

**2022**

# **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, 2022

Interactive presentation and publication available online at [www.lacers.org/financial-reports-and-statistics](http://www.lacers.org/financial-reports-and-statistics)





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, 2021

*Christopher P. Morrill*

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, 2021. 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 three consecutive years (fiscal years ended 2019-2021). 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.

2019

2020

2021

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**NEIL M. GUGLIELMO**  
General Manager

## MESSAGE FROM THE GENERAL MANAGER

These past few years have shined a spotlight on the importance and need for Environmental, Social and Governance (ESG) risk factors and Diversity, Equity and Inclusion (DEI) in retirement administration, particularly in investments and the workplace. Under the direction of the Board, LACERS is embracing these needs and incorporating these principles in our work.

LACERS Board approved its first ESG Risk Framework that outlines how ESG risk factors will be integrated into LACERS investment program for the current and following fiscal years. In addition, LACERS Board approved amendments to its Proxy Voting Policy that addressed particular voting positions specific to, and support of, ESG issues including: (1) Lack of Women Representation on Corporate Boards, (2) Gender, Race, or Ethnicity Pay Gap, (3) Reports on Employee Diversity, and (4) Social & Environmental Issues.

LACERS drafted a Responsible Investment Policy, which includes an ESG belief statement, defines broad goals and focused objectives, how ESG will be integrated into LACERS investment process, and monitoring and reporting requirements. The Responsible Investment Policy is designed to align with the broader mission and goals of the United Nations Principles for Responsible Investing (PRI) through support of its six PRI principles.

LACERS also enhanced outreach efforts to emerging managers that have potential to add value to the LACERS portfolio but would otherwise not be identified through the standard search process. One example of this effort was the launch of LACERS Emerging Manager Symposium, a semi-annual event for emerging investment managers interested in learning about LACERS Emerging Manager program, meeting LACERS staff and investment consultants, and understanding LACERS manager search and selection process.

LACERS has embarked upon a Diversity, Equity, and Inclusion initiative designed to open dialogue between staff and management on mutual needs. This effort focuses on instilling a high development culture - one that values the growth of individuals. Through the DEI initiative, LACERS intends to address the needs of all employees, clearly express the direction of the organization, and create pathways for growth into positions of leadership for all employees across the organization equally. As LACERS builds up its workforce, the DEI effort will further extend DEI principles to the Membership.

**NEIL M. GUGLIELMO**  
General Manager



# 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



## CELEBRATING 85 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.

All data herein as of June 30, 2022 unless otherwise noted.

# \$4,450

AVERAGE MONTHLY PENSION  
change from 2013: +32.6%

# 57,695

TOTAL MEMBERSHIP  
change from 2013: +21.2%

# \$245.9

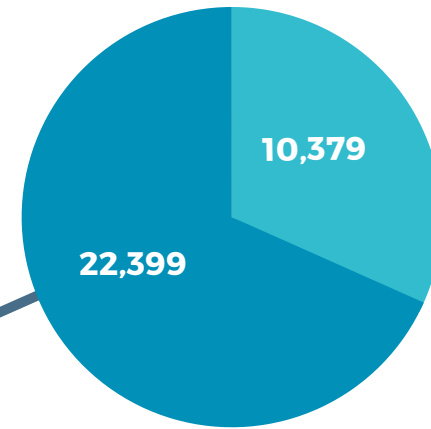
MILLION IN MEMBER CONTRIBUTIONS  
change from 2013: +24.3%

# 60.8

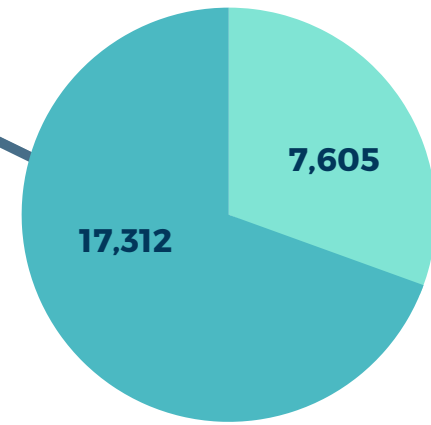
AVERAGE AGE AT RETIREMENT  
change from 2013: +1.2%

# 71.7

AVERAGE AGE OF RETIREE  
change from 2013: +0.3%



- Retirees + Beneficiaries
- Inactive Members



- Vested Active
- Non-Vested Active

LACERS is committed to providing the best experience for our Members by improving our outreach and engagement programming. Through maturing our data collection practices, identifying new effective outreach tools and strategies, and promoting an open and transparent environment to engage with Members, we strive to be best-in-class.

From a recently launched modern and mobile responsive website to a YouTube channel providing Member education to the roll-out of video and tele-conference capabilities for remote seminars, counseling, and meetings, we take our commitment to our Members seriously.

## ABOUT OUR MEMBERSHIP



# 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).

## \$20,454,103,991

FIDUCIARY NET POSITION

## \$2,351,215,963

NET DECREASE WITHIN THE YEAR



16%

HEALTH

84%

RETIREMENT

### ALLOCATION

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

## ADDITIONS AND DEDUCTIONS

(Dollars in Thousands)

	2022	2021	% Change
<b>BEGINNING NET POSITION</b>	\$ 22,805,320	\$ 17,863,324	27.7%
<b>ADDITIONS</b>			
City Contributions	682,928	658,408	3.7%
Member Contributions	245,879	259,285	(5.2%)
Insurance Premium & Reserve	14,460	11,843	22.1%
Net Investment Income (Loss)	(1,916,529)	5,288,787	(136.2%)
Other Income	37	637	(94.2%)
<b>TOTAL ADDITIONS</b>	\$ (973,225)	\$ 6,218,960	(115.6%)
<b>DEDUCTIONS</b>			
Benefit Payments	1,335,124	1,228,276	8.7%
Contribution Refunds	11,630	17,584	(33.9%)
Administrative Expenses	31,237	31,084	0.5%
<b>TOTAL DEDUCTIONS</b>	\$ 1,377,991	\$ 1,276,944	7.9%
<b>NET INCREASE (DECREASE) WITHIN YEAR</b>	\$ (2,351,216)	\$ 4,942,016	(147.6%)
Prior Period Adjustment	\$ -	\$ (20)	100%
<b>ENDING NET POSITION</b>	\$ 20,454,104	\$ 22,805,320	(10.3%)

## 2022 RETIREMENT AND HEALTH PLANS

(Dollars in Thousands)

ASSETS	2022 Retirement Plan	2022 Health Plan	2022 Total
Cash, Short-term Investments, and Receivables	\$ 547,045	\$ 107,058	\$ 654,103
Investments, at Fair Value	17,208,937	3,367,851	20,576,788
Capital Assets, Net of Depreciation and Amortization	44,581	8,724	53,305
<b>TOTAL ASSETS</b>	<b>\$ 17,800,563</b>	<b>\$ 3,483,633</b>	<b>\$ 21,284,196</b>
<b>LIABILITIES</b>			
Securities Lending Collateral, and Other Payables	\$ 693,752	135,769	829,521
<b>DEFERRED INFLOW</b>	<b>\$ 478</b>	<b>93</b>	<b>571</b>
<b>FIDUCIARY NET POSITION</b>	<b>\$ 17,106,333</b>	<b>\$ 3,347,771</b>	<b>\$ 20,454,104</b>

## ASSETS, LIABILITIES, AND DEFERRED INFLOW



## 2022 vs 2021

(Dollars in Thousands)

ASSETS	2022	2021	% Change
Cash, Short-term Investments, and Receivables	\$ 654,103	\$ 1,306,824	(49.9%)
Investments, at Fair Value	20,576,7885	22,235,243	(7.5%)
Capital Assets, Net of Depreciation and Amortization	53,305	44,475	19.9%
<b>TOTAL ASSETS</b>	<b>\$ 21,284,196</b>	<b>\$ 23,586,542</b>	<b>(9.8%)</b>
<b>LIABILITIES</b>			
Securities Lending Collateral, and Other Payables	\$ 829,521	\$ 780,624	6.3%
<b>DEFERRED INFLOW</b>	<b>\$ 571</b>	<b>\$ 598</b>	<b>(4.5%)</b>
<b>FIDUCIARY NET POSITION</b>	<b>\$ 20,454,104</b>	<b>\$ 22,805,320</b>	<b>(10.3%)</b>

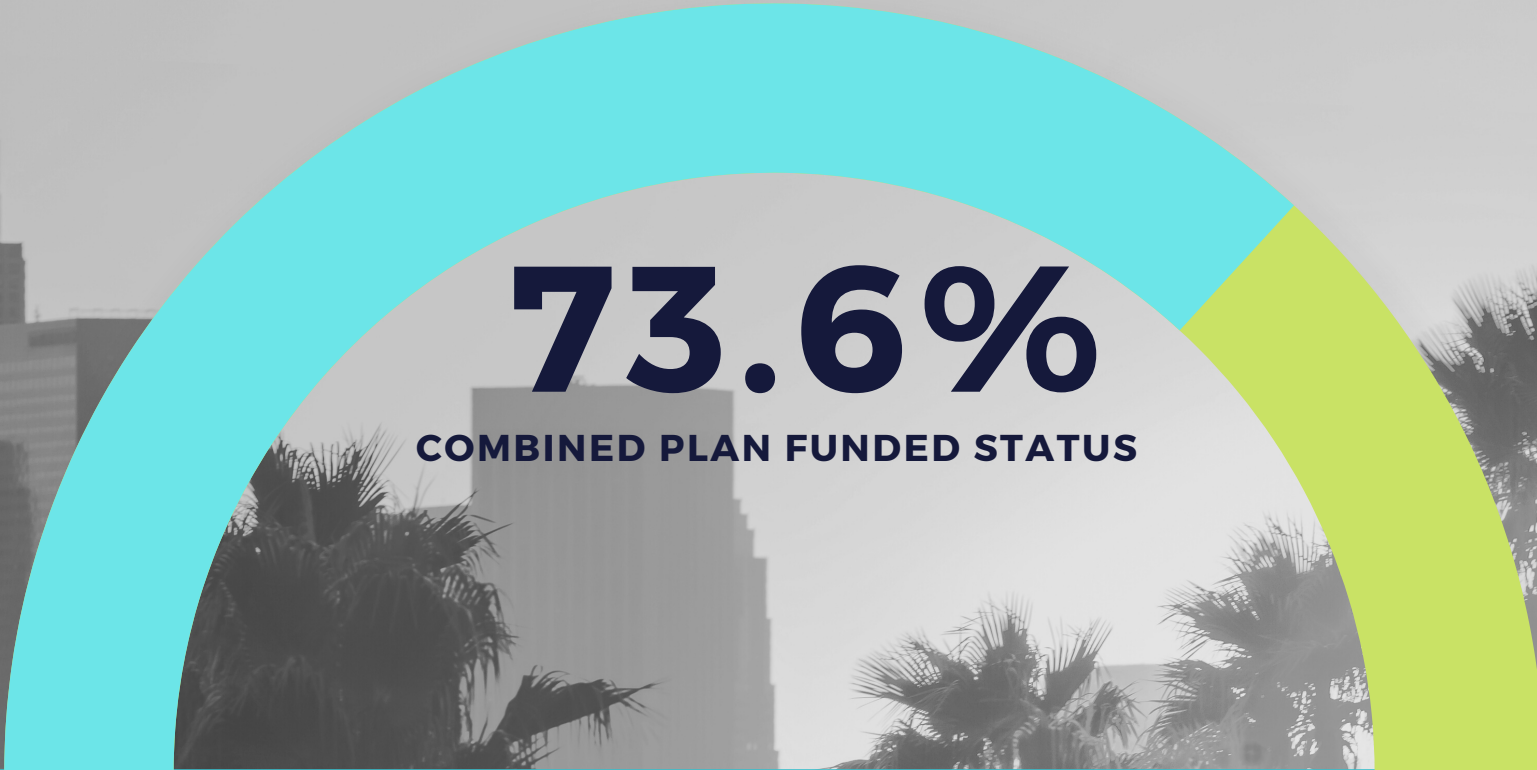




# FUNDED STATUS

## 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.



## ABOUT THE RETIREMENT PLAN

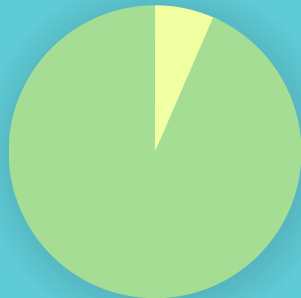
LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits. The Retirement Plan covers all civilian and certain segments of sworn employees of the City who are not covered by other City retirement agencies. Plan Members have 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).



**70.7%**  
RETIREMENT PLAN FUNDED STATUS

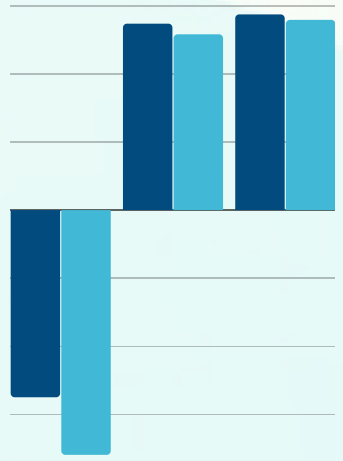


**93.5%**  
HEALTH PLAN FUNDED STATUS

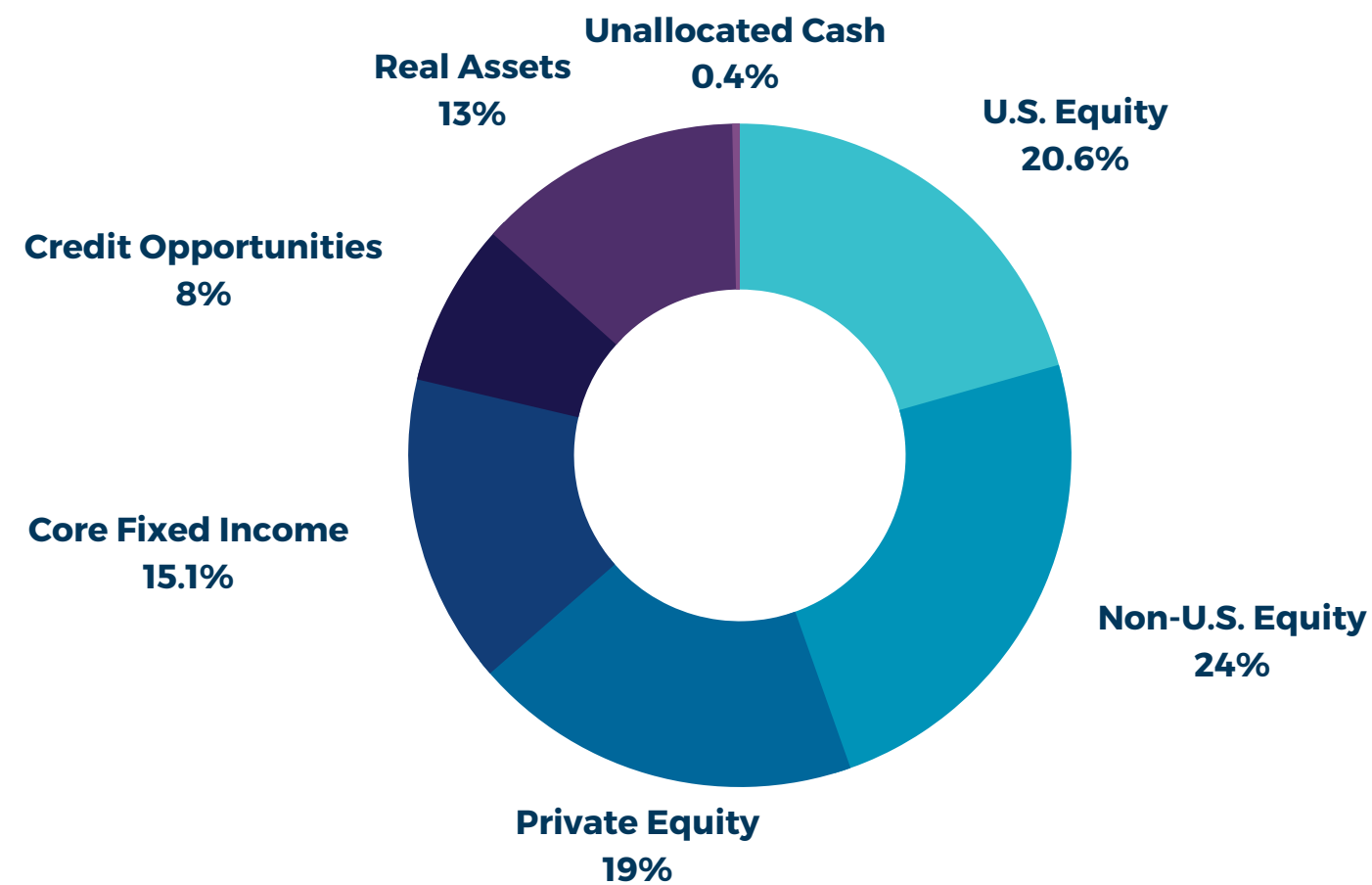
# INVESTMENT PORTFOLIO

## ANNUALIZED RATES OF RETURN (GROSS OF FEES)

	1 YR (%)	3 YR (%)	5 YR (%)
LACERS TOTAL FUND	-6.86	6.83	7.17
LACERS POLICY BENCHMARK	-8.97	6.44	6.97



## ACTUAL ASSET ALLOCATION<sup>1</sup>



**RODNEY JUNE**  
Chief Investment Officer

The 2022 fiscal year was a highly volatile period for the LACERS investment portfolio, with the global economy and financial markets oscillating from the continued economic distress caused by the COVID-19 pandemic, the impact of Russia's invasion of Ukraine, and inflation concerns. For the one-year period ending June 30, 2022, the LACERS investment portfolio returned -6.86% (gross of fees) versus the Policy Benchmark of -8.97% (gross of fees), demonstrating the benefit of maintaining a well-diversified portfolio.

Overall market volatility continues in a down market in both the US and global markets. However, it is also important to acknowledge that LACERS is a long-term investor with a carefully constructed, highly diversified portfolio designed to weather all market conditions.

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?

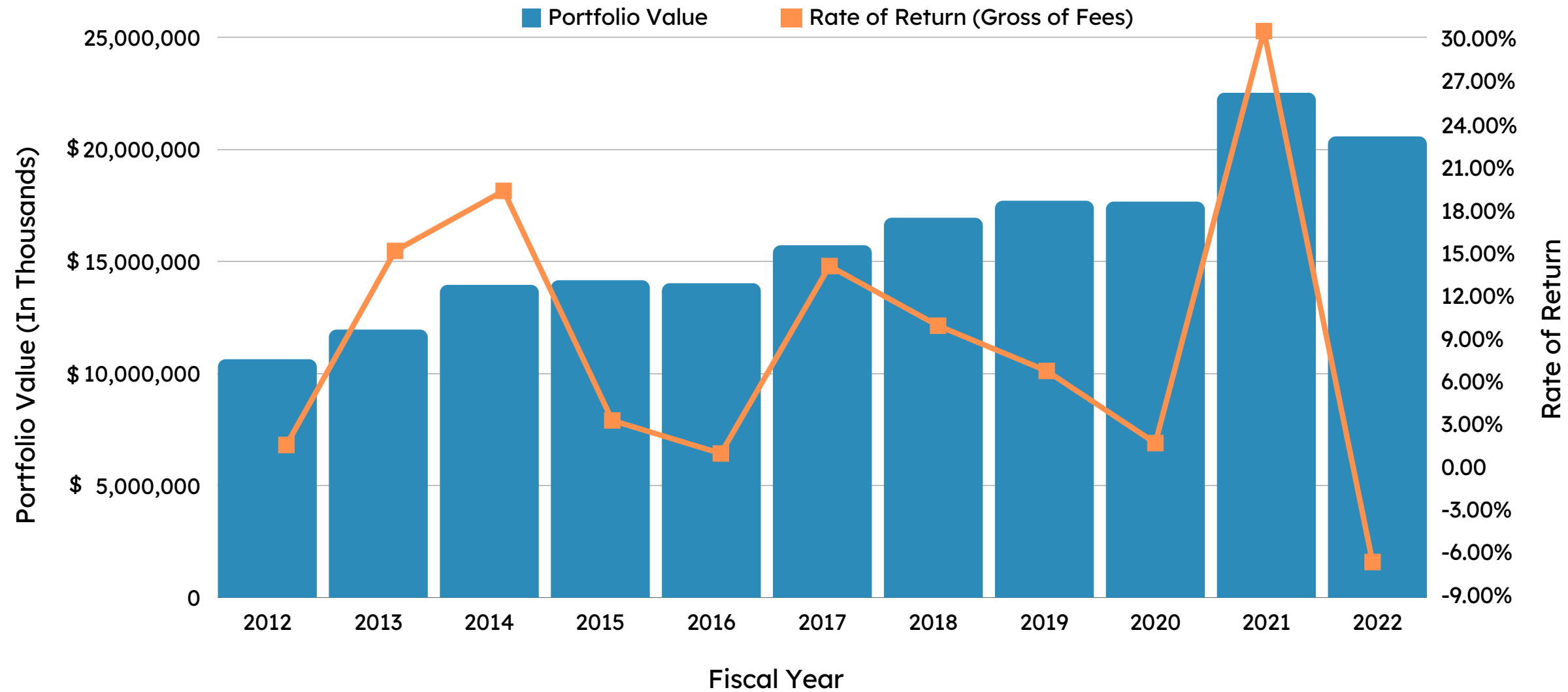
The total portfolio outperformed its policy benchmark by 211 basis points (gross of fees) for the fiscal year, mainly attributed to the extraordinary performance of Private Equity.

# \$ 20,564,461,000

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 \$20.56 billion as of June 30, 2022, a decrease of \$2 billion from the prior fiscal year. The total portfolio realized a -6.86% return (gross of fees) for the fiscal year. Individual asset class returns (gross of fees) were: U.S. Equity, -13.41%; Non-U.S. Equity, -19.47%; Core Fixed Income, -9.98%; Credit Opportunities, -13.81%; Private Equity, 27.64%; and Real Assets, 5.29%.



# LACERS

**85 YEARS OF SECURING YOUR TOMORROWS**

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**FACEBOOK** <https://www.facebook.com/groups/511515812340023/>

**YOUTUBE** <https://www.youtube.com/@lacersyoutube>

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## EXECUTIVE OFFICERS

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General Manager

**Todd Bouey**  
Executive Officer +  
Assistant General Manager

**Dale Wong-Nguyen**  
Assistant General Manager

**Rod June**  
Chief Investment Officer

**Jo Ann Peralta**  
Department Chief Accountant