The Executive Board Assistants use the BP application to organize board documents into public and confidential agenda item packets for board and committee meetings before transferring them to BV. Executive staff use BN for the retention of board and committee documents.

At the March 2, 2022 meeting, the BOR approved the selection of Prime Government Solutions, Inc. (PrimeGov), now called OneMeeting, a single, self-contained application that will replace BV, BP and BN. Therefore, since these applications are expected to be retired upon the implementation of PrimeGov, toward the end of the 2022 calendar year, we limited the scope of this review.

We began by obtaining an understanding of the circumstances around the reported issue of the BOI trustee having unauthorized access to restricted BOR materials and the action taken to correct and prevent further such incidents.

Based on interviews of staff and review of internal records, we determined that staff had appropriately removed the Trustee's access in 2019 when the Trustee retired. However, when the Trustee returned to service as an elected retiree on the BOI, an error occurred in adding access to BV resulting in the unauthorized access. Subsequent to the BOI Trustee raising this issue, the Executive Board Assistants implemented a review to reconcile and validate that Systems added the appropriate access for both Trustees and staff. We validated that they continue to perform these reviews and believe this will be effective in ensuring similar errors do not occur for the remaining few months life of the BV application at LACERA.

Our review scope extended to all three applications, BV, BP and BN focused on understanding and validating the controls in place to ensure that access to confidential documents was restricted to view by only authorized staff and trustees.

AUDIT OBJECTIVE & SCOPE

After preliminary research and analysis, including an engagement-level risk assessment, the objective(s) of this audit were to:

- Evaluate the controls around the BV application, including controls around the process of adding, deleting, and assigning trustees and staff access to documents to which they have been preauthorized to view.

- Obtain an understanding of the BP and BN applications relationship and function related to the BV application and specifically how the security of the documents is protected from unauthorized access on these applications.

The scope of the review covered the period from January 1, 2021 to the present.

The audit was performed in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

AUDIT RATING & SUMMARY OF FINDINGS

We concluded that there are **Opportunities for Improvement** in the key controls over the BV application and the related BP and BN applications related to strengthening assurance that access to confidential documents is restricted only to those Trustees and staff authorized to have access.

Specifically, we found:

- Application owners should perform a validation of expected controls after the application setup is completed.

- Audit trails should be turned on and reviewed for all applications, particularly those that contain private member or other confidential information.

- The policy within which the Executive Board Assistants document Trustee and staff pre-authorized access levels should be continuously updated and kept current.

Summary of Findings

Finding #	Page	Description of Finding	Risk Rating**
F1	4	Expected BV application access control restrictions were not validated, and audit trails were not turned on.	High
F2	6	Supporting application (BP and BN) access was not appropriately restricted and audit trails were not fully functional and periodically reviewed.	High
F3	8	The Policy documenting Trustee and staff pre-authorized access to the seven levels of document security is not kept current.	Low

Each of the above Findings are detailed in the following pages, including our Recommendations and Management Action Plans.

We would like to thank Executive Office and Systems Division staff for their cooperation and assistance with this audit.

REVIEWED AND APPROVED:

Date: October 21, 2022

Richard P. Bendall
Chief Audit Executive

REPORT DISTRIBUTION

2022 Audit Committee	Santos H. Kreimann, CEO	Bonnie Nolley, Executive Board Assistant
2022 Plante Moran Audit Team	Luis Lugo, DCEO	Linda El-Farra, Executive Board Assistant
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO Laura Guglielmo, AEO	Kathy Delino, Systems Division
Internal Audit Group	Steven P. Rice, Chief Legal Counsel	Bob Schlotfelt, CISO

** See Appendix 2 for Finding's Risk Rating

FINDING # 1

Expected application document access control restrictions were not validated and audit trails were not turned on.	**Risk Rating**[**]
	High

OBSERVATION

We determined that only the two Executive Board Assistants and the CEO are supposed to have access to all seven security levels of documents in LACERA. All other authorizations of staff access are managed by the Executive Board Assistants through a dynamic Policy. Additions of Trustees or staff to any restricted security levels are approved by the CEO. Further an appropriate segregation of duties exists as the Systems Division (Systems) BV Administrator is the only person that can add Trustees or staff to BV and assign them to the board(s) or committee(s) based on an authorization email, from the Executive Board Assistants with a copy to the CEO.

The Executive Board Assistants understood during the implementation of the BV application that the Systems BV Administrator did not have access to view restricted BOR documents. However, we learned and confirmed during the review, the Systems BV Administrator did have access to some restricted security level documents to which he was not authorized to have access.

Upon meeting together with the Executive Board Assistants, the Systems BV Administrator and the Nasdaq BV technical representative, we determined that the access was the result of a misunderstanding of how the application setup aligned with LACERA's control requirements in the initial application setup. While a thorough application control test may have identified the problem after the setup, any such testing did not reveal the error.

Also, BV audit trail access was not turned on during the application implementation phase and made available to the Executive Board Assistants. Had those trails been available and periodically reviewed by the Executive Board Assistants, they would have had the ability to identify any unauthorized access to secure documents.

The BV technical representative immediately corrected the setup that restricted the Systems BV Administrator from access to the secured documents and, also turned on the reporting function of the audit trails, which the Executive Board Assistants can now access, including retroactive logs. While the review was not an investigation, we did review a sample of audit logs and did not determine any unauthorized access. More importantly, we ensured that the controls are currently in place for the BV application for the short remainder of its use by LACERA, to ensure that access to documents is restricted to those authorized to see them.

RISK

As evidenced by our review, the risk of not validating expected controls after new applications are implemented is that actual controls may not align with expectations and ultimately could result in control failures. The risk of not turning on and ensuring that available application audit logs are periodically reviewed is the loss of the ability to identify unauthorized transactions (access) and potentially identify flaws in the control setup of the application.

[**] See Appendix 2 for Finding's Risk Rating

RECOMMENDATION

1. LACERA's OneMeeting (PrimeGov) application owners/developers should ensure that during implementation, in the beta phase, when first placed into production, and periodically thereafter, they perform tests of access controls to ensure that the application is appropriately setup and aligned with planned and expected application controls for restricting access to documents to only those authorized and intended to have access.

2. LACERA's Information Security Office should require and ensure that appropriate and available audit trails are built in/turned on and periodically reviewed for all LACERA applications.

MANAGEMENT'S RESPONSE

1. Management agrees with the findings and recommendations. Staff is currently in the implementation process for the OneMeeting application and user testing is currently underway. Application controls are being tested around security level access and document authorization. Application ownership has been clearly identified and content ownership limited to the Executive Office. Office manuals and desk procedures will be designed to clearly identify access controls and periodic audit testing.

2. The new OneMeeting application will have the audit trail functionality turned on. Furthermore, the Information Security organization is in process of developing and publishing for approval an **Audit and Accountability Policy**. This policy will require the activation of security and access logging and audit trails for all systems within the LACERA infrastructure. Additionally, the policy will specify that the respective application/system owners are responsible for the periodic review and affirmation of the systems and access audit logs. Note: this policy is in development for presentation to the LACERA Policy Committee and estimate approval before February 2023.

TARGET COMPLETION DATE

Issue #1 - February 28, 2023
Issue #2 - February 28, 2023

FINDING # 2

Supporting application access was not appropriately restricted and audit trails were not fully functional and periodically reviewed.	**Risk Rating**[**]
	High

OBSERVATION

Although not anticipated in our original scope of the review, we determined during our preliminary review that there are two additional applications associated with the Board Vantage application. These are:

a. Board Packages – Board Packages (BP) is a LACERA in-house application. It is used by Executive Office staff to organize board documents into public and confidential agenda item packets for board and committee meetings. The staff then transfer these packets to the BV application and the Board Notes application.

b. Board Notes - Board Notes (BN) is another LACERA developed application where all LACERA board and committee documents are retained.

Both applications have user access and password controls and document access security level restrictions in place.

Read and Write access to the BP application was intended to be limited to the two Executive Board Assistants and two Systems Division staff. During the review, we identified a third Systems Division staff person with access to the application.

We also determined that while audit trails of document activity are captured in BP, they are not in BN and audit trail logging of user access has not been activated in either application.

Common business security practices require logging of access events relevant to the privacy of individuals and the security of confidential documents. Audit logs of all users accessing confidential material should be readily available to enable audit or forensic reviews. Audit logging of access to confidential documents should be turned on for LACERA applications, whether the application is acquired or developed in-house.

RISK

Unauthorized user access to confidential documents could go undetected for an extended period and could impact operations by exposing private personnel information or confidential board business matters.

RECOMMENDATION

LACERA's OneMeeting (PrimeGov) application owners/developers should ensure the new PrimeGov cloud-based web application has audit logging functions in place when confidential documents are accessed. Audit trail reports should be automatically generated to notify the Executive staff of users accessing confidential documents.

[**] See Appendix 2 for Finding's Risk Rating

MANAGEMENT'S RESPONSE

Management agrees with this finding and recommendation. The OneMeeting (PrimeGov) application provides user and audit reporting accessible to application owners. All deficiencies in the BoardVantage system have been addressed including turning on the audit functions and blocking unauthorized users from gaining access to sensitive documents. Procedures will include quarterly reporting and auditing with any findings reported to Executive Management.

TARGET COMPLETION DATE

February 28, 2023

FINDING # 3

The Policy documenting staff and trustee pre-authorized access to the seven levels of document security is not kept current.	**Risk Rating****
	Low

OBSERVATION

During interviews and discussion of user access to confidential board documents with the Executive Board Assistants, we found they had developed a good defined and documented process for access authorizations. However, in reviewing user lists in the Policy and application access lists with Executive staff we noted there were terminated staff users on both lists. They indicated they are not always made aware of staff terminations to update the lists in the Policy.

There are 100 users across the three repositories of board documents, BoardVantage (BV), Board Packages (BP) and BoardNotes (BN). Additionally, there are six privileged users with administrative access. Validation reviews of BV, BP, and BN user access lists and security assignments should be performed on scheduled basis to provide assurance that access to confidential documents is restricted to only those authorized in accordance with policies in effect.

RISK

This finding risk is rated low since BP and BN applications accessed by LACERA staff reside on LACERA's internal network and the staff termination process, if completed timely, removes their network access credentials. Application access lists should still be updated to reflect the inactivation, as a matter of good housekeeping, and further reduce the risk of unauthorized user access to confidential documents.

RECOMMENDATION

Executive Board Assistants should ensure the new OneMeeting (PrimeGov) cloud-based web application incorporates reports each month on user access changes, to confirm access controls for viewing confidential documents are in place and the application appropriately restricts access to only authorized individuals.

MANAGEMENT'S RESPONSE

Management agrees with this finding and recommendation. Consolidating three applications into one application will provide better control of user access. Implementation of OneMeeting (PrimeGov) includes process changes that will mitigate this finding. This includes but is not limited to updating the Systems Employee Access Form (SEAF) to include access request for the OneMeeting application. This will ensure proper documentation is properly reviewed, approved, and process. Furthermore, requesting that the Board Offices are added to HR's notification of staff termination. This will ensure that immediate action to deactivate a user is completed timely. The deployment of OneMeeting will consolidate multiple applications and will include controls and safeguards identified in the Audit report. This new application will be fully implemented by February 28, 2023.

TARGET COMPLETION DATE

February 28, 2023

** See Appendix 2 for Finding's Risk Rating

APPENDIX 1
AUDIT RATING SCALE

Internal Audit issues three standard audit report evaluations as defined below:

Satisfactory

The control environment is acceptable with minor issues having been identified. The overall environment contains sufficient internal controls to address key risks, and business practices generally comply with Company policies. Corrective action should be implemented to address any weaknesses identified during the audit in order to maintain or enhance the control environment.

Opportunities for Improvement

The control environment has opportunities for improvement with significant issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks. Prompt corrective action should be implemented to address the weaknesses and strengthen the control environment.

Unsatisfactory

The control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. The overall environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. Immediate corrective action should be implemented to address the weaknesses and strengthen the control environment.

APPENDIX 2
FINDING'S RISK RATING SCALE

Findings identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance, or reputational impact that the issue identified could have on LACERA.

Rating	Financial	Internal Controls	Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	Noncompliance with applicable Federal or state laws or LACERA's policies	High probability for external audit issues and/or negative public perception	Important critical business process identified by Exec Office Requires immediate attention
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	Potential for external audit issues and/or negative public perception	Relatively important May or may not require immediate attention
Low	Low financial impact to LACERA or members	Internal controls in place but not consistently efficient/effective Implementing / enhancing controls could prevent future problems	General compliance with applicable Federal or state laws or LACERA's policies, but some minor discrepancies exist	Low probability for external audit issues and/or negative public perception	Lower significance Does not require immediate attention

BoardVantage Secure Document Access Review

October 21, 2022

George Lunde, Senior Internal Auditor

Summary of Engagement

Responsible Division:	Systems Division and Executive Office
Type of Engagement:	Assurance
Audit Rating:	Opportunities for Improvement
Prior Audit Rating:	None

Type of Engagements

Assurance: Provide an objective examination of evidence for the purpose of providing an independent assessment to Management and the Audit Committee on governance, risk management, and control processes for LACERA.

Consulting: Collaborate with Management to provide a formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility.

Advisory: Provide Management with informal advice.

Background, Objective, Scope

Background

The Nasdaq BoardVantage (BV) application is a vendor cloud-based software application acquired by LACERA in 2011, to provide a secure means for Trustees and authorized staff to view board and committee documents. This review was included in our audit plan due to concern raised by the prior Audit Committee Chair. Upon returning as an elected retired member on the Board of Investments (BOI) he noted that he had access to restricted Board of Retirement (BOR) materials, not normally provided to BOI trustees.

Objectives

We developed the following objectives for our review of BV:

1. Evaluate controls around the BV application, including controls around the process of adding, deleting, and assigning access
2. Obtain an understanding of the Board Packages (BP) and Board Notes (BN) applications relationship and function related to BV and specifically how documents are protected from unauthorized access on these applications

Scope

The scope of this engagement covered the period from January 1, 2021 to the present.

Summary of Findings

Finding #	Title of Finding	Rating
1	Issue: Expected BV application access control restrictions were not validated, and audit trails were not turned on Management response: Agreed – OneMeeting is currently being implemented with comprehensive access controls and audit trails	High
2	Issue: Supporting application (BP and BN) access was not appropriately restricted and audit trails were not fully functional and periodically reviewed Management response: Agreed – OneMeeting is currently being implemented with comprehensive access controls and audit trail reports sent to Executive staff for review	High
3	Issue: The Policy documenting Trustee and staff pre-authorized access to the seven levels of document security is not kept current Management response: Agreed – With the implementation of OneMeeting new processes have been developed and documented to ensure access listings are kept current	Low

Thank You!

Internal Audit

Questions?

glunde@lacera.com | 626-524-3521

L//CERA

November 8, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Nathan K. Amick
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **Audited Financial Statements**

Enclosed for your information are the audit reports completed by LACERA's external auditors, Plante Moran, PLLC. Plante Moran will be at the November 17, 2022 Audit Committee meeting to present a summary of their work performed during 2022.

Attachments:

- Plante Moran Audit Findings (memo from CIO)
- Plante Moran's Audit Presentation
- Those Charged with Governance Memo
- Internal Controls on Financial Reporting Memo
- Audited Financial Statements for FYE June 30, 2022
- GASB 68 Disclosure Report, Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for FYE June 30, 2021
- GASB 75 Disclosure Report, Statement of Changes in Fiduciary Net Position by Employer for FYE June 30, 2021

CL/nka

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

November 7, 2022

To: Audit Committee

FROM: Jonathan Grabel, Chief Investment Officer

FOR: November 17, 2022 Audit Committee

SUBJECT: **PLANTE MORAN AUDIT FINDINGS**

On September 23, 2022, Internal Audit notified Investment Office staff that Plante Moran, PLLC, LACERA's outside financial auditor, was unable to access complete year-end audited financial statements to confirm valuation for LACERA's interest in one alternative investment fund of funds partnership that was entered into in 2015. Plante Moran, at the time, was performing sample tests of alternative investment audited financial statements to substantiate LACERA's June 30, 2022, pension fund valuation.

Investment Office staff explained to Internal Audit that, in order to make the investment in 2015, it was necessary that the partnership in question had customized terms that prohibited the general partner from disclosing the complete audited financial statements to LACERA for confidentiality reasons. Specifically, management of one of the underlying investments was concerned that sensitive financial information could potentially be disclosed by LACERA because of its disclosure obligations under the California Public Records Act.

To allay that concern, LACERA negotiated contract terms that placed the burden on the general partner of the fund of funds partnership to certify whether the redacted unaudited financial statements provided to LACERA were derived from, and consistent with, the partnership's annual audited financial statements and whether the partnership received a clean (unqualified) auditor's opinion. In addition, the partnership agreement specified that the general partner is a fiduciary to LACERA, providing further assurances that they would act in LACERA's best interests, including when assessing the financials of the underlying investments.

The contractual process has been fully followed each year since inception of the partnership. Each year, the general partner has certified to Investment Office staff that the annual audited financial statements have received an unqualified opinion. In addition, when Plante Moran requested access to the audited financials of the underlying investment as part of its testing, the general partner granted such access on September 30, 2022. Importantly, at that time, Plante Moran found no discrepancies in valuation and was comfortable with the partnership's documentation.

However, to avoid this issue and audit concern in the future, LACERA and the general partner amended the partnership agreement on November 1, 2022, to permit LACERA to receive complete unredacted audited financial statements for the partnership going forward. Audited statements for the past two years were also provided to LACERA. The potential disclosure issues that the general partner and underlying manager identified at the inception of the partnership in 2015 were alleviated by subsequent protections added to the Public Records Act by the California legislature, specifically protecting alternative investment financial statements and other information from public disclosure under the Act.

plante moran

Los Angeles County Employees Retirement Association

Audit Presentation

November 17, 2022

Introductions

Jean Young, CPA

Partner

Michelle Watterworth, CPA

Partner, Technical Colleague

Amanda Cronk, CPA

Senior Manager

Agenda

- ✓Audit timeline and deliverables
- ✓Audit areas of focus
- ✓Results of the audit
    - ✓Audit opinion letter
    - ✓Required communications
- ✓Questions

Audit timeline and deliverables

Audit timeline:

- February/March 2022 – Initiated planning procedures
- May/June 2022 – Performed interim procedures remotely
- July/August 2022 – Performed additional planning and audit procedures remotely
- September/October 2022 – Remote testing and review of financial statements
- October 14, 2022 – Issuance of audit opinion on audited financial statements

Deliverables:

- LACERA's 2022 Audited Financial Statement opinion and Required Communications with the Board
- GASB 68 Schedule of Employer Allocations and Schedule of Pension Amounts by Employer
- GASB 75 Statement of Changes in Fiduciary Net Position by Employer

Audit areas of focus

The ultimate goal of the audit is the expression of an opinion on your financial statements.

- Investment valuations
- Census data testing, particularly at the County level
- Actuarial assumptions and actuarial calculations
- Accuracy of benefit calculations and related payments, including disability payments
- Financial reporting

Results of the audit

Opinion

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LACERA as of June 30, 2022 and 2021 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

- ✓Unmodified Opinion
  - ✓Free from material misstatement
  - ✓Highest level of assurance you can obtain
- ✓Emphasis of Matters
  - ✓Valuation of Harder to Value Investments

Results of the audit

Required Communication with Those Charged With Governance

- Management estimates included within the financial statements
  - Harder to value investments – based upon information obtained from various sources
  - Actuarial assumptions
    - Long-term expected rate of return and discount rate
    - Mortality assumptions
- No difficulties or disagreements with management in performing the audit
- No corrected or uncorrected misstatements

Results of the audit

Report on Internal Control over Financial Reporting

Audit identified a Material Weakness related to a control surrounding valuation of a certain investment

- Audit standards require us to communicate instances when a control is not operating effectively
  - Categories of deficiencies as defined by:
    - **Material Weakness** – A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
    - **Significant Deficiency** – A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
    - **Control Deficiency** - Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Questions?

Thank you!

For more information contact:

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plantemoran.com

October 14, 2022

To the Board of Retirement and
Board of Investments
Los Angeles County Employees
Retirement Association

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2022 and 2021 and have issued our report thereon dated October 14, 2022. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 19, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits of the financial statements do not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audits to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audits, we considered LACERA's system of internal controls over financial reporting (internal controls). Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

We are responsible for communicating significant matters related to the audits that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audits of LACERA's financial statements have also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audits to those responsible for the governance of LACERA, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audits. Toward this end, we issued a separate letter dated October 14, 2022 regarding our consideration of LACERA's system of internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

Planned Scope and Timing of the Audits

We performed the audits according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 19, 2022.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by LACERA are described in Note B to the financial statements.

To the Board of Retirement and
Board of Investments
Los Angeles County Employees
Retirement Association

October 14, 2022

No new accounting policies were adopted, and the application of existing policies was not changed during 2022 and 2021 other than the consideration of GASB 87, *Leases*, which was determined to be immaterial.

We noted no transactions entered into by LACERA during the years for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most significant estimates related to LACERA's financial statements surround alternative investments and the assumptions within the pension valuation, as more fully explained below:

Alternative Investments: As explained in Note P, the financial statements include investments valued at $23,369,200,000 (32 percent of net position) at June 30, 2022 whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information to determine the fair value of investments.

Pension Valuation Assumptions: Financial statement disclosures and required supplementary information schedules contain information about LACERA's total pension liability. In order to determine this liability, the actuary must apply certain assumptions, which are highly sensitive to estimation. The most sensitive estimates used in the pension valuations are as follows:

- Long-term Assumed Rate of Return: For the purpose of GASB 67, as of June 30, 2022, LACERA is currently using 7.13 percent for the assumed long-term expected rate of return (gross of administrative expense load of 0.13 percent). The return is based on the results of an investigation of experience study completed in 2021 and supported by LACERA's external advisor's capital market assumptions.

- Single Discount Rate: The calculation of the single discount rate under GASB Statement No. 67, which is calculated using the long-term assumed rate of return as one of many inputs, is also highly sensitive to estimates the actuary makes about future contributions and future benefit payments. Given LACERA's funding policy and legal requirements under CERL and PEPRA, the actuary determined that projected fiduciary net position is sufficient to fund current projected benefit payments.

- Mortality Assumptions: The pre- and post-retirement mortality assumptions impact the total pension liability projected by LACERA's actuary. The assumptions about mortality were estimated by the actuary based on the results of an experience study that was performed during 2021 utilizing the actuarial experience of LACERA for the period from July 1, 2016 through June 30, 2019. Based on that experience study, in the actuarial valuation, the actuary has used the Pub-2010 tables with the MP-2014 Ultimate Projection Scale.

We evaluated the key factors and assumptions used to develop the estimates noted above in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures related to GASB Statement No. 67, including the actuarial valuation results, and the GASB Statement No. 72 fair value disclosures.

Difficulties Encountered in Performing the Audits

We encountered no significant difficulties in performing and completing our audits.

plante moran

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audits.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audits, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting LACERA, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as LACERA's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to LACERA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports does not extend beyond the financial statements, and we do not express an opinion or any form of assurance on the other information. However, we read the investment, actuarial, and statistical sections of the annual comprehensive financial report (ACFR) and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements. The introductory section and Popular Annual Financial Report (PAFR) will be reviewed prior to issuance of the ACFR and PAFR to ensure they are not materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements.

We would like to take this opportunity to thank LACERA's staff for the cooperation and courtesy extended to us during our audits. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Board of Retirement, the Board of Investments, and management of LACERA and is not intended to be and should not be used by anyone other than these specified parties.

To the Board of Retirement and
Board of Investments
Los Angeles County Employees
Retirement Association

October 14, 2022

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Jean Young

Jean Young, CPA
Partner

Michelle Watterworth

Michelle Watterworth, CPA
Partner

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management, the Board of Retirement, and
Board of Investments
Los Angeles County Employees
Retirement Association

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of fiduciary net position and the related statement of changes in fiduciary net position of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise LACERA's financial statements, and have issued our report thereon dated October 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control. Accordingly, we do not express an opinion on the effectiveness of LACERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of LACERA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a material weakness in internal control, described in the accompanying schedule of findings as Finding 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

LACERA's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on LACERA's response to the finding identified in our audit and described in the accompanying schedule of findings. LACERA's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

To Management, the Board of Retirement, and
Board of Investments
Los Angeles County Employees
Retirement Association

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 14, 2022

Schedule of Findings

Year Ended June 30, 2022

Reference Number	Finding
2022-001	**Finding Type** - Material weakness

Criteria - LACERA establishes a system of internal controls in order to ensure its annual external financial statements are stated in compliance with generally accepted accounting principles. LACERA designs the system of internal controls to ensure appropriate controls exist and that they are operating effectively. The design of these controls was appropriate, but the procedures performed during the year for a certain investment were not operating effectively.

Condition - LACERA's controls over ensuring that the investment process designed to validate capital statements from fund managers to audited financial statements was not applied in accordance with LACERA's valuation practices for a certain alternative investment.

Context - During our audit, we noted a certain investment where this validation process was not completed properly due to the lack of audited financial statements being provided by the fund manager due to a confidentiality agreement. The investment was reported at approximately $700 million within the general ledger.

Cause - LACERA did not have effective controls over obtaining the full audited financial statements for a certain investment, which was not considered an exception to LACERA's valuation practice.

Effect - Management did not have appropriate evidence to support management's assertions that the value of this investment was accurate. While there was no misstatement to the valuation of the investment after additional procedures were performed, the potential error could have been material.

Recommendation - We recommend that LACERA ensure that its current practice is followed and appropriate controls are in place to validate capital statements with audited financial statements.

Views of Responsible Officials and Planned Corrective Actions - At the time of this alternative investment in 2015, LACERA staff identified the need to design a sound process for ensuring proper validation of the financials and sufficient confidence in its valuation. Hence, a control mechanism was negotiated into the investment’s governing documents, including a fiduciary relationship with the general partner. Since the investment’s inception, the control mechanism and process has consistently been followed and staff were able to provide support for the accurate value of the investment. Importantly, when the auditor performed additional testing and procedures on this investment, no misstatement to the investment’s value was found. Nonetheless, efforts will be made to address the audit recommendation.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Issued October 14, 2022 - Final

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*The accompanying notes to the basic financial statements are an integral part of the basic financial statements.

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FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LACERA as of June 30, 2022 and 2021 and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of LACERA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As explained in Note P, the financial statements include investments valued at $23,369,200,000 (32 percent of net position) at June 30, 2022 and at $19,818,800,000 (26 percent of net position) at June 30, 2021, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management’s estimates are based on alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LACERA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LACERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise LACERA's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the investment, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2022 on our consideration of LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering LACERA's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 14, 2022

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Management's Discussion and Analysis as of June 30, 2022

INTRODUCTION

Management is pleased to provide this discussion and analysis (MD&A) of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) for the fiscal year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with the information included in the Letter of Transmittal found in the Introductory Section of the Annual Comprehensive Financial Report (ACFR).

FINANCIAL HIGHLIGHTS

Pension Plan

- Fiduciary Net Position Restricted for Benefits, as reported in the June 30, 2022 Statement of Fiduciary Net Position, totaled $70.3 billion, which is a decrease of $(2.7) billion or (3.7) percent from June 30, 2021, reducing the Fiduciary Net Position primarily because actual investment returns were lower than the assumed rate of return and benefit payments exceeded contributions.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, were $1.4 billion resulting from investment earnings and employer and member contributions. Total additions decreased in 2022, equal to $17.0 billion or 92.3 percent less than the amounts realized in 2021, primarily due to lower investment activity income.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, totaled $4.1 billion, an increase of $240 million or 6.1 percent from the prior year. The increase was primarily attributable to an increase in pension benefits paid to retired members.
- Milliman, LACERA's independent consulting actuary, completed the latest actuarial valuation as of June 30, 2021, and determined the funded status of the Pension Plan (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 79.3 percent versus 76.3 percent as of June 30, 2020. The increase in funded ratio was primarily due to the recognition of current and prior year investment gains, which caused a 3.0 percentage point increase.
- The Net Pension Liability, provided in accordance with Governmental Accounting Standards Board Statement Number 67 (GASB 67), was $13.6 billion for the fiscal year ended June 30, 2022. This represents an increase of $6.3 billion from June 30, 2021, when the liability was $7.3 billion. The significant increase of the Net Pension Liability was caused by a decrease in investment activity income. Contribution and investment income inflows were less than the outflows of benefit payments and operating expenses. As of June 30, 2022, the most recent measurement date, the Pension Plan's Fiduciary Net Position was 83.8 percent of the Total Pension Liability, a decrease from 90.9 percent as measured for the previous fiscal year ended 2021. The decrease in this ratio, was due to both the growth in the Total Pension Liability and decrease in the Pension Plan's Fiduciary Net Position.

Other Post Employment Benefits (OPEB) Program

- The OPEB Custodial Fund captures the operating activity of the Retiree Healthcare Benefits Program, which is commonly referred to as the OPEB Program. The balance as of June 30, 2022, increased to approximately $193 million from the prior year, when the balance was $167 million for the fiscal year ended 2021. The increase of 15.6 percent in funds held on behalf of plan sponsors, after funding pay-as-you-go benefit costs, was $26 million and was primarily due to refunds from health insurance carriers that were not yet distributed to the plan sponsors and participants of the OPEB Program.

- The OPEB Trust Fiduciary Net Position increased by $87.3 million, primarily due to plan sponsor contributions slightly outpacing the investment loss for the fiscal year. The balance available to fund future OPEB liabilities as of June 30, 2022 increased by 3.8 percent, totaling $2.4 billion as compared to $2.3 billion for the prior year at June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the LACERA Basic Financial Statements, which include the following primary components: the Statement of Fiduciary Net Position; the Statement of Changes in Fiduciary Net Position; and the Notes to the Basic Financial Statements. The Basic Financial Statements are prepared in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting as prescribed by Generally Accepted Accounting Principles of the United States (U.S. GAAP). Separate statements are provided for the Pension Plan, OPEB Trust, and OPEB Custodial Fund, which are distinct from each other and report the results of the annual financial activities within their respective presentations.

The *Statement of Fiduciary Net Position* is a snapshot of account balances at fiscal year-end. This statement reflects assets available for upcoming payments to retirees and their beneficiaries, reduced by any current liabilities owed as of the report date. The Fiduciary Net Position Restricted for Benefits amount, which is the assets less the liabilities, or net position, reflects the funds available for future use to pay benefits.

The *Statement of Changes in Fiduciary Net Position* reflects all the financial transactions that occurred during the fiscal year and the impact those additions and deductions had on the Fiduciary Net Position Restricted for Benefits. The additions versus deductions trend indicates the financial condition over time for, separately, the Pension Plan, OPEB Custodial Fund, and OPEB Trust.

The *Notes to the Basic Financial Statements* (Notes) are an integral part of the financial statements. These Notes provide detailed discussions of key policies, programs, and activities that occurred during the year.

Other information to supplement LACERA's Basic Financial Statements is provided as follows:

> *Required Supplementary Information* (RSI) presents historical trend information to satisfy GASB 67 disclosures and contributes to understanding the historical changes in the participating employers' Net Pension Liability. There is some limited information provided regarding the OPEB Program investment returns to support compliance with GASB Statement Number 74 requirements under an agent plan structure.
>
> *Other Supplementary Information* (OSI) includes the schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants. The OSI is presented immediately following the RSI section.

Pension Plan

Under the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the California Public Employees' Pension Reform Act of 2013 (PEPRA), LACERA administers a cost-sharing multiple employer defined benefit retirement plan (Pension Plan) for eligible employees of the County of Los Angeles (County), the Los Angeles Superior Court (Superior Court), LACERA, and four outside Districts (i.e., Little Lake Cemetery District, Local Agency Formation Commission for the County of Los Angeles, Los Angeles County Office of Education, and South Coast Air Quality Management District). The Pension Plan is presented separately in the Statement of Fiduciary Net Position as an irrevocable trust fund. LACERA collects contributions from employers and active members, and earns income on invested assets so the Pension Plan balances accumulate over the long term, such that promised benefits can be paid to retirees now and in future years.

Other Post-Employment Benefits Program

In April 1982, the County adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) that provided for a retiree healthcare benefits program which is also referred to as the Other Post-Employment Benefits Program (OPEB Program) offering a variety of medical and dental/vision healthcare plans for retired members and their eligible dependents. In that same year, the County and LACERA entered into an Agreement whereby LACERA would administer the OPEB Program subject to the terms and conditions of the Agreement. In 1994, the County amended the Agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

In June 2014, the LACERA Board of Retirement approved the County's request to modify the Agreement, which created a new retiree healthcare benefits tier for certain new employees to lower costs. Structurally, the County segregated all the then-current retirees and employees into the LACERA-administered OPEB Program (Tier 1) and placed all employees hired after June 30, 2014, into the newly established Los Angeles County OPEB Program (Tier 2).

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, the Superior Court, LACERA, or a participating outside District. The OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits. Program benefits are provided through third-party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered.

OPEB Custodial Fund

The OPEB Custodial Fund reflects the annual financial activity of the OPEB Program for all participating employers, including those that have (i.e., County, Superior Court, and LACERA) and have not (i.e., the four outside Districts) established any advanced funding in the OPEB Master Trust at LACERA. Plan sponsors and members provide monthly funding using a "pay-as-you-go" methodology, which finances healthcare premiums including administrative fees, as well as other healthcare benefits provided by the OPEB Program. Retirees may qualify for employer-paid medical/dental insurance subsidies from 40 percent of the selected plan or benchmark plan premium up to 100 percent depending upon the member's years of service credit. LACERA bills the healthcare premiums to the participating employers and members and receives reimbursement on a monthly basis. Plan members who do not qualify for the 100 percent subsidy based on their years of service, are required to pay their un-subsidized percentage of the premium cost. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants.

OPEB Trust

Pursuant to the California Government Code, Los Angeles County established an irrevocable, tax-exempt OPEB Trust for the purpose of holding and investing assets prefunding a portion of the cost of the OPEB Program (or the Retiree Healthcare Benefits Program), which LACERA administers.

In May 2012, the County negotiated a trust and investment services agreement with the LACERA Board of Investments to manage and invest the OPEB Trust assets. The participating employers provide quarterly contributions, and the administrative costs incurred by LACERA are deducted from the County OPEB Trust. There are two participating employers in the County OPEB Trust: the County and LACERA. The Fiduciary Net Position Restricted for Benefits of the OPEB Trust is reported separately and legally distinct from that of the Pension Plan. Assets held in the Pension Plan are not used to finance benefits provided for under the OPEB Program.

The Superior Court began prefunding its OPEB obligations through a Court OPEB Trust effective and initially funded as of June 30, 2016. After discussions and negotiations between the County, LACERA, and the Court, it was determined that a separate irrevocable OPEB Trust would be established for the Court. A trust and investment services agreement was negotiated between LACERA and the Court setting forth the terms under which the LACERA Board of Investments serves as Trustee of the Court OPEB Trust. The Court Agreement was submitted and approved by the Court's Judicial Council in April 2016 and executed in June 2016. Contributions are made by the Court on a discretionary basis at fiscal year-end.

An OPEB Master Trust was created to facilitate combined assets and investment strategies for the County, LACERA, and the Court, and does not include funding from the four outside Districts. LACERA administers the OPEB Master Trust as a one investment pool.

The OPEB Trust is presented separately in the Statement of Fiduciary Net Position. The LACERA Board of Investments manages the OPEB Trust for the County, LACERA, and the Court, and utilizes an investment policy statement to diversify investments based on the agencies' future obligations. The OPEB Trust's Fiduciary Net Position Restricted for Benefits at year-end serves to measure the effort in pre-funding future expenses associated with other post-employment benefits such as those provided through the OPEB Program. The OPEB Trust income and expenses are also presented separately in the OPEB Trust's Statement of Changes in Fiduciary Net Position.

FINANCIAL ANALYSIS — PENSION PLAN

Fiduciary Net Position Restricted for Benefits

The Pension Plan's Total Fiduciary Net Position Restricted for Benefits represents the available fund balance of member and employer contributions, once investment activity, benefit payments, refunds, and administrative expenses are accounted for, that is available for retirement benefits. As of June 30, 2022, LACERA had Total Assets of $72.6 billion, which exceeded Total Liabilities of $2.3 billion, resulting in a Fiduciary Net Position Restricted for Benefits of $70.3 billion. This amount reflects a decrease of $(2.7) billion or (3.7) percent from the prior year, primarily due to negative investment earnings as well as annual fund deductions exceeding contributions. As of the prior year June 30, 2021, LACERA had $75.4 billion of Total Assets, which was greater than $2.4 billion in Total Liabilities, resulting in a Fiduciary Net Position Restricted for Benefits of $73.0 billion. This amount reflects an increase of $14.5 billion or 24.8 percent increase from the prior year 2020, because of robust investment market performance during that period.

Fiduciary Net Position Restricted for Benefits — Pension Plan
As of June 30, 2022, 2021, and 2020
(Dollars in Millions)

	2022	2021	2020	2022 - 2021 % Change	2021 - 2020 % Change
Investments	$67,467	$70,298	$56,574	(4.0)%	24.3%
Other Assets	5,172	5,066	4,787	2.1%	5.8%
Total Assets	$72,639	$75,364	$61,361	(3.6)%	22.8%
Total Liabilities	(2,349)	(2,352)	(2,851)	(0.1)%	(17.5)%
Fiduciary Net Position Restricted for Benefits	**$70,290**	**$73,012**	**$58,510**	**(3.7)%**	**24.8%**

Additions and Deductions to Fiduciary Net Position Restricted for Benefits
The primary sources that finance the promised pension benefits LACERA provides to members and their beneficiaries are realized investment income and the collection of employer and member retirement contributions. For fiscal years ended 2022 and 2021, Total Additions amounted to $1.4 billion and $18.4 billion, respectively. The Total Additions difference between the two years was caused by depreciation of investment holdings during 2022. For the fiscal year ended 2020, Total Additions amounted to $3.9 billion. The differences between fiscal years 2021 and 2020 were due primarily to LACERA's diverse investment strategy producing positive investment performance.

The net investment loss for fiscal year 2022 was approximately $(1.5) billion, a decrease of $17.1 billion from the 2021 fiscal year when the net investment gain was $15.6 billion. This fiscal year's time-weighted investment returns of 0.1 percent (net of fees) is lower than the actuarial assumed investment earnings rate of 7.0 percent primarily due to challenging market conditions in the first half of 2022 including war in Europe, high inflation, and an economic slowdown in China. In fiscal year 2020, the net investment gain was $1.4 billion, $14.2 billion lower than the net investment gain in 2021. The fiscal year 2021 time-weighted investment returns of 25.2 percent (net of fees) was greater than the actuarial assumed investment earnings rate of 7.0 percent primarily due to strong results produced by global equity and private equity assets. The investment gains and losses experienced will continue to impact the actuarial funded ratio over time as they are recognized in the future through the actuarial asset-smoothing process, whereby each year's investment gains and losses are recognized over a five-year period.

To finance employer contributions that are due to LACERA, the County and the outside Districts made cash payments monthly or semi-monthly contributions to coincide with the employee payroll cycle. For the fiscal years ended June 30, 2022, and 2021, the required employer contributions due to LACERA were paid in full.

The primary uses of LACERA's assets include the payment of promised benefits to members and their beneficiaries, refunds of contributions to terminated employees, and costs of administering the Pension Plan. These deductions totaled $4.1 billion for fiscal year 2022, an increase of $240 million or 6.1 percent from the prior year. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in pension benefit payments, including cost-of-living-adjustments, for the fiscal year ended June 30, 2022.These deductions totaled $3.9 billion for fiscal year 2021, an increase of $213 million or 5.8 percent from the prior year, 2020. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in pension payments, including cost-of-living-adjustments, for the fiscal year ended June 30, 2021

Administrative and miscellaneous expenses also increased 9.9 percent from the fiscal years ended June 30, 2021 to June 30, 2022 primarily due to an increase in facilities operational costs. legal consulting costs, temporary personnel services, and scheduled salary and employee benefit increases, to support LACERA's mission of producing, protecting, and providing the promised benefit. Administrative and miscellaneous expenses also increased 5.8 percent from the fiscal years ended June 30, 2020 to June 30, 2021 primarily due the purchase of equipment and services to strengthen LACERA's information technology systems, and scheduled employee salary increases. Investments in information technology and staffing resources will allow LACERA to continue to serve the needs of its membership now and into the future.

For the fiscal years ended June 30, 2022, and 2021, the net decrease to the Fiduciary Net Position Restricted for Benefits was ($2.7) billion for 2022 and $14.5 billion increase for 2021. These amounts represent the annual change in net position made available for additional investments, benefit payments, and LACERA's cost of operations.The decrease in Fiduciary Net Position for Benefits in fiscal year 2022 resulted from annual benefit payments exceeding contributions and investment income. The net increase to the Fiduciary Net Position Restricted for Benefits from fiscal years ended June 30, 2020, to June 30, 2021 was $14.5 billion due to the positive performance of LACERA's investment portfolio.

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		2021 - 2020	
	2022	**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%
Total Additions/ (Declines)	**$1,423**	**$18,407**	**$3,907**	**($16,984)**	**(92.3)%**	**$14,500**	**371.1%**
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%
Total Deductions	**($4,145)**	**($3,905)**	**($3,692)**	**($240)**	**6.1%**	**($213)**	**5.8%**
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%
Fiduciary Net Position End of Year	**$70,290**	**$73,012**	**$58,510**	**($2,722)**	**(3.7%)**	**$14,502**	**24.8%**

Pension Plan Investment Structure

Meketa Investment Group (Meketa), LACERA's general investment consultant, along with Investment Office staff, reviews the existing asset allocation structure every three to five years to recommend an appropriate allocation consistent with the economic environment, considering model assumptions and constraints. In March 2018, the LACERA Board of Investments approved functional asset category structure creating new asset allocation models that had more attractive return/risk quotients than the current portfolio structure at that time, and reflected greater diversification, potentially resulting in higher market performance throughout a full market cycle. The functional framework provides for a broader group of Pension Plan investments. The traditional asset classes were reassigned and expanded in these new functional asset categories, labeled as Growth, Credit, Real Assets and Inflation Hedges, and Risk Reduction and Mitigation.

In 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.

During fiscal year 2021, strategic asset allocation reviews for LACERA's Pension Plan investments were completed. The Board approved revised target asset allocation weights for the Pension Plan in May 2021 and for the OPEB Trust in June 2021. The Pension Plan's new asset allocation weights were implemented as of October 2021.

Pension Plan Liabilities

As GASB Statement Number 67 (GASB 67) requires, LACERA reports the Total Pension Liability and the Net Pension Liability as calculated by LACERA's actuary. The Total Pension Liability is the portion of actuarial present value of projected benefit payments that is attributable to past periods of member service using the individual entry age actuarial cost method, based on the requirements of GASB 67. 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 solely calculated under the guidance of GASB 67 for financial statement reporting purposes.

The Actuarial Valuation of Retirement Benefits report (funding valuation) provides information about the employers' funding of such liabilities, including the Pension Plan's required contributions and funded status. In addition, the funding valuation serves as a basis for providing the information required for accounting and reporting disclosures (under GASB standards). The Total Pension Liability as of June 30, 2022, was $83.9 billion, or an increase of 4.5 percent from the Total Pension Liability of $80.3 billion as of June 30, 2021. The Net Pension Liability as of June 30, 2022, was $13.6 billion, representing an increase of 87.1 percent from the Net Pension Liability of $7.3 billion as of June 30, 2021. The Net Pension Liability increased by $6.3 billion because LACERA experienced a $2.7 billion decrease in the Fiduciary Net Position and a $3.6 billion increase in Total Pension Liability.

GASB 67 requires the presentation of the Fiduciary Net Position as a percentage of the Total Pension Liability. For the fiscal years ended June 30, 2022, and 2021, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 83.8 percent and 90.9 percent, respectively. The decrease for the fiscal year ended June 30, 2022, is due to the growth in the Total Pension Liability of $3.6 billion and decrease in LACERA's Fiduciary Net Position of $2.7 billion, netted against the liability. The Total Pension Liability increased as generally expected from year to year and is consistent with prior experience over time. Contributing factors include the cost of benefits earned over the period, interest on the Total Pension Liability, investment activity, and benefit payments.

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

				2022 - 2021		2021 - 2020	
	2022	**2021**	**2020**	**$ Change**	**% Change**	**$ Change**	**% Change**
Total Pension Liability	$83,931	$80,304	$76,580	$3,627	4.5%	$3,724	4.9%
Less: Fiduciary Net Position	(70,290)	(73,012)	(58,510)	2,722	(3.7)%	(14,502)	24.8%
Net Pension Liability	**$13,641**	**$7,292**	**$18,070**	**$6,349**	**87.1%**	**($10,778)**	**(59.6)%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.8%**	**90.9%**	**76.4%**	**N/A**	**N/A**	**N/A**	**N/A**

OPEB PROGRAM FINANCIAL REPORTING

There are two financial sources provided by plan sponsor employers used to fund the OPEB Program for retiree healthcare. One is the OPEB Custodial Fund used to pay premium costs and administrative expenses on a current and ongoing basis. The other is the OPEB Trust containing contributions set aside by certain participating employers to prefund certain other current administrative costs and future costs.

Financial Analysis - OPEB Custodial Fund

The OPEB Custodial Fund is used to pay benefit costs as incurred on a "pay-as-you-go" ongoing basis. As of June 30, 2022, the OPEB Custodial Fund's total assets exceeded total liabilities, resulting in a positive Fiduciary Net Position Restricted for Benefits of approximately $193 million. This balance, where total assets of $270 million exceeded total liabilities of $77 million, represents funds provided by plan sponsor employers in excess of benefits paid during the period, held at LACERA on behalf of the employers. As of the end of the fiscal year, June 30, 2021, the Fiduciary Net Position Restricted for Benefits was $166 million as a result of total assets, reported at $233 million, exceeding total liabilities of $67 million.

As required under GASB 84, LACERA's Statement of Changes in Fiduciary Net Position includes the financial activity of the OPEB Custodial Fund. For the fiscal years ended June 30, 2022, and 2021, total additions were $804 million and approximately $770 million, as total deductions amounted to $778 million and $752 million, respectively. This caused a $26 million and $18 million increase in the Fiduciary Net Position Restricted for Benefits over the last two fiscal years. Contributions from employers and members exceeded the total of benefit costs and administrative expenses during the year. Balances held in the OPEB Custodial Fund not used to pay benefits are invested by LACERA's Board of Investments. The OPEB Custodial Fund incurred a net investment loss of $5.1 million for the fiscal year ended June 30, 2022, and generated $0.2 million of net investment income for the fiscal year ended June 30, 2021.

Financial Analysis - OPEB Trust

As reflected in the OPEB Trust's Statement of Changes in Fiduciary Net Position, OPEB Trust additions included net investment loss of $288.5 million for the fiscal year ended June 30, 2022, which was the opposite of the prior year when the investment portfolio generated investment income.

Deductions included $599.0 thousand for total administrative expenses. The OPEB Trust's Fiduciary Net Position Restricted for Benefits as of the fiscal year ended June 30, 2022, was $2.4 billion representing a $87.3 million increase from last year due to employer contributions. As of June 30, 2021, the total OPEB Trust Fiduciary Net Position Restricted for Benefits was $2.3 billion, after earning $452.1 million in net investment income and deducting $583.6 thousand for total administrative expenses.

Employers provided OPEB Trust prefunding contributions of $376 million for fiscal year 2022, a 3.6 percent increase from $363 million for fiscal year 2021, which represents a portion of the total contributions presented in this statement. The OPEB Trust holds funding set aside by certain participating employers to pay current administrative costs and provide future benefits. GASB standards allow, for financial statement presentation only, "pay-as-you-go" activity from the OPEB Custodial Fund is adjusted for and reported on the Statement of Changes in Fiduciary Net Position under the OPEB Trust. This adjustment increases Employer Contribution additions, however, "pay-as-you-go" contributions are not actually made to the OPEB Trust but instead, to the OPEB Custodial Fund. Correspondingly, Service Benefit deductions were increased to reflect "pay-as-you-go" benefit payments made by employers through the OPEB Custodial Fund as OPEB benefits became due. Total OPEB Trust contributions including this adjustment were $1,097 million for fiscal year 2022 and $1,057 million for fiscal year 2021. Actual amounts LACERA paid to provide benefits and reimbursed to LACERA by employers and members are included within the OPEB Custodial Fund held on behalf of employers.

OPEB Trust Investment Structure

In June 2016, the LACERA Board of Investments approved the use of a unitized fund structure for the OPEB Trust funds. The OPEB Master Trust structure allows for unitization of investments at the asset composite level while retaining individual net asset values for each participating employer. The OPEB Master Trust accommodates commingling and co-investing of the County, LACERA, and Court OPEB Trust funds. The "OPEB Master Trust" as described within the Investment Section, which is commonly referred to as the "OPEB Trust" throughout the financial statements, includes the County, LACERA, and Court OPEB Trust investments. In June 2021, the LACERA Board of Investments adopted a revised asset allocation model including new asset classes such as private equity and real estate within the functional asset category structure. This diversified investment strategy will be implemented beginning in the upcoming fiscal year.

Information related to the OPEB Trust is included in the Financial Section, Note Q — OPEB Trust and other financial statement sections, such as Note N — OPEB Program which describes program benefits, to meet financial reporting requirements. Due to the OPEB Program's change from a cost-sharing to an agent plan structure in July 2018, LACERA's financial statement disclosures, as the OPEB Program administrator, were reduced to report limited investment return information in accordance with GASB Statement Number 74.

PLAN ADMINISTRATION

LACERA Membership

The following table provides comparative LACERA membership data for the last two fiscal years. Active members declined by 640 or 0.6 percent as of June 30, 2022, while there was an increase of 2,061 or 3.0 percent in retirees when comparing the two fiscal years ended June 30, 2022 and 2021. When comparing the two fiscal years ended June 30, 2021 and 2020, active members declined by 50 as of June 30, 2021, while there was an increase of 1,536 or 2.3 percent in retirees.

LACERA Membership

As of June 30, 2022, 2021 and 2020

				2022 - 2021		2021 - 2020	
	2022	2021	2020	Difference	% Change	Difference	% Change
Active Members[1]	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%
Total Membership	**187,184**	**185,763**	**184,277**	**1,421**	**0.8%**	**1,486**	**0.8%**

(1) Effective fiscal year ended June 30, 2019 and going forward, active member counts include inactive members who are both vested and non-vested.

ADMINISTRATIVE EXPENSES

The LACERA Boards of Retirement and Investments jointly approve the Operating Budget, which becomes effective at the beginning of the fiscal year. During the fiscal year ended 2020-2021, LACERA adopted an annual operating budget amendment process to allow funding for urgent staffing changes and operating needs that may arise during the year. The Operating Budget information presented in these financial statements represents the amended budget amounts for the fiscal years ended June 30, 2022 and 2021. LACERA's annual budget plan controls administrative expenses and represents approximately 0.13 percent and 0.12 percent of the allowable basis for the budget calculation for the fiscal years ended June 30, 2022 and 2021, respectively. The actual administrative expenses were $100 million for 2022 compared to $91 million for 2021, resulting in a 9.9 percent increase. For fiscal years ended June 30, 2021 and 2020. The actual administrative expenses were $91 million for 2021 compared to $85 million for 2020, resulting in a 7.1 percent increase. The primary factors contributing to the rise were the organization's plan to fill vacant positions, the addition of new staffing positions, employee salary and benefit increases, additional legal consulting costs, and an increase in operational costs due to a new office lease contract.

The CERL governing the LACERA Pension Plan requires that the annual budget for administrative expenses may not exceed 0.21 percent of the Actuarial Accrued Liability (AAL) as of the prior fiscal year. CERL provides allowances for other administrative costs such as certain cost of legal representation and expenditures for information technology projects to be excluded from the 0.21 percent calculation; LACERA includes such costs in the administrative expense allocation.

The following table provides a comparison of the actual administrative expenses for the fiscal years ended 2022, 2021 and 2020. The AAL was used to calculate the statutory budget amount. For both years, LACERA's administrative expenditures were well below the limit imposed by law.

Analysis of Administrative Expenses

As of June 30, 2022, 2021 and 2020

(Dollars in Thousands)

	2022	2021	2020
Total Statutory Budget Appropriation	$164,378	$156,735	$143,907
Basis for Budget Calculation (Actuarial Accrued Liability)	78,275,175	74,635,840	$68,527,354
Limit per CERL	**0.21%**	**0.21%**	**0.21%**
Administrative Expenses	$100,121	$90,586	$85,384
Basis for Budget Calculation (Actuarial Accrued Liability)	78,275,175	74,635,840	$68,527,354
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.13%**	**0.12%**	**0.12%**
Total Statutory Budget Appropriation	$164,378	$156,735	$143,907
Operating Budget Request	(114,807)	(100,291)	($94,600)
Unexpended Statutory Budget Appropriation	**$49,571**	**$56,444**	**$49,307**
Operating Budget Request	$114,807	$100,291	$94,600
Administrative Expenses	(100,121)	(90,586)	(85,384)
Unexpended Operating Budget	**$14,686**	**$9,705**	**$9,216**

ACTUARIAL FUNDING VALUATIONS

In order to determine whether the Fiduciary Net Position Restricted for Benefits will be sufficient to meet the Pension Plan's future obligations, the actuarial funded status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of promised benefits are appraised. These assets are compared with the actuarial liabilities, which represent the actuarial present value of all future benefits expected to be paid for each member. The purpose of an actuarial valuation is to determine future contributions amounts needed by the employers (plan sponsors) and the employees (members) to provide all promised future benefits and to assess the Pension Plan's funded status. A valuation is performed each year. An experience study is performed every three years to review the actuarial assumptions and methods applied in preparing the annual valuations.

Board Policy

In December 2009, the LACERA Board of Investments adopted a revised Retirement Benefit Funding Policy (Funding Policy). In February 2013, the Funding Policy was further amended to conform to the new PEPRA provisions. In addition, beginning with the June 30, 2009, valuation and on a prospective basis, the LACERA Board of Investments approved inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance in valuation assets. As such, the actuary includes the STAR Reserve as part of actuarial assets available for funding retirement benefits.

Consistent with the 2013 Funding Policy, an asset smoothing method is applied to actuarial investment gains and losses. Variances between the actuarially expected fair value of assets (computed based on investment performance at the actuarial assumed rate of return) and the actual fair value of assets are calculated and then recognized, or smoothed over a five-year period. This actuarial smoothing process recognizes a portion of each year's actuarial investment gains and losses (in relation to the actuarially assumed return) in order to minimize substantial variations in the employer contribution rates and funded ratios.

Actuarial Liabilities

Pursuant to the customary actuarial reporting process, the actuarial valuation as of June 30, 2022, is not yet available. Information is presented here based on the most recent actuarial valuation as of June 30, 2021. The consulting actuary calculates contributions required to fund the Pension Plan. The difference between the present value of all future obligations and the present value of future normal cost contributions is referred to as the Actuarial Accrued Liability (AAL), which totaled $81.9 billion as of June 30, 2021. The $64.9 billion of fair value of net assets reported for fiscal year-end 2021 is used to offset the AAL, and the difference is referred to as the June 30, 2021, Unfunded Actuarial Accrued Liability (UAAL), which was reported at $17.0 billion.

The Funding Policy provides an approach for managing the UAAL. LACERA applies an amortization method including multiple layers amortized over closed periods. For each fiscal year, gains, or losses on the UAAL are calculated and then amortized over the period defined, which was changed from 30 years to 20 years. Existing layers with amortization periods longer than 22 years were reset to a term not longer than 22 years. New layers added each year are amortized over 20 years. All amortization periods as of the June 30, 2021, valuation are now under 20 years. This process establishes a payoff schedule of the UAAL and helps dampen volatility in required amortization payments which, in turn, is designed to provide stability in employer contribution rates. The LACERA Board of Investments updated the amortization method based on the results of the 2019 investigation of experience report prepared by the consulting actuary.

Actuarial Assumptions

In January 2020, as a result of the most recent experience and assumption study completed as of June 30, 2019, the LACERA Board of Investments adopted a decrease in the investment return assumption. The investment return assumption was reduced from 7.25 to 7.00 percent for the June 30, 2019, actuarial valuation due to projected challenges in the years ahead to achieving a higher rate of return. There were no changes approved by the LACERA Board of Investments to the corresponding price and wage inflation assumptions. Contribution rates were increased for the fiscal year beginning July 1, 2020, with revised employee rates while higher employer contribution rates were phased in over three years (fiscal years beginning July 1, 2020 through July 1, 2022), softening the immediate impact to plan sponsors.

The funded ratio is a measurement of the funded status of the Pension Plan. It is calculated by dividing the Valuation Assets by the AAL. Valuation Assets are the value of cash, investments, and other assets belonging to the Pension Plan, as used by the actuary for the purpose of preparing the actuarial valuation. Investment returns, which have varied over the last three years, cause fluctuations in Valuation Assets. In 2019, the LACERA Board of Investments reduced the assumed investment rate of return (as described above and in the Actuarial Section of the ACFR).

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2021, and determined that the Pension Plan's Funded Ratio of the actuarial assets to the AAL increased to 79.3 percent as of that date, as compared to 76.3 percent as of the June 30, 2020 valuation.

The investment return on a market basis for 2021 resulted in a 3.0 percentage point increase in the Funded Ratio when applying the five-year actuarial asset smoothing method. For the 2021 and 2020 fiscal year-end actuarial valuations, respectively, the Pension Plan investment portfolio returned 25.2 percent and 1.8 percent (both net of fees), on a time-weighted market basis, which for 2021 was more than 7 percent investment return assumption effective since 2019. When compared to the assumed rate of return, in total, there was a $11.5 billion gain on market assets. Under the actuarial asset smoothing method, which recognizes investment gains and losses over a five-year period, the return on actuarial assets was 10.4 percent, equivalent to a gain of $2.0 billion relative to the assumed return of 7 percent.

The following table provides a three-year history of investment and actuarial returns and the actuarial funded ratios. As required by GASB Statement Numbers 67 and 74, the money-weighted rate of return is presented as an expression of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2022, the annual money-weighted rate of return on Pension Plan investments was 0.6 percent (net of fees), and the time-weighted return for the same period is 0.1 percent (net of fees). The annual 2022 Pension Plan valuation report is not yet available at this time

Total Investment Rates of Return — Pension Plan
For the Last Three Fiscal Years Ended June 30
(Dollars in Thousands)

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[1]	Return on Smoothed Valuation Assets (net of fees)[1,2]	Actuarial Assumed Rate of Return	Actuarial Funded Ratio
2020	$56,574,410	1.8%	1.4%	5.8%	7.0%	76.3%
2021	$70,297,718	25.2%	25.2%	10.4%	7.0%	79.3%
2022 [3]	**$67,467,013**	**0.1%**	**0.6%**	—	—	—

(1) The returns are presented net of investment management fees.
(2) Returns calculated using the money-weighted rate of return method.
(3) Investment information including to total investment portfolio fair value, time-weighted and money-weighted returns are available. However, the actuarial valuation report for June 30, 2022, is not yet available at this time.

The annual time-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses as of the fiscal years ended June 30, 2022 and 2021, were (11.2) percent and 28.4 percent, respectively. As determined for the July 1, 2021 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL increased to 10.9 percent, as compared to 7.0 percent reported in the July 1, 2020 valuation. The County, LACERA, and the Superior Court continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL. The annual 2022 OPEB Program valuation report is not available as of this ACFR's publication.

LACERA OPERATIONS

The COVID-19 pandemic impacted LACERA to a much lesser degree than in prior years, with a significant reduction in operational expenditures to address urgent needs. LACERA followed health and safety guidelines promulgated by federal, state, and local officials, including the Los Angeles County Department of Public Health, Los Angeles County Human Resources Department, and the

City of Pasadena. During the year, LACERA's Board of Retirement and Board of Investments conducted their regular open public meetings by teleconference pursuant to the California Governor's Executive Order No. N-29-20 and the California Government Code, as applicable, to form the policy and steer the overall direction of LACERA. The executive team, and staff remained flexible to quickly accommodate changes in operations during transmission level surges while implementing a new hybrid work model allowing staff to work either in the office or remotely.

The organization's primary goal to serve members and provide the promised benefits remained in focus and was the driver of decisions. These financial statements contain fiscal results that prove LACERA's ability to administer the retirement system successfully throughout an ever changing and fluctuating environment. LACERA's financial flows and operational strategies remained consistent as the fund collected contributions from members and plan sponsors, provided counseling and retirement services to our members through multiple channels, successfully managed the pension fund investment portfolio during uncertain times producing a positive return, and provided retirement and retiree healthcare benefits to our members without fail. At the end of the fiscal year, LACERA's governing Boards and executive teams had shifted their financial and operational focus from pandemic related issues to organizational direction and future initiatives in a post-pandemic era. For additional information regarding the COVID-19 pandemic, please refer to Note L – Administrative Expenses.

ACCOUNTING AND FINANCIAL REPORTING STANDARDS EFFECTIVE FOR THE FISCAL YEAR ENDED 2022

Leases

GASB issued Statement Number 87, Leases, to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported to enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement is meant to enhance the decision-usefulness of the information provided to financial statement users by requiring notes to the financial statements including the timing, significance, and purpose of a government's leasing arrangements.

For LACERA's financial statements, these requirements, which were postponed by GASB for one year due to the COVID-19 pandemic, are effective for the fiscal year ended June 30, 2022. However, LACERA considered GASB 87 provisions, including those in paragraph 41 and the disclosure requirements under paragraph 57, and decided the GASB 87 recognition and measurement criteria was determined to have an insignificant impact on LACERA.

UPCOMING ACCOUNTING AND FINANCIAL REPORTING STANDARDS

Subscription Based Information Technology Arrangements

In June 2020, the GASB issued Statement Number 96 (GASB 96), Subscription Based Information Technology Arrangements (SBITAs), to establish SBITAs as intangible assets with a corresponding subscription liability for contracts that convey control of the right to use another party's information technology software. GASB 96 also establishes uniform accounting and financial report requirements for SBITAs aligning the information with that of GASB 87, Leases. LACERA will determine how the provisions of GASB 96 are applicable for the fiscal year ending June 30, 2023.

REQUESTS FOR INFORMATION

This comprehensive financial report is designed to provide the LACERA Boards of Retirement and Investments, our membership, and interested third parties with a general overview of LACERA's finances and to show accountability for the funds it receives and its management of the Pension Plan and OPEB Program.

Address questions regarding this report and/or requests for additional financial information to:
Interim Chief Financial Officer
LACERA
300 N. Lake Avenue, Suite 650
Pasadena, CA 91101

Respectfully submitted,

Theodore Granger

Theodore Granger
Interim Chief Financial Officer

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Statement of Fiduciary Net Position

As of June 30, 2022 and 2021

(Dollars in Thousands)

	2022			2021		
	Pension Plan	OPEB Trust	OPEB Custodial Fund	Pension Plan	OPEB Trust	OPEB Custodial Fund
ASSETS						
Cash & Cash Equivalents						
Cash and Short-Term Investments	$3,058,494	$49,413	$33,541	$3,134,716	$49,723	$32,511
Cash Collateral on Loaned Securities	1,401,077	—	—	1,198,528	—	—
Total Cash & Cash Equivalents	**$4,459,571**	**$49,413**	**$33,541**	**$4,333,244**	**$49,723**	**$32,511**
Receivables						
Contribution Receivable	$119,635	$—	$—	$114,102	$—	$—
Accounts Receivable - Sale of Investment	355,515	—	1,679	439,841	114	—
Accrued Interest and Dividends	226,861	78	599	169,925	1	432
Accounts Receivable - Other	10,227	—	62,553	9,139	—	60,344
Total Receivables	**$712,238**	**$78**	**$64,831**	**$733,007**	**$115**	**$60,776**
Investments, at Fair Value						
Equity	$24,464,720	$1,199,773	$—	$29,705,843	$1,145,218	$—
Fixed Income	18,641,786	903,853	171,581	21,077,314	894,200	140,093
Private Equity	12,753,842	—	—	11,321,964	—	—
Real Estate	5,802,979	241,168	—	5,294,150	219,190	—
Hedge Funds	4,440,434	—	—	2,748,465	—	—
Real Assets	1,363,252	—	—	149,983	—	—
Total Investments at Fair Value	**$67,467,013**	**$2,344,794**	**$171,581**	**$70,297,719**	**$2,258,608**	**$140,093**
TOTAL ASSETS	**$72,638,822**	**$2,394,285**	**$269,953**	**$75,363,970**	**$2,308,446**	**$233,380**
LIABILITIES						
Accounts Payable - Purchase of Investments	$835,073	$46	$2,794	$1,055,063	$1,260	$2,152
Retiree Payable and Other	1,779	—	452	1,550	—	387
Accrued Expenses	63,266	137	679	50,276	359	750
Tax Withholding Payable	42,715	—	—	40,144	—	—
Obligations under Securities Lending Program	1,401,077	—	—	1,198,528	—	—
Accounts Payable - Other	5,300	—	73,518	6,383	—	63,492
TOTAL LIABILITIES	**$2,349,210**	**$183**	**$77,443**	**$2,351,944**	**$1,619**	**$66,781**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	**$70,289,612**	**$2,394,102**	**$192,510**	**$73,012,026**	**$2,306,827**	**$166,599**

The accompanying notes to the basic financial statements are an integral part of the basic financial statements.

Statement of Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022			2021		
	Pension Plan	**OPEB Trust**	**OPEB Custodial Fund**	**Pension Plan**	**OPEB Trust**	**OPEB Custodial Fund**
ADDITIONS						
Contributions						
Employer[1]	$2,199,889	$1,097,284	$730,986	$2,012,877	$1,057,366	$704,344
Member	758,632	—	49,061	760,994	—	49,617
Total Contributions	**$2,958,521**	**$1,097,284**	**$780,047**	**$2,773,871**	**$1,057,366**	**$753,961**
Investment Income						
From Investment Activities:						
Net Appreciation/ (Depreciation) in Fair Value of Investments	($6,717,556)	($312,330)	($5,435)	$9,981,328	$438,050	($2,201)
Investment Income/(Loss)	5,476,668	25,063	521	5,915,584	15,089	2,488
Total Investment Activities Income/ (Loss)	**($1,240,888)**	**($287,267)**	**($4,914)**	**$15,896,912**	**$453,139**	**$287**
Less Expenses from Investment Activities:	($310,360)	($1,233)	($145)	($271,752)	($1,017)	($137)
Net Investment Activities Income/(Loss)	**($1,551,248)**	**($288,500)**	**($5,059)**	**$15,625,160**	**$452,122**	**$150**
From Securities Lending Activities:						
Securities Lending Income	$12,294	$—	$—	$5,072	$—	$—
Less Expenses from Securities Lending Activities:						
Borrower Rebates	$126	$—	$—	$869	$—	$—
Management Fees	(1,317)	—	—	(1,186)	—	—
Total Expenses from Securities Lending Activities	**(1,191)**	**—**	**—**	**(317)**	**—**	**—**
Net Securities Lending Income/ (Loss)	**$11,103**	**$—**	**$—**	**$4,755**	**$—**	**$—**
Total Net Investment Income/ (Loss)	**($1,540,145)**	**($288,500)**	**($5,059)**	**$15,629,915**	**$452,122**	**$150**
Miscellaneous	**$4,117**	**$—**	**$29,496**	**$2,928**	**$—**	**$15,829**
TOTAL ADDITIONS	**$1,422,493**	**$808,784**	**$804,484**	**$18,406,714**	**$1,509,488**	**$769,940**
DEDUCTIONS						
Retiree Payroll	$4,002,273	$—	$—	$3,785,608	$—	$—
Service Benefits[1]	—	720,910	769,336	—	694,665	743,715
Administrative Expenses	100,121	599	9,237	90,586	584	8,099
Refunds	38,089	—	—	24,512	—	—
Lump Sum Death Benefits	4,205	—	—	4,142	—	—
Redemptions	—	—	—	—	40	—
Miscellaneous	219	—	—	248	—	—
TOTAL DEDUCTIONS	**$4,144,907**	**$721,509**	**$778,573**	**$3,905,096**	**$695,289**	**$751,814**
NET INCREASE/(DECREASE) IN FIDUCIARY NET POSITION	**($2,722,414)**	**$87,275**	**$25,911**	**$14,501,618**	**$814,199**	**$18,126**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS						
BEGINNING OF YEAR	**$73,012,026**	**$2,306,827**	**$166,599**	**$58,510,408**	**$1,492,628**	**$148,473**
END OF YEAR	**$70,289,612**	**$2,394,102**	**$192,510**	**$73,012,026**	**$2,306,827**	**$166,599**

(1) OPEB Trust Employer Contributions and Service Benefits are adjusted. Refer to Note B — Summary of Significant Accounting Policies for further information. See Note Q for OPEB Trust prefunding contributions.

The accompanying notes to the basic financial statements are an integral part of the basic financial statements.

NOTE A — Benefit Plan Descriptions

Pension Plan

The Los Angeles County Employees Retirement Association (LACERA) was established on January 1, 1938. It is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), relevant provisions of the Internal Revenue Code, and the regulations, procedures, and policies adopted by the LACERA Board of Retirement and the LACERA Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the retirement benefits of LACERA members. LACERA operates as a cost-sharing multiple-employer defined benefit Pension Plan for Los Angeles County, LACERA, Los Angeles County Superior Court (Superior Court), and four outside Districts: Little Lake Cemetery District, Local Agency Formation Commission for the County of Los Angeles, Los Angeles County Office of Education, and South Coast Air Quality Management District.

Retiree Healthcare Benefits Program

In April 1982, the County adopted an ordinance pursuant to the CERL that provided for a Retiree Healthcare Benefits Program which is also referred to as the Other Post-Employment Benefits Program (OPEB Program) that covers the death/burial benefits for retired employees. In that same year, the County and LACERA entered into an agreement whereby LACERA would administer the program subject to the terms and conditions of the agreement. In 1994, the County amended the Agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

In June 2014, at the County's request, the LACERA Board of Retirement approved an amendment to the agreement which created a new retiree healthcare benefits program tier to lower costs. The Los Angeles County Retiree Healthcare Benefits Program Tier 2 was established and provides benefits for all employees hired after June 30, 2014. The existing benefits program and current membership at that time was labeled as Tier 1.

In July 2018, the OPEB Program, in which Los Angeles County, LACERA, Superior Court, and the outside Districts participate, was restructured as an agent multiple-employer defined benefit OPEB plan. OPEB Program description and benefit provisions are explained in Note N — OPEB Program in the Financial Section.

Governance

The LACERA Board of Retirement is responsible for the administration of the retirement system, review and processing of disability retirement applications, and administration of the OPEB Program including overseeing OPEB actuarial matters. The Board is composed of nine trustees, plus two alternate trustees. Four trustees and two alternate trustees are elected: Active general members elect two trustees; retired members elect one trustee and one alternate trustee; and safety members elect one trustee and one alternate trustee. Four trustees are appointed by the Los Angeles County Board of Supervisors. The law requires the County Treasurer and Tax Collector to serve as an ex-officio trustee. The Deputy County Treasurer and Tax Collector serves as the acting ex-officio member, sitting in for the ex-officio trustee as needed.

The LACERA Board of Investments is responsible for establishing LACERA's investment policy and objectives, deciding Pension Fund actuarial matters, including setting assumptions and member and employer contribution rates, and exercising authority and control over the investment management of the trust funds. The Board is composed of nine trustees. Four trustees are elected: Active general members elect two trustees; and retired members elect one trustee, as do safety members. Four trustees are appointed by the Los Angeles County Board of Supervisors, who are required as a condition of appointment to have significant prior experience in institutional investing. The law requires the County Treasurer and Tax Collector to serve as an ex-officio trustee. The Deputy County Treasurer and Tax Collector serves as the acting ex-officio member, sitting in for the ex-officio trustee as needed.

On October 18, 2021, the Los Angeles County Employees Retirement Association (LACERA) filed a lawsuit in Superior Court against the County of Los Angeles and the County Board of Supervisors regarding LACERA's ability to set classifications and salaries for its personnel. LACERA is a separate public agency from the County and provides independent administration of the County pension system, including its assets and the payment of benefits. LACERA seeks a court order confirming LACERA's authority and implementing critical personnel actions approved by the LACERA Boards, which the County has blocked from becoming effective.

The lawsuit filing will not affect contributions from the County, LACERA's assets, investments, or the timely delivery of benefits and services to its members and beneficiaries. The case does not have a material monetary impact to the County or LACERA and is posted on LACERA's website. For additional disclosures regarding litigation, please see Note M — Commitments and Contingencies.

Membership

LACERA provides retirement, disability, and death benefits to its active safety and general members and administers the plan sponsors' Retiree Healthcare Benefits (or OPEB) Program. Safety membership includes law enforcement (sheriff and district attorney investigators), firefighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the Pension Plan are tiered based on the date of LACERA membership. Additional information regarding the benefit structure is available by contacting LACERA or visiting the LACERA.com website.

LACERA Pension Plan Membership
As of June 30, 2022 and 2021

	2022	2021
Active Members		
Vested	74,796	74,434
Non-Vested	21,756	24,684
Total Active Members	**96,552**	**99,118**
Inactive Members [1]		
Vested [2]	9,250	8,714
Non-Vested	9,797	8,407
Total Inactive Members	**19,047**	**17,121**
Total Active & Inactive Members	**115,599**	**116,239**
Retired Members		
Service	51,477	49,780
Disability	10,449	10,317
Survivors & Beneficiaries	9,659	9,427
Total Retired Members	**71,585**	**69,524**
Total Membership	**187,184**	**185,763**

(1) Inactive members are terminated/out-of-service.
(2) Includes deferred members.

INVESTMENTS

Pension Plan

Pension Plan funding is derived from three sources: employer contributions, employee contributions (including those made by the employer on behalf of employees pursuant to §414(h)(2) of the Internal Revenue Code), and realized investment earnings. Pension Plan assets are held separate from other assets, including the distinct OPEB Trust and OPEB Custodial Fund, and are invested pursuant to policies and procedures adopted by the LACERA Board of Investments. Pension Plan gross income is exempt from federal income taxation under §115 of the Internal Revenue Code.

OPEB Trust

In 2012, the County and LACERA, as participating employers, established an OPEB Trust for the purpose of holding and investing assets to prefund the OPEB Program administered by LACERA for eligible retired members and eligible dependents and survivors of LACERA members. In June 2016, the Los Angeles County Superior Court established and began making OPEB prefunding contributions to the Court OPEB Trust. The assets held within the OPEB Trusts meet the criteria of qualifying trusts under GASB 74 and do not modify the OPEB Program benefits which have been administered under an agent multiple-employer plan structure since July 1, 2018.

The County and Superior Court entered into separate trust and investment services agreements with the LACERA Board of Investments to serve as trustee with sole and exclusive authority, control over, and responsibility for directing the investment and management of the respective employers' OPEB Trust assets. The County and Court OPEB Trust documentation and structure are substantively similar. The LACERA Board of Investments serves as trustee for the two OPEB Trusts, exercising similar authority for each employer's OPEB Trust assets. The two trusts are collectively referred to as the OPEB Trust throughout the financial statements and note disclosures except in the Investment Section, where they are also labeled as the OPEB Master Trust.

The LACERA Board of Investments adopted an investment policy statement establishing the initial asset allocation for the purpose of effectively managing and monitoring the assets of the OPEB Trust. Contributions and transfers to the OPEB Trust are determined at the employers' discretion.

In 2016, the County trust agreement was amended to permit the co-investment of the County and the Court's trust assets. The LACERA Board of Investments approved the formation of an OPEB Master Trust to commingle funds of the County OPEB Trust and the Court OPEB Trust for investment purposes only. The OPEB Master Trust Declaration was made on July 13, 2016. The LACERA Board of Investments serves as trustee of the Master Trust assets. Gross income from all OPEB Trusts described above is exempt from federal income taxation under §115 of the Internal Revenue Code (IRC). LACERA obtained letter rulings from the Internal Revenue Service to this effect.

OPEB Custodial Fund

The County, the Superior Court, LACERA and participating outside District employers provide a health insurance program and death benefits (OPEB Program) for retired employees and their dependents, which LACERA administers. Pursuant to an administrative agreement between the County and LACERA, and certain County ordinances, the County subsidizes, either in whole or in part, insurance premiums covering certain program participants who meet service credit hurdles.

LACERA maintains two investment accounts under the OPEB Custodial Fund: the OPEB Operating Account and OPEB Reserve Account. The County, Superior Court, LACERA, and participating outside District employers provide monthly contributions to fund current benefits and own the funds in these accounts, which LACERA reports and invests in cash and fixed income securities, separately from Pension Plan assets and OPEB Trust funds. The funds held within the OPEB Custodial Fund investment accounts do not meet the definition of a qualifying OPEB Trust under GASB 74 and are not used to reduce the employers' Total OPEB Liability. External investment managers invest funds in both accounts pursuant to policies and procedures approved by the LACERA Board of Investments. In addition, investment income realized in these types of accounts maintained by government entities generally is exempt from federal income taxation under §115 of the Internal Revenue Code.

OPEB Operating Account: This account is primarily used to fund the OPEB Program's operations. Additions include the monthly health insurance premium subsidies collected from the County, health insurance premiums collected from LACERA, Superior Court, and the outside Districts, payments collected from program participants, and interest income. Deductions include premium payments made to insurance carriers and the Program's administrative expenses. The OPEB Program's administrative costs are paid for by the participating employers and members, not from the Pension Plan's assets except as to LACERA's share as an employer.

OPEB Reserve Account: This account was established by the Board of Retirement to help stabilize health insurance premium rates over time. Annual surpluses and deficits for the various insurance plans result from the difference between premiums received and the healthcare costs incurred. The accumulated surplus is held in this account to address deficits and/or emergency premiums. Additions include rebates from insurance carriers and other income. Deductions include management fees and County-authorized payments to offset waived premium costs (i.e., insurance premium holidays) for both the County and affected program participants. In 2013, the LACERA Board of Retirement adopted a policy that established an account balance reserve target of 20 percent of the total annual premium cost by plan for indemnity medical and dental/vision plans.

Benefit Provisions

Retirement benefit vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Depending on the retirement plan, benefits — according to applicable statutory formula — are based upon 12 or 36 months of average compensation, age at retirement, and length of service as of the retirement date. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service. Five years of service are required for nonservice-connected disability eligibility, according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA. A Summary of Major Program Provisions for the Pension Plan is available upon request by contacting LACERA or visiting the LACERA website. OPEB Program provisions are explained in Note N — OPEB Program.

Cost-of-Living Adjustment (COLA)

Each year, the LACERA Board of Retirement considers how the change in the cost-of-living, a measure of inflation, has affected the purchasing power of monthly retirement benefit allowances paid by LACERA. The cost-of-living is measured by the Bureau of Labor Statistics, which releases the Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Long Beach-Anaheim area as of January 1 each year. The difference between the current and previous year's CPI shows whether the cost-of-living has increased or decreased within this geographic region during the past year.

If the CPI has increased up to 3 percent for Plan A members or 2 percent for all other retired members, the LACERA Board of Retirement may grant a cost-of-living adjustment (COLA) increase for monthly allowances. If the CPI has decreased, it is possible for the LACERA Board of Retirement to decrease monthly allowances; however, a decrease in allowances has never occurred. In any event, a cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

CERL also allows the amount of any CPI cost-of-living increase in any year that exceeds the maximum annual change of 3 percent or 2 percent in retirement allowances to be accumulated and tracked. The accumulated percentage carryover is known as the COLA Accumulation which, under certain circumstances, may be applied to retirement allowances in future years when the cost-of-living does not exceed the maximum adjustment. COLA adjustments require approval from the Board of Retirement.

LACERA members may receive more than one type of COLA:

COLA ("April 1st COLA")

The COLA percentage adjustment is effective annually on April 1. Members who retire prior to April 1 or eligible survivors of members who died prior to April 1, are eligible for that year's COLA. The adjustment begins with the April 30 monthly allowance. The COLA provision was added to CERL in

1966, and LACERA's first COLA was granted July 1, 1967. Until 2002, only contributory members were eligible for COLA.

Plan E COLA

Effective June 4, 2002, Plan E members and their survivors are also eligible for a COLA. 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.

Supplemental Targeted Adjustment for Retirees (STAR) Program

In addition to cost-of-living adjustments, the CERL also provides the LACERA Board of Retirement the authority to grant supplemental cost-of-living adjustments for retirement benefits. Under this program, known as the STAR Program, excess earnings may be used to restore retirement allowances to 80 percent of the purchasing power held by retirees at the time of retirement. STAR applies to contributory plans only. Retirees and survivors whose allowances have lost more than 20 percent of their purchasing power are eligible for STAR Program benefits. The STAR percentage increase is effective annually on January 1.

Future ad hoc or permanent retirement benefit increases under the STAR Program will be subject to approval by the LACERA Board of Retirement on an annual basis, provided sufficient excess earnings are available as determined by the LACERA Board of Investments. Ad hoc STAR benefits are payable only for the calendar year approved. Permanent STAR benefits become part of the member's retirement allowance and are payable for life.

Except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR benefits at an 80 percent level, as authorized in the CERL. For program years 2010 through 2022, STAR benefits were not provided due to minimal increases in the CPI percentage such that all eligible members maintained COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

The STAR Program has received $1.523 billion in funding from the Program's inception in 1990 to the present. Ad hoc STAR Program costs from 1990 through 2001 reduced the STAR Program reserve by $556 million. Subsequently, except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR benefits totaling $353 million, which was transferred to employer reserves to invest and pay for permanent STAR benefits awarded. As of June 30, 2022, there is $614 million remaining in the STAR reserve to fund future STAR Program benefits.

The STAR Program is administered on a calendar-year basis. The Statistical Section contains a 10-year trend schedule of STAR Program costs.

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own two governing Boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). Due to the nature of the relationship between LACERA and the County, LACERA's Pension Plan and OPEB Trust funds are reflected as fiduciary funds within the County's basic financial statements. The OPEB Custodial Fund reports fiduciary activities that are conducted by LACERA on behalf of the County without a trust or equivalent arrangement. Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA management. LACERA's Audit Committee and the Chief Audit Executive assist the LACERA Board of Retirement and Board of Investments (Boards) in fulfilling their fiduciary oversight responsibilities for the organization's financial reporting process, values and ethics, internal controls, compliance with laws and regulations, and risk management.

Method of Reporting

LACERA follows the Generally Accepted Accounting Principles in the United States of America (U.S. GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements which guide LACERA are promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting to reflect LACERA's overall operations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Employer and employee contributions are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each benefit plan.

OPEB Custodial Fund and OPEB Trust Fund Presentation

The OPEB Custodial Fund and OPEB Trust Fund are presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as part of the Basic Financial Statements.

The OPEB Custodial Fund captures the annual financial operating activity of the OPEB Program for all participating employers (i.e., County, Court, and LACERA), including the outside Districts. Plan sponsors and members provide monthly funding using a "pay-as-you-go" methodology, which LACERA uses to pay healthcare premiums including administrative fees, as well as other healthcare benefits provided by the OPEB Program. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants. Actual amounts paid out by LACERA in the form of benefits and reimbursed to LACERA in the form of contributions are included within the OPEB Custodial Fund. Residual balances (contributions that exceed benefit payments) are reported at fiscal year-end, held on behalf of plan sponsors, and made available to fund current benefit payments in subsequent fiscal years.

OPEB Trust financial activity includes receiving prefunding contributions provided by plan sponsors either quarterly or on an annual basis, set aside and placed in Trust to earn investment income and interest, held and used to provide future OPEB benefits at the plan sponsors' discretion. Investment income activity is reported in the OPEB Trust. For financial statement presentation purposes, GASB standards require that employer contributions within the OPEB Trust be increased by the monthly pay-as-you-go costs included as additions to the OPEB Trust that will not be reimbursed to the employers using OPEB Trust assets. Matching expenses are charged as service benefits to the

OPEB Trust through deductions, which also include administrative expenses (per paragraphs 28a and 31 of GASB Statement Number 74). See Note Q for OPEB Trust prefunding contributions from participating employers.

Capital Assets (Including Intangible Assets)
Capital assets are items that benefit the organization for more than one fiscal year. LACERA's potential capital assets are largely held in information technology systems. The information technology environment is continuously changing, causing frequent alterations and upgrades. As such, LACERA treats these items as budgeted expenses, as they are immaterial to LACERA's overall financial statements. Management reviewed and considered all expenses that could be capitalized as capital or intangible assets and determined these items to be appropriately classified as expenses for the current fiscal year.

Accrued Vacation and Sick Leave
Employees who terminate or retire from active employment are entitled to full compensation for all unused vacation time and a percentage of their unused sick leave time. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2022 and 2021, were $5.4 million and $5.3 million, respectively.

Cash and Short-Term Securities
Cash includes deposits with various financial institutions, the County, and non-U.S. currency holdings, translated to U.S. dollars using the exchange rates in effect at June 30, 2022 and 2021.

LACERA classifies fixed income securities with a maturity of 12 months or less as short-term investments. Foreign exchange contracts held in pending status are also included in this category.

Real Estate Separate Account Investments
LACERA's real estate investments utilize several different types of legal structures called special purpose entities (SPEs), including title holding corporations (THCs) and limited liability companies (LLCs). The THCs are nonprofit corporations under §501(c)(25) and §501(c)(2) of the Internal Revenue Code (IRC). The LLCs do not have tax-exempt status, but their income is excludable from taxation under IRC §115. Both THCs and LLCs invest in real estate assets located throughout the United States. Under GASB Statement Number 72, *Fair Value Measurement and Application*, the THCs and LLCs meet GASB's definition of an investment and therefore are included in the accompanying financial statements presented as investments at fair value. For additional information, see Note J — Special Purpose Entities.

Fair Value of Investments

Investments are carried at fair value. Fair values for investments are derived by various methods, as indicated in the following chart:

Investments	Source
Publicly Traded Securities, such as stocks and bonds. Bonds include obligations of the U.S. Treasury, U.S. agencies, non-U.S. governments, and both U.S. and non-U.S. corporations. Also included are mortgage-backed securities and asset-backed securities.	Valuations are provided by LACERA's custodian based on end-of-day prices from external pricing vendors. Non-U.S. securities reflect currency exchange rates in effect at June 30, 2022 and 2021.
Whole Loan Mortgages	For the LACERA Member Home Loan Program, valuation is performed by LACERA staff based on loan information provided by Ocwen Financial Corporation, the program's mortgage servicer, with fair market value adjustments based on the market returns of the Bloomberg Barclays mortgage-backed securities index.
Real Estate Equity Commingled Funds [1]	Fair value as provided by real estate fund managers, based on review of cash flow, exit capitalization rates, and market trends. Fund managers commonly subject each property to independent third-party appraisal annually. Investments under development are carried at cumulative cost until development is completed.
Real Estate: Special Purpose Entities, including Title Holding Corporations and Limited Liability Companies [1]	Fair value of the investment as provided by investment managers. Each property is subject to independent third-party appraisals every year.
Real Estate Debt Investments [1]	Fair value for real estate debt investments as provided by investment managers.
Private Equity and Real Assets [1]	Fair value provided by investment managers as follows: Private investments — valued by the general partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments — valued based on quoted market prices, less a discount, if appropriate, for restricted securities.

[(1)] These assets are reported by LACERA based on the practical expedient allowed under GAAP.
Note: The fair value hierarchy is provided in Note P - Fair Value of Investments.

Investments	Source
Public Market Equity and Fixed Income Investments Held in Institutional Commingled Fund/Partnership [1]	Fair value is typically provided by third-party fund administrator, who performs this service for the fund manager.
Derivatives	Over-the-counter derivatives (other than currency forwards) valuations are provided by the fund managers. Currency forward contracts are valued by the custodian bank.
Hedge Fund of Funds [1]	Valuation of the underlying funds is performed by those funds' general partners. Valuation of the fund of funds portfolios are provided by third-party administrators and by the general partner for the portfolios held in limited partnership vehicles.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, and event risks that may subject LACERA to economic changes occurring in certain industries, sectors, or geographies. For additional information, see Note G — Deposit and Investment Risks.

Dividend income is recorded on the ex-dividend date. Other investment income is recorded as earned on an accrual basis.

PENSION PLAN INVESTMENTS

Investment Policy Statement

The allocation of investment assets within the LACERA Defined Benefit Pension Plan (Pension Plan) investment portfolio is approved by the LACERA Board of Investments, as outlined in the LACERA Investment Policy Statement (IPS). Pension Plan (or Fund) assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status of the liabilities for the benefits provided through the Pension Plan. The Investment Policy Statement calls for an asset liability study to be conducted no later than every three to five years.

In November 2018, the LACERA Board of Investments adopted a restated IPS to address topics such as Legal Authority, Investment Philosophy and Strategy, Investment Process, Risk Management, Roles and Responsibilities, Asset Allocation and Benchmarks, and Delegated Authorities. In addition, the IPS includes several related policies as attachments: Corporate Governance Principles, Corporate Governance Policy, Responsible Contractor Policy, Emerging Manager Policy, and Placement Agent Policy.

The LACERA Board of Investments and internal staff implement asset allocation targets through the use of external managers who manage portfolios using active and passive investment strategies.

Financial statements were prepared using traditional investment asset classifications (i.e., equity, fixed income, private equity, real assets, real estate, and hedge funds). In the following table and in the Investment Section, investment information is presented in functional asset categories. LACERA's Board of Investments developed and practices its Investment Beliefs, which state that long-term strategic allocation will be the determinant of LACERA's risk/return outcomes. Based on the Pension Trust Asset Allocation Study completed by Meketa Investment Group (Meketa) in March 2018, the Board of Investments approved the use of a functional framework developed by LACERA's

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(1) These assets are reported by LACERA based on the practical expedient allowed under GAAP.
Note: The fair value hierarchy is provided in Note P – Fair Value of Investments.

Investment Office for modeling purposes, which offers the inclusion of a broader group of investments within Credit and Real Assets and Inflation Hedges. The functional categories include various asset classes that represent the risk/return characteristics of each area. LACERA expects the four functional categories to diversify the Fund, generate returns, and optimize growth, while mitigating downside risk, ultimately to build a portfolio that can meet LACERA's future benefit obligations. The asset allocation determines what proportion of the Fund is allocated to each functional category and underlying asset class, including target weights and allowable ranges as a percentage of the Fund.

Schedule of Target Allocation and Long-Term Expected Rate of Return

For the Fiscal Year Ended June 30, 2022 and 2021

Asset Class	2022 Target Allocation (Policy)		2022 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)		2021 Target Allocation (Policy)		2021 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**51.0 %**		**5.5 %**		**47.0 %**		**5.3 %**	
Global Equity		34.0%		4.3%		35.0%		4.2%
Private Equity		14.0%		6.9%		10.0%		6.1%
Non-Core Private Real Estate		3.0%		6.7%		2.0%		6.3%
Credit	**11.0 %**		**2.2 %**		**12.0 %**		**1.7 %**	
Liquid Credit		6.0%		1.5%		9.0%		3.6%
Illiquid Credit		5.0%		2.8%		3.0%		2.3%
Real Assets and Inflation Hedges	**17.0 %**		**3.6 %**		**17.0 %**		**3.2 %**	
Core Private Real Estate		6.0%		3.3%		7.0%		2.9%
Natural Resources and Commodities		4.0%		3.7%		4.0%		3.2%
Infrastructure		4.0%		4.8%		3.0%		4.5%
TIPS		3.0%		(0.3)%		3.0%		(0.9)%
Risk Reduction and Mitigation	**21.0 %**		**0.2 %**		**24.0 %**		**(0.4)%**	
Investment Grade Bonds		13.0%		(0.3)%		19.0%		(0.9)%
Diversified Hedge Funds		5.0%		1.6%		4.0%		1.7%
Long-Term Government Bonds		2.0%		—%		—%		—%
Cash Equivalents		1.0%		(1.0)%		1.0%		(1.6)%

Target Allocation

The LACERA Board of Investments approved the current target allocation as a result of the Asset Allocation Study completed by Meketa in May 2018. At the time, the Board adopted asset allocation targets to provide for asset diversification in an effort to meet LACERA's actuarial assumed rate of return, consistent with market conditions and risk control. LACERA recently completed an asset allocation exercise and the Board approved revised target weights at the May 2021 Board meeting. Transition to the first phase of the revised target allocation occurred during this fiscal year with the final target weights expected to be achieved in the upcoming fiscal year.

Weighted Average Long-Term Expected Real Rate of Return

The long-term expected real rate of return on Pension Plan investments is based on inflation expectations and nominal return expectations developed by Meketa for each asset class. In the case of the total portfolio and broad asset groupings (e.g., Growth, Credit), investment returns are calculated using a portfolio approach that first calculates nominal expected returns by incorporating target weights, nominal expected returns, and volatility and correlations estimates for each asset class, adjusted by the defined return period. Nominal expected returns for each asset class are converted to real expected returns by adjusting them for inflation, using a base inflation rate assumption of 2.75 percent.

A simple weighted sum of asset class returns will not yield the results shown on the table given the process followed to adjust for inflation, the compounding to a given time period, and the impact of volatility and correlations to the portfolio.

GASB Discount Rate

GASB Statement Number 67 requires determination of whether the Pension Plan's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the Total Pension Liability (TPL) was 7.13 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00 percent, net of all expenses, increased by 0.13 percent, gross of administrative expenses.

The valuation assumption for the long-term expected return is re-assessed in detail at the triennial investigation of experience, and is set based on a long-term time horizon; the most recent analysis was completed in January 2020. See Milliman's Investigation of Experience for Retirement Benefit Assumptions report for the period July 1, 2016 – June 30, 2019, for more details. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. As part of this assessment, Milliman compares the assumption with the 20-year expected geometric return determined by LACERA's investment consultant, Meketa, and other measures of expected long-term returns.

The projection of cash flows used to determine the discount rate assumed that Pension Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the TPL.

Money-Weighted Rate of Return

The annual money-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2022 and 2021, were 0.6 percent and 25.2 percent, respectively. The money-weighted rate of return is a measure of the performance of an investment calculated by finding the rate of return that will set the present values of all cash flows equal to the value of the initial investment. This method is equivalent to the internal rate of return. Historical returns are presented in the Schedule of Investment Returns – Pension Plan in the Required Supplementary Information Section.

Time-Weighted Rate of Return

The annual time-weighted rate of return on Pension Plan investments, net of investment expenses as of the fiscal years ended June 30, 2022 and 2021, were 0.1 percent and 25.2 percent, respectively. The time-weighted rate of return is a measure of the compound rate of growth in a portfolio. This measure is often used to compare the performance of investment managers because it eliminates the distorting effects on growth rates created by inflows and outflows of money. The time-weighted return breaks up the return on an investment portfolio into separate intervals based on whether money was added or withdrawn from the fund. Historical returns are presented in the Investments Results Based on Fair Value – Pension Plan in the Investment Section.

Use of Estimates

The preparation of LACERA's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes to the financial statements. Actual results may differ from these estimates.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

GASB PRONOUNCEMENTS

Leases

In June 2017, the GASB issued Statement Number 87 (GASB 87), *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

LACERA completed a thorough evaluation of GASB 87, *Leases*, and determined that LACERA does not need to apply the GASB 87 recognition and measurement criteria to the current lease population. Therefore, there are no new lease disclosures included in LACERA's June 30, 2022 financial statements. LACERA's office space is located in the Gateway Plaza building, which is held by LACERA as in investment, to which GASB 87, Paragraph 41 provides an exclusion for investments measured and reported at fair value. LACERA Gateway Property, Inc, as the owner of Gateway Plaza and lessor, has not issued debt for which the principal and interest payments are secured by the lease payments. For disclosures regarding LACERA's fair value of investments and office space lease, please refer to Note P - Fair Value of Investments and Note K - Related Party Transactions, respectively.

Subscription Based Information Technology Arrangements

GASB issued Statement Number 96, Subscription Based Information Technology Arrangements (SBITAs), to establish SBITAs as intangible assets with a corresponding subscription liability for contracts that convey control of the right to use another party's information technology software. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This statement also brings the guidance on the accounting and financial reporting for "SBITA's" in line with that of GASB 87, Leases. LACERA did not apply measurement and disclosure criteria under

GASB 87 and will review the requirements of GASB 96 effective for the fiscal year ending June 30, 2023.

NOTE C — Pension Plan Contributions

Funding Policy

In 1994, the County issued $2 billion in pension obligation bonds to fully fund the LACERA retirement benefits plan based on the amount of LACERA's unfunded liability at that time. This required a Retirement System Funding Agreement (Funding Agreement) between the Los Angeles County Board of Supervisors and the LACERA Board of Retirement and Board of Investments establishing the retirement system's funding policy for the next 15 years. With completing the June 30, 2008 retirement benefit actuarial valuation, the Funding Agreement's terms dictating funding policy, including the treatment of the STAR Reserve, became unenforceable. As such the LACERA Board of Investments created a Retirement Benefit Funding Policy (Funding Policy) to provide LACERA's plan actuary direction in performing retirement benefit actuarial valuations.

In December 2009, the LACERA Board of Investments adopted this Funding Policy which was later amended in February 2013 to conform to the new standards mandated in the California Public Employees' Pension Reform Act of 2013 (PEPRA). The Funding Policy requires actuarial valuations to be performed annually to determine employer and employee contribution rates.

Member and Employer Contribution Rates

Members and employers contribute to LACERA based on unisex rates recommended by an independent consulting actuary and adopted by the LACERA Board of Investments and thereafter the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 6 percent and 18 percent of their annual covered salary. Member and employer contributions received from the outside Districts constitute part of LACERA's Pension Plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees' (members') pension benefits through monthly or annual prefunded contributions at actuarially determined rates. Rates for contributory plan members who entered the Pension Plan prior to January 1, 2013, are based upon plan entry-age and plan-type enrollment. The PEPRA-mandated retirement plan contributions for new members who enter the system on and after January 1, 2013 are based on a single flat-rate percentage that varies by plan and are structured in accordance with the required 50/50 normal cost-sharing between the employer and the member.

Both member rate methodologies are actuarially designed for the members, as a group, to make contributions into the Pension Plan, which when combined with employer contributions and investment earnings, provide sufficient funding for their benefits. As a result of collective bargaining, actual member contribution rates for various plan types are controlled through these agreements and through additional employer contributions (for some contributory plans), known as the surcharge amount, which is subject to change each year. As required by GASB Statement Number 82, member contributions paid by the employer are reported within the member contribution amounts.

The employer contribution rate is composed of the normal cost and the UAAL amortization payment. Normal cost is the portion of the actuarial present value of retirement benefits attributable to the current year of service. Amortization of the UAAL is payments made for prior year unfunded benefits not provided by future normal costs. The employer normal cost rate from the latest actuarial valuation as of June 30, 2021 slightly decreased from 10.89 percent to 10.88 percent and the employers' required contribution rate to finance the UAAL decreased from 14.85 percent to 13.58 percent. Effective with the June 30, 2019 valuation, all new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made. In addition, all existing amortization layers were set to be amortized over a maximum 22-year period and now have a period of 20 years of less, so they are fully amortized no later than 2042. Member contribution rates decreased for PEPRA members, with General Plan G moving down from 9.10 percent to 9.08 percent and Safety Plan C decreasing slightly from 14.42 percent to 14.33 percent, effective with the 2021 Actuarial Valuation. There was no change in contribution rates for the other retirement plans.

Experience Study

At its January 2020 meeting, the BOI adopted a 3.29 percent increase in the employer contribution rate due to the 2019 experience study which was reduced by a three-year phase-in approach. The calculated total employer contribution rate effective July 1, 2021 would have been 25.74 percent but was reduced by 1.10 percent resulting in an employer contribution rate of 24.64 percent.

The total employer contribution rate decreased 0.18 percent from the previous valuation as of June 30, 2020 (from 24.64 percent to 24.46 percent), primarily due to the recognition of current year investment gains largely offset by the increase this year due to the phase-in of the final portion of the 2019 assumption and method changes, where the recognition was deferred in the prior valuation. For the fiscal year beginning July 1, 2022, the 24.46 percent reflects the full three-year phase-in of increased employer contributions rate due to the new assumptions adopted based on the 2019 experience study.

Contribution Payments

For the fiscal years ended June 30, 2022 and June 30, 2021, Los Angeles County, including the Superior Court and LACERA, as well as the outside Districts, paid their employer contributions and withholding of employee pension plan contributions due to LACERA in the form of cash payments. For the fiscal years ended June 30, 2022 and June 30, 2021, employer contributions totaled $2.2 billion and $2.0 billion, respectively, and member contributions totaled $759 million and $761 million, respectively.

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

	2022	2021
Employers		
Los Angeles County [1]	$2,122,282	$1,940,715
Superior Court	77,450	72,021
Local Agency Formation Commission for the County of Los Angeles	148	133
South Coast Air Quality Management District [2]	—	—
Little Lake Cemetery District	9	8
Los Angeles County Office of Education [3]	—	—
Total Employer Contributions	**$2,199,889**	**$2,012,877**
Member Contributions [4]	$758,632	$760,994
Total Contributions	**$2,958,521**	**$2,773,871**

(1) LACERA contributions are included with Los Angeles County.
(2) South Coast Air Quality Management District has no active members contributing to the Pension Plan for the fiscal years ended 2022 and 2021.
(3) Los Angeles County Office of Education has no active members contributing to the Pension Plan for the fiscal years ended 2022 and 2021.
(4) In accordance with GASB Statement No. 82, payments made by an employer to satisfy member contribution requirements are classified as member contributions.

NOTE D — Pension Plan Reserves

LACERA includes Pension Plan reserve accounts within its financial records for various operating purposes as outlined in LACERA's reserves accounting policies. Reserves are established from member and employer contributions and the accumulation of realized investment income after satisfying investment and administrative expenses. With the exception of the reserves required by CERL, reserves are neither required nor recognized under generally accepted accounting principles in the United States of America (i.e., U.S. GAAP). They are not shown separately on the Basic Financial Statements (i.e., Statement of Fiduciary Net Position), although the sum of these reserves equals the Fiduciary Net Position Restricted for Benefits. The reserves do not represent the present value of assets needed, as determined by the actuarial valuation, to satisfy retirement and other benefits as they become due. Instead, the balances contained within the Fiduciary Net Position Restricted for Benefits, when combined with future investment earnings and contributions from members and employers, are used to satisfy member retirement benefits.

Pension Plan

LACERA's major classes of Pension Plan reserves are:

Member Reserves

Member Reserves represent the balance of member contributions. Additions include member contributions and realized investment earnings. Deductions include annuity payments to retirees, contribution refunds to members, and related expenses.

Employer Reserves

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and realized investment earnings. Deductions include annuity payments to retired members, lump-sum death/burial benefit payments to members' survivors, and supplemental disability payments.

Supplemental Targeted Adjustment for Retirees (STAR) Reserve

STAR Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living adjustment (COLA) increases. During fiscal years 1995-1999, 25 percent of excess earnings were credited to the STAR Reserve pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Additions include transfers from the Contingency Reserve. Deductions include STAR Program payments to retirees and funding for permanent benefits. In October 2008, except for Program Year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009 STAR Programs at an 80 percent level, as authorized in the County Employees Retirement Law of 1937 (CERL). For Program Years 2010 through 2021, additional STAR benefits were not provided. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2022 due to modest increases in the Consumer Price Index (CPI). Thus, all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

STAR Program awards are subject to approval by the Board of Retirement on an annual basis, provided sufficient excess earnings are available in the STAR Reserve. The Board of Retirement may approve ad hoc STAR benefits which are payable only for the calendar year approved or permanent STAR benefits that become part of the member's retirement allowance and are payable for life.

Contingency Reserve

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment earnings and other revenues. Deductions include investment expenses; administrative expenses; and, interest allocated to other reserves, in priority order, to the extent that realized earnings are available for the six-month period, as defined in the 2009 Retirement Benefit Funding Policy (Funding Policy) amended in 2013 and approved by the LACERA Board of Investments; and funding of the STAR Reserve when excess earnings are available and benefits are authorized by the LACERA Board of Retirement. For the fiscal years ended June 30, 2022 and 2021, the net investment realized earnings were applied as interest credits to the Reserve accounts in priority order as defined the Funding Policy, leaving no available credits for the Contingency Reserve.

Pension Plan Reserves

As of June 30, 2022 and 2021

(Dollars in Thousands)

	2022	2021
Member Reserves	$25,804,263	$24,646,373
Employer Reserves	32,011,255	29,026,898
STAR Reserve	614,011	614,011
Contingency Reserve	—	147,104
Total Reserves at Book Value	$58,429,529	$54,434,386
Unrealized Investment Portfolio Appreciation	$11,860,083	$18,577,640
Total Reserves at Fair Value[1]	**$70,289,612**	**$73,012,026**

[1]Total Reserves at Fair Value equals the Fiduciary Net Position Restricted for Benefits as presented in the Basic Financial Statements.

NOTE E — Pension Plan Liabilities

The County Employees Retirement Law of 1937 (CERL) requires an actuarial valuation to be performed at least every three years for the purpose of measuring the Pension Plan's funding progress and setting employer and employee contribution rates. LACERA exceeds this requirement by engaging an independent actuarial consulting firm to perform an actuarial valuation for the Pension Plan annually. Employer contribution rates and employee contribution rates for new retirement plans are established under the California Public Employees' Pension Reform Act of 2013 (PEPRA) may be updated each year as a result of the valuation.

LACERA engages an independent actuarial consulting firm to perform an investigation of experience (experience study) at least every three years, which is guided by actuarial practices and consistent with CERL requirements. The economic and demographic assumptions are reviewed and updated as deemed necessary each time an experience study is completed. The experience study and corresponding annual valuation are the basis for changes in employer and employee contribution rates for both PEPRA and legacy retirement plans necessary to properly fund the Pension Plan.

The LACERA Board of Investments adopted some new assumptions beginning with the June 30, 2019 actuarial valuation based on the actuary's recommendation upon completing the 2019 triennial experience study. Some assumptions from prior experience studies were reaffirmed and carried forward. For financial reporting purposes, LACERA reviews these assumptions annually to ensure they continue to represent appropriate plan assumptions under U.S. GAAP.

Actuarial Assumptions

Actuarial valuations of an ongoing benefits plan involve assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, cost trends, assumed rate of return, inflation, and other demographic and economic changes over time. Actuarially determined assumptions are subject to continual review or modification as actual experience is compared with past expectations, and new estimates are made about the future. Benefit projections for financial reporting purposes are based on the adopted assumptions, actual Pension Plan demographics, and include the types of benefits provided at the time of each valuation.

Employer contribution rate increases were phased in over a three-year period when new assumptions were adopted based on the 2019 triennial experience study. Instead of immediately recognizing the new employer contribution rates in the first year, the employer rates were stepped up over time with rates slightly higher in the third year as compared to if the new employer contribution rates were fully recognized in the first year. The phase-in of increases in employer contributions over a three-year period supports LACERA's fiduciary duty of legal authority set forth in the California Constitution, Article XVI, Section 17(a) to minimize the financial impact to the employer where it does not conflict with the paramount fiduciary duty to provide benefits to members and their beneficiaries.

The Total Pension Liability (TPL) as of June 30, 2022, was determined by completing a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2021, using the following actuarial assumptions in accordance with the requirements of GASB Statement Number 67 (GASB 67). The actuarial funding valuation serves as a basis for the GASB 67 financial reporting information. All actuarial methods and assumptions used for this GASB analysis were the same as those used for the June 30, 2021 funding valuation, except where differences are noted. Key actuarial methods and significant assumptions used to calculate the TPL are presented as follows. For additional information regarding the actuarial valuation, refer to the Actuarial Section.

Actuarial Methods and Significant Assumptions

Description	Method / Assumption
Actuarial Cost Method	Individual Entry Age.
Discount Rate	7.13 percent, net of Pension Plan investment expense, including inflation. This rate was adopted beginning with the June 30, 2019 valuation.
Price Inflation	2.75 percent annual rate. This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2019 triennial experience study.
General Wage Growth and Projected Salary Increases	General Wage Growth: 3.25 percent. Projected Salary Increases: 3.51 percent to 12.54 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2019 triennial experience study.
Cost-of-Living Adjustments	Post-retirement benefit increases of either 2.75 percent or 2 percent per year (a pro-rata portion for Plan E) are assumed. For the Total Pension Liability, STAR COLA (supplemental cost-of-living adjustments) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR benefits. This roll-forward calculation includes a future liability for STAR COLA benefits. See Note A — Plan Description for additional COLA and STAR COLA information.
Mortality	Various rates based on the Pub-2010 mortality tables and using the MP–2014 Ultimate Projection Scale for expected future mortality improvement. This assumption was adopted with the June 30, 2019 valuation.

Other Key Assumptions

Other key actuarial assumptions used to calculate the TPL as of the June 30, 2022 and 2021 measurement dates are the same as used to prepare actuarial funding valuations for June 30, 2021 and 2020, respectively.

Net Pension Liability

GASB 67 requires public pension plans to provide the calculation of the Net Pension Liability (NPL). The NPL is measured as the Total Pension Liability less the amount of the Pension Plan's Fiduciary Net Position. For the *Schedule of Net Pension Liability and Related Ratios* and the *Schedule of Changes in Net Pension Liability and Related Ratios*, see the Required Supplementary Information Section.

The NPL is an accounting measurement for financial statement reporting purposes. The funded status of the Pension Plan is calculated separately by the consulting actuary and the results along with other funding metrics are included in the actuarial valuation report. The components of LACERA's (the Pension Plan's) NPL at fiscal year-end June 30, 2022 and 2021, were as follows:

Schedule of Net Pension Liability
For the Fiscal Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Total Pension Liability	$83,931,424	$80,303,904
Less: Fiduciary Net Position	(70,289,612)	(73,012,026)
Net Pension Liability	**$13,641,812**	**$7,291,878**
Fiduciary Net Position as a Percentage of Total Pension Liability	83.75%	90.92%

The TPL increased from fiscal year 2021 due to the normal operations of LACERA, including the cost of benefits earned over the period (service cost), interest on the TPL, and benefit payments. The NPL increased primarily due to negative investment returns for the fiscal year ended June 30, 2022, compared to the expected investment return of 7.0 percent.

GASB Discount Rate
Milliman's January 2020 Investigation of Experience analysis was used to develop the 7.13 percent assumption used for the current reporting date. This is equal to the 7.00 percent long-term investment return assumption adopted by the Board of Investments (net of investment and administrative expenses), plus 0.13 percent assumed administrative expenses.

The plan's projected Fiduciary Net Position, after reflecting employee and employer contributions, was expected to be sufficient to make all future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the TPL as prescribed by GASB, is equal to the long-term expected rate of return, plus administrative expenses.

GASB Discount Rate
For the Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
GASB Discount Rate	7.13%	7.13%
Long-Term Expected Rate of Return, Net of Expenses	7.00%	7.00%
Municipal Bond Rate	N/A	N/A

Sensitivity Analysis
In accordance with GASB 67, sensitivity of the NPL to changes in the discount rate must be reported. The following presents the NPL, calculated for the fiscal year ended June 30, 2022, using the discount rate of 7.13 percent, as well as the results of NPL calculations using a discount rate that is 1 percentage point lower (6.13 percent) or 1 percentage point higher (8.13 percent) than the current

rate (7.13 percent). A corresponding calculation is presented for the fiscal year ended June 30, 2021, based on the discount rate in effect for that year.

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

	2022			2021		
	1% Decrease 6.13%	**Current Discount Rate 7.13%**	**1% Increase 8.13%**	**1% Decrease 6.13%**	**Current Discount Rate 7.13%**	**1% Increase 8.13%**
Total Pension Liability	$95,318,250	$83,931,424	$74,528,252	$91,186,244	$80,303,904	$71,310,939
Less: Fiduciary Net Position	(70,289,612)	(70,289,612)	(70,289,612)	(73,012,026)	(73,012,026)	(73,012,026)
Net Pension Liability/(Asset)	**$25,028,638**	**$13,641,812**	**$4,238,640**	**$18,174,218**	**$7,291,878**	**($1,701,087)**

NOTE F — Partial Annuitization of Pension Benefit Payments

In January 1987, LACERA purchased single life annuities from two insurance companies that provided pension benefit payments to a portion of retired members, referred to as covered members. Under the terms of the agreements, LACERA continues to administer all pension benefit payments to covered members. There is no effect on covered members since they retain all pension benefits accorded to LACERA members under the law, including rights to a monthly continuing allowance that is also payable to eligible survivors or beneficiaries of deceased LACERA retirees, health insurance subsidies, and any cost-of-living adjustments (COLAs) awarded. The values of the annuities are entirely allocated to covered members. In accordance with the agreements, the annuity providers make monthly annuity reimbursements to LACERA limited to the straight life annuity payments and statutory COLA increases.

LACERA is responsible for any difference in pension benefit payments payable to covered members that are not reimbursed by the insurance companies. The reimbursements received are netted against the pension and annuity payments (i.e., Retiree Payroll) reported in LACERA's financial statements. For the fiscal year ended June 30, 2022, LACERA paid $7.2 million to covered members and received $6.0 million in related reimbursements. For the fiscal year ended June 30, 2021, LACERA paid $9.3 million to covered members and received $7.6 million in related reimbursements. As the annuity providers' monthly annuity reimbursements are allocated to covered members' pension payments, the fair value of contracts was excluded from pension plan assets and actuarially determined amounts.

NOTE G — Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the LACERA Board of Investments with exclusive control over LACERA's investment portfolio. The LACERA Board of Investments establishes Investment policy statements and investment manager guidelines for the management of the LACERA defined benefit retirement plan (Pension Plan) and the LACERA Other Post-Employment Benefits Master Trust (OPEB Master Trust or OPEB Trust). The LACERA Board of Investments exercises authority and control over the management of LACERA's Fiduciary Net Position Restricted for Benefits by setting a policy that the LACERA Investment Office staff executes either internally or through the use of prudent external experts.

Each Investment policy statement recognizes that every investment asset class and type is subject to certain risks. Outlined below are the deposit and investment risks as they relate to fixed-income investments.

Credit Risk
Credit Risk is the risk that an issuer or a counterparty to an investment transaction will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension Plan at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

Investment Grade Bonds
Investment grade bonds are categorized as a component of the Risk Reduction and Mitigation functional asset category presented in the Investment Section and are subdivided into two types of strategies: Core and Core Plus, with target allocation ranges of 80 to 100 percent for Core and 0 to 20 percent for Core Plus. Investment guidelines for Core managers require that they invest predominantly in sectors represented in their benchmark index, which consists of 100 percent of bonds rated investment grade. As a result, Core portfolios consist almost 100 percent of bonds rated investment grade by the major credit rating agencies: Moody's, S&P Global Ratings (S&P), and Fitch. Core Plus managers are afforded some latitude to deviate from the benchmark index in order to generate excess return, so investment grade bonds must comprise at least 70 percent of Core Plus portfolios.

High Yield Bonds
Dedicated high yield bond portfolios are categorized in the Credit functional asset category presented in the Investment Section. By definition, high yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

The credit portfolios allow for the assumption of more credit risk than investment grade portfolios by investing in securities that include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, bank loans, illiquid credit, and emerging market debt. LACERA utilizes specific investment manager guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

The following is a schedule for the year ended June 30, 2022, of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $12 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan
As of June 30, 2022
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investments	Non- U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$6,255,435	$879,227	$—	$155,890	$1,305,060	$1,512	$160,929	$8,758,053	47.0%
Aa	—	—	5,371	31,004	61,253	2,179	22,574	122,381	0.7%
A	—	—	2,927	437,487	319,064	30,212	29,468	819,158	4.4%
Baa	—	—	2,233	353,497	384,886	51,425	85,349	877,390	4.7%
Ba	—	—	—	224,737	7,231	41,726	308,352	582,046	3.1%
B	—	—	—	1,148,664	—	161,666	579,043	1,889,373	10.1%
Caa	—	—	—	180,953	—	10,911	179,499	371,363	2.0%
Ca	—	—	—	527	—	11	3,552	4,090	—%
C	—	—	—	913	—	—	181	1,094	—%
Not Rated	—	538	—	227,747	4,718,362	42,658	215,661	5,204,966	28.0%
Total	**$6,255,435**	**$879,765**	**$10,531**	**$2,761,419**	**$6,795,856**	**$342,300**	**$1,584,608**	**$18,629,914**	**100.0%**

Note: Pooled Investments included within the Not Rated Quality Ratings represent investments in commingled funds. The Credit Quality Ratings table does not include holdings with commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

The following is a schedule for the year ended June 30, 2021, of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $16 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan
As of June 30, 2021
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Investments	Non-U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	3,301,874	1,195,987	1,480	172,471	4,497,797	2,346	160,507	$9,332,462	44.3%
Aa	—	—	4,221	32,962	1,042,542	24,674	20,947	1,125,346	5.3%
A	—	—	—	386,122	877,203	38,208	47,334	1,348,867	6.4%
Baa	—	—	2,695	585,436	1,079,893	78,426	140,929	1,887,379	9.0%
Ba	—	—	—	211,026	33,863	47,809	188,558	481,256	2.3%
B	—	—	—	1,115,369	662	120,190	383,016	1,619,237	7.7%
Caa	—	—	—	190,817	—	13,097	216,681	420,595	2.0%
Ca	—	—	—	7,630	—	784	6,797	15,211	0.1%
C	—	—	—	1,132	—	—	—	1,132	—%
Not Rated	—	1,027	—	317,497	4,195,662	110,193	205,097	4,829,476	22.9%
Total	**$3,301,874**	**$1,197,014**	**$8,396**	**$3,020,462**	**$11,727,622**	**$435,727**	**$1,369,866**	**$21,060,961**	**100.0%**

Note: Pooled Investments included within the Not Rated Quality Ratings, represents investments in commingled funds. The Credit Quality Ratings table does not include holdings with commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2022
(Dollars in Thousands)

Quality Ratings	Pooled Investments	Total	Percentage of Portfolio
Not Rated	$903,853	$903,853	100%
Total	**$903,853**	**$903,853**	**100%**

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2021
(Dollars in Thousands)

Quality Ratings	Pooled Investments	Total	Percentage of Portfolio
Not Rated	$894,200	$894,200	100%
Total	**$894,200**	**$894,200**	**100%**

Note: Pooled Investments included with the Not Rated Quality represents investments in commingled funds. All fixed income securities in the OPEB Trust were invested through commingled funds.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2022
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Corporate Debt/ Credit Securities	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$131,127	$1,703	$4,385	$719	$137,934	80.4%
Aa	—	—	3,848	1,661	5,509	3.2%
A	—	—	24,432	1,301	25,733	15.0%
Not Rated	—	—	2,405	—	2,405	1.4%
Total	**$131,127**	**$1,703**	**$35,070**	**$3,681**	**$171,581**	**100.0%**

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2021
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/Credit Securities	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$99,076	$7,317	$962	$107,355	76.6%
Aa	—	6,222	1,748	$7,970	5.7%
A	—	19,509	2,087	$21,596	15.4%
Baa2	—	541	—	$541	0.4%
Not Rated	—	2,631	—	$2,631	1.9%
Total	**$99,076**	**$36,220**	**$4,797**	**$140,093**	**100.0%**

Custodial Credit Risk
LACERA's contract with its custodian State Street Bank and Trust (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, in book-entry form, with a clearing house corporation, or with a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of those overnight deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by pass-through insurance, in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a prompt corrective action capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a financial institution bond, which would cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian other than State Street Bank and Trust.

Counterparty Risk
Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. LACERA and its investment managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality, and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

Concentration of Credit Risk
For diversification purposes, all investment grade and liquid credit portfolios limit the exposure to a single issuer. This limitation is typically 5 percent, but does not apply to U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds and fund-of-one vehicles.

As of June 30, 2022, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal

payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, investment manager guidelines require that the duration of all investment grade bond portfolios must remain within a range centered around the duration of the benchmark index. This range is currently plus or minus 25 percent of the benchmark duration. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities – Pension Plan schedule for the year ended June 30, 2022, presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $12 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2022
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasuries	$6,255,435	11.94
U.S. Government Agency	879,765	4.26
Municipal / Revenue Bonds	10,531	11.07
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$7,145,731**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$243,612	1.98
Corporate and Other Credit	2,540,329	2.06
Fixed Income Swaps and Options	(22,523)	N/A
Pooled Funds	6,795,856	2.06
Subtotal Corporate Bonds and Credit Securities	**$9,557,274**	
Non-U.S. Fixed Income	$342,300	1.49
Private Placement Fixed Income	1,584,609	3.91
Subtotal Non-U.S. and Private Placement Securities	**$1,926,909**	
Total Fixed Income Securities	**$18,629,914**	

Note: The Duration table does not include holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

(1) Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

The Duration in Fixed Income Securities – Pension Plan schedule for the year ended June 30, 2021, presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $16 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2021
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasuries	$3,301,874	7.08
U.S. Government Agency	1,197,014	3.39
Municipal / Revenue Bonds	8,396	13.41
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$4,507,284**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$251,781	2.99
Corporate and Other Credit	2,762,494	2.73
Fixed Income Swaps and Options	6,186	N/A
Pooled Funds	11,727,622	3.47
Subtotal Corporate Bonds and Credit Securities	**$14,748,083**	
Non-U.S. Fixed Income	$435,728	2.37
Private Placement Fixed Income	1,369,866	3.40
Subtotal Non-U.S. and Private Placement Securities	**$1,805,594**	
Total Fixed Income Securities	**$21,060,961**	

Note: The Duration table does not include holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

(1) Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2022
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
Pooled Investments	$903,853	3.24
Total Fixed Income Securities	**$903,853**	

(1) Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2021
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
Pooled Investments	$894,200	3.41
Total Fixed Income Securities	**$894,200**	

(1) Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2022

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries and U.S. Government Agency		
U.S. Treasuries	$131,127	1.86
U.S. Government Agency	$1,703	1.23
Subtotal U.S. Treasuries, and U.S. Government Agency	$132,830	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$6,790	0.88
Corporate and Other Credit	28,280	1.69
Subtotal Corporate Bonds and Credit Securities	**$35,070**	
Private Placement Fixed Income	$3,681	1.46
Total Fixed Income Securities	**$171,581**	

(1) Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Duration in Fixed Income Securities — OPEB Custodial Fund

As of June 30, 2021

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries	$99,076	2.01
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$9,948	1.34
Corporate and Other Credit	26,272	1.75
Subtotal Corporate Bonds and Credit Securities	**$36,220**	
Private Placement Fixed Income	$4,797	2.13
Total Fixed Income Securities	**$140,093**	

(1) Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's investment managers are permitted to invest in approved countries or regions, as stated in their respective investment manager guidelines. To mitigate foreign currency risk within global equity, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50 percent of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to foreign currency risk in U.S. dollars. Most of the exposure is from separately managed accounts with the remaining exposure from non-U.S. commingled funds that are denominated in foreign currency. For the commingled funds, LACERA owns units, and the fund holds actual securities and/or currencies. The values shown include LACERA's separately managed account holdings and the pro rata portion of non-U.S. commingled fund holdings. The OPEB Trust did not hold any non-U.S. investment securities as of June 30, 2022.

Non-U.S. Investment Securities at Fair Value — Pension Plan
As of June 30, 2022
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
AFRICA								
South African Rand	$ 69,825	$ —	$ —	$ —	$ —	$ —	$ —	$69,825
AMERICAS								
Brazilian Real	112,645	—	16	—	—	—	—	112,661
Canadian Dollar	1,137,585	2,809	139	—	—	—	9,570	1,150,103
Chilean Peso	7,402	—	—	—	—	—	—	7,402
Colombian Peso	3,410	—	—	—	—	—	—	3,410
Mexican Peso	40,657	—	13	—		—	—	40,670
ASIA								
Australian Dollar	491,289	1,362	388	—	—	6,076	19,148	518,263
Chinese Renminbi	74,796	—	—	—	—	—	—	74,796
Hong Kong Dollar	685,135	—	—	—	—	—	103	685,238
Indonesian Rupiah	39,514	—	—	—	—	—	—	39,514
Japanese Yen	1,072,284	—	1	—	—	—	60,069	1,132,354
Kuwaiti Dinar	13,986	—	—	—	—	—	—	13,986
Malaysian Ringgit	29,704	—	—	—	—	—	—	29,704
New Zealand Dollar	11,687	—	229	—	—	—	698	12,614
Philippine Peso	11,360	—	—	—	—	—	—	11,360
Singapore Dollar	68,379	—	7	—	—	—	914	69,300
South Korean Won	233,259	—	—	—	—	—	—	233,259
Taiwan Dollar	274,164	—	—	—	—	—	—	274,164
Thai Baht	35,390	—	—	—	—	—	—	35,390
EUROPE								
British Pound Sterling	1,039,875	15,545	8,072	387	—	133,152	33,291	1,230,322
Czech Republic Koruna	4,044	—	—	—	—	—	—	4,044
Danish Krone	191,042	—	1	—	—	—	1,957	193,000
Euro	1,737,692	121,041	14,562	316,344	142,469	910,380	28,222	3,270,710
Hungarian Forint	3,345	—	—	—	—	—	—	3,345
Norwegian Krone	78,572	—	—	—	—	—	2,964	81,536
Polish Zloty	11,781	—	—	—	—	—	—	11,781

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
Russian Ruble	31,651	—	—	—	—	—	—	31,651
Swedish Krona	188,247	—	—	—	—	—	8,410	196,657
Swiss Franc	459,145	—	—	—	—	—	3,875	463,020
MIDDLE EAST								
Egyptian Pound	2,259	—	—	—	—	—	—	2,259
Israeli New Shekel	58,557	—	512	—	—	—	1,831	60,900
Qatari Rial	24,773	—	—	—	—	—	—	24,773
Turkish Lira	7,552	—	—	—	—	—	—	7,552
UAE Dirham	32,384	—	—	—	—	—	—	32,384
Total Investment Securities Subject to Foreign Currency Risk	**$8,283,390**	**$140,757**	**$23,940**	**$316,731**	**$142,469**	**$1,049,608**	**$171,052**	**$10,127,947**

Non-U.S. Investment Securities at Fair Value — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
AFRICA								
South African Rand	$93,300	$—	$77	$—	$—	$—	$—	$93,377
AMERICAS								
Brazilian Real	136,024	—	465	—	—	—	7,304	143,793
Canadian Dollar	912,837	4,417	766	—	—	—	—	918,020
Chilean Peso	12,797	—	—	—	—	—	—	12,797
Colombia n Peso	4,239	—	5	—	—	—	—	4,244
Mexican Peso	39,233	—	(57)	—	—	—	—	39,176
ASIA								
Australian Dollar	582,851	1,499	810	—	—	—	—	585,160
Chinese Renminbi	59,668	—	4	—	—	—	—	59,672
Hong Kong Dollar	938,568	—	699	—	—	—	3,978	943,245
Indonesia n Rupiah	39,521	—	42	—	—	—	—	39,563
Japanese Yen	1,262,807	—	1,248	—	—	—	(82)	1,263,973

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
Kuwaiti Dinar	8,078	—	—	—	—	—	—	8,078
Malaysian Ringgit	59,046	—	131	—		—	—	59,177
New Zealand Dollar	46,880	261	12	—	—	—	787	47,940
Pakistan Rupee	2,405	—	—	—	—	—	—	2,405
Philippine Peso	12,804	—	3	—	—	—	—	12,807
Singapore Dollar	74,327	—	280	—	—	—	2,462	77,069
South Korean Won	361,381	—	342	—	—	—	19,887	381,610
Taiwan Dollar	334,686	—	96	—	—	—	—	334,782
Thai Baht	34,372	—	8	—	—	—	—	34,380
EUROPE								
British Pound Sterling	1,230,975	21,326	385	485	—	122,063	27,817	1,403,051
Czech Republic Koruna	3,588	—	—	—	—	—	—	3,588
Danish Krone	185,974	—	479	—	—	—	3,106	189,559
Euro	2,059,909	36,224	13,719	287,627	21,837	644,294	1,918	3,065,528
Hungarian Forint	6,162	—	—	—	—	—	—	6,162
Norwegian Krone	108,709	—	90	—	—	—	—	108,799
Polish Zloty	39,781	—	197	—	—	—	—	39,978
Russian Ruble	87,269	—	—	—	—	—	—	87,269
Swedish Krona	300,068	—	516	—	—	—	237	300,821
Swiss Franc	488,530	—	265	—	—	—	817	489,612

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
MIDDLE EAST								
Egyptian Pound	2,732	—	—	—	—	—	—	2,732
Israeli New Shekel	42,162	—	5	—	—	—	68	42,235
Qatari Rial	18,655	—	—	—	—	—	—	18,655
Turkish Lira	6,273	—	—	—	—	—	—	6,273
UAE Dirham	18,277	—	13	—	—	—	—	18,290
Total Investment Securities Subject to Foreign Currency Risk	**$9,614,888**	**$63,727**	**$20,600**	**$288,112**	**$21,837**	**$766,357**	**$68,299**	**$10,843,820**

Non-U.S. Investment Securities at Fair Value — OPEB Trust
As of June 30, 2021
(Dollars in Thousands)

Currency	Equity	Fixed Income	Total
AFRICA			
Liberian Dollar	—	766	766
South African Rand	5,202	7,350	12,552
AMERICAS			
Brazilian Real	7,955	8,131	16,086
Canadian Dollar	33,523	8,784	42,307
Colombian Peso	—	356	356
Chilean Peso	705	2,162	2,867
Colombian Peso	219	4,391	4,610
Dominican Peso	—	110	110
Mexican Peso	2,566	9,464	12,030
Panamanian Balboa	—	1,249	1,249
Peruvian Sol	—	2,165	2,165
Uruguayan Peso	—	233	233
ASIA			
Australian Dollar	22,521	832	23,353
Chinese Renminbi	6,181	9,244	15,425
Hong Kong Dollar	44,151	—	44,151
Indian Rupee	15,851	—	15,851
Indonesian Rupiah	1,671	9,017	10,688
Japanese Yen	72,313	1,185	73,498
Kuwaiti Dinar	789	—	789
Malaysian Ringgit	2,087	6,703	8,790

New Zealand Dollar	1,041	—	1,041
Pakistan Rupee	85	—	85
Philippine Peso	949	364	1,313
Singapore Dollar	3,484	27	3,511
South Korean Won	20,219	198	20,417
Taiwan Dollar	21,798	—	21,798
Thai Baht	2,667	8,060	10,727
EUROPE			
British Pound Sterling	44,938	7,347	52,285
Czech Republic Koruna	137	3,804	3,941
Danish Krone	7,416	62	7,478
Euro	94,815	11,065	105,880
Hungarian Forint	298	3,645	3,943
Norwegian Krone	2,766	135	2,901
Polish Zloty	1,130	7,413	8,543
Romanian Leu	—	2,696	2,696
Russian Ruble	3,994	6,937	10,931
Swedish Krona	13,006	124	13,130
Swiss Franc	27,370	—	27,370
MIDDLE EAST			—
Egyptian Pound	129	—	129
Israeli New Shekel	1,837	119	1,956
Qatari Rial	957	—	957
Saudi Riyal	4,127	—	4,127
Turkish Lira	520	1,640	2,160
UAE Dirham	1,001	—	1,001
Total Investment Securities Subject to Foreign Currency Risk	**$470,418**	**$125,778**	**$596,196**

NOTE H — Securities Lending Program

The Board of Investments' policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash and non-cash collateral. When cash collateral is received, the income that is generated from securities lending has two sources: lending and reinvestment. LACERA pays the borrower interest on the collateral and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. When non-cash collateral is received, the borrower pays a fee for borrowing the security.

For the first half of fiscal year 2021, LACERA's securities lending program was managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lent LACERA's non-U.S. equities, U.S. Treasury, and U.S. Agency securities. GSAL lent LACERA's U.S. equities and corporate bonds. During the second half of fiscal year 2021, GSAL was terminated and its program was transferred to State Street Bank and Trust. By the end of June 2021 and throughout fiscal year 2022, State Street Bank and Trust was the sole manager of LACERA's securities lending program. Collateralization for fiscal years 2022 and 2021, is set on non-U.S. loans at 105 percent minimum and on U.S. loans at 102 percent minimum of the market value of securities on loan.

State Street Global Advisors (SSGA) invests the collateral received from the lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked-to-market daily, so that if the fair value of a security on loan rises, LACERA receives additional collateral. Conversely, if the fair value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income. LACERA shares this net income with the lending agent based on contractual agreements.

Under the terms of the lending agreements, the lending agent provides borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. LACERA does not have the ability to pledge assets received as collateral without a borrower default. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At fiscal year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the fiscal years ended June 30, 2022 and 2021.

As of June 30, 2022, the fair value of securities on loan was $3.7 billion, with a value of cash collateral received of $1.4 billion and non-cash collateral of $2.5 billion. As of June 30, 2021, the fair value of securities on loan was $3.4 billion, with a value of cash collateral received of $1.2 billion and non-cash collateral of $2.3 billion. LACERA's investment income, net of expenses from securities lending, was $11.1 million and $4.8 million for the fiscal years ended June 30, 2022 and 2021, respectively.

The following table shows the fair value of securities on loan, cash and non-cash collateral received as well as the calculated mark.

Securities Lending
As of June 30, 2022 and 2021
(Dollars in Thousands)

	2022				2021			
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark [1]**	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark [1]**
U.S. Equity	$2,295,594	$862,637	$1,559,646	($17,143)	$1,505,009	$110,975	$1,495,387	($2,885)
U.S. Fixed Income	958,823	438,042	575,808	15	1,237,110	1,034,611	238,468	1,661
Non-U.S. Equity	466,448	100,398	404,899	(5,842)	609,309	52,943	600,317	(1,902)
Total	**$3,720,865**	**$1,401,077**	**$2,540,353**	**($22,970)**	**$3,351,428**	**$1,198,529**	**$2,334,172**	**($3,126)**

(1) Calculated mark is performed daily, and it is the amount LACERA will collect from the borrower (if the amount is positive) or payment to the borrower (if the amount is negative) to bring the collateralization to appropriate levels based on fair value.

NOTE I — Derivative Financial Instruments

Per LACERA's Investment Policy Statement, LACERA may employ derivative instruments to hedge or gain exposure to certain investments. A derivative is a financial instrument that derives its value from an underlying asset which represents direct ownership of a security or a direct obligation of an issuer. Derivatives may be exchange-traded or traded over the counter (OTC). LACERA expects that any use of derivatives by external managers must adhere to LACERA's policies and investment guidelines.

Futures

Futures are financial agreements to buy or sell an underlying asset at a specified future date and price. Futures are standardized instruments traded on organized exchanges, and they are marked-to-market daily. The futures exchange reduces counterparty credit risk by acting as a central counterparty. It does this by collecting a daily margin payment from one trade participant and crediting it to the other, based on price changes in the underlying asset.

Currency Forwards

Similar to futures agreements, forwards represent an agreement to buy or sell an underlying asset at a specified future date and price. However, forwards are non-standardized agreements tailored to each specific transaction. Payment for the transaction is generally delayed until the settlement or expiration date. Forward contracts are privately negotiated and do not trade on a centralized exchange; therefore, they are considered over-the-counter instruments. Currency forward contracts are used to manage currency exposure, implement the passive currency hedge, and facilitate the settlement of international security purchases and sales.

Currency Forwards Analysis
As of June 30, 2022
(Dollars in Thousands)

Currency Name	Options	Currency Forward Contracts Net Receivables	Currency Forward Contracts Net Payables	Swaps	Total Exposure
Australian Dollar	$6	($885)	$20,033	$—	$19,154
Canadian Dollar	—	4	9,565	—	$9,569
Danish Krone	—	(244)	2,201	—	1,957
Euro	111	(3,955)	32,177	—	28,333
Pound Sterling	—	(3,333)	36,624	(1,209)	32,082
Hong Kong Dollar	—	(10)	113	—	103
Israeli New Shekel	—	(249)	2,080	—	1,831
Japanese Yen	—	(2,574)	62,643	—	60,069
New Zealand Dollar	—	(80)	778	—	698
Norwegian Krone	—	62	2,902	—	2,964
Singapore Dollar	—	(59)	973	—	914
Swedish Krona	—	(958)	9,369	—	8,411
Swiss Franc	5	448	3,427	—	3,880
Thai Bhat	3	—	—	—	3
Total	**$125**	**($11,833)**	**$182,885**	**($1,209)**	**$169,968**

Note: This Currency Forwards Analysis table does not include holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Options
An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swaps
A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. The cash flows exchanged by the counterparties are tied to a notional amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses since the prior mark-to-market.

The following Investment Derivatives schedule reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended June 30, 2022, classified by type, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Investment Derivatives
As of June 30, 2022
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$430,460	$—	$—	317,368
Commodity Futures Short	1,142	—	—	(91,650)
Credit Default Swaps Written	(8)	1	800	—
Fixed Income Futures Long	26,284	—	—	1,501,727
Fixed Income Futures Short	(41,163)	—	—	(47,984)
Fixed Income Options Bought	4	33	—	256
Fixed Income Options Written	(14)	(16)	—	(2,901)
Foreign Currency Futures Long	322	—	—	—
Foreign Currency Futures Short	1,026	—	—	(31,100)
Futures Options Bought	(26)	63	—	5
Futures Options Written	529	(909)	—	(737)
FX Forwards	468,148	171,052	6,305,275	—
Index Futures Long	(209,850)	—	—	317
Index Futures Short	214,373	—	—	(605)
Index Options Written	(118)	(719)	—	(102)
Receive Fixed Interest Rate Swaps	(1,798)	(1,868)	15,973	—
Rights	(271)	719	856	—
Total Return Swaps Bond	(2,614)	188	2,335	—
Total Return Swaps Equity	144,751	(21,416)	(223,615)	—
Warrants	(217)	891	76	—
Total	**$1,030,960**	**$148,019**	**$6,101,700**	**1,644,594**

All investment derivative positions are included as part of Investments at Fair Value in the Statement of Fiduciary Net Position. All changes in fair value are reported as part of Net Appreciation/ (Depreciation) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Position.

Investment information was provided by LACERA's investment managers and custodian bank, State Street Bank and Trust Company.

Counterparty Credit Risk
LACERA is exposed to counterparty credit risk on investment derivatives that are traded OTC and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forward contracts and certain swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continually monitor credit ratings of counterparties. In addition, collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure. Should there be a

counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that have unrealized gains and any collateral provided to the counterparty, net of applicable netting arrangements.

The following schedule displays the fair value of investments with each counterparty's S&P, Fitch, and Moody's credit rating by counterparty's name alphabetically, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Counterparty Credit Risk Analysis
As of June 30, 2022
(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America, N.A.	$370	A+	AA	Aa2
Bank of New York	157	A	AA-	A1
Barclays Bank PLC Wholesale	28	A	A+	A1
BNP Paribas, S.A.	166	A+	A+	Aa3
Citibank N.A.	2,340	A+	A+	Aa3
Credit Suisse International	29,573	A	A-	A1
Deutsche Bank AG	17,193	A-	BBB+	A2
Goldman Sachs Bank USA	237	BBB+	A	A2
Goldman Sachs International	24,111	A+	A+	A1
HSBC Bank PLC	28	A-	A+	A3
HSBC Bank USA	57	A+	AA-	Aa3
JP Morgan Chase Bank, N.A.	572	A+	AA	Aa2
Macquarie Bank Limited	16	A+	A	A2
Morgan Stanley and Co. LLC	831	A-	A	A1
Morgan Stanley Co Incorporated	347	A-	A	A1
Natwest Markets Plc	46,973	A-	A+	A2
Royal Bank of Canada	10	AA-	AA-	A1
Standard Chartered Bank	5	A+	A+	A1
State Street Bank And Trust Company	792	AA-	AA	Aa3
UBS AG	15,765	A+	AA-	Aa3
Westpac Banking Corporation	47,930	AA-	A+	Aa3
Total	**$187,501**			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table, not including holdings within commingled investment structures or structures that are not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

Interest Rate Risk Analysis

As of June 30, 2022
(Dollars in Thousands)

				Investment Maturity (In Years)			
Investment Type	**Notional Value (Dollar)**	**Notional Shares (Units)**	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Credit Default Swaps Written	$800	—	$1	$—	$—	$—	$1
Fixed Income Options Bought	—	256	33	33	—	—	—
Fixed Income Options Written	—	(2,901)	(16)	—	(5)	—	(12)
Receive Fixed Interest Rate Swaps	15,973	—	(1,868)	—	(938)	(930)	—
Total Return Swaps Bond	2,335	—	188	188	—	—	—
Total Return Swaps Equity	(223,615)	—	(21,416)	(21,951)	535	—	—
Total	**($204,507)**	**(2,645)**	**($23,078)**	**($21,730)**	**($408)**	**($930)**	**($11)**

NOTE J — Special Purpose Entities

Real Estate Investments

LACERA maintains several different types of special purpose entities (SPEs) in its investment portfolio which are legal structures created to hold one or more real estate assets. The Investment Policy Statement approved by the Board of Investments allows investment managers to leverage the properties with debt that is included in property liabilities.

As of June 30, 2022, the LACERA real estate portfolio held 32 title holding corporations (THCs) and 45 limited liability companies (LLCs). As of June 30, 2021, the portfolio held 34 THCs and 48 LLCs.

The total fair values of assets invested in THCs and LLCs as of June 30, 2022 and June 30, 2021, were $4.1 billion and $3.8 billion, respectively.

Debt Program

The investment managers for the Debt Program are Barings LLC and Quadrant Real Estate Advisors LLC. The total fair values of assets invested in these two Debt Program accounts as of June 30, 2022 and June 30, 2021, were $111 million and $157 million, respectively. The Debt Program is included in LACERA's Credit functional category portfolio. Per LACERA's Board-approved 2021 Credit Structure Review, the legacy Credit assets, which include the underlying assets within the Debt Program, will be liquidated over the natural life of the investments.

Real Estate and Debt Program assets are also disclosed in Note P - Fair Value of Investments.

As presented in the Investment Section, Real Estate and Debt Program assets are included in the following functional category portfolios: Growth, Credit, and Real Assets and Inflation Hedges. For additional information regarding LACERA's investment portfolio and functional categories, see the Investment Section.

NOTE K — Related Party Transactions

Office Space Lease

In 1991, LACERA, as the sole shareholder, formed a title holding corporation (THC) to acquire Gateway Plaza, a 273,546 square foot 13-story office building located in Pasadena, California, which serves as the LACERA headquarters. At that time, LACERA, the lessee, entered into its original lease agreement with the THC, as lessor, to occupy approximately 85,000 square feet of office space. LACERA's offices include facilities to conduct in-person services with members, work stations for LACERA staff, and meeting space to host in-person Board of Retirement and Board of Investment meetings. Under the terms of the original lease and the subsequent 16 amendments, which expired on December 31, 2020, LACERA did not pay rent for the office space it occupied. Instead LACERA was credited with the entire payment of base rent due each month. However, LACERA was required to pay its proportionate share of the building's operating costs and property taxes as defined in the lease agreement.

LACERA entered into the 17th Amendment with the THC to occupy 125,559 square feet of office space in December 2020. The 17th lease agreement extended the term of the lease for an additional 60-month period, commencing on January 1, 2021 and ending on December 31, 2025. Under this most recent lease agreement, LACERA is required to pay monthly rent for the new term with a three-month period rent abatement from January 1, 2021 to March 31, 2021. The rent amounts are based on the current market rate for comparable space. In addition, as defined in the lease agreement, LACERA is required to pay its proportionate share of the increase in the building's operating cost and property taxes over its base year.

Total rent expenses paid by LACERA were approximately $6.0 million and $2.9 million for the fiscal years ended June 30, 2022 and June 30, 2021, respectively.

NOTE L — Administrative Expenses

The LACERA Board of Retirement and Board of Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses subject to statutory limitations, are charged against the investment earnings of the Pension Plan.

Beginning with the fiscal year ended June 30, 2012, LACERA implemented a provision of the CERL that shifted the administrative budget limitation from an asset-based cap to a liability-based cap. This CERL provision states that the annual budget for administrative expenses of a CERL pension plan may not exceed 0.21 percent of the actuarial accrued liability of the plan.

Expenses for computer software, hardware, and computer technology consulting services relating to such expenditures are included in the cost of administration, although they need not be included under CERL. Pursuant to the CERL, the cost of internal legal representation secured by the Board of Retirement and Board of Investments from LACERA's Legal Office, other than representation concerning investment of monies, is not to exceed 0.01 percent of retirement benefits plan assets in any budget year. LACERA's costs for such legal representation are within the statutory limit and included in administrative expenses.

Under applicable sections of the CERL, both LACERA Boards approved the operating budgets for fiscal years ended June 30, 2022 and June 30, 2021, which were prepared based upon the 0.21 percent CERL limit. For these years, LACERA's approved operating budgets were well below the statutory limit, and the actual amounts spent were less than the approved budgets.

Due to the crisis caused by the COVID-19 pandemic, in April 2020, the Chief Executive Officer requested approval from the Board of Retirement granting emergency purchasing authority, up to and including a total of $1 million above his existing authority, for goods and services deemed necessary to address the COVID-19 emergency. Expenditures are subject to consultation with the Board of Retirement Chair and Vice Chair and are to be reported to the full Board with notification to the Board of Investments. This recommendation was adopted, and authority granted covering a period of 180 days, and was not renewed. There were no COVID-19 expenses incurred under the emergency purchasing authority for the fiscal year ended June 30, 2022.

During the fiscal year, regular business operations resumed at LACERA's offices. LACERA staff returned to the office environment under a new hybrid work model whereby staff alternate on designated days between working in the office and working from home. During the prior fiscal year, LACERA made modifications to office space for staff safety and purchased supplies of personal protective equipment so there were no significant expenditures required to accommodate staff.

For the fiscal year ended June 30, 2022, total expenses for goods and services to address operational needs resulting from COVID-19 decreased to $66,000 as compared to the fiscal year ended June 30, 2021, when the amount spent was $347,000. The decrease in expenses was primarily due to a reduction of technology equipment purchases for the fiscal year ended June 30, 2022. LACERA's expenditures, including the COVID-19 related expenses, remained within the operating budget and did not exceed the statutory limit.

Beginning with the operating budget for the fiscal year ended June 30, 2021, LACERA implemented a staggered budget development approach by obtaining Board approval of an operating budget before the start of the new fiscal year and then completing a mid-year budget amendment during the fiscal year for the Boards' approval. This staggered approach enables executive leadership the opportunity to realign resources with the strategic direction of the organization and support the management team in implementing new or urgent initiatives that might occur during the year.

The following budget-to-actual analysis of administrative expenses schedule is based upon the mid-year budget amendment for the fiscal years ended June 30, 2022 and June 30, 2021*, as approved by the LACERA governing boards, in comparison to actual administrative expenses.*

Budget-to-Actual Analysis of Administrative Expenses
As of June 30, 2022 and 2021
(Dollars in Thousands)

	2022	**2021**
Basis for Budget Calculation, Actuarial Accrued Liability [1]	**$78,275,175**	**$74,635,840**
Maximum Allowable for Administrative Expenses	164,378	156,735
Total Statutory Budget Appropriation	**$164,378**	**$156,735**
Operating Budget Request	114,807	100,291
Administrative Expenses	(100,121)	(90,586)
Unexpended Operating Budget	**$14,686**	**$9,705**
Administrative Expenses	100,121	90,586
Basis for Budget Calculation, Actuarial Accrued Liability [1]	$78,275,175	$74,635,840
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.13%**	**0.12%**
Limit per CERL	0.21%	0.21%
Administrative Expenses	100,121	90,586
Net Position Restricted for Benefits	$70,289,612	$73,012,026
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.14%**	**0.12%**

(1) The 2022 and 2021 budget calculations are based on the Pension Plan actuarial accrued liability, as of June 30, 2020, and June 30, 2019, respectively.

NOTE M — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. For additional disclosures regarding litigation, please see Note A — Benefit Plan Descriptions. The management and legal counsel of LACERA estimate the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Securities Litigation

In 2001, the LACERA Board of Investments adopted a Securities Litigation Policy in response to incidents of corporate corruption, fraud, and misconduct at publicly traded companies whose securities are held within LACERA's investment portfolio. The Policy requires LACERA's Legal Office to monitor securities fraud class actions and to actively pursue recovery of LACERA's losses in accordance with the Policy.

In 2010, the U.S. Supreme Court held that certain fraud provisions of the U.S. securities laws could not be applied to securities purchased outside the U.S. Therefore, the LACERA Board of Investments adopted a global policy to ensure that LACERA continues to meet its fiduciary duty by identifying, monitoring, and evaluating securities actions in which the fund has an interest, both foreign and domestic, and pursuing such claims when and in a manner the LACERA Board of Investments determines is in the best interest of the fund.

Compliance with the Securities Litigation Policy is part of the efforts of the LACERA Board of Investments, with the assistance of the LACERA Legal Office, to protect the financial interests of LACERA and its members.

LEASES

Equipment

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments and operating expenses for such equipment leases were approximately $197,000 and $211,000 for the fiscal years ended 2022 and 2021, respectively.

Office Space Lease

The LACERA office space lease agreement was originally entered in January 1991. Subsequent amendments were made with the latest one dated December 23, 2020. LACERA entered into the 17th Amendment and extended the terms with expiration date of December 31, 2025.

The lease agreement for LACERA's office space is also discussed in Note K — Related Party Transactions. The total rent expenses for leasing the building premises are $6.0 million and $2.9 million in fiscal years ended 2022 and 2021, respectively.

Capital Commitments

LACERA real estate, private equity, hedge fund, and activist investment managers identify and acquire investments on a discretionary basis. Investment policies are approved by the LACERA Board of Investments and controlled by investment management agreements that identify limitations on each investment manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager.

As of June 30, 2022, capital commitments approved by LACERA's Board of Investments, that are outstanding to the various investment managers but not yet funded, totaled $8.0 billion.

NOTE N — Other Post-Employment Benefits (OPEB) Program

Program Description

In April 1982, the County adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) that provided for a retiree healthcare insurance program and death/burial benefits for retired employees and their eligible dependents. In 1982, the County and LACERA entered into an agreement whereby LACERA's Board of Retirement would administer the program subject to the terms and conditions of the agreement. In 1994, the County amended the Agreement to ensure that the OPEB Program will continue even if there are changes to or termination of the active employee health insurance programs.

In June 2014, the LACERA Board of Retirement approved the County's request to modify the agreement to create a new retiree healthcare benefits program in order to lower its costs. Structurally, the County segregated all the then-current retirees and employees into the LACERA-administered Retiree Healthcare Benefits Program (Tier 1) and placed all employees hired after June 30, 2014 into the Los Angeles County Retiree Healthcare Benefits Program (Tier 2). On June 17, 2014, the Los Angeles County Board of Supervisors adopted changes to Los Angeles County Code Title 5 – Personnel, which established the benefit provisions for the Tier 2 program.

One difference included in this modification involves LACERA's administrative responsibility for the Retiree Healthcare Program. Under Tier 1, LACERA will continue its agreed-upon role as Program Administrator for retiree healthcare benefits as governed by the 1982 Agreement. Under the Tier 2 program, LACERA is responsible for administering this program; however, the County has the option to choose another organization to administer Tier 2 benefits.

Since inception, the OPEB Program's liabilities and costs were determined within a cost-sharing plan structure, rather than separately for each employer. In July 2018, the OPEB Program, in which Los Angeles County, LACERA, Superior Court, and the outside Districts participate, was restructured as an agent multiple-employer defined benefit OPEB plan (agent plan).

Membership

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, Superior Court, LACERA, or a participating outside District. Healthcare benefits are also offered to qualifying survivors of deceased retired members and qualifying survivors of deceased active employees who were eligible to retire at the time of death. Eligibility to receive a pension benefit is a prerequisite for retiree healthcare and death benefits. Therefore, eligibility and qualifications applicable to retiree healthcare and death/burial benefits are substantially similar to pension benefits. The Summary of Major OPEB Program Provisions is available by contacting LACERA or visiting the LACERA website for additional information.

LACERA Membership — OPEB Medical and Dental/Vision Benefits
As of June 30, 2022 and 2021

	2022		2021	
	Medical	Dental/ Vision	Medical	Dental/ Vision
Retired Participants				
Retired Members and Survivors	54,065	55,772	52,832	54,262
Spouses and Dependents	27,684	31,811	26,867	30,825
Total Retired	**81,749**	**87,583**	**79,699**	**85,087**
Inactive Members — Vested	9,250	9,250	8,714	8,714
Active Members — Vested [1]	74,796	74,796	74,434	74,434
Total Membership Eligible for Benefits	**165,795**	**171,629**	**162,847**	**168,235**

LACERA Membership — OPEB Death/Burial Benefits
As of June 30, 2022 and 2021

	2022	2021
Retired with Eligibility for Death/Burial Benefits [2]	61,931	60,097
Total Retired	**61,931**	**60,097**
Inactive Members — Vested	9,250	8,714
Active Members — Vested [1]	74,796	74,434
Total Membership Eligible for Benefits	**145,977**	**143,245**

Benefit Provisions

The OPEB Program offers members an extensive choice of medical plans as well as two dental/ vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare Supplement or Medicare HMO plans. Coverage is available regardless of preexisting medical conditions. Under the Tier 2 benefits structure, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees/ survivors and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or a Medicare Supplement plan under the Tier 2 program.

Medical and Dental/Vision

Program benefits are provided through third-party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of eligible dependents covered. The County contribution subsidizing the participant's cost starts at 10 years of eligible service credit in the amount of 40 percent of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. For each year of eligible retirement service credit earned beyond 10 years, the County contributes 4 percent per year, up to a maximum of 100 percent for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

(1) Active Members include terminated members who are vested (deferred) and eligible to receive OPEB benefits. Active members exclude non-vested (inactive) members who are ineligible for OPEB benefits.

(2) Survivors, spouses and dependents are not eligible for death benefits.

Under the Tier 1 benefits structure, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision plans. Under Tier 2, the County subsidy is based on retiree/survivor-only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B

The County reimburses the member's and/or eligible dependent's Medicare Part B Premium (up to the standard rate only) paid by the member to Social Security for Part B coverage, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be currently enrolled in both Medicare Part A and Medicare Part B and enrolled in a LACERA-administered Medicare HMO Plan or Medicare Supplement Plan, and meet all of the qualifications. Under the Tier 2 benefits structure, the County reimburses for Medicare Part B (at the standard rate) for eligible members or eligible survivors only.

Disability

If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50 percent of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under the Tier 2 program, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52 percent subsidy. This percentage increases 4 percent for each additional completed year of service, up to a maximum of 100 percent.

Death/Burial Benefit

There is a one-time lump-sum $5,000 death/burial benefit payable to the designated beneficiary upon the death of a retired member, paid by LACERA and then reimbursed to LACERA by the employer. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this benefit upon their death.

Healthcare Reform

In March 2010, President Obama signed into law the Affordable Care Act (ACA). The ACA impacts the County's future healthcare liabilities. Estimated ACA fees are included in the OPEB liabilities. However, as a retiree-only group plan, LACERA is exempt from many of the provisions implemented thus far, including these significant provisions:

- Dependent coverage for adult children up to age 26
- Elimination of lifetime maximum limits
- No cost-sharing for approved preventive services

In December 2019, the Further Consolidated Appropriations Act (H.R. 1865) repealed the excise tax and health insurer fee beginning in the calendar year 2021 and extended the Patient-Centered Outcomes Research Institute (PCORI) Fee through 2029. The OPEB assumptions for the July 1, 2021, valuation reflect the exclusion of the excise tax and the health insurer fees.

Eligible dependent child age limit increased to age 26: The plan sponsor, the County of Los Angeles, approved an extension of the dependent children age limit up to age 26 under the Retiree Healthcare Program, regardless of a dependent child's marital or student status. This is a result of

Senate Bill (SB) 1088. Until July 1, 2014, SB 1088 exempted retiree-only plans, such as LACERA's from this provision. It required health plan carriers to offer the coverage to dependents up to age 26 but does not obligate the plan sponsor, the County of Los Angeles, to pay for coverage up to age 26. However, effective March 9, 2015, the County determined that it would pay for dependent coverage up to age 26 within the existing OPEB Program provisions, as described below under Contributions Authority.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — OPEB PROGRAM

Basis of Presentation

OPEB activity at LACERA is reported in the basic financial statements within two distinct funds, the OPEB Custodial Fund and the OPEB Trust Fund, in accordance with GASB Statement Number 74 (GASB 74).

The OPEB Custodial Fund accounts for assets held in a fiduciary capacity that are not held in a trust. The funds held within the OPEB Custodial Fund do not meet the definition of a qualifying trust under GASB 74 and are not used to reduce the employers' total OPEB liability. However, the ownership of the OPEB Custodial Fund belongs to the County, Superior Court, LACERA, and the participating outside District employers. Assets and liabilities are recorded using the economic resources measurement focus and accrual basis of accounting. Receivables include contributions due as of the reporting date. Payables include premium payments and refunds due to members and accrued investment and administrative expenses.

The OPEB actuarial valuation groups the agents using the following structure. There is a total of three agents participating in the OPEB Trust who are included in the seven agents of the OPEB Program. The most recent OPEB Experience and Assumption Study report, prepared as of July 1, 2020, includes the population of all participating agents. Separate liabilities are calculated for the agents participating in the OPEB Trust and the OPEB Program.

Agent and Agent Grouping
OPEB Trust
County, Superior Court and LACERA
OPEB Program [1]
County, Superior Court, LACERA, SCAQMD, LACOE, LAFCO, LLCD

(1) South Coast Air Quality Management District (SCAQMD), Los Angeles County Office of Education (LACOE), Local Agency Formation Commission for the County of Los Angeles (LAFCO), and Little Lake Cemetery District (LLCD).

OPEB Trust — Agent Plan

The County, Superior Court, and LACERA have established separate accounts within the LACERA OPEB Trust to prefund their own OPEB Program liabilities. For better precision in allocating and accounting for these liabilities, as of July 1, 2018, the OPEB Program transitioned from a cost-sharing plan structure to an agent multiple-employer plan (agent plan) structure. Under the previous cost-sharing plan structure, OPEB Program liabilities and costs were determined with respect to the total LACERA OPEB Program, rather than separately for each employer. However, an agent plan structure determines program liabilities and costs directly by employer and allocates shared expenses to each employer. This provides employers with liability and cost information that is more precise for their active, vested-terminated, and retiree population, which helps them make informed decisions to manage these OPEB costs. In addition, assets in the OPEB Trust, while commingled for investment purposes, are separately tracked for each participating employer. The July 1, 2018, OPEB valuation marked the first actuarial valuation performed under an agent plan reflecting the funding information at the individual agent (employer) level.

For additional information pertaining to the OPEB Trust, see Note Q — Other Post-Employment Benefits (OPEB) Trust.

Investment Valuation

Investments are carried at fair value, which are derived from quoted market prices. For publicly traded securities and issues of the United States Government and its agencies, the most recent sales price as of fiscal year-end is used.

Contributions Authority

Pursuant to the 1982, 1994, and 2014 agreements between the County and LACERA, the parties agreed to the continuation of the post-retirement health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent. As part of the 2014 Agreement, the County modified the existing healthcare benefits plan, which created a new benefit structure, the Tier 2 program, for all employees hired after June 30, 2014.

Premium Payments

During the fiscal years ended June 30, 2022 and 2021, respectively, healthcare premium payments of $671.1 million and $654.3 million were made to insurance carriers. These premiums were funded by employer subsidy payments of $623.0 million and participant payments of $48.1 million for the fiscal year ended 2022. The employer subsidy payments for the fiscal year ended 2021 were $605.7 million with participant payments of $48.6 million.

In addition, $88.2 million and $10.0 million was funded by employer subsidy payments for Medicare Part B reimbursements and death/burial benefits, respectively, for the fiscal year ended June 30, 2022, and $80.1 million and $9.3 million for these benefits, respectively, during the fiscal year ended June 30, 2021.

A premium holiday is a temporary period in which the monthly premium costs for both the Program sponsors (i.e., County and participating employers) and affected members are waived. Affected members are those retirees/survivors enrolled in certain medical and dental/vision benefit plans who also pay their share of the monthly premiums. There were no premium holidays during the fiscal years ended June 30, 2022 and 2021.

NOTE O — Hedge Fund Investments

LACERA's Investment Policy Statement establishes the portfolio framework for and role of the hedge funds program. Diversified hedge funds comprise a variety of hedged investments, such as relative value, arbitrage, and long/short strategies within a diversified portfolio.

The status of LACERA's hedge fund program as of June 30, 2022 is as follows:

- LACERA is invested in eight hedge fund managers in the core hedge funds portfolio.
- LACERA is invested in five hedge fund emerging managers in the hedge funds emerging manager portfolio. LACERA's discretionary hedge funds emerging manager separate account manager, Stable Asset Management, selected five emerging managers during the last fiscal year.
- LACERA continues to have exposure with one hedge fund of funds manager, Grosvenor Capital Management (GCM). In 2019, LACERA initiated the full redemption of the GCM hedge fund of funds' portfolio. This portfolio began returning cash during the prior fiscal year and will continue to distribute cash in alignment with the liquidity terms of the portfolio or underlying managers. GCM is managing the redemption process of the GCM portfolio.

The investment performance for this strategy is measured separately from other asset classes. The fair values of assets invested in hedge funds as of June 30, 2022 and June 30, 2021, were $4.4 billion and $2.7 billion, respectively.

Hedge fund assets are also disclosed in Note P — Fair Value of Investments.

The core portfolio, emerging manager portfolio, and GCM hedge funds of funds portfolio reside within Diversified Hedge Funds under the Risk Reduction and Mitigation functional asset category of LACERA's Total Fund. For additional information regarding LACERA's investment portfolio and functional categories, see the Investment Section.

NOTE P — Fair Value of Investments

For the fiscal year ended June 30, 2016, LACERA adopted GASB Statement Number 72 (GASB 72), *Fair Value Measurement and Application.* GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles in the United States of America (U.S. GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the investment securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities.

Fixed income and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Equity securities classified in Level 2 are not traded in the active market. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These matrix pricing techniques incorporate inputs such as yield, prepayment speeds, and credit spreads for fixed income securities. Derivative securities classified as Level 2 are securities whose value are either derived daily from associated securities that are traded, or are determined by using a market approach that considers benchmark interest rates.

Fixed income and equity securities classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources obtained by LACERA's custodian bank, State Street Bank and Trust.

Hedge Funds, Private Equity, Real Assets, Real Estate, Equity, and Fixed Income Funds

Investments in hedge funds, private equity, real assets, real estate, equity and fixed income funds are valued at estimated fair value, as determined in good faith by the general partner (GP), in accordance with GAAP fair value principles in instances where no observable public market values are available. Investments that are estimated at fair value are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP. In instances where observable public market values are available for the underlying securities held, fair value is determined by the fund's administrator using independent pricing sources.

Real Estate Separate Account Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost, with subsequent adjustments that reflect third-party transactions, financial operating results, and other factors deemed relevant by the investment manager. Properties are subject to independent third-party appraisals every year.

LACERA has the following recurring fair value measurements as of June 30, 2022 and 2021:

Investments and Derivative Instruments Measured at Fair Value — Pension Plan
As of June 30, 2022
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$243,612	$—	$243,612	$—
Corporate and Other Credit	2,540,329	—	2,486,407	53,923
Municipal / Revenue Bonds	10,531	—	10,531	—
Non-U.S. Fixed Income	342,300	—	311,667	30,632
Private Placement Fixed Income	1,584,609	—	1,584,451	158
U.S. Government Agency	879,765	—	879,765	—
U.S. Treasuries	6,255,435	—	6,255,435	—
Pooled Investments	541,639	541,639	—	—
Whole Loan Mortgages	11,873	—	—	11,873
Total Fixed Income Securities	**$12,410,093**	**$541,639**	**$11,771,868**	**$96,586**
Equity Securities				
Non-U.S. Equity	$8,839,445	$8,835,981	$11	$3,453
Pooled Investments	326,233	326,233	—	—
U.S. Equity	13,638,899	13,606,890	10,232	21,777
Total Equity Securities	**$22,804,577**	**$22,769,104**	**$10,243**	**$25,230**
Collateral from Securities Lending	**$1,401,077**	**$—**	**$1,401,077**	**$—**
Total Investments by Fair Value Level	**$36,615,747**	**$23,310,743**	**$13,183,188**	**$121,816**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$6,254,217			
Equity	1,660,096			
Hedge Funds	4,440,434			
Private Equity	12,753,842			
Real Estate	5,802,979			
Real Assets	1,363,252			
Total Investments Measured at NAV	**$32,274,820**			
Total Investments	**$68,890,567**			
Derivative Instruments				
Foreign Exchange Contracts	$171,052	$—	$171,052	$—
Foreign Fixed Income Derivatives	(18,746)	(12)	(18,734)	—
Foreign Equity Derivatives	1,242	1,242	—	—
U.S. Equity Derivatives	(1,195)	(1,195)	—	—
U.S. Fixed Income Derivatives	(3,778)	29	(3,807)	—
Total Derivative Instruments	**$148,575**	**$64**	**$148,511**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2022
(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds [1]	$6,254,217	$857,195	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds [2]	1,660,096	—	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds [3]	4,440,434	381,198	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity [4]	12,753,842	4,822,028	Not Eligible	N/A
Real Estate [4]	5,802,979	334,665	Quarterly or Not Eligible	30 days+ or N/A
Real Assets [4]	1,363,252	1,618,103	Not Eligible	N/A
Total Investments Measured at NAV	**$32,274,820**			

(1) **Fixed Income Funds:** Nine fixed income funds are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Approximately 80 percent of assets are available within 12 months; these funds provide daily, monthly or quarterly liquidity. Approximately 20 percent of the fund assets have liquidity beyond 12 months.

(2) **Commingled Equity Funds:** Five equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of these funds representing five percent of Commingled Equity assets have liquidity subject to lock-up periods that limit or prohibit redemptions for the next three years.

(3) **Hedge Funds:** This portfolio consists of thirteen current funds and two fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 62 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. Approximately 38 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA’s Hedge Funds portfolio invests in the following strategies:

(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.

(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.

(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.

(d) Relative Value: This strategy’s focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.

(e) Multi-Strategy: This strategy aims to pursue varying strategies to diversify risks and reduce volatility.

(f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.

(4) **Private Equity, Real Assets, and Real Estate Funds:** LACERA’s Private Equity portfolio consists of 272 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, and co-investments. Due to contractual limitations, none of the funds are currently eligible for redemption. One of the funds may be eligible for redemption after three years, while the remaining 271 funds are ineligible for up to 10 years. The Real Assets portfolio consists of 17 funds, investing primarily in infrastructure and natural resources. Due to contractual limitations, none of the funds are eligible for redemption as the lock-up period is typically from 10-15 years. The Real Estate portfolio, composed of 23 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. Three out of 23 Real Estate funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J - Special Purpose Entities.

Investments and Derivative Instruments Measured at Fair Value — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$251,781	$—	$251,623	$158
Corporate and Other Credit	2,762,494	—	2,703,495	58,999
Municipal / Revenue Bonds	8,396	—	8,396	—
Non-U.S. Fixed Income	435,728	—	426,142	9,586
Private Placement Fixed Income	1,369,866	—	1,369,866	—
U.S. Government Agency	1,197,014	—	1,197,014	—
U.S. Treasuries	3,301,874	—	3,301,874	—
Pooled Investments	1,157,533	1,157,533	—	—
Whole Loan Mortgages	16,352	—	—	16,352
Total Fixed Income Securities	**$10,501,038**	**$1,157,533**	**$9,258,410**	**$85,095**
Equity Securities				
Non-U.S. Equity	$10,892,501	$10,887,549	$1,078	$3,874
Pooled Investments	403,341	403,341	—	—
U.S. Equity	16,244,834	16,222,153	11,306	11,375
Total Equity Securities	**$27,540,676**	**$27,513,043**	**$12,384**	**$15,249**
Collateral from Securities Lending	**$1,198,528**	**$—**	**$1,198,528**	**$—**
Total Investments by Fair Value Level	**$39,240,242**	**$28,670,576**	**$10,469,322**	**$100,344**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$10,570,090			
Equity	2,165,195			
Hedge Funds	2,748,465			
Private Equity	11,321,964			
Real Estate	5,294,150			
Real Assets	149,983			
Total Investments Measured at NAV	**$32,249,847**			
Total Investments	**$71,490,089**			
Derivative Instruments				
Foreign Exchange Contracts	$68,715	$—	$68,715	$—
Foreign Fixed Income Derivatives	3,217	(1)	3,218	—
Foreign Equity Derivatives	968	968	—	—
U.S. Equity Derivatives	(997)	(997)	—	—
U.S. Fixed Income Derivatives	2,970	29	2,941	—
Total Derivative Instruments	**$74,873**	**($1)**	**$74,874**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2021

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds [1]	$10,570,090	$525,114	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds [2]	2,165,195	—	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds [3]	2,748,465	—	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity [4]	11,321,964	4,757,015	Not Eligible	N/A
Real Estate [4]	5,294,150	971,004	Quarterly or Not Eligible	30 days+ or N/A
Real Assets [4]	149,983	1,462,640	Not Eligible	N/A
Total Investments Measured at NAV	**$32,249,847**			

(1) **Fixed Income Funds:** Nine fixed income funds are valued at the net asset value (NAV) of units held at the end the period based upon the fair value of the underlying investments. 59 percent of the Fixed Income NAV assets have liquidity beyond 12 months; these funds provide daily, monthly or quarterly liquidity. 38 percent of the fund assets have liquidity beyond 12 months. Two of the funds representing 3 percent of the Fixed Income NAV assets have liquidity available at the end of the fund terms which range from three to seven years.

(2) **Commingled Equity Funds:** Five equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of the funds representing five percent of Commingled Equity assets have liquidity available subject to lock-up periods that limit or prohibit redemptions for the next three to four years.

(3) **Hedge Funds:** The portfolio consists of eight current funds and two fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the eight current funds, 76 percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next 12 months. The remaining 24 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA's Hedge Funds portfolio invests in the following strategies:

(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.

(b) Equity Long/Short: This strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.

(c) Credit: This strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.

(d) Relative Value: This strategy's focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.

(e) Multi-Strategy: This strategy aims to pursue varying strategies diversify risks and reduce volatility.

(f) Event Driven: This strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.

(4) **Private Equity, Real Assets, and Real Estate Funds:** LACERA's Private Equity portfolio consists of 254 funds, investing primarily in buyout funds, with some exposure to venture capital, special situations, fund of funds, and co-investments. Due to contractual limitations, one of the funds may be eligible for redemption after three years, while the remaining 253 funds are ineligible for up to 10 years. The Real Assets consists of 12 funds, investing primarily in infrastructure and natural resources. Due to contractual limitations, none of these funds are eligible for redemption as locked-up is typically from 10-15 years. The Real Estate portfolio, composed of 23 funds, invests in both U.S. and non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued one quarter in arrears plus current quarter cash flows. Three out of 23 funds are eligible for redemption depending upon the availability of cash for redemptions in the fund. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note J - Special Purpose Entities.

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2022
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Pooled Investments	$238,854	$238,854	$—	$—
Total Fixed Income Securities	**$238,854**	**$238,854**	**$—**	**$—**
Total Investment by Fair Value Level	**$238,854**	**$238,854**	**$—**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$664,999			
Equity	1,199,773			
Real Estate Investment Trust (REIT)	241,168			
Total Investments Measured Trust at NAV	**$2,105,940**			
Total Investments	**$2,344,794**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2022
(Dollars in Thousands)

Investment by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	$664,999	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,199,773	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	241,168	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV [1]	**$2,105,940**	**$—**		

(1) **Commingled Funds:** The OPEB Master Trust is invested in eight funds that are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2021

(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Pooled Investments	$237,868	$237,868	$—	$—
Total Fixed Income Securities	**$237,868**	**$237,868**	**$—**	**$—**
Total Investment by Fair Value Level	**$237,868**	**$237,868**	**$—**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$656,331			
Equity	1,145,218			
Real Estate Investment Trust (REIT)	219,191			
Total Investments Measured Trust at NAV	**$2,020,740**			
Total Investments	**$2,258,608**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2021

(Dollars in Thousands)

Investment by Fair Value Level	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Securities				
Commingled Fixed Income Funds	$656,331	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,145,218	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	219,191	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV [1]	**$2,020,740**	**$—**		

(1) **Commingled Funds:** The OPEB Master Trust is invested in eight funds that are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

Investments Measured at Fair Value — OPEB Custodial Fund
As of June 30, 2022
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$8,493	$—	$8,493	$—
Private Placement Fixed Income	3,681	—	3,681	—
Corporate and Other Credit	28,280	—	28,280	—
U.S. Treasuries	131,127	—	131,127	—
Total Fixed Income Securities	**$171,581**	**$—**	**$171,581**	**$—**
Total Investments by Fair Value Level	**$171,581**	**$—**	**$171,581**	**$—**

Investments Measured at Fair Value — OPEB Custodial Fund
As of June 30, 2021
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$9,948	$—	$9,948	$—
Private Placement Fixed Income	4,798	—	4,798	—
Corporate and Other Credit	26,272	—	26,272	—
U.S. Treasuries	99,075	—	99,075	—
Total Fixed Income Securities	**$140,093**	**$—**	**$140,093**	**$—**
Total Investments by Fair Value Level	**$140,093**	**$—**	**$140,093**	**$—**

NOTE Q — Other Post-Employment Benefits (OPEB) Trust

Los Angeles County (County) OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable, tax-exempt OPEB Trust, which LACERA administers, for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program. In May 2012, the County Board of Supervisors approved entering into a trust and investment services agreement with the LACERA Board of Investments to serve as trustee and investment manager.

The County began funding the OPEB Trust in an effort to reduce its unfunded OPEB liability. It provides a framework whereby the County contributes to the Trust with regular frequency and may transition, over time, to a prefunding model which will use OPEB Trust assets to pay retiree healthcare benefits. Under the existing pay-as-you-go model, the County uses current budgeted assets to pay benefits. The County OPEB Trust does not modify the participating employers' existing benefit programs.

The County OPEB Trust serves as a funding tool for the participating employers to hold and invest assets which can be used to pay expenses associated with future OPEB benefits, such as medical, dental, and vision provided by the Retiree Healthcare Program including the retiree death/burial benefit. Participating employers will be responsible for and have full discretion over the timing of payments into the Trust. Assets held in the OPEB Trust are restricted for OPEB purposes as defined in the Trust Agreement. There are only two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Los Angeles Superior Court (Court) OPEB Trust

Similar to the OPEB Trust established by the County, the Court followed the County's lead and established a separate trust fund, the Court OPEB Trust, to prefund the Court's OPEB liabilities. Pursuant to the California Government Code, the Court established an irrevocable OPEB Trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Program, which LACERA administers. In April 2016, the Judicial Council of California approved the Court's request to establish a qualified irrevocable trust, as well as LACERA's Board of Investments as trustee and investment services provider.

In May 2016, to conform the language of the County OPEB trust agreement to the language of the Court's OPEB trust agreement, the Board of Supervisors approved the First Amendment to the *Trust and Investment Services Agreement for the County of Los Angeles OPEB Program* between the County and LACERA. This amendment permits the pooling of County and Court OPEB Trust assets solely for investment purposes.

In June 2016, similar to the County, the Court entered into a trust and investment services agreement with the LACERA Board of Investments. The Court is the only employer participating in the Court OPEB Trust.

OPEB Master Trust

In July 2016, LACERA's Board of Investments adopted the OPEB Master Trust Declaration and unitization of County and Court OPEB Trust investments. As trustee of the separate OPEB Trusts established by the County and the Court, the Board of Investments has sole and exclusive authority, control over, and responsibility for directing the investment and management of the Master OPEB Trust assets.

A unitized fund structure may allow for synergy from the shared economy and leveraged investment opportunities for greater diversification of assets. Unitization also provides participants the ability to pool assets and resources while retaining total fund and functional category values and reporting for each participant. This approach can offer administrative efficiency, potential cost savings, and permit flexibility in asset allocation. The unitized structure preserves the ability to base investments on the individual needs of each participating employer.

Funding Policy

In June 2015, the Board of Supervisors approved the countywide budget with a dedicated funding policy for the OPEB liability using a multi-year approach to enhance the County's OPEB Trust funding commitment in a consistent manner.

Under the County OPEB Trust, LACERA is defined as a "Contributing Employer." Separate accounts are maintained for the contributions and expense obligations of the County and LACERA. Since inception, LACERA participated with the County in lock-step funding on a pro-rata basis. LACERA's annual budget includes provisions for its share of OPEB Trust contributions. In December 2015, the LACERA Boards adopted the LACERA OPEB Funding Policy allowing LACERA to prefund its portion of retiree healthcare benefits in sync with the County, while also allowing LACERA to prefund its portion of the liability separately. LACERA is not legally obligated, under the Trust or otherwise, to match the County's funding practices, but such a course of action, which has been followed in the past, reduces LACERA's share of healthcare liabilities.

LACERA OPEB Liability Funding

On April 22, 2022 at LACERA's Joint Organizational Governance Committee meeting, LACERA revised its administrative budget policy to include additional OPEB Trust pre-funding contributions at the discretion of LACERA's Chief Executive Officer. The policy states that based upon a projected budget surplus, an additional OPEB contribution may be up to, but not exceed the OPEB contribution amount originally budgeted for that year; so, an administrative budget surplus can be used to double LACERA's total OPEB pre-funding contribution for the year. In June of 2022, LACERA's Board of Retirement and Board of Investments approved the budget policy changes.

The Court continues to pay its OPEB liability on a pay-as-you-go basis. Although the Court has not adopted a formal OPEB funding policy, when budgeted surplus funds are available at fiscal year end, the Court may earmark such excess funds in its discretion from year to year as OPEB Trust contributions.

INVESTMENT POLICIES — OPEB MASTER TRUST

Investment Policy

The allocation of investment assets within the OPEB Master Trust are approved by the OPEB trustee, the LACERA Board of Investments. As outlined in the OPEB Master Trust Investment Policy Statement, assets are managed on a total return basis with the overall goal to provide retiree healthcare program participants with post-employment healthcare benefits as promised, via a long-term investment program.

Target Allocation

The Board's revised asset allocation policy, adopted in December 2017, divides the Trust into four broad functional categories and contain asset classes that align with the purpose of each function. The Board has approved target weights at both the functional category and asset class level to provide for diversification of assets in an effort to meet the OPEB Program's actuarial assumed rate of return, consistent with market conditions and risk control.

At the June 2021 Board meeting, the Board approved a new strategic asset allocation for the OPEB Master Trust that provides the same probability of achieving its target return, but with significantly lower volatility. Consistent with LACERA's Investment Beliefs, the new strategic asset allocation also provides additional benefits of diversification by introducing private market assets into the portfolio structure.

The functional categories have final target weights of 45.0 percent in Growth, 18.0 percent in Credit, 20.0 percent in Real Assets and Inflation Hedges, and 17.0 percent in Risk Reduction and Mitigation. As part of the Board approved three step implementation plan, transition to the new target asset allocation will occur over time, with the second phase transpiring in the upcoming fiscal year.

Schedule of Target Allocation

For the Fiscal Years Ended June 30, 2022 and 2021

Asset Class	2022 Target Allocation		2021 Target Allocation	
Growth	**50.0%**		**50.0%**	
Global Equity		50.0%		50.0%
Credit	**20.0%**		**20.0%**	
High Yield Bonds		6.0%		6.0%
Bank Loans		10.0%		10.0%
EM Local Currency Bonds		4.0%		4.0%
Risk Reduction & Mitigation	**10.0%**		**10.0%**	
Cash		2.0%		2.0%
Investment Grade Bonds		8.0%		8.0%
Real Assets & Inflation Hedges	**20.0%**		**20.0%**	
TIPS		6.0%		6.0%
Real Estate (REITs)		10.0%		10.0%
Commodities		4.0%		4.0%

Investment Concentrations

At June 30, 2022, the OPEB Master Trust held approximately 50.0 percent in Growth, 20.0 percent in Credit, 10.0 percent in Risk Reduction and Mitigation, and 20.0 percent in Real Assets and Inflation Hedges. In addition, The OPEB Master Trust did not hold investments in any one issuer that would represent 5 percent or more of the OPEB Master Trust Fiduciary Net Position Restricted For Benefits.

Money-Weighted Rate of Return

For the fiscal year ended June 30, 2022, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses, was (11.8) percent. Historical returns will be presented as they become available in the Schedule of Investment Returns – OPEB Program presented in the Required Supplementary Information section of this report.

Contributions

The participating employers historically discharged their current healthcare premium subsidy obligations on a pay-as-you-go basis. LACERA bills the participating employers and members for healthcare premiums on a monthly basis and receives reimbursement. The County, Superior Court, and LACERA use the OPEB Trust as a mechanism to prefund these obligations, depositing monies into the irrevocable OPEB Trust, earning interest and investment income, and dispersing funds in accordance with the terms of the Trust Agreement. Retiree healthcare program participants are required to pay the difference between the employer-paid subsidy and the actual premium cost.

For the fiscal year ended June 30, 2022, LACERA contributed a total of $3,131,000 to pre-fund LACERA's portion of OPEB benefits. This amount includes the originally funded through LACERA's administrative budget, and an additional contribution based on a projected budget surplus for the fiscal year 2021-2022.

During fiscal years ended June 30, 2022 and 2021, the County, Superior Court, and LACERA made total prefunding contributions to the OPEB Trust of $376.4 million and $362.7 million respectively, in excess of the pay-as-you-go amounts, both of which are recorded as revenue within the OPEB Trust.

Contributions — OPEB Trust

For the Fiscal Years Ended June 30, 2022 and 2021

(Dollars in Thousands)

	2022	**2021**
Los Angeles County	$372,243	$357,269
LACERA	3,131	1,477
Superior Court	1,000	3,955
Total Contributions [1]	**$376,374**	**$362,701**

(1) Contributions presented here are limited to OPEB Trust prefunding from plan sponsors. OPEB Trust employer contributions presented in the Statement of Changes in Fiduciary Net Position include pay-as-you-to contributions per GASB reporting requirements. Please see Note B - Summary of Significant Accounting Policies for additional information.

Administration

The OPEB Trust administration costs include payments for investment management fees, custodial fees, consultant fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $1.8 million and $1.6 million for fiscal years ended June 30, 2022 and 2021, respectively. The increase in costs was due to asset rebalancing and the addition of new investment accounts. These administrative costs are paid by the OPEB Trust.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2022 and 2021

2022	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Total
Los Angeles County	$924,384	$212,539	$59,881	$449,217	$1,646,021
LACERA	3,657	841	237	29,948	$34,683
Superior Court	24,143	5,482	1,558	119,791	150,974
Total Expenses	**$952,184**	**$218,862**	**$61,676**	**$598,956**	**$1,831,678**

2021	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Total
Los Angeles County	$669,831	$261,863	$53,222	$448,203	$1,433,119
LACERA	2,635	1,031	209	27,088	30,963
Superior Court	19,390	7,448	1,569	108,352	136,759
Total Expenses	**$691,856**	**$270,342**	**$55,000**	**$583,643**	**$1,600,841**

Fund Values

OPEB Trust Fund additions include contributions from participating employers and investment income. Deductions include investment expenses, administrative expenses, and redemptions. There were no redemptions made by OPEB Trust participating employers to pay benefits during the fiscal years ended June 30, 2022 and 2021. The OPEB Trust Fund values were as follows:

Fund Values — OPEB Trust
As of June 30, 2022 and 2021
(Dollars in Thousands)

	2022		
	Book Value	**Unrealized Investment Appreciation**	**Fair Value**
Los Angeles County	$2,073,137	$254,298	$2,327,435
LACERA	9,822	977	10,799
Superior Court	46,819	9,049	55,868
Total Balance	**$2,129,778**	**$264,324**	**$2,394,102**

	2021		
	Book Value	**Unrealized Investment Appreciation**	**Fair Value**
Los Angeles County	$1,678,203	$557,611	$2,235,814
LACERA	6,629	2,181	8,810
Superior Court	45,340	16,863	62,203
Total Balance	**$1,730,172**	**$576,655**	**$2,306,827**

NOTE R — Subsequent Events

Subsequent events have been evaluated by management through October 14, 2022, which is the date the financial statements were issued.

FINANCIAL SECTION
(REQUIRED SUPPLEMENTARY INFORMATION)

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Schedule of Net Pension Liability and Related Ratios [1]

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	$83,931,424	$80,303,904	$76,579,594	$70,309,252	$67,057,218	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Less: Fiduciary Net Position	(70,289,612)	(73,012,026)	(58,510,408)	(58,294,837)	(56,299,982)	(52,743,651)	(47,846,694)	(48,818,350)	(47,722,277)
Net Pension Liability	$13,641,812	$7,291,878	$18,069,186	$12,014,415	$10,757,236	$11,288,026	$10,681,763	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	83.75%	90.92%	76.40%	82.91%	83.96%	82.37%	81.75%	86.30%	86.80%
Covered Payroll [2]	$9,100,791	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	149.90%	80.47%	207.12%	143.54%	135.18%	147.81%	146.73%	111.55%	108.72%

(1) Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

For Other Actuarial Methods and Assumptions, see Notes to the Required Supplementary Information.

Schedule of Changes in Net Pension Liability and Related Ratios [1]

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2022	2021	2020	2019	2018
Total Pension Liability					
Service Cost	$1,583,222	$1,499,597	$1,301,460	$1,239,396	$1,220,274
Interest on Total Pension Liability	5,696,846	5,433,409	5,154,164	4,916,804	4,699,493
Effect of Plan Changes	—	—	—	—	—
Effect of Assumption Changes or Inputs	—	—	2,626,103	—	—
Effect of Economic/Demographic (Gains) or Losses	392,019	605,566	794,955	502,989	309,149
CalPERS Transfer	—	—	—	—	—
Benefit Payments and Refund of Contributions	(4,044,567)	(3,814,262)	(3,606,340)	(3,407,155)	(3,203,375)
Net Change in Total Pension Liability	$3,627,520	$3,724,310	$6,270,342	$3,252,034	$3,025,541
Total Pension Liability - Beginning	80,303,904	76,579,594	70,309,252	67,057,218	64,031,677
Total Pension Liability - Ending (a)	$83,931,424	$80,303,904	$76,579,594	$70,309,252	$67,057,218
Fiduciary Net Position					
Contributions: Employer [2]	$2,199,889	$2,012,877	$1,800,137	$1,668,151	$1,524,823
Contributions: Metropolitan Transportation Authority	—	—	—	—	—
CalPERS Transfer	—	—	—	—	—
Contributions - Member [2]	758,632	760,994	659,296	635,415	591,262
Net Investment Income [3]	(1,554,155)	15,615,699	1,432,547	3,163,618	4,705,949
Net Miscellaneous Income	3,898	2,680	1,985	5,626	5,163
Benefit Payments and Refund of Contributions	(4,044,567)	(3,814,262)	(3,606,340)	(3,407,155)	(3,203,375)
Administrative Expenses [3]	(86,111)	(76,370)	(72,054)	(70,800)	(67,491)
Net Change in Fiduciary Net Position	($2,722,414)	$14,501,618	$215,571	$1,994,855	$3,556,331
Fiduciary Net Position - Beginning	73,012,026	58,510,408	58,294,837	56,299,982	52,743,651
Fiduciary Net Position - Ending (b)	$70,289,612	$73,012,026	$58,510,408	$58,294,837	$56,299,982
Net Pension Liability - Ending (a) - (b)	$13,641,812	$7,291,878	$18,069,186	$12,014,415	$10,757,236
Fiduciary Net Position as a Percentage of Total Pension Liability	83.75%	90.92%	76.40%	82.91%	83.96%
Covered Payroll [4]	$9,100,791	$9,062,051	$8,724,151	$8,370,050	$7,957,981
Net Pension Liability as a Percentage of Covered Payroll	149.90%	80.47%	207.12%	143.54%	135.18%

(1) Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(3) In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.
(4) In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

Schedule of Changes in Net Pension Liability and Related Ratios [1] continued

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$1,106,755	$1,069,328	$1,024,288	$1,009,834
Interest on Total Pension Liability	4,393,712	4,214,834	4,073,299	3,957,030
Effect of Plan Changes	—	—	—	—
Effect of Assumption Changes or Inputs	3,079,892	—	—	—
Effect of Economic/Demographic (Gains) or Losses	(47,506)	(437,039)	(736,010)	—
CalPERS Transfer	—	—	332	—
Benefit Payments and Refund of Contributions	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Net Change in Total Pension Liability	$5,503,220	$1,957,937	$1,593,499	$2,304,463
Total Pension Liability - Beginning	58,528,457	56,570,520	54,977,021	52,672,558
Total Pension Liability - Ending (a)	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Fiduciary Net Position				
Contributions - Employer [2]	$1,331,357	$1,403,709	$1,455,718	$1,281,795
Contributions - Metropolitan Transportation Authority	2	3	25	—
CalPERS Transfer	—	—	332	—
Contributions - Member [2]	526,579	498,083	480,158	477,648
Net Investment Income [3]	6,129,300	80,588	1,989,358	6,910,439
Net Miscellaneous Income	6,182	2,792	1,483	—
Benefit Payments and Refund of Contributions	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Administrative Expenses [3]	(66,830)	(67,645)	(62,591)	(58,723)
Net Change in Fiduciary Net Position	$4,896,957	($971,656)	$1,096,073	$5,948,758
Fiduciary Net Position - Beginning	47,846,694	48,818,350	47,722,277	41,773,519
Fiduciary Net Position - Ending (b)	$52,743,651	$47,846,694	$48,818,350	$47,722,277
Net Pension Liability - Ending (a) - (b)	$11,288,026	$10,681,763	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	82.37%	81.75%	86.30%	86.80%
Covered Payroll [4]	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	147.81%	146.73%	111.55%	108.72%

(1) Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(3) In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.
(4) In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based

Schedule of Employer Contributions History — Pension Plan

Last 10 Fiscal Years

(Dollars in Thousands)

	2022 [2]	2021 [2]	2020 [2]	2019 [2]	2017 [1, 2]	2017 [1 2]	2016 [2]	2015 [2]	2014 [2]	2013 [1]
Actuarially Determined Contributions	$2,199,889	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,357	$1,403,709	$1,455,718	$1,281,795	$1,172,014
Contributions in Relation to Actuarially Determined Contributions	2,199,889	2,012,877	1,800,137	1,668,151	1,524,823	1,331,357	1,403,709	1,455,718	1,281,795	1,172,014
Contribution Deficiency/ (Excess)	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—
Covered Payroll [3]	$9,100,791	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886	$6,595,902
Contributions as a Percentage of Covered Payroll	24.17%	22.21%	20.63%	19.93%	19.16%	17.43%	19.28%	20.95%	19.21%	17.77%

(1) Portion of contributions fulfilled by transfers from County Contribution Credit Reserve: $21,891 (FYE 2017, Superior Court) and $448,819 (FYE 2013, County).
(2) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(3) In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

See Notes to Required Supplementary Information for actuarial funding valuation assumptions used to calculate the actuarially determined contributions.

Schedule of Investment Returns — Pension Plan [1]

For the Fiscal Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return (Net of Investment Expense) [2]	0.6%	25.2%	1.4%	5.5%	9.0%	12.7%	0.7%	4.1%	17.2%

(1) Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

(2) Money-Weighted Rate of Return is calculated as the internal rate of return on Pension Plan investments, net of investment expenses.

Notes to Required Supplementary Information — Pension Plan

Actuarial Methods and Significant Assumptions

The actuarial assumptions used to determine Pension Plan liabilities and employer and employee contributions are based on the results of the 2019 triennial investigation of experience (experience study). The June 30, 2021 actuarial valuation prepared by the consulting actuary reaffirmed all assumptions adopted by the LACERA Board of Investments in January 2020. The LACERA Board of Investments approved a three-year phase-in of the changes to employer contribution rates.

Key Methods and Significant Assumptions[1]

Description	Method
Valuation Timing	Contribution Rates Effective Two Years After Valuation Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions calculated for the June 30, 2021 valuation are applied for the fiscal year July 1, 2022 to June 30, 2023.
Actuarial Cost Method	Individual Entry Age.
Investment Rate of Return	Annual Rate of 7.0 Percent Future investment earnings are assumed to accrue at an annual rate of 7.0 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2019 valuation.
Consumer Price Index	Annual Rate of 2.75 Percent This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2019 triennial experience study.
Salary Increases and Wage Growth	Projected Salary Increases: 3.51 percent to 12.54 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.25 percent per annum rate of increase in the general Wage Growth.
Asset Valuation Method	Five-Year Asset Smoothing Assets are valued using a five-year smoothed method based on the difference between expected market value and actual market value. The recognition method is non-asymptotic, and there is no minimum or maximum corridor applied.
Amortization Method	20-Year Amortization The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. Effective June 30, 2019, existing UAAL layers as of June 30, 2018 are amortized over their remaining periods, not to exceed 22 years. Each new layer effective on or after June 30, 2019 is amortized over a 20-year period. The UAAL contribution rate calculated in the June 30, 2021 funding valuation includes 13 layers.

(1) Assumptions applied to funding valuation calculations may vary with those applied to GASB 67 calculations.

Description	Method
Retirement Age	Various Rates and Probabilities A schedule of the probabilities of employment termination based on age due to a particular cause is used. For additional information, see the Probability of Occurrence tables in the Actuarial Section.
Cost-of-Living Adjustments (COLA)	Annual COLAs of 2.75 Percent or 2.0 Percent Post-retirement benefit increases of either 2.75 percent or 2 percent per year are assumed for the valuation in accordance with the benefits provided. This rate was adopted beginning with the June 30, 2016 valuation.
Mortality	2019 SOA Mortality Tables for Public Employees Various rates based on Pub-2010 mortality tables and using MP-2014 Ultimate Projection Scale. See the June 30, 2021 actuarial funding valuation report for details.
Recognition of Inflows/ Outflows	Straight-Line Amortization
Gains or Losses	
Investment	Straight-line amortization over five years.
Economic/Demographic	Straight-line amortization over expected working life.
Assumption Changes or Inputs	Straight-line amortization over expected working life.

Changes in Pension Plan Assumptions

In addition to the annual actuarial valuations, LACERA requires its consulting actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. An experience study was performed by the actuary for the three-year period ended June 30, 2019. This review, commonly referred to as the investigation of experience or experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. Based upon the experience study, the actuary determines whether changing the assumptions or methodology will better project benefit liabilities and asset growth. At the January 2020 Board of Investments meeting, the Board reaffirmed some existing assumptions and adopted some new valuation assumptions with the approval of the 2019 experience study report. Those assumptions were used to prepare both the June 30, 2019, 2020 and 2021 actuarial valuation reports.

Assumption changes from the June 30, 2016 experience study report are also presented to meet GASB 67 requirements to disclose significant assumptions and other inputs to measure and report the Total Pension Liability over a 10-year period. These assumptions were adopted by the Board of Investments at their December 2016 meeting.

2019 Assumption Changes

The Board adopted a decrease in the investment return assumption to 7.0 percent. The CPI assumption of 2.75 percent and general wage growth assumption of 3.25 percent remained unchanged.

New mortality tables based on recently published tables that are specific to public plans' general and safety members, with adjustments to match LACERA experience, were adopted. The MP-2014 Ultimate Projection Scale was retained and reflects the gradual year-to-year improvement in mortality that is expected to occur in the future. This is sometimes referred to as "generational mortality." Mortality rates are based on the Pub-2010 mortality tables and include projections for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

2016 Assumption Changes

The Board adopted a decrease in the investment return assumption to 7.25 percent, a decrease in the CPI assumption to 2.75 percent, and a corresponding decrease in the general wage growth assumption to 3.25 percent.

An increase in life expectancies was adopted. Various rates are based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including a projection for expected future mortality improvement using 100 percent of the MP-2014 Ultimate Projection Scale.

Schedule of Investment Returns — OPEB Program [1]
For the Fiscal Years Ended June 30

	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense) [2]	(11.8)%	28.2%	0.5%	6.0%	10.0%	16.0%

(1) Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.
(2) Money-Weighted Rate of Return is calculated as the internal rate of return on OPEB Trust investments, net of investment expenses.

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FINANCIAL SECTION
(OTHER SUPPLEMENTARY INFORMATION)

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Administrative Expenses — Pension Plan
For the Fiscal Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Personnel Services		
Salaries and Wages	$43,224	$43,845
Employee Benefits	28,499	26,138
Total Personnel Services	**$71,723**	**$69,983**
Consultant & Professional Services		
County Department Services	$461	$346
External Audit Fees	276	315
Legal Consultants	3,154	1,179
Professional Services	427	438
Temporary Personnel Services	5,085	3,796
Total Consultant & Professional Services	**$9,403**	**$6,074**
Operating Expenses & Equipment		
Administrative Support	$203	$183
General Expenses	891	733
Computer Software	3,478	2,826
Disability Medical Service Fees	2,240	1,631
Educational Expenses	599	742
Equipment	963	1,720
Facilities Operations	6,582	3,750
Insurance	1,096	761
Printing	808	796
Postage	971	758
Telecommunications	935	605
Transportation and Travel	229	24
Total Operating Expenses & Equipment	**$18,995**	**$14,529**
Total Administrative Expenses	**$100,121**	**$90,586**

Schedule of Investment Expenses

For the Fiscal Years Ended June 30, 2022 and 2021

(Dollars in Thousands)

	Pension Plan		OPEB Master Trust		OPEB Custodial Fund	
	2022	2021	2022	2021	2022	2021
Investment Management Fees						
Cash and Short-Term	$307	$447	$20	$12	$25	$25
Commodity	5,203	4,029	161	111	—	—
Global Equity	44,895	38,304	295	229	—	—
Fixed Income	81,465	89,294	1,857	1,468	90	82
Hedge Fund	99,075	83,130	—	—	—	—
Private Equity	260,426	201,234	—	—	—	—
Real Assets	22,565	5,959	—	—	—	—
Real Estate	50,674	39,195	148	107	—	—
Total Investment Management Fees [1]	**$564,610**	**$461,592**	**$2,481**	**$1,927**	**$115**	**$107**
Other Investment Expenses						
Consultants	$9,019	$2,846	$62	$55	$—	$—
Custodian	3,700	2,504	219	270	27	11
Legal Counsel	1,082	1,263	—	—	—	—
Other [2]	13,315	27,582	—	—	—	—
Total Other Investment Expenses	**$27,116**	**$34,195**	**$281**	**$325**	**$27**	**$11**
Total Fees & Other Investment Expenses	**$591,726**	**$495,787**	**$2,762**	**$2,252**	**$142**	**$118**

(1) Difference in management fee expense from the Statement of Changes in Fiduciary Net Position are due to the inclusion of incentive fees and carry allocations in the schedule above. These incentive fees and carry allocations are deducted from investment income in the Statement of Changes in Fiduciary Net Position.

(2) Includes $20 million hold back by a private equity general partner for potential tax liability and near term expenses.

Schedule of Payments to Consultants — Pension Plan
For the Fiscal Years Ended June 30, 2022 and 2021
(Dollars in Thousands)

	2022	2021
Actuarial		
Actuarial Valuations and Consulting Services	$219	$248
Audit		
External Audit Services	$276	$314
Legal		
Investment Legal Counsel	$1,082	$1,263
Legislative Consulting	256	256
Other Legal Services	2,899	923
Sub-total	$4,237	$2,442
Management		
Management and Human Resources Consulting	$38	$23
Information Technology Consulting	53	47
Sub-total	$91	$70
Total Payments to Consultants	**$4,823**	**$3,074**

Note: For fees paid to investment professionals, refer to Schedule of Investment Management Fees in the Investment Section.

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INVESTMENT SECTION

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Chief Investment Officer's Report — As of June 30, 2022

Dear LACERA Members:

I am pleased to present the Investment Section of LACERA's Annual Comprehensive Financial Report for Fiscal Year 2022. LACERA oversees two funds (the Funds) for the County of Los Angeles, the defined benefit retirement plan (the Pension Plan) and the LACERA Other Post-Employment Benefit Master Trust for retiree healthcare benefits (the OPEB Trust).[1] This section presents the investment performance of the Pension Plan and the OPEB Trust as well as an overview of the investment portfolios.

During fiscal year 2022, a multitude of factors weighed down on growth and continued to exacerbate economic uncertainty, including high inflation, a persistent and evolving pandemic, the effects of the Russian/Ukraine war, and global food and energy supply constraints. LACERA invests over a long-time horizon, and there will be times of strong market returns as well as times of market turmoil. With this in mind, LACERA's Board of Investments proactively adopted a new strategic asset allocation and a strategic plan in recent years with the intent to build a portfolio that can meet LACERA's future benefit obligations while being resilient in times of market volatility. Consistent with these Board-approved frameworks, LACERA's portfolio is designed to maximize risk-adjusted returns while maintaining sufficient liquidity to pay monthly benefits to our members now and into the future.

Performance Summary

The Pension Plan returned a modest 0.1 percent during the fiscal year, while the OPEB Trust posted a loss of (11.2) percent during the same period.[2] The different return profiles can primarily be attributed to the different asset allocation for the OPEB Trust relative to the Pension Plan and that the OPEB Trust did not invest in private assets during the fiscal year. LACERA aims to meet or exceed the Funds' respective benchmarks over a full market cycle and their respective actuarial expected return assumptions over the long term. As illustrated below, the Pension Plan's return outperformed its policy benchmark for all periods and is ahead of its actuarial expected return of 7.0 percent[3] for all periods except the one-year period. The Pension Plan's outperformance for the fiscal year relative to its policy benchmark demonstrates the benefits of the broad diversification built into LACERA's strategic asset allocation during this time of market uncertainty. 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.[4]

[1] LACERA is responsible for the administration and investment of two separate funds: the County of Los Angeles (the County) defined benefit retirement plan, whose assets provide retirement benefits for employees of the County and outside districts, and the LACERA Other Post-Employment Benefit Master Trust, whose assets are held in trust to provide post-employment healthcare benefits for retirees of the County, LACERA, and the Superior Court of California, County of Los Angeles.

[2] The Pension Plan and OPEB Trust returns are calculated based on a time-weighted rate of return. All returns are net of fees unless otherwise noted.

[3] The Pension Plan's actuarial expected return for the period ending June 30, 2022.

[4] The OPEB Trust's actuarial expected return for the period ending June 30, 2022.

Annualized Total Returns
Fiscal Year Ended June 30, 2022
(Net of Fees)

	1 Year	3 Years	5 Years	7 Years	10 Years
Pension Plan	0.1%	8.5%	8.1%	7.7%	8.6%
Policy Benchmark	*-4.6*	*6.2*	*7.0*	*6.9*	*7.9*
OPEB Trust[5]	-11.2	4.4	5.8	6.7	n/a
Policy Benchmark	*-11.0*	*4.2*	*5.4*	*5.5*	*n/a*

Asset Allocation

LACERA's Board of Investments (the Board) adopts separate Investment Policy Statements to guide the Pension Plan's and the OPEB Trust's investments. Each Investment Policy Statement defines a strategic asset allocation that aims to maximize long-term growth while ensuring that LACERA meets its current and future obligations. To that end, LACERA expects the Funds' strategic asset allocations to be the core driver of risk-adjusted returns over the long term.

The Pension Plan's and the OPEB Trust's strategic asset allocations apportion investment dollars among functional categories and sub-asset classes based on long-term risk and return objectives and short-term liquidity needs. A table detailing the functional categories, sub-asset classes, and the role each is expected to fulfill in LACERA's investment portfolios is presented below[6]:

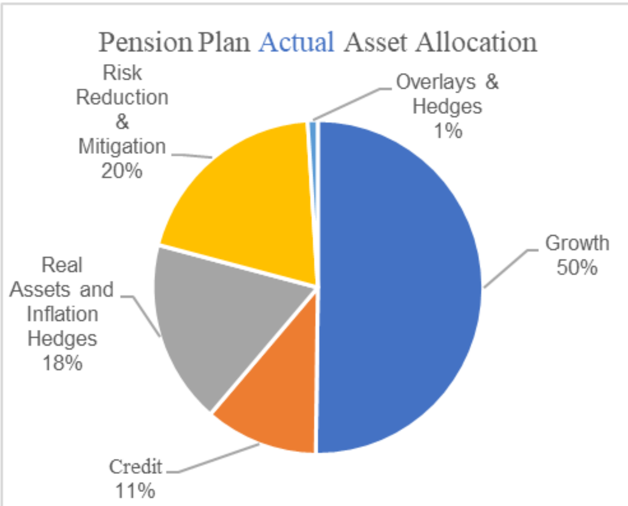
Functional Category	Sub-Asset Classes	Role In Portfolio
Growth	Global Equity Private Equity Non-Core Real Estate	Primary driver of long-term total returns
Credit	Liquid Credit Illiquid Credit	Produce current income and moderate long - term total returns with lower risk than growth assets
Real Assets and Inflation Hedges	Core Real Estate Natural Resources/Commodities Infrastructure Treasury Inflation Protected Securities	Provide income and hedge against inflation
Risk Reduction and Mitigation	Investment Grade Bonds Diversified Hedge Funds Long-term Government Bonds Cash	Provide current income and a modest level of return while reducing total portfolio risk

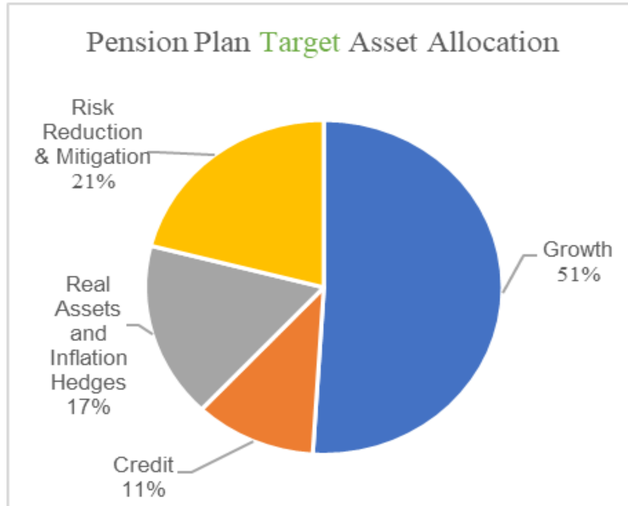
LACERA's Board reviews the strategic asset allocation for each Fund every three to five years or more often if needed to ensure that both portfolios are aligned with anticipated risks and opportunities. Asset allocation studies consider a number of factors including, but not limited to: the Funds' current and projected funded status, liabilities, and liquidity requirements; the long-term risk,

[5] Performance inception for the OPEB Trust is February 1, 2013.
[6] The current functional frameworks of the Pension Plan and the OPEB Trust differ slightly as the OPEB Trust did not invest in private assets. In June 2021, the Board of Investments approved an 18% allocation to private assets for the OPEB Trust as part of the strategic asset allocation review. During the 2022-23 fiscal year, the OPEB Trust will begin investing in private assets.

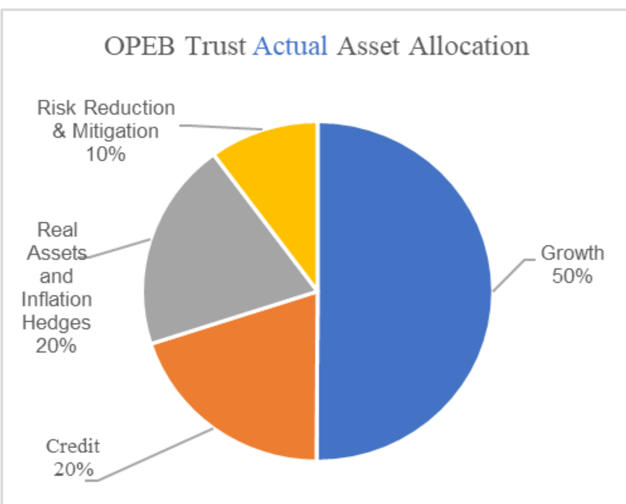
return, and correlation expectations for individual asset categories; and an assessment of future economic conditions.

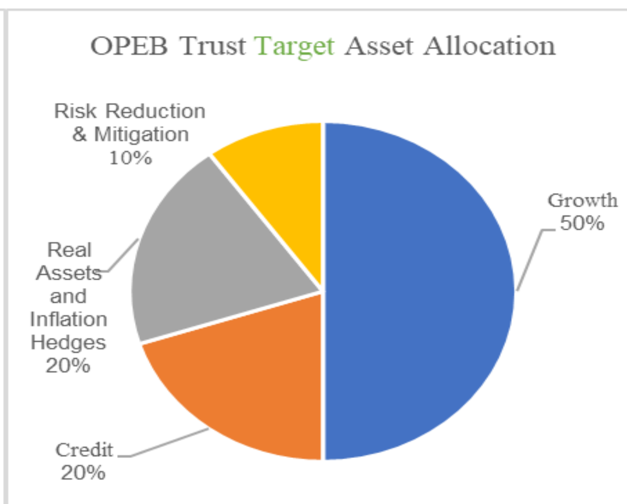
The Pension Plan’s June 30, 2022 actual and target asset allocation are shown below.[7]





Based on its own liquidity needs and funding status, the OPEB Trust’s strategic asset allocation differs from that of the Pension Plan. The OPEB Trust’s fiscal year-end and target allocations are illustrated below.





During the fiscal year, LACERA transitioned the assets of the Pension Plan and OPEB Trust towards the strategic asset allocation targets approved by LACERA’s Board of Investments in May 2021. Both portfolios were in compliance with their policy target allocation ranges as of fiscal year end.

Beyond strategic asset allocation, LACERA has done significant work in recent years to execute on the five distinct strategic initiatives enumerated in LACERA’s strategic plan: 1) enhance operational

[7] The Pension Plan’s actual asset allocation includes an overlay and hedges composite which invests LACERA’s excess cash (cash in excess of the target allocation of 1% of the Pension Plan’s total assets) in synthetic securities that provide similar investment exposure to the Pension Plan and hedges 50% of the non-US developed market currency exposure in Pension Plan’s global equities portfolio.

effectiveness, 2) optimize investment model, 3) maximize stewardship and ownership rights, 4) strengthen influence on fees and cost of capital, and 5) execute LACERA's T.I.D.E. (Towards Inclusion, Diversity, and Equity) initiative. Taken together, these initiatives are designed to maximize investment returns while mitigating risks. Consistent with these initiatives, LACERA has undertaken innovative solutions to improve expected outcomes, all of which inure to the benefit of our members. For example, LACERA established an internally managed private equity co-investment program which has resulted in excess returns relative to the core private equity program and benchmarks while providing significant cost savings. We continue to negotiate novel fee terms and structuring rights with some of our largest alternative asset managers, resulting in LACERA retaining a higher share of the profits while enhancing our control and visibility into the underlying investments and operational costs.

Core Performance Drivers

In last year's letter, I mentioned that LACERA took proactive steps to build a more resilient, diversified and risk-mitigating portfolio in preparation for changing economic conditions. Today we see the benefits of our efforts as the economy is facing an environment with high inflation, rising interest rates, and unexpected geopolitical events. The returns of many institutional portfolios have been adversely impacted. Despite these challenges, the Pension Plan delivered a slightly positive return during the fiscal year and outperformed its benchmark by 470 basis points. The Pension Plan's real assets and inflation hedges asset class provided strong performance, returning 14 percent for the fiscal year, while the cash overlay and hedges composite contributed a gain of $558 million in the same period. Positive returns from these two areas helped offset the negative returns experienced in the growth, credit, and risk reduction and mitigation asset classes. Additionally, all functional asset classes of the Pension Plan outperformed their individual benchmarks. LACERA's execution of its strategic asset allocation has enhanced portfolio diversification, and when combined with the execution of our strategic initiatives, have led to the Pension Plan's strong performance relative to its benchmark and peers during the fiscal year and over recent periods.

Looking Forward

The global economy and geopolitical environment experienced a remarkable amount of uncertainty during the last fiscal year. While we are pleased that the Pension Plan was able to weather the challenges and outperform the benchmark portfolio for the fiscal year, we understand that the uncertainty in the market is likely to continue for some time. We remain humbled and focused on our role as stewards of capital for our members' retirement futures. LACERA's mission is to produce, protect and provide the promised benefit to its members, and we are as committed as ever to delivering long-term durable returns so that LACERA can deliver on its promise.

Respectfully submitted,

Jonathan Grabel

Jonathan Grabel
Chief Investment Officer

Investment Summary — Pension Plan [1]
For the Fiscal Year Ended June 30, 2022
(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	$35,330,986		
Global Equity		21,342,825	30.3%
Private Equity		12,901,178	18.3%
Non-Core Private Real Estate		1,086,983	1.6%
Credit	$7,823,988		
Liquid Credit		4,581,147	6.5%
Illiquid Credit		3,242,841	4.6%
Real Assets and Inflation Hedges	$12,538,843		
Core Private Real Estate		4,323,249	6.1%
Natural Resources & Commodities		2,957,771	4.2%
Infrastructure		3,327,236	4.7%
Treasury Inflation-Protected Securities (TIPS)		1,930,587	2.7%
Risk Reduction and Mitigation [2]	$14,020,495		2.8% [3]
Investment Grade Bonds		5,556,007	7.9%
Diversified Hedge Funds		4,195,895	6.0%
Long-Term Government Bonds		1,209,945	1.7%
Cash		1,066,914	1.5%
Overlay & Hedges	$692,470		
Cash Overlay		525,028	0.8%
Currency Hedge		167,442	0.3%
Total Investments - Pension Plan		**$70,406,782**	**100.0%**

[1] Differences between fair values in the Statement of Fiduciary Net Position and this schedule are due to the differences between Investment Book of Record and Accounting Book of Record.
[2] Includes $2 billion in Long Treasury Bonds Transition.
[3] Percent of total fair value corresponding to the $2 billion in Long Treasury Bonds Transition.

Investment Summary — OPEB Master Trust [1]
For the Fiscal Year Ended June 30, 2022
(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	$1,199,699		
Global Equity		1,199,699	50.1%
Credit	$476,248		
Liquid Credit		476,248	19.9%
Real Assets and Inflation Hedges	$475,333		
Real Estate (REITs)		241,131	10.1%
Commodities		92,737	3.9%
Treasury Inflation-Protected Securities (TIPS)		141,465	5.9%
Risk Reduction & Mitigation [2]	$241,956		
Investment Grade Bonds		193,282	8.1%
Cash		48,627	2.0%
Operational Cash	$844		0.0%
Total Investments - OPEB Master Trust		**$2,394,080**	**100.0%**

[1] Differences between fair values in the Statement of Fiduciary Net Position and this schedule are due to the differences between Investment Book of Record and Accounting Book of Record.
[2] Includes $46,457 in interest receivable that is not included in the Investment Grade Bonds or Cash.

Investment Summary — OPEB Custodial Fund [1]
For the Fiscal Year Ended June 30, 2022
(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$206	0.1%
Fixed Income	172,001	99.9%
Total Investments - OPEB Custodial Fund	**$172,207**	**100.0%**

(1) Differences between fair values in the Statement of Fiduciary Net Position and this schedule are due to the differences between Investment Book of Record and Accounting Book of Record.

Investment Results Based on Fair Value [1,2] — Pension Plan *

As of June 30, 2022

	Annualized (Net-of-Fees)				
	Quarter End June 30, 2022	**One-Year**	**Three-year**	**Five-year**	**Ten-year**
Growth	(9.4)%	(2.0)%	12.6%		
Growth Custom Benchmark	*(11.6)%*	*(8.1)%*	*9.5%*		
Global Equity	(15.1)%	(15.1)%	6.6%		
Global Equity Custom Benchmark	*(15.8)%*	*(16.5)%*	*6.0%*		
Private Equity - Growth	0.8%	30.2%	26.6%		
Private Equity - Growth Custom Benchmark	*(5.0)%*	*8.4%*	*15.7%*		
Non-Core Private Real Estate	4.7%	23.5%	14.2%	13.2%	12.0%
Non-Core Real Estate Policy Benchmark	*7.7%*	*30.3%*	*13.4%*	*12.0%*	*13.1%*
Credit	(5.2)%	(4.2)%	3.1%		
Credit Custom Benchmark	*(5.7)%*	*(7.5)%*	*1.2%*		
Liquid Credit	(7.9)%				
Liquid Credit Custom Benchmark	*(7.6)%*				
Illiquid Credit	(1.0)%	6.7%	11.2%		
Illiquid Credit Custom Benchmark	*(3.5)%*	*(3.4)%*	*3.4%*		
Real Assets & Inflation Hedges	(1.6)%	14.3%	7.9%		
Real Assets & Inflation Hedges Custom Benchmark	*(3.2)%*	*12.4%*	*8.7%*		
Core Private Real Estate	8.4%	27.9%	8.4%	8.3%	8.8%
Core Private Real Estate Custom Benchmark	*7.1%*	*27.4%*	*10.7%*	*9.4%*	*10.4%*
Natural Resources & Commodities	(6.1)%	18.6%	12.5%	8.0%	(0.3)%
Natural Resources & Commodities Custom Benchmark	*(12.4)%*	*12.2%*	*11.2%*	*7.0%*	*(1.5)%*
Infrastructure	(6.5)%	4.1%	7.6%		
DJ Brookfield Global Infrastructure	*(6.9)%*	*2.8%*	*4.5%*		
TIPS	(6.3)%	(4.8)%	3.1%		
Bloomberg Barclays U.S. Treasury U.S. TIPS	*(6.1)%*	*(5.1)%*	*3.0%*		
Risk Reduction & Mitigation	(3.4)%	(7.1)%	0.8%		
Risk Reduction & Mitigation Custom Benchmark	*(3.9)%*	*(7.7)%*	*(0.1)%*		
Investment Grade Bonds	(4.8)%	(10.6)%	(0.7)%	1.1%	2.1%
Bloomberg Barclays U.S. Aggregate	*(4.7)%*	*(10.3)%*	*(0.9)%*	*0.9%*	*1.5%*
Diversified Hedge Funds	1.5%	4.0%	7.1%		
Diversified Hedge Funds Custom Benchmark	*0.7%*	*2.6%*	*3.2%*		
Long-Term Government Bonds	(11.4)%				
Bloomberg U.S. Treasury Long	*(11.9)%*				
Cash	0.7%	1.5%	1.3%	1.6%	1.1%
Cash Custom Benchmark	*0.1%*	*0.2%*	*0.6%*	*1.1%*	*0.7%*
Overlays & Hedges	73.9%				
Cash Overlay	17.2%	64.7%			
Total Overlay Custom Benchmark	*(11.5)%*	*(11.9)%*			
Currency Hedge	3.6%				
50% FX Hedge Custom Benchmark	*3.6%*				
Total Fund	**(5.9)%**	**0.1%**	**8.5%**	**8.1%**	**8.6%**
Total Fund Policy Benchmark	**(7.9)%**	**(4.6)%**	**6.2%**	**7.0%**	**7.9%**

[1] Functional asset category returns are calculated based on time-weighted rates of return, net of manager fees; Total Fund performance is calculated based on the weighted average returns of the functional asset categories, net of manager fees.
[2] Some asset categories and their benchmarks are reported with a one or three-month lag.

*A complete list of custom benchmark definitions is available upon request.

Investment Results Based on Fair Value [1] — OPEB Master Trust *

As of June 30, 2022

	Annualized (Net-of-Fees)			
	Quarter End June 30, 2022	**One-Year**	**Three-year**	**Five-year**
Growth	(15.7)%	(16.3)%	6.2%	7.0%
OPEB Master Trust Growth Custom Benchmark	*(15.8)%*	*(16.5)%*	*6.0%*	*6.7%*
Global Equity	(15.7)%	(16.3)%	6.2%	7.0%
MSCI ACWI IMI Net	*(15.8)%*	*(16.5)%*	*6.0%*	*6.7%*
Credit	(7.2)%	(9.8)%	(0.6)%	
OPEB Master Trust Credit Custom Benchmark	*(7.2)%*	*(9.7)%*	*(0.2)%*	
Bank Loans	(4.5)%	(3.4)%	1.6%	
S&P/LSTA Leverage Loan	*(4.5)%*	*(2.8)%*	*2.1%*	
EM Debt	(8.6)%	(19.3)%	(6.2)%	
JPM GBI-EM Global Diversified	*(8.6)%*	*(19.3)%*	*(5.8)%*	
High Yield	(10.0)%	(12.9)%	(0.3)%	
Bloomberg Barclays U.S. Corporate HY	*(9.8)%*	*(12.8)%*	*0.2%*	
Real Assets & Inflation Hedges	(12.0)%	0.5%	5.9%	
OPEB Master Trust Real Asset & Inflation Hedges Custom Benchmark	*(12.1)%*	*0.2%*	*5.6%*	
Real Estate (REITs)	(18.1)%	(6.5)%	2.3%	
DJ US Select Real Estate Sec Index	*(18.1)%*	*(6.4)%*	*2.5%*	
Commodities	(5.8)%	24.8%	14.5%	
Bloomberg Commodity Index (Total Return)	*(5.7)%*	*24.3%*	*14.3%*	
Treasury Inflation-Protected Securities (TIPS)	(6.1)%	(5.2)%	3.1%	
Bloomberg Barclays U.S. TIPS Index	*(6.1)%*	*(5.1)%*	*3.0%*	
Risk Reduction & Mitigation	(3.7)%	(8.2)%	(0.5)%	1.4%
OPEB Master Trust Risk Reduction & Mitigation Custom Benchmark	*(3.7)%*	*(8.3)%*	*(0.6)%*	*1.2%*
Investment Grade Bonds	(4.7)%	(10.2)%	(0.9)%	
Bloomberg Barclays U.S. Aggregate	*(4.7)%*	*(10.3)%*	*(0.9)%*	
Enhanced Cash	0.2%	0.2%	0.9%	1.5%
Cash Policy Custom Benchmark	*0.1%*	*0.2%*	*0.7%*	*1.2%*
Total OPEB Master Trust	**(12.2)%**	**(11.2)%**	**4.4%**	**5.8%**
Total OPEB Master Trust Policy Benchmark	**(12.2)%**	**(11.0)%**	**4.2%**	**5.4%**

(1) Functional asset category returns are calculated based on time-weighted rates of return, net of manager fees; Total OPEB Master Trust performance is calculated based on the weighted average returns of the asset classes, net of manager fees.

*A complete list of custom benchmark definitions is available upon request.

Total Investment Rates of Return — Pension Plan

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

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (net of fees)[1]	Total Fund Money-Weighted Return (net of fees)[2]	Return on Smoothed Valuation Assets (net of fees)[3]	Actuarial Assumed Rate of Return [4]	Actuarial Funded Ratio [5]
2013	$42,285,906	11.9%	—%	5.4%	7.50%	75.0%
2014	49,033,365	16.5%	17.5%	11.8%	7.50%	79.5%
2015	47,990,447	4.1%	4.1%	10.5%	7.50%	83.3%
2016	47,898,667	0.8%	0.7%	6.5%	7.25%	79.4%
2017	52,225,457	12.7%	12.7%	8.2%	7.25%	79.9%
2018	55,443,060	9.0%	9.0%	8.1%	7.25%	80.6%
2019	57,976,437	6.4%	5.5%	6.5%	7.00%	77.2%
2020	56,574,410	1.8%	1.4%	5.8%	7.00%	76.3%
2021	70,297,718	25.2%	25.2%	10.4%	7.00%	79.3%
2022 [6]	$67,467,013	0.1%	0.6%	N/A	N/A	N/A

(1) **Total Fund — Time-Weighted Rate of Return** is the aggregate increase or decrease in the value of the portfolio resulting from the net appreciation or depreciation of the principal of the fund, plus or minus the net income or loss experienced by the fund during the period. The returns are presented net of investment management fees.

(2) **Total Fund — Money-Weighted Rate of Return** is a measurement of investment performance, net of investment expenses, adjusted for the changing amounts actually invested. The returns are presented net of investment management fees.

(3) **Return on Smoothed Valuation Assets** consists of annual investment income in excess or shortfall of the expected rate of return on a valuation (actuarial) basis smoothed over a specified period with a portion of the year's asset gains or losses being recognized each year beginning with the current year.

(4) **Actuarial Assumed Rate of Return** is the future investment earnings of the assets which are assumed to accrue at an annual rate, compounded annually, net of both investment and administrative expenses. The actuarial assumed rate of return is 7 percent as adopted by the Board of Investments based on the results of the actuarial investigation of experience completed in January 2020. For Fiscal Year 2021-2022, interest crediting and operating tables applied the 7 percent actuarial assumed rate of return.

(5) **Actuarial Funded Ratio** is a measurement of the funded status of the fund calculated by dividing the valuation assets by the actuarial accrued liability.

(6) **Actuarial Valuation** report for June 30, 2022 not yet available at financial statement publication.

Largest Equity Holdings — Pension Plan [1]

As of June 30, 2022

(Dollars in Thousands)

Shares	Description	Fair Value
5,386,524	Apple Inc.	$736,446
2,367,663	Microsoft Corporation	608,087
193,729	Alphabet Inc.	422,955
3,012,959	Amazon.com Inc.	320,006
1,490,180	Crown Castle Inc.	250,917
974,519	American Tower Corporation	249,077
2,657,030	Exxon Mobil Corporation	227,548
4,868,728	Enbridge Inc.	205,174
283,435	Tesla Inc.	190,871
1,151,325	Sempra Energy	173,010

Note: A complete list of portfolio holdings is available upon request by contacting LACERA..

(1) Reflects the global equity exposure of assets held in custody as well as certain commingled funds.

Largest Fixed Income Holdings — Pension Plan [1]

As of June 30, 2022
(Dollars in Thousands)

Par	Description	Fair Value
110,326,581	Federal National Mortgage Association 2.000% 20510701	$96,135
82,560,523	United States Treasury 0.125% 20320115	78,672
83,271,069	Federal National Mortgage Association 2.500% 20510801	75,246
93,265,725	United States Treasury 1.750% 20410815	71,966
69,992,552	United States Treasury 0.125% 20310715	66,837
83,905,865	United States Treasury 2.000% 2051085	66,039
60,295,170	United States Treasury 0.125% 20261015	59,860
55,010,484	United States Treasury 2.875% 20520515	52,584
49,000,000	Federal National Mortgage Association TBA 09/2022 30Y 5.000%	49,868
64,080,575	United States Treasury 1.875% 20511115	48,646

Note: A complete list of portfolio holdings is available upon request by contacting LACERA.

(1) Reflects fixed income exposure of assets held in custody as well as certain commingled funds.

Schedule of Investment Management Fees

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

	Pension Plan		OPEB Trust		OPEB Custodial Fund	
Investment Managers	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Cash and Short-Term	$307	$447	$20	$12	$25	$25
Commodity	5,203	4,029	161	111	—	—
Global Equity	44,895	38,304	295	229	—	—
Fixed Income	81,465	89,294	1,857	1,468	90	82
Hedge Fund	99,075	83,130	—	—	—	—
Private Equity	260,426	201,234	—	—	—	—
Real Asset	22,565	5,959	—	—	—	—
Real Estate	50,674	39,195	148	107	—	—
Total Investment Management Fees [1]	**$564,610**	**$461,592**	**$2,481**	**$1,927**	**$115**	**$107**

(1) Difference in expenses from investing activities in the Statement of Changes in Fiduciary Net Position is due to incentive fees, carry allocations, and operating expenses included in the above schedule. In the Statement of Changes in Fiduciary Net Position, these incentive fees, carry allocations, and operating expenses are deducted from investment income.

List of Investment Managers

GROWTH

Global Equity
Acadian Asset Management, LLC
BlackRock Institutional Trust Company, N.A.
Capital International, Inc.
Cevian Capital LTD
CornerCap Investment Counsel
Frontier Capital Management Company, LLC
Genesis Investment Management, LLP
Global Alpha Capital Management, LTD
JANA Partners, LLC
J.P. Morgan Investment Management Inc.
Lazard Asset Management, LLC
Parametric Portfolio Associates, LLC
Quantitative Management Associates, LLC
State Street Global Advisors (SSGA)
Symphony Financial Partners
Systematic Financial Management, LP

Non-Core Private Real Estate
Aermont Capital Management, S.a.r.l
AEW Capital Management, LP
Angelo, Gordon & Company, LP
Bain Capital, LP
CapMan, PLC
Capri Capital Advisors, LLC
CB Richard Ellis Global Investors, LLC
CityView Management Services, LLC
Hunt Investment Management, LLC
Europa Capital, LLP
RREEF America, LLC
Starwood Capital Group
Stockbridge Capital Group
The Carlyle Group
TPG Capital

Private Equity[1]
J.P. Morgan Investment Management, Inc.
Morgan Stanley Alternative Investments, LLC
Pathway Capital Management, LP

CREDIT

High Yield
Beach Point Capital Management, LP
BlackRock Institutional Trust Company, N.A.
Brigade Capital Management, LLC
PineBridge Investment, LLC

Bank Loans
Bain Capital Credit, LP
Credit Suisse Asset Management, LLC
Crescent Capital Group, LP

Emerging Market Debt
Aberdeen Standard Investments
Ashmore Investment Management LTD

Illiquid Credit
Barings, LLC
Beach Point Capital Management, LP
Grosvenor Capital Management, LP
Magnetar Capital, LLC
Napier Park Global Capital
Pacific Investment Management Company, LLC (PIMCO)
Quadrant Real Estate Advisors, LLC
Silver Rock Capital Management
Tennenbaum Capital Partners, LLC

REAL ASSETS and INFLATION HEDGES

Core Real Estate
Avison Young - Southern California, LTD
CityView Management Services, LLC
Clarion Partners, LLC
Heitman Capital Management, LLC
IDR Investment Management, LLC
Invesco Advisers, Inc.
Prologis Management II, S.a.r.l
RREEF America, LLC
Stockbridge Capital Group

Infrastructure
RREEF America, LLC

(1) A complete list of Private Equity Investment Managers by functional category is available upon request.

Infrastructure (Private)
Antin Mid Cap Fund I
Axium (CAD)
Axium North America (USD)
DIF CIF III
DIF VI Infrastructure
DWS Pan-European Infrastructure Fund III
Grain GCOF III
Grain Spectrum Holdings III
Guardian Smart Infrastructure Partners
KKR DCIF
Partners Group Direct Infrastructure 2020

Natural Resources and Commodities
Credit Suisse Asset Management, LLC
Gresham Investment Management, LLC
Neuberger Berman Fixed Income, LLC
Pacific Investment Management Company, LLC (PIMCO)
RREEF America, LLC

Natural Resources and Commodities (Private)
Cibus Fund II
Cibus Enterprise II
Hitec Vision New Energy Fund SCSP
Orion Mine Finance Fund III
Orion Mineral Royalty Funds I
TIAA CREF Global Agriculture
TIAA CREF Global Agriculture II

Treasury Inflation-Protected Securities
BlackRock Institutional Trust Company, N.A.

RISK REDUCTION and MITIGATION

Investment Grade Bonds
Allspring Global Investments
BlackRock Institutional Trust Company, N.A.
Pugh Capital Management, Inc.
Western Asset Management Company

Diversified Hedge Funds
AM Squared General Partner Limited
Brevan Howard Capital Management
Capula Investment Management
Caxton Associates, LP
Davidson Kempner Institutional Partners, LP
Goldman Sachs Hedge Fund Strategies, LLC
Grosvenor Capital Management, LP
HBK Capital Management
Hudson Bay Capital Management
Polar Asset Management Partners
Stable Asset Management

Cash
State Street Global Advisors (SSGA)

Mortgage Loan Servicer
Ocwen Loan Servicing, LLC

Securities Lending Program
State Street Bank & Trust Company
State Street Global Advisors (SSGA)

Health Reserve Program
Standish Mellon Asset Management Company, LLC

Other Post-Employment Benefits Trust
BlackRock Institutional Trust Company, N.A.
State Street Global Advisors (SSGA)

OVERLAYS and HEDGES
BlackRock Institutional Trust Company, N.A.
Parametric Portfolio Associates, LLC

ACTUARIAL SECTION

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Actuarial Information Overview — Pension Plan

Introduction

The actuarial process at the Los Angeles County Employees Retirement Association (LACERA) is governed by provisions in the County Employees Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). CERL requires LACERA to obtain an investigation of experience and actuarial valuation of the Pension Plan at least once every three years. It further requires the LACERA Board of Investments to transmit its recommendations related to contribution rates to the County Board of Supervisors, the primary plan sponsor. The County Board of Supervisors adopts contribution rates in accordance with LACERA's recommendations but may make minor adjustments to comply with Memoranda of Understanding (MOUs) established between the County and employee unions.

LACERA engages an independent actuarial consulting firm to perform the Pension Plan valuation annually, exceeding the regulatory frequency requirements. In addition, every three years, in compliance with CERL, the consulting actuary performs an investigation of experience of retirement benefits (experience study). On a triennial basis, a separate consulting actuarial firm reviews both the annual valuation and experience study.

Valuation Policy

The LACERA Board of Investments maintains the Retirement Benefit Funding Policy (Funding Policy). The Funding Policy was most recently amended in February 2013 to conform to the new standards mandated in PEPRA and to include the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance as part of the valuation assets on an ongoing basis in future valuations. STAR benefits previously awarded by the Board of Retirement are included for future valuations. However, the liability for STAR benefits that may be awarded in the future is not included in the valuation.

The Funding Policy requires an annual adjustment of the employer contribution rates based on the actuary's annual valuation. Milliman, the Pension Plan consulting actuary, reviewed the adequacy of the plan sponsor funding policies in accordance with actuarial standards of practice (ASOP). Milliman performed the most recent actuarial valuation as of June 30, 2021 and recommended changes to the employer and select employee (member) contribution rates. At its December 2021 meeting, the LACERA Board of Investments adopted Milliman's June 30, 2021 valuation report.

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and demographic actuarial assumptions every three years. This review, commonly referred to as the experience study, is accomplished by reviewing relevant forecasts and comparing actual experience to what was expected to happen according to the actuarial assumptions. Based on this review, the actuary recommends changes in the assumptions or methodology that will better project benefit liabilities and asset growth. The LACERA Board of Investments adopts, possibly with modification, the recommended actuarial methods and assumptions to be used in future valuations. At its January 2020 meeting, the LACERA Board of Investments adopted Milliman's recommendations based on the 2019 Investigation of Experience for Retirement Benefit Assumptions report with modifications to the recommended economic and demographic assumptions, and adopted a three-year phase-in of the resulting change in employer contribution rates.

Member Contributions

Member contribution rates for contributory Legacy plans (General Plans A, B, C and D, and Safety Plans A and B) vary based on the age a member joins LACERA and the underlying actuarial assumptions and methodologies. Therefore, it is expected that these member contribution rates will change no more frequently than every three years. As part of the experience study, the Pension Plan actuary recommends adjustments to member contribution rates, if necessary, due to changes in the underlying actuarial assumptions and methodologies. Since there were no changes to the underlying actuarial assumptions and methodologies in the June 30, 2021 valuation, the actuary had no recommended changes to member contribution rates for these retirement plans.

General Plan G and Safety Plan C use single-rate member contribution rates that are equal to one-half of the respective plan's normal cost rate. As such, it is expected that member contribution rates for these plans may change annually. Based on the June 30, 2021 valuation, the actuary recommended new member contribution rates effective July 1, 2022. The recommended member contribution rates are slightly lower for all Plan G and Safety Plan C members.

Employer Contributions

The consulting actuary reviews employer contribution rates each year and recommends changes if necessary. The members and employers are responsible for contributing a portion of the present value of pension plan benefits and expenses, which is allocated to a valuation year by the actuarial cost method. These contributions are known as normal cost contributions. The portion not funded by expected member contributions is the responsibility of the employers and is included in the employer normal cost. The employers are also responsible for contributions to eliminate funding shortfalls related to liabilities accrued in the past, including changes in the economic and demographic assumptions impacting past service. This portion of the employer's contribution rate is known as the Unfunded Actuarial Accrued Liability (UAAL) contribution rate.

For the June 30, 2021 valuation, the actuary recommended new employer normal cost contribution rates for all plans and a new UAAL contribution rate, effective July 1, 2022. Based on the 2021 valuation, the employer normal cost rate decreased from 10.89 percent to 10.88 percent, and the employers' required contribution rate to finance the UAAL decreased from 14.85 percent to 13.58 percent. The decrease in the calculated employer contribution rate from 24.64 percent to 24.46 percent of payroll was due to the recognition of the current year investment gains which was offset by an increase due to the phase-in of the final portion of 2019 assumption changes. Due to the phase-in approach, the employer contribution rates set for the prior two fiscal years were lower than determined by actuarial calculations, resulting in an increase in the UAAL. Without the phase-in, the employer contribution rate in fiscal year beginning 2021 would have been 25.74 percent of pay instead of the 24.64 percent that is currently being paid. Shortfalls between assets required to fund the plan (contributions and investment earnings) and liabilities (benefit payments) required to be paid will result in future employer contribution increases to fund the UAAL. For the fiscal year beginning July 1, 2022, the impact of the June 30, 2019 assumption changes is fully phased-in and the employer contribution rate is approximately 0.23% higher to account for the phase-in approach.

Actuarial Cost Method

The entry age actuarial cost method is used for both funding requirements and financial reporting purposes. This method was approved by LACERA in 1999, as recommended by the consulting actuary. The entry age normal method allocates costs to each future year as a level percentage of payroll, which is ideal for employers to budget for future costs.

Amortization Method
LACERA employs a layered amortization method to fund the UAAL. Under this method, the initial UAAL amount as of June 30, 2009 was amortized over a closed 30-year period. Subsequent changes in the UAAL were amortized over new closed 30-year periods. Effective with the June 30, 2019 valuation, the amortization period was decreased so all existing layers with more than 22 years remaining were re-amortized over closed 22-year periods. All new UAAL layers are amortized over a 20-year period, beginning with the date the contribution is first expected to be made.

Actuarial Reviews
The LACERA Board of Investments Actuarial Audit Policy Directive requires actuarial reviews of retirement benefit valuations and experience studies at regular intervals in the same cycle as LACERA's triennial experience study and valuation. Cavanaugh Macdonald, as LACERA's reviewing actuary, performed the most recent review of Milliman's experience study and valuation reports as of June 30, 2019.

In regard to the most recent review of the experience study, Cavanaugh Macdonald concluded, "We find the proposed actuarial assumptions and methods to be reasonable. The Investigation of Experience was performed by qualified actuaries and was performed in accordance with the principles and practices prescribed by the Actuarial Standards Board." According to Cavanaugh Macdonald, regarding the review of Milliman's valuation report, "We find the June 30, 2019 actuarial valuation results to be reasonable and accurate, based on the assumption and methods used."

Other Actuarial Information
Actuarially Determined Contributions: The Schedule of Contributions History — Pension Plan included in the Required Supplementary Information of the Financial Section provides 10 years of actuarially determined contributions in relation to the actual contributions provided to the Pension Plan.

Actuarial Methods and Assumptions: A detailed description of the actuarial methods and assumptions for the Pension Plan valuation used by the consulting actuary to prepare the Pension Plan (Retirement Benefits) funding valuation report is included in this Actuarial Section. The Financial Section also discusses the actuarial methods and significant assumptions used for financial reporting and required Governmental Accounting Standards Board (GASB) Statement Number 67 disclosures. Any differences between these assumptions used for actuarial funding and those applied for financial reporting purposes are noted.

The following additional information is included in this section:
- Actuary's Certification Letter — Pension Plan
- Summary of Actuarial Methods and Assumptions — Pension Plan
- Schedule of Funding Progress — Pension Plan
- Active Member Valuation Data — Pension Plan
- Retirants and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
- Actuary Solvency Test — Pension Plan
- Actuarial Analysis of Financial Experience — Pension Plan
- Retirement Probability of Occurrence

A Summary of Major Pension Plan Provisions is available upon request by contacting LACERA.

See Note A — Benefit Plan Descriptions in the Financial Section for pension plan information.

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September 15, 2022

Board of Investments
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Trustees of the Board:

The basic financial goal of LACERA is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members.[1] Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

LACERA measures its funding status as the Funded Ratio, which is equal to the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2019	77.2%
June 30, 2020	76.3%
June 30, 2021	79.3%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2021. The increase in the Funded Ratio since the prior year is primarily due to the recognition of actuarial asset gains from the current year, with an offset for larger than expected salary increases. Using the market value of assets as of June 30, 2021, the Funded Ratio would be 88.3%. As of June 30, 2021 a net asset gain is being deferred.

LACERA's funding policy provides that the County's contributions are equal to the normal cost rate, net of member contributions, plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any Surplus Funding. A UAAL occurs when the Funded Ratio is less than 100%. Effective with the June 30, 2019 valuation, the amortization of the UAAL uses a layered 20-year approach, under which increases or decreases in the UAAL each year are amortized over closed 20-year periods. All layers created prior to June 30, 2019 with a period greater than 22 years were re-amortized over new closed 22-year periods at that time. Surplus Funding occurs when the Funded Ratio is greater than 120%. If the Funded Ratio exceeds 120% and all conditions in California Government Code Section 7522.52(b) are satisfied, then the Surplus Funding is amortized over an open 30-year period.

[1] A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code so long as it does not impair the paramount fiduciary duty to provide benefits to members and their beneficiaries.

The current funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1% of the market value of assets as part of the valuation assets. The STAR Reserve is also considered part of the valuation assets. The Board's policy does not include any corresponding liability for future STAR benefits in the valuation. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2021 would decrease to 78.5%.

In preparing the June 30, 2021 valuation report, we relied, without audit, on information (some oral and some in writing) supplied by LACERA. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were reviewed and adopted by the Board of Investments. The funding assumptions were based on the triennial investigation of experience study report as of June 30, 2019 and adopted at the January 8, 2020 Board of Investments meeting. The assumptions and methods used for financial reporting under GASB 67 are the same as the funding assumptions and methods with the following exceptions:

1. The discount rate is gross of administrative expenses.
2. The STAR COLA is treated as substantively automatic and is valued to the extent it is projected to be paid in the future.
3. The individual entry age normal cost method is used without modification.; and
4. The Fiduciary Net Position is equal to the market value of assets minus liabilities.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for LACERA consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the entry age funding method. The actuarial assets are determined by using a five-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. In our opinion, the actuarial assumptions and methods are internally consistent, individually reasonable and, in combination, represent a reasonable estimate of the anticipated experience of LACERA. In our assessment of the investment return assumption, we have considered LACERA's investment policy and Meketa's capital market assumptions, in addition to Milliman's capital market assumptions and forecasts of other external investment consultants. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report and GASB 67 report due to such factors as the following: experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in the program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations.

No third party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Milliman prepared the following information for the actuarial section:

1. Retirees and Beneficiaries Added to and Removed from Benefits – Pension
2. Actuarial Analysis of Financial Experience – Pension
3. Actuary Solvency Test – Pension
4. Schedule of Funding Progress – Pension

In addition, for Note E – Pension Plan Liabilities of the financial section, Milliman prepared the Schedule of Net Pension Liability, and Sensitivity Analysis.

Except as noted above, LACERA staff prepared the information in Note E and the Required Supplementary Information, based on information supplied in prior actuarial reports, our June 30, 2021 actuarial valuation, and our June 30, 2022 GASB 67 report. Milliman has reviewed the information in Note E for accuracy.

We certify that the assumptions and methods used for funding and financial reporting purposes in the June 30, 2021 funding valuation meet the parameters set by Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary

Craig Glyde, ASA, EA, MAAA
Principal and Consulting Actuary

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Summary of Actuarial Methods and Assumptions – Pension Plan

The table below includes a summary of actuarial methods and both demographic and economic assumptions used by LACERA's consulting actuary in performing the actuarial valuation of the Pension Plan.

Method/Assumption	Application
Actuarial Methods and Assumptions	2019 Pension Plan Experience Study The actuarial methods and assumptions used to determine Pension Plan liabilities are based on the results of the 2019 experience study as recommended by Milliman, the consulting actuary, and adopted by the LACERA Board of Investments. 2021 Pension Plan Actuarial Valuation Milliman used the 2019 experience study results to prepare the annual actuarial valuation report as of June 30, 2021. LACERA used the 2021 Actuarial Valuation report to update the valuation disclosures in this Actuarial Section. Retirement Benefit Funding Policy In 2009, the Board of Investments approved the Retirement Benefits Funding Policy (Funding Policy). Under the Funding Policy, modifications to the asset valuation and amortization methods were adopted beginning with the June 30, 2009 actuarial valuation. The Funding Policy was amended in February 2013 to conform with the standards mandated in PEPRA and to specify that the Supplemental Targeted Adjustment for Retirees (STAR) Reserve should be included as a valuation asset on an ongoing basis.
Actuarial Cost Method	Entry Age Normal Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between plans, entry age is based on original entry into the retirement system. This method was reaffirmed in the 2019 experience study.

Method/Assumption	Application
Actuarial Asset Valuation Method	Five-Year Asset Smoothing The assets are valued using a five-year smoothing method based on the difference between expected and actual market value of assets as of the valuation date. The gains and losses on market value are recognized over a five-year period to spread out the impact of investment market performance, rather than recognizing the entire effect of market changes each year. The expected market value is the prior year's market value increased with the net cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. The five-year smoothing valuation basis for all assets was adopted beginning with the June 30, 2009 valuation. STAR Reserve Assets The inclusion of the STAR Reserve in the valuation of assets was formalized for current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy. Since the June 30, 2013 valuation, Milliman has included the STAR Reserve as part of the valuation assets.
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	20-Year Amortization As of the June 30, 2019 valuation, all existing amortization layers were set to be amortized over a maximum 22 year period and now have a period of 20 years or less. Future actuarial gains and losses are amortized over new closed 20-year periods, beginning with the date the contribution is first expected to be made. This is referred to as layered amortization. For the June 30, 2021 valuation, 13 amortization layers were used to calculate the total amortization payment beginning July 1, 2022.
General Wage Growth and Projected Salary Increases	3.25 Percent Wage Growth and Various Rates Projected salary increases: 3.51 percent to 12.54 percent. The total expected increase in salary includes both merit and the general wage increase assumption of 3.25 percent per annum. The total result is compounded rather than additive. Increases are assumed to occur in the middle of the fiscal year (i.e., January 1) and apply only to base salary. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year. The General Wage Growth rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2019 triennial experience study. The Projected Salary Increases were adopted beginning with the June 30, 2019 valuation.
Investment Rate of Return	Annual Rate of 7.0 Percent Future investment earnings are assumed to accrue at an annual rate of 7 percent, compounded annually, net of both investment and administrative expenses. The same rate of return is used to discount the actuarial accrued liability. This rate was adopted beginning with the June 30, 2019 valuation.

Method/Assumption	Application
Post-Retirement Benefit Increases	Annual COLAs of 2.75 Percent or 2.0 Percent Post-retirement benefit increases of either 2.75 percent or 2 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index (CPI), are assumed payable each year in the future, as they are not greater than the expected increase in the CPI of 2.75 percent per year. Plan E members receive a prorated post-retirement benefit increase of 2 percent for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and after June 4, 2002 to the member's total years of service. The portion of the full 2 percent increase not provided for may be purchased by the member. COLA adjustments for members with service credit earned prior to June 4, 2002 are based on a ratio of months of service earned on and after June 4, 2002 divided by the total months of service.
Consumer Price Index (CPI)	Annual Rate of 2.75 Percent This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2019 triennial experience study.
Rates of Separation From Employment	Various Rates and Probabilities Various rates are dependent upon member's age, gender, years of service, and retirement plan. Each rate represents the probability that a member will separate from service at each age (or service duration) due to the particular cause. These rates of separation from active service were adopted beginning with the June 30, 2019 valuation. The Probability of Occurrence schedule included in this Actuarial Section includes a summary of probability of retirement and withdrawal for sample ages.

Method/Assumption	Application
Expectation of Life After Retirement [1, 2]	2019 SOA Mortality Tables for Public Employees The same post-retirement mortality probabilities are used in the valuation for both members retired from service and their beneficiaries. Current beneficiary mortality is assumed to be the same as for healthy general members of the same sex. Future beneficiaries are assumed to be of the opposite sex and have the same mortality as general members. **Males:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2014 Ultimate Projection Scale. **Females:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2014 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale. These probabilities were adopted June 30, 2019.
Expectation of Life After Disability [1, 2]	2019 SOA Mortality Tables for Public Employees **Males:** **General Members:** Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2014 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Females:** **General Members:** Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2014 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale These probabilities were adopted June 30, 2019.

(1) The PUB-2010 mortality tables were published by the Society of Actuaries (SOA's) Retirement Plans Experience Committee (RPEC) in January 2019. The data studied includes approximately 46 million life-years of exposure and 580,000 deaths from public pension plans over the period 2008 to 2013. The PUB-2010 mortality tables include separate tables for general and safety members, and for each of those classes of members includes separate mortality tables for healthy annuitants, disabled retirees, and employees.

(2) The SOA's Mortality Improvement Scale MP-2014 (published in October 2014) is used to adjust the PUB-2010 mortality tables to account for anticipated changes in mortality rates in future years. In general, it is assumed that mortality rates will improve (implying longer lifetimes) in the future due partially to improvements in healthcare.

Method/Assumption	Application
Recent Changes and Their Financial Impact	2019 Pension Plan Experience Study An experience study was performed by the consulting actuary for the three-year period ended June 30, 2019. The LACERA Board of Investments adopted the demographic assumptions recommended in that report with a three-year phase-in of the impact of the change on employer contribution rates. In addition, the Board of Investments adopted a lower investment return assumption. Changes to those assumptions and other financial impacts are discussed below. STAR Reserve The STAR Reserve is included in the 2019 valuation assets. There is no corresponding liability for future potential STAR benefits included in the valuation. The inclusion of the STAR Reserve in the valuation assets was formalized for the current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy. 2019 Assumption Changes At the January 2020 LACERA Board of Investments meeting, the Board adopted new assumptions with the 2019 Investigation of Experience report. The adopted assumptions included lowering the investment return assumption from 7.25 percent to 7 percent, increasing the rates of assumed merit salary increases (primarily for Safety members), and updating mortality tables to the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plans Experience Committee (RPEC). Of these changes, the reduction in the investment return assumption had the greatest impact on the results of this valuation. All assumption changes have been reflected in the June 30, 2019 actuarial valuation. Funded Ratio As of June 30, 2021, the Funded Ratio increased from 76.3 percent to 79.3 percent primarily due to the recognition of current and prior year investment gains and losses that caused an increase of 2.5 percent in the Funded Ratio. Contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL) caused a 0.7 percent increase while salary increases greater than assumed partially offset these increases and caused the Funded Ratio to decrease by 0.4 percent. Employer Contributions The total calculated employer contribution rate decreased from the prior valuation by 0.18 percent (from 24.64 percent to 24.46 percent) of payroll. The decrease in the employer contribution rate is primarily due to the recognition of current and prior year investment gains and losses, offset by the impact of the phase-in of the final portion of the 2019 assumption changes. The cost impact of the assumption changes is phased in over a three-year period. Without the phase-in of the increase, the employer contribution rate would have been 25.74 percent effective July 1, 2021. The effect of the phase-in is an increase in the UAAL that will require higher employer contribution rates in future years.

Method/Assumption	Application
Recent Changes and Their Financial Impact (Continued)	Member Contributions New member contribution rates are recommended for General Plan G and Safety Plan C effective July 1, 2022. General Plan G and Safety Plan C member rates are required to be equal to 50 percent of the gross normal cost of the respective plan. The recommended member contribution rates are slightly lower for General Plan G and Safety Plan C. Member contribution rates for all contributory legacy plans (General Plans A, B, C and D, and Safety Plans A and B) vary based on a member's entry age when joining LACERA and the underlying assumptions. The actuary had no recommended changes to member contribution rates for all other plans.

Schedule of Funding Progress — Pension Plan
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Valuation Assets (a)	Actuarial Accrued Liability (AAL) [1] (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll [2] (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2012	$39,039,364	$50,809,425	$11,770,061	76.8%	$6,619,816	177.8%
June 30, 2013	39,932,416	53,247,776	13,315,360	75.0%	6,595,902	201.9%
June 30, 2014	43,654,462	54,942,453	11,287,991	79.5%	6,672,886	169.2%
June 30, 2015	47,328,270	56,819,215	9,490,945	83.3%	6,949,420	136.6%
June 30, 2016	49,357,847	62,199,214	12,841,367	79.4%	7,279,777	176.4%
June 30, 2017	52,166,307	65,310,803	13,144,496	79.9%	7,637,032	172.1%
June 30, 2018	55,233,108	68,527,354	13,294,246	80.6%	7,957,981	167.1%
June 30, 2019	57,617,288	74,635,840	17,018,552	77.2%	8,370,050	203.3%
June 30, 2020	59,762,991	78,275,175	18,512,184	76.3%	8,724,151	212.2%
June 30, 2021	**$64,909,377**	**$81,898,044**	**$16,988,667**	**79.3%**	**$9,062,051**	**187.5%**

(1) Calculated using the entry age normal actuarial cost method.
(2) Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Active Member Valuation Data — Pension Plan

Valuation Date	Plan Type	Member Count	Annual Salary [1]	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
June 30, 2012	General	79,467	$5,271,580,728	$66,337	0.40%
	Safety	12,485	1,229,922,420	98,512	0.46%
	Total	91,952	$6,501,503,148	$70,705	0.39%
June 30, 2013	General	79,006	$5,253,152,532	$66,491	0.23%
	Safety	12,539	1,234,902,228	98,485	(0.03)%
	Total	91,545	$6,488,054,760	$70,873	0.24%
June 30, 2014	General	79,943	$5,487,670,164	$68,645	3.24%
	Safety	12,523	1,252,867,272	100,045	1.58%
	Total	92,466	$6,740,537,436	$72,897	2.86%
June 30, 2015	General	81,228	$5,706,302,532	$70,250	2.34%
	Safety	12,446	1,299,621,108	104,421	4.37%
	Total	93,674	$7,005,923,640	$74,790	2.60%
June 30, 2016	General	82,916	$5,949,587,940	$71,754	2.14%
	Safety	12,528	1,342,684,620	107,175	2.64%
	Total	95,444	$7,292,272,560	$76,404	2.16%
June 30, 2017	General	84,513	$6,290,061,336	$74,427	3.73%
	Safety	12,698	1,388,190,600	109,324	2.01%
	Total	97,211	$7,678,251,936	$78,985	3.38%
June 30, 2018	General	85,703	$6,610,313,328	$77,130	3.63%
	Safety	12,771	1,451,457,324	113,653	3.96%
	Total	98,474	$8,061,770,652	$81,867	3.65%
June 30, 2019	General	86,392	$6,815,591,124	$78,891	2.28%
	Safety	12,794	1,540,187,040	120,384	5.92%
	Total	99,186	$8,355,778,164	$84,244	2.90%
June 30, 2020	General	86,930	$7,186,102,392	$82,665	4.78%
	Safety	13,178	1,590,549,948	120,697	0.26%
	Total	100,108	$8,776,652,340	$87,672	4.07%
June 30, 2021	**General**	**85,963**	**$7,437,522,936**	**$86,520**	**4.66%**
	Safety	**13,138**	**1,650,856,932**	**125,655**	**4.11%**
	Total	**99,101**	**$9,088,379,868**	**$91,708**	**4.60%**

(1) Active Member Valuation Annual Salary is an annualized compensation of only those members who were active on the actuarial valuation date. Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll — Pension Plan
(Dollars in Thousands)

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance [1,2]	Member Count	Annual Allowance [1]	Member Count [3]	Annual Allowance [1]	Percentage Increase in Retiree Allowance	Average Annual Allowance
June 30, 2012	3,194	$193,865	(1,795)	($61,588)	56,770	$2,474,902	5.65%	$43.6
June 30, 2013	3,373	205,659	(2,057)	(69,494)	58,086	2,611,067	5.50%	45.0
June 30, 2014	3,128	172,743	(1,985)	(71,730)	59,229	2,712,080	3.87%	45.8
June 30, 2015	3,501	180,549	(2,124)	(80,028)	60,606	2,812,601	3.71%	46.4
June 30, 2016	3,479	220,632	(2,171)	(80,881)	61,914	2,952,352	4.97%	47.7
June 30, 2017	3,721	245,915	(2,311)	(89,624)	63,324	3,108,643	5.29%	49.1
June 30, 2018	3,826	276,118	(2,270)	(89,033)	64,880	3,295,728	6.02%	50.8
June 30, 2019	3,978	302,022	(2,351)	(97,840)	66,507	3,499,910	6.20%	52.6
June 30, 2020	3,930	311,206	(2,425)	(104,914)	68,012	3,706,202	5.89%	54.5
June 30, 2021	**4,350**	**$327,745**	**(2,865)**	**($132,185)**	**69,497**	**$3,901,762**	**5.28%**	**$56.1**

(1) Annual Allowance is the monthly benefit allowance annualized for those members counted as of June 30.
(2) Includes COLAs that occurred during the fiscal year and therefore were not included in the previous years' Annual Allowance totals.
(3) For the actuarial valuation year, Member Count includes retirees who, due to timing at year-end, are not yet included in the total retired members count disclosed in the Financial Section, see Note A - Plan Description.

Actuary Solvency Test — Pension Plan
(Dollars in Millions)

	Actuarial Accrued Liability (AAL) for				Portion of AAL Covered by Assets		
Actuarial Valuation Date	**(A) Active Member Contributions**	**(B) Retirees and Beneficiaries [1]**	**(C) Active Members (Employer Financed Portion)**	**Actuarial Value of Valuation Assets**	**(A) Active**	**(B) Retired**	**(C) Employer**
June 30, 2012	$6,961	$29,118	$14,730	$39,039	100%	100%	20%
June 30, 2013	7,837	30,980	14,430	39,932	100%	100%	8%
June 30, 2014	8,354	31,882	14,706	43,654	100%	100%	23%
June 30, 2015	8,805	32,734	15,280	47,328	100%	100%	38%
June 30, 2016	8,767	35,316	18,116	49,358	100%	100%	29%
June 30, 2017	9,482	37,077	18,752	52,166	100%	100%	30%
June 30, 2018	9,882	39,192	19,453	55,233	100%	100%	32%
June 30, 2019	10,210	42,235	22,190	57,617	100%	100%	23%
June 30, 2020	10,650	44,500	23,125	59,763	100%	100%	20%
June 30, 2021	**$11,115**	**$46,774**	**$24,009**	**$64,909**	**100%**	**100%**	**29%**

(1) Includes vested and non-vested former members.

Actuarial Analysis of Financial Experience — Pension Plan
(Dollars in Millions)

	Valuation as of June 30									
	2021	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Unfunded Actuarial Accrued Liability	$18,512	$17,018	$13,294	$13,145	$12,841	$9,491	$11,288	$13,315	$11,770	$9,405
Expected Increase/(Decrease) From Prior Valuation	171	306	25	146	320	(102)	(54)	338	869	772
Salary Increases Greater/ (Less) Than Expected	484	388	486	223	277	162	79	(291)	(563)	(629)
CPI Greater/(Less) Than Expected	(73)	43	44	45	(139)	(191)	(570)	(427)	(190)	(181)
Change in Assumptions	—	—	2,528	—	—	2,922	—	—	511	—
Asset Return Less/(Greater) Than Expected	(2,039)	701	477	(411)	(421)	496	(1,263)	(1,664)	893	2,337
All Other Experience	(66)	56	164	146	267	63	11	17	25	66
Ending Unfunded Actuarial Accrued Liability	**$16,989**	**$18,512**	**$17,018**	**$13,294**	**$13,145**	**$12,841**	**$9,491**	**$11,288**	**$13,315**	**$11,770**

Probability of Occurrence

Plans A, B, and C General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Other Terminations
Male						
20	0.0000	0.0001	0.0001	N/A	0.0004	0.0050
30	0.0000	0.0001	0.0002	N/A	0.0004	0.0050
40	0.0300	0.0006	0.0002	N/A	0.0008	0.0050
50	0.0300	0.0011	0.0005	N/A	0.0018	0.0050
60	0.3200	0.0039	0.0009	N/A	0.0038	0.0050
70	0.2400	0.0045	0.0013	N/A	0.0084	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0132	0.0000
Female						
20	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
30	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
40	0.0300	0.0005	0.0002	N/A	0.0005	0.0050
50	0.0300	0.0013	0.0005	N/A	0.0011	0.0050
60	0.3200	0.0022	0.0007	N/A	0.0024	0.0050
70	0.2400	0.0025	0.0011	N/A	0.0064	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0105	0.0000

Plans D and G General Members

Age	Service Retirement Plan D	Service Retirement Plan G	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male								
20	0.0000	0.0000	0.0001	0.0001	N/A	0.0004	5	0.0233
30	0.0000	0.0000	0.0001	0.0002	N/A	0.0004	10	0.0170
40	0.0150	0.0000	0.0006	0.0002	N/A	0.0008	15	0.0120
50	0.0150	0.0120	0.0011	0.0005	N/A	0.0018	20	0.0076
60	0.0700	0.0560	0.0039	0.0009	N/A	0.0038	25	0.0048
70	0.2300	0.2300	0.0045	0.0013	N/A	0.0084	30 & up	0.0000
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0132		
Female								
20	0.0000	0.0000	0.0002	0.0001	N/A	0.0002	5	0.0233
30	0.0000	0.0000	0.0002	0.0001	N/A	0.0002	10	0.0170
40	0.0150	0.0000	0.0005	0.0002	N/A	0.0005	15	0.0120
50	0.0150	0.0120	0.0013	0.0005	N/A	0.0011	20	0.0076
60	0.0700	0.0560	0.0022	0.0007	N/A	0.0024	25	0.0048
70	0.2300	0.2300	0.0025	0.0011	N/A	0.0064	30 & up	0.0000
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0105		

Probability of Occurrence (continued)

Plan E General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	N/A	N/A	N/A	0.0004	5	0.0310
30	0.0000	N/A	N/A	N/A	0.0004	10	0.0200
40	0.0000	N/A	N/A	N/A	0.0008	15	0.0144
50	0.0000	N/A	N/A	N/A	0.0018	20	0.0108
60	0.0400	N/A	N/A	N/A	0.0038	25	0.0100
70	0.1900	N/A	N/A	N/A	0.0084	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0132		
Female							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0310
30	0.0000	N/A	N/A	N/A	0.0002	10	0.0200
40	0.0000	N/A	N/A	N/A	0.0005	15	0.0144
50	0.0000	N/A	N/A	N/A	0.0011	20	0.0108
60	0.0400	N/A	N/A	N/A	0.0024	25	0.0100
70	0.1900	N/A	N/A	N/A	0.0064	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0105		

Plans A, B, and C Safety Members

Age	Service Retirement Plans A-B	Service Retirement Plan C	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male								
20	0.0000	0.0000	0.0020	0.0000	0.0001	0.0004	5	0.0113
30	0.0000	0.0000	0.0020	0.0000	0.0001	0.0004	10	0.0076
40	0.0075	0.0000	0.0028	0.0000	0.0001	0.0006	15	0.0048
50	0.0200	0.0200	0.0075	0.0000	0.0001	0.0012	20	0.0028
60	0.2700	0.2700	0.1000	0.0000	0.0001	0.0026	25	0.0020
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0041	30 & up	0.0000
Female								
20	0.0000	0.0000	0.0030	0.0000	0.0001	0.0002	5	0.0113
30	0.0000	0.0000	0.0042	0.0000	0.0001	0.0003	10	0.0076
40	0.0075	0.0000	0.0092	0.0000	0.0001	0.0005	15	0.0048
50	0.0200	0.0200	0.0180	0.0000	0.0001	0.0009	20	0.0028
60	0.2700	0.2700	0.0600	0.0000	0.0001	0.0017	25	0.0020
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0023	30 & up	0.0000

Actuarial Information Overview — Other Post-Employment Benefits (OPEB) Program

Introduction

The actuarial valuation of the retiree medical, dental/vision, and death benefits promised to retired Los Angeles County (County) workers who also participate in the LACERA retirement benefits plan is governed by provisions in the LACERA Other Post-Employment Benefits (OPEB) Actuarial Valuation and Audit Policy (OPEB Policy), which the LACERA Board of Retirement establishes and adopts. The OPEB Policy is subject to periodic assessments to identify and incorporate necessary updates and revisions. In October 2017, the OPEB Policy was revised and now parallels the policy applicable to the retirement benefits actuarial valuation and related actuarial review process.

LACERA engages an independent actuarial consulting firm to perform the OPEB Program valuation annually, consistent with the OPEB Policy. In addition, every three years to comply with the OPEB Policy, the consulting actuary, Milliman, performs an investigation of experience (experience study). On a triennial basis, a separate consulting actuarial firm reviews both the annual valuation and experience study.

The OPEB actuarial valuations are performed to review program funding metrics and to satisfy financial statement reporting guidelines that apply to sponsoring employers, such as the County, and those organizations who administer OPEB benefit programs, such as LACERA.

Contributions and Funding Policy

The County historically satisfied its healthcare premium subsidy obligations on a pay-as-you-go basis. LACERA bills the premiums to the County, outside Districts, and members on a monthly basis. Plan members are required to pay the difference between the applicable employer-paid subsidy and the actual premium cost. An administrative fee to cover the costs of administering the OPEB Program is included in the monthly healthcare premium.

In June 2015, the County Board of Supervisors approved the county-wide budget with a dedicated funding promise for the OPEB liability, using the multiyear approach to enhance the County's OPEB Trust balances in a consistent manner. This funding commitment provides prefunding goals and indicates that the County has placed a priority on making OPEB contributions. The County, LACERA, and Superior Court regularly prefund these obligations, depositing monies into an irrevocable OPEB trust. The plan sponsors provide updated funding projections each year including a five-year forecast. Milliman reviewed the adequacy of the plan sponsor funding policies and found them to be in compliance with Actuarial Standards of Practice (ASOP) Number 6.

Actuarial Cost Method

Effective with the July 1, 2018 OPEB valuation, the actuarial cost method was changed to entry age normal. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between plans, entry age is based on original entry into the retirement system. The entry age normal actuarial cost method is also used for financial reporting purposes as required by GASB.

OPEB Agent Plan

The July 1, 2018 OPEB valuation marked the first valuation prepared under an agent plan structure, changing OPEB funding reporting from the cost-sharing plan structure used in OPEB valuations since July 1, 2006. At the direction of the County to precisely allocate its own liabilities, the agent plan structure allows for projecting the actuarial accrued liability based on each individual agents' assets and investment rate of return assumptions. The investment earnings assumption for agents that are prefunding through the OPEB Trust is the expected return for the OPEB Trust. The investment earnings assumption for the agents that are not prefunding through the OPEB Trust is the County's general funds' expected return. However, OPEB specific demographic assumptions such as initial enrollment, medical plan and tier selection, spouse age difference, and re-enrollment assumptions are combined for all of the agents.

The following agents and agent groupings were developed to determine the liability for the individual agents, the total *OPEB Trust*, and the total *OPEB Program*:

- *OPEB Trust* **—** Los Angeles County, Superior Court, and LACERA
- *OPEB Program* **—** Los Angeles County, Superior Court, LACERA, and outside Districts

The total *OPEB Program* agent grouping is used to disclose the aggregate amounts throughout the Actuarial Section.

Financial Reporting Standards

In June 2015, the GASB issued Statement Numbers 74 and 75, which govern new accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 is for OPEB plans (LACERA) and was effective beginning for the plan fiscal year July 1, 2016[1]. GASB 75 is for employers that sponsor OPEB plans and is effective beginning for the employer fiscal year July 1, 2017[2].

The data, assumptions, program provisions, and funding goals described in the OPEB valuation report serve as a basis for preparing separate GASB 74 and 75 disclosure reports. GASB sets forth specific financial reporting requirements for LACERA and the County, which result in different computations and data—including discount rates—than the information provided in the OPEB valuation report.

Due to the July 1, 2018 transition from a cost-sharing to an agent plan, LACERA is no longer required to disclose the OPEB Program's Net OPEB Liability (NOL). Under the agent structure reporting model, the plan administrator (LACERA) does not report information in aggregate, but instead, provides agent-specific information, as each individual agent is now required to report their portion of the NOL. LACERA has determined a GASB 74 disclosure report is no longer necessary due to the agent structure reporting changes. The last GASB 74 report prepared under a cost-sharing plan was as of a June 30, 2018 reporting date and reflected in LACERA's June 30, 2019 financial statements. LACERA's June 30, 2022 and 2021 financial statements contain some limited information within the RSI Section to support compliance with GASB 74 requirements under an agent plan.

(1) LACERA implemented GASB 74 as of June 30, 2017.
(2) The LACERA OPEB Program participating employers implemented GASB 75 as of June 30, 2018.

OPEB Actuarial Projects
Milliman performed the most recent OPEB valuation as of July 1, 2021, using the 2020 OPEB experience study of actuarial assumptions. The OPEB Policy not only requires annual OPEB valuations but also requires the actuary to review the reasonableness of the economic and demographic assumptions every three years. As a result of the current OPEB Policy's increased valuation and review frequency, and for consistency with the retirement benefits valuation and review requirements, the timing of these actuarial projects was adjusted to promote operational efficiency.

Specifically, the OPEB experience study and the OPEB experience study review, and the OPEB valuation reviews as of July 1, 2018 and July 1, 2020 were scheduled in two-year cycles to eliminate a four-year gap between the current and prior OPEB Policy implementation.

The project schedule will revert back to a three-year cycle beginning with the July 1, 2023 OPEB experience study. Beginning in 2006, Milliman completed OPEB valuations every two years. The OPEB Policy changed the frequency to annual with the July 1, 2017 OPEB valuation.

Actuarial Review Results
The most recent actuarial reviews of the OPEB experience study and OPEB valuation were conducted based on the current OPEB Policy. The OPEB Program reviewing actuary, Cavanaugh Macdonald Consulting (CMC), last performed reviews of Milliman's OPEB experience study and OPEB valuation as of July 1, 2020.

As required by the current OPEB Policy, the actuarial reviews for the OPEB experience study and OPEB valuation performed as of July 1, 2020 complete the two-year staggered cycle. The next triennial cycle for the actuarial reviews will be conducted as of July 1, 2023 for both the OPEB experience study and OPEB valuation.

Other Actuarial Information
Actuarial Methods and Assumptions: A description of the actuarial methods and assumptions for the OPEB valuation used by the OPEB consulting actuary are included in this Actuarial Section.

The following additional information is included in this section:

- Actuary's Certification Letter – OPEB Program
- Summary of Actuarial Methods and Assumptions – OPEB Program
- Schedule of Funding Progress – OPEB Program
- Active Member Valuation Data – OPEB Program
- Retirants and Beneficiaries Added to and Removed from Rolls – OPEB Program
- Actuary Solvency Test – OPEB Program
- Actuarial Analysis of Financial Experience – OPEB Program

A Summary of Major OPEB Program Provisions is available upon request by contacting LACERA.

See Note N – OPEB Program for details regarding the plan description and benefits.

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September 15, 2022

Board of Retirement
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Trustees of the Board:

Los Angeles County provides Other Postemployment Benefits (OPEB): retiree medical, dental/vision, and death/burial insurance benefits to the retired Los Angeles County (County) workers who also participate in the Los Angeles County Employees Retirement Association (LACERA) retirement benefits program. These healthcare related benefits are called the Los Angeles County OPEB Program, or the "Program". The Program currently provides these benefits on a "pay-as-you-go" basis while also prefunding into the OPEB Trust. OPEB actuarial funding valuations are performed annually.

A summary of the results of the past three actuarial valuations is shown below. All dollar amounts are in billions.

Valuation Date	Actuarial Accrued Liability	Assets	Unfunded Actuarial Accrued Liability	ADC* as a Percentage of Payroll
July 1, 2019	$20.75	$1.24	$19.51	18.87%
July 1, 2020	$21.30	$1.49	$19.81	18.18%
July 1, 2021	$21.16	$2.31	$18.85	16.76%

* Actuarially Determined Contribution (ADC) based on GASB 74/75 terminology.

The County's Board of Supervisors affirmed their support for pre-funding its OPEB liabilities by providing specific initial appropriations to the OPEB Trust. Since the July 1, 2012 Valuation, details of a long-term funding policy have been finalized. The funding policy provides for steady increases in contributions each year with the ultimate goal of making contributions equal to the ADC. The July 1, 2014, July 1, 2016 and annual OPEB Valuations thereafter include assets invested in the OPEB Trust.

Milliman has developed certain models to estimate the values included in these valuations. The intent of the models was to estimate the assumed investment earnings, analysis of OPEB demographic assumptions, retiree health claim costs, and annual trends for retiree health benefits. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

The models rely on data and information as input to the models. We have relied upon certain data and information listed below for this purpose and accepted it without audit. To the extent that the data and information provided is not accurate, or is not complete, the values provided in these valuations may likewise be inaccurate or incomplete.

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In preparing the July 1, 2021 OPEB funding valuation report, we relied, without audit, on information (some oral and some in writing) supplied by Los Angeles County, LACERA, and Segal (LACERA's healthcare consultant). This information includes, but is not limited to, benefit descriptions, membership data, and financial information. In our examination of these data we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. In some cases, where the data was incomplete, we made assumptions as noted in Table C-10 of our July 1, 2021 OPEB funding valuation report. It should be noted that if any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

The valuation is also based on our understanding of the Program's current benefit provisions and the actuarial assumptions, which were reviewed and adopted by the Board of Retirement. The retirement benefit related demographic and economic assumptions were based on those developed for the June 30, 2021 valuation of the LACERA retirement benefit program, approved by LACERA's Board of Investments. Economic and relevant demographic assumptions from the retirement benefit investigation of experience, conducted by Milliman, are included in the July 1, 2021 OPEB valuation. Assumptions unique to OPEB were identified and evaluated in Milliman's 2020 OPEB investigation of experience study report as of July 1, 2020, approved by LACERA's Board of Retirement.

The OPEB Program changed from cost sharing to agent effective with the July 1, 2018 OPEB funding valuation. The OPEB demographic and trend assumptions are combined for all of LACERA's agents. The investment rate of return assumption differs by the agents that are prefunding into the OPEB Trust and the agents that are not prefunding into the OPEB Trust.

With the change from cost sharing to agent, a GASB 74 disclosure report for LACERA's financial statements is no longer required to report the OPEB Program liability in LACERA's financial statements. The employer specific information will be provided in the GASB 75 disclosure reports for employer financial reporting. The assumptions and methods used for financial reporting under GASB 75 are the same as the funding assumptions and methods used in the July 1, 2021 OPEB funding valuation report, with the following exceptions:

1. The GASB 75 discount rate is determined using depletion date methodology, and it changes on each measurement date.

2. The GASB 75 liabilities have LACERA operational administrative expenses removed.

The actuarial computations presented in the July 1, 2021 OPEB funding valuation and the forthcoming June 30, 2023 GASB 75 disclosure reports are for purposes of fulfilling financial accounting requirements for LACERA's employers. The liabilities in the July 1, 2021 OPEB funding valuation and the GASB 75 disclosure reports are determined by using the entry age normal actuarial cost method. The assets are recognized at market value. We consider the actuarial assumptions and methods to be internally consistent, to represent a long-term perspective, and to be reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board Statement No. 75 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions.

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Future actuarial measurements may differ significantly from the current measurements presented in the OPEB funding valuation report and the GASB 75 disclosure report due to such factors as the following: OPEB program experience differing from that anticipated by the economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in OPEB program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Milliman's work is prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations.

No third party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

The consultants who worked on this assignment are employee benefit actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Milliman prepared the following information for the actuarial section:

1. Retirees and Beneficiaries Added to and Removed from Benefits – OPEB Program
2. Actuarial Analysis of Financial Experience – OPEB Program
3. Actuary Solvency Test – OPEB Program
4. Schedule of Funding Progress – OPEB Program

LACERA staff prepared the information in Note N – OPEB Program, of the financial section and the Required Supplementary Information, based on information supplied in prior actuarial reports, our July 1, 2021 OPEB actuarial funding valuation, and our forthcoming June 30, 2023 GASB 75 report. Milliman has reviewed the information in Note N for accuracy.

We certify that the assumptions and methods used for funding and financial reporting purposes in the July 1, 2021 OPEB funding valuation meet the parameters set by Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). We are members of the American Academy of Actuaries and have experience in performing valuations for public OPEB programs.

Sincerely,

Robert L. Schmidt, FSA, EA, MAAA
Principal and Consulting Actuary

Janet O. Jennings, ASA, MAAA
Consulting Actuary

RLS/bh

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Summary of Actuarial Methods and Assumptions — OPEB Program

The table below includes a summary of actuarial methods and both demographic and economic assumptions used by LACERA's consulting actuary in performing the actuarial valuation of the OPEB Program.

Method/Assumption	Application
Actuarial Methods and Assumptions	<u>2019 Pension Plan Experience Study and 2020 OPEB Experience Study</u> The OPEB actuarial methods and assumptions are recommended by the consulting actuary and adopted by the Board of Retirement. The actuarial assumptions used to determine the liabilities are based on the results of the 2019 Pension Plan Investigation of Experience Study and a separate 2020 OPEB Program Investigation of Experience Study approved by the Board of Retirement in March 2021. Where applicable, the same assumptions are used for the OPEB Program as for the Pension Plan; however, some assumptions developed and applied are unique to the OPEB Program. The assumptions that overlap with the Pension Plan assumptions were reviewed and changed June 30, 2019, as a result of the 2019 Pension Plan triennial Investigation of Experience Study approved by the Board of Investments in January 2020. The general wage increase and inflation assumptions were evaluated for the Pension Plan and applied to the OPEB Program. <u>OPEB Assumptions</u> The consulting actuary recommended an OPEB-specific investment earnings assumption since investment earnings for the OPEB valuation are based on the expected return from the County's general assets or the expected return from the OPEB Trust. These assets are invested based on the OPEB Trust Investment Policy Statement adopted by the Board of Investments, which applies different asset allocations than the one used for the Pension Plan. The OPEB-specific assumptions, including healthcare plan elections, benefit tier enrollment, and retirement of vested terminated members, were reviewed and updated as a result of the 2020 OPEB Investigation of Experience Study. The updated experience study assumptions were adopted in March 2021 by the Board of Retirement and were applied to the OPEB valuations conducted as of July 1, 2020 and July 1, 2021. See the schedule titled Active Member Valuation Data — OPEB Program for active member valuation information.

Method/Assumption	Application
Actuarial Cost Method	Entry Age Normal Effective with the July 1, 2018 OPEB funding valuation, the entry age normal (EAN) actuarial cost method was applied. Under the principles of this method, the actuarial present value of the projected benefits of each member included in the valuation is allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between retirement benefit plans, entry age is based on original entry into the system. Unfunded Actuarial Accrued Liability (UAAL) The portion of this actuarial present value allocated to a valuation year is called the normal cost (NC). The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized as a level percentage of the projected salaries of the active members, both present and future, covered by the LACERA retirement benefits plan over a 30-year period from the valuation date.
Actuarial Asset Valuation Method	Market Value
Investment Return	Annual Rate of 6.0 Percent for Pre-funding Agents and 2.3 Percent for Other Agents The investment earnings assumption for agents that are prefunding through the OPEB Trust is the OPEB Trust expected return of 6 percent. The investment earnings assumption for agents that are not prefunding through the OPEB Trust is the County's general fund's expected return of 2.3 percent. Besides projecting the OPEB Trust's investment return, this assumption is also used to calculate the Actuarial Accrued Liability (AAL). GASB 75 Discount Rate Calculation The reporting methodology change from cost-sharing to agent plan structure began with the July 1, 2018 OPEB Funding Valuation. The investment earnings assumption approach for this funding valuation is intended to reflect the earnings associated with each agent. The separate GASB 75 disclosure report, which provides information for employers and is different from this funding valuation, follows a prescribed discount rate calculation formula for accounting disclosures.
Inflation Rate	Annual Rate of 2.75 Percent This rate was adopted beginning with the July 1, 2016 OPEB Valuation.
Amortization Method	30-Year Amortization Level percentage of projected salaries of the active members, both present and future, over a 30-year period. This is commonly referred to as a rolling 30-year amortization method and does not cover interest on the UAAL. This assumption was adopted beginning with the July 1, 2006 OPEB valuation.

Method/Assumption	Application			
Healthcare Cost Trend Rates		**FY 2022 to FY 2023**	**FY 2023 to FY 2024**	**Ultimate (Grading from June 30, 2022 to June 30, 2105)**
	LACERA Medical Under 65	(0.40)%	5.40%	4.20%
	LACERA Medical Over 65	0.30%	5.20%	4.20%
	Part B Premiums	10.50%	1.50%	4.00%
	Dental/Vision	(1.20)%	3.10%	3.60%
	Weighted Average Trend	1.26%	4.62%	4.13%
Claim Costs	Varies By Program Tier Claim cost data is reviewed for the membership in aggregate, including members of all employers, regardless of their participation in the OPEB Trust. The claim cost assumptions were updated as part of the July 1, 2021 valuation and differ by Tier 1 and Tier 2. Retiree Healthcare Benefits Program—Tier 1 is for members who were hired before July 1, 2014. Members who were hired after June 30, 2014 are in Retiree Healthcare Benefits Program—Tier 2. The tiers have different maximum employer contributions, which impacts medical plan election patterns, resulting in different claim costs. Refer to Table A-21 of the July 1, 2021 OPEB valuation report for more details.			
Retirement	Minimum Retirement Ages Members in General Plans A through D may retire at age 50 with 10 years of service, or any age with 30 years of service, or age 70 regardless of the number of years of service. General Plan G members are eligible to retire at age 52 with five years of service, or age 70 regardless of the number of years of service. Non-contributory Plan E members may retire at age 55 with 10 years of service. Members of Safety Plans A and B may retire at age 50 with 10 years of service, or any age with 20 years of service. Safety Plan C members are eligible to retire at age 50 with five years of County service.			

Method/Assumption	Application
Expectation of Life After Retirement [1,2]	<u>2019 SOA Mortality Tables for Public Employees</u> The same post-retirement mortality rates are used in the valuation for active members after termination, members retired for service, and beneficiaries. Future beneficiaries are assumed to have the same mortality as a general member of the opposite gender. The mortality tables used are listed below. Age-based rates are illustrated in the July 1, 2021 OPEB valuation report. These rates were adopted June 30, 2019. **Males:** **General Members**: PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.
Expectation of Life After Disability [1,2]	<u>2019 SOA Mortality Tables for Public Employees</u> For disabled members, the mortality tables used are listed below while age-based rates are illustrated in the July 1, 2021 OPEB valuation report. These rates were adopted June 30, 2019. **Males:** **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Males and PubG-2010 Disabled Retiree Mortality Table for Males, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2014 Ultimate Projection Scale. **Females**: **General Members**: Average of PubG-2010 Healthy Retiree Mortality Table for Females and PubG-2010 Disabled Retiree Mortality Table for Females, both projected with MP-2014 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2014 Ultimate Projection Scale.

(1) The PUB-2010 mortality tables were published by the Society of Actuaries (SOA's) Retirement Plans Experience Committee (RPEC) in January 2019. The data studied includes approximately 46 million life years of exposure and 580,000 deaths from public pension plans over the period 2008 to 2013. The PUB-2010 mortality tables include separate tables for general and safety members, and for each of those classes of members includes separate mortality tables for healthy annuitants, disabled retirees, and employees.

(2) The SOA's Mortality Improvement Scale MP-2014 (published in October 2014) is used to adjust the PUB-2010 mortality tables to account for anticipated changes in mortality rates in future years. In general, it is assumed that mortality rates will improve (implying longer lifetimes) in the future due partially to improvements in healthcare.

Method/Assumption	Application
Retiree Medical and Dental/Vision Eligibility and Enrollment Assumptions	Various Any retired or vested terminated members who have not elected a refund of their member pension contributions and who will receive a retirement benefit other than a refund are eligible for retiree medical and dental/vision enrollment. Refer to Tables A-14 through A-19 of the July 1, 2021 OPEB valuation report for more details regarding the enrollment assumptions.
Other Employment Termination	Withdrawal of Contributions and Probability of Occurrence Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further retirement, medical, dental/vision, and death benefits, or they may leave their contributions on deposit with LACERA. Former contributing members whose contributions are on deposit may later elect to receive a refund, return to work, or remain inactive until becoming eligible to receive a retirement benefit under either LACERA or a reciprocal retirement plan. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately. All terminating members are assumed not to be rehired. The Probability of Occurrence schedule included in this Actuarial Section provides a summary of probability of retirement and withdrawal for sample ages. Although these assumptions were developed for the Retirement Benefits Plan, they apply to the OPEB Program participant population.

Schedule of Funding Progress — OPEB Program
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Employee Payroll (c)	UAAL as a Percentage of Covered Employee Payroll [(b-a)/c]
July 1, 2012	$—	$26,952,700	$26,952,700	0.0%	N/A	N/A
July 1, 2014	483,800	28,546,600	28,062,800	1.7%	N/A	N/A
July 1, 2016	560,800	25,912,600	25,351,800	2.2%	N/A	N/A
July 1, 2017 [1]	742,900	26,300,800	25,557,900	2.8%	$8,544,140	299.1%
July 1, 2018 [2]	941,010	21,066,800	20,125,790	4.5%	8,954,417	224.8%
July 1, 2019	1,238,480	20,752,600	19,514,120	6.0%	9,471,632	206.0%
July 1, 2020	1,492,600	21,302,700	19,810,100	7.0%	9,813,912	201.9%
July 1, 2021	**$2,306,800**	**$21,157,400**	**$18,850,600**	**10.9%**	**$10,065,113**	**187.3%**

(1) The resulting July 1, 2017 OPEB valuation report was the first annual (versus biennial) valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Retirement approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

(2) Effective with the July 1, 2018 OPEB valuation, the actuarial cost method used to project the AAL changed from projected unit credit to entry age normal.

Active Member Valuation Data — OPEB Program

Valuation Date	Plan Type	Member Count [1]	Annual Salary	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
July 1, 2012	General	79,416	$5,267,863,044	$66,333	1.56%
	Safety	12,482	1,229,551,596	98,506	1.83%
	Total	91,898	$6,497,414,640	$70,702	1.52%
July 1, 2014	General	79,878	$5,482,792,752	$68,640	3.48%
	Safety	12,515	1,251,582,744	100,007	1.52%
	Total	92,393	$6,734,375,496	$72,888	3.09%
July 1, 2016	General	82,780	$5,938,289,628	$71,736	4.51%
	Safety	12,515	1,340,879,628	107,142	7.13%
	Total	95,295	$7,279,169,256	$76,386	4.80%
July 1, 2017 [2]	General	84,454	$6,284,503,344	$74,413	3.73%
	Safety	12,695	1,387,680,972	109,309	2.02%
	Total	97,149	$7,672,184,316	$78,973	3.39%
July 1, 2018	General	85,645	$6,604,776,960	$77,118	3.64%
	Safety	12,770	1,451,326,572	113,651	3.97%
	Total	98,415	$8,056,103,532	$81,858	3.65%
July 1, 2019	General	86,337	$6,809,906,844	$78,876	2.28%
	Safety	12,791	1,539,796,908	120,381	5.92%
	Total	99,128	$8,349,703,752	$84,232	2.90%
July 1, 2020	General	86,875	$7,180,721,760	$82,656	4.79%
	Safety	13,176	1,590,271,044	120,695	0.26%
	Total	100,051	$8,770,992,804	$87,665	4.08%
July 1, 2021	**General**	**85,911**	**$7,432,707,960**	**$86,516**	**4.67%**
	Safety	**13,133**	**1,650,137,676**	**125,648**	**4.10%**
	Total	**99,044**	**$9,082,845,636**	**$91,705**	**4.61%**

(1) The OPEB Program Active Member Count differs from the Pension Plan Active Member Count. The OPEB Program includes both Medicare and non-Medicare eligible individuals and excludes Pension Plan members that are receiving retiree healthcare benefits due to a retired spouse.

(2) The resulting OPEB valuation report was the first annual (versus biennial) valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Investments approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Retirees and Beneficiaries Added to and Removed From Benefits — OPEB Program
(Dollars in Thousands)

	Added to Rolls		Removed From Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance [1]	Member Count	Annual Allowance	Member Count	Annual Allowance	Percentage Increase in Retiree Allowance	Average Annual Allowance
July 1, 2012	5,336	$56,982	(3,070)	($25,497)	46,202	$423,464	8.03%	$9,165
July 1, 2014	5,335	89,205	(3,369)	(29,925)	48,168	482,744	14.00%	10,022
July 1, 2016	5,710	103,373	(3,514)	(30,745)	50,364	555,372	15.04%	11,027
July 1, 2017 [2]	3,229	41,266	(1,839)	(18,052)	51,754	578,586	4.18%	11,180
July 1, 2018	3,028	61,697	(1,977)	(20,530)	52,805	619,753	7.12%	11,737
July 1, 2019	3,259	71,970	(1,996)	(22,487)	54,068	669,236	7.98%	12,378
July 1, 2020	3,216	53,933	(2,077)	(23,865)	55,207	699,305	4.49%	12,667
July 1, 2021	**3,431**	**$53,821**	**(2,353)**	**($28,386)**	**56,285**	**$724,740**	**3.64%**	**$12,876**

(1) Includes changes for continuing retirees and beneficiaries.
(2) The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Retirement approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Actuary Solvency Test — OPEB Program [1]

(Dollars in Millions)

	Actuarial Accrued Liability (AAL) for				Portion of AAL Covered by Assets		
Actuarial Valuation Date	**(A) Active Member Contributions**	**(B) Retirees and Beneficiaries [2]**	**(C) Active Members (Employer Financed Portion)**	**Actuarial Value of Valuation Assets**	**(A) Active**	**(B) Retired**	**(C) Employer**
July 1, 2012	$—	$10,681	$16,272	$—	N/A	—%	—%
July 1, 2014	—	11,791	16,756	484	N/A	4%	—%
July 1, 2016	—	11,365	14,548	561	N/A	5%	—%
July 1, 2017 [3]	—	11,640	14,661	743	N/A	6%	—%
July 1, 2018	—	10,108	10,959	941	N/A	9%	—%
July 1, 2019	—	10,260	10,493	1,239	N/A	12%	—%
July 1, 2020	—	10,597	10,706	1,493	N/A	14%	—%
July 1, 2021	**$—**	**$10,751**	**$10,406**	**$2,307**	**N/A**	**21%**	**—%**

(1) Trend information: Schedule will ultimately show data for 10 years. Additional years will be displayed as they become available prospectively.

(2) Includes vested former members.

(3) The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Retirement approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Actuarial Analysis of Financial Experience — OPEB Program
(Dollars in Millions)

	Valuation as of July 1							
	2021	2020	2019 [1]	2018	2017 [2]	2016	2014	2012
Prior Unfunded Actuarial Accrued Liability	$19,810	$19,514	$20,126	$25,558	$25,352	$28,063	$26,953	$24,031
Expected Increase/(Decrease) from Prior Valuation	747	911	1,005	1,170	1,462	3,240	3,873	3,771
Claim Costs Greater/(Less) than Expected [3]	(1,202)	(1,000)	(1,589)	(1,067)	(1,213)	(2,322)	(5,471)	(3,864)
Change in Assumptions [4]	0	314	(35)	(6,936)	0	(3,385)	3,238	3,423
Asset Return Less/(Greater) than Expected	(352)	76	1	(28)	(54)	78	(484)	N/A
All Other Experience [5]	(152)	(5)	6	1,429	11	(322)	(46)	(408)
Ending Unfunded Actuarial Accrued Liability	**$18,851**	**$19,810**	**$19,514**	**$20,126**	**$25,558**	**$25,352**	**$28,063**	**$26,953**

(1) Beginning with the 2019 report, subsequent OPEB valuation reports will exclude the excise tax.
(2) The resulting OPEB valuation report was the first annual valuation prepared in accordance with the revised OPEB Actuarial Valuation and Audit Policy Statement, which the LACERA Board of Retirement approved in October 2017, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.
(3) Includes the medical care claim cost trend assumption change.
(4) In 2016, this amount includes the impact from implementing the Tier 2 Retiree Healthcare Benefits Plan.
(5) In 2018, this amount is primarily due to the impact of the excise tax.

STATISTICAL SECTION

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Statistical Information Overview

The objective of the Statistical Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information to understand and assess the status of the Pension Plan and OPEB Program administered by LACERA as of the fiscal year-end. Statistical data is maintained within the Member Workspace (Workspace) platform. Workspace is a sophisticated in-house data management system in which LACERA actively maintains member-specific information, comprehensive plan membership records, and related member-specific documents. This section reports the most current membership status information for each type of member (general, safety, active, retired, etc.).

The statistical information provided here is divided into Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how LACERA's financial position has changed over time:

- *Changes in Fiduciary Net Position — Pension Plan* and *Changes in Fiduciary Net Position — OPEB Trust* present additions by source, deductions by type, and the total change in Fiduciary Net Position for each year.
- *Pension Benefit Expenses by Type* presents retirement benefits, refunds of contributions, and lump-sum death benefits, as deductions by type of benefit (e.g., service and disability retirement from general and safety plans).

Operating Information provides contextual information about LACERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition:

- *Active Members* provides membership statistics for active vested and active non-vested members. In addition, members who are not considered retired are included as terminated members and defined as vested members with deferred benefits and non-vested members with inactive benefits.
- *Retired Members by Type of Pension Benefit and Retired Members by Type of OPEB Benefit* presents benefit information for the current year by dollar level and benefit type.
- *Schedule of Average Pension Benefit Payments* presents the average monthly Pension Plan benefit, average final salary, and number of retired members, organized in five-year increments of credited service.
- *Active Members and Participating Pension Employers* presents the employers and their corresponding employees (active members) who are or may become eligible for Pension Plan benefits.
- *Retired Members of Participating OPEB Employers* presents the number of members enrolled in medical and/or dental/vision benefits.
- *Employer Contribution Rates* shown by employer for the Pension Plan is provided as additional information.
- *Supplemental Targeted Adjustment for Retirees (STAR) Program Costs* trends the Program's costs through the current calendar year-end.

Changes in Fiduciary Net Position — Pension Plan

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions										
Employer Contributions	$2,199,889	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,359	$1,403,712	$1,494,975	$1,320,442	$723,195
Member Contributions	758,632	760,994	659,296	635,415	591,262	526,579	498,083	441,258	439,001	679,572
Net Investment Income/(Loss)	(1,540,145)	15,629,915	1,445,877	3,175,723	4,716,640	6,129,300	80,588	1,989,358	6,908,412	4,659,015
Miscellaneous	4,117	2,928	2,383	5,958	5,613	6,370	2,781	1,695	2,256	385
Total Additions/ (Declines)	**$1,422,493**	**$18,406,714**	**$3,907,693**	**$5,485,247**	**$6,838,338**	**$7,993,608**	**$1,985,164**	**$3,927,286**	**$8,670,111**	**$6,062,167**
Deductions										
Total Benefit Expenses [1]	$4,044,567	$3,814,262	$3,606,340	$3,407,154	$3,203,375	$3,029,633	$2,889,186	$2,768,410	$2,662,401	$2,541,351
Administrative Expenses	100,121	90,586	85,384	82,906	78,181	66,830	67,645	62,591	58,723	53,863
Miscellaneous	219	248	397	333	451	188	(11)	212	229	190
Total Deductions	**$4,144,907**	**$3,905,096**	**$3,692,121**	**$3,490,393**	**$3,282,007**	**$3,096,651**	**$2,956,820**	**$2,831,213**	**$2,721,353**	**$2,595,404**
Net Increase/(Decrease) in Fiduciary Net Position	**($2,722,414)**	**$14,501,618**	**$215,572**	**$1,994,854**	**$3,556,331**	**$4,896,957**	**($971,656)**	**$1,096,073**	**$5,948,758**	**$3,466,763**

(1) See Pension Benefit Expenses by Type in this Statistical Section.

Changes in Fiduciary Net Position — OPEB Trust

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Additions										
Employer Contributions [1]	$1,097,284	1,057,366	$907,521	$863,452	$706,709	$645,381	$615,275	$—	$—	$448,819
Net Investment Income/(Loss)	(288,500)	452,122	6,171	62,116	78,746	94,505	(8,095)	4,688	35,113	209
Miscellaneous	—	—	—	—	—	2	—	—	—	—
Total Additions	**$808,784**	**$1,509,488**	**$913,692**	**$925,568**	**$785,455**	**$739,888**	**$607,180**	**$4,688**	**$35,113**	**$449,028**
Deductions										
Administrative Expenses	$599	$584	$246	$234	$190	$374	$192	$153	$144	$173
Benefit Payments [1]	720,910	694,665	659,295	627,839	583,406	557,381	534,597	—	—	—
Redemptions	—	40	—	25	3,735	—	—	—	—	—
Total Deductions	**$721,509**	**$695,289**	**$659,541**	**$628,098**	**$587,331**	**$557,755**	**$534,789**	**$153**	**$144**	**$173**
Net Increase in Fiduciary Net Position	**$87,275**	**$814,199**	**$254,151**	**$297,470**	**$198,124**	**$182,133**	**$72,391**	**$4,535**	**$34,969**	**$448,855**

(1) Beginning in 2016:

Contributions: The Trust reflects both prefunding contributions actually made to the OPEB Trust as well as additions to Fiduciary Net Position, including amounts for OPEB as the benefits come due that will not be reimbursed to the employers using OPEB plan assets.

Deductions: The Trust includes all benefit payments whether made through the Trust or by employers as OPEB benefits comes due (per paragraph 28a and 31 of GASB Statement Number 74).

Pension Benefit Expenses by Type

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Service Retiree Payroll										
General	$2,419,417	$2,291,480	$2,174,355	$2,060,365	$1,946,614	$1,845,791	$1,762,274	$1,692,558	$1,631,285	$1,556,814
Safety	602,547	574,362	543,901	507,909	478,802	445,473	419,092	397,962	384,248	367,471
Total	**$3,021,964**	**$2,865,842**	**$2,718,256**	**$2,568,274**	**$2,425,416**	**$2,291,264**	**$2,181,366**	**$2,090,520**	**$2,015,533**	**$1,924,285**
Disability Retiree Payroll										
General	$201,231	$195,818	$190,386	$186,120	$177,879	$173,550	$169,821	$165,543	$162,338	$157,406
Safety	779,078	723,948	670,237	621,358	574,431	538,116	507,824	484,907	459,311	432,405
Total	**$980,309**	**$919,766**	**$860,623**	**$807,478**	**$752,310**	**$711,666**	**$677,645**	**$650,450**	**$621,649**	**$589,811**
Total Retiree Payroll										
General	$2,620,648	$2,487,298	$2,364,741	$2,246,485	$2,124,493	$2,019,341	$1,932,095	$1,858,101	$1,793,623	$1,714,220
Safety	1,381,625	1,298,310	1,214,138	1,129,267	1,053,233	983,589	926,916	882,869	843,559	799,876
Total	**$4,002,273**	**$3,785,608**	**$3,578,879**	**$3,375,752**	**$3,177,726**	**$3,002,930**	**$2,859,011**	**$2,740,970**	**$2,637,182**	**$2,514,096**
Refunds										
General	$32,470	$21,622	$22,418	$27,096	$20,782	$21,970	$23,470	$22,050	$18,994	$19,406
Safety	5,619	2,890	2,813	1,595	2,439	2,482	3,622	3,361	4,534	5,606
Total	**$38,089**	**$24,512**	**$25,231**	**$28,691**	**$23,221**	**$24,452**	**$27,092**	**$25,411**	**$23,528**	**$25,012**
Lump-Sum Death Benefits	**$4,205**	**$4,142**	**$2,230**	**$2,711**	**$2,428**	**$2,251**	**$3,083**	**$2,029**	**$1,691**	**$2,243**
Total Benefit Expenses	**$4,044,567**	**$3,814,262**	**$3,606,340**	**$3,407,154**	**$3,203,375**	**$3,029,633**	**$2,889,186**	**$2,768,410**	**$2,662,401**	**$2,541,351**

Active Members

For the Last 10 Fiscal Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Active Vested										
General	64,875	64,622	63,647	62,589	61,734	61,608	61,820	62,532	63,301	62,803
Safety	9,921	9,812	9,875	10,071	10,286	10,429	10,743	11,024	11,188	11,177
Subtotal	**74,796**	**74,434**	**73,522**	**72,660**	**72,020**	**72,037**	**72,563**	**73,556**	**74,489**	**73,980**
Active Non-Vested										
General	18,826	21,355	23,289	23,811	23,975	22,915	21,096	18,696	16,642	16,203
Safety	2,930	3,329	3,304	2,725	2,489	2,269	1,785	1,422	1,335	1,362
Subtotal	**21,756**	**24,684**	**26,593**	**26,536**	**26,464**	**25,184**	**22,881**	**20,118**	**17,977**	**17,565**
Inactive [1]										
General	17,761	15,996	15,133	15,567	7,856	7,752	7,665	7,623	7,550	7,462
Safety	1,286	1,125	1,041	610	603	589	573	563	540	497
Subtotal	**19,047**	**17,121**	**16,174**	**16,177**	**8,459**	**8,341**	**8,238**	**8,186**	**8,090**	**7,959**
Total Active Members										
General	101,462	101,973	102,069	101,967	93,565	92,275	90,581	88,851	87,493	86,468
Safety	14,137	14,266	14,220	13,406	13,378	13,287	13,101	13,009	13,063	13,036
Total	**115,599**	**116,239**	**116,289**	**115,373**	**106,943**	**105,562**	**103,682**	**101,860**	**100,556**	**99,504**

(1) Effective with fiscal year ended June 30, 2019 and going forward. Inactive includes both vested (deferred) and non-vested (inactive) members.

Retired Members by Type of Pension Benefit

As of June 30, 2022

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement [1] A	B	C	Retirement Option Selected [2] Unmodified	Unmodified+ Plus	Option 1	Option 2	Option 3	Option 4
$1 - $1,000	12,964	8,335	944	3,685	11,066	875	95	449	118	361
$1,001 - $2,000	14,101	9,553	1,779	2,769	12,070	1,193	122	330	100	286
$2,001 - $3,000	11,674	8,599	1,776	1,299	10,004	1,059	94	168	79	270
$3,001 - $4,000	8,642	6,701	1,181	760	7,388	825	59	93	45	232
$4,001 - $5,000	6,201	4,988	805	408	5,148	726	38	58	41	190
$5,001 - $6,000	4,460	3,586	603	271	3,703	554	26	31	15	131
$6,001 - $7,000	3,279	2,609	509	161	2,628	481	15	22	8	125
> $7,000	10,264	7,106	2,852	306	7,605	2,082	29	29	38	481
	71,585	**51,477**	**10,449**	**9,659**	**59,612**	**7,795**	**478**	**1,180**	**444**	**2,076**

(1) Type of Retirement:

A: Service Retiree
B: Disability Retiree
C: Beneficiary/Continuant/Survivor

(2) Retirement Option Selected:

Unmodified: For Plans A-D and G, beneficiary receives 65 percent of the member’s allowance (60 percent if the member retired before June 4, 2002); for Plan E, beneficiary receives 55 percent of member’s allowance (50 percent if the member retired before June 4, 2002).

The following options reduce the member’s monthly benefit:
Unmodified+Plus: For all Plans (A-G), member’s allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/partner.
Option 1: Beneficiary receives lump sum of member’s unused contributions.
Option 2: Beneficiary receives 100 percent of member’s reduced monthly benefit.
Option 3: Beneficiary receives 50 percent of member’s reduced monthly benefit.
Option 4: Beneficiary(ies) receives percentage of member’s reduced monthly benefit as designated by member.

Retired Members by Type of OPEB Benefit

As of June 30, 2022

	Medical Benefit Premium Amounts					
	$1-$500	**$501-$1000**	**$1,001-$1500**	**$1,501-$2000**	**> $2,000**	**Total Member Count**
Medical Plans by Plan Type						
Anthem Blue Cross I	2	—	611	23	308	944
Anthem Blue Cross II	0	—	2,297	200	2,938	5,435
Anthem Blue Cross III	—	7,331	4,373	1,025	168	12,897
Anthem Blue Cross Prudent Buyer	—	497	25	251	75	848
Cigna-HealthSpring Preferred Rx	30	23	1	5	2	61
Cigna Network Model Plan	—	—	—	251	87	338
Kaiser - California	—	—	3,314	—	2,540	5,854
Kaiser - Senior Advantage	11,814	6,121	2,125	18	2	20,080
Kaiser - Colorado	—	—	4	—	10	14
Kaiser - Georgia	—	—	23	—	2	25
Kaiser - Hawaii	—	6	—	5	3	14
Kaiser - Oregon	—	—	6	—	5	11
Kaiser - Washington	—	—	6	—	3	9
Firefighters Local 1014	—	—	534	—	1,613	2,147
SCAN Health Plan	290	82	—	—	—	372
UnitedHealthcare	1	—	511	—	864	1,376
UnitedHealthcare Medicare Advantage (HMO)	1,878	1,285	—	477	—	3,640
Total Medical by Plan Type	**14,015**	**15,345**	**13,830**	**2,255**	**8,620**	**54,065**
Medical Plans by Retirement Type						
Service Retirees	10,972	11,808	10,308	1,658	5,381	40,127
Disability Retirees	827	1,552	2,080	441	3,072	7,972
Survivors	2,216	1,985	1,442	156	167	5,966
Total Medical by Retirement Type	**14,015**	**15,345**	**13,830**	**2,255**	**8,620**	**54,065**

	Dental/Vision Benefit Premium Amounts
	$1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	49,278
CIGNA HMO Dental/Vision	6,494
Total Dental/Vision by Plan Type	**55,772**
Dental/Vision Plans by Retirement Type	
Service Retirees	41,137
Disability Retirees	8,371
Survivors	6,264
Total Dental/Vision by Retirement Type	**55,772**

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/12 to 6/30/13						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,825	$1,562	$2,116	$2,663	$3,570	$5,043
Average Monthly Final Salary	$6,046	$5,405	$6,042	$6,009	$6,758	$6,888
Number of Active Retirants	112	324	233	271	338	897
Safety Members						
Average Monthly Retirement Benefit	$2,233	$5,909	$6,416	$5,507	$7,360	$10,046
Average Monthly Final Salary	$7,299	$9,266	$9,611	$9,843	$10,481	$11,921
Number of Active Retirants	12	29	20	33	118	191
Survivors						
General Members						
Average Monthly Retirement Benefit	$861	$804	$1,097	$1,403	$1,889	$2,496
Average Monthly Final Salary	$4,743	$4,020	$3,961	$4,451	$4,930	$5,611
Number of Active Survivors	22	54	39	70	60	103
Safety Members						
Average Monthly Retirement Benefit	$989	$1,523	$2,523	$3,378	$4,137	$5,460
Average Monthly Final Salary	$4,454	$4,896	$5,990	$8,242	$7,055	$7,468
Number of Active Survivors	6	7	10	5	20	31
7/1/13 to 6/30/14						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,913	$1,624	$2,024	$2,722	$3,553	$4,788
Average Monthly Final Salary	$6,415	$5,241	$5,657	$5,930	$6,724	$6,733
Number of Active Retirants	109	307	240	305	358	726
Safety Members						
Average Monthly Retirement Benefit	$1,542	$4,454	$6,018	$5,225	$7,467	$9,719
Average Monthly Final Salary	$6,452	$8,381	$10,140	$9,414	$10,753	$11,823
Number of Active Retirants	8	31	18	20	83	212
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,017	$837	$936	$1,726	$1,888	$2,550
Average Monthly Final Salary	$4,475	$4,679	$3,794	$4,913	$4,732	$6,064
Number of Active Survivors	29	51	37	41	63	119
Safety Members						
Average Monthly Retirement Benefit	$1,031	$1,709	$2,056	$3,132	$3,827	$5,358
Average Monthly Final Salary	$6,377	$6,249	$5,830	$6,874	$6,772	$7,309
Number of Active Survivors	2	8	6	6	15	22

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/14 to 6/30/15						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,422	$1,716	$2,202	$3,106	$3,360	$5,017
Average Monthly Final Salary	$5,939	$5,543	$5,903	$6,731	$6,294	$6,970
Number of Active Retirants	126	331	280	308	436	784
Safety Members						
Average Monthly Retirement Benefit	$2,917	$5,412	$5,374	$6,477	$7,082	$9,923
Average Monthly Final Salary	$7,015	$9,261	$9,810	$10,748	$10,400	$11,847
Number of Active Retirants	20	19	21	28	116	215
Survivors						
General Members						
Average Monthly Retirement Benefit	$903	$1,021	$1,342	$1,854	$1,799	$2,741
Average Monthly Final Salary	$4,076	$4,471	$5,243	$5,464	$4,814	$5,525
Number of Active Survivors	32	53	40	52	71	126
Safety Members						
Average Monthly Retirement Benefit	$2,101	$2,054	$1,768	$2,911	$4,530	$6,206
Average Monthly Final Salary	$5,564	$6,518	$4,737	$6,552	$6,815	$8,367
Number of Active Survivors	6	4	9	12	16	29
7/1/15 to 6/30/16						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,619	$1,809	$2,265	$2,893	$3,462	$5,163
Average Monthly Final Salary	$6,022	$5,607	$6,020	$6,414	$6,440	$7,372
Number of Active Retirants	118	331	273	274	471	837
Safety Members						
Average Monthly Retirement Benefit	$3,134	$3,776	$5,743	$6,290	$7,540	$10,730
Average Monthly Final Salary	$7,077	$9,355	$10,057	$10,613	$11,062	$12,654
Number of Active Retirants	24	16	27	22	109	205
Survivors						
General Members						
Average Monthly Retirement Benefit	$929	$752	$957	$1,174	$1,745	$2,470
Average Monthly Final Salary	$6,444	$4,670	$3,996	$4,367	$4,825	$5,339
Number of Active Survivors	30	55	50	51	69	143
Safety Members						
Average Monthly Retirement Benefit	$1,446	$3,207	$3,071	$3,053	$4,468	$5,611
Average Monthly Final Salary	$5,927	$6,777	$6,628	$6,941	$6,825	$7,529
Number of Active Survivors	6	6	8	9	16	33

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/16 to 6/30/17						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,416	$1,858	$2,364	$3,425	$3,730	$5,149
Average Monthly Final Salary	$5,917	$5,860	$6,367	$7,202	$6,791	$7,441
Number of Active Retirants	142	338	328	209	507	856
Safety Members						
Average Monthly Retirement Benefit	$2,987	$3,087	$6,412	$6,885	$7,888	$11,358
Average Monthly Final Salary	$7,651	$8,870	$10,320	$11,308	$11,362	$13,288
Number of Active Retirants	24	25	50	36	153	248
Survivors						
General Members						
Average Monthly Retirement Benefit	$833	$786	$1,392	$1,577	$1,898	$2,942
Average Monthly Final Salary	$5,469	$4,190	$4,959	$5,059	$5,175	$6,105
Number of Active Survivors	29	52	63	41	72	136
Safety Members						
Average Monthly Retirement Benefit	$3,522	$4,150	$2,131	$3,715	$4,316	$6,581
Average Monthly Final Salary	$6,792	$7,451	$7,234	$6,906	$7,400	$8,411
Number of Active Survivors	3	5	9	7	16	36
7/1/17 to 6/30/18						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,639	$1,752	$2,482	$3,609	$3,907	$5,275
Average Monthly Final Salary	$7,147	$5,725	$6,223	$7,627	$7,071	$7,605
Number of Active Retirants	99	339	323	255	470	883
Safety Members						
Average Monthly Retirement Benefit	$3,140	$4,015	$5,714	$6,482	$8,329	$11,650
Average Monthly Final Salary	$7,739	$9,039	$10,242	$11,266	$11,835	$13,559
Number of Active Retirants	22	21	36	32	126	241
Survivors						
General Members						
Average Monthly Retirement Benefit	$681	$1,112	$1,345	$1,503	$2,179	$2,888
Average Monthly Final Salary	$4,138	$5,668	$5,145	$5,071	$5,596	$6,179
Number of Active Survivors	17	50	47	38	80	133
Safety Members						
Average Monthly Retirement Benefit	$2,815	$3,252	$3,528	$3,200	$3,603	$5,479
Average Monthly Final Salary	$7,817	$7,192	$6,670	$6,327	$6,905	$7,833
Number of Active Survivors	7	8	5	7	18	31

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/18 to 6/30/19						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,659	$1,578	$3,091	$3,613	$3,994	$6,007
Average Monthly Final Salary	$6,332	$5,585	$7,078	$7,481	$7,398	$8,630
Number of Active Retirants	122	337	371	313	447	938
Safety Members						
Average Monthly Retirement Benefit	$4,251	$4,072	$5,960	$8,466	$9,038	$12,076
Average Monthly Final Salary	$8,564	$9,754	$10,348	$12,556	$12,737	$14,367
Number of Active Retirants	25	30	36	38	137	278
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,129	$921	$1,243	$1,660	$1,894	$2,898
Average Monthly Final Salary	$5,507	$5,704	$5,510	$5,402	$5,204	$5,928
Number of Active Survivors	38	69	80	81	111	183
Safety Members						
Average Monthly Retirement Benefit	$801	$2,157	$2,885	$2,704	$3,208	$6,016
Average Monthly Final Salary	$4,148	$6,656	$7,462	$5,607	$6,217	$8,495
Number of Active Survivors	4	8	14	17	29	45
7/1/19 to 6/30/20						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,529	$1,917	$2,998	$3,506	$4,414	$5,772
Average Monthly Final Salary	$6,503	$6,414	$7,197	$7,410	$8,151	$8,315
Number of Active Retirants	121	337	332	350	400	958
Safety Members						
Average Monthly Retirement Benefit	$2,606	$4,498	$6,070	$7,800	$9,336	$12,485
Average Monthly Final Salary	$7,489	$10,058	$11,768	$12,329	$13,251	$14,963
Number of Active Retirants	15	24	21	38	119	320
Survivors						
General Members						
Average Monthly Retirement Benefit	$969	$964	$1,171	$1,739	$1,961	$2,794
Average Monthly Final Salary	$5,282	$4,866	$4,956	$5,962	$5,469	$6,085
Number of Active Survivors	31	62	69	84	101	179
Safety Members						
Average Monthly Retirement Benefit	$3,839	$2,467	$3,078	$2,973	$4,646	$5,847
Average Monthly Final Salary	$5,723	$4,966	$6,705	$5,977	$7,952	$8,081
Number of Active Survivors	7	9	10	16	31	63

Schedule of Average Pension Benefit Payments

For the Last 10 Fiscal Years Ended June 30

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/20 to 6/30/21						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,231	$1,531	$2,726	$3,349	$4,089	$5,735
Average Monthly Final Salary	$7,640	$6,281	$7,509	$7,453	$7,590	$8,508
Number of Active Retirants	125	335	293	346	432	1,250
Safety Members						
Average Monthly Retirement Benefit	$2,235	$3,767	$5,041	$6,732	$9,337	$12,659
Average Monthly Final Salary	$8,945	$9,648	$10,518	$12,239	$13,433	$15,336
Number of Active Retirants	12	24	25	67	132	313
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,106	$948	$1,320	$1,535	$1,862	$3,111
Average Monthly Final Salary	$6,340	$5,370	$5,211	$5,245	$5,155	$6,344
Number of Active Survivors	26	67	69	79	107	225
Safety Members						
Average Monthly Retirement Benefit	$2,606	$2,369	$4,302	$2,886	$4,557	$5,946
Average Monthly Final Salary	$6,195	$7,058	$9,070	$7,532	$7,368	$8,553
Number of Active Survivors	6	7	10	13	26	56
7/1/21 to 6/30/22						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,120	$1,748	$2,599	$3,437	$4,397	$6,151
Average Monthly Final Salary	$7,100	$6,985	$7,610	$7,647	$8,399	$9,047
Number of Active Retirants	138	322	347	497	479	1,499
Safety Members						
Average Monthly Retirement Benefit	$1,626	$4,161	$5,283	$8,017	$9,502	$13,277
Average Monthly Final Salary	$7,145	$9,588	$11,387	$13,751	$13,856	$15,933
Number of Active Retirants	11	21	17	57	113	304
Survivors						
General Members						
Average Monthly Retirement Benefit	$610	$730	$1,506	$1,690	$2,014	$3,201
Average Monthly Final Salary	$4,460	$4,307	$5,417	$5,501	$5,776	$7,098
Number of Active Survivors	19	49	72	75	118	218
Safety Members						
Average Monthly Retirement Benefit	$2,323	$2,548	$2,120	$3,491	$5,006	$6,050
Average Monthly Final Salary	$8,156	$6,962	$4,880	$7,107	$8,830	$8,644
Number of Active Survivors	3	11	5	11	33	54

Active Members and Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles	2022 Covered Members	2022 Percentage of Total Covered Members	2021 Covered Members	2021 Percentage of Total Covered Members	2020 Covered Members	2020 Percentage of Total Covered Members	2019 Covered Members	2019 Percentage of Total Covered Members	2018 Covered Members	2018 Percentage of Total Covered Members
General Members	83,695	86.684%	85,970	86.735%	86,929	86.829%	86,392	87.092%	85,701	87.020%
Safety Members	12,851	13.310%	13,141	13.258%	13,179	13.164%	12,796	12.900%	12,775	12.972%
Total	**96,546**	**99.994%**	**99,111**	**99.993%**	**100,108**	**99.993%**	**99,188**	**99.992%**	**98,476**	**99.992%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	—	—%	—	—%	—	—%	0	0.000%	0	0.000%
Los Angeles County Office of Education	—	—%	—	—%	—	—%	—	—%	—	—%
Little Lake Cemetery District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	5	0.005%	6	0.006%	6	0.006%	7	0.007%	7	0.007%
Total Participating Agencies	**6**	**0.006%**	**7**	**0.007%**	**7**	**0.007%**	**8**	**0.008%**	**8**	**0.008%**
Total Active Membership [1]										
General Members	83,701	86.690%	85,977	86.742%	86,936	86.836%	86,400	87.100%	85,709	87.028%
Safety Members	12,851	13.310%	13,141	13.258%	13,179	13.164%	12,796	12.900%	12,775	12.972%
Total	**96,552**	**100.000%**	**99,118**	**100.000%**	**100,115**	**100.000%**	**99,196**	**100.000%**	**98,484**	**100.000%**

County of Los Angeles	2017 Covered Members	2017 Percentage of Total Covered Members	2016 Covered Members	2016 Percentage of Total Covered Members	2015 Covered Members	2015 Percentage of Total Covered Members	2014 Covered Members	2014 Percentage of Total Covered Members	2013 Covered Members	2013 Percentage of Total Covered Members
General Members	84,515	86.931%	82,907	86.865%	81,219	86.704%	79,934	86.447%	78,997	86.293%
Safety Members	12,698	13.061%	12,528	13.126%	12,446	13.286%	12,523	13.543%	12,539	13.697%
Total	**97,213**	**99.992%**	**95,435**	**99.991%**	**93,665**	**99.990%**	**92,457**	**99.990%**	**91,536**	**99.990%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	—%	—	—%	—	—%	—	—%	—	0.000%
Little Lake Cemetery District	1	0.001%	1	0.001%	1	0.001%	1	0.001%	1	0.001%
Local Agency Formation Commission for the County of Los Angeles	6	0.006%	7	0.007%	7	0.008%	7	0.008%	7	0.008%
Total Participating Agencies	**8**	**0.008%**	**9**	**0.009%**	**9**	**0.010%**	**9**	**0.010%**	**9**	**0.010%**
Total Active Membership [1]										
General Members	84,523	86.939%	82,916	86.874%	81,228	86.714%	79,943	86.457%	79,006	86.303%
Safety Members	12,698	13.061%	12,528	13.126%	12,446	13.286%	12,523	13.543%	12,539	13.697%
Total	**97,221**	**100.000%**	**95,444**	**100.000%**	**93,674**	**100.000%**	**92,466**	**100.000%**	**91,545**	**100.000%**

(1) Active Membership excludes inactive members; which are vested (deferred) and non-vested (inactive) members.

Retired Members of Participating OPEB Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles and Participating Agencies	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Medical	54,065	52,832	52,336	51,216	50,052	48,812	47,653	46,567	45,576	44,753
Dental/Vision	55,772	54,262	53,705	52,499	51,225	49,890	48,671	47,486	46,383	45,485

Employer Contribution Rates: County of Los Angeles

For the Last 10 Years

Effective Date [1]			General Members						Safety Members		
			Plan A	Plan B	Plan C	Plan D	Plan E	Plan G [2]	Plan A	Plan B	Plan C [2]
10/1/2012	to	9/30/2013	22.65%	15.55%	15.35%	16.00%	16.77%	—	31.55%	25.37%	—
1/1/2013	to	9/30/2013	—	—	—	—	—	15.61%	—	—	20.98%
10/1/2013	to	9/30/2014	25.08%	17.95%	17.54%	18.24%	19.09%	17.81%	34.63%	27.92%	23.18%
10/1/2014	to	6/30/2015	26.99%	19.49%	19.01%	19.74%	20.95%	19.53%	35.91%	29.26%	25.29%
7/1/2015	to	6/30/2016	25.13%	17.45%	16.90%	17.70%	18.97%	17.66%	34.64%	27.50%	23.46%
7/1/2016	to	9/30/2017	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%	32.25%	25.94%	21.93%
10/1/2017	to	9/30/2018	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%	34.45%	27.75%	23.73%
10/1/2018	to	9/30/2019	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%	34.11%	28.36%	23.97%
10/1/2019	to	9/30/2020	27.81%	19.33%	18.33%	19.42%	20.79%	19.42%	35.32%	29.30%	24.68%
10/1/2020	to	9/30/2021	29.59%	21.13%	19.72%	20.94%	22.47%	20.84%	38.10%	31.99%	26.27%
10/1/2021	**to**	**6/30/2022**	**31.40%**	**24.16%**	**21.39%**	**22.94%**	**24.49%**	**22.85%**	**40.12%**	**34.59%**	**28.17%**

(1) Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. However, section 31454 of CERL requires the County Board of Supervisors to adjust contribution rates in accordance with LACERA's recommendations no later than ninety days following the beginning of the immediately succeeding fiscal year. Adjustments must be made effective July 1, or thereafter, but not later than September 29 of each year.

(2) As a result of PEPRA implementation, effective January 1, 2013.

Employer Contribution Rates: Little Lake Cemetery District [1], Local Agency Formation Commission for the County of Los Angeles [2], and Los Angeles County Office of Education [3]

For the Last 10 Years

Effective Date [4]			General Members			
			Plan A	Plan D	Plan E	Plan G [5]
10/1/2012	to	9/30/2013	—	16.00%	16.77%	—
1/1/2013	to	9/30/2013	—	—	—	15.61%
10/1/2013	to	9/30/2014	—	18.24%	19.09%	17.81%
10/1/2014	to	6/30/2015	—	19.74%	20.95%	19.53%
7/1/2015	to	6/30/2016	—	17.70%	18.97%	17.66%
7/1/2016	to	9/30/2017	—	16.19%	17.49%	16.07%
10/1/2017	to	9/30/2018	—	18.17%	—	18.04%
10/1/2018	to	9/30/2019	—	18.51%	—	18.53%
10/1/2019	to	9/30/2020	—	19.42%	—	19.42%
10/1/2020	to	9/30/2021	—	20.94%	—	20.84%
10/1/2021	to	**6/30/2022**	**—**	**22.94%**	**—**	**22.85%**

(1) Rates applicable to Little Lake Cemetery District are limited to Plan D.

(2) Rates applicable to the Local Agency Formation Commission for the County of Los Angeles are limited to Plans D, E, and G. As of November 2016, there were no participating active members under Plan E.

(3) Rates applicable to the Los Angeles County Office of Education are limited to Plan A. As of June 2012, there were no participating active members.

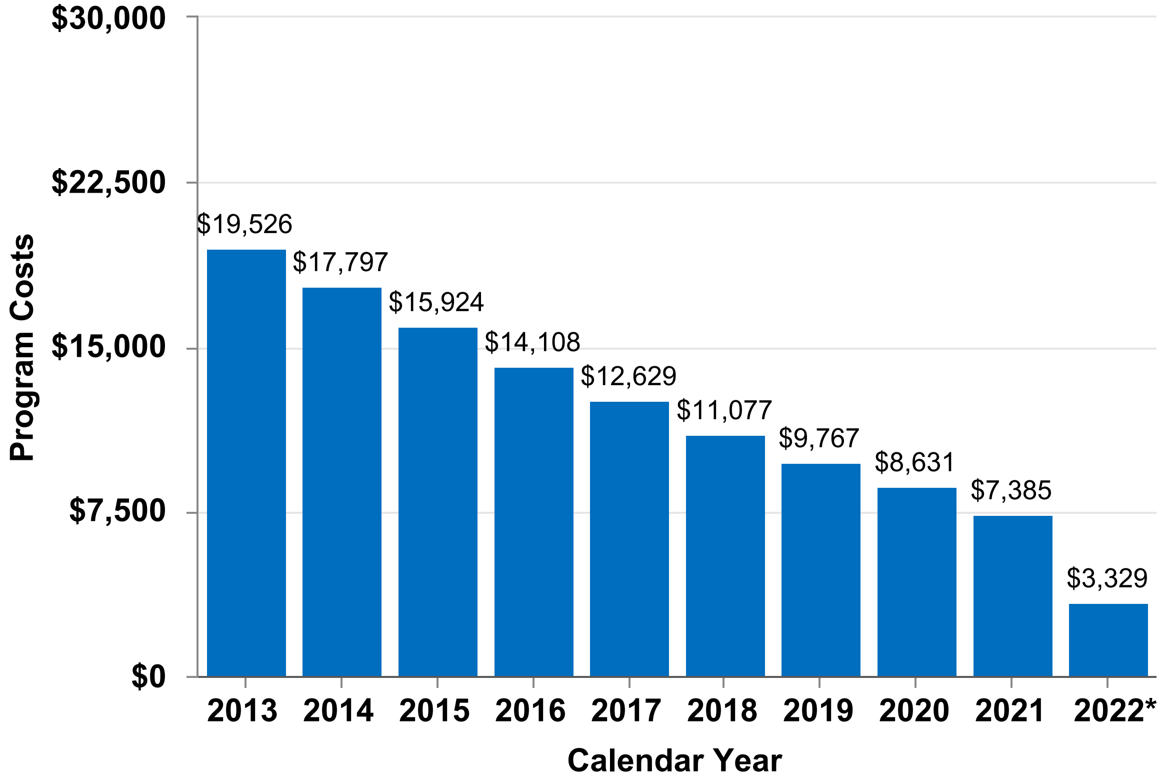
(4) Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. However, section 31454 of CERL requires the County Board of Supervisors to adjust contribution rates in accordance with LACERA's recommendations no later than ninety days following the beginning of the immediately succeeding fiscal year. Adjustments must be made effective July 1, or thereafter, but not later than September 29 of each year.

(5) Rates effective January 1, 2013, were a result of PEPRA implementation.

Supplemental Targeted Adjustment for Retirees (STAR) Program Costs — Pension Plan

The STAR Program is administered on a calendar-year basis. The chart below represents the STAR Program costs for the last 10 years.

LACERA STAR Program Costs
For the Last 10 Calendar Years
(Dollars in Thousands)



*Represents partial year January 1 through June 30.

Calendar Year	STAR Program Costs
2013	$19,526
2014	17,797
2015	15,924
2016	14,108
2017	12,629
2018	11,077
2019	9,767
2020	8,631
2021	7,385
2022*	3,329

Los Angeles County Employees Retirement Association

Schedule of Employer Allocations and
Schedule of Pension Amounts by Employer
As of and for the Year Ended June 30, 2021
With Independent Auditor's Report

Employer Reporting Period: June 30, 2022

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Independent Auditor's Report

To the Boards of Retirement and Investments
Los Angeles County Employees
Retirement Association

We have audited the accompanying schedule of employer allocations of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2021 and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources (excluding contributions made subsequent to June 30, 2021), total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of LACERA as of and for the year ended June 30, 2021 and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities in the Los Angeles County Employees Retirement Association defined benefit pension plan as of and for the year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

To the Boards of Retirement and Investments
Los Angeles County Employees
Retirement Association

Emphasis of Matter

As explained in Note 2 to the schedules, the schedules include investments that are part of the calculation of the net pension liability, which are valued at $19,599,657,000 (26 percent of net position) at June 30, 2021, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments. Our opinion is not modified with respect to this matter.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of LACERA as of and for the year ended June 30, 2021, and our report thereon, dated October 13, 2021, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of LACERA's management, Board of Retirement, Board of Investments, LACERA employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

East Lansing, Michigan
May 11, 2022

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Defined Benefit Pension Plan

Schedule of Employer Allocations

As of and for the year ended June 30, 2021

	Measurement Date 6/30/2021				
Employer	Actual Employer Contribution (1)	Employer Contribution Percentage	Adjusted Contribution Percentage	Employer Proportion	Employer Net Pension Liability
Los Angeles County	$ 1,940,716,000	96.41498%	96.41498%	96.41498%	$ 7,030,463,000
Los Angeles County Superior Court	72,021,000	3.57801%	3.57801%	3.57801%	260,904,000
South Coast Air Quality Management District	-	0.00000%	0.00000%	0.00000%	-
Los Angeles County Office of Education	-	0.00000%	0.00000%	0.00000%	-
Local Agency Formation Commission	133,000	0.00661%	0.00661%	0.00661%	482,000
Little Lake Cemetery District	8,000	0.00040%	0.00040%	0.00040%	29,000
Total	$ 2,012,878,000	100%	100%	100%	$ 7,291,878,000

(1) Employer contributions exclude any pickup contributions and include contributions from the Metropolitan Transportation Authority (MTA). Our understanding is that the MTA is a nonemployer contributing entity that is not in a special funding situation. We have considered contributions from the MTA as a county contribution in the above table.

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2021

		Deferred Outflows of Resources				Deferred Inflows of Resources				Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
Employer Name	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Changes of Assumptions	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences between Expected and Actual Economic Experience	Differences Between Projected and Actual Plan Investment Earnings	Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Allocable Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Los Angeles County	$ 7,030,463,000	$ 1,537,846,000	$ 3,012,519,000	$ 34,167,000	$ 4,584,532,000	$ 211,224,000	$ 7,021,527,000	$ -	$ 7,232,751,000	$ 706,155,000	$ 12,941,000	$ 719,096,000
Los Angeles County Superior Court	260,904,000	57,070,000	111,796,000	-	168,866,000	7,839,000	260,573,000	34,125,000	302,537,000	26,206,000	(12,948,000)	13,258,000
South Coast Air Quality Management District	-	-	-	12,000	12,000	-	-	-	-	-	6,000	6,000
Los Angeles County Office of Education	-	-	-	-	-	-	-	-	-	-	-	-
Local Agency Formation Commission	482,000	105,000	207,000	59,000	371,000	14,000	481,000	118,000	613,000	48,000	(4,000)	44,000
Little Lake Cemetery District	29,000	6,000	12,000	12,000	30,000	1,000	29,000	7,000	37,000	3,000	5,000	8,000
Total for All Employers	$ 7,291,878,000	$ 1,595,027,000	$ 3,124,534,000	$ 34,250,000	$ 4,753,811,000	$ 219,078,000	$ 7,282,610,000	$ 34,250,000	$ 7,535,938,000	$ 732,412,000	$ -	$ 732,412,000

See accompanying Notes to the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer.

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Notes to Schedule of Employer Allocations and

Schedule of Pension Amounts by Employer

As of and for the year ended June 30, 2021

Amounts rounded to nearest thousand

(1) Plan Description

Los Angeles County Employees Retirement Association (LACERA) administers a cost-sharing multiple-employer defined benefit pension plan for Los Angeles County and its affiliated Superior Court, plus four outside districts: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District. For additional information, please refer to the Annual Comprehensive Financial Report, which can be found on LACERA's website at www.LACERA.com.

Plan benefits are specified in and provided to members based on the California Constitution, the County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act (PEPRA) and the regulations, procedures, and policies adopted by the LACERA Board of Retirement and the LACERA Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members. Benefits are provided to members of the plan based on the provisions of PEPRA.

(2) Basis of Presentation and Significant Accounting Principles

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer presents amounts that are elements of the financial statements of the plan or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the plan or its participating employers. The accompanying schedules were prepared in accordance with the full accrual basis of accounting under accounting principles generally accepted in the United States of America. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member and employer contributions are recognized in the period in which the contributions are due, pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each benefit plan.

The preparation of these schedules requires management of LACERA to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

The plan net position, which is part of the calculation of the net pension liability (per Note (4)), includes investments valued at $19,599,657,000 (26 percent of net position) at June 30, 2021, whose fair values have been estimated by management in the absence of readily determinable market values. Given that publicly listed prices are not available, management uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and other similar sources of information, to determine the fair value of investments.

(3) Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in the plan to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer allocation percentages presented in the Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of each employer's contribution to the plan's total employer contributions during the measurement period July 1, 2020 through June 30, 2021.

(3) Allocation Methodology (Continued)

Total contribution per the Schedule of Employer Allocations and per the LACERA audited financial statements for the year ended June 30, 2021 is $2,012,878,000.

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2020 are as follows:

Total pension liability	$ 80,303,904,000
Plan fiduciary net position	(73,012,026,000)
Net pension liability	$ 7,291,878,000

Actuarial Assumptions

The collective net pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, with updated procedures used to roll forward the total pension liability to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75 percent
General wage growth	3.25 percent
Projected salary increases	3.51 percent to 12.54 percent
Projected COLAs	Post-retirement benefit increases of either 2.75 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. Supplemental Targeted Adjustment for Retirees (STAR) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR Program benefits.
Investment rate of return	7.13 percent, compounded annually, net of investment expense

Mortality rates were based on the Pub-2010 mortality tables and included projection for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2019.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75 percent.

(4) Collective Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Allocation		Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**47.0%**		**5.3%**	
Global Equity		35.0%		4.2%
Private Equity		10.0%		6.1%
Opportunistic Real Estate		2.0%		6.3%
Credit	**12.0%**		**1.7%**	
High Yield Bonds		3.0%		1.4%
Bank Loans		4.0%		1.2%
Emerging Market Bonds (Local)		2.0%		1.0%
Illiquid Credit		3.0%		2.3%
Real Assets and Inflation Hedges	**17.0%**		**3.2%**	
Core and Value Added Real Estate		7.0%		2.9%
Natural Resource and Commodities		4.0%		3.2%
Infrastructure		3.0%		4.5%
TIPS		3.0%		-0.9%
Risk Reduction & Mitigation	**24.0%**		**-0.4%**	
Investment Grade Bonds		19.0%		-0.9%
Diversified Hedge Fund Portfolio		4.0%		1.7%
Cash Equivalents		1.0%		-1.6%

Single Discount Rate

The discount rate used to measure the total pension liability was 7.13 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.00 percent, net of all expenses, increased by .13 percent, gross of administrative expenses.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(4) Collective Net Pension Liability (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability calculated using a discount rate of 7.13 percent, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.13 percent) or 1 percentage point higher (8.13 percent) than the current rate:

	1% Decrease (6.13%)	Current Discount Rate (7.13%)	1% Increase (8.13%)
Collective net pension liability	$18,174,218,000	$7,291,878,000	$ (1,701,087,000)

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2021:

	Year of Deferral	Amortization Period (years)	Beginning of Year Balance	Additions	Deductions	End of Year Balance
Deferred Outflow of Resources:						
Difference between expected and actual experience	2021	8	-	$ 605,566,000	75,696,000	529,870,000
	2020	8	695,586,000		99,369,000	596,217,000
	2019	8	377,241,000	-	62,874,000	314,367,000
	2018	8	193,217,000	-	38,644,000	154,573,000
Subtotal			1,266,044,000	605,566,000	200,887,000	1,595,027,000
Difference between projected and actual earnings on pension plan investments	2020	5	2,260,404,000		565,101,000	1,695,303,000
	2019	5	569,255,000	-	189,751,000	379,504,000
Subtotal			2,829,659,000	-	754,852,000	2,074,807,000
Changes of assumptions	2020	8	2,297,840,000	-	328,263,000	1,969,577,000
	2017	8	1,539,944,000	-	384,987,000	1,154,957,000
Subtotal			3,837,784,000	-	713,250,000	3,124,534,000
Total Deferred Outflows of Resources			$ 10,763,146,000	$ 605,566,000	$ 2,423,841,000	$ 6,794,368,000
Deferred Inflows of Resources						
Difference between expected and actual experience	2017	8	$ 23,754,000	$ -	$ 5,938,000	$ 17,816,000
	2016	8	163,889,000	-	54,630,000	109,259,000
	2015	8	184,004,000	-	92,001,000	92,003,000
Subtotal			371,647,000	-	152,569,000	219,078,000
Difference between projected and actual earnings on pension plan investments	2021	5	-	$ 11,482,940,000	$ 2,296,588,000	$ 9,186,352,000
	2018	5	342,129,000	-	171,064,000	171,065,000
	2017	5	504,995,000	-	504,995,000	-
Subtotal			847,124,000	11,482,940,000	676,059,000	9,357,417,000
Total Deferred Inflows of Resources			$ 1,218,771,000	$ 11,482,940,000	$ 828,628,000	$ 9,576,495,000

(5) Collective Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized (amortized) in pension expense as follows:

Years Ending June 30		
2022	$	(875,539,000)
2023		(612,468,000)
2024		(747,598,000)
2025		(1,691,745,000)
2026		566,199,000
Thereafter		579,024,000
Total	$	(2,782,127,000)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is eight years for the 2021, 2020, 2019, 2018, 2017, 2016, and 2015 amounts.

(6) Pension Expense

The components of allocable pension expense for the year ended June 30, 2021 (excluding employer specific pension expense for changes in proportion) are as follows:

Service cost	$ 1,499,597,000
Interest on the total pension liability	5,433,409,000
Member contributions	(760,994,000)
Projected earnings of plan investments	(4,132,759,000)
Net miscellaneous income	(2,680,000)
Administrative expense	76,370,000
(Amortization) recognition of deferred outflows and inflows of resources:	
Difference between expected and actual experience	124,014,000
Difference between projected and actual earnings on pension plan investments	(2,217,795,000)
Changes of assumptions	713,250,000
Total	$ 732,412,000

LOS ANGELES COUNTY EMPLOYEES
RETIREMENT ASSOCIATION

AGENT MULTIPLE-EMPLOYER OTHER POST-EMPLOYMENT BENEFITS TRUST

SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION BY EMPLOYER
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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Introduction

The Los Angeles County Employees Retirement Association (LACERA) administers the Los Angeles County Retiree Healthcare Benefits Program (RHCBP), which is also commonly referred to as the Other Post-Employment Benefits (OPEB) Program, for eligible retired members and eligible dependents or survivors of LACERA members, who were formerly employed by Los Angeles County (County), Los Angeles County Superior Court (Court), LACERA, or a participating Outside District[1]. LACERA also administers the OPEB Trusts for the OPEB Program on behalf of the County, Court, and LACERA (Employers) for the purpose of providing a pre-funding vehicle for each Employers' OPEB liabilities. In order to track and allocate these liabilities and ongoing program costs by Employer, as of July 1, 2018, the OPEB Program transitioned from a cost-sharing plan structure to an agent multiple-employer plan reporting structure.

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB Statement No. 75), employers are required to recognize and report their specific OPEB amounts which include Net OPEB Liability (NOL), deferred outflows of resources, deferred inflows of resources, and OPEB expenses. For those participating Employers who request the information, LACERA works with its consulting actuary, Milliman, to provide this information.

The accompanying Schedule of Changes in Fiduciary Net Position by Employer includes the additions and deductions made to each Employer's OPEB Trust Fund as well as the beginning and ending Fiduciary Net Position Restricted for Benefits for each Employer. The Fiduciary Net Position (FNP) or "net assets" calculated for each Employer are deducted from its Total OPEB Liability (TOL) to determine the Employer's Net OPEB Liability (NOL).

LACERA's external auditor, Plante Moran, has also completed the System and Organizational Controls 1 (SOC-1 Type 2) audit which examines transactions processed by LACERA (service organization) throughout the period October 1, 2020 to June 30, 2021 and the suitability of the design and operating effectiveness of controls as they are relevant to Employers' (user organizations) internal control over financial reporting. The SOC-1 Type 2 audit report is required by GASB Statement No. 75 to provide user organizations assurance to report the NOL as provided by the service organization within the user organization's financial statements.

[1]Participating Outside Districts include: Local Agency Formation Commission for Los Angeles County (LAFCO), Los Angeles County Office of Education (LACOE), Little Lake Cemetery District (LLCD), and South Coast Air Quality Management District (SCAQMD).

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Independent Auditor's Report

To the Boards of Retirement and Investments
Los Angeles County Employees Retirement Association

Report on the Schedule

We have audited the fiduciary net position as of June 30, 2021 and the changes in fiduciary net position for the year then ended, included in the accompanying schedule of changes in fiduciary net position by employer (the "Schedule") of the Agent Multiple-Employer Other Post-Employment Benefits Trust of Los Angeles County Employees Retirement Association (LACERA), and the related notes. We have also audited the fiduciary net position of the Los Angeles County column as of June 30, 2021 and the changes in fiduciary net position of the Los Angeles County column for the year then ended, included in the accompanying Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fiduciary net position and the changes in fiduciary net position based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fiduciary net position and the changes in fiduciary net position are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fiduciary net position and changes in fiduciary net position included in the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fiduciary net position and the changes in fiduciary net position in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Agent Multiple-Employer Other Post-Employment Benefits Trust of Los Angeles County Employees Retirement Association as of June 30, 2021 and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Los Angeles County column as of June 30, 2021 and the changes in fiduciary net position of the Los Angeles County column for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Boards of Retirement and Investments
Los Angeles County Employees Retirement Association

Emphasis of Matter

As discussed in Note A, the Schedule presents only the fiduciary net position and changes in fiduciary net position by employer of the Agent Multiple-Employer Other Post-Employment Benefits Trust and does not purport to, and does not, present fairly the fiduciary net position of LACERA as a whole or Los Angeles County itself as of June 30, 2021, nor their related changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of LACERA as of and for the year ended June 30, 2021, and our report thereon dated October 13, 2021 expressed an unmodified opinion on those financial statements. The Agent Multiple-Employer Other Post-Employment Benefits Trust is reported as a fund of LACERA.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Schedule. The introductory section is presented for the purpose of additional analysis and is not a required part of the Schedule. The introductory section has not been subjected to the auditing procedures applied in the audit of the Schedule, and, accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of management, the board of retirement, the board of investments, LACERA employers, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

June 13, 2022

Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust

For the Fiscal Year Ended June 30, 2021

(Dollars in Thousands)

	Los Angeles County	Superior Court	LACERA	Total
Additions				
Employer Contributions	$1,022,201	$31,601	$3,564	$1,057,366
Net Investment and Miscellaneous Income	437,595	12,804	1,722	452,121
Total Additions	$1,459,796	$44,405	$5,286	$1,509,487
Deductions				
Service Benefits	$664,932	$27,646	$2,087	$694,665
Administrative Expenses	$448	$108	$27	$583
Redemptions	$—	$40	$—	$40
Total Deductions	$665,380	$27,794	$2,114	$695,288
Net Increase/(Decrease) in Fiduciary Net Position	$794,416	$16,611	$3,172	$814,199
Fiduciary Net Position Restricted for Benefits				
Beginning of Year	$1,441,398	$45,592	$5,638	$1,492,628
End of Year	$2,235,814	$62,203	$8,810	$2,306,827

The accompanying Notes are an integral part of this schedule.

NOTE A — Plan Description

The County OPEB Trust and the Court OPEB Trust for the Retiree Healthcare Benefits Program are administered through trusts that are considered as qualified OPEB plans under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. A qualifying OPEB plan meets the following criteria:

- Contributions from employers and non-employer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Establishment of the County OPEB Trust

Pursuant to the California Government Code Sections 31694.3 and 31694.4, the County established an irrevocable, tax exempt OPEB Trust for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Benefits Program, which LACERA administers. In May 2012, the County Board of Supervisors approved entering into a Trust and Investment Services Agreement with the LACERA Board of Investments to serve as trustee and investment services manager.

Establishing and funding an OPEB Trust was the County's initial action in offsetting the unfunded OPEB liability. This reporting method provides a framework in which the County pre-funds OPEB costs through a Trust and over time, transitions from funding post-retirement benefits using the existing "pay-as-you-go" model to a prefunding model. The County OPEB Trust and agent reporting method does not modify the participating Employers' existing benefits structure and programs.

The County OPEB Trust serves as a funding tool for the participating Employers to hold and invest assets used to pay expenses associated with OPEB benefits, such as medical, dental, and vision insurance plans and Medicare Part B reimbursements administered by the Retiree Healthcare Benefits Program including retiree death/burial benefit. The participating Employers will be responsible for and have discretion over OPEB Trust funding and in applying those assets restricted for paying OPEB benefits as defined in the Trust Agreement. There are two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Establishment of the Court OPEB Trust

Similar to the OPEB Trust established by the County, the Court followed the County's action and established a separate OPEB Trust Fund, the Court OPEB Trust, to begin prefunding its own OPEB unfunded liability.

Pursuant to the California Government Code, the Court established an irrevocable OPEB Trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program, which LACERA administers for the Court retirees. In April 2016, the Judicial Council of California approved the Court's request to establish a qualified irrevocable Trust, as well as engage LACERA's Board of Investments as trustee and investment services manager.

In May 2016, to conform the language of the County OPEB Trust agreement to the language of the Court's OPEB Trust agreement, the Board of Supervisors approved the First Amendment to the *Trust and Investment Services Agreement for the County of Los Angeles OPEB Program* between the County and LACERA. This amendment permits the pooling of County and Court OPEB Trust assets solely for investment purposes and updates the fiduciary duty provisions due to the addition of the Court's OPEB Trust agreement. Although the County and Court OPEB Trust assets are pooled for investment purposes, separate accounts are maintained for each employer.

In June 2016, similar to the County, the Court entered into a Trust and Investment Services Agreement with the LACERA Board of Investments.

OPEB Master Trust

In July 2016, the LACERA Board of Investments adopted the OPEB Master Trust Declaration and unitized fund structure for OPEB Trust investments. As trustee of the separate OPEB Trusts established by the County and the Court, the Board of Investments has sole and exclusive authority, control over, and responsibility for directing the investment and management of the Master Trust assets which includes all of the assets held in both OPEB Trusts. This investment pool is commonly referred to throughout LACERA's financial statements and note disclosures as the "OPEB Trust" or the "OPEB Master Trust".

A unitized fund structure may allow for synergy from the shared economy and leveraged investment opportunities for greater diversification of assets. Unitization also provides participants the ability to pool assets and resources while retaining total fund and functional category values and reporting for each participant. This approach can offer administrative efficiency, potential cost savings, and permit flexibility in asset allocation.

NOTE B — Summary of Significant Accounting Policies

Basis of Accounting, Basis of Presentation and Measurement Focus

The accompanying Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust (Schedule) was prepared in accordance with U.S. Generally Accepted Accounting Principles (U. S. GAAP) as applicable to governmental organizations. In doing so, LACERA adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The OPEB Trust is accounted for based on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions are voluntarily determined by each Employers' funding schedule, and there are no long-term contracts established for contributions to LACERA. As such, contributions are elective and not required. LACERA recognizes employer contributions received by June 30, the end of the fiscal year. In addition, inflows of employer contributions and outflows of pay-as-you-go OPEB benefits that are paid through the OPEB Custodial Fund are included in LACERA's financial statements.

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. LACERA allocates investment income/loss to each Employer monthly based on the Employers' ownership percentage using the average daily net asset value (NAV) provided by the custodian bank. The recognition of investment income/loss is also affected by the timing of contributions and redemptions.

The County Employees Retirement Law of 1937 (CERL) provision states that the Post-Employment Benefits Trust Account shall be used to pay the reasonable costs related to investment expenses and administration of the Post-Employment Benefits Trust Account to the extent allowed by federal tax law. The participating Employers are charged investment management and administrative expenses, which covers all costs to administer the OPEB Trust and are typically charged against the investment earnings of the OPEB Trust. Investment expenses are charged to each Employer based on their average daily NAV. Administrative expenses are charged to each employer based on an annual budget which is approved jointly by LACERA's governing Boards.

Redemptions are conducted at each employer's discretion to fund the OPEB Program pay-as-you-go benefits or for investment management and administrative expenses incurred by the OPEB Trust.

OPEB Program investments are presented at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based upon equivalent values of comparable securities with similar yield and risk. Independent appraisals are the basis for valuing the fair value of real estate. Other investments that do not have established markets are recorded at an estimated fair value.

Use of Estimates in the Preparation of the Schedule

The preparation of the Schedule in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results may differ from these estimates.

Relationship of the Schedule to LACERA's Financial Statements

The Schedule was reconciled to the Statement of Changes in Fiduciary Net Position in LACERA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021.

NOTE C — Subsequent Events

As of the date of issuance of this Schedule, management's continued thoughtful strategy and adaptive approach in dealing with the COVID-19 pandemic have enabled LACERA's business operations to endure with no significant impact; however, LACERA continues to monitor the evolving situation.

NOTE D — Additional Financial Information

Additional financial information is located within LACERA's ACFR for the fiscal year ended June 30, 2021, which can be found on LACERA's website (https://www.lacera.com/accountability/annual-reports). Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to the Interim Chief Financial Officer, Theodore Granger, at tgranger@lacera.com.

LACERA

November 1, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Luis Lugo
Deputy Chief Executive Officer

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **Management's Response to Plante Moran's Comments to Management**

BACKGROUND

On October 14, 2022 after Plante Moran's (PM) completion of LACERA's Financial Audit, they issued a Comments to Management memo (Attachment A). Their comments and suggestions relate to matters of internal control, operating efficiency, and future accounting standards that will impact LACERA. However, these materials do not rise to the level of material deficiencies as defined by the American Institute of Certified Public Accountants (AICPA), and therefore are not reportable to "those charged with governance". Rather, PM directs them to the Chief Executive Officer (CEO) as suggestions for LACERA to consider.

MANAGEMENT RESPONSE BY COMMENT

PM Comment: Contributions Related to Retro Payments

As a result of various discussions with LACERA during the prior audit, it was brought to our attention that an issue exists with employee withholdings at one of LACERA's employers, particularly related to withholdings on retro pay awarded during the year. LACERA has been in numerous conversations with the employer regarding correction of the payroll system issue and is working to resolve the issue as quickly as possible. As a result of the payroll withholding being incorrect, the impacted members are being credited with service credits and contributions within the member system for which contributions have not been properly made.

While LACERA has been working with the employer over the course of the year regarding this issue, a resolution has not yet been reached. While this does not result in a financial statement misstatement, we do recommend that LACERA continue to work toward a timely resolution related to this issue.

Management Response
Management agrees that the underpaid contribution issue is important. However, LACERA believes that significant progress has been made towards resolving this issue. Management has taken several key steps to prevent further underpaid contributions due to retroactive salary increases by working with the County of Los Angeles Auditor-Controller (Auditor-Controller) to resolve the issue.

- A LACERA executive and management team have met several times with the Auditor-Controller to request system programming to prevent further underpaid contributions.

- As of June 2021, the Auditor-Controller identifies retroactive earnings through a report and manually overrides their system to deduct contributions from retroactive earnings for earnings up to 60 months in arrears. The Auditor-Controller has expressed their intent to continue the manual process until they can develop a permanent system programming solution. For earnings up to 60 months in arrears, LACERA considers this issue resolved.

- As a preventive measure, LACERA continues to conduct periodic testing on a quarterly basis to verify the Auditor-Controller upholds their commitment to properly collect these contributions.

- LACERA and the Auditor-Controller continue to recognize that we have an ongoing problem with collecting contributions on retroactive earnings greater than 60 months in arrears. The County has advised LACERA that they cannot support programming to account for these older earnings due to system limitations that are not resolvable at this time. We continue to discuss possible steps to address these older retroactive earnings but have not yet reached a sustainable solution.

Additionally, LACERA acknowledges there remains an open issue regarding the contribution rate that should be applied when a retroactive contribution is collected. The County collects retroactive contributions based on the contribution rate in place at the time the contributions are collected. LACERA maintains the correct process should be to collect contributions based on the rate in effect at the time those earnings were accrued. At this time, the County has indicated they have no plans to adjust this practice.

Attachment

LL:nka

ATTACHMENT A

plante moran

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

To: Santos Kreimann, Chief Executive Officer
Luis Lugo, Deputy Chief Executive Officer

CC: JJ Popowich, Assistant Executive Officer
Laura Guglielmo, Assistant Executive Officer
Steven Rice, Chief Legal Counsel
Ted Granger, Interim Chief Financial Officer
Richard Bendall, Chief Audit Executive
Christina Logan, Principal Internal Auditor

From: Plante & Moran, PLLC

Date: October 14, 2022

Subject: Comments to Management as a Result of the June 30, 2022 Audit

We have recently completed our audit of the financial statements of Los Angeles County Employees Retirement Association (LACERA) as of and for the fiscal year ended June 30, 2022.

In planning and performing our audit of the financial statements of LACERA as of and for the fiscal year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered LACERA's system of internal controls over financial reporting (internal controls) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of LACERA's internal controls. Accordingly, we do not express an opinion on the effectiveness of LACERA's internal controls. As a result of our audit, we offer the following suggestions and/or comments related to internal control, operating efficiencies, and future accounting standards impacting LACERA. While none of these items are required under the audit standards to be communicated, we offer them as suggestions for LACERA to consider. There are certainly cost/benefit implications of some of these items that management would have to consider prior to deciding whether and how to respond to these observations.

Results of Disability Retirement Sampling

Plante & Moran, PLLC included sampling of disability retirement benefit payments in our audit testing. We are pleased to report that there were no exceptions identified as part of this testing.

Contributions Related to Retro Payments

As a result of various discussions with LACERA during the prior audit, it was brought to our attention that an issue exists with employee withholdings at one of LACERA's employers, particularly related to withholdings on retro pay awarded during the year. LACERA has been in numerous conversations with the employer regarding correction of the payroll system issue and is working to resolve the issue as quickly as possible. As a result of the payroll withholding being incorrect, the impacted members are being credited with service credits and contributions within the member system for which contributions have not been properly made. While LACERA has been working with the employer over the course of the year regarding this issue, a resolution has not yet been reached. While this does not result in a financial statement misstatement, we do recommend that LACERA continue to work toward a timely resolution related to this issue.

This communication is intended solely for the information and use of management and others within LACERA and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Jean Young

Jean Young, CPA
Partner

Michelle Watterworth

Michelle Watterworth, CPA
Partner

plante moran

LACERA

November 1, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Nathan K. Amick
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **FYE 2023 Audit Plan Status Report**

BACKGROUND

According to the Institute of Internal Auditor's Standard 2010 (Standard) on audit planning[1], the Chief Audit Executive (CAE) must establish risk-based plans to determine the priorities of the internal audit activity and ensure audit resources are appropriately allocated to address top priorities and key risk areas for the organization. To remain in compliance with the Standard, Internal Audit developed the FYE 2023 Audit Plan (Audit Plan) which the Committee approved at the August 2022 Meeting.

Staff has also prepared the attached presentation to highlight progress made on the Audit Plan and will make this presentation to the Committee at the November 17, 2022 meeting.

Attachment

NKA

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

[1] For IIA 2010 Standard, refer to website at www.globaliia.org/standards-guidance or www.theiia.org/guidance.

FYE 2023 AUDIT PLAN

	DIVISION	AUDIT/PROJECTS	PROJECT
	EXECUTIVE/LEGAL/ORGANIZATIONAL		
1	Exec office	Org Check Management Review (Rollover)	Audits
2	Exec office	LA County Rehired Retiree Audit	Audits
3	Exec office	Document Ret/Clean Desk	Audits
4	Exec office	Organization Governance Ethics Follow-Up	Other Assurance
5	Exec office	Review of Privacy Audit Recommendations	Other Assurance
	ADMINISTRATION - Admin Services, HR Systems		
6	Admin Services	Procurement of Services - Contract Operation	Audits
7	Admin Services	Inventory Asset Management	Audits
8	HR	LACERA Rehired Retiree Audit	Audits
9	Info Sec	Third-Party Data Security	Audits
10	Systems	Termination of Access (Rollover)	Audits
11	Systems	Privilege Access (Roll Over)	Audits
12	Systems	IT Risk Assessment	Ext Audit
13	Systems	Oversight of Soc Audits FY 22 & 23	Oversight
	INVESTMENTS & FASD		
14	FASD	Wire Transfers Audit - State Street	Audits
15	FASD	Wire Transfers Audit- B of A (possible FY 24)	Audits
16	FASD	Census Data Audit	Audits
17	FASD	CC Audit/CEO CC	Audits
18	FASD	State Street Bank - (limited scope)	CAP
19	FASD	Oversight of Financial Audit FY 22 & 23/RFP	Oversight
20	FASD	Duplicate Vendor Payments	CAP
21	Investments	Investments Due Diligence Consulting Review	Ext Audit
22	Investments	Oversight of Actuarial Audit FY 22 & 23/RFP	Oversight
23	Investments	Oversight THC Financial Audits - FY 22 & 23	Oversight
	OPERATIONS - Benefits, DRS, RHC, Member Service		
24	Benefits	Acct Settlement Collections (Overpayments)	Audits
25	Benefits	GRC - Account Integrity Unit	Audits
26	Benefits	Death Claims Calc & Documentation	Audits
27	Benefits	Replacement Plan 415B	Audits
28	Benefits	Felony Forfeiture	Audits
29	Benefits	Duplicate Member Payment (Limited Scope)	CAP
30	Benefits	New Payees (limited scope)	CAP
31	Benefits	SSNVS	CAP
32	Benefits	LAC Payroll Audit (Scope Assessment)	Other Assurance
33	Member Services	Member Communications (Risk & Controls Review)	Audits
34	DRS	Disability Process Review	Audits
	INTERNAL AUDIT OPERATIONS		
35	Internal Audit	Reco Follow-Up - Org & Administrative	Other Projects
36	Internal Audit	Reco Follow-Up - Systems	Other Projects
37	Internal Audit	Professional Development / CPE	Other Projects
38	Internal Audit	QAIP	Other Projects
39	Internal Audit	AC Support	Other Projects
40	Internal Audit	Risk Assessment	Other Projects
41	Internal Audit	Teammate	Other Projects

Audit Plan Status Report FYE 2023

As of 9/30/2022

1st Quarter Engagements (as presented at the August 2022 Audit Committee Meeting)

Audit Engagement Title	Engagement Type	Audit Engagement Overview
Organizational Check Mgmt.	Audit	Audit of the organizational-wide check management and processes.
Procurement of Services	Audit	Focusing on the procurement process and organizational compliance with the policy when services are procured.
Third-Party Data Security	Audit	Audit of LACERA's process for ensuring confidential data sent to third-parties is kept secure.
Disability Process	Audit	Audit of LACERA's processing of disability retirement requests.
State Street Bank (SSB)	Limited Scope	The SSB CAP is testing of authorization to State Street Bank's system.
Duplicate Member Payment	Limited Scope	Test of duplicate member payments to identify fraudulent payments.
New Payees	Limited Scope	Test of all new payees added to retirement payroll to ensure no fraudulent payees added.
SSN Verification System	Limited Scope	Validate processes are functioning adequately to prevent payments to decedent accounts.
Investments Due Diligence	Consulting Review	Consulting engagement to review the Investment Office due diligence operations and processes.
LA County Rehired Retiree	Audit	Audit of LA County's rehired retirees to ensure compliance with PEPRA.
BoardVantage Audit	Audit	Audit of access rights and credentials to Board Vantage System.
Review of Privacy Audit Recommendations	Other Assurance	Follow-up on prior Privacy Audit recommendations to assess if changes have adequately addressed.
Oversight SOC Audit	Oversight	Managing the relationship with the auditors for the annual "Systems & Organizational Controls" (SOC) audit.
Oversight Financial Audit	Oversight	Managing the relationship with LACERA's external financial auditors for the annual financial statement audit.
Oversight Actuarial	Oversight	Managing the relationship with the Actuarial Consultant and Auditor for services relating to actuarial projects.
Oversight of THC Financial Audits	Oversight	Managing the relationship with the real estate external auditors who perform the real estate THC financial audits.

Quarter 1: Completed and Ongoing Audit Engagements & Projects

Completed Audit Engagements/Projects	Audit Assignment	Report
Oversight Financial Audit FYE June 30, 2022	Plante Moran	10/14/2022
BoardVantage Audit	Internal Audit	10/21/2022
Review of Privacy Audit Recommendations	Internal Audit	10/25/2022
Duplicate Member Payment	Internal Audit	10/27/2022
Duplicate Vendor Payment	Internal Audit	10/27/2022
LA County Rehired Retiree	Internal Audit	11/07/2022
Oversight of SOC Audit FYE June 30, 2022	Plante Moran	Pending
Ongoing Audit Engagements/Projects	**Audit Assignment**	**Report**
Oversight Actuarial *	Milliman	n/a
Oversight THC Audits *	THC Audit Pool	n/a

* These projects are perpetual, and are planned to be completed June 30, 2023

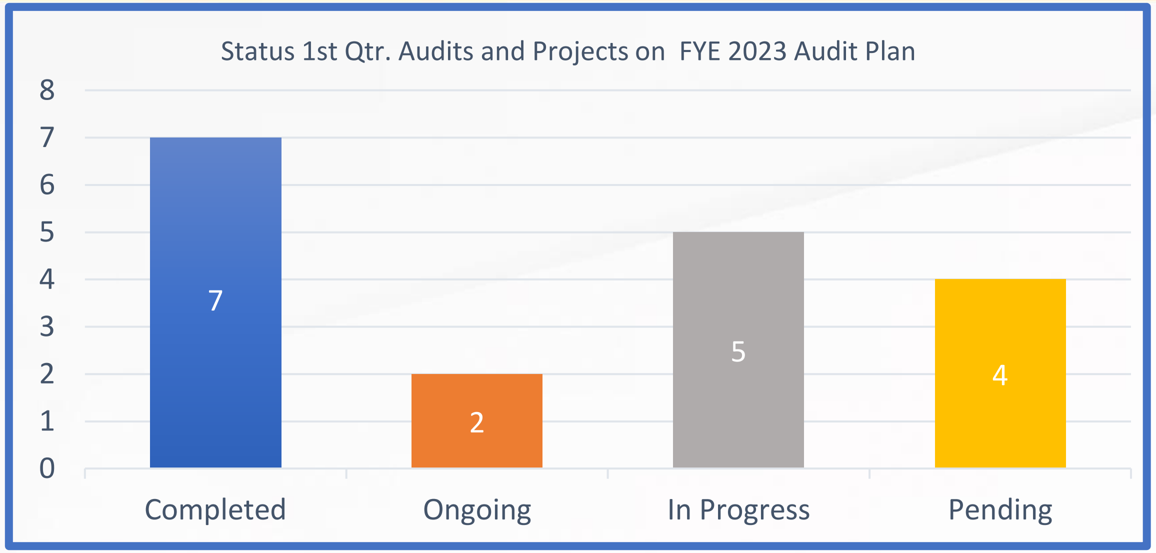
In Progress Audit and Pending Engagements & Projects

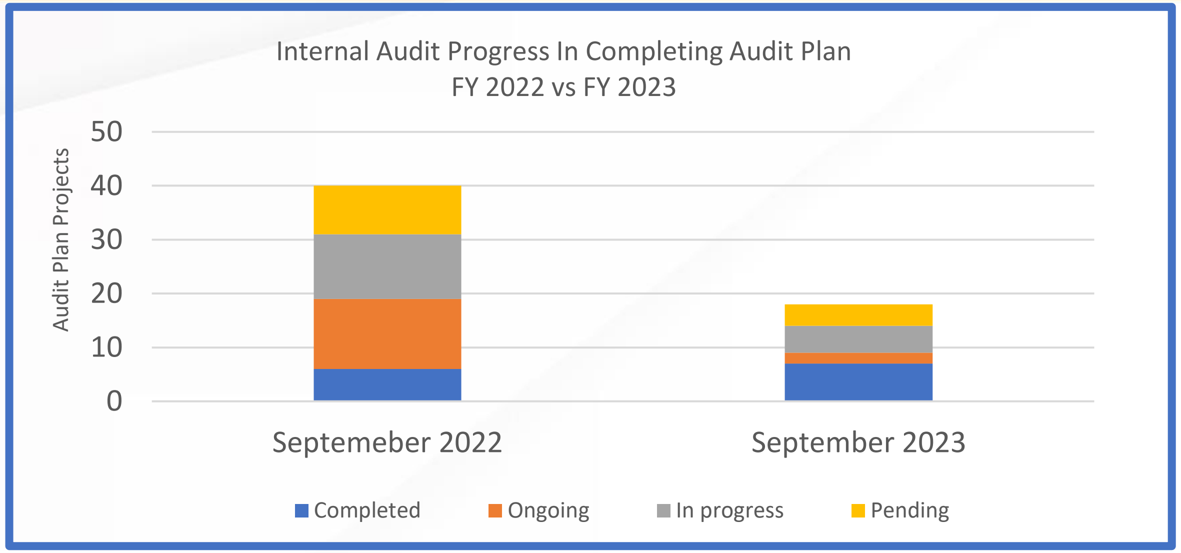
In Progress - Engagement/Project	Audit Assignment	Estimated Completion	Planning Scope	Prelim Audit Work	Audit Field Work	Draft Report	Exit Meeting
Procurement of Services	Internal Audit	Nov. 2022					
Third-Party Data Security	Internal Audit	Nov. 2022					
State Street Bank (SSB)	Internal Audit	Nov. 2022					
Disability Process	Internal Audit	Jan. 2023					
Financial Auditor RFP*	Internal Audit	Feb. 2023	n/a	n/a	n/a	n/a	n/a

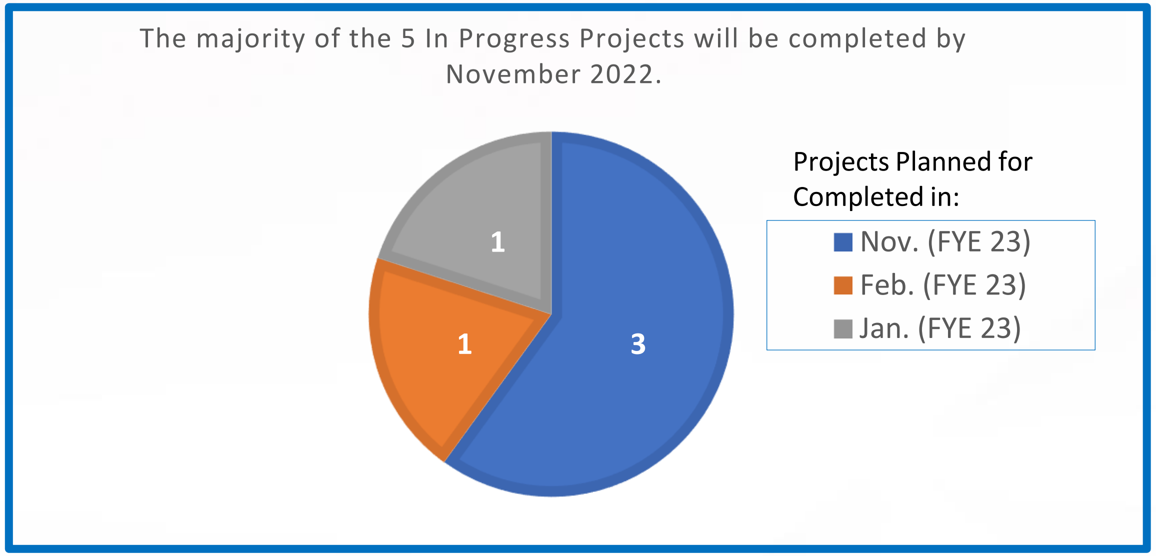
Pending - Engagement/Project	Audit Assignment	Estimated Completion	Status
Investments' Operational Due Diligence	TBD	TBD	Requesting approval at Nov 2022 AC meeting
Organizational Check Management	Internal Audit	Pending Reschedule	On hold due to IA staffing constraints
SSN Verification System	Internal Audit	Jun. 2023	Moved to fourth quarter
New Payees	Internal Audit	Jun. 2023	Moved to fourth quarter

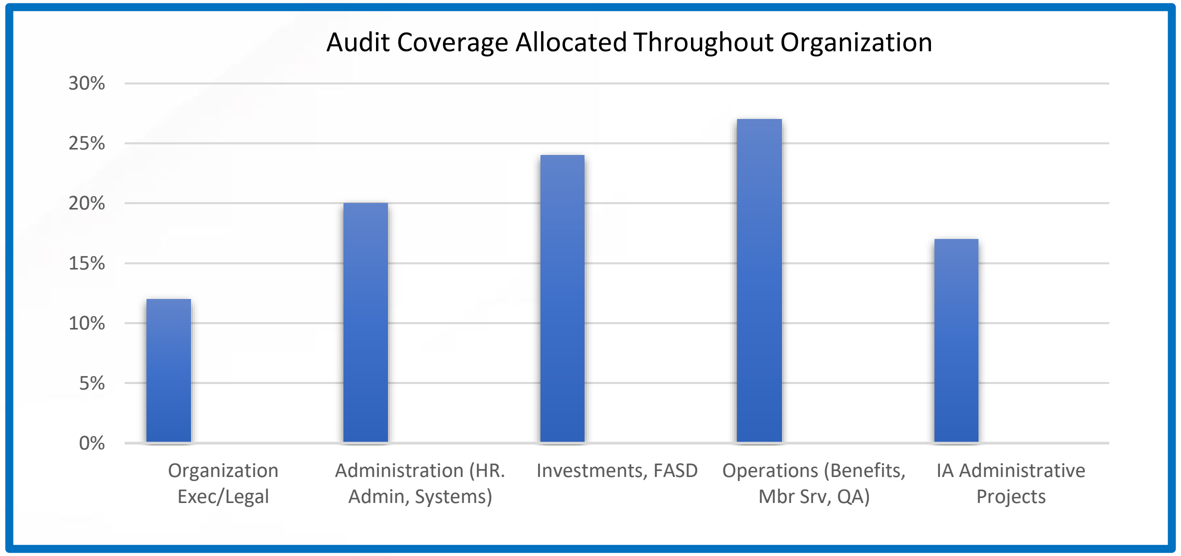
* Unplanned – not initially reported as a Quarter 1 project.

FYE 2023 Audit Plan Dashboard





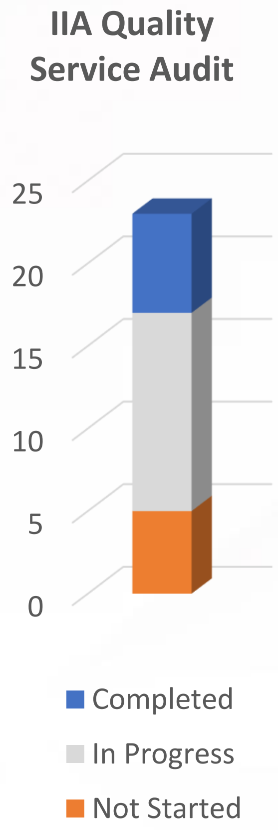




Progress Implementing IA Recommendations

Internal Audit has made good progress in implementing recommendations specific to Internal Audit operations, however, due to IA's resources constraints the last few months, we have not made additional progress on the open IIA Quality Services External Assessment of Internal Audit.

We are in the process of reprioritizing these open recommendations so that the highest risk / highest reward recommendations will be addressed by December 31, 2022.   These include revising IA's operations guide, shoring up our procedures, strengthening our competencies.



- Status of Recommendation
- 23 Recommendations
- 6 Implemented
- 17 Open Recommendations

Status of Significant IA Administrative Projects

Engagement Title	Overview
Quality Assurance Improvement Program (QAIP)	The QAIP includes ongoing improvement of IA's performance through internal assessments, client surveys, and communication of results to key stakeholders. The team also has monthly QAIP meetings to discuss and learn more about key IIA practice guides and other improvement efforts.
Professional Development / CPE	Annual self-assessment, developing self-development program, and allocating for 40 hours of annual training per staff.
Audit Committee support	Preparation of Audit Committee materials and attendance at meetings.
Risk Assessment	Internal Audit has a continuous risk assessment process which includes Updating Audit Universe, Risk Assessments, and develop Audit Plan.
External Quality Assessment (EQA) Recommendations	Internal Audit continues to implement action plans to address recommendations from EQA and provides periodical updates to Audit Committee.
TeamMate	Ongoing implementation of TeamMate tools and applications for improved efficiency and effectiveness of audit work and reporting.
Recommendation Follow-Up	Ongoing follow-up recommendation status and reporting to Committee.

Summary of Significant Advisory Work

Engagement Title	Overview
Policy Committee	Working on sub-committee to create a project charter for a policy management solution, includes researching Knowledge Management vs. Policy Management solutions, presenting to ITCC.
Strategic Planning	Working on a sub-committee to define Risk and Compliance steps and timelines, and Fiduciary Responsibility steps and timelines.
Member Services Voice Authentication Project	Participate in meetings on the development and implementation of adding a voice authentication component to the Member Services call center.

Audit Committee Calendar

This Calendar provides a summary of our work supporting Audit Committee activities.

The highlighted boxes indicate the Committee meeting when the work is planned for and the ”x” represents when the work was completed.

FYE2023 Annual Audit Committee Calendar

Audit Committee Activity	Ref to AC Charter	Frequency	Aug 2022	Nov 2022	Winter 2023	Spring 2023
Audit Engagement Reports	VII.A.2.a.	Every	x	x		
Audit Plan Status Update	VII.A.1.d. & VII.A.2.c-d.	Every	x	x		
Summary of Hotline Investigations	VII.D.3 & VII.E.2.b.	Every	x	x		
Recommendation Follow-Up Reports	VII.A.2.b.	Every	x	x		
Proposed Audit Plan and Budget	VII.A.1.c.	Annually				
Annual Risk Assessment	VII.A.1.a.	Annually				
Annual Audit Plan	VII.A.1.b.	Annually				
Presentation / memo by Financial Auditor detailing proposed scope of work and timing.	VII.B.2	Annually				
Internal Audit Charter	VII.A.3.a.	Annually	x			
Internal Audit Annual Performance Report	VII.A.3.b.-c.	Annually	x			
CAE Performance Evaluation	VII.A.4.b.-c.	Annually		x		
Ethics & Values Review	VII.D.1-3.	Annually	x			
Organizational Governance Review	VII.E.	Annually	x			
Compliance Memo from Legal Office	VII.E.4.c.	Annually				
Financial Statements, Correspondence, & Presentation	VII.C.1.-4.	Annually		x		
Audit Committee Annual Performance Report	VII.F.1.	Annually	x			
Audit Committee Charter	VII.F.4	Every 3rd year				
Approve the appointment and compensation of the External Financial Auditor	VII.B.1	Every 5th year**				
Ensure IA has an external quality assessment performed every five years.	VII.A.3.d.	Every 5th year				
Provide an avenue of communication between IA, all Professional Service Providers, Management, and the Boards.	VII.F.2	Continous	x	x		
Approve the appointment & compensation of other Professional Service Providers, hired to perform non-financial statement audits, reviews or consulting, subject to limitations	VII.B.2	As needed		x		
Review with Professional Service Providers, including the Financial Auditor, and Management the results of the work performed, any findings & recommendations, management's responses, and actions taken to implement the audit recommendations.	VII.B.3	As needed	x	x		
Advise the Boards about any recommendations for the continuous improvement of the Internal Audit activity.	VII.A.3.e.	As needed	x	x		
Make recommendations to both Boards regarding the appointment, discipline, and/or dismissal, of the CAE, which will be addressed by the Boards in a joint meeting.	VII.A.4.a.	As needed				
Perform other activities related to this Charter as requested by the Boards.	VII.F.3	As needed				

2nd Quarter Engagements

Audit Engagement Title	Engagement Type	Audit Engagement Overview
Procurement of Services	Audit	Focusing on the procurement process and organizational compliance with the policy when services are procured.
Third-Party Data Security	Audit	Audit of LACERA's process for ensuring confidential data sent to third-parties is kept secure.
Disability Process	Audit	Audit of LACERA's processing of disability retirement requests.
LACERA Rehired Retirees – FYE 2022	Audit	Audit of LACERA's rehired retirees to ensure compliance with PEPRA.
LA County Rehired Retirees – FYE 2022	Audit	Audit of LA County's rehired retirees to ensure compliance with PEPRA.
Credit Card Expenditures	Audit	Audit of LACERA's Credit Card Expenditures
State Street Bank (SSB)	Limited Scope	The SSB CAP is testing of authorization to State Street Bank's system.
New Payees	Limited Scope	Test of all new payees added to retirement payroll to ensure no fraudulent payees added.
Investments Due Diligence	Consulting Review	Consulting engagement to review the Investment Office due diligence operations and processes.
SOC Audit RFP	Advisory	Managing the relationship with the auditors for the annual "Systems & Organizational Controls" (SOC) audit.
Financial Audit RFP	Advisory	Managing the relationship with LACERA's external financial auditors for the annual financial statement audit.

Questions

L//CERA

October 25, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Kristina Sur KS
Senior Internal Auditor

FOR**:** November 17, 2022 Audit Committee Meeting

SUBJECT: **Review of Privacy Audit Recommendations – FYE 2022 Update**

BACKGROUND

In January 2016, LACERA engaged Alston & Bird to conduct an Information Privacy Audit. The purpose of the privacy audit was to perform a comprehensive study of LACERA's business operations related to compliance with laws and regulations, process of privacy and data security management, and adequacy of privacy policies and procedures. The final audit report, findings and conclusions were presented at the October 2016 Board of Investments and Board of Retirement meetings. While Alston & Bird found that LACERA generally conforms to the applicable privacy laws, regulations, and best practices in the areas identified through the audit, they provided a number of recommendations and advice to enhance prudent privacy practices. To ensure the implementation of the recommendations, Executive Management established a cross-functional team consisting of staff from Internal Audit, Legal Office, Human Resources, and Systems Divisions.

From 2016 to 2020, Internal Audit routinely followed up on LACERA management's implementation of the recommendations and reported the results to the Audit Committee. Management made substantial progress in addressing all of the privacy audit recommendations. However, there are still outstanding recommendations that have not yet been implemented due to resource constraints and lawsuit with the Los Angeles County. Management continued their efforts to address the recommendations since 2020.

As part of the Fiscal Year Ended (FYE) 2022 audit plan, Internal Audit performed an in-depth update on the privacy audit recommendations. The objective of our project was to inquire with management on the status of outstanding recommendations, and to verify the continued effectiveness of previously implemented recommendations. The update on the privacy audit recommendations is as of September 30, 2022.

OVERVIEW OF MANAGEMENT'S IMPLEMENTATION OF AUDIT RECOMMENDATIONS

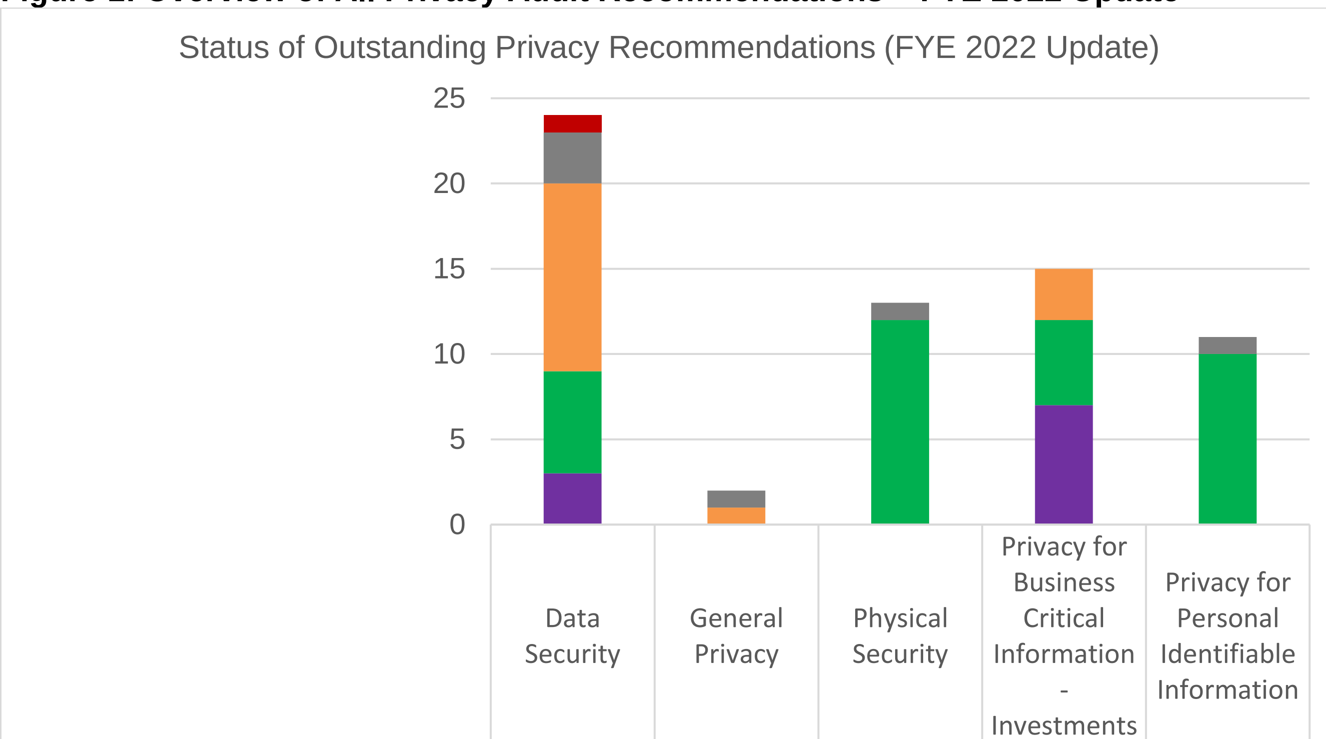
In total, management agreed to implement 59 of the 65 recommendations issued by Alston & Bird. These recommendations are categorized into five different privacy areas: 1) privacy considerations for personal identifiable information, 2) general privacy, 3) data security, 4) physical security, and 5) privacy considerations for Investments business-critical information.

Through our fieldwork, Internal Audit verified that all previously implemented recommendations are still operating effectively as of September 30, 2022. For all 33 recommendations that were previously implemented, Internal Audit verified that the controls and procedures are still in effect, without exceptions.

Management also implemented 10 recommendations during the period from FYE 2020 through FYE 2022. Currently, management is in the process of addressing eleven (11) recommendations and have not begun working on one (1) remaining recommendation. See **Figure 1** for details.

Management did not agree to implement six of the recommendations because they were not directly related to LACERA, or mitigating controls were already in existence and operating effectively.

Figure 1: Overview of All Privacy Audit Recommendations – FYE 2022 Update



	Data Security	General Privacy	Physical Security	Privacy for Business Critical Information - Investments	Privacy for Personal Identifiable Information
Not Yet Begun	1				
Not Applicable or Disagree	3	1	1		1
In Progress	11	1		3	
Completed prior to FY2020	6		12	5	10
Completed during FY2020-FY2022	3			7	

Furthermore, we have consolidated the recommendations by the recommendations' deliverable items and related privacy categories. **Table 1-1** summarizes the ten (10) closed recommendations that were implemented from FYE 2020 through FYE 2022. **Table 1-2** summarizes the sixteen (16) privacy audit recommendations that remain outstanding as of September 30, 2022.

Table 1-1: Implemented Privacy Recommendations During FYE2020-FYE2022

Privacy Category	Recommendation Status	Implemented Items	# of Related Recomme-ndations
Data Security	Completed during FY2020-FY2022	Password and information security policies	1
		Policy and/or Compliance Committee	1
		Staff Telecommute Program	1
Privacy for Business-Critical Information - Investments	Completed during FY2020-FY2022	Access email from public or third-party connections	1
		Downloading and retention of third-party documents	1
		Access to business-critical information at LACERA	1
		Remote access and retention of Investments documentations	1
		Third-party storage of business-critical information	1
		Written policy on emailing business critical information to personal email accounts	1
		Written policy on downloading and storing information from third-party	1
Total			10

Table 1-2: Outstanding Privacy Recommendations As Of September 30, 2022

Privacy Category	Recommendation Status	Open Items	# of Related Recomme-ndations
Data Security	Not Yet Begun	Implement tools to auto detect and locate privacy data	1
	In Progress	Hiring of a Chief Privacy Officer	1
		Hiring of a Chief Information Security Officer	1
		Implement a Privacy and Security Training	2
		Use alternative ID instead of SSN	1
		Create written access control policies for applications	1
		Create written policies related to personal information following best practices	1
		Develop a written information security program (WISP)	4
Privacy for Business-Critical Information - Investments	In Progress	Define "Business Critical Data"	1
		Implement a Knowledge Management System for Investments	1
		Develop a policy on use of email aliases	1
General Privacy	In Progress	Develop a website content management policy	1
Total			16

Staff will be available to address questions at your November 2022 Audit Committee meeting, but please remember that due to the privileged nature of the 2016 Privacy Audit Report, the specific recommendations should not be the subject of detailed discussion at the meeting.

KS

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

L//.CERA

October 25, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert Griffin

FROM: Kristina Sun KS
Senior Internal Auditor

FOR**:** November 17, 2022 Audit Committee Meeting

SUBJECT: **Recommendation Follow-Up Report**

Background

The Institute of Internal Auditors' (IIA) Performance Standard 2500 requires the Chief Audit Executive (CAE) to establish and maintain a follow-up process to monitor and ensure recommendations have been effectively implemented or that executive management has accepted the risk of not addressing the underlying finding of the recommendation.

Internal Audit's Follow-Up Process

During the audit process, Internal Audit may identify findings or make recommendations to address risks or improve a process. The responsible division manager and the Executive Office review the findings and recommendations. Subsequently, the division manager provides responses indicating how and when planned improvements will be made. The final audit report includes the audit findings, recommendations, management's responses, and targeted completion date. Internal Audit tracks recommendations through TeamMate+, our audit management software, and regularly follows up with Management. Internal Audit is responsible for 1) ensuring that Management's action plans have been effectively implemented, or 2) ensuring that Management remains aware of the risks that they accept by not taking action in a timely manner. On a quarterly basis, Internal Audit reports the status of all outstanding audit recommendations to the Audit Committee.

Recommendations are classified based on the responsible party's progress:

- **On Track** – The responsible party began implementing the recommendation and currently on track to meet the target implementation due date. Management has the option to extend the target implementation due date with the Executive Office's approval.

- **At Risk / Behind Schedule** – The responsible party has not made enough progress to implement the recommendation by the target implementation due date.
- **Implemented** – The responsible party provided documentation and the Internal Auditor verified the satisfactory implementation of the audit recommendation.
- **Overdue** – The responsible party has failed to implement the recommendation by the target implementation due date and has not completed the extension request.

Monitoring and Reporting for Fiscal Year Ended 2023 – 7/1/2022 to 9/30/2022
As result of the audit and consulting projects completed in the recent months, Internal Audit is tracking both operational recommendations and long-term strategic recommendations. Audit recommendations are focused on improving internal controls while strategic recommendations are centered on organizational risks that may impact LACERA in the future.

	# of Operational Recommendations	**# of Strategic Recommendations**
Beginning Balance as of 7/1/2022	**11**	**6**
+ New Findings	5	13
- Accepts Risk	0	0
- Implemented Findings	-1	0
Ending Balance as of 9/30/2022 (Q1 of FYE2023)	**15**	**19**

Progress highlights for outstanding operational and strategic recommendations as of the reporting date September 30, 2022 are included in **Appendix A**. Details of outstanding operational recommendations are included in **Appendix B** and strategic recommendations are included in **Appendix C**. Reports and recommendations released after September 30, 2022 will be included in the next quarterly reporting to the Audit Committee.

Staff from the respective divisions will be present at the November 17, 2022 Audit Committee meeting to address any questions.

KS

Attachments

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

Progress of Open Operational and Strategic Recommendations

As of September 30, 2022

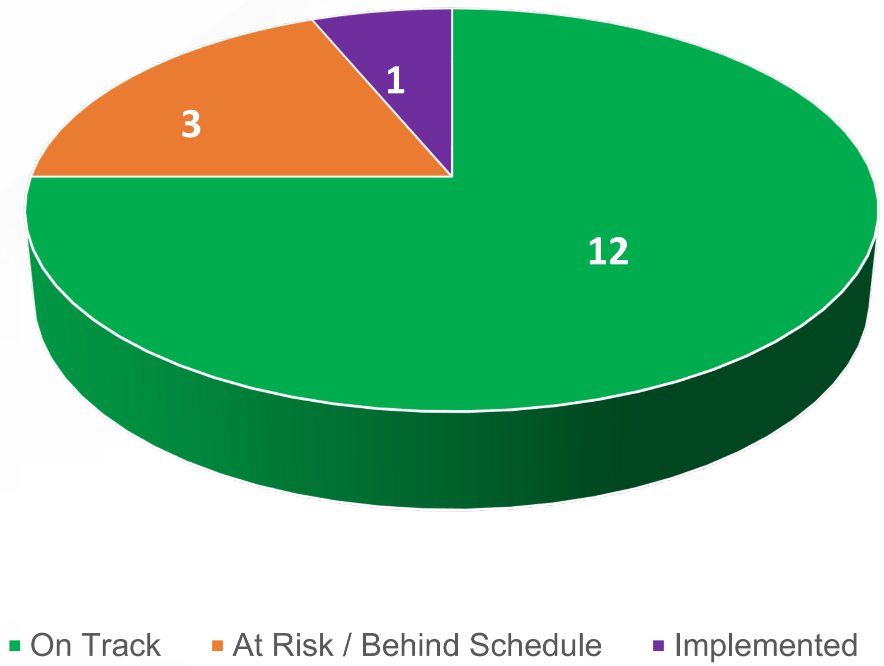
Status of Open Operational Recommendations

Outstanding operational recommendations are categorized based on the responsible divisions and current status. Details of the open operational recommendations are reported in Appendix B.

Open Audit Recommendations by Division and Risk Rating

	High	Medium	Low	N/A	Total
FASD	0	0	1	0	1
HR	3	0	0	8	11
Investments	1	0	0	0	1
RHC	0	1	1	0	2
Total	**4**	**1**	**2**	**8**	**15**

Status of Open Operational Recommendations as of September 30, 2022



Status of Open Strategic Recommendations

Strategic recommendations cover the broader operating risks and control gaps that require attentions from the Executive Office. Due to the nature of these observations, Executive Office is evaluating them during the current strategic planning efforts. Details of the open strategic recommendations are reported in Appendix C.

Open Strategic Recommendations by COSO Activity and Project

Related COSO Activity	Project Name [Project #]	Total # of Recommendations
Forecasting/Budget	Risk and Control Assessment – Retiree Healthcare Division[2022-33]	1
General IT Controls	Risk and Control Assessment – Retiree Healthcare Division[2022-33]	1
Internal and External Reporting	Organizational Governance Review [2022-01]	1
Organizational Structure	Organizational Governance Review [2022-01]	3
	Quality Assurance Operations Review [2021-48]	1
Performance Measures	Organizational Governance Review [2022-01]	1
	Quality Assurance Operations Review [2021-48]	1
Policies/Procedure Development & Maintenance	Organizational Governance Review [2022-01]	1
Resource Capacity	Risk and Control Assessment – Retiree Healthcare Division[2022-33]	1
Risk Assessment	Organizational Governance Review [2022-01]	1
Training and Development & Talent Management	Comprehensive Review of Human Resources Recruiting Process [2022-13]	4
	Organizational Governance Review [2022-01]	2
	Risk and Control Assessment – Retiree Healthcare Division[2022-33]	1
Grand Total		**19**

OPERATIONAL RECOMMENDATION FOLLOW-UP REPORT AS OF SEPTEMBER 30, 2022

Appendix B

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Financial Accounting & Services Division					
Accounts Payable Audit 2022-UP3 April 15, 2022 Satisfactory	Low Finding #1 - LACERA does not have a formal Accounts Payable policy.	1.) FASD, in conjunction with the Administrative Services Division, should develop a policy that covers all areas of accounts payable practices to help LACERA divisions obtain a mutual understanding of responsibilities and ensure compliance. 2.) Once the policy has been developed, FASD should communicate the Policy to the organization.	Management agrees with the recommendation. FASD management will work with Administrative Services management to develop and communicate a policy that addresses the accounts payable process including the purchasing functions. Management is currently implementing a new accounts payable automated tool, anticipating deployment during the next fiscal year, which may alter steps within the current process. Management will incorporate into the policy any process changes that occur when implementing the new tool.	3/31/2023	**AT RISK** The status has been changed from On Track to At Risk due to target implementation date within 6 months. Certify AP module implementation has been delayed for a few months now, however, Executive Office has within the past few weeks provided their approval to proceed. Systems is currently working on a high level flow chart before resuming coordinating the project.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Human Resources Division					
LACERA Staff Bonus Program 2021-37 February 14, 2022 Unsatisfactory	High Finding #1 - The bonus program does not have a formal comprehensive policy or procedures	HR management should: 1. Develop and ensure finalization of a comprehensive bonus policy and desk procedures. • The bonus policy should be provided and easily accessible to all staff. • Training on desk procedures should be provided to HR staff to ensure consistent application. 2. Review all bonuses to ensure they are consistent with the final approved Policy.	Management agrees with the findings and recommendations. Within three months of the filing of this report, HR will develop and have an approved comprehensive bonus policy that addresses all bonus types. Once approved, Human Resources will conduct a compliance review to ensure the applied bonuses are consistent with the approved policy. The approved policy will be distributed to staff members via email and posted on LACERA Connect (intranet). HR will conduct training at the management and supervisor action committees to explain how the policy is to be applied and to clarify the manager and supervisor role in bonus administration. To supplement the policy, HR will develop a procedure (PPG) that outlines the bonus review and approval process. Training will be provided for HR staff who review bonus requests and apply bonuses (transactions).	5/31/2022	**IMPLEMENTED** HR has posted the Bonus Policy and Procedures on the intranet where it is accessible by all employees. The Bonus Policy is effective as of 7/1/2022.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Audit of LACERA's Rehired Retiree Program 2022-28B August 8, 2022 Unsatisfactory	High Finding #1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	1. LACERA's Executive Office and HR should meet and confer around the expectations for compliance with the Post Employment Rehired Retiree Policy. HR should then revise their procedure accordingly. 2. HR Management ensure 960 Request Forms are completed and approved by the Executive Office, and all required documentation is obtained each fiscal year prior to the rehired retiree beginning work. 3. HR Management to ensure that missing documentations identified in this audit are obtained for the rehired retirees that worked in FY 2020-2021.	Management agrees that there is always room for improvement in both timing and documentation. In collaboration with Human Resources, we will take the following steps: a. Collaborate on an educational and informational program to be delivered to the MAC and SAC teams on an annual basis to review the policy, procedures, and to stress the importance of adherence to the policy. b. Review our procedures and make adjustments to ensure that we have set 'standards' for justification and transition plans, and how they are to be submitted and reviewed. c. The management team believes flexibility is required in determining the timing of bringing back rehired retirees. As such, we will review the policy and procedures and propose adjustments to allow for a process to bring back a retiree during a fiscal year and outline what mid-year or end of year adjustments must be made to support the need. d. Management and HR will work to document the actions taken during this review period.	9/30/2022 **Approved 1st Extension** 12/31/2022	**ON TRACK - Approved 1st Extension** HR management has not begun working to implement the recommendation due to other organizational priorities.
Audit of LACERA's Rehired Retiree Program 2022-28B August 8, 2022 Unsatisfactory	High Finding #2 - Noncompliance With 960-Hour Limit Requirement	1. HR Management should coordinate and communicate with division managers, prior to and periodically during the year, to ensure compliance with the 960-hour limit.	Management agrees we need to do everything we can to adhere to the regulations and prevent to the best of our ability any instances of overages. With this in mind the following action steps will be or have been taken: a) Human Resources has already begun providing division managers with a monthly report beginning in January of each FY so they can track the hours assigned to the rehired retiree more closely. b) Will work to remind the MAC and SAC team of the importance of reviewing these reports immediately upon receipt and managing the remaining time in such a manner that overages are not allowed.	Phase I: 12/31/2022 Phase II: TBD Phase III: TBD	**AT RISK** HR and Executive management have not begun working to implement the recommendation due to other organizational priorities.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Audit of LACERA's Rehired Retiree Program 2022-28B August 8, 2022 Unsatisfactory	High Finding #2 - Noncompliance With 960-Hour Limit Requirement	2. LACERA Executive Management should develop a process to remedy any overages due to payments for hours in excess of 960 hours.	Management recognizes we have an obligation to pay each employee for the work they perform. This includes any accidental overages beyond the 960 limits should they occur. In collaboration with Human Resources, we will review what steps we can take in the event an employee exceeds their approved hours, including disciplinary, and loss of eligibility to return in the future if needed. However, the Executive Office believes that recommendation 2-2 is not specific to LACERA as an employer, but rather a recommendation for LACERA the system to develop a policy and process to address overages, regardless of the employer. The Process Management Group (PMG) will be assigned a task to develop a 960 Day Overage Policy. PMG will work with the Executive Office, Legal, and outside Tax Counsel to develop a policy that will allow us to remain compliant with CERL and IRS regulations. This will include a component to require the employers to provide us with payroll records for all 960-Hour employees. This will be a multi-phase project. Phase I will be development of the policy. Phase II will be discussion and planning with the employers, and Phase III will be implementation /ongoing maintenance. The target date below is for Phase I alone.	Phase I: 12/31/2022 Phase II: TBD Phase III: TBD	**AT RISK** HR and Executive management have not begun working to implement the recommendation due to other organizational priorities.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Audit of LACERA's Rehired Retiree Program 2022-28B August 8, 2022 Unsatisfactory	High Finding #3 - Lack of specific limits in defining limited duration	1. LACERA Executive Management should develop a more prescriptive policy around the rehiring of retirees which includes specific limits around the matter of limited duration. 2. LACERA Executive Management should develop an expedited plan to transition from the retiree to permanent staff and report that plan to the Board of Retirement.	Management agrees in general that retired staff members should be brought back for a limited duration to remain in compliance with regulations. However, management also believes that CERL is flexible enough to support, with justification, bringing back a retired staff member on a cyclical basis as needed. For example, LACERA has a cyclical spike in demand for Member Operations Group staff members in Benefits and Member Services during the March Madness season. Management reserves the right to evaluate business needs and make a determination whether it is more economical and efficient to bring back retired staff, or hire additional permanent staff that would not be needed during the "off retirement season." Therefore, we feel the previous responses provide sufficient recommendations that will cover the requirement for a transition plan, when applicable.	12/31/2022	**AT RISK** Executive management has not begun working to implement the recommendation due to other organizational priorities.
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #2: Policies, Procedures & Automation	2.a. HR should create and disseminate an HR Recruiting Manual to assist hiring officials (division managers) and recruiters in identifying and recruiting the best candidates.	HR will develop a Division Manager-oriented manual Recruitment Manual documenting recruitment processes and procedures, including roles and responsibilities of HR staff and Division staff, a workflow diagram, checklists, and all necessary forms and documentation. The HR Director will also review and update the existing HR internal procedure manual used by recruiters to correspond to the Division Manager's manual, and include HR specific responsibilities, and links to the appropriate Civil Service Rules.	12/31/2022	**ON TRACK** HR is outlining the recruitment manual.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #2: Policies, Procedures & Automation	2.b. HR should utilize the resources and tools available through automated systems such as NEOGov or alternative systems to obtain data contained within the Analytics and Reporting functionally of the system. This data should be used to monitor and assess performance, such as, time-to-hire.	LACERA will assess the capabilities of the existing (NEOGov) and other commercially available systems and look for opportunities to obtain the desired metrics identified in this report and through the strategic planning process. LACERA is constrained, however, by its unique relationship with Los Angeles County as it does not own or have access to all of the required data.	6/30/2023	**ON TRACK** Management is working on implementing the recommendation.
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #2: Policies, Procedures & Automation	2.c. HR should develop a Recruiting Process Flow Diagram which summarizes the key phases, responsibilities of divisions, and hand-off points which occur for all phases of recruitment. This should be performed in collaboration with divisions to identify opportunities for streamlining, to ensure agreement and reduce areas of confusion. This document along with updated P&P's will enable both HR and Divisions to have a clear and consistent understanding of the recruitment process.	HR will develop a workflow diagram and checklists as part of the Division Manager-oriented Recruitment Manual identified in Recommendation 2a.	12/31/2022	**ON TRACK** HR is outlining the recruitment manual.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #3: Structure, Culture & Service Level Agreements	3.a. HR should align with the Society of Human Resources Management ("SHRM")4 best practice for recruiting to establish the recruitment team configuration. Based on the current number of vacancies which LACERA has, dedicated recruiters will result in a focus on recruitment to meet the needs of the organization.	The use of a Generalist Human Resources Analyst vs. Specialized recruiter will better meet LACERA's longterm organizational needs. The goal is for each division to have a dedicated Human Resource Generalist that will assist and advise on matters of not only recruitment, but labor relations, employee relations, employee performance, and other Human Resource activities. The Human Resource department has requested additional resources as part of the 2022/23 Proposed Budget with the proposed structure in mind.	6/30/2023	**ON TRACK** The exam to hire more HR staff is in development.
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #3: Structure, Culture & Service Level Agreements	3.b. HR should have recruiting specialists who are assigned specific Divisions as requested by organization stakeholders.	Management's response within 3.a addresses this recommendation.	6/30/2023	**ON TRACK** The exam to hire more HR staff is in development.
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #3: Structure, Culture & Service Level Agreements	3.c. HR should perform a needs assessment to determine whether additional resources are needed by performing the following activities: i.) an evaluation of the competencies of the team; ii.) performing a skills and capabilities assessment; iii.) identifying areas of strengths and professional development needs; iv.) an analysis of the division's tasks performed; and v.) the associated time requirements.	This is a foundational issue that must be accomplished before several other recommendations. LACERA will seek professional assistance to complete an assessment of Human Resources staff capabilities and strengths and identify plans for professional development to fill relevant skill gaps that may exist.	6/30/2023	**ON TRACK** Management is working on implementing the recommendation.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #3: Structure, Culture & Service Level Agreements	3.d. HR Management and Division Management should establish SLAs as it relates to recruiting efforts. SLAs should identify individual roles and responsibilities at the division level and those performed by HR recruiting staff. Additionally, performance measures should be established to address both efficiency and effectiveness (i.e., performance measure on timing associated with candidate interviews). Lastly, monitoring of the agreements should occur to hold both HR and Divisions accountable for responsibilities and timeliness of recruiting activities.	Roles and responsibilities and expected timelines will be outlined in the Human Resources recruitment manual discussed under Recommendation 2.a. SLAs will need to be negotiated with individual Divisions. Constraints will include available metrics, and HR and Division staff capacity. HR staff will develop an SLA template that will be used to document agreed upon deliverables and timelines.	12/31/2022	**ON TRACK** HR is outlining the recruitment manual.
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	N/A Opportunity #3: Structure, Culture & Service Level Agreements	3.e. HR should update work programs for all HR members including the members exclusively dedicated to recruiting efforts. The work programs should outline key recruiting steps, organizational support, and performance measures and accountability.	Human Resources will assess work programs, review classifications, and identify gaps.	12/31/2022	**ON TRACK** This will be done after new HR staff are hired.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Investments Division					
THC Stale Check Review 2021 47 June 15, 2021 Unsatisfactory	High Inadequate controls over the THC check process allowed 104 checks to go stale	The Investment Office should: 2. Address the remaining stale checks by: a.logging and recordings the status of each check until new checks are received and deposited or written off as a loss of funds, b.performing a monthly review by Real Estate team management of the Stale Check Summary Log and the status of efforts made to obtain reissued checks and the determination of checks that are uncollectable for write-off, and c.dispositioning uncollectable checks with the Executive Office to determine appropriate reporting.	The Investment Office agrees to both the finding and recommendation. 2. The real estate team continues to work diligently to resolve all 104 of these checks. Many of them have already been deposited. a. As of 6/10/21, 46 checks totaling $180,498 have been deposited, 58 checks totaling $88,034 are still in progress, and none have been deemed unrecoverable. b. Members of the real estate team and its management meet weekly to review the status of pending and reissued checks. Checks in progress that are being reissued by state or local governments can take up to 24 months. c. Staff will provide quarterly updates to Investment Office Management, Executive Office, and Internal Audit division.	6/30/2023	**ON TRACK** Per RE Team as of 10/19/22, 10 checks have been reissued and deposited, 47 checks are in process of recovery, and 7 checks have reached an inpasse for recovery efforts.

Project Name Project # Report Date Audit Rating	Risk Rating Finding	Recommendation	Management Response	Target Implementation Due Date	Quarterly Status Update
Retiree Healthcare (RHC) Division					
Risk and Control Assessment – Retiree Healthcare Division 2022-33 July 14, 2022	Medium Finding #1 - RHC management has not initiated or completed a majority of its divisional strategic goals.	RHC management should a) assess its strategic goals using a risk-based approach, and b) prioritize addressing goals that can be completed with RHC's current resources.	Management agrees with the recommendation. Currently, LACERA is in the process of developing its organizational Strategic Plan. LACERA's Executive Team and RHC management will develop, align, and prioritize divisional goals and action plans with the finalized LACERA strategic plan. Also, will work in conjunction with Systems, Member Services, Communications, and other divisional stakeholders to ensure cross functional alignment.	3/31/2023	**ON TRACK** RHC management has been collaborating with other applicable divisions to ensure alignment of its divisional goals.
Risk and Control Assessment – Retiree Healthcare Division 2022-33 July 14, 2022	Low Finding #2 - RHC division does not have a formal process for reviewing divisional policies and procedures.	RHC management should develop a policy and procedures review process to ensure that the documents are current with applicable laws, organizational policies, and processes.	Management agrees with the recommendation. RHC management will adopt the checklist, process, and procedures developed by the newly formed Policy Committee in authoring and implementing its various policies and procedures. This will ensure adherence to organizational standards and transparency in operational policies and controls.	6/30/2023	**ON TRACK** RHC management is working on implementing the recommendation. Currently, RHC management believe that the recommendation will be completed by the deadline.

STRATEGIC RECOMMENDATION FOLLOW-UP REPORT AS OF SEPTEMBER 30, 2022

Appendix C

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
Organizational Structure				
Organizational Governance Review 2022-01 July 20, 2022 N/A	Organizational Structure Oversight, Strategy, Policies and Procedures	High Obs #1 - LACERA does not have an organizational wide strategic plan LACERA does not have a strategic plan for retirement, member services and operations that aligns the goals and objectives of the organization with actionable plans and outcomes. LACERA initiated a strategic planning process in April 2022, which will include input from Board members and staff throughout the organization. A Work Plan and Strategic Initiatives for the Investments Division was approved by the Board of Investments on January 12, 2022 including an Investment Division Purpose that aligns with the requirements of the Investment Division Policy.	LACERA should continue efforts to develop a strategic plan for the organization. Once the strategic plan is in place, LACERA should ensure that the Work Plan and Strategic Initiatives for the Investments Division aligns with the organizational wide strategic plan. The strategic plan should include the following elements: - Clearly defined measurable outcomes that define what constitutes success in each strategic objective and align with applicable performance measures of the contributing process owners - Factors that influence the near and long-term outcomes related to strategic objectives that define how internal and external factors impact progress towards goals and objectives - Identification of key stakeholders from various departments across the organization that are involved in achieving the desired outcomes - A framework to assess achievement and monitor progress, including performance information that can be assessed and categorized for each objective and outcome to determine if sufficient progress is being made and to identify gaps in strategic efforts (see Obs-08)	Executive Office is evaluating the observation as part of the current strategic planning efforts.
Organizational Governance Review 2022-01 July 20, 2022 N/A	Organizational Structure Structure and Accountability	High Obs #5 - The LACERA CEO job description and the responsibilities of the Board Committees overlap/conflict There is overlap in the Chief Executive Officer's (CEO) duties as listed in the CEO job description and the responsibilities of the BOR's Committees as listed in the Committee Charters.	The BOR's Committee Charters and the Chief Executive Officer's (CEO) job description should be reviewed and updated to reflect the appropriate responsibilities of each. The Charters should include oversight responsibilities while the CEO job description should include responsibilities for carrying out the Board directives and management of the organization.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name **Project Number** **Report Date** **Audit Rating**	**Related COSO Activity / Long Term Risk or Governance Element**	**Risk Rating** **Finding**	**Recommendation**	**Quarterly Status Update**
Organizational Governance Review 2022-01 July 20, 2022 N/A	Organizational Structure Ethical Values	Medium Obs #6 - LACERA does not have a formal enterprise fraud prevention and detection program While an Ethics Policy is in place that addresses fraud and the fraud reporting hotline, there is no formal program in place to prevent and detect fraud. The information obtained from the fraud reporting hotline is reported to the Audit Committee but there is not a process for incorporating what is learned into the organization's policies. Furthermore, there is no consistent training on fraud prevention and detection throughout the organization.	LACERA should implement a formal fraud prevention and detection program that includes a policy separate from the Ethics Policy, consistent training for staff including how to report suspected fraud, and a process to incorporate what is learned from the fraud reporting into the organization's policies.	Executive Office is evaluating the observation as part of the current strategic planning efforts.
Quality Assurance Operations Review 2021 48 April 9, 2021 Opportunities for Improvement	Organizational Structure Risk of the QA Division’s independence being impaired by having to report to the same AEO as the operating units in which they perform quality assurance audits.	Medium Finding #1 - The QA Division’s independence is weakened when reporting to the same AEO over the operational areas in which they perform quality assurance audits.	Develop a plan and timeline for a) relocating training and metrics out of the QA Division to an operational division, and b) changing the reporting structure such that the QA Division reports independently to the Administrative AEO.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name **Project Number** **Report Date** **Audit Rating**	**Related COSO Activity / Long Term Risk or Governance Element**	**Risk Rating** **Finding**	**Recommendation**	**Quarterly Status Update**
General Information Technology (IT) Controls				
Risk and Control Assessment – Retiree Healthcare Division 2022-33 July 14, 2022 N/A	Resource Capacity, General IT Controls Risk of increased inefficiencies due to errors and delays	N/A Obs #3 - Most of RHC's operational processes rely heavily on manual processes and are performed outside of the Workspace system. These processes also lack automated controls.	This was a strategic observation made by Internal Audit.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
Internal and External Reporting				
Organizational Governance Review 2022-01 July 20, 2022 N/A	Internal and External Reporting Communication and Reporting	Medium Obs #7 - LACERA does not have a communication plan A communication plan for the organization that establishes reporting timelines and format, including standards for communicating with employees and stakeholders has not been implemented. LACERA has drafted a Communication Plan for executive review. In addition, there is no style guide in place to be used with the communication plan to address style and format of standard communications.	LACERA should finalize the existing draft Communication Plan for the organization. In addition, guidelines for style and format of reporting should be developed to ensure consistency. Staff should be trained on the implemented Communication Plan and style and format guidelines.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
Performance Measures				
Organizational Governance Review 2022-01 July 20, 2022 N/A	Performance Measures Communication and Reporting	Medium Obs #8 - LACERA lacks defined Key Performance Indicators (KPI) While some divisions have either developed or drafted key performance indicators (KPI's), they have not been defined for all divisions. Member Benefits and Investments divisions have defined KPI's. The rest of the divisions have either drafted KPI's that have not been approved or have not developed them.	LACERA should develop and implement key performance indicators (KPI's) for any divisions that have not yet defined them. The KPI's should be quantifiable and be linked to the goals of the organization as established in the Strategic Plan (see Obs-01). In addition, reporting mechanisms should be established for the reporting of the KPI's so that the data can be used to inform decision making.	Executive Office is evaluating the observation as part of the current strategic planning efforts.
Quality Assurance Operations Review 2021 48 April 9, 2021 Opportunities for Improvement	Performance Measures Communication and Reporting	Medium Finding #6: QA management does not have an annual quality assurance audit plan and does not have metrics and KPIs for managing their staff's work.	Develop an annual Quality Assurance Audit Plan and Key Performance (KPIs)	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
Policies/Procedure Development & Maintenance				
Organizational Governance Review 2022-01 July 20, 2022 N/A	Policies/Procedure Development & Maintenance Structure and Accountability	High Obs #2 - LACERA does not review and revise policies and procedures or internal controls in an effective manner There is no defined schedule for updating LACERA policies and procedures. Divisions have varying time frames for when they review their policies and procedures. That leads to policies and procedures being reviewed in an ad-hoc manner. There are also quality deficits: not all policies and procedures are thorough, deliberative, nor effectively implemented. Internal controls are not documented and reviewed regularly. The Executive Office recently established a Policies and Procedures Council to provide an enterprise-wide governance structure for policy management to ensure policies are up-to- date, standardize policy template and writing standards, develop a routine for new policy reviews, and establish policy review cycles for existing policies.	LACERA should, at a minimum, establish a schedule for reviewing and updating all policies and procedures. In addition, internal controls should also be documented within the procedures and reviewed on a regular schedule and updated as necessary. LACERA should also find an automated solution to maintain policies and procedures. The Policies and Procedures Council should focus not only on timely reviews, but also on quality control, ensuring thoroughness, ease of implementation, and effective communication with staff.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
Resource Capacity				
Risk and Control Assessment – Retiree Healthcare Division 2022-33 July 14, 2022 N/A	Resource Capacity Risk of inability to meet RHC's divisional objectives	N/A Obs #1 - RHC has vacancies throughout the division, especially in the Call Center. • RHC Call Center: The RHC Call Center has a total of 14 budgeted staff positions for FY2022. The RHC Call Center team consists of 4 full-time staff, 1 full-time staff working in a hybrid capacity, and 1 temporary agency staff. The remaining 8 positions are vacant. • Impact to other RHC sections: RHC supervisors and staff from the Operations and Audits/Financial sections are helping with the call center queues due to the short staffing. However, RHC operational staff cannot perform their regularly assigned responsibilities. It has resulted in a cycle of high-volume calls and backlog of incoming member requests and forms. RHC management is currently using overtime to address the issue.	This was a strategic observation made by Internal Audit.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
Risk Assessment				
Organizational Governance Review 2022-01 July 20, 2022 N/A	Risk Assessment Assessment and Risk Management	High Obs #9 - LACERA does not have a formal enterprise risk management and compliance program A formal enterprise risk management and compliance program does not currently exist at LACERA. The Investments Division has a compliance program to address risks within the portfolios and reports regularly to the Board of Investments. The organization has plans to hire a Compliance Manager in the next six months. A risk assessment of the organization is currently performed annually only by Internal Audit for the purpose of developing the Internal Audit Plan	LACERA should implement a formal enterprise risk management and compliance program for the organization that includes identification of risks and how to address those risks. The risk information should be used by the organization to make decisions. The program should also include an inventory of all program requirements and a plan to monitor compliance with those requirements. Reporting mechanisms should be implemented for risk management and compliance.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
		Training and Development & Talent Management		
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	Training and Development & Talent Management N/A	N/A Opportunity #1: Planned, Measured and Optimized Recruiting Approach	1.a. LACERA's Executive Team should work with HR Management to develop an effective Workforce Plan and Implementation Strategies that clearly align with the organization's current and future Strategic Plans related to recruitment efforts. The Strategic Plan should include or address the following: i. HR should gather and analyze the organizational data and continue to evaluate the market supply versus LACERA's demand for talent while factoring in employee retention, employee development, knowledge transfer, and succession management. ii. Address initiatives to meet established goals such as workplace diversity through recruiting and whether vacancies are to be filled internally versus externally (open competitive). iii. Provide Division Management & Executives (stakeholders) with the performance metrics that assist in identifying the risk of turnover, retirement, retention drivers, and measurements related to recruitment activities and initiatives (i.e., time-to-hire, qualified candidates per opening, source quality, quality of hire, offer acceptance rate, first-year turnover rate, equitable recruiting, and employer of choice). iv. Document method of prioritizing future workforce initiatives that include criteria used or risk analysis performed. v. Method to effectively communicate to applicable HR resources and division management involved in recruiting efforts.	Executive Office is evaluating the observation as part of the current strategic planning efforts.
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	Training and Development & Talent Management N/A	N/A Opportunity #1: Planned, Measured and Optimized Recruiting Approach	1.b. Identify an individual or committee (governance structure) to oversee the alignment of the approved Workforce Plan and HR's Implementation Strategies for recruiting.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name Project Number Report Date Audit Rating	Related COSO Activity / Long Term Risk or Governance Element	Risk Rating Finding	Recommendation	Quarterly Status Update
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	Training and Development & Talent Management N/A	N/A Opportunity #1: Planned, Measured and Optimized Recruiting Approach	1.c. LACERA's Workforce Plan should address succession planning as a key component. Each division should perform forecasting of future vacancies through retirement and attrition. Succession candidates should be identified in each division and professional development should occur to prepare these members for future roles. We recommend that LACERA identify a Workforce Planning Model such as that established by the California Department of Human Resources or an alternative model.	Executive Office is evaluating the observation as part of the current strategic planning efforts.
Comprehensive Review of Human Resources Recruiting Process 2022-13 April 18, 2022 N/A	Training and Development & Talent Management N/A	Opportunity #3: Structure, Culture & Service Level Agreements	3.f. Based on the anecdotal evidence shared throughout this engagement it is apparent that LACERA's workplace culture is being affected in negative ways through perceptions and experiences of individuals who are directly related to the recruiting efforts, primarily at the Division level. As such, LACERA should perform an assessment of their HR Division to evaluate the team-member cohesiveness, related to employee satisfaction, level of engagement, perception of HR division management, and alignment with organizational strategy.	Executive Office is evaluating the observation as part of the current strategic planning efforts.
Risk and Control Assessment – Retiree Healthcare Division 2022-33 July 14, 2022 N/A	Training and Development & Talent Management Risk of business sustainability	N/A Obs #2 - RHC is lacking succession planning between the management team and staff. RHC management has continued to rehire a retiree for over ten years.	This was a strategic observation made by Internal Audit.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

Project Name **Project Number** **Report Date** **Audit Rating**	**Related COSO Activity / Long Term Risk or Governance Element**	**Risk Rating** **Finding**	**Recommendation**	**Quarterly Status Update**
Organizational Governance Review 2022-01 July 20, 2022 N/A	Training and Development & Talent Management Structure and Accountability	Medium Obs #3 - LACERA has not implemented a professional development plan A professional development and training plan for the organization does not exist. A training budget is in place and various training is offered to staff, but there is no formal professional development plan that identifies and aligns what training should be provided for staff in order to advance their skills and prepare them for growth within the organization. Additionally, professional development needs for individual employees to enhance their skills have not been incorporated into the system used for employee performance evaluations.	LACERA executive leadership should engage in a facilitated analysis of employees across the organization and identify specific development needs of employee classifications and functional groups. That analysis should include: - A needs and gap assessment of skills development required for critical organization functions - An assessment of the current training budget and how it is being spent - Input from employees on desired offerings, including technology training and "digital upskilling" - An inventory of competencies required of employees by supervisors across functions, including risk and internal control awareness and management competencies - A plan for integrating individual professional development needs into the performance evaluation system In the longer term, LACERA should pay specific attention to high performing employees, and engage employees who are emerging leaders in initiatives and achievement of key objectives, providing cross-training opportunities to ensure the employee receives a well-rounded understanding of interrelated processes and key resources of the organization.	Executive Office is evaluating the observation as part of the current strategic planning efforts.
Organizational Governance Review 2022-01 July 20, 2022 N/A	Training and Development & Talent Management Structure and Accountability	High Obs #4 - LACERA does not have a succession plan No organization wide succession plan for critical functions exists at LACERA. Some divisions have identified staff for succession but no formal plan has been put in place, including identifying core competencies and any professional development needed to enhance skills of those in line for succession.	LACERA should implement a succession planning process to ensure that the organization can maintain a workforce that collectively possesses the core competencies and skills needed to accomplish its strategic objectives. Effective succession planning focuses on current and future needs and develops a pool of high-potential personnel to meet the organization's long-term mission. The succession plan should include a framework for: - Identification of critical positions of leadership in the organization and executive resource needs, including an analysis of core competencies for leadership success, - Evaluation of the current state of talent, including existing executive competence against what is needed to strengthen executive performance for success at LACERA, and - Aligning identified talent to LACERA's needs, including reviewing the potential leadership readiness for increased challenges or capacity.	Executive Office is evaluating the observation as part of the current strategic planning efforts.

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October 15, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Christina Logan CL
Principal Internal Auditor

Gabriel Tafoya GR.
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **Recommendation Follow-Up for Sensitive Information Technology Areas**

Internal Audit reports to the Audit Committee a summary of recommendations being monitored related to system and network security audits and assessments.

There are currently recommendations from seven sensitive information technology (IT) engagements, detailed on Table 1, that Internal Audit has been monitoring. We most recently added the first project listed, Moss Adams External Network Penetration Testing and Social Engineering Assessment (Pen and Social Engineering), in April 2022. The seventh project, Consolidated Recos, is a consolidation of recommendations which overlapped or were repetitive into a singular recommendation for ease of managing.

We have summarized the open recommendations by project in Table 1 and then by the control type in Table 2. There were five (5) recommendations implemented during this reporting period.

Staff will be available to address questions at the November 17, 2022 Audit Committee meeting, but please remember that due to the sensitive nature of these IT recommendations we cannot provide additional details.

CL:gt

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

SUMMARY OF OPEN RECOMMENDATIONS

Table 1: Recommendations Status – By Audit Engagement

Engagement Name Report Date **Recommendation Status by Risk Level**	**Total Recos**	**Implemented During Prior Periods**	**Implemented Aug 2022 – Oct 2022**	**In Progress Oct 2022**
Moss Adams Pen and Social Engineering April 2022				
High	3	—	1	2
Medium	3	—	1	2
Low	1	—	—	1
PM SOC FYE2021 September 2021				
High	—	—	—	—
Medium	5	2	—	3
Low	—	—	—	—
PM SOC Readiness Assessment February 2020				
High	—	—	—	—
Medium	10	8	—	2
Low	—	—	—	—
Clear Skies Penetration Test and VeraCode Report March 2020				
High	1	1	—	—
Medium	25	16	1	8
Low	17	8	2	7
Tevora 2019 Penetration Test June 2019				
High	—	—	—	—
Medium	—	—	—	—
Low	5	3	—	2
Tevora 2018 Security Risk Assessment July 2018				
High	—	—	—	—
Medium	3	3	—	—
Low	6	4	—	2
Consolidated Recos January 2021				
High	2	2	—	—
Medium	2	1	—	1
Low	—	—	—	—
Totals	**83**	**48**	**5**	**30**

For the quarter ended September 2022, the Information Security Office and Systems Division implemented five (5) recommendations. They implemented:

- Three (3) Clear Skies Penetration Test recommendations by updating to LACERA.com.
- Two (2) Moss Adams recommendations by implementing enhanced targeted phishing campaigns that incorporate information security awareness and training.

For recommendations which are listed as **In Progress**, Systems Division and Information Security provided a summary of work to be performed and a timeline. They plan to complete all remaining Moss Adams recommendations by the beginning of the third quarter of the fiscal year.

RECOMMENDATIONS CATEGORIZED

IT General Controls (ITGC) are the basic controls that can be applied to IT systems such as applications, operating systems, databases, and supporting IT infrastructure. The general objective for ITGC is to ensure the integrity of the data and processes that systems support. To provide additional insight into these sensitive recommendations, we categorized the recommendations from sensitive IT engagements into the following ITGC areas:

ITGC	Description of control
Data Backup and Recovery	Controls provide reasonable assurance that data and systems are backed upsuccessfully, completely, stored offsite, and validated periodically.
Environmental	Controls provide reasonable assurance that systems equipment and data is adequately protected from environmental factors.
Information Security	Controls provide reasonable assurance that policies and procedures are in place to ensure effective communication of information security practices.
Logical Access	Controls provide reasonable assurance that logical access to applications and data is limited to authorized individuals.
Physical Security	Controls provide reasonable assurance that physical access to systems equipment and data is restricted to authorized personnel.
System Development & Change Management	Controls provide reasonable assurance that changes to or development of applications is authorized, tested, and approved. Controls also, provide reasonable assurance that segregation of duties exist.
System Monitoring & Maintenance	Controls provide reasonable assurance that systems are monitored for security issues, and that patches and antivirus definition file updates are applied in a timely manner.

Table 2: Recommendations Status – By IT General Control Areas

	Total Recos	Implemented During Prior Periods	Implemented Aug 2022 – Oct 2022	In Progress Oct 2022
Data Back Up & Recovery	1	1	—	—
Environmental	—	—	—	—
Information Security	12	3	—	9
Logical Access	48	32	3	13
Physical Security	2	—	—	2
System Development & Change Management	2	1	—	1
System Monitoring & Maintenance	18	11	2	5
Total # Recos by Implementation Status	**83**	**48**	**5**	**30**

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FOR INFORMATION ONLY

November 1, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

George Lunde GL
Senior Internal Auditor

FOR: November 17, 2022, Audit Committee Meeting

SUBJECT: **Continuous Auditing Program (CAP)**

BACKGROUND

Internal Audit performs its ***Continuous Auditing Program*** (CAP) throughout the year. Our CAP consists of limited scope tests of large volumes of data or transactions facilitated by our use of automated auditing software tools. Our primary tools are Teammate Plus Analytics and Audit Command language (ACL). CAP testing falls into two categories:

- ***Compliance Testing*** – Tests of entire populations of transactions and/or data from one or more sources for specified periods of time to ensure compliance with known criteria: laws, policies or established guidelines.

- ***Fraud Testing*** – Tests of entire populations of transactions and/or data from one or more sources for specified periods of time to identify potential errors or fraud for further analysis and determination.

CAP Schedule for Fiscal Year 2022-2023

To determine CAP projects, Internal Audit first assesses LACERA's databases for the type of data held. Next, we brainstorm as many tests as possible for compliance and fraud scenarios. Internal Audit then assess the risk levels related to the possible tests.

Should any of our CAP testing identify a systematic breakdown of controls, we will evaluate the project and perform a full audit.

The following table summarizes current and planned CAP testing for FY 2022-2023

CAP Projects	Division	Service Type	Status
Duplicate Payments to Vendors	FASD	Fraud	Completed 10/27/2022
Duplicate Special Payments	Benefits	Fraud	Completed 10/27/2022
State Street Bank Users	FASD	Fraud	In Progress
New Payees (continuous)	Benefits	Fraud	In Progress
SSN TO SSN Verification System	Benefits	Fraud	Begin Q4

The following table lists recently completed CAP tests.

Continuous Audit Program (CAP) Testing Summary						
DIVISION	**PROJECT NAME**	**PURPOSE**	**COVERAGE PERIOD**	**TEST FREQUENCY**	**METHODOLOGY**	**RESULTS**
FASD	Duplicate Vendor Payments	Validate controls for preventing duplicate vendor payments	05/01/2021 to 06/30/2022	Annually	Audit software is used to perform analytic tests on vendor payment data	No exceptions were noted
Benefits Division	Duplicate Special Payments to Members	Validate controls for preventing duplicate special payments	07/01/2021 to 06/30/2022	Annually	Audit software is used to perform analytic tests on special payment data	No exceptions were noted

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FOR INFORMATION ONLY

October 31, 2022

TO: 2022 Audit Committee
Gina V. Sanchez, Chair
Joseph Kelly, Vice Chair
Patrick L. Jones, Secretary
Alan J. Bernstein
Keith Knox
Wayne Moore
Herman B. Santos

Audit Committee Consultant
Robert H. Griffin

FROM: Kathryn Ton KT
Senior Internal Auditor

FOR: November 17, 2022 Audit Committee Meeting

SUBJECT: **Ethics Hotline Status Report**

The purpose of this memorandum is to provide the Committee with information on ethics cases handled by LACERA. LACERA has contracted with NAVEX Global's EthicsPoint since November 2019 for its ethics hotline reporting and case management needs.

To date, LACERA has received eight case reports since the inception of the Ethics Hotline, and all eight have been closed at this time.

Calendar Year	Issue Type	Count	Status
2021	Retaliation	1	Closed
2021	Discrimination/ Harassment	2	Closed
2020/2021	Time Abuse	3	Closed
2020	Accounting & Auditing Matters	1	Closed
2020	Violations of Policy	1	Closed

Staff will continue to provide updates to the Committee on future reports. For the Committee's information, Internal Audit is not currently investigating, nor has it received any new reports of wrongdoing and/or become aware of any matters of wrongdoing outside of the Ethics Hotline. Furthermore, we have not identified any matters of fraud in any of our recent or current audit and consulting work.

Internal Audit has made efforts to raise awareness for the ethics hotline as staff members returned to work. In the second half of 2022, there was another awareness campaign where posters were distributed to division managers and details on the hotline were published in LACERA’s Pulse Newsletter (June-July edition). Internal Audit also worked with Communications to create banners and links to the hotline on LACERA Connect. As we return to the office, we and Communications will evaluate the need for further awareness campaigns.

KT

Noted and Reviewed:

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Richard P. Bendall
Chief Audit Executive

Documents not attached are exempt from disclosure under the California Public Records Act and other legal authority.

For further information, contact:
LACERA
Attention: Public Records Act Requests
300 N. Lake Ave., Suite 620
Pasadena, CA 91101

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Pasadena, CA 91101