IN PERSON & VIRTUAL BOARD MEETING



NOVEMBER 18, 2026 AT 9:00 AM

AUDIT, COMPLIANCE, RISK, AND ETHICS COMMITTEE MEETING

TO VIEW VIA WEB

https://lacera.gov/leadership/board-meetings

TO PROVIDE PUBLIC COMMENT

Members of the public may address the Board orally and in writing. To provide Public Comment, please visit the above link and complete the request form.

Attention: If you have any questions, you may email PublicComment@lacera.gov.



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

AGENDA

A REGULAR MEETING OF THE AUDIT, COMPLIANCE, RISK, AND ETHICS

(ACRE) 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., WEDNESDAY, NOVEMBER 18, 2026

This meeting will be conducted by the Audit, Compliance, Risk, and Ethics (ACRE) Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953.8.3.

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

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

ACRE COMMITTEE TRUSTEES:
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE COMMITTEE CONSULTANT
Larry Jensen

I. CALL TO ORDER

II. PLEDGE OF ALLEGIANCE

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER SB707

A. Just Cause (Section 54953.8.3)
B. Statement of Persons Present at SB707 Teleconference Locations

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of August 19, 2026

V. PUBLIC COMMENT

(Members of the public may address the Committee orally and in writing. To provide Public Comment, you should visit https://LACERA.gov/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.gov.)

VI. NON-CONSENT ITEMS

A. **LACERA Pension and OPEB Trust Financial Statement Audit – Fiscal Year 2026 Results**
Recommendation as submitted by Kristina Sun, Interim Principal Internal Auditor: That the ACRE Committee accept and file the Fiscal Year (FY) 2026 financial statement audit reports and related communications and provide further direction to staff.
(Presentation) (Memo dated November 2, 2026)

VI. NON-CONSENT ITEMS (Continued)

B. **Human Resources Needs Assessment Advisory Engagement**
Recommendation as submitted by Kristina Sun, Interim Principal Internal Auditor: That the ACRE Committee review and discuss the following memo to 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 memo, and/or
4. Provide further instruction to staff.
(Memo dated October 27, 2026)

C. **Unclaimed Accounts Audit**
Recommendation as submitted by Delfino Aguilar, Interim Principal Internal Auditor: That the ACRE Committee review and discuss the following engagement report to 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.
(Presentation) (Memo dated October 21, 2026)

D. **Member Appointment System Audit**
Recommendation as submitted by Delfino Aguilar, Interim Principal Internal Auditor and Alex Ochoa, Internal Auditor: That the ACRE Committee review and discuss the following engagement report to 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

VI. NON-CONSENT ITEMS (Continued)

4. Provide further instruction to staff.
(Presentation) (Memo dated November 6, 2026)

E. **Felony Forfeiture Process Audit**
Recommendation as submitted by Gabriel Tafoya, Senior Internal Auditor and Alex Ochoa, Internal Auditor: That the ACRE Committee review and discuss the following engagement report to 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.
(Presentation) (Memo dated October 30, 2026)

F. **Centralized Vendor Management Advisory Engagement**
Recommendation as submitted by Christian Velasco, Senior Internal Auditor: That the ACRE Committee review and discuss the following memo to 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 memo, and/or

4. Provide further instruction to staff.
(Presentation) (Memo dated October 22, 2026)

VII. REPORTS

A. **Chief Audit Executive Report**
Leisha E. Collins, Chief Audit Executive
(Presentation) (Memo dated November 10, 2026)

VII. REPORTS (Continued)

B. **Ethics and Compliance Program Transition, Initial Observations, and Plan for the First Six Months**
Harper Wells, Chief Ethics and Compliance Officer
(Presentation) (Memo dated November 10, 2026)

C. **LACERA GASB 68 Pension and GASB 75 OPEB Trust Reporting Audits – Fiscal Year 2025 Results**
Kristina Sun, Interim Principal Internal Auditor
(For Information Only) (Memo dated November 2, 2026)

D. **Ethics Hotline Status Report**
Leisha E. Collins, Chief Audit Executive
(For Information Only) (Memo dated November 10, 2026)

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

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

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

XI. EXECUTIVE SESSION

A. Potential Threats to Public Services or Facilities
(Pursuant to Subdivision (a) of California Government Code Section 54957) Consultation with: Priya V. Kumar, Senior Manager and Rita Boyle from Baker Tilly, Luis A. Lugo, Chief Executive Officer, Leisha E. Collins, Chief Audit Executive, Delfino Aguilar, Interim Principal Internal Auditor, Kristina Sun, Interim Principal Internal Auditor, Nathan K. Amick, Senior Internal Auditor, Kathy Delino, Chief Information Technology, Chaitanya Errande, Information Security Officer and other LACERA Staff.

XI. EXECUTIVE SESSION (Continued)

B. Interim Performance Evaluation (Pursuant to Paragraph (1) of Subdivision (b) of California Government Code Section 54957) (FOR ACRE COMMITTEE ONLY PER COUNTY SALARY ORDINANCE 6.127.040.S.1)

Title: Chief, Internal Audit, LACERA

XII. ADJOURNMENT

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

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.gov 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 from 8:00 a.m. to 5:00 p.m. Monday through Friday or email PublicComment@lacera.gov, but no later than 48 hours prior to the time the meeting is to commence.

MINUTES OF THE REGULAR MEETING OF THE AUDIT, COMPLIANCE, RISK, AND ETHICS (ACRE) 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., WEDNESDAY, AUGUST 19, 2026

This meeting was conducted by the Audit, Compliance, Risk, and Ethics (ACRE) Committee and Board of Retirement and Board of Investments both in person and by teleconference under California Government Code Section 54953.8.3.

COMMITTEE TRUSTEES:

PRESENT: Debbie Martin (BOI), Chair

Nicole Mi (BOI), Vice Chair

Aleen Langton (BOR), Secretary

Bobbie Fesler (BOR), Trustee

Shawn R. Kehoe (BOR), Trustee

Elizabeth Ginsberg, Ex-Officio

ABSENT: Trevor Fay (BOI), Trustee

STAFF, ADVISORS AND PARTICIPANTS:

Luis A. Lugo, Chief Executive Officer

Jessica Baxter, Chief Administrative Officer

JJ Popowich, Chief Benefits Officer

STAFF, ADVISORS AND PARTICIPANTS: (Continued)

Jonathan Grabel, Chief Investment Officer

Steven P. Rice, Chief Counsel

Allison E. Barrett, Senior Staff Counsel

Carly Ntoya, Ph. D., Director of Human Resources

Leisha E. Collins, Chief Audit Executive

Delfino Aguilar, Senior Internal Auditor

Nathan K. Amick, Senior Internal Auditor

Kristina Sun, Senior Internal Auditor

Gabriel Tafoya, Senior Internal Auditor

Christian Velasco, Senior Internal Auditor

Alex Ochoa, Internal Auditor

Larry Jensen, ACRE Committee Consultant

I. CALL TO ORDER

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

II. PLEDGE OF ALLEGIANCE

Ms. Martin led the Trustees and staff in reciting the Pledge of Allegiance.

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER SB707

A. Just Cause (Section 54953.8.3)
B. Statement of Persons Present at SB707 Teleconference Locations

III. PROCEDURE FOR TELECONFERENCE MEETING ATTENDANCE UNDER SB707 (Continued)

There was nothing to report. No trustees participated under Section 54953.8.3

IV. APPROVAL OF THE MINUTES

A. Approval of the Minutes of the Regular Meeting of June 24, 2026

Trustee Langton made a motion, Trustee Kehoe seconded, to approve the Minutes of the Regular meeting of June 24, 2026. The motion passed by the following roll call vote:

Yes: Fesler, Ginsberg, Kehoe, Langton, Martin, Mi

V. PUBLIC COMMENT

There were no requests from the public to speak.

VI. NON-CONSENT ITEMS

A. **Salary Placement for Chief Ethics and Compliance Officer, LACERA**
Recommendation as submitted by Carly Ntoya, Ph.D., Director of Human Resources: That the ACRE Committee, on the recommendation of the Chief Executive Officer, approve the salary placement for the Chief Ethics and Compliance Officer (CECO), LACERA at a starting base salary of $17,625.80 per month ($211,509.60 annually) or Step 16 of the Chief Ethics and Compliance Officer, LACERA MAPP Tier II LS 12 salary range. (Memo dated August 11, 2026)

Dr. Ntoya was present and answered questions from the Committee.

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

Yes: Fesler, Ginsberg, Kehoe, Langton, Martin, Mi

VI. NON-CONSENT ITEMS (Continued)

B. **Internal Audit Fiscal Year Ended (FYE) 2026-2027 Proposed Audit Plan**

Recommendation as submitted by Leisha E. Collins, Chief Audit Executive: That the ACRE Committee review and approve the Proposed Internal Audit FYE 2026-2027 Audit Plan.
(Presentation) (Memo dated August 12, 2026)

Ms. Collins and Mr. Lugo provided a presentation and answered questions from the Committee.

Trustee Ginsberg made a motion, Trustee Mi seconded, to approve the Proposed Internal Audit FYE 2026-2027 Audit Plan. The motion passed by the following roll call vote:

Yes: Fesler, Ginsberg, Kehoe, Langton, Martin, Mi

C. **ACRE Consultant Agreement Extension**

Recommendation as submitted by Kristina Sun, Senior Internal Auditor: That the ACRE Committee approve an extension of the ACRE Committee Consultant Agreement for an additional two one-year period and authorize staff to execute the contract extension with Audit & Risk Management Services, LLC. (Memo dated August 6, 2026).

Mses. Sun and Collins were present and answered questions from the Committee.

Trustee Ginsberg made a motion, Trustee Fesler seconded, to approve the extension of the ACRE Committee Consultant Agreement for two additional one-year periods and authorize staff to execute the contract extension with Audit & Risk Management Services, LLC. The motion passed by the following roll call vote:

Yes: Fesler, Ginsberg, Kehoe, Langton, Martin, Mi

VI. NON-CONSENT ITEMS (Continued)

D. **Recommendation for Appointment of External Quality Assessment Vendor**
Recommendation as submitted by Alex Ochoa, Internal Auditor: That the ACRE Committee approve the appointment and compensation of IIA Quality Services, LLC and authorize staff to finalize contract negotiations and proceed with the External Quality Assessment (EQA) of LACERA's Internal Audit Division.
(Presentation) (Memo dated August 11, 2026)

Mr. Ochoa provided a presentation and answered questions from the Committee.

Trustee Fesler made a motion, Trustee Kehoe seconded, to approve the appointment and compensation of IIA Quality Services, LLC and authorize staff to finalize contract negotiations and proceed with the External Quality Assessment (EQA) of LACERA's Internal Audit Division. The motion passed by the following roll call vote:

Yes: Fesler, Ginsberg, Kehoe, Langton, Martin, Mi

VII. REPORTS

A. **Ethics and Compliance Program Foundational Work Plan Status Report**
Steven P. Rice, Chief Counsel
Allison E. Barrett, Senior Staff Counsel
(Presentation) (Memo dated August 6, 2026)

Ms. Barrett provided a presentation and answered questions from the Committee. This item was received and filed.

B. **Internal Audit Annual Performance Report – Fiscal Year Ended 2026**
Nathan A. Amick, Senior Internal Auditor
(Presentation) (Memo dated August 11, 2026)

Mr. Amick provided a presentation answered questions from the Committee. This item was received and filed.

VII. REPORTS (Continued)

C. **Continuous Auditing Program (CAP) – Fiscal Year 2026 Testing Summary**
Gabriel Tafoya, Senior Internal Auditor
(For Information Only) (Memo dated June 30, 2026)

This item was received and filed.

D. **Centralized Vendor Management Advisory Engagement - Phased Engagement Approach and Completion of Phase 1**
Christian Velasco, Senior Internal Auditor
(For Information Only) (Memo dated August 7, 2026)

This item was received and filed.

E. **Information Technology Coordinating Council (ITCC) Project Prioritization Advisory Engagement Report**
Alex Ochoa, Internal Auditor
(For Information Only) (Memo dated August 11, 2026)

This item was received and filed.

F. **Member Appointment System Audit - Phased Engagement Approach and Completion of Phase 1**
Delfino Aguilar, Senior Internal Auditor
Alex Ochoa, Internal Auditor
(For Information Only) (Memo dated August 11, 2026)

This item was received and filed.

G. **Recommendation Follow-Up Report – Operational**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 12, 2026)

This item was received and filed.

H. **Annual Recommendation Follow-Up Report - Strategic**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 12, 2026)

This item was received and filed.

VII. REPORTS (Continued)

I. **Recommendation Follow-Up - Sensitive Information Technology Areas**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 11, 2026)

This item was received and filed.

J. **Observation Follow-Up Report - Advisory Engagements**
Delfino Aguilar, Senior Internal Auditor
(For Information Only) (Memo dated August 7, 2026)

This item was received and filed.

K. **Ethics Hotline Status Report**
Leisha E. Collins, Chief Audit Executive
(For Information Only) (Memo dated August 11, 2026)

This item was received and filed.

L. **Internal Audit Staffing Activity Report Update**
Leisha E. Collins, Chief Audit Executive
(Verbal Update)

Ms. Collins introduced the Interim Principal Internal Auditors: Kristina Sun and Delfino Aguilar.

M. **Status of Other External Audits Not Conducted at the Discretion of Internal Audit**
Leisha E. Collins, Chief Audit Executive
(Verbal Update)

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

VIII. CONSULTANT COMMENTS
Larry Jensen, ACRE Committee Consultant
(Verbal Presentation)

Mr. Jensen thanked the Internal Audit Division for its work and support.

IX. ITEMS FOR STAFF REVIEW

Mr. Ochoa provided the Trustees with an update on the audit pool firm's contract extensions, including the status of the firms whose contracts were extended.

X. ITEMS FOR FUTURE AGENDAS

There was nothing to report.

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

There was nothing to report.

XII. EXECUTIVE SESSION
(For ACRE Committee Members Only Pursuant to ACRE Committee Charter, Section VII.B.1.A, and Ethics and Compliance Program Charter, Section III to Consider a Recommendation to the Board of Retirement and Board of Investments)

A. PUBLIC EMPLOYEE APPOINTMENT
(Pursuant to California Government Code Section 54957)

Title: Chief Ethics and Compliance Officer, LACERA

There was nothing to report.

XIII. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:15 a.m.

November 2, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Trevor Fay (BOI), Trustee
Elizabeth B. Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Kristina Sun KS
Interim Principal Internal Auditor

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **LACERA Pension and OPEB Trust Financial Statement Audit – Fiscal Year 2026 Results**

RECOMMENDATION

Staff recommend that the Committee accept and file the Fiscal Year (FY) 2026 financial statement audit reports and related communications and provide further directions to staff.

PURPOSE

This memorandum presents the results of LACERA's FY2026 financial statement audit conducted by CliftonLarsonAllen LLP (CLA), including the independent auditor's opinion, internal-control matters, management's response, and related matters previously identified through the FY2026 Internal Control over Financial Reporting (ICFR) Readiness Assessment.

AUDIT RESULTS

Unmodified (Clean) Audit Opinion for FY2026 Financial Statement

LACERA's external financial statement auditors, CLA, recently completed the audit for the fiscal year ended (FYE) June 30, 2026. LACERA received an unqualified audit opinion on its audited financial statements. An unmodified audit opinion means the independent auditors concluded that the financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles, and that no material issues were identified with the amounts reported in the financial statements. It is the highest opinion designated by the American Institute of Certified Public Accountants (AICPA). The audit opinion was issued, and management signed the representation letter, on October 15, 2026.

Internal Control Matters

As part of the FY2026 financial statement audits, CLA reported internal control matters related to the classification of certain Other Post-Employment Benefits (OPEB) activity, as well as

related to controls over employer contributions. Upon identifying the OPEB activity classification matter, management, in consultation with CLA, promptly began evaluating and implementing corrective action to ensure the appropriate classification was reflected in the FY2026 financial statements. Management corrected the financial reporting impact associated with the OPEB classification for the FY2026 financial statements and identified additional control measures to support accurate and consistent financial reporting. The employer contribution matter remains subject to corrective action by management. Both internal control matters were related to areas identified earlier in the year through the ICFR Readiness Assessment. Neither matter resulted in a modification to CLA's audit opinion.

The matrix summarizes how each matter impacts LACERA financial reporting and the corresponding management's response.

Internal Control Matters	Impact on LACERA Financial Reporting	Management Response and Status
Classification of OPEB Employer Activity	The OPEB activity was reported in the OPEB Custodial Fund rather than the OPEB Trust Fund. A reporting correction was made to reclassify OPEB activity from the OPEB Custodial Fund to the OPEB Trust Fund. As a result, approximately $221 million of beginning fiduciary net position was shifted between the two funds, with no change to the total OPEB-related fiduciary net position.	***Status: Addressed*** Management had originally implemented the prior reporting model in consultation with professional advisors at that time. Management corrected the FY2026 reporting and enhanced review controls to promote accurate, consistent financial reporting going forward.
Employer Contributions Data	The control environment relied on employer-reported contribution information with limited data controls to ensure the accuracy of contributions remitted. The matter did not result in a modification to CLA's audit opinion.	***Status: In Progress*** The matter remains subject to corrective action by management, including strengthening validation, reconciliation, and discrepancy-resolution controls over employer contributions.

NEXT STEPS

Internal Audit will monitor the status of applicable corrective actions through its established follow-up process and continue oversight of the external financial statement audit. Management remains responsible for LACERA's financial statements, financial reporting decisions, and the design, implementation, and maintenance of internal controls.

CLA will be at the November 18, 2026, Committee meeting to present a summary of the work they performed for the FY2026 financial statement audit. Enclosed for your information are the deliverable reports completed by CLA.

ATTACHMENTS

A. LACERA's Fiscal Year 2026 Financial Statement Audit Presentation
B. Independent Auditors' Report on LACERA Fiscal Year 2026 Financial Statement Audit
C. Report on Internal Control over Financial Reporting and on Compliance and Other Matters for Fiscal Year 2026 Financial Statement Audit
D. Required Governance Communication for Fiscal Year 2026 Financial Statement Audit
E. LACERA's Annual Comprehensive Financial Report for FYE June 30, 2026 with Audit Opinion

ATTACHMENT A

We'll get you there

CPAs | CONSULTANTS | WEALTH ADVISORS

Los Angeles County Employees Retirement Association

Audit, Compliance, Risk and Ethics Committee Presentation

November 18, 2026

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Securities and investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor, member FINRA/SIPC.

Top 3 Trustee Focus Areas: Auditor Communications

For every result, ask: What happened, why, and what is management doing about it – by when?

1

The Auditors' Opinion

- Confirm the opinion type: unmodified ("clean") vs. modified, adverse, or disclaimed
- Note any emphasis-of-matter paragraphs, such as this year's restatement for correction of an error
- Know what is and is not audited

2

Internal Control Findings

- Understand severity: material weakness vs. significant deficiency (this year: 1 of each)
- Understand root cause and request the corrective action plan with owners and deadlines
- Track remediation so findings do not repeat next year

3

Governance Communications

- Review significant estimates and judgments, such as alternative investment valuations and actuarial disclosures
- Watch for audit adjustments, disagreements, or difficulties with management
- Ask how new GASB standards (e.g., 103 and 105) change reporting

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Agenda

- Audit scope and process
- Executive summary
- Governance communication
- Timeline update on GASB 68 and 75 schedules audits

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Scope –Three Separate Engagements and Deliverables



Report on LACERA's financial statements as of June 30, 2026



Required governance communications letter



Report on internal control over financial reporting and on compliance and other matters

Financial Statement Audit



Report on the OPEB Trust schedule of changes in fiduciary net position by employer as of June 30, 2026

GASB 75 Audit



Report on the Pension Trust allocation schedules and pension amounts by employer as of June 30, 2026

GASB 68 Audit

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Audit Process

RISK-BASED APPROACH

- Internal controls
- Investments
- Significant estimates
- Contributions
- Benefits
- Actuarial data
- Financial reporting and systems



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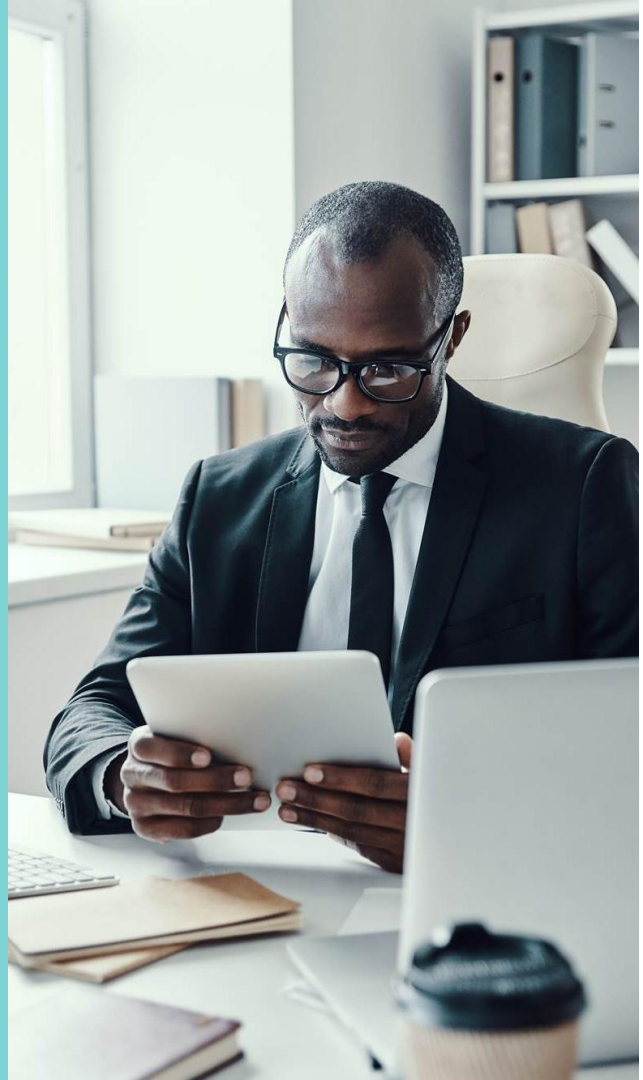
AUDIT OPINION

Financial statement

Financial statement audit opinion is **unmodified**.

Supplemental schedules

Opinion in relation to the financial statements is **unmodified**.



Management's discussion and analysis, required supplementary information and the Introductory, Investment, Actuarial, and Statistical sections.

Limited procedures performed, and no opinion rendered.

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Executive Summary

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.*

One (1) material weakness	One (1) significant deficiency	No material findings associated with compliance with laws and regulations or other matters
Classification of OPEB employer activity	Defined benefit plan contributions	

Letter to ACRE providing required communications with those charged with governance.

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Understanding Control Deficiencies

Material weakness
MOST SERIOUS

WHAT IT MEANS
A gap in controls where a significant error in the financial statements could go unprevented or undetected.

Needs prompt attention and a clear remediation plan by management.

COMMUNICATION METHOD
In writing to management and ACRE

Significant deficiency
IMPORTANT

WHAT IT MEANS
A control weakness less severe than a material weakness, yet important enough for the Board to know about.

Monitor management's corrective action.

COMMUNICATION METHOD
In writing to management and ACRE

Other control deficiency
HOUSEKEEPING

WHAT IT MEANS
A control that does not operate as designed but has limited potential to affect the financial statements.

Managed by management; no ACRE action needed.

COMMUNICATION METHOD
To management

This year at LACERA: one (1) material weakness (classification of OPEB employer activity) and one (1) significant deficiency (defined benefit plan contributions).

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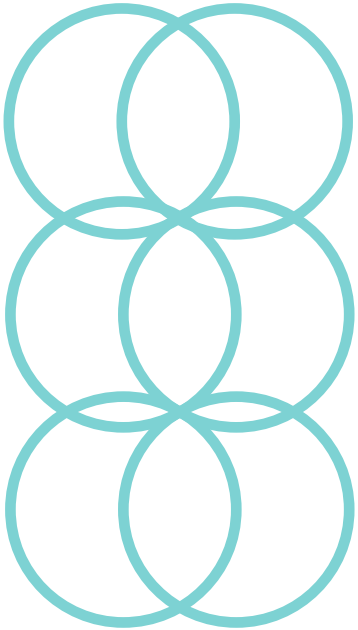
Governance Communications

Overall

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- **Implemented GASB 103 and early implemented GASB 105**
- No audit adjustments or passed audit adjustments
- Management was very cooperative and professional during the audit process
- No significant unusual transactions
- No disagreements with management

Difficulties

- None



Estimates

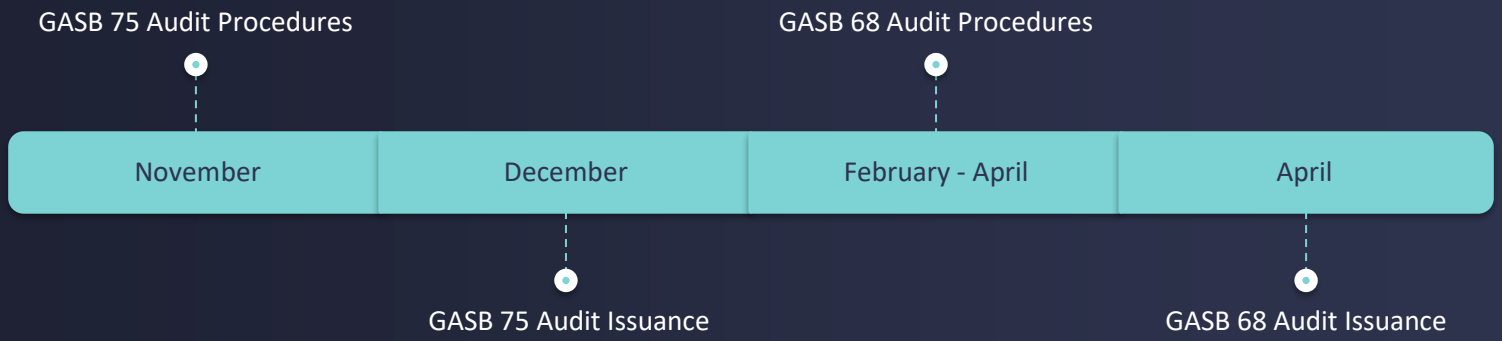
- Valuation of alternative investments
- Valuation of pension related actuarial disclosures

Other

- Management consulted with other accountants on the application of GAAP or GAAS
- **Emphasis of matter regarding restatement for correction of error**
- No major issues were discussed with management prior to retention
- Signed management representation letter

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2026 GASB 68 and GASB 75 Audit Timeline



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Questions and Feedback

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagements.

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Chris Rogers, CPA
Managing Principal
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Appendix

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Audit Plan Overview

Significant or fraud risks

(Other risks deemed significant or fraudulent in nature)

- Management override of controls
- Valuation of alternative investments
- Valuation of total pension liability, net pension liability and related disclosures

Control risk

(Internal controls fail to prevent or detect a material misstatement)

- Review to validate proper design and perform tests are functioning as designed.

Inherent risk

(Due to the nature of the account)

- Cash/investments
- Restrictions on net position
- Significant estimates
    - Alternative investments
    - Valuation of total pension liability

Detection risk

(Audit procedures fail to detect a material misstatement)

- New tests annually to avoid familiarity with audit process
- Use of data analytics on large data volumes

Audit risk = the risk of an undetected material misstatement due to error or fraud.

Preliminary risk assessment to reduce the audit risk to an appropriately low level.

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INDEPENDENT AUDITORS' REPORT

Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association
Pasadena, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Los Angeles County Employees Retirement Association (LACERA), a component unit of Los Angeles County, as of and for the year ended June 30, 2026, 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 referred to above present fairly, in all material respects, the fiduciary net position of LACERA as of June 30, 2026, 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.

Basis for Opinion

We conducted our audit 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 Auditors' 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 – Correction of Error

As described in Note 17 to the financial statements, certain previously reported amounts related to the OPEB Trust Fund and OPEB Custodial Fund have been restated to correct an error in the presentation of the activities. The restatement resulted in adjustments to the beginning fiduciary net position of those funds as of July 1, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit 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 auditors' 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 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 an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 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 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 who 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 supplementary information in accordance with GAAS, 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 audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise LACERA's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes 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 audit 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 GAAS. In our opinion, the 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 comprehensive financial report. The other information comprises the introductory, investment, actuarial, and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements 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 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 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 15, 2026, 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.

CliftonLarsonAllen LLP

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Boston, Massachusetts
October 15, 2026

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INDEPENDENT AUDITORS' 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*

Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association
Pasadena, California

We have audited, in accordance with the 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 financial statements of the Los Angeles County Employees Retirement Association (LACERA), a component unit of Los Angeles County, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements, and have issued our report thereon dated October 15, 2026.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the deficiency described in the accompanying schedule of findings and responses as item 2026-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2026-002 to be a significant deficiency.

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

Report on Compliance and Other Matters

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

LACERA's Response to Findings

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

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Boston, Massachusetts
October 15, 2026

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2026

Finding 2026-001 - Classification of OPEB Employer Activity

Type of Finding

Material weakness in internal control over financial reporting.

Condition

During fiscal year 2026, LACERA identified that certain employer contribution and benefit payment activity related to the Other Postemployment Benefits (OPEB) program had been reported in the OPEB Custodial Fund rather than directly in the OPEB Trust Fund. LACERA corrected the classification in the fiscal year 2026 ACFR by restating prior-period amounts.

Criteria or Specific Requirement

GASB Statement No. 84, Fiduciary Activities, requires fiduciary activities to be reported in the appropriate fiduciary fund. GASB Statement No. 100, Accounting Changes and Error Corrections, requires prior-period errors to be reported as corrections of beginning balances, as applicable, and related financial statement information to be restated or reclassified to present the correction consistently. Internal controls over financial reporting should be designed and implemented to ensure OPEB activity is assigned to the appropriate reporting unit.

Effect

The restatement increased beginning fiduciary net position of the OPEB Trust Fund by approximately $221 million and decreased beginning fiduciary net position of the OPEB Custodial Fund by the same amount. The correction did not change total fiduciary net position for the combined OPEB-related fiduciary activities.

Cause

LACERA had not established controls to ensure that OPEB activity was classified and presented in the appropriate fiduciary fund in accordance with GASB Statement No. 84.

Repeat Finding

No.

Recommendation

We recommend that LACERA establish documented controls to assess OPEB fiduciary fund classification, reconcile activity to supporting records, verify applicable GASB disclosures, and require independent review and approval before issuing the ACFR.

Views of Responsible Officials and Planned Corrective Action

LACERA agrees with the finding and recommendation. When GASB Statement No. 84 was initially implemented, LACERA evaluated the applicable guidance and, in consultation with its professional advisors, applied the requirements based on its understanding and interpretation of the standard at that time. As reflected in the Independent Auditors' Report and LACERA's fiscal year 2026 financial statements, LACERA addressed the financial reporting impact of this matter by correcting the classification of certain OPEB employer contribution and benefit payment activity between the OPEB Trust Fund and OPEB Custodial Fund and restating the applicable prior-period amounts. LACERA will maintain appropriate controls over the classification and presentation of OPEB activity, including reconciliation and review procedures, to support accurate and consistent financial reporting in future periods.

Finding 2026-002 – Defined Benefit Plan Contributions

Type of Finding

Significant deficiency in internal control over financial reporting.

Condition

LACERA's current control environment places reliance on accurate reporting from employers without the use of data validation or other controls to ensure accuracy of contributions remitted. This condition increases the risk that contributions are not being remitted by individual agencies correctly based on pensionable wages and current rates.

Criteria or Specific Requirement

Internal controls should be in place to verify contributions made are based on current rates and represent pensionable wages.

Effect

While we did not find evidence of actual errant reporting during our audit procedures, this condition increases the risk that contributions to the defined benefit plans may be inaccurately calculated and remitted to LACERA by individual agencies.

Cause

The payroll data files provided to LACERA by employers are not sufficient for LACERA to accurately perform proper data validation and reconciliation to contributions remitted.

Repeat Finding

No.

Recommendation

We recommend LACERA implement contribution validation controls or initiate an audit of contributing entity contributions as provided under California Government Code Section 31543. We commonly find large retirement systems like LACERA enforce employer reporting requirements such that appropriate data validation and reconciliations can occur systematically between membership records posting to the pension administration system and monies received by employers.

Views of Responsible Officials and Planned Corrective Action

LACERA agrees with the finding and recommendation and will work to enhance controls over the validation and reconciliation of employer contributions. The corrective action will involve collaboration among relevant LACERA divisions, including Systems, Accounting, Benefits, and Internal Audit, as well as coordination with Los Angeles County and other applicable stakeholders, to develop employer reporting that provides the information necessary for LACERA to validate contributions against pensionable wages and applicable contribution rates. LACERA's objective is to establish a process that, where feasible, enables these validation and reconciliation procedures to be performed systematically within or in conjunction with the pension administration system, strengthening controls over the completeness and accuracy of employer contributions.

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Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association
Pasadena, California

We have audited the financial statements of the Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2026, and have issued our report thereon dated October 15, 2026. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit orally during our discussion on March 18, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LACERA are described in Note 2 to the financial statements.

LACERA implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements* for the year ended June 30, 2026. This statement modified accounting and financial reporting requirements included in Management's Discussion and Analysis (MD&A), unusual or infrequent items, and financial trends information in the Statistical Section, among other requirements.

LACERA early implemented the provisions of GASB Statement No. 105, *Subsequent Events* for the year ended June 30, 2026. This statement clarifies the period during which subsequent events are evaluated, distinguishes between recognized and nonrecognized subsequent events, and establishes related disclosure requirements.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

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 sensitive estimates affecting the financial statements were for the fair value of certain alternative investments and the pension actuarial valuation.

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We evaluated the key factors and assumptions used to develop the estimate of the fair value of certain alternative investments (private equity, private real assets, hedge funds, and real estate) in determining that it is reasonable in relation to the financial statements taken as a whole. The estimates are primarily based upon amounts reported by the investment managers. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows and other adjustments through June 30, 2026. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers as well as through the review of recent audited fund financial statements and all adjustments from the audited financial statement date through LACERA's year-end.

The actuarial valuation was based on the actuarial assumptions and methods adopted by the board, including an actuarial expected investment rate of return of 7.15% per annum compounded annually. In accordance with GASB 67, the total pension liability of the defined benefit pension plan was calculated with the most recently available actuarial valuation, dated June 30, 2025, and rolled forward to the measurement date of June 30, 2026. We evaluated the key factors and assumptions used to develop the estimate of the total pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Circumstances that affect the form and content of the auditors' report

As described below, the report was modified to include an emphasis of matter paragraph related to an error correction:

> As described in Note 17 to the financial statements, certain previously reported amounts related to the OPEB Trust Fund and OPEB Custodial Fund have been restated to correct an error in the presentation of the activities. The restatement resulted in adjustments to the beginning fiduciary net position of those funds as of July 1, 2025. Our opinion is not modified with respect to this matter.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated October 15, 2026.

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 the entity's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the supplementary information accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 15, 2026.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory, investment, actuarial and statistical sections. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

* * *

This communication is intended solely for the information and use of the board of retirement, board of investments and management of the Los Angeles County Employees Retirement Association and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 15, 2026

ATTACHMENT E

Los Angeles County Employees Retirement Association

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2026
Pension and OPEB Trust Funds and OPEB Custodial Fund of the
County of Los Angeles, California

Prepared by LACERA's Financial and Accounting Services Division
LACERA is a Component Unit of Los Angeles County

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Issued: October 15, 2026 – Final (Includes Audit Opinion)

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2026 Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2026

Pension and OPEB Trust Funds and OPEB Custodial Fund of the

County of Los Angeles, California

LACERA Executive Team

Luis A. Lugo
Chief Executive Officer

Jessica Baxter
Chief Administrative Officer

JJ Popowich
Chief Benefits Officer

Steven P. Rice
Chief Counsel

Jonathan Grabel
Chief Investment Officer

Jude Pérez
Deputy Chief Investment Officer

Leisha Collins
Chief Audit Executive

Kathy Delino
Chief of Information and Technology

Chaitanya Errande
Information Security Officer

Cassandra Smith
Director of Retiree Healthcare

Contributors: LACERA Administrative Services, Benefits, Internal Audit, Investments, Legal, Retiree Healthcare, and Systems divisions

TABLE OF CONTENTS

INTRODUCTORY SECTION (Unaudited) 7
Letter of Transmittal 9
Awards and Recognition 14
LACERA Governance Structure 15
LACERA Trustees 17
Organizational Chart 18
List of Professional Consultants 19

FINANCIAL SECTION 21
Independent Auditors' Report 23
Management's Discussion and Analysis (Unaudited) 29

Basic Financial Statements
Statement of Fiduciary Net Position 39
Statement of Changes in Fiduciary Net Position 40

Notes to the Basic Financial Statements*
Note 1 — Benefit Plan Descriptions 41
Note 2 — Summary of Significant Accounting Policies 48
Note 3 — Pension Plan Contributions 51
Note 4 — Pension Plan Reserves 54
Note 5 — Net Pension Liability 56
Note 6 — Partial Annuitization of Pension Benefit Payments 60
Note 7 — Deposit and Investment Risks 61
Note 8 — Securities Lending Program 70
Note 9 — Derivative Financial Instruments 72
Note 10 — Special Purpose Entities 76
Note 11 — Related Party Transactions 77
Note 12 — Administrative Expenses 78
Note 13 — Commitments and Contingencies 80
Note 14 — Other Post-Employment Benefits (OPEB) Program 81
Note 15 — Fair Value of Investments 86
Note 16 — Other Post-Employment Benefits (OPEB) Trust 94
Note 17 — Accounting Changes and Error Corrections 98
Note 18 — Subsequent Events 99

*The accompanying Notes to the Basic Financial Statements are an integral part of these basic financial statements

TABLE OF CONTENTS

Required Supplementary Information (Unaudited) 101
Schedule of Changes in Net Pension Liability and Related Ratios 103
Schedule of Employer Contributions History — Pension Plan 105
Schedule of Investment Returns — Pension Plan 106
Notes to Required Supplementary Information — Pension Plan 107
Schedule of Investment Returns — OPEB Trust 109

Supplementary Information 111
Administrative Expenses — Pension Plan 113
Schedule of Investment Expenses 114
Schedule of Payments to Consultants — Pension Plan 115

INVESTMENT SECTION (Unaudited) 117
Chief Investment Officer's Report 119
Investment Summary — Pension Plan 124
Investment Summary — OPEB Master Trust 125
Investment Summary — OPEB Custodial Fund 126
Investment Results Based on Fair Value — Pension Plan 127
Investment Results Based on Fair Value — OPEB Master Trust 128
Total Investment Rates of Return — Pension Plan 129
Total Investment Rates of Return — OPEB Master Trust 130
Largest Equity Holdings — Pension Plan 131
Largest Equity Holdings — OPEB Master Trust 132
Largest Fixed Income Holdings — Pension Plan 133
Largest Fixed Income Holdings — OPEB Master Trust 134
Schedule of Investment Management Fees 135
List of Investment Managers 136

ACTUARIAL SECTION (Unaudited) 139

Pension Plan
Actuarial Information Overview 141
Actuary's Certification Letter 145
Summary of Actuarial Methods and Assumptions 149
Schedule of Funding Progress 153
Active Member Valuation Data 154
Retirees and Beneficiaries Added to and Removed From Retiree Payroll 155
Funded Liabilities by Type 156
Actuarial Analysis of Financial Experience 157

TABLE OF CONTENTS

Retirement Probability of Occurrence 158

OPEB Program

Actuarial Information Overview 161
Actuary's Certification Letter 165
Summary of Actuarial Methods and Assumptions 169
Schedule of Funding Progress 173
Active Member Valuation Data 174
Retirees and Beneficiaries Added to and Removed From Benefits 175
Funded Liabilities by Type 176
Actuarial Analysis of Financial Experience 177

STATISTICAL SECTION (Unaudited) 179
Statistical Information Overview 181
Changes in Fiduciary Net Position — Pension Plan 182
Changes in Fiduciary Net Position — OPEB Trust 183
Pension Benefit Expenses by Type 184
Non-Retired Membership 185
Retired Members by Type of Pension Benefit 186
Retired Members by Type of OPEB Benefit 187
Schedule of Average Pension Benefit Payments 188
Active Members of Participating Pension Employers 193
Retired Members of Participating OPEB Employers 195
Employer Contribution Rates: County of Los Angeles, Superior Court, and LACERA 196
Employer Contribution Rates: Little Lake Cemetery District and Local Agency Formation Commission for the County of Los Angeles 197

INTRODUCTORY SECTION
(UNAUDITED)

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LACERA Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.gov / 626/564-6132 • 800/786-6464

October 15, 2026

To the Members, Plan Sponsors, and Trustees of the Los Angeles County Employees Retirement Association:

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2026. This report accounts for how well LACERA has managed assets and delivered benefits, and where the system stands financially and actuarially.

LACERA's mission is to produce, protect, and provide the promised benefits to our members and their beneficiaries, and our vision is to empower members to enjoy a healthy and secure retirement. In pursuing these goals and continuously improving our service, LACERA's Boards of Retirement and Investments (Boards) and staff members apply values of integrity, innovation, inclusivity, accountability, collaboration, and transparency. These are the principles by which we serve more than 200,000 members, including more than 79,000 benefit recipients, and invest more than $100 billion (based on the investment book of record) in Pension Plan and OPEB Trust funds to pay benefits now and into the future.

The Year at a Glance
The following highlights reflect LACERA's performance and progress during fiscal year 2025–26, in which we delivered strong results.

Fiscal Year 2025–26 Highlights	Result
Pension Plan return (net of fees)	12.1%
Five-year annualized return (net of fees)	7.4%
Funded ratio (June 30, 2025 valuation)	82.0%
Unfunded actuarial accrued liability (June 30, 2025 valuation)	$17.9 billion
New retirees added	3,942
Retirement allowances paid on time each month	79,274
Member phone inquiries answered	124,489
In-person, telephone, and virtual appointments	14,217
My LACERA registrations	147,456

LACERA and Its Services
Established on January 1, 1938, LACERA administers retirement and retiree healthcare benefits for Los Angeles County, the Superior Court, and four participating outside districts. It operates under the California Constitution, the County Employees Retirement Law of 1937 (CERL), the Public Employees' Pension Reform Act of 2013 (PEPRA), and policies adopted by its Boards. The Board of Retirement oversees administration; the Board of Investments sets investment policy; and together they appoint the Chief Executive Officer and approve the annual budget.

Financial Information

CLA (CliftonLarsonAllen), LLP concluded that LACERA's financial statements conform with Generally Accepted Accounting Principles (GAAP) and are free of material misstatement. Management is responsible for the contents of this ACFR and for maintaining internal controls that provide reasonable, cost-effective assurance against material error. Oversight by the Internal Audit and Quality Assurance divisions, Boards, and the Audit, Compliance, Risk, and Ethics Committee provides additional assurance.

The Management's Discussion and Analysis (MD&A), presented before the financial statements, provides further detail on the Pension Plan and Other Post-Employment Benefits (OPEB) programs.

Investment Activities

LACERA's strategic asset allocation, set under the Board of Investments' Investment Policy Statement, is long-term by design, reflecting the Pension Plan's long horizon and the illiquidity of certain assets. Portfolio diversification across asset classes helps manage risk and supports the Plan's long-term investment objectives.

The Pension Plan returned 12.1 percent (net of fees) for the fiscal year and 7.4 percent annualized over five years on a time-weighted rate of return basis, both above the 7.0 percent assumption. The one-year return trailed the 14.8 percent policy benchmark, and we will continue to evaluate relative performance while staying focused on long-term objectives.

Actuarial Funding Status

LACERA is funded by member and employer contributions and investment earnings. An independent actuary conducts annual valuations and triennial experience studies, most recently as of June 30, 2025. The actuary recommends assumptions to measure liabilities for promised pension benefits and the OPEB program, including healthcare benefits; recommends employer and member contribution rates; and evaluates progress toward funding those liabilities through the pension and OPEB program assets managed by LACERA.

In December 2025, the Board of Investments kept the investment return assumption at 7.0 percent and wage growth at 3.25 percent, lowered national price inflation to 2.50 percent, and retained the local (Los Angeles area) inflation assumption at 2.75 percent. These changes were adopted with approval of the June 30, 2025 valuation, which increased member and employer contribution rates for the fiscal year 2026–27.

The June 30, 2025 valuation set the funded ratio at 82.0 percent, with an Unfunded Actuarial Accrued Liability (UAAL) of $17.9 billion. The Los Angeles County contribution rate is 25.7 percent of payroll: 14.6 percent to amortize the UAAL, plus an 11.1 percent normal cost.

Retiree Healthcare and OPEB

LACERA also administers the County's Retiree Healthcare Program and serves as trustee of the OPEB Trust, which helps employers prefund healthcare benefits. For the fiscal year, the OPEB Trust earned 14.4 percent (net of fees), and its fiduciary net position was $6.7 billion.

Challenges and Risks We Are Addressing

On the investments side, the fund's one-year return trailed its benchmark, a reminder that a long-term allocation will have periods of relative underperformance. We are staying disciplined and focused on the long term. The Board of Investments' 2026 Strategic Framework, "Towards

Best-in-Class Investor," guides how we carry out the strategic asset allocation through five initiatives designed to enhance returns, reduce risk, and make the best use of liquidity.
The Board is also reviewing its governance practices with its general consultant, Meketa, and updating the framework to reflect changing market conditions.

In addition to carefully managing the pension fund and healthcare trust, LACERA is focused on modernizing services while protecting member information and continuity of operations as laid out in our Strategic Plan.

Advancing Our Strategic Plan

Fiscal year 2025–26 was a year of transition and forward progress. In February 2026, the Boards of Retirement and Investments appointed me as Chief Executive Officer, and I am grateful for their confidence. Throughout the year, every division helped advance the five goals of our 2023–2028 Strategic Plan, turning plans into results that members, employers, and staff can see, as described below. We will continue to build on that momentum as we continue improving how LACERA serves members.

Goal 1 | Superior Member Experience

We are making it easier for members to connect with LACERA in the way that works best for them. In-person and telephone counseling, virtual appointments, and the My LACERA account portal remain available as we develop new options and enhancements. Throughout the fiscal year, our frontline teams served members at every stage of their careers and retirements. The Member Services Division answered 124,489 phone inquiries, provided 14,217 in-person, telephone, and virtual appointments, and held 307 workshops and benefit fairs for 14,823 attendees. The Benefits Division added 3,942 new retirees and paid 79,274 retirement allowances on time each month. Our Retiree Healthcare specialists answered 63,870 calls and processed 7,424 enrollment forms. Disability Retirement Services submitted 727 applications to the Board of Retirement, and the Communications Division produced quarterly newsletters, instructional videos, and campaigns that helped members understand their benefits.

LACERA continued promoting My LACERA as a convenient way for members to manage their information and benefits. For fiscal year 2025–26, My LACERA recorded 147,456 registrations and 285,779 benefit estimates.

Goal 2 | Innovation Through Technology

LACERA has deployed an Artificial Intelligence (AI) Governance framework as we continue to prudently leverage technology solutions, with appropriate safeguards, to improve service delivery and back-office operations. LACERA's business strategy will continue to serve as our primary driver for innovation. Human oversight, transparency, privacy protection, and accountability will serve as our pillars when implementing AI-enabled enhancements to ensure that AI serves as a tool for supporting—not setting—our strategy. For example, in July 2026, we completed the Seamless Online Retirement initiative, making it possible for members to complete retirement elections, tax withholding selections, and direct deposit enrollment in one online experience. We also deployed a new call center platform (Genesys Cloud), improving member communications through enhanced call routing and reduced wait times. Lastly, we are actively developing our member-focused mobile application.

Goal 3 | Investing in People

This goal reflects our commitment to attracting, hiring, motivating, and retaining a highly engaged and skilled workforce. This fiscal year, we welcomed 39 new team members, supported 19 promotions, and began training 14 new retirement benefits specialists. Insights

from our comprehensive July 2025 culture survey and follow-up focus groups are helping us shape a more responsive environment, including more two-way communication with staff, and a dedicated inclusion, diversity, equity, and accessibility (IDEA) intranet site. We also introduced learning plans for managers and supervisors to support internal leadership development, and strengthened hiring and retention with improved recruitment communications, automated performance evaluation reporting, and key workforce indicator tracking.

Goal 4 | Ethics & Compliance and Enterprise Risk Management
LACERA advanced these goals significantly, establishing a standing Ethics and Compliance Office, approving the new Code of Ethical Conduct, and beginning development of an enterprise risk management framework. Divisions that put risk management into practice every day include the Benefit Protection Unit, which investigated 5,143 high-risk cases involving fraud, lost contact, and elder abuse; Quality Assurance, which completed 32 pay code reviews with the Legal Office; and Administrative Services, which strengthened emergency readiness and business continuity.

Together, this work will help LACERA manage emerging risks and securely serve our members in the years to come.

Goal 5 | Fiscal Durability
The fiscal durability goal calls on us to exercise care and prudence in managing our resources and fund assets. Our automated accounts payable, budgeting, and travel and expense systems, together with a centralized vendor management program, give us a strong base. This year we continued building on it, advancing an enterprise contract lifecycle management solution and beginning work on financial training for staff. We also moved forward with an enterprise resource planning platform to bring finance, budget, procurement, contracts, and human resources data together in one system. Day-to-day financial operations stayed strong: The Financial and Accounting Services Division processed wire transfers totaling $13.1 billion, and procurement processed 504 purchase orders totaling approximately $6.7 million.

Looking Ahead
In fiscal year 2026–27, we will build on this year's progress in both our investment program and our operations.

On the investment side, the Board of Investments will refresh its Strategic Framework and review its governance practices with its general consultant, Meketa. Investment staff will keep improving how we rebalance the portfolio, including private markets, and push for better fees and terms. We will also use advanced technology, along with stronger data and analytics, to oversee performance and risk.

In our operations, we will continue building our enterprise risk management framework and expand digital service options, including the mobile application, modernized member identity verification, and new AI-assisted features for the Genesys Cloud platform. We will begin procurement for a single enterprise resource planning platform to replace our separate finance, budget, procurement, contracts, and human resources systems, and also continue moving our pension administration mainframe to modernize infrastructure and strengthen cybersecurity and business continuity.

Awards and Recognition
For the 36th consecutive year, the Government Finance Officers Association (GFOA) awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting for the fiscal year

ended June 30, 2025, and we will submit this year's ACFR for consideration. LACERA also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for the 28th year and the Public Pension Coordinating Council's Public Pension Standards Award for the 23rd time in 2025.

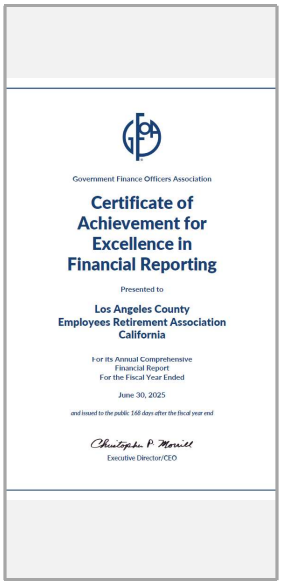
Acknowledgments

I thank our Board trustees, staff members, and professional service providers for their commitment to our mission, and our members and plan sponsors for their trust. We will continue strengthening the services members rely on and delivering the benefits we have promised.

Respectfully submitted,

Luis A. Lugo

Chief Executive Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County Employees Retirement Association California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2025

and issued to the public 168 days after the fiscal year end

Executive Director/CEO

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERA for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This was the 36th consecutive year that LACERA received this prestigious award. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized ACFR, and it must satisfy both generally accepted accounting principles and applicable legal requirements. In addition, the GFOA recognized LACERA's Financial Accounting and Services Division with an Award of Financial Reporting Achievement (AFRA) as the department primarily responsible for attaining the Certificate of Achievement.



Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2025

Presented to

Los Angeles County Employees' Retirement Association

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Robert A. Wylie
Program Administrator

PPCC Award

LACERA received the Public Pension Coordinating Council's (PPCC)* 2025 Public Pension Standards Award in recognition of meeting professional standards for plan design and administration. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration and serve as a benchmark by which all defined benefit public plans should be measured. LACERA is a 23-time recipient of this important award.

**A confederation of NASRA, NCPERS, and NCTR*

LACERA Governance Structure

Board of Retirement

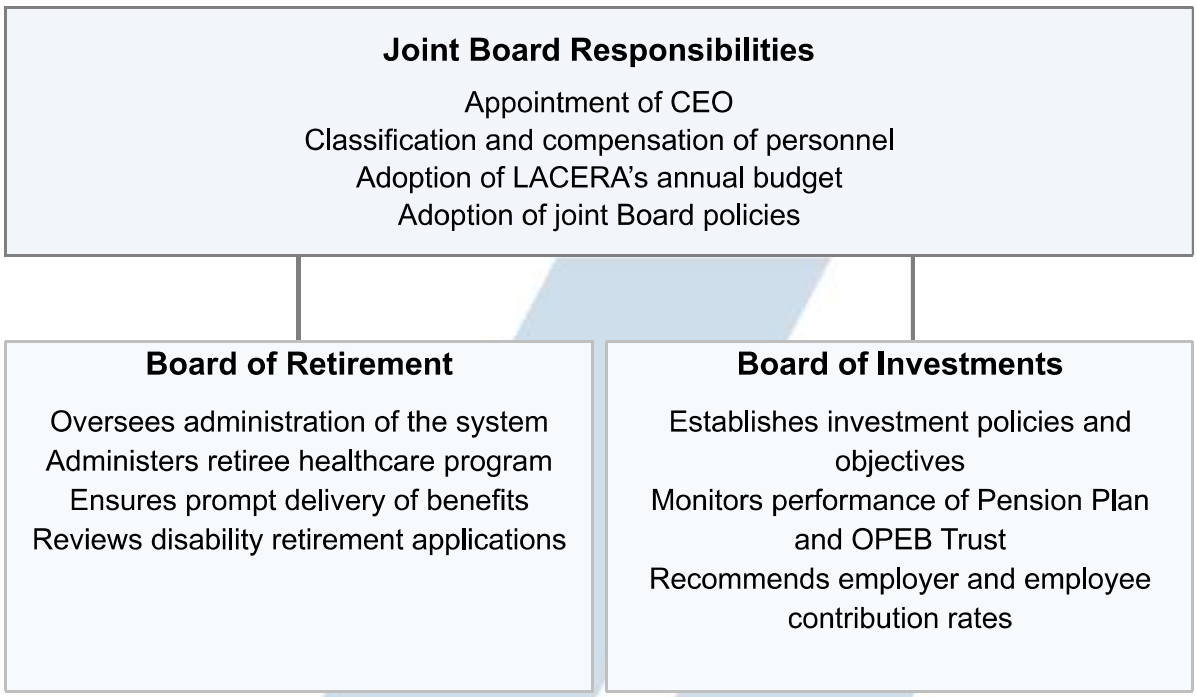
Established: 1938

The Board of Retirement (BOR) is responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications. The Board is composed of 12 trustees. Six trustees are elected: two by active general members; two by retired members (one trustee and one alternate trustee); and two by safety members (one trustee and one alternate trustee). Four trustees are appointed by the Los Angeles County Board of Supervisors. In addition, the law requires the County Treasurer and Tax Collector and Chief Deputy County Treasurer and Tax Collector to serve as ex-officio and acting ex-officio trustees, respectively.

Board of Investments

Established: 1971

The Board of Investments (BOI) is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the Fund. The Board is composed of 10 trustees. Four trustees are elected: two by active general members; one by retired members; and one by safety members. Four trustees are appointed by the Los Angeles County Board of Supervisors and are required as a condition of appointment to have significant prior experience in institutional investing. In addition, the law requires the County Treasurer and Tax Collector and Chief Deputy County Treasurer and Tax Collector to serve as ex-officio and acting ex-officio trustees, respectively.


Joint Board Responsibilities
Appointment of CEO
Classification and compensation of personnel
Adoption of LACERA's annual budget
Adoption of joint Board policies
Board of Retirement
Oversees administration of the system
Administers retiree healthcare program
Ensures prompt delivery of benefits
Reviews disability retirement applications
Board of Investments
Establishes investment policies and objectives
Monitors performance of Pension Plan and OPEB Trust
Recommends employer and employee contribution rates

LACERA Trustees (as of June 30, 2026)

NANCY M. DURAZO
Board of Retirement
Term Expires 2026
Elected by General Members

TREVOR FAY
Board of Investments
Term Expires 2028
Appointed by Board of Supervisors

BOBBIE FESLER
Board of Retirement
Term Expires 2027
Appointed by Board of Supervisors

MIKE GATTO
Secretary
Board of Investments
Term Expires 2026
Appointed by Board of Supervisors

ELIZABETH B. GINSBERG
Board of Retirement
Board of Investments
County Treasurer and Tax Collector
Ex-Officio Trustee

JASON E. GREEN
Board of Retirement
Alternate Trustee
Term Expires 2028
Elected by Safety Members

JAMES P. HARRIS
Chair
Board of Retirement
Alternate Trustee
Term Expires 2026
Elected by Retired Members

PATRICK L. JONES
Board of Investments
Term Expires 2026
Appointed by Board of Supervisors

SHAWN R. KEHOE
Board of Retirement
Chair
Board of Investments
Terms Expire 2028
Elected by Safety Members

ALEEN LANGTON
Board of Retirement
Board of Investments
Terms Expire 2027
Elected by General Members

DEBBIE MARTIN
Board of Investments
Term Expires 2026
Elected by Retired Members

ALMA K. MARTÍNEZ
Board of Investments
Term Expires 2027
Appointed by Board of Supervisors

NICOLE MI
Vice Chair
Board of Investments
Term Expires 2026
Elected by General Members

WAYNE MOORE
Vice Chair
Board of Retirement
Term Expires 2026
Appointed by Board of Supervisors

ERNESTO J. PANTOJA
Board of Retirement
Term Expires 2028
Appointed by Board of Supervisors

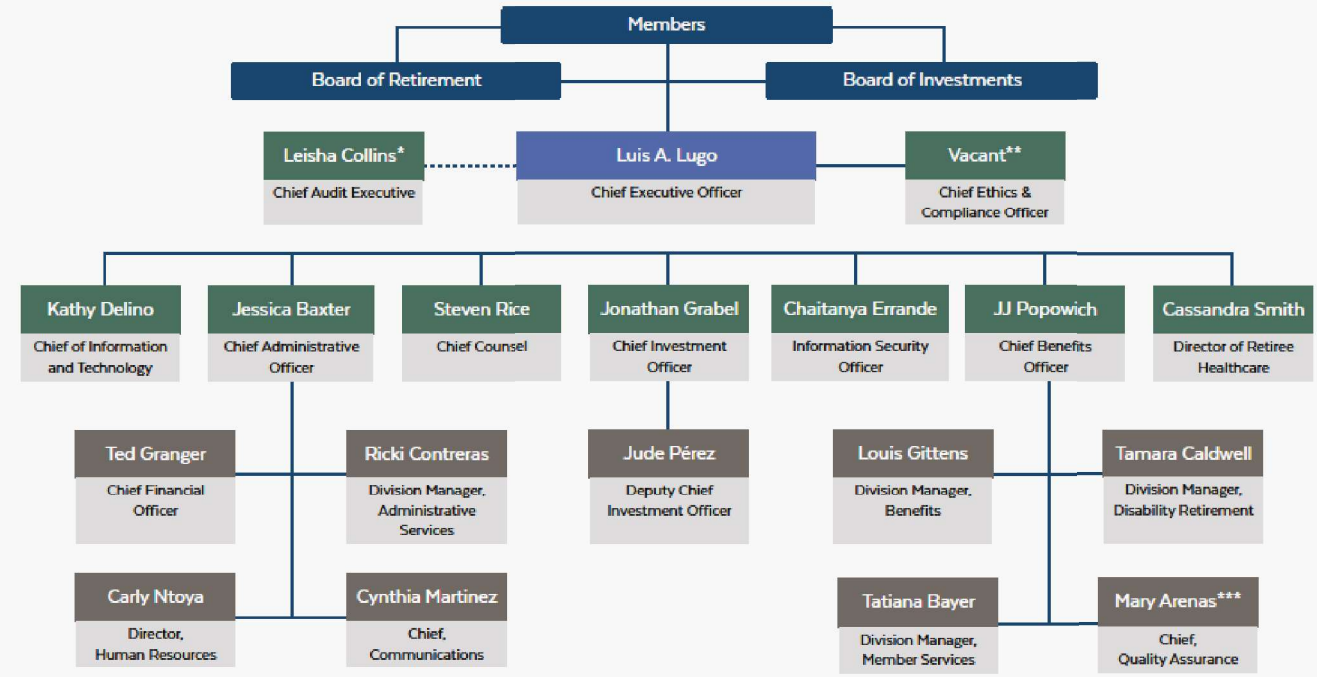
LISA PROFT
Board of Retirement
Board of Investments
Chief Deputy County Treasurer and Tax Collector
Acting Ex-Officio Trustee*

LES ROBBINS
Secretary
Board of Retirement
Term Expires 2026
Elected by Retired Members

DAVID E. RYU
Board of Retirement
Term Expires 2026
Appointed by Board of Supervisors

*When ex-officio trustee is absent

LACERA Organizational Chart (as of June 30, 2026)



* The Chief Audit Executive reports functionally to the Audit, Compliance, Risk, and Ethics (ACRE) Committee and administratively to the CEO.

** The Chief Ethics & Compliance Officer reports functionally to the CEO, ACRE Committee, and both LACERA boards, and administratively to the Chief Counsel.

*** Interim assignment.

List of Professional Consultants

Consulting Actuary
Milliman

Reviewing Actuary
CavMac

Financial Auditor
CliftonLarsonAllen, LLP (CLA)

ACRE Committee Consultant
Audit & Risk Management Services, LLC

Commercial Banking and Custodian
State Street Bank and Trust Company

Active Member Payroll Data Processing
Los Angeles County Internal Services Department

Governance Consultants
Glass, Lewis & Company, LLC
Institutional Shareholder Services, Inc.
Mosaic Governance Advisors, LLC

Internal Audit and Advisory Services
Weaver and Tidwell, LLP

Accounting Consulting Services
Crowe, LLP

Investment Consultants
Albourne America, LLC
Altus Group US, Inc.
Campbell Lutyens & Co., Inc
Evercore Group, LLC
Jefferies, LLC
Kroll, LLC (US)
Meketa Investment Group
Stepstone Group, LP

Alternative Investment Fees Validation Service Provider
Mercer Investments, LLC

Mortgage Loan Custodians
Deutsche Bank National Trust Company

Retiree Healthcare Consultant and Claims Auditor
Segal Consulting

Legal Consultants
Berman Tabacco
Bernstein Litowitz Berger & Grossman, LLP
Buchalter, PC
Cohen Milstein Sellers & Toll, PLLC
Cox, Castle & Nicholson, LLP
Crowell & Moring, LLP
DLA Piper
Foster Garvey, PC
Glaser Weil Fink Howard Jordan & Shapiro, LLP
Goldstein & Russell, PC
Gordon Rees Scully Mansukhani, LLP
Grant & Eisenhofer
Gutierrez Preciado & House, LLP
Hitchcock Law Firm, PLLC
Kaplan & Walker, LLP
Klausner Kaufman Jensen & Levinson
Labaton Sucharow
Latham & Watkins, LLP
Lewis Brisbois Bisgaard & Smith, LLP
Liebert Cassidy Whitmore
Lieff Cabraser Heimann & Bernstein, LLP
Nossaman, LLP
Olson Remcho, LLP
Oppenheimer Investigations Group
Peterson Bradford Burkwitz Gregorio Burkwitz & Su
Pillsbury Winthrop Shaw Pittman, LLP
Quinn Emanuel Urquhart & Sullivan, LLP
Robbins Geller Rudman & Dowd, LLP
Safarian Choi & Bolstad, LLP
Seyfarth Shaw, LLP
Sheppard Mullin Richter & Hampton, LLP
Spector Roseman & Kodroff, PC
Van Dermyden Makus Law Corporation
Winet Patrick Gayer Creighton & Hanes
Vivian W. Shultz

Legislative Advocates
Doucet Consulting Solutions
McHugh Koepke Padron
Williams & Jensen, PLLC

Media and Public Relations Consultant
Englander, Knabe & Allen

Tax Consultant
KPMG, LLP

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Retirement and Board of Investments
Los Angeles County Employees Retirement Association
Pasadena, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Los Angeles County Employees Retirement Association (LACERA), a component unit of Los Angeles County, as of and for the year ended June 30, 2026, 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 referred to above present fairly, in all material respects, the fiduciary net position of LACERA as of June 30, 2026, 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.

Basis for Opinion

We conducted our audit 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 Auditors' 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 – Correction of Error

As described in Note 17 to the financial statements, certain previously reported amounts related to the OPEB Trust Fund and OPEB Custodial Fund have been restated to correct an error in the presentation of the activities. The restatement resulted in adjustments to the beginning fiduciary net position of those funds as of July 1, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit 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 auditors' 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 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 an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 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 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 who 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 supplementary information in accordance with GAAS, 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 audit of the basic financial statements. We do not express an

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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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise LACERA's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes 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 audit 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 GAAS. In our opinion, the 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 comprehensive financial report. The other information comprises the introductory, investment, actuarial, and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements 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 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 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 15, 2026, 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.

CliftonLarsonAllen LLP

Boston, Massachusetts
October 15, 2026

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Management's Discussion and Analysis

June 30, 2026

Management is pleased to present the Management's Discussion and Analysis (MD&A) of the Los Angeles County Employees Retirement Association (LACERA) financial performance for the fiscal year ended June 30, 2026. The MD&A is intended to present an objective and easily readable summary of LACERA's overall financial position and results of operations for the fiscal year. This narrative is an overview and analysis of LACERA's fiduciary financial statements, condensed financial information, and discussion of significant changes and events affecting those statements. Currently known facts, decisions, or conditions that may affect future results are discussed in this section and should be read in conjunction with the basic financial statements, notes to the basic financial statements, and required supplementary information (RSI) included in the Financial Section of this Annual Comprehensive Financial Report (ACFR).

Overview of the Financial Statements

Although LACERA is an independent public agency, the annual financial statements are prepared and presented as a fiduciary component unit of the County of Los Angeles. LACERA reports the fiduciary activities of pension plan and post-employment benefits program administration on behalf of the plan sponsors, members and beneficiaries. The primary activities of LACERA include investing trust assets in accordance with Board-approved policies, collecting employer and member contributions, paying pension benefits and other post-employment benefits (OPEB), and conducting the administrative functions necessary to support these programs. These resources are held in trust and are reported as fiduciary activities in these financial statements.

The Overview section is intended to assist readers in understanding the structure and purpose of the basic financial statements and how they relate to LACERA's financial conditions and results of operations. LACERA's basic financial statements include the following components: the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, and Notes to the Basic Financial Statements. These statements are prepared in accordance with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus and 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, each of which report annual financial activity.

The Statement of Fiduciary Net Position provides a snapshot of account balances at fiscal year-end and reflects assets available for upcoming payments to retirees and their beneficiaries, minus any current liabilities as of the report date. The Fiduciary Net Position amount, which equals total assets minus total liabilities, represents the funds available for future benefit payments.

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

The Notes to the Basic Financial Statements are an integral part of the financial statements and provide detailed discussion of key policies, programs, and fiscal activity that occurred during the year. Other information to enhance LACERA's Basic Financial Statements is provided as follows:

- Required Supplementary Information (RSI): presents historical trend data and information to support the Net Pension Liability. Additionally, it includes historical OPEB Trust investment returns.
- Supplementary Information (SI): includes the schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants, and is presented immediately after the RSI.

Readers should refer to the Independent Auditors' Report for information regarding the Basic Financial Statements and accompanying Notes and Supplementary Information that are subject to audit. The Management's Discussion and Analysis and other Required Supplementary Information are subject to limited procedures, while the remaining sections (Introductory, Investment, Actuarial, and Statistical) are unaudited.

Financial Summary

This Financial Summary section provides a condensed, comparative discussion of LACERA's fiduciary activities for the fiscal years ended June 30, 2026 and June 30, 2025. The discussion is based on information presented in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position and is intended to highlight significant year-to-year changes. Because LACERA is a fiduciary-only reporting entity, the analysis is limited to the Pension Plan, OPEB Trust, and OPEB Custodial Fund and includes certain financial elements applicable to fiduciary funds. LACERA's administrative budget is reported in the Notes to the Basic Financial Statements.

Pension Plan

Fiduciary Net Position — Pension Plan

As of June 30, 2026 and 2025

(Dollars in Millions)

	2026	2025	$ Change	% Change
Investments	**$92,289**	$82,934	$9,355	11.3%
Other Assets	**5,016**	6,464	(1,448)	(22.4)%
Total Assets	**97,305**	89,398	7,907	8.8%
Total Liabilities	**(2,809)**	(3,210)	401	(12.5)%
Fiduciary Net Position	**$94,496**	**$86,188**	**$8,308**	**9.6%**

Additions and Deductions in Fiduciary Net Position — Pension Plan
For the Fiscal Years Ended June 30, 2026 and 2025
(Dollars in Millions)

	2026	2025	$ Change	% Change
Contributions	**$3,673**	$3,590	$83	2.3%
Net Investment and Other Income	**9,815**	8,299	1,516	18.3%
Total Additions	**13,488**	11,889	1,599	13.4%
Benefits and Refunds	**(5,051)**	(4,776)	275	5.8%
Administrative and Other Expenses	**(129)**	(127)	2	1.6%
Total Deductions	**(5,180)**	(4,903)	277	5.6%
Net Increase	**8,308**	6,986	1,322	18.9%
Fiduciary Net Position Beginning of Year	**86,188**	79,202	6,986	8.8%
Fiduciary Net Position End of Year	**$94,496**	**$86,188**	**$8,308**	**9.6%**

Other Post-Employment Benefits (OPEB) Program

OPEB Trust

Fiduciary Net Position — OPEB Trust
As of June 30, 2026 and 2025
(Dollars in Millions)

	2026	2025	$ Change	% Change
Investments	**$6,601**	$5,200	$1,401	26.9%
Other Assets	**411**	346	65	18.8%
Total Assets	**7,012**	5,546	1,466	26.4%
Total Liabilities	**(331)**	(289)	(42)	14.5%
Fiduciary Net Position	**$6,681**	**$5,257**	**$1,424**	**27.1%**

Additions and Deductions in Fiduciary Net Position — OPEB Trust
For the Fiscal Years Ended June 30, 2026 and 2025
(Dollars in Millions)

	2026	2025	$ Change	% Change
Contributions	**$1,679**	$1,525	$154	10.1%
Net Investment and Other Income	**765**	479	286	59.7%
Total Additions	**2,444**	2,004	440	22.0%
Healthcare Benefits	**(1,007)**	(927)	80	8.6%
Administrative and Other Expenses	**(13)**	(13)	—	—%
Total Deductions	**(1,020)**	(940)	80	8.5%
Net Increase	**1,424**	1,064	360	33.8%
Fiduciary Net Position Beginning of Year	**5,257**	4,193	1,064	25.4%
Fiduciary Net Position End of Year	**$6,681**	**$5,257**	**$1,424**	**27.1%**

During fiscal year 2026, LACERA corrected the presentation of certain OPEB fiduciary activity between the OPEB Trust Fund and OPEB Custodial Fund. Prior-year comparative amounts have been restated or reclassified, as applicable, to conform to the current-year presentation. The correction did not affect total fiduciary net position for the combined OPEB-related fiduciary activities. See Note 17 — Accounting Changes and Error Corrections, to the Basic Financial Statements for additional information.

OPEB Custodial Fund

Fiduciary Net Position — OPEB Custodial Fund

As of June 30, 2026 and 2025
(Dollars in Thousands)

	2026	2025	$ Change	% Change
Investments	**$142**	$147	($5)	(3.4)%
Other Assets	**143**	137	6	4.4%
Total Assets	**285**	284	1	0.4%
Total Liabilities	**(101)**	(84)	(17)	(20.2)%
Fiduciary Net Position*	**$184**	**$200**	**($16)**	**(8.0)%**

*See paragraph above and Note 17 — Accounting Changes and Error Corrections, to the Basic Financial Statements for additional information.

Additions and Deductions in Fiduciary Net Position — OPEB Custodial Fund

For the Fiscal Years Ended June 30, 2026 and 2025
(Dollars in Thousands)

	2026	2025	$ Change	% Change
Contributions	**$429**	$469	($40)	(8.5)%
Net Investment and Other Income/(Loss)	**(14)**	19	(33)	(173.7)%
Total Additions	**415**	488	(73)	(15.0)%
Healthcare Benefits	**(423)**	(462)	(39)	(8.4)%
Administrative and Other Expenses	**(8)**	(10)	(2)	(20.0)%
Total Deductions	**(431)**	(472)	(41)	(8.7)%
Net Increase/(Decrease)	**(16)**	16	(32)	(200.0)%
Fiduciary Net Position at Beginning of Year*	**200**	184	16	8.7%
Fiduciary Net Position at End of Year	**$184**	**$200**	**($16)**	**(8.0)%**

*See paragraph above and Note 17 — Accounting Changes and Error Corrections, to the Basic Financial Statements for additional information.

Detailed Analysis

Pension Plan

Fiduciary Net Position

The Pension Plan's fiduciary net position increased to $94.5 billion as of June 30, 2026, reflecting a net increase of $8.3 billion, or 9.6 percent from the prior year. The increase was primarily driven by net investment and other income of $9.8 billion, which more than offset benefit payments and refunds of $5.1 billion, and administrative and other expenses of $129.2 million.

Additions

Investment results were the primary driver of the increase in Fiduciary Net Position for fiscal year 2026. The Pension Plan reported a time-weighted net-of-fees investment return, which is a measure of the compound growth rate in a portfolio, of 12.1 percent for fiscal year 2026, exceeding the plan's long-term actuarial assumed rate of return of 7.0 percent. The actuarial assumed rate of return is the primary long-term measure used in evaluating whether investment income is supporting the Plan's funding assumptions. Higher investment income compared to the prior year reflected a combination of favorable market conditions with strong equity market performance and positive returns from fixed income investments. The improvement reflects LACERA's strategic asset allocation and long-term investment horizon.

LACERA's financial objective is to ensure that investment income and contributions collectively provide sufficient resources to fund promised benefits, maintain appropriate liquidity, and support the Pension Plan's long-term financial sustainability. While returns for certain asset classes were below their respective benchmarks, differences in portfolio composition, valuation timing, and market exposures can result in performance variations. Investment performance is considered together with the Plan's long-term funding objectives and actuarial assumptions. See the Investment Section for additional information regarding investment performance.

The following table shows the Pension Plan's investment results by functional category in 2026. Complete investment results for each asset class are provided in the Investment Section of the ACFR.

Pension Plan Investment Results

As of June 30, 2026

(Net of Fees)

Fund Category	One-Year	Policy Benchmark
Total Fund - All Asset Classes	12.1%	14.8%
Growth	17.5%	23.3%
Credit	6.7%	6.8%
Real Assets & Inflation Hedges	7.9%	11.8%
Risk Reduction & Mitigation	5.5%	4.5%

Contributions also increased the Fiduciary Net Position and, along with investment earnings, represent a source of funding. During fiscal year 2026, employer and member contributions totaled $3.7 billion, an increase of $83.0 million or 2.3 percent, compared to the prior year. Contribution requirements are established based on actuarial valuations and funding policies intended to provide for the long-term sustainability of the plan. Higher contribution inflows were mainly due to contribution rate increases for employers and employees as recommended by the actuary.

Based on financial data from the past three decades, investment earnings have remained the largest source of additions to the Pension Plan, representing approximately 69 percent of each pension dollar paid. Employer contributions accounted for 22 percent, while employee contributions represented 9 percent. The Pension Plan's funding structure reflects a long-term investment strategy in which investment returns serve as the primary source of growth, supplemented by contributions from employers and members.

Deductions

Benefit payments continue to represent the largest recurring use of resources. During fiscal year 2026, benefit payments were $5.0 billion, exceeding contributions due to plan maturity. The benefit payment increased by 5.8 percent compared to the prior year, consistent with the maturing demographics of the plan's membership. The increase in benefit payments during fiscal year 2026 was primarily attributable to the growth in the retired member population and the cost-of-living adjustments. These increases were anticipated and actuarially modeled and do not represent unexpected financial pressure on the plan.

Membership

The following table summarizes the changes in active and retired members by comparing the current year with the prior year. Active members decreased by 212, or 0.2 percent, as of June 30, 2026, primarily due to the County's hiring freeze during the year. The retired member population increased by 2,311, or 3.0 percent, due to a higher percentage of members retiring and fewer retiree deaths.

LACERA Membership

As of June 30, 2026 and 2025

	2026	2025	Difference	% Change
Active Members[1]	**121,546**	121,758	(212)	(0.2)%
Retired Members	**79,015**	76,704	2,311	3.0%
Total Membership	**200,561**	**198,462**	**2,099**	**1.1%**

[1]Active member counts include inactive members who are both vested and non-vested, but not yet retired.

Pension Plan Fiduciary Net Position Key Drivers

For the Fiscal Years Ended June 30, 2026 and 2025

(Dollars in Millions)

	2026	2025	$ Change	% Change
Net Investment and Other Income	**$9,815**	$8,299	$1,516	18.3%
Contributions	**3,673**	3,590	83	2.3%
Benefit Payments	**(5,010)**	(4,734)	276	5.8%
Administrative and Other Expenses	**(129)**	(127)	2	1.6%

Administrative and other expenses increased 1.6 percent from the prior year, to $129.2 million. This increase was primarily attributable to higher consultant and professional services costs, particularly temporary personnel and legal services. Changes in administrative expenses and other expenses were not a material driver of the change in Fiduciary Net Position for fiscal year 2026.

OPEB Trust

Fiduciary Net Position

The OPEB Trust's Fiduciary Net Position was $6.7 billion as of June 30, 2026, an increase of $1.4 billion or 27.1 percent, from the prior year. The increase was primarily driven by net investment income and plan sponsor prefunding contributions. Total additions were $2.4 billion, consisting of total contributions of $1.7 billion and net investment income of $0.8 billion. Total contributions included $0.7 billion of prefunding contributions and $1.0 billion of pay-as-you-go activity. Total deductions were $1.0 billion and consisted primarily of healthcare benefit payments.

Additions

The OPEB Trust reported a one-year time-weighted investment return, net of fees, of 14.4 percent for fiscal year 2026, exceeding its long-term assumed rate of return of 6.25 percent for prefunding employers. Investment results, together with ongoing contributions, increased the resources available to pay future OPEB benefits. The Board of Investments maintains separate investment policy statements for the Pension Plan and the OPEB Trust to guide their respective investment strategies; however, the investment beliefs are the same. Like the Pension Plan, the OPEB Trust maintains a diversified investment portfolio. The OPEB Trust's comparatively higher return during the fiscal year is primarily attributable to its higher allocation to the equity asset class. Prefunding contributions were $661 million in 2026, consistent with the County's retiree healthcare prefunding contribution forecast.

The OPEB Trust's investment objective is to achieve long-term returns sufficient to support the funding of retiree healthcare benefits. While returns for certain asset classes were above their respective benchmarks, differences in portfolio composition, valuation timing, and market exposures can result in performance variations. Investment performance is considered together with the Trust's long-term funding objectives and actuarial assumptions. See the Investment Section for additional information regarding investment performance.

The following table shows the OPEB Trust's investment results in 2026. Complete investment results for each asset class are provided in the Investment Section of the ACFR.

OPEB Trust Investment Results

As of June 30, 2026

(Net of Fees)

Fund Category	One-Year	Policy Benchmark
Total Fund - All Asset Classes	14.4%	14.0%
Growth	24.7%	24.2%
Credit	5.9%	6.8%
Real Assets & Inflation Hedges	12.0%	9.3%
Risk Reduction & Mitigation	3.8%	3.7%

Deductions

Healthcare benefit payments were $1.0 billion, an increase of $80 million from the prior year. Changes in benefit payments are influenced by participation and enrollment in insurance plans, plan design features, and underlying healthcare cost trends.

The following table summarizes the changes in Retiree Healthcare (RHC) benefit participation by comparing the current year with the prior year. Medical insurance participants increased by 2,502, or 2.9 percent, as of June 30, 2026, while dental and vision insurance participants increased by 2,857, or 3.0 percent. Participants enrolled in death and burial benefits increased by 2,102, or 3.2 percent. The overall increase in participation is primarily attributable to growth in the retiree population and continued utilization of available retiree benefit programs.

Participants — Retiree Healthcare Benefits
For Fiscal Years Ended June 30, 2026 and 2025

	2026	2025	Difference	% Change
Medical Insurance[1]	**89,139**	86,637	2,502	2.9%
Dental/Vision Insurance[1]	**96,729**	93,872	2,857	3.0%
Death/Burial Benefits[2]	**68,500**	66,398	2,102	3.2%

[1]Includes eligible members and beneficiaries participating in the program.
[2]Includes members eligible for the death/burial benefit, but excludes survivors, spouses, and dependents.

OPEB Trust Fiduciary Net Position Key Drivers
For the Fiscal Years Ended June 30, 2026 and 2025
(Dollars in Millions)

	2026	2025	$ Change	% Change
Net Investment and Other Income	**$765**	$479	$286	59.7%
Contributions	**1,679**	1,525	154	10.1%
Healthcare Benefit Payments	**(1,007)**	(927)	80	8.6%

OPEB Custodial Fund

Fiduciary Net Position
The OPEB Custodial Fund is used to fund retiree healthcare costs on a pay-as-you-go basis and to capture the operating activity of the Retiree Healthcare Benefits Program. The OPEB Custodial Fund's fiduciary net position decreased by $16.0 thousand, or 8.0 percent, to $184 thousand in fiscal year 2026. The decrease was due to a change in methodology for reporting employer contributions and benefit payments. See Note 17 — Accounting Changes and Error Corrections for more information. Activity in the custodial fund is largely influenced by the timing of employer and member contributions received and benefit payments made on behalf of participating employers.

Currently Known Facts, Decisions, or Conditions
In March 2026, the Board of Retirement and Board of Investments approved changes that will affect fiscal year 2026–27. The Board of Retirement approved health insurance premium rates and related benefit changes for the Retiree Healthcare Benefits Program effective July 1, 2026. The approved renewals reflect an overall premium increase of 9.0 percent, driven primarily by rising healthcare and prescription drug costs, changes in Medicare Advantage reimbursement methodologies, and claims experience specific to LACERA's retiree population. The approved rates are expected to increase annual healthcare premium costs by approximately $81.6 million, although negotiations with carriers reduced the initial renewal proposals and generated an estimated $24.4 million in annual cost avoidance.

In addition, the Board of Investments adopted revised employer and member contribution rates effective July 1, 2026, based on the June 30, 2025 actuarial valuation. The weighted average employer contribution rate increased from 25.61 percent to 25.70 percent of payroll, resulting in projected employer contributions of approximately $2.77 billion, an increase of approximately $129 million from the prior year. Member contribution rates were also updated in accordance with statutory and actuarial requirements. Contribution rates for Public Employees' Pension Reform Act of 2013 (PEPRA) members changed to 9.22 percent for General Plan G, down from 9.30 percent, and 15.36 percent for Safety Plan C, up from 15.14 percent. In addition, member contribution rates for legacy

contributory plans were revised following the adoption of updated actuarial assumptions, resulting in increases for most General Plan D and Safety Plan B members. The actuarial valuation also reflected an increase in LACERA's funded ratio from 80.9 percent to 82.0 percent and a decrease in the unfunded actuarial accrued liability to $17.9 billion. LACERA will continue to monitor healthcare and pension-funding trends, as both remain significant factors affecting the long-term cost and sustainability of member benefits.

As discussed in the Notes to the Basic Financial Statements, LACERA is involved in matters that arise in the ordinary course of operations, including commitments and contingencies. Management and legal counsel evaluate such matters and disclose them as required. Readers should refer to the Notes to the Basic Financial Statements for additional information.

Summary and Outlook

LACERA remains committed to maintaining the long-term sustainability of the retirement benefits entrusted to the system while prudently managing investment, funding, and operational risks. During fiscal year 2026, the system continued to demonstrate financial resilience through disciplined funding practices, a diversified investment program, and ongoing oversight by the Board of Investments. While economic and financial market conditions may continue to evolve, LACERA is well positioned to meet its obligations to members and beneficiaries through its strong fiduciary governance, long-term investment strategy, and collaborative partnership with participating employers. Management will continue to monitor emerging risks and opportunities and remain focused on preserving the system's financial strength for current and future generations of members.

Requests for Information

This Annual Comprehensive Financial Report is designed to provide members, beneficiaries, participating employers, taxpayers, and other interested parties with a general overview of LACERA's financial position and activities. Questions concerning any information presented in this report should be directed to LACERA's Financial and Accounting Services Division.

Respectfully submitted,

Theodore Granger, CPA

Chief Financial Officer

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Statement of Fiduciary Net Position

As of June 30, 2026

(Dollars in Thousands)

	Pension Plan	OPEB Trust	OPEB Custodial Fund	Total
ASSETS				
Cash and Cash Equivalents	$1,855,866	$235,170	$49	$2,091,085
Receivables				
Contributions	146,894	—	—	146,894
Investment Settlements	463,335	40,343	4	503,682
Accrued Interest and Dividends	257,434	48,336	1	305,771
Other	14,303	87,693	89	102,085
Subtotal Receivables	881,966	176,372	94	1,058,432
Investments, at Fair Value				
Short-Term Investments	461,435	137,788	9	599,232
Equity	32,623,090	3,095,808	—	35,718,898
Fixed Income	27,624,025	3,039,750	133	30,663,908
Private Equity	14,569,541	88,495	—	14,658,036
Real Estate	4,682,087	180,585	—	4,862,672
Hedge Funds	7,802,323	—	—	7,802,323
Real Assets	4,526,334	58,208	—	4,584,542
Subtotal Investments, at Fair Value	92,288,835	6,600,634	142	98,889,611
Other Assets	73,900	—	—	73,900
Securities Lending Collateral	2,204,057	—	—	2,204,057
TOTAL ASSETS	97,304,624	7,012,176	285	104,317,085
LIABILITIES				
Investment Settlements	510,303	141,607	5	651,915
Retiree Benefits Payable	4,410	611	—	5,021
Accrued Expenses	29,840	1,479	—	31,319
Tax Withholding Payable	50,772	—	—	50,772
Accounts Payable - Other	9,337	187,012	96	196,445
Securities Lending Obligations	2,204,057	—	—	2,204,057
TOTAL LIABILITIES	2,808,719	330,709	101	3,139,529
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS	**$94,495,905**	**$6,681,467**	**$184**	**$101,177,556**

The accompanying Notes to the Basic Financial Statements are an integral part of these basic financial statements.

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2026

(Dollars in Thousands)

	Pension Plan	OPEB Trust	OPEB Custodial Fund	Total
ADDITIONS				
Contributions				
Employer	$2,723,236	$1,618,931	$295	$4,342,462
Member	949,373	60,038	134	1,009,545
Subtotal Contributions	3,672,609	1,678,969	429	5,352,007
Investment Income				
Net Appreciation/(Depreciation) in Fair Value of Investments	4,447,097	415,612	(2)	4,862,707
Interest, Dividends, and Other Income	5,547,431	358,274	7	5,905,712
Less Investment Activities Expenses	(206,699)	(5,783)	—	(212,482)
Net Investment Activities Income	9,787,829	768,103	5	10,555,937
Securities Lending Income	123,397	—	—	123,397
Less Securities Lending Expenses	(101,307)	—	—	(101,307)
Net Securities Lending Income	22,090	—	—	22,090
Subtotal Investment Income	9,809,919	768,103	5	10,578,027
Other	5,913	(2,703)	(19)	3,191
TOTAL ADDITIONS	13,488,441	2,444,369	415	15,933,225
DEDUCTIONS				
Retiree Payroll	5,006,228	—	—	5,006,228
Healthcare Benefits	—	1,006,775	423	1,007,198
Administrative Expenses	128,566	13,353	8	141,927
Refunds	40,830	—	—	40,830
Lump Sum Death Benefits	3,935	—	—	3,935
Other	595	3	—	598
TOTAL DEDUCTIONS	5,180,154	1,020,131	431	6,200,716
NET INCREASE/(DECREASE) IN FIDUCIARY NET POSITION	8,308,287	1,424,238	(16)	9,732,509
FIDUCIARY NET POSITION RESTRICTED FOR BENEFITS				
Beginning of Year, As Previously Reported	86,187,618	5,036,007	221,422	91,445,047
Restatement for Correction of an Error	—	221,222	(221,222)	—
BEGINNING OF YEAR, AS RESTATED	**86,187,618**	**5,257,229**	**200**	**91,445,047**
END OF YEAR	**$94,495,905**	**$6,681,467**	**$184**	**$101,177,556**

The accompanying Notes to the Basic Financial statements are an integral part of these basic financial statements.

NOTE 1 — Benefit Plan Descriptions

Pension Plan

The Los Angeles County Employees Retirement Association (LACERA) was established on January 1, 1938. It is an independent public agency 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 tax-exempt, cost-sharing, multiple-employer defined benefit pension plan for Los Angeles County (County); LACERA; Superior Court of California, County of Los Angeles (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 the Retiree Healthcare Benefits Program, also referred to as the Other Post-Employment Benefits Program (OPEB Program). The OPEB Program 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 that 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 identified as Tier 1.

In July 2018, the OPEB Program was restructured as an agent multiple-employer defined benefit OPEB plan to include all seven employers. The County, Superior Court, and LACERA participate in the program through the OPEB Trust. Outside district employers participate in the program through the OPEB Custodial Fund. A description of the OPEB Program and its benefit provisions is provided in Note 14 — OPEB Program.

Governance

The LACERA Board of Retirement (BOR) 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 BOR is composed of 12 trustees. Four trustees and two alternate trustees are elected by members; four trustees are appointed by the County Board of Supervisors; and the law requires the County Treasurer and Tax Collector to serve as an ex-officio trustee, with the Chief Deputy County Treasurer and Tax Collector (acting ex-officio) sitting in for the ex-officio trustee as needed. Of the six elected seats, 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.

The LACERA Board of Investments (BOI) is responsible for establishing LACERA's investment policy and objectives, deciding pension fund actuarial matters, including setting assumptions and member and employer contribution rates, setting retirement system funding policies, and exercising oversight and monitoring the investment management of the trust funds and the OPEB Trust. Under the California Constitution and CERL, the Board shall diversify fund investments so as to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. The BOI is composed of 10 trustees. Four trustees are elected: Active general members elect two trustees; retired members elect one trustee; and safety members elect one trustee. Four trustees are appointed by the Los Angeles County Board of Supervisors and are required as a condition of appointment to have significant prior experience in institutional investing. In addition, the law requires the County Treasurer and Tax Collector to serve as an ex-officio trustee, with the Chief Deputy County Treasurer and Tax Collector (acting ex-officio) sitting in for the ex-officio trustee as needed. The BOR and BOI are jointly responsible for LACERA's budget, personnel classifications and salaries, and oversight of the Chief Executive Officer.

Under the California Constitution and CERL, the boards and their trustees have a fiduciary duty to perform their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, LACERA's members and their beneficiaries. The boards and the trustees also have the responsibility to minimize employer contributions and defray the reasonable expenses of administering the system. The duty to members and their beneficiaries takes precedence over any other duty, and the trustees shall act consistently with this duty of loyalty. In performing their fiduciary duty, the trustees shall act with the care, skill, prudence, and diligence that a prudent fiduciary familiar with the matters and the circumstances of each particular decision would use in the conduct of a similar enterprise with like aims.

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 benefits structure is available by contacting LACERA or visiting the lacera.gov website.

LACERA Pension Plan Membership
As of June 30, 2026

	General	Safety	Total
Active Members			
Vested	64,114	10,071	**74,185**
Non-Vested	23,116	2,056	**25,172**
Subtotal	87,230	12,127	**99,357**
Inactive Members[1]			
Vested[2]	8,932	704	**9,636**
Non-Vested	11,668	885	**12,553**
Subtotal	20,600	1,589	**22,189**
Retired Members			
Service	51,613	5,189	**56,802**
Disability	3,808	7,890	**11,698**
Survivors & Beneficiaries	8,334	2,181	**10,515**
Subtotal	63,755	15,260	**79,015**
Total Membership	**171,585**	**28,976**	**200,561**

[1]Inactive members are terminated/out-of-service.
[2]Inactive vested members are deferred.

PLAN FUNDING

Pension Plan

Pension plan funding is derived from three sources: realized investment earnings; employer contributions; and employee contributions, including those made by the employer on behalf of employees pursuant to Section 414(h)(2) of the Internal Revenue Code (IRC). 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 IRC §115.

LACERA administers the OPEB Program through two financial arrangements: the OPEB Trust and the OPEB Custodial Fund, as described below.

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 Superior Court established and began making OPEB prefunding contributions to the Superior Court OPEB Trust. The assets held within the OPEB Trusts meet the criteria of qualifying trusts under Governmental Accounting Standards Board (GASB) Statement Number 74 and do not modify the OPEB Program benefits.

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 Superior 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. Gross income from all OPEB

Trusts described above is exempt from federal income taxation under IRC §115. LACERA obtained letter rulings from the Internal Revenue Service to this effect.

In 2016, the County trust agreement was amended to permit the co-investment of the County and the Superior 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 Superior Court OPEB Trust for investment purposes only.

The LACERA Board of Investments is responsible for determining the OPEB Trust investment objectives, strategies, and policies, as well as monitoring and overseeing the investment management of the fund. An investment policy statement defines the framework by which LACERA manages the OPEB Trust assets. The LACERA Board of Investments periodically reviews and adopts the investment policy statement, including a strategic asset allocation for investment diversification, growth optimization, and risk mitigation across the assets of the OPEB Trust. Contributions and transfers to the OPEB Trust are determined at the employers' discretion, as there are no statutory requirements for minimum contributions.

OPEB Custodial Fund

LACERA administers a health insurance and death benefits program (OPEB Program) for the County, Superior Court, LACERA, and participating outside district employers' (Plan Employers) retired employees and their dependents. Pursuant to an administrative agreement between the County, 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 requirements.

LACERA maintains three primary accounts under the OPEB Custodial Fund: the OPEB Administrative Account, OPEB Premiums Account, and OPEB Reserve Account. The Plan Employers provide monthly contributions to fund current benefits and own the funds in these accounts, which LACERA reports and invests separately from Pension Plan and OPEB Trust assets. 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 is exempt from federal income taxation under IRC §115.

OPEB Program operating activities for outside district employers are reported within the OPEB Custodial Fund, while this information is reported in the OPEB Trust for the County, Superior Court and LACERA.

See Note 17 — Accounting Changes and Error Corrections for updates to the presentation of the OPEB Trust and OPEB Custodial Fund.

<u>OPEB Administrative Account</u>

This account is primarily used to fund the OPEB Program's operations. Additions include the retiree healthcare administrative fee subsidies collected from the Plan Employers, administrative fees collected from OPEB Program member participants, and interest income. Deductions include the Program's administrative expenses. The OPEB Program's administrative costs are paid for by the Plan 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 Plan Employers; 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 (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 the fiscal year ended June 30, 2026, the OPEB Reserve Account balance was in compliance with the Board's policy.

OPEB Federal Program Rebates

LACERA's retiree healthcare program participates in the Retiree Drug Subsidy and Low Income Subsidy federal programs offered by the Centers for Medicare and Medicaid Services (CMS), which are accounted for in the Statement of Fiduciary Net Position for the OPEB Trust and OPEB Custodial Fund under Accounts Payable — Other. LACERA files annual claims with CMS and receives subsidies for eligible LACERA retirees. The funds received under the Retiree Drug Subsidy program are held by LACERA in accordance with federal guidelines in a zero-risk account and, at the discretion of the plan sponsor, may be applied to the retiree healthcare program for the benefit of employers and program participants, including the transfer of a portion of such funds to the OPEB Trust. The funds received under the Low Income Subsidy program are distributed to either the eligible member or to the plan sponsor, or divided between the eligible member and the plan sponsor, in proportion to the respective payee's premium amount.

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 14 — OPEB Program and posted on lacera.gov.

Replacement Benefit Program (RBP)
In addition to the Pension Plan, the County established the RBP pursuant to Ordinance 2010-0048 and as permitted by and in accordance with CERL Section 31899.4. For certain retired members of LACERA whose annual Pension Plan benefits exceed the limits set forth under IRC § 415, the RBP provides additional retirement benefit payments that would have otherwise been payable under the Plan except for the federal limit. For such retirees, the retirement benefit permitted by IRC § 415 is paid by LACERA under the Plan and the excess benefit payment amount is paid from the RBP. The RBP is funded solely by the County, and RBP benefits are paid from the general assets of the County. As provided by CERL Section 31899.4(a), LACERA, the Superior Court, and outside districts shall also provide a replacement benefit program if needed to not "impair the vested rights of any person," though PEPRA Section 7522.43 prohibits such plans for replacement benefits of any "new member." LACERA expects to address the RBP eligibility and funding uniformly among its participating employers.

See Note 3 — Pension Plan Contributions, for an explanation of the RBP's impact on County contributions.

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.

The LACERA Board of Retirement may grant an annual statutory COLA increase for monthly retirement allowances up to 3 percent for Plan A members or 2 percent for all other retired members. 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. If applied, 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. LACERA members may receive more than one type of COLA, which requires Board of Retirement approval.

Statutory COLA ("April 1 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 noncontributory 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) COLA Program

In addition to statutory 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 held in reserve may be used to restore retirement allowances to retirees and survivors whose allowances have lost more than 80 percent of their purchasing power. Loss of purchasing power varies based on an individual retiree's plan and retirement date and is tracked through COLA Accumulation balances maintained by LACERA. When the balances exceed 20 percent, retirees and survivors are considered eligible for STAR Program benefits. STAR benefits apply to retirees in contributory plans only.

The STAR percentage increase is effective annually on January 1 at the Board of Retirement's discretion and upon approval, provided sufficient excess earnings are available in the STAR Reserve. LACERA's consulting actuary calculates the cost of awarding STAR benefits. The Board of Retirement may approve ad hoc STAR benefits that are payable only for the calendar year approved or permanent STAR benefits that become part of the member's retirement allowance for a lifetime. For ad-hoc awards, benefits are paid from the STAR Reserve directly; for the lifetime awards, funds are transferred from the STAR Reserve to the Employer Reserve to pay benefits.

NOTE 2 — Summary of Significant Accounting Policies

Reporting Entity

LACERA, governed by its two independent boards, the Board of Retirement and Board of Investments (Boards), is an independent governmental entity separate and distinct from the County of Los Angeles (County) and having plenary authority and sole and exclusive fiduciary responsibility for the system's management, administration and investment of funds. Due to the nature of the relationship between LACERA and the County and pursuant to GASB Statement Number 84, Fiduciary Activities, the LACERA Pension and Other Post-Employment Benefit (OPEB) Trust Funds are considered fiduciary component units of Los Angeles County and are reported in the County's financial statements as fiduciary funds, due to the Trust Funds' reliance on County funding and their operations primarily benefiting the County. In addition, LACERA's financial statements include the OPEB Custodial Fund held by LACERA on behalf of participating employers. The OPEB Custodial Fund reports fiduciary activities not included in a qualified trust or equivalent arrangement but 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, Compliance, Risk, and Ethics (ACRE) Committee and the Chief Audit Executive assist the LACERA Boards in fulfilling their fiduciary oversight responsibilities for the organization's financial reporting process; values and ethics; internal controls; compliance with laws, regulations, policies, and procedures; and risk management, by providing independent assurance as to the adequacy of controls and providing other services to the organization.

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 Trust Fund and OPEB Custodial Fund Presentation

The OPEB Trust Fund and OPEB Custodial 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

OPEB Trust financial activity includes receiving contributions, paying for benefits and administrative expenses, and investing surplus funds. 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. Prefunding contributions from plan sponsors are set aside to earn investment income and interest, and are used to provide future OPEB benefits at the plan sponsors' discretion. LACERA acts as fiduciary for these funds on behalf of the plan sponsors and participants.

OPEB Custodial Fund

The OPEB Custodial Fund captures the annual financial operating activity of the OPEB Program for the outside districts. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants. 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.

Adoption of New Accounting Pronouncements

Effective fiscal year ended June 30, 2026, LACERA implemented GASB Statement No. 103, Financial Reporting Model Improvements. The Statement modifies certain financial reporting requirements, including MD&A and other disclosures intended to enhance the effectiveness of governmental financial reporting. The adoption of GASB Statement No. 103 affected the presentation and disclosure of certain information but did not impact the measurement of fiduciary net position or changes in fiduciary net position.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments, generally with original maturities of three months or less. Cash and cash equivalents include deposits, qualifying operating liquidity balances, and non-U.S. currency holdings translated at fiscal year-end exchange rates.

Short-term investments consist of liquid investments held for investment purposes with maturities generally of one year or less. Short-term investments include Short Term Investment Fund (STIF) balances used for investment activity.

Change in Classification of Cash and Short-Term Investments

Nature of the change: Beginning in fiscal year 2026, LACERA revised the classification of liquidity balances to distinguish operating liquidity from investment liquidity.

Financial statement line items affected: The change affects only the presentation of Cash and Cash Equivalents and Short-Term Investments and has no effect on total assets, total liabilities, fiduciary net position, or changes in fiduciary net position.

Reason for the change: Management determined that the revised classification is preferable because it more clearly reflects the purpose and use of the respective balances, distinguishes operating liquidity from investment-manager liquidity, and improves the consistency and understandability of the financial statements.

Receivables

Receivables represent amounts due to the Pension Trust and OPEB-related funds from various sources, including investment transactions, accrued investment income, employer and member contributions, and other miscellaneous receivables. Receivables are recognized when earned and are reported at the amount expected to be collected.

The Pension Trust Fund and OPEB-related funds periodically engage in interfund transactions primarily related to retiree healthcare premiums and Medicare Part B deductions from member Pension benefit payments, departmental overhead charges, and other shared operational activities. Such transactions are recorded as interfund receivables and interfund payables. Pension trust funds cannot lawfully be spent on OPEB activities and, similarly, OPEB assets cannot be spent on pension

fund activities. Accordingly, balances are periodically reconciled and settled through cash transfers between the respective funds.

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.

Fair Value Reporting
Investments are presented at fair value in the Statements of Fiduciary Net Position. See Note 15 — Fair Value of Investments for additional information regarding valuation methodologies and the fair value hierarchy.

Investment Income Recognition
Dividend income is recognized on the ex-dividend date. Other investment income is recognized as earned on an accrual basis.

Investment Expenses
Investment expenses presented in the Statements of Changes in Fiduciary Net Position include investment management fees, performance fees, and other investment-related expenses paid directly to external investment managers and vendors. Investment expenses incurred indirectly, including those associated with alternative investments, are reflected in net appreciation or depreciation in the fair value of investments or in investment income and are not separately reported as investment expenses.

UPCOMING GASB PRONOUNCEMENTS

Early Adoption of GASB Statement No. 105 — Subsequent Events
LACERA early adopted GASB Statement No. 105, Subsequent Events, for the fiscal year ended June 30, 2026. GASB 105 establishes accounting and financial reporting requirements for subsequent events occurring after the financial statement date but before the financial statements are available to be issued. The Statement defines the period during which subsequent events should be evaluated, clarifies the distinction between recognized and nonrecognized subsequent events, and establishes specific disclosure requirements for certain nonrecognized subsequent events.

The adoption of GASB Statement No. 105 had no impact on LACERA's activities, fiduciary net position, or changes in fiduciary net position, and resulted only in enhanced disclosures related to subsequent events.

NOTE 3 — 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 maintain stable employer contribution rates at the lowest practicable level. In addition, the Funding Policy provided guidance for performing interest crediting on reserve accounts and direction to the actuary in performing the plan's retirement benefit actuarial valuation. The Funding Policy was amended in February 2013 to conform to the new standards mandated in the California Public Employees' Pension Reform Act of 2013 (PEPRA), which restricted the ability to reduce employer contribution rates and redefined excess earning requirements. The Funding Policy required actuarial valuations to be performed annually to measure the plan's funding progress and to determine employer and employee contribution rates.

The Funding Policy was superseded and renamed the Actuarial Funding Policy, with the interest crediting process separated into a new standalone Interest Crediting Policy. The Actuarial Funding Policy clarifies the Board's funding objectives by defining key principles, actuarial processes and procedures, policy terminology, and discretionary benefits. The policies were presented to the Board of Investments and adopted in October 2024. The Board of Investments will review and consider updates to these policies on a triennial basis to coincide with the plan's experience study.

Member and Employer Contribution Rates

Members and participating employers contribute to LACERA based on actuarially determined rates recommended by LACERA's independent actuary and adopted by the Board of Investments and, thereafter, by the Los Angeles County Board of Supervisors. The contribution rates presented below were recommended by Milliman based on the June 30, 2024 Actuarial Valuation of Retirement Benefits. The Board of Investments adopted the recommended rates on February 12, 2025, after which LACERA transmitted the rates to the Los Angeles County Board of Supervisors for adoption. The Board of Supervisors adopted the revised employer and member contribution rates on April 8, 2025, for implementation effective in the fiscal year ended June 30, 2026. Contributions received from participating employers, including the outside districts and their members, are contributions to LACERA's pension plan as a whole.

Member contribution requirements vary depending on the applicable retirement plan. General Plan G and Safety Plan C are plans established under the California Public Employees' Pension Reform Act of 2013 (PEPRA). Member contribution rates for these plans are based on a single rate applicable to all members of the respective plan and are established at 50 percent of the plan's normal cost. Members participating in the contributory legacy plans, General Plans A through D and Safety Plans A and B, contribute based on age-based rates that vary according to the member's age upon entering LACERA membership and the applicable retirement plan. General Plan E is noncontributory.

Both member contribution methodologies are actuarially designed so that member contributions, together with employer contributions and investment earnings, provide funding for retirement benefits. As a result of collective bargaining agreements, actual member contributions for certain plan types may also reflect additional employer-paid amounts, commonly referred to as surcharge amounts, which may change from year to year. Member contributions paid by the employer pursuant to these agreements are reported as member contributions.

Participating employers are required to contribute the amounts actuarially determined to fund pension benefits. The total employer contribution rate consists of the employer net normal cost rate plus the contribution rate for the Unfunded Actuarial Accrued Liability (UAAL). For the fiscal year beginning July 1, 2025, the UAAL contribution rate is 14.73 percent of payroll. The member contribution rates presented below for the legacy plans (General Plans A–E and Safety Plans A and B) are aggregate rates for each plan and, therefore, do not represent the individual age-based contribution rate applicable to each member. The PEPRA member contribution rates for General Plan G and Safety Plan C represent the single rates applicable to members of those respective plans. Member contribution rates are presented as positive percentages in the following table.

Member and Employer Contribution Rates
For the Fiscal Year Ended June 30, 2026
(Based on the June 30, 2024 Actuarial Valuation)

Retirement Plan	Member Contribution Rates	Employer Normal Cost Rates	Employer UAAL Rates	Employer Surcharge	Total Employer Contribution Rates
General Plan A[1]	5.53%	15.34%	14.73%	0.54%	30.61%
General Plan B	10.16%	11.64%	14.73%	—%	26.37%
General Plan C	7.28%	7.74%	14.73%	—%	22.47%
General Plan D	8.14%	9.28%	14.73%	—%	24.01%
General Plan E	0.00%	10.85%	14.73%	—%	25.58%
General Plan G	9.30%	9.30%	14.73%	—%	24.03%
Safety Plan A[2]	11.95%	18.29%	14.73%	—%	33.02%
Safety Plan B[1]	11.95%	18.29%	14.73%	2.99%	36.01%
Safety Plan C	15.14%	15.14%	14.73%	—%	29.87%

[1]County “surcharge” rate for General Plan A and Safety Plan B is calculated by the County each triennial cycle (using actuarial factors provided by Milliman) based on MOUs with these active plan members. Essentially, these surcharge rates represent a portion of the employee contributions “picked up” or paid by the employer (County), increasing the employer rate while reducing the employee rate.
[2]As of the June 30, 2024 valuation date, there were no active members in Safety Plan A. Its normal-cost and member contribution rates were set equal to the corresponding Safety Plan B rates.

Contribution Payments
For the fiscal year ended June 30, 2026, 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 consistent with the employee payroll cycle. The remaining outside districts with active members—the Local Agency Formation Commission of the County of Los Angeles (LAFCO) and Little Lake Cemetery District (LLCD)—paid pension plan contributions due to LACERA in the form of monthly cash payments. For the fiscal year ended June 30, 2026, employer contributions totaled $2.7 billion and member contributions totaled $949 million.

Replacement Benefit Program Offset
The County contributions to the retirement system are reduced by the exact dollar amount that it pays in benefits under the Replacement Benefit Program (RBP) each year, as permitted by CERL Section 31899.4, subdivision (d). Milliman reviewed this contribution offsetting method and determined there to be appropriate pension plan funding from an actuarial perspective. In preparing the annual actuarial valuation, Milliman takes into account both the benefits paid by LACERA and the RBP

benefits paid by the County in calculating both the employer contribution normal cost rates and the Unfunded Actuarial Accrued Liability (UAAL); therefore, the employer contribution rates calculated in the valuation include the cost of RBP benefits. In Milliman's opinion, due to this valuation approach, the contribution offset by the County results in providing the normal cost and UAAL funding necessary to support all benefits that LACERA is anticipated to pay.

For the fiscal year 2026, the County offset contributions in the amount of $3.1 million to fund the RBP. This adjustment represents 0.11 percent of the $2.7 billion employer contribution.

See Note 1 — Benefit Plan Descriptions for additional information regarding RBP benefits.

Pension Plan Contributions
For the Fiscal Year Ended June 30, 2026
(Dollars in Thousands)

Employers	
Los Angeles County[1]	$2,619,453
Superior Court	103,554
Local Agency Formation Commission for the County of Los Angeles	217
Little Lake Cemetery District	12
South Coast Air Quality Management District[2]	—
Los Angeles County Office of Education[3]	—
Subtotal	2,723,236
Member Contributions[4]	949,373
Total Contributions	**$3,672,609**

[1]Los Angeles County includes LACERA as a Pension Plan employer (plan sponsor) and LACERA active member contributions. LACERA pays employer contributions from its administrative budget, funded by Pension Plan investment earnings.

[2]South Coast Air Quality Management District has no active members contributing to the Pension Plan for the fiscal year ended 2026.

[3]Los Angeles County Office of Education has no active members contributing to the Pension Plan for the fiscal year ended 2026.

[4]Payments made by an employer to satisfy member contribution requirements are classified as member contributions. These payments amounted to $33.0 million for the fiscal year ended 2026.

NOTE 4 — Pension Plan Reserves

LACERA maintains Pension Plan reserve accounts within its financial records for various operating purposes in accordance with its policies. Reserves are derived 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 not mandated or recognized under Generally Accepted Accounting Principles (GAAP). Reserves are an accounting method used for dividing pension plan assets into groups that are identified as attributable or non-attributable to the actuarial funded status of the plan, as determined by the actuarial valuation, to meet future benefit obligations. Although the sum of these reserves and unrealized earnings equals the Fiduciary Net Position Restricted for Benefits (Fiduciary Net Position), the balances contained in the reserves impact the plan's funded status after reductions for non-valuation reserves (i.e., the Contingency and STAR reserves).

During the fiscal year 2024–25, the Board of Investments adopted two new policies:

- The Actuarial Funding Policy (AFP), which updates the 2009 Funding Policy to reflect current legal interpretations and actuarial practices by establishing a principles-based framework to guide funding objectives, define targets, set actuarial processes, clarify procedures, and discuss discretionary benefits when earnings exceed the funding goal.
- Interest Crediting Policy (ICP) which was separated from the AFP to improve clarity and accounting documentation. It introduces the concept of Available Earnings, sets the interest crediting rate for the Member Reserve account, and mandates funding of the Contingency Reserve at 1.0 percent of the Fiduciary Net Position of the Pension Plan for each crediting cycle. It creates a new Undistributed Earnings Reserve to post any remaining earnings after all other priorities have been satisfied or deficiencies are addressed.

PENSION PLAN

LACERA's major classes of Pension Plan reserves are classified as either Valuation Reserves or Non-Valuation Reserves. Valuation Reserves are used to determine employer and employee contribution rates. Non-Valuation Reserves are set aside for discretionary benefits and contingencies to be funded outside of the actuarially determined contribution rate.

Valuation Reserves

Member Reserve

The Member Reserve reflects the balance of member contributions. Additions to this reserve are from member contributions and allocated earnings. Deductions include annuity payments to retirees, contribution refunds to members, and related expenses.

Employer Reserve

The Employer Reserve represents the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and allocated earnings. Deductions consist of annuity payments to retired members, disability retirement benefits, and death benefits.

Undistributed Earnings Reserve

The Undistributed Earnings Reserve represents the accumulation of available earnings not yet allocated to any other reserve. This reserve is used for semi-annual interest crediting; to eliminate the Unfunded Actuarial Accrued Liability by allocating excess amounts to the Employer Reserve; and for

other uses at the joint discretion of the Board of Investments and Board of Retirement, as permitted under CERL and subject to the AFP.

Non-Valuation Reserves

Contingency Reserve

The Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. The Contingency Reserve is statutorily defined and set at 1.0 percent of the Fiduciary Net Position to offset deficiencies in interest earnings in other years, losses on investments, and other contingencies and purposes permitted under CERL.

STAR Reserve

The STAR Reserve is maintained to fund Supplemental Targeted Adjustment for Retirees (STAR) cost-of-living benefits authorized by the Board of Retirement. Effective January 1, 2026, the Board approved a permanent STAR COLA for eligible retirees and beneficiaries. The award was funded through an $8.8 million transfer from the STAR Reserve to the Employer Reserve, reducing the STAR Reserve balance from approximately $607.0 million to $598.2 million as of June 30, 2026.

Consistent with governmental accounting standards, STAR Reserve assets are included in fiduciary net position and the liabilities associated with STAR benefits are included in the Total Pension Liability until STAR assets are projected to be insufficient to fund additional STAR benefits (see Note 5 — Net Pension Liability). For actuarial funding purposes, assets and liabilities attributable to previously granted STAR benefits are included in the actuarial valuation, whereas assets such as the STAR Reserve and liabilities related to potential future STAR benefits are excluded (see the Actuarial Section).

Pension Plan Reserves

As of June 30, 2026

(Dollars in Thousands)

Valuation Reserves	
Member Reserve	$30,824,423
Employer Reserve	37,078,318
Undistributed Earnings Reserve	550,625
Subtotal	68,453,366
Non-Valuation Reserves	
Contingency Reserve	944,959
STAR Reserve	598,212
Subtotal	1,543,171
Subtotal: Reserves at Book Value	69,996,537
Unrealized Investment Portfolio Appreciation	24,499,368
Total Reserves at Fair Value[1]	**$94,495,905**

[1]Total Reserves at Fair Value equals the Fiduciary Net Position as presented in the Basic Financial Statements.

NOTE 5 — Net Pension Liability

Net Pension Liability

GASB 67 requires public pension plans to provide the calculation of the Net Pension Liability. The Net Pension Liability 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 Net Pension Liability 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 Net Pension Liability for the fiscal year ended June 30, 2026 is shown in the table below:

Schedule of Net Pension Liability
For the Fiscal Year Ended June 30, 2026
(Dollars in Thousands)

Total Pension Liability	**$101,970,630**
Less: Fiduciary Net Position	(94,495,905)
Net Pension Liability	**$7,474,725**
Fiduciary Net Position as a Percentage of Total Pension Liability	92.67%

Actuarial Assumptions

The Total Pension Liability was determined by the actuarial valuation as of June 30, 2025, rolled forward to June 30, 2026 (the measurement date) using generally accepted actuarial techniques. The GASB 67 financial reporting information was based on the same actuarial methods and assumptions used in the June 30, 2025 funding valuation, reflecting the 2025 triennial Experience Study, except where noted. Actuarial assumptions are reviewed periodically and updated as necessary based on actual experience. The June 30, 2025 actuarial valuations used the following actuarial cost method and key actuarial assumptions and other inputs.

Actuarial Methods and Significant Assumptions

Method/Assumption	Description
Actuarial Cost Method	*Entry Age*
Discount Rate	*7.15 percent* Discount rate is composed of 7.00 percent long term investment rate of return assumption from the latest actuarial valuation, plus 0.15 percent assumed administrative expense.
National Price Inflation	*Annual Rate of 2.50 percent*
Local Inflation Rate	*Annual Rate of 2.75 percent*
General Wage Growth	*General wage growth: 3.25 percent*
Cost-of-Living Adjustments	*Post-retirement cost-of-living adjustment (COLA) benefit increases of either 2.75 percent (adjusted to 3 percent if appropriate for COLA accumulation banks) or 2 percent per year (a pro-rata portion for Plan E) are assumed.* For the Total Pension Liability, STAR benefits (supplemental targeted cost-of-living adjustments) are assumed to be substantively approved 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 1 — Benefit Plan Description for additional COLA and STAR information.
Mortality	Various rates based on the Pub-2016 mortality tables and using the MP–2021 Ultimate Projection Scale for expected future mortality improvement.

Other Key Assumptions

Other key actuarial assumptions used to calculate the Total Pension Liability as of the June 30, 2026 measurement date are the same as those used to prepare actuarial funding valuations for June 30, 2025.

GASB Discount Rate

Milliman's June 30, 2025 Experience Study reaffirmed the 7.15 percent discount rate assumption for the current reporting date. This is equal to the 7.00 percent long-term investment return assumption (net of investment and administrative expenses) adopted by the Board of Investments, plus 0.15 percent assumed administrative expenses. See Note 12 — Administrative Expenses for additional information regarding LACERA's annual administrative budget.

The plan's projected Fiduciary Net Position, after reflecting expected future 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 Total Pension Liability is equal to the long-term expected rate of return plus administrative expenses.

Schedule of Target Allocation and Long-Term Expected Rate of Return
As of June 30, 2026

Asset Class	Target Allocation (Policy)	Weighted Average Long-Term Expected Real Rate of Return (Net of 2.75% Inflation Rate) (Geometric)
Growth	**48.0 %**	**6.2 %**
Global Equity	29.0 %	5.1 %
Private Equity	17.0 %	7.3 %
Non-Core Private Real Estate	2.0 %	6.4 %
Credit	**13.0 %**	**3.7 %**
Real Assets and Inflation Hedges	**15.0 %**	**4.2 %**
Core Private Real Estate	5.0 %	3.7 %
Natural Resources and Commodities	3.0 %	6.3 %
Infrastructure	4.0 %	5.2 %
TIPS	3.0 %	0.9 %
Risk Reduction and Mitigation	**24.0 %**	**1.5 %**
Investment Grade Bonds	13.0 %	1.1 %
Diversified Hedge Funds	8.0 %	2.7 %
Long-Term Government Bonds	2.0 %	1.4 %
Cash Equivalents	1.0 %	(0.3)%

Target Allocation

LACERA's Board of Investments 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. The most recent strategic asset allocation study was completed in 2024 and approved by the Board.

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. For the total portfolio and functional categories (e.g., growth, credit), investment returns are calculated using target weights and estimates for expected return, volatility, and correlations for each asset class, adjusted for the 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 of a given time period, and the impact of volatility and correlations to the portfolio.

Sensitivity Analysis

The following table presents the Net Pension Liability, calculated for the fiscal year ended June 30, 2026, using the discount rate of 7.15 percent, as well as the results of Net Pension Liability calculations using a discount rate that is 1.0 percentage point lower (6.15 percent) or 1.0 percentage point higher (8.15 percent) than the current rate of 7.15 percent.

Sensitivity Analysis

For the Fiscal Year Ended June 30, 2026

(Dollars in Thousands)

	1.0% Decrease 6.15%	Current Discount Rate 7.15%	1.0% Increase 8.15%
Total Pension Liability	$115,356,109	$101,970,630	$90,875,278
Less: Fiduciary Net Position	(94,495,905)	(94,495,905)	(94,495,905)
Net Pension Liability	**$20,860,204**	**$7,474,725**	**($3,620,627)**

NOTE 6 — Partial Annuitization of Pension Benefit Payments

In January 1987, LACERA entered into agreements to purchase single life annuities from two insurance companies that provide 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. Covered members retain all pension benefits accorded to LACERA members under CERL, 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 allocated to covered members.

In accordance with the agreements, the annuity providers make monthly annuity reimbursements to LACERA, limited to 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. 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.

The reimbursements received by LACERA from the insurance companies offset the pension payments (i.e., retiree payroll) made by LACERA, as reported in LACERA's financial statements. For the fiscal year ended June 30, 2026, LACERA paid $2.8 million to covered members and received $2.3 million in related reimbursements.

NOTE 7 — 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 investments (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 investment assets by setting a policy that the LACERA Investment Office 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 contractual obligations, resulting in a loss of principal or interest and a decline in the investment's value. LACERA seeks to maintain a diversified portfolio of fixed and floating rate 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 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. The majority of this category is invested in an indexing strategy that provides exposure to the Bloomberg U.S. Aggregate Bond Index. LACERA also invests with managers that employ a low active-risk "core bond" approach. Investment guidelines require that managers invest predominantly in sectors represented in their benchmark index. As a result, these 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.

This schedule presents the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities.

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

As of June 30, 2026

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate and Asset-Backed Securities	Pooled Investments	Short-Term Investments	Non-U.S. Fixed Income	Private Placement Fixed Income	Total[1]	Percentage of Portfolio
Aaa	$—	$7,835	$—	$89,624	$—	$—	$—	$20,035	$117,494	0.4%
Aa	5,229,581	966,521	12,674	128,686	—	—	1,493	11,443	6,350,398	22.6%
A	—	—	783	270,968	—	—	47,838	58,989	378,578	1.3%
Baa	—	—	—	337,846	—	—	46,166	52,439	436,451	1.6%
Ba	—	—	—	132,655	—	—	10,919	196,455	340,029	1.2%
B	—	—	—	405,315	—	—	39,948	305,355	750,618	2.7%
Caa	—	—	—	43,181	—	—	4,686	60,093	107,960	0.4%
Ca	—	—	—	719	—	—	277	1,443	2,439	—%
C	—	—	—	39	—	—	29	717	785	—%
Not Rated	—	17,018	2,790	234,519	18,731,252	461,435	61,979	91,671	19,600,664	69.8%
Total[1]	**$ 5,229,581**	**$991,374**	**$16,247**	**$1,643,552**	**$18,731,252**	**$461,435**	**$213,335**	**$798,640**	**$28,085,416**	**100.0%**

Note: Pooled Investments and Short-Term Investments included within the Not Rated Quality Ratings represent investments in commingled funds and mutual funds. The Credit Quality Ratings table excludes underlying holdings of commingled investment structures and investments not directly held in custody by LACERA's global custodian, State Street Bank and Trust Company.

[1]The difference from the Statement of Fiduciary Net Position is attributable to derivatives of $44 thousand, which are included in the Pension Plan investment portfolio but excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust
As of June 30, 2026
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate and Asset-Backed Securities	Pooled Investments	Short-Term Investments	Non-U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$—	$10,125	$507	$8,432	$—	$—	$11,252	$—	$30,316	1.0%
Aa	1,407,390	286,800	3,377	29,809	—	—	8,223	319	1,735,918	54.6%
A	—	—	451	107,393	—	—	24,331	1,199	133,374	4.2%
Baa	—	—	—	121,741	—	—	27,608	2,907	152,256	4.8%
Ba	—	—	—	177,264	—	—	17,039	142,847	337,150	10.6%
B	—	—	—	205,697	—	—	31,768	156,814	394,279	12.4%
Caa	—	—	—	11,057	—	—	401	43,349	54,807	1.7%
Ca	—	—	—	331	—	—	—	229	560	—%
Not Rated	—	22	92	41,627	139,880	137,788	10,223	9,246	338,878	10.7%
Total	**$1,407,390**	**$296,947**	**$4,427**	**$703,351**	**$139,880**	**$137,788**	**$130,845**	**$356,910**	**$3,177,538**	100.0%

Note: Pooled Investments and Short-Term Investments included with the Not Rated Quality represent investments in commingled funds and mutual funds.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Custodial Fund
As of June 30, 2026
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Short-Term Investments	Total	Percentage of Portfolio
Aa	$133	$—	$133	93.7%
Not Rated	—	9	9	6.3%
Total	**$133**	**$9**	**$142**	**100.0%**

Note: Short-Term Investments included with the Not Rated Quality represent investments in mutual funds.

Custodial Credit Risk
LACERA's contract with its custodian, State Street Bank and Trust (Bank), provides that the Bank may hold LACERA's securities in various forms, including: its own name or its agent's nominee name, in bearer form, 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 part of those deposits. This risk is mitigated when the deposits are insured or collateralized.

LACERA's contract requires the Bank to provide immediate notice in the event LACERA funds on deposit are not eligible for and covered by the Federal Deposit Insurance Corporation (FDIC), subject to applicable law and FDIC rules and regulations. In addition, the Bank warrants that it will provide reasonable commercially available insurance, including a financial institution bond that 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. LACERA's compliance procedures request that the Bank certify to its financial health and provide evidence of insurance coverage.

For certain investment strategies, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by custodians 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

Concentration of credit risk is the risk of loss that can occur when there is a concentration of exposure to a single or small number of debt issuers versus having exposure to a relatively more diversified pool of debt issuers. For diversification purposes, all investment grade and liquid credit portfolios limit the exposure to a single issuer. This limitation 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, 2026, LACERA did not hold any investments in any one debt 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. Deviations from any of the portfolio structure guidelines are monitored as part of LACERA's compliance review process.

The following schedules present the duration measures of LACERA's Pension Plan, OPEB Trust, and OPEB Custodial Fund portfolios and demonstrate each portfolio's exposure to interest risk, as measured by their sensitivity to changes in interest rates.

The Duration in Fixed Income Securities — Pension Plan schedule presents the duration by investment type.

Duration in Fixed Income Securities — Pension Plan
As of June 30, 2026
(Dollars in Thousands)

Investment Type	Fair Value[1]	Portfolio-Weighted Average Effective Duration[2]
U.S. Treasuries, U.S. Government Agencies, Municipal Instruments and Short-Term Investments:		
U.S. Treasuries	5,229,581	6.99
U.S. Government Agencies	991,374	4.87
Municipal/Revenue Bonds	16,247	10.36
Short-Term Investments	461,435	N/A
Subtotal U.S. Treasuries, U.S. Government Agencies, Municipal Instruments and Short-Term Investments	6,698,637	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	234,930	3.11
Corporate and Other Credit	1,408,622	3.36
Pooled Funds	18,731,252	N/A
Subtotal Corporate Bonds and Credit Securities	20,374,804	
Non-U.S. Fixed Income	213,335	3.04
Private Placement Fixed Income	798,640	3.31
Subtotal Non-U.S. and Private Placement Securities	1,011,975	
Total Fixed Income Securities	**$28,085,416**	

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]The difference from the Statement of Fiduciary Net Position is attributable to derivatives of $44 thousand, which are included in the Pension Plan investment portfolio but excluded from this presentation.

[2]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, 2026

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration [1]
U.S. Treasuries, U.S. Government Agencies, Municipal Instruments and Short-Term Investments		
U.S. Treasuries	$1,407,390	6.31
U.S. Government Agencies	296,947	5.66
Municipal/Revenue Bonds	4,427	9.76
Short-Term Investments	137,788	N/A
Subtotal U.S. Treasuries, U.S. Government Agencies, Municipal Instruments and Short-Term Investments	1,846,552	
Corporate Bonds and Credit Securities		
Asset-Backed Securities	14,123	3.30
Corporate and Other Credit	689,228	2.90
Pooled Funds	139,880	N/A
Subtotal Corporate Bonds and Credit Securities	843,231	
Non-U.S. Fixed Income	130,845	3.15
Private Placement Fixed Income	356,910	2.96
Subtotal Non-U.S. and Private Placement Securities	487,755	
Total Fixed Income Securities	**$3,177,538**	

[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, 2026

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration[1]
U.S. Treasuries and Short-Term Investments:		
U.S. Treasuries	$133	2.02
Short-Term Investments	9	N/A
Total Fixed Income Securities	**$142**	

[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 schedules represent LACERA's Pension Plan and OPEB Trust 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.

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

As of June 30, 2026

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity	Forwards Contracts	Total
AFRICA								
South African Rand	$99,689	$—	$446	$—	$—	$—	$—	$100,135
AMERICAS								
Brazilian Real	120,563	—	647	—	—	—	—	121,210
Canadian Dollar	1,218,111	1,292	9,303	—	163,006	5,886	17,301	1,414,899
Chilean Peso	13,228	—	760	—	—	—	—	13,988
Colombian Peso	5,014	—	577	—	—	—	—	5,591
Mexican Peso	39,694	—	644	—	—	—	—	40,338
ASIA								
Australian Dollar	430,029	—	2,647	—	—	10,230	7,551	450,457
Chinese Renminbi	97,868	—	1,920	—	—	—	—	99,788
Hong Kong Dollar	542,175	—	3,419	—	—	—	149	545,743
Indonesian Rupiah	17,583	—	1,334	—	—	—	—	18,917
Japanese Yen	1,486,466	—	15,746	—	—	35,932	24,644	1,562,788
Malaysian Ringgit	44,296	—	2,186	—	—	—	—	46,482
New Zealand Dollar	10,719	—	123	—	—	—	235	11,077
Pakistani Rupee	—	—	29	—	—	—	—	29
Philippine Peso	10,732	—	664	—	—	—	—	11,396
Singapore Dollar	109,457	—	903	—	—	—	799	111,159
South Korean Won	756,276	—	4,371	—	—	—	—	760,647
Taiwan Dollar	831,294	—	3,230	—	—	—	—	834,524
Thai Baht	36,904	—	2,277	—	—	—	—	39,181
EUROPE								
British Pound Sterling	1,569,426	10,151	7,502	—	—	388,727	6,006	1,981,812
Czech Republic Koruna	3,796	—	322	—	—	—	—	4,118
Danish Krone	142,313	—	690	—	—	—	1,541	144,544
Euro	2,840,700	39,508	21,626	339,611	598,899	918,831	22,738	4,781,913
Hungarian Forint	15,835	—	615	—	—	—	—	16,450

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

As of June 30, 2026

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate	Real Assets	Private Equity	Forwards Contracts	Total
Norwegian Krone	63,825	—	913	—	—	—	1,368	66,106
Polish Zloty	45,787	—	1,073	—	—	—	—	46,860
Russian Ruble	—	—	2,171	—	—	—	—	2,171
Swedish Krona	228,786	—	849	—	—	—	5,040	234,675
Swiss Franc	686,993	—	1,800	—	—	—	9,809	698,602
MIDDLE EAST								
Egyptian Pound	5,382	—	419	—	—	—	—	5,801
Israeli New Shekel	64,001	—	1,318	—	—	—	362	65,681
Kuwaiti Dinar	30,957	—	772	—	—	—	—	31,729
Qatari Rial	33,975	—	519	—	—	—	—	34,494
Saudi Riyal	15,462	—	10	—	—	—	—	15,472
Turkish Lira	17,889	—	340	—	—	—	—	18,229
UAE Dirham	52,346	—	1,517	—	—	—	—	53,863
Total Investment Securities Subject to Foreign Currency Risk	**$11,687,571**	**$50,951**	**$93,682**	**$339,611**	**$761,905**	**$1,359,606**	**$97,543**	**$14,390,869**

Non-U.S. Investment Securities at Fair Value — OPEB Trust

As of June 30, 2026

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Assets	Total
AMERICAS					
Canadian Dollar	$81,044	$—	$2,520	$—	$83,564
ASIA					
Australian Dollar	42,452	—	110	—	42,562
Hong Kong Dollar	9,499	—	172	—	9,671
Japanese Yen	156,859	—	922	—	157,781
New Zealand Dollar	1,192	—	21	—	1,213
Singapore Dollar	9,721	—	29	—	9,750
EUROPE					
British Pound Sterling	82,458	—	454	—	82,912
Danish Krone	10,805	—	33	—	10,838
Euro	200,289	27	1,295	27,457	229,068
Norwegian Krone	5,406	—	48	—	5,454
Swedish Krona	20,555	—	62	—	20,617
Swiss Franc	54,216	—	212	—	54,428
MIDDLE EAST					
Israeli New Shekel	7,936	—	54	—	7,990
Total Investment Securities Subject to Foreign Currency Risk	**$682,432**	**$27**	**$5,932**	**$27,457**	**$715,848**

NOTE 8 — Securities Lending Program

The Board of Investments authorizes LACERA to participate in a securities lending program to generate incremental income consistent with LACERA's Investment Policy Statement. Under the program, LACERA lends its fixed income and equity securities to qualified market participants such as brokers and dealers (borrowers). In return for lending securities, LACERA receives collateral, either in the form of cash or other securities. When cash collateral is received, LACERA pays the borrower interest on the cash and invests it 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 securities. At the end of the loan, the borrower returns the securities and LACERA returns the collateral. In addition, either party to the transaction can terminate a loan on demand,

State Street Bank and Trust Company (SSB) serves as LACERA's custodian bank and administers the securities lending program for domestic and international equity and fixed income securities. The amount of collateral LACERA receives is based on the market value and type of securities loaned. The minimum collateral required is 105 percent of the market value of non-U.S. securities and 102 percent of the market value of U.S. securities. Non-cash securities received as collateral cannot be pledged or sold unless the borrower defaults.

State Street Investment Management (SSIM) invests the cash collateral received from the lending program. The collateral is invested in short-term highly liquid instruments. 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, LACERA returns a portion of the collateral. Earnings generated in excess of the interest paid to borrowers represent net investment income to LACERA.

Under the terms of the lending agreement, the lending agent provides indemnification against borrower default. In the event a borrower does not return securities on loan, the terms of the lending agreement entitle LACERA to terminate the loan and use the collateral to purchase a like amount of "replacement securities." 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.

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 borrower defaults and no recoveries of prior-period losses for the fiscal year ended June 30, 2026.

As of June 30, 2026, the fair value of securities on loan was $7.4 billion, with a value of cash collateral received of $2.2 billion and non-cash collateral of $5.6 billion. LACERA's investment income from securities lending was $22.1 million, net of expenses.

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

Securities Lending
As of June 30, 2026
(Dollars in Thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received	Calculated Mark[1]	Collateral Percent[2]
U.S. Equity	$2,180,835	$1,090,074	$1,168,694	$11,042	104.1%
U.S. Fixed Income	4,688,887	861,899	4,125,694	(23,011)	105.9%
Non-U.S. Equity	558,334	252,084	344,765	(1,031)	106.7%
Total	**$7,428,056**	**$2,204,057**	**$5,639,153**	**($13,000)**	

[1]Calculated mark is shown as of June 30, 2026, but calculated 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 9 — Derivative Financial Instruments

In accordance with LACERA's Investment Policy Statement, LACERA may utilize derivative instruments to manage risk and enhance portfolio efficiency. Derivatives are financial instruments that derive their value from an underlying asset or a direct obligation of an issuer and may be exchange-traded or traded over the counter (OTC). LACERA's portfolio management strategies incorporate derivative financial instruments for cash overlays and currency hedging. Cash overlays are used to maintain alignment with Board-approved investment guidelines and asset allocation policy targets. Currency hedging is used to minimize return volatility associated with non-U.S. dollar-denominated investments. LACERA expects that any use of derivatives by external managers must adhere to LACERA's investment policies, guidelines, and risk controls, including adherence to counterparty credit standards, collateral requirements, and exposure limits. Investment information was provided by LACERA's investment managers and custodian bank, State Street Bank and Trust Company.

Futures

Futures are financial agreements to buy or sell an underlying asset at a specified future date and predetermined price. Futures are standardized instruments traded on regulated exchanges, and are subject to daily marked-to-market valuation. The futures exchange reduces counterparty credit risk by acting as a central counterparty to all transactions. It does this by collecting a daily margin payment from one trade participant and crediting it to the other, based on fluctuations in the contract's value.

Currency Forwards

Similar to futures, forwards contracts represent an agreement to buy or sell an underlying asset at a specified future date and price. However, forwards are customized, non-standardized agreements negotiated privately between parties. Payment for the transaction is generally delayed until contract maturity or expiration date. Forwards contracts are not traded on a centralized exchange; therefore, they are considered over-the-counter instruments and have higher counterparty risk than futures. Currency forwards contracts are used to manage foreign exchange exposure, implement LACERA's passive currency hedge, and facilitate the settlement of international security transactions.

Currency Forwards Analysis — Pension Plan

As of June 30, 2026
(Dollars in Thousands)

Currency Name	Options	Currency Forwards Contracts		Swaps	Total Exposure
		Net Receivables	Net Payables		
Australian Dollar	$—	$93	$7,458	$—	$7,551
Canadian Dollar	—	(976)	18,278	—	17,302
Swiss Franc	—	(500)	10,309	—	9,809
Danish Krone	—	(172)	1,713	—	1,541
Euro	210	902	21,836	—	22,948
Pound Sterling	—	1,195	4,811	—	6,006
Hong Kong Dollar	—	(5)	153	—	148
Israeli New Shekel	—	111	251	—	362
Japanese Yen	—	(4,289)	28,933	—	24,644
South Korean Won	25	—	—	—	25
Malaysian Ringgit	175	—	—	—	175
Norwegian Krone	—	(318)	1,686	—	1,368
New Zealand Dollar	—	(9)	244	—	235
Swedish Krona	—	(266)	5,306	—	5,040
Singapore Dollar	—	—	799	—	799
Total	**$410**	**($4,234)**	**$101,777**	**$—**	**$97,953**

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.

Currency Forwards Analysis — OPEB Trust

As of June 30, 2026
(Dollars in Thousands)

Currency Name	Options	Currency Forwards Contracts		Swaps	Total Exposure
		Net Receivables	Net Payables		
Euro	$10	$—	$—	$—	$10
Total	**$10**	**$—**	**$—**	**$—**	**$10**

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.

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, 2026 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 — Pension Plan
As of June 30, 2026
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$89,877	$—	$—	2
Commodity Futures Short	(11,852)	—	—	(17,470)
Fixed Income Futures Long	(656)	—	—	139,300
Fixed Income Futures Short	10,178	—	—	(566,700)
Foreign Currency Futures Long	(1,575)	—	—	64,500
Foreign Currency Futures Short	711	—	—	—
FX Forwards[1]	232,403	97,543	7,120,353	—
Index Futures Long	302,445	—	—	547
Index Futures Short	(161,492)	—	—	(207)
Rights	(25)	235	107	—
Warrants	56	2,958	824	—
Total	**$460,070**	**$100,736**	**$7,121,284**	**(380,028)**

[1]Investment derivative instruments are reported at fair value. The accompanying schedule summarizes the investment derivative instruments outstanding as of June 30, 2026. Foreign Exchange (FX) forwards and futures are recorded in investment receivables or investment payables, as applicable, in the Statement of Fiduciary Net Position. Rights and warrants are reported within investments at fair value. Changes in fair value are included in investment income in the Statements of Changes in Fiduciary Net Position.

Investment Derivatives — OPEB Trust
As of June 30, 2026
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value	Fair Value	Notional Value (Dollars)	Notional Shares (Units)
FX Forwards[1]	($12)	$—	$—	—
Index Futures Long	1,490	—	—	9
Rights	3	10	5	—
Warrants	6	—	—	—
Total	**$1,487**	**$10**	**$5**	**9**

[1]Investment derivative instruments are reported at fair value. The accompanying schedule summarizes the investment derivative instruments outstanding as of June 30, 2026. Foreign Exchange (FX) forwards and futures are recorded in investment receivables or investment payables, as applicable, in the Statement of Fiduciary Net Position. Rights and warrants are reported within investments at fair value. Changes in fair value are included in investment income in the Statements of Changes in Fiduciary Net Position.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pension Plan is exposed to interest rate risk through fixed-income futures contracts based on U.S. Treasury notes and bonds. As of June 30, 2026, the Pension Plan held fixed-income

futures with a September 2026 contract month. The fair values of these contracts were highly sensitive to changes in interest rates. The contracts had an aggregate fair value of zero as of June 30, 2026, because gains and losses are settled daily through variation margin.

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded over-the-counter and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forwards 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 presents 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 — Pension Plan

As of June 30, 2026

(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	$144	A+	AA	Aa2
Barclays Bank PLC Wholesale	805	A+	AA-	A1
Citibank N.A.	50	A+	AA-	Aa3
Deutsche Bank AG	19,696	A	A+	A1
Goldman Sachs International	24,195	A+	AA-	A1
Natwest Markets Plc	13,870	A	AA	A1
State Street Bank And Trust Company	272	AA-	AA+	Aa2
The Bank of New York Mellon	13,679	A	AA-	Aa3
UBS AG	20,831	A+	AA	Aa2
Westpac Banking Corporation	13,817	AA-	AA-	Aa2
Total	**$107,359**			

NOTE 10 — Special Purpose Entities

Real Estate Investments

LACERA maintains several different types of special purpose entities (SPE) within its investment portfolio. Each SPE is a separate legal structure created to hold one or more real estate assets. Only two SPEs held more than one real estate asset as of June 30, 2026.

The SPEs are structured as either title holding companies (THC) or limited liability companies (LLC). The LACERA real estate portfolio held 21 THCs and 28 LLCs as of June 30, 2026. Of the 49 SPEs, 9 were joint ventures between LACERA and one or more third parties.

The total fair value of assets invested in THCs and LLCs as of June 30, 2026 was $346.0 million. The Investment Policy Statement adopted by the Board of Investments allows investment managers to leverage the properties with debt included in property liabilities. The investment managers responsible for managing real estate investments held in SPEs can be found in the Investment Section, List of Investment Managers under Real Assets and Inflation Hedges — Core Real Estate.

Real Estate assets are also disclosed in Note 15 — Fair Value of Investments.

As presented in the Investment Section, Real Estate assets are included in the following functional category portfolios: Growth and Real Assets and Inflation Hedges. For additional information regarding LACERA's investment portfolio and functional categories, see the Investment Section.

NOTE 11 — Related Party Transactions

Office Space Lease

In 1990, LACERA, as the sole shareholder, formed a title holding company to acquire Gateway Plaza, a 273,546 square foot 13-story Class A office building located in Pasadena, California, which serves as the LACERA administrative headquarters. Shortly thereafter in 1991, LACERA, the lessee, entered into its original lease agreement with the title holding company LACERA Gateway Property, Inc. (THC), as lessor, to occupy approximately 85,000 square feet of office and storage 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 Investments meetings.

Under the terms of the original lease and the subsequent 16 amendments, which expired on December 31, 2020, LACERA did not pay rent to the THC for the office space it occupied. Instead LACERA was credited with the full amount of base rent due each month. In addition, LACERA was required to pay its proportionate share of the building's operating costs and property taxes as defined in the lease agreement. Beginning with the 17th Amendment to the office lease, LACERA was required to pay monthly rent in addition to its proportionate share of the building's operating costs and property taxes over its base year.

In December 2025, LACERA entered into the 18th Amendment to Office Lease with the THC to lease 138,493 square feet of office space. LACERA currently occupies 125,559 square feet; the remaining 12,934 square feet is undergoing renovation, which is projected to be completed by November 2026. The latest amendment extended the term of the lease for an additional 60-month period, commencing on January 1, 2026 and ending on December 31, 2030. Under this lease agreement, LACERA is required to pay monthly rent during the new term, with an initial three-month rent abatement period allowed from January 1, 2026 to March 31, 2026. The rent amounts are based on the current market rate for comparable space. In addition to rent, as defined in the lease agreement, LACERA is required to pay its proportionate share of the increase in the building's operating costs and property taxes over its base year.

The total rent expense paid by LACERA was approximately $5.3 million for the fiscal year ended June 30, 2026.

NOTE 12 — 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. CERL sets the annual budget for administrative expenses to a maximum of 21 basis points or 0.21 percent of the Pension Plan's actuarial accrued liability.

Administrative expenses include personnel costs, professional services, technology systems, and other operating expenditures necessary to administer the Plan. Expenses for computer software, hardware, and related technology consulting services are included in administrative costs, although CERL does not require their inclusion. The cost of internal legal representation secured by the Board of Retirement and Board of Investments from LACERA's Legal Office, excluding representation related to investment activities, is subject to a separate statutory limit of 0.01 percent of plan assets. LACERA's legal expenditures remained within this limit for the fiscal year.

Under applicable sections of the CERL, both LACERA boards approved the operating budget for the fiscal year ended June 30, 2026, based on the 0.21 percent CERL limit. The approved budgeted expenditures were well below the statutory limit, and actual administrative expenditures were less than the approved budget.

Beginning with the operating budget for the fiscal year ended June 30, 2021, LACERA implemented a staggered budget development process that includes: 1) Board approval of the operating budget prior to the start of the fiscal year, 2) A mid-year budget review, and 3) Board approval of any recommended mid-year budget amendments. This staggered approach allows executive leadership to realign resources with the strategic priorities and address new or urgent initiatives during the fiscal year.

LACERA also reimburses Los Angeles County departments for services provided to LACERA, primarily related to administering employee payroll and benefits, recruitment exams, fingerprinting, background checks, and cloud-based customer service software. For the fiscal year ended June 30, 2026, LACERA paid Los Angeles County $694,428. County Department Services increased by $75,562 during the fiscal year. The increase was primarily driven by higher security costs as a result of enhanced protective measures implemented at LACERA facilities and higher electronic data processing (EDP) charges from the County's Internal Services Department due to more technological support and higher information systems costs.

The following budget-to-actual analysis of administrative expenses schedule is based upon the mid-year budget review for the fiscal year ended June 30, 2026*, as approved by the LACERA governing boards, in comparison to actual administrative expenses.*

Budget-to-Actual Analysis of Administrative Expenses
As of June 30, 2026
(Dollars in Thousands)

Basis for Budget Calculation, Actuarial Accrued Liability[1]	$94,803,237
Limit per CERL	0.21%
Statutory Budget Appropriation Maximum	199,087
Operating Budget Request	146,265
Actual Administrative Expenses	(128,566)
Unexpended Operating Budget	17,699
Actual Administrative Expenses	128,566
Basis for Budget Calculation, Actuarial Accrued Liability[1]	$94,803,237
Actual Administrative Expenses as a Percentage of the Basis for Budget Calculation	0.14%
Limit per CERL	0.21%

[1]The 2026 budget calculation was based on the most recent Pension Plan actuarial report available at the time the budget was prepared, which was the Actuarial Accrued Liability as of June 30, 2024.

NOTE 13 — Commitments and Contingencies

Contribution Settlements

In the normal course of business, administrative errors can occur, resulting in corrections to prior employer and member contribution remissions.

Litigation

LACERA is involved in various lawsuits, claims, and legal proceedings arising in the ordinary course of operations. In the opinion of management and legal counsel, the ultimate resolution of these matters will not have a material effect on LACERA's financial position, results of operations, or administration of member benefits.

LACERA also maintains a Securities Litigation Policy under the direction of the Board of Investments to monitor, evaluate, and, when appropriate, pursue domestic and foreign securities claims in the best interests of the Fund. Recoveries from settled or adjudicated claims are recognized in accordance with applicable accounting standards.

In October 2021, LACERA filed a lawsuit against the County of Los Angeles and the Los Angeles County Board of Supervisors regarding LACERA's authority to establish classifications and salaries for its personnel. In December 2022, the Superior Court denied LACERA's petition. LACERA appealed, and in June 2024, the Second District Court of Appeal ruled in LACERA's favor.

The County filed a petition for review in the California Supreme Court, which was granted. On August 4, 2026, the Supreme Court issued its 4-3 decision finding that, within the limits described in the decision, the Board of Supervisors has authority to approve LACERA’s classification and salary decisions, after giving due weight to the LACERA Board’s determination of LACERA’s needs and collaborating with LACERA.

The decision 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 decision does not have a material monetary impact to the County or LACERA.

Commitments

LACERA private equity, real estate, infrastructure, natural resources, and hedge fund investment managers identify and acquire fund investments on a discretionary basis. Investment policies and guidelines 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, 2026, commitments approved by LACERA’s Board of Investments that are outstanding to the various investment managers but not yet funded totaled $15.2 billion. The Pension Plan accounted for $14.8 billion of these commitments, while the OPEB Trust accounted for $398.4 million. A detailed breakdown of commitments for each asset class is provided in Note 15.

NOTE 14 — Other Post-Employment Benefits (OPEB) Program

Program Description

The Los Angeles County Employees Retirement Association (LACERA) administers the Other Post-Employment Benefits (OPEB) Program for eligible retired employees of the County, Superior Court, LACERA, and outside districts, as well as eligible dependents and survivors. The OPEB Program is administered in accordance with applicable County ordinances and administrative agreements as an agent multiple-employer OPEB Program.

The OPEB Program is funded in part through an irrevocable trust arrangement established to accumulate resources for the payment of post-employment healthcare benefits. Assets of the OPEB Trust are held in a fiduciary capacity and are restricted for OPEB purposes in accordance with the trust agreements. Because the trust meets the requirements of GASB Statement No. 74, trust assets are considered in the measurement of participating employers' OPEB obligations and related financial statement disclosures. OPEB Custodial Fund assets are used to satisfy pay-as-you-go benefits. OPEB Program operating activities for outside district employers are reported within the OPEB Custodial Fund, while this information is reported in the OPEB Trust for the County, Superior Court, and LACERA.

The County is responsible for establishing and amending OPEB Program benefit provisions, which include Tier 1 benefits for employees hired before July 1, 2014, and Tier 2 benefits for employees hired on or after July 1, 2014. Under Tier 1, the subsidy may apply to the retiree and eligible dependents. Under Tier 2, the subsidy applies to the retiree or qualifying survivor only. OPEB benefits are not subject to automatic post-employment benefit increases or cost-of-living adjustments beyond annual increases in health care premium rates. Any changes to OPEB benefits are approved by plan sponsors through formal governance processes and are not granted automatically.

OPEB Program employers make monthly contributions for pay-as-you-go costs as established by administrative agreements, and determine their own prefunding plan. Unlike the Pension Plan, the County Employees Retirement Law does not require prefunding contributions for OPEB plans.

Participants

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. Eligibility for pension benefits is a prerequisite for retiree healthcare and death benefits. Healthcare benefits are also available to eligible survivors of deceased retired members and eligible survivors of deceased active employees who were entitled to retire at the time of death. Under Tier 1, eligible retirees and their qualified dependents receive Program benefits. Under Tier 2, retirees receive a subsidy toward medical and dental/vision coverage; eligible dependents may enroll in available healthcare coverage but do not receive a subsidy.

Additional information regarding eligibility, benefits, and coverage provisions is presented in the Summary of Major OPEB Program Provisions, which is available from LACERA.

OPEB Program Participants — Medical and Dental/Vision Benefits
As of June 30, 2026

	Medical	Dental/Vision
Retired Participants		
Retired Members and Survivors	59,074	61,534
Spouses and Dependents	30,065	35,195
Subtotal	89,139	96,729
Active Members — Vested	74,185	74,185
Inactive Members — Vested	9,636	9,636
Total Participants Eligible for Benefits	**172,960**	**180,550**

OPEB Program Participants — Death/Burial Benefits
As of June 30, 2026

Retired with Eligibility for Death/Burial Benefits[1]	68,500
Active Members — Vested	74,185
Inactive Members — Vested	9,636
Total Participants Eligible for Benefits	**152,321**

[1]Survivors, spouses, and dependents are not eligible for death benefits.

Benefit Provisions
Both Tier 1 and Tier 2 participants may select from available medical and dental/vision plans, including plans designed to coordinate with Medicare benefits. Coverage is available regardless of preexisting medical conditions. Under Tier 2, retirees, survivors, and eligible dependents who qualify for Medicare must enroll in Medicare Parts A and B and a LACERA-administered Medicare HMO plan or a Medicare Supplement plan. However, under Tier 2, the healthcare benefits subsidy and the Medicare Part B premium reimbursement (annually reviewed and approved by the Board of Supervisors) only apply to the retiree or qualifying survivor, not eligible dependents.

Medical and Dental/Vision
Benefits are provided through third-party insurance carriers. Participants' costs for medical and dental/vision coverage vary based on the years of retirement service credit with LACERA, the plan selected, and the number of eligible dependents. The County subsidy starts at 40 percent of the lesser of the benchmark plan rate or the actual premium of the retiree's selected plan, provided the retiree has at least 10 years of eligible service credit. For each year of eligible retirement service credit earned beyond 10 years, the County contributes an additional 4 percent, up to a maximum of 100 percent for a member with 25 years of service credit.

- Tier 1: Subsidy applies to retiree and eligible dependents (per coverage selected by retiree)
- Tier 2: Subsidy applies to retiree/qualifying survivor only (per retiree/survivor-only coverage)

The County contribution can never exceed the premium of the benchmark plans. Retirees are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

Benchmark Plans:

- Medical Tier 1: Anthem Blue Cross Plans I and II (chosen tier)

- Medical Tier 2: Anthem Blue Cross Plan III (retiree-only tier) if Medicare-eligible; Anthem Blue Cross Plans I and II (retiree-only tier) if not Medicare-eligible
- Dental/Vision: Cigna Indemnity (chosen tier for Tier 1 participants, retiree-only tier for Tier 2 participants)

Medicare Part B
The County reimburses eligible retirees and dependents for the standard Medicare Part B premium rate paid by the member to Social Security, subject to annual approval by the County Board of Supervisors. Eligible retirees and dependents must be enrolled in Medicare Parts A and B, enrolled in a LACERA-administered Medicare HMO Plan or Medicare Supplement Plan, and satisfy all applicable eligibility requirements. Under the Tier 2, the County reimburses for Medicare Part B (at the standard rate) for eligible members or survivors only. For a small group of Local 1014 members, the reimbursement rate for Medicare Part B is higher based on their memorandum of understanding with the County.

Disability
If a member with less than 13 years of service is granted a service-connected disability retirement, the County contributes 50 percent of the lesser of the benchmark plan rate or the premium of the retiree's selected plan. Under Tier 2, the benchmark plan rate covers retiree-only premiums. A member with 13 years of service credit receives a 52 percent subsidy, which increases by 4 percent for each additional year of service, up to a maximum of 100 percent for a member with 25 years or more of service credit. Members are responsible for any premium difference each month on premiums exceeding the benchmark amounts (including those with 25 or more years of service).

Death/Burial Benefit
A one-time lump-sum death/burial benefit of $5,000 is payable to the designated beneficiary upon the death of a retired member. The benefit is reimbursed to LACERA by the respective 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.

Eligible dependent child age limit increased to age 26: The plan sponsor, the County of Los Angeles, approved an extension of dependent eligibility up to age 26 under the Retiree Healthcare Benefits 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 coverage to dependents up to age 26 but did not obligate the plan sponsor, the County of Los Angeles, to pay for coverage up to age 26. Effective March 9, 2015, the County modified existing OPEB Program provisions and approved to subsidize dependent coverage up to age 26.

Benefit Payments
LACERA collects premiums from both employers and members, which are then paid directly to insurance carriers. In addition to regular premium payments, other employer subsidies include Medicare Part B reimbursements and death/burial benefits. Death benefits are paid by LACERA to the designated beneficiary upon the death of a retired member and reimbursed to LACERA by the employer.

Healthcare Premium Payments
As of June 30, 2026
(Dollars in Thousands)

Premiums Funded by:	
Employer Subsidies	$812,791
Member Payments	59,219
Total Premium Payments Made to Insurance Carriers	872,010
Other Employer Subsidies:	
Medicare Part B Reimbursements	125,255
Death/Burial Benefit	9,933
Total Other Employer Subsidies	$135,188

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. There were no premium holidays during the fiscal year ended June 30, 2026.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — OPEB PROGRAM
Basis of Presentation
LACERA reports OPEB activity in the basic financial statements under two distinct funds: the OPEB Custodial Fund as per GASB Statement Number 84 (GASB 84) and the OPEB Trust Fund in accordance with GASB Statement Number 74 (GASB 74).

OPEB Custodial Fund
The OPEB Custodial Fund is primarily used to receive pay-as-you-go contributions from members and outside district employers for the payment of healthcare premiums to insurance carriers, member refunds, investment management fees, and administrative expenses. The fund includes various accounts used primarily to facilitate the payment of healthcare benefits and associated operational costs.

The OPEB Custodial Fund does not constitute a separate defined benefit OPEB plan. Rather, the fund accounts for assets held in a fiduciary capacity that are not held in a qualifying trust and, accordingly, are not available to reduce the employers' total OPEB liability. These assets are held on behalf of participating outside district employers for the payment of healthcare premiums and related administrative expenses.

See Note 17 — Accounting Changes and Error Corrections for updates to the presentation of the OPEB Custodial Fund and OPEB Trust.

OPEB Trust
The County, Superior Court, and LACERA have established separate accounts within the LACERA OPEB Trust to prefund their own OPEB Program liabilities. Under an agent plan structure, program liabilities and costs are directly determined by employer (agent) and shared expenses are allocated to each agent. While assets in the OPEB Trust are commingled for investment purposes, they are separately tracked for each participating agent. Seven employer-agents participate in the OPEB Program, of which three participate in the OPEB Trust.

Agent and Agent Grouping
OPEB Program[1]
County, Superior Court, LACERA, SCAQMD, LACOE, LAFCO, and 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 (LLCD)

For additional information pertaining to the OPEB Trust, see Note 16 — Other Post-Employment Benefits (OPEB) Trust.

NOTE 15 — 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 addresses 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 (GAAP). The hierarchy is based on 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 tables below illustrate 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 unadjusted quoted prices in active markets issued by pricing vendors for these securities. Fixed income securities classified as Level 1 in the fair value hierarchy consist of exchange-traded bond mutual funds and similar 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 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 separate account investments are valued at net asset value (NAV), which reflects the estimated fair value determined in good faith by the investment manager. Investments are initially recorded at cost and subsequently adjusted to reflect third-party transactions, operating results, market conditions, and other factors considered relevant by the investment manager. Real estate properties are subject to annual independent appraisals performed by qualified third-party appraisal service providers. Certain investments are held through special purpose entities that meet the definition of an investment under GASB Statement No. 72, Fair Value Measurement and Application, and are reported at fair value in the accompanying financial statements.

Pension Plan Investment Policy Statement
The allocation of assets within the Pension Plan's investment portfolio is approved by the LACERA Board of Investments and governed by the Pension Plan Investment Policy Statement (IPS). Pension Plan assets are managed on a total-return basis with the long-term objective of supporting the Pension Plan's ability to meet current and future benefit obligations. The IPS requires a strategic asset allocation study to be conducted at least every three to five years.

The IPS addresses legal authority, investment philosophy and strategy, the investment process, risk management, roles and responsibilities, asset allocation and benchmarks, and delegated authorities. It also incorporates related policies addressing corporate governance and stewardship, responsible contractors, emerging managers, placement agents, private equity privatization, and procurement of investment-related services.

The Board of Investments and LACERA staff implement strategic asset allocation through external investment managers using active and passive investment strategies. LACERA's Investment Beliefs recognize strategic asset allocation as a primary driver of long-term risk and return outcomes. The Pension Plan's functional asset categories are designed to diversify the portfolio, generate returns, manage risk, and support LACERA's ability to meet future benefit obligations.

The strategic asset allocation establishes target weights and allowable ranges for each functional category and underlying asset class. For financial reporting purposes, investments are presented using traditional investment classifications, such as equity, fixed income, and private equity. For performance reporting purposes, investments are presented within functional asset categories. Additional investment portfolio information is presented elsewhere in the Investment Section.

OPEB Trust Investment Policy Statement
The LACERA Board of Investments approves the allocation of investment assets within the OPEB Trust. Under the OPEB Trust Investment Policy Statement, assets are managed on a total-return basis through a long-term investment program designed to support the payment of post-employment healthcare benefits.

The OPEB Trust's strategic asset allocation reflects its funding status, liquidity needs, and long-term risk and return objectives. One of its core investment beliefs is that strategic asset allocation is the primary driver of long-term risk and return outcomes. Traditional asset classifications are used for financial statement reporting. Investment performance and asset allocation are evaluated using a

functional asset category structure that includes both public and private market investments. The CIO report similarly notes that the OPEB Trust's allocation differs from the Pension Plan based on its liquidity needs and funding status.

Money-Weighted Rate of Return

For the fiscal year ended June 30, 2026, the annual money-weighted rate of return on Pension Plan investments, net of investment expenses, was 12.1 percent. The money-weighted rate of return measures investment performance by determining the rate that equates the present value of investment cash flows with the initial investment value. This measurement is equivalent to the internal rate of return. Historical money-weighted returns are presented in the Schedule of Investment Returns — Pension Plan in the Required Supplementary Information Section.

LACERA has the following recurring fair value measurements as of June 30, 2026.

Investments and Derivative Instruments Measured at Fair Value — Pension Plan
As of June 30, 2026
(Dollars in Thousands)

Investments at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by Fair Value Level				
Short-Term Investments	$461,435	$461,435	$—	$—
Fixed Income Securities				
Asset-Backed Securities	234,930	—	234,930	—
Corporate and Other Credit	1,408,622	—	1,351,688	56,934
Municipal / Revenue Bonds	16,247	—	16,247	—
Non-U.S. Fixed Income	213,335	—	188,492	24,843
Private Placement Fixed Income	798,640	—	788,497	10,143
U.S. Government Agency	991,374	—	991,374	—
U.S. Treasury	5,229,581	—	5,229,581	—
Pooled Investments	3,149	3,149	—	—
U.S. Fixed Income Derivatives	44	—	44	—
Subtotal Fixed Income Securities	8,895,922	3,149	8,800,853	91,920
Equity Securities				
Non-U.S. Equity	12,595,820	12,589,029	—	6,791
Pooled Investments	579,798	579,798	—	—
U.S. Equity	19,444,323	19,403,112	3,775	37,436
U.S. Equity Derivatives	2,739	—	—	2,739
Foreign Equity Derivatives	410	410	—	—
Subtotal Equity Securities	32,623,090	32,572,349	3,775	46,966
Subtotal Investments by Fair Value Level	41,980,447	33,036,933	8,804,628	138,886
Investments Measured at Net Asset Value (NAV)				
Fixed Income	18,728,103			
Hedge Funds	7,802,323			
Private Equity	14,569,541			
Real Estate	4,682,087			
Real Assets	4,526,334			
Subtotal Investments Measured at NAV	50,308,388			
Total Investments, at Fair Value	**$92,288,835**			
Foreign Exchange Contracts [1]	97,543	—	97,543	—

[1]Foreign exchange (FX) contracts are recorded in investment receivables or investment payables, as applicable, and are not included in total investments at fair value.

Investments Measured at Net Asset Value — Pension Plan

As of June 30, 2026

(Dollars in Thousands)

	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds[1]	$18,728,103	$3,501,948	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds[2]	7,802,323	—	Monthly, Quarterly, Semi-Annual, Annual; Self-Liquidating	5-180 days
Private Equity[3]	14,569,541	7,380,487	Not Eligible	N/A
Real Estate[3]	4,682,087	1,555,071	Quarterly or Not Eligible	30 days+ or N/A
Real Assets[3]	4,526,334	2,384,002	Not Eligible	N/A
Total Investments Measured at NAV	**$50,308,388**	**$14,821,508**		

[1]**Fixed Income Funds:** Thirty-six 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 79 percent of assets are available for redemption within 12 months; these funds provide daily, monthly, or quarterly liquidity. Approximately 21 percent of the fund assets have liquidity beyond 12 months.

[2]**Hedge Funds:** This portfolio consists of 22 current funds and one fund of funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms of the current funds, 76 percent of the fund assets are available for redemption within 12 months; these funds provide monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices and audit holdbacks that extend the time frame to receive redemptions beyond the next 12 months. Approximately 24 percent of fund assets are in funds that offer periodic liquidity that extends beyond the next 12 months.

LACERA's Hedge Funds portfolio invests in the following strategies:

(a) Macro and Tactical Trading: This strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, intercountry 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.

[3]**Private Equity, Real Assets, and Real Estate Funds:** LACERA's Private Equity portfolio consists of 303 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 eligible for redemption. The Real Assets portfolio consists of 41 funds, investing primarily in infrastructure and natural resources. Four of the funds are eligible for redemption after an initial lockup period, and the other 37 of the funds are not eligible for redemption as the lockup period is typically from 10 to 15 years. The Real Estate portfolio, composed of 37 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. Ten out of 37 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 five to 10 years. For Real Estate investments held in separate accounts and debt program investments, see Note 10 — Special Purpose Entities.

Investments Measured at Fair Value — OPEB Trust

As of June 30, 2026

(Dollars in Thousands)

Investments at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investment by Fair Value Level				
Short-Term Investments	$137,788	$137,788	$—	$—
Fixed Income Securities				
Asset-Backed Securities	14,123	—	14,123	—
Corporate and Other Credit	689,228	—	686,148	3,080
Municipal/Revenue Bonds	4,427	—	4,427	—
Non-U.S. Fixed Income	130,845	—	130,845	—
Private Placement Fixed Income	356,910	—	356,910	—
U.S. Government Agencies	296,947	—	296,947	—
U.S. Treasuries	1,407,390	—	1,407,390	—
Pooled Investments	49,918	49,918	—	—
Subtotal Fixed Income Securities	2,949,788	49,918	2,896,790	3,080
Equity Securities				
Non-U.S. Equity	727,767	727,381	9	377
Pooled Investments	356,917	356,917	—	—
U.S. Equity	2,011,114	2,010,557	1	556
Foreign Equity Derivatives	10	10	—	—
Subtotal Equity Securities	3,095,808	3,094,865	10	933
Subtotal Investments by Fair Value Level	6,183,384	3,282,571	2,896,800	4,013
Investments Measured at Net Asset Value (NAV)				
Fixed Income	89,962			
Private Equity	88,495			
Real Estate	180,585			
Real Assets	58,208			
Subtotal Investments Measured at NAV	417,250			
Total Investments, at Fair Value	**$6,600,634**			

Investments Measured at Net Asset Value — OPEB Trust

As of June 30, 2026

(Dollars in Thousands)

	NAV	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fixed Income Funds[1]	$89,962	$78,564	Not Eligible	N/A
Private Equity[2]	88,495	203,161	Not Eligible	N/A
Real Estate[3]	180,585	26,537	Daily, Quarterly	N/A
Real Assets[4]	58,208	90,112	Not Eligible	N/A
Total Investments Measured at NAV	**$417,250**	**$398,374**		

[1]**Fixed Income Funds:** Eight Fixed Income funds are not eligible for redemption due to contractual limitations.

[2]**Private Equity:** Thirteen Private Equity funds are valued at NAV. Due to contractual limitations, none of the funds are eligible for redemption.

[3]**Real Estate:** The Real Estate Portfolio is composed of three funds. Due to contractual limitations, one fund is not eligible for redemption.

[4]**Real Assets:** The Real Assets portfolio consists of 10 funds. Due to contractual limitations, none of the funds are eligible for redemption.

Investments Measured at Fair Value — OPEB Custodial Fund

As of June 30, 2026

(Dollars in Thousands)

Investments at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Short-Term Investments	$9	$9	$—	$—
Fixed Income Securities				
U.S. Treasuries	133	—	133	—
Subtotal Fixed Income Securities	133	—	133	—
Total Investments, at Fair Value	**$142**	**$9**	**$133**	**$—**

NOTE 16 — 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 over time, and may transition to a prefunding model that 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 monthly 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 Benefits 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 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 tax-exempt 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 Benefits 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, approving the use of a tax-exempt unitized fund structure for the County and Court OPEB Trusts. As trustee, 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.

The OPEB Master Trust is administered via a unitized fund structure, which enables participants to pool assets and resources while maintaining individual sub-participant reporting. This approach offers administrative efficiencies and potential cost savings.

Funding Policy
In June 2018, 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. LACERA's annual budget includes provisions for its share of OPEB Trust contributions.

The Superior Court continues to pay its OPEB liability on a pay-as-you-go basis and makes prefunding contributions on a discretionary basis without a formal OPEB funding policy. When budgeted surplus funds are available at fiscal year-end, the Court may earmark such excess funds as OPEB Trust contributions.

LACERA OPEB Liability Funding
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 separately prefund its employer portion of the liability.

In June of 2022, LACERA's Board of Retirement and Board of Investments approved revisions to the administrative budget policy to authorize additional prefunding contributions to the OPEB Trust at the discretion of LACERA's Chief Executive Officer. The policy states that based upon a projected budget surplus, an extra OPEB contribution may be up to, but not exceed, the OPEB contribution amount originally budgeted for that year; as such, an administrative budget surplus can be used to increase LACERA's total OPEB prefunding contribution for the year.

LACERA Boards approved further revisions to the Administrative Budget Policy in June 2026, eliminating the provision that allowed budget surplus funds to be contributed to the OPEB Trust. The revised policy became effective upon Board approval and states that future budget surpluses will no longer be designated for additional OPEB prefunding. This change did not affect LACERA's prefunding for its pro-rata share of retiree healthcare benefits.

Target Allocation
The Board's revised asset allocation policy, adopted in December 2017, divided the Trust into four broad functional categories and contains 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 management practices.

In 2024, the Board adopted a new strategic asset allocation for the OPEB Master Trust. The primary difference between the newly adopted strategic asset allocation and the former 2021 version was the reduction of the Real Assets and Inflation Hedges functional category, changed to strengthen the weight of the Risk Reduction and Mitigation functional category through an increase of investment

grade bonds. Additionally, Overlays and Hedges was added as a fifth functional asset category with no target allocation.

Schedule of Target Allocation
For the Fiscal Year Ended June 30, 2026

Asset Class	2026 Target Allocation	
Growth	**45.0%**	
Global Equity		40.0%
Private Equity		5.0%
Credit	**16.0%**	
Real Assets & Inflation Hedges	**13.0%**	
Real Estate		5.0%
Natural Resources		2.0%
Infrastructure		2.0%
Treasury Inflation-Protected Securities		4.0%
Risk Reduction & Mitigation	**26.0%**	
Investment Grade Bonds		19.0%
Long-Term Government Bonds		5.0%
Cash and Cash Equivalents		2.0%
Overlays and Hedges	**0.0%**	

Investment Concentrations
On June 30, 2026, the OPEB Master Trust held approximately 45.2 percent in Growth, 15.8 percent in Credit, 25.9 percent in Risk Reduction and Mitigation, and 13.1 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.

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 payment. 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 disbursing funds in accordance with the terms of the trust agreements. Retiree healthcare program participants are required to pay the difference between the employer-paid subsidy and the actual premium cost.

For the fiscal year ended June 30, 2026, LACERA made $3.0 million in prefunding contributions for its portion of OPEB obligations. Total prefunding contributions to the OPEB Trust from the County, Superior Court, and LACERA were $660.7 million.

Contributions

For the Fiscal Year Ended June 30, 2026

(Dollars in Thousands)

	Prefunding Contributions	Pay-As-You-Go Activity	Total Contributions
Los Angeles County	$646,722	$970,692	$1,617,414
LACERA	3,017	3,435	6,452
Superior Court	11,000	44,103	55,103
Total[1]	**$660,739**	**$1,018,230**	**$1,678,969**

[1]Prefunding contributions represent amounts deposited into the OPEB Trust by participating employers. Pay-as-you-go activity includes employer and member amounts recognized for financial statement presentation purposes in accordance with GASB reporting requirements, and these amounts do not represent additional prefunding deposited into the Trust. Total contributions presented above agree to the employer and member contributions reported for the OPEB Trust in the Statement of Changes in Fiduciary Net Position.

NOTE 17 — Accounting Changes and Error Corrections

During fiscal year 2026, LACERA identified an error in the presentation of certain Other Post-Employment Benefits (OPEB) fiduciary activity. Since the implementation of GASB Statement No. 84, certain employer contribution and benefit payment activity related to OPEB Trust employers had been reported in the OPEB Custodial Fund and reclassified to the OPEB Trust Fund. Upon further review, LACERA determined that this activity should be reported directly in the OPEB Trust Fund, and the OPEB Custodial Fund should report only the activity of the remaining outside districts.

The correction is reported as an error correction in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Accordingly, prior periods presented have been restated, as applicable, to correct the classification of OPEB Trust employer activity between the OPEB Trust Fund and the OPEB Custodial Fund. The correction does not change total fiduciary net position for the combined OPEB-related fiduciary activities; however, it reallocates amounts between the OPEB Trust Fund and the OPEB Custodial Fund to reflect the appropriate reporting unit presentation.

Correction on Beginning Fiduciary Net Position
For the Fiscal Year Ended June 30, 2026
(Dollars in Thousands)

Reporting Unit	Beginning Fiduciary Net Position, as Previously Reported	Correction of Error	Beginning Fiduciary Net Position, as Restated
OPEB Trust	$5,036,007	$221,222	$5,257,229
OPEB Custodial Fund	221,422	(221,222)	200
Total	**$5,257,429**	**$0**	**$5,257,429**

The correction affected the presentation of fiduciary net position and changes in fiduciary net position for the OPEB Trust Fund and OPEB Custodial Fund. Prior-year amounts, presented in Management's Discussion and Analysis for comparative purposes, have been reclassified from the prior-year financial statement presentation, as applicable, to conform to the current-year presentation of OPEB Trust employer activity in the OPEB Trust Fund and outside district activity in the OPEB Custodial Fund. The affected financial statement line items include, as applicable, employer contributions, benefit payments, other applicable additions and deductions, net increase or decrease in fiduciary net position, and beginning and ending fiduciary net position. These reclassifications did not change total fiduciary net position for the combined OPEB-related fiduciary activities, but did change the amounts reported by fund and the financial statement line item. The amounts presented in the Management's Discussion and Analysis and other schedules affected by this correction have been presented on a basis consistent with the restated financial statements, or are otherwise identified as reclassified from the prior-year presentation.

NOTE 18 — Subsequent Events

Management evaluated subsequent events through October 15, 2026, the date the financial statements were available to be issued, and determined that there were no subsequent events requiring recognition or disclosure.

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FINANCIAL SECTION
REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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Schedule of Changes in Net Pension Liability and Related Ratios

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2026	2025	2024	2023	2022
Total Pension Liability					
Service Cost	**$1,842,381**	$1,764,476	$1,676,917	$1,635,318	$1,583,222
Interest on Total Pension Liability	**6,884,577**	6,587,399	6,269,137	5,950,906	5,696,846
Effect of Plan Changes	**—**	—	—	—	—
Effect of Assumption Changes or Inputs	**815,478**	—	(222,966)	855,336	—
Effect of Economic/Demographic (Gains) or Losses	**551,868**	637,744	1,039,417	377,821	392,019
Benefit Payments and Refund of Contributions	**(5,050,993)**	(4,776,109)	(4,518,138)	(4,281,363)	(4,044,567)
Net Change in Total Pension Liability	**5,043,311**	4,213,510	4,244,367	4,538,018	3,627,520
Total Pension Liability - Beginning	**96,927,319**	92,713,809	88,469,442	83,931,424	80,303,904
Total Pension Liability - Ending (a)	**101,970,630**	96,927,319	92,713,809	88,469,442	83,931,424
Fiduciary Net Position					
Contributions: Employer	**2,723,236**	2,670,874	2,509,071	2,301,706	2,199,889
Contributions: Metropolitan Transportation Authority	**—**	—	—	—	—
Contributions: Member	**949,373**	919,148	861,042	793,244	758,632
Net Investment Income	**9,792,135**	8,274,292	6,595,188	4,841,151	(1,554,155)
Net Other Income	**5,318**	6,425	5,008	4,551	3,898
Benefit Payments and Refund of Contributions	**(5,050,993)**	(4,776,109)	(4,518,138)	(4,281,363)	(4,044,567)
Administrative Expenses	**(110,782)**	(109,237)	(101,832)	(97,015)	(86,111)
Net Change in Fiduciary Net Position	**8,308,287**	6,985,393	5,350,339	3,562,274	(2,722,414)
Fiduciary Net Position - Beginning	**86,187,618**	79,202,225	73,851,886	70,289,612	73,012,026
Fiduciary Net Position - Ending (b)	**94,495,905**	86,187,618	79,202,225	73,851,886	70,289,612
Net Pension Liability - Ending (a) - (b)	**7,474,725**	10,739,701	13,511,584	14,617,556	13,641,812
Fiduciary Net Position as a Percentage of Total Pension Liability	**92.67%**	88.92%	85.43%	83.48%	83.75%
Covered Payroll	**$10,682,719**	$10,380,999	$9,860,647	$9,425,690	$9,100,791
Net Pension Liability as a Percentage of Covered Payroll	**69.97%**	103.46%	137.03%	155.08%	149.90%

For other actuarial methods and assumptions, see Notes to the Required Supplementary Information.

Schedule of Changes in Net Pension Liability and Related Ratios (continued)

For the Fiscal Years Ended June 30

(Dollars in Thousands)

	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	$1,499,597	$1,301,460	$1,239,396	$1,220,274	$1,106,755
Interest on Total Pension Liability	5,433,409	5,154,164	4,916,804	4,699,493	4,393,712
Effect of Plan Changes	—	—	—	—	—
Effect of Assumption Changes or Inputs	—	2,626,103	—	—	3,079,892
Effect of Economic/Demographic (Gains) or Losses	605,566	794,955	502,989	309,149	(47,506)
Benefit Payments and Refund of Contributions	(3,814,262)	(3,606,340)	(3,407,155)	(3,203,375)	(3,029,633)
Net Change in Total Pension Liability	3,724,310	6,270,342	3,252,034	3,025,541	5,503,220
Total Pension Liability - Beginning	76,579,594	70,309,252	67,057,218	64,031,677	58,528,457
Total Pension Liability - Ending (a)	80,303,904	76,579,594	70,309,252	67,057,218	64,031,677
Fiduciary Net Position					
Contributions: Employer	2,012,877	1,800,137	1,668,151	1,524,823	1,331,357
Contributions: Metropolitan Transportation Authority	—	—	—	—	2
Contributions: Member	760,994	659,296	635,415	591,262	526,579
Net Investment Income	15,615,699	1,432,547	3,163,618	4,705,949	6,129,300
Net Other Income	2,680	1,985	5,626	5,163	6,182
Benefit Payments and Refund of Contributions	(3,814,262)	(3,606,340)	(3,407,155)	(3,203,375)	(3,029,633)
Administrative Expenses	(76,370)	(72,054)	(70,800)	(67,491)	(66,830)
Net Change in Fiduciary Net Position	14,501,618	215,571	1,994,855	3,556,331	4,896,957
Fiduciary Net Position - Beginning	58,510,408	58,294,837	56,299,982	52,743,651	47,846,694
Fiduciary Net Position - Ending (b)	73,012,026	58,510,408	58,294,837	56,299,982	52,743,651
Net Pension Liability - Ending (a) - (b)	7,291,878	18,069,186	12,014,415	10,757,236	11,288,026
Fiduciary Net Position as a Percentage of Total Pension Liability	90.92%	76.40%	82.91%	83.96%	82.37%
Covered Payroll	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032
Net Pension Liability as a Percentage of Covered Payroll	80.47%	207.12%	143.54%	135.18%	147.81%

For other actuarial methods and assumptions, see Notes to the Required Supplementary Information.

Schedule of Employer Contributions History — Pension Plan[1]

Last 10 Fiscal Years

(Dollars in Thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017[1]
Actuarially Determined Contributions	**$2,723,236**	$2,670,874	$2,509,071	$2,301,706	$2,199,889	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,357
Contributions in Relation to Actuarially Determined Contributions	**2,723,236**	2,670,874	2,509,071	2,301,706	2,199,889	2,012,877	1,800,137	1,668,151	1,524,823	1,331,357
Contribution Deficiency/ (Excess)	**—**	—	—	—	—	—	—	—	—	—
Covered Payroll	**$10,682,719**	$10,380,999	$9,860,647	$9,425,690	$9,100,791	$9,062,051	$8,724,151	$8,370,050	$7,957,981	$7,637,032
Contributions as a Percentage of Covered Payroll	**25.49%**	25.73%	25.45%	24.42%	24.17%	22.21%	20.63%	19.93%	19.16%	17.43%

[1]Excludes $21.891 million transfer from the Contribution Credit Reserve toward the Superior Court's fiscal year 2017 employer contributions.

See Notes to Required Supplementary Information for the actuarial funding valuation assumptions used to calculate the actuarially determined contributions.

Schedule of Investment Returns — Pension Plan

For the Fiscal Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense)[1]	**12.1%**	9.7%	9.1%	6.4%	0.6%	25.2%	1.4%	5.5%	9.0%	12.7%

[1]Money-Weighted Rate of Return is 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:

- 2025 Pension Experience Study adopted by the LACERA Board of Investments in January 2026
- June 30, 2025 Pension Valuation adopted by the LACERA Board of Investments in March 2026

Key Methods and Significant Assumptions[1]

Method/Assumption	Description
Actuarial Cost Method	*Entry Age*
Asset Valuation	*Fair Market Value*
Investment Rate of Return	*Annual Rate of 7.00 percent* Future investment earnings are assumed to accrue at an annual rate of 7.00 percent, compounded annually, net of both investment and administrative expenses.
National Price Inflation	*Annual Rate of 2.50 percent*
Local Inflation Rate	*Annual Rate of 2.75 percent*
General Wage Growth	*General wage growth: 3.25 percent*
Basis of Contribution Requirements	*Contribution Rates: Effective Two Years After Valuation* Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Contributions calculated for the June 30, 2024 valuation are applied for the fiscal year July 1, 2025 to June 30, 2026.

[1]Assumptions applied to funding valuation calculations may differ from those applied to GASB 67 disclosures.

Changes in Pension Plan Assumptions

In addition to conducting annual actuarial valuations, LACERA requires its consulting actuary to review the reasonableness of the economic and demographic actuarial assumptions by completing an investigation of experience (experience study) every three years. This review involves comparing actual experience to expectations based on existing actuarial assumptions. Based upon the results, the actuary determines whether changing the assumptions or methodology will better project benefit liabilities and asset growth. At the December 2025 Board of Investments meeting, the Board approved the June 30, 2025 Experience Study, reaffirming some existing assumptions and adopting some new valuation assumptions.

Assumption changes from the June 30, 2019 and June 30, 2022 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.

2025 Assumption Changes

- National Price Inflation of 2.50 percent
- Updated rates of annual merit salary increase

- Updated probabilities of retirement, disability, other employment terminations, and reciprocal employment
- Updated mortality table, reflecting the most recently published Society of Actuaries mortality tables for public pension plans

2022 Assumption Changes

- Modified five-year actuarial asset-smoothing method to include gain and loss offsetting
- Updated rates of assumed merit salary increases and assumed service retirement, reflecting member's length of service in addition to their age
- Updated mortality improvement scale, reflecting 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

2019 Assumption Changes

- Investment return assumption of 7.0 percent
- CPI assumption of 2.75 percent
- General wage growth assumption of 3.25 percent
- Updated mortality tables based on published tables specific to public plans' general and safety members, with adjustments to match LACERA experience
- Updated mortality rates based on the Pub-2010 mortality tables and include projections for expected future mortality improvement using the MP-2014 Ultimate Projection.

Schedule of Investment Returns — OPEB Trust

For the Fiscal Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return (Net of Investment Expense)[1]	**14.5%**	11.0%	11.1%	9.7%	(11.8)%	28.2%	0.5%	6.0%	10.0%	16.0%

[1]Money-Weighted Rate of Return is calculated as the internal rate of return on OPEB Trust investments, net of investment expenses.

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FINANCIAL SECTION
SUPPLEMENTARY INFORMATION

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Administrative Expenses — Pension Plan
For the Fiscal Year Ended June 30, 2026
(Dollars in Thousands)

Administrative Expenses	
Personnel Services	
Salaries and Wages	$56,918
Employee Benefits	36,447
Subtotal	93,365
Consultant & Professional Services	
County Services[1]	694
External Audit Fees	406
Legal Consultants	3,233
Professional Services	1,277
Temporary Personnel Services	6,445
Subtotal	12,055
Operating Expenses & Equipment	
Administrative Support	193
General Expenses	1,358
Computer Software	5,813
Disability Medical Service Fees	3,232
Educational Expenses	1,086
Equipment	994
Facilities Operations	5,661
Insurance	1,235
Printing	1,029
Postage	1,537
Telecommunications	466
Transportation and Travel	542
Subtotal	23,146
Total Administrative Expenses	**$128,566**

[1]Includes charges for payroll administration, benefits processing, recruitment support, background checks, and cloud-based customer service systems.

Schedule of Investment Expenses

For the Fiscal Year Ended June 30, 2026

(Dollars in Thousands)

	Pension Plan	OPEB Trust
Investment Management Fees		
Cash and Short-Term	$383	$68
Commodity	11	—
Global Equity	35,356	429
Fixed Income	10,194	2,073
Hedge Funds	2,081	—
Private Equity	104,058	—
Real Assets	4,383	106
Real Estate	12,126	—
Subtotal Investment Management Fees [1]	168,592	2,676
Other Investment Expenses		
Fund Expenses[2]	27,050	—
Consultants	3,342	94
Custodian	3,627	109
Legal Counsel	1,124	25
Other	2,964	2,879
Subtotal Other Investment Expenses	38,107	3,107
Subtotal Net Investment Activities Expenses	206,699	5,783
Security Lending Expenses		
Rebates	98,592	—
Bank Fees	2,715	—
Subtotal Security Lending Expenses	101,307	—
Total Fees & Other Investment Expenses	**$308,006**	**$5,783**

[1]Investment management fees include separately identifiable investment management fees, performance fees, and carried interest recorded in LACERA's accounting records. Investment expenses paid indirectly, including those associated with private market investments, are reflected in net appreciation or depreciation in the fair value of investments or netted from investment income and are not included in this schedule. Comprehensive private market fee reporting is provided annually to the Board of Investments pursuant to California Government Code Sections 7514.7 and 7928.710(c).

[2]Other investment-related expenses include separately identifiable audit, legal, tax reporting, fund administration, and similar fund-level expenses charged by investment managers or partnerships that are recorded in LACERA's accounting records.

Schedule of Payments to Consultants — Pension Plan
For the Fiscal Year Ended June 30, 2026
(Dollars in Thousands)

Actuarial		
	Actuarial Valuations and Consulting Services	$434
Audit		
	External Audit Services	406
Legal		
	Legislative Consulting	300
	Other Legal Services	2,933
	Subtotal	4,073
Management		
	Management and Human Resources Consulting	78
	Information Technology Consulting	—
	Subtotal	78
Total Payments to Consultants		**$4,151**

Note: For fees paid to investment consultants, refer to Schedule of Investment Expenses in the Financial Section — Supplementary Information.

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INVESTMENT SECTION
(UNAUDITED)

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Chief Investment Officer's Report — As of June 30, 2026

Dear LACERA Members:

I am pleased to share the Investment Section of LACERA's Annual Comprehensive Financial Report for fiscal year 2026. 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 Benefits Master Trust (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.

In fiscal year 2026, capital markets led by global equities continued to produce gains, propelled by resilient corporate earnings, rising demand for artificial intelligence (AI), and investor optimism. After cutting rates in late 2025, the Federal Reserve held policy steady through the first half of 2026 as inflation remained above its 2 percent target. Against this backdrop, the 30-year U.S. Treasury yield climbed toward its highest level since 2007. Tariff and trade-policy uncertainty, geopolitical tensions, and supply-chain realignment reinforced deglobalization and on-shoring.

Across the economy, investments in AI accelerated in areas such as data centers, semiconductors, and power infrastructure. As AI is quickly developing, LACERA recognizes that AI presents both opportunities and risks. AI has the potential to enhance portfolio returns and operational efficiency, while also introducing risks related to market concentration, elevated valuations, and governance. As in past periods of evolving market conditions, LACERA's Board of Investments (the Board) has maintained its long-term focus, anchored by a diversified portfolio designed to be resilient across market cycles and responsive to structural shifts. This approach ensures LACERA remains well-positioned to meet future benefit obligations while adapting to global transformation.

Performance Summary

The Pension Plan returned 12.1 percent during the fiscal year, ending with a market value of $93.8 billion. The OPEB Trust delivered 14.4 percent, ending the period with a market value of $6.4 billion.[2] Both Funds reached record market values during the fiscal year, with the Pension Plan peaking in May and the OPEB Trust in June. Notably, as of June 30, 2026, the combined value of the Pension Plan and OPEB Trust surpassed $100 billion (as determined by the investment book of record).

LACERA's objective is 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 detailed below, the Pension Plan trailed its policy benchmark for the one- and three-year periods but exceeded its benchmark across the five- and ten-year periods. The OPEB Trust outperformed its policy benchmark for all periods. The OPEB Trust's higher return during the fiscal year is primarily attributable to its larger allocation to public market investments. This also means that the OPEB Trust is more sensitive to public market movements compared to the Pension Plan.

[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 Benefits Master Trust, whose assets are held in trust to provide post-employment healthcare benefits for retirees of the County, LACERA, and the Superior Court. LACERA also oversees the OPEB Custodial Fund, which primarily funds healthcare premiums and related OPEB operational costs.

[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.

Importantly, both Funds' returns are above their actuarial expected returns for all periods.[3] Both Funds continue to earn returns in excess of the capital market expectations embedded in their actuarial assumptions, which is a positive outcome for the long-term funding of member benefits.

Annualized Total Returns
Fiscal Year Ended June 30, 2026
(Net of Fees)

	1 Year	3 Years	5 Years	10 Years
Pension Plan	12.1%	10.3%	7.4%	9.1%
Policy Benchmark	*14.8%*	*11.9%*	*7.0%*	*8.6%*
OPEB Trust	14.4%	12.2%	6.5%	9.5%
Policy Benchmark	*14.0%*	*11.6%*	*6.0%*	*8.5%*

Asset Allocation

The Board adopts separate Investment Policy Statements for the Pension Plan and the OPEB Trust to guide their respective investment strategies. Each Investment Policy Statement defines a strategic asset allocation designed to optimize long-term growth while ensuring that LACERA can meet both current and future obligations. The Funds' strategic asset allocations are expected to serve as the primary drivers of long-term risk-adjusted returns.

The strategic asset allocations for the Pension Plan and the OPEB Trust guide the apportionment of investment dollars across functional categories and sub-asset classes, aligning long-term risk and return objectives while balancing short-term liquidity needs. The table below outlines the functional categories, sub-asset classes, and the role each is expected to fulfill in LACERA's investment portfolios.[4]

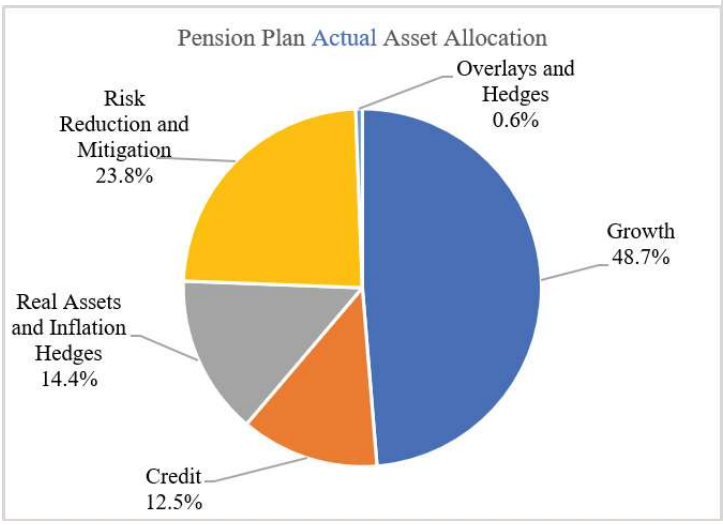
[3]The Pension Plan and OPEB Trust's actuarial expected returns for the period ending June 30, 2026 are 7.0 percent and 6.25 percent, respectively.

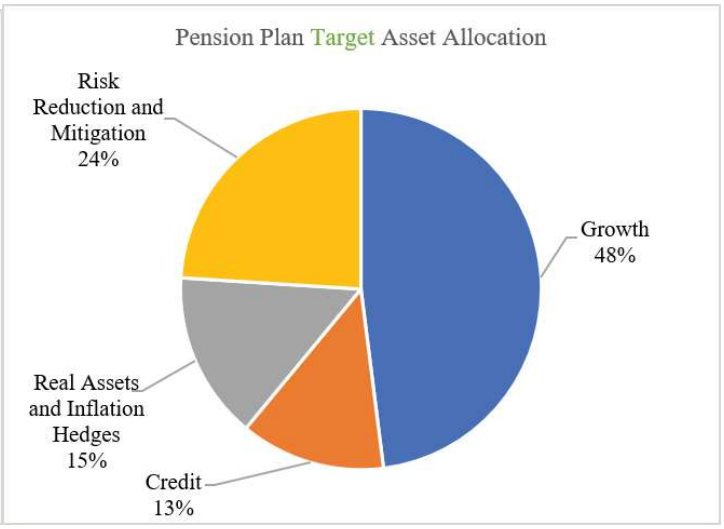
[4]The overlay and hedges functional category only applies to the Pension Plan as of June 30, 2026. The Board approved the overlay and hedges functional category for the OPEB Trust, which is expected to be implemented in the third quarter of 2026.

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	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 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 in adhering to policy allocation targets and managing risks

The Board reviews the strategic asset allocation for each Fund every three to five years to keep both portfolios aligned with evolving risks and opportunities. LACERA is currently undertaking new studies for both Funds to reassess their policy targets using updated capital market assumptions and long-term return expectations. The Board is expected to adopt the new strategic asset allocations in the second quarter of 2027. The evaluation considers a range of factors, including each Fund's current and projected funded status, liquidity requirements, asset class risk and return characteristics, and the long-term economic outlook.

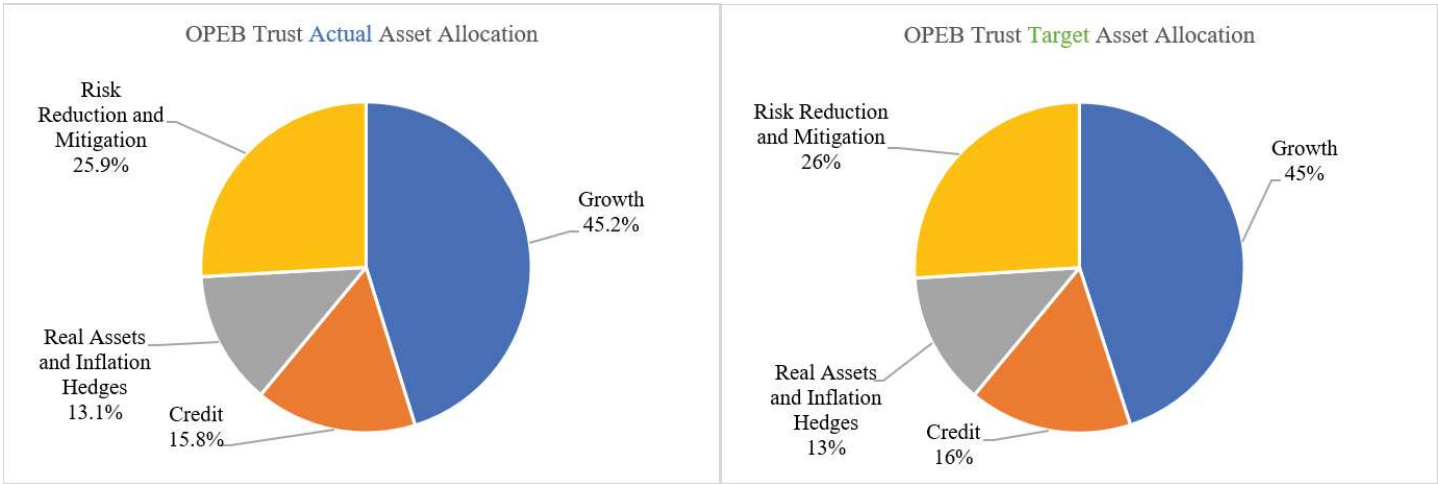
The Pension Plan's June 30, 2026 actual and target asset allocations are shown below.[5]





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



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

LACERA's strategic plan complements the Board-approved asset allocations, advancing our evolution toward best-in-class investor status through a range of strategic initiatives. In the upcoming fiscal year, we will revisit the plan and its initiatives to ensure they remain aligned with evolving market conditions, technological innovations, and workforce composition—refining our priorities through a principles-based investment program. Together, these efforts are designed to enhance the durability of the Funds' risk adjusted returns, ultimately benefiting our members.

Core Performance Drivers

LACERA continues to realize the benefits of implementing a resilient and diversified portfolio consistent with the Board-adopted strategic asset allocations. During the fiscal year, the Pension Plan experienced positive contributions from all functional asset categories. Risk reduction and mitigation outperformed its benchmark, driven primarily by strong risk-adjusted returns from the diversified hedge fund portfolio. In addition, the overlay and hedges composite continued to add value, contributing $257 million in gains during the fiscal year, compared with $47 million in gains during the prior fiscal year. Credit modestly trailed its benchmark. The growth and real assets and inflation hedges functional categories underperformed their benchmarks, largely because their private market investments are measured against benchmarks based on public equity market returns.

Over the past several years, strong public equity market performance has created a challenging comparison for these private market portfolios. As a result, private market programs may underperform their benchmarks over the short to medium term, even as they generate strong absolute returns and contribute to Pension Plan returns that exceed long-term actuarial expectations.

Looking Forward

LACERA's disciplined investment approach and strategic asset allocation have enabled the Funds to perform across a variety of market environments and navigate periods of economic and geopolitical

uncertainty. We look forward to the completion of the strategic asset allocation studies underway and to evaluating how the Funds can be best positioned to meet their long-term objectives. LACERA remains committed to generating sustainable long-term returns and fulfilling its mission to produce, protect, and provide the promised benefits to its members.

Respectfully submitted,



Jonathan Grabel
Chief Investment Officer

Investment Summary — Pension Plan[1]

As of June 30, 2026

(Dollars in Thousands)

Type of Investment	Fair Value		Percent of Total Fair Value
Growth	$45,686,599		
Global Equity		30,268,475	32.2%
Private Equity		14,305,046	15.2%
Non-Core Private Real Estate		1,113,078	1.2%
Credit	11,749,147		12.5%
Real Assets and Inflation Hedges	13,501,239		
Core Private Real Estate		3,545,087	3.8%
Natural Resources		2,989,822	3.2%
Infrastructure		4,281,571	4.6%
Treasury Inflation Protected Securities (TIPS)		2,684,759	2.9%
Risk Reduction and Mitigation	22,354,262		
Investment Grade Bonds		11,594,902	12.3%
Diversified Hedge Funds		7,788,338	8.3%
Long-Term Government Bonds		1,662,015	1.8%
Cash		1,309,007	1.4%
Overlay and Hedges	551,207		
Cash Overlay		454,736	0.5%
Currency Hedges		96,471	0.1%
Total Investments — Pension Plan	**$93,842,454**		**100.0%**

[1]Fair values presented in this schedule are based on the Investment Book of Record and may differ 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]

As of June 30, 2026

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Growth	$2,909,871	
Global Equity	2,826,006	43.8%
Private Equity	83,865	1.3%
Credit	1,015,751	15.8%
Real Assets and Inflation Hedges	844,575	
Real Estate	460,158	7.1%
Natural Resources	29,012	0.5%
Infrastructure	28,640	0.5%
Treasury Inflation Protected Securities (TIPS)	326,765	5.1%
Risk Reduction and Mitigation	1,670,063	
Investment Grade Bonds	1,207,369	18.7%
Long-Term Government Bonds	317,703	4.9%
Cash	144,991	2.3%
Operational Cash[2]	6,817	N/A
Total Investments — OPEB Master Trust	**$6,447,077**	**100.0%**

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

[2]Represents cash balances held in the Sub-Trust ownership funds.

Investment Summary — OPEB Custodial Fund[1]

As of June 30, 2026

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$25,615	10.8%
Fixed Income	210,873	89.2%
Total Investments — OPEB Custodial Fund[2]	**$236,488**	**100.0%**

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

[2]Fair values presented here represent investment holdings as categorized within the Investment Book of Record. The Basic Financial Statements reflect an accounting adjustment to reclassify approximately $221 million from the OPEB Custodial Fund holdings to OPEB Trust holdings.

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

As of June 30, 2026

	Annualized (Net-of-Fees)				
	Quarter-End June 30, 2026	One-Year	Three-Year	Five-Year	Ten-Year
Growth	9.5 %	17.5 %	13.9 %	9.8 %	— %
Growth Policy Benchmark	*8.1 %*	*23.3 %*	*18.1 %*	*10.4 %*	— %
Global Equity	15.3 %	25.5 %	20.2 %	11.5 %	— %
MSCI ACWI IMI Net Benchmark	*14.9 %*	*24.2 %*	*19.5 %*	*10.6 %*	— %
Private Equity - Growth	(0.5)%	5.1 %	4.2 %	8.1 %	— %
Private Equity - Growth Custom Benchmark	*(2.3)%*	*23.0 %*	*18.5 %*	*11.2 %*	— %
Non-Core Private Real Estate	(0.4)%	(7.4)%	(7.6)%	0.3 %	5.3 %
Opportunistic Real Estate Custom Benchmark	*1.6 %*	*5.4 %*	*(0.6)%*	*4.7 %*	*6.5 %*
Credit	3.5 %	6.7 %	12.8 %	8.2 %	— %
Credit Policy Benchmark	*2.2 %*	*6.8 %*	*9.2 %*	*5.0 %*	— %
Real Assets & Inflation Hedges	(0.4)%	7.9 %	4.4 %	5.4 %	— %
Real Assets & Inflation Hedges Policy Benchmark	*6.0 %*	*11.8 %*	*5.3 %*	*5.5 %*	— %
Core Private Real Estate	0.5 %	0.7 %	(5.7)%	1.1 %	2.8 %
Core Private Real Estate Custom Benchmark	*1.0 %*	*3.1 %*	*(2.8)%*	*2.4 %*	*4.1 %*
Natural Resources	(4.3)%	16.7 %	7.9 %	8.6 %	6.0 %
Natural Resources Policy Benchmark	*12.5 %*	*27.3 %*	*9.5 %*	*8.4 %*	*5.7 %*
Infrastructure	1.3 %	10.7 %	11.1 %	7.7 %	— %
Dow Jones Brookfield Global Infrastructure Company Benchmark	*11.2 %*	*18.2 %*	*13.3 %*	*8.5 %*	— %
Treasury Inflation Protected Securities (TIPS)	0.6 %	3.6 %	4.6 %	1.4 %	— %
Bloomberg U.S. Treasury: U.S. TIPS	*0.6 %*	*3.6 %*	*4.2 %*	*1.2 %*	— %
Risk Reduction & Mitigation	0.8 %	5.5 %	4.7 %	1.3 %	— %
Risk Reduction & Mitigation Policy Benchmark	*1.0 %*	*4.5 %*	*4.3 %*	*0.9 %*	— %
Investment Grade Bonds	0.7 %	3.9 %	4.3 %	0.1 %	1.9 %
Bloomberg Barclays Aggregate Bond Index	*0.7 %*	*3.8 %*	*4.2 %*	*0.1 %*	*1.5 %*
Diversified Hedge Funds	0.9 %	8.5 %	7.6 %	6.3 %	— %
Diversified Hedge Funds Custom Benchmark	*1.4 %*	*6.2 %*	*7.2 %*	*6.0 %*	— %
Long-Term Government Bonds	0.8 %	2.9 %	(0.5)%	— %	— %
Bloomberg U.S. Treasury: Long	*0.9 %*	*2.9 %*	*(0.5)%*	— %	— %
Cash	1.5 %	5.9 %	6.3 %	5.1 %	*3.3 %*
Cash Policy Benchmark	*0.9 %*	*4.1 %*	*4.9 %*	*3.7 %*	*2.4 %*
Total Fund	**5.2 %**	**12.1 %**	**10.3 %**	**7.4 %**	**9.1 %**
Total Fund Policy Benchmark	***5.3 %***	***14.8 %***	***11.9 %***	***7.0 %***	***8.6 %***

[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 delay.

*A complete list of custom benchmark definitions is available upon request.

Investment Results Based on Fair Value[1,2,3] — OPEB Master Trust*

As of June 30, 2026

	Annualized (Net-of-Fees)				
	Quarter-End June 30, 2026	One-Year	Three-Year	Five-Year	Ten-Year
Growth	14.4 %	24.7 %	19.8 %	10.9 %	— %
Growth Policy Benchmark	*12.9 %*	*24.2 %*	*19.5 %*	*10.4 %*	*— %*
Global Equity	14.6 %	24.6 %	19.8 %	10.8 %	12.8 %
MSCI ACWI IMI Net Benchmark	*14.9 %*	*24.2 %*	*19.5 %*	*10.6 %*	*12.5 %*
Private Equity[2]	5.8 %	29.7 %	— %	— %	— %
Private Equity Policy Benchmark	*(2.3)%*	*23.0 %*	*— %*	*— %*	*— %*
Credit	1.9 %	5.9 %	7.4 %	4.4 %	— %
Credit Policy Benchmark	*2.2 %*	*6.8 %*	*8.9 %*	*4.9 %*	*— %*
Real Assets & Inflation Hedges	5.9 %	12.0 %	8.0 %	4.3 %	— %
Real Assets & Inflation Hedges Policy Benchmark	*1.0 %*	*9.3 %*	*4.7 %*	*2.3 %*	*— %*
Treasury Inflation Protected Securities (TIPS)	0.6 %	3.6 %	4.6 %	1.4 %	— %
Bloomberg U.S. Treasury: U.S. TIPS	*0.6 %*	*3.6 %*	*4.2 %*	*1.2 %*	*— %*
Infrastructure	0.4 %	1.7 %	— %	— %	— %
Dow Jones Brookfield Global Infrastructure Company Benchmark	*11.2 %*	*18.2 %*	*— %*	*— %*	*— %*
Natural Resources	16.5 %	13.5 %	— %	— %	— %
S&P Global Natural Resources Index	*(8.6)%*	*27.7 %*	*— %*	*— %*	*— %*
Real Estate	10.0 %	20.1 %	11.5 %	5.3 %	— %
Real Estate Custom Benchmark	*1.0 %*	*3.1 %*	*(1.1)%*	*(2.5)%*	*— %*
Risk Reduction & Mitigation	0.7 %	3.8 %	3.3 %	0.3 %	— %
Risk Reduction & Mitigation Policy Benchmark	*0.7 %*	*3.7 %*	*3.1 %*	*(0.2)%*	*— %*
Investment Grade Bonds	0.6 %	3.8 %	4.2 %	0.1 %	— %
Bloomberg Barclays Aggregate Bond Index	*0.7 %*	*3.8 %*	*4.2 %*	*0.1 %*	*— %*
Long-Term Government Bonds	0.8 %	2.9 %	(0.4)%	— %	— %
Bloomberg U.S. Treasury: Long	*0.9 %*	*2.9 %*	*(0.5)%*	*— %*	*— %*
Cash	1.3 %	5.7 %	7.3 %	5.3 %	3.4 %
Cash Policy Benchmark	*0.9 %*	*4.1 %*	*4.9 %*	*3.7 %*	*2.5 %*
Total OPEB Master Trust	**7.6 %**	**14.4 %**	**12.2 %**	**6.5 %**	**9.5 %**
Total OPEB Master Trust Policy Benchmark	***6.4 %***	***14.0 %***	***11.6 %***	***6.0 %***	***8.5 %***

[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.
[2]Some asset categories and their benchmarks are reported with a one- or three-month delay.
[3]

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]
2026[6]	**$92,288,835**	**12.1%**	**12.1%**	**N/A**	**N/A**	**N/A**
2025	82,394,742	9.7%	9.7%	8.3%	7.00%	82.0%
2024	75,015,737	9.1%	9.1%	7.5%	7.00%	80.9%
2023	71,460,616	6.4%	6.4%	7.2%	7.00%	79.9%
2022	67,467,013	0.1%	0.6%	8.5%	7.00%	79.6%
2021	70,297,718	25.2%	25.2%	10.4%	7.00%	79.3%
2020	56,574,410	1.8%	1.4%	5.8%	7.00%	76.3%
2019	57,976,437	6.4%	5.5%	6.5%	7.00%	77.2%
2018	55,443,060	9.0%	9.0%	8.1%	7.25%	80.6%
2017	52,225,457	12.7%	12.7%	8.2%	7.25%	79.9%

[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 short 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, based upon the June 30, 2025 actuarial valuation report as adopted by the Board of Investments in December 2025. For fiscal year 2025–2026, 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, 2026 is not yet available at financial statement publication.

Total Investment Rates of Return — OPEB Trust

For the Last Nine 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]
2026[6]	**$6,600,634**	**14.4%**	**14.5%**	**N/A**	**N/A**	**N/A**
2025	4,906,538	11.1%	11.0%	11.0%	6.25%	18.7%
2024	3,880,327	11.0%	11.1%	11.0%	6.25%	16.1%
2023	3,021,951	9.3%	9.7%	9.0%	6.00%	13.2%
2022	2,344,794	(11.2)%	(11.8)%	(12.0)%	6.00%	10.4%
2021	2,258,608	28.4%	28.2%	28.0%	6.00%	10.9%
2020	1,468,155	(0.1)%	0.5%	—%	6.00%	7.0%
2019	1,224,059	5.5%	6.0%	—%	6.00%	6.0%
2018	926,859	10.1%	10.0%	—%	6.00%	4.5%

[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 short 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. The reporting methodology for OPEB changes from cost-sharing to agent plan structure began with the July 1, 2018 OPEB Valuation.

[4]**Actuarial Assumed Rate of Return** for the OPEB Trust is different from the Pension Trust investment return assumption due to a different asset allocation for the OPEB Trust. For agents that are prefunding through the OPEB Trust for fiscal year 2025, continue with an expected return of 6.25 percent. See Actuarial Section for the Summary of Actuarial Methods and Assumptions — OPEB Program for detailed information about actuarial rate.

[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, 2026 is not yet available at financial statement publication.

*Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

Largest Equity Holdings — Pension Plan[1]

As of June 30, 2026

(Dollars in Thousands)

Shares	Description	Fair Value
5,571,425	NVIDIA Corporation	$1,114,786
3,541,704	Apple Inc.	1,024,827
2,562,436	Alphabet Inc.	910,917
7,394,925	Coreweave Inc.	736,091
1,676,959	Microsoft Corporation	625,539
2,356,382	Amazon.com Inc.	561,620
6,073,286	Taiwan Semiconductor Manufacturing Company, Ltd.	459,455
1,120,275	Broadcom Inc.	423,184
274,070	Micron Technology Inc.	316,356
1,608,181	Samsung Electronics Company, Ltd.	307,347

[1]Reflects the global equity exposure of assets held in custody for the Pension Plan.

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

Largest Equity Holdings — OPEB Master Trust[1]

As of June 30, 2026

(Dollars in Thousands)

Shares	Description	Fair Value
578,816	NVIDIA Corporation	$115,815
368,173	Apple Inc.	106,534
262,458	Alphabet Inc.	93,327
176,229	Microsoft Corporation	65,737
242,101	Amazon.com Inc.	57,702
632,977	Taiwan Semiconductor Manufacturing Company, Ltd.	47,886
112,318	Broadcom Inc.	42,428
177,064	Welltower Inc.	40,188
28,180	Micron Technology Inc.	32,528
234,520	Prologis Inc.	31,770

[1]Reflects the global equity exposure of assets held in custody for the OPEB Master Trust.

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

Largest Fixed Income Holdings — Pension Plan[1]

As of June 30, 2026

(Dollars in Thousands)

Par	Description	Fair Value
148,635,814	United States Treasury 1.125% 2030/10/15	$144,674
148,310,752	United States Treasury 1.250% 2031/04/15	144,079
144,295,097	United States Treasury 1.625% 2030/04/15	143,042
140,423,853	United States Treasury 1.625% 2029/10/15	139,934
133,927,776	United States Treasury 2.125% 2029/04/15	134,928
130,062,126	United States Treasury 2.375% 2028/10/15	132,144
128,878,423	United States Treasury 1.625% 2027/10/15	128,723
128,214,889	Bony Mellon Cap Mkt LLC D D Tri Party Repo	128,215
129,467,757	United States Treasury 0.1250% 2027/04/15	126,979
126,362,649	United States Treasury 0.1250% 2026/10/15	125,722

[1]Reflects fixed income exposure of assets held in custody for the Pension Plan.

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

Largest Fixed Income Holdings — OPEB Master Trust[1]

As of June 30, 2026

(Dollars in Thousands)

Par	Description	Fair Value
18,591,883	United States Treasury 1.125% 2030/10/15	$18,096
18,135,248	United States Treasury 1.625% 2030/04/15	17,978
17,477,623	United States Treasury 1.625% 2029/10/15	17,417
16,747,063	United States Treasury 1.250% 2031/04/15	16,269
16,233,210	United States Treasury 1.625% 2027/10/15	16,214
16,188,295	United States Treasury 0.125% 2027/04/15	15,877
15,824,669	United States Treasury 0.125% 2026/10/15	15,744
15,616,930	United States Treasury 2.125% 2029/04/15	15,734
15,404,380	United States Treasury 2.375% 2028/10/15	15,651
16,618,416	United States Treasury 0.125% 2031/01/15	15,360

[1]Reflects fixed income exposure of assets held in custody for the OPEB Master Trust.

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

Schedule of Investment Management Fees

For the Fiscal Year Ended June 30, 2026

(Dollars in Thousands)

Investment Category	Pension Plan	OPEB Trust
Growth	$136,382	$287
Credit	8,667	1,789
Real Assets and Inflation Hedges	16,832	280
Risk Reduction and Mitigation	5,214	320
Overlay and Hedges	1,497	—
Total Investment Management Fees[1]	**$168,592**	**$2,676**

[1]This schedule includes investment management fees, performance fees, carried interest, and other investment-related expenses that are separately identifiable in LACERA's accounting records. Investment expenses paid indirectly, including those associated with private market investments, are reflected in net appreciation or depreciation in the fair value of investments or netted from investment income and are not included in this schedule. Comprehensive private market fee reporting is provided annually to the Board of Investments pursuant to California Government Code Sections 7514.7 and 7928.710(c).

List of Investment Managers

PENSION PLAN

GROWTH

Global Equity
Acadian Asset Management, LLC
BlackRock Institutional Trust Company, N.A.
Capital International, Inc.
Frontier Capital Management Company, LLC
J.P. Morgan Investment Management, Inc.
Lazard Asset Management, LLC
Leading Edge Investment Advisors, LLC
New Alpha Asset Management, SAS
Parametric Portfolio Associates, LLC
State Street Global Advisors (SSGA)
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 Real Estate Investors GP, LLC
Blackstone, Inc.
Brookfield Asset Management, Inc.
CapMan, PLC
Carlyle Investment Management, LLC
CB Richard Ellis Global Investors, LLC
CBRE Investment Management Luxembourg AIFM, S.a.r.l
CityView Management Services, LLC
Europa Capital, LLP
Heitman Capital Management, LLC
RREEF America, LLC
Starwood Funds GP, LLC
Stockbridge Capital Group
TPG Capital
Whitman/Peterson, LLC

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 by contacting LACERA.

CREDIT

Bain Capital Credit, LP
Beach Point Capital Management, LP
BlackRock Institutional Trust Company, N.A.
Brigade Capital Management, LLC
Centerbridge Partners, LP
Cheyne Capital Management (UK) LLP
Crescent Capital Group, LP
Glendon Capital Management LP
Grosvenor Capital Management, LP
Magnetar Capital, LLC
Napier Park Global Capital
Neuberger Berman Investment Advisers, LLC
Oaktree Capital Management, LLC
Onex Credit Management, LLC
Pacific Investment Management Company, LLC (PIMCO)
PineBridge Investment, LLC
Quadrant Real Estate Advisors, LLC
Siguler Guff Advisors, LLC
Silver Rock Capital Management
Stable Asset Management
Tennenbaum Capital Partners, LLC
UBS Asset Management
Värde Partners
Waterfall Asset Management

REAL ASSETS AND INFLATION HEDGES

Core Real Estate
Bell Partners Growth and Income Manager, LLC
CBRE U.S. Core Partners GP, LLC
CityView Management Services, LLC
Clarion Partners, LLC
Heitman Capital Management, LLC
IDR Investment Management, LLC
Invesco Advisers, Inc.
PRISA Fund Manager, LLC
Prologis Management II, S.a.r.l
RREEF America, LLC
Stockbridge Capital Group
Principal Real Estate Investors

Infrastructure
RREEF America, LLC

Infrastructure (Private)
Antin Mid Cap Fund I
Ardian Infrastructure Fund VI
Axium Infrastructure Canada
Axium Infrastructure US
DIF CIF III
DIF Infrastructure VI
DWS Pan-European Infrastructure Fund III
Grain GCOF III
Grain Spectrum Holdings III
Infravia Fund VI
KKR DCIF
Macquarie Global Infrastructure Fund
Partners Group Direct Infrastructure 2020
Partners Group Direct Infrastructure IV

Natural Resources
RREEF America, LLC

Natural Resources (Private)
Altor Carbon Transition Fund
Appian Natural Resources Fund III LP
Ara Fund III
Cibus Enterprise II
Cibus Fund II
Energy and Minerals Group III
Hitec Vision New Energy Fund I
Hitec Vision New Energy Fund II
Orion Mine Finance Fund III
Orion Mine Finance Fund IV
Orion Mineral Royalty Fund I
Sprott Private Resource Streaming and Royalty Annex Fund
Sustainable Assets Fund IV
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
Aequim Alternative Investments, LP
AM Squared General Partner, LTD
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
III Capital Management
Man AHL Alpha
Mariner Investment Group, LLC
Polar Asset Management Partners
Stable Asset Management

Cash
State Street Global Advisors (SSGA)

Mortgage Loan Servicer
Onity Group, Inc.

Securities Lending Program
State Street Bank & Trust Company
State Street Global Advisors (SSGA)

OVERLAYS AND HEDGES
BlackRock Institutional Trust Company, N.A.
Parametric Portfolio Associates, LLC

OTHER POST-EMPLOYMENT BENEFITS PROGRAM

Other Post-Employment Benefits Trust
BlackRock Institutional Trust Company, N.A.
Hamilton Lane Advisors, LLC
State Street Global Advisors (SSGA)

OPEB Custodial Fund
Insight Investment
Western Asset Management Company

Health Reserve Program
Standish Mellon Asset Management Company, LLC

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ACTUARIAL SECTION
(UNAUDITED)

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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 California Constitution, County Employees Retirement Law of 1937 (CERL), California Public Employees' Pension Reform Act of 2013 (PEPRA), and other applicable law. CERL requires LACERA to obtain an actuarial valuation and an investigation of experience of the Pension Plan at least once every three years.

LACERA engages an independent actuarial consulting firm to perform the Pension Plan valuation annually, exceeding the regulatory frequency requirements while following the PEPRA implied statutory cost-sharing framework of annual cost recalculations. Every three years, in compliance with CERL, the consulting actuary performs an experience study and during the same year, a separate independent actuarial consulting firm reviews both the triennial experience study and annual valuation.

LACERA's Actuarial Funding Policy requires annual actuarial valuations and annual determination of contribution rates upon which the LACERA Board of Investments transmits recommended 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.

Cost-Sharing Plan Structure

LACERA's cost-sharing Pension Plan involves participating employers pooling their assets and obligations to fund benefits for all members of the plan. For PEPRA plans, employees pay 50 percent of the plan's total normal cost, while the employer pays the remainder, plus any required Unfunded Actuarial Accrued Liability (UAAL) amortization. This structure shares the cost of benefits equitably between the employers and their employees. For legacy plans, employee rates depend on entry age and are adjusted based on recommended actuarial methods and assumptions to fund the member's annuity portion of the retirement benefit, while the employer pays for the balance of the annual cost of benefits not covered by employee contributions, plus unfunded liability contributions.

Participating employers include:

- County of Los Angeles (County)
- Superior Court of California, County of Los Angeles (Superior Court)
- Los Angeles County Employees Retirement Association (LACERA)
- Outside districts:
    - Little Lake Cemetery District (LLCD)
    - Local Agency Formation Commission for the County of Los Angeles (LAFCO)
    - Los Angeles County Office of Education (LACOE)
    - South Coast Air Quality Management District (SCAQMD)

Actuarial Funding Policy

The LACERA Board of Investments approved the Retirement Benefit Funding Policy (Funding Policy) in 2009, which was amended in 2013 to comply with the PEPRA-mandated standards. The Board of Investments established the Funding Policy to adopt actuarial funding methodologies designed to ensure that the retirement system is funded sufficiently to pay for the promised retirement benefits. The Board also adopted a recommendation in December 2022, based on the 2022 Experience Study,

to exclude the Supplemental Targeted Adjustment for Retirees (STAR) Reserve and the Contingency Reserve balances from the valuation assets, treating both as non-valuation reserves.

In October 2024, the Board of Investments adopted the Actuarial Funding Policy, which superseded the 2022 policy to establish a new standalone Interest Crediting Policy. The Actuarial Funding Policy clarifies the Board's funding objectives by defining key principles, actuarial processes and procedures, policy terminology, and discretionary benefits. The Interest Crediting Policy provides guidance on allocating realized earnings to the various reserve accounts. The Board of Investments reviews and considers updates to these policies on a periodic basis to coincide with the Experience Study. For additional information about the Interest Crediting Policy, please reference Note 4 in the Financial Section.

Experience Study and Actuarial Valuation

Milliman conducts an experience study every three years to review the reasonableness of the actuarial assumptions and methods. The review is accomplished by comparing relevant forecasts to actual experience to determine whether changes should be made to the actuarial assumptions to improve liability and funding projections. The LACERA Board of Investments adopts the recommended actuarial methods and assumptions to be used in future valuations. At its January 2026 meeting, the LACERA Board of Investments adopted the actuarial assumptions and methods recommended by Milliman in the 2025 Experience Study.

The Actuarial Funding Policy requires annual adjustments of the employer contribution rates based on the actuary's valuation report. Milliman, the Pension Plan consulting actuary, reviews the adequacy of the plan sponsor funding policies in accordance with Actuarial Standards of Practice (ASOP). Milliman performed the latest actuarial valuation as of June 30, 2025, and recommended changes to the employer and employee (member) contribution rates. At its March 2026 meeting, the LACERA Board of Investments accepted Milliman's June 30, 2025 valuation report.

Actuarial Triennial Reviews

The LACERA Board of Investments Actuarial Audit Policy Directive requires actuarial reviews of retirement benefit valuations and experience studies to be aligned with the same cycle as LACERA's triennial experience study and valuation. CavMac Actuarial Consulting Services (CavMac), LACERA's reviewing actuary, performed the most recent review of Milliman's experience study and valuation reports as of June 30, 2025. CavMac's findings concluded that both reports were reasonable and accurate, performed by qualified actuaries, and conducted in accordance with the principles and practices prescribed by the Actuarial Standards Board.

Actuarial Cost Method

LACERA uses the entry age actuarial cost method for both funding requirements and financial reporting purposes. This method was adopted by LACERA in 1999, as recommended by the consulting actuary. The entry age actuarial cost method allocates costs to each future year as a level percentage of payroll, which is ideal for employers to budget for future costs.

Other Actuarial Information

Actuarially Determined Contributions: The Schedule of Employer Contributions History — Pension Plan in the Required Supplementary Information of the Financial Section provides a 10-year history of

actuarially determined contributions in relation to actual contributions provided by employers 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 includes significant actuarial assumptions and methods used for financial reporting as required by Governmental Accounting Standards Board (GASB) Statement Number 67 disclosures. Differences between assumptions used for actuarial funding and those applied to financial reporting are noted.

Timing of Actuarial Valuation: LACERA discloses actuarial results based on the most recent completed valuation available at the time the financial statements are prepared. LACERA utilized the latest available valuation report as of June 30, 2025, since the valuation as of June 30, 2026 was not completed at the time the 2026 financial statements were prepared.

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
- Funded Liabilities by Type — 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 1 — Benefit Plan Descriptions in the Financial Section for details regarding the Pension Plan description and retirement benefits.

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September 15, 2026

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, 2023	79.9%
June 30, 2024	80.9%
June 30, 2025	82.0%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2025. Using the fair value of assets as of June 30, 2025, the Funded Ratio would be 85.0%. As of June 30, 2025 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 interest crediting policy, Valuation Reserves are the actuarial value of assets minus the 1% Contingency Reserve and the STAR Reserve.

In preparing the June 30, 2025 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

[1] Further goals of LACERA are 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, and to defray reasonable expenses of administering the retirement system, as established by the California Constitution.

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, 2025, which was adopted at the January 14, 2026 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 from the STAR Reserve 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 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. The actuarial assumptions and methods used for funding purposes meet the parameters set by actuarial standards of practice.

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.

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 Retiree Payroll – Pension
2. Actuarial Analysis of Financial Experience – Pension
3. Funded Liabilities by Type – 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, 2025 funding valuation report, and our June 30, 2026 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

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Summary of Actuarial Methods and Assumptions – Pension Plan

Overview and Recent Changes

The actuarial methods and assumptions used to determine Pension Plan liabilities are based on the recommendations made by Milliman, the consulting actuary, as included in the following reports:

- 2025 Pension Experience Study, for the three-year period ending June 30, 2025, adopted by the LACERA Board of Investments in January 2026
- June 30, 2025 Pension Valuation, adopted by the LACERA Board of Investments in March 2026

The Board adopted new demographic and economic assumptions based on the 2025 Experience Study, including national price inflation; merit salary increase rates; rates for service retirement, termination, and disability for active members; and updating the mortality assumption to reflect the most recent tables published by the Society of Actuaries' Retirement Plans Experience Committee (RPEC). The investment return assumption remained unchanged.

STAR Reserve

The STAR Reserve was excluded from valuation assets effective with the 2022 valuation for consistency 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 and reaffirmed in October 2024 when the Board of Investments adopted a revised Actuarial Funding Policy.

The table below summarizes actuarial methods and both economic and demographic assumptions used by LACERA's consulting actuary when performing the actuarial valuation of the Pension Plan.

Actuarial Methods

Method	Application
Actuarial Cost	*Entry Age* Under this application, the actuarial present value of each individual's projected benefits is allocated as a level percentage of their projected compensation from entry age through assumed exit (until maximum retirement age). For members who transferred between plans, entry age is based on their original entry into the retirement system.
Actuarial Asset Valuation	*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 difference in fair value is 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. Current-year gains or losses offset prior unrecognized opposite amounts (oldest to most recent), and any remaining amount is recognized over five years. *STAR Reserve Assets* STAR assets for future STAR benefit awards are held in the STAR Reserve, which is excluded from valuation assets. STAR assets for previous STAR benefit awards are included in valuation assets.
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	*20-Year Amortization*

Economic Assumptions

Assumption	Application
U.S. Consumer Price Index (CPI)	*Annual Rate of 2.50 Percent*
General Wage Growth	*General wage growth: 3.25 percent*
Investment Rate of Return	*Annual Rate of 7.0 Percent, net of expenses*
Local Price Inflation	*Annual Rate of 2.75 Percent*
Post-Retirement Benefit Increases	*Post-Retirement Benefit Increases of 2.75 Percent or 2.0 Percent* Annual cost-of-living adjustments (COLAs) up to 3.0 percent (Plan A) or 2.0 percent (Plan B–E and G) per year may be provided in accordance with the plan benefits provisions. These adjustments are assumed payable each year in the future but are limited to not exceed the expected increase in the Consumer Price Index (CPI), with the exception of any adjustments from the COLA accumulation bank for Plan A members.
Projected Salary Increases	*Projected salary increases: 3.82 percent to 13.58 percent* Projected salary increases include both general wage growth and merit and longevity increases. Merit and longevity increases vary based on class of membership (general or safety) and length of service.

Demographic Assumptions

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-2016 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2016 Healthy Retiree Mortality Table for Males multiplied by 90 percent, with MP-2021 Ultimate Projection Scale. **Females:** **General Members:** PubG-2016 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2016 Healthy Retiree Mortality Table for Females multiplied by 90%, with MP-2021 Ultimate Projection Scale.
Expectation of Life After Disability[1,2]	*Mortality Tables for Public Employees* **Males:** **General Members:** PubG-2016 Disabled Retiree Mortality Table for Males multiplied by 90%, projected with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2016 Healthy Retiree Mortality Table for Males, with MP-2021 Ultimate Projection Scale. **Females:** **General Members:** PubG-2016 Healthy Retiree Mortality Table for Females multiplied by 140%, projected with MP-2021 Ultimate Projection Scale. **Safety Members:** PubS-2016 Healthy Retiree Mortality Table for Females, with MP-2021 Ultimate Projection Scale
Rates of Separation From Employment	*Various Rates and Probabilities* Rates used in actuarial valuations depend on a member's age, gender, years of service, and retirement plan. Each rate reflects the probability of separation from service—such as retirement or withdrawal—or service duration at any given age. The Retirement Probability of Occurrence schedule in this Actuarial Section includes a summary of probability of retirement and withdrawal for sample ages.

[1]The Pub-2016 mortality tables were published by the Society of Actuaries' (SOA) Retirement Plans Experience Committee (RPEC) in May 2025. The data studied includes approximately 58 million life-years of exposure and 774,000 deaths from public pension plans from 2013 to 2020. The Pub-2016 mortality tables include separate tables for general and safety members, and for each of those classes of members includes separate mortality tables for healthy retirees, disabled retirees, contingent survivors, and employees.

[2]The ultimate improvement rates from the SOA's Mortality Improvement Scale MP-2021 (published in October 2021) are used to adjust the Pub-2016 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, partially due to improvements in healthcare.

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, 2025	**$81,763,259**	**$99,706,644**	**$17,943,385**	**82.0%**	**$10,380,999**	**172.8%**
June 30, 2024	76,663,543	94,803,237	18,139,694	80.9%	9,860,647	184.0%
June 30, 2023	72,414,936	90,651,092	18,236,156	79.9%	9,425,690	193.5%
June 30, 2022	68,711,610	86,320,151	17,608,541	79.6%	9,100,791	193.5%
June 30, 2021	64,909,377	81,898,044	16,988,667	79.3%	9,062,051	187.5%
June 30, 2020	59,762,991	78,275,175	18,512,184	76.3%	8,724,151	212.2%
June 30, 2019	57,617,288	74,635,840	17,018,552	77.2%	8,370,050	203.3%
June 30, 2018	55,233,108	68,527,354	13,294,246	80.6%	7,957,981	167.1%
June 30, 2017	52,166,307	65,310,803	13,144,496	79.9%	7,637,032	172.1%
June 30, 2016	49,357,847	62,199,214	12,841,367	79.4%	7,279,777	176.4%

[1]Calculated using the entry age actuarial cost method.

[2]Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

See Schedule of Employer Contributions History — Pension Plan included in the Required Supplementary Information of the Financial Section, which provides a 10-year schedule of actuarially determined contributions in relation to the actual contributions provided to the Pension Plan.

Active Member Valuation Data — Pension Plan

Valuation Date	Plan Type	Number of Participating Employers	Member Count	Annual Salary[1,2]	Average Annual Salary	Percentage Increase/ (Decrease) in Average Salary
	General		**87,599**	**$8,270,724,358**	**$94,416**	**(2.48)%**
	Safety		**12,176**	**1,744,639,951**	**143,285**	**5.15%**
June 30, 2025	**Total**	**7**	**99,775**	**10,015,364,309**	**100,379**	**(1.38)%**
	General		86,273	8,352,915,228	96,820	4.07%
	Safety		12,410	1,691,144,328	136,273	2.07%
June 30, 2024	Total	7	98,683	10,044,059,556	101,781	3.54%
	General		84,295	7,842,601,440	93,038	6.15%
	Safety		12,610	1,683,476,580	133,503	5.45%
June 30, 2023	Total	7	96,905	9,526,078,020	98,303	5.90%
	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	7	96,539	8,961,748,740	92,830	1.22%
	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	7	99,101	9,088,379,868	91,708	4.60%
	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	7	100,108	8,776,652,340	87,672	4.07%
	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	7	99,186	8,355,778,164	84,244	2.90%
	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	7	98,474	8,061,770,652	81,867	3.65%
	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	7	97,211	7,678,251,936	78,985	3.38%
	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	7	95,444	$7,292,272,560	$76,404	2.16%

[1]Annual Salary is an annualized salary amount for only those members who were active as of the actuarial valuation date. Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

[2]Effective with the June 30, 2025 valuation date, the method of reporting annual salaries in the valuation report was modified to accurately reflect annual pensionable salary for the year ending on the valuation date. The prior method reflects an annualized total salary based on salary for the month of June immediately prior to the valuation date. The method change was implemented as a result of updates in LACERA's salary data provided on the annual valuation census file.

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, 2025	**4,493**	**$396,322**	**(2,566)**	**($132,716)**	**76,694**	**$4,881,941**	**5.71%**	**$63.7**
June 30, 2024	4,276	379,365	(2,517)	(129,488)	74,767	4,618,335	5.72%	61.8
June 30, 2023	4,071	347,718	(2,634)	(129,276)	73,008	4,368,458	5.26%	59.8
June 30, 2022	4,796	378,343	(2,722)	(130,089)	71,571	4,150,016	6.36%	58.0
June 30, 2021	4,350	327,745	(2,865)	(132,185)	69,497	3,901,762	5.28%	56.1
June 30, 2020	3,930	311,206	(2,425)	(104,914)	68,012	3,706,202	5.89%	54.5
June 30, 2019	3,978	302,022	(2,351)	(97,840)	66,507	3,499,910	6.20%	52.6
June 30, 2018	3,826	276,118	(2,270)	(89,033)	64,880	3,295,728	6.02%	50.8
June 30, 2017	3,721	245,915	(2,311)	(89,624)	63,324	3,108,643	5.29%	49.1
June 30, 2016	3,479	220,632	(2,171)	(80,881)	61,914	2,952,352	4.97%	47.7

[1]Annual Allowance is the monthly retirement benefit allowance annualized for those members counted as of June 30.

[2]Includes COLAs that occurred during the fiscal year and were therefore not included in the previous years' Annual Allowance totals.

[3]For the actuarial valuation year, Member Count includes retirees who, due to timing at fiscal year-end, are not yet included in the total retired members count disclosed in the Financial Section, see Note 1 — Benefit Plan Descriptions.

Funded Liabilities by Type — 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, 2025	**$13,037**	**$58,101**	**$28,569**	**$81,763**	**100%**	**100%**	**37%**
June 30, 2024	12,446	54,933	27,424	76,664	100%	100%	34%
June 30, 2023	11,930	52,116	26,605	72,415	100%	100%	31%
June 30, 2022	11,029	49,637	25,654	68,712	100%	100%	31%
June 30, 2021	11,115	46,774	24,009	64,909	100%	100%	29%
June 30, 2020	10,650	44,500	23,125	59,763	100%	100%	20%
June 30, 2019	10,210	42,235	22,190	57,617	100%	100%	23%
June 30, 2018	9,882	39,192	19,453	55,233	100%	100%	32%
June 30, 2017	9,482	37,077	18,752	52,166	100%	100%	30%
June 30, 2016	8,767	35,316	18,116	49,358	100%	100%	29%

[1]Includes both vested (deferred) and non-vested members.

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

	Valuation as of June 30									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Prior Unfunded Actuarial Accrued Liability	**$18,139**	$18,236	$17,608	$16,989	$18,512	$17,018	$13,294	$13,145	$12,841	$9,491
Expected Increase/(Decrease) From Prior Valuation	**(384)**	(241)	(108)	(76)	171	306	25	146	320	(102)
Salary Increases Greater/ (Less) Than Expected	**312**	488	771	(21)	484	388	486	223	277	162
CPI Greater/(Less) Than Expected	**—**	—	—	355	(73)	43	44	45	(139)	(191)
Change in Assumptions	**737**	—	—	1,364	—	—	2,528	—	—	2,922
Asset Return Less/(Greater) Than Expected	**(958)**	(364)	(118)	(996)	(2,039)	701	477	(411)	(421)	496
All Other Experience	**98**	20	83	(7)	(66)	56	164	146	267	63
Ending Unfunded Actuarial Accrued Liability	**$17,944**	**$18,139**	**$18,236**	**$17,608**	**$16,989**	**$18,512**	**$17,018**	**$13,294**	**$13,145**	**$12,841**

Probability of Occurrence

Probability of Death and Disability

	Disability rates (other than Plan E[1])					
Age	Service Disability (Males)	Service Disability (Females)	Ordinary Disability (Males)	Ordinary Disability (Females)	Ordinary Death (Males)	Ordinary Death (Females)
General - Plans A, B, C, D, E & G						
20	0.0001	0.0002	0.0001	0.0000	0.0003	0.0001
30	0.0001	0.0002	0.0001	0.0000	0.0005	0.0002
40	0.0005	0.0006	0.0001	0.0001	0.0008	0.0005
50	0.0013	0.0017	0.0004	0.0003	0.0016	0.0011
60	0.0042	0.0035	0.0004	0.0005	0.0038	0.0025
70	0.0050	0.0035	0.0004	0.0008	0.0080	0.0057
75	0.0000	0.0000	0.0000	0.0000	0.0127	0.0087
Safety - Plans A, B & C						
20	0.0020	0.0030	0.0000	0.0001	0.0003	0.0001
30	0.0020	0.0040	0.0000	0.0001	0.0005	0.0003
40	0.0050	0.0100	0.0000	0.0001	0.0007	0.0005
50	0.0120	0.0300	0.0000	0.0001	0.0014	0.0012
60	0.1750	0.1700	0.0000	0.0001	0.0035	0.0027
65	0.0000	0.0000	0.0000	0.0000	0.0057	0.0041

[1]General Plan E does not have a disability benefit. All deaths of in-service general members are assumed to be non-service connected.

Retirement Probability of Occurrence (Continued)

Probability of Retirement from Active Service

Age	Less than 20 Years of Service	20 to 24 Years of Service	25 to 29 Years of Service	30+ Years of Service
General - Plans A, B, C & D				
50	0.0150	0.0200	0.0225	0.0300
60	0.0400	0.0500	0.1000	0.1700
70	0.2300	0.2100	0.2850	0.2900
75	1.0000	1.0000	1.0000	1.0000
General - Plan E				
55	0.0200	0.0200	0.0300	0.0300
60	0.0270	0.0350	0.0450	0.0600
70	0.1400	0.1400	0.2400	0.2600
75	1.0000	1.0000	1.0000	1.0000
General - Plan G				
55	0.0200	0.0200	0.0240	0.0300
60	0.0300	0.0360	0.0430	0.0540
70	0.1600	0.1600	0.2200	0.2500
75	1.0000	1.0000	1.0000	1.0000
Safety - Plans A & B				
40	0.0000	0.0050	0.0050	0.0050
50	0.0100	0.0100	0.0200	0.0300
60	0.0450	0.0800	0.1100	0.1200
65	1.0000	1.0000	1.0000	1.0000
Safety - Plan C				
50	0.0100	0.0100	0.0160	0.0200
55	0.0300	0.0300	0.0500	0.0600
60	0.0800	0.0800	0.1200	0.1200
65	1.0000	1.0000	1.0000	1.0000

Retirement Probability of Occurrence (Continued)

Probability of Termination from Active Service

Years of Service	General Plans A, B, C, D & G	General Plan E	Safety Plans A, B & C
5	0.0375	0.0450	0.0180
10	0.0185	0.0270	0.0080
15	0.0110	0.0135	0.0054
20	0.0085	0.0110	0.0034
25	0.0060	0.0100	0.0020
30 & Above	0.0000	0.0100	0.0000

Actuarial Information Overview — Other Post-Employment Benefits (OPEB) Program

Introduction

The actuarial process at LACERA is governed by provisions in the OPEB Actuarial Valuation and Audit Policy (OPEB Policy), which is established and adopted by the LACERA Board of Retirement. The OPEB Policy is generally aligned with the policy governing the pension actuarial valuation and related actuarial review process. In accordance with the OPEB Policy, LACERA engages an independent actuarial consulting firm, Milliman, to perform the annual OPEB valuation and a triennial investigation of experience (experience study) of the retiree medical, dental/vision, and death benefits. A separate independent consulting actuarial firm, CavMac, reviews both the OPEB valuation and experience study every three years.

The OPEB actuarial valuations are performed to review program funding metrics and to comply with financial statement reporting guidelines that apply to participating employers, which include the County of Los Angeles (County), the Los Angeles County Superior Court (Superior Court), LACERA, and outside districts.[1]

Agent Plan Structure

Under an agent plan structure, each participating employer is responsible for its proportionate share of OPEB liabilities. This approach enables a more precise allocation of unfunded actuarial accrued liabilities by reflecting each employer's specific assets, demographic experience, and actuarial assumptions, including the applicable investment rate of return.

Agents prefunding through the OPEB Trust use the Trust's expected investment return, while agents not prefunding use the County's general fund's expected investment return. However, OPEB specific demographic assumptions such as initial enrollment, medical plan and tier selection, spouse age difference, and reenrollment assumptions are combined across all 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:

- Total OPEB Trust — Los Angeles County, Superior Court, and LACERA
- Total OPEB Program — Los Angeles County, Superior Court, LACERA, and outside districts[1]

The total OPEB Program agent grouping is used to disclose the aggregate amounts throughout the Actuarial Section.

Contributions and Prefunding Commitment

The County satisfies its retiree healthcare premium subsidy obligations on a pay-as-you-go basis. LACERA bills monthly healthcare premiums to the County, Superior Court, outside districts, and members. Members pay the portion of the premium not covered by the employer-paid subsidy. Healthcare premiums include a monthly administrative fee paid to LACERA to cover the OPEB Program administration costs. During the 2026 fiscal year, healthcare premium obligations were paid by participating employers on a monthly pay-as-you-go basis. Although certain healthcare benefit payments and premium disbursements were reported as OPEB Trust expenditures for financial reporting purposes, no payments were made directly from OPEB Trust.

[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)

In June 2015, the County Board of Supervisors approved a countywide budget with a dedicated, multiyear funding commitment for the OPEB liability to enhance the County's OPEB Trust balances in a consistent manner. This funding commitment provides prefunding goals and reflects the County's prioritization on making long-term OPEB contributions. The County, Superior Court, and LACERA prefund these obligations by making regular contributions into an irrevocable OPEB trust. Plan sponsors may provide updated funding projections annually, including a five-year forecast. Milliman reviewed the adequacy of these funding policies and confirmed they comply with Actuarial Standards of Practice (ASOP) Number 6.

Annual Actuarial Valuation and Triennial Experience Study
The OPEB Policy requires annual actuarial valuations and a triennial review of the reasonableness of the economic and demographic assumptions. Milliman performed the latest OPEB valuation as of July 1, 2025, incorporating results from the 2022 Pension Plan Experience Study and a separate 2023 OPEB Program Experience Study approved by the Board of Retirement in July 2024.

Where applicable, assumptions such as general wage growth and inflation assumptions used for the Pension Plan are carried over to the OPEB Program. OPEB-specific actuarial methods and assumptions are developed by the consulting actuary and adopted by the Board of Retirement to apply specifically to the OPEB Program.

The consulting actuary also recommended an OPEB-specific investment return assumption as the investment earnings for the OPEB valuation. Investment return assumptions for OPEB differ from those used for the Pension Plan. Expected investment earnings are based on either the County's general assets or the OPEB Trust, depending on the funding approach of each participating agent. OPEB Trust assets are invested in accordance with the OPEB Trust Investment Policy Statement adopted by the Board of Investments. Investment return assumptions and other OPEB-specific assumptions, including healthcare plan elections, benefit tier enrollment, and retirement of vested terminated members, were reviewed and updated as part of the 2023 OPEB Experience Study that was first applied to the OPEB valuation conducted as of July 1, 2023.

Triennial Actuarial Reviews
In accordance with the OPEB Policy, independent actuarial reviews of the OPEB valuation and experience study are conducted every three years. The reviewing actuary, CavMac, last performed reviews of Milliman's OPEB valuation and experience study as of July 1, 2023.

In the most recent triennial review of the OPEB valuation and experience study, CavMac concluded both were reasonable and accurate, performed by qualified actuaries, and conducted in accordance with the principles and practices prescribed by the Actuarial Standards Board.

Actuarial Cost Method
Effective with the July 1, 2018 OPEB Valuation, the actuarial cost method was changed to entry age as recommended by the consulting actuary. This method allocates the actuarial present value of the projected benefits for each individual as a level percentage of projected compensation from entry age to assumed exit. For members who transferred between retirement plans, entry age is based on original entry into the retirement system. This method is also required for financial reporting under GASB standards.

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 is included in this Actuarial Section.

Timing of Actuarial Valuation: LACERA discloses actuarial results based on the most recent completed valuation available at the time the financial statements are prepared. LACERA utilized the latest available valuation report as of July 1, 2025, since the valuation as of July 1, 2026 was not yet completed at the time the 2026 financial statements were prepared.

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 Benefits — OPEB Program
- Funded Liabilities by Type — 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 14 — OPEB Program for details regarding the program description and benefits.

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September 15, 2026

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, 2023	$23.46	$3.09	$20.37	17.10%
July 1, 2024	$24.74	$3.98	$20.76	16.93%
July 1, 2025	$26.88	$5.03	$21.85	17.02%

* Actuarially Determined Contribution (ADC) based on GASB 74/75 terminology.

The County's Board of Supervisors affirmed its support for pre-funding its OPEB liabilities by providing specific initial appropriations to the OPEB Trust. Since the July 1, 2012, Valuation, details of a long-term funding policy have been finalized. The funding policy provides for steady increases in contributions each year with the ultimate goal of making contributions equal to the ADC. The July 1, 2014, July 1, 2016, and annual OPEB Valuations thereafter include assets invested in the OPEB Trust.

Milliman has developed certain models to estimate the values included in these valuations. The intent of the models was to estimate the assumed investment earnings, analysis of OPEB demographic assumptions, retiree health claim costs, and annual trends for retiree health benefits. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP). The models, 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, 2025, 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, 2025, 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, 2024, 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, 2025, OPEB valuation. Assumptions unique to OPEB were identified and evaluated in Milliman's 2023 OPEB investigation of experience study report as of July 1, 2023, 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, 2025, 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, 2025, OPEB funding valuation and the forthcoming June 30, 2027, GASB 75 disclosure reports are for purposes of fulfilling financial accounting requirements for LACERA's employers. The liabilities in the July 1, 2025, 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. We consider the assumptions and methods used for funding purposes to meet the guidelines set forth in the relevant ASOPs. 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:

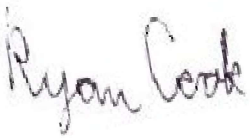
1. Retirees and Beneficiaries Added to and Removed from Benefits – OPEB Program
2. Actuarial Analysis of Financial Experience – OPEB Program
3. Funded Liabilities by Type – OPEB Program
4. Schedule of Funding Progress – OPEB Program

LACERA staff prepared the information in Note 14-OPEB Program, of the Financial Section and the Required Supplementary Information, based on information supplied in prior actuarial reports and our July 1, 2025, OPEB actuarial funding valuation. Milliman has reviewed the information in Note 14 for accuracy.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, the July 1, 2025, 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 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, 2025, 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

Ryan J. Cook, FSA, EA, CERA, MAAA
Consulting Actuary

RLS/RJC/gr

Summary of Actuarial Methods and Assumptions — OPEB Program

Overview and Recent Changes

The actuarial methods and assumptions used to determine OPEB liabilities are based on recommendations provided by Milliman, the consulting actuary, and adoption by the Boards in the following reports:

- 2023 OPEB Experience Study, adopted by the LACERA Board of Retirement in July 2024.
- 2022 Pension Experience Study, adopted by the LACERA Board of Investments in December 2022.
- July 1, 2025 OPEB Valuation, adopted by the LACERA Board of Retirement in March 2026.

The July 1, 2025 OPEB Valuation incorporates updated healthcare claim cost and healthcare trend assumptions based on current market data, as well as premium rates effective July 1, 2025.

The table below summarizes actuarial methods and key demographic and economic assumptions used by LACERA's consulting actuary in preparing the OPEB Program actuarial valuation, together with a description of how each method or assumption is applied in measuring LACERA's OPEB obligations.

Actuarial Methods

Method	Application
Actuarial Cost	*Entry Age* The actuarial present value of the projected benefits is allocated as a percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age). The portion of the actuarial present value allocated to each year is called the Normal Cost. The portion of this actuarial present value not provided for by the sum of assets and future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL), which is amortized as a level percentage of the projected salaries of the present and future active members over a rolling 30-year period.
Actuarial Asset Valuation	Fair value of OPEB Trust assets as of the valuation date.
Amortization	*30-Year Amortization* Level percentage of projected salaries of 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.

Economic Assumptions

Assumption	Application			
Investment Return	Annual rate of 6.25% for prefunding agents and 3.50% for non-prefunding agents			
Inflation Rate	Annual rate of 2.75%			
Healthcare Cost Trend	*Various Rates* The projected increase in per person healthcare costs from one year to the next.			
		FY 2026 to FY 2027	**FY 2027 to FY 2028**	**Ultimate (Grading from June 30, 2026 to June 30, 2107)**
	LACERA Medical Under 65	6.70%	6.20%	4.20%
	LACERA Medical Over 65	7.00%	6.40%	4.20%
	Part B Premiums	10.90%	5.80%	4.30%
	Dental/Vision	3.00%	3.00%	3.70%
	Weighted Average Trend	7.18%	6.06%	4.22%
Claim Costs	*Costs Vary By Program Tier* Claim cost data is reviewed for all members together and updated each year. The claim cost assumptions differ between Tier 1 (hired before July 1, 2014) and Tier 2 (hired after June 30, 2014) because each tier has different maximum employer contributions, which impacts plan election choices. No extra adjustment is made for members who might use more or less healthcare, since this is already reflected in the insured premium rates. Refer to Table A-21 of the July 1, 2025 OPEB Valuation report for more details.			

Demographic Assumptions

Assumption	Application
Participation Rates	Participation assumptions—including acceptance/election rates for retirees and dependents, and plan/tier selections—are based on observed rates at which eligible retirees and dependents elect medical and dental/vision coverage at retirement, and their selection of plan/tier coverage. The specific rates and methodology are detailed in the 2025 OPEB Valuation report. Milliman's reports do not explicitly discuss the lapse and reenrollment assumptions, as participants are assumed to maintain coverage for life. See tables A-14 to A-19 of the 2025 OPEB Valuation report for additional detail.
Retiree Contributions	*Varies by Tier and Coverage Level* Retiree contributions are assumed to be the difference between the medical/dental premium and the County subsidy, as determined by plan provisions and years of service. For Tier 1, the County subsidy is based on the retiree's (and eligible dependent(s), if applicable) selected medical tier; for Tier 2, it is based on retiree-only coverage. The County subsidy is limited to the benchmark plan rate. See Appendix A of the 2025 OPEB Valuation report for additional detail.
Retirement	*Minimum Retirement Ages by Plan* General Plans A through D: Age 50 with 10 years of service; any age with 30 years of service; or age 70, regardless of the number of years of service. General Plan G: Age 52 with 5 years of service; or age 70, regardless of the number of years of service. General Plan E: Age 55 with 10 years of service. Safety Plans A and B: Age 50 with 10 years of service; or any age with 20 years of service. Safety Plan C: Age 50 with 5 years of County service.
Expectation of Life After Retirement[1,2]	*Mortality Tables for Public Employees* The same rates apply to retirees and beneficiaries. Future beneficiaries are assumed to have the same mortality as a general member of the opposite gender. **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%, with MP-2021 Ultimate Projection Scale. **Females**: **General Members**: PubG-2010 Healthy Retiree Mortality Table for Females multiplied by 110%, 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* **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.
Other Employment Termination	*Withdrawal of Contributions and Probability of Occurrence* All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately. The retirement and withdrawal probabilities are based on Retirement Benefits Plan assumptions and apply to the OPEB participant population.

[1]The Pub-2010 mortality tables were published by the Society of Actuaries' (SOA) 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 from 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) are 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.

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, 2025	**$5,036,000**	**$26,884,000**	**$21,848,000**	**18.7%**	**$12,020,457**	**181.8%**
July 1, 2024	3,977,900	24,735,600	20,757,700	16.1%	11,275,698	184.1%
July 1, 2023	3,091,800	23,459,700	20,367,900	13.2%	10,772,896	189.1%
July 1, 2022	2,394,100	23,097,800	20,703,700	10.4%	10,269,429	201.6%
July 1, 2021	2,306,800	21,157,400	18,850,600	10.9%	10,065,113	187.3%
July 1, 2020	1,492,600	21,302,700	19,810,100	7.0%	9,813,912	201.9%
July 1, 2019	1,238,480	20,752,600	19,514,120	6.0%	9,471,632	206.0%
July 1, 2018[1]	941,010	21,066,800	20,125,790	4.5%	8,954,417	224.8%
July 1, 2017[2]	742,900	26,300,800	25,557,900	2.8%	$8,544,140	299.1%
July 1, 2016	560,800	25,912,600	25,351,800	2.2%	N/A	N/A

[1]Effective with the July 1, 2018 OPEB valuation, the actuarial cost method used to project the AAL changed to entry age from projected unit credit.

[2]The resulting July 1, 2017 OPEB valuation report was the first annual (versus biennial) valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Active Member Valuation Data — OPEB Program

Valuation Date	Plan Type	Number of Participating Employers	Member Count[1]	Annual Salary	Average Annual Salary	Percentage Increase/(Decrease) in Average Salary
	General		**87,573**	**$8,807,438,280**	**$100,573**	**3.88%**
	Safety		**12,174**	**1,714,438,284**	**140,828**	**3.35%**
July 1, 2025	**Total**	**7**	**99,747**	**10,521,876,564**	**105,486**	**3.65%**
	General		86,241	8,349,401,496	96,815	4.07%
	Safety		12,404	1,690,240,560	136,266	2.08%
July 1, 2024	Total	7	98,645	10,039,642,056	101,775	3.54%
	General		84,254	7,838,142,012	93,030	6.15%
	Safety		12,603	1,682,389,368	133,491	5.44%
July 1, 2023	Total	7	96,857	9,520,531,380	98,295	5.89%
	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	7	96,490	8,956,608,240	92,824	1.22%
	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	7	99,044	9,082,845,636	91,705	4.61%
	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	7	100,051	8,770,992,804	87,665	4.08%
	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	7	99,128	8,349,703,752	84,232	2.90%
	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	7	98,415	8,056,103,532	81,858	3.65%
	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	7	97,149	7,672,184,316	78,973	3.39%
	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	7	95,295	$7,279,169,256	$76,386	4.80%

[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 active Pension Plan members who receive retiree healthcare benefits from their retired LACERA member spouse and forego their active membership healthcare benefits.

[2]Beginning in 2017, the OPEB valuation report changed to an annual (versus biennial) valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy, 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, 2025	**3,102**	**$98,419**	**(2,233)**	**($28,725)**	**60,894**	**$930,880**	**8.09 %**	**$15,287**
July 1, 2024	3,454	103,784	(2,211)	(29,347)	60,025	861,186	9.46 %	14,347
July 1, 2023	3,316	75,746	(2,303)	(28,725)	58,782	786,749	6.36 %	13,384
July 1, 2022	3,815	42,812	(2,331)	(27,823)	57,769	739,728	2.07 %	12,805
July 1, 2021	3,431	53,821	(2,353)	(28,386)	56,285	724,739	3.64 %	12,876
July 1, 2020	3,216	53,933	(2,077)	(23,865)	55,207	699,304	4.49 %	12,667
July 1, 2019	3,259	71,970	(1,996)	(22,487)	54,068	669,236	7.98 %	12,378
July 1, 2018	3,028	61,697	(1,977)	(20,530)	52,805	619,753	7.12 %	11,737
July 1, 2017[2]	3,229	41,266	(1,839)	(18,052)	51,754	578,586	4.18 %	11,180
July 1, 2016	5,710	103,373	(3,514)	(30,745)	50,364	555,372	15.04 %	11,027

[1]Includes changes for continuing retirees and beneficiaries.

[2]Beginning in 2017, the OPEB valuation report changed to an annual (versus biennial) valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

Funded Liabilities by Type — OPEB Program

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) for			Actuarial Value of Valuation Assets	Portion of AAL Covered by Assets		
	(A) Active Member Contributions	(B) Retirees and Beneficiaries[1]	(C) Active Members (Employer Financed Portion)		(A) Active	(B) Retired	(C) Employer
July 1, 2025	**$—**	**$14,071**	**$12,813**	**$5,036**	**N/A**	**36%**	**— %**
July 1, 2024	—	12,880	11,856	3,978	N/A	31%	— %
July 1, 2023	—	12,083	11,377	3,092	N/A	26%	— %
July 1, 2022	—	11,543	11,555	2,394	N/A	21%	— %
July 1, 2021	—	10,751	10,406	2,307	N/A	21%	— %
July 1, 2020	—	10,597	10,706	1,493	N/A	14%	— %
July 1, 2019	—	10,260	10,493	1,239	N/A	12%	— %
July 1, 2018	—	10,108	10,959	941	N/A	9%	— %
July 1, 2017[2]	—	11,640	14,661	743	N/A	6%	— %
July 1, 2016	—	11,365	14,548	561	N/A	5%	— %

[1]Includes members who are vested (deferred).

[2]Beginning in 2017, the OPEB valuation report changed to an annual (versus biennial) valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy, 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									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019[1]**	**2018**	**2017[2]**	**2016**
Prior Unfunded Actuarial Accrued Liability	**$20,758**	$20,368	$20,704	$18,851	$19,810	$19,514	$20,126	$25,558	$25,352	$28,063
Expected Increase/(Decrease) from Prior Valuation	**457**	550	624	621	747	911	1,005	1,170	1,462	3,240
Claim Costs Greater/(Less) than Expected[3]	**1,060**	132	93	287	(1,202)	(1,000)	(1,589)	(1,067)	(1,213)	(2,322)
Change in Assumptions[4]	**—**	—	(919)	567	—	314	(35)	(6,936)	—	(3,385)
Asset Return Less/(Greater) than Expected	**(205)**	(159)	(89)	438	(352)	76	1	(28)	(54)	78
All Other Experience[5]	**(222)**	(133)	(45)	(60)	(152)	(5)	6	1,429	11	(322)
Ending Unfunded Actuarial Accrued Liability	**$21,848**	$20,758	$20,368	$20,704	$18,851	$19,810	$19,514	$20,126	$25,558	$25,352

[1]Beginning with the 2019 report, subsequent OPEB valuation reports exclude the excise tax.

[2]Beginning in 2017, the OPEB valuation report changed to an annual (versus biennial) valuation prepared in accordance with the Board of Retirement's OPEB Actuarial Valuation and Audit Policy, to meet the plan sponsors' GASB Statement Number 75 financial statement reporting requirements.

[3]Includes the medical healthcare claim cost trend assumption change.

[4]In 2016, this amount includes the impact from implementing the Tier 2 Retiree Healthcare Benefits Program.

[5]In 2018, this amount is primarily due to the impact of the excise tax.

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STATISTICAL SECTION
(UNAUDITED)

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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, OPEB Program and discretionary benefits administered by LACERA as of the fiscal year-end. Statistical data is maintained within the member services platform—a sophisticated and proprietary member management system in which LACERA actively maintains member-specific data, 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 employers and 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.

Changes in Fiduciary Net Position — Pension Plan

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Additions										
Employer Contributions	**$2,723,236**	$2,670,874	$2,509,071	$2,301,706	$2,199,889	$2,012,877	$1,800,137	$1,668,151	$1,524,823	$1,331,359
Member Contributions	**949,373**	919,148	861,042	793,244	758,632	760,994	659,296	635,415	591,262	526,579
Net Investment Income/ (Loss)	**9,809,919**	8,292,240	6,611,984	4,856,286	(1,540,145)	15,629,915	1,445,877	3,175,723	4,716,640	6,129,300
Other	**5,913**	6,770	5,334	5,009	4,117	2,928	2,383	5,958	5,613	6,370
Total Additions	**13,488,441**	11,889,032	9,987,431	7,956,245	1,422,493	18,406,714	3,907,693	5,485,247	6,838,338	7,993,608
Deductions										
Total Benefit Expenses[1]	**5,050,993**	4,776,110	4,518,137	4,281,363	4,044,567	3,814,262	3,606,340	3,407,154	3,203,375	3,029,633
Administrative Expenses	**128,566**	127,185	118,628	112,150	100,121	90,586	85,384	82,906	78,181	66,830
Other	**595**	344	327	458	219	248	397	333	451	188
Total Deductions	**5,180,154**	4,903,639	4,637,092	4,393,971	4,144,907	3,905,096	3,692,121	3,490,393	3,282,007	3,096,651
Net Increase/(Decrease) in Fiduciary Net Position	**$8,308,287**	$6,985,393	$5,350,339	$3,562,274	($2,722,414)	$14,501,618	$215,572	$1,994,854	$3,556,331	$4,896,957

[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)

	2026	2025[1]	2024	2023	2022	2021	2020	2019	2018	2017
Additions										
Employer Contributions	**$1,618,931**	$1,470,274	$1,316,128	$1,196,205	$1,097,284	$1,057,366	$907,521	$863,452	$706,709	$645,381
Member Contributions	**60,038**	55,111	—	—	—	—	—	—	—	—
Net Investment Income/ (Loss)	**768,103**	485,243	368,411	247,488	(288,500)	452,122	6,171	62,116	78,746	94,505
Other	**(2,703)**	(6,104)	—	—	—	—	—	—	—	2
Total Additions	**2,444,369**	2,004,524	1,684,539	1,443,693	808,784	1,509,488	913,692	925,568	785,455	739,888
Deductions										
Benefit Payments	**1,006,775**	926,837	797,431	745,013	720,910	694,665	659,295	627,839	583,406	557,381
Administrative Expenses	**13,353**	13,467	1,077	942	599	584	246	234	190	374
Redemptions	**—**	—	—	—	—	40	**—**	25	3,735	**—**
Other	**3**	—	—	—	—	—	—	—	—	—
Total Deductions	**1,020,131**	940,304	798,508	745,955	721,509	695,289	659,541	628,098	587,331	557,755
Net Increase in Fiduciary Net Position	**$1,424,238**	$1,064,220	$886,031	$697,738	$87,275	$814,199	$254,151	$297,470	$198,124	$182,133

[1]Beginning fiscal year 2025, a change in presentation was made to restate the classification of OPEB Trust employer activity from the OPEB Custodial Fund. Amounts prior to 2025 were not revised, as they were deemed not practicable to remediate.

Pension Benefit Expenses by Type

For the Last 10 Fiscal Years Ended June 30

(Dollars in Thousands)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Service Retiree Payroll										
General	**$3,027,584**	$2,856,900	$2,699,607	$2,560,490	$2,419,417	$2,291,480	$2,174,355	$2,060,365	$1,946,614	$1,845,791
Safety	**687,626**	668,248	645,670	630,916	602,547	574,362	543,901	507,909	478,802	445,473
Subtotal	**3,715,210**	3,525,148	3,345,277	3,191,406	3,021,964	2,865,842	2,718,256	2,568,274	2,425,416	2,291,264
Disability Retiree Payroll										
General	**234,025**	221,728	213,683	205,748	201,231	195,818	190,386	186,120	177,879	173,550
Safety	**1,056,993**	983,960	911,139	837,446	779,078	723,948	670,237	621,358	574,431	538,116
Subtotal	**1,291,018**	1,205,688	1,124,822	1,043,194	980,309	919,766	860,623	807,478	752,310	711,666
Total Retiree Payroll										
General	**3,261,609**	3,078,628	2,913,290	2,766,238	2,620,648	2,487,298	2,364,741	2,246,485	2,124,493	2,019,341
Safety	**1,744,619**	1,652,208	1,556,809	1,468,362	1,381,625	1,298,310	1,214,138	1,129,267	1,053,233	983,589
Subtotal	**5,006,228**	4,730,836	4,470,099	4,234,600	4,002,273	3,785,608	3,578,879	3,375,752	3,177,726	3,002,930
Refunds										
General	**35,597**	35,482	38,631	36,968	32,470	21,622	22,418	27,096	20,782	21,970
Safety	**5,233**	6,309	5,035	6,444	5,619	2,890	2,813	1,595	2,439	2,482
Subtotal	**40,830**	41,791	43,666	43,412	38,089	24,512	25,231	28,691	23,221	24,452
Lump-Sum Death Benefits	**3,935**	3,483	4,372	3,351	4,205	4,142	2,230	2,711	2,428	2,251
Total Benefit Expenses	**$5,050,993**	**$4,776,110**	**$4,518,137**	**$4,281,363**	**$4,044,567**	**$3,814,262**	**$3,606,340**	**$3,407,154**	**$3,203,375**	**$3,029,633**

Non-Retired Membership

For the Last 10 Fiscal Years Ended June 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Active Vested										
General	**64,114**	65,279	65,479	65,414	64,875	64,622	63,647	62,589	61,734	61,608
Safety	**10,071**	10,151	9,948	9,974	9,921	9,812	9,875	10,071	10,286	10,429
Subtotal	**74,185**	75,430	75,427	75,388	74,796	74,434	73,522	72,660	72,020	72,037
Active Non-Vested										
General	**23,116**	22,333	20,810	18,894	18,826	21,355	23,289	23,811	23,975	22,915
Safety	**2,056**	2,026	2,463	2,635	2,930	3,329	3,304	2,725	2,489	2,269
Subtotal	**25,172**	24,359	23,273	21,529	21,756	24,684	26,593	26,536	26,464	25,184
Inactive[1]										
General	**20,600**	20,407	19,761	18,994	17,761	15,996	15,133	15,567	7,856	7,752
Safety	**1,589**	1,562	1,500	1,420	1,286	1,125	1,041	610	603	589
Subtotal	**22,189**	21,969	21,261	20,414	19,047	17,121	16,174	16,177	8,459	8,341
Total Non-Retired Membership	**121,546**	**121,758**	**119,961**	**117,331**	**115,599**	**116,239**	**116,289**	**115,373**	**106,943**	**105,562**

[1]Effective with fiscal year ended June 30, 2019 and going forward, Inactive includes both vested (deferred) and non-vested members.

Retired Members by Type of Pension Benefit

As of June 30, 2026

Monthly Benefit Amount	Retired Members	Type of Retirement[1]			Retirement Option Selected[2]					
		A	B	C	Unmodified	Unmodified Plus	Option 1	Option 2	Option 3	Option 4
$1 — $1,000	11,948	7,773	679	3,496	9,732	982	81	463	123	567
1,001 — 2,000	13,755	9,354	1,542	2,859	11,380	1,400	100	334	124	417
2,001 — 3,000	12,421	9,096	1,760	1,565	10,413	1,270	86	167	91	394
3,001 — 4,000	9,914	7,692	1,267	955	8,304	1,046	54	102	59	349
4,001 — 5,000	7,438	5,974	919	545	6,072	925	35	58	45	303
5,001 — 6,000	5,438	4,321	739	378	4,449	716	26	34	25	188
6,001 — 7,000	4,000	3,209	579	212	3,171	606	18	25	9	171
> $7,000	14,101	9,383	4,213	505	10,625	2,582	38	38	44	774
	79,015	**56,802**	**11,698**	**10,515**	**64,146**	**9,527**	**438**	**1,221**	**520**	**3,163**

[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, 2026

	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	—	2	—	485	313	800
Anthem Blue Cross II	—	1	—	2,519	3,394	5,914
Anthem Blue Cross III	—	8,090	5,032	110	1,416	14,648
Anthem Blue Cross Prudent Buyer	—	—	386	26	280	692
Cigna Network Model Plan	—	—	—	—	265	265
Kaiser - California	—	—	—	3,647	2,647	6,294
Kaiser - Senior Advantage	12,826	6,707	31	1,631	476	21,671
Kaiser - Colorado	—	—	5	—	9	14
Kaiser - Georgia	—	—	—	25	4	29
Kaiser - Hawaii	—	—	7	—	5	12
Kaiser - Oregon	—	—	—	8	3	11
Kaiser - Washington	—	—	—	—	6	6
Firefighters Local 1014	—	—	—	581	1,935	2,516
SCAN Health Plan - Desert	29	14	—	—	—	43
SCAN Health Plan - California	362	155	—	—	—	517
SCAN Health Plan - Nevada	28	9	—	—	—	37
UnitedHealthcare	2,283	1,412	53	—	527	4,275
UnitedHealthcare Medicare Advantage (HMO)	—	2	—	541	787	1,330
Total Medical by Plan Type	**15,528**	**16,392**	**5,514**	**9,573**	**12,067**	**59,074**
Medical Plans by Retirement Type						
Service Retirees	12,288	12,914	4,388	6,823	7,496	43,909
Disability Retirees	854	1,521	925	1,395	4,275	8,970
Survivors	2,386	1,957	201	1,355	296	6,195
Total Medical by Retirement Type	**15,528**	**16,392**	**5,514**	**9,573**	**12,067**	**59,074**

	Dental/Vision Benefit Premium Amounts
	$1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	53,534
CIGNA HMO Dental/Vision	8,000
Total Dental/Vision by Plan Type	**61,534**
Dental/Vision Plans by Retirement Type	
Service Retirees	45,441
Disability Retirees	9,444
Survivors	6,649
Total Dental/Vision by Retirement Type	**61,534**

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+**
7/1/25 to 6/30/26						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,395	$1,840	$3,199	$4,245	$4,851	$7,327
Average Monthly Final Salary	$8,158	$7,260	$8,953	$9,335	$9,314	$10,594
Number of Retirees	168	311	374	402	748	1349
Safety Members						
Average Monthly Retirement Benefit	$2,636	$3,869	$5,126	$7,632	$10,858	$15,432
Average Monthly Final Salary	$11,336	$9,717	$11,603	$14,091	$15,944	$18,106
Number of Retirees	26	21	27	58	166	198
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,055	$1,372	$1,536	$1,947	$2,257	$3,246
Average Monthly Final Salary	$5,056	$6,151	$5,995	$6,068	$5,854	$7,283
Number of Survivors	24	59	58	79	80	230
Safety Members						
Average Monthly Retirement Benefit	$1,094	$2,664	$3,845	$3,138	$5,488	$7,092
Average Monthly Final Salary	$7,779	$7,944	$8,736	$6,908	$8,455	$9,093
Number of Survivors	3	4	6	11	18	63
7/1/24 to 6/30/25						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,072	$1,496	$2,871	$3,842	$4,622	$6,819
Average Monthly Final Salary	$7,341	$6,451	$7,989	$8,425	$8,873	$9,765
Number of Retirees	130	266	353	371	586	1315
Safety Members						
Average Monthly Retirement Benefit	$3,300	$4,334	$5,890	$8,567	$10,680	$15,148
Average Monthly Final Salary	$8,263	$10,772	$12,297	$14,584	$15,595	$17,926
Number of Retirees	14	21	48	57	180	212
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,019	$771	$1,265	$1,707	$2,107	$3,298
Average Monthly Final Salary	$6,258	$4,582	$5,256	$5,787	$5,745	$7,045
Number of Survivors	23	61	69	87	91	204
Safety Members						
Average Monthly Retirement Benefit	$3,500	$3,520	$1,618	$4,308	$3,852	$7,172
Average Monthly Final Salary	$6,244	$7,269	$9,769	$8,575	$7,592	$9,452
Number of Survivors	3	2	10	9	22	71

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+**
7/1/23 to 6/30/24						
Retirees						
General Members						
Average Monthly Retirement Benefit	$1,286	$1,747	$2,708	$3,759	$4,562	$6,712
Average Monthly Final Salary	$7,691	$7,614	$7,512	$8,241	$8,614	$9,793
Number of Retirees	122	212	326	381	490	1290
Safety Members						
Average Monthly Retirement Benefit	$2,361	$4,107	$5,447	$8,045	$10,736	$14,712
Average Monthly Final Salary	$9,741	$9,971	$11,833	$13,811	$15,492	$17,033
Number of Retirees	16	18	34	61	134	250
Survivors						
General Members						
Average Monthly Retirement Benefit	$1,165	$934	$1,563	$2,044	$2,357	$3,456
Average Monthly Final Salary	$6,451	$4,472	$6,899	$6,424	$6,211	$7,211
Number of Survivors	24	68	69	67	92	229
Safety Members						
Average Monthly Retirement Benefit	$2,047	$2,012	$2,424	$3,068	$4,929	$6,184
Average Monthly Final Salary	$6,798	$7,953	$9,992	$7,458	$7,991	$8,787
Number of Survivors	3	3	5	11	40	63
7/1/22 to 6/30/23						
Retirees						
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 Retirees	138	249	346	387	400	1129
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 Retirees	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 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 Survivors	2	5	7	14	26	62

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						
Retirees						
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 Retirees	138	322	347	497	479	1499
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 Retirees	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 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 Survivors	3	11	5	11	33	54
7/1/20 to 6/30/21						
Retirees						
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 Retirees	125	335	293	346	432	1250
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 Retirees	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 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 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+**
7/1/19 to 6/30/20						
Retirees						
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 Retirees	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 Retirees	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 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 Survivors	7	9	10	16	31	63
7/1/18 to 6/30/19						
Retirees						
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 Retirees	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 Retirees	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 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 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+**
7/1/17 to 6/30/18						
Retirees						
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 Retirees	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 Retirees	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 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 Survivors	7	8	5	7	18	31
7/1/16 to 6/30/17						
Retirees						
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 Retirees	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 Retirees	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 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 Survivors	3	5	9	7	16	36

Active Members of Participating Pension Employers

For the Last 10 Fiscal Years Ended June 30

	2026		2025		2024		2023		2022	
Active Pension Membership	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
County of Los Angeles										
General Members	**87,223**	**87.787 %**	87,605	87.790 %	86,282	87.418 %	84,301	86.983 %	83,695	86.684 %
Safety Members	**12,127**	**12.205 %**	12,177	12.203 %	12,411	12.574 %	12,609	13.010 %	12,851	13.310 %
Subtotal	**99,350**	**99.993 %**	99,782	99.993 %	98,693	99.993 %	96,910	99.993 %	96,546	99.994 %
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	**—**	**— %**	—	— %	—	— %	—	— %	—	— %
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 %**	6	0.006 %	6	0.006 %	6	0.006 %	5	0.005 %
Subtotal	**7**	**0.007 %**	7	0.007 %	7	0.007 %	7	0.007 %	6	0.006 %
Total Active Membership[1]										
General Members	**87,230**	**87.795 %**	87,612	87.797 %	86,289	87.426 %	84,308	86.990 %	83,701	86.690 %
Safety Members	**12,127**	**12.205 %**	12,177	12.203 %	12,411	12.574 %	12,609	13.010 %	12,851	13.310 %
Total	**99,357**	**100.000 %**	99,789	100.000 %	98,700	100.000 %	96,917	100.000 %	96,552	100.000 %

[1]Active Membership excludes inactive members, who are vested (deferred) and non-vested members.

Active Members of Participating Pension Employers (continued)

For the Last 10 Fiscal Years Ended June 30

	2021		2020		2019		2018		2017	
Active Pension Membership	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
County of Los Angeles										
General Members	85,970	86.735%	86,929	86.829%	86,392	87.092%	85,701	87.020%	84,515	86.931%
Safety Members	13,141	13.258%	13,179	13.164%	12,796	12.900%	12,775	12.972%	12,698	13.061%
Subtotal	99,111	99.993%	100,108	99.993%	99,188	99.992%	98,476	99.992%	97,213	99.992%
Participating Agencies (General Membership)										
South Coast Air Quality Mgmt. District	—	—%	—	—%	—	—%	—	0.000%	1	0.001%
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%	6	0.006%	7	0.007%	7	0.007%	6	0.006%
Subtotal	7	0.007%	7	0.007%	8	0.008%	8	0.008%	8	0.008%
Total Active Membership[1]										
General Members	85,977	86.742%	86,936	86.836%	86,400	87.100%	85,709	87.028%	84,523	86.939%
Safety Members	13,141	13.258%	13,179	13.164%	12,796	12.900%	12,775	12.972%	12,698	13.061%
Total	**99,118**	**100.000%**	**100,115**	**100.000%**	**99,196**	**100.000%**	**98,484**	**100.000%**	**97,221**	**100.000%**

[1]Active Membership excludes inactive members, who are vested (deferred) and non-vested members.

Retired Members of Participating OPEB Employers

For the Last 10 Fiscal Years Ended June 30

County of Los Angeles and Participating Agencies	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Medical										
County	**56,006**	54,544	53,556	52,620	51,415	50,268	49,705	48,679	47,584	46,409
LACERA	**211**	191	190	182	173	165	156	147	136	130
Superior Court	**2,804**	2,659	2,555	2,485	2,404	2,318	2,381	2,292	2,228	2,167
Local Agency Formation Commission for the County of Los Angeles	**5**	5	5	5	5	5	6	5	5	6
Little Lake Cemetery District	**1**	1	1	1	1	2	2	2	2	2
South Coast Air Quality Mgmt. District	**39**	45	49	57	59	65	73	76	82	83
Los Angeles County Office of Education	**8**	8	9	9	8	9	13	15	15	15
Total Medical	**59,074**	**57,453**	**56,365**	**55,359**	**54,065**	**52,832**	**52,336**	**51,216**	**50,052**	**48,812**
Dental/Vision										
County	**58,371**	56,775	55,627	54,457	53,059	51,655	51,034	49,919	48,731	47,471
LACERA	**213**	192	192	182	174	165	158	150	136	129
Superior Court	**2,901**	2,757	2,645	2,563	2,469	2,366	2,427	2,339	2,263	2,190
Local Agency Formation Commission for the County of Los Angeles	**5**	5	5	5	5	5	6	5	5	6
Little Lake Cemetery District	**2**	2	2	3	3	3	3	3	3	3
South Coast Air Quality Mgmt. District	**34**	40	44	52	53	59	66	70	73	77
Los Angeles County Office of Education	**8**	8	9	9	9	9	11	13	14	14
Total Dental/Vision	**61,534**	**59,779**	**58,524**	**57,271**	**55,772**	**54,262**	**53,705**	**52,499**	**51,225**	**49,890**

Employer Contribution Rates: County of Los Angeles, Superior Court, and LACERA

For the Last 10 Years

	General Members						Safety Members		
Effective[1]	Plan A	Plan B	Plan C	Plan D	Plan E	Plan G	Plan A	Plan B	Plan C
FY 2025-2026	**30.61%**	**26.37%**	**22.47%**	**24.01%**	**25.58%**	**24.03%**	**33.02%**	**36.01%**	**29.87%**
FY 2024-2025 [2]	32.11%	26.12%	22.61%	24.23%	25.89%	24.15%	33.23%	36.22%	29.84%
FY 2023-2024 [2]	31.52%	25.79%	22.45%	24.16%	25.74%	23.96%	42.18%	36.31%	29.48%
FY 2022-2023	31.11%	24.13%	21.23%	22.75%	24.30%	22.66%	39.93%	34.79%	27.91%
FY 2021-2022 [2]	31.40%	24.16%	21.39%	22.94%	24.49%	22.85%	40.12%	34.59%	28.17%
FY 2020-2021 [2]	29.59%	21.13%	19.72%	20.94%	22.47%	20.84%	38.10%	31.99%	26.27%
FY 2019-2020 [2]	27.81%	19.33%	18.33%	19.42%	20.79%	19.42%	35.32%	29.30%	24.68%
FY 2018-2019 [2]	26.94%	18.04%	16.85%	18.51%	19.84%	18.53%	34.11%	28.36%	23.97%
FY 2017-2018 [2]	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%	34.45%	27.75%	23.73%
FY 2016-2017	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%	32.25%	25.94%	21.93%

[1]Contribution rates are scheduled to be effective for the fiscal year July 1 to June 30. Sections 31454 and 31454.7 of CERL require the County Board of Supervisors to adjust contribution rates in accordance with LACERA's recommendations no later than 90 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 fiscal year.

[2]Contribution rates were made effective with the September 16-30 payroll cycle.

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[3]	Plan D	Plan E	Plan G
FY 2025-2026	**24.01%**	—%	**24.03%**
FY 2024-2025	24.23%	—%	24.15%
FY 2023-2024	24.16%	—%	23.96%
FY 2022-2023	22.75%	—%	22.66%
FY 2021-2022 [4]	22.94%	—%	22.85%
FY 2020-2021 [4]	20.94%	—%	20.84%
FY 2019-2020 [4]	19.42%	—%	19.42%
FY 2018-2019 [4]	18.51%	—%	18.53%
FY 2017-2018 [4]	18.17%	—%	18.04%
FY 2016-2017	16.19%	17.49%	16.07%

[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. Sections 31454 and 31454.7 of CERL require the contribution rates of outside districts to be adjusted in accordance with LACERA's recommendations no later than 90 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.

[4]Contribution rates were made effective with the September 16-30 payroll cycle.

LACERA

October 27, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Kristina Sun KS
Interim Principal Internal Auditor

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Human Resources Needs Assessment Advisory Engagement**

RECOMMENDATION
In accordance with your current ACRE Committee Charter, staff recommends that the ACRE Committee review and discuss the following memo 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 memo, and/or
4. Provide further instruction to staff.

PURPOSE
This memorandum provides the ACRE Committee with an update on the completion of the Human Resources Division (HR) Needs Assessment advisory engagement and management's ongoing efforts to evaluate and address the key findings.

BACKGROUND
Internal Audit initiated the HR Needs Assessment as an advisory engagement as part of the Fiscal Year (FY) 2026 Audit Plan to evaluate HR's organizational capabilities, resource needs, processes, and service delivery and identify opportunities to strengthen HR operations and alignment with LACERA's organizational needs and priorities. Internal Audit retained Liebert Cassidy Whitmore (LCW) to provide independent external human resources and employment-related subject-matter expertise. Throughout the engagement, Internal Audit coordinated with HR and LCW, facilitated stakeholder participation, provided organizational context, and monitored the engagement's progress and alignment with its objectives. The assessment incorporated stakeholder input and a review of relevant organizational information and practices.

ENGAGEMENT RESULTS

LCW completed the HR Needs Assessment in September 2026. Overall, the assessment found that HR has a capable, experienced, and dedicated workforce, is generally appropriately staffed, and has an organizational structure that is fundamentally sound. The principal opportunities identified relate to management structure, delegation of authority, process design, communication, accountability, technology, and how work moves through the organization. At a high level, the assessment identified the following key themes:

1. **Organizational Structure and Leadership:** While HR's overall organizational structure and staffing levels were found to be generally appropriate, the assessment identified opportunities related to management structure, delegation of authority, strategic communication, and accountability.
2. **Recruitment and Vacancy Management:** Recruitment was the most frequently cited area of concern. The assessment identified approval points and procedural requirements that can contribute to lengthy recruitment cycles. It also noted that not all prolonged vacancies are attributable to HR.
3. **Workforce Development and Succession Planning:** The assessment identified opportunities to further develop the Employee and Organizational Development (EOD) Unit as a strategic resource supporting leadership development, workforce capability, and succession planning. It also identified succession planning and preservation of specialized institutional knowledge as areas requiring attention.
4. **Technology, Data, and Continuous Improvement:** The assessment noted progress in HR's use of existing technology while identifying opportunities to further leverage technology, automation, workforce analytics, and performance measures to modernize HR and support continuous process improvement.
5. **Organization-Wide Coordination:** The assessment noted that several improvement opportunities extend beyond HR and that successful implementation will require coordination among the Executive Office, HR, operating departments, and other organizational stakeholders, as appropriate.

The engagement resulted in providing LACERA with a road map on how to modernize HR to be a strategic business partner. LCW noted that many recommendations can be implemented through process improvement rather than through significant additional staffing.

MANAGEMENT RESPONSE AND NEXT STEPS

The Executive Office, in coordination with HR, is evaluating the assessment results and determining appropriate priorities and responsive actions. Responsibility for determining the specific actions, sequencing, resources, and implementation approach remains with Chief Administrative Officer. Based on discussions with LCW, LACERA identified four stages: foundational actions; modernization improvements; institutionalization of longer-term strategic HR practices; and ongoing continuous improvement.

CONCLUSION

The completion of the HR Needs Assessment provides management with a framework to support the continued enhancement of HR operations and services. The assessment characterized the opportunity for continuous improvement as broader than HR alone. LCW noted that successful implementation will require coordinated action and shared accountability among HR, the Executive Office, operating departments, and other organizational stakeholders.

LACERA

October 21, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Delfino Aguilar DA
Interim Principal Internal Auditor

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Unclaimed Accounts Audit**

RECOMMENDATION

In accordance with your current ACRE Committee Charter, staff recommends that the ACRE Committee review and discuss the following engagement report to 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 audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

Unclaimed Accounts Audit
(Report Issued on October 21, 2026)

Attachments:

A. Unclaimed Accounts Audit Report
B. Unclaimed Accounts Audit Presentation

DA

LACERA INTERNAL AUDIT DIVISION

Unclaimed Accounts Audit

AUDIT PERFORMED BY:

DELFINO AGUILAR, CPA, CIA
INTERIM PRINCIPAL INTERNAL AUDITOR

October 21, 2026

AUDIT REPORT

Audit Name	Unclaimed Accounts
Responsible Division	Benefits
Audit Rating *	Opportunities for Improvement
Prior Audit Rating *	Opportunities for Improvement
Prior Report Date	November 20, 2013

BACKGROUND

Per LACERA's Business Rule Updates (BRU), Unclaimed Accounts are funds that have been undistributed, undeliverable, or unclaimed by the member and/or their beneficiaries for more than 90 days. After the 90-day period, the funds and accounts are locked to prevent unauthorized activity on the accounts. The Benefits Division Manager and the Special Benefits Services Section Head are authorized to unlock the accounts.

Unclaimed accounts generally arise in two circumstances:

- The member is deceased or cannot be contacted; or
- The beneficiary of a deceased member cannot be contacted.

Unclaimed account activity includes multiple types of accounts and involves outreach, account handling, and eventual locking where applicable. For deceased account scenarios, outreach is performed through staged notices and a phone call attempt, after which an account may be treated as unclaimed if no response is received. Additionally, guidelines, such as the BRU 160, 367, and 604, further describe broader unclaimed account situations involving longer-dormant account balances and their processes as described below. (*Please note that only the following types of accounts were considered during this audit and no other types of unclaimed accounts were reviewed*):

Deceased Members. LACERA pays death claim benefits to the member's beneficiaries when the member passes. The Benefits Division's Death Legal Unit will contact the beneficiaries by letter and phone to the addresses and phone numbers on file. If these efforts are unsuccessful, the account is transferred to the Benefits Protection Unit (BPU), which uses skip-tracing techniques to obtain additional contact information. After 90 days of no contact, the accounts are classified as unclaimed.

Uncontactable Members (Not yet determined to be deceased). When neither the member nor beneficiaries can be contacted, the account is transferred to the BPU. The BPU uses skip-tracing techniques to obtain additional contact information. After 90 days of no contact the account is classified as unclaimed.

AUDIT OBJECTIVE & SCOPE

An audit of Unclaimed Accounts is included in the Fiscal Year-End (FYE) 2025-2026 Internal Audit Plan due to the risks associated with the process. The objective of this audit is to evaluate the effectiveness, accuracy, and consistency of LACERA's processes for handling unclaimed accounts within the Benefits Division, including whether account safeguards, outreach practices, and related documentation support the control objectives of the processes.

* See Appendix 1 for Audit Rating

The scope or time-period for this audit were unclaimed accounts but only limited to deceased members and unreachable members/beneficiaries, from March 1, 2024, through February 28, 2026. The audit objectives were to evaluate if:

1. Dormant, inactive, and/or unclaimed member accounts are properly identified through systematic criteria, automation, or periodic reviews to prevent misclassification or omission.
2. Required notices and outreach efforts are performed and documented in accordance with LACERA's policies and procedures.
3. Ensure that accounts are locked/dormant timely once it is identified as an unclaimed account.
4. Records are maintained and regular reviews to monitor the status of the accounts and potential resolution of unclaimed accounts.
5. Payments are sent to the beneficiary(ies).
6. Proper documents are received and verified for accuracy and legitimacy before unlocking, authorizing, and disbursing payments.
7. Benefit payments from unclaimed accounts are only made after proper manager/supervisory approval.
8. Compliance with internal policies and business rules governing unclaimed accounts.

The audit was performed in accordance with the Institute of Internal Auditors Standards. This included, as required by Standard 13.3, whether any scope limitations existed during the audit period.

AUDIT RATING & SUMMARY OF FINDINGS

Internal Audit observed that the Benefits Division has established a process for outreach and handling of unclaimed accounts and noted evidence of staff efforts to locate members and beneficiaries and document correspondence. The audit also identified opportunities to strengthen consistency in locking timelines, documentation of unlock authority and aged accounts oversight, and evidence of required phone outreach. Addressing these issues would better align operations with the intent of the control framework and improve management visibility over unresolved accounts. As a result, the overall audit rating given is **"Opportunities for Improvement."**

Summary of Findings

Finding #	Page	Finding Title	Risk Rating**
F1	4	Inconsistent and Untimely Locking of Member Accounts	**Medium**
F2	6	Required Updates to Policy and Procedures for Unclaimed Account Management	**Medium**

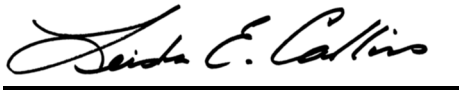
Each of the above Findings is detailed in the following pages, including our Recommendations

**See Appendix 2 for Findings Risk Rating Scale

and Management Action Plans.

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

REVIEWED AND APPROVED



Leisha E. Collins
Chief Audit Executive

Date: October 21, 2026

REPORT DISTRIBUTION

2026 ACRE Committee	Luis A. Lugo, CEO	J.J. Popowich, CBO
Larry Jensen, ACRE Committee Consultant	Steven P. Rice, Chief Legal Counsel	Jessica Baxter, CAO
Internal Audit Group	2026 CLA Audit Team	Theo King, Benefits Division, Special Benefits Services, Section Head
Louis Gittens, Benefits Division Manager		

Finding # 1

Inconsistent and Untimely Locking of Member Accounts	**Risk Rating: Medium**

OBSERVATION
The auditor reviewed 93 sampled unclaimed accounts to assess whether account locks were applied within the intended 90-day timeframe. Testwork disclosed, 49 (52.7 percent) of the 93 accounts were not locked within the intended timeframe. These fell into two distinct groups; 22 accounts that were locked past 90 days, and 27 accounts that remained unlocked as of the date of testing. These 27 unlocked accounts were forwarded to the Benefits Division for review; and management subsequently locked them on July 15, 2026.

The factors described below are separate and independent contributors. Each represents a distinct breakdown in the design or operation of the account-locking control:

I. Several accounts were locked beyond the intended threshold.
   - This usually occurs as a result of the type of account (e.g., individual, entity, etc.). For example, registered trusts receive correspondence requesting trust or estate documentation that differs from the standard outreach letters that start the locking clock. Because these letters do not trigger the standard locking timeline, the affected accounts may be locked late or not locked at all. This is a document-driven cause, distinct from the timing mechanics described in the following second factor.

II. When correspondence was returned and a new first notice was issued, the outreach timeline effectively restarted. This could make compliance appear timely when measured from the reissued notice, even though the total elapsed time from the original triggering event exceeded the 90-day timeframe.

RISK
Untimely account locking may increase the risk of unauthorized activity or processing error. Additionally, measuring timeliness from a resettable outreach date may underestimate how long an account remained unlocked, limiting management visibility over the true duration of risk exposure.

RECOMMENDATION #1
Benefits Division Management should clarify and document a single triggering date for the locking timeline, such as the date LACERA is notified of the member's death, and define whether subsequent outreach activity, including reissued correspondence, affects that timeline. Internal Audit further recommends aligning the written process with actual practice regarding the number of notices issued before locking so that expectations, execution, and reporting are consistent.

Management's Response
Management agrees with the finding and recommendation. The Benefits Division will review and update its procedures to clarify the triggering date for account locking, address the effect of reissued correspondence and extended outreach on the timeline, and align the documented process with actual practice.

1. The Benefits Division will update the Member Operations Resource Index (MORI) procedures to reflect the revised timeframe for locking unclaimed accounts.
2. The Benefits Division will coordinate with Systems to update the process so that the account-locking count begins from the date LACERA receives the death notice.

Target Completion Date:

1. Member Operations Resource Index (MORI) procedure updates will be completed no later than October 31, 2026.

2. Systems will update the locking clock based on the date LACERA is notified of the member's death. This will be completed no later than February 28, 2027.

Finding # 2

Required Updates to Policy and Procedures for Unclaimed Account Management	Risk Rating: Medium

OBSERVATION
Our review of unclaimed account processes, supporting documentation, and sampled accounts identified two interrelated areas where documented policies and procedures lack sufficient operational guidance to ensure consistent application, resulting in practices that diverge from the intended control framework. The following inconsistencies were observed:

1. **Account Unlock Activity by Non-Designated Staff**
   The documented procedures restrict unlock authority to the Benefits Division Manager and the Special Benefits Services Section Head. However, 9 accounts were unlocked by a Retirement Benefits Specialist III. Management stated that this individual had been granted unlock authority in his capacity as an acting supervisor, to maintain operations when the designated individuals were unavailable. This communication was communicated informally and was not documented in the procedures.

   Internal audit reviewed all 9 unlock instances and confirmed that each was a legitimate account-maintenance action, each account was subsequently re-locked, and no fraudulent or suspicious activity occurred. Although no improper intent was identified, the current procedures do not adequately address the operational circumstances that may require staff beyond the two designated individuals to unlock accounts. Specifically, the procedures do not define the following:

   a. The specific circumstances under which unlocking is permitted (e.g., valid claim received, estate documentation submitted, beneficiary located);
   b. Whether unlock authority varies by position level or account type (e.g., whether a lead or supervisor may unlock under defined conditions when the Division Manager or Section Head is unavailable);
   c. The documentation requirements for each unlock event (e.g., reason code, supporting documentation, supervisory authorization or sign-off); or
   d. Whether prior approval is required before the unlock is executed, or whether after-the-fact documentation is acceptable.

   Without clear procedural guidance, staff may apply unlock authority inconsistently, weakening the intended segregation-of-duties control.

2. **Absence of Periodic Review and Follow-Up Monitoring for Aged Locked Accounts**
   Review of the sampled accounts showed that after the initial outreach efforts, there is no documented, recurring process for periodically reviewing the status of accounts that remain unlocked beyond the expected 90-day timeframe. In practice, this means that once an account passes through the outreach cycle without resolution, it may remain in a pending or unresolved state indefinitely, with no systematic mechanism for the following:

a. Management Review of aged, unlocked accounts at a defined cadence;
b. Escalation based on aging thresholds (e.g., accounts exceeding 120, 180, or 365 days without resolution);
c. Documented disposition confirming that each reviewed account was evaluated and a decision was made (e.g., lock, continue outreach, escalate); or
d. Reporting to division management or executive leadership on the volume and aging of accounts that remain unresolved.

The current procedures do not address a periodic review requirement, a monitoring cadence, or an exception reporting process. As a result, there is no detective control functioning as a safety net to identify accounts that have fallen outside the expected locking timeline, regardless of whether the initial locking control operated as intended.

Benefits Division staff use professional judgment in managing individual accounts and some accounts remain unlocked for legitimate operational reasons. However, the absence of formalized guidance creates reliance on individual discretion rather than documented, consistent procedures. Implementing the recommendation of Finding #1 above, the defined set date for locking purposes will reduce the likelihood of new aged, unlocked accounts.

Internal Audit's review of unclaimed account processes, supporting documentation, and sampled accounts identified three related gaps as described below. As such, the Benefits Division Management should, at a minimum, develop and implement a comprehensive update to the unclaimed accounts policies and procedures that set the criteria and methodology for locking in addition to addressing the following:

1. **Formalize Unlock Authority, Circumstances, and Documentation Requirements.** Define and document the specific roles authorized to unlock accounts, including whether authority may be delegated under defined conditions (e.g., when the Division Manager or Section Head is unavailable). Specify the permissible circumstances for unlocking (e.g., valid claim, estate settlement, beneficiary located), whether authority varies by position level or account type, and the documentation required for each unlock event, including reason, supporting documentation, and supervisory authorization. Ensure that all unlock events are logged with sufficient detail to maintain a complete audit trail.

2. **Establish a Periodic Review and Monitoring Cadence for Aged Accounts** Implement a documented, recurring review process (e.g., monthly or quarterly) for all accounts that remain unlocked beyond the 90-day threshold. Define aging escalation thresholds (e.g., 120, 180, 365 days) with documented disposition requirements for each account reviewed. Consider implementing an aging exception report for management review that tracks volume, aging, and resolution status of outstanding accounts.

3. **Implement Escalation and Reporting Protocols**
   For accounts exceeding defined aging thresholds, establish an escalation protocol that includes reporting accounts to division management and, significantly aged accounts to executive management. This ensures that prolonged unresolved accounts receive appropriate leadership attention and are not dependent solely on staff follow-through.

RISK
When policies and procedures do not align with actual practice or lack sufficient operational detail, the resulting ambiguity creates control risk. Allowing non-designated staff to unlock accounts, without defined circumstances, documentation requirements, or approval protocols, weakens segregation of duties and increases the risk of unauthorized access without an adequate audit trail.

Additionally, without periodic monitoring, management may not identify or escalate aged, unlocked accounts for timely resolution. Together, these gaps weaken the safeguarding intent of account locking.

RECOMMENDATION #2
Internal Audit recommends that Benefits Division Management update the unclaimed accounts policies and procedures to strengthen controls over account locking, monitoring, and oversight. As outlined in the observation above, the update should formalize unlock authority and documentation requirements, establish a periodic review of accounts that remain unlocked beyond the expected timeframe, and define escalation and reporting protocols for aged accounts to executive management for transparency purposes.

Management's Response
Management agrees with the finding and recommendation. The Benefits Division will update the unclaimed account policies and procedures to clarify account lock and unlock authority, define required documentation, establish a recurring review process for aged unlocked accounts, and implement escalation and reporting protocols to strengthen oversight and ensure consistency with actual practice.

1. Benefits will update the Member Operations Resource Index (MORI) procedures to identify the leadership positions authorized to lock and unlock accounts.
2. Benefits will update the Member Operations Resource Index (MORI) procedures to define the cadence and process for the Exceptions Team's review of unlocked accounts.
3. Benefits will provide periodic updates to the Executive Office regarding unclaimed accounts, including account aging and resolution status, as appropriate.

Target Completion Date:
Member Operations Resource Index (MORI) procedure updates will be completed no later than February 28, 2027.

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 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.

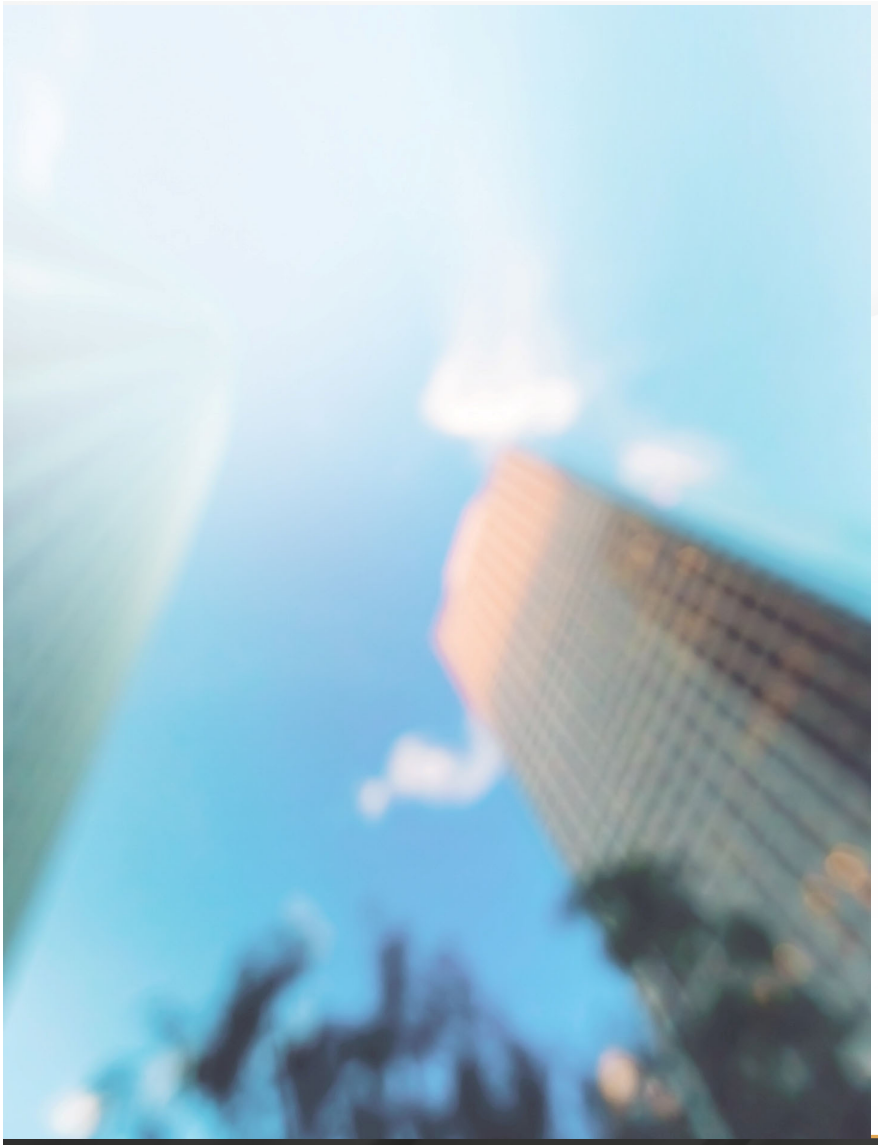
Unsatisfactory

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, nature, or their effect cannot be quantified. Immediatecorrective action should be implemented to address the weaknesses and strengthen the control environment.

APPENDIX 2
FINDINGS RISK RATING SCALE

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

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



ATTACHMENT B

Unclaimed Accounts Audit

Audit Report Date: October 21, 2026

Presented by:
Delfino Aguilar, Interim Principal Internal Auditor

Summary of Engagement

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

Type of Engagement:

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

Purpose

The purpose of this engagement is to evaluate the processes, controls, and systems utilized by the Benefits Division to classify, handle, calculate, authorize, and disburse unclaimed accounts.

Background, Objectives, and Scope

Background
At the time of the audit, an unclaimed accounts are funds that have been undistributed, undeliverable, or unclaimed by the member and/or their beneficiaries for more than 90 days.

Objectives

1. Evaluate whether dormant, inactive, and unclaimed member accounts are **properly identified.**
2. Evaluate whether required **notices and outreach** are performed and documented in line with **LACERA policy.**
3. Evaluate whether unclaimed accounts are **locked promptly** once identified.
4. Evaluate whether unclaimed account records are maintained and **reviewed regularly** through to resolution.
5. Evaluate whether members **receive** and cash their benefit **payments**.
6. Evaluate whether claimant **documents are verified** for accuracy and eligibility before accounts are **unlocked and** benefits are **paid**.
7. Evaluate whether unclaimed account **payments** are **supported** by proper documentation **and supervisory approval**.
8. Evaluate **compliance** with internal policies and business rules for unclaimed accounts.

Scope
The scope of this engagement includes unclaimed accounts handled between March 1, 2024, through February 28, 2026.



Please Note: Only Unclaimed Account of Deceased Members and Unreachable Members/Beneficiaries were included in this engagement.

Audit Results – Objectives:

Audit Results Dashboard – Unclaimed Accounts	
Audit Objectives	**Test Results**
Objective 1: Evaluate whether dormant, inactive, and unclaimed member accounts are properly identified. Control Attribute Tested: Verify that the Benefits Division has formal and documented criteria to identify unclaimed accounts and that accounts are consistently and completely classified using those criteria.	No Exceptions Noted.
Objective 2: Evaluate whether required notices and outreach are performed and documented in line with LACERA policy. Control Attribute Tested: Ensure that required outreach steps are performed and documented in accordance with applicable business rules or procedures. Also, confirm that member outreach documentation supports a diligent approach.	No Exceptions Noted.
Objective 5: Evaluate whether members receive and cash their benefit payments. Control Attribute Tested: Verify payments from unclaimed accounts are tracked end-to-end (i.e., issued/returned/uncashed/reissued) with sufficient documentation to support each status.	No Exceptions Noted.
Objective 6: Evaluate whether claimant documents are verified for accuracy and eligibility before accounts are unlocked and benefits are paid. Control Attribute Tested: Verify required documentation is obtained and validated before unlocking accounts or releasing funds.	No Exceptions Noted.
Objective 7: Evaluate whether unclaimed account payments are supported by proper documentation and supervisory approval. Control Attribute Tested: Ensure disbursements are only processed after required documentation is received and appropriate supervisory/manager approval is documented.	No Exceptions Noted.

Audit Results – Objectives (Continued):

Audit Results Dashboard – Unclaimed Accounts	
Audit Objectives	**Test Results**
Objective 3: Evaluate whether unclaimed accounts are locked promptly once identified. Control Attribute Tested: Verify accounts are locked timely once they meet the unclaimed criteria and remain protected from unauthorized activity.	Finding #1
Objective 4: Evaluate whether unclaimed account records are maintained and reviewed regularly through to resolution. Control Attribute Tested: Verify a tracking system exists or a protocol and that it is reviewed at an established cadence with documented outcomes.	Finding #2
Objective 8: Evaluate compliance with internal policies and business rules for unclaimed accounts. Control Attribute Tested: Ensure unclaimed account handling aligns with policies and procedures.	Incorporated into Finding #1 and Finding #2

Summary of Recommendations & Management Responses

Finding #	Title of Finding	Rating	Recommendation	Management Response
1	**Inconsistent and Untimely Locking of Member Accounts**	**Medium**	Benefits Division Management should clarify and document a single triggering date for the locking timeline, such as the date LACERA is notified of the member's death, and define whether subsequent outreach activity, including reissued correspondence, affects that timeline. Internal Audit further recommends aligning the written process with actual practice regarding the number of notices issued before locking so that expectations, execution, and reporting are consistent.	Management agrees with the finding and recommendation. The Benefits Division will review and update its procedures to clarify the triggering date for account locking, address the effect of reissued correspondence and extended outreach on the timeline, and align the documented process with actual practice. 1. The Benefits Division will update the Member Operations Resource Index (MORI) procedures to reflect the revised timeframe for locking unclaimed accounts. **(Complete)** 2. The Benefits Division will coordinate with Systems to update the process so that the account-locking count begins from the date LACERA receives the death notice. Target Date: February 28, 2027.
2	**Required Updates to Policy and Procedures for Unclaimed Account Management**	**Medium**	Internal Audit recommends that Benefits Division Management update the unclaimed accounts policies and procedures to strengthen controls over account locking, monitoring, and oversight. As outlined in the observation above, the update should formalize unlock authority and documentation requirements, establish a periodic review of accounts that remain unlocked beyond the expected timeframe, and define escalation and reporting protocols for aged accounts to executive management for transparency purposes.	Management agrees with the finding and recommendation. The Benefits Division will update the unclaimed account policies and procedures to clarify account lock and unlock authority, define required documentation, establish a recurring review process for aged unlocked accounts, and implement escalation and reporting protocols to strengthen oversight and ensure consistency with actual practice. 1. Benefits will update the Member Operations Resource Index (MORI) procedures to identify the leadership positions authorized to lock and unlock accounts. 2. Benefits will update the Member Operations Resource Index (MORI) procedures to define the cadence and process for the Exceptions Team's review of unlocked accounts. 3. Benefits will provide periodic updates to the Executive Office regarding unclaimed accounts, including account aging and resolution status, as appropriate. Target Date: February 28, 2027.

Conclusion

- **Audit Independence and Objectivity**

  The audit was conducted independently and objectively following the Institute of Internal Auditors (IIA) Standards.

- **Overall Audit Rating**

  Overall, Benefits demonstrates a strong control environment with effective oversight and the capacity to achieve its divisional objectives; however, given the medium-rated findings, the overall audit rating is assessed as "Opportunities for Improvement."

  Refer to Appendix 1 of the audit report for a detailed description of the audit rating.

Thank you

We would like to thank the Benefits Division for their cooperation on this engagement.



LACERA

November 6, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Delfino Aguilar DA
Interim Principal Internal Auditor

Alex Ochoa
Internal Auditor

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Member Appointment System Audit**

RECOMMENDATION

In accordance with your current ACRE Committee Charter, staff recommends that the ACRE Committee review and discuss the following engagement report to 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 audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

Member Appointment System Audit
(Report Issued on November 6, 2026)

Attachments:

A. Member Appointment System Audit Report
B. Member Appointment System Audit Presentation

DA:ao

LACERA INTERNAL AUDIT DIVISION

Member Appointment System Audit

AUDIT PERFORMED BY:

Delfino Aguilar, CPA, CIA, Interim Principal Internal Auditor
Alex Ochoa, Internal Auditor

November 6, 2026

AUDIT REPORT

Audit Name	Member Appointment System
Responsible Division	Member Services Division
Audit Rating *	Opportunities for Improvement
Prior Audit Rating *	N/A
Prior Report Date	N/A

BACKGROUND

Internal Audit performed an audit of the Member Appointment System to evaluate whether member counseling appointments in Q-Flow are scheduled, allocated, monitored, and reported in a manner that is accurate, equitable, and consistent with LACERA's documented procedures. This engagement is included in the Fiscal Year (FY) 2027 Internal Audit Plan because counseling appointments are central to LACERA's Superior Member Experience priority and have not been audited since Q-Flow was implemented in 2022.

The Member Services Division (Member Services) provides retirement counseling and education to LACERA's members through the Member Service Center (MSC), the Virtual Member Service Center (VMSC), and an outreach program of webinars, new member orientations, and field events at Los Angeles County Departments. Retirement Benefits Specialists (RBSs) deliver both counseling appointments and outreach, and rotate through the Call Center, front desk, and lead assignments. Outreach and other assignments, therefore, directly affect the number of available specialist at any given day.

Q-Flow effectively supports member-facing functions, such as appointment scheduling, check-in, and queue management. However, its reporting capabilities are limited, as the system does not readily produce the reports needed to analyze appointment allocation, specialist workload, and available capacity. As a result, Supervising Specialists create and manage appointment slots in Q-Flow and use internally developed spreadsheets to allocate appointments to RBSs according to staff availability and management requests. At the time of the appointment, Reception enqueues the member, the assigned specialist conducts the session, and wrap-up activity is documented in WorkSpace, LACERA's member account system. Supervising Specialists monitor appointment volumes, capacity, and compile the appointment metrics reported to Executive Management in the Strategic Action Report (SAR).

During the audit period of January 1, 2025, through June 30, 2026, Q-Flow recorded 7,010 in-person and virtual counseling appointments. Over the same period, the RBSs who conduct these appointments also supported 126 outreach events, including webinars, new member orientations, and field visits. Internal Audit considered these outreach activities as part of its review of the Outreach Unit's operations because they reduce the number of specialists, and therefore the time, available for member appointments.

The table below summarizes counseling appointments volume during the audit period, together with the outreach and other scheduled activities that drew appointment-taking specialists away from the appointment schedule.

* See Appendix 1 for Audit Rating

Counseling Appointments (January – June 2026)		Appointments
In-Person Appointments (MSC)		3,624
Virtual Appointments (VMSC)		3,386
Total Counseling Appointments		**7,010**
Scheduled Specialist Activities (January – June 2026)	**Events**	**Specialist Hours**
Webinars and Virtual Seminars	56	353.5
Field Calls and Visits	42	250.9
New Member Orientations (Virtual and Outreach)	28	27.0
Subtotal: Outreach	**126**	**631.4**
Other (Staff Meetings, Training, Special Assignments)	21	142.8
Total Scheduled Activities	**147**	**774.2**

Source: Appointment counts were obtained from Q-Flow Unit Appointments and Service Level Reports generated by Internal Audit and recalculated as part of testing (see Finding #2).

AUDIT OBJECTIVE & SCOPE

The purpose of this audit was to evaluate the adequacy and effectiveness of the policies, procedures, system configurations, and controls used by Member Services to schedule, allocate, monitor, and report member counseling appointments. The audit objectives were to assess:

1. **Manager's Control Slot Blocks**. Whether held slots are supported by a documented operational reason and released when the reason resolves, and whether Q-Flow adequately captures justification and release.
2. **Performance Metrics and Reporting.** Whether Q-Flow generates complete and accurate data for executive and Board-level reporting, and the extent to which processes outside Q-Flow are needed to compile, adjust, or validate metrics before reporting.
3. **Appointment Allocation.** Whether allocation follows documented criteria, and whether Q-Flow's functionality is sufficient to achieve the intended distribution or whether supervisory and manual intervention is required.
4. **System Access Rights.** Least-privilege restriction, timely provisioning and deactivation, and whether system functionality supports separation of duties.
5. **Governance and Supervisory Oversight.** Whether oversight is documented and operating as intended, and whether Q-Flow provides sufficient records to evidence it.

This audit engagement covered the period between January 1, 2026, through June 30, 2026.

The audit was performed in accordance with the Institute of Internal Auditors' (IIA) Global Internal Audit Standards (Standards). This included, as required by Standard 13.3, consideration of whether any scope limitations existed during the audit period.

INDEPENDENCE AND OBJECTIVITY

Consistent with Standards 2.2 and 2.3, Internal Audit evaluated a potential impairment to objectivity in connection with this engagement and implemented safeguards to preserve both actual and perceived objectivity. These safeguards included segregating testwork and reviewing all affected workpapers. The Chief Audit Executive approved these safeguards, subject to ongoing monitoring.
Internal Audit concluded that the engagement was conducted with independence and objectivity.

AUDIT RATING & SUMMARY OF FINDINGS

Our audit observations and testing indicate that Member Services delivers appointment services through a process that is generally understood by staff and supported by system functionality. Sampled appointments were substantially corroborated across Q-Flow, WorkSpace, and the Member Services Calendar, and testing did not identify evidence that appointments were used to obscure availability or manipulate reported metrics. However, testing identified conditions warranting Management's attention, as described in the following findings. Accordingly, the overall audit rating is **"Opportunities for Improvement."**

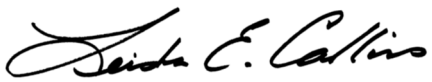
Summary of Findings

Finding #	Page	Finding Title	Risk Rating**
F1	5	Lack of a Formalized Data-Informed Appointment Allocation Model	Medium
F2	7	Management Reporting Does Not Reconcile to Q-Flow Source Data	Medium
F3	9	Untimely Deactivation and Inaccurate Administration of Q-Flow User Access	Medium

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

We would like to thank the Member Services Division for their cooperation with this audit.

REVIEWED AND APPROVED



Leisha E. Collins
Chief Audit Executive

Date: November 6, 2026

**See Appendix 2 for Findings Risk Rating Scale

REPORT DISTRIBUTION

2026 ACRE Committee	Luis Lugo, CEO	J.J. Popowich, CBO
Larry Jensen, ACRE Committee Consultant	Steven Rice, Chief Legal Counsel	Jessica Baxter, CAO
Internal Audit Group	2026 CLA Audit Team	Tatiana Bayer, Member Services Division Manager

Finding # 1

Lack of a Formalized Data-Informed Appointment Allocation Model	Rating: Medium

OBSERVATION

Member Services Management uses historical appointment data to determine appointment availability and allocation. Furthermore, appointment capacity is expanded as processes evolve and additional specialists are on-boarded. Internal Audit acknowledges Management's proactive approach to aligning appointment availability to confirmed staffing capacity. However, this methodology is not formally documented. Having a formalized allocation model specifies how the analysis is performed, what data informs it, the frequency of updates, and how the results guide allocation and release decisions.

Based on discussions with Division Management, the current approach does not weight appointments by service type, expected complexity, or expected service time. Internal Audit's testing indicated that Retirement Overview appointments, which represent the majority of appointment volume, generally exceed the standard one-hour appointment, while other appointment types are typically shorter. As a result, specialists may receive different workloads even when assigned, a comparable number of appointments.

Internal Audit also noted that, during the audit period, the division operated with 16 appointment-taking specialists, approximately two-thirds of its full capacity, while continuing to support outreach, the Call Center, and other member-facing responsibilities. A documented allocation model would enable Management to demonstrate how it balances competing demands and scales appointment availability.

In the absence of a documented model, appointment types are not categorized by expected effort, workload is not measured using weighted appointment types, and the basis for scaling published appointment availability as vacant positions are filled is not defined. In addition, appointment allocation is performed outside of Q-Flow through spreadsheets maintained by Supervising Specialists, and available Q-Flow functionality to designate appointment windows or capacity by service type is not currently used.

RISK

Because the approach is not documented, it cannot be independently validated, applied consistently across Supervising Specialists, or retained if key personnel change. Workload may be distributed unevenly across appointment types, and published appointment availability may not fully reflect the division's resources as staffing is restored. A documented basis would also allow Management to demonstrate that allocation decisions are equitable and analytically grounded.

RECOMMENDATION #1
Internal Audit recommends that Member Services Division Management formalize and document its data-informed approach to appointment allocation, building on the historical analysis it already has described and currently utilizing.

Management's Response
Management agrees with the findings and recommendation. Member Services has formalized and documented its data-informed appointment allocation approach in the Management Operating Instruction, *MOI: Member Service Center Appointment Capacity and Allocation*, which has been drafted and submitted for publishing in the Member Services MOI library. Management will also continue to work with the Workforce Analyst to incorporate historical appointment data into the operating instructions. This work includes evaluating appointment types and service durations, validating available data, assessing Q-Flow functionality, developing appropriate workload measures, aligning appointment availability with confirmed staffing levels, and establishing ongoing monitoring of utilization, wait times, appointment duration, no-shows, and workload distribution. Management will implement these actions in phases, as operationally feasible, and will periodically review and adjust the approach based on staffing, system capabilities, and member demand.

Target Completion Date: June 30, 2027

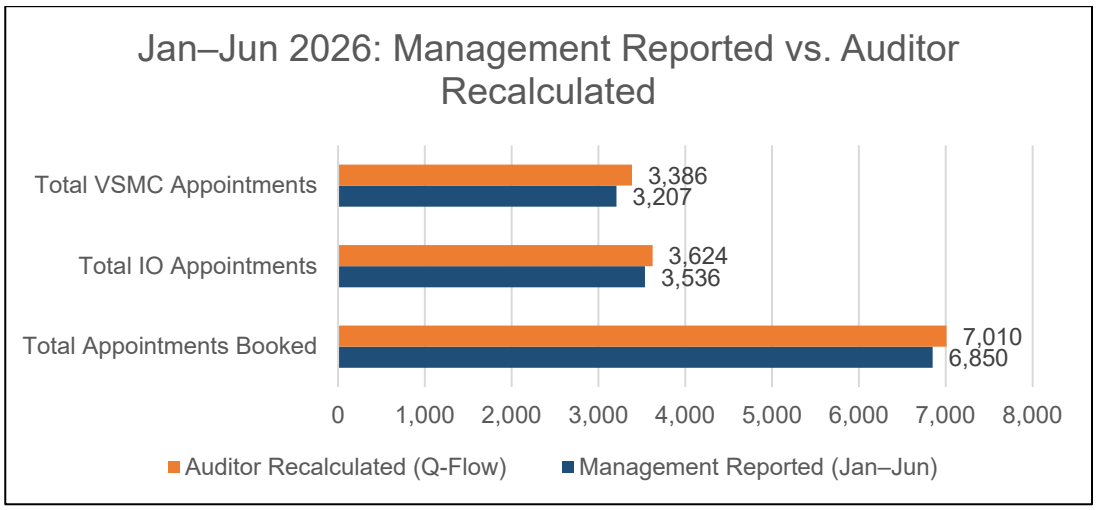
Finding #2

Management Reporting Does not Reconcile to Q-Flow Source Data	Rating: Medium

OBSERVATION

Member Services' appointment metrics are reported to Executive Management and inform the Strategic Action Report, staffing decisions, and LACERA's representations of member service performance. Internal Audit independently generated the corresponding Q-Flow reports for each month of the audit period and recalculated the reported metrics.

Internal Audit identified differences between the appointment activity reported to Executive Management and the corresponding Q-Flow System Reports for the same reporting population and period. For January through June 2026, reported appointments totaled 6,850, compared to 7,010 per Q-Flow, a difference of 160 appointments, or 2.3 percent. This difference is shown in the chart below:



The date ranges used to generate the supporting Q-Flow reports did not consistently correspond to the full reporting month. In addition, the current process lacks a documented reconciliation that explains report parameters, filters, appointment statuses, exclusions, or manual adjustments before the information is compiled and distributed.

Reporting periods, appointment statuses, filters, and calculation logic are not formally aligned between Q-Flow and the Management Report, and there is no requirement to review and document variances or to evidence review before the metrics are distributed. As a result, differences are neither detected nor explained.

RISK
When distributed metrics cannot be reconciled to the source system, Executive Management may make operational or resourcing decisions based on understated or inconsistent information, and LACERA's internal and external representations of appointment activity may be inaccurate. Notably, the differences observed understate rather than overstate the division's activity, so the division's work is not being fully reflected in the information that reaches the Executive Office. Unreconciled reporting also reduces confidence in divisional performance data and presents a moderate risk of negative perception regarding its reliability.

RECOMMENDATION #2
Internal Audit recommends that Member Services Division Management establish and document a repeatable reconciliation and review process to ensure that appointment metrics reported to Executive Management agree to Q-Flow source data, or that any differences are explained and supported before metrics are distributed.

Management's Response
Management concurs with the audit observation and recommendation. The variances identified between the appointment activity reported to Executive Management and the underlying Q-Flow reports were primarily attributable to differences in report parameters, appointment status selections, reporting periods, and other manual adjustments that were not formally documented or consistently reconciled.

To strengthen the accuracy, consistency, and transparency of appointment metrics reported to Executive Management, Member Services Division Management will implement a formal reconciliation and review process for all appointment reporting. All items outlined in the recommendation will be considered in developing this process.

Target Completion Date: December 4, 2026

Finding # 3

Untimely Deactivation and Inaccurate Administration of Q-Flow User Access	Rating: Medium

OBSERVATION

Access to a system that holds member appointment records should be limited to staff who currently require it, assigned in a group consistent with the staff's present role, and removed promptly when employment ends or duties change. Each account should be assigned to one identifiable individual so that Q-Flow scheduling, rescheduling, and cancellation records remain reliable. This attribution will also support reliable supervisory oversight and accurate performance metrics reporting to Division Management, Executive Management, and the Boards.

Internal Audit reviewed all 157 Q-Flow accounts on the Q-Flow user access listing retrieved from the system. We identified 37 accounts (23.6 percent of the population) that should be removed and 2 additional accounts that require an access change, leaving 118 accounts (75.2 percent) that were appropriate as assigned. The exceptions are summarized below:

Exception Category	Accounts	Recommended Action
Separated employees whose Q-Flow accounts remained enabled	30	Deactivate
Duplicate accounts held by a user who already has an active account	4	Deactivate
Accounts that could not be attributed to a current employee	3	Deactivate
Total accounts identified for removal	**37**	
Employees who changed roles and require updated Q-Flow access	2	Update

In addition, Member Services did not have a documented deactivation procedure or a periodic user access review in place to identify and correct these conditions.

RISK

Accounts that remain enabled after separation or a change in duties, along with duplicate or unattributed accounts, reduce the reliability of the Q-Flow record of who scheduled, rescheduled, or cancelled an appointment. This weakens supervisory oversight and the reliability of the performance metrics reported to Division Management, Executive Management, and the Boards.

RECOMMENDATION #3
To keep access current, Member Services Management should work with the Systems Division. These changes are to be governed by a documented deactivation procedure that is triggered by both separation and internal transfer, sets a defined timeframe for removing or reassigning access, and assigns responsibility for performing and evidencing each change. A periodic user access review, in which supervisors confirm that each account is still needed and correctly assigned, should also be performed and retained as evidence that access remains aligned with current roles.

Management's Response
Management concurs with the recommendation. The identified accounts have been reviewed, and accounts no longer required have been deactivated, while accounts requiring updates have been modified to align with current job responsibilities. Member Services has also documented its user access management process in the Management Operating Instruction, *MOI: Q-Flow User Access Management*, which has been drafted and submitted for publishing in the Member Services MOI library. The MOI also establishes policy standards for least privilege and one account per individual, so that the Q-Flow record of who scheduled, rescheduled or cancelled an appointment remains reliable for supervisory oversight and performance reporting. Additionally, Member Services will work to integrate this process into the standardized SEAF request to the System Division whenever a staff member on-boards or leaves the division.

Target Completion Date: June 30, 2027

APPENDIX 1
AUDIT RATING CALE

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.

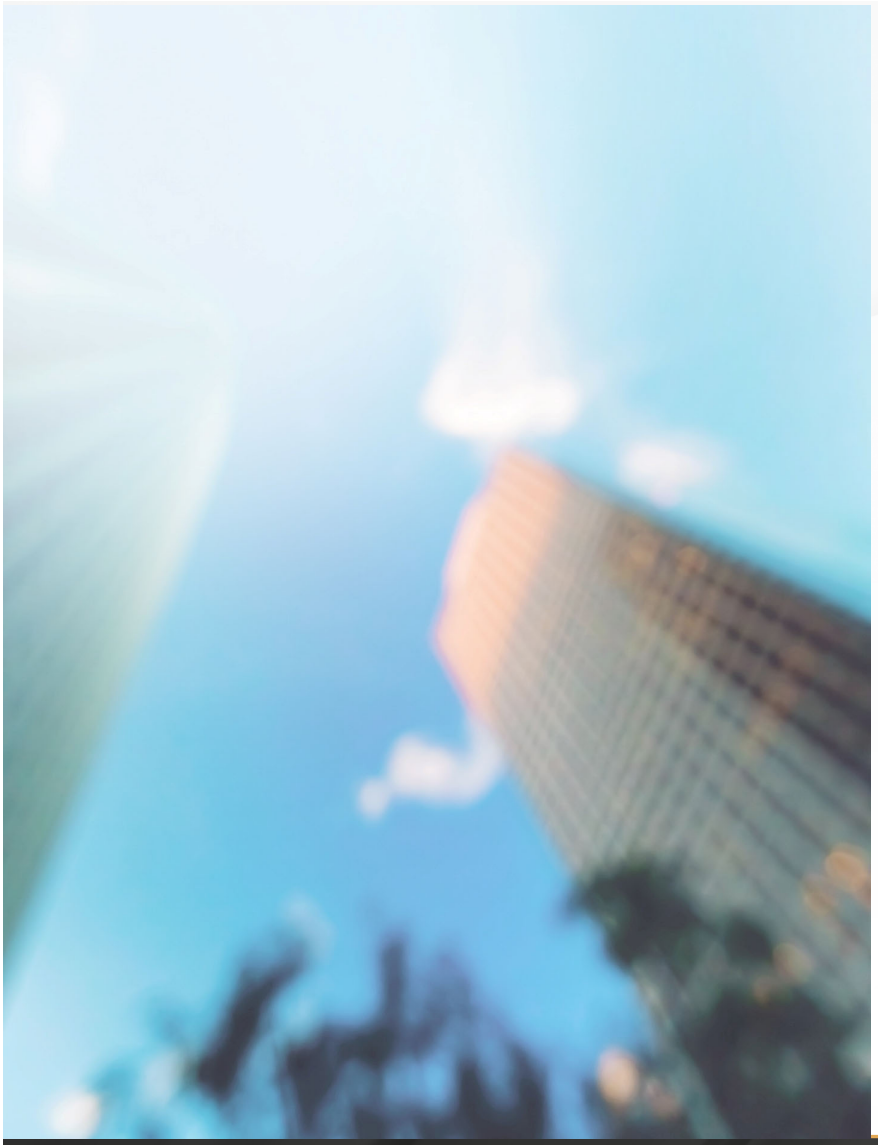
Unsatisfactory

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, nature, or their effect cannot be quantified. Immediatecorrective action should be implemented to address the weaknesses and strengthen the control environment.

APPENDIX 2
FINDINGS RISK RATING SCALE

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

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



ATTACHMENT B

Member Appointment System Audit

Audit Report Date: November 6, 2026

Presented by:
Delfino Aguilar, Interim Principal Internal Auditor
Alex Ochoa, Internal Auditor

Summary of Engagement

Responsible Divisions:	Member Services Division
Type of Engagement:	Assurance
Audit Rating:	Opportunities for Improvement

Type of Engagements

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

Purpose

The purpose of this audit was to evaluate the adequacy and effectiveness of the policies, procedures, system configurations, and controls used by Member Services to schedule, allocate, monitor, and report member counseling appointments.

Background, Objectives, and Scope

Background
The Member Services Division provides retirement counseling and education to LACERA's members through in-person and virtual appointments that are managed through the member appointment system, Q-Flow.

Objectives

1. **Manager's Control Slot Blocks**: Whether time slots are supported by an operational reason.
2. **Performance Metrics and Reporting**: Whether Q-Flow generates complete and accurate data for executive and Board-level reporting.
3. **Appointment Allocation Across Teams**: Whether allocation follows documented criteria, and whether Q-Flow's functionality is sufficient for this task.
4. **Access Rights**: Least-privilege restriction, timely provisioning and deactivation.
5. **Supervisory Oversight**: Whether oversight is documented and operating as intended, and whether Q-Flow provides sufficient records to evidence it.

Scope
The scope of this engagement includes review of the member appointment system operations between July 1, 2025, through June 30, 2026.



Audit Results – Objectives:

Audit Results Dashboard – Member Appointment System	
Audit Objectives	**Test Results**
Objective 1: Manager's Control Slot Blocks Control Attribute Tested: Whether time slots are supported by an operational reason.	No Exceptions Noted.
Objective 5: Supervisory Oversight Control Attribute Tested: Whether oversight is documented and operating as intended, and whether Q-Flow provides sufficient records to evidence it.	No Exceptions Noted.

Audit Results – Objectives (Continued):

Audit Results Dashboard – Member Appointment System	
Audit Objectives	**Test Results**
Objective 2: Performance Metrics and Reporting Control Attribute Tested: Whether Q-Flow generates complete and accurate data for executive and Board-level reporting.	Finding #2
Objective 3: Appointment Allocation Across Teams Control Attribute Tested: Whether allocation follows documented criteria, and whether Q-Flow's functionality is sufficient for this task.	Finding #1
Objective 4: Access Rights Control Attribute Tested: Least-privilege restriction, timely provisioning and deactivation.	Finding #3

Summary of Recommendations & Management Responses

Finding #	Title of Finding	Rating	Recommendation	Management Response
1	**Lack of a Formalized Data-Informed Appointment Allocation Model**	**Medium**	Internal Audit recommends that Member Services Division Management formalize and document its data-informed approach to appointment allocation, building on the historical analysis it already has described and currently utilizing.	Management agrees with the finding and recommendation. Member Services has formalized and documented its data-informed appointment allocation approach in the Management Operating Instruction, *MOI: Member Service Center Appointment Capacity and Allocation*, which has been drafted and submitted for publishing in the Member Services MOI library. Management will also continue to work with the Workforce Analyst to incorporate historical appointment data into the operating instructions. This work includes evaluating appointment types and service durations, validating available data, assessing Q-Flow functionality, developing appropriate workload measures, aligning appointment availability with confirmed staffing levels, and establishing ongoing monitoring of utilization, wait times, appointment duration, no-shows, and workload distribution. Management will implement these actions in phases, as operationally feasible, and will periodically review and adjust the approach based on staffing, system capabilities, and member demand. Target Date: June 30, 2027.
2	**Management Reporting does not Reconcile to Q-Flow Source Data**	**Medium**	Internal Audit recommends that Member Services Division Management establish and document a repeatable reconciliation and review process to ensure that appointment metrics reported to Executive Management agree to Q-Flow source data, or that any differences are explained and supported before metrics are distributed.	Management agrees with the finding and recommendation. The variances identified between the appointment activity reported to Executive Management and the underlying Q-Flow reports were primarily attributable to differences in report parameters, appointment status selections, reporting periods, and other manual adjustments that were not formally documented or consistently reconciled. To strengthen the accuracy, consistency, and transparency of appointment metrics reported to Executive Management, Member Services Division Management will implement a formal reconciliation and review process for all appointment reporting. All items outlined in the recommendation will be considered in developing this process. Target Date: December 4, 2026.

Summary of Recommendations & Management Responses (Continued)

Finding #	Title of Finding	Rating	Recommendation	Management Response
3	**Untimely Deactivation and Inaccurate Administration of Q-Flow User Access**	**Medium**	To keep access current, Member Services Management should work with the Systems Division. These changes are to be governed by a documented deactivation procedure that is triggered by both separation and internal transfer, sets a defined timeframe for removing or reassigning access, and assigns responsibility for performing and evidencing each change. A periodic user access review, in which supervisors confirm that each account is still needed and correctly assigned, should also be performed and retained as evidence that access remains aligned with current roles.	Management agrees with the finding and recommendation. The identified accounts have been reviewed, and accounts no longer required have been deactivated, while accounts requiring updates have been modified to align with current job responsibilities. Member Services has also documented its user access management process in the Management Operating Instruction, *MOI: Q-Flow User Access Management*, which has been drafted and submitted for publishing in the Member Services MOI library. The MOI also establishes policy standards for least privilege and one account per individual, so that the Q-Flow record of who scheduled, rescheduled or cancelled an appointment remains reliable for supervisory oversight and performance reporting. Additionally, Member Services will work to integrate this process into the standardized SEAF request to the System Division whenever a staff member on-boards or leaves the division. Target Date: June 30, 2027.

Conclusion

- **Audit Independence and Objectivity**

  The audit was conducted independently and objectively following the Institute of Internal Auditors (IIA) Standards.

- **Overall Audit Rating**

  Overall, Member Services demonstrates a strong control environment with effective oversight and the capacity to achieve its divisional objectives; however, given the medium-rated findings, the overall audit rating is assessed as "Opportunities for Improvement."

  Refer to Appendix 1 of the report for a detailed description of the audit rating.

Thank you

We would like to thank the Member Services Division for their cooperation on this engagement.



LACERA

October 30, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Gabriel Tafoya
Senior Internal Auditor

Alex Ochoa
Internal Auditor

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Felony Forfeiture Process Audit**

RECOMMENDATION

In accordance with your current ACRE Committee Charter, staff recommends that the ACRE Committee review and discuss the following engagement report to 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 audit findings, and/or
4. Provide further instruction to staff.

ENGAGEMENT REPORT

Felony Forfeiture Process Audit
(Report Issued on October 22, 2026)

Attachments:
A. Felony Forfeiture Process Audit Report
B. Felony Forfeiture Process Audit Presentation

GT:ao



LACERA INTERNAL AUDIT DIVISION

Felony Forfeiture Process Audit

AUDIT PERFORMED BY:

Gabriel Tafoya, CISA, Senior Internal Auditor,
& Alex Ochoa, Internal Auditor

October 22, 2026

AUDIT REPORT

Audit Name:	Felony Forfeiture Process Audit
Audit Rating*:	Opportunities for Improvement
Responsible Division:	Benefits Division
Prior Audit Rating*:	N/A
Prior Report Date:	N/A

BACKGROUND

As part of Internal Audit's Fiscal Year End (FYE) 2026 Audit Plan, we conducted an audit of the Felony Forfeiture Process controls which is included in the FYE 2026 Audit Plan due to the inherent risks associated with the process.

Government Code Section 7522.72 requires public employers to notify the retirement system when an employee is convicted of a felony arising out of, or in the performance of, official duties. Los Angeles County Department of Human Resources serves as the primary referral source. The Court of Appeal's decision in Hipsher v. LACERA (2020) established that LACERA is responsible for determining whether a conviction satisfies statutory requirements and for providing affected members with due process.

LACERA administers felony forfeiture matters involving members whose felony convictions may affect retirement benefits. The process includes identifying and receiving potential cases, evaluating applicable statutory criteria, coordinating Pension Forfeiture Committee review, documenting decisions, calculating the effect on benefits, communicating outcomes, and formally closing and retaining the case record.

AUDIT OBJECTIVE & SCOPE

The objectives of the audit were to:

- Assess whether the population of felony forfeiture cases is complete and all applicable cases are identified and processed by LACERA.
- Assess whether case files contain complete, accurate, and sufficient documentation to support forfeiture determinations.
- Evaluate whether forfeiture determinations are accurate, consistent, and supported by sufficient evidence and applicable laws.
- Assess whether management maintains case tracking logs and conducts periodic coordination meetings to monitor status, deadlines, and outstanding actions.

The audit covered the period from July 1, 2025, through June 30, 2026, and included a review of all relevant case records and data. In addition, the audit included detailed testing of eight (8) sampled member cases.

AUDIT RATING & SUMMARY OF FINDINGS

Based on our audit observations and testing, we found that most of the Benefits Division control framework, design, and processes are adequate and working effectively. Furthermore, Benefits Division management demonstrates a good control environment and oversight to achieve its divisional objectives. Given the four (4) medium-rated audit findings, we determined the overall

* See Appendix 1 for Audit Rating

audit rating to be "Opportunities for Improvement." Refer to Appendix 3 for The Audit Results Dashboard which details each process reviewed, the associated control attributes tested, and the test results leading to the audit findings.

A total of four (4) audit findings were issued related to operational controls. Each of the Findings below are detailed in the subsequent pages, including our Recommendations and Management's Responses:

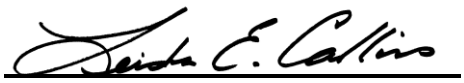
SUMMARY OF FINDINGS

Finding #	Page	Finding Title	Risk Rating**
F1	4	Incomplete Reporting of Felony Convictions to LACERA	Medium
F2	6	Felony Forfeiture Process Ownership and Resource Continuity	Medium
F3	7	Case Closure and Member Communication Protocol	Medium
F4	9	Lack of Formalized Felony Forfeiture Procedures	Medium

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

We would like to thank Benefits Division management for their cooperation with this audit.

REVIEWED AND APPROVED



Date: October 22, 2026

Leisha E. Collins
Chief Audit Executive

REPORT DISTRIBUTION

2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee	Luis A. Lugo, CEO	Jessica Baxter, CAO
Steven P. Rice, Chief Legal Counsel	J.J. Popowich, CBO	Louis Gittens, Benefits Division Manager
Larry Jensen, ACRE Consultant	2026 CLA Audit Team	

**See Appendix 2 for Findings' Risk Rating

FINDING #1

Incomplete Reporting of Felony Convictions to LACERA

Risk Level[**] Medium

OBSERVATION

Government Code Section 7522.72 requires public employers to notify the retirement system when an employee is convicted of a felony arising out of or in the performance of official duties. While Los Angeles County Department of Human Resources (DHR) serves as the primary referral source, DHR indicated that departmental referrals are infrequent and that many potential cases are identified through its own monitoring of District Attorney press releases and publicly available news sources.

The following observations were noted:

- County departments may not consistently identify and report potential felony forfeiture cases to DHR.
- DHR reported that some departments were unaware of their reporting responsibilities until receiving training.
- DHR performs an initial screening of cases prior to referral to LACERA and may determine that certain matters do not warrant referral based on available information.
- LACERA's awareness of potential felony forfeiture matters is largely dependent upon cases being identified and referred to by departments and DHR.
- Limited awareness among some County departments regarding felony forfeiture reporting requirements.
- Reliance on decentralized departmental reporting and DHR monitoring activities to identify potential cases.
- Outdated Memorandum of Understanding (MOU) not updated after Hipsher v. LACERA (2020) decision.

The Court of Appeal's decision in *Hipsher v. LACERA* (2020) established that LACERA, rather than the County, is responsible for determining whether a conviction satisfies the requirements of Government Code Section 7522.72 and for providing affected members with due process.

RISK

Because LACERA is ultimately responsible for determining whether a conviction falls within the scope of Government Code Section 7522.72, any breakdown in departmental reporting or DHR referral practices could prevent LACERA from becoming aware of and evaluating potentially eligible forfeiture cases. As a result, convictions subject to pension forfeiture requirements may not undergo LACERA's formal review and determination process, increasing the risk of noncompliance with statutory requirements and the continued payment of benefits that may be subject to forfeiture.

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

RECOMMENDATION #1

1. Benefits Division management should strengthen the felony forfeiture identification and referral process by coordinating with Los Angeles County Department of Human Resources (DHR) and Los Angeles Superior Court to update the MOU language to require that all felony convictions involving LACERA members be reported to LACERA for review.

2. Benefits Division management should work with the courts and District Attorney Office to evaluate mechanisms and alternative methods to identify potential felony convictions.

Management's Response

Agrees with Finding and Recommendation.

By December 2026, LACERA plans to begin discussing our concerns with the County and Superior Court. LACERA will work with its Legal Office to revise the MOU with the County so that it better reflects the 2020 Court of Appeals Decision and clarifies what LACERA requires from its partners.

Target Completion Date:
March 31, 2027

FINDING #2

Felony Forfeiture Process Ownership and Resource Continuity

Risk Level[**]
Medium

OBSERVATION

Currently, the Benefits Division Manager is responsible for coordinating, tracking, documenting, and monitoring all Felony Forfeiture cases through closure. As the number and complexity of cases continue to increase, the administrative effort required to maintain case logs, perform follow-up activities, monitor court-related developments, and ensure timely case progression has also increased. Competing priorities may affect timeliness, consistency, and continuity of case processing and oversight. Assigning key responsibilities to additional dedicated staff would improve efficiency, continuity, and service. In addition, management should develop mechanisms and/or explore the functionality of existing benefits systems for tracking and reporting felony forfeiture cases, which will foster a more efficient and effective process.

RISK

Reliance on one individual to manage Felony Forfeiture cases increases the risk of missed deadlines, inconsistent processing, incomplete documentation, and benefit determination errors. These failures could lead to noncompliance with CERL, PEPRA, court orders, and other legal requirements, exposing LACERA to legal, operational, and reputational risks.

RECOMMENDATION #2

1. Benefits management should develop mechanisms and evaluate existing benefits systems, to efficiently track and report felony forfeiture cases.

2. Benefits management should formally assign ownership of the Felony Forfeiture process to a designated process owner responsible for overseeing case administration, monitoring case status, ensuring timely follow-up, maintaining complete documentation, and coordinating case closure.

Management's Response

Agrees with Finding and Recommendation.

The Exceptions Unit in Benefits can be trained on Phase 1 procedures as described under Finding #4, below, by March 31, 2027. A follow-up training can take place after we have finalized our agreement with the County. Anticipated completion of this training is June 30, 2027.

Management will explore the use of case management software to assist in improving process efficiency.

Target Completion Date:
March 31, 2027 / June 30, 2027

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

FINDING #3

Case Closure and Member Communication Protocol

Risk Level[**]
Medium

OBSERVATION

For five (5) of eight (8) cases reviewed, Internal Audit confirmed that the cases had been completed and closed; however, sufficient documentation was not consistently maintained within Workspace to demonstrate that the cases had undergone formal review and closure in accordance with established procedures. As a result, Internal Audit could not verify the completion of required review and closure activities or establish a complete audit trail supporting the final disposition of the cases.

Furthermore, although Pension Forfeiture Committee (PFC) meeting minutes and case determination documentation were available for all cases reviewed, the records did not consistently capture key decision-making information, including the Committee's final determination, conviction date, basis for the decision, and the resulting impact on the member's retirement benefits. Consequently, the documentation was not always sufficient to demonstrate how conclusions were reached or provide support for the Committee's determinations.

Collectively, these documentation gaps limit transparency, accountability, and consistency in the case management process and reduce management's ability to demonstrate compliance with established procedures, support legal inquiries, and maintain a complete audit trail of case activities and decisions.

RISK

Incomplete or inconsistent documentation of Pension Forfeiture Committee decisions may result in an inadequate audit trail, reduce transparency and accountability, and increase the risk of inconsistent case determinations. Additionally, the absence of documented conviction dates, decision rationales, and impacts to retirement benefits may impair management's ability to support decisions during future reviews, legal challenges, or regulatory inquiries.

RECOMMENDATION #3

1. Benefits Division management should establish and document formal case closure procedures for Felony Forfeiture cases that define the requirements for case completion, supervisory review, documentation retention, and closure approval.

2. Upon closure of a Felony Forfeiture case, Benefits Division management should require that a standardized alert be placed on the member's account documenting the case disposition, final determination, and any required follow-up actions.

3. Additionally, Benefits Division management should establish and implement formal documentation requirements for Pension Forfeiture Committee (PFC) meetings to ensure that all case determinations are consistently and completely recorded.

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

Management's Response

Agrees with Finding and Recommendation.

By December 2026, Benefits Division management will establish and document formal case closure practice. Management will also require an alert and comment to be placed on the members' account documenting the final determination and required follow-up action. Pension Forfeiture Committee (PFC) meeting minutes will be documented in a consistent manner. These changes will be reflected in the overarching detailed felony forfeiture procedures.

Target Completion Date:
December 31, 2026 / June 30, 2027

FINDING #4

Lack of Formalized Felony Forfeiture Procedures

Risk Level[**] Medium

OBSERVATION

Currently, Benefits division management and staff rely primarily on Business Rule Updates (BRUs) to guide Felony Forfeiture case processing and completion. However, formal documented procedures have not been established to provide comprehensive guidance over the end-to-end process, including processing requirements, key process steps, roles and responsibilities, documentation requirements, and service level expectations. In addition, Internal Audit noted that certain service level agreements (SLAs) currently in use are outdated and do not reflect current business practices or processing expectations.

Internal Audit was aware at the outset of the audit that Benefits management had previously recognized that the existing Felony Forfeiture procedures and related service level agreements required updating and had already begun efforts to revise and enhance the documentation. Management's planned updates are intended to more comprehensively address current business practices, roles and responsibilities, documentation requirements, and process oversight. As management updates and formalizes the Felony Forfeiture procedures, consideration should be given to incorporating the following practices to strengthen governance, accountability, documentation, oversight, and overall process effectiveness:

- Establish and maintain formal, comprehensive Felony Forfeiture procedures that document end-to-end process requirements, roles and responsibilities, decision points, required documentation, review controls, and case closure requirements.
- Assign clear process ownership and accountability for ongoing case administration, monitoring, documentation, and closure activities.
- Maintain cross-trained staff and documented backup procedures to ensure continuity of operations and reduce key-person dependency risks.
- Establish, document, and periodically review service level agreements (SLAs) between LACERA divisions and external parties to define responsibilities, expectations, and processing timeframes.
- Implement formal interdepartmental handoff procedures to ensure accountability and timely progression of cases throughout the process.
- Require detailed document receipt acknowledgments for court packets and supporting records that identify each document received and are retained as evidence of completeness and chain of custody.
- Maintain a centralized repository and single source of record for all felony forfeiture cases, including supporting documentation, key dates, milestones, committee determinations, correspondence, and final outcomes.

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

RISK

The absence of formal procedures and current service level agreements increases the risk of inconsistent case processing, delays in case completion, and noncompliance and diminished oversight with established business requirements.

RECOMMENDATION #4

Benefits Division management should develop, document, and implement comprehensive Felony Forfeiture procedures that establish end-to-end processing requirements, roles and responsibilities, documentation standards, review controls, case closure requirements, and interdepartmental service expectations, as indicated in the observation section above.

Management's Response

Agrees with Finding and Recommendation.

This should be tackled in two parts:

1) Benefits will develop formal procedures detailing the existing process. They will include a standardized case closure methodology as recommended as well as the use of a standardized naming convention, so forfeiture documents are readily identifiable in member accounts.

Anticipated completion is December 31, 2026.

2) In a later iteration, we will detail the communication and follow-up method once one is established with the County Department of Human Resources and the Superior Court.

Anticipated completion for this update is June 30, 2027.

Target Completion Date:
December 31, 2026 / June 30, 2027

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 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	InternalControls (operational risk)	Compliance	Reputational	Executive Management
High	Large financial impact to LACERA or members Actions not aligned with fiduciary responsibilities	Operations risk is the risk that operations are inefficient and ineffective in executing the business objectives, and/or achieving quality, cost and time performance objectives. Missing or inadequate key internal controls Not adequate to identify fraud, noncompliance or misappropriation	As a result of a flaw in design or operation or due to human error, oversight or indifference, the company's processes do not comply with prescribed procedures and policies, or do not comply with regulatory requirements. Compliance risk, sometimes referred to as nonconformance risk, results in loss of reputation, lower quality, higher costs, lost revenues and unnecessary delays. Non-compliance with applicable Federal or state laws or LACERA's policies	High probability forexternal auditissues and/or negative public perception	There is poor alignment between the allocation of IT resources and the company's strategic objectives. The processes are not in place to ensure that, as the company's goals and objectives evolve, the information technology (IT) evolves appropriately Important critical business process identified by Exec Office Requires immediate attention

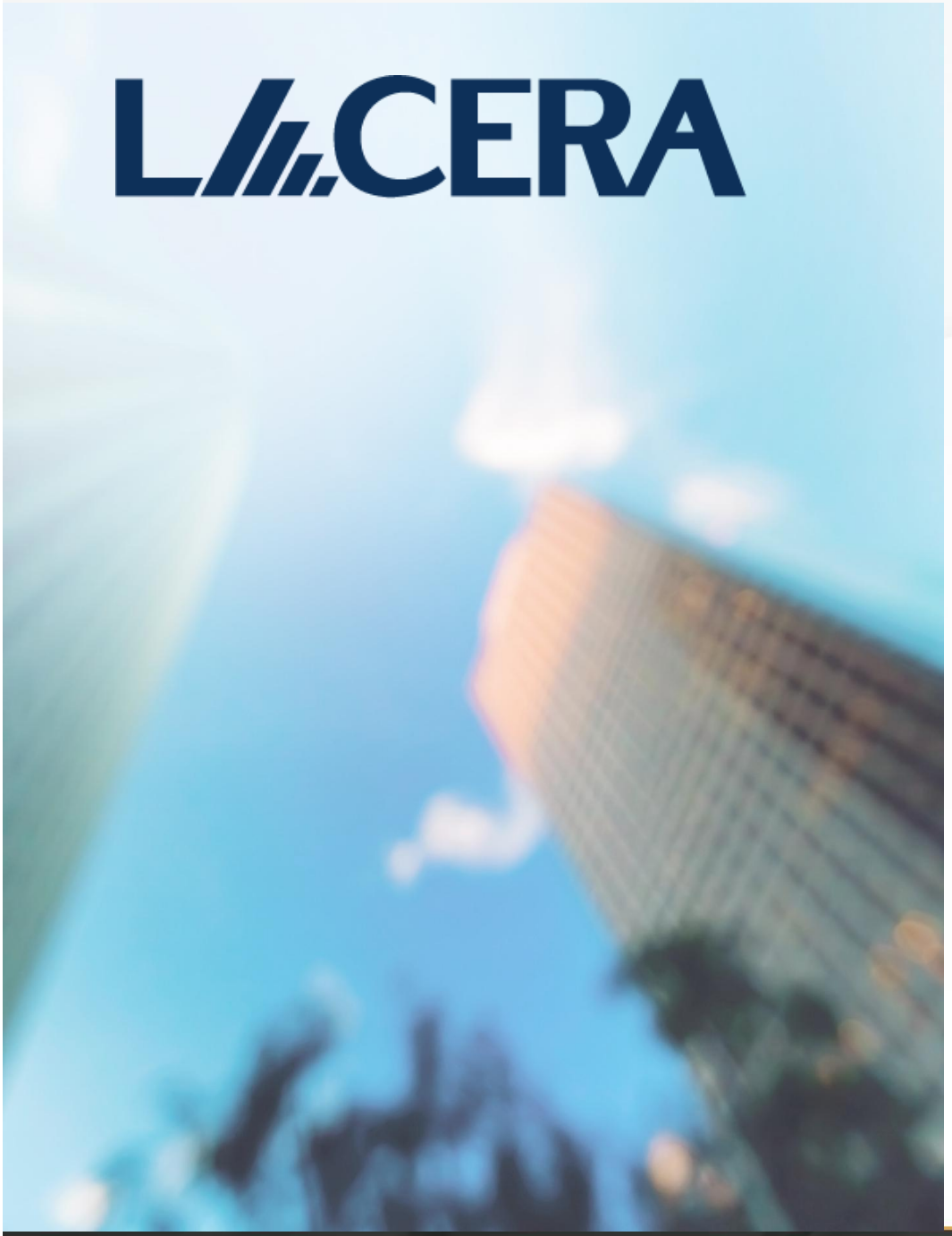
Medium	Moderate financial risk to LACERA or members Actions could be better aligned with fiduciary responsibilities	Partial key internal controls Not adequate to identify noncompliance or misappropriation in timely manner	Inconsistent compliance with applicable Federal or state laws or LACERA's policies	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 forexternal audit issues and/or negative public perception	Lower significance Does not require immediate attention

APPENDIX 3
AUDIT RESULTS DASHBOARD

The Audit Results Dashboard details each process reviewed, the associated control attributes tested, and the test results leading to the audit findings.

Audit Results Dashboard – Felony Forfeiture Audit		
Audit Objectives	**Associated Control Attributes Tested**	**Test Results**
Objective 1: Felony Cases Properly Included in Process		
1.0 Assess whether the population of felony forfeiture cases is complete and all applicable cases are identified and processed by LACERA.	Benefits Division management performs reconciliation procedures between cases received from the County (e.g., DHR referrals) and LACERA's internal intake logs.	Finding #1
	Benefits Division management leverages multiple intake sources, including court documentation, internal referrals, and monitoring of external/public information sources to ensure cases are captured.	Finding #2
Objective 2: Completeness and Accuracy of Supporting Documentation		
2.0 Assess whether case files contain complete, accurate, and sufficient documentation to support forfeiture determinations.	Benefits Division management requires a standardized documentation package, including court documents, conviction details, job classification information, and investigatory reports. Checklists and defined documentation requirements guide staff in assembling case files.	No Exceptions
	Benefits Division management relies on statutory requirements mandating notification within defined timelines (e.g., 90 days to LACERA). Case intake is logged and tracked through internal tracking logs and monitored periodically.	No Exceptions

Objective 3: Determination of Eligibility and Benefit Impact		
3.0 Evaluate whether forfeiture determinations are accurate, consistent, and supported by sufficient evidence and applicable laws.	Benefits Division management utilizes defined procedures and guidance for determining forfeiture eligibility, including identification of the first commission date and calculation of benefit impacts. Determinations are subject to supervisory and/or legal review.	No Exceptions
Objective 4: Case Tracking and Monitoring Throughout Lifecycle		
4.0 Assess whether management maintains case tracking logs and conducts periodic coordination meetings to monitor status, deadlines, and outstanding actions.	Benefits Division management maintains case tracking logs and conducts periodic coordination meetings to monitor status, deadlines, and outstanding actions.	Finding #3
	Benefits Division management updates and formalizes Felony Forfeiture procedures to strengthen governance, accountability, documentation, oversight, and overall process effectiveness.	Finding #4



Attachment B

Felony Forfeiture Process Audit

Audit Report Date: October 22, 2026

Presented by:

Gabriel Tafoya, Senior Internal Auditor

Alex Ochoa, Internal Auditor

Summary of Engagement

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

Type of Engagement:

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

Purpose

The purpose of this audit was to assess the design and effectiveness of controls over LACERA's process for applying pension forfeiture requirements following job related felony convictions.

Background, Objectives, Scope

Background

LACERA administers felony forfeiture matters involving members whose felony convictions may affect retirement benefits. The process includes identifying and receiving potential cases, evaluating applicable statutory criteria, coordinating Pension Forfeiture Committee review, documenting decisions, calculating the effect on benefits, communicating outcomes, and formally closing and retaining the case record.

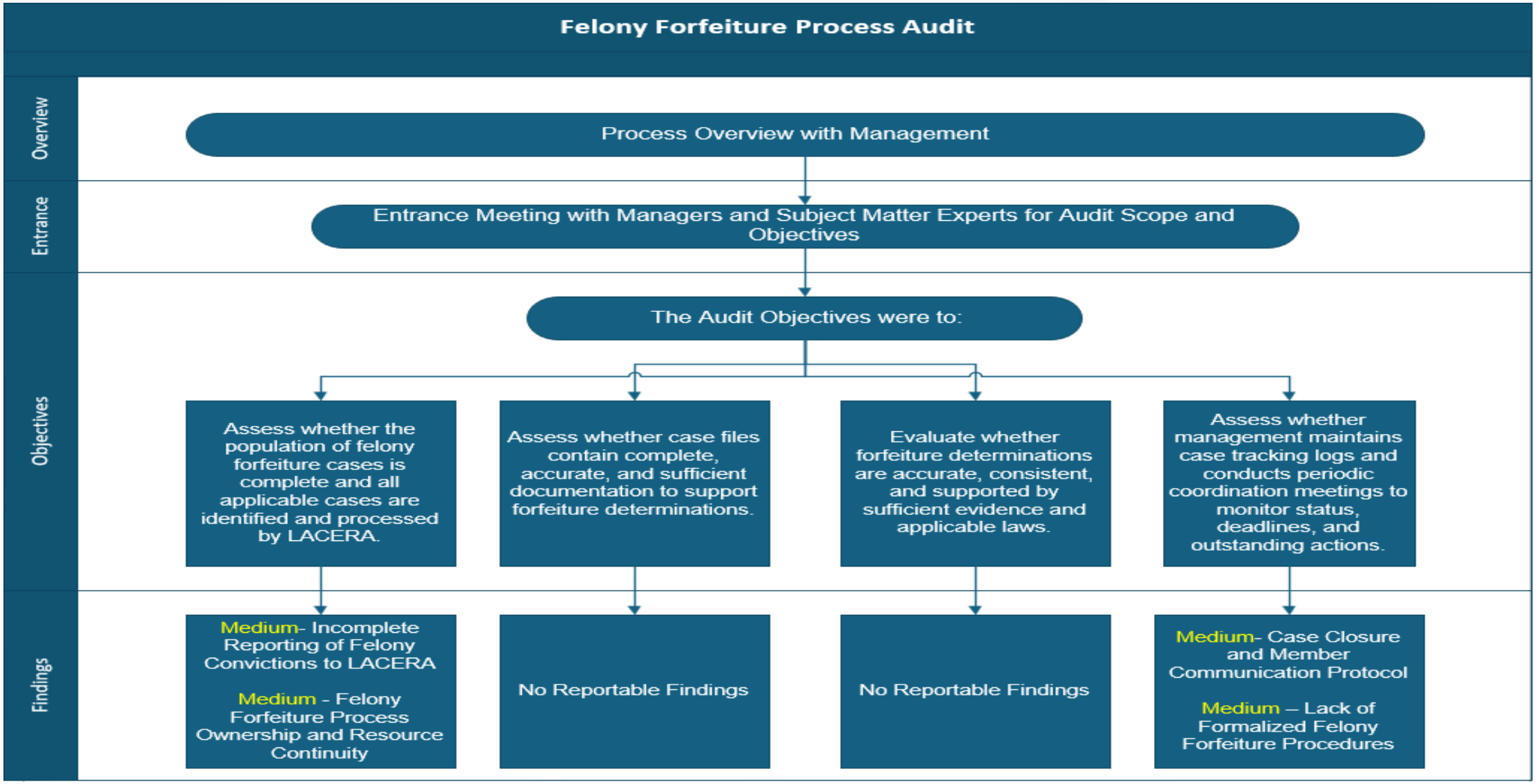
Objectives

- Assess whether the population of felony forfeiture cases is complete and all applicable cases are identified and processed by LACERA.
- Assess whether case files contain complete, accurate, and sufficient documentation to support forfeiture determinations.
- Evaluate whether forfeiture determinations are accurate, consistent, and supported by sufficient evidence and applicable laws.
- Assess whether management maintains case tracking logs and conducts periodic coordination meetings to monitor status, deadlines, and outstanding actions.

Scope

The audit covered the period from July 1, 2025, through June 30, 2026, and included a review of all relevant case records and data. In addition, the audit included detailed testing of eight (8) sampled member cases.

Felony Forfeiture Audit Process Flow



Audit Results – Objectives:

Audit Results Dashboard – Felony Forfeiture Process Audit	
Audit Objectives	**Test Results**
Objective 2a: Assess whether case files contain complete, accurate, and sufficient documentation to support forfeiture determinations. Control Attribute Tested: Benefits Division management requires a standardized documentation package, including court documents, conviction details, job classification information, and investigatory reports. Checklists and defined documentation requirements guide staff in assembling case files.	No Exceptions
Objective 2b: Assess whether case files contain complete, accurate, and sufficient documentation to support forfeiture determinations. Control Attribute Tested: Benefits Division management relies on statutory requirements mandating notification within defined timelines (e.g., 90 days to LACERA). Case intake is logged and tracked through internal tracking logs and monitored periodically.	No Exceptions
Objective 3: Evaluate whether forfeiture determinations are accurate, consistent, and supported by sufficient evidence and applicable laws. Control Attribute Tested: Benefits Division management utilizes defined procedures and guidance for determining forfeiture eligibility, including identification of the first commission date and calculation of benefit impacts. Determinations are subject to supervisory and/or legal review.	No Exceptions

Audit Results – Objectives:

Audit Results Dashboard – Felony Forfeiture Process Audit	
Audit Objectives	**Test Results**
Objective 1a: Assess whether the population of felony forfeiture cases is complete and all applicable cases are identified and processed by LACERA. Control Attribute Tested: Benefits Division management performs reconciliation procedures between cases received from the County and LACERA's internal intake logs.	Finding #1
Objective 1b: Assess whether the population of felony forfeiture cases is complete and all applicable cases are identified and processed by LACERA. Control Attribute Tested: Benefits Division management leverages multiple intake sources, including court documentation, internal referrals, and monitoring of external/public information sources to ensure cases are captured.	Finding #2
Objective 4a: Assess whether management maintains case tracking logs and conducts periodic coordination meetings to monitor status, deadlines, and outstanding actions. Control Attribute Tested: Benefits Division management maintains case tracking logs and conducts periodic coordination meetings to monitor status, deadlines, and outstanding actions.	Finding #3
Objective 4b: Assess whether management maintains case tracking logs and conducts periodic coordination meetings to monitor status, deadlines, and outstanding actions. Control Attribute Tested: Benefits Division management updates and formalizes felony forfeiture procedures to strengthen governance, accountability, documentation, oversight, and overall process effectiveness.	Finding #4

Summary of Recommendations & Management Responses

Finding #	Title of Finding	Rating	Recommendation	Management Response
1	**Incomplete Reporting of Felony Convictions to LACERA**	**Medium**	1. Benefits Division management should strengthen the felony forfeiture identification and referral process by coordinating with Los Angeles County Department of Human Resources (DHR) and Los Angeles Superior Court to update the Memorandum of Understanding (MOU) language to require that all felony convictions involving LACERA members be reported to LACERA for review. 2. Benefits Division management should work with the courts and District Attorney Office to evaluate mechanisms and alternative methods to identify potential felony convictions.	Management agrees with the finding and recommendation. By December 2026, LACERA plans to begin discussing our concerns with the County and Superior Court. LACERA will work with its Legal Office to revise the MOU with the County so that it better reflects the 2020 Court of Appeals Decision and clarifies what LACERA requires from its partners. Target Date: March 31, 2027.
2	**Felony Forfeiture Process Ownership and Resource Continuity**	**Medium**	1. Benefits management should develop mechanisms and evaluate existing benefits systems, to efficiently track and report felony forfeiture cases. 2. Benefits management should formally assign ownership of the Felony Forfeiture process to a designated process owner responsible for overseeing case administration, monitoring case status, ensuring timely follow-up, maintaining complete documentation, and coordinating case closure.	Management agrees with the finding and recommendation. The Exceptions Unit in Benefits can be trained on Phase 1 procedures as described under Finding #4, below, by March 31, 2027. A follow-up training can take place after we have finalized our agreement with the County. Anticipated completion of this training is June 30, 2027. Management will explore the use of case management software to assist in improving process efficiency. Target Date: March 31, 2027 / June 30, 2027.

Summary of Recommendations & Management Responses

Finding #	Title of Finding	Rating	Recommendation	Management Response
3	**Case Closure and Member Communication Protocol**	**Medium**	1. Benefits Division management should establish and document formal case closure procedures for Felony Forfeiture cases that define the requirements for case completion, supervisory review, documentation retention, and closure approval. 2. Upon closure of a Felony Forfeiture case, Benefits Division management should require that a standardized alert be placed on the member's account documenting the case disposition, final determination, and any required follow-up actions. 3. Additionally, Benefits Division management should establish and implement formal documentation requirements for Pension Forfeiture Committee (PFC) meetings to ensure that all case determinations are consistently and completely recorded.	Management agrees with the finding and recommendation. By December 2026, Benefits Division management will establish and document formal case closure practice. Management will also require an alert and comment to be placed on the member's account documenting the final determination and required follow-up action. Pension Forfeiture Committee (PFC) meeting minutes will be documented in a consistent manner. These changes will be reflected in the overarching detailed felony forfeiture procedures. Target Date: December 31, 2026 / June 30, 2027.
4	**Lack of Formalized Felony Forfeiture Procedures**	**Medium**	Benefits Division management should develop, document, and implement comprehensive Felony Forfeiture procedures that establish end-to-end processing requirements, roles and responsibilities, documentation standards, review controls, case closure requirements, and interdepartmental service expectations.	Management agrees with the finding and recommendation. This should be tackled in two parts: 1) Benefits will develop formal procedures detailing the existing process. They will include a standardized case closure methodology as recommended as well as the use of a standardized naming convention, so forfeiture documents are readily identifiable in member accounts. 2) In a later iteration, we will detail the communication and follow-up method once one is established with the County Department of Human Resources. Target Date: December 31, 2026 / June 30, 2027.

Conclusion

- **Audit Independence and Objectivity**
  The audit was conducted independently and objectively following the IIA Standards.

- **Overall Audit Rating**
  Overall, Benefits demonstrates a good control environment with effective oversight and the capacity to achieve its divisional objectives; however, given the four (4) medium-rated findings, the overall audit rating is assessed as "Opportunities for Improvement."

Thank you

We would like to thank the Benefits Division management and staff that we worked with for their cooperation on this engagement and invite them to provide any comments.



LACERA

October 22, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Christian Velasco CV
Senior Internal Auditor

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Centralized Vendor Management Advisory Engagement**

RECOMMENDATION
In accordance with your current ACRE Committee Charter, staff recommends that the ACRE Committee review and discuss the following memo and take the actions 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.

PURPOSE
The Audit Plan for Fiscal Year Ending (FYE) 2026 included an advisory engagement of Centralized Vendor Management (CVM). CVM supports how Administrative Services Division oversees the Vendor Lifecycle, monitors vendor performance for compliance with all applicable terms and conditions outlined in the Procurement Policy, Contract, and other relevant procurement documents.

This was an advisory engagement to review and identify any value-add services Internal Audit (IA) can provide to assist in LACERA's third-party and vendor relationships, their governance, risk-assessments, and control points across the vendor management lifecycle; this included compliance and considerations with internal policies and the Institute of Internal Auditors (IIA) Third-Party Topical Requirements (the Topical Requirements).

BACKGROUND

The Vendor Management group is composed of the Procurement and Contracts Units. The group plays a crucial role in ensuring LACERA's procurement and contracting processes are efficient and aligned with LACERA's strategic goals. The group develops and manages a centralized process for the solicitation and acquisition of goods and services. Their responsibilities are vital for maintaining fiscal durability, compliance, and risk management.

In 2025, the IIA released the Third-Party Topical Requirements, which outlined a comprehensive approach to assess the design and implementation of third-party governance, risk management, and control processes.

ENGAGEMENT OBJECTIVES AND SCOPE

The scope of this advisory engagement was to review the processes, controls, and data used to select, contract, onboard, monitor, and offboard third-party vendors across the vendor management lifecycle in alignment with the Topical Requirements.

IA and the Administrative Services Division developed and mutually agreed upon the engagement objectives, which were to review and gain an understanding of, and provide advisory services on the following:

- Governance: The framework of oversight, accountability, policies, roles, and communication processes established to direct and oversee third-party relationships throughout the vendor lifecycle, ensuring alignment with LACERA's objectives, regulatory requirements, and risk appetite.
- Risk Management: The systematic process for identifying, assessing, prioritizing, responding to, monitoring, and escalating risks associated with third parties and their subcontractors throughout the vendor lifecycle, commensurate with LACERA's risk exposure.
- Controls: The policies, procedures, and activities implemented to manage third-party relationships and mitigate identified risks, including due diligence, contracting, onboarding, monitoring, issue escalation, contract renewal, and offboarding practices.

ENGAGEMENT RESULTS

Internal Audit observed that LACERA's CVM Program has continued to mature.

During the period from July 1, 2025, to June 30, 2026, IA observed the following strengths:

- Demonstrated ongoing professional development through various trainings during the scope period.
- Developed a Due Diligence Playbook to ensure effective communication of the Contract Management Lifecycle as well as a Procurement Workflow Matrix to pertinent staff.
- Continue to identify and leverage resources to consider improvements to the process.
- Proactively working towards leveraging existing software to enhance reporting and process needs.

While LACERA's CVM Program includes key foundational elements and continues to mature, IA identified the following actions to further enhance the program:

- Development of a formalized and documented Risk Assessment Framework that addresses third parties and that incorporates strategic, reputational, ethical, operational, financial, compliance, cybersecurity, Information Technology (IT), legal, sustainability, and geopolitical risks.
- Development of a formalized Risk Ranking and prioritization function, where vendors are ranked and prioritized by risk, and due diligence processes that are commensurate with the vendor's corresponding rating.
- Identifying processes not included in policies and procedures, evaluating existing key processes, and documenting the corresponding processes as needed.

MANAGEMENT COMMENTS

Management appreciates IA's review and acknowledges the continued maturation of the CVM Program. Administrative Services currently incorporates risk-based criteria into vendor onboarding, renewal, and ongoing oversight activities. Management recognizes, however, that existing practices can be enhanced by establishing a more formal and documented framework for identifying and assessing critical third-party relationships from a LACERA-wide perspective.

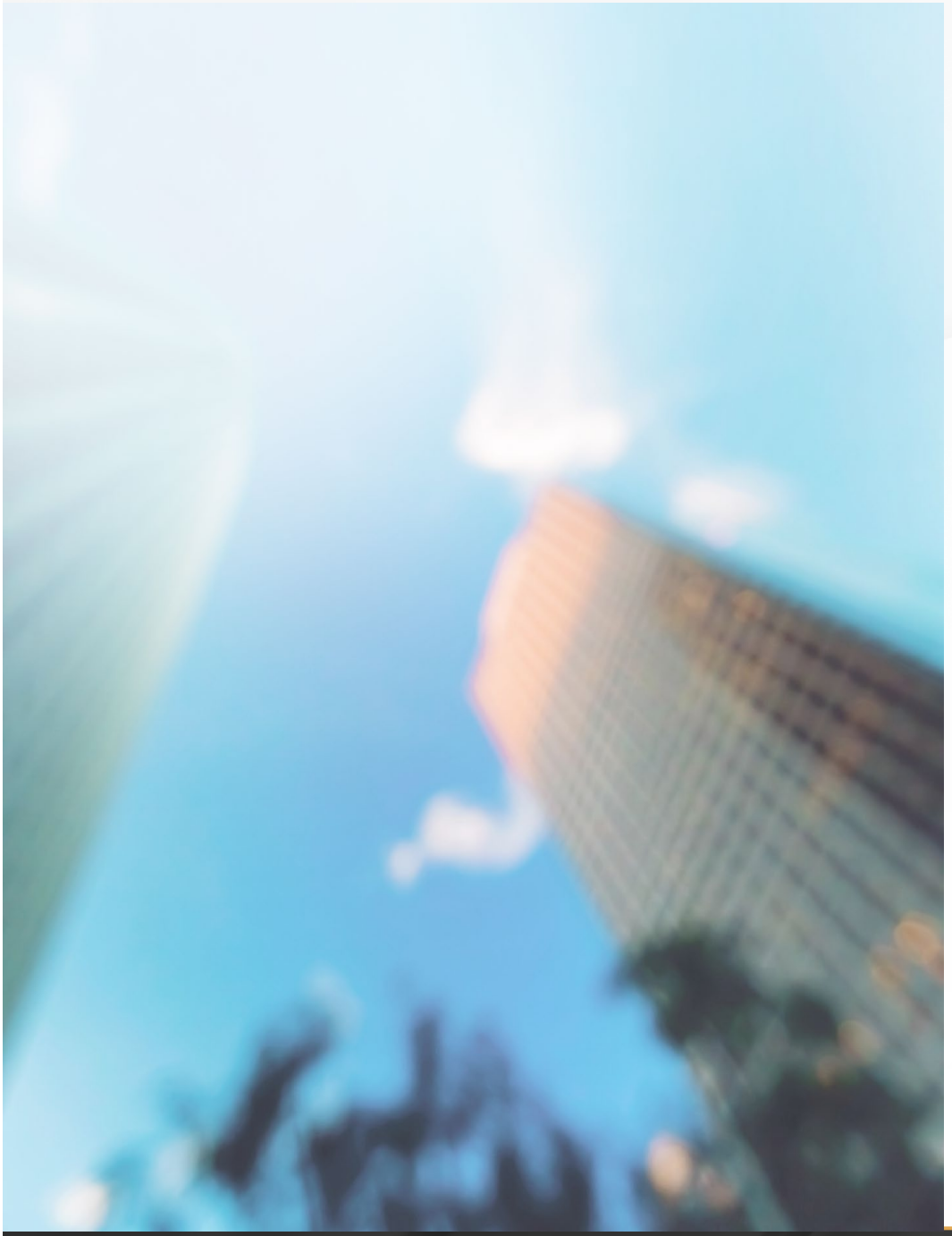
CONCLUSION

Overall, LACERA's CVM includes key foundational elements necessary to mitigate third-party risk. The proposed enhancements are intended to reinforce a structured risk assessment framework, prioritize efforts where risk is elevated, and document key processes and controls as needed.

IA would like to extend its appreciation to Administrative Services for collaborating on this advisory engagement.

Attachment:
A. Centralized Vendor Management Advisory Engagement Presentation

CV



Attachment A

Centralized Vendor Management Advisory Engagement

Advisory Report Date: October 22, 2026

Presented by:
Christian Velasco, Senior Internal Auditor

Summary of Engagement

Responsible Divisions:	Administrative Services
Type of Engagement:	Advisory
Audit Rating:	N/A

Type of Engagement

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

Purpose

This advisory engagement was to help strengthen LACERA's management of its third-party and vendor relationships.

Please Note: This is an Advisory Engagement and does not provide assurance. Therefore, no audit opinion nor conclusion is provided on the effectiveness of Governance, Risk Management, and Controls of these processes.

Background, Objectives, Scope

Background

In 2025, The Institute of Internal Auditors (IIA) issued the Third-Party Topical Requirements (the Topical Requirements), which became effective on September 15, 2025. The Topical Requirements establish a consistent, and a comprehensive approach for internal auditors to assess the design and implementation of third-party governance, risk management, and control processes.

Objectives

Internal Audit (IA) and the Administrative Services Division developed and mutually agreed upon the engagement objectives, which were to review and gain an understanding of, and provide value-added services on the following:

- Governance: The framework of oversight, accountability, policies, roles, and communication processes established to direct and oversee third-party relationships throughout the vendor lifecycle, ensuring alignment with organizational objectives, regulatory requirements, and risk appetite.

- Risk Management: The systematic process for identifying, assessing, prioritizing, responding to, monitoring, and escalating risks associated with third parties and their subcontractors throughout the vendor lifecycle, commensurate with LACERA's risk exposure.

- Controls: The policies, procedures, and activities implemented to manage third-party relationships and mitigate identified risks, including due diligence, contracting, onboarding, monitoring, issue escalation, contract renewal, and offboarding practices.



Scope

The scope of this advisory engagement was to review the processes, controls, and data used to select, contract, onboard, monitor, and offboard third-party vendors across the vendor management lifecycle in alignment with the Topical Requirements from July 1, 2025, to June 30, 2026.

Summary of Advisory Observations

Observation #	Title of Observation	Recommendation	Management Response
1	**Risk Assessment Framework**	IA recommends that Administrative Services formalize and document the framework that addresses third parties and strategic, reputational, ethical, operational, financial, compliance, cybersecurity, Information Technology (IT), legal, sustainability, and geopolitical risks.	Management agrees with the recommendation. Administrative Services currently incorporates risk-based criteria into vendor onboarding, renewal, and ongoing oversight activities. Management recognizes, however, that these existing practices can be enhanced by establishing a more formal and documented framework for identifying and assessing critical third-party relationships from an organization-wide perspective. Administrative Services will build upon existing vendor risk management practices by developing and documenting a third-party risk framework that establishes criteria for identifying critical vendors and considers relevant risk factors, including strategic, reputational, ethical, operational, financial, compliance, cybersecurity, information technology, legal, sustainability, and geopolitical risks, as appropriate to the nature of the vendor relationship. Implementation will leverage existing procurement and vendor management processes where appropriate and will coordinate with relevant LACERA stakeholders for risk areas that fall within their respective areas of responsibility.

Summary of Advisory Observations (Continued)

Observation #	Title of Observation	Recommendation	Management Response
2	**Risk Ranking and Prioritization**	In conjunction with the Advisory Observation 1 - Risk Assessment Framework, vendors should be ranked and prioritized by risk, and due diligence processes should be enhanced consistently with the corresponding rating, in which a higher-risk vendor will receive higher frequency due diligence procedures, and Argos Risk notifications are noted when considering an out of cycle review.	Management agrees with the recommendation. Administrative Services currently performs vendor due diligence through onboarding and renewal processes and continuously monitors vendors through Argos Risk. Management will enhance these processes by aligning the frequency and scope of due diligence with vendor risk ratings and establishing criteria for considering Argos Risk notifications for out-of-cycle reviews. These enhancements will be incorporated into the third-party risk framework developed in response to Advisory Observation 1.
3	**Documentation of Existing Processes and Controls**	IA recommends identifying processes not included in policies and procedures, evaluating existing key processes, and documenting the corresponding processes as needed.	Management agrees with the recommendation. Administrative Services will review existing vendor management processes to identify key activities not currently reflected in policies and procedures and will update applicable documentation as appropriate. This review will include existing vendor monitoring, vendor data validation, and other key periodic oversight activities.

Engagement Results

☑Administrative Services continues to mature the Procurement and Vendor Management Process.

- Demonstrates ongoing professional development through various trainings in the scope period.
- A Due Diligence Playbook was drafted to ensure effective communication of the Contract Management Lifecycle to pertinent staff, as well as a Procurement Workflow Matrix.
- Administrative Services continues to identify and leverage resources to consider improvements to the process.
- The Procurement Policy was modified and revised in Fiscal Year 2025-2026.
- Vendor Management Software is being re-configured to enhance reporting and process needs.

Thank you

We would like to thank the Administrative Services Division for their cooperation on this engagement.



LACERA

November 10, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Leisha E. Collins
Chief Audit Executive

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Chief Audit Executive Report**

The new Chief Audit Executive (CAE) Report will provide regular updates to support the ACRE Committee's oversight of Internal Audit. The report offers a consolidated overview of audit plan progress, management's efforts to implement audit recommendations, and strategic initiatives to enhance audit quality and effectiveness.

Staff will provide a summary of the presentation at the November 2026 ACRE Meeting,

Attachment:
A. Chief Audit Executive Report Presentation

Attachment A

Chief Audit Executive Report

Presented By:
Leisha E. Collins, Chief Audit Executive

November 2026

Executive Summary

As the ACRE Committee's role in overseeing Internal Audit continues to evolve, timely communication is essential to maintaining insight into our work and how it addresses LACERA's organizational risks. The Chief Audit Executive (CAE) Report provides that insight. In keeping with the Institute of Internal Auditors (IIA) Global Internal Audit Standards, it keeps the Committee informed of our progress, emerging risks, and results, so it can oversee with confidence.

What the report covers:

1

SECTION ONE

Audit Plan Progress

Are we auditing the right things, on schedule?

Results from FY 2026, progress on FY 2027, and enhancements to our own operations.

2

SECTION TWO

Management Action Plans

Are the risks we find actually getting fixed?

Audit value depends on implementation, so we track each recommendation to closure.

3

SECTION THREE

Strategic Initiatives

Where is Internal Audit headed?

Our three-year road map aligns our work with LACERA's five strategic pillars.

4

SECTION FOUR

Staff Activity

How are we developing our people and our presence?

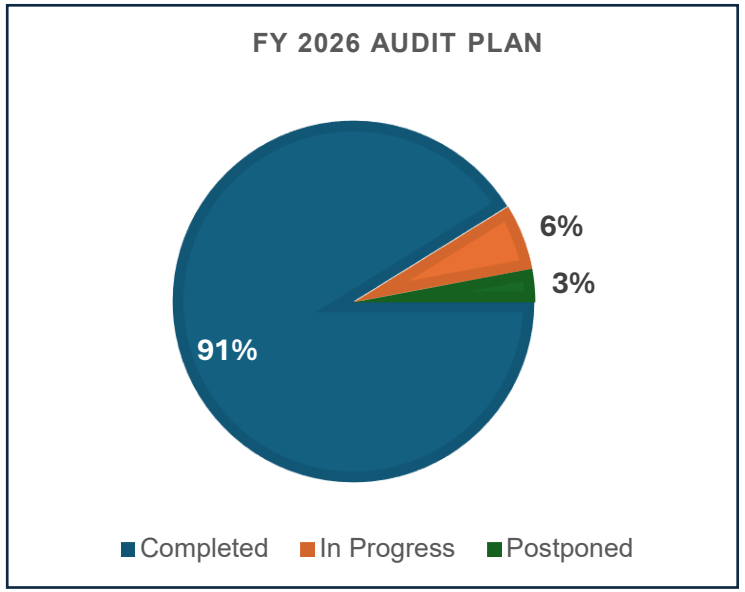
Staff development, training, the External Quality Assessment, and IA visibility.

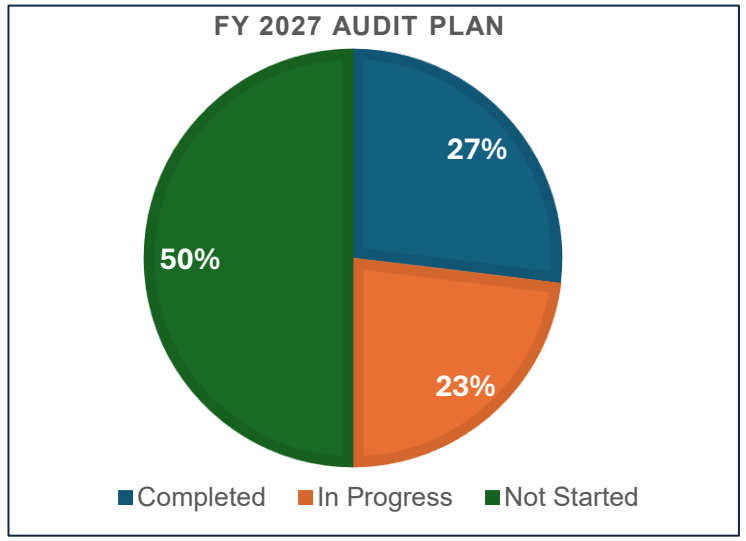
SECTION ONE

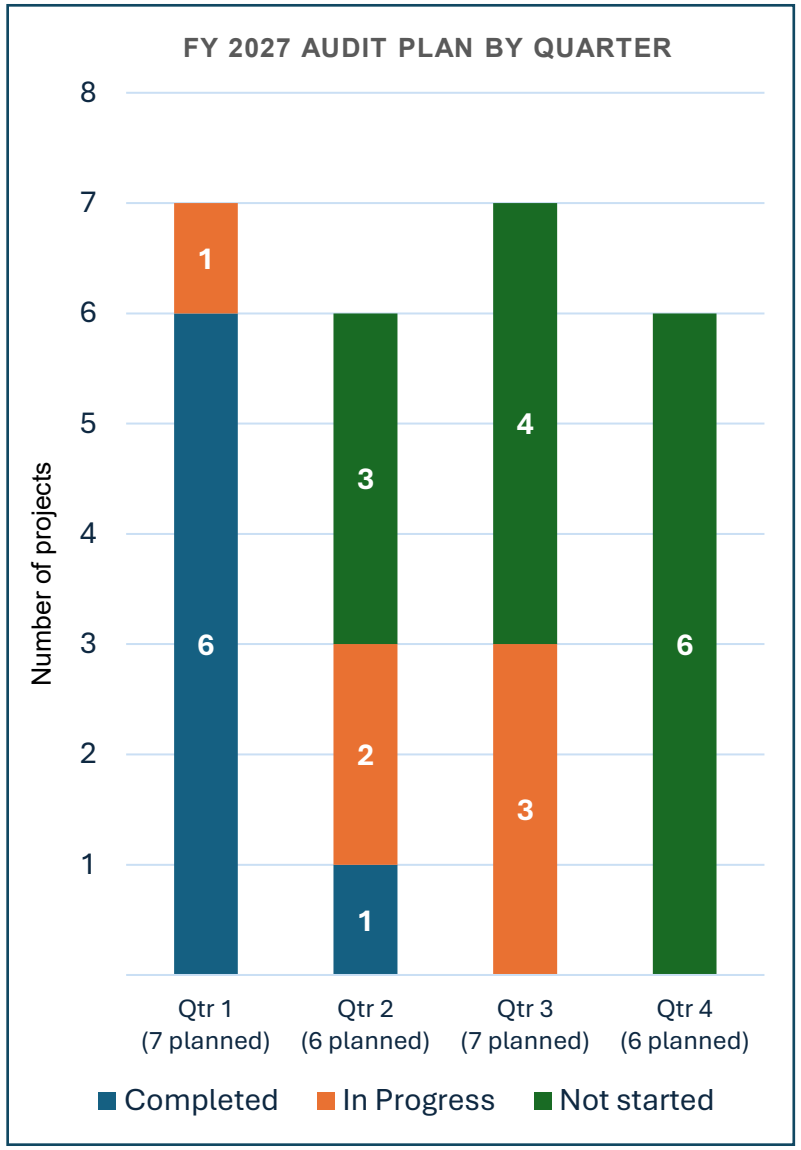
Audit Plan Progress

FY 2026 and FY 2027

Audit Plan Progress







Audit Plan Highlights

- As of this reporting, Internal Audit has completed or substantially completed 97% (33 of 34 projects) of the FY 2026 Audit Plan, exceeding the 80% completion target.
- Internal Audit has completed thirty-one FY 2026 projects, and two are in the final report phase. One engagement was postponed due to staffing constraints and will begin in the 3rd quarter of 2027.
- FY 2027 is progressing well, with 50% of planned 1st and 2nd planned projects completed; 85% of planned 1st quarter projects have been completed.
- Almost half of planned 2nd quarter projects are completed or underway, and several Q3– projects began ahead of schedule at management's request.

Completed Audit and Advisory Engagements

COMPLETED ENGAGEMENTS

13 Projects Across FY 2026 and FY 2027 since last ACRE

SATISFACTORY RATINGS

5 Completed CAP Tests

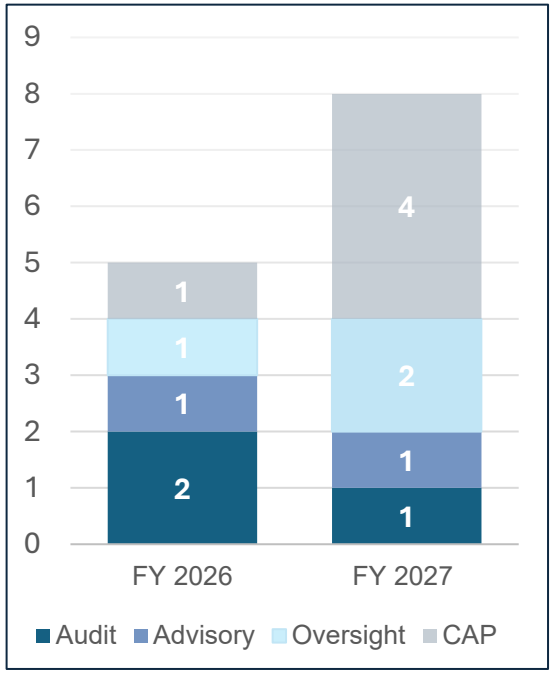
OPPORTUNITIES FOR IMPROVEMENTS

3 Assurance Engagements

OPPORTUNITIES FOR OPERATIONAL ENHANCEMENTS

2 Advisory Engagements

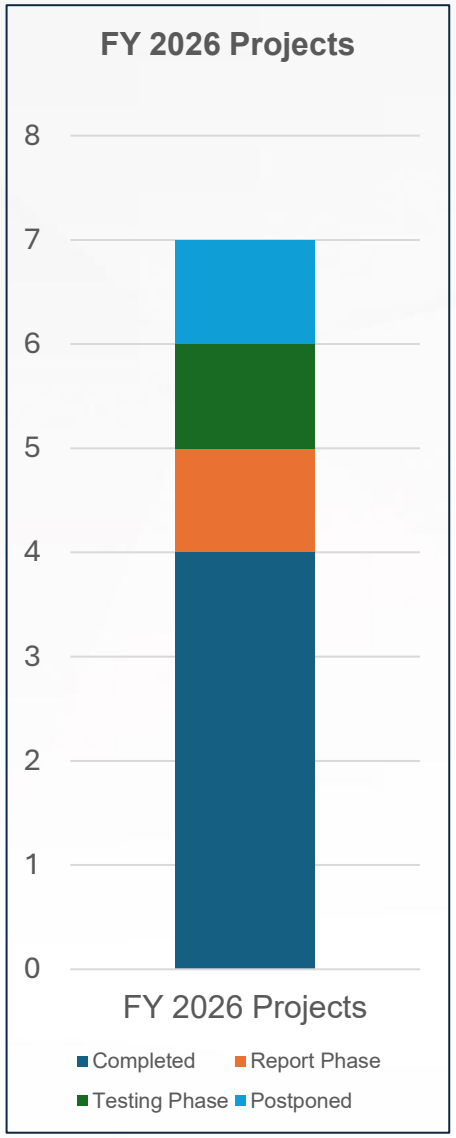
Completed Projects



Engagement results

Project	FY Audit Plan	Report Date	Audit Team	Results
Unclaimed Accounts Audit	2026	10/21/2026	Internal Audit	Opportunities for Improvement
Felony Forfeiture Audit	2026	10/22/2026	Internal Audit	Opportunities for Improvement
HR Needs Assessment Advisory	2026	9/24/2026	LCW	Opportunities For Operational Enhancements
FYE 2026 SOC 1 Type 2 Audit Oversight	2026	11/06/2026	Weaver	Effective Operating Controls
Member Appointment System Audit	2027	11/5/2026	Internal Audit	Opportunities for Improvement
Central Vendor Management Advisory	2027	10/22/2026	Internal Audit	Opportunities For Operational Enhancements
CAP- Duplicate Vendor Payment	2026	10/23/2026	Internal Audit	Satisfactory
CAP - New Benefit Payees	2027	10/15/2026	Internal Audit	Satisfactory
CAP - CEO Credit Card	2027	10/23/2026	Internal Audit	Satisfactory
CAP - LACERA Rehired Retiree	2027	10/23/2026	Internal Audit	Satisfactory
CAP - Death Burial Benefits	2027	10/29/2026	Internal Audit	Satisfactory
Financial Audit Oversight	2027	10/15/2026	CLA	Unmodified (Clean) Opinion
Actuarial Audit Oversight	2027	N/A	CavMac	Non-rated

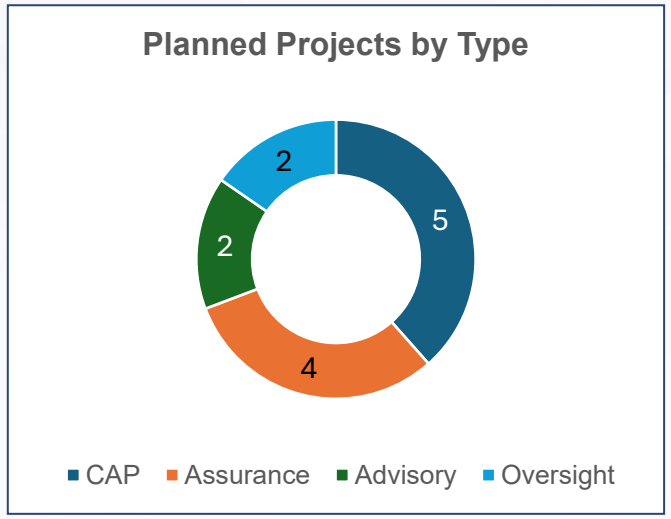
FY 2026 Audit Plan Progress

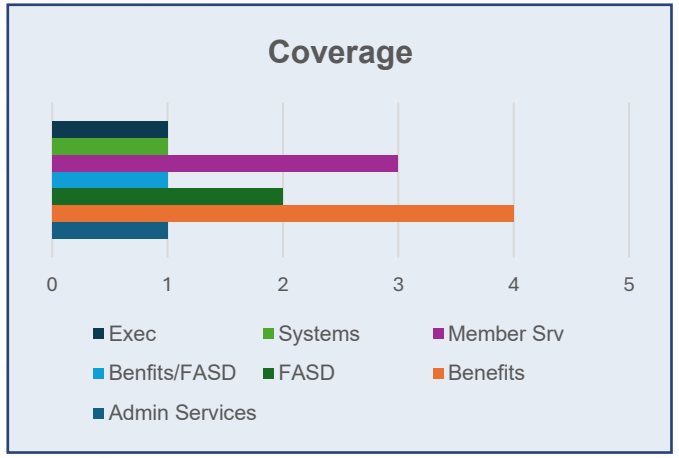


Engagement	Team	Engagement Status	Objective	Results
Unclaimed Accounts Audit	Internal Audit	Completed	Evaluate the effectiveness, accuracy and consistency of unclaimed account processes, including safeguards, member outreach, documentation and payments, for compliance with policies and business rules.	Audit Report rating is Opportunities for Improvements. Two medium recommendations are in the areas of policies and procedures.
Felony Forfeiture Audit	Internal Audit	Completed	Assess whether LACERA identifies and processes all applicable felony forfeiture cases with accurate, consistent and legally compliant determinations, and evaluate documentation, tracking and coordination of case status and deadlines.	Audit Report rating is Opportunities for Improvements. Four medium recommendations in the areas of internal and external reporting, resource capacity, and policies and procedures.
HR Needs Assessment Advisory	LCW	Completed	Evaluate HR's capabilities, resource needs, processes and service delivery to identify opportunities to strengthen HR operations and align with LACERA's priorities.	Operational enhancements identified in the areas of leadership and structure, recruitment and vacancy management, workforce development and succession, technology and data, and organization-wide coordination.
FYE 2026 SOC 1 Type 2 Audit Oversight	Weaver	Completed	Evaluate whether controls over OPEB processing and supporting IT systems were suitably designed and operated effectively during the audit period to support user entities' financial reporting.	The engagement found that controls are operating effectively to provide reasonable assurance that the control objectives were achieved.
Trustee Travel & Education Audit	Crowe	In report phase	Evaluate FY 2024–2025 Trustee education and travel activities against policies, prior recommendations and fiduciary duties; benchmark practices and costs against peers.	Pending – Report in progress.
Penetration Test Audit	Crowe	In audit testing phase	Assess whether the external perimeter, internal network, selected applications and workforce-facing controls prevent realistic attacks and support timely detection and response.	Pending – Audit testing in progress.
Business Continuity/Disaster Recovery Advisory	External	Postponed to FY 2027	Assess DR program to identify gaps relating to enterprise framework ensuring uninterrupted, accurate benefit payments and continuity of core operations during any disruption.	Not Applicable.

FY 2027 Audit Plan Progress *(1st – 2nd Quarter)*

Q1 is largely wrapped up, giving the team good momentum as Q2 work gets underway. Many of the Q2 projects address high-risk areas, which underscores their significance to the organization. The plan is providing good coverage throughout the organization, with audits spanning many divisions and most performed by Internal Audit. Refer to the Appendix for the complete FY 2027 Audit Plan.





FY 2027 Audit Plan	Planned Qtr.	Division	Project	Risk	Project Type	Audit Assignment	Status
1	Q1	FASD	**Actuarial Studies, Reports, and Census Data**	Yellow	Oversight	CavMac	Complete
2	Q1	Member Services	**Member Appointment System**	Yellow	Assurance	Internal Audit	Complete
3	Q1	Admin Services	**Centralized Vendor Management**	Yellow	Advisory	Internal Audit	Complete
4	Q1	Benefits	**Direct Deposit/Pre-Paid Debit Card Processing**	Yellow	Assurance	Internal Audit	Prelim Planning
5	Q1	Benefits	**Death Payments to Beneficiaries**	Yellow	CAP	Internal Audit	Complete
6	Q1	FASD	**LACERA FYE 2026 Financial Statement Audit**	Yellow	Oversight	CLA	Complete
7	Q1	Benefits	**New Monthly Member Payroll**	Red	CAP	Internal Audit	Complete
8	Q2	Exec	**CEO Corporate Credit Card Payments**	Green	CAP	Internal Audit	Complete
9	Q2	Benefits/FASD	**Employer Contribution Reconciliation**	Red	Assurance	Internal Audit	Not Started
10	Q2	Member Services	**Hardship Escalations**	Red	Assurance	Internal Audit	Fieldwork
11	Q2	Member Services	**Member Virtual Counseling**	Red	CAP	Internal Audit	Not Started
12	Q2	Systems	**Business Continuity/Disaster Recovery**	Yellow	Advisory	External	Not Started
13	Q2	Benefits	**Member Special Payments**	Yellow	CAP	Internal Audit	Prelim Planning

High Medium Low

SECTION TWO

Management Action Plans

Progress Implementing Audit Recommendations

Management Action Plans Update

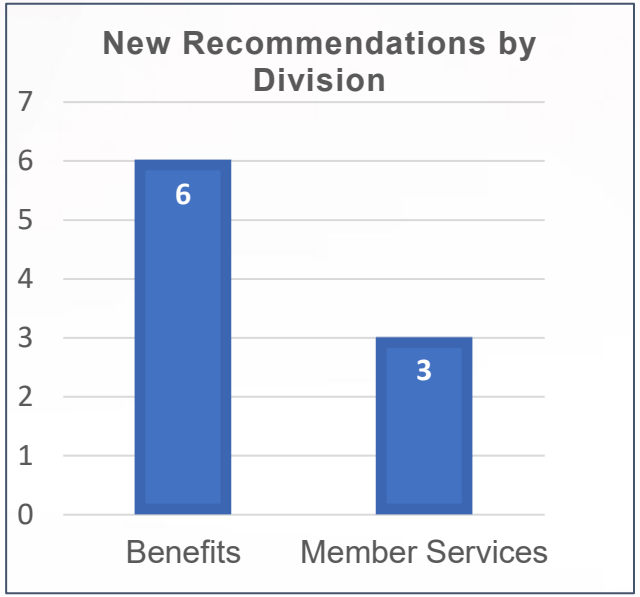
Internal Audit continues to track management action plans to confirm that identified risks and recommendations are implemented timely and effectively. Overall, management has improved timeliness in resolving previous critical issues. Two of the 5 open recommendations have been implemented by HR, and Legal, and 4 of the 12 open recommendations are on track for completion by 12/31/2026. No recommendations have exceeded their target completion dates. New audits added 9 medium-rated operational recommendations, concentrated in member-focused divisions. Refer to the appendix for recommendation details.

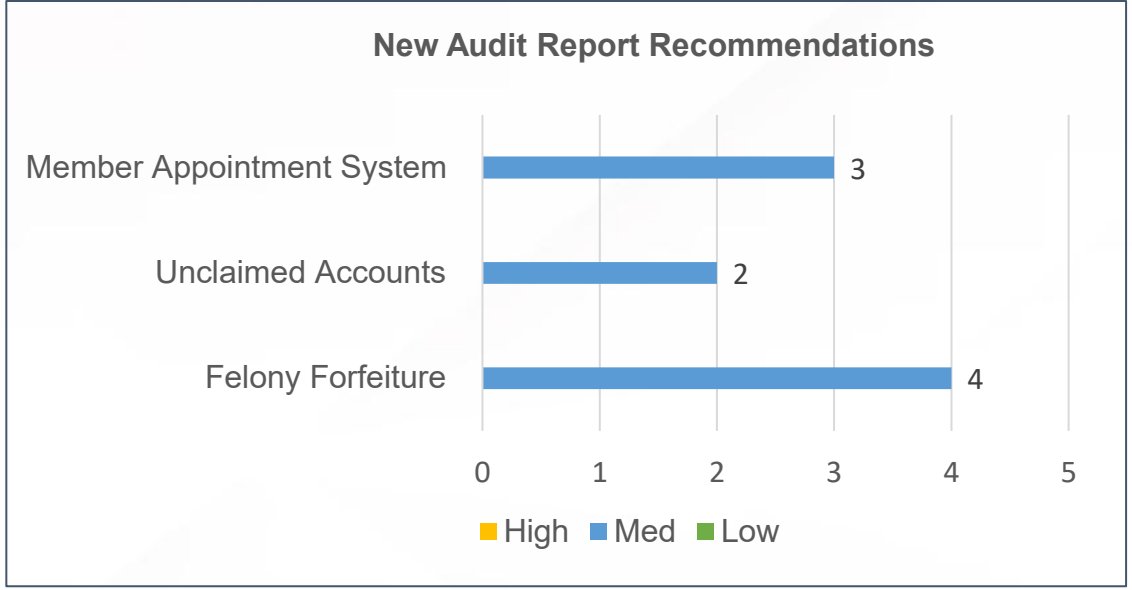
Open Recommendations as of 8/31/2026
5

New Recommendations
9

Closed Recommendations
2

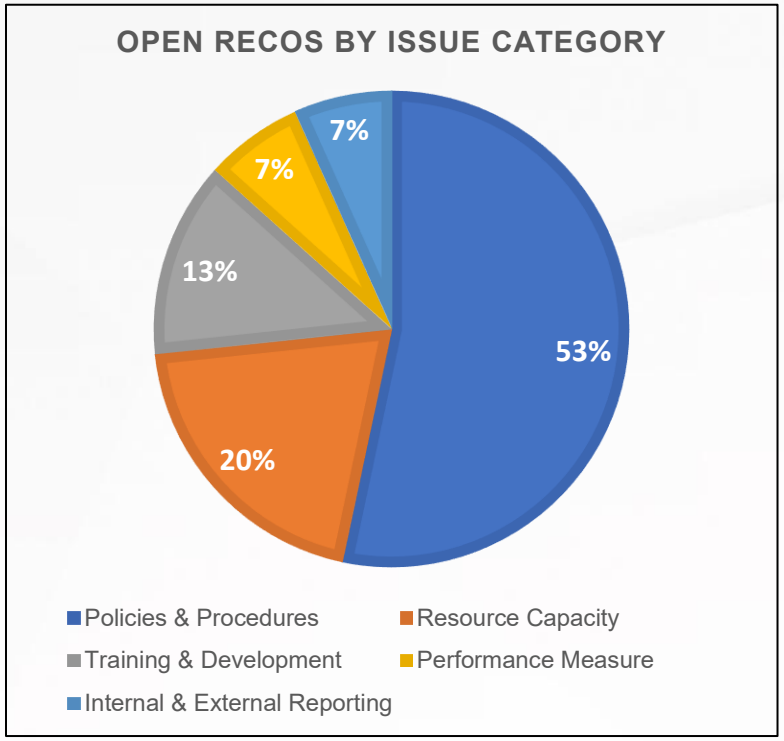
Open Recommendations as of 11/15/2026
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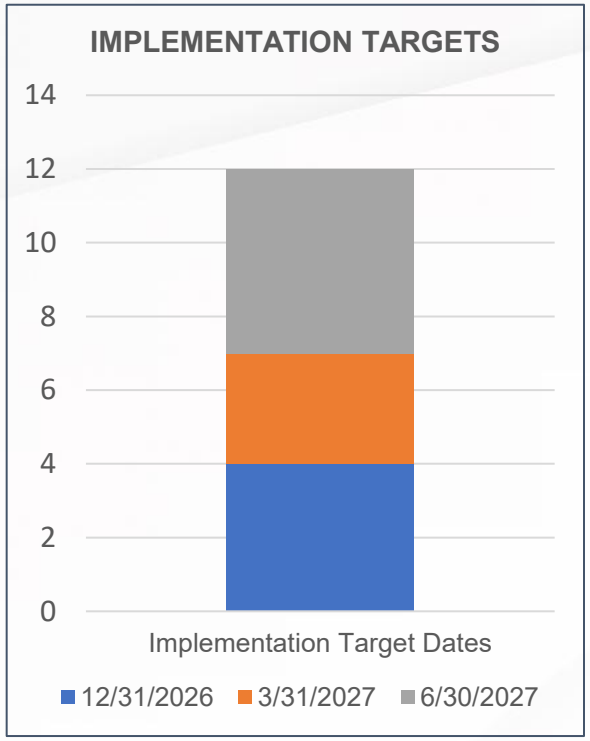


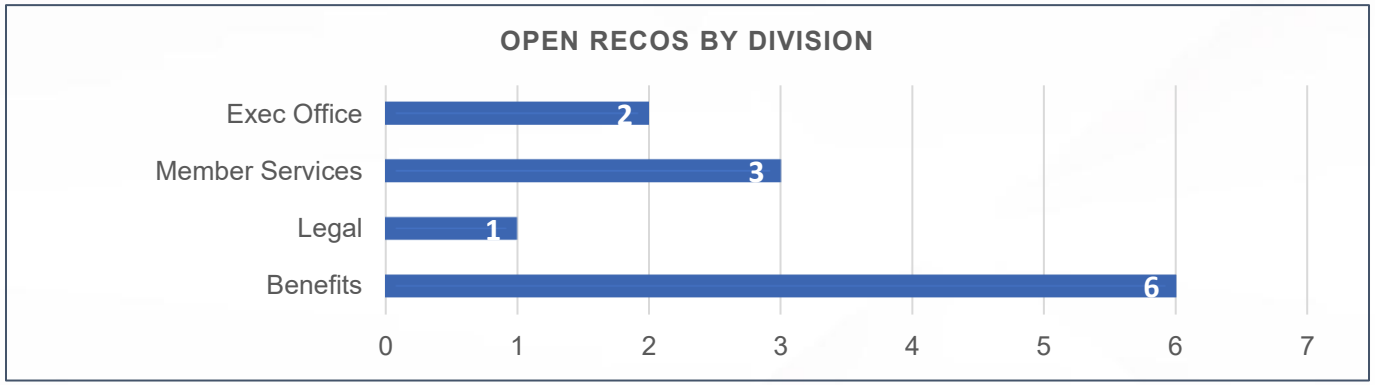




Operational Recommendation Highlights







Key Takeaways and themes:

- ❑ The focus of the FY 2027 Audit Plan is on member benefits processes, specifically in the member-focused divisions: Benefits and Member Services. This is consistent with our audit results, as the majority of open recommendations relate to these two divisions.
- ❑ The recurring theme across recommendation categories is policies and procedures. As the organization adds and enhances processes and systems for efficiency, policies and procedures must also be updated to reflect current practices and to ensure consistent, repeatable, and accurate processing.
- ❑ Additional areas for operational improvements include addressing resource capacity issues, training and development, and strengthening performance measures and reporting.
- ❑ Open Recommendations are on track for completion by the planned target date.

SECTION THREE

Internal Audit Strategic Initiatives

Progress towards Three-Year Road Map

Internal Audit Strategic Initiatives

Internal Audit's strategic initiatives focus audit resources on the risks and capabilities that matter most to LACERA's long-term success. Our three-year road map aligns **Trusted Advisors** with service and process improvements, **Continuous Learners** with staff development and responsible technology use, and **Risk Consultants** with stronger risk awareness and resilience. Together, these initiatives support LACERA's five strategic pillars while preserving Internal Audit's independence and strengthening assurance with progress towards organizational goals.

LACERA's Strategic Pillars:

- ★★★ **Superior Member Experience**
- **Fiscal Durability**
- **Investing in People**
- **Innovation Through Technology**
- **Compliance and Enterprise Risk Management**

Internal Audit's Strategic Pillars *(3-Year Road Map):*

Trusted Advisors	Continuous Learners	Risk Consultants
Enhancing processes to position Internal Audit as adding value and influence operational improvements.	Build audit competencies and foster a culture of learning to deliver actionable insights.	Advancing LACERA's risk awareness to strengthen organizational maturity and resilience.

Strengthening Our Role as a *Trusted Advisor*

FY 2027 Key Objectives:

01	**KPI Reporting**	Establish KPIs and formal reporting structure for Exec Office and ACRE. **Target: January 2027 Project Manager: Leisha Collins**
02	**Internal Audit Awareness**	Elevate IA and bring awareness of Internal Audit function, to strengthen partnerships. **Target: June 2027 Project Manager: Perla Gonzalez**
03	**Updated Presentation Templates**	Develop updated presentation templates for reporting on audits, advisory engagements, and special projects. **Target: January 2027 Project Manager: George Lunde**
04	**IA Website Overhaul**	Overhaul of the IA Website that provides status of IA Projects and other important IA information. **Target: June 2027 Project Manager: Alex Ochoa, Perla Gonzalez**
05	**Assurance Engagement Report**	Update Report structure, format and process for report distribution. **Target: January 2027 Project Manager: Kristina Sun**
06	**Advisory Engagement Report**	Update Report structure, format and process for report distribution. **Target: January 2027 Project Manager: Delfino Aguilar**
07	**Three-Year Roadmap Reporting**	Develop reporting structure, including key milestones, completion timelines, and report to ACRE. **Target: February 2027 Project Manager: Gabriel Tafoya**
08	**TM Champion Team**	Support full and effective use of audit software, TeamMate, train team on functionality **Target: June 2027 Project Managers: Gabriel Tafoya, Delfino Aguilar, Christian Velasco, Kristina Sun**
09	**Internal Audit Internship Program**	Establish an Internal Audit Internship Program, including defined intern projects, coaching, and mentorship **Target: June 2027 Project Managers: Nathan Amick, Perla Gonzalez**

Strengthening Our Role as a *Risk Consultant*

FY 2027 Key Objectives:

01 Organizational Risk Training

Develop an organizational risk training program that will be provided by the Internal Audit Team and oversee coordination and scheduling of training sessions.

Target: June 2027 Project Managers: Kristina Sun, Delfino Aguilar

02 Mid-Year Risk Assessment

Conduct a mid-year risk assessment to update risks for better audit planning.

Target: January 2027 Project Manager: Leisha Collins

Investing in Our Team as *Continuous Learners*

FY 2027 Key Objectives:

01 Internal Audit AI Strategy

Develop and implement Internal Audit AI Policy that includes objectives and desired outcomes for using AI in internal operations and audit processes. Incorporate AI training into divisional training program.

Target: June 2027 **Project Manager: Leisha Collins**

02 Comprehensive QAIP

Develop a comprehensive Quality Assurance and Improvement Program (QAIP), including a formally documented annual internal assessment that is reported to ACRE.

Target: June 2027 **Project Manager: Christian Velasco**

SECTION FOUR

Staff Activity

Developing our team and our presence

FY 2027 Audit Plan – IA Operations & Enhancements

Staff Development & Succession Planning

Interim Principals now manage audits and direct reports. Recruitment for permanent Principals is underway (bulletin expected January 2027), and team-based audits are building senior auditors' leadership experience.

Continuous Professional Development (CPE)

Staff are working toward the 40-hour annual CPE requirement, with Q1–Q2 training in AI governance, Benefits, IT and TeamMate. Staff will attend the November APPFA; one will speak on a SACRS panel.

External Quality Assessment (EQA)

Preparation is underway for the independent assessment; fieldwork begins the week of November 16. The report, including any improvement opportunities, is due by year end and will go to ACRE at its first 2027 meeting.

Enhance Internal Audit Presence

Many innovative activities have been done to build Internal Audit awareness: IA was featured in the LACERA Spotlight; guests from other divisions have been invited to join our staff meetings to discuss key operations; the team has provided audit overviews at management meetings. A Halloween open house welcomed staff into the Internal Audit Office.

Operational Enhancements

We are streamlining audit workflows and strengthening documentation and reporting. Advisory and assurance reports were refined using stakeholder feedback, KPIs are being drafted, and SharePoint is being reorganized.

Innovative Ways to Enhance Internal Audit's Presence





Bringing Awareness to Internal Audit with Different Channels of Communication:

- Internal Audit Discussions at LSC, MAT, SAT
- Ongoing divisional meetings
  - Guest speaker drop-ins at IA staff meetings for updates on organizational initiatives and business processes
  - IA inclusion in organization projects

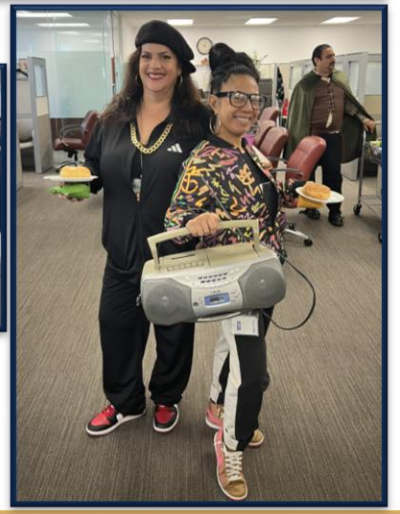
Internal Audit Halloween Open House











Future Internal Audit Activities

- **Dec 2026 – Jan 2027**
  Mid FY Risk Assessment Meetings
- **March 2027**
  Organizational Risk Training
- **May 2027**
  Internal Audit Awareness Month

CONCLUSION

Questions

Appendix

Operational Recommendations Details

Engagement / Finding	Recommendation	Category	Target Date
Audit Report: Public Disclosure Forms			
Inadequate Training for Public Disclosure Forms	The Legal Office should establish an organizational-wide training program for individuals required to complete disclosure forms or involved in the process. This training could be included in other training provided on the Code of Ethical Conduct or other ethics-related training. The Legal Office Management should track attendance and retain training materials per FPPC Regulations and establish a schedule for updates.	Training & Development	12/31/2026
Audit Report: LA County Rehired Retirees – FYE 2025			
PPG-505 On-Boarding Procedures Improvement	Benefits Division management should establish procedures to ensure timely receipt, monitoring, and retention of PPG-505 Waiver Forms, including clear compliance ownership, a tracking and reconciliation control with County departmental HR divisions, escalation protocols for unreceived waivers, formal documentation of the DPC's intake role, and periodic management reviews. Internal Audit determined that the current Waiver Forms process has significant control gaps, rendering it inefficient and ineffective at ensuring LACERA receives proper Rehire Retiree compliance documentation. The process also lacks a specific requirement regarding Limited Duration assignments. These enhancements are necessary to ensure all rehired retirees subject to the 120-day temporary assignment requirement have a corresponding PPG-505 Waiver on file.	Policies & Procedures	12/31/2026
Continued Violation of PEPRA's "limited duration" language.	LACERA's Executive Office and Legal Office continue their discussions with the County regarding limited duration and whether policy provisions or practices can be added or strengthened to explicitly address the statutory requirement of limited duration. LACERA's Executive Office and Legal Office work with the Board of Retirement to determine a more defined definition, tracking, and annual review of limited duration for County retirees, in addition to the current policy for LACERA employees, to ensure compliance with PEPRA and provide for recovery of benefits paid during periods worked in violation of PEPRA law.	Policies & Procedures	6/30/2027
Audit Report: Member Appointment System			
Lack of a Formalized Data-Informed Appointment Allocation Model	Member Services Division Management formalize and document its data-informed approach to appointment allocation, building on the historical analysis it already has described and currently utilizing.	Policies & Procedures	6/30/2027
Management Reporting does not Reconcile to Q-Flow Source Data	Member Services Division Management establish and document a repeatable reconciliation and review process to ensure that appointment metrics reported to Executive Management agree to Q-Flow source data, or that any differences are explained and supported before metrics are distributed.	Internal & External Reporting	12/4/2026
Deactivation and Inaccurate Administration of Q-Flow User Access	Member Services Management should work with the Systems Division. These changes are to be governed by a documented deactivation procedure that is triggered by both separation and internal transfer, sets a defined timeframe for removing or reassigning access, and assigns responsibility for performing and evidencing each change. A periodic user access review, in which supervisors confirm that each account is still needed and correctly assigned, should also be performed and retained as evidence that access remains aligned with current roles.	Policies & Procedures	6/30/2027

Operational Recommendations Details (continued)

Engagement / Finding	Recommendation	Category	Target Date
Audit Report: Unclaimed Accounts			
Inconsistent and Untimely Locking of Member Accounts	Benefits Division Management should clarify and document a single triggering date for the locking timeline, such as the date LACERA is notified of the member's death, and define whether subsequent outreach activity, including reissued correspondence, affects that timeline. Internal Audit further recommends aligning the written process with actual practice regarding the number of notices issued before locking so that expectations, execution, and reporting are consistent.	**Policies & Procedures**	**2/28/2027**
Required Updates to Policy and Procedures for Unclaimed Account Management	Benefits Division Management update the unclaimed accounts policies and procedures to strengthen controls over account locking, monitoring, and oversight. As outlined in the observation above, the update should formalize unlock authority and documentation requirements, establish a periodic review of accounts that remain unlocked beyond the expected timeframe, and define escalation and reporting protocols for aged accounts to executive management for transparency purposes.	**Policies & Procedures**	**2/28/2027**
Audit Report: Felony Forfeitures			
Incomplete Reporting of Felony Convictions to LACERA	Benefits Division management should strengthen the felony forfeiture identification and referral process by coordinating with Los Angeles County Department of Human Resources (DHR) and Los Angeles Superior Court to update the MOU language to require that all felony convictions involving LACERA members be reported to LACERA for review.	**Internal & External Reporting**	**3/31/2027**
Felony Forfeiture Process Ownership and Resource Continuity	Benefits management should develop mechanisms and evaluate existing benefits systems, to efficiently track and report felony forfeiture cases. Benefits management should formally assign ownership of the Felony Forfeiture process to a designated process owner responsible for overseeing case administration, monitoring case status, ensuring timely follow-up, maintaining complete documentation, and coordinating case closure.	**Resource Capacity**	**6/30/2027**
Case Closure and Member Communication Protocol	Benefits Division management should establish and document formal case closure procedures for Felony Forfeiture cases that define the requirements for case completion, supervisory review, documentation retention, and closure approval. 2. Upon closure of a Felony Forfeiture case, Benefits Division management should require that a standardized alert be placed on the member's account documenting the case disposition, final determination, and any required follow-up actions. 3. Additionally, Benefits Division management should establish and implement formal documentation requirements for Pension Forfeiture Committee (PFC) meetings to ensure that all case determinations are consistently and completely recorded.	**Policies & Procedures**	**12/31/2026**
Lack of Formalized Felony Forfeiture Procedures	Benefits Division management should develop, document, and implement comprehensive Felony Forfeiture procedures that establish end-to-end processing requirements, roles and responsibilities, documentation standards, review controls, case closure requirements, and interdepartmental service expectations, as indicated in the observation section above.	**Policies & Procedures**	**6/30/2027**

FY 2027 Audit Plan

Project Item #	Division	Process Ref.	Process	Process Description	Process Residual Risk Level	Project Type	Audit Assignment	Estimated Timing of Project
1	FASD	FS-13	Actuarial Studies, Actuarial Reports, Census Data	FASD Reporting and Compliance Unit coordinates with external consultants to perform actuarial studies, actuarial reports, and census data.	Medium	Oversight	External	Q1
2	Member Services	MS-08	Member Retirement Counseling (In-Person/Virtual)	Member Services contacts members to discuss retirement benefits.	Medium	Assurance	Internal	Q1
3	Administrative Services	AS-03	Centralized Procurement	The Procurement Unit administers the centralized solicitation, acquisition, and contracting of goods and services and safeguards fiscal integrity, compliance, and vendor risk management in alignment with strategic goals.	Medium	Advisory	Internal	Q1
4	Benefits/FASD	BN-08	Direct Deposit/Pre-Paid Debit Card processing	Account Maintenance Unit (AMU) enters new and updated direct deposit and prepaid debit card information in Workspace and the third-party system. This is critical to timely payments.	Medium	Assurance	Internal	Q1
5	Benefits	BN-23	Death Legal Unit (DLU): Death Payments to Beneficiaries	After a retired member death, LACERA pays a burial benefit and remaining funds on deposit if any. For active member death, LACERA pays the basic death benefit and depending on cause of death a special death benefit.	Medium	CAP	Internal	Q1
6	FASD	FS-14	Financial Reporting and Financial Statement Audit	FASD Reporting and Compliance Unit is responsible for managing the financial reporting of the annual comprehensive financial report (ACFR) and the annual financial statement audit.	Medium	Oversight	Internal	Q1
7	FASD	FS-02	Monthly Member Payroll - Payroll & Tax Payment	FASD General Accounting Unit reconciles the monthly retiree member payroll, including the related tax payments that have to be paid to the IRS/FTB.	High	CAP	Internal	Q1
8	FASD	FS-12	Employer Contribution Reconciliation	FASD General Accounting Unit performs reconciliation of employer contributions received from LA County on a monthly basis using eHR data.	High	Assurance	External	Q2
9	Member Services	MS-04	Hardship Escalations	These are general cases that are escalated for more complex evaluations and include executive requests and hardship expedites.	High	Assurance	Internal	Q2
10	Member Services	MS-06	Virtual Counseling	Virtual counseling are calls converted to confirm identity; used when member cannot pass High-Risk Validation (HRV).	High	CAP	Internal	Q2
11	Administrative Services/Info Sec	AS-06	Business Continuity/Disaster Recovery	Enterprise framework ensuring uninterrupted, accurate benefit payments and continuity of core operations during any disruption. Includes recovery of critical processes across all divisions.	Medium	Advisory	External	Q2
12	FASD	FS-05	Daily Member Payroll - Member Special Payments	FASD processes daily one-time member payments (retroactive adjustments, corrections, death benefits) via IRIS/Workspace, transitioning from in-house checks to vendor CSG. Critical to accurate, timely, authorized disbursements.	Medium	CAP	Internal	Q2
13	FASD	FS-07	Corporate Credit Cards (CEO & Non-CEO)	FASD General Accounting Unit processes the corporate credit transactions with supporting documentations provided by individual card users.	Low	CAP	Internal	Q2

FYE 2027 Audit Plan

Project Item #	Division	Process Ref.	Process	Process Description	Process Residual Risk Level	Project Type	Audit Assignment	Estimated Timing of Project
14	Administrative Services	AS-11	Document Processing Center	This is a centralized document hub managing incoming/outgoing mail, scanning, workflow routing, high-volume member letters, imaging, and check processing for Retiree Health Care (RHC), Member Services (MS), Benefits, FASD, and Disability Retirement Services (DRS). Critical to timely, accurate member documentation and disbursements.	High	Assurance	Internal	Q3-Q4
15	FASD/Admin	FS-20	Gateway Plaza Title Holding Co Asset Transition	Upon the transition of Gateway Plaza from an investment property to LACERA's primary office location, FASD and Admin Services will oversee financial reporting, occupancy planning, operational readiness, governance, and legal entity transition.	High	Advisory	Internal	Q3-Q4
16	Investment Office	IN-01	Investment Risk Assessment	An assessment of key risks within the Investment Office, including governance, operations, compliance, reporting, and internal controls, to support risk-based audit planning and oversight.	High	Assurance	Internal	Q3-Q4
17	Member Services	MS-05	Active Death Cases	Cases involving members who were LACERA/LA County employees passing during employment.	High	Assurance	Internal	Q3-Q4
18	Member Services	MS-07	Benefits Protection Unit Referrals	Referrals received from Benefits Protection Unit (BPU) where possible fraud is suspected.	High	Advisory	Internal	Q3-Q4
19	Org/Exec	OG-01	AI Governance Audit	LACERA established AI governance, policies, oversight, and controls to support the responsible, secure, and ethical use of artificial intelligence.	High	Assurance	External	Q3-Q4
20	Org/Exec	OG-03	LA County & LACERA Rehired Retirees	LA County rehired retirees cannot exceed the 960-hour requirement, and meet eligibility requirements. LA County is responsible for the approval, time tracking, compensation, and monitoring controls.	High	CAP	Internal	Q3-Q4
21	Systems/Info Sec	SY-01	Change Governance	IT change management processes provide effective governance, approval, testing, implementation, and monitoring controls to ensure system changes are authorized, secure, and appropriately managed.	High	Assurance	External	Q3-Q4
22	Benefits	BN-16	Core: First Payment Agenda	Service Retirement applications are processed through SOL, our case management system. Case is followed from application to first payment of benefit.	Medium	CAP	Internal	Q3-Q4
23	Benefits	BN-19	Core: Service Credit Purchases	Purchases are made to increase the years of service credit for a member. These include Temporary Time, SWOP, Military, Federal time, and Redeposit.	Medium	Assurance	Internal	Q3-Q4
24	Human Resources	HR-07	Bonuses	HR administers employee bonus programs, verifying eligibility and documentation, ensuring Bonus Policy and Memorandum of Understanding (MOU) compliance, securing approvals, and coordinating payment. Serves as the central control function for bonus administration.	Medium	CAP	Internal	Q3-Q4
25	Member Services	MS-17	Monitoring Appeals	Member Services monitors appeals; committee provides recommendations to appeals.	Medium	CAP	Internal	Q3-Q4

FY 2027 Proposed Audit Plan

INTERNAL AUDIT
FYE 2027 PROPOSED AUDIT PLAN

Project Item #	Division	Process Ref.	Process	Process Description	Process Residual Risk Level	Project Type	Audit Assignment	Estimated Timing of Project
____	IA	IA-01	Recommendation Follow-Up	Staff track, monitor, and validate the status of audit recommendations, including management's progress in implementing agreed-upon action plans.	____	____	Internal	Q1-Q4
____	IA	IA-02	Continuous Professional Development (CPE)	Staff will complete at least 40 hours of CPE annually. The FYE 2027 CPE Training Plan will emphasize AI applications in auditing, audit best practices and core competencies, and development of the advisory audit framework.	____	____	Internal	Q1-Q4
____	IA	IA-03	External Quality Assessment (EQA)	Staff time will be dedicated to supporting the EQA process and addressing any opportunities for improvement identified through the assessment.	____	____	Internal	Q1-Q4
____	IA	IA-04	Internal Audit Strategic Initiatives	Staff will advance FYE 2027 Internal Audit strategic initiatives that support the department's three-year roadmap and strengthen audit operations.	____	____	Internal	Q1-Q4

LACERA

November 10, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

FROM: Harper Wells, CCEP
Chief Ethics and Compliance Officer

FOR: November 18, 2026, Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Ethics and Compliance Program: Transition, Initial Observations, and Plan for the First Six Months**

Purpose
I joined LACERA as its first Chief Ethics and Compliance Officer on November 2, 2026. This memo introduces me to the Committee, recognizes the foundational work completed since October 2024, and sets out how I intend to approach my first six months.

I have spent 22 years building and leading governance, risk, ethics and compliance programs in energy, higher education, and technology industries. In each, my work has always been to make compliance relevant and approachable, using behavioral science and data to remove the barriers to good decision-making.

My first priority is a formal ethics and compliance risk assessment, and I have sequenced the first six months around it. I will listen in November and December 2026, assess in January and February 2027, and build the roadmap in March and April 2027.

Three reasons support that order.

- The 2025 baseline completed the first of five steps in a mature risk assessment cycle (identify, prioritize, inventory controls, remediate, report). The report sets the full five-step cycle as the goal once the CECO is hired and the Office is staffed[1].
- The culture work (survey and focus groups) found gaps between LACERA's stated values and how they are practiced. The assessment is how I will see where those gaps create compliance exposure[2].
- The Program Charter asks me to produce a Three-Year Roadmap and an annual work plan[3]. Both should rest on assessed risk.

1 August 2026 status report
2 August 2026 status report; focus group themes presented to this Committee in November 2025
3 sec. VIII.C and VIII.D.

The table under “Building on the foundational work” gives the supporting record.

What follows is a plan and early observations. Findings will come from the work described below, and I will bring them to the Committee as they are ready.

Background and authority
The Ethics & Compliance Program (the “Program”) exists to support management and the Boards' fiduciary duty to administer the system with care, skill, prudence, and diligence[4], and through it, LACERA's mission: *To produce, protect, and provide the promised benefits to our members.* That mission is a promise made to more than 200,000 members.

The Ethics and Compliance Program Charter, adopted in October 2024, and the ACRE Committee Charter, as revised in October 2024, define the Program and the Committee's oversight of it. The Program Charter, and the sections of the ACRE Committee Charter that govern the Program, were developed in line with the United States Sentencing Guidelines and the Department of Justice Evaluation of Corporate Compliance Programs (DOJ ECCP). I will work to the same standards. I ask the Committee to measure me and the Program against the three questions its status reports have applied: whether the Program is well designed, applied earnestly and in good faith, and works in practice.

Prior reports from the Legal Office set out the legal basis for each Program element in detail. I will rely on that record and will cite the charters where a commitment in this memo comes from them.

How I will work
My first task is to understand how LACERA operates before I recommend changes to it.

- **Listen first.** I will learn how Benefits, Investments, and the back-office divisions operate, and the pressures each face, before proposing new controls.
- **Work with management.** First-line managers own the risks in their divisions[5]. The Ethics and Compliance Office's (“Office”) role as the second line is to help first-line managers identify and manage those risks.
- **Educate.** A large part of the Office’s role is education: helping staff and leaders across LACERA recognize ethics and compliance risks in their work and raise them with confidence[6].
- **Protect independence.** I will do all of this while protecting the independence the Program Charter gives this Office. The Program Charter calls for a collaborative approach with all LACERA divisions while maintaining independence and objectivity[7].

4 Cal. Const., Art. XVI, Sec. 17.
5 August 2026 status report; Program Charter, sec. IX.A.
6 Program Charter, sec. VII.G.
7 Sec. V.

Building on the foundational work

Since October 2024, the Legal Office, Executive Office, Internal Audit, Human Resources, Administrative Services, and subject matter experts in every division have carried the six foundational activities forward. I want to thank that team, and in particular Chief Counsel Steven Rice and Senior Staff Counsel Allison Barrett, who reported that work to this Committee. Ms. Barrett will serve as Compliance Counsel and continue to advise me on program activities[8].

My task in the first six months is to accelerate this foundational work, connect it, and give it the structure of a permanent program. The table below summarizes where each activity stands, drawn from the August 2026 status report, and updated to the date of this memo, and what I will do first.

Program activity	What is in place	My first steps
Education and Communication	Ethics and Compliance Committee (ECC) "Message of the Quarter" series (risk awareness; ethics vs. compliance; Code launch). ECC members holding or pursuing CCEP certification.	• Introduce myself and the Office's purpose to the LSC and ECC at their November 12 and 19 meetings respectively, then to all staff through existing channels. • Agree on the timing and topic of the next Message of the Quarter with the ECC. • Update ethics and compliance contact points to reflect the Office and deliver an Ethics & Compliance SharePoint subsite by November end. • Perform E&C training gap analysis and build the annual education and communication plan, with training matched to role and risk, including Code orientation for Trustees. • Build out E&C communications campaign, in partnership with Communications.
Policy Management	Policy Subcommittee is available to meet every two weeks as policies are submitted; ECC meets monthly; Compass policy library in use. Three policies in review.	• Review the three governing documents awaiting my input: the Policy on Policies, the ECC Charter, and the Program Charter. • Prioritize the four recommended stand-alone policies by risk, starting with the Non-Retaliation Policy and the Investigation Policy. • Identify stakeholders and kick off the Policy Governance initiative.

8 August 2026 status report.

Program activity	What is in place	My first steps
Risk Assessment	2025 baseline (identification step) completed with Internal Audit across 14 divisions, naming five risks: culture, people management, vendor management, outdated policies and procedures, and insufficient training. 2026 joint assessment underway.	• Provide an independent analysis of the 2025 report and 2026 findings. • Lead the formal assessment as a repeatable cycle. • Bring findings and a remediation plan to the Committee.
Culture	July 2025 survey, nine focus groups (75 participants), and five themes, presented to ACRE in November 2025 and the Boards in April 2026.	• Review the culture results alongside the risk findings. • Serve as E&C stakeholder in Culture Survey activities. • 2027 survey date tentatively set for January 2027, with communications campaign beginning December 2026.
Code of Ethical Conduct	Adopted by the Boards in May 2026. Roll-out underway, with a launch week held as planned in August 2026, and divisional Code Champions assigned.	• Carry the roll-out through February 2027. • Build annual Code training and attestation into the education plan. • Incorporate Code-relevant messaging into E&C communications campaign.
Office and People	Reporting structure set by the Program Charter; onboarding package and recommended first-year roadmap prepared.	• Hire the Office's administrative assistant. • Scope the Deputy Chief Ethics and Compliance Officer roles ahead of 2027 recruitment[9]. • Review the Office's approved budget against the staffing and resources the Program needs and bring any proposed adjustments to the CEO and this Committee for approval[10].

9 ACRE Committee Charter, sec. VII.B.1.a.
10 Program Charter, sec. VIII.E; ACRE Committee Charter, sec. VII.B.2.c.

Two early observations offered as starting points:

1. **The risk and culture work point the same way.** Culture appears both as a top risk in the 2025 baseline and as the subject of the focus group question, whether there are gaps between LACERA's stated values and how they are practiced. The focus groups answered yes, and their themes included strengthening reporting channels and non-retaliation protocols. That makes the foundations of *speaking up* an early priority.
2. **The assessment should be scoped to what the Office can act on.** The August report notes that uncovering risk without the infrastructure to remediate it creates additional risk. I agree. I will scope the first full assessment cycle proportionate to the Office's capacity, and plan staffing and remediation alongside it.

The first six months
The first six months run in three phases; built on the six foundational activities the Program has already defined.

Months 1 to 2 (November to December 2026): Listen and build relationships

- Start with the people who carry the Ethics and Compliance work today. They have practical knowledge of how LACERA operates. My first questions are what they are working on and how I can support it.
- Meet with the Leadership Steering Council, Management Action Team, Supervisor Action Team, and front-line staff, and hold one-on-one meetings with each division manager to understand the pressures each function faces across Benefits, Investments, and the back office. I will also seek out long-tenured staff with deep institutional knowledge.
- Work closely with the ECC from the start. It meets monthly, carries the quarterly message into each division, and serves as an advisory body to the CECO under the Program Charter[11].
- Ask the team working on the Program to complete a structured review of strengths, weaknesses, opportunities, and threats, to surface themes and blind spots early.
- Confirm how ethics and compliance reports, including Ethics Hotline reports, are received and handled today, and what interim non-retaliation commitment applies, so I can give the Committee a clear picture at its next meeting.
- Begin recruitment for the Office's administrative assistant[12].

Months 3 to 4 (January to February 2027): Assess and diagnose
The first formal ethics and compliance risk assessment cycle begins in this phase[13]. It is the most important early deliverable, because its results set the order of the mitigation work that follows. It starts with my independent analysis of the 2025 baseline report and the 2026 joint assessment, and looks at risk on two levels:

11 Sec. VIII.B.
12 August 2026 status report; ACRE Committee Charter, sec. VII.B.1.a.
13 Program Charter, sec. VII.B.

Where exposures are managed. The first step is to map where each ethics and compliance exposure is already managed, and by whom. Some sit in divisional controls, and some may sit in the enterprise risk management work Internal Audit is developing with Legal's support under Strategic Plan Objective 4.2[14]. The assessment will then concentrate on the five risks identified in 2025 and on any exposure that no function currently owns.

How it shows up in daily work. The assessment will also look at where staff in Benefits, Investments, and support functions face pressure or uncertainty about the right course of action, what they currently do in those situations, and where processes or guidance could make the right course clearer. This includes direct observation of daily operations, which the August report identifies as part of risk identification once the Office is staffed.

- Run the assessment as a repeatable cycle: identify, prioritize, inventory controls, remediate, and report[15].
- Coordinate with Internal Audit and the enterprise risk work already in motion, so the efforts complement, rather than duplicate each other and divisions are not assessed twice for the same purpose[15].
- Hold the boundary the charters draw. The Office is the second line. Internal Audit is the independent third line, and its independence and work papers remain their own[16].

Months 5 to 6 (March to April 2027): Sequence the roadmap

- Draft the Three-Year Roadmap of priorities and the first annual work plan the Program Charter calls for[17], built from the assessment's initial findings. The Roadmap is for review and approval by the CEO, this Committee, and the Boards. The annual work plan is for review and approval by the CEO and this Committee.
- Develop the outstanding Program policies in order of risk, beginning with the Nonretaliation Policy and the Investigation Policy and Procedures. Both are among the stand-alone policies the August report recommends, and both bear directly on whether staff are willing to raise concerns. Alongside them, I will review the channels for raising concerns[18] and build the investigations framework[19] in step with the risk and policy work.
- Build the annual education and communication plan, starting with the ethics and compliance content new hires receive and extending to ongoing training matched to role and risk. The plan will be anchored in the Code of Ethical Conduct and will include year-round communication, discussion between managers and their

14 March 2026 status report.
15 August 2026 status report
16 Program Charter, sec. VI; August 2026 status report.
17 Sec. VIII.C and VIII.D.
18 Program Charter, sec. VII.H.
19 Sec. VII.I.

teams, and visible support from leadership.

- Prepare the Office's budget request for the FY 2027-28 administrative budget[20].

How the Committee can measure progress

My role is to build and operate the Program in a way that gives the Committee assurance the Program is well designed, applied in good faith, and works in practice. Activity counts, such as training delivered and policies reviewed, will be part of my reporting, but on their own they do not show whether the Program works in practice.

I will tie every measure to the three fundamental questions in the DOJ ECCP[21].

Question	What I will measure
Is it well designed?	Risk coverage across divisions; whether critical policies are current
Is it applied earnestly and in good faith?	Whether leaders engage; whether people feel safe speaking up, trended through the culture survey; resourcing of the Office
Does it work in practice?	Quality, consistency, and timeliness of how concerns are handled; impact of training on behavior and operations; remediation followed through to completion

Within six months, the deliverable will be the measurement system and a set of baselines. Trends will follow over the next year, measured against those baselines, and will inform the Program's annual self-assessment[22].

Independence and reporting

The charters protect the Program's independence by design. I report functionally to this Committee, both Boards, and the CEO, and administratively to the Chief Counsel, with direct and independent access to the Committee, the Boards, and the CEO, subject to the Brown Act and other applicable law[23]. Each year I will assure the CEO, this Committee, and the Boards that the Program is operating independently and without interference or conflicts of interest. I will immediately disclose to the CEO, this Committee, and the Boards any actual or attempted interference with the Program and any conflict of interest[24]. I raise this because independence is what allows me to bring the Committee an uncomfortable finding without hesitation.

The Program Charter also names the CECO as LACERA's Privacy Officer[25]. I will review current privacy controls during the assessment phase and propose timing for the annual

20 Program Charter, sec. VIII.E.
21 ECCP pp. 1-2.
22 Program Charter, sec. VII.L.
23 Program Charter, sec. III and VI.
24 Program Charter, sec. V.
25 Sec. VII.F

privacy report that both charters contemplate[26].

For continuity, I propose keeping the format of prior reports, a status summary by Program activity, so the Committee can track the work across the transition. As the Office is staffed, I will propose, for the Committee's approval, a schedule for phasing in the quarterly reports the charters call for, including work plan progress, Program evaluation, policy review, vendor and third-party risk, training and communications, reporting channels, and Ethics Hotline and investigation summaries[27].

What comes next
At the Committee's next scheduled ACRE meeting, I expect to report on what I have learned in the listening phase, the status of the Office's first hire, and a proposed timeline for presenting the risk assessment findings and remediation plan.

Conclusion
The goal is a Program that is well designed, applied in good faith, and works in practice.

I welcome the Committee's questions and guidance, today and as the work proceeds. The work serves LACERA's mission: *To produce, protect, and provide the promised benefits to our members.*

C:
Luis A. Lugo
Jonathan Grabel
JJ Popowich
Jessica Baxter
Ted Granger
Chaitanya Errande
Carly Ntoya, Ph.D.
Leisha Collins
Jessica Rivas
Ethics & Compliance Committee

26 ACRE Committee Charter, sec. VII.B.10; Program Charter, sec. VIII.K.
27 ACRE Committee Charter, sec. VII.B.2.b, 4, 5.a, 6, 7.a, 8, and 9; Program Charter, sec. VIII.D and VIII.G through VIII.I.



LACERA Ethics & Compliance Program

Transition, Initial Observations, and Plan for the First Six Months

ACRE COMMITTEE | NOVEMBER 18, 2026

From foundation to a permanent program

I joined LACERA on November 2 as its inaugural Chief Ethics and Compliance Officer

Our mission: To produce, protect, and provide the promised benefits to our members.

Two years of foundation

- Program Charter and ACRE oversight
- Ethics and Compliance Committee
- Culture survey and focus groups
- 2025 risk baseline
- Code of Ethical Conduct
- Policy governance process

Building on the program's foundation

Activity	Current state	Next priority
Education	Message of the Quarter series	Training gap analysis and annual plan
Policies	Governance structure; three policies in review	Policy governance, Non-Retaliation and Investigation policies
Risk assessment	2025 baseline; 2026 joint assessment underway	Formal assessment cycle
Culture	Survey and focus groups	Review results with risk findings; 2027 survey
Code of Ethical Conduct	Adopted May 2026; roll-out underway	Annual training and attestation
Office and people	Program Charter structure	Hire support; scope Deputy roles

One operating system

Culture informs risk priorities. Risk drives policy. Training and the Code reinforce policy.
The Office monitors results and reports to this Committee.

A formal risk assessment, and a six-month plan built around it

Months 1 to 2: Listen

November to December 2026. 1x1's, the LSC and ECC, understand how hotline reports are managed.

Months 3 to 4: Assess

January to February 2027. Kick-off formal ethics and compliance risk assessment, with Internal Audit.

Months 5 to 6: Roadmap

March to April 2027. The Three-Year Roadmap and annual work plan.

Why this order:

- The 2025 baseline completed the first of five steps in the risk cycle.
- The culture work found gaps between our values and daily practice.
- The Program Charter calls for a roadmap and work plan (sec. VIII.C and VIII.D).

What the risk assessment will tell us

Where are exposures already managed?

Divisional controls and the enterprise risk management work under the Strategic Plan.

Where do people face pressure or uncertainty?

Everyday decisions in Benefits, Investments, and support functions.

Where are the gaps?

Exposures no function owns, policies, training, reporting channels, and the ability to remediate what we find.

The 2025 baseline named five risks: culture, people management, vendor management, outdated policies and procedures, and insufficient training. I will start with my own analysis of that report and the 2026 joint assessment.

The goal is to move from the list of identified risks to finding the exposures LACERA can act on and reduce.

How I’ll work, and how I protect independence

Partner with management

- Legal, as Compliance Counsel
- Internal Audit, on aligned assurance
- Communications, on education
- The Ethics and Compliance Committee

Protect independence

- Direct access to this Committee, both Boards, and the CEO (Program Charter, sec. III)
- Annual assurance that the Program operates without interference or conflicts, and immediate disclosure of any attempt (sec. V)

Independence and collaboration support each other. First-line managers own the risks. My Office helps them manage those risks, monitors the controls, and reports to you.

The next time we meet

At the next scheduled ACRE meeting, expect for me to:

Report on what I've learned in the listening phase.

Update with status on the Office's first hires.

Provide a proposed timeline for presenting risk assessment findings.

FOR INFORMATION ONLY

November 2, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Kristina Sun KS
Interim Principal Internal Auditor

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **LACERA GASB 68 Pension and GASB 75 OPEB Trust Reporting Audits – Fiscal Year 2025 Results**

PURPOSE

This memorandum presents the results of the audits of LACERA's Fiscal Year (FY) 2025 GASB 68 Pension and GASB 75 Other Post-Employment Benefits (OPEB) disclosure reports. Plante Moran LLC (Plante Moran), LACERA's predecessor external auditor, performed both audits along with its FY2025 financial statement audit. Plante Moran issued unmodified (clean) opinions on both reports and reported no findings.

GASB Statements 68 and 75 require LACERA's participating employers to report pension and OPEB liabilities, expenses, and related deferred amounts in their own financial statements. LACERA prepares these schedules to give each employer its share of those amounts. Each employer's auditor relies on the audit of the schedules instead of performing separate work at LACERA. GASB standards let employers use a measurement date up to one year before their fiscal year-end. As a result, the audited FY2025 schedules (as of June 30, 2025) support employers' financial statements for the fiscal year ending June 30, 2026.

CliftonLarsonAllen LLP (CLA), LACERA's new external auditor, is auditing GASB 68 and GASB 75 reports as part of its FY2026 financial statement audit. Those reports will support employers' FY2027 financial statements. CLA will present the results at a future ACRE Committee meeting.

FY2025 REPORTING TIMELINE

The schedules below relate to LACERA's FY2025 financial information. The related audits are completed after fiscal year-end once the financial, actuarial, allocation, and other supporting information necessary to prepare and audit the schedules are available.

GASB Required Reports	Period Covered in Report	Audit Report Date	Employer Reporting Period
LACERA Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (GASB 68 Pension Disclosure Report)	As of and for the year ended June 30, 2025	March 23, 2026	June 30, 2026
LACERA Agent Multiple-Employer Other Post-Employment Benefits Trust Schedule of Changes in Fiduciary Net Position by Employer (GASB 75 OPEB Disclosure Report)	As of and for the year ended June 30, 2025	December 8, 2025	June 30, 2026

FY2025 AUDIT RESULTS

GASB Report Audits	Audit Purpose	Audit Result
GASB 68 Pension Reporting Audit	Provides audited pension information used to support participating employers' financial reporting.	Plante Moran issued unmodified (clean) audit opinions on the audited schedules. No findings were reported. The report includes an emphasis-of-matter paragraph regarding certain investments for which readily determinable market values were unavailable. This paragraph is consistent with prior years and did not modify the auditor's opinions.
GASB 75 OPEB Trust Reporting Audit	Provides audited OPEB information used to support participating employers' financial reporting.	Plante Moran issued an unmodified (clean) audit opinion on the audited schedule. No findings were reported. The report includes an emphasis-of-matter paragraph clarifying the limited purpose of the OPEB schedule. This paragraph is consistent with prior years and did not modify the auditor's opinion.

CONCLUSION

Plante Moran issued unmodified opinions on LACERA's FY2025 GASB 68 pension schedules and an unmodified opinion on the FY2025 GASB 75 OPEB schedule, with no findings reported. The emphasis-of-matter paragraphs are consistent with prior years and did not modify the auditor's opinions. These results give LACERA's participating employers and their auditors audited information they can rely on for their own pension and OPEB financial reporting. The results of the upcoming FY2026 GASB 68 and GASB 75 disclosure report audits will be presented by CLA to the ACRE Committee at a future date.

ATTACHMENTS:

A. LACERA Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (GASB 68 Disclosure Report) Audit as of and for the Year Ended June 30,2025

B. LACERA Agent Multiple-Employer Other Post-Employment Benefits Trust Schedule of Changes in Fiduciary Net Position by Employer (GASB 75 Disclosure Report) Audit for the Fiscal Year Ended June 30, 2025

ATTACHMENT A

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, 2025
With Independent Auditor's Report

Employer Reporting Period: June 30, 2026

Table of Contents

Independent Auditor's Report……1
Schedule of Employer Allocations……3
Schedule of Pension Amounts by Employer……..4
Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer……5

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, 2025 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, 2025), 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, 2025, 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 Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2025 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 Note 2 to the schedules, the schedules include investments that are part of the calculation of the net pension liability, which are valued at $29,100,000,000 (34 percent of net position) at June 30, 2025, 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 opinions are not modified with respect to this matter.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of the 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.

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

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 and the related disclosures.
- 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 Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2025, and our report thereon dated October 15, 2025 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 its auditors and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 23, 2026

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Defined Benefit Pension Plan

Schedule of Employer Allocations

As of and for the year ended June 30, 2025

	Measurement Date 6/30/2025				
Employer	Actual Employer Contribution (1)	Employer Contribution Percentage	Adjusted Contribution Percentage	Employer Proportion	Employer Net Pension Liability
Los Angeles County	$ 2,571,141,000	96.26590%	96.26590%	96.26590%	$ 10,338,671,000
Los Angeles County Superior Court	99,510,000	3.72575%	3.72575%	3.72575%	400,134,000
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	211,000	0.00790%	0.00790%	0.00790%	848,000
Little Lake Cemetery District	12,000	0.00045%	0.00045%	0.00045%	48,000
Total	$ 2,670,874,000	100%	100%	100%	$ 10,739,701,000

(1) Employer contributions exclude any pickup contributions.

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, 2025

		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 Projected and Actual Plan Investment Earnings	Changes of Assumptions	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	$ 10,338,671,000	$ 2,107,922,000	$ 1,102,522,000	$ 27,217,000	$ 3,237,661,000	$ 1,497,046,000	$ 153,314,000	$ 25,309,000	$ 1,675,669,000	$ 1,176,374,000	$ 1,708,000	$ 1,178,082,000
Los Angeles County Superior Court	$ 400,134,000	$ 81,582,000	$ 42,671,000	$ 25,231,000	$ 149,484,000	$ 57,940,000	$ 5,934,000	$ 27,198,000	91,072,000	45,529,000	(1,732,000)	43,797,000
South Coast Air Quality Management District	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	-	1,000	1,000
Los Angeles County Office of Education	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	-	-	-
Local Agency Formation Commission	$ 848,000	$ 173,000	$ 90,000	$ 80,000	$ 343,000	$ 123,000	$ 13,000	$ 18,000	154,000	97,000	21,000	118,000
Little Lake Cemetery District	$ 48,000	$ 10,000	$ 5,000	$ 7,000	$ 22,000	$ 7,000	$ 1,000	$ 10,000	18,000	5,000	2,000	7,000
Total for All Employers	$ 10,739,701,000	$ 2,189,687,000	$ 1,145,288,000	$ 52,535,000	$ 3,387,510,000	$ 1,555,116,000	$ 159,262,000	$ 52,535,000	$ 1,766,913,000	$ 1,222,005,000	$ -	$ 1,222,005,000

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, 2025

(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 and LACERA, 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.gov.

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 $29,100,000,000 (34 percent of net position) at June 30, 2025, 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, 2024 through June 30, 2025.

(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, 2025 is $2,670,874,000.

(4) Collective Net Pension Liability

The components of the collective net pension liability of the participating employers at June 30, 2025 are as follows:

Total pension liability	$ 96,927,319,000
Plan fiduciary net position	(86,187,618,000)
Net pension liability	$10,739,701,000

Actuarial Assumptions

The collective net pension liability for the June 30, 2025 measurement date was determined by an actuarial valuation as of June 30, 2024, with updated procedures used to roll forward the total pension liability to June 30, 2025. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75 percent
General wage growth	3.25 percent
Projected salary increases	3.66 percent to 12.54 percent
Projected COLAs	Post-retirement benefit increases of either 2.75 percent (adjusted to 3.0 percent if appropriate for COLA accumulation banks) 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	7.15 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-2021 Ultimate Projection Scale.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2019 - June 30, 2022.

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	**48.0%**	**6.3%**
Global Equity	29.0%	4.6%
Private Equity	17.0%	7.6%
Non-Core Private Real Estate	2.0%	6.1%
Credit	**13.0%**	**3.7%**
Real Assets and Inflation Hedges	**15.0%**	**4.1%**
Core Private Real Estate	5.0%	3.4%
Natural Resource and Commodities	3.0%	6.3%
Infrastructure	4.0%	5.0%
TIPS	3.0%	1.9%
Risk Reduction & Mitigation	**24.0%**	**1.5%**
Investment Grade Bonds	13.0%	2.2%
Diversified Hedge Fund Portfolio	8.0%	3.4%
Long-Term Government Bonds	2.0%	2.2%
Cash Equivalents	1.0%	0.1%

Single Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 0.15 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 7.15 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 (6.15 percent) or 1 percentage point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Collective net pension liability	$23,511,800,000	$10,739,701,000	$149,964,000

(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, 2025. Amounts presented for the difference between projected and actual earnings on pension plan investments are presented in the table below on a gross basis, rather than net.

	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	2025	7	$ -	$ 637,744,000	$ 91,106,000	$ 546,638,000
	2024	7	890,929,000	-	148,488,000	742,441,000
	2023	7	269,873,000	-	53,974,000	215,899,000
	2022	8	245,013,000	-	49,002,000	196,011,000
	2021	8	302,782,000	-	75,696,000	227,086,000
	2020	8	298,110,000	-	99,369,000	198,741,000
	2019	8	125,745,000	-	62,874,000	62,871,000
	2018	8	38,641,000	-	38,641,000	-
Subtotal			2,171,093,000	637,744,000	619,150,000	2,189,687,000
Difference between projected and actual earnings on pension plan investments	2023	5	75,415,000.00	-	25,138,000	50,277,000
	2022	5	2,687,593,000		1,343,796,000	1,343,797,000
Subtotal			2,763,008,000	-	1,368,934,000	1,394,074,000
Changes of assumptions	2023	7	610,954,000	-	122,191,000	488,763,000
	2020	8	984,788,000	-	328,263,000	656,525,000
Subtotal			1,595,742,000	-	450,454,000	1,145,288,000
Total Deferred Outflows of Resources			$ 6,529,843,000	$ 637,744,000	$ 2,438,538,000	$ 4,729,049,000
Deferred Inflows of Resources						
Changes of assumptions	2024	7	$ 191,114,000	$ -	$ 31,852,000	$ 159,262,000
Difference between projected and actual earnings on pension plan investments	2025	5	-	2,656,616,000	531,323,000	2,125,293,000
	2024	5	1,098,530,000	-	274,633,000	823,897,000
	2021	5	2,296,588,000	-	2,296,588,000	-
Subtotal			3,395,118,000	2,656,616,000	3,102,544,000	2,949,190,000
Total Deferred Inflows of Resources			$ 3,586,232,000	$ 2,656,616,000	$ 3,134,396,000	$ 3,108,452,000

(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		
2026		1,562,087,000
2027		155,422,000
2028		(297,351,000)
2029		(98,410,000)
2030		207,741,000
Thereafter		91,108,000
Total	$	1,620,597,000

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, and 2016 amounts and 7 years for the 2025, 2024, and 2023 amounts.

(6) Pension Expense

The components of allocable pension expense for the year ended June 30, 2025 (excluding employer specific pension expense for changes in proportion) are as follows:

Service cost	$ 1,764,476,000
Interest on the total pension liability	6,587,399,000
Member contributions	(919,148,000)
Projected earnings of plan investments	(5,617,676,000)
Net miscellaneous income	(6,425 ,000)
Administrative expense	109,237,000
(Amortization) recognition of deferred outflows and inflows of resources:	
Difference between expected and actual experience	619,150,000
Difference between projected and actual earnings on pension plan investments	(1,733,610,000)
Changes of assumptions	418,602,000
Total	$ 1,222,005,000

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, 2025

TABLE OF CONTENTS

Introduction	3
Independent Auditor's Report	5
Schedule of Changes in Fiduciary Net Position by Employer	7
Notes to the Schedule of Changes in Fiduciary Net Position by Employer	8

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Independent Auditor's Report

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

Report on the Schedule

Opinion

We have audited the fiduciary net position as of June 30, 2025 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, 2025 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, 2025 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, 2025 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 Schedule* 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 B, 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, 2025, 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.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America 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.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the fiduciary net position and changes in fiduciary net position included in 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.

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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.

Supplementary Information

Our audit of the financial statements of LACERA was conducted for the purpose of forming an opinion on the financial statements as a whole. The individual employer information presented in the Superior Court and LACERA columns of the accompanying Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. These two individual employer columns are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The Superior Court and LACERA columns have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual employer information presented in the Superior Court and LACERA columns of the accompanying Schedule is stated fairly, in all material respects, in relation to the financial statements of LACERA as a whole. We do not express an opinion on the fiduciary net position or changes in fiduciary net position of each individual employer other than the county, as noted above.

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, 2025, and our report thereon dated October 15, 2025 expressed an unmodified opinion on those financial statements. The Agent Multiple-Employer Other Post-Employment Benefits Trust is reported as a fund of LACERA.

Additional Information

Management is responsible for the introductory section, which is presented for the purpose of additional analysis and is not a required part of the Schedule. Our opinion on the Schedule does not cover such information, and we do not express an opinion or any form of assurance thereon.

Restriction on Use

Our report is intended solely for the information and use of management, the board of retirement, the board of investments, LACERA employers, and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.

Plante & Moran, PLLC

December 8, 2025

Introduction

The Los Angeles County Employees Retirement Association (LACERA) administers the Los Angeles County Retiree Healthcare Benefits Program (RHCBP), also known as the Other Post-Employment Benefits (OPEB) Program. This program supports eligible retired members and eligible dependents or survivors of LACERA members, who were 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 on behalf of the County, Court, and LACERA (Employers) for the purpose of providing a pre-funding vehicle for each Employers' OPEB liabilities. Since July 1, 2018, the OPEB Program operates as an agent multiple-employer plan to track and allocate post-employment healthcare liabilities and ongoing program costs by Employer.

In accordance with Governmental Accounting Standards Board Statement No. 75 (GASB Statement No. 75), employers must recognize and report their specific OPEB amounts, including Net OPEB Liability (NOL), deferred outflows/inflows of resources, and OPEB expenses. LACERA, working with its consulting actuary, Milliman, provides this information to participating Employers upon request.

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 for each Employer. The Total OPEB Liability (TOL) is reduced by the Fiduciary Net Position (FNP) or "net assets" to determine the Employers' Net OPEB Liability (NOL).

LACERA's external auditor, Baker Tilly, has also completed the System and Organizational Controls 1 (SOC-1 Type 2) audit for the period July 1, 2024 to June 30, 2025. This audit examines transactions processed by LACERA (service organization) and the suitability of the design and operating effectiveness of controls 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 organizations' 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).

Schedule of Changes in Fiduciary Net Position by Employer — OPEB Trust

For the Fiscal Year Ended June 30, 2025

(Dollars in Thousands)

	Los Angeles County	Superior Court	LACERA	Total
Additions				
Employer Contributions	$1,404,609	$47,616	$7,835	$1,460,060
Net Investment and Miscellaneous Income Gain	459,199	9,885	2,567	471,651
Total Additions	$1,863,808	$57,501	$10,402	$1,931,711
Deductions				
Service Benefits	$833,379	$36,616	$2,680	$872,675
Administrative Expenses	685	172	43	900
Total Deductions	$834,064	$36,788	$2,723	$873,575
Net Increase in Fiduciary Net Position	$1,029,744	$20,713	$7,679	$1,058,136
Fiduciary Net Position Restricted for Benefits				
Beginning of Year	3,870,832	85,330	21,709	3,977,871
End of Year	$4,900,576	$106,043	$29,388	$5,036,007

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 qualified OPEB plans under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75. To qualify, these plans must meet 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

Under 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 liabilities, which LACERA administers. In May 2012, the County Board of Supervisors approved a Trust and Investment Services Agreement with the LACERA Board of Investments to serve as trustee and investment services manager.

Establishing and funding this OPEB Trust helps the County offset the unfunded OPEB liability from the existing “pay-as-you-go” model of funding post-employment benefits 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 County and LACERA to hold and invest assets used to pay OPEB expenses including medical, dental, and vision insurance premiums, Medicare Part B reimbursements, and retiree death/burial benefits administered by the Retiree Healthcare Benefits Program. The participating Employers, Los Angeles County and LACERA, 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.

Establishment of the Court OPEB Trust

Following the County’s action, the Los Angeles County Superior 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. The Court has approved a new OPEB funding policy effective September 12, 2025.

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 assets held in both OPEB Trusts. This investment pool is referred to as the "OPEB Master Trust" or "OPEB Trust" throughout LACERA's financial statements and note disclosures.

The OPEB Master Trust establishes a unitized fund structure which allows for shared economic benefits and leveraged investment opportunities for greater asset diversification. Unitization also enables Trust participants to pool assets and resources while retaining total fund and functional category values and reporting for each participant. The Board of Investments adopted an investment policy statement with a strategic asset allocation that aims to maximize long-term growth and meet current and long-term obligations. The Board reviews the asset allocation every three to five years or at the Board's discretion to align portfolio investments with anticipated risks and opportunities.

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) for governmental organizations. In doing so, LACERA adheres to the financial statement reporting requirements established by the Governmental Accounting Standards Board (GASB).

Due to the nature of the relationship between LACERA and the County and pursuant to GASB Statement Number 84, *Fiduciary Activities*, the LACERA Other Post-Employment Benefit (OPEB) Trust Fund is considered a fiduciary component unit of Los Angeles County and is reported in the County's financial statements as fiduciary funds, due to the Trust Funds' reliance on County funding and their operations primarily benefiting the County.

The OPEB Trust follows the economic resources measurement focus and the accrual basis of accounting. Contributions are voluntarily determined by each Employers' funding schedule with no long-term contracts established for contributions to LACERA. As such, contributions are elective and not required. Due to the discretionary nature of prefunding and in alignment with the agent structure that attributes assets and liabilities to individual employers, LACERA recognizes employer contributions when 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.

Investment Income and Expense Allocation

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) allows the Post-Employment Benefits Trust Account to pay the reasonable costs related to investment expenses and administration of the Post-Employment Benefits Trust Account to the extent permitted by federal tax law. Before 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, participating Employers are charged investment management and administrative expenses, which fund 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 rare but can be made 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.

Valuation of Investments
OPEB Program investments are presented at fair value. Certain investments held by LACERA are valued at net asset value (NAV) per share when fair value is not readily available, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP. The OPEB Trust invests in equity, fixed income, and real estate. 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 to conform 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, 2025. This Schedule presents only the Statement of Changes in Fiduciary Net Position by Employer related to the OPEB Trust at LACERA. It does not nor is it intended to represent LACERA as a whole.

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, 2025, which can be found on LACERA's website (lacera.gov/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 Chief Financial Officer, Theodore Granger, at tgranger@lacera.gov.

FOR INFORMATION ONLY

November 10, 2026

TO: Audit, Compliance, Risk, and Ethics (ACRE) Committee
Debbie Martin (BOI), Chair
Nicole Mi (BOI), Vice Chair
Aleen Langton (BOR), Secretary
Trevor Fay (BOI), Trustee
Bobbie Fesler (BOR), Trustee
Shawn R. Kehoe (BOR), Trustee
Elizabeth Ginsberg, Ex-Officio

ACRE Committee Consultant
Larry Jensen

FROM: Leisha E. Collins
Chief Audit Executive

FOR: November 18, 2026 Audit, Compliance, Risk, and Ethics (ACRE) Committee

SUBJECT: **Ethics Hotline Status Report**

BACKGROUND

LACERA is committed to upholding its values, advocating ethical behavior, and acting in compliance with applicable laws, regulations, policies, procedures, and LACERA's Code of Ethical Conduct. To support this commitment, LACERA maintains a confidential and anonymous Ethics Hotline and a strict policy of non-retaliation when reporting questionable behavior.

The ACRE Charter, Section VII.B.9.b., states that the Committee reviews a summary of LACERA's Ethics Hotline Reports. Accordingly, the purpose of this memorandum is to provide the Committee with an update on cases reported to LACERA through the Ethics Hotline. Please refer to the table on page 2.

ETHICS HOTLINE STATUS REPORT

We have received one new case since the August 11, 2026 report and closed four. The following report provides a summary of cases as of November 10, 2026:

#	Case Month	Incident Category	Source	Issue	Assign To	Status	Control Deficiency
26	Nov 2025	Conflict of Interest	Hotline Website	Conflict of Interest – Allegation of unfair vendor selection	Legal	Closed	No Control Deficiencies
27	Jan 2026	Discrimination or Harassment	Hotline Website	Accusation of unfair treatment of staff	HR/IA	Closed	Audit conducted to assess process controls
29	April 2026	Discrimination or Harassment	Hotline Website	Accusation of unfair treatment of staff	External	Investigation in Progress	N/A
31	July 2026	Not LACERA-Related	Hotline Website	Not LACERA-Related	Legal	Closed	No Control Deficiencies
32	July 2026	Contract-Vendor Relations	Hotline Website	Employee business solicitation during training session	IA	Closed	No Control Deficiencies
33	Aug 2026	Retaliation	Hotline Website	Accusation of unfair treatment and retaliation	External	Investigation In Progress	N/A

Internal Audit has not identified any matters of fraud in any of our recent or current audit and consulting work. Staff will continue to provide updates to the Committee on future reports.

With the hiring of the Chief Ethics Compliance Officer (CECO), responsibility for administering and reporting on the Ethics Hotline will transition to the CECO in early 2027.

LACERA

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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