



LACERS

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

Securing Your Tomorrows

2019 POPULAR ANNUAL FINANCIAL REPORT

for the Fiscal Year ending June 30, 2019

Our **Popular Annual Financial Report (PAFR)** is a summary of the **Los Angeles City Employees' Retirement System's (LACERS) Comprehensive Annual Financial Report (CAFR)**
Available online at www.lacers.org/aboutlacers/reports/



"In our 82nd year of operation, we have renewed our commitment to our Members, engaging in a strategic planning process focused on a vision of performance excellence, innovation, professionalism, and transparency. This new Popular Annual Financial Report is an extension of these principles that we strive to deliver to our Members."

NEIL M. GUGLIELMO
General Manager



The Los Angeles City Employees' Retirement System is a department of the City of Los Angeles, established by City Charter in 1937, providing retirement benefits to the civilian and some sworn employees of the City of Los Angeles. LACERS administers the pension and retiree health benefits approved by the City; and manages the pension fund investment portfolio.

Our Mission

To protect and grow our trust fund and to ensure the sustainable delivery of ethical, reliable, and efficient retirement services to our Members





Our Membership

A focal point for LACERS is improving the Member experience. In fiscal year 2019, LACERS underwent a reorganization allocating resources and initiating new activities focused on customer service, wellness, and Member engagement. As our Membership grows and retirees live longer, LACERS continues to evolve to meet changing needs.

\$3,942
Average
Monthly Pension

▲ 25.9%
Change from 2010

55,254
Total Membership

▲ 13.1%
Change from 2010

\$240.4
Million in Member
Contributions

▲ 89.3%
Change from 2010

60.4
Average Age
at Retirement

▲ 0.3%
Change from 2010

72.5
Average Age
of Retiree

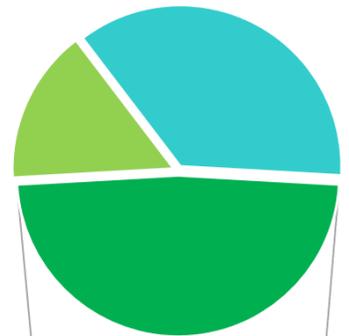
▲ 3.0%
Change from 2010

All data as of June 30, 2019

8,588
Inactive Members

20,034
Retirees & Beneficiaries

26,632
Active Members



8,820
Non-Vested Active

17,812
Vested Active

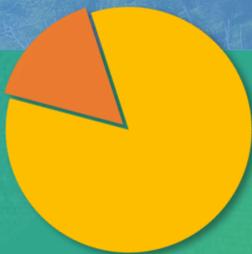


Fiduciary Net Position

The Fiduciary Net Position is the financial position of the System's Retirement and Postemployment Health Care Plans at fiscal year end, and accounts for the funds added and deducted during the fiscal year. The Net Position is the difference of the System's Assets (what is owned) and Liabilities (what is owed).



\$17.7 Billion
Fiduciary Net Position



Allocation

The total Fiduciary Net Position is allocated between the Retirement Plan and the Postemployment Health Care Plan.

84.1% Retirement
15.9% Health Care

Additions and Deductions

The Additions to Fiduciary Net Position constitute LACERS' funding sources while the Deductions represent the benefits provided by LACERS and the cost of administering the Plans. Dollars in Thousands.

	2019	2018	Change
City Contributions	\$586,754	\$551,247	▲ 6.4%
Member Contributions	240,357	236,222	▲ 1.8%
Health Insurance Premium and Reserve	6,558	N/A	
Net Investment Income	968,497	1,518,879	▼ (36.2)%
Total Additions	\$1,802,166	\$2,306,348	▼ (21.9)%
Benefit Payments	1,049,283	975,112	▲ 7.6%
Refunds of Contributions	11,684	10,412	▲ 12.2%
Administrative Expenses	22,905	20,778	▲ 10.2%
Total Deductions	\$1,083,872	\$1,006,302	▲ 7.7%
Net Increase/(Decrease) Within Year	718,294	1,300,046	▼ (44.7)%
Beginning Net Position	16,989,616	15,689,570	▲ 8.3%
Ending Net Position	\$17,707,910	\$16,989,616	▲ 4.2%

Assets and Liabilities

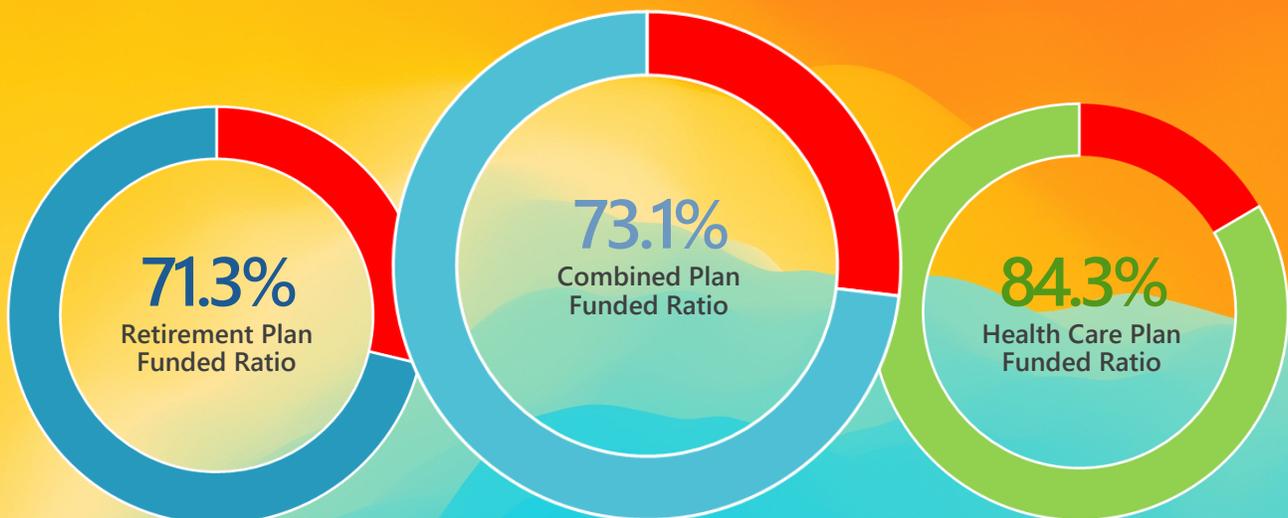
The Assets and Liabilities detail the components of LACERS' Fiduciary Net Position. Nearly all of the System's Assets are contained within the Investment Portfolio. Dollars in Thousands.

	2019 Retirement	2019 Health Care	2019 Total	2018 Total	Change
Assets					
Cash, Short-Term Investments and Receivables	\$633,387	\$119,573	\$752,960	\$627,873	▲ 19.9%
Investments, at Fair Value	15,133,285	2,856,929	17,990,214	17,357,845	▲ 3.6%
Capital Assets, Net of Depreciation	\$7,393	\$1,396	8,789	9,185	▼ (4.3%)
Total Assets	\$15,774,065	\$2,977,898	\$18,751,963	\$17,994,903	▲ 4.2%
Liabilities					
Securities Lending Collateral and Other Payables	\$878,253	\$165,800	\$1,044,053	\$1,005,287	▲ 3.9%
Total Liabilities	878,253	165,800	1,044,053	1,005,287	▲ 3.9%
Fiduciary Net Position	\$14,895,812	\$2,812,098	\$17,707,910	\$16,989,616	▲ 4.2%

Funded Status

Market Value of Assets

LACERS' Funded Status is the ratio of the System's Fiduciary Net Position to Total Pension Liability. This funding ratio represents the percentage of Plan Assets available toward paying expected benefit obligations for LACERS Members.



Investment

The 2019 fiscal year was a volatile one for the LACERS' investment portfolio, influenced by trade wars, ongoing Brexit uncertainty, and monetary easing by the Federal Reserve. While the 2019 fiscal year was a period of volatility in the markets, LACERS' investment portfolio is well-diversified and constructed based on a long-term investment horizon, in order to weather increases in market volatility into the future.

LACERS primary investment objective is to maximize the return of the portfolio at a prudent level of risk to meet the obligations of the System. The Fund is managed on a total return basis over a long-term investment horizon. While the System recognizes the importance of capital preservation, it also recognizes that varying degrees of investment risk are generally rewarded with commensurate returns. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification, which is achieved through the System's strategic asset allocation policy.

In February 2019, the Board approved a revised Investment Policy in order to implement the new target asset allocation policy approved in April 2018, and increase the commitment sizes to private equity funds to meet private equity program objectives, and authorize staff to conduct tactical rebalances of the Fund.

The total portfolio underperformed its policy benchmark by 82 basis points (gross of fees) for the fiscal year, mainly attributed to the relative underperformance of U.S. and non-U.S. equities, which underperformed their benchmarks by 73 and 90 basis points, respectively.

LACERS investments are reported at fair value. The total portfolio was \$17.7 billion on June 30, 2019, an increase of \$0.8 billion over the prior fiscal year. The Fund realized a 6.2% (gross of fees) return for the fiscal year.



RODNEY JUNE
Chief Investment Officer

\$17.7 Billion
Portfolio Value

▲ \$0.8 Billion
Versus Last Fiscal Year

\$968.5 Million
Net Investment Income

▼ \$550.4 Million
Versus Last Fiscal Year

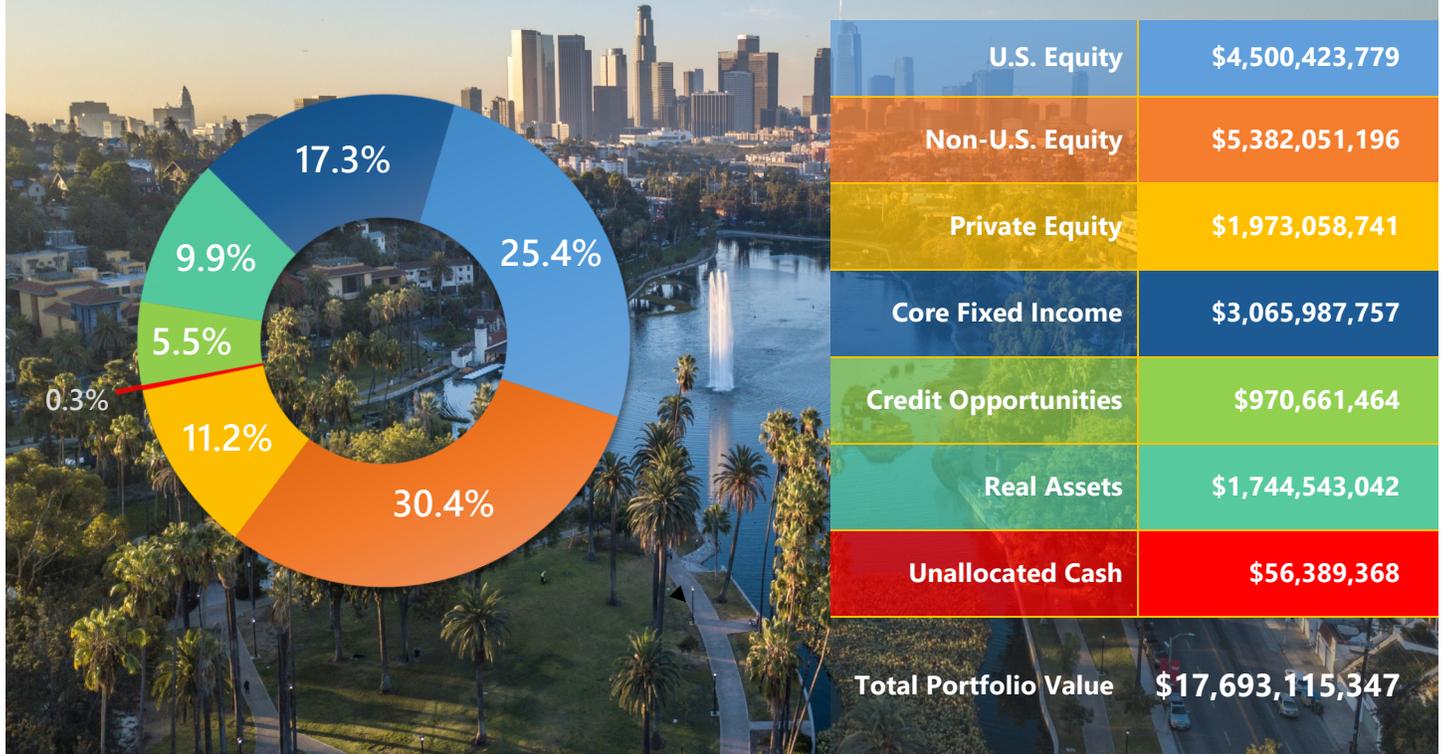
6.2%
Portfolio Return
Gross of Fees

▼ 3.0%
Versus Last Fiscal Year



Asset Allocation

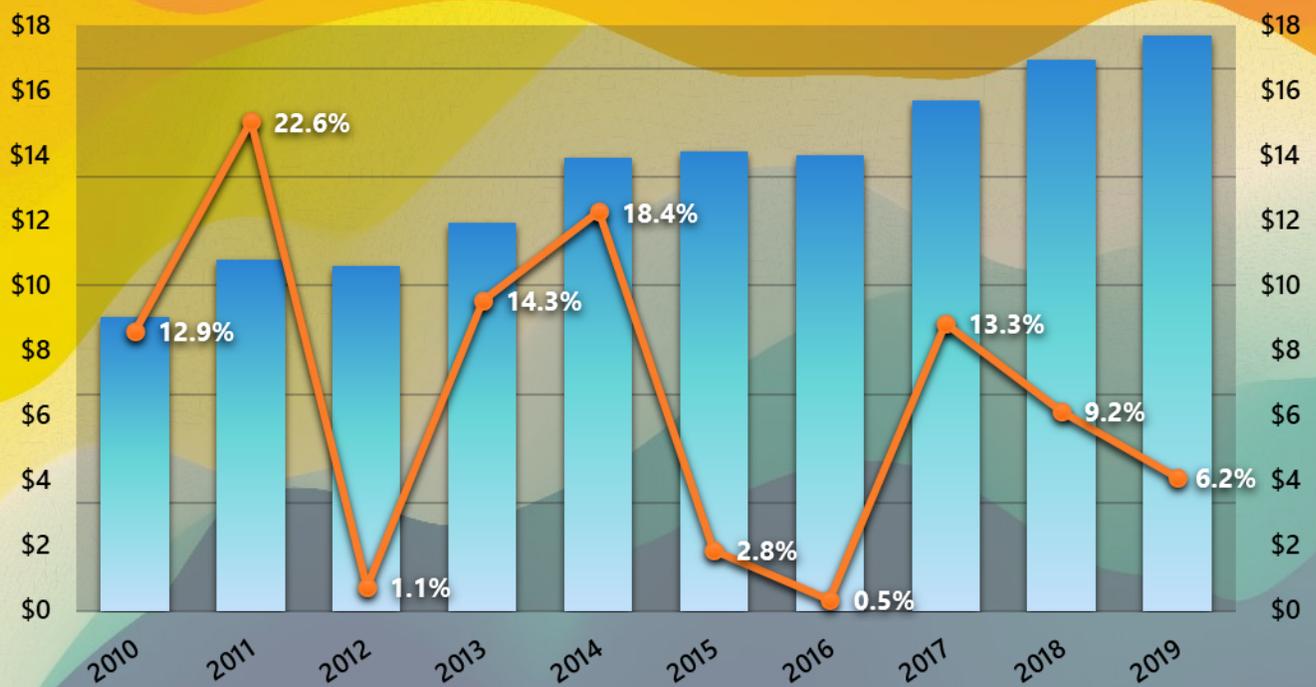
The Investment Portfolio's assets were diversified in the following categories as of June 30, 2019.



Portfolio Value

Rate of Return (Gross of Fees) compared to Total Portfolio Value for ten fiscal years all ending on June 30. Dollars in Billions.

■ Portfolio Value
● Rate of Return





Board of Administration

Cynthia M. Ruiz
President
Appointed by the Mayor

Michael R. Wilkinson
Vice President
Elected by Retired Members

Annie Chao
Commissioner
Elected by Active Members

Elizabeth Lee
Commissioner
Elected by Active Members

Sandra Lee
Commissioner
Appointed by the Mayor

Nilza R. Serrano
Commissioner
Appointed by the Mayor

Sung Won Sohn
Commissioner
Appointed by the Mayor



Executive Officers

Neil M. Guglielmo
General Manager

Lita Payne
Assistant General Manager

Todd Bouey
Assistant General Manager

Rodney June
Investment Division

Dale Wong-Nguyen
Administration Division

Karen Freire
Retirement Services Division

Alex Rabrenovich
Health Benefits
and Communications Division

Lin C. Lin
Human Resources Unit

Mikyong Jang
Fiscal Division

Wally Oyewole
Internal Auditor



LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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