



April 21, 2026

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM (LACERS) – FISCAL YEAR 2026-27 PROPOSED BUDGET

Dear Honorable Members:

The City of Los Angeles, as Plan Sponsor of LACERS, has fully funded the actuarially required contribution every year. The City's funding discipline ensures that promised benefits can be paid, maintains intergenerational equity, and is one of the best strategies to ensure the fund's health into the future. As a result of this sustained diligence and fiscal stewardship, LACERS' funded status has steadily increased, calculated at 80.3% for the period ending June 30, 2025. The actuarial City contribution rate for Fiscal Year 2026-27 (FY27) is 33.99%, an increase of 0.55% over the current fiscal year, primarily due to the June 30, 2026 sunset of the one percent Tier 1 member contribution rate toward the Early Retirement Incentive Program cost obligation.

Managing LACERS Investments Program

At the outset of the Iran war this year LACERS asset valuations declined by approximately \$1 billion; however, investments have recently nearly fully recovered from this steep decline and fiscal year gains to date are positive. Significant volatility is expected to continue, particularly as influenced by war, tariff policies, the geopolitical environment, and a high level of uncertainty in financial markets.

LACERS investment staff and its consultants manage the assets according to the Board-approved Asset Allocation and Investment Policies to ensure the highest probability of achieving established financial objectives within a risk-management framework. The portfolio is invested with a long-term, total-return approach. Although protecting capital is important, the System recognizes that assuming prudent levels of investment risk is necessary to achieve appropriate risk-adjusted returns.

In FY25, the Board approved updates to the Asset Allocation Policy, with implementation of new structures and manager-level changes beginning in late FY26 and continuing into FY27. These adjustments better align the portfolio with global market opportunities and establish LACERS' first dedicated infrastructure allocation, set at a 5% target. LACERS' infrastructure strategies help buffer the portfolio against higher inflation, increase cash yields to support liquidity needs, and enhance diversification to reduce the impact of market volatility.

Alongside these allocation updates, the Investment Division will continue advancing several key strategic initiatives, including our Environmental, Social, and Governance (ESG) efforts, the

LA CITY EMPLOYEES' RETIREMENT SYSTEM

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KAREN BASS

Mayor of the City of Los Angeles

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Todd Bouey
General Manager

Dale Wong-Nguyen
Executive Officer

Rahoo Oyewole
Assistant General Manager

Rodney June
Chief Investment Officer

Emerging Investment Manager Program, and ongoing enhancements to our Risk Management Program.

Employer Contribution Impacts from Updated Assumptions

Actuarial assumptions are used in the actuarial valuation process to measure the plan's costs and liabilities, and the Plan Sponsor's contribution requirements. LACERS generally conducts an experience study every three years to review these assumptions. The next study is expected to be completed near the end of FY26 and will analyze plan experience for the period from July 1, 2022, through June 30, 2025. As part of this process, both economic assumptions, such as expected investment returns and salary increases, and demographic assumptions, covering a range of behavior rates on service groups and retiree health-related assumptions, will be evaluated and updated as appropriate.

Any changes to these assumptions may affect the plan's estimated costs and could result in adjustments to the City's required contribution amounts in future valuation cycles. If new assumptions from the latest experience study are adopted by the LACERS' Board of Administration, they will be reflected in the calculation of the annual Employer contribution for the City's Fiscal Year 2027-28 budget.

LACERS' success in providing retirement and healthcare benefits to all Members by securing and growing the trust fund is 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. Thank you for the opportunity to address the Committee. We appreciate your consideration and are pleased to answer any questions you may have.

Sincerely,



Todd Bouey, General Manager
Los Angeles City Employees' Retirement System

- c: Mitchell Kamin, Chief of Staff, Mayor's Office
Matthew Hale, Deputy Mayor of Finance, Mayor's Office
Matthew Szabo, City Administrative Officer
Janelle Irving, Office of the City Administrative Officer
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