

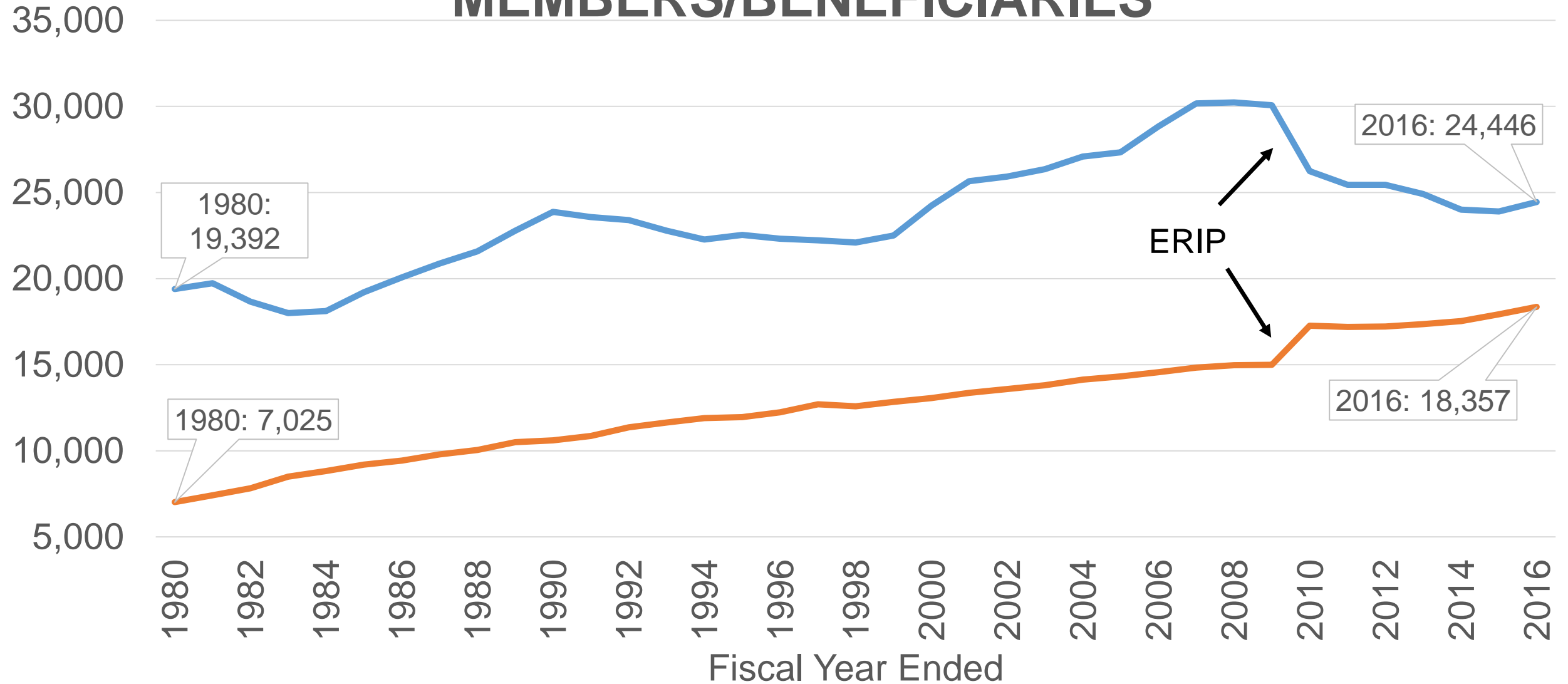


# **An Overview of LACERS**

**Presenter: Tom Moutes, General Manager**

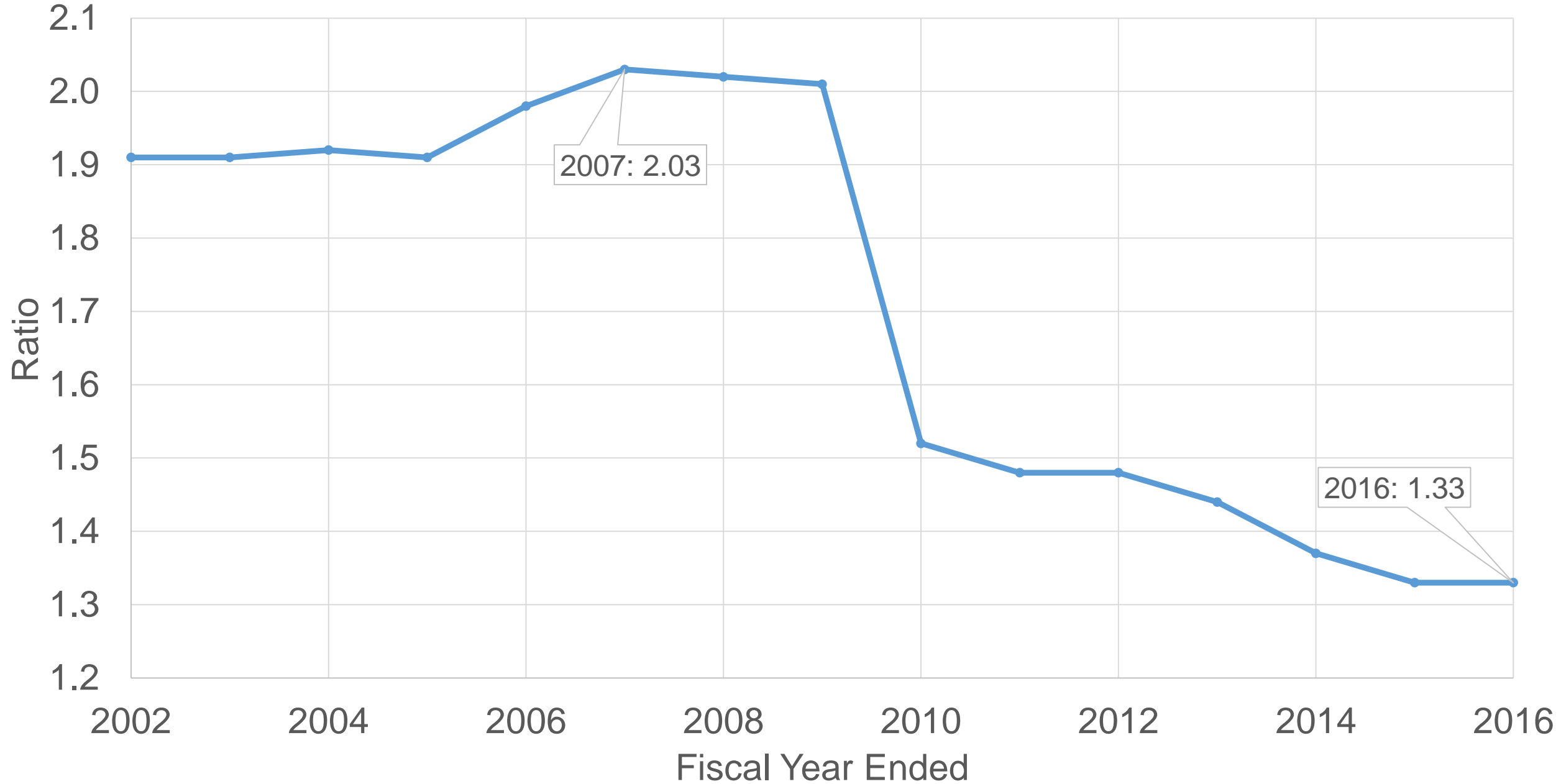
**2017 LACERS  
PENSION SYMPOSIUM**

# LACERS ACTIVE AND RETIRED MEMBERS/BENEFICIARIES

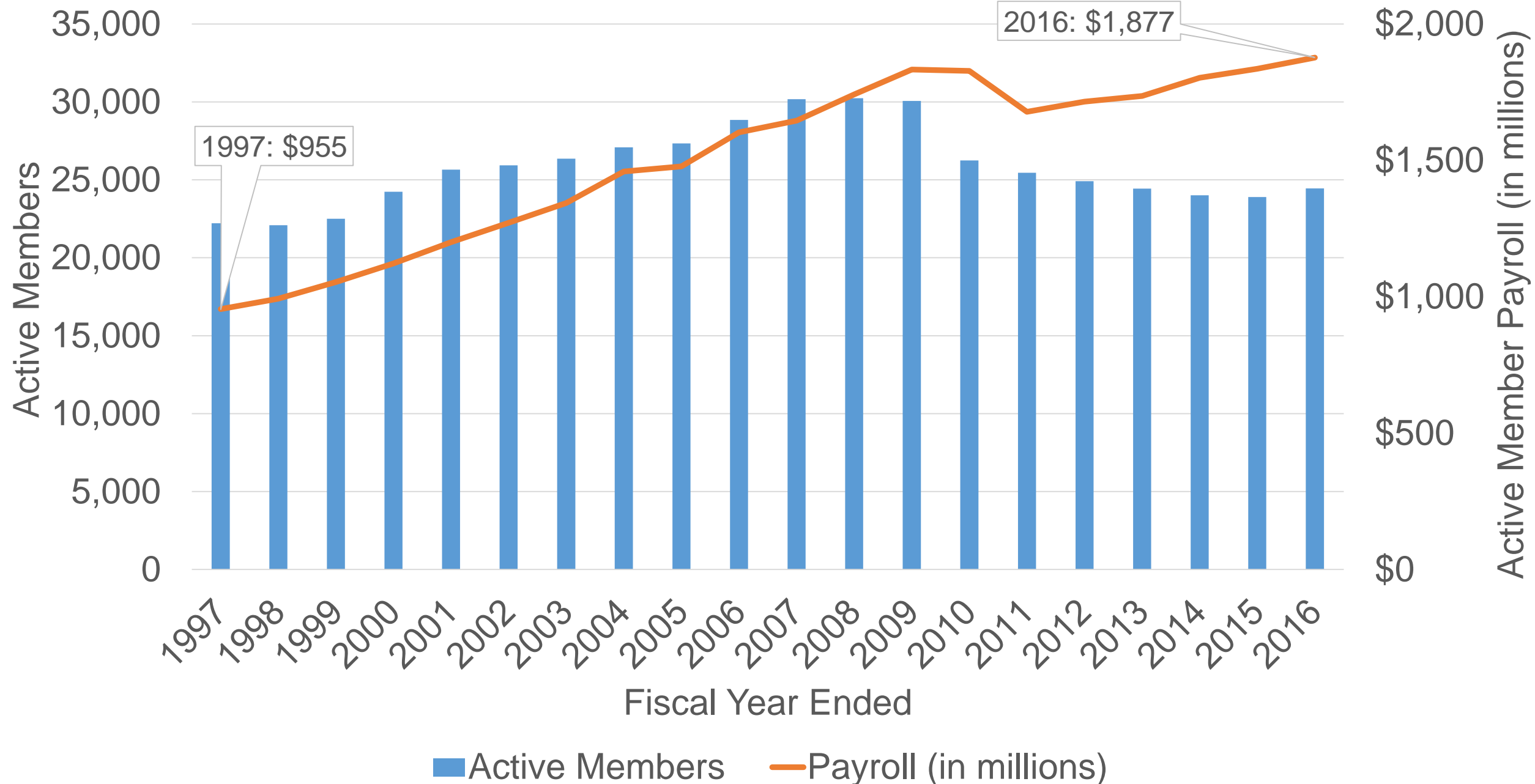


— Active Members — Retirees and Beneficiaries

# RATIO OF ACTIVES TO RETIREES/BENEFICIARIES

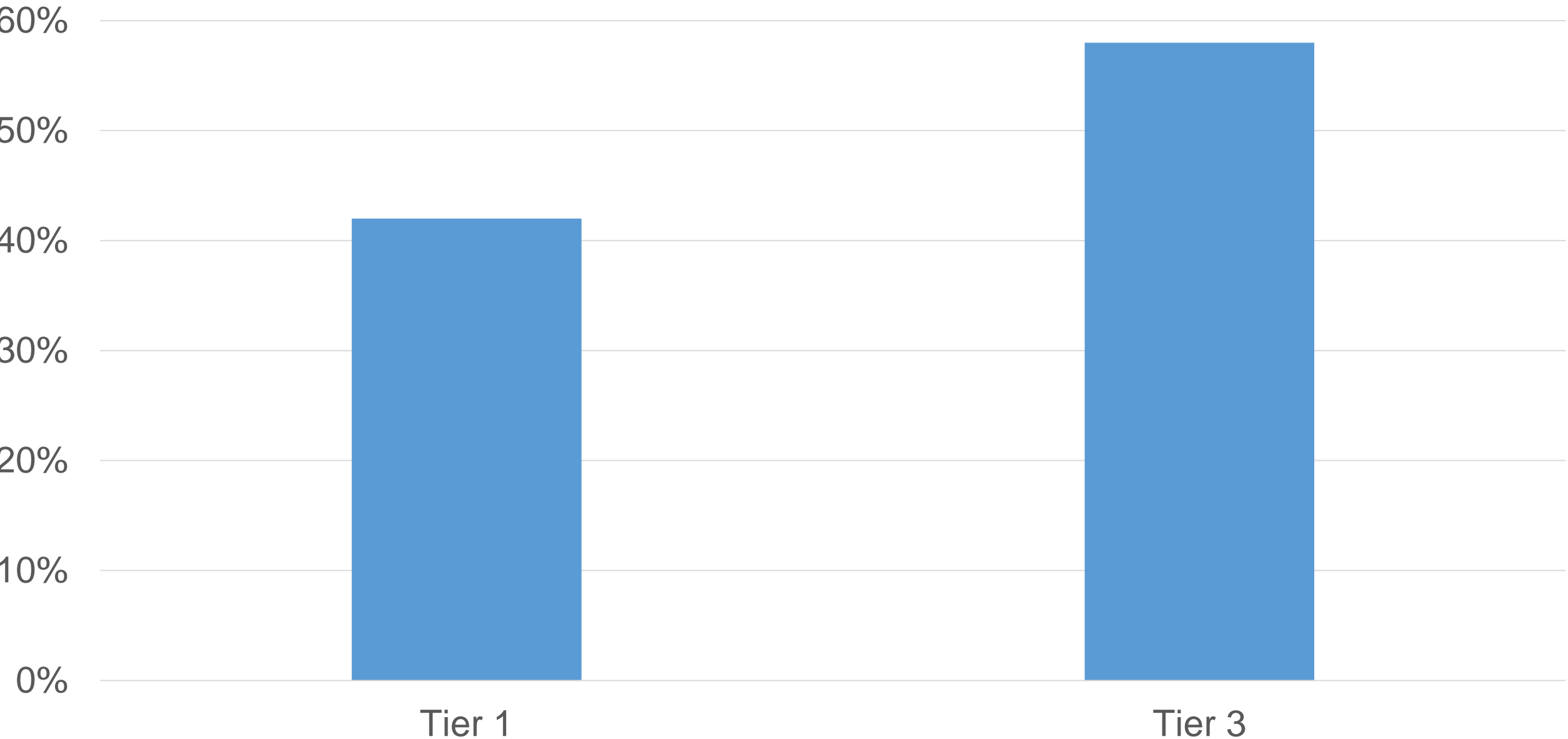


# LACERS ACTIVE MEMBERSHIP AND PAYROLL

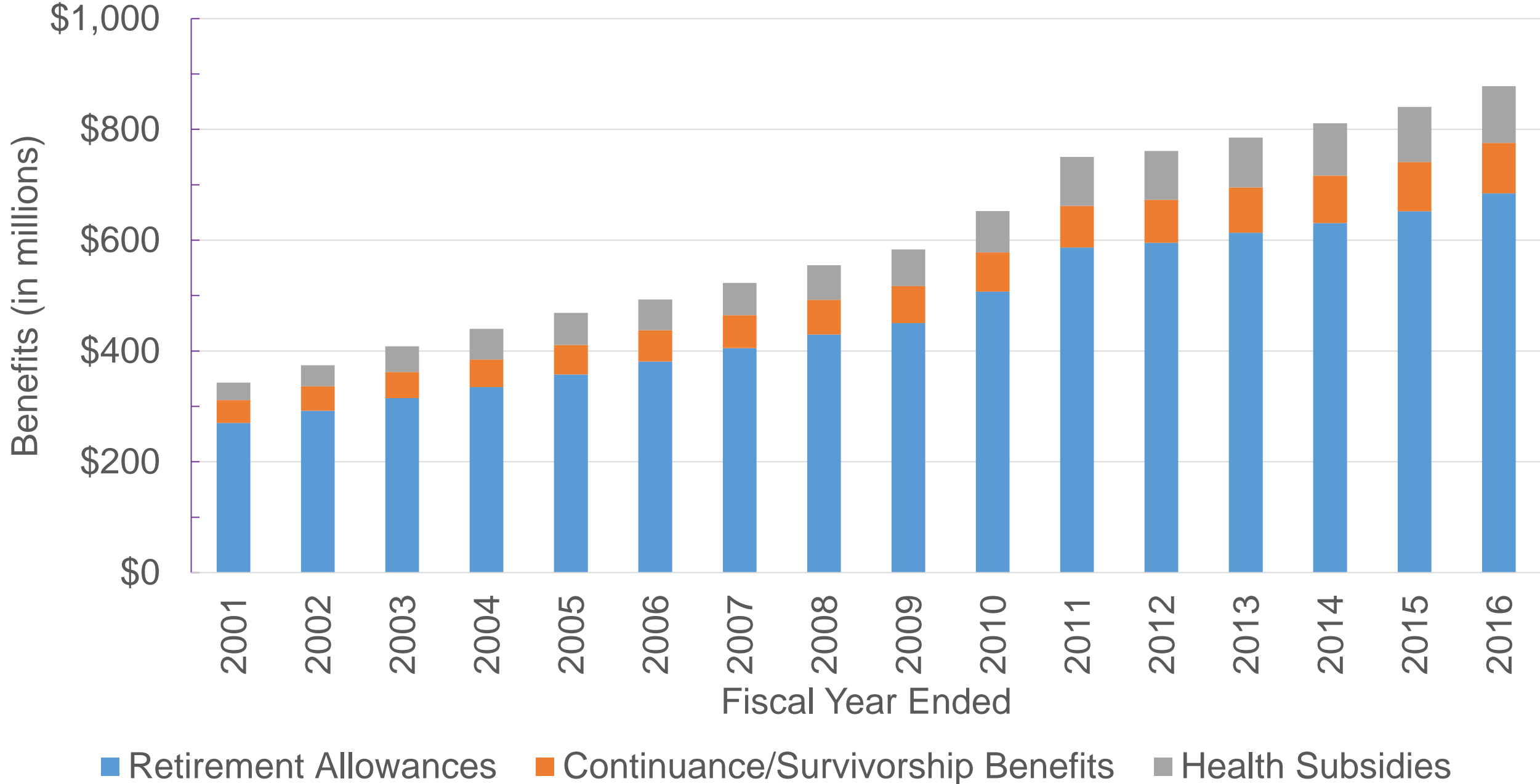


# NEW MEMBERS ADDED

## Between February 21, 2016 and January 7, 2017

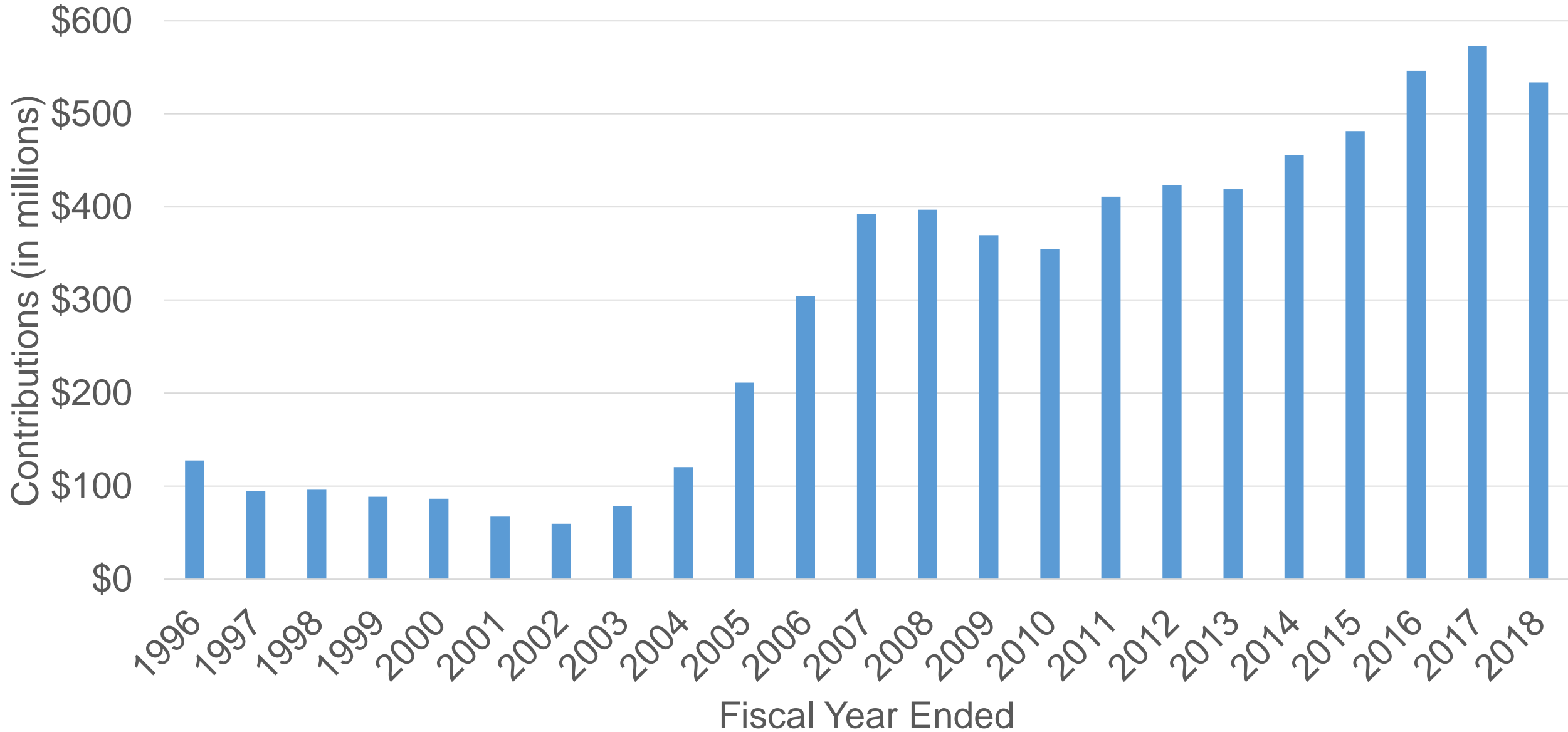


# ANNUAL BENEFITS PAID



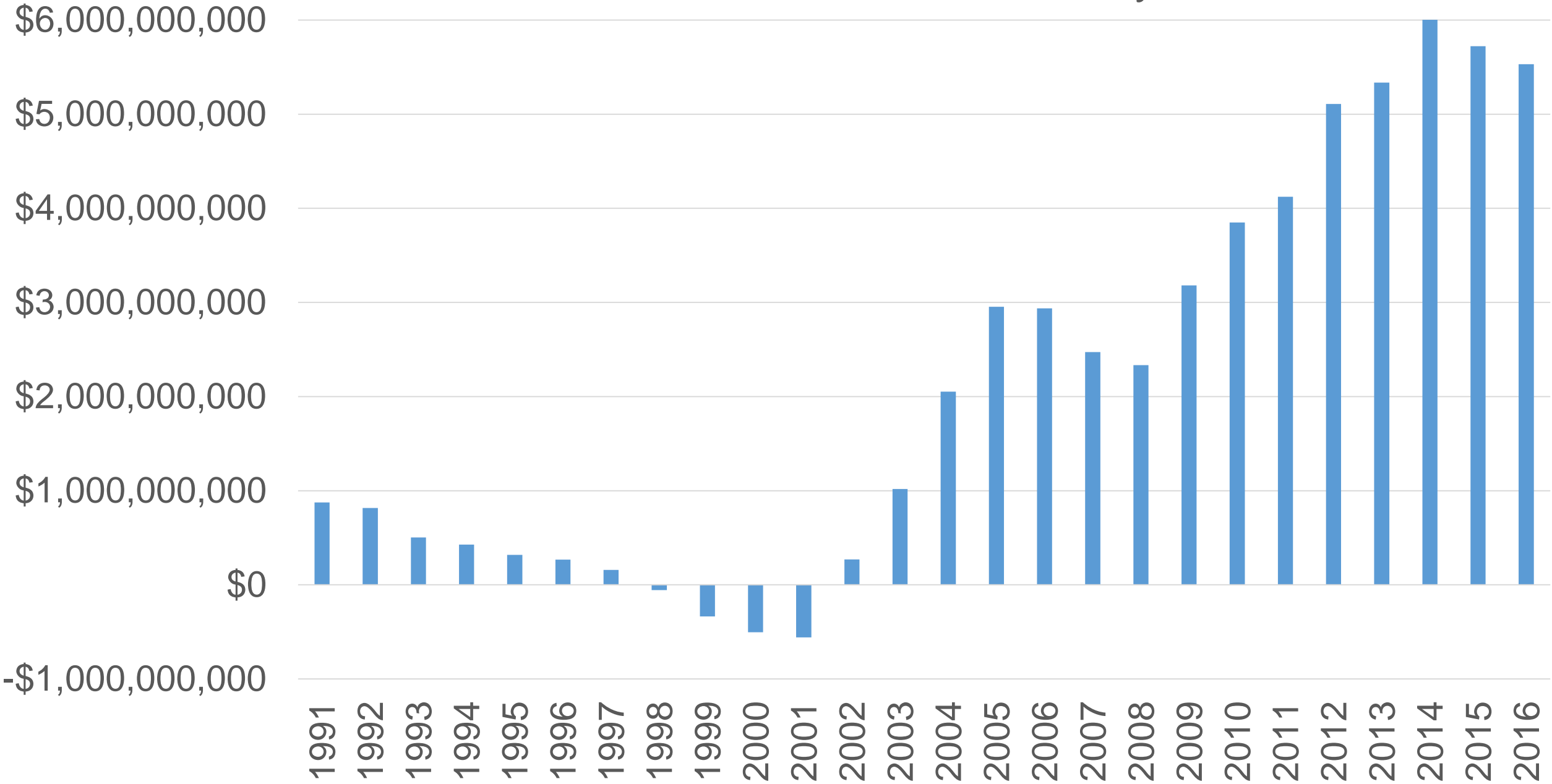
# CITY CONTRIBUTIONS TO LACERS

Includes Retirement and Health Subsidy Benefits



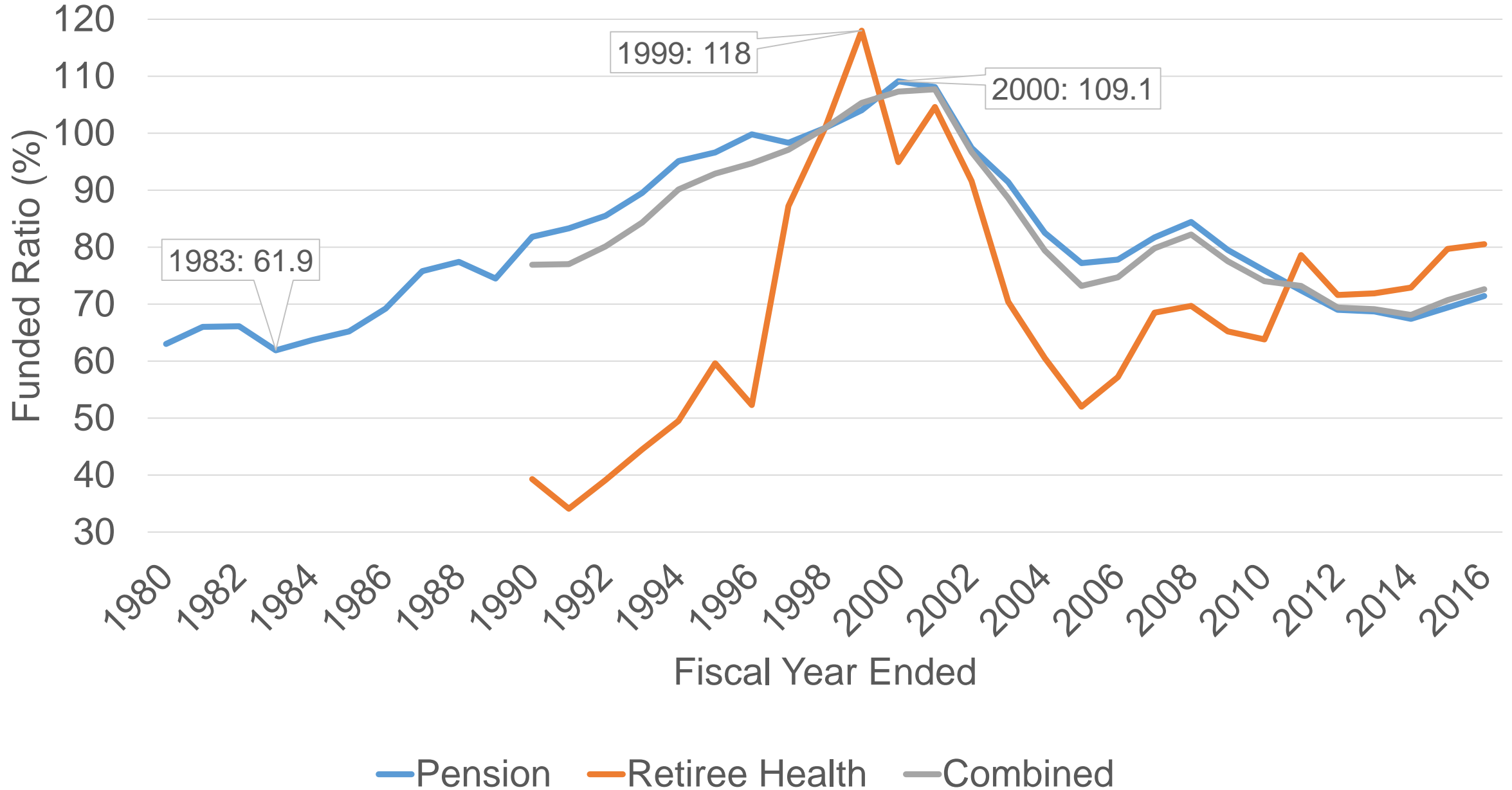
# LACERS UNFUNDED ACTUARIAL ACCRUED LIABILITY

Includes Retirement and Health Subsidy Benefits



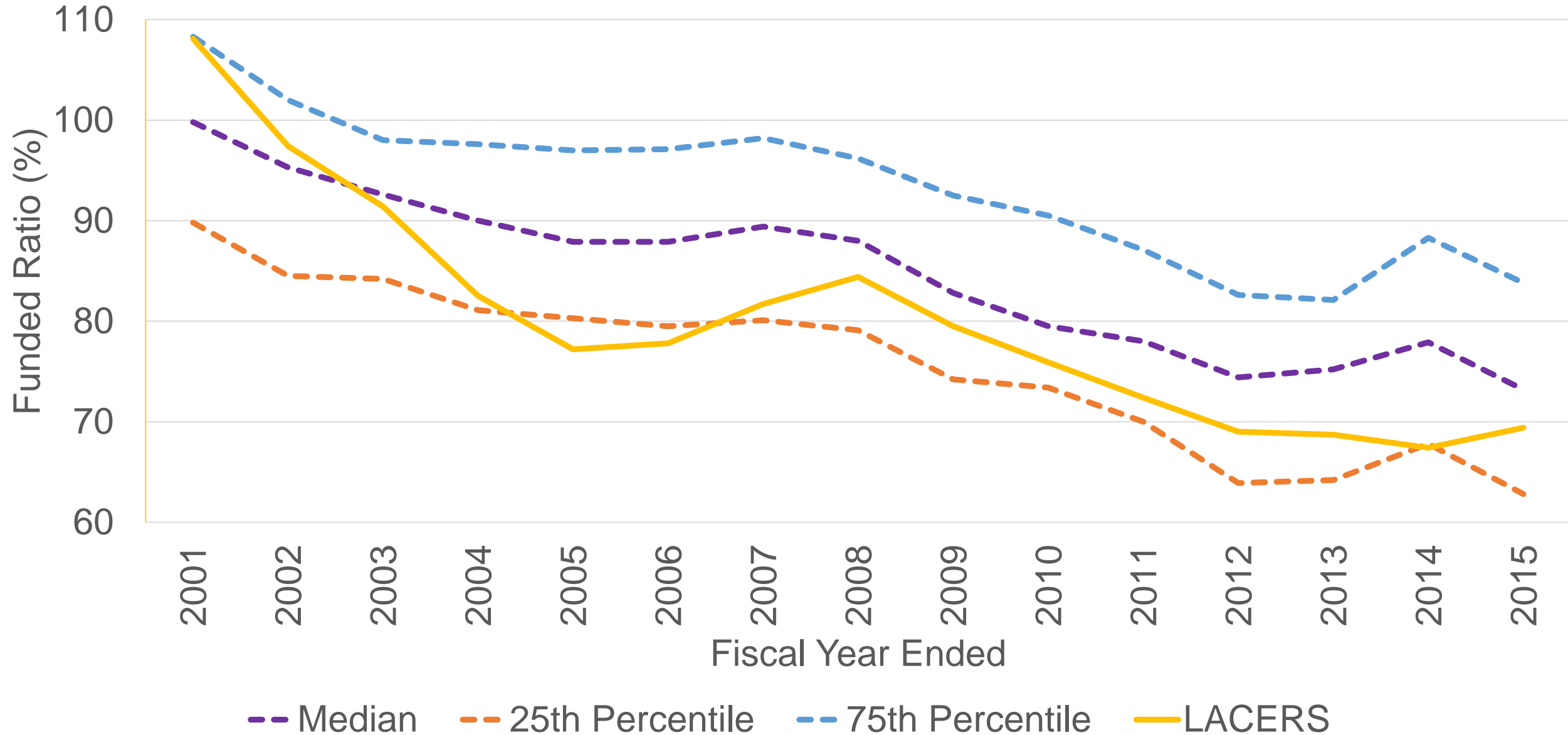


# LACERS FUNDED RATIOS



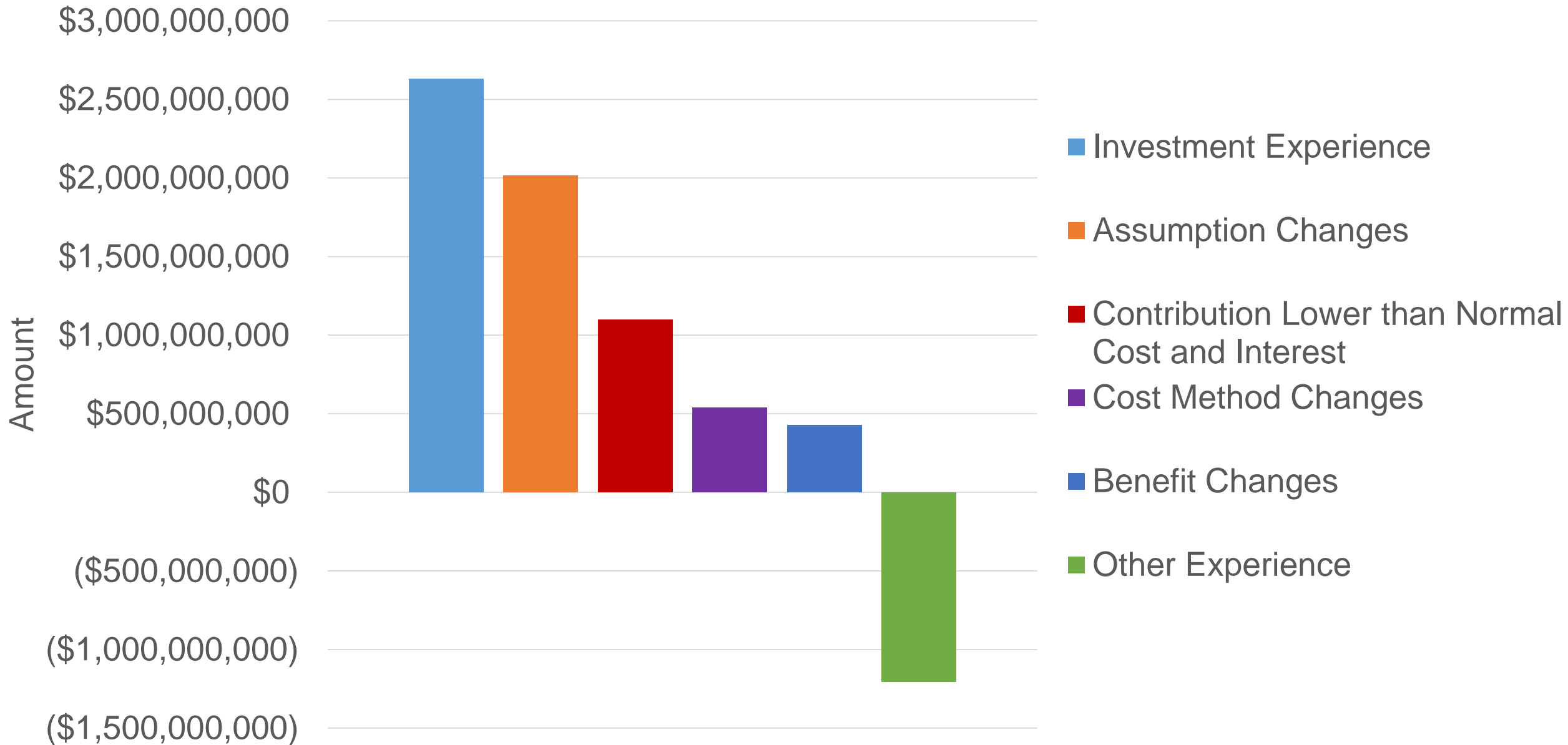
# COMPARISON OF FUNDED RATIOS

## Retirement Benefits Only – Wilshire Survey

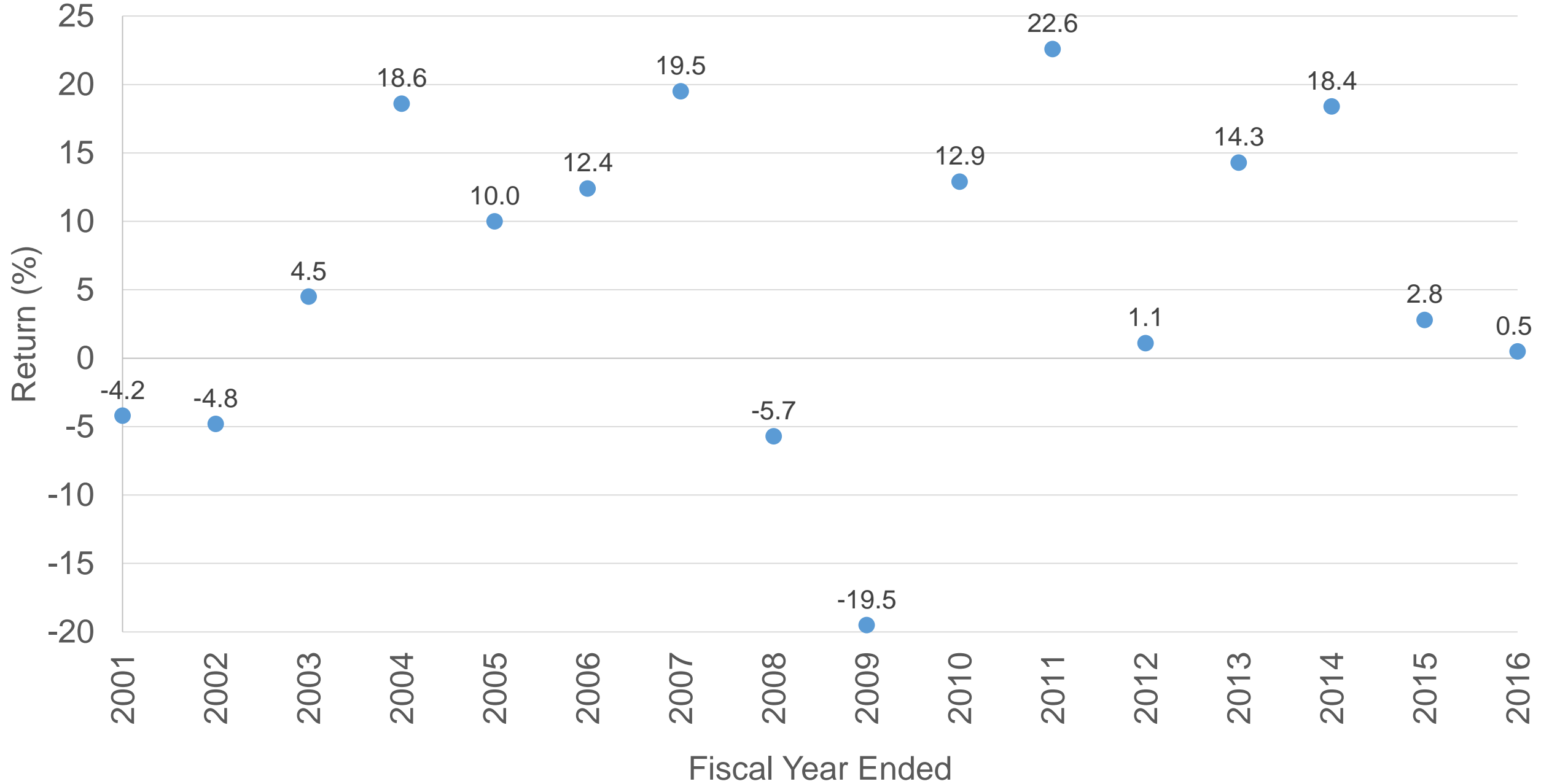


# CHANGES IN UAAL 2001-16

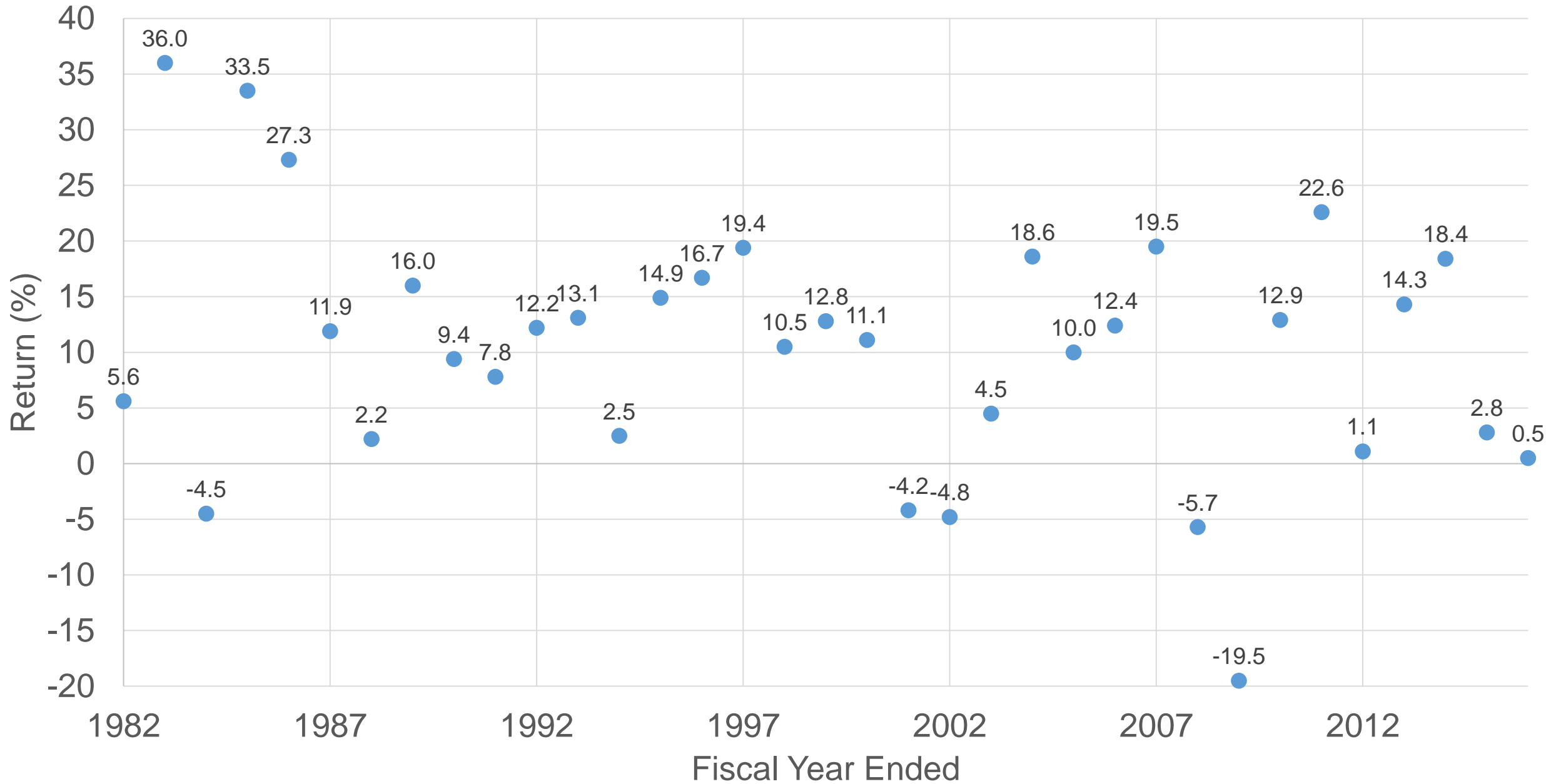
## Retirement Benefits Only



# LACERS INVESTMENT RETURNS

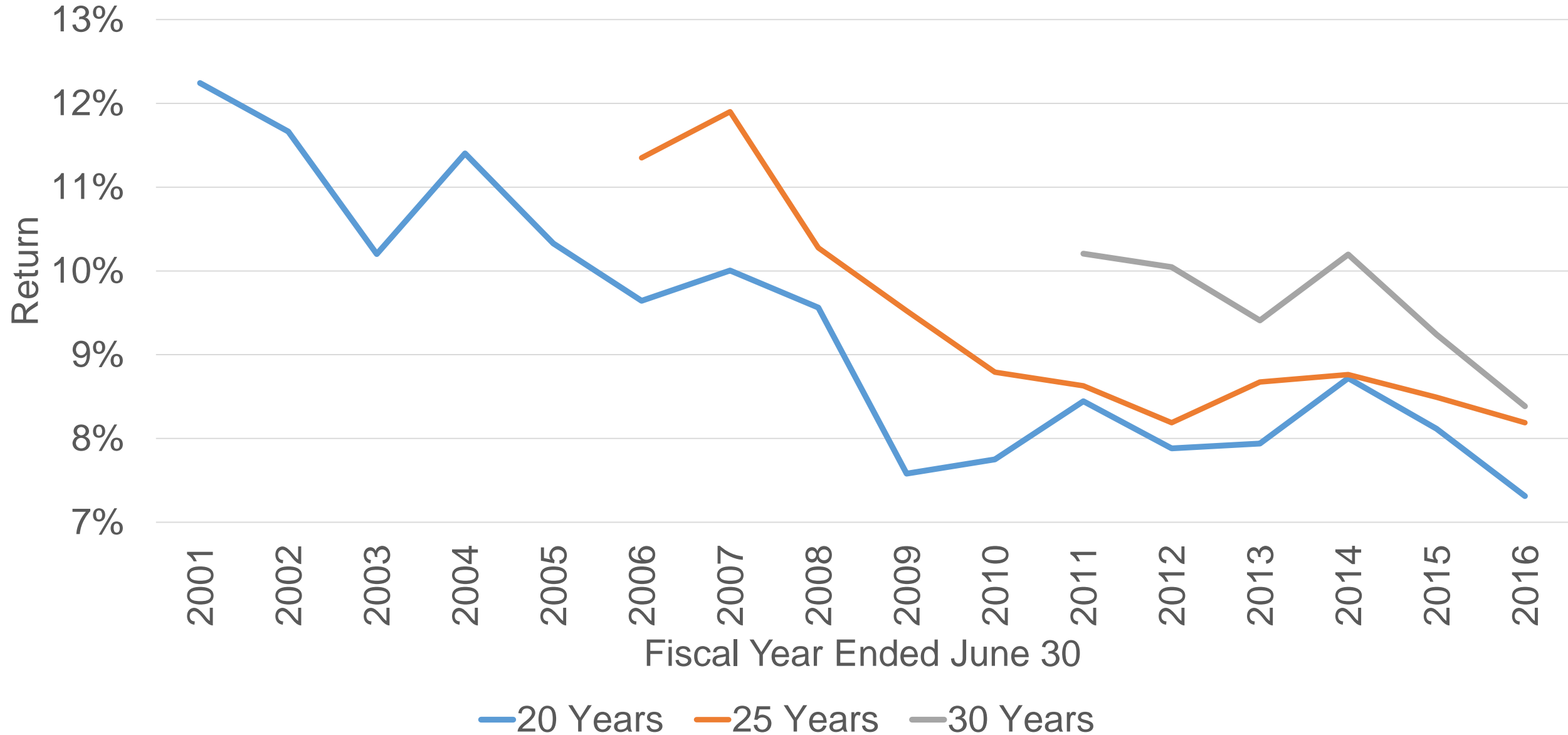


# LACERS INVESTMENT RETURNS

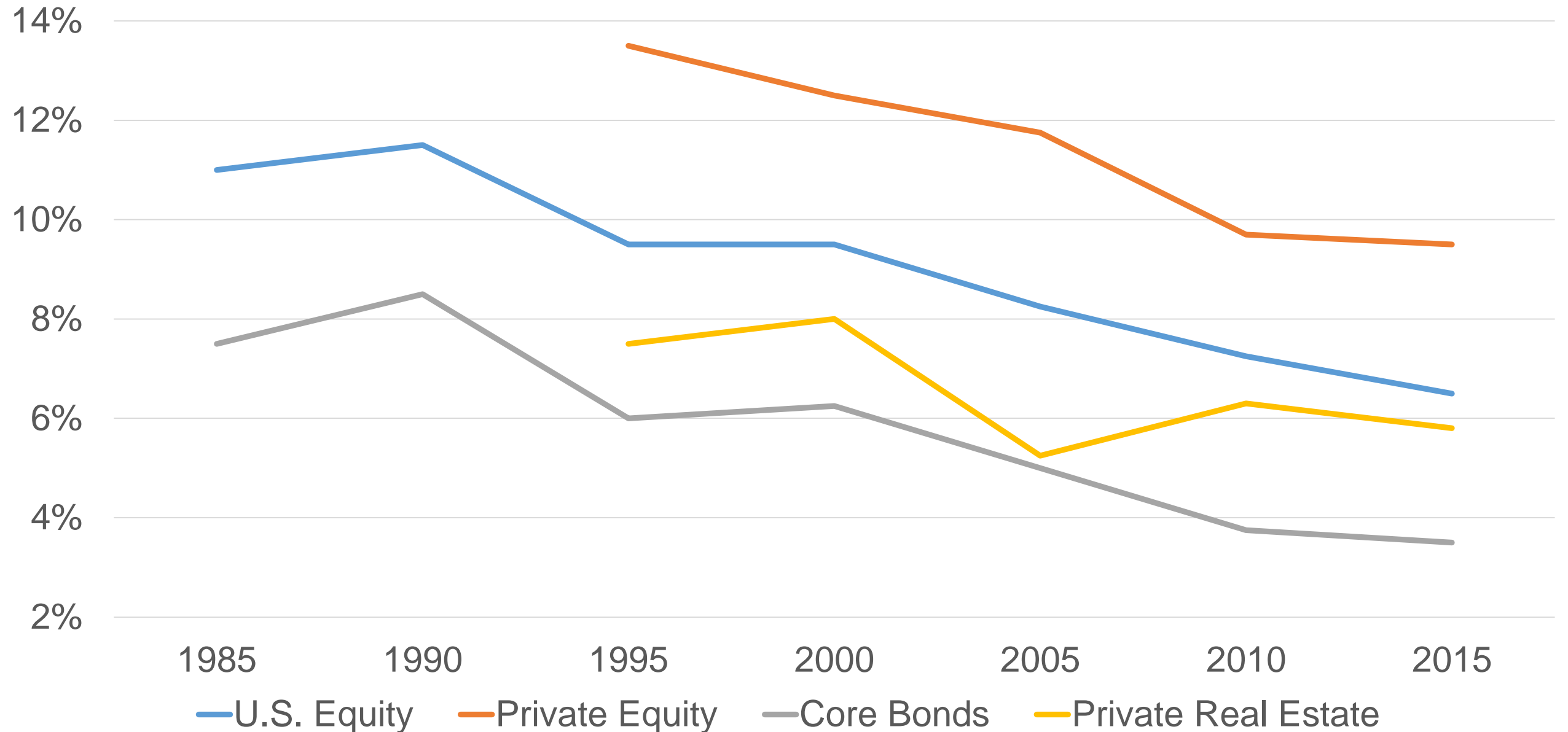


# LACERS INVESTMENT RATES OF RETURN

Data: 1982-2016



# HISTORIC WILSHIRE CAPITAL MARKET ASSUMPTIONS BASED ON ASSET CLASS



# ACTUARIAL ASSUMPTIONS

- Economic Assumptions
- Demographic Assumptions



# ECONOMIC ASSUMPTIONS

- Inflation
- Investment Return
- Salary Increases

# DEMOGRAPHIC ASSUMPTIONS

- Disability Rates
- Mortality Rates
- Retirement Rates
- Reciprocity Rates
- Withdrawal/Termination Rates
- Marital/Domestic Partner Assumption

# WHAT DOES LACERS HAVE SOME CONTROL OVER?

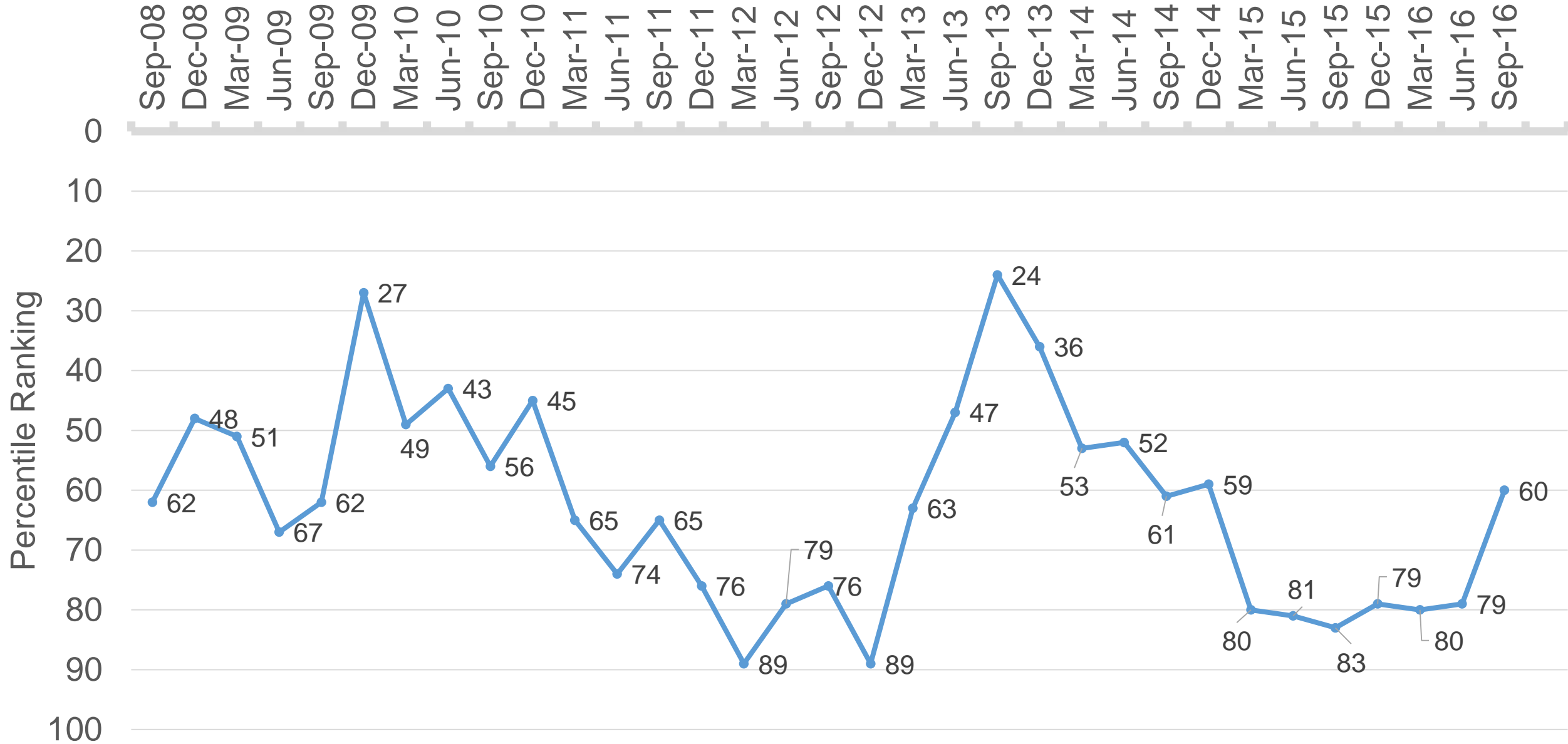
- Adopting a Reasonable Actuarial Funding Policy
- Adopting an Asset Allocation to Maximize Risk-Adjusted Returns
  - Cost effective investment management
- Taking Steps to Ensure the Best Possible Retiree Health Premiums
- Ensuring Cost Effective Departmental Operations
  - Efficient
  - Recognize and minimize risk

# ADOPTING A REASONABLE ACTUARIAL FUNDING POLICY

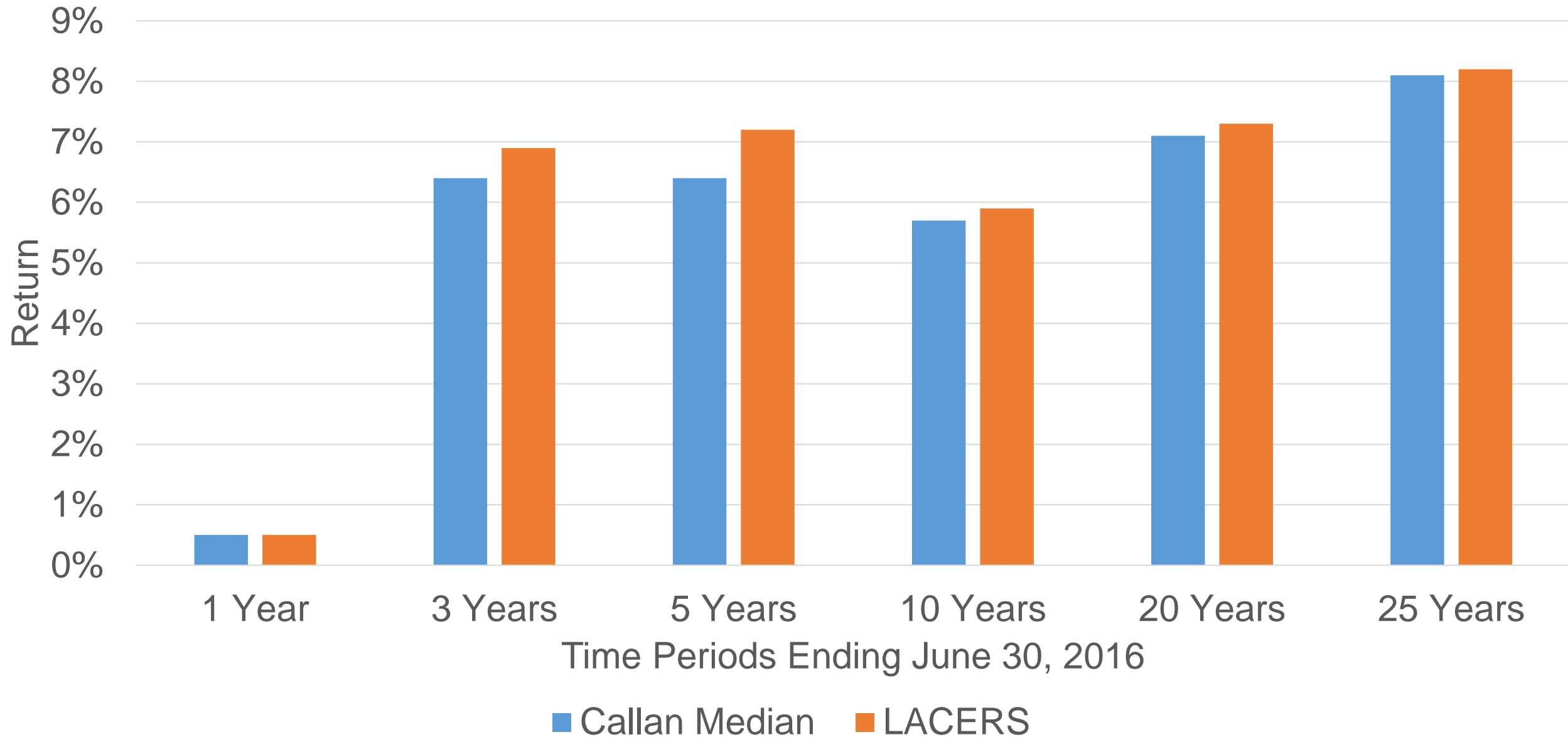
- Recent Adjustments to Actuarial Funding Policy:
  - Decrease amortization period for assumption or method changes from 30 years to 20 years
    - September 2014
  - Change the Actuarial Cost Method from Projected Unit Credit to Entry Age Normal
    - October 2012

# RETURN TO RISK RATIO COMPARISON

## Rolling 5-Year Periods



# ADOPTING AN ASSET ALLOCATION TO MAXIMIZE RISK-ADJUSTED RETURNS



# COST EFFECTIVE INVESTMENT MANAGEMENT

- CEM 2015 Benchmarking Analysis
  - LACERS Net Return: 0.3%
    - U.S. Median: -0.6%
  - LACERS Net Value Added: 1.1%
    - U.S. Median: 0.2%
  - LACERS Investment Cost: 46.9 basis points
    - U.S. Median: 53.8 basis points

# BEST POSSIBLE RETIREE HEALTH PREMIUMS

- Going out to RFP Frequently
- Data Initiative
- Negotiating Rates
- LACERS *Well*
- 10-Year Results:
  - Assumed actuarial annual medical trend rate: 9.35%
  - LACERS medical plan annual increases: 5.44%



# **ENSURING COST EFFECTIVE DEPARTMENTAL OPERATIONS**

- Pension Administration System Replacement Project
  - More efficient benefit processing
  - Elimination of tens of risky side systems
  - Greater member self-service options

# WHAT DOES THE CITY HAVE SOME CONTROL OVER?

- How Many Employees to Hire
- Employee Pay
- Employee Benefits
  - Including retirement benefits

# WHAT DO NEITHER LACERS NOR THE CITY HAVE MUCH CONTROL OVER?

- Risks Related to:
  - Economic Variables
  - Demographic Events
  - External Forces