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April 20, 2021

The Honorable Members of the Budget and Finance Committee
c/o Office of the City Clerk
City Hall, Room 395
Los Angeles, CA 90012

Re: LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS) – FISCAL YEAR 2021-22 PROPOSED BUDGET

Dear Honorable Members:

Since the March 2020 "Safer at Home Order," LACERS has undergone a major transformation that has not only assured business continuity, but has also allowed LACERS to meet the significant workload increases associated with the City's Separation Incentive Programs. LACERS' annual Strategic Plan update report published in October 2020 outlines LACERS' myriad initiatives and accomplishments which can be viewed at - <https://lacers.pagetiger.com/spur19-20>.

Throughout Fiscal Year 2020-21 (FY21) LACERS has maintained focus on processing the Los Angeles World Airports and City's Separation Incentive Programs (SIP) and those efforts essential to the continued strength and stability of the organization and service to our Members throughout the pandemic and beyond.

Separation Incentive Programs

LACERS is tasked with coordinating and processing targeted retirements from two Separation Incentive Programs offered in FY21. The first incentive, sponsored by Los Angeles World Airports, targeted 334 retirements. The second incentive, which focuses on general fund operating City departments, targeted an additional 1,381 retirements. Combined, these two incentive programs require LACERS to retire over 1,700 members before the end of FY21, of which LACERS has successfully processed 1,568 SIP retirements to date, along with resuming regular retirement processing beginning February 2021. A Harbor Separation Incentive Program is also commencing and anticipated to be completed early next fiscal year.

Virtual Member Experience

Engaging with our Members throughout a pandemic required wholesale changes to the existing paradigm. No longer able to meet in person, LACERS has pivoted to web-based seminars and group counseling sessions and YouTube videos for Member education and retirement preparation. LACERS is able to maintain continuity in call center services having migrated to cloud-based call center technology. LACERS is also overhauling the paper-based retirement application process, moving to an online platform for electronic submission and signature, which will launch later this year.

Safe and Effective Work Environment

Tantamount to successful retirement processing is LACERS' workforce. By the beginning of this fiscal year, LACERS had achieved major milestones in officewide telecommuting capability. These successes were critical in providing the capability to work remotely using collaborative technology, and eliminating the need to be physically onsite while providing new ways to safely engage with Members.

Funding the Retirement System

The City, as LACERS' Plan Sponsor, is to be recognized for fully funding the actuarially required contribution every year, and for the leading practice of pre-funding retiree health care. These investments have paid great dividends to the financial health and liabilities of the City and the Plan. Over the long run and as previously espoused, LACERS remains an excellent return on investment for the City's money, and any contributions in excess of the actuarially required contribution would significantly accelerate the buydown of liabilities at less cost overall, a concept that LACERS is prepared to discuss with the Committee any time.

While LACERS' year-end investment return is yet to be determined, as of this date a significant market downturn a year ago has reversed completely to hit all-time highs; however, it should be noted that the current year investment returns have no bearing on the City's contribution rate for Fiscal Year 2021-22 (FY22), as FY22 rates were set based on June 30, 2020 returns.

LACERS successes in navigating the pandemic and increased workloads associated with the City SIP are a testament to LACERS' staff, but it would not be possible without the leadership and support of the LACERS Board of Administration, Mayor's Office, and City Council. As we look forward to next year, LACERS will be ready to continue to assist the City in meeting the challenges brought on by the pandemic.

Sincerely,



NEIL M. GUGLIELMO, General Manager
Los Angeles City Employees' Retirement System

c: Ana Guerrero, Chief of Staff, Mayor's Office
 Matt Szabo, Deputy Chief of Staff, Mayor's Office
 Jeanne Holm, Deputy Mayor, Mayor's Office
 Richard H. Llewellyn, City Administrative Officer
 Jennifer Lopez, Office of the City Administrative Officer