



Eric Garcetti, Mayor of the City of Los Angeles  
Neil M. Guglielmo, General Manager  
Todd Bouey, Assistant General Manager  
Lita Payne, Assistant General Manager  
Rodney June, Chief Investment Officer

April 23, 2020

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

## **LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM - FISCAL YEAR 2020-21 PROPOSED BUDGET**

Dear Honorable Members:

The City of Los Angeles, as Plan Sponsor of the Los Angeles City Employees' Retirement System (LACERS), is to be recognized for fully funding the actuarially required contribution every year, and for the leading practice of pre-funding the retiree health care commitment. This funding discipline ensures that promised benefits can be paid, maintains intergenerational equity, and is one of the best strategies to ensure the health of the fund into the future.

The combined City contribution rate for Fiscal Year 2020-21 is 29.12% of payroll, a 0.54% decrease from the current fiscal year. Factors in this reduced amount include continuing enrollment of new employees in Tier 3, higher than expected returns after smoothing as of June 30, 2019, and lower than expected 2019/20 health premiums and subsidies.

Based on the Mayor's Proposed 2020-21 Budget, the City's General Fund contribution amount will be \$532,649,398, a decrease of \$26.7 million versus the current year; attributable to a lower contribution rate as indicated above and to a \$40 million true-up credit based on actual covered payroll compared to contribution for the current year. Once the City, Airport, and Harbor Commissions adopt final payroll amounts for Fiscal Year 2020-21, the City's actual contribution amount will be correspondingly adjusted. A final LACERS budget will be submitted to LACERS Board of Administration for approval in May.

While LACERS year-end investment return is yet to be determined, it has been a volatile year and returns are currently generally down from recent highs; however, it should be noted that the current year investment returns will have no bearing on the City's contribution rate for Fiscal Year 2020-21 as these rates were set based on June 30, 2019 returns. June 30, 2020 returns will be reflected in the actuarial rates established for Fiscal Year 2021-22.

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Thank you for the opportunity to address the Committee. We appreciate your consideration and are pleased to answer any questions you may have.

Sincerely,

A handwritten signature in blue ink, reading "Neil M. Guglielmo".

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

c: Matthew Szabo, Office of the Mayor  
Miguel Sangalang, Office of the Mayor  
Richard H. Llewellyn, City Administrative Officer  
Jennifer Lopez, Office of the City Administrative Officer  
LACERS Executives