IN PERSON & VIRTUAL BOARD MEETING

DECEMBER 14, 2023 9:00 AM

AUDIT COMMITTEE MEETING

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TO PROVIDE PUBLIC COMMENT

Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit the above link and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

Attention: If you have any questions, you may email PublicComment@lacera.com. If you would like to make a public comment during the committee meeting, review the Public Comment instructions.

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, CA 91101

9:00 A.M., THURSDAY, DECEMBER 14, 2023

This meeting will be conducted by the Audit Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953 (f).

Any person may view the meeting in person at LACERA's offices or online at [https://LACERA.com/leadership/board-meetings.](https://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.

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449, California Government Code Section 54953 (f)

A. Just Cause
B. Action on Emergency Circumstance Requests
C. Statement of Persons Present at Teleconference Locations

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of August 31, 2023

V. PUBLIC COMMENT

(Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit https://LACERA.com/leadership/board-meetings and complete the request form by selecting whether you will provide oral or written comment from the options located under Options next to the Committee meeting.

If you select oral comment, we will contact you via email with information and instruction as to how to access the meeting as a speaker. You will have up to 3 minutes to address the Committee. Oral comment requests will be accepted up to the close of the Public Comment item on the agenda.

If you select written comment, please input your written public comment or documentation on the above link as soon as possible and up to the close of the meeting. Written comment will be made part of the official record of the meeting. If you would like to remain anonymous at the meeting without stating your name, please leave the name field blank in the request form. If you have any questions, you may email PublicComment@lacera.com.)

VI. NON-CONSENT ITEMS

A. **Los Angeles County's Compliance with Requirements for Retire Rehiree – Fiscal Year Ended June 30, 2023**

Recommendation as submitted by George Lunde, Senior Internal Auditor: That the Committee review and discuss the following engagement report and take the following action(s).

1. Accept and file;
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 the audit findings; and/or
4. Provide further instruction to staff.
(Memo dated November 27, 2023)

VI. NON-CONSENT ITEMS (Continued)

B. **Review of Chief Executive Officer's Credit Card Expenditures**
Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor: That the Committee review and discuss the following engagement report 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 November 15, 2023)

C. **Replacement Benefit Plan Process 415(b)**
Recommendation as submitted George Lunde, Senior Internal Auditor: That the Committee review and discuss the engagement report 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 November 30, 2023)
(Memo dated November 11, 2023/Attorney-Client Privileged/ Confidential Memo)

D. **Consulting on Internal Controls over Financial Reporting – Cash and Treasury**
Recommendation as submitted by Nathan K. Amick, Senior Internal Auditor: That the Committee review and discuss the following engagement report 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 November 15, 2023)

VI. NON-CONSENT ITEMS (Continued)

E. **Audit Committee Consultant Interviews and Selection**
Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor: That the Committee interview candidates and select an Audit Committee Consultant and upon selection of Audit Committee Consultant, direct staff to negotiate a three-year agreement, with two-one-year extensions for consulting services to begin in January 2024.
(Presentation) (Memo dated November 30, 2023)

F. **Fiscal Year 2024 Internal Audit Plan Amendments**
Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Nathan K. Amick, Senior Internal Auditor: That the Committee review and approve the engagement report.
(Presentation) (Memo dated November 30, 2023)

G. **Audit Committee Annual Report to Boards**
Recommendation as submitted by Onyx Jones, Audit Committee Chair and Richard P. Bendall, Chief Audit Executive,: The Audit Committee provide suggested revisions and/or approve the issuance of the Audit Committee Annual Report to the Boards and direct staff to issue the report to the boards at their respective January 2024 meetings.
(Memo dated November 30, 2023)

VII. REPORTS

A. **Plante Moran Financial Audit Reports**
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated November 15, 2023)

B. **Ethics Hotline Status Report**
Richard P. Bendall, Chief Audit Executive
Leisha E. Collins, Principal Internal Auditor
(Presentation) (Memo dated November 30, 2023)

C. **Internal Audit Charter Assessment**
Christina Logan, Principal Internal Auditor
(For Information Only) (Memo dated November 15, 2023)

D. **Continuous Auditing Program (CAP)**
George Lunde, Senior Internal Auditor
(For Information Only) (Memo dated November 16, 2023)

VII. REPORTS (Continued)

E. **Recommendation Follow-Up Report**
Kristina Sun, Senior Internal Auditor
(For Information Only) (Memo dated November 30, 2023)

F. **Recommendation Follow-Up Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated November 15, 2023)

G. **Internal Audit Staffing Activity Report**
Richard P. Bendall, Chief Audit Executive
(For Information Only) (Memo dated November 27, 2023)

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

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

IX. 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.)

X. 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.)

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

XII. EXECUTIVE SESSION

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

Consultation with Terry Olejnik, Colleague Partner, Jenny Trotta, Engagement Principal, Sarah Pavelek, Engagement Partner from Plante Moran, Richard P. Bendall, Chief Audit Executive, Santos H. Kreimann, Chief Executive Officer, Luis Lugo, Deputy Chief Executive Officer, Kathy Delino, Chief Information Technology Officer, Chaitanya Errande, Information Security Officer 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

XIII. 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.

Any documents subject to public disclosure that relate to an agenda item for an open session of the Committee, that are distributed to members of the Committee 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 Committee, at LACERA's offices at 300 North Lake Avenue, Suite 820, Pasadena, California during normal business hours from 9:00 a.m. to 5:00 p.m. Monday through Friday *and will also be posted on lacera.com at the same time,* *Board Meetings | LACERA*.

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

9:00 A.M., THURSDAY, AUGUST 31, 2023

This meeting was conducted by the Audit Committee, Board of Investments, and Board of Retirement both in person and by teleconference under California Government Code Section 54953 e(f).

COMMITTEE TRUSTEES

PRESENT: Onyx Jones, Chair

Keith Knox, Vice Chair

Patrick L. Jones, Secretary

Jason E. Green

Shawn R. Kehoe

Antonio Sanchez

Gina V. Sanchez

STAFF, ADVISORS AND PARTICIPANTS

Santos H. Kreimann, Chief Executive Officer

Luis A. Lugo, Deputy Chief Executive Officer

Laura Guglielmo, Assistant Executive Officer

JJ Popowich, Assistant Executive Officer

STAFF, ADVISORS, PARTICIPANTS (Continued)

Steven P. Rice, Chief Counsel

Richard P. Bendall, Chief Audit Executive

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

Robert H. Griffin, Audit Committee Consultant

I. CALL TO ORDER

This meeting was called to order by Chair Onyx Jones at 9:02 a.m. in the Board Room of Gateway Plaza.

II. PLEDGE OF ALLEGIANCE

Mr. P. Jones led the Trustees and staff in reciting the Pledge of Allegiance.

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449

A. Just Cause
B. Action on Emergency Circumstance Requests
C. Statement of Persons Present at Teleconference Locations

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER AB 2449 (Continued)

No requests were received for Just Cause (A) or Emergency Circumstances (B).

IV. APPROVAL OF MINUTES

A. Approval of the Minutes of the Regular Meeting of June 1, 2023

Trustee G. Sanchez made a motion, Trustee Kehoe seconded, to approve the minutes of the regular meeting of June 1, 2023. The motion passed by the following roll call vote:

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

No: None

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. NON-CONSENT ITEMS

A. **Consulting on Investment Office's Operational Due Diligence**
Recommendation as submitted by Richard P. Bendall, Chief Audit Executive and Christina Logan, Principal Internal Auditor: That the Committee review and discuss the results from the engagement and provide the following action(s).

1. Accept and file;
2. Instruct staff to forward memo to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement and/or
4. Provide further instruction to staff.
(Memo dated July 20, 2023)

VI. NON-CONSENT ITEMS (Continued)

Mr. Bendall and Ms. Logan provided a brief presentation. Mr. Grabel was present to answer questions from the Committee.

Trustee G. Sanchez made a motion, Trustee Kehoe seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

No: None

B. **Consulting on the Organizational Records & Information Management (RIM) Policy**

Recommendation as submitted by Kristina Sun, Senior Internal Auditor: That the Committee review and discuss the engagement and take the following action(s):

1. Accept and file;
2. Instruct staff to forward memo to Boards or Committees;
3. Make recommendations to the Boards or Committees regarding actions as may be required based on the engagement; and/or
4. Provide further instruction to staff.
(Memo dated August 16, 2023)

Ms. Sun provided a brief presentation. Messrs. Bendall, Lugo and Beasley were present to answer questions from the Committee.

Trustee G. Sanchez made a motion, Trustee Knox seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

No: None

VI. NON-CONSENT ITEMS (Continued)

C. **State Street Bank Wire Transfers Audit**
Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor: That the Committee review and discuss the engagement report 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 24, 2023)

Ms. Collins provided a brief presentation. Mr. Bendall was present to answer questions from the Committee.

Trustee Knox made a motion, Trustee Green seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez,
O. Jones

No: None

D. **Audit of Corporate Credit Cards**
Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor: That the Committee review and discuss the engagement report 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 16, 2023)

VI. NON-CONSENT ITEMS (Continued)

Mr. Tafoya provided a brief presentation. Messrs. Bendall, Granger and Ms. Guglielmo were present to answer questions from the Committee.

Trustee G. Sanchez made a motion, Trustee O. Jones seconded, to accept and file the report, and to reclassify the finding risk ratings from low to high for purposes of Recommendation Follow-Up. This item was received and filed. The motion passed by the following roll call vote:

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

No: None

E. **Los Angeles County's Compliance with Requirements for Rehired Retiree - Fiscal Year Ended June 30, 2022**
Recommendation as submitted George Lunde, Senior Internal Auditor: That the Committee review and discuss the engagement report 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 11, 2023)

Mr. Bendall was present to answer questions from the Committee.

Trustee Kehoe made a motion, Trustee G. Sanchez seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

No: None

VI. NON-CONSENT ITEMS (Continued)

F. **LACERA's Rehired Retiree Program - Fiscal Year Ended June 30, 2022**

Recommendation as submitted by Kimberly D. Hines, Senior Internal Auditor: That the Committee review and discuss the engagement report 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 14, 2023)

Mr. Bendall provided a brief presentation and answered questions from the Committee.

Trustee Kehoe made a motion, Trustee Knox seconded, to accept and file the report. The motion passed by the following roll call vote:

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

No: None

G. **Request for Proposal for Audit Committee Consultant**

Recommendation as submitted by Leisha E. Collins, Principal Internal Auditor and Kimberly D. Hines, Senior Internal Auditor: That the Committee authorize staff to release a Request for Proposal (RFP) to select a qualified Audit Committee Consultant for a three-year term, with an option to extend the contract for up to two additional one-year terms. (Memo dated August 15, 2023)

Ms. Collins was present to answer questions from the Committee.

Trustee Kehoe made a motion, Trustee Knox seconded, to staff's recommendation. The motion passed by the following roll call vote:

VI. NON-CONSENT ITEMS (Continued)

Yes: Green, P. Jones, Kehoe, Knox, A. Sanchez, G. Sanchez, O. Jones

No: None

VII. REPORTS

A. **Internal Audit Annual Performance Report – Fiscal Year Ended 2023**
Nathan K. Amick, Senior Internal Auditor
(Presentation) (Memo dated August 15, 2023)

Messrs. Amick and Bendall provided a brief presentation. Messrs. Bendall, Lugo and Kreimann were present to answer questions from the Committee. This item was received and filed.

B. **Fiscal Year Ending (FYE) 2024 Internal Audit Goals**
Richard P. Bendall, Chief Audit Executive
(Memo dated August 14, 2023)

Mr. Bendall and Ms. Logan were present to answer questions from the Committee. This item was received and filed.

C. **Audit Committee Update – OneMeeting Implementation**
Richard Bendall, Chief Audit Executive
(For Information Only) (Memo dated July 21, 2023)

Mr. Bendall was present to answer questions from the Committee. This item was received and filed.

D. **Organizational Governance Follow-Up**
Christina Logan, Principal Internal Auditor
(For Information Only) (Memo dated July 28, 2023)

This item was received and filed.

VII. REPORTS

E. **Recommendation Follow-Up**
Kristina Sun, Senior Internal Auditor
(For Information Only) (Memo dated August 16, 2023)

This item was received and filed.

F. **Recommendation Follow-Up Sensitive Information Technology Areas**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated August 15, 2023)

This item was received and filed.

G. **Ethics Hotline Status Report**
Richard P. Bendall, Chief Audit Executive
(For Information Only) (Memo dated August 10, 2023)

Mr. Bendall was present to answer questions from the Committee. This item was received and filed.

H. **Status of Other External Audits not conducted at the Discretion of Internal Audit**
Richard P. Bendall, Chief Audit Executive
(Verbal Update)

Mr. Bendall was present to answer questions from the Committee. This item was received and filed.

I. **Internal Audit Staffing Activity Report**
Richard P. Bendall, Chief Audit Executive
(Verbal Update)

Mr. Bendall was present to answer questions from the Committee. This item was received and filed.

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

Mr. Griffin provided comments to the Committee.

IX. ITEMS FOR STAFF REVIEW

Trustee G. Sanchez requested to expand testing of future wire transfer audits to include testing of wire transactions from the prior audit reporting period end to the most current year end. Trustee Kehoe requested that staff define who the Key Stakeholder are in the Internal Audit goals.

X. ITEMS FOR FUTURE AGENDAS

Trustee Kehoe requested that information regarding Internal Audit staffing vacancies be included in the agendized staffing report on each Audit Committee meeting moving forward.

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

The Committee thanked staff for their work.

XII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 10:54 a.m.

L///CERA

November 27, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: George Lunde GL
Senior Internal Auditor

FOR: December 14, 2023 Audit Committee Meeting

SUBJECT: **Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2023**

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

Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2023 (Report Issued: November 14, 2023)

Attachment

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

GL

Los Angeles County's Compliance with Requirements for Rehired Retirees – Fiscal Year Ended June 30, 2023

November 14, 2023

AUDIT PERFORMED BY:

George Lunde
Senior Internal Auditor

AUDIT REPORT

Audit Name:	Los Angeles County's Compliance with Requirements for Rehired Retirees - FYE June 30, 2023
Responsible Division	Executive Office
Audit Rating*:	Opportunities for Improvement
Prior Audit Rating*:	Unsatisfactory
Prior Report Date:	April 28, 2023

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, 2023. 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 of 1937 (CERL) and Public Employees' Pension Reform Act of 2013 (PEPRA) provides that the County has the option to employ retirees as "Rehired Retirees" subject to certain requirements. Under Government Code Section 31680.3 of CERL and Section 7522.56, 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-day break 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

PEPRA added additional restrictions for Rehired Retirees regarding break in service. PEPRA requires 180 continuous days separation from the date of retirement before a retiree may be rehired. PEPRA does allow the following two limited 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 if under normal retirement age. In the event of a conflict between the CERL and PEPRA provisions, PEPRA's requirements take precedence over CERL.

* See Appendix 1 for Audit Rating

PEPRA section 7522.56 (c) provides that appointing employers may only 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."

AUDIT OBJECTIVE & SCOPE

For Fiscal Year Ended June 30, 2023, LACERA Internal Audit received payroll detail from the County Auditor-Controller identifying 393 retirees who worked as Rehired Retirees during that Fiscal Year.

We tested all 393 (100%) for compliance with:

- CERL's 960-hour requirement, hours worked did not exceed 960 hours for the Fiscal Year.
- IRS' "bona fide" break-in-service requirement, defined as 90 days by LACERA's Board of Retirement.
- PEPRA's 180-day break in service requirement.

Additionally, to test the PEPRA requirement of "limited duration," we stratified all 393 retirees, based on continuous years worked. We used the data that we have accumulated over the last 11 years, to perform this compliance test.

AUDIT RATING & SUMMARY OF FINDINGS

The audit rating improved this year to Opportunities for Improvement, and we removed the finding related to rehired retirees exceeding the 960-hour limit.

As depicted in the table provided, our audit determined a notable decline in the number of rehired retirees surpassing the 960-hour limit compared to the previous year. This affirms the success of proactive initiatives undertaken by LACERA management and staff, in conjunction with the ongoing partnership with the County CEO's office. This year, only three individuals were found to violate the 960-hour limit, with respective excess hours of 24.0, 8.0, and 0.50.

Fiscal Year Ended June 30	Rehired Retirees	Noncompliant Rehired Retirees	Noncompliance as a Percentage	Total Overage	Average Overage
2023	393	3	0.76%	32.5	11
2022	381	17	4.46%	964	57
2021	408	10	2.40%	1778	177

However, the data continues to demonstrate rehired retirees violating the "limited duration" clause of PEPRA, and so we are restating that finding from the prior two years, as indicated below.

Summary of Finding

Finding#	Page	Description of Finding	Risk Rating**
F1	6	Continued Violation of PEPRA's "limited duration" language	High

The above Finding is 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 14, 2023

REPORT DISTRIBUTION

2023 Audit Committee	Santos H. Kreimann, CEO
Steven P. Rice, Chief Legal Counsel	Luis A. Lugo, DCEO
Robert Griffin, Audit Committee Consultant	JJ Popowich, AEO
Internal Audit Group	Laura Guglielmo, AEO

** See Appendix 2 for Finding's Risk Rating

FINDING #1

Continued Violation of PEPRA's "limited duration" language

Risk Level **
High

OBSERVATION

We utilized data sourced from the Auditor-Controller (A-C) over the last 11 years to categorize the group of Rehired Retirees according to their continuous years of employment. Presented in the subsequent table are details of the 393 Rehired Retirees who were active during the fiscal year ending on June 30, 2023. The table specifies the department of employment, the duration of consecutive years an employee worked, and presents the average number of hours worked for FYE 2023.

County Department	Continuous Years as Rehired Retiree											Total Rehired Retirees FYE 2023	Average Hours FYE 2023 Per Rehired Retiree
	1	2	3	4	5	6	7	8	9	10	11		
Alternate Public Defender	1	4										5	756
Workforce Dev Aging & Comm	4	1										5	511
Chief Executive Office	5		8	4		1		1			2	21	583
Assessor	8	6			2	1			1		3	21	702
Auditor-Controller	1	1		1								3	392
Agricultural Comm/Weights				1								1	948
Beaches and Harbor									1			1	821
Board of Supervisors	2		2					1	1			6	307
Community Services		1										1	202
Child Support Services	7											7	562
Children and Family Services	12	15		10	11	11	2	2	3	4	14	84	732
District Attorney	9	12		3	3		1	1	1	4		34	606
Fire Department	1					1		1			2	5	662
LAC USC Medical Center	1		1									2	501
Human Resources	2	1	3	1			2	1	1		1	12	689
Ambulatory Care Network		1										1	626
Health Services Admin	1			1					1			3	693
Internal Services	1				1	1				1		4	627
Medical Examiner Corner								1		1		2	118
Mental Health		1										1	53
LACERA	1	1		1							1	4	677
Probation	2		1		1							4	433
Public Defender	9	9	1		2	1						22	727
Public Health	1	1	2	4		2	1	2	1			14	730

County Department	Continuous Years as Rehired Retiree											Total Rehired Retirees FYE 2023	Average Hours FYE 2023 Per Rehired Retiree
	1	2	3	4	5	6	7	8	9	10	11		
Parks and Recreation	3			1	1							5	525
Public Library	1											1	307
Public Works	1	1						1				3	238
Register-Recorder	1	1										2	662
Superior Court	4	9	2	1		1	1		3		1	22	455
Sheriff	11	6		12	13	4	13	16	9	2	11	97	744
Total Retirees	89	71	20	40	34	23	20	27	22	12	35	393	

Of the 393 Rehired Retirees, 233 (59%) have worked for an extended duration as a temporary rehired retiree, which is for three or more years, with 47 (12%) having worked for 10 or more years.

This situation possibly 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.**"

If it is determined that an extended duration violation has occurred 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 the use of 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.

RECOMMENDATION

We restate our recommendation from our previous audit reports of November 4, 2022, and April 28, 2023, that,

1. LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined "bright-line" definition, tracking, and annual review 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

November 4, 2022 (Original Management Response)
The current LACERA policy allows for a broad definition of limited duration for non-COVID-related work. We believe that most CERL systems have not yet "defined" limited duration in

terms of a specified timeline regarding Rehired Retirees,' instead they focus on ensuring Retirees are meeting the annual 960-hour compliance.

For an employer as large as the County of Los Angeles, it's difficult to determine a one size fits all definition for "limited duration" due to the workforce complexities of the various departments (Sheriffs, Dept. of Health, Dept. Human Services, etc.). Instead, our revised recommendation is to provide the County CEO's office with education around PEPRA's intent behind limited duration for Rehired Retirees.

March 2023 (Update)
We have been in contact with CalPERS and are monitoring their efforts to regulate limited duration employment for Rehired Retirees. CalPERS is developing updated regulations that they expect to submit to their Board for approval. LACERA is monitoring their process and may develop similar regulations that will generally limit re-employment to a two-year period. LACERA's Legal Office was provided the proposed regulations and are monitoring CalPERS' progress. The Legal and the Executive Office will make a determination if LACERA will develop similar regulations by June 2023 or propose a different alternative.

November 2023 (Update)
The LACERA Board of Retirement (BOR) approved a revised and restated LACERA-Agency policy on July 7, 2023. In approving the new LACERA policy, the Operations Oversite Committee (OOC) and Board trustees expressed views on certain aspects of LACERA's oversight of the County's program, particularly the concept that there may need to be some flexibility in the definition of limited duration among the many County departments and their widely varying circumstances. With the LACERA-Agency policy as a framework, work will now begin on drafting a policy for returning retirees hired by the County. Much work remains before presentation to OOC in the 4th quarter of FYE 2024.

TARGET COMPLETION DATE

June 30, 2024

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.

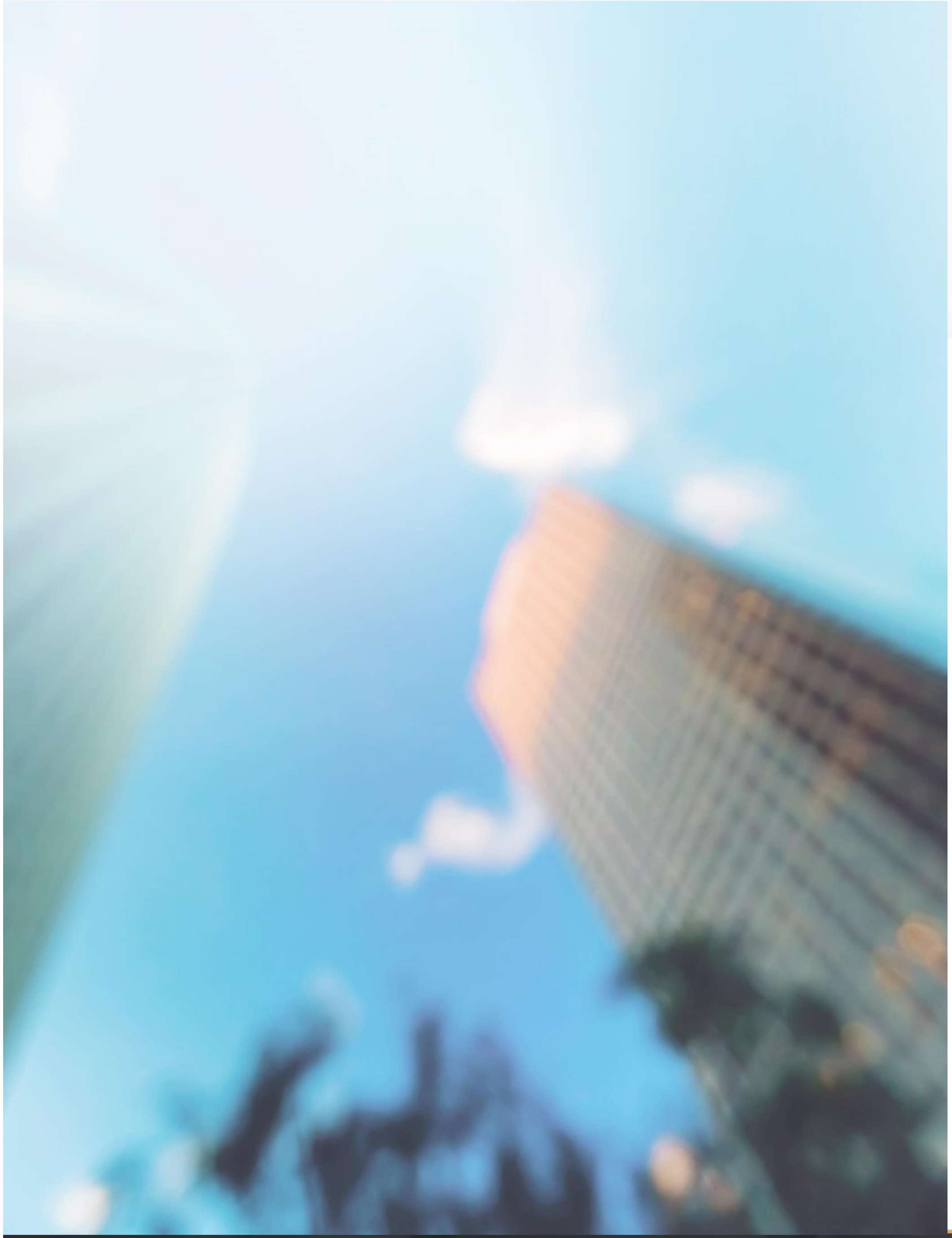
Unsatisfactory

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-compliant 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, 2023

Issued Date: November 14, 2023

Presenter Name:

George Lunde, Senior Internal Auditor

Summary of Engagement

Responsible Division:	Executive Office
Type of Engagement:	Assurance
Audit Rating:	Opportunities for Improvement
Prior Audit Rating:	Unsatisfactory

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, Scope, Objective

Background: We perform this audit annually as failure to adhere to the regulations and requirements not only violates state law governing retirement benefits, but it could also jeopardize the qualified tax deferred status of LACERA under federal tax law

Scope: Internal Audit received payroll detail from the County Auditor-Controller identifying 393 retirees who worked as Rehired Retirees during the 2023 Fiscal Year

Objective:
Determine compliance with:
- CERL's 960-hour work limit requirement
- IRS' "bona fide" break-in-service requirement
- PEPRA's 180-day break in service requirement
- PEPRA requirement of "limited duration"

Summary of Findings

Finding #	Title of Finding	Rating	Management Response
1	Continued Violation of PEPRA's "limited duration" language	High	Agree. The LACERA (agency) policy approved by the BOR in July 2023 will be used as a framework when working with the County CEO and BOR to establish guard rails and consequences for returning retirees hired by the County.

Thank You

LACERA

November 15, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Gabriel Tafoya
Senior Internal Auditor

FOR: December 14, 2023 Audit Committee Meeting

SUBJECT: **Review of Chief Executive Officer's Credit Card Expenditures**

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

Review of Chief Executive Officer's Credit Card Expenditures
(Report Issued: September 21, 2023)

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

GT

LACERA INTERNAL AUDIT DIVISION

Review of Chief Executive Officer's Credit Card Expenditures

September 21, 2023

AUDIT PERFORMED BY:

Gabriel Tafoya, CISA
Senior Internal Auditor

AUDIT REPORT

Audit Name:	Review of Chief Executive Officer's Credit Card Expenditures
ResponsibleDivision:	Executive Office and Financial & Accounting Services Division
Audit Rating*:	Satisfactory
Prior Audit Rating*:	Satisfactory
Prior Report Date:	February 10, 2023

BACKGROUND

LACERA maintains a Corporate Credit Card (Corporate Card) Program (Program) to facilitate the purchase of items described and permitted within its Corporate Credit Card Policy (Policy).

Cardholders are responsible for ensuring:

- Purchases are compliant with the Policy.
- The corporate card is kept secure.
- Required documentation is maintained to substantiate the purchase.
- Monthly reconciliations are complete and submitted timely.
- Monthly sign-off in the Bank of America Online Works System (BofA Works) is complete and submitted timely.

The cardholder's manager is responsible for verifying that all charges are legitimate and conform to the Policy and approving the charges in BofA Works.

The Financial & Accounting Services Division (FASD) is responsible for administering the Program, including providing a high-level review of expenditures and coding the expenditures to the general ledger.

The Chief Executive Officer's (CEO) corporate card expenditures are not reviewed and approved by a manager. Therefore, in FY 2021, Internal Audit established an annual compliance audit of the CEO's credit card expenditures to assess compliance with the Policy.

AUDIT OBJECTIVES AND SCOPE

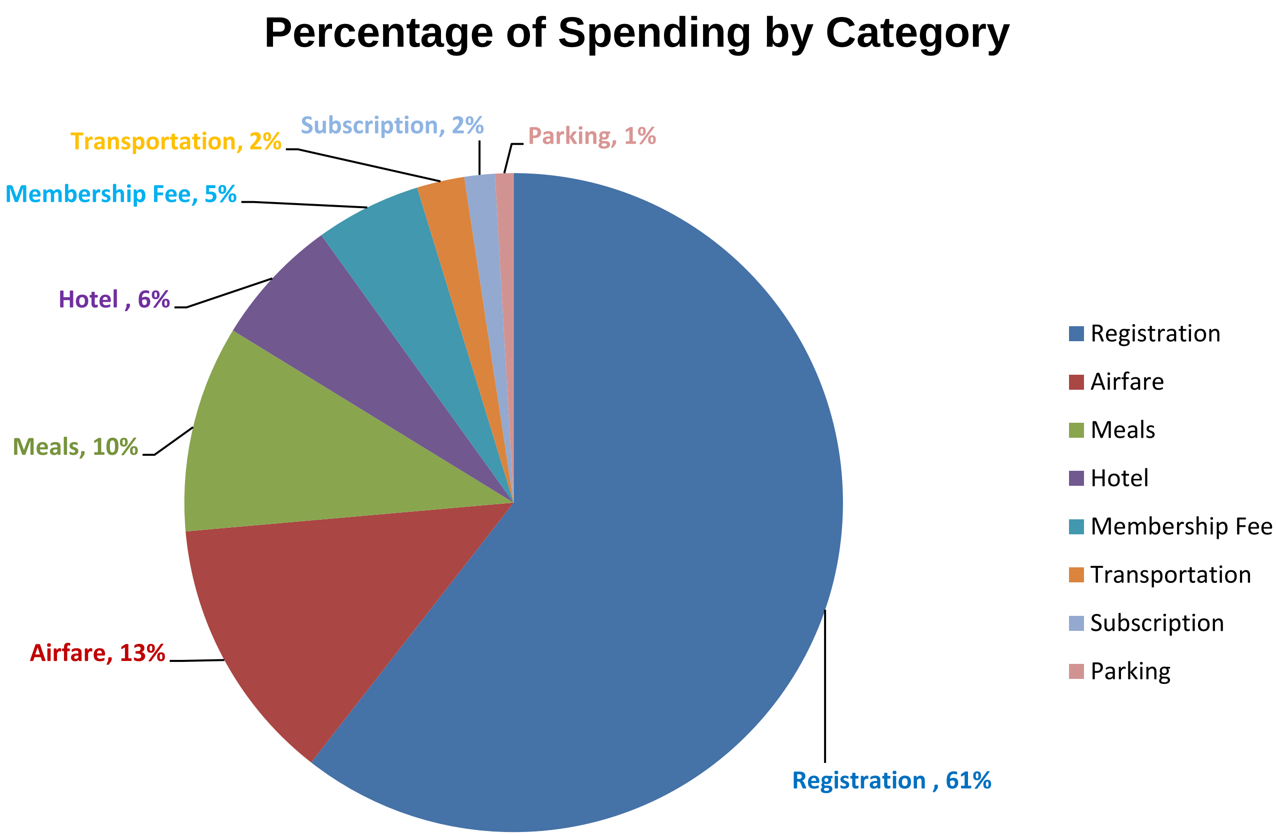
Based on Internal Audit's preliminary research and analysis, including an engagement-level risk assessment, the objective of this audit was to assess the CEO's compliance with the Policy.

The engagement scope included 100% of CEO credit transactions occurring between July 1, 2022 – June 30, 2023.

*See Appendix 1 for Audit Rating

AUDIT RATING & RESULTS

The CEO's 63 expenditures totaled $21,996.70 for the fiscal year 2022 - 2023. The matrix below shows the percentage of spending by category, and that the highest expenditure category was for registration for educational seminars/conferences.



The Audit Results Dashboard shows control objectives reviewed, the associated control attributes tested, and the test results.

Audit Results Dashboard – Review of Chief Executive Officers Credit Card Expenditures		
Audit Objective(s)	**Associated Control Attributes Tested**	**Test Results**
All charges are legitimate and made in compliance with current policies and procedures	Defined and documented criteria for allowable purchases	No Exceptions
	Required receipts for all card transactions	No Exceptions
	Timely submission of supporting documentation for incurred charges	No Exceptions
	Accurate cardholder's data input of card transactions in BofA System	No Exceptions
	FASD review of card transactions input into the BofA System for errors	No Exceptions
	Reconciliation process to identify, track, and follow-up on discrepancies	No Exceptions
	Correct GL codes used for each expenditure	No Exceptions

Through our testing and analysis of 63 expenditures for the audit period, we determined that CEO expenditures were compliant with the Policy. There were no areas identified for improvement.

AUDIT RATING AND SUMMARY OF FINDINGS

Based on the testing performed, compliance with the Policy for the CEO's credit card expenditures is satisfactory. We found all the charges were reasonable and conformed to the Policy, and the documentation adhered to the Policy requirements. No exceptions were noted; therefore, no findings were issued.

We thank the Executive Office and the FASD staff for their cooperation and assistance with this audit.

REVIEWED AND APPROVED

Richard P. Bendall
Chief Audit Executive

Date: September 21, 2023

REPORT DISTRIBUTION

2023 Audit Committee	Santos H. Kreimann, CEO	Ted Granger, Interim CFO
2023 Plante Moran Audit Team	Luis Lugo, DCEO	Internal Audit Group
Robert H. Griffin, Audit Committee Consultant	Laura Guglielmo, AEO	
	J.J. Popowich, AEO	

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 beimplemented 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.

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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 thecontrol 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-compliant 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 discrepancie sexist	Low probability forexternal auditissues and/or negative public perception	Lower significance Does not require immediate attention

Review of Chief Executive Officer's Credit Card Expenditures

Audit Report Date: September 21, 2023

Presented by:

Leisha E. Collins, Principal Internal Auditor

Summary of Engagement

Responsible Division:	Executive Office and Financial & Accounting Services Division
Type of Engagement:	Assurance
Audit Rating:	Satisfactory

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 assessment 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

Since the Chief Executive Officer's (CEO) corporate card expenditures are not reviewed and approved by management, Internal Audit established an annual compliance audit to ensure CEO expenditures are made in compliance with the Corporate Credit Card Policy.

Objective

The objective of this audit was to assess compliance with the Corporate Credit Card Policy.

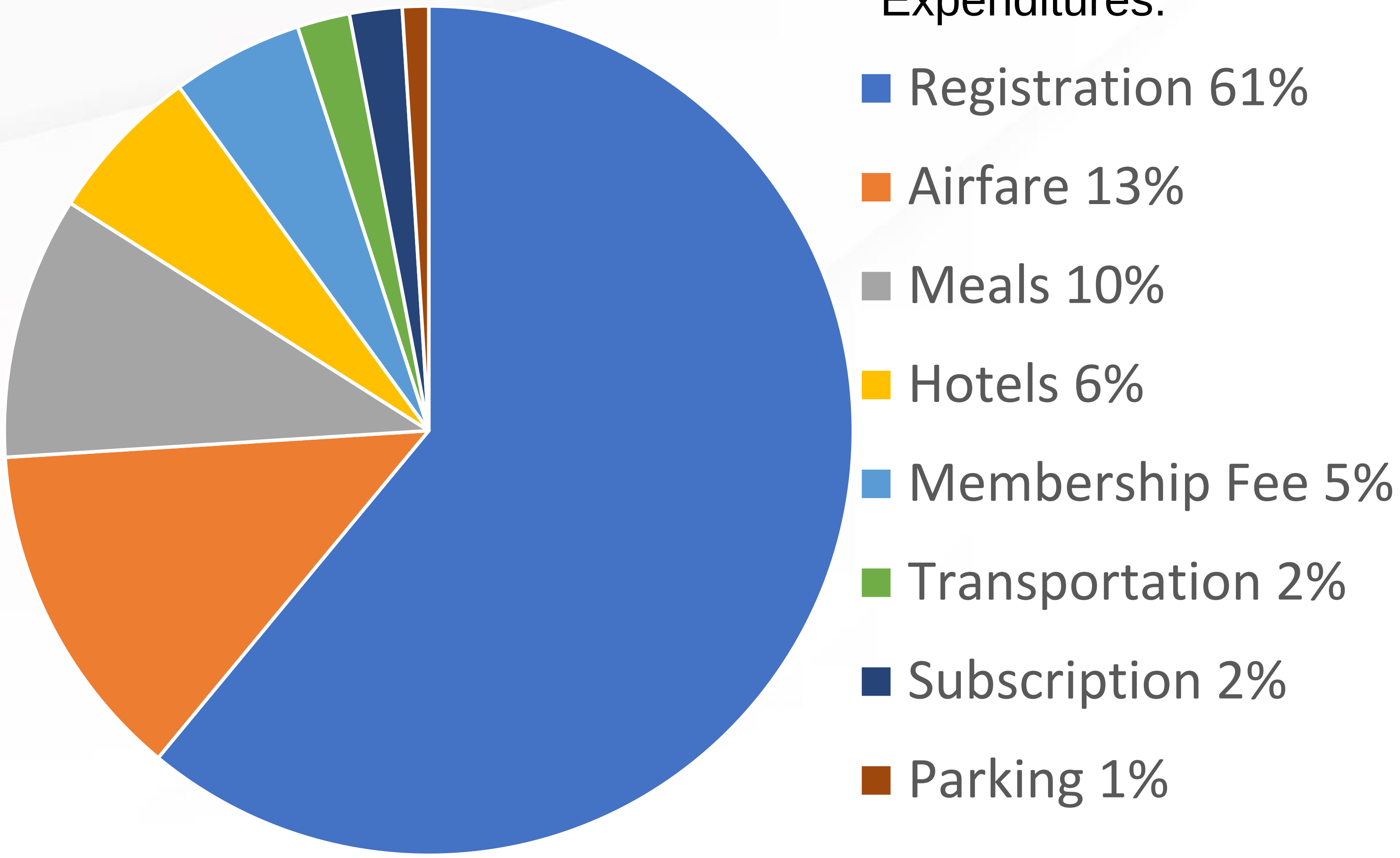
Scope

Engagement scope included 100% of CEO credit card transactions occurring between July 1, 2022 – June 30, 2023.

Engagement Results

Based on our testing:

- All CEO expenditures, in the amount of $21,996.70, were compliant with the Policy
- All charges were reasonable and conformed to the Policy
- All documentation adhered to the Policy requirements.



There were no areas identified for improvement.

Questions

November 30, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: George Lunde GL
Senior Internal Auditor

FOR: December 14, 2023 Audit Committee Meeting

SUBJECT: **Replacement Benefit Plan Process 415(b)**

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

Replacement Benefit Plan Process 415(b)
(Report Issued: November 30, 2023)

Also attached is the Attorney-Client Privileged/Confidential Joint Memorandum referred to in the audit report from Ashley Dunning, Nossaman LLP and Jenni Krengel, Buchalter, APC. Staff will be available to address any questions but due to the privileged nature of this memorandum specific matters covered in this memorandum should not be the subject of detailed discussion at the meeting.

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

Attachment (Attorney-Client Privileged/Confidential Memo)

LACERA INTERNAL AUDIT DIVISION

Replacement Benefit Plan Process IRC 415(b)

November 30, 2023

AUDIT PERFORMED BY:

George Lunde CIA, CISA
Senior Auditor

AUDIT REPORT

Audit Name:	Replacement Benefit Plan Process IRC 415(b)
Responsible Division:	Benefits Division
Audit Rating*:	Opportunities for Improvement
Prior Audit Rating*:	Satisfactory
Prior Report Date:	January 2016

BACKGROUND

This review was performed as part of the FY 2022-2023 Audit Plan. This process was last audited in 2016 at which time the audit revealed no negative findings.

Internal Revenue Code Section 415(b) (IRC 415(b)) is a federal provision that limits the amount of annual retirement benefits an individual can receive from a tax-qualified defined benefit pension plan, qualified under IRC §401(a), such as LACERA's. The annual retirement benefits payable from certain LACERA plans and members are subject to the dollar limits imposed by IRC 415(b). This law was enacted to prevent employers from using tax-qualified defined benefit plans as tax shelters. LACERA may lose its tax-exempt status if it fails to comply with IRC 415(b).

The IRS issued the final regulations governing IRC 415(b) on April 4, 2007, for persons who first became members on or after January 1, 1990. Since LACERA's Plan A tiers, general and safety, were closed to new membership prior to January 1, 1990, the IRS effectively grandfathered those plan members. The limits apply only to those members in general plans D and E, as well as safety plan B for persons in those plans whose membership began on or after January 1, 1990.

The IRC 415(b) limits are adjusted annually. The maximum dollar amount payable as annual retirement benefits for calendar year 2022 was $245,000 for persons who retired at the Social Security retirement age (age 62 or older for government plans). This amount does not include future cost-of-living adjustments paid to retirees. This means there will continue to be a need to review the cost-of-living adjustments to both the LACERA benefit payments and the replacement benefit (415(b)) payments each year.

A further IRS regulation, IRC 401(a)(17) became effective for members who first become members on or after July 1, 1996, and limits the final compensation amount used to compute a person's contributions to the retirement plan and retirement benefits. The limit set by the federal government for 2022 earnings that may be used to collect contributions and calculate benefits is $305,000. This significantly reduces the likelihood of LACERA members with membership dates after July 1, 1996, being subject to the 415(b) limits.

For example, as of 2022, no member that began after July 1, 1996, would have enough service credit for their retirement percentage multiplied by the $305,000 401(a)(17) limit to exceed the 415(b) limit of $245,000. If the limits remain proportionate between the two IRS regulations, only those members subject to the 401(a)(17) limits with retirement percentages somewhere exceeding 80 percent will be subject to the 415(b) limits in the future.

* See Appendix 1 for Audit Rating

LACERA's General Plan G and Safety Plan C members are prevented from becoming subject to these limits as the Public Employees' Pension Reform Act (PEPRA) that became effective on January 1, 2013, and brought about the establishment of these plans, imposed far more restrictive limits on the maximum amount of pensionable earnings.

<u>History of Replacement Benefit Plan Structure</u>

In 2006 LACERA began working with its consulting actuary, Milliman, as well as external tax and fiduciary counsel and with LA County (including the CEOs Office and County Counsel) to develop a framework for complying with IRC Section 415(b) to establish a Replacement Benefits Plan (RBP) at the County. LACERA's Board of Retirement and the County's Board of Supervisors approved the plan.

The first retiree was not subject to the 415(b) limits at LACERA until 2011 at which time the RBP was put into practice for the first time. As stated, in our audit of the 2016 calendar year, there were 34 members paid a replacement benefit at that time. For the period of this audit, calendar year 2022, the replacement benefits paid through the County's RBP totaled approximately $2,500,000 for 155 affected retirees.

The IRC 415(b) limit for 2022, the scope year for this audit, was $245,000. Generally, the limits apply in full to individuals retiring between age 62 and 65. For LACERA members who retired at 62 years of age or older, the full IRC limit applies. However, IRC Section 415(b)(2)(C) and (D) require that an actuarial adjustment be made to the limit if a benefit starts at any other age.

This process of determining the adjustments to the limits based on retirement age is complex and the reason that LACERA employs the assistance of its consulting actuary, Milliman.

In December, each year, Milliman provides LACERA with an IRC Section 415(b) certification memo. It's the culmination of an annual exercise which serves to ensure all RBP participants have been identified for the current year. Also, the results are used to test retiree expected benefit payment data against the 415(b) limit for the next year. The results are used by Benefits to set the Workspace 415(b) flags used in determining which accounts to monitor and test for RBP review, e.g., expected to be 90% or greater than the next year's limit.

Retirees impacted by Section 415(b) receive two separate checks (or direct deposits) each month, one from LACERA and one from the County Replacement Benefit Plan (RBP). Each month, RBP retiree participants receive the total gross amount of the benefit to which they are entitled according to the provisions of their respective LACERA retirement plan. LACERA pays affected retirees the maximum amount of their monthly benefit that is permitted under Section 415(b). The difference between what LACERA pays and the full benefit due the members is the replacement benefit amount paid by the County.

AUDIT OBJECTIVE & SCOPE

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

a. LACERA and LA County compliance with IRS code 415(b) (Replacement Benefits Program)

b. Effectiveness and efficiency of operations and controls related to LACERA's 415(b) procedures.

The scope of the engagement includes:

- The calendar year payments for January through December 2022;
- Procedures and practices performed during the examination and subsequent period;
- Related reports produced by Milliman and LACERA's Systems Division;
- Communications from LACERA's Benefits Division to LA County in the examination period to coordinate replacement benefit payments to members;

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 rated the audit, **Opportunities for Improvement**

Audit Results Dashboard – Replacement Benefit Plan Process IRC 415(b)		
Audit Objective(s)	**Associated Control Attributes**	**Test Results**
Assess LACERA and LA County compliance with IRS code 415(b)	Review by External Fiduciary and Tax	Finding # 1
	Excess benefit payments are presented to and accurately paid by the County.	No exceptions noted
	IRS "Self-Correction Program" procedures are in place	No exceptions noted
	Desk procedures align with actual practices	Finding #2
Assess effectiveness and efficiency of operations and controls related to LACERA's 415(b) procedures.	System and Actuary reports accurately report potential RBP participants	No exceptions noted
	Actuary calculates RBP participant excess payments annually and as required	No exceptions noted
	Benefits processes efficiently ensure adjustments are applied to benefit payments.	Finding #3

Summary of Findings

Finding#	Page	Finding Title	Risk Rating**
F1	5	Opportunities for Refinement and Alignment Exist in LACERA's RBP	Medium
F2	7	415(b) Desk Procedures are Outdated	Low
F3	8	The RBP Process at LACERA is Complex and Manual.	Low

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

We would like to thank the Benefits Division – Exceptions Unit for their cooperation with this audit.

REVIEWED AND APPROVED

Richard P. Bendall
Chief Audit Executive

Date: November 30, 2023

REPORT DISTRIBUTION

2023 Audit Committee	Santos H. Kreimann, CEO	Luis Lugo, DCEO
Steven Rice, Chief Legal Counsel	J.J. Popowich, AEO	Laura Guglielmo, AEO
Louis Gittens, Benefits Division Manager	Ted Granger, Interim Division Manager, FASD	Plante Moran Audit Team
Robert H. Griffin, Audit Committee Consultant		

** See Appendix 2 for Findings' Risk Rating

OBJECTIVE A: LACERA and LA County compliance with IRS code 415(b) (Replacement Benefits Plan)

FINDING #1

Opportunities for Refinement and Alignment Exist in LACERA's RBP	**Risk Level**[**] **Medium**

In the performance of this audit, we sought to understand the approach that LACERA and LA County took to comply with IRC 415(b). During a review of the monthly reconciliation process performed by FASD, we noted that the County reduced their normal contributions to LACERA by the amount that they paid retirees in replacement benefits. To determine the rationale for doing this, we researched the original setup of the replacement benefit plan framework and found that it was constructed in 2006. At that time, LACERA developed the plan with the assistance of external tax counsel and the consulting actuary, as well as County Counsel and it was approved by LACERA's Board of Retirement and the County Board of Supervisors. In 2011, the first retiree met the criteria and was paid a portion of their retirement benefits by the County through the RBP.

For the year of this audit, calendar year 2022, 155 retirees were paid replacement benefits of approximately $2.5 Million dollars.

During this engagement, we facilitated meetings between the stakeholders at LACERA with Milliman, the consulting actuary, as well as external tax counsel and fiduciary counsel. During the last of these meetings, LACERA's Chief Legal Counsel requested that the external tax and fiduciary counsel work together to address questions about the plan as currently structured and to assess the plan for compliance with both tax law and CERL. External Counsel provided a Privileged and Confidential, Attorney-Client Communication dated, November 11, 2023.

Fiduciary and Tax Counsel concluded that the County's contribution offset practice does comply with federal tax laws applicable to qualified plans such as LACERA, as well as State fiduciary and other applicable laws. Also, they recommended:

1. All administrative expenses related to the RBP should be paid by the plan sponsors (County and Special Districts), and that no assets of LACERA should be used for administrative expenses related to the plan.
2. LACERA receive written assurance from Milliman that the practice does not materially impair the actuarial funding of LACERA, and that it is an appropriate contribution adjustment as described in Government Code 31899.4.
3. LACERA consider adding a footnote to its ACFR defining the practice of the offset and its compliance with said government code.

RISK

Seeking and implementing the advice of outside counsel helps to ensure the compliance with laws and alignment with best practices.

[**] See Appendix 2 for Findings' Risk Rating

RECOMMENDATION

1. LACERA Management ensure that all recommendations made by Fiduciary and Tax Counsel are considered and addressed, as necessary, to ensure alignment and compliance.

MANAGEMENT'S RESPONSE

Management agrees with the recommendation. In order to address the three recommendations provided by Fiduciary and Tax Counsel from above, LACERA management will:

1. Perform an assessment of the completeness of administrative fees incurred by LACERA in regard to the RBP that are currently charged to the County and make any adjustments as necessary and as mutually agreed upon with the County, by June 30, 2024.
2. Request written assurance from Milliman as described in #2 above, to be received by March 31, 2024.
3. Add additional language to the footnotes included in LACERA's fiscal year 2023-2024 annual financial statements, completed by October 15, 2024.

TARGET COMPLETION DATE

October 15, 2024

OBJECTIVE B: Effectiveness and efficiency of operations and controls related to LACERA's 415(b) procedures.

FINDING #2

Desk Procedures Are Outdated	Risk Level** Low

OBSERVATION

The Benefits Division 415(b) desk procedure was developed in 2018 and has not been updated since then. As part of our review of the desk procedures, we noted that two important processes have changed significantly: 1) the process of adjusting member benefit payments in Workspace is now done by the Benefits Division, whereas the desk procedures still reflect the old process of these adjustments being performed by the Systems Division; 2) notification to the Auditor-Controller of the member replacement benefits to be paid is now authorized and transmitted electronically, using Adobe Sign, whereas, the procedures reflect a manual paper based process.

RISK

Outdated procedures not in alignment with current policies or practices risk inconsistencies and errors in processing.

RECOMMENDATION

2. Update the 415(b) Desk Procedure document to reflect current practices.

MANAGEMENT'S RESPONSE

Management agrees with the Finding and Recommendation and will review the process and current practices, make any necessary adjustments, and update the written procedures accordingly.

TARGET COMPLETION DATE

December 31, 2024

** See Appendix 2 for Findings' Risk Rating

FINDING #3

The RBP Process at LACERA is Complex and Manual	Risk Level[**] Low

OBSERVATION

Management and staff expressed concern about the manual nature of the replacement benefit process at LACERA, including the reliance on the consulting actuary to perform the complex calculation to determine the new members subject to the 415(b) limit each year. They questioned whether the actuarial consulting work and/or other elements of the process could be automated.

Current manual process resources within Benefits are being stressed to keep pace with the prevention of benefit payments from exceeding IRC 415(b) limits. Due to the complexity of the initial determination of those members subject to the 415(b) limit, the consulting actuary works with Benefits to identify the additional 15-20 new participants each year. Following the receipt of excess payment reports from the actuary each year, the Benefits Division has a limited time frame of two to three months to execute several manual processing and analysis procedures for each of 155+ recurring RBP participants every year.

Current manual procedures performed by Benefits staff include, but are not limited to:

- Ensuring members receive letters by mail of upcoming benefit payment adjustments, adjustments are accurately and timely input to benefit payment processing in the membership system,
- Establishing relationships with the LA County Auditor Controller (A-C) for newly eligible RBP members,
- Ensuring payment transmittals are presented to the A-C for paying the RBP participants.
- Sending monthly reports of new retiree data to actuary for testing and classification
- Performing ongoing monthly calculations, currently on Excel spreadsheets, to determine subject members' monthly adjustment amounts.
- Following up with newly subjected members for their missing RBP enrollment forms.

Discussions with RBP process owners and partners, from the Executive Office, Benefits Division, System Division, and the consulting actuary indicate that significant efficiencies are possible and achievable through automation of most RBP processes. Inhouse processing could include calculation of benefit payments exceeding 415(b) limits for about 95% (established) of RBP participants. However, actuarial review and testing is essential for initial determination of RBP participants because of multiple nuances and variable factors such as birthdate, employment and retirement dates, pension plan, family-beneficiary composition, and retirement option.

However, while we found these opportunities for efficiency through automation, we also thought it prudent to consider the potential future growth in the population of members that might become subject to the need for participation in the RBP.

[**] See Appendix 2 for Findings' Risk Rating

While the population of members subject to the 415(b) limits has grown steadily over the last 10 years from just a handful at first to now 155, we know that future growth in this population is limited. As indicated previously, the IRS code section 401(a)(17) that became effective for members who became members on or after July 1, 1996, limits the amount of final compensation that may be considered to calculate retirement benefits (in 2022 to $305,000). This significantly reduces the likelihood that members with membership dates after July 1, 1996, will become subject to 415(b) limits.

Further, Internal Audit obtained a file of those active members in Safety Plan B, and General Plans D and E, currently earning $300,000 or more with start dates between 1990 and July 1,1996 and determined there were 67 such individuals. We don't know what percentage of these 67 members will be subject to the 415(b) limits when they retire, or if there might not be a few other members in these plans, with start dates between 1990 and July 1, 1996, that might receive promotions in their final years to include larger salaries, making them subject to the limits. However, the numbers provide us a fair basis as internal auditors, not actuaries, to conclude that the population of retired members subject to the limits and needing replacement benefit plans, is very likely going to top out at around 200 or slightly above and then decline from there due to deaths.

Based on our analysis above, we determined that while there may be opportunity to automate elements of the RBP process at LACERA, the number of participants in the plan is not going to grow significantly from where it is now and then will begin to decline. Therefore, we leave it up to management to consider further, based on priority, whether to automate elements of the RBP process.

RISK

Finding opportunities to automate and streamline complex processes can reduce the risk of inconsistencies or errors.

SUGGESTION FOR MANAGEMENT CONSIDERATION

3. We suggest that LACERA Management, the Benefits and Systems Divisions consider whether efficiencies could be achieved through the inclusion of elements of the program in future case management enhancements of the system**. [Management acknowledgement but no specific response and estimated completion date required. Internal Audit will not follow up]**

MANAGEMENT'S RESPONSE

Management acknowledges and agrees with the finding and will consider the suggestion made as we move forward and prioritize further case management enhancements of the Workspace system.

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 beimplemented 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.

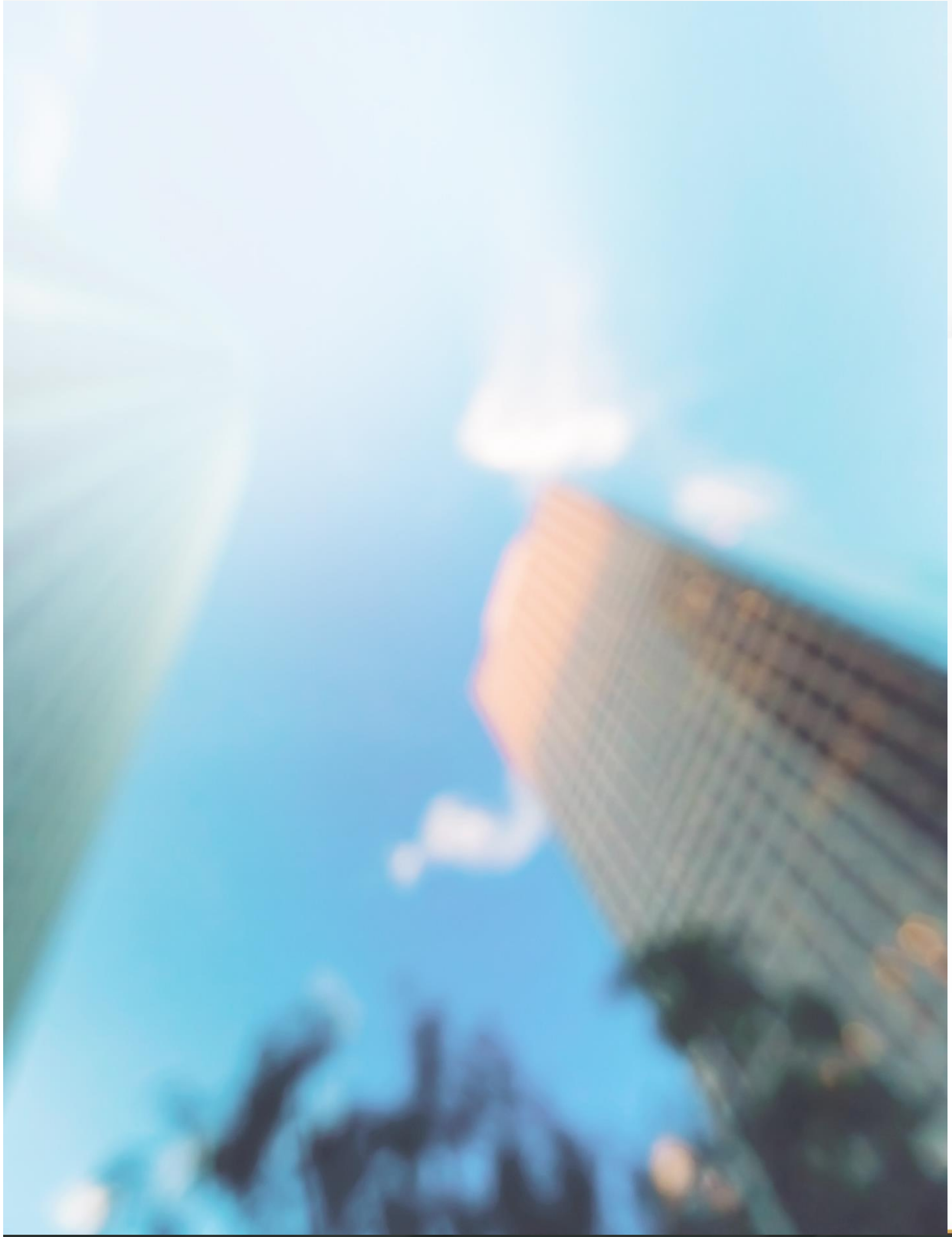
Unsatisfactory

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 thecontrol 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 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



Replacement Benefit Plan Process IRC 415(b)

Issued Date: November 30, 2023

Presented by:

George Lunde, Senior Internal Auditor

Summary of Engagement

Responsible Division:	Benefits Division
Type of Engagement:	Assurance
Audit Rating:	Opportunities for Improvement
Prior Audit Rating:	Satisfactory

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, Scope, Objective

Background: Section 415(b) of the Internal Revenue Code limits the amount an individual can receive each year from defined benefit plans such as LACERA's. Compliance by LACERA is important to retain its tax-exempt status. LACERA directly pays affected retirees only the maximum amount of their monthly benefit that is permitted under Section 415(b); the difference is paid through the County-funded and administered Replacement Benefit Plan.

Scope: Calendar year payments for January thru December 2022

Objectives:

- LACERA and LA County compliance with IRS code 415(b) (Replacement Benefits Program).

- Effectiveness and efficiency of operations and controls related to LACERA’s 415(b) procedures.

Summary of Findings

Finding #	Title of Finding	Rating	Management Response
1	Opportunities for Refinement and Alignment Exist in LACERA’s RPB e.g. • refine administrative expense determination • obtain assurance actuarial funding is not impaired • ACFR footnote of compliance needed	Medium	Agree – Target dates • June 2024 • March 2024 • October 2024
2	Desk Procedures Are Outdated	Low	Agree – Target date December 2024
3	RBP Process at LACERA is Complex and Manual.	Low	Agree – Will consider for future case management enhancements

Thank You

November 15, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Nathan K. Amick
Senior Internal Auditor

FOR**:** December 14, 2023 Audit Committee Meeting

SUBJECT: **Consulting on Internal Controls over Financial Reporting - Cash and Treasury**

RECOMMENDATION

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

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

BACKGROUND

Every organization, irrespective of its industry, engages in financial transactions that involve inflows and outflows of money. Cash requires depositing, bills need paying, and investments must be managed, and all these transactions must be recorded in the organization's general ledger. All financial transactions collectively contribute to make up an organization's financial statements. Ensuring the accuracy of financial statements is critical to any organization. Inaccurate financial statements can have serious consequences which could lead to bad operational decisions, reputational damage, economic loss, penalties, fines, and legal action.

In response to several significant accounting failures in the 2000s, the Sarbanes-Oxley Act of 2002 (SOX) created a requirement for better internal controls over financial reporting (key controls). These key controls are designed to promote accountability, safeguard a company's assets from fraud or significant loss, and maintain integrity over financial data and transactions. SOX tasked external financial auditors with the responsibility to understand an organization's key controls and report if any deficiencies are identified but does not require them to perform substantive testing of the key controls.

Although LACERA does not have to comply with SOX, LACERA understands that internal controls over financial reporting are an integral element of every organization's ability to ensure information reported in the financial statements is accurate and does not contain any material misstatements. Currently LACERA's key financial controls are documented by its external financial auditors during the annual financial audit. However, the external auditors do not test the controls.

Internal Audit included this consulting engagement in the Fiscal Year 2023-2024 Audit Plan, because it addressed financial, operational, compliance, and reputational risks. This consulting review aligns with LACERA's values of accountability, integrity, and transparency. The purpose of this review was for Internal Audit to further understand and test these key financial controls and document the key financial controls for management.

ENGAGEMENT OBJECTIVES & SCOPE

Regardless of industry, the inflows and outflows of money create five primary cycles of transactions:

1. Cash and Treasury
2. Sales or Collection
3. Purchases and Payables
4. Human Resources and Payroll
5. Financial Close and Reporting

Internal Audit selected the Cash and Treasury transactions cycle for this consulting review. This cycle includes the processes to collect, disburse and manage cash and investments. It is key to ensuring LACERA's financial stability and solvency.

The objective of this engagement was to inventory, assess, and test LACERA's internal controls over financial reporting for the Cash and Treasury transactions cycle.

The scope of the engagement was limited to current processes, procedures and controls within the Cash and Treasury transactions cycle.

This consulting engagement was performed under the International Standards for the Professional Practices of Internal Auditing (IPPF) issued by the Institute of Internal Auditors.

ENGAGEMENT METHODOLOGY AND RESULTS

Engagement Objective(s)	Engagement Steps	Results
Inventory Key Controls	1. Researched industry standards and best practices for identifying and monitoring key financial controls - Weaver "Structuring Effective Controls Over the Five Primary Transaction Cycles"	
	2. Developed and distributed questionnaires to illicit answers on how organizational risk is mitigated	
	3. Interviewed key stakeholders on key control processes and procedures	
	4. Documented key control processes	
	5. Inventoried Cash and Treasury risks, key controls mitigating those risks, as well as the frequency and type of controls in a key control risk matrix	
Assess and Test Key Controls	6. Tested segregation of duties for posting journal entries to the general ledger	No issues noted
	7. Tested Private Equity monitoring and valuations	No issues noted
	8. Tested Public Market monitoring and valuations	No issues noted

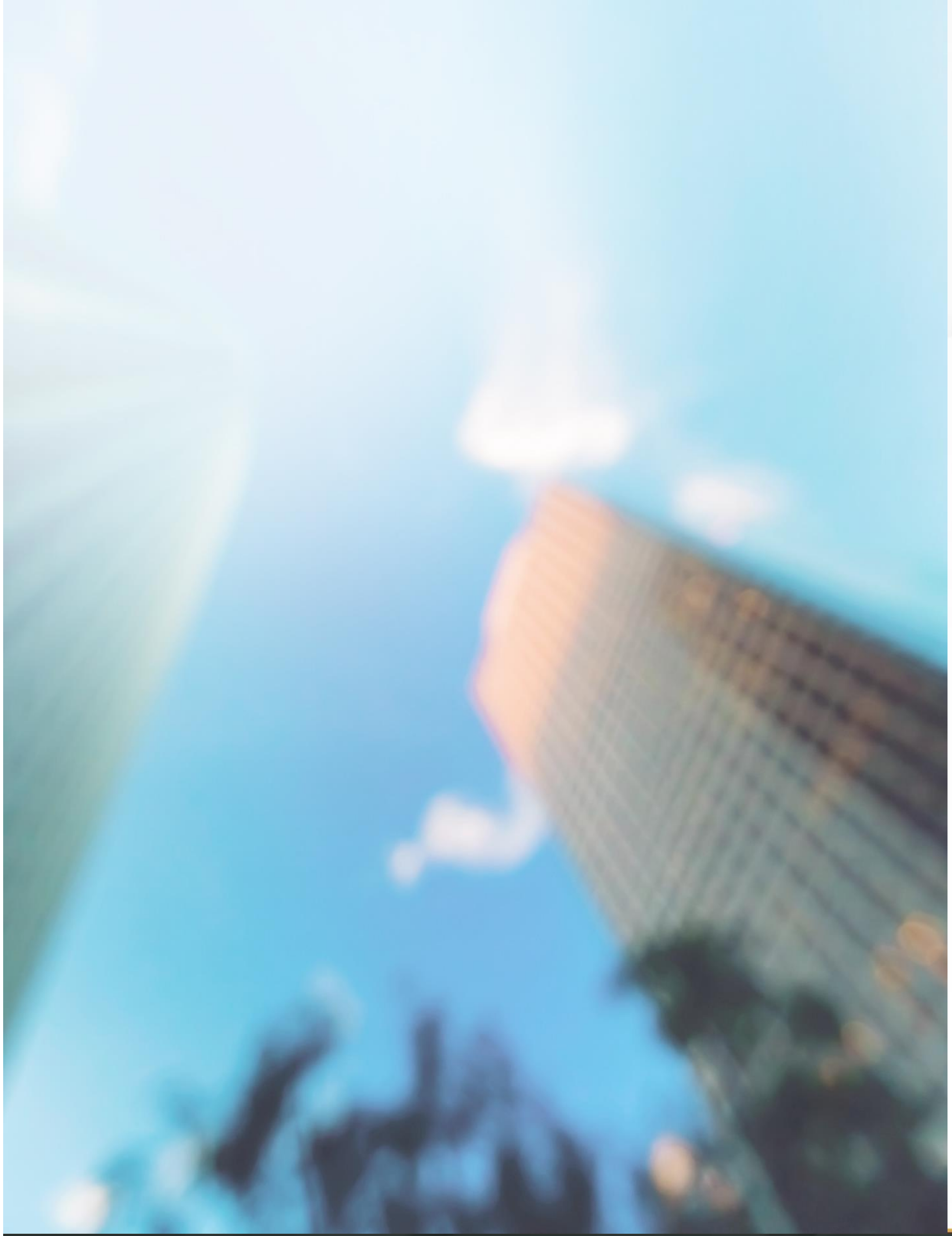
As a result of our efforts, we were able to create control matrices (see step 5 noted above) that identify risks in the Cash and Treasury transactions cycle, the controls in place to mitigate those risks, and the frequency and type of said controls. The Financial & Accounting Services Division and the Investments Office have received copies of matrices that will aid management in their monitoring key controls. These matrices will help ensure that LACERA has the necessary control framework to manage the financial reporting process. Internal Audit will use these matrices to follow up during the annual external audit, and Management will use them for updates and amendments to their controls.

Internal Audit would like to thank management and staff in the Financial & Accounting Services Division and the Investments Office for their help on this engagement.

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

NKA:cl



Consulting on Internal Controls over Financial Reporting – Cash and Treasury

Engagement Report Date: November 15, 2023

Presented by:

Nathan K. Amick, Senior Internal Auditor

Summary of Engagement

Responsible Division:	FASD and Investments
Type of Engagement:	Consulting
Audit Rating:	N/A
Prior Audit Rating:	N/A

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 assessment 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

Ensuring the accuracy of financial statements is critical to any organization. It is imperative to have key internal controls in place over financial reporting to ensure the accuracy of financial statements.

Objective

The objective of this engagement was to inventory, assess, and test LACERA's key internal financial controls over the Cash and Treasury transactions cycle.

Scope

The scope of the engagement was limited to current processes, procedures and controls within the Cash and Treasury transactions cycle.

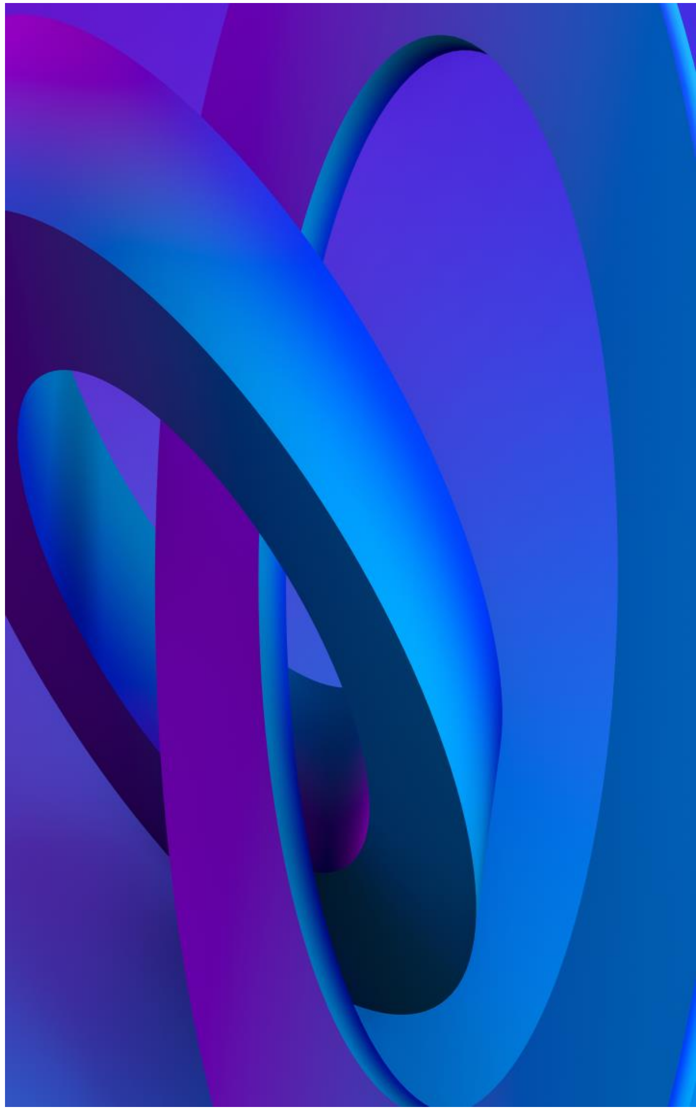
Engagement Results

Created Key Control matrices for the Cash and Treasury transaction cycle:

- Identified and documented risks
- Identified & documented key risk mitigating controls
- Identified & documented the type and frequency of controls

These matrices were distributed and discussed with the Financial & Accounting Services Division & the Investments Office.

Internal Audit will use these matrices to follow-up during the annual external audit, with Management for updates and amendments to the controls.



Thank you

We would like to thank FASD and Investments for their cooperation on this engagement.

November 30, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Leisha E. Collins
Principal Internal Auditor

FOR**:** December 14, 2023 Audit Committee Meeting

SUBJECT: **Audit Committee Consultant Interviews and Selection**

RECOMMENDATION

A) Audit Committee interview candidates and select the Audit Committee Consultant.
B) Upon selection of the Audit Committee Consultant, direct staff to negotiate a three-year agreement, with two one-year extensions for consulting services to begin in January 2024.

BACKGROUND

At the August 2023 meeting, the Committee approved the issuance of a Request for Proposal (RFP) to identify qualified candidates to serve as the Audit Committee Consultant beginning in January 2024. In October 2023, staff released the RFP on the LACERA website. In addition, notifications of the RFP were sent to top California CPA Firms, professional publications, accounting and auditing associations.

Three candidates submitted Intent-To-Bids, and two of the firms subsequently submitted proposals: Williams, Adley & Company-CA LLP and Audit & Risk Management Services. A summary of each candidate's experience, qualifications and fees are summarized on pages 2 of this memo.

SUMMARY OF CANDIDATES:

FIRM	William Adley
Consultant/Title	Robert Griffin, Managing Partner (Incumbent)
Experience & Qualifications	Mr. Griffin has served as LACERA Audit Committee Consultant for the past 3 years. He has 25+ years of governmental audit and accounting experience including 15 years providing audit services to numerous public agencies. He has 10+ yrs. internal auditing experience including growing an internal audit/compliance department and has extensive experience understanding and applying governmental account and auditing standards. As audit partner at ACERA he also has specific knowledge of ’37 Act systems and laws. He also routinely oversees IT security reviews as part of large engagement audit services. He has served on the San Mateo Union HS Board of Trustees for 28 years and is currently a GFOA reviewer.
Certifications	CPA
Meeting Fees	$600 per meeting
Meeting Prep Fees	$300 / hour
Other Services Fee	$300/ hour
FIRM	Audit and Risk Management Services, LLC
Consultant/ Title	Larry Jensen, Principal
Experience & Qualifications	Larry Jensen has over 25 years of pension fund experience. He reported to retirement boards and audit committees for 20 years while serving as the CAE, AEO and CRO for CalPERS and as CAE of CalSTRS. He has specific Knowledge of ’37 Act Pension Systems, and broad knowledge of public pension and investment practices and emerging trends, knowledge of financial regulatory sources (GASB, GAAP, GAAS). With his 25+ years of experience working with public pension systems he is very knowledgeable of system administration, investment management, funding, actuarial valuations, financial management, auditing emerging risks, IT and cyber security, compliance and financial statement auditing. He was CalPERS’ first Risk Officer and led implementation of the ERM.
Certifications	CIA, CRMA, CISA
Meeting Fees	$1500 per meeting
Prep Fees	$150/hour

Conclusion

The evaluation team reviewed the proposals and determined that both candidates are highly qualified and should be given the opportunity to participate in the Committee's interviews during the December 2023 meeting. Each candidate will provide a five-minute presentation and will have an additional five to ten minutes to answer the Committee's questions. The candidates' proposal to our RFP and their presentation are provided in Attachments for your reference.

LEC

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

Attachments:

A. William & Adley, Proposal and Presentation
B. Audit Risk & Management Services Proposal and Presentation

ATTACHMENT A

WILLIAM & ADLEY

EXHIBIT A

PROPOSAL COVER PAGE AND CHECKLIST

Respondent Name: **Robert H. Griffin, Williams, Adley and Company-CA, LLP**

Respondent Address: **7677 Oakport Street Suite 1000, Oakland, CA 94621**

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.
2. Respondent has no unresolved questions about the RFP and believes that there are no ambiguities in the scope of work.
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.
4. 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.
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.
6. Respondent is not currently under investigation by any state of federal regulatory agency for any reason.
7. The signatory below is authorized to bind the respondent contractually.

We look forward to further discussions of our response.

Robert H. Griffin

Robert H. Griffin, CPA
Managing Partner

EXHIBIT B

MINIMUM QUALIFICATIONS CERTIFICATION

All Respondents must sign and return this attachment, along with written evidence of how you meet each qualification. The undersigned hereby certifies that the Respondent submitting this response fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

A. Minimum Qualifications include:

Minimum Qualifications*	Yes	No
Ability to help Audit Committee members evaluate and understand audit-related issues and to assist them in performing their oversight role over audit and financial matters.	✓	
Bachelor's degree from an accredited college or university with a major in accounting, finance, public administration or a closely related field.	✓	
At least five years' experience (any one of the following satisfies this requirement): ▪ Managing an Internal Audit or Accounting/Finance Department of a public pension fund. ▪ At the level of Partner, Director, or Senior Manager for a Certified Public Accounting firm with at least 30% of the experience in the area of government. ▪ As an attorney practicing in the areas of public accounting or government.	✓	

*LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.

Robert H. Griffin

Authorized Signature

October 30, 2023

Date

Robert H. Griffin, Managing Partner

Name and Title (Please print)

Williams, Adley and Company-CA, LLP

Name of Firm

WILLIAMS ADLEY

Exhibit B - Demonstrated Professional Qualifications / Experience

- Mr. Griffin has served as the Audit Committee consultant to LACERA's audit committee for three years. During that time, he has been an active participant, conducted a study at the request of the committee and provided ad hoc comments at the conclusion of the meetings.

- Mr. Griffin is a licensed as a CPA in the State of California since 1981. He also holds a Bachelor of Science Degree from the University of San Francisco.

- Mr. Griffin's practice is centered in the government services sector. He has provided auditing and accounting services to government agencies for approximately 20 years. Additionally, Mr. Griffin is a reviewer of Popular Annual Financial Reports for the GFOA Awards program. Additionally, Mr. Griffin previously served as an ACFR reviewer in the GFOA Awards program for many years.

- Mr. Griffin is very familiar with the essential elements of a comprehensive integrated framework of internal control under COSO as a result of his analyzing internal controls as part of his internal and external audit practices.

- Mr. Griffin has experience understanding and applying elements of the Sarbanes-Oxley Act of 2002. Mr. Griffin's previous audit experience includes auditing a client's reporting under Sarbanes Oxley requirements.

- Mr. Griffin has a broad knowledge of public pension and investment practices as a result of auditing public pension plans for over 20 years. He is currently the audit partner of the Alameda County Employees' Retirement Association (ACERA). He has been a speaker at the SACRS conferences on a variety of topics and has participated in many general sessions in addition to participation in the Internal Audit Breakout sessions.

- Mr. Griffin has specific knowledge of 1937 Act Pension systems and laws as a result of being an audit engagement partner on ACERA and the audit consultant for LACERA.

- Mr. Griffin has a strong sense of corporate governance as a result of being an elected official for 28 years. He has served on the San Mateo Union High School District Board of Trustees since 1996. HIs knowledge of corporate governance has been enhanced through his service as the LACERA audit committee consultant.

WILLIAMS ADLEY

Confidence Earned

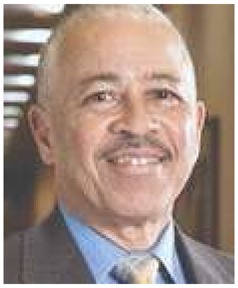
TABLE OF CONTENTS

Exhibit D Response

Statement of Work

The following table demonstrates a breakdown of the professional services Robert Griffin has provided over his professional career and the corresponding years of experience for each.

Professional Service Type	Years of Experience
Auditing and Attestation Compliance Review in Accordance with GASB, GAAP, GAAS	25+ years of governmental audit and accounting experience including over fifteen years providing audit services to numerous public agencies. Performed numerous audits under GAGAS. Currently, a GFOA PAFR reviewer.
Internal Auditing and Accounting	Over ten years internal auditing experience including growing an internal audit/compliance department from two to thirty personnel. The annual program, based on an annual risk assessment, dictated focus and activities.
Financial Management Systems Reviews	Performed system review of Pension Gold prior to "go-live" to determine audit strategy and risk associated with new system.
Risk Assessments	Has performed risk assessments for over twenty years including local government attest services and internal audit services.
Management Consulting	Provided consulting services to a variety of clients.
IT Security Consulting	Routinely oversees IT security reviews as part of large engagement audit services.



ROBERT H. GRIFFIN, CPA
WILLIAMS, ADLEY & COMPANY-CA, LLP
Managing Partner

Mr. Griffin has been a partner in the firm's Bay Area Practice since 1997. His practice emphasizes local governments, education, non-profit organizations, construction, real estate and litigation support. He is in charge of the firm wide peer review, internal inspections, and adoption of and compliance with new professional standards.

- Mr. Griffin graduated with a Bachelor of Science degree in Accounting from the University of San Francisco.
- Robert is a licensed certified public accountant, registered in the state of California.
- He meets the Yellow Book continuing professional education (CPE) requirements and annually attends the GFOA government auditing update.
- He has participated in the SACRs conference as a speaker in the internal audit break-outs for a number of years.
- He served on the GFOA Special Review Committee for ACFR Awards for multiple years and is currently a PAFR reviewer.
- Mr. Griffin has taught CPE classes for the NABA Division of Firms for over 15 years covering a variety of governmental auditing and accounting issues.

Below is a description of Robert's experience and ability to fulfill the duties described in each area:

- Mr. Griffin is the managing partner for the firm and oversees introduction and interpretation of new accounting and auditing standards and pronouncements.
- He is also the firm's designated Quality Control partner who oversees both the annual internal inspections and the tri-annual peer reviews.
- Robert has also served on the GFOA Special Review Committees.
- A major component of his practice includes public retirement systems and he keeps current on issues as a matter of course.

Mr. Griffin is in a unique position to respond to Audit Committee requests for analysis and advice regarding such topics as:

- Experience reporting to and advising government audit committees.
- Detailed explanations of audit results, accounting standards and recommendations.
- Extensive knowledge of the 1937 Act.
- Detailed knowledge of public pension and pension practices.
- Issues related to fraud or misconduct common with pension funds or other organizations similar in size and operations to LACERA.
- Education of the Audit Committee relating to governance, financial reporting and auditing practices.
- Experience in public company regulatory matters that may affect or relate to operations from regulatory entities such as the Securities and Exchange Commission (SEC), Public Company Accounting Oversight Board (PCAOB) and Sarbanes-Oxley Act of 2002 (SOX).

Because of his previous internal audit and current public accounting experience, Mr. Griffin is very qualified to:

- Advise the Audit Committee regarding its responsibilities.
- Review and comment on the annual financial statement audit of LACERA.
- Review the internal audit department's annual risk assessment.
- Review and provide input on the internal audit department's annual audit plan.

Client References

Alameda County Employees' Retirement Association (1994 – Present)

Type of Service:	Financial audit in accordance with *Government Auditing Standards* and consulting.
Concurring and Engagement Partner:	Robert H. Griffin
Reference:	Dave Nelson, Chief Executive Officer 475 14th Street, Suite 1000 Oakland, CA 94612 (510) 628-3000 dnelson@acera.org

AC Transit Employees' Retirement Plan

Type of Service:	Financial audit
Engagement Partner:	Robert H. Griffin
Reference:	Jeff Lewis, Board Member 1600 Franklin St. Oakland, CA 94612 (510) 463-3894 jlewis@kellerRohrback.com

County of Los Angeles Defined Contribution Plans (2017 – Present)

Type of Service:	Financial audits in accordance with *Government Auditing Standards* and agreed-upon procedures for the Deferred Compensation and Thrift Plan, Savings Plan, and Pension Savings Plan
Engagement Partner:	Robert H. Griffin
Reference:	Rachelle Anema, Chief Accountant Los Angeles County, Auditor-Controller 500 West Temple Los Angeles, CA 90012 (213) 974-8327 ranema@auditor.lacounty.gov

Strengths and Competitive Advantage

Firm's Strengths and Competitive Advantages

Williams, Adley & Company-CA, LLP (Williams Adley), was founded in 1982 in Oakland, California. Its mission has been to serve local government agencies and not-for-profit organizations. Williams Adley has consistently provided high quality audit and consulting services to local governments and not-for-profit organizations for over 40 years. Our partners and staff professionals have extensive "Big 4" CPA firm experience combined with a wealth of experience serving governmental agencies. We offer an array of services, including auditing and attestation, internal auditing and accounting, financial management systems reviews, risk assessments, management consulting, information technology and, IT security consulting services.

Our local government practice headquarter is located in Oakland and serves local government agencies all over the state. We serve a variety of agencies ranging from cities, counties, transportation agencies, to retirement systems and special districts. We have extensive experience performing audits of public retirement systems, including the Alameda County Employees' Retirement Association, AC Transit Employee's Retirement Plan, and the County of Los Angeles Defined Contribution Plans. We have also audited the Oakland Police and Fire Retirement System, Oakland Municipal Employees Retirement System, San Francisco County Transportation Authority, Alameda County Transportation Improvement Agency, Sonoma County Transportation Authority and Santa Clara Valley Transportation Authority, and many more.

Our firm is committed to the highest professional standards. We are members of the American Institute of Certified Public Accountants (AICPA), the California Society of Certified Public Accountants, Government Finance Officers Association (GFOA), and the National Association of Black Accountants (NABA).

Robert Griffin's Strengths and Competitive Advantages

Robert Griffin is highly qualified to meet the needs of LACERA. Robert has over 30 years of experience in the fields required under the RFP to serve as the consultant to the Audit Committee.

- He has both significant public accounting and internal audit experience including over 20 years providing attestation services to government agencies. As a result, he understands the difference in the focuses of the two types of audit services.
- He understands the risk assessment process that occurs in both internal and external audits. He understands the importance of a comprehensive organizational risk assessment process for the success of the organization. Robert also realizes LACERA, like all government organizations, has limited resources with which to operate.
- Mr. Griffin has over twenty years of service as an elected official on a school board and is very familiar with the Brown Act. He is comfortable in public meeting environments and has an accomplished performance record of being well prepared for meetings.
- Robert is very familiar with the County Employees Retirement Law of 1937 resulting from his relationship with ACERA and LACERA. He keeps current on 1937 Act developments as a matter of course in his role as the engagement partner.
- Robert is familiar with the issues related to fraud and misconduct in large government organizations as a result of his attestation engagement experience.
- He is technically competent and provides training in technical audit and accounting issues. As a GFOA PAFR reviewer, he remains current in technical developments.
- Robert frequently interacts with governmental audit committees presenting audit results and findings, providing background on emerging technical issues and addressing questions. By virtue of his interactions with audit committees and internal audit functions, he has a good understanding of the roles and responsibilities of both bodies.

Diversity Policies

Williams Adley is 100% African-American owned company and understands the importance of diversity, equity and inclusion in the work place. Williams Adley is an equal opportunity employer. Wiliams Adley endeavors to create an inclusive environment. We respect and build upon our differences. We strive to create a space where employees can feel comfortable. The firm is committed to providing a work environment free of harassment, discrimination, retaliation and disrespectful or other unprofessional conduct based on sex (including pregnancy, childbirth, breastfeeding or related medical conditions), race, religion (including religious dress and grooming practices), color, gender, (including gender identity and gender expression), national origin (including language use restrictions and possession of a driver's license issued.

The firm further provides a work environment free of harassment, discrimination, retaliation and disrespect or other unprofessional conduct based on physical or mental disability, medical condition, genetic information, marital status, registered domestic partner status, age, sexual orientation, military and veteran status or any other basis protected by federal, state or local law or ordinance or regulation. The firm also prohibits discrimination, harassment, disrespectful or unprofessional conduct based on the perception that anyone has any of those characteristics, or is associated with a person who has or is perceived as having any of those characteristics.

Williams Adley makes inquiries to our teaming partners regarding their DEI policies to ensure their practices are in alignment with our policies.

Oversight and Compliance Process

In accordance with the Harassment, Discrimination and Retaliation Prevention Policy, employees are encouraged to file complaints with details of the incident, names of individuals involved and names of witnesses, to their supervisor or any Partner as soon as possible after the incident to resolve the issues quickly.

If the company determines harassment, discrimination, or other prohibited conduct has occurred, appropriate and effective corrective and remedial action will be taken in accordance with the circumstances involved. Williams Adley also will take appropriate action to deter future misconduct.

Conflict of Interest

There are no conflicts of interest with regard to the described scope of services for LACERA. Robert Griffin has provided audit consulting services to LACERA since 2021.

Proposed Fees

Rates for services are as follows:

Rate per audit committee meeting:	$600.00
Rate per hour for other services:	$300.00

Travel time shall not be billable. Normal and customary out-of-pocket expenses for travel, meals and lodging will be at the current government per diem rates.

Comments on Exhibit E – Agreement for Services

1. Paragraph 4.13, Cyber Liability Insurance – We take exception to this requirement. The basis for taking exception is that Williams Adley personnel have no access to Personal Identifiable Information (PII) or interaction between our servers/computer and the LACERA system(s).

2. Paragraph 17, SOC 2 Report – We take exception to this requirement. The basis for taking exception is that the nature of the consulting services is such that there is no interaction with, or reliance on, our systems to provide services to LACERA. Williams Adley personnel have no access to Personal Identifiable Information (PII) or interaction between our servers/computer and the LACERA system(s).

Robert Griffin, CPA

Williams, Adley & Company, Partner

- 3 years experience as the LACERA audit committee consultant.
    - Completed research project on internal audit department staffing and budget levels in similar plans.
- 25+ years of governmental audit and accounting experience. Detailed knowledge of GAAP, GAGAS. Audit experience with ‘37 Act Plan where he has been involved with the implementation of complex accounting standards including OPEB implementation.
- 10+ years experience in internal auditing including providing outsourced services and previous industry experience building a large audit group. Duties included performing risk assessments, developing governance structure and reporting protocols.
- Solid knowledge of IT security risks and exposures as result of evaluating IT security as part of audit risk assessments.
- CPA licensed since 1981.
- Managing partner of diverse African American owned government CPA firm.

WILLIAMS ADLEY

30 years of excellence

Robert Griffin, CPA

Williams, Adley & Company, Partner

- Elected school board trustee (27 years) for the San Mateo Union High School District. Understands the importance of transparent governance and responsible decision making.
- Member of AICPA, National Association of Black Accountants, NABA- DOF, Cal CPA Society, Government Finance Officer's Association, GFOA CAFR & PAFR reviewer.
- Proposed Hourly rates:
  - Basic hourly rate $300
  - Rate per meeting $600
  - Rate per meeting prep and other services $300
- Strengths and Competitive Edge
  - Ability to communicate with all levels in the organization in plain English.
  - Extensive knowledge of '37 Act and developments for many years.
  - Broad knowledge of governmental auditing and accounting.

ATTACHMENT B

Audit and Risk Management

Audit & Risk Management Services, LLC

October 30, 2023

Los Angeles County Employees Retirement Association
ATTN: Leisha Collins, Principal Auditor
300 North Lake Avenue, Suite 840
Pasadena, CA 91101

Dear Ms. Collins,

Audit & Risk Management Services, LLC (ARMS) is pleased to submit our response to the Request for Proposal for an Audit Committee Consultant to the Los Angeles County Employees Retirement Association (LACERA). We appreciate the opportunity to discuss the value ARMS will provide to LACERA's Audit Committee.

Respondent Name: Larry Jensen

Respondent Address: 3577 Marsh Point Dr., Elk Grove, CA 95758

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.
2. Respondent has no unresolved questions about the RFP and believes that there are no ambiguities in the scope of work.
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.
4. 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.
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.
6. The respondent is not currently under investigation by any state or federal regulatory agency for any reason.
7. The signatory below is authorized to bind the respondent contractually.

We appreciate the important fiduciary responsibilities of the audit committee for overseeing LACERA's governance, risk management, financial reporting, and audit activities. ARMS is fully prepared to provide LACERA's audit committee with sound advice on audit and financial matters to assist in fulfilling their fiduciary role.

We look forward to your feedback and an opportunity to discuss this important consulting engagement with LACERA's selection committee. If you have any questions or require additional information, please do not hesitate to contact me.

Sincerely,

Larry Jensen

Larry Jensen, Principal
Audit & Risk Management Services, LLC

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LIST of EXHIBITS

MINIMUM QUALIFICATIONS CERTIFICATION

All Respondents must sign and return this attachment, along with written evidence of how you meet each qualification. The undersigned hereby certifies that the Respondent submitting this response fulfills the minimum qualifications outlined below, as well as the requirements contained in the RFP.

A. Minimum Qualifications include:

Minimum Qualifications*	Yes	No
Ability to help Audit Committee members evaluate and understand audit- related issues and to assist them in performing their oversight role over audit and financial matters.	X	
Bachelor's degree from an accredited college or university with a major in accounting, finance, public administration, or a closely related field.	X	
At least five years' experience (*any one of the following satisfies this requirement*): ▪ Managing an Internal Audit or Accounting/Finance Department of a public pension fund. ▪ At the level of Partner, Director, or Senior Manager for a Certified Public Accounting firm with at least 30% of the experience in the area of government. ▪ As an attorney practicing in the areas of public accounting or government.	X	

* LACERA reserves the right to grant exceptions to the minimum qualifications with appropriate explanation and in our sole discretion.

The undersigned hereby certifies that they are an individual authorized to bind the Firm contractually, and said signature authorizes verification of this information.

Larry Jensen
Authorized Signature

October 30, 2023
Date

Larry Jensen, Principal
Name and Title (please print)

Audit & Risk Management Services, LLC
Name of Firm

3577 Marsh Point Dr., Elk Grove CA 95758 | 916 539 5764 | LarryJensen.ARMS@gmail.com

1. Provide a brief description of your relevant work history, including a summary of each type of service and years of experience directly related to the services we are seeking, and as specified in the Exhibit C- Statement of Work.

   Larry Jensen has over 25 years of pension fund experience. He reported to retirement boards and audit committees for 20 years while serving as the chief auditor, assistant executive officer of administration, and chief risk officer for the California Public Employees' Retirement (CalPERS) and as the chief auditor of the California State Teacher's Retirement System CalSTRS). He was the key staff or primary liaison to the audit committees. As the primary liaison to the committees, responsibilities included the following:

   - Planning annual audit committee schedule of meetings and agenda items.
   - Board member pre audit committee meeting briefings.
   - Review all audit committee material and attend the audit committee meetings.
   - Present audit committee agenda and agenda items. Inform the committee of significant issues and recommend remediation.
   - Provide training for audit committee members on a variety of topics including financial statements, enterprise risk management, compliance and ethics (hotline, personal trading).
   - Solicitation for external financial statement auditor and recommend firm to conduct audit of financial statements.
   - Facilitation of annual financial statement audit.
   - Coordinate presentation of financial statement audit plan.
   - Coordinate presentation of annual financial statement audit results and management letter recommendations.
   - Review and recommend updates to audit committee charter and internal audit charter.
   - Provided advice and recommendations to the audit committee on improving governance, risk management, and internal controls to safeguard assets, deter fraud and abuse, and improve internal controls. I have provided advice on developing enterprise risk management and compliance programs, enhancing controls for investments, benefit administration, health plans, information technology and security, system administrative matters, and governance.
   - I have also provided advice on annual risk assessments and which internal audits to perform including resource requirements to achieve the internal audit plan.
   - Additionally, I provided advice and recommendation for allocation of CalPERS $300B budget allocations.

   Curricula Vitae

   Chief Auditor, *California State Teacher's Retirement System – 2014 to 2022*

   Chief Risk Officer, *California Public Employees' Retirement System – 2010 to 2014*

   Assistant Executive Officer, *California Public Employees' Retirement System - 2009 to 2010*

   Chief Auditor, *California Public Employees' Retirement System - 2002 to 2009*

   Senior Management Auditor, *California Public Employees' Retirement System - 1997 to 2002*

   Associate Management Auditor, *California Public Employees' Retirement System -1995 to1997*

   A resume of my Professional Experience is included as **Exhibit A.**

2. Describe your education, including any degrees or certifications.

   I received a degree in Business Administration with a concentration in Accounting from National University located in Sacramento, CA. Additionally, I earned the following certificates:

   - Certified Internal Auditor, Certificate 0876422
   - Certified Risk Management Assurance, Certificate
   - Certified Information Systems Auditor, Certificate 0022120
   - Certified Compliance and Ethics Professional

     To maintain the professional certification, I have obtained at least 20 hours of continuing professional education credit (CPE) annually.

   I am a member of the following professional associations:

   - Institute of Internal Auditors
   - Information Systems Audit and Control Association
   - Society of Corporate Compliance and Ethics

   I have been actively engaged in professional associations and served in the following capacities:

   - Past President Sacramento Chapter of the Institute of Internal Auditors
   - Vice-president Administration Sacramento Chapter of the IIA
   - Treasurer Sacramento Chapter of the Institute of Internal Auditors
   - Board of Governors Sacramento Chapter of the Institute of Internal Auditors
   - Board Member Association of Public Pension Fund Auditors
   - Officer of the Board as Secretary of the Association of Public Pension Fund Auditors

3. Describe your knowledge and experience in the following areas:
   - Advanced Degree and related certifications (includes: Doctor of Law (JD), Doctor of Philosophy (PhD), in business-re4lated areas, Master of Business Administration (MBA), Certified Public Accountant (CPA) or Certified Internal Auditor (CIA).

     Larry Jensen is a Certified Internal Auditor, Certificate #0876422 issued by the Institute of Internal Auditors (IIA). As the IIA's premier designation, the Certified Internal Auditor (CIA) sets the standard for excellence within the profession. Earning the CIA is an important step toward demonstrating core internal audit skills and knowledge. As the only globally recognized certification for internal auditors, the CIA designation proves that you:
     - Possess current knowledge of The IIA's International Professional Practices Framework (IPPF) and demonstrate appropriate use.
     - Are able to perform an audit engagement in conformance with the International Standards for the Professional Practice of Internal Auditing.
     - Understand organizational governance and can apply tools and techniques to evaluate risks and controls.
     - Can apply the business, IT, and management acumen needed for internal auditing.

- Prior experience advising Audit Committees.

  Larry Jensen was the key staff or primary liaison with the Risk and Audit Committee at the California Public Employees' Retirement System from 2002 to 2014. He reported to these committees while serving as the chief auditor and chief risk officer. Additionally, he was the key staff for the Audit and Risk Committee at CalSTRS from 2014 to 2022. As the primary liaison to the committees, responsibilities included the following advice:

  - Planning annual audit committee schedule of meetings and agenda items.
  - Board member pre audit committee meeting briefings.
  - Presentations and training for audit committee members on a variety of topics including financial statements, enterprise risk management, compliance and ethics (hotline, personal trading).
  - Solicitation for external financial statement auditor.
  - Facilitation of annual financial statement audit.
  - Coordinate presentation of financial statement audit plan.
  - Coordinate presentation of annual financial statement audit results and management letter recommendations.
  - Review and recommend updates to audit committee charter and internal audit charter.
  - Provided advice and recommendations to the audit committee on improving governance, risk management, and internal controls to safeguard assets, deter fraud and abuse, and improve internal controls. I have provided advice on developing enterprise risk management and compliance programs, enhancing controls for investments, benefit administration, health plans, information technology and security, system administrative matters, and governance.
  - I have also provided advice on annual risk assessments and which internal audits to perform including resource requirements to achieve the internal audit plan.
  - Additionally, I provided advice and recommendation for allocation of CalPERS $300B budget allocations.

- Specific knowledge of '37 Act Pension Systems

  Article XVI of the California State Constitution covers public finance. Section 17 of this article provides for the provision of pensions by a retirement board, who is vested with the responsibility of administering pension funds.The County Employees Retirement Law of 1937 (CERL) and the California Public Employees' Pension Reform Act of 2013 (PEPRA) is a body of law enacted to govern retirement benefits for certain public employees. The CERL governs retirement systems for county and district employees in those counties adopting its provisions pursuant to Section 31500. Twenty California counties operate retirement systems under the provisions of the 1937 Act, which sets forth the policies and regulations governing the actions of these county retirement systems. Los Angeles in 1938 was the first county to adopt the CERL provisions. LACERA is the largest system with excess of 181,000 members and beneficiaries.

Although the ’37Act as originally written was intended to be a system of benefits applicable to all systems enacted pursuant to its provisions, through legislative constitutional amendments, legislative statutory amendments, and ambiguous language subjected to a multitude of interpretations by boards, administrators, legal advisers and courts, the administration of CERL systems has become complex, complicated, and difficult.

The CERL is now replete with many unique provisions which are stated to be only applicable in counties of a certain “class” as determined by population. It is also replete with provisions which are only applicable in certain counties if specifically adopted by the board of supervisors or the board of retirement, or both. With the passage of recent legislation, all new benefits require an actuarial study be conducted to determine the present and future cost of implementing the benefit. Further, the action to adopt the benefit must be done in public session during a retirement board meeting and cannot be a consent item. These reasons aside, it is important to have intimate knowledge of the system’s history with respect to population, size, and past actions of the retirement board, to fully understand the benefits offered by each ’37 Act retirement system.

Each county implementing the ’37 Act has a board of retirement. Which is charged with managing the system. These boards make administrative regulations. The composition of each board is determined by statute as follows:

- 1 - County Treasurer
- 4 - Qualified Members not in any way connected with county government, except one may be a county supervisor. These four positions are appointed by the board of supervisors.
- 2 - General Members of the retirement association as elected by the general members.
- 1 - Safety Member (and one alternate safety member in counties where the board of retirement has adopted the necessary code sections) of the retirement association elected by the safety members.
- 1 - Retired Member (and one alternate retiree member in counties where the board of retirement has adopted the necessary code sections) elected by its retired members.

In any county where assets of the retirement system exceed $800 million ($800,000,000), a board of investments may be established which is responsible for the retirement system investments. The composition and terms of office are basically the same as the board of retirement except appointed members of the board must have significant experience in institutional investing.

The ’37 Act retirement systems receive funding from investment income, employer contributions, and employee contributions. Section 31453 of the CERL requires an actuarial valuation be made at least every three years to cover the mortality, service, compensation, and experience of the members and beneficiaries, and to evaluate the assets and liabilities of the retirement fund. On the basis of the valuation, and recommendation of the actuary, the board of retirement must adopt an assumed rate of return on the systems investments for purposes of determining the level of the required contributions and must recommend to the board such changes in the rates of interest applied to employee accounts, and rates of contributions, as are necessary to fund the system.

Administration of the retirement system benefits parallels my experience at CalPERS and CalSTRS.

- Broad knowledge of public pension and investment practices and emerging trends Knowledge of financial **regulatory sources (GASB, GAAP, GAAS, etc.)**

Larry has over 25 years of experience working with public pension systems and is very knowledgeable of system administration, investment management, funding, actuarial valuations, health benefits, financial management, auditing, emerging risk and issues, information technology and cyber security, compliance, employer reporting, and financial statement audits.

Larry has experience with investment practices for public pension systems. Specifically, he has audited the following investment activities:

• Fixed Income	• Public Equity	• Real Estate
• Private Equity	• Cash / Liquidity	• Securities Lending
• Foreign Exchange	• Derivatives	• Master Custodian
• External Managers	• Trade System Compliance	• Investment Accounting

Investment income is essential to funding the pension system. The largest portion of member pension benefits are provided for by investment income. There are many emerging trends in the financial industry including a slowing global economy, higher interest rates, reduced money supply, regulatory change, geopolitical pressures, and climate change. The world is constantly changing, and these trends will impact how business is conducted - generative artificial intelligence, transition to the cloud, increased fraud and cyber risk, and technology.

Management of the pension plan is responsible for the preparation and fair presentation of financial statements 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 financial statements that are free from material misstatement.

It is important to be familiar with financial regulatory requirements for financial reporting. The Governmental Accounting Standards Board(GASB) standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, stakeholders, members and beneficiaries, and others who use financial reports. The GASB issues pronouncements for accounting and financial reporting for pensions. The pension fund basic financial statements must also be prepared and presented in conformance with authoritative standards. These GASB standards, GASB 67 & 68, are the most relevant for pension funds, along with other standards applicable to accounting for post-employment benefits other than pensions (GASB 74 & 75). GASB pronouncements cover a variety of accounting and financial reporting topics that local governments, including pension plans, must comply with to receive an unqualified opinion by the financial statement auditors. The GASB standards setting board issues exposure drafts and allows for public comment and feedback on proposed standards. A pension fund may submit comments to enhance financial reporting. Larry Jensen has prepared comments on behalf of public pension systems on certain standards and has testified before GASB on the implementation of certain standards.

The basic financial statements must also conform with Generally Accepted Accounting Principles (GAAP). The GAAP standards were developed by the Financial Standards Accounting Board (FSAB) and the Governmental Accounting Standards Board (GASB). GAAP refers to a common set of accounting rules, standards, and procedures to compile financial statements. GAAP aims to improve the clarity, consistency, and comparability of financial information.

The external financial statement auditor's responsibility is to express an opinion on the financial statements based on an audit. The audit is conducted 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. Those standards require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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. 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 financial statements.

Similar guidance is also issued for conducting internal audits such as generally accepted government auditing standards (GAGAS) or the Yellow Book, to perform their audits and produce their reports. The Yellow Book outlines the requirements for audit reports, professional qualifications for auditors, and audit organization quality management.
The Institute of Internal Auditors (IIA) is an international professional association that also issues internal audit standards (Red Book) for the Professional Practice of Internal Auditing. The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by the IIA. The *Standards* are principle-focused and provide a framework for performing and promoting internal auditing. These standards require a quality improvement program and verification of conformance to the standards at least every five years.

- Enterprise Risk Management

Larry is known for his expertise in enterprise risk management (ERM). He was CalPERS first risk officer and is a leader implementing ERM in pension systems. He has provided extensive advice and training to retirement boards, audit committees, and at professional associations. He is responsible for developing and implementing the ERM program at CalPERS, one of the first ERM programs for public pension systems.

Larry served as a Chief Risk Officer at CalPERS from October 2010 to July 2014. He was responsible for the development and implementation of the Enterprise Risk Management Division, including the Enterprise-wide Risk Assessment, Information Privacy and Security, Business Continuity / Emergency Management, and Enterprise Policy Administration functions. Serves as the chief risk intelligence policymaker and provides executive leadership in the formulation, modification, and implementation of new and existing enterprise risk intelligence planning and performance policies. Responsible for creating a roadmap for implementation of an enterprise risk management program including, development of a risk management policy, risk management framework, risk management infrastructure, and embedding risk management into key business processes. Assist in the achievement of CalPERS strategic goals and objectives by providing assurances that risks are managed within established tolerances. Serve as the primary staff liaison to the Risk and Audit Committee and appear before the CalPERS Board of Administration.

Due to the crucial role of public pension systems within the financial markets, and their increasing importance as a source of retirement income for individuals, effective regulation and supervision of pension funds is becoming ever more important. Yet the regulation and supervision of pension funds are complex issues, not least because pensions are long-term contracts for millions of members and beneficiaries. Pension regulations are increasingly focused on governance and risk management issues. Pension supervisory authorities around the world have also been following other financial sectors and moving towards a risk-based approach to pension supervision. This can be recognized as a structured process aimed at identifying potential critical risks facing each pension fund or plan and, through a focused review by the supervisor, assessing the pension fund’s management of those risks and the pension fund’s financial vulnerability to potential adverse experience.

Risk management systems need to be proportional. For example, entities with more complex business models may need more resources to carry out their functions to help the retirement board with its tasks – such as a risk management, compensation, audit, or compliance committee. The retirement board may alternatively, or in addition, rely on a centralized risk management function, such as a Chief Risk Officer. Whatever the structure chosen, it should reflect the nature and size of the pension fund, be established at the commencement of the pension fund, and be clearly articulated. The following may be considered as the broad categories of risks which pension funds face.

- Investment or market risk: risk of losses due to adverse movements in interest rates and other market prices. Concentration’ risk is also possible – i.e. risk that the pension fund’s portfolio is not adequately diversified.
- Counterparty default risk / credit risk: risk of loss from the failures of a counterparty to meet its obligations.
- Funding risk: the risk that a pension fund does not have sufficient assets to meet its liabilities.
- Liquidity Risk: the risk that an entity will not be able to meet its financial obligations as they fall due for lack of fungibility.
- Asset-Liability mismatch risks: risk arising from insufficient assets to meet liabilities, which may arise from, for example, adverse market movements having a differential effect on assets and liabilities.
- Actuarial risk: risk arising from inappropriate actuarial valuation methods and assumptions (e.g. mortality, longevity, disability, inflation, liquidity etc.).
- Governance and agency risks: risks which could otherwise be described as conflicts of interest, biased funding decisions, fraud misappropriation and misallocation, as well as inadequate objectives and strategies and other aspects of bad governance.

- Operational and outsourcing risks: the risk of losses resulting from inadequate or failed internal processes, people and systems, including IT systems, as well as the risks related to the outsourcing of business activities. Recordkeeping risks (such as errors in investment holdings, benefits not paid or late contributions etc.) would also be included. IT risk - a subset of operational risk - is the risk arising from inadequate information technology and processing in terms of manageability, exclusivity, integrity, infrastructure, controllability, and continuity.

- External and strategic risk: these are the inherent risks with regard to the sensitivity of the fund to external factors (such as political risk, demographics, technology, geopolitical stability, natural disasters, etc.). The risk of non-payment of contributions should also be considered. Strategic risk is the risk resulting from strategic business decisions.

- Legal and regulatory risk: the likelihood of adverse consequences arising from the failure to comply with all relevant laws and regulations.

- Contagion and related party/ integrity risk: risks arising as a result of close association with another entity – the risks may be direct through financial exposure or indirect through reputation damage. Integrity or reputational risk may also arise from possible damage to an entity's reputation as a consequence of negative public perception (e.g. among members, business partners, stakeholders or the governing bodies).

It is critical to identify and monitor emerging risks which are those whose effects have not yet been substantially realized in the enterprise. New emerging risks include the following:

- Climate and Environmental, Social, and Governance (ESG): This includes climate activism, new extreme weather events, and water scarcity.
- Economic: This includes bank crisis-driven inflation, credit crunch, financial planning uncertainty, market effects from higher borrowing costs, overzealous cost cutting, and wage-price spiral.
- Technology: This includes cloud concentration risk, mass generative AI availability, loss of personal data, and the use of ChatGTP.
- Political: This includes China trade tensions, evolving Socialpolitical expectations, and wars.
- Talent: This includes workforce planning uncertainty, decline in employee productivity, working population decline, and ability to competitively recruit necessary talent.

The retirement board of the pension fund should be responsible for defining, implementing, and improving the pension fund or plan's risk management system, and for establishing a highly ethical standard throughout the organization. The governing board of a pension fund or plan should determine and regularly review its overall risk management strategy. This process involves understanding the risks run; setting acceptable levels of risk; and outlining how these risks will be measured, monitored, and controlled. For risk assessment to remain effective, the retirement board needs to frequently evaluate and record the risks affecting the achievement of its goals and react to changing circumstances and conditions.

As well as setting up the risk management system, the retirement board should check that it is working effectively on an on-going basis and that there is a process in place for modifying or adapting the strategy as required. The risk management strategy needs to be documented, communicated to all relevant staff, and followed.

There should be a clear division of responsibilities within the organization. Decision making, execution and checking functions should be assigned to different people and have suitable oversight. The division of responsibilities should reflect the nature and extent of the risks posed. It is the responsibility of the governing board to develop a strong internal control culture within its organization, a central feature of which is the establishment of systems for adequate communication of information between levels of management. A conflicts of interest policy (including disclosure and review procedures) and a code of conduct policy for all staff should also be in place. Policies and practices (including compensation) that may inadvertently provide incentives or temptations for inappropriate activities should be avoided.

Instilling a risk management culture in a pension fund as a whole must come from the top, with the retirement board leading by example. This ensures that risk management is truly embedded in the operations of the organization. An essential element of a strong risk management system is the recognition by all employees of the need to carry out their responsibilities effectively and to promptly communicate to the correct level of management any problems in operations, instances of non-compliance with the code of conduct, or other policy violations or illegal actions that are noticed. In cases of non-compliance, policy violations or illegal actions which are materially significant to the plan, there may be the need to whistle blow this to the pension fund confidentially or anonymously.

Effective risk management, from the retirement board perspective, should include periodic communications on the status of enterprise risk along with consideration of internal management reports, external audit reports, actuarial reports, and internal audit reports.

4. Provide three references from clients that you have acted in a similar advisory role.

REDACTED

June 2014 to September 2022

- Audit Committee Liaison
- Planning annual audit committee schedule of meetings and agenda items.
- Board member pre audit committee meeting briefings.
- Presentations and training for audit committee members.
- Solicitation for external financial statement auditor.
- Facilitation of annual financial statement audit.
- Coordinate presentation of financial statement audit plan.
- Coordinate presentation of annual financial statement audit results and management recommendations.
- Review and recommend updates to audit committee charter.
- Direct internal audit activities of CalSTRS as Chief Auditor.
- Present annual risk assessment and audit plan to audit committee and provide periodic plan status reports.
- Direct Enterprise-wide Compliance Program

REDACTED

June 2014 to September 2022

- Audit Committee Liaison
- Planning annual audit committee schedule of meetings and agenda items.
- Board member pre audit committee meeting briefings.
- Presentations and training for audit committee members.
- Solicitation for external financial statement auditor.
- Facilitation of annual financial statement audit.
- Coordinate presentation of financial statement audit plan.
- Coordinate presentation of annual financial statement audit results and management recommendations.
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- Direct internal audit activities of CalSTRS as Chief Auditor.
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- Present annual risk assessment and audit plan to audit committee and provide periodic plan status reports.
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REDACTED

June 2014 to September 2022

- Audit Committee Liaison
- Planning annual audit committee schedule of meetings and agenda items.
- Board member pre audit committee meeting briefings.
- Presentations and training for audit committee members.
- Solicitation for external financial statement auditor.
- Facilitation of annual financial statement audit.
- Coordinate presentation of financial statement audit plan.
- Coordinate presentation of annual financial statement audit results and management recommendations.
- Review and recommend updates to audit committee charter.
- Direct internal audit activities of CalSTRS as Chief Auditor.
- Present annual risk assessment and audit plan to audit committee and provide periodic plan status reports.
- Direct Enterprise-wide Compliance Program

REDACTED

October 2010 to June 2014

- Risk and audit committee liaison.
- Planning annual audit committee schedule of meetings and agenda items.
- Briefing the chair and vice-chair of risk and audit committee meeting briefings.
- Presentations and training for audit committee members, executive staff, and management on enterprise risk management.
- Presentations on enterprise risk management to board members and professional associations.
- Manage risk office as Chief Risk Officer.
- Develop enterprise risk policy, program, and procedures.
- Perform and present enterprise-wide risk assessment including emerging risk to risk and audit committee.
- Coordinate and conduct agenda for enterprise risk council.

5. Provide any additional information that illustrates your strengths and competitive advantage.

   The LACERA 2023–2028 Strategic Plan includes Strategic Priority 4: Compliance and Enterprise Risk Management. The goal is to adopt and implement compliance and enterprise risk frameworks aimed at mitigating risk and vulnerabilities. It would be a competitive advantage to have Larry Jensen serve as the audit committee consultant, given his extensive experience implementing and managing progressive enterprise risk management and effective compliance programs.

   Larry Jensen is known for his public pension fund expertise in audit, risk, and compliance. He brings over 25 years of practical experience working with two of the nation's largest public pension funds in executive and senior management positions. He provided consulting services to the board and executive management and acted as primary staff liaison to both retirement boards.

   As the first Chief Risk Officer for CalPERS, Larry was responsible for the establishment of an enterprise-wide risk management program with emphasis on pension funding, administration of benefits, and operations. Larry was also responsible for implementing and enhancing public pension compliance programs, including risk assessments, policy management, implementation of hotlines, and investigations. He also has extensive experience implementing effective compliance programs.

   Larry also served as the Chief Auditor for both CalPERS and CalSTRS assessing risk management, governance, compliance, investment operations, administration of benefits, administrative operations, third-party administrators, master custodians, and employers of pension fund members.

   As an Assistant Executive Officer of Administrative Services, he was responsible for the overall management of CalPERS Fiscal Services Division, Human Resources, Operations Support Service, and Strategic Management Services Division. His executive management responsibilities included preparation and implementation of CalPERS $300m operating budget, preparation of CalPERS financial reports and statements, executive direction for human resources, and oversight of strategic planning activities of the retirement system. Larry was also responsible for administrative and operational functions such as contract services, space planning, disaster recovery, facilities management, and all operations support functions.

   Larry recently retired after 36 years of public service. Currently, Larry is the principal director of Audit and Risk Management Services LLC, providing consulting services to public pension systems.

   Larry received his BA degree in accounting from National University and holds several designations. He is a Certified Internal Auditor, Certified Information Systems Auditor, Certified Risk Management Assurance, and Certified Compliance and Ethics Professional. He is a member and has served on the boards of the Institute of Internal Auditors and Association of Public Pension Funds. He is also a member of the Society of Corporate Compliance and Ethics. Larry has given numerous presentations on governance, risk management, compliance, and audit topics for the Institute of Internal Auditors, Association of Public Pension Fund Auditors, Public Agency Risk Management Association, and California Association of Public Retirement Systems.

6. Describe your commitment to Diversity Equity and Inclusion as outlined section 6 of the RFP above.

   I am the sole operating director of Audit and Risk Management Services LLC, and I am not planning to employ any members of staff at this stage or for the foreseeable future. However, the services I provide put me into positions of trust and confidentiality with a large number of people. I am committed to promoting diversity, equity, and inclusion (DE&I) while providing consulting services to clients. I have a strong record of promoting DE&I in the workforce and have participated in DE&I training. See Audit & Risk Management Services LLC Diversity, Equity, and Inclusion Policy below.

   I am wholeheartedly committed to DE&I as a provider of services to others. I aim to provide services to all irrespective of race, ethnicity, ability, gender, sexual orientation, neurodiversity, age, religion, belief, gender reassignment, pregnancy and maternity, or marital or civil partnership status. I look to ensure that my services are respectful of human difference and diversity. I aim to authentically value all clients and members of their teams while being supportive, fair, just, and free from any form of discrimination.

Diversity, Equity, and Inclusion Policy

I am the sole operating director of Audit and Risk Management Services LLC, and I am not planning to employ any members of staff at this stage or for the foreseeable future. However, the services I provide put me into positions of trust and confidentiality with a large number of people. I am committed to promoting diversity, equity, and inclusion (DE&I) while providing consulting services to clients. I have a strong record of promoting DE&I in the workforce and have participated in DE&I training. This policy therefore sets out my aims, values, and practice around the issue of diversity, equity, and inclusion as a sole operating director.

Definition

Diversity is about recognizing and valuing difference in its broadest sense. Equity is about creating a fairer society where everyone has the opportunity to fulfill his or her potential. Inclusion recognizes the value of each team member and enables them to make meaningful contributions.

Values

- All individuals should have the opportunity to live autonomous and socially responsible lives.
- Respect is given to the individual and common humanity of all people .
- Relationships shall be carried out without discrimination on the basis of race, religion or belief, creed, ability, nationality, socio-economic status, gender or gender reassignment, age, sexual preference or orientation, or any other form of diversity.
- Physical, psychological, and social violence and oppression are opposed.
- Individuals are encouraged to be aware of their relationship to the world around them, and to effectively choose their own responses and be responsible in their behavior.
- These values and subsequent actions are to enhance the well-being of individuals and society.
- I aim to conduct my activities in ways that reflect the values listed above and the practices listed here.
- To achieve this for Audit & Risk Management Services, LLC as a business, I expect any consultants, advisers or suppliers working with me to likewise conduct their activities in ways that reflect the same values and follow the same practices.

Practice

- I avoid knowingly discriminating on any grounds
- I constantly seek to enhance our own awareness of possible areas of discrimination
- I aim to challenge in a supportive way any colleagues, service providers, clients (where appropriate) or participants whom I perceive to be using discriminatory behavior.
- I monitor my language, both spoken, written and non-verbal, for inadvertent discrimination.
- I engage in developmental activities that are likely to increase my self-awareness of DE&I.

Communication

- This policy will be communicated to my clients and shall be available to all clients, or potential clients, upon request.

This policy is subject to continual review, and at least annually, in order to ensure it remains current and appropriate.

3577 Marsh Point Dr., Elk Grove CA 95758 | 916 539 5764 | LarryJensen.ARMS@gmail.com

7. Describe any known or perceived conflicts of interest which may result if you are engaged to perform this consulting service. Have you or your firm provided consulting or other services to LACERA or Los Angeles County within the past five years? If so, please describe.

   There are no conflicts of interest for Audit & Risk Management Services providing audit committee consulting services to the Los Angeles County Employees Retirement Association (LACERA). Audit & Risk Management Services has not provided consulting or any other services to LACERA in the past five years.

8. State your fees for the following:

Attending Audit Committee Meetings	4 to 6 meetings per year	REDACTED	REDACTED
Other Services (e.g., preparing for meetings, teleconference calls, etc).	REDACTED	REDACTED	REDACTED
Additional Service as requested by audit committee and chief auditor.		REDACTED	
Travel Expenses:	Reimbursed in accordance with LACERA's Education and Travel Policy		
Total:			REDACTED

3577 Marsh Point Dr., Elk Grove CA 95758 | 916 539 5764 | LarryJensen.ARMS@gmail.com

EXHIBIT A

LARRY JENSEN CIA, CRMA, CISA,

PROFESSIONAL EXPERIENCE

Chief Auditor
California State Teachers' Retirement System: June 2014 to September 2022

Responsible for the day-to-day operation of Audit Services including overall supervision of 35+ professional auditors and administrative staff, issuing over 130 audit reports annually, with a budget of $5.2 million. Develop office strategic goals, objectives, and biennial audit plan. I had overall responsibility for personnel matters including position creation, recruitment, personnel actions, and periodic staff performance evaluations. Responsible for managing and implementing audit programs over CalSTRS information technology projects, investments, retirement benefit administration, employer payroll reporting, and external service providers. Develop office policy and procedures for managing and supporting staff, conducting audit services, and implementing audit programs. Responsible for ensuring office complies with internal audit standards. Make presentations and provide advice to CalSTRS Teachers' Retirement Board, Executive Management, and Senior Management about CalSTRS internal control and risk management frameworks. Represent CalPERS before external professional organizations and represent CalSTRS before state control agencies on audit related issues. Supervise a risk management program to raise risk awareness throughout the enterprise to identify risk and develop risk-based audit programs. Oversee an extensive contract audit program including management of the financial statement and real estate investment audits.

Responsible for implementing an effective compliance program. Developed a strategic approach to implement essential elements of a compliance program including policy management, code of conduct, risk assessment, hotline reporting and investigations, training and communications, and creating a culture of compliance.

Chief Risk Officer, Office of Enterprise Risk Management
California Public Employees' Retirement System: October 2010 to June 2014

Responsible for the development and implementation of the Enterprise Risk Management Division, including the Enterprise-wide Risk Assessment, Information Privacy and Security, Business Continuity / Emergency Management, and Enterprise Policy Administration functions. Serves as the chief risk intelligence policymaker and provides executive leadership in the formulation, modification, and implementation of new and existing enterprise risk intelligence planning and performance policies. Responsible for creating a roadmap for implementation of an enterprise risk management program including, development of a risk management policy, risk management framework, risk management infrastructure, and embedding risk management into key business processes. Assist in the achievement of CalPERS strategic goals and objectives by providing assurances that risks are managed within established tolerances. Serve as the primary staff liaison to the Risk and Audit Committee and appear before the CalPERS Board of Administration.

Assistant Executive Officer, Administrative Services Branch
California Public Employees' Retirement System, Sacramento, CA - May 2009 to October 2010

Responsible for the overall management of CalPERS complex financial and accounting systems; directs preparation and implementation of the CalPERS budget; preparation of the CalPERS Basic Financial Statement, facilitating an audit of the basic financial statements, responsible for development and implementation of CalPERS administrative budget; establishing overall program direction and priorities of the Human Resources program; directing the strategic and annual planning function for the enterprise. Responsible for a variety of administrative functions, including contract services, space planning, disaster recovery, facilities management, and all operational support functions. Serve as the primary staff liaison to the Finance Committee, appear before the CalPERS Board of Administration, and represent CalPERS in its relations with State and public agencies.

Chief Auditor
California Public Employees' Retirement System, Sacramento, CA - December 2002 to May 2009

Responsible for the day-to-day operation of the Office of Audit Services including overall supervision of 45+ professional auditors and administrative staff, issuing over 125 audit reports annually, with a budget of $4.3 million. Develop office annual business goals, strategic plans, objectives, and biennial audit plan. I had overall responsibility for personnel matters including position creation, recruitment, personnel actions, and periodic staff performance evaluations. Responsible for managing and implementing audit programs over CalPERS internal administrative and accounting controls, information technology projects, investments, retirement programs, public agency membership enrollment and payroll reporting, and external service providers such as health maintenance organizations. Develop office policy and procedures for managing and supporting staff, conducting audit services, and implementing audit programs. Responsible for ensuring office complies with internal audit standards. Make presentations and provide advice to CalPERS Board of Administration, Executive Management, and Senior Management about CalPERS internal control and risk management frameworks. Represent CalPERS before external professional and other interested organizations, and represent CalPERS before state control agencies on audit related issues or fiscal policy. Supervise a risk management program to raise risk awareness throughout the enterprise to identify risk and develop risk-based audit programs. Oversee an extensive contract audit program including management of the CalPERS Board of Administration contracts for independent financial statement and real estate investment auditors. Develop staff leadership capabilities and conduct professional development programs.

Senior Management Auditor
California Public Employees' Retirement System, Sacramento, CA - December 1997 to December 2002

Manage a team of 14 professional internal audit staff who perform operational, financial, performance, and information systems audits and assurance engagements of CalPERS internal and administrative controls. Recruit and retain professional staff. Evaluate performance and design professional development programs. Perform enterprise-wide annual assessment of risk and develop a biennial audit plan for Board of Administration approval. Supervise the execution of audits assigned to staff and develop teamwork in the internal audit unit. Provide quality assurance of all audits and consulting projects for compliance with audit Standards. I perform the most complex or sensitive audits of operations or information systems. Conduct the more difficult or sensitive entrance and exit conferences. Develop internal operating policies and procedures. Act as liaison to external auditors and assist management in preparing responses to external audits. Conduct active follow-up program to assist management with implementation of risk strategies. Prepare and present agenda items to the Finance Committee on the status of audit assignments.

Associate Management Auditor
California Public Employees' Retirement System, Sacramento, CA - June 1995 to December 1997

As team leader, plan audits scope, develop procedures, and direct the work of audit staff assigned to an engagement. Assign audit tasks, review staff work, and monitor completion of audit program. Conduct complex audits of CalPERS internal accounting and administrative controls, including information systems. Design and prepare audit working papers and draft audit reports. Conduct entrance and exit conferences where findings are presented to senior management. Participate in risk assessment and follow up on outstanding audit findings. Assisted in developing biennial audit plan and prepared status reports for presentation to Finance Committee.

Management Auditor
California State University, Sacramento, CA - July 1989 to June 1995

Perform compliance, financial, operational and investigative audits of the University's non-academic programs. Perform audits of five non-profit auxiliary organizations associated with the University. Examine complex operations for internal management and fiscal controls to safeguard assets as well as evaluate the efficiency and effectiveness of operations. Analyze, organize, and synthesize a variety of data into supported audit findings and logical recommendations. Prepare audit working papers, interview personnel, evaluate procedures and identify opportunities to improve operations and reduce costs. Prepare written audit reports. Present findings and recommendations to management and senior administration. Coordinate work with external auditors. Conduct an audit follow up program to ensure corrective action is taken on audit findings.

Los Angeles County Employee’s Retirement Association

AUDIT COMMITTEE CONSULTANT

Audit & Risk Management Services, LLC

Larry Jensen CIA, CRMA, CISA

December 14, 2023

Agenda

- Introduction
- Evolving Role of the Audit Committee
- Education and Professional Certifications
- Practical Experience & Knowledge
  - *Advising the Audit Committee*
  - *Internal & External Auditing*
  - *Enterprise Risk Management & Compliance*
  - *Pension Administration (IT, HR, Legal, Financial) Benefits, Health*
  - *Investments, Financial Accounting & Reporting*
- Adding Value to the Audit Committee

Introduction

Larry Jensen, CIA, CRMA, CISA

- Pension Fund Experience
  - *Chief Auditor – CalSTRS*
  - *Chief Auditor – CalPERS*
  - *Chief Risk Officer – CalPERS*
  - AEO Administration – CalPERS
- Education / Professional Certifications / Associations
- Advising/ Reporting to Audit Committees
- Audit & Risk Management Services, LLC

Evolving Role of the Audit Committee

- Assist the Board fulfill fiduciary responsibilities
- Oversight of financial reporting and related controls
- Oversight of the independent auditor
- Internal control systems
- Oversee internal audit activities
- Risk management oversight
- Compliance with relevant regulations and policies
- Ethics, hotlines, and organizational culture
- Oversight of management and reporting of fraud

Education and Professional Certifications

Education

- BBA, Accounting
  National University

Certifications

- Certified Internal Auditor
- Certified in Risk Management Assurance
- Certified Information Systems Auditor
- Certified Compliance and Ethics Professional
- Certified Government Financial Manager

Professional Associations

- Institute of Internal Auditors
- Information Systems Audit and Control Association
- Society of Corporate Compliance and Ethics

Professional Presentations

- California Association of Public Retirement Systems
- Association of Public Pension Fund Auditors
- Institute of Internal Auditors
- Public Agency Risk Management Association
- California Risk and Compliance Public Agency Network
- Enterprise Risk Management Public Pension Fund Peer Group
- CalPERS Education Forum
- Association of California School Administrators
- California Retired Teachers Association

Audit Committee Advising / Reporting

- Coordination of audit committee meetings
- Review and recommend updates to charters
- Selection of external financial statement auditor
- Facilitation of annual financial statement audit
- Financial statements & auditing requirements training
- Internal audit activities
- Advice for enhancing systems of controls
- Enterprise Risk Management training and planning
- Effective Compliance Programs training and planning

Performing the Services in RFP - Audit Committee Consultant

- Keep informed of emerging issues and risks
- Be prepared for audit committee meetings
- Focus on what’s important: Top 3 to 5
- Effective communications: reporting, insight
- Participate in prep meetings, if permissible
- Actively manage relationships
  - *Audit Committee*
  - *External Auditor*
  - *Internal Auditor*
  - *Executive team*
- Ask the right questions!
- Inform audit committee of relevant training

Adding Value

- LACERA 2023–2028 Strategic Plan includes Strategic Priority 4: Compliance and Enterprise Risk Management
- Practical Experience – Audit, Risk, Compliance
- Focus on What’s Important
- Quality and Transparency
- Identification of Risk and Internal Controls
- Audit Oversight
- Regulatory compliance
- Ask the right questions
- Insights and expertise

THANK YOU

Larry Jensen CIA, CRMA, CISA

Audit & Risk Management Services, LLC
LarryJensen.ARMS@gmail.com

L//CERA

November 30, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard Bendall RB
Chief Audit Executive

Nathan K. Amick
Senior Internal Auditor

FOR: December 14, 2023 Audit Committee Meeting

SUBJECT: **Fiscal Year Ending 2024 Audit Plan Amendments**

RECOMMENDATION

The Audit Committee review and approve amendments to Internal Audit's Fiscal Year Ending (FYE) 2024 Audit Plan.

BACKGROUND

According to the Institute of Internal Auditor's *(*IIA's*) International Standards for the Professional Practice of Internal Auditing (Standards)*, Standard 2010, "the Chief Audit Executive (CAE) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals. This requirement is also stated in the Audit Committee Charter (Charter). In alignment with the Standards and the Charter, the Audit Committee approved the FYE 2024 Audit Plan (Audit Plan) at its June 2023 meeting.

As of the June 2023 meeting, the Audit Plan consisted of 27 Projects. Since that time four additional projects have been added, resulting in 31 total projects for the Audit Plan. As of November 30, 2023, Internal Audit staff has completed five (16%) of the 31 projects, and 10 (32%) are current and continuous, resulting in a total 15 (48%) completed or current and up-to-date. Of the 15 remaining projects, 6 (19%) are currently in progress, and 10 (32%) have yet to be started.

The IIA Standards and the Charter also require the CAE to communicate the Audit Plan and any subsequent significant changes to the Audit Plan to Executive Management and the Audit Committee. In accordance with the Standards and Charter, staff is proposing amendments to the Audit Plan.

Due to resource constraints, both ongoing and future, we request the Audit Committee approve the removal of two audit projects noted below. We will reassess the risks associated with each of these areas during the 2025 Risk Assessment for possible inclusion in the FYE 2025 Audit Plan.

Project Name	**Division**
Death Claims Process	Benefits
Board Education and Travel	Exec. Office

Staff has prepared the following attachments for your attention:

- Attachment A – FYE 2024 Audit Plan as of November 30, 2023
- Attachment B – Red lined version of FYE 2024 Audit Plan, with requested amendments
- Attachment C – FYE 2024 Audit Plan presentation detailing the worked performed, and the requested amendments

RPB:nka

ATTACHMENT - A

FYE 2024 INTERNAL AUDIT PLAN				
ENTERPRISE RISK MANAGEMENT (ERM) PLAN				**10 Percent**
ERM TASKS				**BASIS FOR INCLUSION**
1	ERM Program Plan			Strategic Plan
AUDIT PLAN				**90 Percent**
	DIVISION	**AUDIT / PROJECT NAME**	**PROJECT TYPE**	**STATUS**
	EXECUTIVE/LEGAL/ORGANIZATIONAL			
1	Exec Office	Records & Info Mgmt (FKA: Document Retention)	Consulting	Completed
2	Exec Office	Organizational Ethics/Culture	Audit	In-Progress
3	Exec Office	LA County Rehired Retiree	Audit	Completed
4	Exec Office	Board Education and Travel	Audit	Q4
5	Exec Office	Business Continuity Plan	Audit	Q3
6	Organizational	Continuous Audit Processing (CAP)	Audit	Continuous
7	Organizational	Recommendation Follow-Up	Other Projects	Continuous
8	Organizational	Risk Assessment	Other Projects	Continuous
	ADMINISTRATION - Admin Services, HR, Systems			
9	Systems	IT Risk Assessment	Audit	Q4
10	Admin/Systems	Inventory Asset Managment	Audit	Q3
11	Admin Services	Procurement of Goods	Audit	In-Progress
12	HR	LACERA Rehired Retiree	Audit	In-Progress
13	Systems	Oversight of SOC Audits FYE 23 & 24	Oversight	Continuous
14	HR	Follow-up Assessment of Recruitment and Hiring	Audit	Q3
	INVESTMENTS & FASD			
15	FASD	Wire Transfers (BofA)	Audit	Q3
16	FASD	CEO Credit Card	Audit	Completed
17	FASD	Oversight of Financial Audit FYE 23 & 24	Oversight	Continuous
18	Investments	RFP - Actuarial Services	Advisory	In-Progress
19	Investments	Oversight of Actuarial Audit FYE 23 & 24	Oversight	Continuous
20	Investments	Oversight THC Financial Audits - FYE 23 & 24	Oversight	Continuous
	OPERATIONS - Benefits, DRS, RHC, Member Services			
21	Benefits	Death Claims Process	Audit	Q3
22	Benefits	Account Settlement Collections (Overpayments)	Audit	Q4
23	Benefits	LA County Payroll	Audit	Q4
	INTERNAL AUDIT OPERATIONS			
24	Internal Audit	RFP - Audit Committee Consultant	Other Projects	In-Progress
25	Internal Audit	Professional Development / CPE	Other Projects	Continuous
26	Internal Audit	Quality Assurance Improvement Program	Other Projects	Continuous
27	Internal Audit	Audit Committee Support	Other Projects	Continuous
	ADDED PROJECTS			
28	Benefits	Replacement Plan 415B	Addition	Completed
29	FASD	Internal Controls over Financial Reporting	Addition	Completed
30	HR / Systems	Termination Of Access	Addition	Q4
31	Exec Office	External Audit of OneMeeting (Net Force)	Addition	In-Progress

ATTACHMENT - B

FYE 2024 INTERNAL AUDIT PLAN				
ENTERPRISE RISK MANAGEMENT (ERM) PLAN				**10 Percent**
ERM TASKS				**BASIS FOR INCLUSION**
1	ERM Program Plan			Strategic Plan
AUDIT PLAN				**90 Percent**
	DIVISION	**AUDIT / PROJECT NAME**	**PROJECT TYPE**	**STATUS**
	EXECUTIVE/LEGAL/ORGANIZATIONAL			
1	Exec Office	Records & Info Mgmt (FKA: Document Retention)	Consulting	Completed
2	Exec Office	Organizational Ethics/Culture	~~Audit~~ Consulting	In-Progress
3	Exec Office	LA County Rehired Retiree	Audit	Completed
~~4~~	~~Exec Office~~	~~Board Education and Travel~~	~~Audit~~	~~Q4~~
4	Exec Office	Business Continuity Plan	~~Audit~~ Advisory	Q4
5	Organizational	Continuous Audit Processing (CAP)	Audit	Continuous
6	Organizational	Recommendation Follow-Up	Other Projects	Continuous
7	Organizational	Risk Assessment	Other Projects	Continuous
	ADMINISTRATION - Admin Services, HR, Systems			
8	Systems	IT Risk Assessment	Audit	Q4
9	Admin/Systems	Inventory Asset Managment	Audit	Q3
10	Admin Services	Procurement of Goods	Audit	In-Progress
11	HR	LACERA Rehired Retiree	Audit	In-Progress
12	Systems	Oversight of SOC Audits FYE 23 & 24	Oversight	Continuous
13	HR / Systems	Follow-up Assessment of Recruitment and Hiring	Audit	Q3
	INVESTMENTS & FASD			
14	FASD	Wire Transfers (BofA)	Audit	Q3
15	FASD	CEO Credit Card	Audit	Completed
16	FASD	Oversight of Financial Audit FYE 23 & 24	Oversight	Continuous
17	Investments	RFP - Actuarial Services	Advisory	In-Progress
18	Investments	Oversight of Actuarial Audit FYE 23 & 24	Oversight	Continuous
19	Investments	Oversight THC Financial Audits - FYE 23 & 24	Oversight	Continuous
	OPERATIONS - Benefits, DRS, RHC, Member Services			
~~20~~	~~Benefits~~	~~Death Claims Process~~	~~Audit~~	~~Q3~~
21	Benefits	Account Settlement Collections (Overpayments)	~~Audit~~ Advisory	Q3
22	Benefits	LA County Payroll	Audit	Q4
	INTERNAL AUDIT OPERATIONS			
22	Internal Audit	RFP - Audit Committee Consultant	Other Projects	In-Progress
23	Internal Audit	Professional Development / CPE	Other Projects	Continuous
24	Internal Audit	Quality Assurance Improvement Program	Other Projects	Continuous
25	Internal Audit	Audit Committee Support	Other Projects	Continuous
	ADDED PROJECTS			
26	Benefits	Replacement Plan 415B	Audit	Completed
27	FASD	Internal Controls over Financial Reporting	Consulting	Completed
28	Organizational	Termination Of Access	Audit	Q4
29	Exec Office	One Meeting	Consulting	In-Progress

Attachment C

Fiscal Year End 2024 Internal Audit Plan Amendments (through November 30, 2023)

Presented by:

Nathan K. Amick, Senior Internal Auditor

Completed Audit Projects & Engagements (since July 1, 2023)

Completed Since Last Audit Committee Meeting	Project Type	Report Date
Organizational Records & Information Management Policy (RIM) *	Consulting	August 16, 2023
CEO Credit Card	Audit	September 21, 2023
LA County Rehired Retiree	Audit	November 14, 2023
Internal Controls over Financial Reporting - Cash and Treasury	Consulting	November 15, 2023
Replacement Plan 415B	Audit	November 30, 2023

*Formerly known as Document Retention

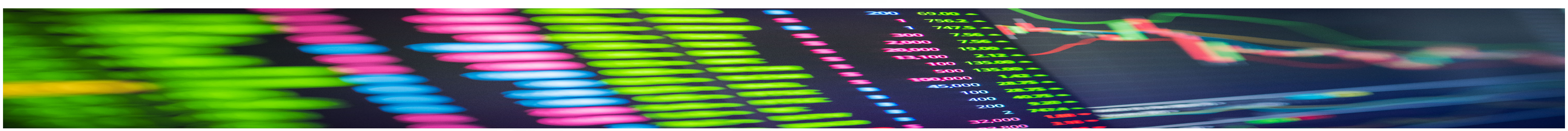
Continuous and Current Audit Engagements

The projects below (10) are perpetual, and the work is up to date as of November 30, 2023. All projects will be completed June 30, 2024, and will recommence July 1, 2024 for FYE 2025. Projects with an asterisk (*) are Internal Audit administrative responsibilities.

Continuous Audit Engagements/Projects
Continuous Audit Processing (CAP)
Oversight of Actuarial Audit FYE 23 & 24
Oversight of Financial Audit FYE 23 & 24
Oversight of SOC Audits FYE 23 & 24
Oversight THC Financial Audits - FYE 23 & 24
Professional Development / CPE*
Quality Assurance Improvement Program*
Recommendation Follow-Up*
Risk Assessment*
Audit Committee Support*

In Progress Audit Engagements & Projects

In Progress - Engagement/Project	Project Type	Estimated Completion	Planning Scope	Prelim Audit Work	Audit Field Work	Draft Report	Exit Meeting
External Audit of OneMeeting (Net Force)	Audit	02/28/2024					
LACERA Rehired Retirees	Audit	12/30/2023					
Procurement of Goods	Audit	12/30/2023					
Organizational Ethics/Culture	Consulting	04/24/2024					
Audit Committee Consultant RFP	RFP	12/14/2023	Committee to select consultant at the December 14, 2023, Audit Committee Meeting.				
Actuarial Services RFP	RFP	04/24/2024	Statement of work approved at November BOI meeting. RFP published November 15, 2023.				

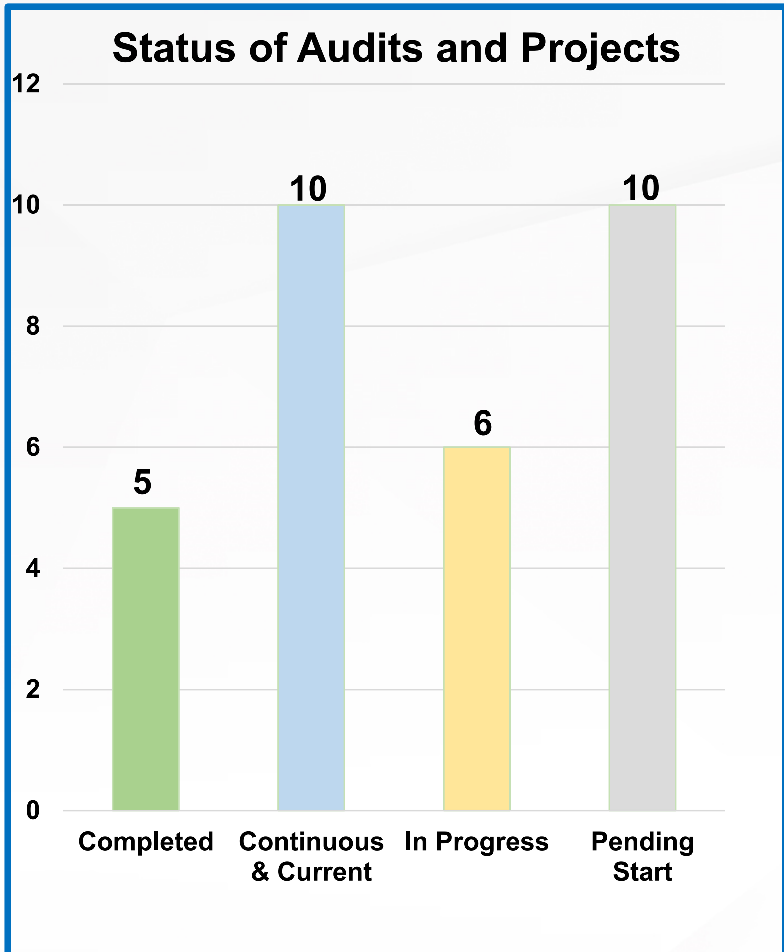


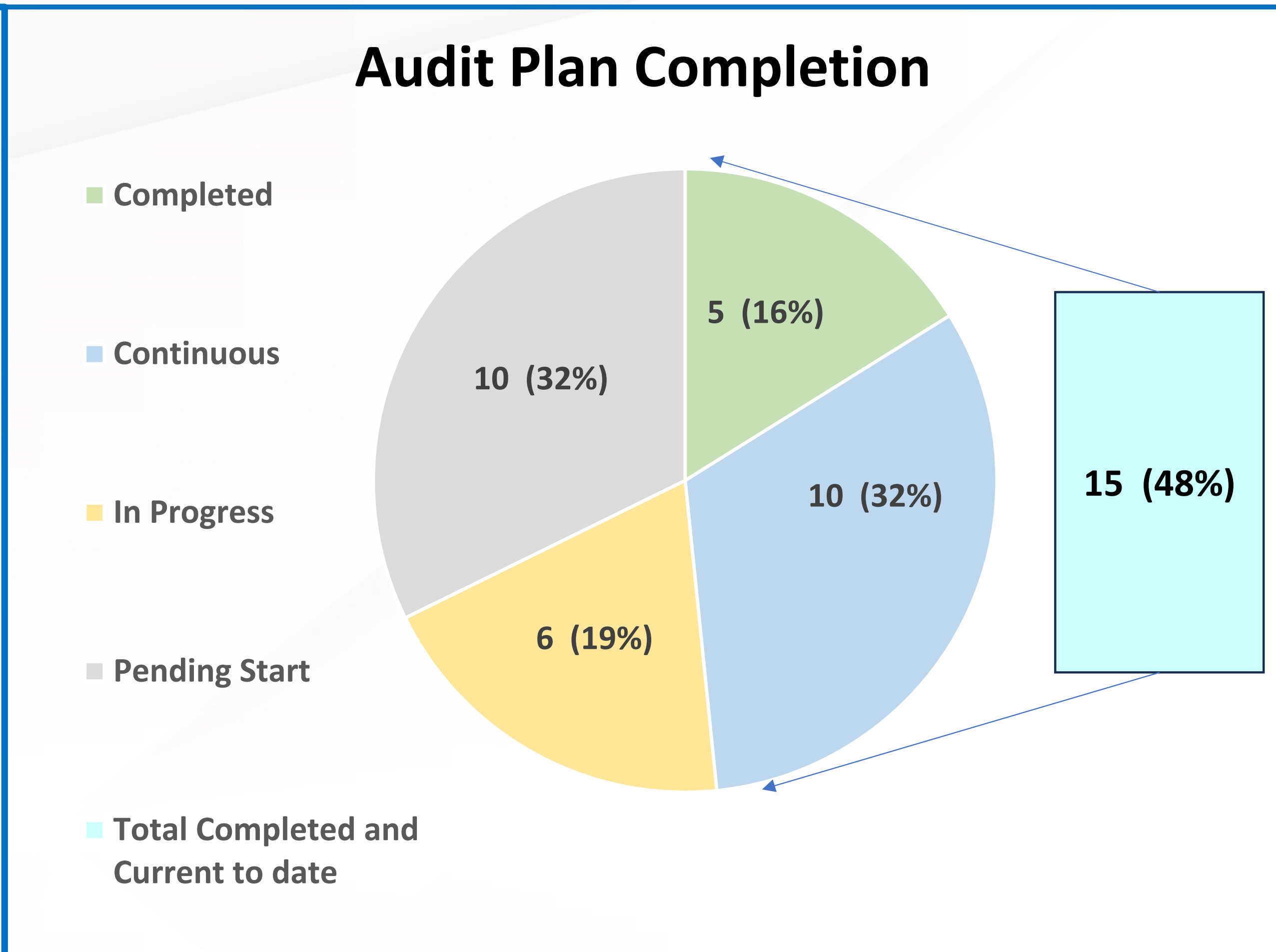
Pending Audit Engagements & Projects

As of November 30, 2023, Internal Audit has yet to begin work on these FYE 2024 Audit Plan projects.

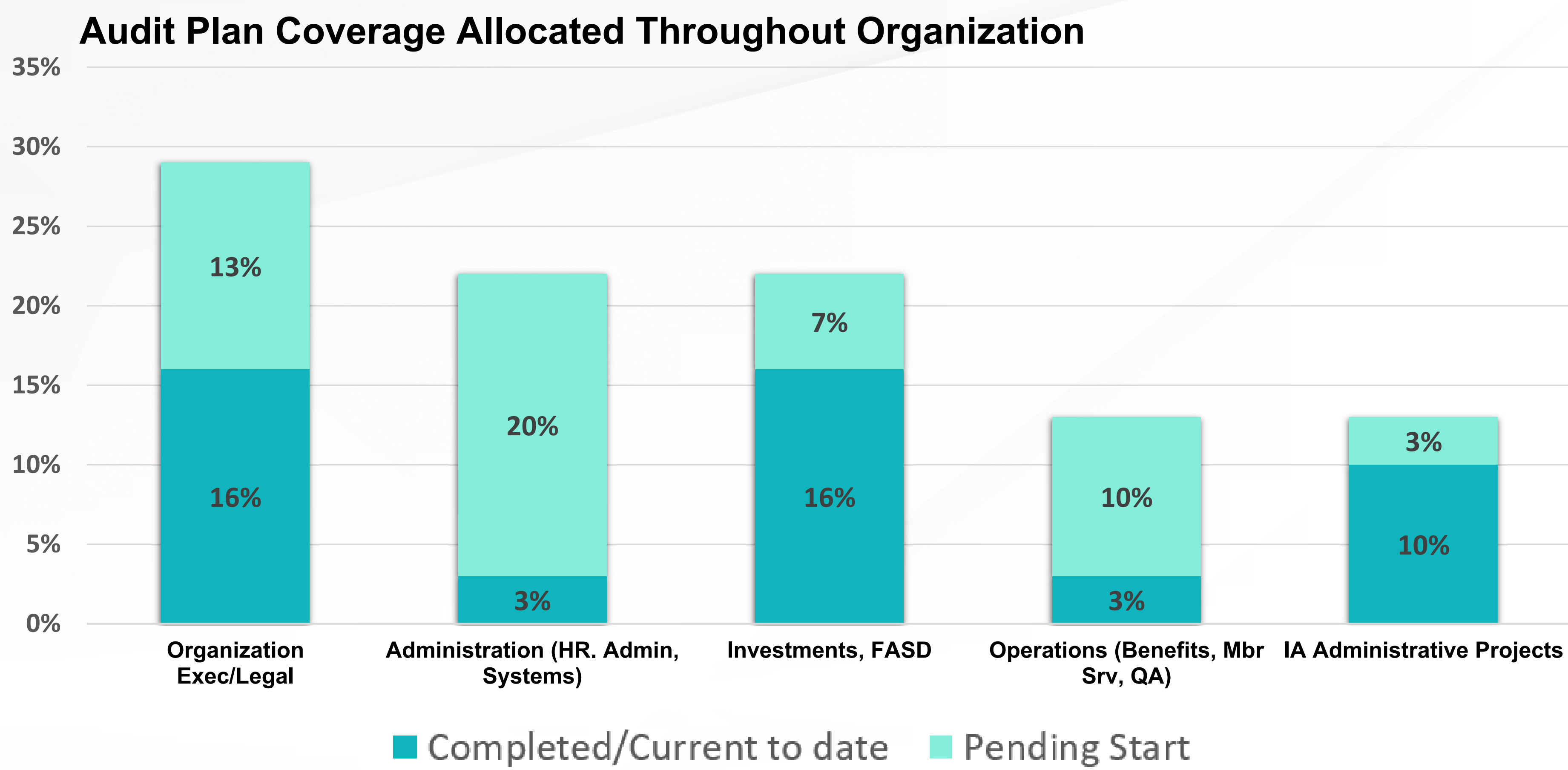
Pending Engagement/Project	Estimated Start
Business Continuity Plan	Quarter Three
Death Claims Process	Quarter Three
Follow-up Assessment of Recruitment and Hiring	Quarter Three
Inventory Asset Management	Quarter Three
Wire Transfers (BofA)	Quarter Three
Account Settlement Collections (Overpayments)	Quarter Four
Board Education and Travel	Quarter Four
IT Risk Assessment	Quarter Four
LA County Payroll	Quarter Four
Termination Of Access	Quarter Four

FYE 2024 Audit Project Dashboard





FYE 2024 Audit Project Dashboard



Audit Plan Amendments

Project Name	Add/Delete	Justification
Internal Controls over Financial Reporting - Cash & Treasury	Addition	FYE 2023 Rollover – Completed 11/15/2023
Replacement Plan 415b	Addition	Completed 11/30/2023
External Audit of OneMeeting (Net Force)	Addition	FYE 2023 Rollover – Est. Completion 02/28/2024
Termination of Access	Addition	Audit Committee Directive – June 2023 Meeting
Death Claims Process	Request Delete	Resourcing Constraints
Board Education and Travel	Request Delete	Resourcing Constraints Emerging Risk

Please Refer to **ATTACHMENT- B** of your package for a redlined version of the FYE 2024 Audit Plan noting additions, edits and requested deletions.

Progress Implementing IA Recommendations

23 Recommendations were issued from our External Quality Assessment in March 2022

- 10 recommendations have been implemented, as of November 30, 2023.
- 13 recommendations remain open:
  - Prioritized 5 foundational recommendations that are currently in progress; completion delayed due to resource constraints
  - Remaining 8 recommendations relate to strategic planning. Target for completion is Post-Foundational

Questions

LACERA

November 7, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

FOR: December 14, 2023 Audit Committee Meeting

SUBJECT: **Audit Committee Annual Report to the Boards**

RECOMMENDATION

The Audit Committee provide suggested revisions and/or approve the issuance of the Audit Committee Annual Report to the Boards and direct staff to issue the report to the Boards at their respective January 2024 meetings.

BACKGROUND

Attached please find the draft of the Audit Committee Annual Report from the Audit Committee to the Boards. This is a report that provides the boards with a summary of key responsibilities performed by or overseen by the calendar year 2023 Audit Committee, mapped to the Audit Committee Calendar (Calendar).

The Calendar itemizes the key responsibilities of the Audit Committee as included in the Audit Committee Charter (Charter), as well as the frequency and timing for the expected completion of each responsibility.

Please note, this annual communication to the Boards is a best practice communication that was included in the Calendar. The Chief Audit Executive (CAE), Internal Audit and the Audit Committee also provide ongoing communications, as necessary, to the Boards as required by the Institute of Internal Audit (IIA) Standards.

All Audit Committee meetings are placed on the agendas as regular meetings of the Audit Committee and Board of Retirement (BOR) and Board of Investments (BOI) of LACERA. As a result, trustees on both Boards who are not on the Audit Committee may attend and participate in meetings of the Audit Committee, although they may not vote on any matter discussed at the meeting. Audit Committee materials, except for closed session materials related to the CAE's performance, are provided to all trustees, including those on the BOR and BOI that are not members of the Audit Committee. Matters raised during Audit Committee meetings where the Boards have not provided the Committee with the authority in the Audit Committee Charter, are forwarded to one or both Boards for further action.

Attachment

RPB

December XX, 2023

TO: Each Trustee
Board of Retirement
Board of investments

FROM: Onyx Jones
2023 Audit Committee Chair

Richard P. Bendall RPB
Chief Audit Executive

FOR**:** January XX, 2024 Board of Retirement Meeting
January XX, 2024 Board of Investments Meeting

SUBJECT: **2023 Audit Committee Annual Report**

This is the annual report of the Audit Committee to the boards, included as a best practice in the Audit Committee Charter.

The Audit Committee supports the boards in assessing the risks facing LACERA, including assessing the governance risk and control framework, reviewing the system of internal controls and overseeing the operations of the internal audit function.

The work performed by the Committee in this regard is defined in the Audit Committee Charter which establishes the authority and responsibilities of the Committee. The purpose of the Audit Committee as defined in the Charter is to assist the Boards in fulfilling their fiduciary oversight duties for the:

A. Internal Audit Activity
B. Professional Service Provider Activity
C. Financial Reporting Process
D. Values and Ethics, and
E. Organizational Governance

The Committees responsibilities in each of these areas is detailed in the **attached** document extracted from the Audit Committee calendar. The Audit Committee's efforts and actions are further highlighted under each of these five key areas of responsibility below.

A. Internal Audit Activity

   a. Oversaw the completion of the Fiscal Year Ended June 30, 2023 Audit Plan.
   b. Audits completed during calendar year 2023 included:
      i. LACERA Contract Operations Review
      ii. Audit of Disability Retirement Services Business Processes
      iii. Third Party Data Security Audit
      iv. Consulting Engagement - Investment Operational Due Diligence (ODD)
      v. State Street Bank Wire Transfer Audit

vi. LACERA Corporate Credit Card Audit & CEO Corporate Credit Card
vii. Consulting of Organizational Records and Information Management (RIM) Policy.
viii. Security Review of OneMeeting Application
ix. Audits of LA County and LACERA's Rehired Retirees (960-hour) Programs (FYs 2022 and 2023)
x. Replacement Benefit Plan (IRS code section 415b) Audit

c. Approved the Fiscal Year ending June 30, 2024 Audit Plan
d. Oversaw Plante Moran's completion of the SOC1 over the OPEB program.
e. Oversaw the work of Internal Audit and evaluated the CAE's performance.

B. Professional Service Provider Activity
   a. Approved the release of an RFP to perform a search for an external SOC 1 Type II Auditor and then approved the selection of Moss Adams to succeed Plante Moran in that role for five fiscal years beginning with Fiscal Year Ending June 30, 2024.
   b. Approved the hiring of KPMG to perform a consulting engagement of the Investment Office's Operational Due Diligence program.

C. Financial Reporting Process
   a. Oversaw Plante Moran's financial audit and issuance of an unqualified opinion on LACERA's annual financial statement audit.

D. Values and Ethics, and
   a. Oversaw reports from Internal Audit on their Ethics Hotline reports

E. Organizational Governance
   a. Approved the inclusion of an Enterprise Risk Management (ERM) component to the Annual Audit Plan.
   b. During calendar year 2023, staff provided follow up on the work previously performed by Weaver & Tidwell around Ethics and Values. In 2022, Weaver & Tidwell performed an assessment of LACERA's maturity in the following key organizational governance areas:
      i. Ethics and values
      ii. Risk management
      iii. Detection and prevention of fraud
      iv. System of internal control
      v. System of compliance

Attachment

RPB:rb

2022 Audit Committee Charter Responsibilities			
Documentation	**Ref to *AC Charter**	**Frequency**	**Comments**
Audit Engagement Reports	VII.A.2.a.	Every Meeting	See summary of reports reviewed and approved by the AC during calendar year 2023 in cover memo.
Audit Plan Status Update	VII.A.1.d. & VII.A.2.c-d.	Every Meeting	At each meeting, the AC reviewed the Audit Plan Status Update report.
Summary of Hotline Investigations	VII.D.3 & VII.E.2.b.	Every Meeting	At each meeting, the AC reviewed the Summary of Hotline Investigations report.
Recommendation Follow-Up Reports	VII.A.2.b.	Every Meeting	AC reviewed the Recommendation Follow-Up Reports at the Febuary, June, August and December AC meetings.
Proposed Audit Plan and Budget	VII.A.1.c.	Annually	AC reviewed and approved the Proposed Audit Plan and Budget at the Febuary meeting.
Annual Risk Assessment	VII.A.1.a.	Annually	In February and June, Trustees, including those on the AC, provided feedback on current risks for the Annual Risk Assessment.
Annual Audit Plan	VII.A.1.b.	Annually	AC reviewed and approved the FY 2024 Annual Audit Plan at the August meeting.
Presentation / memo by Financial Auditor detailing proposed scope of work and timing.	VII.B.2	Annually	Plante Moran, LACERA's external auditor, presented to the AC its proposed scope of work and timing at the August meeting.
Internal Audit Charter	VII.A.3.a.	Annually	AC reviewed and approved IA's Charter at the August 2021 meeting. Staff presented at the December 2023 AC meeting that the IIA will be issuing substantial revisions to their standards in early 2024 and staff will bring a revised Internal Audit Charter to the AC in June 2024 for approval.
Internal Audit Annual Performance Report	VII.A.3.b.-c.	Annually	*IA presented its Annual Performance Report at the August 2023 meeting.
CAE Performance Evaluation	VII.A.4.b.-c.	Annually	The CAE presented his self-evaluation with CEO comments to AC at the December 2024 meeting. AC trustees were requested to submit their scored evaluations of the CAE to the Director of HR.
Ethics & Values Review	VII.D.1-3.	Annually	IA presented an update on Weaver's Organizational Governance Review and related strategic recommendations at the August 2023 AC meeting.
Organizational Governance Review	VII.E.	Annually	
Compliance Memo from Legal Office	VII.E.4.c.	Annually	Executive Management and Legal presented an assessment of LACERA's status in regard to compliance at the March 2023 AC meeting.
Financial Statements, Correspondence, & Presentation	VII.C.1.-4.	Annually	Plante Moran presented the Financial Statements, Correspondence, and related reports to the AC at the December 2024 meeting.
Audit Committee Annual Performance Report	VII.G.1.	Annually	We are recommending at the December 2023 AC meeting that the AC take its Annual Performance Report to the Boards at their January 2024 meetings.

2022 Audit Committee Charter Responsibilities			
Documentation	**Ref to *AC Charter**	**Frequency**	**Comments**
Audit Committee Charter	VII.F.4	Every 3rd year	The Boards approved the AC Charter in July 2021. Staff presented proposed revisions to the Charter at the December 2023 meeting, making significant changes to the Charter for the Committee consideration. The changes if approved by the Committee and the Boards will change the Audit Committee to the Audit, Compliance, Risk and Ethics (ACRE) Committee.
Approve the appointment and compensation of the External Financial Auditor	VII.B.1	Every 5th year**	The Audit Committee approved the issuance of an RFP at the November 2022 meeting, interviewed three finalists at the March 2023 meeting and selected Plante Moran to continue as external financial auditor for a three year term with two additional one year extensions, at the discretion of the Audit Committee.
Ensure IA has an external quality assessment performed every five years.	VII.A.3.d.	Every 5th year	External Quality Assessment (EQA) Auditor, The Institute of Internal Auditors (IIA) Quality Services presented their report to the AC at the March 2022 meeting.
Provide an open avenue of communication between IA, all Professional Service Providers, Management, and the Boards.	VII.F.2	Continous	Continuous
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	The AC also approved the hiring of KPMG to perform an operational due dilligence (ODD) review of LACERA's Investment Office at the November 2022 meeting at the conclusion of an RFP process. KPMG completed their work in August 2023. Internal Audit used the services of NetForce, one of the Internal Audit pool firms to complete an application security review of the OneMeeting application.
Review with Professional Service Providers, including the Financial Auditor, and Mgmt the results of the work performed, any findings & recommendations, Mngmt's responses, and actions taken to implement the audit recommendations.	VII.B.3	As needed	Presentations are made by the external service providers to the AC on work completed, as necessary, throughout the year and the AC has the opportunity to discuss findings and recommendations with the external providers and management. Findings are included in Internal Audit's recommendation follow-up process and Internal Audit reports on the status of implementation to the AC on an ongoing basis until resolved.
Advise the Boards about any recommendations for the continuous improvement of the internal audit activity.	VII.A.3.e.	As needed	_
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	_

Legend
AC = Audit Committee
IA = Internal Audit
PM = Plante Moran, LACERA's financial auditors

November 15, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Nathan K. Amick
Senior Internal Auditor

FOR: December 14, 2023 Audit Committee Meeting

SUBJECT: **Plante Moran Financial Audit Reports**

Enclosed for your information are the audit reports completed by LACERA's external auditors, Plante Moran, PLLC. Plante Moran will be at the December 14, 2023 Audit Committee meeting to present a summary of their work performed during FYE 2023.

Attachments:

- Plante Moran's Audit Presentation
- Those Charged with Governance Memo
- Internal Controls on Financial Reporting Memo
- Audited Financial Statements for FYE June 30, 2023
- GASB 68 Disclosure Report, Schedule of Employer Allocations and Schedule of Pension Amounts by Employer for FYE June 30, 2022
- GASB 75 Disclosure Report, Statement of Changes in Fiduciary Net Position by Employer for FYE June 30, 2022

NKA

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

ATTACHMENT A

plante moran

Los Angeles County Employees Retirement Association

Audit Presentation

December 14, 2023

Introductions

Jean Young, CPA

Partner

Amanda Cronk, CPA

Principal

Kristin Hunt, CPA

Partner Rotating on 2024

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 2023 – Initiated planning procedures
- May/June 2023 – Performed interim procedures remotely
- July/August 2023 – Performed additional planning and fieldwork audit procedures
- September/October 2023 – Finalized testing and review of financial statements
- October 13, 2023 – Issued audit opinion on audited financial statements

Deliverables:

- LACERA's 2023 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 Employee Retirement Association (LACERA) as of and for the years ended June 30, 2023 and 2022 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, 2023 and 2022 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
- Review of Annual Comprehensive Financial Report (ACFR) and Popular Annual Financial Report (PAFR)

Questions?

Thank you!

For more information contact:

Jean Young, CPA
517-336-7458
Jean.Young@plantemoran.com

Kristin Hunt, CPA
419-842-6110
Kristin.Hunt@plantemoran.com

Amanda Cronk, CPA
810-766-6045
Amanda.Cronk@plantemoran.com

Plante & Moran, PLLC
Suite 100
1111 Michigan Ave.
East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

October 13, 2023

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 year ended June 30, 2023 and 2022 and have issued our report thereon dated October 13, 2023. 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 May 22, 2023, 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 audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of LACERA. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit 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 audit of LACERA's financial statements has 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 audit 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 audit. Toward this end, we issued a separate letter dated October 13, 2023 regarding our consideration of LACERA's internal control 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 Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 1, 2023 and follow-up letter sent June 20, 2023.

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.

No new accounting policies were adopted, and the application of existing policies was not changed during 2023.

We noted no transactions entered into by LACERA during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 $26,507,000,000 (34 percent of net position) at June 30, 2023 whose fair values have been estimated by management in the absence of readily determinable market values. Management uses various means to estimate the fair value of these investments, including utilizing audited financial statements, quarterly investment manager reports, and various pricing sources obtained by LACERA's custodian bank.

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, 2023, 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 2022 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 2022 utilizing the actuarial experience of LACERA for the period from July 1, 2019 through June 30, 2022. Based on that experience study, in the actuarial valuation, the actuary has used the Pub-2010 tables with the MP-2021 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 Audit

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

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.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, 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 the 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 13, 2023.

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 audit. 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 13, 2023

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, CPA
Partner

Kristin L. Hunt, CPA
Partner

Amanda Cronk, CPA
Principal

plante moran

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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, 2023 and the related notes to the financial statements, which collectively comprise LACERA's financial statements, and have issued our report thereon dated October 13, 2023.

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 opinion 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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 13, 2023

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

REPORT ON AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

Issued October 13, 2023 - Final

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TABLE OF CONTENTS

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

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TABLE OF CONTENTS

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FINANCIAL SECTION

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Plante & Moran, PLLC
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East Lansing, MI 48823
Tel: 517.332.6200
Fax: 517.332.8502
plantemoran.com

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, 2023 and 2022 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, 2023 and 2022 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 $26,849,000,000 (35 percent of net position) at June 30, 2023 and 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. 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.

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.

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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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Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion 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 13, 2023 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 13, 2023

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Management's Discussion and Analysis as of June 30, 2023

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 years ended June 30, 2023 and 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, 2023 Statement of Fiduciary Net Position, totaled $73.9 billion, which is an increase of $3.6 billion or 5.1 percent from June 30, 2022.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, were $8.0 billion, an increase of $6.5 billion. which is 459.3 percent more than the amounts realized in 2022, primarily due to higher investment activity income.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, totaled $4.4 billion, an increase of $249 million or 6.0 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, 2022, and determined the funded status of the Pension Plan (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 79.6 percent versus 79.3 percent as of June 30, 2021. The 0.3 percentage point increase in funded ratio was primarily due to the recognition of deferred investment gains from prior years and employer contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL). This increase was partially offset by the less-than-assumed investment return for fiscal year 2021-2022, actuarial assumption and method changes, and both CPI and retiree COLAs greater than assumed.
- The Net Pension Liability, provided in accordance with Governmental Accounting Standards Board Statement Number 67 (GASB 67), was $14.6 billion for the fiscal year ended June 30, 2023. This represents an increase of $1.0 billion from June 30, 2022, when the liability was $13.6 billion. The increase of the Net Pension Liability was primarily caused by changes in the actuarial assumptions and methods used as inputs in calculating future liabilities. As of June 30, 2023, the most recent measurement date, the Pension Plan's Fiduciary Net Position was 83.5 percent of the Total Pension Liability, a decrease from 83.8 percent as measured for the previous fiscal year ended 2022. The decrease in this ratio, was due to the growth in the Total Pension Liability outpacing the growth in the Pension Plan's Fiduciary Net Position.

Other Post Employment Benefits (OPEB) Program

- The OPEB Trust Fiduciary Net Position increased by $697.7 million, primarily due to investment gains for the fiscal year. The balance available to fund future OPEB liabilities as of June 30, 2023 increased by 29.1 percent, totaling $3.1 billion as compared to $2.4 billion for the prior year as of June 30, 2022.
- 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, 2023, increased to approximately $206.2 million from the prior year, when the balance was $192.5 million for the fiscal year ended 2022. The increase of 7.1 percent or $13.7 million held

on behalf of plan sponsors, after funding pay-as-you-go benefit costs, was primarily due to plan sponsor contributions and investment gains.

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 same as the Fiduciary Net Position (the result of assets minus the liabilities), 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), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and other applicable law, 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, as well as death/burial benefits for retired members only. 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 and excluded the subsidy for their dependents 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 a 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. Also, dependent subsidy eligibility differs between Tier 1 or Tier 2 enrollment.

OPEB Custodial Fund

The OPEB Custodial Fund reflects the annual financial activity of the OPEB Program for all participating employers, including those that have established OPEB advanced funding in the OPEB Trust at LACERA (i.e., County, Superior Court, and LACERA) and those that have not (i.e., the four outside districts). Plan sponsors and members provide monthly funding through the OPEB Custodial Funds 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. Depending on the member's years of service credit, retirees may qualify for employer-paid medical/dental insurance subsidies ranging from 40 percent up to 100 percent of the selected plan or benchmark plan premium. LACERA bills the healthcare premiums to the participating employers and members and receives reimbursement on a monthly basis. This subsidy, however, only covers dependents in Tier 1 while dependents in Tier 2 are not covered. Plan members who do not qualify for the 100 percent subsidy based on their years of service, are required to pay their unsubsidized percentage of the premium cost. LACERA maintains two investment accounts that hold excess balances from Retiree Healthcare operations including administrative fees and insurance premium reserves.

LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants. The OPEB Custodial Fund is presented separately in the Statement of Fiduciary Net Position.

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 for 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 Trust's 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, others than costs LACERA pays for its own employees and their eligible dependents.

The Superior Court began prefunding its OPEB obligations through a Court OPEB Trust, which became effective and initially funded as of June 30, 2016. 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 one investment pool.

The OPEB Trust is presented separately in the Statement of Fiduciary Net Position. LACERA's Board of Investments manages the OPEB Trust for the County, LACERA, and the Court, and utilizes an investment policy statement that defines the framework by which LACERA manages the assets of the OPEB Trust in order to fulfill its mission. The OPEB Trust's Fiduciary Net Position Restricted for Benefits at year-end serves to measure the effort in prefunding 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 are available for retirement benefits. As of June 30, 2023, LACERA had Total Assets of $76.1 billion, which exceeded Total Liabilities of $2.3 billion, resulting in a Fiduciary Net Position Restricted for Benefits of $73.8 billion. This amount reflects an increase of $3.6 billion or 5.1 percent from the prior year, primarily due to investment earnings. As of the prior year June 30, 2022, LACERA had $72.6 billion of Total Assets, which was greater than $2.3 billion in Total Liabilities, resulting in a Fiduciary Net Position Restricted for Benefits of $70.3 billion.

This amount reflects a decrease of $2.7 billion or a 3.7 percent decrease from the prior year 2021, because of negative investment earnings as well as annual fund deductions exceeding contributions.

Fiduciary Net Position Restricted for Benefits — Pension Plan
As of June 30, 2023, 2022, and 2021
(Dollars in Millions)

	2023	2022	2021	2023 - 2022 % Change	2022 - 2021 % Change
Investments	$71,461	$67,467	$70,298	5.9%	(4.0)%
Other Assets	4,678	5,172	5,066	(9.6)%	2.1%
Total Assets	$76,139	$72,639	$75,364	4.8%	(3.6)%
Total Liabilities	(2,287)	(2,349)	(2,352)	(2.6)%	(0.1)%
Fiduciary Net Position Restricted for Benefits	**$73,852**	**$70,290**	**$73,012**	**5.1%**	**(3.7)%**

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 investment earnings and the collection of employer and member retirement contributions. For fiscal years ended 2023 and 2022, Total Additions from these two sources, amounted to $8.0 billion and $1.4 billion, respectively. The increase in Total Additions was due to an increase in investment income and appreciation of investment holdings during 2023. For the fiscal year ended 2021, Total Additions amounted to $18.4 billion. The differences between fiscal years 2022 and 2021 were primarily due to depreciation of investment holdings greater than investment income during 2022.

The net investment gain for fiscal year 2023 was approximately $4.9 billion, an increase of $6.4 billion from the 2022 Fiscal Year when the net investment loss was $1.5 billion. This fiscal year's time-weighted investment returns of 6.4 percent (net of fees) was lower than the actuarial assumed investment earnings rate of 7.0 percent primarily due to a strong recovery in the equity market while other asset classes such as fixed income and real estate still faced economic headwinds. In fiscal year 2022, the net investment loss was $1.5 billion, $17.1 billion lower than the net investment gain in 2021. The fiscal year 2022 time-weighted investment returns of 0.1 percent (net of fees) was lower than the actuarial assumed investment earnings rate of 7.0 percent primarily due to challenging market conditions in the first half of 2023 including war in Europe, high inflation, and an economic slowdown in China. 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, 2023, and 2022, 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 $4.4 billion for fiscal year 2023, an increase of $249 million or 6.0 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 retirement benefit payments, including cost-of-living-adjustments, for the fiscal year ended June 30, 2023. These deductions totaled $4.1 billion for fiscal year 2022, an increase of $240 million or 6.1 percent from the prior year, 2021. The increase in deductions is partly attributable to an increase in the number of LACERA retirees and related increase in retirement benefit payments, including cost-of-living-adjustments, for the fiscal year ended June 30, 2022.

Administrative and miscellaneous expenses also increased 13.0 percent from the fiscal years ended June 30, 2022 to June 30, 2023 due to scheduled salary and employee benefit increases, occupancy of previously vacant positions, an increase in computer software, equipment and facilities costs, and higher professional services fees including legal, consulting and disability medical services. 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.

For the fiscal years ended June 30, 2023 and 2022, the Fiduciary Net Position Restricted for Benefits had a net increase of $3.6 billion for 2023 and a $2.7 billion net decrease for 2022. These amounts represent the annual change in net position made available for additional investments, retirement benefit payments, and LACERA's cost of operations. The increase in Fiduciary Net Position for Benefits in fiscal year 2023 was due to the positive performance of LACERA's investment portfolio. The net decrease to the Fiduciary Net Position Restricted for Benefits from fiscal years ended June 30, 2021 to June 30, 2022 was $2.7 billion which resulted primarily from annual retirement benefit and refund payments exceeding contributions and investment income.

Additions and Deductions in Fiduciary Net Position — Pension Plan

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

(Dollars in Millions)

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

Pension 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. LACERA maintains a strategic allocation to cash which would allow it fund member benefit payments for three months in the event of a disaster.

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. The next strategic asset allocation review cycle for the Pension Plan will commence after the 2023 fiscal year-end.

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, 2023, was $88.5 billion, or an increase of 5.4 percent from the Total Pension Liability of $83.9 billion as of June 30, 2022. The Net Pension Liability as of June 30, 2023, was $14.6 billion, representing an increase of 7.2 percent from the Net Pension Liability of $13.6 billion as of June 30, 2022. The Net Pension Liability increased by $1.0 billion because LACERA experienced a $3.6 billion increase in the Fiduciary Net Position while the Total Pension Liability increased at a faster rate to $4.5 billion.

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, 2023, and 2022, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 83.5 percent and 83.8 percent, respectively. The decrease for the fiscal year ended June 30, 2023, is due to the growth in the Total Pension Liability of $4.5 billion and a smaller increase in LACERA's Fiduciary Net Position of $3.6 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, 2023, 2022, and 2021
(Dollars in Millions)

				2023 - 2022		2022 - 2021	
	2023	**2022**	**2021**	**$ Change**	**% Change**	**$ Change**	**% Change**
Total Pension Liability	$88,469	$83,931	$80,304	$4,538	5.4%	$3,627	4.5%
Less: Fiduciary Net Position	(73,852)	(70,290)	(73,012)	(3,562)	5.1%	2,722	(3.7)%
Net Pension Liability	**$14,617**	**$13,641**	**$7,292**	**$976**	**7.2%**	**$6,349**	**87.1%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**83.5%**	**83.8%**	**90.9%**	**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 Trust

As reflected in the OPEB Trust's Statement of Changes in Fiduciary Net Position, OPEB Trust additions included net investment gain of $247.5 million for the fiscal year ended June 30, 2023, which was the opposite of the prior year when the investment portfolio incurred a net loss of $288.5 million.

Deductions included $942 thousand for total administrative expenses, an increase of $343 thousand from the prior fiscal year resulting from adding new asset classifications to the investment portfolio requiring additional staff time. The OPEB Trust's Fiduciary Net Position Restricted for Benefits as of the fiscal year ended June 30, 2023, was $3.1 billion representing a $697.7 million increase from last year primarily due to employer contributions and investment income. As of June 30, 2022, the total OPEB Trust Fiduciary Net Position Restricted for Benefits was $2.4 billion, which included deductions of $312 million for investment asset depreciation and $599 thousand for administrative expenses.

Employers provided OPEB Trust prefunding contributions of $451 million for fiscal year 2023, a 19.9 percent increase from $376 million for fiscal year 2022, 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 to accumulate and fund future benefits. GASB standards allow—for financial statement presentation only—pay-as-you-go activity from the OPEB Custodial Fund to be 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, OPEB Trust 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 $1.2 billion for fiscal year 2023 and $1.1 billion for fiscal year 2022. 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

The "OPEB Trust" is also referred to as the "OPEB Master Trust" throughout the financial statements, accommodates commingling and co-investing of the County, LACERA, and Court OPEB Trust funds. In June 2021, the LACERA Board of Investments adopted a revised asset allocation model including new private market asset classes such as private equity, infrastructure, natural resources, illiquid credit, and real estate within the functional asset category structure. During fiscal year ended 2023, LACERA selected an investment manager for this private market asset investment mandate. In January 2023, LACERA exercised its authority under the OPEB Trust to implement a unitized fund structure which allows for unitization of investments at the asset composite level while retaining individual net asset values for each participating employer.

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.

Financial Analysis — OPEB Custodial Fund

The OPEB Custodial Fund is used to pay benefit costs as incurred on an ongoing pay-as-you-go basis. As of June 30, 2023, the OPEB Custodial Fund's total assets exceeded total liabilities, resulting in a positive Fiduciary Net Position Restricted for Benefits of $206 million. This balance, where total assets of $304 million exceeded total liabilities of $98 million, represents accumulated balances of excess healthcare premiums held in reserve and rebates due to federal program participation, both of which can be used to offset future OPEB costs. These funds are held at LACERA on behalf of the employers. As of the end of the fiscal year, June 30, 2022, the Fiduciary Net Position Restricted for Benefits was $193 million as a result of total assets, reported at $270 million, exceeding total liabilities of $77 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, 2023, and 2022, total additions were $820 million and $804 million, and total deductions amounted to $806 million and $778 million, respectively. This caused a $14 million and $26 million net increase in the Fiduciary Net Position Restricted for Benefits over the last two fiscal years as contributions from employers and members exceeded the total of benefit costs and administrative expenses. The net increase for FY 2023 was less than the increase for FY 2022 because of higher service benefit payments and increased administrative expenses. The OPEB Custodial Fund generated a net investment gain of $2.8 million for the fiscal year ended June 30, 2023, and incurred $5.1 million of net investment loss for the fiscal year ended June 30, 2022.

PLAN ADMINISTRATION

LACERA Membership

The following table summarizes the changes in active and retired members over the last three years. Active members increased by 1,732 or 1.5 percent as of June 30, 2023, while there was an increase of 1,437 or 2.0 percent in retirees when comparing the two fiscal years ended June 30, 2023 and 2022. When comparing the two fiscal years ended June 30, 2022 and 2021, 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.

LACERA Membership

As of June 30, 2023, 2022 and 2021

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

(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 Board of Retirement and Board of 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 a mid-year operating budget review and 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, 2023 and 2022. LACERA's annual budget plan controls administrative expenses and represents approximately 0.14 percent and 0.13 percent of the allowable basis for the budget calculation for the fiscal years ended June 30, 2023 and 2022, respectively. The actual administrative expenses were $112 million for 2023 compared to $100 million for 2022, resulting in a 12.0 percent increase. Factors contributing to the increase were employee salary and benefit growth, hiring of new employees to fill vacant position, higher consulting and software licensing costs, and an increase in medical services fees for disability cases. For fiscal years ended June 30, 2022 and 2021, the actual administrative expenses were $100 million for 2022 compared to $91 million for 2021, resulting in a 9.9 percent increase. The rise in costs were due to the organization's addition of new staffing positions, successful efforts to fill vacant positions, employee salary and benefit increases, additional legal consulting costs, and an increase in operational costs due to a new office lease agreement.

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). 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; however, 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 2023, 2022 and 2021. The AAL was used to calculate the statutory budget limit. For both years, LACERA's administrative expenditures were well below the legal maximum.

Analysis of Administrative Expenses
As of June 30, 2023, 2022 and 2021
(Dollars in Thousands)

	2023	2022	2021
Total Statutory Budget Appropriation	$171,986	$164,378	$156,735
Basis for Budget Calculation (Actuarial Accrued Liability)	81,898,044	78,275,175	74,635,840
Limit per CERL	**0.21%**	**0.21%**	**0.21%**
Administrative Expenses	$112,150	$100,121	$90,586
Basis for Budget Calculation (Actuarial Accrued Liability)	81,898,044	78,275,175	74,635,840
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.14%**	**0.13%**	**0.12%**
Total Statutory Budget Appropriation	$171,986	$164,378	$156,735
Operating Budget Request	(127,767)	(114,807)	(100,291)
Unexpended Statutory Budget Appropriation	**$44,219**	**$49,571**	**$56,444**
Operating Budget Request	$127,767	$114,807	$100,291
Administrative Expenses	(112,150)	(100,121)	(90,586)
Unexpended Operating Budget	**$15,617**	**$14,686**	**$9,705**

ACTUARIAL FUNDING VALUATIONS

The actuarial funded status is used to determine whether the Fiduciary Net Position Restricted for Benefits will be sufficient to meet the Pension Plan's future obligations. 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 annually while 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 December 2022, the Board of Investments approved the exclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance from valuation assets as recommended by the consulting actuary in the 2022 experience study. The Board of Investments may approve future STAR COLA awards funded by the STAR Reserve balance. During the fiscal year, staff began reviewing the 2013 Funding Policy and will propose updates to the Board of Investments for consideration.

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. Adopted by the LACERA Board of Investments as a result of the 2022 triennial experience study, this asset valuation method was modified to include an offsetting of gains and losses prior to applying asset smoothing.

Actuarial Liabilities

Pursuant to the customary actuarial reporting timeline, the actuarial valuation as of June 30, 2023, is not yet available. Information is presented here based on the most recent actuarial valuation as of June 30, 2022. 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 $86.3 billion as of June 30, 2022. The actuarial value of valuation assets reported for fiscal year-end 2022 was $68.7 billion and is used to offset the AAL, with the difference referred to as the Unfunded Actuarial Accrued Liability (UAAL), which was reported at $17.6 billion as of June 30, 2022.

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. All amortization periods as of the June 30, 2021 valuation are 20 years or less. 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 Board of Investments last updated the amortization method based on the results of the 2019 investigation of experience report prepared by the consulting actuary. The 2022 investigation of experience report adds a modification where any increase in the UAAL due to changes in the benefit provisions would be amortized over a 10-year period.

Actuarial Assumptions

In December 2022, as a result of the most recent experience and assumption study completed as of June 30, 2022, the LACERA Board of Investments adopted to reaffirm the investment return assumption of 7.00 percent for the June 30, 2022, actuarial valuation due to capital market projections and economic forecasts reviewed at that time. Some changes to the actuarial assumptions included revising the rates of assumed merit salary increases, updating the assumed rates of service retirement to reflect a member's length of service in addition to their age, and refreshing the mortality improvement scale to the most recent publication. Employee and employer contribution rates were increased for the fiscal year beginning July 1, 2023, as a result of the actuarial assumption changes recommended by the consulting actuary in their 2022 experience study report adopted by LACERA's Board of Investments.

FUNDED RATIO, RATES OF RETURN, AND FAIR VALUE

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 can vary over time, cause fluctuations in Valuation Assets.

LACERA's independent consulting actuary, Milliman, performed the latest actuarial valuation as of June 30, 2022, and determined that the Pension Plan's Funded Ratio of the actuarial assets to the AAL increased to 79.6 percent as of that date, as compared to 79.3 percent as of the June 30, 2021 valuation.

The investment return on a market basis for 2022 resulted in a 0.3 percentage point increase in the Funded Ratio when applying the five-year actuarial asset smoothing method.

For the 2022 and 2021 fiscal year-end actuarial valuations, respectively, the Pension Plan investment portfolio returned 0.1 percent and 25.2 percent (both net of fees), on a time-weighted market basis, compared to the 7.0 percent investment return assumption effective since 2019. For June 30, 2022, when compared to the assumed rate of return, in total, there was a $6.7 billion loss on the fair value of assets. Under the actuarial asset smoothing method, which recognizes investment gains and losses over a five-year period, the return on actuarial assets was 8.5 percent, equivalent to a gain of $1.0 billion relative to the assumed return of 7.0 percent.

The following table provides 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, 2023, the annual money-weighted rate of return on Pension Plan investments was 6.4 percent (net of fees), and the time-weighted return for the same period is 6.4 percent (net of fees). The annual 2023 Pension Plan valuation report is not yet available at this time.

Total Investment Rates of Return — Pension Plan

For the 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
2021	$70,297,718	25.2%	25.2%	10.4%	7.0%	79.3%
2022	$67,467,013	0.1%	0.6%	8.5%	7.0%	79.6%
2023 [3]	**$71,460,616**	**6.4%**	**6.4%**	—	—	—

(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, 2023, 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, 2023, 2022, and 2021 were 9.3 percent, (11.2) percent, and 28.4 percent respectively. As determined for the July 1, 2022 OPEB valuation, the OPEB Program's Funded Ratio of the actuarial assets to the AAL decreased to 10.4 percent, as compared to 10.9 percent reported in the July 1, 2021 valuation. The County, LACERA, and the Superior Court continued to provide OPEB Trust contributions, which increased prefunding assets and offset the AAL. The annual 2023 OPEB Program valuation report is not available as of this ACFR's publication.

LACERA OPERATIONS

The organization's mission to produce, protect, 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 serve members and administer the retirement system successfully throughout an ever changing and fluctuating environment. LACERA’s financial flows and operational approaches remained consistent as the fund collected contributions from members and plan sponsors, provided counseling and retirement services to members through multiple channels, successfully managed the pension fund investment portfolio achieving returns that exceeded the total fund policy benchmark, and delivered retirement and retiree healthcare benefits to our members without fail. LACERA’s governing Boards and executive teams stayed focused on organizational initiatives throughout the year and recently completed a strategic planning exercise to prepare for the future.

ACCOUNTING AND FINANCIAL REPORTING STANDARDS EFFECTIVE FOR THE FISCAL YEAR ENDED 2023

Subscription Based Information Technology Arrangements

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. This Statement is meant to enhance the relevance and reliability of a government’s financial statements by requiring a government to report a subscription asset and a subscription liability for a SBITA and to disclose essential information about the arrangement. LACERA considered the impact of GASB 96 provisions immaterial to its financial statements, including those in paragraph 15 and the disclosure requirements under paragraph 60, and decided not to implement the GASB 96 recognition and measurement criteria.

REQUESTS FOR INFORMATION

This comprehensive annual 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

Statement of Fiduciary Net Position
As of June 30, 2023 and 2022
(Dollars in Thousands)

	2023			2022		
	Pension Plan	**OPEB Trust**	**OPEB Custodial Fund**	**Pension Plan**	**OPEB Trust**	**OPEB Custodial Fund**
ASSETS						
Cash & Cash Equivalents						
Cash and Short-Term Investments	$2,222,257	$70,347	$45,447	$3,058,494	$49,413	$33,541
Cash and Short-Term Investments on Loaned Securities	1,869,433	—	—	1,401,077	—	—
Total Cash & Cash Equivalents	**$4,091,690**	**$70,347**	**$45,447**	**$4,459,571**	**$49,413**	**$33,541**
Receivables						
Contribution Receivable	$127,192	$—	$—	$119,635	$—	$—
Accounts Receivable - Sale of Investment	233,150	467	7,502	355,515	—	1,679
Accrued Interest and Dividends	220,244	1,007	1,098	226,861	78	599
Accounts Receivable - Other	5,941	—	68,880	10,227	—	62,553
Total Receivables	**$586,527**	**$1,474**	**$77,480**	**$712,238**	**$78**	**$64,831**
Investments, at Fair Value						
Equity	$27,130,122	$1,468,752	$—	$24,464,720	$1,199,773	$—
Fixed Income	17,921,557	1,241,233	181,677	18,641,786	903,853	171,581
Private Equity	13,894,495	—	—	12,753,842	—	—
Real Estate	5,109,454	311,966	—	5,802,979	241,168	—
Hedge Funds	4,890,856	—	—	4,440,434	—	—
Real Assets	2,514,132	—	—	1,363,252	—	—
Total Investments at Fair Value	**$71,460,616**	**$3,021,951**	**$181,677**	**$67,467,013**	**$2,344,794**	**$171,581**
TOTAL ASSETS	**$76,138,833**	**$3,093,772**	**$304,604**	**$72,638,822**	**$2,394,285**	**$269,953**
LIABILITIES						
Accounts Payable - Purchase of Investments	$332,063	$1,652	$7,546	$835,073	$46	$2,794
Retiree Payable and Other	2,259	—	441	1,779	—	452
Accrued Expenses	29,344	280	864	63,266	137	679
Tax Withholding Payable	43,525	—	—	42,715	—	—
Obligations under Securities Lending Program	1,869,433	—	—	1,401,077	—	—
Accounts Payable - Other	10,323	—	89,545	5,300	—	73,518
TOTAL LIABILITIES	**$2,286,947**	**$1,932**	**$98,396**	**$2,349,210**	**$183**	**$77,443**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	**$73,851,886**	**$3,091,840**	**$206,208**	**$70,289,612**	**$2,394,102**	**$192,510**

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, 2023 and 2022

(Dollars in Thousands)

	2023			2022		
	Pension Plan	**OPEB Trust**	**OPEB Custodial Fund**	**Pension Plan**	**OPEB Trust**	**OPEB Custodial Fund**
ADDITIONS						
Contributions						
Employer[1]	$2,301,706	$1,196,205	$755,333	$2,199,889	$1,097,284	$730,986
Member	793,244	—	49,358	758,632	—	49,061
Total Contributions	**$3,094,950**	**$1,196,205**	**$804,691**	**$2,958,521**	**$1,097,284**	**$780,047**
Investment Income						
From Investment Activities:						
Net Appreciation/ (Depreciation) in Fair Value of Investments	$1,943,783	$221,919	$1,920	($6,717,556)	($312,330)	($5,435)
Investment Income/(Loss)	3,087,891	26,681	1,047	5,476,668	25,063	521
Total Investment Activities Income/ (Loss)	**$5,031,674**	**$248,600**	**$2,967**	**($1,240,888)**	**($287,267)**	**($4,914)**
Less Expenses from Investment Activities:	($189,484)	($1,112)	($147)	($310,360)	($1,233)	($145)
Net Investment Activities Income/(Loss)	**$4,842,190**	**$247,488**	**$2,820**	**($1,551,248)**	**($288,500)**	**($5,059)**
From Securities Lending Activities:						
Securities Lending Income	$63,652	$—	$—	$12,294	$—	$—
Less Expenses from Securities Lending Activities:						
Borrower Rebates	($47,869)	$—	$—	$126	$—	$—
Management Fees	(1,687)	—	—	(1,317)	—	—
Total Expenses from Securities Lending Activities	**(49,556)**	**—**	**—**	**(1,191)**	**—**	**—**
Net Securities Lending Income/ (Loss)	**$14,096**	**$—**	**$—**	**$11,103**	**$—**	**$—**
Total Net Investment Income/ (Loss)	**$4,856,286**	**$247,488**	**$2,820**	**($1,540,145)**	**($288,500)**	**($5,059)**
Miscellaneous	**$5,009**	**$—**	**$12,363**	**$4,117**	**$—**	**$29,496**
TOTAL ADDITIONS	**$7,956,245**	**$1,443,693**	**$819,874**	**$1,422,493**	**$808,784**	**$804,484**
DEDUCTIONS						
Retiree Payroll	$4,234,600	$—	$—	$4,002,273	$—	$—
Service Benefits[1]	—	745,013	793,711	—	720,910	769,336
Administrative Expenses	112,150	942	12,465	100,121	599	9,237
Refunds	43,412	—	—	38,089	—	—
Lump Sum Death Benefits	3,351	—	—	4,205	—	—
Redemptions	—	—	—	—	—	—
Miscellaneous	458	—	—	219	—	—
TOTAL DEDUCTIONS	**$4,393,971**	**$745,955**	**$806,176**	**$4,144,907**	**$721,509**	**$778,573**
NET INCREASE/(DECREASE) IN FIDUCIARY NET POSITION	**$3,562,274**	**$697,738**	**$13,698**	**($2,722,414)**	**$87,275**	**$25,911**
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS						
BEGINNING OF YEAR	**$70,289,612**	**$2,394,102**	**$192,510**	**$73,012,026**	**$2,306,827**	**$166,599**
END OF YEAR	**$73,851,886**	**$3,091,840**	**$206,208**	**$70,289,612**	**$2,394,102**	**$192,510**

(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, policies, and procedures 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 CERL that created a Retiree Healthcare Benefits Program which is also referred to as the Other Post-Employment Benefits Program (OPEB Program) that provides medical, dental, and vision insurance including a subsidy for eligible dependents, as well as 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 by excluding the subsidy for dependents. 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. The Boards are jointly responsible for LACERA's Budget, personnel classifications and salaries, and oversight of the Chief Executive Officer.

On October 18, 2021, the Los Angeles County Employees Retirement Association (LACERA) filed a lawsuit in Los Angeles 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, but which the County has blocked from becoming effective. In December 2022, the Superior Court denied LACERA's petition. In January 2023, LACERA filed an appeal with the Second District Court of Appeals, which remains pending.

The lawsuit filing and subsequent appeal 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 and other factors. 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, 2023 and 2022

	2023	2022
Active Members		
Vested	75,388	74,796
Non-Vested	21,529	21,756
Total Active Members	**96,917**	**96,552**
Inactive Members [1]		
Vested [2]	9,612	9,250
Non-Vested	10,802	9,797
Total Inactive Members	**20,414**	**19,047**
Total Active & Inactive Members	**117,331**	**115,599**
Retired Members		
Service	52,415	51,477
Disability	10,737	10,449
Survivors & Beneficiaries	9,870	9,659
Total Retired Members	**73,022**	**71,585**
Total Membership	**190,353**	**187,184**

(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 active service credit hurdles.

LACERA maintains three primary accounts under the OPEB Custodial Fund: the OPEB Administrative Account, OPEB Premiums 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 Administrative Account: This account is primarily used to fund the OPEB Program's operations. Additions include the Retiree Healthcare administrative fees collected from the County, LACERA, Superior Court, outside districts, and program member participants and interest income. Deductions include 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 a participating employer.

OPEB Premiums Account: This account is primarily used to fund the OPEB Program's healthcare benefits. Additions include the monthly health insurance premium subsidies collected from the County, health insurance premiums collected from LACERA, Superior Court, and the outside districts, premium payments collected from program participants, and interest income. Deductions include premium payments made to insurance carriers.

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 minimum target amount which is 20 percent of the total annual premium cost by plan for indemnity medical and dental/vision plans. As of fiscal years ended June 30, 2023 and 2022, the OPEB Reserve Account balance was in compliance with the Board's policy.

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 and posted on the LACERA website.

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. 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 retirement 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. 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 falls below the maximum amount. The Board of Retirement must approve COLAs.

LACERA members may receive more than one type of COLA:

STATUTORY COLA ("April 1st COLA")
The COLA percentage adjustment is effective annually on April 1. Contributory plan 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.

Plan E COLA
Effective June 4, 2002, Plan E non-contributory 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.

Annually, the Board of Retirement is required to consider STAR Program benefits eligibility, provided sufficient balances are available in the STAR Reserve. 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, and 2023 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 Reserve by $556 million. Subsequently, except for program year 2005, the LACERA Board of Retirement made permanent the 2001 through 2009, and 2023 STAR benefits totaling $355 million, which was transferred to the Employer Reserve to invest and pay for permanent STAR benefits awarded. As of June 30, 2023, there is $612 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 not included in a qualified trust or equivalent arrangement, conducted by LACERA on behalf of the County pursuant to the 1982 Agreement as amended. 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.

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.

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.

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, 2023 and 2022, were $6.1 million and $5.4 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 on June 30, 2023 and 2022.

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 companies (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 summarized in the following chart. Note P - Fair Value includes additional detail regarding fair value methodology and should be referred to in conjunction with this table.

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 on June 30, 2023 and 2022.
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 value adjustments based on the investment 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 Companies 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 IPS 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 estate, real assets, and hedge funds). In the following table and in the Investment Section, investment portfolio 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 general investment consultant, Meketa Investment Group (Meketa), in March 2018, the Board of Investments approved the use of a functional framework

(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.

developed by LACERA's 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, 2023 and 2022

Asset Class	2023 Target Allocation (Policy)		2023 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)		2022 Target Allocation (Policy)		2022 Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)	
Growth	**53.0 %**		**6.2 %**		**51.0 %**		**5.5 %**	
Global Equity		32.0%		5.0%		34.0%		4.3%
Private Equity		17.0%		7.0%		14.0%		6.9%
Non-Core Private Real Estate		4.0%		6.5%		3.0%		6.7%
Credit	**11.0 %**		**3.1 %**		**11.0 %**		**2.2 %**	
Liquid Credit		4.0%		2.2%		6.0%		1.5%
Illiquid Credit		7.0%		3.3%		5.0%		2.8%
Real Assets and Inflation Hedges	**17.0 %**		**3.7 %**		**17.0 %**		**3.6 %**	
Core Private Real Estate		6.0%		3.2%		6.0%		3.3%
Natural Resources and Commodities		3.0%		3.9%		4.0%		3.7%
Infrastructure		5.0%		4.9%		4.0%		4.8%
TIPS		3.0%		0.1%		3.0%		(0.3)%
Risk Reduction and Mitigation	**19.0 %**		**1.1 %**		**21.0 %**		**0.2 %**	
Investment Grade Bonds		7.0%		0.2%		13.0%		(0.3)%
Diversified Hedge Funds		6.0%		2.1%		5.0%		1.6%
Long-Term Government Bonds		5.0%		0.7%		2.0%		—%
Cash Equivalents		1.0%		(0.8)%		1.0%		(1.0)%

Target Allocation

The LACERA Board of Investments approved the current functional asset class allocation structure as a result of the asset allocation study completed by Meketa, LACERA's investment consultant, in 2018. The Board adopts 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. Per the Investment Policy Statement, a comprehensive asset allocation study is conducted every three to five years or at the Board's request. Meketa completed and the Board approved the most recent strategic asset allocation study in 2021, with the next asset allocation review cycle to follow the 2023 fiscal year-end.

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 2023. See Milliman's Investigation of Experience for Retirement Benefit Assumptions report for the period July 1, 2019 – June 30, 2022, for more details. The consulting actuary's internal investment consultants review the long-term expected return assumption 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 Total Pension Liability (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, 2023 and 2022, were 6.4 percent and 0.6 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 (RSI) 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, 2023 and 2022, were 6.4 percent and 0.1 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 divides 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.

GASB PRONOUNCEMENTS

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.

LACERA completed an evaluation of GASB 96, Subscription Based Information Technology Arrangements (SBITAs), and determined that the application of GASB 96 was immaterial. Therefore, LACERA chose not to adopt the standard.

NOTE C — Pension Plan Contributions

Funding Policy
In December 2009, the LACERA Board of Investments adopted a Retirement Benefit Funding Policy (Funding Policy) to establish a funding goal, provide benefit security for LACERA members and to maintain stable employer contribution rates that are as low as practicably possible. In addition, the Funding Policy provides LACERA with some guidance in performing interest crediting for reserve accounts and the plan's actuary direction in performing retirement benefit actuarial This Funding Policy was later amended in February 2013 to conform to the new standards mandated in the California Public Employees' Pension Reform Act of 2013 (PEPRA) restricting the ability to reduce employer contribution rates and redefining excess earning requirements. 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. 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 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-specific 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 member class (General or Safety) 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 retirement 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 under these agreements are reported as member contribution amounts.

Contributory plan members are required to contribute between approximately 6 percent and 18 percent of their annual covered salary. On May 2, 2023, the Los Angeles County Board of Supervisors adopted new member contribution rates for all retirement plans including both legacy and PERPA plans, effective July 1, 2023.

The employer contribution rate is composed of a share of the normal cost and the UAAL amortization payment. The normal cost is the portion of the actuarial present value of retirement benefits attributable to a valuation year. The UAAL amortization payment reduces the funding shortfall related to liabilities accrued in the past which are not provided for by future normal costs. The employer normal cost rate from the latest actuarial valuation as of June 30, 2022 slightly increased from 10.88 percent to 11.12 percent and the employers' required contribution rate to finance the UAAL increased from 13.58 percent to 14.72 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.

At its March 2023 meeting, the BOI adopted an increase of 1.38 percent in the total employer contribution rate beginning July 1, 2023 as compared to the previous valuation as of June 30, 2021 (from 24.46 percent to 25.84 percent). Per the County Employees Retirement Law (CERL), the increase is effective within 90 days after fiscal year end, between July 1 and September 29 each year. Los Angeles County implemented the new employer contribution rates for fiscal year 2023-2024, effective with the September 16 payroll cycle. The employer contribution rate increase can be primarily attributed to the 2022 triennial experience study and resulting assumption and method changes, the less than assumed investment return for fiscal year 2021-2022, and payroll growth being less than expected. These factors were partially offset by the contribution rate-reducing impact of the recognition of deferred investment gains from prior years.

Contribution Payments

For the fiscal years ended June 30, 2023 and 2022, Los Angeles County, including the Superior Court and LACERA, paid their employer contributions and withholding of employee pension plan contributions due to LACERA in the form of semi-monthly cash payments. The remaining outside districts with active members, LAFCO and LLCD, paid pension plan contributions due to LACERA in the form of monthly cash payments. For the fiscal years ended June 30, 2023 and 2022, employer contributions totaled $2.3 billion and $2.2 billion, in that order, and member contributions totaled $793 million and $759 million, respectively.

Pension Plan Contributions

For the Fiscal Years Ended June 30, 2023 and 2022

(Dollars in Thousands)

	2023	**2022**
Employers		
Los Angeles County [1]	$2,216,111	$2,122,282
Superior Court	85,407	77,450
Local Agency Formation Commission for the County of Los Angeles	177	148
South Coast Air Quality Management District [2]	—	—
Little Lake Cemetery District	11	9
Los Angeles County Office of Education [3]	—	—
Total Employer Contributions	**$2,301,706**	**$2,199,889**
Member Contributions [4]	$793,244	$758,632
Total Contributions	**$3,094,950**	**$2,958,521**

(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 2023 and 2022.

(3) Los Angeles County Office of Education has no active members contributing to the Pension Plan for the fiscal years ended 2023 and 2022.

(4) In accordance with GASB Statement No. 82, payments made by an employer to satisfy member contribution requirements are classified as member contributions. These payments amounted to $37.5 million and $37.7 million for the fiscal years ended 2023 and 2022.

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

The STAR Reserve represents the balance available to fund future STAR Program benefit increases. During the fiscal years ended 1995 through 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 are 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 Program benefits at an 80 percent level, as authorized in the County Employees Retirement Law of 1937 (CERL). For Program Years 2010 through 2022, additional STAR benefits were not provided since modest increases in the Consumer Price Index (CPI) percentage caused COLA Accumulation accounts to remain below the 20 percent threshold. When the COLA Accumulation accounts exceed 20 percent, the Board of Retirement, at its discretion, may grant STAR benefits. For STAR Program Year 2023, the LACERA Board of Retirement approved the permanent STAR benefit award for certain members to restore their purchasing power at an 80 percent benefit level and to adjust their COLA Accumulation accounts to 20 percent.

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 for a lifetime.

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 reducing the STAR Reserve when those additional benefits are authorized by the LACERA Board of Retirement. For the fiscal years ended June 30, 2023 and 2022, the net investment realized earnings were applied as interest credits to the Reserve accounts, leaving no available balances in the Contingency Reserve.

Pension Plan Reserves

As of June 30, 2023 and 2022

(Dollars in Thousands)

	2023	**2022**
Member Reserves	$26,932,000	$25,804,263
Employer Reserves	32,504,476	32,011,255
STAR Reserve	611,544	614,011
Contingency Reserve	—	—
Total Reserves at Book Value	**$60,048,020**	**$58,429,529**
Unrealized Investment Portfolio Appreciation	$13,803,866	$11,860,083
Total Reserves at Fair Value[1]	**$73,851,886**	**$70,289,612**

(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 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.

Upon completing the 2022 triennial experience study, LACERA's consulting actuary made recommendations and the Board of Investments adopted some new assumptions beginning with the June 30, 2022 actuarial valuation. Some assumptions from prior experience studies were reaffirmed and carried forward while other assumptions where changed, both of which were implemented with the 2022 valuation report. 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 investment 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.

The Total Pension Liability (TPL) as of June 30, 2023, was determined by completing a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2022, 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, 2022 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 funding 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 and addition of 0.13 percent administrative expense load. The 7.00 percent rate (net of all expenses) was adopted beginning with the June 30, 2019 valuation and reaffirmed in the 2022 triennial experience study.
Price Inflation	2.75 percent annual rate. This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
General Wage Growth and Projected Salary Increases	General Wage Growth: 3.25 percent. Projected Salary Increases: 3.66 percent to 12.54 percent. This rate was adopted beginning with the June 30, 2016 valuation. The rate was reaffirmed in the 2022 triennial experience study.
Cost-of-Living Adjustments	Post-retirement COLA (cost-of-living adjustment) 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 (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 benefits. See Note A — Plan Description for additional COLA and STAR information.
Mortality	Various rates based on the Pub-2010 mortality tables and using the MP–2021 Ultimate Projection Scale for expected future mortality improvement. This assumption was adopted with the June 30, 2022 valuation.

Other Key Assumptions

Other key actuarial assumptions used to calculate the TPL as of the June 30, 2023 and 2022 measurement dates are the same as used to prepare actuarial funding valuations for June 30, 2022 and 2021, 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 (RSI) 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 funding valuation report. The NPL at fiscal year-end June 30, 2023 and 2022 for the Pension Plan were as follows:

Schedule of Net Pension Liability
For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023	**2022**
Total Pension Liability	$88,469,442	$83,931,424
Less: Fiduciary Net Position	(73,851,886)	(70,289,612)
Net Pension Liability	**$14,617,556**	**$13,641,812**
Fiduciary Net Position as a Percentage of Total Pension Liability	83.48%	83.75%

The TPL and NPL both increased due to the new assumptions and actuarial methods adopted for the June 30, 2022 experience study. These changes include updating the rates of assumed merit salary increases, updating the assumed rates of service retirement to reflect a member's length of service in addition to their age, and updating the mortality improvement scale to reflect the most recent mortality data.

GASB Discount Rate
Milliman's June 30, 2022 Investigation of Experience analysis confirmed the 7.13 percent investment return assumption used for the current reporting date. This is equal to the 7.00 percent long-term investment return assumption (net of investment expenses) adopted by the Board of Investments, 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, a separate calculation using the municipal bond rate is not required; 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, 2023 and 2022

	2023	**2022**
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, 2023, 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, 2022, based on the 7.13 percent discount rate in effect for that year.

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

	2023			2022		
	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	$100,194,067	$88,469,442	$78,750,275	$95,318,250	$83,931,424	$74,528,252
Less: Fiduciary Net Position	(73,851,886)	(73,851,886)	(73,851,886)	(70,289,612)	(70,289,612)	(70,289,612)
Net Pension Liability/(Asset)	**$26,342,181**	**$14,617,556**	**$4,898,389**	**$25,028,638**	**$13,641,812**	**$4,238,640**

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, 2023, LACERA paid $5.6 million to covered members and received $4.6 million in related reimbursements. For the fiscal year ended June 30, 2022, LACERA paid $7.2 million to covered members and received $6.0 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 the valuation liability includes only net benefits paid by LACERA.

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 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 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.

Investment policy statements recognize 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 manage 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. LACERA invests with Core investment grade bond managers. 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 contain almost 100 percent of bonds rated investment grade by the major credit rating agencies: Moody's, S&P Global Ratings (S&P), and Fitch.

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 may include limiting maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

The following is a schedule for the year ended June 30, 2023, 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 $10 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan

As of June 30, 2023

(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	$5,565,802	$809,070	$—	$130,970	$1,293,657	$1,030	$91,385	$7,891,914	44.1%
Aa	—	—	5,129	21,880	61,540	635	21,854	111,038	0.6%
A	—	—	1,112	285,590	336,059	29,900	31,502	684,163	3.8%
Baa	—	—	—	310,753	359,095	23,429	50,271	743,548	4.2%
Ba	—	—	1,899	167,781	7,786	23,355	280,349	481,170	2.7%
B	—	—	—	868,205	—	90,284	507,379	1,465,868	8.2%
Caa	—	—	—	185,790	—	6,745	155,347	347,882	1.9%
Ca	—	—	—	5,995	—	—	2,183	8,178	—%
C	—	—	—	987	—	101	2,680	3,768	—%
Not Rated	—	464	—	209,735	5,773,745	48,102	142,088	6,174,134	34.5%
Total	**$5,565,802**	**$809,534**	**$8,140**	**$2,187,686**	**$7,831,882**	**$223,581**	**$1,285,038**	**$17,911,663**	**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, 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, 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, 2023
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Pooled Investments	Total	Percentage of Portfolio
Aaa	$75,346	$—	$75,346	6.1%
Not Rated	—	1,165,887	1,165,887	93.9%
Total	**$75,346**	**$1,165,887**	**$1,241,233**	100.0%

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2022
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Pooled Investments	Total	Percentage of Portfolio
Aaa	$—	$—	$—	—%
Not Rated	—	903,853	903,853	100.0%
Total	**$—**	**$903,853**	**$903,853**	100.0%

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 for fiscal year 2022. For fiscal year 2023, the OPEB Trust held fixed income securities.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2023
(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	$152,704	$996	$1,291	$394	$155,385	85.5%
Aa	—	—	3,205	1,537	4,742	2.6%
A	—	—	19,208	993	20,201	11.2%
Not Rated	—	—	1,349	—	1,349	0.7%
Total	**$152,704**	**$996**	**$25,053**	**$2,924**	**$181,677**	**100.0%**

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%**

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, 2023, 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 10 percent of the benchmark duration. The investment manager guidelines require that the duration of the US long term government bonds portfolio must remain within plus or minus 0.3 years of the duration of its benchmark index. 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, 2023, presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $10 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2023
(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	$5,565,802	11.82
U.S. Government Agency	809,533	4.29
Municipal / Revenue Bonds	8,141	10.47
Subtotal U.S. Treasuries, U.S. Government Agency, and Municipal Instruments	**$6,383,476**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$196,008	2.03
Corporate and Other Credit	1,991,678	2.13
Pooled Funds	7,831,882	1.70
Subtotal Corporate Bonds and Credit Securities	**$10,019,568**	
Non-U.S. Fixed Income	$223,581	1.64
Private Placement Fixed Income	1,285,038	3.37
Subtotal Non-U.S. and Private Placement Securities	**$1,508,619**	
Total Fixed Income Securities	**$17,911,663**	

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, 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.

Duration in Fixed Income Securities — OPEB Trust
As of June 30, 2023
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries	$75,346	16.12
Pooled Investments	$1,165,887	3.32
Total Fixed Income Securities	**$1,241,233**	

(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]
U.S. Treasuries	$—	N/A
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 Custodial Fund
As of June 30, 2023
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries and U.S. Government Agency		
U.S. Treasuries	$152,703	2.01
U.S. Government Agency	$996	0.78
Subtotal U.S. Treasuries, and U.S. Government Agency	**$153,699**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$2,640	0.51
Corporate and Other Credit	22,413	1.15
Subtotal Corporate Bonds and Credit Securities	**$25,053**	
Private Placement Fixed Income	$2,925	0.68
Total Fixed Income Securities	**$181,677**	

(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.

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, 2023.

Non-U.S. Investment Securities at Fair Value — Pension Plan

As of June 30, 2023

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
AFRICA								
South African Rand	$ 79,420	$ —	$ 1,346	$ —	$ —	$ —	$ —	$80,766
AMERICAS								
Brazilian Real	137,294	—	2,195	—	—	—	—	139,489
Canadian Dollar	975,906	2,676	5,384	—	150,149	—	(9,163)	1,124,952
Chilean Peso	9,280	—	1,129	—	—	—	—	10,409
Colombian Peso	2,288	—	415	—	—	—	—	2,703
Mexican Peso	59,152	—	1,521	—	—	—	—	60,673
ASIA								
Australian Dollar	485,905	—	3,183	—	—	11,013	1,020	501,121
Chinese Renminbi	96,786	—	1,641	—	—	—	—	98,427
Hong Kong Dollar	663,581	—	2,826	—	—	—	183	666,590
Indonesian Rupiah	53,459	—	3,702	—	—	—	—	57,161
Japanese Yen	1,297,919	—	13,606	—	—	—	63,747	1,375,272
Malaysian Ringgit	31,769	—	1,859	—	—	—	—	33,628
New Zealand Dollar	11,375	—	497	—	—	—	133	12,005
Pakistani Rupee	—	—	28	—	—	—	—	28
Philippine Peso	13,232	—	406	—	—	—	—	13,638
Singapore Dollar	85,120	—	675	—	—	—	373	86,168
South Korean Won	275,212	—	3,092	—	—	—	—	278,304
Taiwan Dollar	327,583	—	7,229	—	—	—	—	334,812
Thai Baht	47,002	—	(165)	—	—	—	—	46,837
EUROPE								—
British Pound Sterling	1,253,582	13,785	15,218	68	—	173,007	(16,208)	1,439,452
Czech Republic Koruna	4,069	—	421	—	—	—	—	4,490
Danish Krone	269,940	—	1,144	—	—	—	(114)	270,970

Non-U.S. Investment Securities at Fair Value — Pension Plan (continued)

As of June 30, 2023

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
Euro	2,448,886	44,322	21,511	310,590	383,847	1,263,178	(2,674)	4,469,660
Hungarian Forint	4,643	—	343	—	—	—	—	4,986
Norwegian Krone	74,432	—	893	—	—	—	233	75,558
Polish Zloty	28,567	—	935	—	—	—	—	29,502
Russian Ruble	—	—	1,906	—	—	—	—	1,906
Swedish Krona	231,093	—	720	—	—	—	4,364	236,177
Swiss Franc	574,640	—	1,548	—	—	—	245	576,433
MIDDLE EAST								
Egyptian Pound	3,438	—	123	—	—	—	—	3,561
Israeli New Shekel	39,465	—	876	—	—	—	417	40,758
Kuwaiti Dinar	23,827	—	792	—	—	—	—	24,619
Qatari Rial	30,922	—	1,747	—	—	—	—	32,669
Saudi Riyal	6,220	—	—	—	—	—	—	6,220
Turkish Lira	19,948	—	438	—	—	—	—	20,386
UAE Dirham	40,609	—	201	—	—	—	—	40,810
Total Investment Securities Subject to Foreign Currency Risk	**$9,706,564**	**$60,783**	**$99,385**	**$310,658**	**$533,996**	**$1,447,198**	**$42,556**	**$12,201,140**

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
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

Non-U.S. Investment Securities at Fair Value — Pension Plan (continued)

As of June 30, 2022

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity Investments	Forward Contracts	Total
Norwegian Krone	78,572	—	—	—	—	—	2,964	81,536
Polish Zloty	11,781	—	—	—	—	—	—	11,781
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
Kuwaiti Dinar	13,986	—	—	—	—	—	—	13,986
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**

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.

State Street Bank and Trust is the sole manager of LACERA's securities lending program. Collateralization is set on non-U.S. loans at 105 percent minimum, and on U.S. loans at 102 percent minimum of the fair value of the securities on loan.

State Street Global Advisors (SSGA) invests the cash 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 to LACERA who 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, 2023 and 2022.

As of June 30, 2023, the fair value of securities on loan was $3.8 billion, with a value of cash collateral received of $1.9 billion and non-cash collateral of $2.0 billion. 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. LACERA's investment income, net of expenses from securities lending, was $14.1 million and $11.1 million for the fiscal years ended June 30, 2023 and 2022, respectively.

The following table shows the fair value of securities on loan, cash and non-cash collateral received, calculated mark, as well as the collateral percent.

Securities Lending
As of June 30, 2023 and 2022
(Dollars in Thousands)

	2023					2022				
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark [1]**	**Collateral Percent [2]**	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Calculated Mark [1]**	**Collateral Percent [2]**
U.S. Equity	$2,332,066	$1,561,245	$840,301	$18,375	103.8%	$2,295,594	$862,637	$1,559,646	($17,143)	104.8%
U.S. Fixed Income	927,308	233,202	743,620	4,685	105.8%	958,823	438,042	575,808	15	105.7%
Non-U.S. Equity	499,246	74,986	457,963	3,673	107.5%	466,448	100,398	404,899	(5,842)	107.1%
Total	**$3,758,620**	**$1,869,433**	**$2,041,884**	**$26,733**		**$3,720,865**	**$1,401,077**	**$2,540,353**	**($22,970)**	

(1) Calculated mark is performed daily. 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.

(2) Collateral percent is the total collateral received divided by the fair value of securities on loan. U.S. loans are collateralized at 102 percent minimum of the fair value of the securities on loan while non-U.S. loans are collateralized at 105 percent minimum.

NOTE I — Derivative Financial Instruments

Per LACERA's Investment Policy Statement, LACERA may utilize derivative instruments to hedge or obtain exposure to certain investments. A derivative is a financial instrument that derives its value from an underlying asset or a direct obligation of an issuer. Derivatives may be exchange-traded or traded over the counter (OTC). LACERA's portfolio management strategies incorporate derivative financial instruments for overlays and hedging. Cash overlays are used to adhere to Board-approved guidelines and asset allocation policy targets. Currency hedging is used to minimize return risk for non-U.S. dollar denominated investments. 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 and have higher counterparty risk than futures. Currency forward contracts are used to manage currency exposure, implement LACERA's passive currency hedge, and facilitate the settlement of international security purchases and sales.

Currency Forwards Analysis
As of June 30, 2023
(Dollars in Thousands)

		Currency Forward Contracts			
Currency Name	**Options**	**Net Receivables**	**Net Payables**	**Swaps**	**Total Exposure**
Australian Dollar	$—	($363)	$1,383	$—	$1,020
Canadian Dollar	—	48	(9,211)	—	($9,163)
Swiss Franc	14	322	(77)	—	258
Danish Krone	—	97	(212)	—	(114)
Euro	37	1,172	(3,846)	—	(2,637)
Pound Sterling	—	(13)	(16,195)	—	(16,208)
Hong Kong Dollar	—	(31)	214	—	184
Israeli New Shekel	—	(151)	569	—	417
Japanese Yen	—	(2,729)	66,476	—	63,747
Norwegian Krone	—	91	141	—	233
New Zealand Dollar	—	(2)	135	—	133
Swedish Krona	—	(174)	4,538	—	4,364
Singapore Dollar	—	(32)	405	—	373
Thailand Baht	1	—	—	—	1
Total	**$52**	**($1,765)**	**$44,320**	**$—**	**$42,607**

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 typically 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 duration of the agreement. The cash flows exchanged by the counterparties are tied to a notional amount. A swap agreement specifies the time period of the agreement and the frequency of the payments to 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, 2023, 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, 2023
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	($116,141)	$—	$—	222,877
Commodity Futures Short	17,266	—	—	(20)
Credit Default Swaps Written	—	—	—	—
Fixed Income Futures Long	8,274	—	—	—
Fixed Income Futures Short	43,856	—	—	(269,500)
Fixed Income Options Bought	1	—	—	—
Fixed Income Options Written	(14)	—	—	—
Foreign Currency Futures Long	(1,960)	—	—	51,900
Foreign Currency Futures Short	1,051			(47,500)
Futures Options Bought	1	—	—	—
Futures Options Written	684	—	—	—
FX Forwards	63,177	42,556	6,383,788	—
Index Futures Long	264,716	—	—	1,048
Index Futures Short	(104,326)	—	—	(402)
Index Options Written	443	—	—	—
Pay Fixed Interest Rate Swaps	76	—	—	—
Receive Fixed Interest Rate Swaps	(442)	—	—	—
Rights	(51)	33	212	—
Total Return Swaps Bond	(142)	—	—	—
Total Return Swaps Equity	(3,318)	—	—	—
Warrants	326	529	51	—
Total	**$173,477**	**$43,118**	**$6,384,051**	**(41,597)**

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 within 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.

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.

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, 2023
(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Barclays Bank PLC Wholesale	$41	A+	A+	A1
BNP Paribas, S.A.	613	A+	A+	Aa3
Citibank N.A.	119	A+	A+	Aa3
Deutsche Bank AG	24,816	A-	A-	A1
Goldman Sachs International	9,913	A+	A+	A1
Morgan Stanley and Co. LLC	24	A-	A+	A1
Natwest Markets Plc	37,421	A	A+	A1
State Street Bank And Trust Company	102	AA-	AA	Aa3
UBS AG	7,260	A+	A+	Aa3
Westpac Banking Corporation	3,601	AA-	A+	Aa3
Total	**$83,910**			

NOTE J — Special Purpose Entities

Real Estate Investments

LACERA maintains several different types of special purpose entities (SPEs) within its investment portfolio which are separate 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, 2023, the LACERA real estate portfolio held 31 title holding companies (THCs) and 36 limited liability companies (LLCs). As of June 30, 2022, the portfolio held 32 THCs and 45 LLCs.

The total fair values of assets invested in THCs and LLCs as of June 30, 2023 and June 30, 2022, were $3.3 billion and $4.1 billion, respectively. Investment managers responsible for managing real estate investments held in THCs can be found in the Investment Section, List of Investment Managers under Real Assets and Inflation Hedges - Core Real Estate.

Debt Program

The investment managers for the Debt Program are Barings LLC and Quadrant Real Estate Advisors LLC. The total fair value of assets invested in these two Debt Program accounts as of June 30, 2023 and June 30, 2022, were $63 million and $111 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 investment cycle.

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 1990, LACERA, as the sole shareholder, formed a title holding company (THC) to acquire Gateway Plaza, a 273,546 square foot 13-story office building located in Pasadena, California, which serves as the LACERA headquarters. Shortly thereafter in 1991, LACERA, the lessee, entered into its original lease agreement with the THC (LACERA Gateway Property, Inc.), 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 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 $6.1 million and $6.0 million for the fiscal years ended June 30, 2023 and June 30, 2022, 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, 2023 and June 30, 2022, 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 administrative expenditures were less than the approved budgets.

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 during the fiscal year, completing a mid-year budget review and recommending budget amendments if deemed necessary, 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 review for the fiscal years ended June 30, 2023 and June 30, 2022*, as approved by the LACERA governing boards, in comparison to actual administrative expenses.*

Budget-to-Actual Analysis of Administrative Expenses
As of June 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Basis for Budget Calculation, Actuarial Accrued Liability [1]	$81,898,044	$78,275,175
Maximum Allowable for Administrative Expenses	$171,986	$164,378
Total Statutory Budget Appropriation	**$171,986**	**$164,378**
Operating Budget Request	127,767	114,807
Administrative Expenses	(112,150)	(100,121)
Unexpended Operating Budget	**$15,617**	**$14,686**
Administrative Expenses	112,150	100,121
Basis for Budget Calculation, Actuarial Accrued Liability [1]	$81,898,044	$78,275,175
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.14%**	**0.13%**
Limit per CERL	0.21%	0.21%
Administrative Expenses	112,150	100,121
Net Position Restricted for Benefits	$73,851,886	$70,289,612
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.15%**	**0.14%**

(1) The 2023 and 2022 budget calculations are based on the most recent Pension Plan actuarial reports available at the time the budget is prepared, which are the Actuarial Accrued Liabilities as of June 30, 2021 and June 30, 2020, 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. Litigation is initiated when appropriate with the approval of the Board of Investments.

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 and outside counsel, 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 $189,000 and $197,000 for the fiscal years ended 2023 and 2022, 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 lease 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 $6.1 million and $6.0 million in fiscal years ended 2023 and 2022, 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, 2023, capital commitments approved by LACERA's Board of Investments, that are outstanding to the various investment managers but not yet funded, totaled $9.5 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. That same year, the County and LACERA entered into an agreement (the “1982 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 program 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. Another difference under the Tier 1 program is that the County retiree medical, dental, and vision insurance subsidy applies to the retiree and dependent while Tier 2 provides a subsidy for retiree-only coverage and does not include dependents.

Since inception, the OPEB Program’s liabilities and costs were determined within a cost-sharing plan structure, where liabilities and costs are pooled and paid from the program. 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) where program liabilities and costs can be allocated to each employer.

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. However, eligible dependents are covered for Tier 1 members whereas Tier 2 members have retiree-only coverage for the County medical, dental, and vision insurance subsidy. 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, 2023 and 2022

	2023		2022	
	Medical	**Dental/Vision**	**Medical**	**Dental/Vision**
Retired Participants				
Retired Members and Survivors	55,359	57,271	54,065	55,772
Spouses and Dependents	28,274	32,699	27,684	31,811
Total Retired	**83,633**	**89,970**	**81,749**	**87,583**
Inactive Members — Vested	9,612	9,612	9,250	9,250
Active Members — Vested [1]	75,388	75,388	74,796	74,796
Total Membership Eligible for Benefits	**168,633**	**174,970**	**165,795**	**171,629**

LACERA Membership — OPEB Death/Burial Benefits
As of June 30, 2023 and 2022

	2023	**2022**
Retired with Eligibility for Death/Burial Benefits [2]	63,152	61,931
Total Retired	**63,152**	**61,931**
Inactive Members — Vested	9,612	9,250
Active Members — Vested [1]	75,388	74,796
Total Membership Eligible for Benefits	**148,152**	**145,977**

(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.

Benefit Provisions

The OPEB Program offers the same selection of medical plans as well as two dental/vision plans for both Tier 1 and Tier 2 participants. 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/survivors and their eligible dependents 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. However, healthcare benefits coverage subsidy and the Medicare Part B premium reimbursement (annually reviewed and approved by the Board of Supervisors) only applies to retirees/survivors under the Tier 2 program and not eligible dependents.

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.

LACERA offers benefits for Tier 1 and Tier 2 members that are nearly identical. Retired members may enroll themselves, spouse and dependents if all eligibility requirements are met. For Tier 1 members, the County subsidy applies to the member and/or eligible dependents while Tier 2 limits the subsidy to the member only and the qualifying survivor upon the member's death, 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/survivors, 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

The Affordable Care Act (ACA), signed into law in March 2010, 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 that do not apply to LACERA insurance plans except as noted below:

- 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, 2022 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. LACERA administers these funds as part of its administrative responsibilities under the 1982 Agreement as amended. 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 Program Investigation of Experience 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 Program [1]
County, Superior Court, LACERA, SCAQMD, LACOE, LAFCO, LLCD
OPEB Trust
County, Superior Court and LACERA

(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 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 existing post-retirement health insurance benefits. 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, 2023 and 2022, respectively, healthcare premium payments of $686.4 million and $671.1 million were made to insurance carriers. These premiums were funded by employer subsidy payments of $638.0 million and participant payments of $48.4 million for the fiscal year ended 2023. The employer subsidy payments for the fiscal year ended 2022 were $623.0 million with participant payments of $48.1 million.

In addition, $97.5 million and $9.8 million was funded by employer subsidy payments for Medicare Part B reimbursements and death/burial benefits, respectively, for the fiscal year ended June 30, 2023, and $88.2 million and $10.0 million for these benefits, respectively, during the fiscal year ended June 30, 2022.

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, 2023 and 2022. The Board of Retirement approved the most recent premium holiday for the January 2015 insurance coverage period.

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, 2023 is as follows:

- LACERA is invested in eight hedge fund managers in the core hedge funds portfolio.
- LACERA is invested in a total of seven 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 two new emerging managers during fiscal year 2023.
- 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 fiscal year 2020 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, 2023 and June 30, 2022, were $4.9 billion and $4.4 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 holdings. The fair value hierarchy includes three levels and one additional category.

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 other 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. The table below illustrates investments classified by their fair value hierarchy (Levels 1, 2, and 3) as well as investments measured at NAV.

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 the estimated net asset value (NAV) based upon the fair value of the underlying investments, 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

Real estate investments are valued at NAV, based upon 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 annually.

LACERA has the following recurring fair value measurements as of June 30, 2023 and 2022:

Investments and Derivative Instruments Measured at Fair Value — Pension Plan
As of June 30, 2023
(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	$196,008	$—	$196,008	$—
Corporate and Other Credit	1,991,678	—	1,932,426	59,252
Municipal / Revenue Bonds	8,141	—	8,141	—
Non-U.S. Fixed Income	223,581	—	179,595	43,986
Private Placement Fixed Income	1,285,038	—	1,280,928	4,110
U.S. Government Agency	809,533	—	809,533	—
U.S. Treasuries	5,565,801	—	5,565,801	—
Whole Loan Mortgages	9,894	—	—	9,894
Total Fixed Income Securities	**$10,089,674**	**$—**	**$9,972,432**	**$117,242**
Equity Securities				
Non-U.S. Equity	$10,285,308	$10,280,730	$519	$4,059
Pooled Investments	414,172	414,172	—	—
U.S. Equity	15,976,842	15,967,901	1,770	7,171
Total Equity Securities	**$26,676,322**	**$26,662,803**	**$2,289**	**$11,230**
Collateral from Securities Lending	**$1,869,433**	**$—**	**$1,869,433**	**$—**
Total Investments by Fair Value Level	**$38,635,429**	**$26,662,803**	**$11,844,154**	**$128,472**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$7,831,883			
Equity	453,239			
Hedge Funds	4,890,856			
Private Equity	13,894,495			
Real Estate	5,109,454			
Real Assets	2,514,132			
Total Investments Measured at NAV	**$34,694,059**			
Total Investments	**$73,329,488**			
Derivative Instruments				
Foreign Exchange Contracts	$42,556	$—	$42,556	$—
Foreign Equity Derivatives	562	562	—	—
Total Derivative Instruments	**$43,118**	**$562**	**$42,556**	**$—**

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2023

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds [1]	$7,831,883	$1,834,547	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds [2]	453,239	—	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds [3]	4,890,856	181,598	Daily, Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity [4]	13,894,495	5,299,231	Not Eligible	N/A
Real Estate [4]	5,109,454	1,289,323	Quarterly or Not Eligible	30 days+ or N/A
Real Assets [4]	2,514,132	913,268	Not Eligible	N/A
Total Investments Measured at NAV	**$34,694,059**			

(1) **Fixed Income Funds:** Eleven 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 60 percent of assets are available within 12 months; these funds provide daily, monthly, or quarterly liquidity. Approximately 40 percent of the fund assets have liquidity beyond 12 months.

(2) **Commingled Equity Fund:** One equity fund is considered commingled in nature. The fund is valued at NAV of units held at the end of the period based upon the fair value of the underlying investments. The fund represents 2% of the equity assets and is subject to a lock-up period that limits redemptions for the next year.

(3) **Hedge Funds:** This portfolio consists of fifteen current funds and one fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 70 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 30 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 296 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. The Real Assets portfolio consists of 24 funds, investing primarily in infrastructure and natural resources. Four of the funds are eligible for redemption after an initial lock-up period, and the other 20 of the funds are not eligible for redemption as the lock-up period is typically from 10-15 years. The Real Estate portfolio, composed of 25 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. Five out of 25 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, 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 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 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 years.

(3) **Hedge Funds:** The portfolio consists of 13 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 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 these funds are currently eligible for redemption. The Real Assets consists of 17 funds, investing primarily in infrastructure and natural resources. Three of the funds are eligible for redemption after an initial lock-up period, and the other 14 of the funds are not eligible for redemption as the lock-up period 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, 2023
(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				
U.S. Treasuries	$75,346	$—	$75,346	$—
Pooled Investments	293,690	293,690	—	—
Total Fixed Income Securities	**$369,036**	**$293,690**	**$75,346**	**$—**
Total Investment by Fair Value Level	**$369,036**	**$293,690**	**$75,346**	**$—**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$872,197			
Equity	1,468,752			
Real Estate Investment Trust (REIT)	311,966			
Total Investments Measured Trust at NAV	**$2,652,915**			
Total Investments	**$3,021,951**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2023
(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	$872,197	$—	Daily, Monthly	1-30 days or N/A
Commingled Equity Fund	1,468,752	—	Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	311,966	—	Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV [1]	**$2,652,915**	**$—**		

(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, 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 Custodial Fund
As of June 30, 2023
(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	$3,636	$—	$3,636	$—
Private Placement Fixed Income	2,925	—	2,925	—
Corporate and Other Credit	22,413	—	22,413	—
U.S. Treasuries	152,703	—	152,703	—
Total Fixed Income Securities	**$181,677**	**$—**	**$181,677**	**$—**
Total Investments by Fair Value Level	**$181,677**	**$—**	**$181,677**	**$—**

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	**$171,581**	**$—**	**$171,581**	**$—**

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 and future administrative costs 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 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, the Court entered into a trust and investment services agreement with the LACERA Board of Investments, similar to the County arrangement. 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 County-wide 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

In June of 2023 and 2022, LACERA's Board of Retirement and Board of Investments approved LACERA's revised administrative budget policy each year 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 increase LACERA's total OPEB pre-funding contribution for the year. Before each fiscal year ended 2023 and 2022, the Chief Executive Officer approved and authorized the transfer of an additional OPEB Trust contribution for LACERA.

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 Statement

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, divided the Trust into four broad functional categories and contain asset classes that align with the purpose of each function. The Board 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 strategic asset allocation 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, 17.0 for Risk Reduction and Mitigation, and 20.0 percent in Real Assets and Inflation Hedges, which differ from the amounts shown in the table below. As part of the Board approved three step implementation plan, transition to the new target asset allocation will occur over time, with the last phase transpiring in the upcoming fiscal year.

Schedule of Target Allocation

For the Fiscal Years Ended June 30, 2023 and 2022

Asset Class	2023 Target Allocation		2022 Target Allocation	
Growth	**47.5%**		**50.0%**	
Global Equity		45.0%		50.0%
Private Equity		2.5%		
Credit	**19.0%**		**20.0%**	
Liquid Credit		16.5%		
Illiquid Credit		2.5%		
High Yield Bonds				6.0%
Bank Loans				10.0%
EM Local Currency Bonds				4.0%
Risk Reduction & Mitigation	**13.5%**		**10.0%**	
Investment Grade Bonds		9.0%		8.0%
Long-Term Government Bonds		2.5%		
Cash and Cash Equivalents		2.0%		2.0%
Real Assets & Inflation Hedges	**20.0%**		**20.0%**	
Real Estate		9.0%		10.0%
Natural Resources		1.0%		
Commodities		3.0%		4.0%
Infrastructure		1.0%		
Treasury Inflation-Protected Securities		6.0%		6.0%

Investment Concentrations

On June 30, 2023, the OPEB Master Trust held approximately 47.5 percent in Growth, 19.0 percent in Credit, 13.5 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, 2023, the annual money-weighted rate of return on OPEB Trust investments, net of OPEB Trust investment expenses, was 9.7 percent. Historical returns will be presented as they become available in the Schedule of Investment Returns – OPEB Program presented in the Required Supplementary Information (RSI) 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 years ended June 30, 2023 and 2022, LACERA contributed a total of $3,740,000 and $3,131,000, respectively, to pre-fund LACERA's portion of OPEB benefits. These amount include the contributions originally funded through LACERA's administrative budget, plus additional contributions based on a projected budget surplus, as allowed within LACERA's budget policy, for both the fiscal years ended 2022-2023 and 2021-2022.

During fiscal years ended June 30, 2023 and 2022, the County, Superior Court, and LACERA made total prefunding contributions to the OPEB Trust of $451.2 million and $376.4 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, 2023 and 2022

(Dollars in Thousands)

	2023	2022
Los Angeles County	$441,452	$372,243
LACERA	3,740	3,131
Superior Court	6,000	1,000
Total Contributions [1]	**$451,192**	**$376,374**

(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, expensed to the Trust, include payments for investment management fees, custodial fees, consultant fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $2.1 million and $1.8 million for fiscal years ended June 30, 2023 and 2022, respectively. Higher fund balances caused an increase in investment management fees.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2023 and 2022

	2023					
	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Misc. Investment Expense	Total
Los Angeles County	$788,002	$210,827	$83,973	$713,800	$201	$1,796,803
LACERA	3,627	962	384	45,544	13	50,530
Superior Court	17,815	4,828	1,916	182,174	54	206,787
Total Expenses	**$809,444**	**$216,617**	**$86,273**	**$941,518**	**$268**	**$2,054,120**

	2022					
	Management Fees	Custodial Fees	Consultant Fees	Administrative Expenses	Misc. Investment Expense	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**

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 during the fiscal years ended June 30, 2023 and 2022. The OPEB Trust Fund values were as follows:

Fund Values — OPEB Trust

As of June 30, 2023 and 2022

(Dollars in Thousands)

	2023		
	Book Value	**Unrealized Investment Appreciation**	**Fair Value**
Los Angeles County	$2,538,772	$470,554	$3,009,326
LACERA	13,633	1,977	15,610
Superior Court	53,191	13,713	66,904
Total Balance	**$2,605,596**	**$486,244**	**$3,091,840**

	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**

NOTE R — Subsequent Events

Subsequent events have been evaluated by management through October 13, 2023, 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

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	$88,469,442	$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	(73,851,886)	(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	$14,617,556	$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	83.48%	83.75%	90.92%	76.40%	82.91%	83.96%	82.37%	81.75%	86.30%	86.80%
Covered Payroll [1]	$9,425,690	$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	155.08%	149.90%	80.47%	207.12%	143.54%	135.18%	147.81%	146.73%	111.55%	108.72%

(1) 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

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2023	2022	2021	2020	2019
Total Pension Liability					
Service Cost	$1,635,318	$1,583,222	$1,499,597	$1,301,460	$1,239,396
Interest on Total Pension Liability	5,950,906	5,696,846	5,433,409	5,154,164	4,916,804
Effect of Plan Changes	—	—	—	—	—
Effect of Assumption Changes or Inputs	855,336	—	—	2,626,103	—
Effect of Economic/Demographic (Gains) or Losses	377,821	392,019	605,566	794,955	502,989
CalPERS Transfer	—	—	—	—	—
Benefit Payments and Refund of Contributions	(4,281,363)	(4,044,567)	(3,814,262)	(3,606,340)	(3,407,155)
Net Change in Total Pension Liability	$4,538,018	$3,627,520	$3,724,310	$6,270,342	$3,252,034
Total Pension Liability - Beginning	83,931,424	80,303,904	76,579,594	70,309,252	67,057,218
Total Pension Liability - Ending (a)	$88,469,442	$83,931,424	$80,303,904	$76,579,594	$70,309,252
Fiduciary Net Position					
Contributions: Employer [1]	$2,301,706	$2,199,889	$2,012,877	$1,800,137	$1,668,151
Contributions: Metropolitan Transportation Authority	—	—	—	—	—
CalPERS Transfer	—	—	—	—	—
Contributions: Member [1]	793,244	758,632	760,994	659,296	635,415
Net Investment Income [2]	4,841,151	(1,554,155)	15,615,699	1,432,547	3,163,618
Net Miscellaneous Income	4,551	3,898	2,680	1,985	5,626
Benefit Payments and Refund of Contributions	(4,281,363)	(4,044,567)	(3,814,262)	(3,606,340)	(3,407,155)
Administrative Expenses [2]	(97,015)	(86,111)	(76,370)	(72,054)	(70,800)
Net Change in Fiduciary Net Position	$3,562,274	($2,722,414)	$14,501,618	$215,571	$1,994,855
Fiduciary Net Position - Beginning	70,289,612	73,012,026	58,510,408	58,294,837	56,299,982
Fiduciary Net Position - Ending (b)	$73,851,886	$70,289,612	$73,012,026	$58,510,408	$58,294,837
Net Pension Liability - Ending (a) - (b)	$14,617,556	$13,641,812	$7,291,878	$18,069,186	$12,014,415
Fiduciary Net Position as a Percentage of Total Pension Liability	83.48%	83.75%	90.92%	76.40%	82.91%
Covered Payroll [3]	$9,425,690	$9,100,791	$9,062,051	$8,724,151	$8,370,050
Net Pension Liability as a Percentage of Covered Payroll	155.08%	149.90%	80.47%	207.12%	143.54%

(1) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(2) In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.
(3) 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 (Continued)

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	$1,220,274	$1,106,755	$1,069,328	$1,024,288	$1,009,834
Interest on Total Pension Liability	4,699,493	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	309,149	(47,506)	(437,039)	(736,010)	—
CalPERS Transfer	—	—	—	332	—
Benefit Payments and Refund of Contributions	(3,203,375)	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Net Change in Total Pension Liability	$3,025,541	$5,503,220	$1,957,937	$1,593,499	$2,304,463
Total Pension Liability - Beginning	64,031,677	58,528,457	56,570,520	54,977,021	52,672,558
Total Pension Liability - Ending (a)	$67,057,218	$64,031,677	$58,528,457	$56,570,520	$54,977,021
Fiduciary Net Position					
Contributions: Employer [1]	$1,524,823	$1,331,357	$1,403,709	$1,455,718	$1,281,795
Contributions: Metropolitan Transportation Authority	—	2	3	25	—
CalPERS Transfer	—	—	—	332	—
Contributions: Member [1]	591,262	526,579	498,083	480,158	477,648
Net Investment Income [2]	4,705,949	6,129,300	80,588	1,989,358	6,910,439
Net Miscellaneous Income	5,163	6,182	2,792	1,483	—
Benefit Payments and Refund of Contributions	(3,203,375)	(3,029,633)	(2,889,186)	(2,768,410)	(2,662,401)
Administrative Expenses [2]	(67,491)	(66,830)	(67,645)	(62,591)	(58,723)
Net Change in Fiduciary Net Position	$3,556,331	$4,896,957	($971,656)	$1,096,073	$5,948,758
Fiduciary Net Position - Beginning	52,743,651	47,846,694	48,818,350	47,722,277	41,773,519
Fiduciary Net Position - Ending (b)	$56,299,982	$52,743,651	$47,846,694	$48,818,350	$47,722,277
Net Pension Liability - Ending (a) - (b)	$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	83.96%	82.37%	81.75%	86.30%	86.80%
Covered Payroll [3]	$7,957,981	$7,637,032	$7,279,777	$6,949,420	$6,672,886
Net Pension Liability as a Percentage of Covered Payroll	135.18%	147.81%	146.73%	111.55%	108.72%

(1) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(2) In accordance with GASB Statement Number 67, investment related costs are reported as Investment Expense.
(3) In accordance with GASB Statement Number 82, Covered Payroll is the payroll on which contributions are based.

Schedule of Employer Contributions History — Pension Plan [1]

Last 10 Fiscal Years
(Dollars in Thousands)

	2023	2022	2021	2020	2019	2018	2017 [2]	2016	2015	2014
Actuarially Determined Contributions	$2,301,706	$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
Contributions in Relation to Actuarially Determined Contributions	2,301,706	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
Contribution Deficiency/ (Excess)	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—
Covered Payroll [3]	$9,425,690	$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
Contributions as a Percentage of Covered Payroll	24.42%	24.17%	22.21%	20.63%	19.93%	19.16%	17.43%	19.28%	20.95%	19.21%

(1) In accordance with GASB Statement Number 82, employer pick-up contributions are classified as Member Contributions.
(2) Portion of contributions fulfilled by transfers from County Contribution Credit Reserve: $21,891 (FYE 2017, Superior Court).
(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

For the Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return (Net of Investment Expense)[1]	6.4%	0.6%	25.2%	1.4%	5.5%	9.0%	12.7%	0.7%	4.1%	17.2%

(1) 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 2022 triennial investigation of experience (experience study). The June 30, 2022 actuarial valuation prepared by the consulting actuary reaffirmed all assumptions adopted by the LACERA Board of Investments in December 2022.

Key Methods and Significant Assumptions[1]

Description	Method
Valuation Timing	<u>Contribution Rates Effective Two Years After Valuation</u> 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, 2022 valuation are applied for the fiscal year July 1, 2023 to June 30, 2024.
Actuarial Cost Method	Individual Entry Age.
Investment Rate of Return	<u>Annual Rate of 7.0 Percent</u> 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 and reaffirmed in the 2022 triennial experience study.
Consumer Price Index	<u>Annual Rate of 2.75 Percent</u> This rate was adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
Salary Increases and Wage Growth	<u>Projected Salary Increases: 3.66 percent to 12.54 percent</u> 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. These rates are updated each year.
Asset Valuation Method	<u>Five-Year Asset Smoothing</u> Assets are valued using a five-year smoothed method based on the difference between expected fair value and actual fair value. The recognition method has no minimum or maximum corridor applied. This rate was adopted with the 2016 triennial experience study. Asset valuation method was modified to include an offsetting of gains and losses prior to applying asset smoothing. Offsetting was adopted with the 2022 triennial experience study.

(1) Assumptions applied to funding valuation calculations may vary with those applied to GASB 67 calculations.

Description	Method
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, 2022 funding valuation includes 14 layers.
Rates of Separation from Employment	Various Rates and Probabilities A schedule of the probabilities of employment termination based on age and/or service due to a particular cause is used. For additional information, see the Retirement 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 and reaffirmed with the 2022 experience study.
Mortality	Mortality Tables for Public Employees Various rates based on Pub-2010 mortality tables and using MP-2021 Ultimate Projection Scale. See the June 30, 2022 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.

(1) Assumptions applied to funding valuation calculations may vary with those applied to GASB 67 calculations.

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. LACERA's consulting actuary completed an investigation of experience for the three-year period ended June 30, 2022. This review, commonly referred to as the 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 results, the actuary determines whether changing the assumptions or methodology will better project benefit liabilities and asset growth. At the December 2022 Board of Investments meeting, the Board reaffirmed some existing assumptions and adopted some new valuation assumptions with the approval of the 2022 experience study report. Those assumptions were used to prepare the June 30, 2022 actuarial valuation report.

Assumption changes from the June 30, 2016 and June 30, 2019 experience study reports 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 and January 2020 meetings, respectively.

2022 Assumption Changes
Actuarial method and assumption changes derived from the 2022 experience study were applied in preparing the June 30, 2022 valuation report. Actuarial information provided for the fiscal year ended June 30, 2023 financial statements is based on these reports unless otherwise noted.

The Board adopted changes to the following actuarial assumptions for the 2022 valuation report:

- Modified the five-year actuarial asset smoothing method to include gain and loss offsetting.
- Updated the rates of assumed merit salary increases and assumed service retirement to reflect a member's length of service in addition to their age.
- Updated the mortality improvement scale to reflect the most recently published Society of Actuaries mortality projection scale.
- Designated the Supplemental Targeted Adjustment for Retirees (STAR) Reserve as a non-valuation reserve which was previously included as a valuation reserve.

The 2022 valuation report contained some actuarial assumptions the Board reaffirmed that did not change:

- Investment return assumption of 7.0 percent.
- CPI assumption of 2.75 percent.
- General wage growth assumption of 3.25 percent.

2019 Assumption Changes
Actuarial method and assumption changes derived from the 2019 experience study were applied in preparing the June 30, 2021 valuation report. Actuarial information provided for the fiscal year ended June 30, 2022 financial statements is based on these reports unless otherwise noted.

The following actuarial assumptions were applied to the 2021 valuation report, as adopted by the Board:

- Investment return assumption to 7.0 percent.
- CPI assumption of 2.75 percent.
- General wage growth assumption of 3.25 percent.
- New mortality tables based on published tables that are specific to public plans' general and safety members, with adjustments to match LACERA experience.
- MP-2014 Ultimate Projection Scale to reflect 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

	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense) [2]	9.7%	(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.

FINANCIAL SECTION
(OTHER SUPPLEMENTARY INFORMATION)

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Administrative Expenses — Pension Plan
For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Personnel Services		
Salaries and Wages	$48,391	$43,224
Employee Benefits	30,475	28,499
Total Personnel Services	**$78,866**	**$71,723**
Consultant & Professional Services		
County Department Services	$447	$461
External Audit Fees	432	276
Legal Consultants	3,712	3,154
Professional Services	1,216	427
Temporary Personnel Services	5,244	5,085
Total Consultant & Professional Services	**$11,051**	**$9,403**
Operating Expenses & Equipment		
Administrative Support	$178	$203
General Expenses	1,371	891
Computer Software	4,747	3,478
Disability Medical Service Fees	3,045	2,240
Educational Expenses	656	599
Equipment	1,395	963
Facilities Operations	7,119	6,582
Insurance	976	1,096
Printing	1,078	808
Postage	757	971
Telecommunications	559	935
Transportation and Travel	352	229
Total Operating Expenses & Equipment	**$22,233**	**$18,995**
Total Administrative Expenses	**$112,150**	**$100,121**

Schedule of Investment Expenses

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

	Pension Plan		OPEB Master Trust		OPEB Custodial Fund	
	2023	2022	2023	2022	2023	2022
Investment Management Fees						
Cash and Short-Term	$269	$307	$22	$20	$8	$25
Commodity	2,409	5,203	154	161	—	—
Global Equity	26,190	44,895	244	295	—	—
Fixed Income	46,816	77,576	1,768	1,857	104	90
Hedge Fund	139,506	99,075	—	—	—	—
Private Equity	210,556	260,426	—	—	—	—
Real Assets	26,282	22,565	—	—	—	—
Real Estate	61,942	50,674	130	148	—	—
Total Investment Management Fees [1]	**$513,970**	**$560,721**	**$2,318**	**$2,481**	**$112**	**$115**
Other Investment Expenses						
Fund Expenses [2]	$56,104	$47,326				
Consultants	$2,627	$2,960	$86	$62	$—	$—
Custodian	$3,495	$3,700	217	219	21	27
Legal Counsel	$1,848	$1,082	—	—	—	—
Other	$4,126	$2,867	—	—	—	—
Total Other Investment Expenses	**$68,200**	**$57,935**	**$303**	**$281**	**$21**	**$27**
Total Fees & Other Investment Expenses	**$582,170**	**$618,656**	**$2,621**	**$2,762**	**$133**	**$142**

(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 audit, legal, tax reporting, and fund administration expenses that are charged to the investment earnings by the investment manager.

Schedule of Payments to Consultants — Pension Plan
For the Fiscal Years Ended June 30, 2023 and 2022
(Dollars in Thousands)

	2023	2022
Actuarial		
Actuarial Valuations and Consulting Services	$458	$219
Audit		
External Audit Services	$432	$276
Legal		
Investment Legal Counsel	$1,848	$1,082
Legislative Consulting	157	256
Other Legal Services	3,555	2,899
Sub-total	$5,560	$4,237
Management		
Management and Human Resources Consulting	$56	$38
Information Technology Consulting	80	53
Sub-total	$136	$91
Total Payments to Consultants	**$6,586**	**$4,823**

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, 2023

Dear LACERA Members:

I am pleased to present the Investment Section of LACERA's Annual Comprehensive Financial Report for Fiscal Year 2023. 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 (the OPEB Trust).[1] This section provides an overview of the investment performance of the Pension Plan and the OPEB Trust along with a summary of the investment portfolio.

Fiscal year 2023 has been marked by wide swings in capital markets amidst a backdrop of continued economic and geopolitical uncertainty. Global equity markets rebounded in the second half of the fiscal year from the recent low experienced in September 2022. The global economy is still confronting a variety of headwinds, including rising interest rates and high inflation in the U.S. and much of Europe, the continuing humanitarian and economic toll of the war in Ukraine, and trade tensions that appear to be reversing globalization trends. Notwithstanding these challenges, both the Pension Plan and the OPEB Trust outperformed their benchmark returns for the fiscal year. This is in large part due to the well-diversified portfolio constructed by LACERA's Board of Investments (the Board) which is designed to be resilient and responsive in a variety of market conditions. During the fiscal year, LACERA also continued to implement several significant initiatives in our efforts 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 6.4 percent during the fiscal year, while the OPEB Trust returned 9.3 percent during the same period.[2] The OPEB Trust's higher return during the fiscal year is primarily attributable to its larger allocation to public market investments. However, that also means that the OPEB Trust's portfolio is more sensitive to public market movements relative to the Pension Plan. The OPEB Trust began investing in private assets during this fiscal year, after the Board approved an 18% allocation to private assets for the OPEB Trust in June 2021. As the OPEB Trust increases its allocation in private assets, it is expected that the OPEB Trust's performance return profile will closer align with the Pension Plan's. 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, both the Pension Plan's and the OPEB Trust's returns outperformed their respective policy benchmarks for all periods. The Pension Plan's return is ahead of its actuarial

[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. LACERA also oversees two custodial fund accounts used to fund the OPEB Program's operations and related healthcare premiums.
[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.

expected return of 7.0 percent[3] for all periods except the one-year period and the OPEB Trust's return is ahead of its actuarial expected return of 6.0 percent for all periods except the five-year period.[4]

Annualized Total Returns
Fiscal Year Ended June 30, 2023
(Net of Fees)

	1 Year	3 Years	5 Years	7 Years	10 Years
Pension Plan	6.4%	10.1%	7.6%	8.5%	8.1%
Policy Benchmark	*5.0*	*7.2*	*6.4*	*7.3*	*7.3*
OPEB Trust[5]	9.3	7.6	5.6	8.4	6.5
Policy Benchmark	*8.2*	*7.3*	*5.2*	*7.2*	*5.5*

Asset Allocation

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.

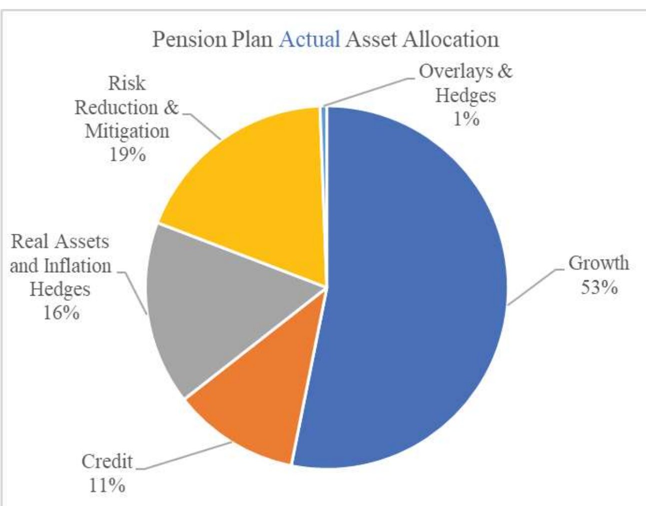
The Pension Plan's and the OPEB Trust's strategic asset allocations apportion investment dollars among functional categories and sub-asset classes based on long-term risk and return objectives and short-term liquidity needs. A table detailing the functional categories, sub-asset classes, and the role each is expected to fulfill in LACERA's investment portfolios is presented below:[6]

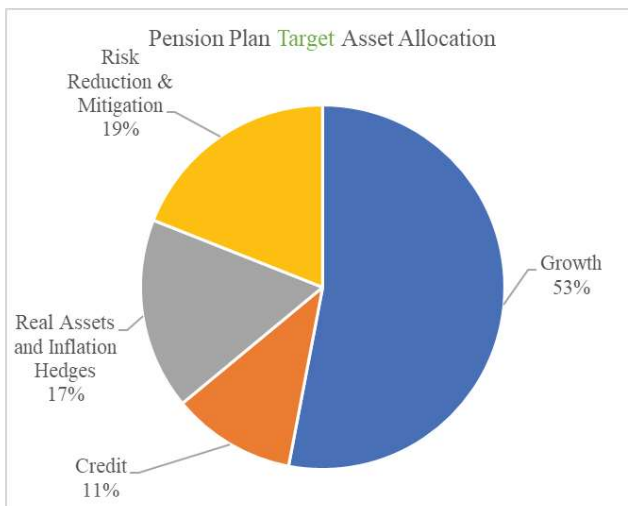
[3] The Pension Plan's actuarial expected return for the period ending June 30, 2023.
[4] The OPEB Trust's actuarial expected return for the period ending June 30, 2023.
[5] Performance inception for the OPEB Trust is February 1, 2013.
[6] The overlay and hedges functional category only applies to the Pension Plan.

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
Overlay and Hedges	Cash Overlay Currency Hedge	Assist the Pension Plan adhere to policy allocation targets and manage risks

The Board reviews the strategic asset allocation for each Fund every three to five years to ensure that both portfolios are aligned with anticipated risks and opportunities. A new strategic asset allocation study for each Fund is planned for completion in the upcoming fiscal year which will 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, return, and correlation expectations for individual asset categories; and an assessment of future economic conditions.

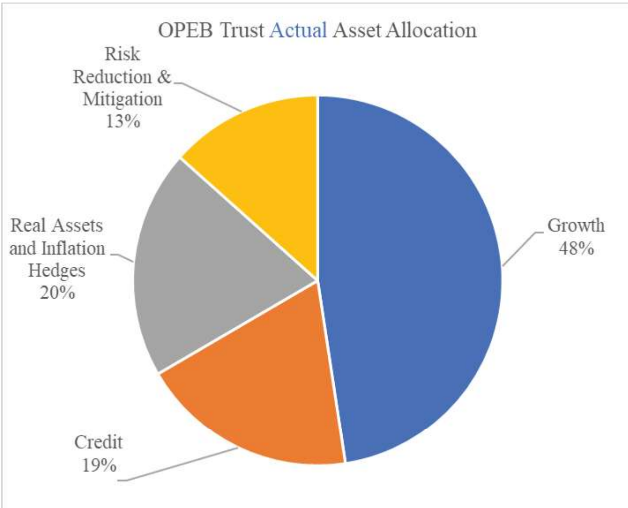
The Pension Plan's June 30, 2023 actual and target asset allocation are shown below.[7]

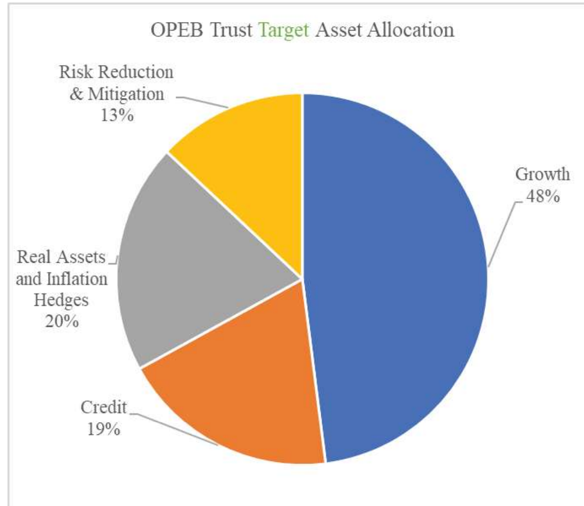




[7] The Pension Plan's actual asset allocation includes an overlay and hedges composite which invests LACERA's excess cash (cash in excess of the target allocation of 1% of the Pension Plan's total assets) in synthetic securities that provide similar investment exposure to the Pension Plan and hedges 50% of the non-US developed market currency exposure in Pension Plan's global equities portfolio. The Pension Plan's overlay and hedges composite has a 0% policy target weight.

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, both portfolios were in compliance with their functional policy target allocation ranges as of fiscal year end.

Beyond strategic asset allocation, LACERA continues executing on its strategic initiatives across every portfolio decision, furthering its evolution from allocator to a best-in-class investor. The five distinct strategic initiatives enumerated in LACERA's strategic plan include: 1) enhance operational 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. For example, LACERA continues to leverage technology and has integrated several tools to bolster its risk analytics and performance reporting platform, which allow LACERA to operate more efficiently and better manage investment risks. LACERA also expanded its internally managed co-investment program to include co-investments in real assets and credit, which should lead to excess returns relative to the respective asset categories' core programs while providing significant cost savings. LACERA also continues to negotiate tailored fee terms and structural rights with some of our largest alternative asset managers which enables LACERA to retain a larger share of the profits while mitigating operational risks. In addition, LACERA has established revenue sharing deals with smaller, early-stage asset managers that allow LACERA to participate in the potential success of the manager's business, which can provide an additional and diversifying return stream. Consistent with these initiatives, LACERA has undertaken innovative solutions to improve expected outcomes, all of which inure to the benefit of our members.

Core Performance Drivers

We continue to see the benefits of LACERA implementing a more resilient and diversified portfolio consistent with the strategic asset allocation adopted by the Board in May 2021. During the fiscal year, the Funds benefited from their exposure to growth and credit investments, which delivered the majority of the Funds' returns. This is in contrast to the previous fiscal year, where the Funds' investments in real assets and inflation hedges provided strong performance which helped offset the negative returns experienced in other asset classes. The cash overlay and hedges composite continued to add value, contributing $374 million in gains during the fiscal year after contributing $588 million in gains during the prior fiscal year. Three of the four functional asset classes of the Pension Plan and the OPEB Trust outperformed their individual benchmarks.

Looking Forward

LACERA's continued implementation of its strategic asset allocation, combined with the execution of its strategic initiatives, has enabled the Funds to weather the challenges, and outperform the benchmark portfolio during this period of global economic and geopolitical uncertainty. As always, we remain committed to generating long-term durable returns so that LACERA can deliver on its mission to produce, protect and provide the promised benefit to its members.

Respectfully submitted,

Jonathan Grabel

Jonathan Grabel
Chief Investment Officer

Investment Summary — Pension Plan[1]
For the Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	**$39,155,425**		
Global Equity		24,582,852	33.4%
Private Equity		13,427,683	18.3%
Non-Core Private Real Estate		1,144,890	1.5%
Credit	**$8,297,113**		
Liquid Credit		3,457,935	4.7%
Illiquid Credit		4,839,178	6.6%
Real Assets and Inflation Hedges	**$12,050,482**		
Core Private Real Estate		4,070,885	5.5%
Natural Resources & Commodities		2,109,659	2.9%
Infrastructure		3,974,017	5.4%
Treasury Inflation-Protected Securities (TIPS)		1,895,921	2.6%
Risk Reduction and Mitigation	**$13,658,819**		
Investment Grade Bonds		5,044,284	6.9%
Diversified Hedge Funds		4,570,232	6.2%
Long-Term Government Bonds		2,961,794	4.0%
Cash		1,082,509	1.5%
Overlay & Hedges	**$407,382**		
Cash Overlay		364,339	0.5%
Currency Hedge		43,043	0.0%
Total Investments - Pension Plan		**$73,569,221**	**100.0%**

[1] Fair values presented in this schedule is based on the Investment Book of Record and differs from information presented in the Statement of Fiduciary Net Position which is based on the Accounting Book of Record.

Investment Summary — OPEB Master Trust[1]
For the Fiscal Year Ended June 30, 2023
(Dollars in Thousands)

Type of Investment		Fair Value	Percent of Total Fair Value
Growth	**$1,468,745**		
Global Equity		1,468,745	47.6%
Credit	**$587,079**		
Liquid Credit		587,079	19.0%
Real Assets and Inflation Hedges	**$615,781**		
Real Estate (REITs)		311,953	10.1%
Commodities		121,270	4.0%
Treasury Inflation-Protected Securities (TIPS)		182,558	5.9%
Risk Reduction & Mitigation	**$412,681**		
Investment Grade Bonds		274,929	8.9%
Long-Term Government Bonds		76,138	2.5%
Cash		61,614	2.0%
Operational Cash [2]	**$7,730**		
Total Investments - OPEB Master Trust		**$3,092,017**	**100.0%**

[1] Fair values presented in this schedule is based on the Investment Book of Record and differs from information presented in the Statement of Fiduciary Net Position which is based on the Accounting Book of Record.
[2] It is not part of the asset allocation.

Investment Summary — OPEB Custodial Fund [1]

For the Fiscal Year Ended June 30, 2023

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$14,552	7.4%
Fixed Income	182,609	92.6%
Total Investments - OPEB Custodial Fund	**$197,161**	**100.0%**

(1) Fair values presented in this schedule is based on the Investment Book of Record and differs from information presented in the Statement of Fiduciary Net Position which is based on the Accounting Book of Record.

Investment Results Based on Fair Value [1,2] — Pension Plan *

As of June 30, 2023

	Annualized (Net-of-Fees)				
	Quarter End June 30, 2023	One-Year	Three-year	Five-year	Ten-year
Growth	**4.2%**	**10.2%**	**15.5%**		
Growth Policy Benchmark	*5.8%*	*8.0%*	*12.5%*		
Global Equity	5.8 %	16.6 %	11.7 %		
Global Equity Policy Benchmark	*5.9 %*	*16.1 %*	*11.0 %*		
Private Equity - Growth	1.7 %	0.1 %	25.2 %		
Private Equity - Growth Policy Benchmark	*7.5 %*	*(5.8)%*	*17.9 %*		
Non-Core Private Real Estate	(0.5)%	4.0 %	12.7 %	10.8%	10.7%
Non-Core Real Estate Policy Benchmark	*(2.8)%*	*(1.7)%*	*10.2 %*	*9.5%*	*11.6%*
Credit	**2.4%**	**7.7%**	**6.8%**		
Credit Policy Benchmark	*1.8%*	*6.0%*	*2.4%*		
Liquid Credit	2.9 %	9.0 %			
Liquid Credit Policy Benchmark	*2.4 %*	*9.3 %*			
Illiquid Credit	2.0 %	5.6 %	13.9 %		
Illiquid Credit Policy Benchmark	*1.5 %*	*3.8 %*	*0.8 %*		
Real Assets & Inflation Hedges	**(1.2)%**	**0.1%**	**9.6%**		
Real Assets & Inflation Hedges Policy Benchmark	*(2.1)%*	*(0.6)%*	*8.9%*		
Core Private Real Estate	(3.6)%	(1.7)%	8.0 %	6.4%	7.9%
Core Private Real Estate Policy Benchmark	*(3.4)%*	*(3.9)%*	*7.7 %*	*6.9%*	*8.9%*
Natural Resources & Commodities	0.2 %	1.1 %	21.2 %	6.2%	0.4%
Natural Resources & Commodities Policy Benchmark	*(3.4)%*	*1.8 %*	*18.8 %*	*5.8%*	*(0.5)%*
Infrastructure	*0.7 %*	*1.6 %*	9.0 %		
DJ Brookfield Global Infrastructure Comp	*(0.4)%*	*0.8 %*	*7.4 %*		
TIPS	(1.4)%	(1.8)%	(0.2)%		
Bloomberg U.S. Treasury U.S. TIPS	*(1.4)%*	*(1.4)%*	*(0.1)%*		
Risk Reduction & Mitigation	**(1.2)%**	**(0.2)%**	**(1.7)%**		
Risk Reduction & Mitigation Policy Benchmark	*(0.3)%*	*0.0%*	*(2.6)%*		
Investment Grade Bonds	(0.7)%	(0.7)%	(3.7)%	0.9%	1.9%
Bloomberg Barclays Aggregate Bond Index	*(0.8)%*	*(0.9)%*	*(4.0)%*	*0.8%*	*1.5%*
Diversified Hedge Funds	(1.4)%	4.6 %	8.3 %		
Diversified Hedge Funds Policy Benchmark	*1.9 %*	*6.0 %*	*3.7 %*		
Long-Term Government Bonds	(2.3)%	(7.5)%			
Bloomberg U.S. Treasury Long	*(2.3)%*	*(6.8)%*			
Cash	*1.7 %*	5.5 %	2.5 %	2.4%	1.6%
Cash Policy Benchmark	*1.3 %*	*3.7 %*	*1.3 %*	*1.6%*	*1.0%*
Overlays & Hedges	**31.1%**	**51.6%**			
Cash Overlay	15.4 %	41.8 %	29.0 %		
Total Overlay Custom Benchmark	*3.4 %*	*9.4 %*	*5.9 %*		
Currency Hedge	0.8 %	0.7 %			
50% FX Hedge Custom Benchmark	*0.8 %*	*0.7 %*			
Total Fund	**2.2%**	**6.4%**	**10.1%**	**7.6%**	**8.1%**
Total Fund Policy Benchmark	***2.8%***	***5.0%***	***7.2%***	***6.4%***	***7.3%***

(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, 2023

	Annualized (Net-of-Fees)			
	Quarter End June 30, 2023	**One-Year**	**Three-year**	**Five-year**
Growth	**6.0%**	**16.3%**	**11.2%**	**7.9%**
OPEB Master Trust Growth Policy Benchmark	*6.0%*	*15.0%*	*10.6%*	*7.4%*
Global Equity	6.0%	16.3%	11.2%	7.9%
MSCI ACWI IMI Net	*5.9%*	*16.1%*	*11.0%*	*7.6%*
Credit	**2.4%**	**10.7%**	**3.4%**	**2.8%**
OPEB Master Trust Credit Policy Benchmark	*2.3%*	*8.8%*	*3.2%*	*2.8%*
Liquid Credit	2.4%	10.6%		
Liquid Credit Policy Benchmark	*2.4%*	*9.5%*		
Bank Loans	3.0%	11.7%	5.9%	3.9%
S&P/LSTA Leverage Loan	*3.1%*	*10.7%*	*6.3%*	*4.1%*
EM Debt LC	2.3%	10.8%	(1.8)%	(0.2)%
JPM GBI-EM Global Diversified	*2.5%*	*11.4%*	*(1.4)%*	*0.3%*
High Yield Bonds	1.6%	8.5%	2.9%	2.9%
Bloomberg Barclays U.S. Corporate HY Index	*1.7%*	*9.1%*	*3.1%*	*3.4%*
Real Assets & Inflation Hedges	**0.5%**	**(2.5)%**	**8.5%**	**3.9%**
OPEB Master Trust Real Asset & Inflation Hedges Policy Benchmark	*(1.8)%*	*(2.3)%*	*8.5%*	*3.9%*
Commodities	(2.6)%	(9.9)%	17.8%	4.7%
Bloomberg Commodity Index Total Return	*(2.6)%*	*(9.6)%*	*17.8%*	*4.7%*
Real Estate (REITs)	3.0%	(0.4)%	9.2%	3.2%
DJ US Select Real Estate Securities	*3.0%*	*(0.8)%*	*9.1%*	*3.3%*
Treasury Inflation-Protected Securities (TIPS)	(1.4)%	(1.3)%	(0.1)%	2.6%
Bloomberg U.S. Treasury: U.S. TIPS	*(1.4)%*	*(1.4)%*	*(0.1)%*	*2.5%*
Risk Reduction & Mitigation	**(0.8)%**	**0.3%**	**(2.8)%**	**1.1%**
OPEB Master Trust Risk Reduction & Mitigation Policy Benchmark	*(0.8)%*	*(1.3)%*	*(3.3)%*	*0.7%*
Investment Grade Bonds	(0.8)%	(0.9)%	(3.9)%	0.8%
Bloomberg Barclays U.S. Aggregate Bond Index	*(0.8)%*	*(0.9)%*	*(4.0)%*	*0.8%*
Cash	1.3%	4.4%	1.5%	2.0%
Cash Policy Benchmark	*1.3%*	*3.7%*	*1.4%*	*1.6%*
Long-Term Government Bonds	(2.4)%			
Bloomberg U.S. Treasury: Long	*(2.3)%*			
Total OPEB Master Trust	**3.3%**	**9.3%**	**7.6%**	**5.6%**
Total OPEB Master Trust Policy Benchmark	***2.8%***	***8.2%***	***7.3%***	***5.2%***

[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)
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%	.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	67,467,013	0.1%	0.6%	8.5%	7.00%	79.6%
2023 6	$71,460,617	6.4%	6.4%	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 7.0 percent as adopted by the Board of Investments based on the results of the actuarial investigation of experience completed in December 2022. For Fiscal Year 2022-2023, interest crediting and operating tables applied the 7.0 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, 2023 is not yet available at financial statement publication.

Largest Equity Holdings — Pension Plan [1]
As of June 30, 2023
(Dollars in Thousands)

Shares	Description	Fair Value
5,653,570	Apple Inc.	$1,096,623
2,549,793	Microsoft Corporation	868,306
4,076,715	Alphabet Inc.	490,488
3,287,448	Amazon.com Inc.	428,552
889,539	NVIDIA Corporation	376,293
1,009,675	Tesla Inc.	264,303
800,683	Meta Platforms Inc.	229,780
1,958,004	Exxon Mobil Corporation	209,996
5,050,604	Enbridge Inc.	187,940
1,117,824	Chevron Corporation	175,890

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.

Largest Fixed Income Holdings — Pension Plan [1]

As of June 30, 2023
(Dollars in Thousands)

Par	Description	Fair Value
110,270,619	United States Treasury 3.625% 20530215	$107,306
157,319,469	United States Treasury 1.375% 20401115	105,517
115,747,553	United States Treasury 2.875% 20520515	96,336
125,541,971	United States Treasury 2.375% 20510515	93,701
135,065,077	United States Treasury 2.000% 20510815	93,068
122,743,489	United States Treasury 2.000% 20411115	90,143
125,997,538	United States Treasury 1.875% 20510215	84,304
86,503,780	United States Treasury 0.125% 20251015	82,032
110,381,917	United States Treasury 2.250% 20520215	80,688
124,553,549	United States Treasury 1.125% 20400815	80,598

Note: A complete list of portfolio holdings is available upon request by contacting LACERA.

(1) Reflects fixed income exposure of assets held in custody.

Schedule of Investment Management Fees

For the Fiscal Years Ended June 30, 2023 and 2022

(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Custodial Fund	
Investment Managers	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Cash and Short-Term	$269	$307	$22	$20	$8	$25
Commodity	2,409	5,203	154	161	—	—
Global Equity	26,190	44,895	244	295	—	—
Fixed Income	46,816	77,576	1,768	1,857	104	90
Hedge Fund	139,506	99,075	—	—	—	—
Private Equity	210,556	260,426	—	—	—	—
Real Asset	26,282	22,565	—	—	—	—
Real Estate	61,942	50,674	130	148	—	—
Total Investment Management Fees [1]	**$513,970**	**$560,721**	**$2,318**	**$2,481**	**$112**	**$115**

(1) Differences in expenses from investing activities reported in the Statement of Changes in Fiduciary Net Position are 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
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
Blackstone, Inc.
Brookfield Asset Management, Inc.
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]
Hamilton Lane Advisors, LLC
J.P. Morgan Investment Management, Inc.
Morgan Stanley Alternative Investments, LLC
Pathway Capital Management, LP

(1) A complete list of Private Equity Investment Managers by functional category is available upon request.

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
Stable Asset Management
Tennenbaum Capital Partners, LLC
Varde Partners
Waterfall Asset Management

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

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
Macquarie Global Infrastructure Fund
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)
Appian Natural Resources Fund II LP
Ara Fund III
Cibus Fund II
Cibus Enterprise II
Energy & Minerals Group III
Hitec Vision New Energy Fund SCSP
Orion Mine Finance Fund III
Orion Mineral Royalty Funds I
Sprott Private Resource Streaming And Royalty Annex Fund
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
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.
Hamilton Lane Advisors, LLC
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 transmit its recommendations related to contribution rates to the Los Angeles 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 labor 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 amended in February 2013 to conform to the new standards mandated in PEPRA. In December 2022, the Board of Investments adopted to exclude the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance as part of the valuation assets as recommended by the consulting actuary in the 2022 experience study. The Board of Investments may approve future STAR COLA awards funded by the STAR Reserve balance.

The Funding Policy requires an adjustment of the employer contribution rates each year 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, 2022 and recommended changes to the employer and employee (member) contribution rates. At its March 2023 meeting, the LACERA Board of Investments adopted Milliman's June 30, 2022 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 December 2022 meeting, the LACERA Board of Investments adopted Milliman's recommendations based on the 2022 Investigation of Experience for Retirement Benefit Assumptions report. Some assumptions and methods remained unchanged from the prior experience study while others were updated including demographic assumptions, projected salary increases, and modifications to current actuarial methods.

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. Typically, these member contribution rates will change no more frequently than every three years. As part of the experience study or annual valuation, the Pension Plan actuary recommends adjustments to member contribution rates, if necessary, due to changes in the underlying actuarial assumptions and methodologies. Based on the modified assumptions from the 2022 experience study and the resulting calculations contained in the June 30, 2022 annual valuation, the Board of Investments adopted new member contribution rates, generally higher on a relative basis, effective July 1, 2023 for active members in these retirement plans.

PEPRA 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. Member contribution rates for these plans may change annually as PEPRA requires. Based on the June 30, 2022 valuation, the actuary recommended new member contribution rates effective July 1, 2023. The recommended member contribution rates increased for all Plan G and Safety Plan C active 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 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.

For the June 30, 2022 valuation, the actuary recommended new employer normal cost contribution rates for all plans and a new UAAL contribution rate, effective July 1, 2023. Based on the 2022 valuation, the aggregate employer normal cost rate increased from 10.88 percent to 11.12 percent, and the employers' required contribution rate to finance the UAAL increased from 13.58 percent to 14.72 percent. The increase in the calculated employer contribution rate from 24.46 percent to 25.84 percent of payroll was primarily due to the actuarial assumption and method changes, the less-than-assumed investment return for fiscal year 2021-2022, and payroll growth less than expected. These increases were partially offset by the recognition of deferred investment gains from prior years.

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, LACERA's reviewing actuary, performed the most recent review of Milliman's experience study and valuation reports as of June 30, 2022.

In 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, 2022 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 by 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
- Retirees 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, 2023

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.

The Funded Ratio, which is the ratio of the Valuation Reserves to the actuarial accrued liabilities, measures LACERA's funded status. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2020	76.3%
June 30, 2021	79.3%
June 30, 2022	79.6%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2022. Using the fair value of assets as of June 30, 2022, the Funded Ratio would be 79.9%. As of June 30, 2022 a net asset gain is being deferred.

LACERA's funding policy provides that employer 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%. 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. 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.

Based on the current funding policy, Valuation Reserves are the actuarial value of assets minus the 1% Contingency Reserve, the County Contribution Credit Reserve, and the Advanced Employer Contribution Reserve. Beginning with the June 30, 2022 valuation the STAR Reserve is also excluded from Valuation Reserves.

[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.

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In preparing the June 30, 2022 funding 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, 2022, which was adopted at the December 14, 2022 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; and
3. The Fiduciary Net Position is equal to the fair value of assets.

Actuarial computations presented in the funding valuation report are for the purpose of determining the recommended funding amounts for LACERA consistent with our understanding of its funding requirements and goals. The liabilities are determined by using the entry age normal actuarial cost 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 fair value of assets to the expected fair 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. We have incorporated other sources of economic data in assessing the reasonableness of the assumptions. In particular, we have considered LACERA's investment policy statement and Meketa's capital market assumptions in our assessment of the investment return assumption.

The valuation results were developed using models employing standard actuarial techniques. 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. Reliance on other experts is reflected in Milliman's capital market assumptions, and in Milliman's expected return model maintained by Milliman investment consultants.

Future actuarial measurements may differ significantly from the current measurements as presented in the funding valuation report and the GASB 67 disclosure report due to factors such as: 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. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations. Milliman does not intend to benefit or create a legal duty to any third-party recipient of our work product. 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 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 funding valuation reports, our June 30, 2022 funding valuation report, and our June 30, 2023 GASB 67 disclosure report. Milliman has reviewed the information in Note E for accuracy.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Nick J. Collier, ASA, EA, MAAA
Principal and Consulting Actuary

Craig Glyde, ASA, EA, MAAA
Principal and Consulting Actuary

NC/CG/va

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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	<u>2022 Pension Plan Experience Study</u> The actuarial methods and assumptions used to determine Pension Plan liabilities are based on the results of the 2022 experience study as recommended by Milliman, the consulting actuary, and adopted by the LACERA Board of Investments. <u>2022 Pension Plan Actuarial Valuation</u> Milliman used the 2022 experience study results to prepare the annual actuarial valuation report as of June 30, 2022. LACERA used the 2022 Actuarial Valuation report to update the valuation disclosures in this Actuarial Section. <u>Retirement Benefit Funding Policy</u> 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. In December 2022, the Board of Investments approved an exclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve from valuation assets as an exception to the Funding Policy. The Board of Investments will review and update the Funding Policy accordingly.
Actuarial Cost Method	<u>Entry Age Normal</u> 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 2022 experience study.

Method/Assumption	Application
Actuarial Asset Valuation Method	Five-Year Asset Smoothing with Offsetting The valuation assets are valued using a five-year smoothing method based on the difference between expected and actual fair value of assets as of the valuation date. The gains and losses on fair 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 fair value is the prior year's fair 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. To the extent that there is a loss for the year and there are unrecognized gains from previous years, or to the extent that there is a gain for the year and there are unrecognized losses from previous years, the gain or loss for the year shall be used to offset unrecognized gains or losses from previous years in the order of oldest to most recent. Any remaining gain or loss for the year is recognized over a five-year period. The five-year asset smoothing method was adopted effective June 30, 2009, and the offsetting methodology was adopted effective June 30, 2022. STAR Reserve Assets Valuation assets exclude the statutory Contingency Reserve and the STAR Reserve. This treatment of the STAR Reserve as a non-valuation reserve was adopted effective June 30, 2022.
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 approach is referred to as layered amortization. For the June 30, 2022 valuation, 14 amortization layers were used to calculate the total amortization payment beginning July 1, 2023.
General Wage Growth and Projected Salary Increases	3.25 Percent Wage Growth and Various Rates Projected salary increases: 3.66 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 2022 triennial experience study. The Projected Salary Increases were adopted beginning with the June 30, 2022 valuation.

Method/Assumption	Application
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.
Post-Retirement Benefit Increases	Annual COLAs of 2.75 Percent or 2.0 Percent Post-retirement benefit increases of either 2.75 percent or 2.0 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 2.0 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 2.0 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. These rates were adopted beginning with the June 30, 2016 valuation and reaffirmed in the 2022 triennial experience study.
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 2022 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, 2022 valuation. The Retirement 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]	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-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2021 Ultimate Projection Scale. **Females:** **General Members:** PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale. The amount-weighted Pub-2010 mortality table probabilities were adopted June 30, 2019. The MP-2021 Ultimate Projection Scale for expected future mortality improvement was adopted June 30, 2022.
Expectation of Life After Disability [1, 2]	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-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2021 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-2021 Ultimate Projection Scale. **Safety Members:** PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale The amount-weighted Pub-2010 mortality table probabilities were adopted June 30, 2019. The MP-2021 Ultimate Projection Scale for expected future mortality improvement was adopted June 30, 2022.

(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 ultimate improvement rates from the SOA's Mortality Improvement Scale MP-2021 (published in October 2021) 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	<u>2022 Pension Plan Experience Study</u> An experience study was performed by the consulting actuary for the three-year period ended June 30, 2022. The LACERA Board of Investments adopted the demographic assumptions, projected salary increases, and actuarial methods recommended in that report. The investment return assumption and other economic assumptions remain unchanged. Changes to those assumptions and other financial impacts are discussed below. <u>STAR Reserve</u> The STAR Reserve is excluded from the 2022 valuation assets. This is consistent with the treatment of STAR benefits as there is no corresponding liability for future potential STAR benefits included in the valuation. The exclusion of the STAR Reserve in the valuation assets was adopted by the Board of Investments in December 2022. <u>2022 Assumption Changes</u> At the December 2022 LACERA Board of Investments meeting, the Board adopted new assumptions with the 2022 Investigation of Experience report. The adopted assumptions included updating: rates of assumed merit salary increases; assumed rates of service retirement to reflect a member's length of service in addition to their age; mortality improvement scale to reflect the most recent improvement scale published by the Society of Actuaries Retirement Plans Experience Committee (RPEC). Of these changes, the update to the service retirement assumption had the greatest single impact on the results of this valuation. All assumption changes have been reflected in the June 30, 2022 actuarial valuation. <u>Funded Ratio</u> As of June 30, 2022, the Funded Ratio increased from 79.3 percent to 79.6 percent primarily due to the recognition of deferred investment gains from prior years (primarily from fiscal year 2020-2021) and employer contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL). The less-than-assumed investment return for fiscal year 2021-2022, assumption and method changes adopted at the December 2022 Board of Investments (BOI) meeting, and both CPI and retiree COLAs greater than assumed, partially offset the positive factors. <u>Employer Contributions</u> The total calculated employer contribution rate increased from the prior valuation by 1.38 percent (from 24.46 percent to 25.84 percent) of payroll. The increase in the employer contribution rate is primarily due to the actuarial assumption and method changes, the less-than-assumed investment return for fiscal year 2021-2022, and payroll growth less than expected. These factors were partially offset by the rate-reducing impact of the recognition of deferred investment gains from prior years (primarily the strong investment return for fiscal year 2020-2021). <u>Member Contributions</u> New member contribution rates are recommended for all Plans effective July 1, 2023. 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. 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 recommended member contribution rates are generally higher for all 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, 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%
June 30, 2022	**$68,711,610**	**$86,320,151**	**$17,608,541**	**79.6%**	**$9,100,791**	**193.5%**

(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
	General	79,006	$5,253,152,532	$66,491	0.23%
	Safety	12,539	1,234,902,228	98,485	(0.03)%
June 30, 2013	Total	91,545	$6,488,054,760	$70,873	0.24%
	General	79,943	$5,487,670,164	$68,645	3.24%
	Safety	12,523	1,252,867,272	100,045	1.58%
June 30, 2014	Total	92,466	$6,740,537,436	$72,897	2.86%
	General	81,228	$5,706,302,532	$70,250	2.34%
	Safety	12,446	1,299,621,108	104,421	4.37%
June 30, 2015	Total	93,674	$7,005,923,640	$74,790	2.60%
	General	82,916	$5,949,587,940	$71,754	2.14%
	Safety	12,528	1,342,684,620	107,175	2.64%
June 30, 2016	Total	95,444	$7,292,272,560	$76,404	2.16%
	General	84,513	$6,290,061,336	$74,427	3.73%
	Safety	12,698	1,388,190,600	109,324	2.01%
June 30, 2017	Total	97,211	$7,678,251,936	$78,985	3.38%
	General	85,703	$6,610,313,328	$77,130	3.63%
	Safety	12,771	1,451,457,324	113,653	3.96%
June 30, 2018	Total	98,474	$8,061,770,652	$81,867	3.65%
	General	86,392	$6,815,591,124	$78,891	2.28%
	Safety	12,794	1,540,187,040	120,384	5.92%
June 30, 2019	Total	99,186	$8,355,778,164	$84,244	2.90%
	General	86,930	$7,186,102,392	$82,665	4.78%
	Safety	13,178	1,590,549,948	120,697	0.26%
June 30, 2020	Total	100,108	$8,776,652,340	$87,672	4.07%
	General	85,963	$7,437,522,936	$86,520	4.66%
	Safety	13,138	1,650,856,932	125,655	4.11%
June 30, 2021	Total	99,101	$9,088,379,868	$91,708	4.60%
	General	**83,689**	**$7,334,839,584**	**$87,644**	**1.30%**
	Safety	**12,850**	**1,626,909,156**	**126,608**	**0.76%**
June 30, 2022	**Total**	**96,539**	**$8,961,748,740**	**$92,830**	**1.22%**

(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, 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
June 30, 2022	**4,796**	**$378,343**	**(2,722)**	**($130,089)**	**71,571**	**$4,150,016**	**6.36%**	**$58.0**

(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, 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%
June 30, 2022	**$11,029**	**$49,637**	**$25,654**	**$68,712**	**100%**	**100%**	**31%**

(1) Includes vested and non-vested former members.

Actuarial Analysis of Financial Experience — Pension Plan
(Dollars in Millions)

	Valuation as of June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Unfunded Actuarial Accrued Liability	$16,989	$18,512	$17,018	$13,294	$13,145	$12,841	$9,491	$11,288	$13,315	$11,770
Expected Increase/(Decrease) From Prior Valuation	(76)	171	306	25	146	320	(102)	(54)	338	869
Salary Increases Greater/(Less) Than Expected	(21)	484	388	486	223	277	162	79	(291)	(563)
CPI Greater/(Less) Than Expected	355	(73)	43	44	45	(139)	(191)	(570)	(427)	(190)
Change in Assumptions	1,364	—	—	2,528	—	—	2,922	—	—	511
Asset Return Less/(Greater) Than Expected	(996)	(2,039)	701	477	(411)	(421)	496	(1,263)	(1,664)	893
All Other Experience	(7)	(66)	56	164	146	267	63	11	17	25
Ending Unfunded Actuarial Accrued Liability	**$17,608**	**$16,989**	**$18,512**	**$17,018**	**$13,294**	**$13,145**	**$12,841**	**$9,491**	**$11,288**	**$13,315**

Retirement 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	0.3000	0.0039	0.0009	N/A	0.0038	0.0050
70	0.2200	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	0.3000	0.0022	0.0007	N/A	0.0024	0.0050
70	0.2200	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	0.0310
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	0.0100
50	0.0150	0.0120	0.0011	0.0005	N/A	0.0018	20	0.0075
60	0.0700	0.0560	0.0039	0.0009	N/A	0.0038	25	0.0050
70	0.2400	0.2400	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	0.0310
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	0.0100
50	0.0150	0.0120	0.0013	0.0005	N/A	0.0011	20	0.0075
60	0.0700	0.0560	0.0022	0.0007	N/A	0.0024	25	0.0050
70	0.2400	0.2400	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		

Retirement 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	0.0230
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	0.2000	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	0.0230
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	0.2000	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	0.2100	0.2100	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	0.2100	0.2100	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.

As required by the OPEB Policy, LACERA engages an independent actuarial consulting firm to perform the OPEB Program valuation annually and every three years, the consulting actuary Milliman, performs an investigation of experience (experience study). On a triennial basis, a separate consulting actuarial firm, Cavanaugh Macdonald Consulting (CMC), 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 employers who administer OPEB benefit programs for their retirees 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 Program* — Los Angeles County, Superior Court, LACERA, and outside districts
- *OPEB Trust* — Los Angeles County, Superior Court, and LACERA

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 was 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 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 was reflected in LACERA's June 30, 2019 financial statements. LACERA's June 30, 2023 and 2022 financial statements contain some limited information within the Required Supplementary Information 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, 2022, using the actuarial assumptions from the 2020 OPEB experience study. 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, 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
- Retirees 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, 2023

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, 2020	$21.30	$1.49	$19.81	18.18%
July 1, 2021	$21.16	$2.31	$18.85	16.76%
July 1, 2022	$23.10	$2.39	$20.71	18.27%

* 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).

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The models, including all input, calculations, and output may not be appropriate for any other purpose.

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.

In preparing the July 1, 2022 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, 2022 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 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, 2022 valuation of the LACERA retirement benefit program, approved by LACERA's Board of Investments. Economic and relevant demographic assumptions from the 2022 retirement benefit investigation of experience, conducted by Milliman, are included in the July 1, 2022 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, 2022 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, 2022 OPEB funding valuation and the forthcoming June 30, 2024 GASB 75 disclosure reports are for purposes of fulfilling financial

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accounting requirements for LACERA's employers. The liabilities in the July 1, 2022 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 fair 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.

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. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations. Milliman does not intend to benefit or create a legal duty to any third party recipient of our work product. 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 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, 2022 OPEB actuarial funding valuation, and our forthcoming June 30, 2024 GASB 75 report. Milliman has reviewed the information in Note N for accuracy.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the July 1, 2022 OPEB actuarial funding valuation is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial

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Opinion in the United States, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion of the July 1, 2022 OPEB actuarial funding valuation. We 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>2022 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 2022 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, assumptions used for the Pension Plan are carried over to the OPEB Program; however, some assumptions developed and applied are unique to the OPEB Program. Pension Plan assumptions were reviewed and changed as of June 30, 2022, as a result of the 2022 Pension Plan triennial Investigation of Experience Study approved by the Board of Investments in December 2022. 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 investment return from the County's general assets or the expected investment return from the OPEB Trust. OPEB Trust 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 OPEB assumptions were adopted in March 2021 by the Board of Retirement and were applied to the OPEB valuations conducted as of July 1, 2020, 2021, and 2022. 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	Fair 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 6.0 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 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.

<table>
<tr><th>Method/Assumption</th><th colspan="4">Application</th></tr>
<tr><td>Amortization Method</td><td colspan="4"><u>30-Year Amortization</u>
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.</td></tr>
<tr><td rowspan="6">Healthcare Cost Trend Rates</td><td></td><td>FY 2023 to FY 2024</td><td>FY 2024 to FY 2025</td><td>Ultimate (Grading from June 30, 2023 to June 30, 2106)</td></tr>
<tr><td>LACERA Medical Under 65</td><td>8.50%</td><td>6.80%</td><td>4.20%</td></tr>
<tr><td>LACERA Medical Over 65</td><td>3.70%</td><td>6.50%</td><td>4.20%</td></tr>
<tr><td>Part B Premiums</td><td>8.50%</td><td>7.50%</td><td>4.00%</td></tr>
<tr><td>Dental/Vision</td><td>3.70%</td><td>2.90%</td><td>3.60%</td></tr>
<tr><td>Weighted Average Trend</td><td>5.92%</td><td>6.51%</td><td>4.13%</td></tr>
<tr><td>Claim Costs</td><td colspan="4"><u>Costs Vary By Program Tier</u>
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, 2022 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, 2022 OPEB Valuation report for more details.</td></tr>
<tr><td>Retirement</td><td colspan="4"><u>Minimum Retirement Ages</u>
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.</td></tr>
</table>

Method/Assumption	Application
Expectation of Life After Retirement [1,2]	Mortality Tables for Public Employees The same post-retirement mortality rates are used in the valuation for members retired from 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, 2022 OPEB Valuation report. These rates were adopted June 30, 2019. The new projection scale was adopted June 30, 2022. **Males:** **General Members**: PubG-2010 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males multiplied by 85 percent, with MP-2021 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110 percent, with MP-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale.
Expectation of Life After Disability [1,2]	Mortality Tables for Public Employees For disabled members, the mortality tables used are listed below while age-based rates are illustrated in the July 1, 2022 OPEB Valuation report. These rates were adopted June 30, 2019. The new projection scale was adopted June 30, 2022. **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-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Males, with MP-2021 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-2021 Ultimate Projection Scale. **Safety Members**: PubS-2010 Healthy Retiree Mortality Table for Females, with MP-2021 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 ultimate improvement rates from the SOA's Mortality Improvement Scale MP-2021 (published in October 2021) 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, 2022 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	—%	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%
July 1, 2022	**$2,394,100**	**$23,097,800**	**$20,703,700**	**10.4%**	**$10,269,429**	**201.6%**

(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
	General	79,416	$5,267,863,044	$66,333	1.56%
	Safety	12,482	1,229,551,596	98,506	1.83%
July 1, 2012	Total	91,898	$6,497,414,640	$70,702	1.52%
	General	79,878	$5,482,792,752	$68,640	3.48%
	Safety	12,515	1,251,582,744	100,007	1.52%
July 1, 2014	Total	92,393	$6,734,375,496	$72,888	3.09%
	General	82,780	$5,938,289,628	$71,736	4.51%
	Safety	12,515	1,340,879,628	107,142	7.13%
July 1, 2016	Total	95,295	$7,279,169,256	$76,386	4.80%
	General	84,454	$6,284,503,344	$74,413	3.73%
	Safety	12,695	1,387,680,972	109,309	2.02%
July 1, 2017 [2]	Total	97,149	$7,672,184,316	$78,973	3.39%
	General	85,645	$6,604,776,960	$77,118	3.64%
	Safety	12,770	1,451,326,572	113,651	3.97%
July 1, 2018	Total	98,415	$8,056,103,532	$81,858	3.65%
	General	86,337	$6,809,906,844	$78,876	2.28%
	Safety	12,791	1,539,796,908	120,381	5.92%
July 1, 2019	Total	99,128	$8,349,703,752	$84,232	2.90%
	General	86,875	$7,180,721,760	$82,656	4.79%
	Safety	13,176	1,590,271,044	120,695	0.26%
July 1, 2020	Total	100,051	$8,770,992,804	$87,665	4.08%
	General	85,911	$7,432,707,960	$86,516	4.67%
	Safety	13,133	1,650,137,676	125,648	4.10%
July 1, 2021	Total	99,044	$9,082,845,636	$91,705	4.61%
	General	**83,647**	**$7,330,651,500**	**$87,638**	**1.30%**
	Safety	**12,843**	**1,625,956,740**	**126,603**	**0.76%**
July 1, 2022	**Total**	**96,490**	**$8,956,608,240**	**$92,824**	**1.22%**

(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	699,304	4.49%	12,667
July 1, 2021	3,431	53,821	(2,353)	(28,386)	56,285	724,739	3.64%	12,876
July 1, 2022	**3,815**	**$42,812**	**(2,331)**	**($27,823)**	**57,769**	**$739,728**	**2.07%**	**$12,805**

(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
(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
July 1, 2012	$—	$10,681	$16,272	$—	N/A	—%	—%
July 1, 2014	—	11,791	16,756	484	N/A	4%	—%
July 1, 2016	—	11,365	14,548	561	N/A	5%	—%
July 1, 2017 [2]	—	11,640	14,661	743	N/A	6%	—%
July 1, 2018	—	10,108	10,959	941	N/A	9%	—%
July 1, 2019	—	10,260	10,493	1,239	N/A	12%	—%
July 1, 2020	—	10,597	10,706	1,493	N/A	14%	—%
July 1, 2021	—	10,751	10,406	2,307	N/A	21%	—%
July 1, 2022	**$—**	**$11,543**	**$11,555**	**$2,394**	**N/A**	**21%**	**—%**

(1) Includes vested former members.
(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.

Actuarial Analysis of Financial Experience — OPEB Program
(Dollars in Millions)

	Valuation as of July 1								
	2022	**2021**	**2020**	**2019 [1]**	**2018**	**2017 [2]**	**2016**	**2014**	**2012**
Prior Unfunded Actuarial Accrued Liability	$18,851	$19,810	$19,514	$20,126	$25,558	$25,352	$28,063	$26,953	$24,031
Expected Increase/(Decrease) from Prior Valuation	621	747	911	1,005	1,170	1,462	3,240	3,873	3,771
Claim Costs Greater/(Less) than Expected [3]	287	(1,202)	(1,000)	(1,589)	(1,067)	(1,213)	(2,322)	(5,471)	(3,864)
Change in Assumptions [4]	567	—	314	(35)	(6,936)	—	(3,385)	3,238	3,423
Asset Return Less/(Greater) than Expected	438	(352)	76	1	(28)	(54)	78	(484)	N/A
All Other Experience [5]	(60)	(152)	(5)	6	1,429	11	(322)	(46)	(408)
Ending Unfunded Actuarial Accrued Liability	**$20,704**	**$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 platform - 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 inactive members and defined as either vested members with deferred benefits or 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 of 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 retired 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Additions										
Employer Contributions	$2,301,706	$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
Member Contributions	793,244	758,632	760,994	659,296	635,415	591,262	526,579	498,083	441,258	439,001
Net Investment Income/(Loss)	4,856,286	(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
Miscellaneous	5,009	4,117	2,928	2,383	5,958	5,613	6,370	2,781	1,695	2,256
Total Additions/ (Declines)	**$7,956,245**	**$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**
Deductions										
Total Benefit Expenses [1]	$4,281,363	$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
Administrative Expenses	112,150	100,121	90,586	85,384	82,906	78,181	66,830	67,645	62,591	58,723
Miscellaneous	458	219	248	397	333	451	188	(11)	212	229
Total Deductions	**$4,393,971**	**$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**
Net Increase/(Decrease) in Fiduciary Net Position	**$3,562,274**	**($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**

(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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Additions										
Employer Contributions [1]	$1,196,205	1,097,284	$1,057,366	$907,521	$863,452	$706,709	$645,381	$615,275	$—	$—
Net Investment Income/(Loss)	247,488	(288,500)	452,122	6,171	62,116	78,746	94,505	(8,095)	4,688	35,113
Miscellaneous	—	—	—	—	—	—	2	—	—	—
Total Additions	**$1,443,693**	**$808,784**	**$1,509,488**	**$913,692**	**$925,568**	**$785,455**	**$739,888**	**$607,180**	**$4,688**	**$35,113**
Deductions										
Administrative Expenses	$942	$599	$584	$246	$234	$190	$374	$192	$153	$144
Benefit Payments [1]	745,013	720,910	694,665	659,295	627,839	583,406	557,381	534,597	—	—
Redemptions	—	—	40	—	25	3,735	—	—	—	—
Total Deductions	**$745,955**	**$721,509**	**$695,289**	**$659,541**	**$628,098**	**$587,331**	**$557,755**	**$534,789**	**$153**	**$144**
Net Increase in Fiduciary Net Position	**$697,738**	**$87,275**	**$814,199**	**$254,151**	**$297,470**	**$198,124**	**$182,133**	**$72,391**	**$4,535**	**$34,969**

(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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service Retiree Payroll										
General	$2,560,490	$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
Safety	630,916	602,547	574,362	543,901	507,909	478,802	445,473	419,092	397,962	384,248
Total	**$3,191,406**	**$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**
Disability Retiree Payroll										
General	$205,748	$201,231	$195,818	$190,386	$186,120	$177,879	$173,550	$169,821	$165,543	$162,338
Safety	837,446	779,078	723,948	670,237	621,358	574,431	538,116	507,824	484,907	459,311
Total	**$1,043,194**	**$980,309**	**$919,766**	**$860,623**	**$807,478**	**$752,310**	**$711,666**	**$677,645**	**$650,450**	**$621,649**
Total Retiree Payroll										
General	$2,766,238	$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
Safety	1,468,362	1,381,625	1,298,310	1,214,138	1,129,267	1,053,233	983,589	926,916	882,869	843,559
Total	**$4,234,600**	**$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**
Refunds										
General	$36,968	$32,470	$21,622	$22,418	$27,096	$20,782	$21,970	$23,470	$22,050	$18,994
Safety	6,444	5,619	2,890	2,813	1,595	2,439	2,482	3,622	3,361	4,534
Total	**$43,412**	**$38,089**	**$24,512**	**$25,231**	**$28,691**	**$23,221**	**$24,452**	**$27,092**	**$25,411**	**$23,528**
Lump-Sum Death Benefits	**$3,351**	**$4,205**	**$4,142**	**$2,230**	**$2,711**	**$2,428**	**$2,251**	**$3,083**	**$2,029**	**$1,691**
Total Benefit Expenses	**$4,281,363**	**$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**

Active Members
For the Last 10 Fiscal Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Active Vested										
General	65,414	64,875	64,622	63,647	62,589	61,734	61,608	61,820	62,532	63,301
Safety	9,974	9,921	9,812	9,875	10,071	10,286	10,429	10,743	11,024	11,188
Subtotal	**75,388**	**74,796**	**74,434**	**73,522**	**72,660**	**72,020**	**72,037**	**72,563**	**73,556**	**74,489**
Active Non-Vested										
General	18,894	18,826	21,355	23,289	23,811	23,975	22,915	21,096	18,696	16,642
Safety	2,635	2,930	3,329	3,304	2,725	2,489	2,269	1,785	1,422	1,335
Subtotal	**21,529**	**21,756**	**24,684**	**26,593**	**26,536**	**26,464**	**25,184**	**22,881**	**20,118**	**17,977**
Inactive [1]										
General	18,994	17,761	15,996	15,133	15,567	7,856	7,752	7,665	7,623	7,550
Safety	1,420	1,286	1,125	1,041	610	603	589	573	563	540
Subtotal	**20,414**	**19,047**	**17,121**	**16,174**	**16,177**	**8,459**	**8,341**	**8,238**	**8,186**	**8,090**
Total Active Members										
General	103,302	101,462	101,973	102,069	101,967	93,565	92,275	90,581	88,851	87,493
Safety	14,029	14,137	14,266	14,220	13,406	13,378	13,287	13,101	13,009	13,063
Total	**117,331**	**115,599**	**116,239**	**116,289**	**115,373**	**106,943**	**105,562**	**103,682**	**101,860**	**100,556**

(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, 2023

		Type of Retirement [1]			Retirement Option Selected [2]					
Amount of Monthly Benefit	Number of Retired Members	A	B	C	Unmodified	Unmodified+ Plus	Option 1	Option 2	Option 3	Option 4
$1 - $1,000	12,648	8,128	876	3,644	10,692	904	90	449	121	392
$1,001 - $2,000	14,039	9,514	1,728	2,797	11,909	1,242	117	338	112	321
$2,001 - $3,000	11,831	8,707	1,763	1,361	10,091	1,111	89	169	80	291
$3,001 - $4,000	8,882	6,884	1,201	797	7,550	869	60	92	49	262
$4,001 - $5,000	6,468	5,194	833	441	5,352	775	38	59	40	204
$5,001 - $6,000	4,643	3,724	613	306	3,846	584	25	31	16	141
$6,001 - $7,000	3,420	2,724	521	175	2,724	518	16	21	8	133
> $7,000	11,091	7,540	3,202	349	8,251	2,191	32	30	42	545
	73,022	**52,415**	**10,737**	**9,870**	**60,415**	**8,194**	**467**	**1,189**	**468**	**2,289**

(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, 2023

	Medical Benefit Premium Amounts					Total Member Count
	$1-$500	$501-$1000	$1,001-$1500	$1,501-$2000	> $2,000	
Medical Plans by Plan Type						
Anthem Blue Cross I	1	—	586	21	308	916
Anthem Blue Cross II	—	—	2,350	224	2,985	5,559
Anthem Blue Cross III	—	7,467	4,498	1,169	167	13,301
Anthem Blue Cross Prudent Buyer	—	472	28	247	74	821
Cigna - HealthSpring Preferred Rx	33	22	—	7	1	63
Cigna Network Model Plan	—	—	—	234	86	320
Kaiser - California	—	—	3,416	—	2,561	5,977
Kaiser - Senior Advantage	18,286	107	237	1,835	1	20,466
Kaiser - Colorado	—	—	4	—	9	13
Kaiser - Georgia	—	—	23	—	3	26
Kaiser - Hawaii	—	6	—	6	4	16
Kaiser - Oregon	—	—	4	—	7	11
Kaiser - Washington	—	—	—	6	3	9
Firefighters Local 1014	—	—	539	—	1,712	2,251
SCAN Health Plan - Desert	1	—	—	—	—	1
SCAN Health Plan - California	376	—	—	—	—	376
SCAN Health Plan - Nevada	7	—	—	—	—	7
UnitedHealthcare	2	—	529	—	865	1,396
UnitedHealthcare Medicare Advantage (HMO)	1,991	1,360	—	479	—	3,830
Total Medical by Plan Type	**20,697**	**9,434**	**12,214**	**4,228**	**8,786**	**55,359**
Medical Plans by Retirement Type						
Service Retirees	17,040	6,428	8,900	3,343	5,372	41,083
Disability Retirees	1,359	1,020	1,908	688	3,257	8,232
Survivors	2,298	1,986	1,406	197	157	6,044
Total Medical by Retirement Type	**20,697**	**9,434**	**12,214**	**4,228**	**8,786**	**55,359**

	Dental/Vision Benefit Premium Amounts
	$1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	50,262
CIGNA HMO Dental/Vision	7,009
Total Dental/Vision by Plan Type	**57,271**
Dental/Vision Plans by Retirement Type	
Service Retirees	42,225
Disability Retirees	8,666
Survivors	6,380
Total Dental/Vision by Retirement Type	**57,271**

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+**
7/1/13 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
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

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+**
7/1/15 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
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

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+**
7/1/17 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
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

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+**
7/1/19 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
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

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+**
7/1/21 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
7/1/22 to 6/30/23						
Retirants						
General Members						
Average Monthly Retirement Benefit	$1,116	$1,697	$2,595	$3,638	$4,388	$6,346
Average Monthly Final Salary	$7,546	$6,742	$7,390	$8,134	$8,337	$9,356
Number of Active Retirants	138	249	346	387	400	1,129
Safety Members						
Average Monthly Retirement Benefit	$2,442	$3,649	$5,267	$8,899	$9,693	$13,793
Average Monthly Final Salary	$10,258	$10,391	$11,683	$14,229	$14,410	$16,426
Number of Active Retirants	10	16	31	72	109	285
Survivors						
General Members						
Average Monthly Retirement Benefit	$852	$1,129	$1,089	$1,969	$2,270	$3,552
Average Monthly Final Salary	$4,681	$5,307	$4,793	$6,312	$5,955	$7,009
Number of Active Survivors	19	64	72	81	88	207
Safety Members						
Average Monthly Retirement Benefit	$3,594	$3,827	$2,093	$3,201	$4,115	$6,127
Average Monthly Final Salary	$6,330	$6,760	$8,410	$7,238	$7,645	$8,762
Number of Active Survivors	2	5	7	14	26	62

Active Members of Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

	2023		2022		2021		2020		2019	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	84,301	86.983%	83,695	86.684%	85,970	86.735%	86,929	86.829%	86,392	87.092%
Safety Members	12,609	13.010%	12,851	13.310%	13,141	13.258%	13,179	13.164%	12,796	12.900%
Total	**96,910**	**99.993%**	**96,546**	**99.994%**	**99,111**	**99.993%**	**100,108**	**99.993%**	**99,188**	**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	6	0.006%	5	0.005%	6	0.006%	6	0.006%	7	0.007%
Total Participating Agencies	**7**	**0.007%**	**6**	**0.006%**	**7**	**0.007%**	**7**	**0.007%**	**8**	**0.008%**
Total Active Membership [1]										
General Members	84,308	86.990%	83,701	86.690%	85,977	86.742%	86,936	86.836%	86,400	87.100%
Safety Members	12,609	13.010%	12,851	13.310%	13,141	13.258%	13,179	13.164%	12,796	12.900%
Total	**96,917**	**100.000%**	**96,552**	**100.000%**	**99,118**	**100.000%**	**100,115**	**100.000%**	**99,196**	**100.000%**

	2018		2017		2016		2015		2014	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	85,701	87.020%	84,515	86.931%	82,907	86.865%	81,219	86.704%	79,934	86.447%
Safety Members	12,775	12.972%	12,698	13.061%	12,528	13.126%	12,446	13.286%	12,523	13.543%
Total	**98,476**	**99.992%**	**97,213**	**99.992%**	**95,435**	**99.991%**	**93,665**	**99.990%**	**92,457**	**99.990%**
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	0	0.000%	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	7	0.007%	6	0.006%	7	0.007%	7	0.008%	7	0.008%
Total Participating Agencies	**8**	**0.008%**	**8**	**0.008%**	**9**	**0.009%**	**9**	**0.010%**	**9**	**0.010%**
Total Active Membership [1]										
General Members	85,709	87.028%	84,523	86.939%	82,916	86.874%	81,228	86.714%	79,943	86.457%
Safety Members	12,775	12.972%	12,698	13.061%	12,528	13.126%	12,446	13.286%	12,523	13.543%
Total	**98,484**	**100.000%**	**97,221**	**100.000%**	**95,444**	**100.000%**	**93,674**	**100.000%**	**92,466**	**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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Medical	55,359	54,065	52,832	52,336	51,216	50,052	48,812	47,653	46,567	45,576
Dental/Vision	57,271	55,772	54,262	53,705	52,499	51,225	49,890	48,671	47,486	46,383

Employer Contribution Rates: County of Los Angeles

For the Last 10 Years

Effective Date [1]			General Members Plan A	General Members Plan B	General Members Plan C	General Members Plan D	General Members Plan E	General Members Plan G	Safety Members Plan A	Safety Members Plan B	Safety Members Plan C
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%
7/1/2022	to	**9/30/2023**	**31.11%**	**24.13%**	**21.23%**	**22.75%**	**24.30%**	**22.66%**	**39.93%**	**34.79%**	**27.91%**

(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.

Employer Contribution Rates: Little Lake Cemetery District [1] and Local Agency Formation Commission for the County of Los Angeles [2]

For the Last 10 Years

Effective Date [3]			Plan D	Plan E	Plan G
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%
7/1/2022	**to**	**9/30/2023**	**22.75%**	**—**	**22.66%**

(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.

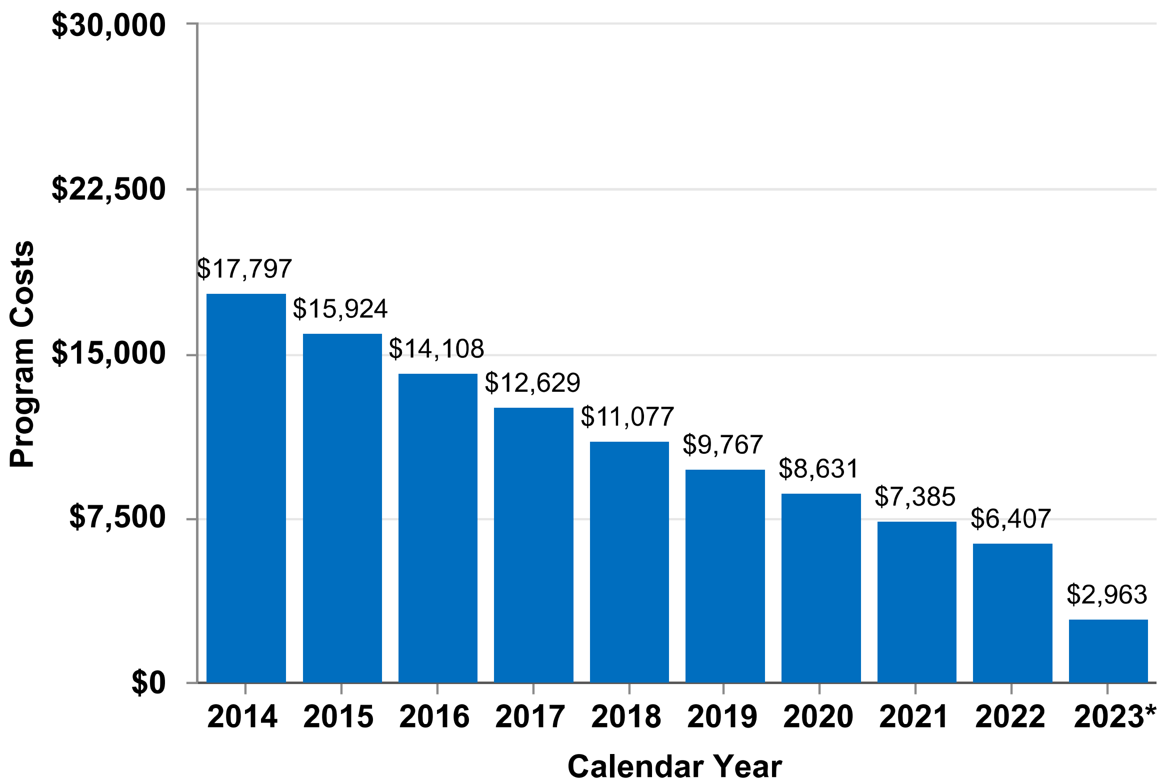
(3) Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. However, section 31454 of CERL requires the County Board of Supervisors to adjust contribution rates in accordance with LACERA's recommendations no later than ninety days following the beginning of the immediately succeeding fiscal year. Adjustments must be made effective July 1, or thereafter, but not later than September 29 of each year.

Supplemental Targeted Adjustment for Retirees (STAR) Program Costs — Pension Plan

The STAR Program is administered on a calendar-year basis. Retiree Cost-of-Living Adjustment (COLA) Accumulation accounts are monitored and when the minimum balance is exceeded, retirees can become eligible for STAR Program benefits. The Board of Retirement approved previous STAR Program awards on a permanent basis, resulting in ongoing additional benefit payments for the members' lifetime. Please refer to Note A — Benefit Plan Descriptions for additional information regarding the STAR Program.

STAR Program benefits are funded by the STAR Reserve. LACERA's consulting actuary calculates the lifetime cost and subsequent to Board of Retirement approval, funds are transferred from the STAR Reserve to the Employer Reserve, to pay these benefits. The chart below represents the STAR Program costs for the last 10 years. The annual costs shown are STAR Program benefits paid for each year from the Employer Reserve. For additional information related to reserve accounts, please see Note D — Pension Plan Reserves.

LACERA STAR Program Costs
For the Last 10 Calendar Years
(Dollars in Thousands)



*Represents partial year January 1 through June 30.

ATTACHMENT E

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, 2022
With Independent Auditor's Report

Employer Reporting Period: June 30, 2023

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Independent Auditor's Report

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

Opinions

We have audited the schedule of employer allocations of Los Angeles County Employees Retirement Association (LACERA) as of and for the year ended June 30, 2022 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, 2022), total deferred inflows of resources, and total pension expense (the specified column totals) included in the accompanying schedule of pension amounts by employer of LACERA as of and for the year ended June 30, 2022 and the related notes.

In our opinion, the accompanying 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 for the Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedules* 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As explained in 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 $24,482,323,000 (36 percent of net position) at June 30, 2022, 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, audited 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 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, and for 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 Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.
- Obtain an understanding of internal control relevant to the audit 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

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

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2022, and our report thereon dated October 14, 2022 expressed an unmodified opinion on the financial statements.

Restriction on Use

Our report is intended solely for the information and use of LACERA's management, the retirement board, LACERA's 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

April 10, 2023

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Defined Benefit Pension Plan

Schedule of Employer Allocations

As of and for the year ended June 30, 2022

	Measurement Date 6/30/2022				
Employer	Actual Employer Contribution (1)	Employer Contribution Percentage	Adjusted Contribution Percentage	Employer Proportion	Employer Net Pension Liability
Los Angeles County	$ 2,122,282,000	96.47223%	96.47223%	96.47223%	$ 13,160,560,000
Los Angeles County Superior Court	77,450,000	3.52063%	3.52063%	3.52063%	480,278,000
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	148,000	0.00673%	0.00673%	0.00673%	918,000
Little Lake Cemetery District	9,000	0.00041%	0.00041%	0.00041%	56,000
Total	$ 2,199,889,000	100%	100%	100%	$ 13,641,812,000

(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, 2022

		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	$ 13,160,560,000	$ 1,602,848,000	$ 2,326,220,000	$ 29,727,000	$ 3,958,795,000	$ 64,162,000	$ 187,758,000	$ -	$ 251,920,000	$ 1,887,076,000	$ 10,206,000	$ 1,897,282,000
Los Angeles County Superior Court	480,278,000	58,494,000	84,892,000	-	143,386,000	2,341,000	6,852,000	29,700,000	38,893,000	68,866,000	(10,205,000)	58,661,000
South Coast Air Quality Management District	-	-	-	8,000	8,000	-	-	-	-	-	4,000	4,000
Los Angeles County Office of Education	-	-	-	-	-	-	-	-	-	-	-	-
Local Agency Formation Commission	918,000	112,000	162,000	43,000	317,000	4,000	13,000	77,000	94,000	132,000	(13,000)	119,000
Little Lake Cemetery District	56,000	7,000	10,000	6,000	23,000	-	1,000	7,000	8,000	8,000	8,000	16,000
Total for All Employers	$ 13,641,812,000	$ 1,661,461,000	$ 2,411,284,000	$ 29,784,000	$ 4,102,529,000	$ 66,507,000	$ 194,624,000	$ 29,784,000	$ 290,915,000	$ 1,956,082,000	$ -	$ 1,956,082,000

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, 2022

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 $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. 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, 2021 through June 30, 2022.

(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, 2022 is $2,199,889,000.

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2022 are as follows:

Total pension liability	$ 83,931,424,000
Plan fiduciary net position	(70,289,612,000)
Net pension liability	$13,641,812,000

Actuarial Assumptions

The collective net pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, with updated procedures used to roll forward the total pension liability to June 30, 2022. 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, 2022 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	**51.0%**		**5.5%**	
Global Equity		34.0%		4.3%
Private Equity		14.0%		6.9%
Non-Core Private Real Estate		3.0%		6.7%
Credit	**11.0%**		**2.2%**	
Liquid Credit		6.0%		1.5%
Illiquid Credit		5.0%		2.8%
Real Assets and Inflation Hedges	**17.0%**		**3.6%**	
Core Private Real Estate		6.0%		3.3%
Natural Resource and Commodities		4.0%		3.7%
Infrastructure		4.0%		4.8%
TIPS		3.0%		-0.3%
Risk Reduction & Mitigation	**21.0%**		**0.2%**	
Investment Grade Bonds		13.0%		-0.3%
Diversified Hedge Fund Portfolio		5.0%		1.6%
Long-Term Government Bonds		2.0%		0.0%
Cash Equivalents		1.0%		-1.0%

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	$25,028,638,000	$13,641,812,000	$ 4,238,640,000

(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, 2022:

	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	2022	8	-	$ 392,019,000	49,002,000	343,017,000
	2021	8	529,870,000	-	75,696,000	454,174,000
	2020	8	596,217,000	-	99,369,000	496,848,000
	2019	8	314,367,000	-	62,874,000	251,493,000
	2018	8	154,573,000	-	38,644,000	115,929,000
Subtotal			1,595,027,000	392,019,000	325,585,000	1,661,461,000
Difference between projected and actual earnings on pension plan investments	2022	5	-	6,718,981,000	1,343,796,000	5,375,185,000
	2020	5	1,695,303,000	-	565,101,000	1,130,202,000
	2019	5	379,504,000	-	189,751,000	189,753,000
Subtotal			2,074,807,000	6,718,981,000	2,098,648,000	6,695,140,000
Changes of assumptions	2020	8	1,969,577,000	-	328,263,000	1,641,314,000
	2017	8	1,154,957,000	-	384,987,000	769,970,000
Subtotal			3,124,534,000	-	713,250,000	2,411,284,000
Total Deferred Outflows of Resources			$ 6,794,368,000	$ 7,111,000,000	$ 3,137,483,000	$ 10,767,885,000
Deferred Inflows of Resources						
Difference between expected and actual experience	2017	8	$ 17,816,000	$ -	$ 5,938,000	$ 11,878,000
	2016	8	109,259,000	-	54,630,000	54,629,000
	2015	8	92,003,000	-	92,003,000	-
Subtotal			219,078,000	-	152,571,000	66,507,000
Difference between projected and actual earnings on pension plan investments	2021	5	9,186,352,000	$ -	$ 2,296,588,000	$ 6,889,764,000
	2018	5	171,065,000	-	171,065,000	-
Subtotal			9,357,417,000	-	2,467,653,000	6,889,764,000
Total Deferred Inflows of Resources			$ 9,576,495,000	$ -	$ 2,620,224,000	$ 6,956,271,000

(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		
2023	$	780,330,000
2024		645,200,000
2025		(298,947,000)
2026		1,958,998,000
2027		552,332,000
Thereafter		173,701,000
Total	$	3,811,614,000

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 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015 amounts.

(6) Pension Expense

The components of allocable pension expense for the year ended June 30, 2022 (excluding employer specific pension expense for changes in proportion) are as follows:

Service cost	$ 1,583,222,000
Interest on the total pension liability	5,696,846,000
Member contributions	(758,632,000)
Projected earnings of plan investments	(5,164,826,000)
Net miscellaneous income	(3,898,000)
Administrative expense	86,111,000
(Amortization) recognition of deferred outflows and inflows of resources:	
Difference between expected and actual experience	173,014,000
Difference between projected and actual earnings on pension plan investments	(369,005,000)
Changes of assumptions	713,250,000
Total	$ 1,956,082,000

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, 2022

TABLE OF CONTENTS

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 the reporting structure from a cost-sharing plan to an agent multiple-employer plan.

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 July 1, 2021 to June 30, 2022 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 Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association

Opinion

We have audited the fiduciary net position as of June 30, 2022 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, 2022 and the changes in fiduciary net position of the Los Angeles County column for the year then ended, included in the accompanying Schedule.

In our opinion, the accompanying 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 LACERA as of June 30, 2022 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, 2022 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit 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 audit. 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 described 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, 2022, 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.

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.

Responsibilities of Management for the Financial Statements

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 and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is 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 an audit conducted in accordance with GAAS 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 Schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, 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 Schedule.
- Obtain an understanding of internal control relevant to the audit 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 Schedule.

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

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, 2022, and our report thereon dated October 14, 2022 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

Management is responsible for the other information included with the Schedule. The other information comprises the introductory section. Our opinion on the Schedule does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the Schedule, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the Schedule 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.

Plante & Moran, PLLC

April 13, 2023

Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust

For the Fiscal Year Ended June 30, 2022

(Dollars in Thousands)

	Los Angeles County	Superior Court	LACERA	Total
Additions				
Employer Contributions	$1,061,754	$30,143	$5,387	$1,097,284
Net Investment and Miscellaneous Income Gain/(Loss)	(280,173)	(7,215)	(1,112)	(288,500)
Total Additions	$781,581	$22,928	$4,275	$808,784
Deductions				
Service Benefits	$689,511	$29,143	$2,256	$720,910
Administrative Expenses	$449	$120	$30	$599
Redemptions	$—	$—	$—	$—
Total Deductions	$689,960	$29,263	$2,286	$721,509
Net Increase/(Decrease) in Fiduciary Net Position	$91,621	($6,335)	$1,989	$87,275
Fiduciary Net Position Restricted for Benefits				
Beginning of Year	$2,235,814	$62,203	$8,810	$2,306,827
End of Year	$2,327,435	$55,868	$10,799	$2,394,102

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, tax exempt 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 to serve as trustee and investment services manager.

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".

The OPEB Master Trust was established as a unitized fund structure which 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 financial statement 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) 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. Prior to the beginning of the fiscal year, these expenses are estimated in an annual budget which is approved jointly by LACERA's two governing Boards. During the fiscal year, the participating Employers are charged investment management and administrative expenses, which covers all costs to administer the OPEB Trust. Investment expenses are charged against the investment earnings of the OPEB Trust and allocated to each Employer in proportion to their average daily net asset value (NAV). Administrative expenses are charged to each Employer consistent with the annual budget. Actual expenses are reconciled and reported to the Employers subsequent to fiscal year end.

Redemptions are uncommon but can be 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. 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. The OPEB Trust is invested in equity, fixed income, and real estate investment trust (REIT) assets through funds that are considered commingled in nature. These funds are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.

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, 2022.

NOTE C — Subsequent Events

Management has evaluated subsequent events as of the date of issuance of this Schedule, and determined there are none to report.

NOTE D — Additional Financial Information

Additional financial information is located within LACERA's ACFR for the fiscal year ended June 30, 2022, 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 30, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall
Chief Audit Executive

Leisha E. Collins
Principal Internal Auditor

FOR: December 14, 2023 Audit Committee Meeting

SUBJECT: **Ethics Hotline Status Report**

BACKGROUND

The purpose of this memorandum is to provide the Committee with information on ethics cases handled by LACERA. Since November 2019, LACERA has contracted with NAVEX Global's EthicsPoint Hotline for ethics reporting and case management needs. Currently there are five open cases and one closed case as of the last Audit Committee meeting as reported in the table below:

Case #	Month Received	Issue	Case Assignment	Status	Month Closed	Control Deficiencies Identified from Case
14	June 2023	Conflict of Interest	Legal/External Investigator	In Progress	Open	
15	June 2023	Inappropriate Supervisor Directive	Legal/External Investigator	In Progress	Open	
16	June 2023	Policy Violation	Legal/External Investigator	In Progress	Open	
17	June 2023	Discrimination	IA/External Investigator	Investigation complete	Nov 2023	No Control Deficiencies
18	September 2023	Confidentiality and Misappropriation	Legal/External Investigator	In Progress	Open	
19	September 2023	Inappropriate Supervisor Directive	Legal/External Investigator	In Progress	Open	

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.

ETHICS HOTLINE OVERVIEW

At the June 2023 Audit Committee Meeting, the Committee requested an overview of the Ethics Hotline. Attached is the Ethics Hotline Presentation (Attachment A) that staff will provide at the December 2023 meeting. We welcome the opportunity for discussion and feedback from the Committee.

RPB:lc

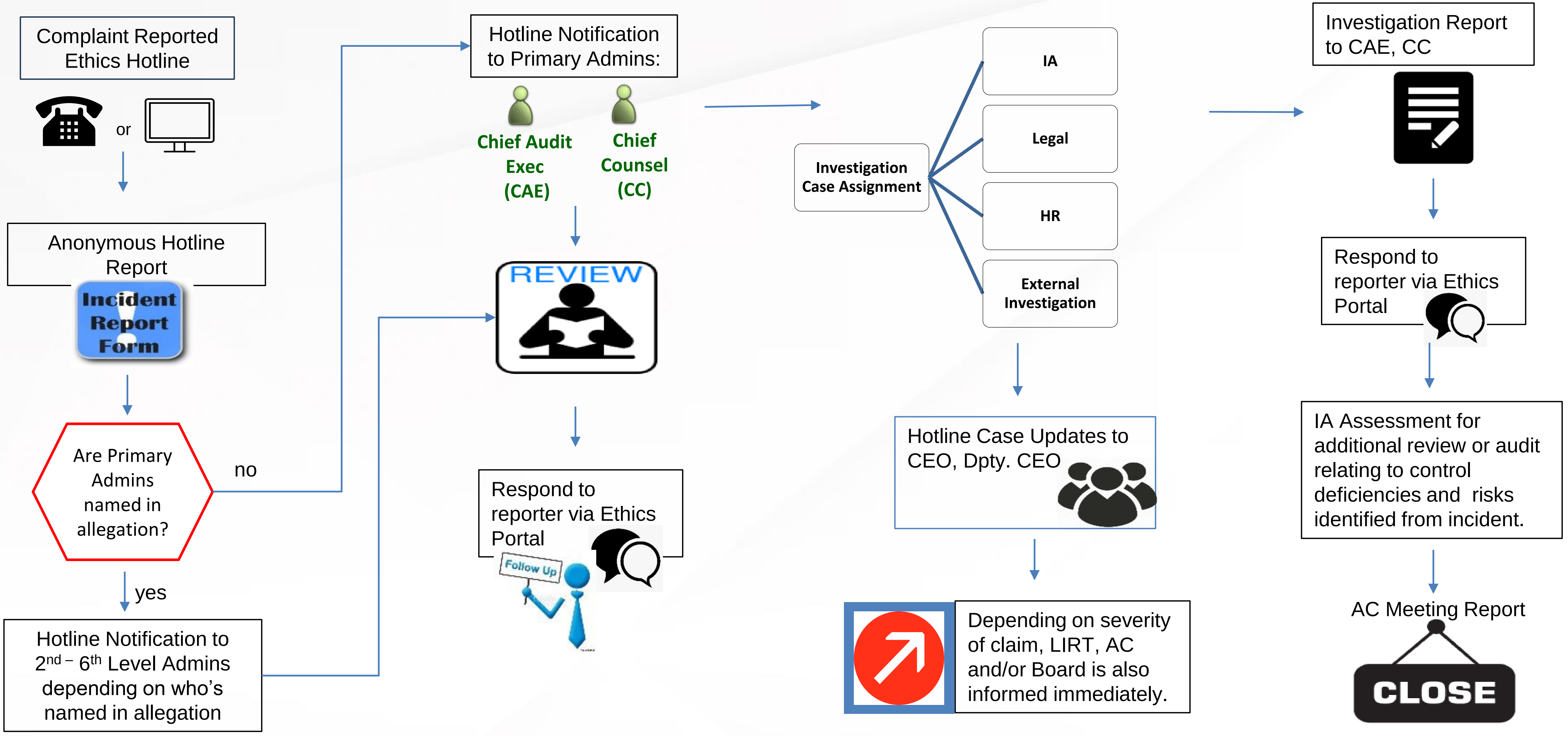
ATTACHMENT A

Ethics Hotline Overview

Presented by:

Leisha E. Collins, Principal Internal Auditor

Ethics Hotline Case Process



Internal Audit's Role

- **The Chief Audit Executive (CAE) and Chief Counsel, as the Primary Administrators will:**
  - Receive cases and review for credibility
  - Track cases and follow-up on status
  - Communicate updates to the reporter via Ethics Portal

- **CAE and Chief Counsel assign cases for investigation:**
  - Internal Investigation: Incident warrants a formal investigation; the case is assigned internally for further review.
  - External Investigation: Due to the severity of the allegations and issues raised, an external investigation is necessary.
  - Resolved without Investigation: The case does not meet the minimum standards for investigation; has no legal or policy violation. No further review necessary.
  - Insufficient Information: Reporter did not provide sufficient information to pursue an investigation.

- **Internal Audit will review risks and control deficiencies identified from cases.**

- **Internal Audit updates Ethics Hotline policy, procedures and internal communication platforms (brochures, posters, intranet, etc.)**

The Audit Committee's Role

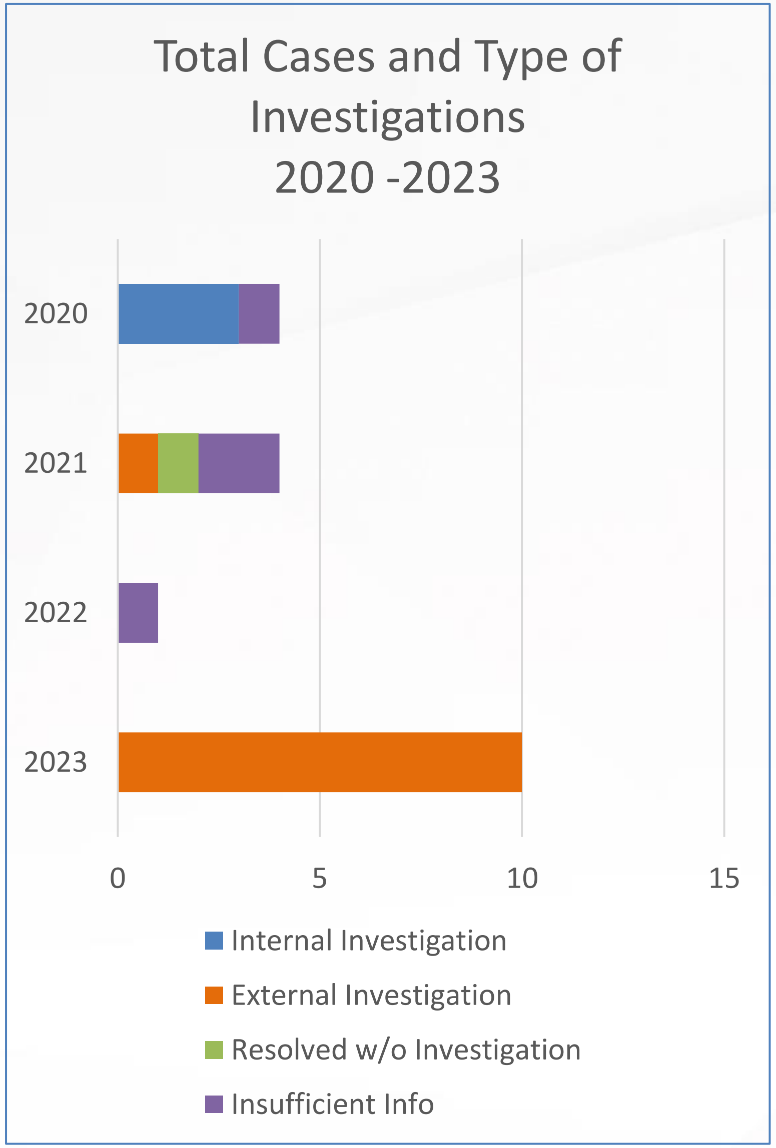
- **The Audit Committee is provided the status of all Hotline cases at each Committee Meeting**

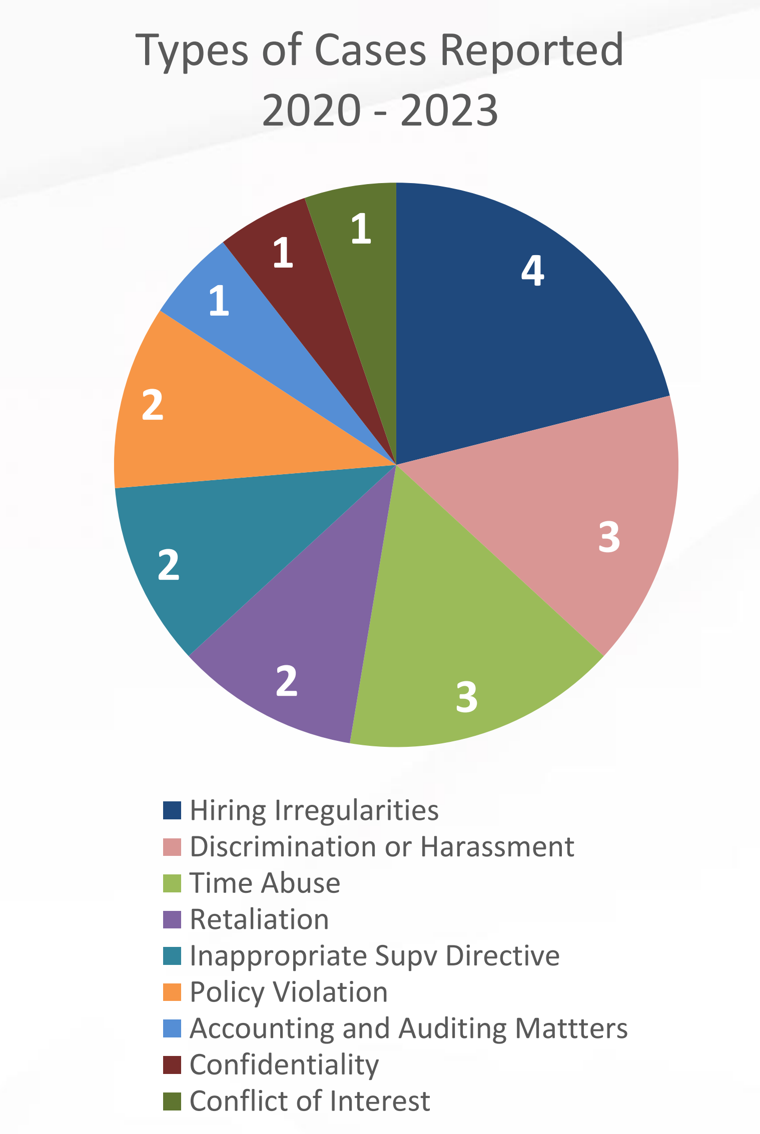
  - Per Section E.2 of the Audit Committee Charter: The Audit Committee review's a summary of Hotline reports, and if appropriate will make a recommendation to the Boards.
  - When applicable, the Audit Committee will receive additional information in closed session.

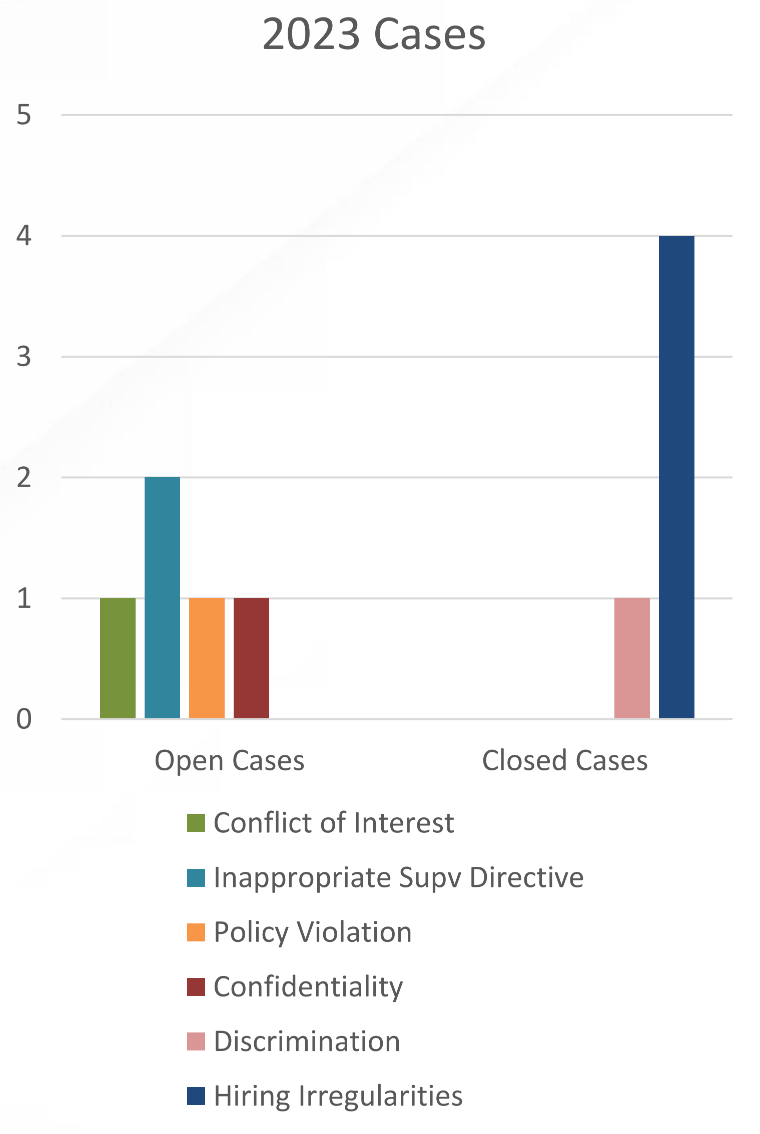
Below is an example of the reporting format with new information we will provide to the Committee:

Case # (new)	Month Received (new)	Issue	Case Assignment To (new)	Status	Month Closed (new)	Control Deficiencies Identified from Case (New)
1	June 2023	Hiring Issues	HR/External Investigation	Investigation Completed	August 2023	Yes, risk area for future Audit Plan
2	July 2023	Supervisor Issues	Legal/External investigation	Investigation Complete	September 2023	No further review necessary
3	August 2023	Discrimination	Legal/External investigation	Investigation in Progress	______	______
4	August 2023	Time abuse	HR/Internal Investigation	Investigation in Progress	______	______

Hotline Cases Dashboard







Next Steps

Upcoming Changes for the Ethics Hotline:

- Currently in process of updating internal policies and procedures

- Update to Ethics Hotline workflow:
  - Additional Administrators will be added as secondary points of contacts
  - Review and revise Ethics Hotline categories

- Update Ethics brochure, posters and other communication to staff

QUESTIONS

Thank You

FOR INFORMATION ONLY

November 15, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Christina Logan
Principal Internal Auditor

FOR**:** December 14, 2023 Audit Committee Meeting

SUBJECT: **Internal Audit Charter Assessment**

BACKGROUND

The Institute of Internal Auditors (IIA) requires internal audit functions to formally define the purpose, authority, and responsibilities of the group in a charter. Executive management and the Audit Committee must review and approve the charter. The Internal Audit Charter (IA Charter) was established in 1996 and was lasted updated in September 2021 (Attachment A).

In addition, the IIA requires a periodic review of the internal audit charter to ensure it is aligned with the IIA's standards and its model internal audit charter, industry standards and organizational changes. In June 2022, Internal Audit performed an assessment of the current IA Charter and found no material changes were warranted.

CURRENT ASSESSMENT

Internal Audit is delaying performing its assessment of our IA Charter until after the IIA has published its updated standards. During the first three quarters of calendar year 2023, the IIA published a draft of its updated standards and solicited feedback from the public. The expect to have the updated standards finalized and released to the public by January 2024 and the new standards will become effective 12 months after release.

The draft standards can be found IIA_Global_Internal_Audit_Standards_Public_Comment_Draft_English (theiia.org). Internal Audit has already begun learning more about the updated standards, including attending roll-out sessions and having internal discussions. The key take-aways from the updates are:

- The *International Standards for the Professional Practice of Internal Auditing* has been renamed to the *Global Internal Audit Standards*.
- Revised structure for easier application of standards.
- Clarification between requirements vs. guidance.

Based on the below timeline from the IIA, staff anticipates bringing a revised IA Charter to the Committee in June 2024, which will reflect the IIA's updated standards.

Attachment A: LACERA's 2021 Internal Audit Charter

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

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ATTACHMENT A

LACERA
Los Angeles County Employees Retirement Association

Internal Audit Charter

INTERNAL AUDIT SERVICES

August 2021

2021

INTERNAL AUDIT CHARTER

INTERNAL AUDIT CHARTER

I. PURPOSE AND MISSION

The purpose of Internal Audit is to provide independent and objective assurance services, and consulting services designed to add value and improve LACERA's operations. The mission of Internal Audit is to enhance and protect LACERA's organizational values by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

II. ROLE

The internal audit activity was established by the Audit Committee. Internal Audit's responsibilities are defined by the Audit Committee as part of the Audit Committee's oversight role.

III. OBJECTIVES

A. Assurance Objectives

The goal of assurance services is to 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. Assurance services include audits and continuous process testing to assess if the organization's assets are adequately safeguarded, operating efficiency is enhanced, and compliance is maintained with prescribed laws and LACERA policies. Assurance services also include the independent assessment of the organization's risk awareness, reliability, and integrity of the organization's data and the achievement of LACERA's goals and objectives.

B. Consulting Objectives

The objective of consulting services is to provide Management with formal assessments and advice for improving LACERA's governance, risk management, and control processes, without Internal Audit assuming Management responsibility. Internal Audit will participate as consultants in the assessment and review of controls, policies, procedures, and systems, both manual and electronic. In addition, opportunities for improving management controls, and LACERA's image may be identified during audits; and these will be communicated to the appropriate level of Management.

C. Advisory Objectives

The objective of advisory services is to provide informal advice to Management. Having Internal Audit consult at the beginning of a project, aids management in identifying and managing risks effectively, and designing adequate internal controls. Examples of advisory services include participating in various committees in ex-officio capacity;

providing routine advice on policies, establishing controls, providing training and risk management tools, and facilitating meetings.

IV. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, *the International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The CAE will report periodically to executive management and the Audit Committee regarding Internal Audit's conformance to the Code of Ethics and the *Standards*.

Additionally, Internal Audit will obtain guidance from the professional standards and practices of other, relevant professional organizations, including but not limited to, the American Institute of Certified Public Accountants, the Information Systems Audit and Control Association, the Associate of Certified Fraud Examiners, and the Association of Public Pension Fund Auditors.

V. ORGANIZATION

The Chief Audit Executive (CAE) reports functionally to the Audit Committee of the Board of Investments and Board of Retirement, and administratively to the Chief Executive Officer. This reporting structure provides for Internal Audit's independence and objectivity as required by professional standards.

The Audit Committee's roles and responsibilities are defined in the Audit Committee Charter.

VI. AUTHORITY

Internal Audit, with strict accountability for confidentiality, and safeguarding of records and information, is authorized full, free, and unrestricted access to any and all of LACERA's hard copy and electronic records, data maintained within IT systems or databases, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities.

The CAE will have unrestricted access to, and communicate directly with the Audit Committee and Boards, subject to the requirements of the Ralph M. Brown Act (Government Code Section 54950, et seq.).

VII. INDEPENDENCE AND OBJECTIVITY

Internal Audit will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Audit will be diligent in monitoring its own potential conflicts of interest in performing its Mission, Objectives, and Responsibility under this Charter. Where a conflict is identified, the Audit Committee will be advised, and a determination will be made by the Committee as to whether to proceed and procure an independent outside auditor. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the Internal Auditor's judgment.

Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit division. The CAE will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

VIII. SCOPE OF INTERNAL AUDIT ACTIVITIES

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of LACERA's governance, risk management, and control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

A. LACERA's Operations

1. Assess that management has established processes and systems that are operating within the highest fiduciary standards and are directed toward the requirements defined in the Federal and state laws, regulations, and LACERA policies and procedures.
2. Evaluate the efficiency and effectiveness of processes and resources deployed.
3. Review the reliability and integrity of financial and operational information, and the means used to identify, measure, classify, and report such information.

B. Values & Ethics

1. Assess LACERA's processes for promoting appropriate ethics and values within the organization.

2. Review Management's process for communicating and monitoring compliance with LACERA's Code of Ethical Conduct for all stakeholders.

C. Organizational Governance

1. Risk Management
   a. Assess business risks and effectiveness of mitigating control mechanisms.
   b. Assess Management's implementation and maintenance of an appropriate enterprise wide risk management process.
2. Fraud
   a. Assess LACERA's processes for preventing and detecting fraud.
   b. Oversee LACERA's Ethics Hotline process.
3. System of Internal Controls
   a. Review Management's established system of internal control to ascertain whether it is functioning as designed.
4. System of Compliance
   a. Review the effectiveness of Management's system of compliance with laws, regulations, policies, and procedures that are business critical.

D. Other Responsibilities

1. Evaluate the quality of performance of Professional Service Providers, including the Financial Auditor, and the degree of coordination with Internal Audit.
2. Evaluate specific operations at the request of the Audit Committee, Boards, or Management, as appropriate.

IX. ACCOUNTABILITY

The CAE, in the discharge of his/her duties, shall be accountable to Management and the Audit Committee to:

A. Select, train, develop, and retain a competent Internal Audit staff that collectively has the abilities, knowledge, skills, experience, and professional certifications to meet the requirements of this Charter. Report to the Audit Committee significant changes in Internal Audit personnel.

B. Annually develop a flexible audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by Management, the Audit Committee, or the Boards. Submit the annual Audit Plan and significant interim changes to Executive Management and the Audit Committee for review and approval.

C. Annually provide a proposed budget that corresponds to the annual Audit Plan.

D. Issue reports to Management and the Audit Committee, at the conclusion of each Internal Audit engagement. The written reports will include Management's responses, and if applicable, Management's timetable for implementing recommendations or corrective actions.

E. Establish and maintain a follow-up system to monitor the disposition of results communicated to Management and ensure Management actions have been effectively implemented or that Executive Management has accepted the risk of not taking action.

F. Annually provide an assessment on Management's process for communicating and monitoring compliance with LACERA's Ethical Code of Conduct for all stakeholders.

G. Annually provide an assessment on the adequacy and effectiveness of LACERA's organizational governance, including risk management, fraud, system of controls, and system of compliance.

H. Provide a summary of all cases reported to the Ethics Hotline at each Audit Committee meeting.

I. Report significant issues related to the processes for controlling the activities of LACERA and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.

J. Periodically provide information on the status and results of the annual audit plan and the sufficiency of department resources.

X. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the division's activities. The program will include an evaluation of the division's conformance with the Definition of Internal Auditing and the Standards, and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of Internal Audit's activity and identifies opportunities for improvement.

The CAE will communicate to Executive Management and the Audit Committee on the Internal Audit division's quality assurance and improvement program, including the results of internal assessments and external assessments which are conducted at least once every five years by a qualified, independent assessor.

XI. APPROVAL

This Internal Audit Charter ("IA Charter") was reviewed and adopted by the Audit Committee on August 26, 2021 . This IA Charter is thereby effective this day and is hereby signed by the following persons who have authority and responsibilities under this Charter.

APPROVED AND ADOPTED BY:

Signature on File	09/15/21	*Signature on File*	09/15/21
Joseph Kelly *Chair, Audit Committee*	**Date**	**Santos H. Kreimann** *Chief Executive Officer*	**Date**
Signature on File	09/15/21		
Richard Bendall *Chief Audit Executive*	**Date**		

FOR INFORMATION ONLY

November 16, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

George Lunde GL
Senior Internal Auditor

FOR: December 14, 2023 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 Ending (FYE) 2024

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 assesses 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 FYE 2024

Audit Projects	Division	Type	Status
Duplicate Payments to Vendors	FASD	Fraud	Completed 9/6/2023
Duplicate Special Payments	Benefits	Fraud	Completed 9/8/2023
State Street Bank Users	FASD	Fraud	Scheduled 3rd Quarter
New Payees (continuous)	Benefits	Fraud	FYE 2023 completed 7/14/2023

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 control preventing duplicate vendor payments	07/01/2022 to 06/30/2023	Annually	Audit software used to perform analytic tests on vendor payment data	No exceptions noted
Benefits Division	Duplicate Special Payments to Members	Validate controls preventing duplicate special payments	07/01/2022 to 06/30/2023	Annually	Audit software used to perform analytic tests on special payment data	No exceptions noted
Benefits Division	New Payee Testing	Validate controls for initiating benefit payments	07/01/2022 to 06/30/2023	Continuously	Audit software used to perform analytic tests on member demographic data	No exceptions noted

RPB:gl

L//CERA

FOR INFORMATION ONLY

November 30, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Kristina Sun KS
Senior Internal Auditor

FOR**:** December 14, 2023 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.
- **Pending Internal Audit's Verification** – The responsible party has implemented the recommendations but has not been verified by Internal Audit. Internal Audit does not close out a recommendation without completing internal verification procedures.

Monitoring and Reporting for Fiscal Year 2024

As result of the audit and consulting projects completed in the recent months, Internal Audit is tracking both audit 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. The reporting period is from July 1, 2023 through November 15, 2023. Audit reports and recommendations released after November 15, 2023 will be included in the next quarterly reporting to the Audit Committee.

	# of Audit Recommendations	# of Strategic Recommendations
Balance as of 7/1/2023	**20**	**15**
+ New Findings	10	0
- Accepts Risk	0	0
- Implemented Findings	-6	0
Balance as of 9/30/2022	**24**	**15**

Included in this memo are the following attachments for the Audit Committee to review:

- Attachment A – Progress highlights of outstanding audit recommendations and long-term strategic recommendations for the period from July 1, 2023 through November 15, 2023.
- Attachment B – Details of the outstanding audit recommendations as of November 15, 2023.
- Attachment C – Details of the outstanding long-term strategic recommendations as of November 15, 2023.

Staff from the respective divisions will be present at the December 2023 Audit Committee meeting to address any questions.

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

KS

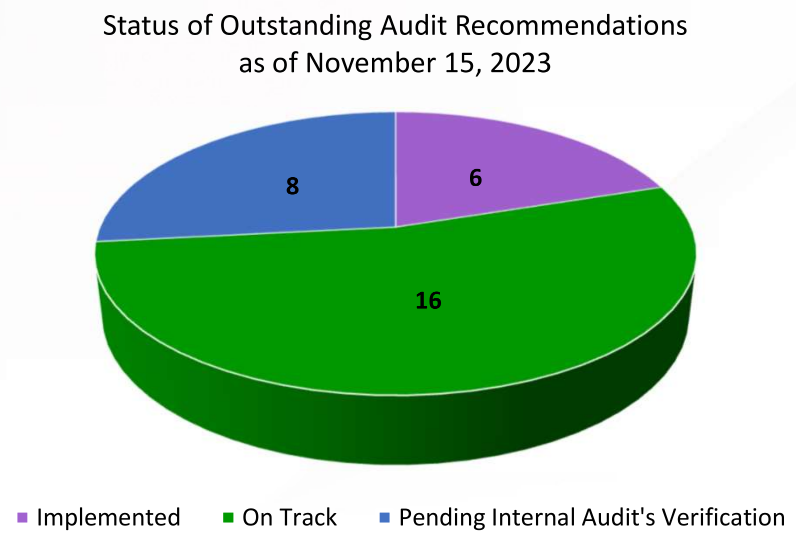
ATTACHMENT A

Recommendation Follow-Up Progress As Of November 15, 2023

Presented by:
Christina Logan, Principal Internal Auditor

Status of Open Audit Recommendations

Outstanding audit recommendations are classified based on the responsible party’s progress and assigned categories based on the fundamental intent of the recommendation. The reporting period is from July 1, 2023 through November 15, 2023. Audit reports and recommendations released after November 15, 2023 will be included in the next quarterly reporting to the Audit Committee.



Status of Open Audit Recommendations

Audit recommendations address operational risks and focus on improving internal controls. These recommendations are directed towards specific divisions within the organization. In some cases, implementation requires extensive coordination between multiple divisions. Table below illustrates the outstanding audit recommendations by divisions.

Open Audit Recommendation By Divisions

Division	Implemented	On Track	Pending Internal Audit's Verification
Administrative Services Division	-	1	-
Disability Retirement Services Division (DRS)	-	2	-
Financial Accounting & Services Division (FASD)	2	6	-
Human Resources Division (HR)	4	3	8
Information Security Office	-	4	-
Total	**6**	**16**	**8**

Status of Open Strategic Recommendations

Strategic recommendations cover the broader operating risks and control gaps that require attentions from the Executive Office. Executive Office is addressing these strategic recommendations in Fiscal Year Ended 2024.

Recommendations to be evaluated as part of FY23-24 strategic planning

Strategic COSO* Area	# of Recos
Organizational Structure	3
Internal and External Reporting	1
Forecasting/Budget	1
Risk Assessment	1
Training and Development & Talent Management	7
Performance Measures	2
Total	**15**

**COSO refers to the internal control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission.*

Operational Recommendation Follow-Up Report As of November 15, 2023

Project Name	Finding Title	Risk Rating	Recommendation	Status Update	Target Due Date
Responsible Division: Administrative Services Division					
Audit of Contract Operations (Procurement of Services)	2019 Policy and 2020 Manual are past review dates	Medium	Administrative Services Division Management should review and update the 2019 Policy for Purchasing Goods and Services and 2020 Purchasing and Contract Administration Manual accordingly.	**ON TRACK**. Admin Services is waiting for the ECLM and AP application implementations to be complete. Once complete, Admin Services will update the policy and procedures.	12/31/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

Responsible Division: Disability Retirement Division (DRS)

Audit of Disability Retirement Business Process	A mechanism to identify affiliated disability applicants does not exist.	Medium	DRS Management should develop a formal control mechanism for identifying disability applicants affiliated with LACERA employees or the Board of Retirement.	**ON TRACK - 1st Approved Extension.** DRS management has made progress in addressing the recommendation but action items #2 and #3 are dependent on the adoption of the Board's updated policy for affiliated disability applicants.	3/31/2024
Audit of Disability Retirement Business Process	The current practices for processing affiliated disability applications are not documented in a formal policy.	Medium	DRS Management and LACERA's Legal Office should update its Policy to include current practices for processing disability applicants affiliated with LACERA employees or the BOR. A formal documented Policy will help prevent staff from processing affiliated applications that require outsourcing to third-party investigators.	**ON TRACK - 1st Approved Extension.** The updated policy was presented to the Operations Oversight Committee on November 3, 2023. It will be presented to the Board of Retirement for final adoption on December 6, 2023.	12/6/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

Responsible Division: Financial and Accounting Services Division (FASD)

Audit of Wire Transfers - State Street (R/F from FYE 2022)	Cash Manager authorize divisional representative lists are outdated.	Low	FASD management should review and update the authorized divisional representative lists at least biennially.	**ON TRACK - 1st Approved Extension.** This recommendation is in progress and is dependent upon the pending implementation of the new automated accounts payable (AP) software solution. Extension requested for the following reason: The AP software roll out will require updates to each Division's ADR and the software deployment is taking longer than anticipated due to some technical issues. We expect implement the AP software and update the ADRs by the end of the calendar year.	12/31/2023
Audit of Wire Transfers - State Street (R/F from FYE 2022)	Cash Manager desk procedures are outdated.	Low	FASD should review and update the Cash Manager desk procedures.	**IMPLEMENTED**. Division Management provided updated desk procedures which were reviewed by Internal Audit and compared to issues identified in the audit report. The issues are adequately addressed by the updated desk procedures.	9/30/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

Audit of Corporate Credit Cards	1 - The Corporate Credit Card Policy has not been updated to reflect current practices.	Medium	1. FASD Management should update LACERA's Corporate Credit Card Policy. The Policy should include the date of next review in accordance with LACERA's requirements.	**ON TRACK - 1st Approved Extension.** Management agrees with the recommendation and acknowledges that policy updates were postponed during the pandemic due to immediate and competing priorities. FASD will update the Corporate Credit Card Policy (Policy) and will review the Policy as required by LACERA's Policy on Policies. The revised Policy will include updates to strengthen procedural tasks noted above in the Observations.	3/31/2024
Audit of Corporate Credit Cards	1 - The Corporate Credit Card Policy has not been updated to reflect current practices.	Medium	2. FASD Management should provide training on the new policy and requirements to all cardholders and division secretaries.	**ON TRACK**. Management agrees with the recommendation to provide training to cardholders and administrative assistants when there are updates to the Policy, and as needed when new cardholders are assigned. Expected Implementation date is within 90-days following new Policy distribution (June 30, 2024).	6/30/2024
Audit of Corporate Credit Cards	2 - Missing and untimely reporting of supporting documentation for credit card transactions.	High	1. FASD Management should work with division managers and card holders to obtain missing supporting documentation for the exceptions noted above.	**IMPLEMENTED**. The auditor has obtained all missing support for the exceptions noted either during the audit, or after the audit.	11/13/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

Audit of Corporate Credit Cards	2 - Missing and untimely reporting of supporting documentation for credit card transactions.	High	4. FASD Management should provide training to staff once the Policy is revised to ensure that staff are aware of requirements and expectations for supporting documentation.	**ON TRACK - 1st Approved Extension.** Management agrees with the recommendation to provide training to cardholders and administrative assistants when there are updates to the Policy, and as needed when new cardholders are assigned. Expected Implementation date is within 90-days following new Policy distribution (June 30, 2024).	6/30/2024
Audit of Corporate Credit Cards	3 - There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated employment or transferred to a new position.	High	5. FASD Management should ensure that the Policy and/or procedures incorporate controls to ensure the timely notification to FASD of changes in the employment status of a cardholder.	**ON TRACK - 1st Approved Extension**. Management agrees with the recommendation and will document and apply a consistent process to deactivate credit cards and online access when there are changes in employment status. This will be included in the updated policies and procedures. (We will need to obtain their written procedures regarding the process for the HR Notification to FASD of terminated employees with credit cards). Currently, HR is looping FASD in on outgoing staff member emails.	3/31/2024

Operational Recommendation Follow-Up Report As of November 15, 2023

Audit of Corporate Credit Cards	3 - There is no formal process for the identification and subsequent de-activation of credit cardholders that have terminated employment or transferred to a new position.	High	6. FASD Management should ensure that the Policy and/or procedures require FASD staff to deactivate the cards and associated access to the banking application.	**ON TRACK**. Management agrees with the recommendation and will document and apply a consistent process to deactivate credit cards and online access when there are changes in employment status. March 31, 2024, for formal Policy updates, subsequent to the annual financial statement audit which is currently in progress.	3/31/2024

Operational Recommendation Follow-Up Report As of November 15, 2023

Responsible Division: Human Resources Division (HR)

Review of HR Recruiting & Hiring Process	#2: Lack of Policies, Procedures & Automation	N/A	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.	**IMPLEMENTED**. A Human Resources Case Management system has been completed and currently in use by the Human Resources Division. The HR Case Management System has capabilities for Knowledge Management and New Hire workflows with automatic notifications, document management, and version control as well as the ability to view HR workloads on an interactive dashboard.	9/30/2023
Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	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.	**On Track - Approved 2nd Extension.** SOW will be distributed in December 2023 with new HR staff expected to be onboarded by January 2024. The needs assessment will take place afterwards and take approximately 6 months to complete.	6/30/2024

Operational Recommendation Follow-Up Report As of November 15, 2023

Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	N/A	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.	**IMPLEMENTED**. HR management met to update work programs for all HR members which included reviewing and assessing any needed changes to work programs related to recruitment and job classification. Gaps identified were subsequently addressed by HR management.	9/30/2023
LA County Rehired Retirees FYE 2021	Spike in the number of Rehired Retirees Exceeding 960-Hour Limit	High	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	**ON TRACK - 2nd Approved Extension.** LACERA is running testing to ensure that the information is accurate and the letters generate properly. Additionally, LACERA is awaiting the release date of the Workspace software update along with the My LACERA update.	11/30/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

LA County Rehired Retirees FYE 2021	Lack of adherence to PEPRA's "limited duration" language	High	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.	**On Track - 1st Approved Extension.** The BOR approved the revised and restated LACERA policy on July 7, 2023. With the LACERA policy as a framework, work will now begin on drafting a policy for returning retirees hired by the County. Much work remains before presentation to OOC.	6/30/2024
LACERA Rehired Retirees Audit	#1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	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.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Pending results from the FY2023 LACERA Rehired Retiree Compliance audit.	12/31/2023
LACERA Rehired Retirees Audit	#1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	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.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Pending results from the FY2023 LACERA Rehired Retiree Compliance audit.	12/31/2023
LACERA Rehired Retirees Audit	#1 - Lack of Ensuring Compliance in the Administration of The Rehired Retiree Program	High	HR Management to ensure that missing documentations identified in this audit are obtained for the rehired retirees that worked in FY 2020-2021.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Pending results from the FY2023 LACERA Rehired Retiree Compliance audit.	12/31/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

LACERA Rehired Retirees Audit	#2 - Noncompliance With 960-Hour Limit Requirement	High	LACERA Executive Management should develop a process to remedy any overages due to payments for hours in excess of 960 hours.	**IMPLEMENTED.** The "Post-Retirement Employment Policy" section concerning remedies for violations has been used with regards to setting up a recovering plan for recovery of over payments.	12/31/2023
LACERA Rehired Retirees Audit	#3 - Lack of Specific Limits in Defining Limited Duration	High	LACERA Executive Management should develop a more prescriptive policy around the rehiring of retirees which includes specific limits around the matter of limited duration.	**IMPLEMENTED.** Policy was created and approved by the BOR in July 2023.	12/31/2022
LACERA Rehired Retirees Audit	#3 - Lack of Specific Limits in Defining Limited Duration	High	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.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Pending results from the FY2023 LACERA Rehired Retiree Compliance audit.	12/31/2022
Audit of LACERA Rehired Retirees for FYE June 30, 2022	Continued Lack of Compliance in the Administration of The Rehired Retiree Program	High	4.HR Management monitor compliance with the new 2023 Policy to ensure that rehired retirees only work the period approved to work.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Pending results from the FY2023 LACERA Rehired Retiree Compliance audit.	12/31/2023
Audit of LACERA Rehired Retirees for FYE June 30, 2022	Continued Lack of Compliance in the Administration of The Rehired Retiree Program	High	5. HR Management ensure that rehired retirees are compensated at the rate of pay that is commensurate with what LACERA pays to staff performing comparable duties.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Pending results from the FY2023 LACERA Rehired Retiree Compliance audit.	12/31/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

Audit of LACERA Rehired Retirees for FYE June 30, 2022	Continued Lack of Compliance in the Administration of The Rehired Retiree Program	High	6. For the overpayment identified, calculate the total amount overpaid and facilitate the collection of the overpayment.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Collection of overpayments has been set up through Benefits from the member's monthly retirement payment.	12/31/2023
Audit of LACERA Rehired Retirees for FYE June 30, 2022	Continued Lack of Specific Limits in defining "limited duration"	High	10. In the case that supports the need to deviate from the policy, HR Management should ensure that, at a minimum, the justification is documented and approved by the CEO on the Request.	**PENDING INTERNAL AUDIT'S VERIFICATION.** Pending results from the FY2023 LACERA Rehired Retiree Compliance audit.	12/31/2023

Operational Recommendation Follow-Up Report As of November 15, 2023

Responsible Division: Information Security

Board Vantage Security Settings	Expected application access control restrictions were not validated	High	LACERA's Information Security Office should require and ensure that appropriate and available audit trails are built and/turned on, and periodically reviewed for all LACERA [OneMeeting] applications.	**On Track - 1st Approved Extension.** The Executive Office has extended this recommendation. Net Force has completed their fieldwork and discussions with Granicus, owner of OneMeeting, will be held in early December to discuss Net Force's findings and recommendations.	3/31/2024
Board Vantage Security Settings	Support Application Audit Trails and Restrictions were Deficient	High	1. LACERA should ensure that audit logs from OneMeeting and BoardVantage includes key data to run reports based on user, document, and log-on activities. 2. LACERA's Executive Office should establish and conduct periodic reviews of audit log reports for user, document, and log-on activities. 3. LACERA's Executive Office should consistently monitor unauthorized access or inappropriate access to documents. [REVISED Nov '23]	**On Track - 1st Approved Extension.** The Executive Office has extended this recommendation. Net Force has completed their fieldwork and discussions with Granicus, owner of OneMeeting, will be held in early December to discuss Net Force's findings and recommendations.	3/31/2024

Operational Recommendation Follow-Up Report As of November 15, 2023

Third-Party Data Security	Finding #1 Inadequate communicatio n regarding non- compliance with vendor contracts	High	Administrative Services should build into its control process additional warnings to Contract Administrators, escalating non- compliance to the Executive Office, and implementing consequences, like stopping payments for vendors with non- compliance contracts.	**On Track - 1st Approved Extension.** Administrative Services Division is close to finishing the implementation of the ECLM system. System has controls built-in to it that will give notifications to all non-compliant contracts. Non-compliant contracts will be identified, and payments will be halted until the issues are resolved. The system will also produce non-compliance reports for Management.	12/31/2023
Third-Party Data Security	Finding #2 No formal procedures for review of vendor security reports	Low	InfoSec management should document its review when approving vendor security reports. The documentation should include a checklist of key areas reviewed and any additional research and communications needed to obtain adequate assurance about the vendor's security posture.	**On Track - 1st Approved Extension.** InfoSec has created a draft SOC review checklist and currently documents. analysis of the SOC review on the "Comments/Concerns;" section of the 3rd Party Vendor Security Assessment Review form. An extension of the implementation date is needed to improve the 3rd party vendor risk management process and integrate it with ECLM.	12/31/2023

ATTACHMENT C

Strategic Recommendation Follow-Up Report As of November 15, 2023

Project Name	Finding Title	Recommendation	Status Update
COSO: Forecasting / Budgeting			
Risk & Controls Assessment - Retiree Healthcare	OBS 4 - RHC's administrative fee process is not formalized.	N/A - This was a strategic observation made by Internal Audit.	The Executive Team has already met with LA County's CEO and agreed on a process for tracking, monitoring, and reporting on RHC's administrative fee. The Executive Office needs to draft a Memo of Understanding (MOU) to formalize the process.
COSO: Internal & External Reporting			
Organizational Governance Review	OBS 7 - LACERA does not have a communication plan	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 1st objective, "Superior Member Experience."
COSO: Organizational Tone			
Quality Assurance Operations Review	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.	LACERA Executive Management should work with QA and the MOG Divisions to 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.	The Executive Team and HR are working together to address this in the long-term as this requires a significant amount of resource planning and strategizing within the organization.
Organizational Governance Review	OBS 5 - The LACERA CEO job description and the responsibilities of the Board Committees overlap/conflict	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.	The Executive Team and Board Leadership are actively working to address this recommendation both through the Strategic Plan.

Organizational Governance Review	OBS 6 - LACERA does not have a formal enterprise fraud prevention and detection program	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 4th Objective "Enterprise Risk Management and Compliance."
COSO: Performance Measures			
Quality Assurance Operations Review	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.	QA management should develop an annual quality assurance audit plan and key performance indicators (KPIs) to allocate and monitor QA staff resources.	To be evaluated as part of FY23-24 strategic planning
Organizational Governance Review	OBS 8 - LACERA lacks defined Key Performance Indicators (KPI)	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 5th objective, "Fiscal Durability."
COSO: Risk Assessment			
Organizational Governance Review	OBS 9 - LACERA does not have a formal enterprise risk management and compliance program	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 4th Objective "Enterprise Risk Management and Compliance."

COSO: Training and Development & Talent Management

Organizational Governance Review	OBS 3 - LACERA has not implemented a professional development plan	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 3rd Objective "Investing in People."
Organizational Governance Review	OBS 4 - LACERA does not have a succession plan	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 3rd Objective "Investing in People."
Review of HR Recruiting & Hiring Process	#1: Lack a 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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 3rd Objective "Investing in People."
Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	Identify an individual or committee (governance structure) to oversee the alignment of the approved Workforce Plan and HR's Implementation Strategies for recruiting.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 3rd Objective "Investing in People."
Review of HR Recruiting & Hiring Process	#1: Lack a Planned, Measured and Optimized Recruiting Approach	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 3rd Objective "Investing in People."

Review of HR Recruiting & Hiring Process	#3: Lack Structure, Culture & Service Level Agreements	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.	This recommendation will be considered as part of the work program for the Board of Retirement's 5-Year Strategic Plan (FY 2024-2029)'s 3rd Objective "Investing in People."
Risk & Controls Assessment - Retiree Healthcare	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	N/A - This was a strategic observation made by Internal Audit.	The OOC approved the LACERA Rehired Retiree policy which clarifies the associated requirements related to hiring rehired retirees, including ensuring a transition plan is established and followed.

FOR INFORMATION ONLY

November 15, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Gabriel Tafoya
Senior Internal Auditor

FOR: December 14, 2023, Audit Committee Meeting

SUBJECT: **Recommendation Follow-Up for Sensitive Information Technology Areas**

Internal Audit reports to the Audit Committee a summary of recently implemented and outstanding recommendations related to system and network security audits and assessments.

Table 1 summarizes the status of recommendations related to seven sensitive information technology (IT) engagements and one category of recommendations in which we previously consolidated duplicated recommendations. Three (3) recommendations were implemented during this reporting period, July 2023 through October 2023. Table 2 summarizes the currently outstanding 18 recommendations by the different IT general controls areas.

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 July 2023 – Oct 2023**	**In Progress Nov 2023**
PM SOC FYE 2022 June 2022				
Medium	5	2	2	1
Moss Adams Pen and Social Engineering April 2022				
High	3	2	—	1
Medium	3	2	—	1
Low	1	—	—	1
PM SOC FYE2021 September 2021				
Medium	5	3	1	1
PM SOC Readiness Assessment February 2020				
Medium	10	9	—	1
Clear Skies Penetration Test and VeraCode Report March 2020				
High	1	1	—	—
Medium	25	21	—	4
Low	17	12	—	5
Tevora 2019 Penetration Test June 2019				
Low	5	4	—	1
Tevora 2018 Security Risk Assessment July 2018				
Medium	3	3	—	—
Low	6	5	—	1
Consolidated Recos January 2021				
High	2	2	—	—
Medium	2	1	—	1
Totals	**88**	**67**	**3**	**18**

For the reporting period ended October 2023, the Information Security Office and Human Resources have implemented new onboarding practices which closed out three recommendations, related to ensuring new hires 1) review and acknowledge LACERA's security policies (one recommendation), and 2) attend a general security awareness training within 30 business days of hire (two recommendations).

For recommendations which are listed as **In Progress**, the Systems Division, Information Security, and Administrative Services provided a summary of work to be performed and a timeline for completion.

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 up successfully, 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 July 2023 – Oct 2023	In Progress Nov 2023
Data Back Up & Recovery	1	1	—	—
Environmental	—	—	—	—
Information Security	16	5	3	8
Logical Access	48	45	—	3
Physical Security	3	—	—	3
System Development & Change Management	2	2	—	—
System Monitoring & Maintenance	18	14	—	4
Total by Implementation Status	**88**	**67**	**3**	**18**

Internal Audit will continue to update the Audit Committee on the status of recommendations at each Committee meeting.

Staff will be available to address questions at the December 14, 2023, Audit Committee meeting, but please remember that due to the sensitive nature of these IT recommendations we cannot provide additional details.

Noted and Reviewed:

Richard P. Bendall
Chief Audit Executive

GT

L//CERA

FOR INFORMATION ONLY

November 27, 2023

TO: 2023 Audit Committee
Onyx Jones, Chair
Keith Knox, Vice Chair
Patrick L. Jones, Secretary
Jason E. Green
Shawn R. Kehoe
Antonio Sanchez
Gina V. Sanchez

Audit Committee Consultant
Robert H. Griffin

FROM: Richard P. Bendall RPB
Chief Audit Executive

FOR**:** December 14, 2023 Audit Committee Meeting

SUBJECT: **Internal Audit Staffing Activity Report**

At the request of the Audit Committee, staff is providing an Internal Audit Staffing Activity Report, to keep the Committee abreast of audit resources impacting current work and future planning. We plan to provide this report at each Committee meeting.

Staffing remains unchanged since the August 2023 meeting. Of Internal Audit's 11 budgeted positions, nine are currently filled. Those positions are one Chief Internal Auditor, two Principal Internal Auditors, six Senior Internal Auditors, one Internal Auditor and, one Senior Administrative Assistant.

We currently have one vacant Senior Internal Auditor and one vacant Internal Auditor position. However, of the five current Senior Internal Auditors, one was out on leave from August through the end of November 2023, and another will start a leave in December and is expected to be out through the end of June 2024, together resulting in approximately one additional FTE vacancy for the fiscal year.

The vacant Senior Internal Audit position has been vacant for over 3 years, since Summy Voong was transferred to the Systems Division in July 2020. However, Mr. Voong was sitting against the position until October 2023, when he was promoted to Information Technology Manager II in the Systems Division. The Internal Auditor position has been vacant since October 2021, when the Internal Auditor on staff was promoted to Senior Internal Auditor.

While we are eager to begin hiring for the two open positions, we have adjusted our Audit Plan for the year to address the current staff shortages. I will be happy to address any further questions you may have about Internal Audit staffing at the December meeting.

RPB:rb

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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