“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

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.

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 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.

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

- **$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
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).

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.

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

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

## 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.

- **Retirement Plan Funded Ratio**: 71.3%
- **Combined Plan Funded Ratio**: 73.1%
- **Health Care Plan Funded Ratio**: 84.3%
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

$968.5 Million
Net Investment Income

$0.8 Billion
Versus Last Fiscal Year

$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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Equity</td>
<td>$4,500,423,779</td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>$5,382,051,196</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$1,973,058,741</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>$3,065,987,757</td>
</tr>
<tr>
<td>Credit Opportunities</td>
<td>$970,661,464</td>
</tr>
<tr>
<td>Real Assets</td>
<td>$1,744,543,042</td>
</tr>
<tr>
<td>Unallocated Cash</td>
<td>$56,389,368</td>
</tr>
<tr>
<td><strong>Total Portfolio Value</strong></td>
<td><strong>$17,693,115,347</strong></td>
</tr>
</tbody>
</table>

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.
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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Los Angeles, California 90051  
800-779-8328  
lacers.org