

2023

POPULAR ANNUAL FINANCIAL REPORT

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

A Component Unit of the City of Los Angeles

Our Popular Annual Financial Report is a summary of the Los Angeles City Employees' Retirement System's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023

Interactive presentation and publication available online at www.lacers.org/financial-reports-and-statistics

Explore LACERS' Annual Comprehensive Financial Report data since fiscal year ended 1990
<https://www.lacers.org/lacerstats>





Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**Los Angeles City Employees' Retirement System
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Merrill

Executive Director/CEO

ABOUT POPULAR ANNUAL FINANCIAL REPORTING

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Los Angeles City Employees' Retirement System for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only.

Los Angeles City Employees' Retirement System has received a Popular Award for the last four consecutive years (fiscal years ended 2019-2022). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.

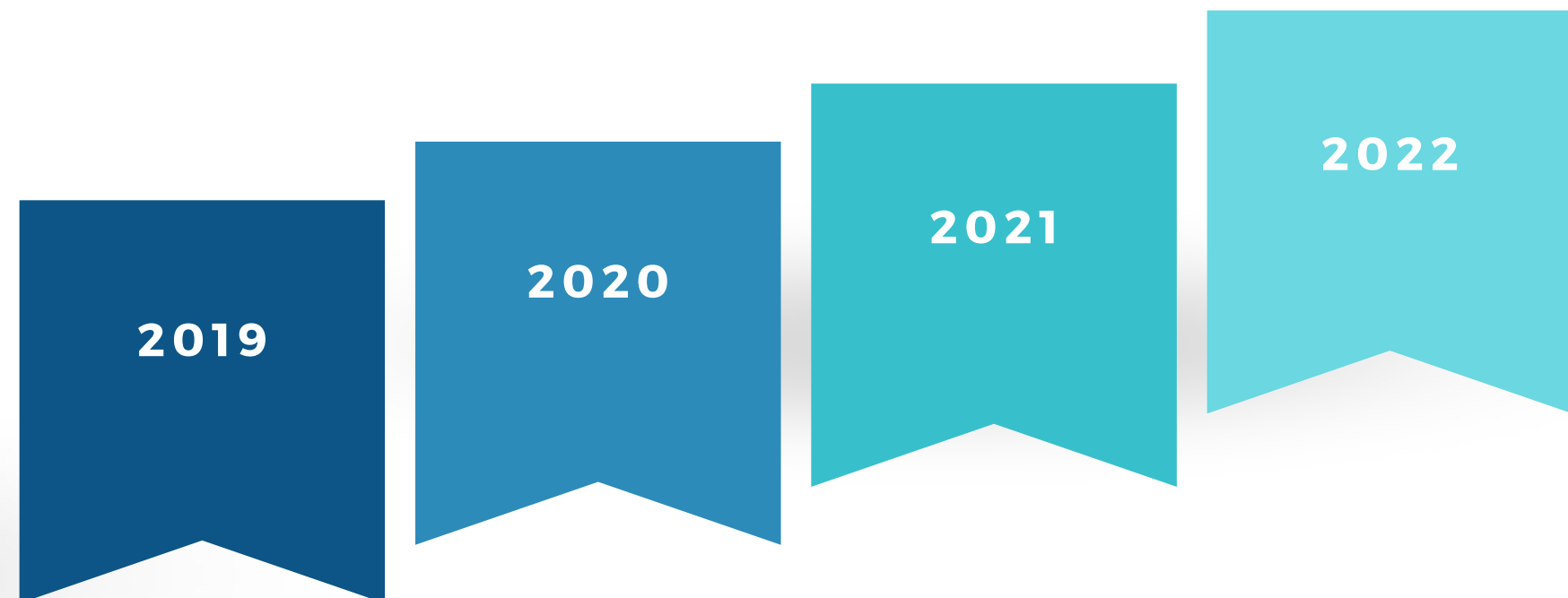


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NEIL M. GUGLIELMO
General Manager

MESSAGE FROM THE GENERAL MANAGER

The Los Angeles City Employees' Retirement System is finally at home. After several years of identifying, purchasing and renovating, the new LACERS headquarters located on the edge of Chinatown in Los Angeles is open for business and situates us to do things a little differently, including wellness initiatives, advanced technology, remote work readiness, emergency preparedness and collaboration. But mostly LACERS new headquarters is about customer service for all City employees, and those already retired and their beneficiaries. The headquarters building is the central spot for the retirement chapter of your life, and the building and staff are ready for you.

LACERS bought the building as a home for Member services, the Board a place to meet, and for staff to have a space to perform their work. Wellness is fundamental to a healthy workforce and for all visiting LACERS headquarters which is why we prioritized Fitwel certification for our new building. Fitwel is a certification system originally created by the U.S. Centers for Disease Control which is committed to implementing a vision for a healthier future where all buildings and communities are enhanced to strengthen health and well-being. It's a program that's also about employee wellness. Fitwel gauges everything from indoor air quality policies, ergonomics, and walkability of the neighborhood to design of the pest control program. The design of this building is motivated to improve the wellness and wellbeing of staff and Members. The headquarters is also adapted to a new age of technology adopted by LACERS as we navigated the pandemic. Flexible work spaces and remote work capabilities coupled with connected collaboration spaces support the ways in which LACERS staff work from anywhere and allow us to connect with our Members everywhere. The headquarters also includes a training area where staff can plug in and learn together along with outfitted audio visual equipment.

For those Members that come to LACERS headquarters, in the reception area they have a place where they can sit down, utilize a computer, interact with staff and go into a private counseling room. And as you progress down the breezeway, there is a conference room, a large lounge area, the multi-purpose room, the boardroom, and then a furnished courtyard space at the back of the property. LACERS utilizes these spaces for Member events, for example planning for retirement, as we can scale the space along with moveable furniture and built-in wall partitions to accommodate a large group, or we could break it up into three separate spaces - a lounge area, a staff training area, and a board meeting area. The boardroom itself is setup with teleconferencing technology to support remote public access to Board meetings as well as remote participation for presenters, complimented by large screen televisions oriented to the audience to follow along.

LACERS new headquarters is built for the future and will serve as our location for many years to come. Welcome home LACERS family!



ABOUT LACERS



MISSION

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

VISION

Trusted by our Members and partners for excellence, innovation, professionalism, and transparency

GUIDING PRINCIPLES

Innovation
Kindness + Caring
Professionalism
Respect
Teamwork



86 YEARS OF SECURING YOUR TOMORROWS

In 1937, the Los Angeles City Charter established the Los Angeles City Employees' Retirement System (LACERS) as a retirement trust fund for the purpose of providing the civilian employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, and survivor benefits. In 1999, LACERS began administering the retiree health insurance program. All regular, full-time, and certified part-time City employees are eligible for LACERS membership except employees of the Department of Water and Power, and sworn personnel who are members of the Los Angeles Fire and Police Pensions. Our fiduciary duty to our Members ensures we prudently manage the pension fund portfolio to offset payment costs of the pension benefits and retiree health care premiums of our Members.

ABOUT OUR MEMBERSHIP

All data herein as of June 30, 2023 unless otherwise noted.



\$4,592

AVERAGE MONTHLY PENSION

Change from 2014: +34.8%

59,533

TOTAL MEMBERSHIP

Change from 2014: +25.1%

\$260.0

MILLION IN MEMBER CONTRIBUTIONS

Change from 2014: +27.4%

60.8

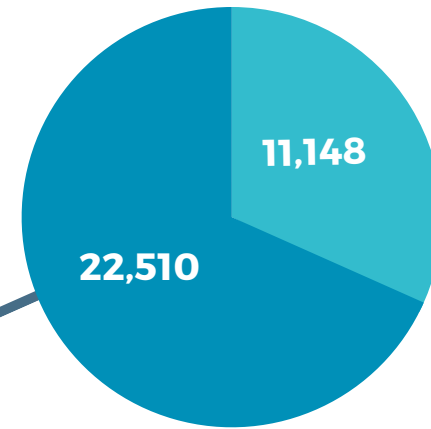
AVERAGE AGE AT RETIREMENT

Change from 2014: +1.2%

72.1

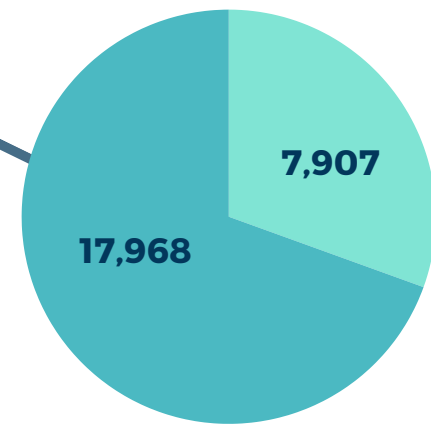
AVERAGE AGE OF RETIREE

Change from 2014: +0.4%



- Retirees + Beneficiaries
- Inactive Members

Inactive Members left City Service with contributions remaining on deposit in LACERS pension fund.



- Vested Active
- Non-Vested Active

Active Members mostly comprise City Employees still contributing prior to their retirement. Vesting schedule is 5 years of continuous City Service.

LACERS is committed to providing the best experience and service for our Members by continuously improving our outreach and engagement programming and striving to ensure delivery of the retirement and health benefits is fulfilled.

Highlights of LACERS initiatives include the implementation of a Language Access Plan (LAP) to bridge the language gap and assist English Language Learners (ELL) through the development of bilingual resources while our LACERS Well program aims to reduce claim costs, minimize premium increases, and promote collaboration between health plan carriers, non-profit organizations, and other agency partners.

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, documenting the difference between the System's Assets (what is owned) and Liabilities (what is owed).

\$ 21,589,265,113

FIDUCIARY NET POSITION

\$ 1,135,161,122

NET INCREASE WITHIN THE YEAR

ALLOCATION

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

84%

RETIREMENT

16%

HEALTH



ADDITIONS AND DEDUCTIONS

(Dollars in Thousands)

	2023	2022	2021	% Change 2023 - 2022	% Change 2022 - 2021
BEGINNING NET POSITION	\$ 20,454,104	\$ 22,805,320	\$ 17,863,324	(10.3%)	27.7%
ADDITIONS					
City Contributions	760,019	682,928	658,408	11.3%	3.7%
Member Contributions	259,977	245,879	259,285	5.7%	(5.2%)
Insurance Premium & Reserve	14,232	14,460	11,843	(1.6%)	22.1%
Net Investment Income (Loss)	1,533,998	(1,916,529)	5,288,787	180.0%	(136.2%)
Other Income	101	37	637	173.0%	(94.2%)
TOTAL ADDITIONS	\$ 2,568,327	\$ (973,225)	\$ 6,218,960	363.9%	(115.6%)
DEDUCTIONS					
Benefit Payments	1,385,477	1,335,124	1,228,276	3.8%	8.7%
Contribution Refunds	14,397	11,630	17,584	23.8%	(33.9%)
Administrative Expenses	33,292	31,237	31,084	6.6%	0.5%
TOTAL DEDUCTIONS	\$ 1,433,166	\$ 1,377,991	\$ 1,276,944	4.0%	7.9%
NET INCREASE (DECREASE) WITHIN YEAR	\$ 1,135,161	\$ (2,351,216)	\$ 4,942,016	148.3%	(147.6%)
Prior Period Adjustment	-	-	(20)	0%	100%
ENDING NET POSITION	\$ 21,589,265	\$ 20,454,104	\$ 22,805,320	5.5%	(10.3%)

ASSETS, LIABILITIES, AND DEFERRED INFLOW



THREE YEAR COMPARISON COMBINED PLANS

(Dollars in Thousands)

ASSETS	2023	2022	2021
Cash, Short-term Investments & Receivables	\$ 623,653	\$ 654,103	\$ 1,306,824
Investments, at Fair Value	21,363,996	20,576,788	22,235,243
Capital Assets, Net of Depreciation & Amortization	60,727	53,305	44,475
TOTAL ASSETS	\$ 22,048,376	\$ 21,284,196	\$ 23,586,542
LIABILITIES			
Securities Lending Collateral & Other Payables	\$ 458,350	\$ 829,521	\$ 780,624
DEFERRED INFLOW	\$ 761	\$ 571	\$ 598
FIDUCIARY NET POSITION	\$ 21,589,265	\$ 20,454,104	\$ 22,805,320

2023 RETIREMENT AND HEALTH PLANS

(Dollars in Thousands)

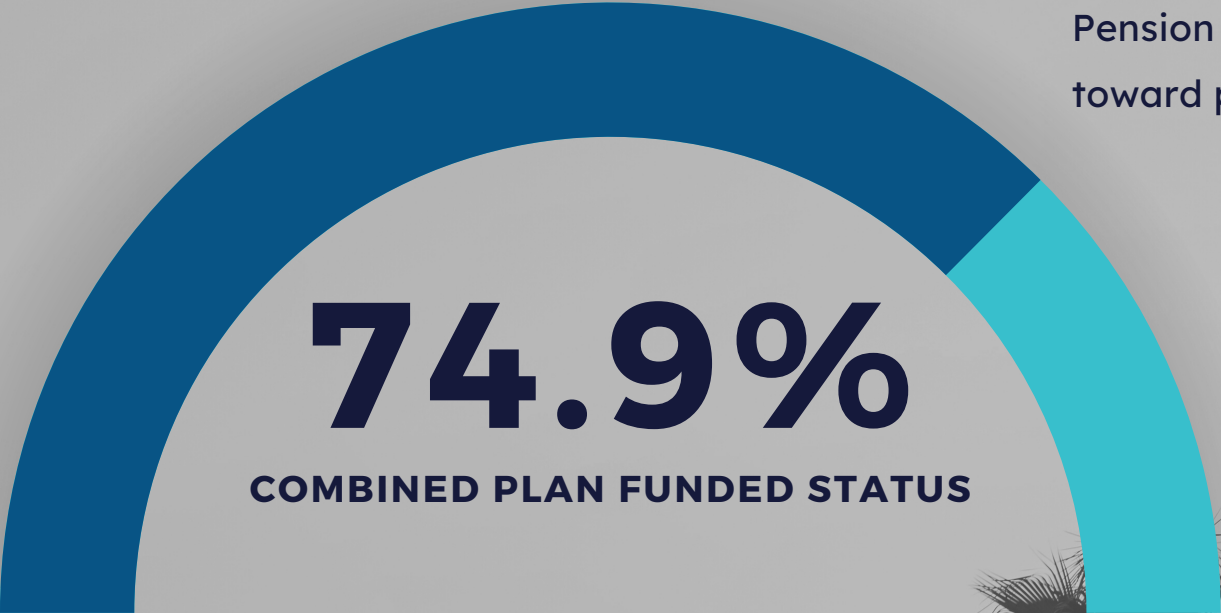
ASSETS	2023 Retirement	2023 Health	2023 Total
Cash, Short-term Investments & Receivables	\$ 521,381	\$ 102,272	\$ 623,653
Investments, at Fair Value	17,860,552	3,503,444	21,363,996
Capital Assets, Net of Depreciation & Amortization	50,768	9,959	60,727
TOTAL ASSETS	\$ 18,432,701	\$ 3,615,675	\$ 22,048,376
LIABILITIES			
Securities Lending Collateral & Other Payables	\$ 383,186	\$ 75,164	\$ 458,350
DEFERRED INFLOW	\$ 636	\$ 125	\$ 761
FIDUCIARY NET POSITION	\$ 18,048,879	\$ 3,540,386	\$ 21,589,265



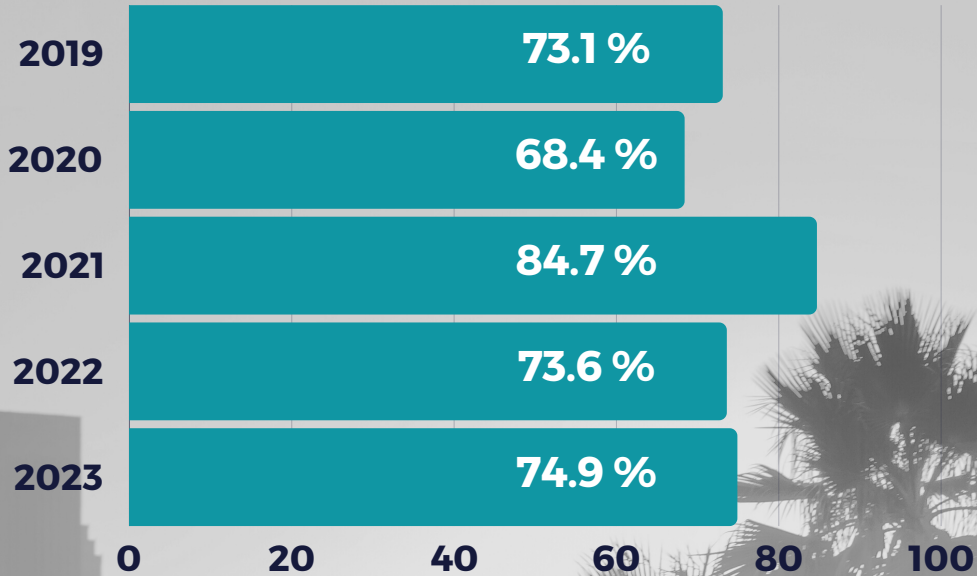
FUNDED STATUS

WHAT IS THE COMBINED FUNDED STATUS OF THE PLAN?

The Combined 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 of LACERS Members.



FIVE YEARS OF COMBINED PLAN FUNDED STATUS

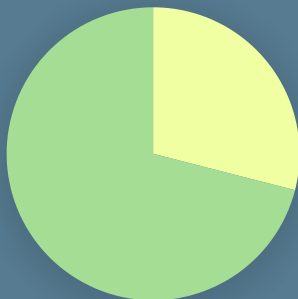


ABOUT THE RETIREMENT PLAN

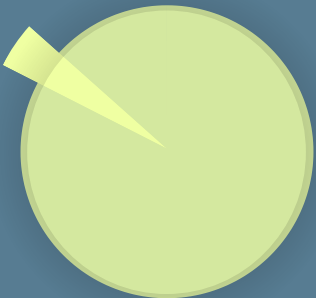
LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits. The Retirement Plan covers all civilian and certain segments of sworn employees of the City who are not covered by other City retirement agencies. Plan Members have a vested right to their own contributions and accumulated interest posted to their accounts.

ABOUT THE HEALTH PLAN

LACERS administers, and provides single-employer postemployment healthcare benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan regardless of their membership tiers. These benefits consist of subsidies which may also apply to the coverage of other eligible dependent(s).



71.0%
RETIREMENT PLAN FUNDED STATUS

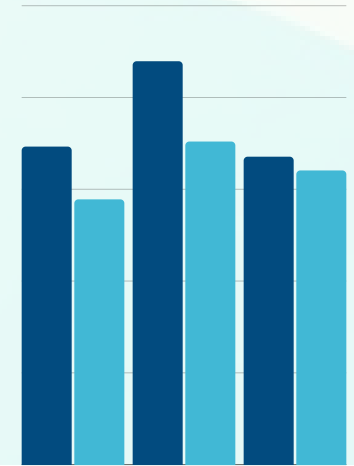


104.0%
HEALTH PLAN FUNDED STATUS

INVESTMENT PORTFOLIO

ANNUALIZED RATES OF RETURN (GROSS OF FEES)

	1 YR (%)	3 YR (%)	5 YR (%)
LACERS TOTAL FUND	6.93	8.79	6.71
LACERS POLICY BENCHMARK	5.78	7.04	6.41

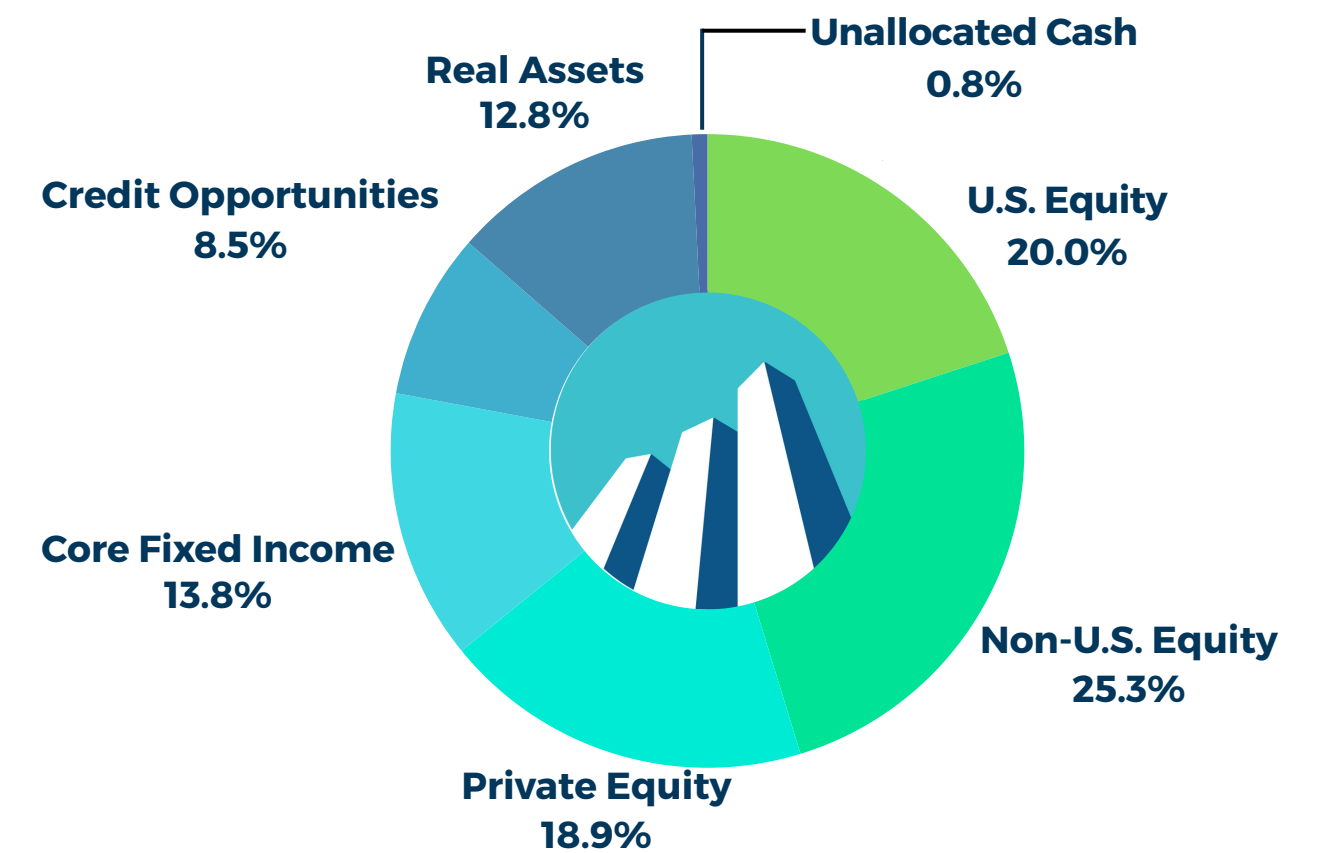


RODNEY JUNE
Chief Investment Officer

The 2023 fiscal year resulted in positive gains for the LACERS investment portfolio, with gains of 6.93% (gross of fees) for the one-year period ending June 30, 2023. This outperformed the policy benchmark return of 5.78% (gross of fees). The positive performance came amidst a challenging capital markets backdrop of the ongoing Russia-Ukraine war, continuing U.S.-China tensions, the unexpected collapse of three U.S. regional banks, slowing growth in China, the persistence of inflation, and ongoing recession fears.

Overall volatility decreased from the prior fiscal year as capital markets adjusted to a new regime of higher inflation and higher interest rates. As market conditions continue to evolve, it is important to acknowledge that LACERS is a long-term strategic investor with a carefully constructed, highly diversified portfolio designed to weather all market conditions.

ACTUAL ASSET ALLOCATION¹



1. The percentages are on a market value basis. Due to rounding errors, the percentages may not sum to exactly 100%.

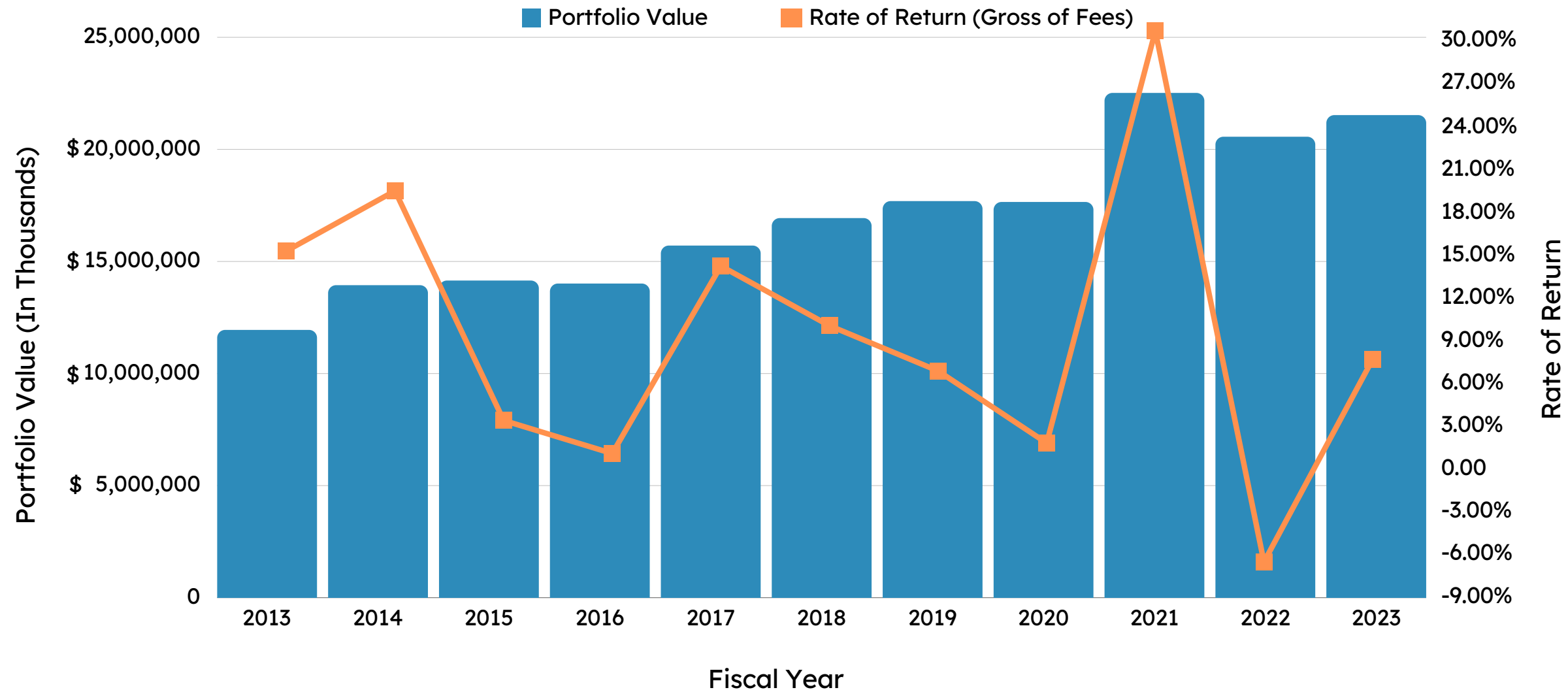
HOW DID OUR INVESTMENT PORTFOLIO DO?

The total portfolio outperformed its policy benchmark by 115 basis points (gross of fees) for the fiscal year, with all of the major asset classes outperforming their respective benchmarks, with the lone exception of U.S. Equity which underperformed its benchmark by just 15 basis points.

\$ 21,529,316,000
TOTAL INVESTMENT PORTFOLIO VALUE

PORTFOLIO VALUE RATE OF RETURN

(Gross of Fees) Compared to Total Portfolio Value for ten fiscal years all ending on June 30. Dollars in Thousands.



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 System’s investment portfolio 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.

LACERS investments are reported at fair value. The total portfolio, comprised of investments, cash, and accrued dividends and income, was valued at \$21.53 billion as of June 30, 2023, an increase of \$1 billion from the prior fiscal year. The total portfolio realized a 6.93% return (gross of fees) for the fiscal year. Individual asset class returns (gross of fees) were: U.S. Equity, 18.8%; Non-U.S. Equity, 12.75%; Core Fixed Income, -0.40%; Credit Opportunities, 9.99%; Real Assets, -3.36%; and Private Equity, -0.41%.

LACERS

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