Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2015

Segal Consulting

This report has been prepared at the request of the Board of Administration to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Administration and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

Segal Consulting

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October 30, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Re: June 30, 2015 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2015 actuarial valuations for the retirement, health, and family death benefit plans.

As requested by the System, we have attached the following supplemental schedules:

- Exhibit A - Summary of significant results for the retirement and health plans.
- Exhibit B - History of computed contribution rates for the retirement and health plans.
- Exhibit C - Solvency test for the retirement plan.[1]
- Exhibit D - Schedule of retirees and beneficiaries added to and removed from the rolls for the retirement plan.[2]

We look forward to discussing the reports and the enclosed schedules with the Board.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

DNA/gxk

5382329v3/05806.002

[1] For the health plan, a similar schedule is provided in Exhibit I of the health valuation report.

[2] For the health plan, a similar schedule is provided in Exhibit C of the health valuation report.

Exhibit A

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

		June 30, 2015	June 30, 2014	Percent Change
I.	**Total Membership**			
	A. Active Members	23,895	24,009	-0.5%
	B. Pensioners and Beneficiaries	17,932	17,532	2.3%
II.	**Valuation Salary**			
	A. Total Annual Payroll	$1,907,664,598	$1,898,064,175	0.5%
	B. Average Monthly Salary	6,653	6,588	1.0%
III.	**Benefits to Current Retirees and Beneficiaries**[1]			
	A. Total Annual Benefits	$750,391,750	$716,556,070	4.7%
	B. Average Monthly Benefit Amount	3,487	3,406	2.4%
IV.	**Total System Assets**[2]			
	A. Actuarial Value	$13,895,589,227	$12,935,503,398	7.4%
	B. Market Value	14,124,760,375	13,935,771,998	1.4%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$5,182,935,002	$5,304,102,525	-2.3%
	B. Health Subsidy Benefits	538,064,716	721,628,343	-25.4%

(1) *Includes July COLA.*

(2) *Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.*

Exhibit A (continued)

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

		FY 2016-2017		FY 2015-2016**		Difference	
VI.	**Budget Items (as a Percent of Pay)**	Beginning of Year*	July 15	Beginning of Year	July 15	Beginning of Year	July 15
	A. Retirement Benefits (Tier 1 and Tier 2 Combined)						
	1. Normal Cost	6.42%	6.44%	6.56%	6.58%	(0.14)%	(0.14)%
	2. Amortization of UAAL	16.39%	16.44%	16.63%	16.68%	(0.24)%	(0.24)%
	3. Total Retirement Contribution	22.81%	22.88%	23.19%	23.26%	(0.38)%	(0.38)%
	B. Health Subsidy Contribution (Tier 1 and Tier 2 Combined)						
	1. Normal Cost	3.27%	3.28%	3.43%	3.44%	(0.16)%	(0.16)%
	2. Amortization of UAAL	1.46%	1.46%	2.17%	2.18%	(0.71)%	(0.72)%
	3. Total Health Subsidy Contribution	4.73%	4.74%	5.60%	5.62%	(0.87)%	(0.88)%
	C. Total Contribution (A + B)	27.54%	27.62%	28.79%	28.88%	(1.25)%	(1.26)%

		June 30, 2015	June 30, 2014	Difference
VII.	**Funded Ratio**			
	(Based on Valuation Value of Assets)			
	A. Retirement Benefits	69.4%	67.4%	2.0%
	B. Health Subsidy Benefits	79.7%	72.9%	6.8%
	C. Total	70.7%	68.1%	2.6%
	(Based on Market Value of Assets)			
	D. Retirement Benefits	70.5%	72.6%	(2.1)%
	E. Health Subsidy Benefits	81.0%	78.5%	2.5%
	F. Total	71.9%	73.4%	(1.5)%

* *Alternative contribution payment date for FY 2016-2017:*

	Retirement	Health	Total
End of Pay Periods	*23.65%*	*4.90%*	*28.55%*

** *Before adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City's contributions. For Fiscal Year 2015-2016 contribution rates after the phase-in adjustments, refer to our letter dated November 24, 2014. Note that the adjustments no longer apply after Fiscal Year 2015-2016.*

Exhibit B

Los Angeles City Employees' Retirement System
Computed Contribution Rates[1] – Historical Comparison

Valuation Date	Retirement	Health	Total	Valuation Payroll (thousands)
06/30/1994	12.07%	2.99%	15.06%	$884,951
06/30/1995	7.34%	2.30%	9.64%	911,292
06/30/1996	6.51%	3.18%	9.69%	957,423
06/30/1997	6.57%	1.85%	8.42%	990,616
06/30/1998	6.43%	1.27%	7.70%	1,011,857
06/30/1999	4.93%	0.67%	5.60%	1,068,124
06/30/2000	2.54%	2.17%	4.71%	1,182,203
06/30/2001	3.84%	1.98%	5.82%	1,293,350
06/30/2002	9.22%	1.85%	11.07%	1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609
06/30/2008	14.65%	5.48%	20.13%	1,977,645
06/30/2009	18.73%	6.62%	25.35%	1,816,171
06/30/2010				
Before Additional Employee Contributions	21.19%	7.45%	28.64%	1,817,662
After Additional Employee Contributions	18.67%	6.94%	25.61%	1,817,662
06/30/2011[2]				
Before Additional Employee Contributions	24.31%	4.49%	28.80%	1,833,392
After Additional Employee Contributions	21.64%	4.49%	26.13%	1,833,392
06/30/2012[3]	21.34%	5.74%	27.08%	1,819,270
06/30/2013	22.24%	5.80%	28.04%	1,846,970
06/30/2014	24.05%	5.81%	29.86%	1,898,064
06/30/2015	23.65%	4.90%	28.55%	1,907,665

(1) *Contributions are assumed to be made at the end of the pay period. Beginning with the 6/30/2014 valuation, the contribution rates are the combined rates for Tiers 1 and 2.*

(2) *Beginning with the 6/30/2011 valuation date, the contribution rates are before adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City's contributions. Those adjustments no longer apply after the June 30, 2014 valuation.*

(3) *Beginning with the 6/30/2012 valuation date, the contribution rates are after additional employee contributions.*

Exhibit C

Los Angeles City Employees' Retirement System
Solvency Test for Retirement Benefits
For Years Ended June 30

($ In Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date	Member Contributions	Retirees, Beneficiaries, & Inactives	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries, & Inactives	Active Members
06/30/1996	$637,737	$2,357,798	$1,480,489	$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700*	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0
06/30/2011	1,474,824	7,765,071	4,151,809	9,691,011	100.0	100.0	10.9
06/30/2012	1,625,207	7,893,684	4,875,068	9,934,959	100.0	100.0	8.5
06/30/2013	1,757,195	8,066,564	5,057,904	10,223,961	100.0	100.0	7.9
06/30/2014	1,900,068	8,700,896	5,647,889	10,944,751	100.0	100.0	6.1
06/30/2015	2,012,378	9,118,166	5,779,452	11,727,161	100.0	100.0	10.3

** Excludes assets transferred for Port Police.*

Exhibit D

Los Angeles City Employees' Retirement System
Retirees and Beneficiaries Added To and Removed From the Rolls*
For Years Ended June 30

Year Ended	No. of New Retirees/ Beneficiaries	Annual Allowances Added**	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2002	844	$23,740,829	620	$11,316,344	13,589	$336,437,038	6.4%	$24,758
06/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
06/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
06/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
06/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
06/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
06/30/2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
06/30/2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812
06/30/2010	2,893	144,594,918	620	17,604,486	17,264	648,849,828	24.3%	37,584
06/30/2011	528	24,282,965	595	16,585,589	17,197	656,547,204	1.2%	38,178
06/30/2012	620	38,314,256	594	17,986,700	17,223	676,874,760	3.1%	39,301
06/30/2013	772	40,966,952	633	18,776,770	17,362	699,064,942	3.3%	40,264
06/30/2014	831	38,666,905	661	21,175,777	17,532	716,556,070	2.5%	40,871
06/30/2015	1,083	55,849,106	683	22,013,426	17,932	750,391,750	4.7%	41,847

* *Does not include Family Death Benefit Plan members. Table based on valuation data.*

** *Effective 06/30/2004, also includes the COLA granted in July.*

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Retirement Benefits as of June 30, 2015

This report has been prepared at the request of the Board of Administration to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Administration and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

Segal Consulting

100 MONTGOMERY STREET, SUITE 500 SAN FRANCISCO, CA 94104
T 415.263.8200 www.segalco.com

October 30, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2015. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2016/2017 and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Plan. The census and unaudited financial information on which our calculations were based were prepared by LACERS. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of the Segal Group, Inc.

By:

Paul Angelo, FSA, MAAA, FCA, EA	*Andy Yeung, ASA, MAAA, FCA, EA*
Senior Vice President and Actuary	*Vice President and Actuary*

JRC/hy

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Purpose

This report has been prepared by Segal Consulting to present an actuarial valuation of the Los Angeles City Employees' Retirement System as of June 30, 2015. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive members, and retired members and beneficiaries as of June 30, 2015, provided by LACERS;
- The assets of the Plan as of June 30, 2015, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- All employees who became members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the Los Angeles Administrative Code, were reported by LACERS as Tier 2 members in this valuation. We were informed, however, that the introduction of the new Tier 2 was legally challenged by the labor groups. Based on a report dated October 23, 2015 from the City Administrative Officer to the Mayor, we understand that the City and the labor groups have entered into an agreement to dismiss the legal challenge by rescinding Tier 2 and adopting an ordinance to enroll new hires in a new Tier 3. As part of the agreement, all Tier 2 members will be transferred to Tier 1.

  As of the issuance date of this valuation report, the provisions of Tier 3 have not yet been determined, and the Tier 2 employees have not yet been transferred to Tier 1. We would assist the Board in determining the funding requirements caused by these events in a separate report as soon as we are directed to do so by LACERS.

Ref: Pgs. 16 and 26

- The ratio of the valuation value of assets to actuarial accrued liabilities increased from 67.36% to 69.35%. On a market value of assets basis, the funded ratio decreased from 72.57% to 70.49%. The unfunded actuarial accrued liability decreased from \$5.304 billion to \$5.183 billion. Note that in the June 30, 2015 valuation, we requested for current retirees the amount of accumulated member contributions at retirement and an indication if the retiree chose a cash refund or a life annuity form of payment under the continuance option chosen[1], in order to refine our procedure for valuing liabilities under those two forms of payment for current and future retirees. This refinement in procedure increased the actuarial accrued liability by about $89 million; however, that liability increase is entirely mitigated by about $275 million in other net actuarial gains in this valuation. These other net actuarial gains include gains from (i) higher than expected return on the valuation value of assets (after smoothing), (ii) lower than expected salary increases for continuing active members, and (iii) lower than expected COLAs granted to retirees and beneficiaries, offset somewhat by (iv) other actuarial losses. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.

Ref: Pg. 14

- The aggregate employer rate (payable at the end of each pay period) calculated in this valuation has decreased from 24.05% of payroll to 23.65% of payroll. The annual dollar employer contributions calculated in this valuation decreased from about $456.4 million to $451.2 million. The decrease was due to: (i) a decrease in the normal cost rate due, in part, to the enrollment of new employees in Tier 2[2], (ii) higher than expected return on the valuation value of assets (after smoothing), (iii) lower than expected salary increases for continuing active members, and (iv) lower than expected COLAs granted to retirees and beneficiaries, offset somewhat by (v) the effect of the anticipated one-year delay in implementing the higher contribution rate calculated in the prior valuation, (vi) amortizing the prior year's UAAL over a smaller than expected projected total payroll, (vii) the effect of the refinement in the procedure to reflect the cash refund versus life annuity form of payment, and (viii) other actuarial losses. A complete reconciliation of the aggregate employer contribution is provided in Section 2, Chart 15.

- On October 25, 2011, the Board elected to phase in the impact of new actuarial assumptions (adopted as a result of the June 30, 2011 Triennial Experience Study) on the City's retirement and health plan contributions over a five-year period, beginning with the 2012-2013 Fiscal Year. The recommended contribution rates for Fiscal Year 2016-2017 (the last year of the phase-in) are contained in this report and do not reflect any adjustments for the phase-in, as those adjustments no longer apply.

  On October 14, 2014, as part of the Board's deliberations on the actuarial assumptions for use starting with the June 30, 2014 valuation (adopted as a result of the June 30, 2014 Triennial Experience Study), the Board also discussed the possibility of phasing in the cost impact of the new actuarial assumptions on the City's retirement and health plan

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[1] *For members electing a cash refund form of payment, any unused contributions will be refunded to the retiree's designated beneficiary upon the death of the member and/or continuance beneficiary, if any. For members electing a life annuity form of payment, the member will receive an increased retirement allowance under this form, and any unused contributions will be forfeited to LACERS upon the death of the member and/or continuance beneficiary, if any.*

[2] *Excluding the effect of the refinement in the procedure to reflect the cash refund versus life annuity form of payment, which is referenced in item (vii).*

contributions over three alternative phase-in periods. Based on subsequent discussions, the City chose not to request any phase-in.

Ref: Pg. 5

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment gain as of June 30, 2015 is \$229,171,148[3] for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. This implies that earning the assumed rate of investment return of 7.50% per year (net of investment and administrative expenses) on a market value basis will result in net investment gains on the actuarial value of assets after June 30, 2015. Item 9 in Chart 7 shows how, under the asset smoothing method, the \$229.2 million in unrecognized gains will be recognized in the next six years.

  The deferred gains of \$229.2 million represent 1.6% of the market value of assets as of June 30, 2015. Unless offset by future investment losses or other unfavorable experience, the recognition of the \$229.2 million market gains is expected to have an impact on the System’s future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

  - If the retirement plan component of the deferred gains were recognized immediately in the valuation value of assets, the funded percentage would increase from 69.35% to 70.49%.
  - If the retirement plan component of the deferred gains were recognized immediately in the valuation value of assets, the aggregate employer rate (payable at the end of each pay period) would decrease from 23.65% to about 22.8% of payroll.

- As in prior years, the employer contribution rates provided in this report have been developed assuming they will be paid by the City on any of the following dates:

  (1) The beginning of the fiscal year, or

  (2) On July 15, 2016, or

  (3) Throughout the year (i.e., the City will pay contributions at the end of every pay period).

Ref: Pg. 27

- Carrying over the prior instructions from the Board of Administration, the recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined by the then current GASB Statements 25 and 27. In particular, we have also continued to include in the calculation of the

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[3] *For comparison purposes, the total unrecognized investment gain as of June 20, 2014 was \$1,000,268,600.*

recommended contribution an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005.

- Consistent with our recommendation since the inception of Tier 2, even though the City will be paying UAAL contributions based on the Tier 2 payroll, the contributions should be maintained on a bookkeeping basis as contributions made to the Tier 1 plan. We believe this treatment is reasonable even though some of those contributions may be allocated to pay off 50% of the UAAL that the City is required to pay to the Tier 2 plan. However, we are not recommending that allocation at this time because Segal Consulting would need to work with LACERS to determine the procedure required to ensure that none of those contributions would inadvertently affect the calculation that we would perform in the June 30, 2016 valuation when the Tier 2 members are required for the first time to pay the other 50% of the UAAL starting on July 1, 2017.
- The actuarial valuation report as of June 30, 2015 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

Summary of Key Valuation Results

	2015	2014
Contributions calculated as of June 30:[1]		
Recommended as a percentage of pay (there is a 12-month delay until the rate is effective)		
Tier 1		
At the beginning of the year	23.14%	23.32%
On July 15	23.21%	23.39%
At the end of each pay period	23.99%	24.18%
Tier 2		
At the beginning of the year	17.90%	18.07%
On July 15	17.96%	18.12%
At the end of each pay period	18.57%	18.74%
Combined		
At the beginning of the year	22.81%	23.19%
On July 15	22.88%	23.26%
At the end of each pay period	23.65%	24.05%
Funding elements for plan year ended June 30:		
Normal cost	$322,574,274	$322,380,251
Market value of assets (MVA)[2]	14,124,760,375	13,935,771,998
Actuarial value of assets (AVA)[2]	13,895,589,227	12,935,503,398
Valuation value of retirement assets (VVA)	11,727,161,378	10,944,750,574
Market value of retirement assets (MVA)	11,920,570,019	11,791,079,473
Actuarial accrued liability (AAL)	16,909,996,380	16,248,853,099
Unfunded actuarial accrued liability (UAAL) on VVA basis	5,182,835,002	5,304,102,525
Unfunded actuarial accrued liability (UAAL) on MVA basis	4,989,426,361	4,457,773,626
Funded ratio on VVA basis for retirement (VVA/AAL)	69.35%	67.36%
Funded ratio on MVA basis for retirement (MVA/AAL)	70.49%	72.57%
Employer contributions for fiscal year ended June 30:		
Actuarially determined employer contributions	$381,140,923	$357,649,232
Actual contributions	381,140,923	357,649,232
Percentage contributed	100.00%	100.00%

(1) *The June 30, 2014 contribution rates are before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.*

Summary of Key Valuation Results (continued)

	2015	2014
Demographic data for plan year ended June 30:		
Number of retired members and beneficiaries	17,932	17,532
Number of inactive members	6,507	6,031
Number of active members	23,895	24,009
Projected total payroll[3]	$1,907,664,598	$1,898,064,175
Projected average payroll[3]	$79,835	$79,056

[3] *Reflects annualized salaries for part-time members.*

Important Information about Actuarial Valuations

In order to prepare an actuarial valuation, Segal Consulting ("Segal") relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the Retirement Office. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by the Retirement Office.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of LACERS. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

- If LACERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. LACERS should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of LACERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to LACERS.

Actuarial Certification

October 30, 2015

This is to certify that Segal Consulting (Segal) has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS or the "System") retirement program as of June 30, 2015, in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2014. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS. Segal did not audit LACERS' financial statements, but we conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Retirement System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age cost method.

The actuarial computations made are for funding plan benefits. Accordingly, additional determinations will be needed for other purposes, such as satisfying financial accounting requirements under Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68 and judging benefit security at termination of the plan.

Segal prepared all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR). A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB and in the Actuarial Section is provided below:

<u>Financial Section</u>

1) Schedule of Net Pension Liability*
2) Schedule of Changes in Net Pension Liability and Related Ratios*
3) Schedule of Contribution History*

* Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2015. We understand that the Schedule of Changes in Net Pension Liability and Related Ratios is also included in the Actuarial Section of the CAFR.

Actuarial Certification (continued)

October 30, 2015

Actuarial Section

4) Summary of Significant Valuation Results
5) Active Member Valuation Data
6) Retirees and Beneficiaries Added to and Removed from Retiree Payroll
7) Solvency Test for Retirement Benefits
8) Schedule of Funding Progress
9) Actuarial Analysis of Financial Experience
10) Actuarial Balance Sheet
11) Projection of Pension Plan's Fiduciary Net Position for use in Calculation of Discount Rate as of June 30, 2015*

   * Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2015.

LACERS' staff prepared other trend data schedules in the Statistical Section based on information supplied in Segal's valuation report.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinion contained herein.

Andy Yeung

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive non-vested members (entitled to a refund of member contributions), inactive vested members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1

Member Population: 2006 – 2015

Year Ended June 30	Active Members	Inactive Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60
2008	30,236	4,273	14,975	0.64
2009	30,065	4,554	14,991	0.65
2010	26,245	5,344	17,264	0.86**
2011	25,449	5,623	17,197	0.90
2012	24,917	5,808	17,223	0.92
2013	24,441	5,799	17,362	0.95
2014	24,009	6,031	17,532	0.98
2015	23,895	6,507	17,932	1.02

* *Includes terminated members due a refund of employee contributions.*

** *Reflects 2009 Early Retirement Incentive Program.*

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 23,895 active members with an average age of 48.8, average years of service of 15.0 years and average payroll of $79,835.

The 24,009 active members in the prior valuation had an average age of 48.8, average service of 15.0 years and average payroll of $79,056.

Inactive Members

In this year's valuation, there were 6,507 members who were either non-vested and entitled to a refund of member contributions or vested with a right to a deferred or immediate benefit, versus 6,031 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2015

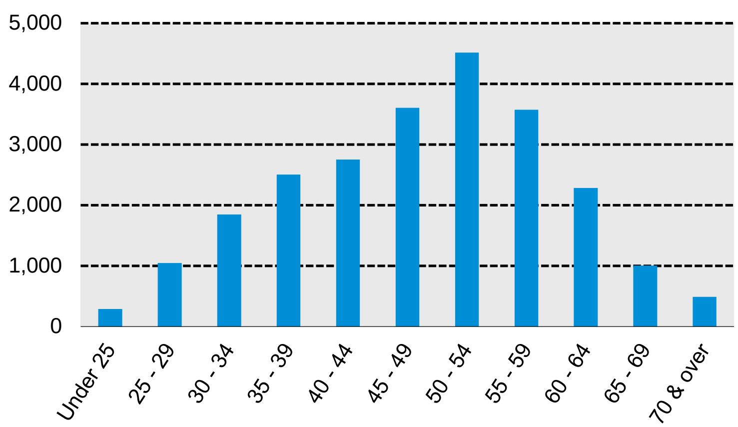
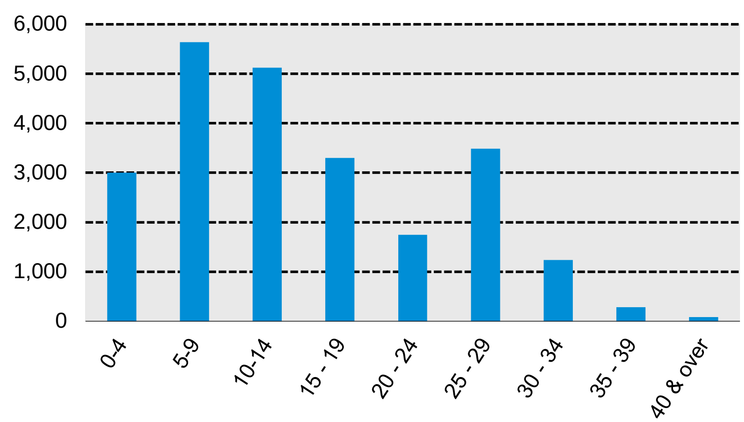


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2015



Retired Members and Beneficiaries

As of June 30, 2015, 14,127 retired members and 3,805 beneficiaries were receiving total monthly benefits of $62,532,646. For comparison, in the previous valuation, there were 13,780 retired members and 3,752 beneficiaries receiving monthly benefits of $59,713,006. These monthly benefits have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2015

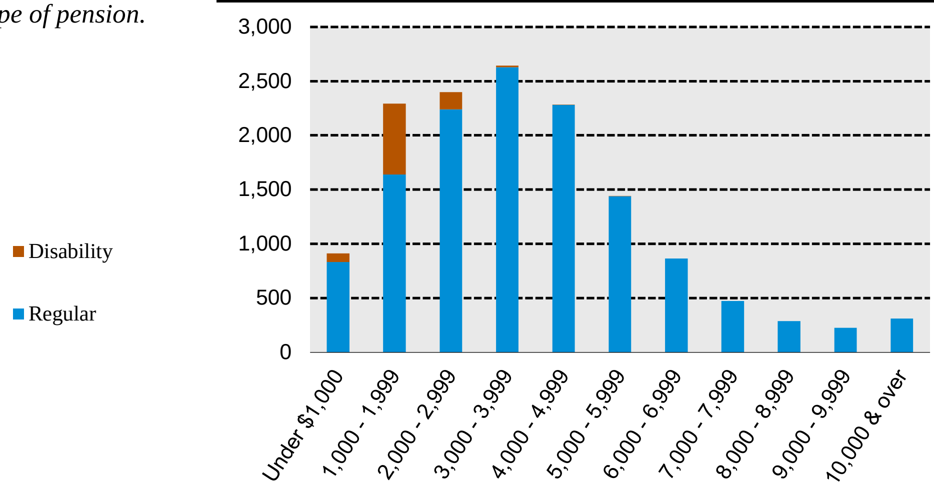
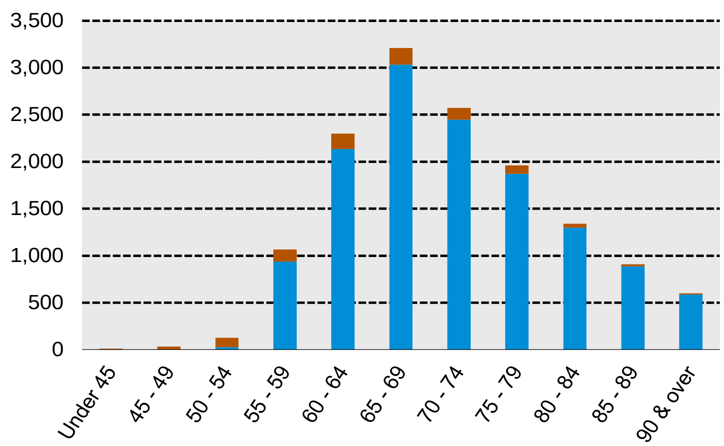


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2015



B. FINANCIAL INFORMATION

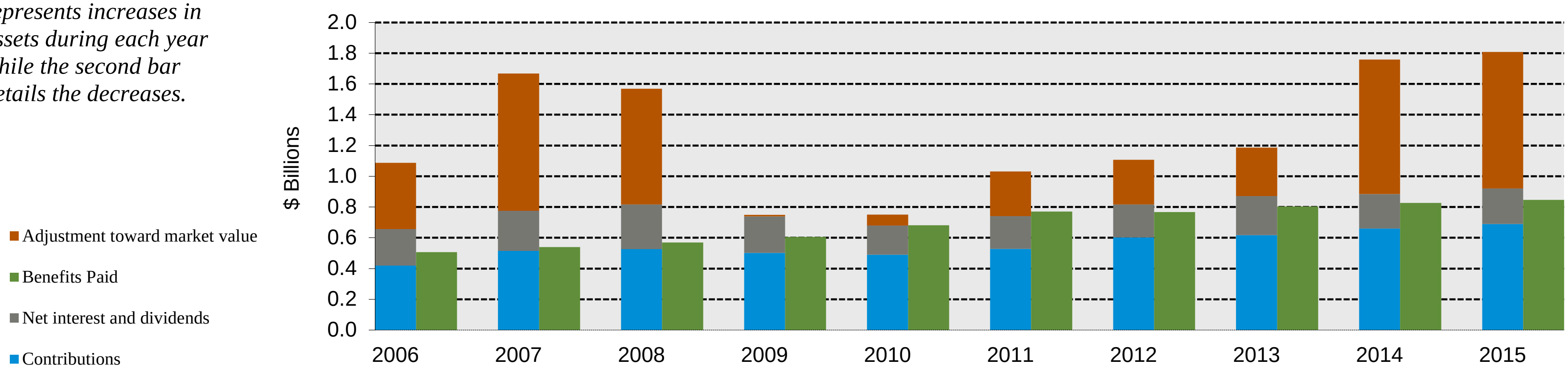
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2006 – 2015



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets as of June 30, 2015

	Original Amount	Portion Not Recognized	Amount Not Recognized	
1. Market value of assets				$14,124,760,375
2. Calculation of unrecognized return[1]				
(a) Year ended June 30, 2015	-$707,760,540	6/7	-$606,651,891	
(b) Year ended June 30, 2014	1,246,285,581	5/7	890,203,986	
(c) Combined net deferred loss as of June 30, 2013[2]	-81,571,421	4/6	-54,380,947	
(d) Total unrecognized return				$229,171,148
3. Preliminary actuarial value: (1) - (2d)				$13,895,589,227
4. Adjustment to be within 40% corridor				0
5. Final actuarial value of assets: (3) + (4)				$13,895,589,227
6. Actuarial value as a percentage of market value: (5) ÷ (1)				98.4%
7. Market value of retirement assets				$11,920,570,019[3]
8. Valuation value of retirement assets (5) ÷ (1) x (7)				$11,727,161,378
9. Deferred return recognized in each of the next 6 years:				
(a) Amount recognized on 6/30/2016				$63,336,911
(b) Amount recognized on 6/30/2017				63,336,911
(c) Amount recognized on 6/30/2018				63,336,911
(d) Amount recognized on 6/30/2019				63,336,911
(e) Amount recognized on 6/30/2020				76,932,148
(f) Amount recognized on 6/30/2021				-101,108,649
(g) Subtotal (may not total exactly due to rounding)				$229,171,148

(1) *Total return minus expected return on a market value basis.*

(2) *Based on action taken by the Board on September 9, 2014, the net unrecognized loss as of June 30, 2013 (i.e., $81,571,421) has been recognized in six level amounts, with four years of recognition remaining after the June 30, 2015 valuation.*

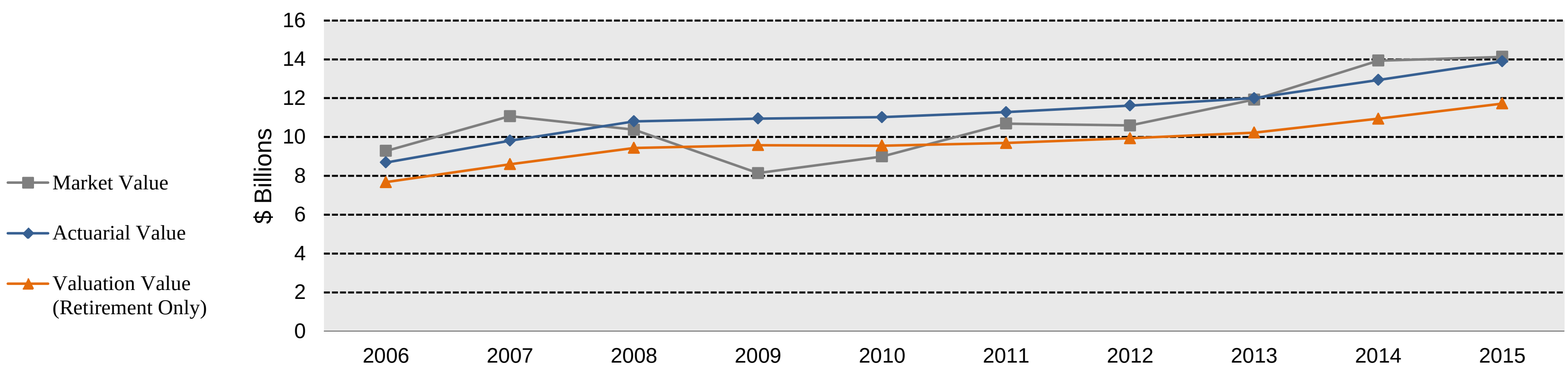
(3) *Excludes the Reserve for Larger Annuity Contributions (Acct. 256), based on directions from LACERS. This reserve has been separately identified by LACERS for the first time in the June 30, 2015 valuation, pursuant to a suggestion made by Segal. The amount in Acct. 256 was $4,666,410 as of June 30, 2014 and $5,199,707 as of June 30, 2015, on a market value basis.*

The actuarial value, market value and valuation value of assets are representations of LACERS' financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the valuation value of assets. The valuation value of assets is significant because LACERS' liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the assets over the past ten years.

CHART 8

Market Value, Actuarial Value, and Valuation Value (Retirement Only) of Assets as of June 30, 2006 – 2015



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain of $274,717,575 was due to an investment gain of $115,878,588 (after smoothing), and a gain of $158,838,987 from all other sources. The net experience variation from all other sources was 0.94% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended June 30, 2015

1.	Net gain from investments*	$115,878,588
2.	Net gain from other experience**	220,408,539
3.	Net loss from scheduled one-year delay in implementing the higher contribution rate calculated in the June 30, 2014 valuation until fiscal year 2015/2016	-61,569,552
4.	Net experience gain: (1) + (2) + (3)	$274,717,575

* *Details in Chart 10.*

** *Details in Chart 13. The net gain is attributed to actual liability experience from July 1, 2014 through June 30, 2015 compared to the projected experience based on the actuarial assumptions as of June 30, 2014.*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LACERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 7.50% (for the June 30, 2014 valuation). The actual rate of return on the valuation value of assets basis for the 2015 plan year was 8.55%.

Since the actual return for the year was more than the assumed return, LACERS experienced an actuarial gain during the year ended June 30, 2015 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10

Investment Experience for Year Ended June 30, 2015

	Market Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Valuation Value (Includes assets for Retirement Only)
1. Actual return	$348,113,908	$1,119,211,360	$943,705,819
2. Average value of assets	$14,078,325,971	$13,078,057,371	$11,037,696,420
3. Actual rate of return: (1) ÷ (2)	2.47%	8.56%	8.55%
4. Assumed rate of return	7.50%	7.50%	7.50%
5. Expected return: (2) x (4)	$1,055,874,448	$980,854,303	$827,827,231
6. Actuarial gain/(loss): (1) – (5)	-$707,760,540	$138,357,057	$115,878,588

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the Retirement, Health, Family Death and Larger Annuity Benefits for the last ten years, including the five-year average.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2006 – 2015

Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2006	$238,266,254	2.90%	$430,034,467	5.24%	$668,300,721	8.14%	$1,041,664,291	12.34%
2007	261,677,229	2.95%	890,907,654	10.04%	1,152,584,883	12.99%	1,811,903,293	19.13%
2008	290,092,182	2.91%	752,500,487	7.53%	1,042,592,669	10.44%	-649,747,001	-5.78%
2009	237,249,377	2.17%	9,861,278	0.09%	247,110,655	2.26%	-2,125,637,471	-20.26%
2010	190,583,695	1.73%	71,009,369	0.64%	261,593,064	2.37%	1,049,769,484	12.79%
2011	211,685,408	1.91%	291,263,922	2.63%	502,949,330	4.54%	1,934,130,562	21.33%
2012	213,980,878	1.88%	290,831,650	2.55%	504,812,528	4.43%	67,093,447	0.62%
2013	253,877,178	2.17%	315,633,473	2.69%	569,510,651	4.86%	1,512,696,071	14.14%
2014(1)	225,147,763	1.86%	873,017,519	7.19%	1,098,165,282	9.05%	2,180,005,303	18.09%
2015	231,942,743	1.77%	887,268,617	6.79%	1,119,211,360	8.56%	348,113,908	2.47%
Total	$2,354,502,707		$4,812,328,436		$7,166,831,143		$7,169,991,887	
					Five-year average return:	6.27%		11.01%
					Ten-year average return:	6.71%		6.70%

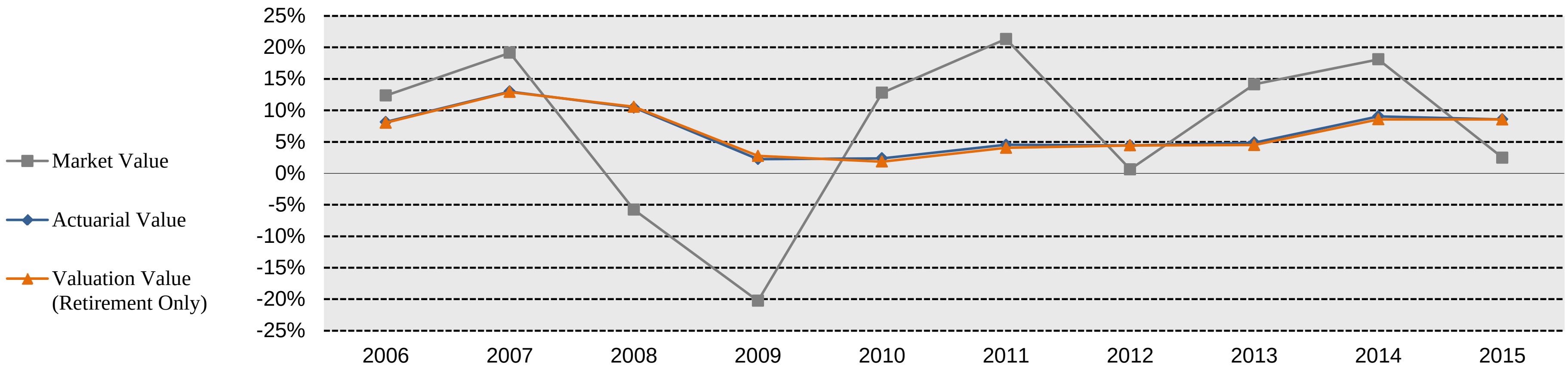
(1) *Based on information provided by LACERS, the net interest and dividend income and recognition of capital appreciation amounts and percentages have been reclassified for comparative purposes. Such reclassification had no effect on the previously reported Fiduciary Net Position (i.e., market value of assets) for fiscal year ended June 30, 2014.*

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2006 - 2015.

CHART 12

Market Value, Actuarial Value, and Valuation Value (Retirement Only) Rates of Return for Years Ended June 30, 2006 - 2015



Other Experience
There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2015 amounted to $220,408,539 which is 1.30% of the actuarial accrued liability.

A brief summary of the demographic gain experience of LACERS for the year ended June 30, 2015 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2015

1.	Gain due to lower than expected salary increases for continuing actives	$144,923,819
2.	Gain due to lower than expected COLA granted to retirees and beneficiaries	141,514,776
3.	Miscellaneous loss	-66,030,056 (1)
4.	Total gain	$220,408,539

(1) *Mainly due to earlier than expected ages at retirement for new retirements from active service.*

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 23.65% of payroll, if paid by the City at the end of each pay period. We have continued to follow the method used in the June 30, 2005 valuation to adjust the contribution requirement if the GASB ARC minimum contribution under the old GASB Statements No. 25 and 27 is greater than the amount prescribed below. For 2015, the beginning of year minimum GASB ARC is $390.5 million, so no additional adjustment has been made to the recommended contributions.

As shown in item 1 on the next page for the combined results, the total normal cost rate decreased from 16.98% on June 30, 2014 to 16.91% on June 30, 2015.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 14

Recommended Contribution

	Year Ended June 30			
	2015		2014[(1)]	
Tier 1	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$309,311,393	17.29%	$317,309,773	17.13%
2. Expected employee contributions[(2)]	-188,661,682	-10.54%	-193,285,472	-10.44%
3. Employer normal cost: (1) + (2)	$120,649,711	6.75%	$124,024,301	6.69%
4. Actuarial accrued liability	16,897,676,431		16,246,087,868	
5. Valuation value of assets	-11,715,446,106		-10,942,188,982	
6. Unfunded actuarial accrued liability	$5,182,230,325		$5,303,898,886	
7. Amortization of unfunded accrued liability	293,248,621	16.39%[(3)]	307,947,998	16.63%[(3)]
8. Total recommended contribution, beginning of year: (3) + (7)	$413,898,332	23.14%	$431,972,299	23.32%
9. Total recommended contribution, July 15	$415,130,302	23.21%	$433,258,066	23.39%
10. Total recommended contribution, end of pay periods	$429,138,924	23.99%	$447,878,412	24.18%
11. Projected payroll	$1,788,743,164		$1,852,318,041	

(1) *The June 30, 2014 contribution rates are before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 10.83% for the June 30, 2014 valuation and 10.94% for the June 30, 2015 valuation. The increase in the average employee rate is mainly due to an increase in the proportion of Tier 1 employees paying the additional 4% employee contribution rate.*

(3) *In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 2 and amortized that total UAAL over the total payroll for Tier 1 and Tier 2.*

CHART 14 (continued)

Recommended Contribution

	Year Ended June 30			
	2015		2014[1]	
Tier 2	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$13,262,881	11.15%	$5,070,478	11.08%
2. Expected employee contributions[2]	-11,462,307	-9.64%	-4,409,266	-9.64%
3. Employer normal cost: (1) + (2)	$1,800,574	1.51%	$661,212	1.44%
4. Actuarial accrued liability	12,319,949		2,765,231	
5. Valuation value of assets	-11,715,272		-2,561,592	
6. Unfunded actuarial accrued liability	$604,677		$203,639	
7. Amortization of unfunded accrued liability[4]	19,496,117	16.39%[3]	7,605,298	16.63%[3]
8. Total recommended contribution, beginning of year: (3) + (7)	$21,296,691	17.90%	$8,266,510	18.07%
9. Total recommended contribution, July 15	$21,360,080	17.96%	$8,291,115	18.12%
10. Total recommended contribution, end of pay periods	$22,080,880	18.57%	$8,570,900	18.74%
11. Projected payroll	$118,921,434		$45,746,134	
Combined				
1. Total normal cost	$322,574,274	16.91%	$322,380,251	16.98%
2. Expected employee contributions	-200,123,989	10.49%	-197,694,738	-10.42%
3. Employer normal cost: (1) + (2)	$122,450,285	6.42%	$124,685,513	6.56%
4. Actuarial accrued liability	16,909,996,380		16,248,853,099	
5. Valuation value of assets	-11,727,161,378		-10,944,750,574	
6. Unfunded actuarial accrued liability	$5,182,835,002		$5,304,102,525	
7. Amortization of unfunded accrued liability	312,744,738	16.39%	315,553,296	16.63%
8. Total recommended contribution, beginning of year: (3) + (7)	$435,195,023	22.81%	$440,238,809	23.19%
9. Total recommended contribution, July 15	$436,490,382	22.88%	$441,549,181	23.26%
10. Total recommended contribution, end of pay periods	$451,219,804	23.65%	$456,449,312	24.05%
11. Projected payroll	$1,907,664,598		$1,898,064,175	

(1) *The June 30, 2014 contribution rates are before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period is actually 10.00% for the June 30, 2014 and June 30, 2015 valuations.*

(3) *In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 2 and amortized that total UAAL over the total payroll for Tier 1 and Tier 2.*

(4) *Even though the City will be paying UAAL contributions based on the Tier 2 payroll, the contributions should be maintained on a bookkeeping basis as contributions made to the Tier 1 plan.*

If paid by the City at the beginning of the year, the calculated normal cost is 6.42% of payroll for Tier 1 and Tier 2 combined. The remaining 16.39% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 24 years.

The contribution rates as of June 30, 2015 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution[1] from June 30, 2014 to June 30, 2015

Recommended Contribution as of June 30, 2014	24.05%
Effect of decrease in employer normal cost due to payroll and demographic changes[2] (including the enrollment of new employees in Tier 2)	-0.35%
Effect of anticipated one-year delay in implementing the higher combined contribution rate calculated in the prior valuation	0.28%
Effect of investment gain	-0.52%
Effect of amortizing prior year's UAAL over a smaller than expected projected total payroll	0.60%
Effect of lower than expected salary increases for actives	-0.66%
Effect of lower than expected COLAs granted to retirees and beneficiaries	-0.64%
Effect of refinement in procedure to reflect the cash refund versus life annuity form of payment	0.60%
Effect of other losses on accrued liability	0.29%
Total change	-0.40%
Recommended Contribution as of June 30, 2015	23.65%

(1) *Based on contributions at the end of each pay period. The June 30, 2014 rate is before adjustments to phase in over five years the impact of the actuarial assumptions as a result of the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Excludes the incremental increase in the normal cost rate due to the refinement in procedure to reflect the cash refund versus life annuity form of payment, referenced herein. That incremental increase is included in the effect of the refinement in procedure item noted below.*

E. FUNDED RATIO

A commonly reported piece of information regarding the Plan's financial status is the funded ratio. The ratios compare the valuation value of assets and the market value of assets to the actuarial accrued liabilities of the Plan as calculated. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors. The chart below depicts a history of the funded ratios for this plan.

The funded status measures shown in this valuation are appropriate for assessing the need for or amount of future contributions. However, they are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations. As the chart below shows, the measures are different depending on whether the valuation or market value of assets is used.

CHART 16

Funded Ratio for Plan Years Ending June 30, 2006 - 2015

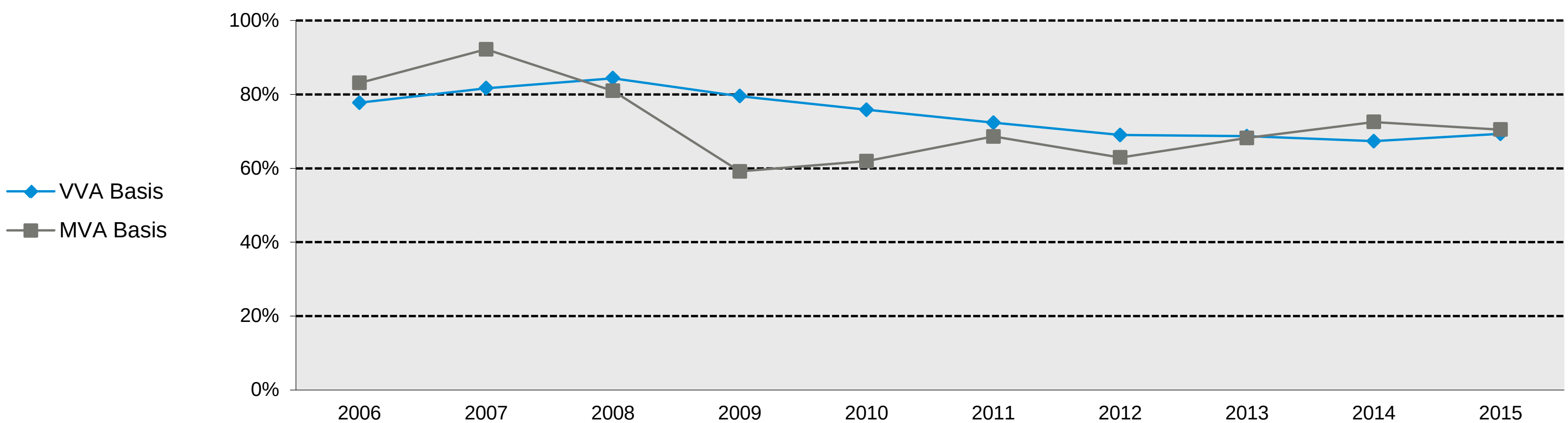


CHART 17

Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2006	$7,674,999,374	$9,870,662,387	$2,195,663,013	77.76%	$1,733,339,536	126.67%
06/30/2007	8,599,699,772[1]	10,526,874,184	1,927,174,412	81.69%	1,896,609,013	101.61%
06/30/2008	9,438,318,300	11,186,403,741	1,748,085,441	84.37%	1,977,644,640	88.39%
06/30/2009	9,577,747,421	12,041,983,936	2,464,236,515	79.54%	1,816,171,212	135.68%
06/30/2010	9,554,027,411	12,595,025,119	3,040,997,708	75.86%	1,817,662,284	167.30%
06/30/2011	9,691,011,496	13,391,704,000	3,700,692,504	72.37%	1,833,392,381	201.85%
06/30/2012	9,934,959,310	14,393,958,574	4,458,999,264	69.02%	1,819,269,630	245.10%
06/30/2013	10,223,960,886	14,881,663,162	4,657,702,276	68.70%	1,846,970,474	252.18%
06/30/2014	10,944,750,574	16,248,853,099	5,304,102,525	67.36%	1,898,064,175	279.45%
06/30/2015	11,727,161,378	16,909,996,380	5,182,835,002	69.35%	1,907,664,598	271.68%

[1] *Valuation value of assets is after excluding $5,269,481 of discounted Harbor Port Police assets transferred in October 2007.*

F. VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For LACERS, the current AVR is about 6.2. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 6.2% of one-year's payroll. Since LACERS amortizes actuarial gains and losses over a period of 15 years, there would be a 0.5% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For LACERS, the current LVR is about 8.9. This is about 44% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 18

Volatility Ratios for Years Ended June 30, 2008 – 2015

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2008	4.6	5.7
2009	3.8	6.5
2010	4.3	6.9
2011	5.0	7.3
2012	5.0	7.9
2013	5.5	8.1
2014	6.2	8.6
2015	6.2	8.9

EXHIBIT A

Table of Plan Coverage

i. Tier 1

Category	Year Ended June 30 2015	Year Ended June 30 2014	Change From Prior Year
Active members in valuation:			
Number	21,915	23,254	-5.8%
Average age	50.0	49.2	N/A
Average service	16.3	15.5	N/A
Projected total payroll*	$1,788,743,164	$1,852,318,041	-3.4%
Projected average payroll*	$81,622	$79,656	2.5%
Account balances	$1,867,847,943	$1,779,024,865	5.0%
Total active vested members	20,898	21,784	-4.1%
Inactive members:			
Number	6,252	5,981	4.5%
Average age	44.9	44.6	N/A
Average contribution balance for those with under 5 years of service	$5,337	$5,047	5.7%
Average monthly benefit at age 60 for those with 5 or more years of service**	$1,440	$1,461	-1.4%
Retired members:			
Number in pay status	13,217	12,880	2.6%
Average service at retirement	26.7	26.7	N/A
Average age at retirement	60.2	60.1	N/A
Average age	71.8	71.8	N/A
Average monthly benefit (includes July COLA)	$4,023	$3,936	2.2%
Disabled members:			
Number in pay status	910	900	1.1%
Average service at retirement	11.8	11.9	N/A
Average age at retirement	46.7	46.4	N/A
Average age	65.2	64.5	N/A
Average monthly benefit (includes July COLA)	$1,616	$1,593	1.4%
Beneficiaries:			
Number in pay status	3,805	3,752	1.4%
Average age	76.5	76.4	N/A
Average monthly benefit (includes July COLA)	$2,072	$2,020	2.6%

* *Reflects annualized salaries for part-time members.*

** *Based on salary at termination from LACERS.*

EXHIBIT A
Table of Plan Coverage
ii. Tier 2

Category	Year Ended June 30 2015	Year Ended June 30 2014	Change From Prior Year
Active members in valuation:			
Number	1,980	755	162.3%
Average age	35.7	35.2	N/A
Average service	0.8	0.5	N/A
Projected total payroll*	$118,921,434	$45,746,134	160.0%
Projected average payroll*	$60,061	$60,591	-0.9%
Account balances	$9,670,450	$2,321,012	316.6%
Total active vested members	8	3	166.7%
Inactive members:			
Number	255	50	410.0%
Average age	35.6	35.6	N/A
Average contribution balance for those with under 5 years of service	$2,441	$1,337	82.6%
Average monthly benefit at age 60 for those with 5 or more years of service**	$708	$0	N/A
Retired members:			
Number in pay status	0	0	N/A
Average service at retirement	N/A	N/A	N/A
Average age at retirement	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A
Disabled members:			
Number in pay status	0	0	N/A
Average service at retirement	N/A	N/A	N/A
Average age at retirement	N/A	N/A	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A

* *Reflects annualized salaries for part-time members.*

** *Based on salary at termination from LACERS.*

EXHIBIT B

Members in Active Service as of June 30, 2015
By Age, Years of Service, and Average Payroll

i. Tier 1

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	27	25	2	- -	- -	- -	- -	- -	- -	- -
	$49,242	$49,026	$51,948	- -	- -	- -	- -	- -	- -	- -
25 - 29	532	222	303	7	- -	- -	- -	- -	- -	- -
	54,048	54,871	53,553	$49,372	- -	- -	- -	- -	- -	- -
30 - 34	1,470	208	1,002	246	14	- -	- -	- -	- -	- -
	69,048	65,382	69,912	69,001	$62,557	- -	- -	- -	- -	- -
35 - 39	2,250	130	1,001	895	216	8	- -	- -	- -	- -
	76,843	67,357	75,383	78,566	81,849	$85,677	- -	- -	- -	- -
40 - 44	2,568	111	808	876	635	121	17	- -	- -	- -
	81,187	69,345	74,660	81,659	88,496	92,867	$88,272	- -	- -	- -
45 - 49	3,466	113	731	826	738	487	545	26	- -	- -
	83,817	71,461	72,095	77,107	88,351	99,494	92,107	$84,126	- -	- -
50 - 54	4,411	86	675	762	658	475	1,267	458	30	- -
	87,135	64,780	71,263	76,742	86,389	95,535	97,723	94,517	$95,786	- -
55 - 59	3,477	67	508	644	455	342	902	436	117	6
	85,926	74,125	68,803	73,247	83,794	91,655	95,650	102,560	91,365	$86,588
60 - 64	2,242	34	358	490	332	199	501	210	84	34
	85,299	82,473	70,097	73,568	84,735	96,534	93,848	100,083	101,522	99,635
65 - 69	988	22	149	255	175	79	174	72	39	23
	77,887	60,923	63,524	65,032	81,409	89,189	88,726	90,617	94,053	114,810
70 & over	484	10	95	119	76	37	80	33	14	20
	70,158	44,437	50,710	62,512	77,732	75,388	79,781	87,067	83,356	106,790
Total	21,915	1,028	5,632	5,120	3,299	1,748	3,486	1,235	284	83
	$81,622	$64,846	$70,543	$75,894	$85,847	$95,050	$94,845	$97,658	$94,811	$104,621

EXHIBIT B

Members in Active Service as of June 30, 2015
By Age, Years of Service, and Average Payroll

ii. Tier 2

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	260	260	- -	- -	- -	- -	- -	- -	- -	- -
	$45,756	$45,756	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	514	514	- -	- -	- -	- -	- -	- -	- -	- -
	51,008	51,008	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	378	378	- -	- -	- -	- -	- -	- -	- -	- -
	60,791	60,791	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	253	252	1	- -	- -	- -	- -	- -	- -	- -
	67,520	67,573	$54,228	- -	- -	- -	- -	- -	- -	- -
40 - 44	182	182	- -	- -	- -	- -	- -	- -	- -	- -
	68,768	68,768	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	136	135	1	- -	- -	- -	- -	- -	- -	- -
	74,398	74,452	67,043	- -	- -	- -	- -	- -	- -	- -
50 - 54	101	101	- -	- -	- -	- -	- -	- -	- -	- -
	71,574	71,574	- -	- -	- -	- -	- -	- -	- -	- -
55 - 59	95	94	1	- -	- -	- -	- -	- -	- -	- -
	71,381	69,746	225,097	- -	- -	- -	- -	- -	- -	- -
60 - 64	40	40	- -	- -	- -	- -	- -	- -	- -	- -
	72,500	72,500	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	16	16	- -	- -	- -	- -	- -	- -	- -	- -
	61,216	61,216	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	5	5	- -	- -	- -	- -	- -	- -	- -	- -
	44,346	44,346	- -	- -	- -	- -	- -	- -	- -	- -
Total	1,980	1,977	3	- -	- -	- -	- -	- -	- -	- -
	$60,061	$59,977	$115,456	- -	- -	- -	- -	- -	- -	- -

EXHIBIT C

Reconciliation of Member Data

	Active Members	Inactive Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2014	24,009	6,031	900	12,880	3,752	47,572
New members	1,297	N/A	N/A	N/A	N/A	1,297
Terminations – with vested rights	-890	890	0	0	0	0
Retirements	-679	-102	N/A	781	N/A	0
New disabilities	-2	-33	35	N/A	N/A	0
Died with beneficiary	N/A	N/A	N/A	N/A	267	267
Deaths or benefits expired	-42	-38	-24	-443	-214	-761
Refund of members contributions	-55	-124	0	0	0	-180
Rehired	257	-256	-1	0	N/A	0
Data adjustments	0	139*	0	-1	0	139
Number as of June 30, 2015	23,895	6,507	910	13,217	3,805	48,334

* *Includes members who were both hired and terminated during the year.*

Note: For the change in the annual benefits from the retirees and beneficiaries added to and removed from the rolls, refer to Exhibit D of the supplemental schedules that accompany this report.

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement, Health, Family Death, and Larger Annuity Benefits

	June 30, 2015		June 30, 2014	
Contribution income:				
Employer contributions	$481,765,868		$455,658,786	
Employee contributions	207,564,465		204,135,914	
Net contribution income		$689,330,333		$659,794,700
Investment income:				
Interest, dividends and other income	$315,373,999		$297,955,531 [1]	
Recognition of capital appreciation	887,268,617		873,017,519 [1]	
Less investment and administrative fees	-83,431,256		-72,807,769 [1]	
Net investment income		$1,119,211,360		$1,098,165,281
Total income available for benefits		$1,808,541,693		$1,757,959,981
Less benefit payments:				
Payment of benefits	-$838,334,980		-$810,584,271	
Refunds of contributions	-10,120,884		-15,982,650	
Net benefit payments		-$848,455,864 [2]		-$826,566,921
Change in reserve for future benefits		$960,085,829		$931,393,060

[1] *Based on information provided by LACERS, these amounts have been reclassified for comparative purposes. Such reclassification had no effect on the previously reported Fiduciary Net Position (i.e., market value of assets) for fiscal year ended June 30, 2014.*

[2] *Includes a transfer of $2,614,765 to the City of Los Angeles Fire and Police Pension Plan due to a change in membership for certain employees in the Office of Public Safety.*

Note: Results may be slightly off due to rounding.

EXHIBIT E

Summary Statement of Assets for Retirement, Health, Family Death, and Larger Annuity Benefits

	June 30, 2015		June 30, 2014	
Cash equivalents		$520,833,530		$681,628,644
Accounts receivable:				
Investment income	$44,947,780		$41,214,524	
Proceeds from sales of investments	118,813,253		166,513,233	
Other	9,783,949		14,362,275	
Total accounts receivable		$173,544,982		$222,090,032
Investments:				
Fixed Income	$3,589,262,579		$2,860,598,505	
Equities	8,100,719,055		8,617,236,944	
Real Estate and Alternative Investment	1,991,923,845		1,967,891,805	
Other	847,945,965		1,037,019,541	
Total investments at market value		$14,529,851,444		$14,482,746,795
Capital assets		$4,050,199		$2,667,881
Total assets		$15,228,280,155		$15,389,133,352
Less accounts payable:				
Accounts payable and accrued expenses		-$34,950,273	-$17,879,799	
Accrued investment expenses		-9,333,189	-11,993,596	
Purchases of investments		-228,312,951	-400,955,915	
Security lending collateral		-830,923,367	-1,022,532,044	
Total accounts payable		-$1,103,519,780		-$1,453,361,354
Net assets at market value		$14,124,760,375		$13,935,771,998
Net assets at actuarial value		$13,895,589,227		$12,935,503,398
Net assets at valuation value (retirement benefits)		$11,727,161,378		$10,944,750,574

Note: Results may be slightly off due to rounding.

EXHIBIT F

Development of the Fund Through June 30, 2015 for Retirement, Health, Family Death, and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return[1]	Benefit Payments	Actuarial Value of Assets at End of Year
2006	$320,399,222	$98,262,366	$668,300,721	$506,604,304	$8,686,104,097
2007	408,392,318	106,233,984	1,152,584,883	540,388,726	9,812,926,556
2008	411,658,277	114,678,456	1,042,592,669[2]	576,014,324[3]	10,805,841,634
2009	383,637,842	118,592,071	247,110,655	605,798,000	10,949,384,202
2010	362,751,146	126,961,295	261,593,064	681,106,189	11,019,583,518
2011	414,133,032	114,731,434	502,949,330	770,755,578	11,280,641,736
2012	423,920,740	178,246,151	504,812,528	767,163,328	11,620,457,827
2013	419,266,581	197,880,631	569,510,651	803,005,352	12,004,110,338
2014	455,658,786	204,135,914	1,098,165,281	826,566,921	12,935,503,398
2015	481,765,868	207,564,465	1,119,211,360	848,455,864[4]	13,895,589,227

(1) *Based on actuarial value of assets. Net of investment fees and administrative expenses.*

(2) *Includes an $11,000,000 return of excess reserve from PPO carrier.*

(3) *Includes transfer of $6,220,076 to Fire and Police Pension for Harbor Port Police.*

(4) *Includes transfer of $2,614,765 to Fire and Police Pension for Office of Public Safety.*

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2015

1.	Unfunded actuarial accrued liability at beginning of year	$5,304,102,525
2.	Normal cost at beginning of year	322,380,251
3.	Expected contributions at beginning of year*	-632,707,163
4.	Interest	374,533,171
5.	Expected unfunded actuarial accrued liability	$5,368,308,784
6.	Changes due to net experience gain**	-274,717,575
7.	Refinement in procedure to reflect the cash refund versus life annuity form of payment	89,243,793
8.	Unfunded actuarial accrued liability at end of year	$5,182,835,002

* *Net of the additional expected employer contributions due to the application of the 40-year minimum amortization required for the two GASB 25/27 layers, since the beginning of year UAAL was developed without the liability associated with those two layers. These additional contributions will serve to reduce the contribution loss from the scheduled one-year delay in implementing the higher contribution rates calculated in the prior valuation.*

** *The breakdown of the net experience gain is as follows:*

Loss due to actual contributions less than expected (with interest to end of year)	*$61,569,552*
Investment gain	*-115,878,588*
Gain due to lower than expected salary increases for continuing actives	*-144,923,819*
Gain due to lower than expected COLAs granted to retirees and beneficiaries	*-141,514,776*
Miscellaneous loss	*66,030,056*
Total gain	*-$274,717,575*

EXHIBIT H

Table of Amortization Bases

Type	Date Established	Initial Years	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment*
Plan amendment (2009 ERIP)	06/30/2009	15	$300,225,354	$253,550,626	9	$32,043,342
Combined base	06/30/2012	30	4,173,548,280	4,427,228,044	27	243,953,282
Experience loss	06/30/2013	15	116,022,989	112,398,403	13	10,465,066
Experience gain	06/30/2014	15	-215,549,892	-212,438,263	14	-18,650,219
Change in assumptions	06/30/2014	20	785,439,114	787,569,974	19	54,928,517
Experience gain**	06/30/2015	15	-185,473,782	-185,473,782	15	-15,430,689
Subtotal before GASB amount				$5,182,835,002		$307,309,299
40-year minimum GASB 25/27	06/30/2004	15	29,189,615	14,602,237	4	3,833,758
40-year minimum GASB 25/27	06/30/2005	15	12,708,684	7,503,633	5	1,601,681
Total				$5,204,940,872		$312,744,738

* *Beginning of year payments, based on level percentage of payroll.*

** *Includes effect of refinement in procedure to reflect the cash refund versus life annuity form of payment.*

Note: The equivalent single amortization period is about 24 years.

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $210,000 for 2015 and 2016. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

EXHIBIT J
Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age; and

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 3,805 beneficiaries in pay status)		17,932
2.	Inactive members during year ended June 30, 2015 (including 4,408 members with under 5 years of service eligible for a refund of contributions)		6,507
3.	Members active during the year ended June 30, 2015		23,895
	Fully vested	20,906	
	Not vested	2,989	

The actuarial factors as of the valuation date are as follows:

	Assets		
1.	Valuation value of assets ($14,124,760,375 at market value as reported by LACERS and $13,895,589,227 at actuarial value*)		$11,727,161,378
2.	Present value of future normal costs		
	Employee	$1,637,780,735	
	Employer	975,665,388	
	Total		2,613,446,123
3.	Unfunded actuarial accrued liability		5,182,835,002
4.	Present value of current and future assets		$19,523,442,503
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$8,889,127,074	
	Inactive members	363,898,551	
	Active members	10,270,416,878	
	Total		$19,523,442,503

* *Market value and actuarial value of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits.*

EXHIBIT I (continued)
Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

		Tier 1	Tier 2	Combined
1.	Total normal cost	$309,311,393	$13,262,881	$322,574,274
2.	Expected employee contributions[1]	-188,661,682	-11,462,307	-200,123,989
3.	Employer normal cost: (1) + (2)	$120,649,711	$1,800,574	$122,450,285
4.	Payment on projected unfunded actuarial accrued liability	$293,248,621	$19,496,117	$312,744,738
5.	Total recommended contribution: (3) + (4), payable beginning of year	$413,898,332	$21,296,691	$435,195,023
6.	Total recommended contribution: adjusted for July 15 payment	$415,130,302	$21,360,080	$436,490,382
7.	Total recommended contribution: adjusted for biweekly payment	$429,138,924	$22,080,880	$451,219,804
8.	Projected payroll	$1,788,743,164	$118,921,434	$1,907,664,598
9.	Item 5 (beginning of year contribution) as a percentage of projected payroll: (5) ÷ (8)	23.14%	17.90%	22.81%
10.	Item 6 (July 15 contribution) as a percentage of projected payroll: (6) ÷ (8)	23.21%	17.96%	22.88%
11.	Item 7 (biweekly contribution) as a percentage of projected payroll: (7) ÷ (8)	23.99%	18.57%	23.65%

(1) *Discounted to beginning of year.*

EXHIBIT II

History of Employer Contributions

Plan Year Ended June 30	Actuarially Determined Employer Contributions (ADEC)*	Actual Contributions	Percentage Contributed
2006	$227,740,600	$227,740,600	100.00%
2007	277,516,400	277,516,400	100.00%
2008	288,119,041	288,119,041	100.00%
2009	274,554,786	274,554,786	100.00%
2010	258,642,795	258,642,795	100.00%
2011	303,560,953	303,560,953	100.00%
2012	308,539,905	308,539,905	100.00%
2013	346,180,852	346,180,852	100.00%
2014	357,649,232	357,649,232	100.00%
2015	381,140,923	381,140,923	100.00%

* Prior to plan year ending June 30, 2014, this amount was the Annual Required Contribution (ARC).

EXHIBIT III

Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions:	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 8, 2014. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 2 members. These assumptions have been adopted by the Board.

Demographic Assumptions:

Post-Retirement Mortality Rates:

Healthy Members and All Beneficiaries:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Disabled Members:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.

The above mortality tables contain about a 10% margin, based on actual to expected deaths, as a provision appropriate to reasonably anticipate future mortality improvement, based on a review of mortality experience as of the measurement date.

Termination Rates Before Retirement:

Pre-Retirement Mortality:	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

	Rate (%)	
Age	**Disability**	**Termination***
25	0.01	5.75
30	0.03	5.75
35	0.05	4.85
40	0.09	3.50
45	0.15	2.70
50	0.19	2.50
55	0.20	2.35
60	0.20	2.25

* *Rates for members with five or more years of service. Termination rates are zero for members eligible to retire.*

Rates of termination for members with less than 5 years of service are as follows:

Service	Rate (%) Termination (Based on Service)
0	13.25
1	11.00
2	8.75
3	7.25
4	5.75

Retirement Rates:

	Rate (%)			
	Tier 1		Tier 2	
Age	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	0.0	0.0
51	3.0	0.0	0.0	0.0
52	3.0	0.0	0.0	0.0
53	3.0	0.0	0.0	0.0
54	16.0	0.0	0.0	0.0
55	6.0	20.0	3.5	8.0
56	6.0	14.0	3.5	7.0
57	6.0	14.0	3.5	7.0
58	6.0	14.0	3.5	7.0
59	6.0	14.0	3.5	7.0
60	6.0	14.0	5.5	7.0
61	6.0	14.0	5.5	9.0
62	7.0	15.0	5.5	11.0
63	7.0	15.0	5.5	13.0
64	7.0	16.0	5.5	16.0
65	12.0	17.0	12.0	19.0
66	12.0	17.0	12.0	19.0
67	12.0	17.0	12.0	19.0
68	12.0	17.0	12.0	19.0
69	12.0	17.0	12.0	19.0
70	100.0	100.0	100.0	100.0

Retirement Age and Benefit for Inactive Vested Participants:	Pension benefit paid at the later of age 58 or the current attained age. For reciprocals, 4.40% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Service:	Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	5% of future inactive vested members will work at a reciprocal system.
<u>Economic Assumptions</u>:	
Net Investment Return:	7.50%, net of investment and administrative expenses.
Consumer Price Index:	Increase of 3.25% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 3.25% is used to approximate that crediting rate in this valuation.

Salary Increases: Inflation: 3.25%; plus additional 0.75% “across the board” salary increases (other than inflation); plus the following merit and promotional increases:

Service	Percentage Increase
0	6.50%
1	6.20%
2	5.10%
3	3.10%
4	2.10%
5	1.10%
6	1.00%
7	0.90%
8	0.70%
9	0.60%
10+	0.40%

Actuarial Methods:

Actuarial Value of Assets: The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Cost Method:	Entry Age Cost Method, level percent of salary.
Funding Policy:	The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. The amortization method for the UAAL is a level percent of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation). Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service. Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012. The recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined by the then current GASB Statements 25 and 27. In particular, an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005 is included in the calculation of the recommended contribution.

EXHIBIT IV

Summary of Plan Provisions

This exhibit summarizes the major provisions of LACERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	July 1 through June 30
Census Date:	June 30
Membership Eligibility:	
Tier 1	All employees who became members of the Retirement System before July 1, 2013, and certain non-Tier 2 employees who became members of the Retirement System on or after July 1, 2013.
Tier 2	All employees who became members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the Los Angeles Administrative Code.
Normal Retirement Benefit:	
<u>*Tier 1*</u>	
Age & Service Requirement	Age 70; or
(§ 4.1005(a))	Age 60 with 10 years of continuous service; or
	Age 55 with at least 30 years of service.
Amount (§ 4.1007(a))	2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.
<u>*Tier 2*</u>	
Age & Service Requirement	Age 70; or
(§ 4.1055(a))	Age 65 with 10 years of continuous service.
Amount (§ 4.1055(a))	2.00% per year of service credit (not greater than 75%) of the Final Average Monthly Compensation.

Early Retirement Benefit:

<u>*Tier 1*</u>

Age & Service Requirement (§ 4.1005(b))	Age 55 with 10 years of continuous service; or Any age with 30 years of service.
Amount (§ 4.1007(b))	2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

Age	Factor
45	0.6250
50	0.7750
55	0.9250
60	1.0000

<u>*Tier 2*</u>

Age & Service Requirement (§ 4.1055(b))	Age 55 with 10 years of continuous service.
Amount (§ 4.1055(b))	Retirement Factor x years of service credit (not greater than 75%) x Final Average Monthly Compensation. Retirement Factors are as follows:

Age	Factor	Age	Factor
55	0.7700%	60	1.2200%
56	0.8400%	61	1.3400%
57	0.9200%	62	1.4800%
58	1.0100%	63	1.6300%
59	1.1100%	64	1.8100%

Service Credit:	
<u>*Tiers 1 & 2*</u>:	
(§ 4.1001(a) & § 4.1051(a))	The time component of the formula used by LACERS for purposes of calculating benefits.
Final Average Monthly Compensation:	
<u>*Tier 1*</u>	
(§ 4.1001(b))	Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned bonuses or premium pay.
<u>*Tier 2*</u>	
(§ 4.1051(b))	Equivalent of monthly average salary of highest continuous 36 months (three years); limited to base salary (excludes bonuses or premium pay).
Cost of Living Benefit:	
<u>*Tier 1*</u>	
(§ 4.1022)	Based on changes to Los Angeles area Consumer Price Index, to a maximum of 3% per year; excess banked.
<u>*Tier 2*</u>	
(§ 4.1069)	Based on changes to Los Angeles area Consumer Price Index, to a maximum of 2% per year; member can purchase additional COLA not to exceed 1% per year (paid in full by member)*; excess not banked.
	* *It is assumed that such discretionary purchases will only happen at retirement and the cost for such purchases by the member is therefore not included in this valuation.*

Death after Retirement:

<u>*Tier 1*</u> *(§ 4.1010(c))*	(i) 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement)*; (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option.
<u>*Tier 2*</u> *(§ 4.1060(c))*	(i) If elected at retirement, a modified continuance to an eligible spouse, domestic partner, or designated beneficiary*; (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option. * *The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a continuance pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1062 (Tier 2).*

Death before Retirement:

<u>*Tier 1*</u> *(§ 4.1010(a))*	Greater of: <u>Option #1</u>: (i) Eligibility – None. (ii) Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

Death before Retirement: (continued)

Tier 1 (continued)

Service Credit	Number of Monthly Payments
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Option #2:

(i) Eligibility – Duty-related death or after 5 years of service.

(ii) Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

Tier 2

(§ 4.1060(a))

Greater of:

Option #1:

(i) Eligibility – None.

(ii) Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

Service Credit	Number of Monthly Payments
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Death before Retirement: (continued)

Tier 2 (continued)

Option #2:

(i) Eligibility – Eligible for service retirement.

(ii) Benefit – Modified continuance of service retirement benefit under 100% J&S option to eligible spouse or domestic partner.

Member Normal Contributions:

Tier 1

(§ 4.1003)

Effective July 1, 2011, the member normal contribution rate became 7% for all employees. The 7% member rate shall be paid until June 30, 2026 or until the ERIP Cost Obligation (defined in ERIP Ordinance 180926) is fully paid, whichever comes first*.

Beginning January 1, 2013, all non-represented members and members in certain bargaining groups are required to pay an additional 4% member contribution rate.

Members with no eligible spouse or domestic partner at retirement can request a refund of the survivor portion of the member contributions (i.e., generally based on a contribution rate of 0.5% of pay).

* *The member normal contribution rate will drop down to 6% afterwards.*

Tier 2

(§ 4.1053)

Actuarially determined rate to fund 75% of normal costs and 50% of UAAL for Tier 2. The initial rate is 10% of pay for the first four years of Tier 2. The rate is then established every three years thereafter, with the first determination to be effective July 1, 2017.

Disability:

Tier 1

Service Requirement (§4.1008(a))	5 years of continuous service
Amount(§4.1008(c))*	1/70 (1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

Tier 2

Service Requirement (§4.1058(a))	10 years of continuous service
Amount (§4.1058(c))*	1/90 (1.11%) of the Final Average Monthly Compensation per year of service.

* *The benefit calculated using the service retirement formula will be paid if the member is eligible and that benefit is greater than that calculated under the disability retirement formula.*

Deferred Withdrawal Retirement Benefit (Vested):

Tier 1

(§ 4.1006)

Age & Service Requirement	Age 70 with 5 years of continuous service; or
	Age 60 with 5 years of continuous service and at least 10 years elapsed from first date of membership; or
	Age 55 with at least 30 years of service.
	Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.
Amount	Normal retirement benefit (or refund of contributions, if greater)

Deferred Withdrawal Retirement Benefit (Vested): (continued)

Tier 1 (continued)

Age & Service Requirement	Age 55 with 5 years of continuous service and at least 10 years elapsed from first date of membership; or
	Age 55 with 10 years of continuous service.
	Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.
Amount	Early retirement benefit (or refund of contributions, if greater)

Tier 2

(§ 4.1056)

Age & Service Requirement	Age 70 with 5 years of continuous service; or
	Age 55 with 5 years of continuous service and at least 10 years elapsed from first date of membership; or
	Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership; or
	Deferred employee who meets part-time eligibility: age 70.
Amount	Early or normal retirement benefit (or refund of contributions, if greater)

Withdrawal of Contributions Benefit (Ordinary Withdrawal):

Refund of employee contributions with interest.

Changes in Plan Provisions: None during July 1, 2014 to June 30, 2015.

NOTE: *The summary of major Plan provisions is designed to outline principal plan benefits as interpreted for purposes of the actuarial valuation. If the System should find the plan summary not in accordance with the actual provisions, the System should alert the actuary so that both parties can be sure the proper provisions are valued.*

Segal Consulting

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2015 in accordance with GASB Statements No. 43 and No.45

Segal Consulting
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T 415.263.8200 www.segalco.com

October 30, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2015 under Governmental Accounting Standards Board Statements No. 43 and No. 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB Obligation (NOO) as of June 30, 2015, establishes the Annual Required Contribution (ARC) for the Fiscal Year 2016/2017, and analyzes the preceding year's experience. This report was based on the census and unaudited financial data provided by the Retirement System and the terms of the Plan as summarized in Exhbit III. The actuarial calculations were completed under the supervision of Thomas Bergman, ASA, MAAA, Enrolled Actuary and Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions used in this valution and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibits II and III.

Sincerely,

Segal Consulting, a Member of the Segal Group, Inc.

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

JRC/hy

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PURPOSE

This report presents the results of our actuarial valuation of the City of Los Angeles Employees' Retirement System OPEB plan as of June 30, 2015. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

HIGHLIGHTS OF THE VALUATION

- All employees who became members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the Los Angeles Administrative Code, were reported by LACERS as Tier 2 members in this valuation. We were informed, however, that the introduction of the new Tier 2 was legally challenged by the labor groups. Based on a report dated October 23, 2015 from the City Administrative Officer to the Mayor, we understand that the City and the labor groups have entered into an agreement to dismiss the legal challenge by rescinding Tier 2 and adopting an ordinance to enroll new hires in a new Tier 3. As part of the agreement, all Tier 2 members will be transferred to Tier 1.

  As of the issuance date of this valuation report, the provisions of Tier 3 have not yet been determined, and the Tier 2 employees have not yet been transferred to Tier 1. We would assist the Board in determining the funding requirements caused by these events in a separate report as soon as we are directed to do so by LACERS.

- The recommended contribution has decreased from $106.6 million (5.62% of payroll) to $90.5 million (4.74% of payroll), assuming contributions are made by the City on July 15. The main reason for the reduction in contribution rate was due to lower than projected health insurance premiums for the 2016 calendar year. Some premiums for 2016 were renewed at lower amounts than those in effect during 2015. A complete reconciliation of the change in the recommended contribution rate is provided in Section 3, Exhibit H; rates are shown separately for Tiers 1 and 2 in Chart 4 of Section 2.

- The ratio of the actuarial value of assets to actuarial accrued liabilities increased from 72.90% to 79.67%. On a market value of assets basis, the funded ratio increased from 78.54% to 80.99%. The unfunded actuarial accrued liability decreased from $721.6 million to $538.1 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 2, Chart 2.

- On October 25, 2011, the Board elected to phase in the impact of new actuarial assumptions (adopted as a result of the June 30, 2011 Triennial Experience Study) on the City's retirement and health plan contributions over a five-year period, beginning with the 2012-2013 Fiscal Year. The recommended contribution rates for Fiscal Year 2016-2017 (the last year of the phase-in) are contained in this report and do not reflect any adjustments for the phase-in, as those adjustments no longer apply.

On October 14, 2014, as part of the Board's deliberations on the actuarial assumptions for use starting with the June 30, 2014 valuation (adopted as a result of the June 30, 2014 Triennial Experience Study), the Board also discussed the possibility of phasing in the cost impact of the new actuarial assumptions on the City's retirement and health plan contributions over three alternative phase-in periods. Based on subsequent discussions, the City chose not to request any phase-in.

- As indicated in Section 3, Exhibit G, the total unrecognized investment gain as of June 30, 2015 is $229,171,148 for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. This implies that earning the assumed rate of investment return of 7.50% per year (net of expenses) on a market value basis will result in net investment gains on the actuarial value of assets after June 30, 2015. Item 9 in Exhibit G shows how, under the asset smoothing method, the $229.2 million in unrecognized gains will be recognized in the next 6 years.

  The deferred gains of $229.2 million represent 1.6% of the market value of assets as of June 30, 2015. Unless offset by future investment losses or other unfavorable experience, the recognition of the $229.2 million market gains is expected to have an impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

  - If the retiree health plan component of the deferred gains were recognized immediately in the actuarial value of assets, the funded percentage would increase from 79.67% to 80.99%.
  - If the retiree health plan component of the deferred gains were recognized immediately in the valuation value of assets, the aggregate employer rate (payable on July 15) would decrease from 4.74% to about 4.65% of payroll.

- The actuarial valuation report as of June 30, 2015 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

- As in prior years, the employer contribution rates provided in this report have been developed assuming they will be paid by the City on any of the following dates:

  (1) The beginning of the fiscal year, or

  (2) On July 15, 2016, or

  (3) Throughout the year (i.e., the City will pay contributions at the end of every pay period).

- Consistent with our recommendation since the inception of Tier 2, even though the City will be paying UAAL contributions based on the Tier 2 payroll, the contributions should be maintained on a bookkeeping basis as contributions made to the Tier 1 plan. We believe this treatment is reasonable even though some of those contributions may be allocated to pay off 50% of the UAAL that the City is required to pay to Tier 2. However, we are not recommending that allocation at this time because Segal Consulting would need to work with LACERS to determine the procedure required to ensure that none of those contributions would inadvertently affect the calculation that we would perform in the June 30, 2016 valuation when the Tier 2 members are required, for the first time, to pay the remaining 50% of the UAAL starting on July 1, 2017.

The key valuation results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30, 2015	June 30, 2014
Actuarial Accrued Liability (AAL)	$2,646,989,367	$2,662,853,153
Actuarial Value of Assets	2,108,924,651	1,941,224,810
Unfunded Actuarial Accrued Liability	538,064,716	721,628,343
Funded Ratio on Actuarial Value Basis	79.67%	72.90%
Market Value of Assets	2,143,705,809	2,091,334,640
Funded Ratio on Market Value Basis	80.99%	78.54%
Annual Required Contribution (ARC)[1]		
Normal cost (beginning of year)	$62,359,771	$65,077,122
Amortization of the unfunded actuarial accrued liability	27,827,466	41,245,521
Total Annual Required Contribution (beginning of year)	$90,187,237	$106,322,643
Total Annual Required Contribution (July 15)	$90,459,414	$106,643,515
Total Annual Required Contribution (end of each pay period)	$93,508,118	$110,237,663
Projected total payroll[2]	$1,907,664,598	$1,898,064,175
ARC as a percentage of pay (there is a 12-month delay until the rate is effective)[3]		
Beginning of year	4.73%	5.60%
July 15	4.74%	5.62%
End of each pay period	4.90%	5.81%
Total Participants	43,597	43,229
Annual OPEB Cost (AOC) for Coming Year		
Annual Required Contributions (July 15)	$106,643,515	$103,585,288
Interest on Net OPEB Obligations	0	0
ARC Adjustments	0	0
Total Annual OPEB Cost	$106,643,515	$103,585,288
AOC as a percent of pay	5.62%	5.61%

(1) *The June 30, 2014 contribution rates are before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Reflects amount calculated in the pension valuation.*

(3) *A breakdown of the ARC by tier is provided in Chart 4.*

Important Information about Actuarial Valuations

In order to prepare an actuarial valuation, Segal Consulting ("Segal") relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the Retirement Office. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by the Retirement Office.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of LACERS. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If LACERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.

- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. LACERS should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of LACERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to LACERS.

October 30, 2015

Actuarial Certification

This is to certify that Segal Consulting (Segal) has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2015, in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this other postemployment benefit program with the last valuation completed as of June 30, 2014. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of Governmental Accounting Standard Board (GASB) Statements No. 43 and No. 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant, premium, claims and financial data provided by LACERS. Segal did not audit LACERS' financial statements, but conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Retirement System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age cost method. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 43 and 45.

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

Segal prepared all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) and the supporting schedules in the Financial Section. A listing of supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB Statements No. 43 and 45 and in the Actuarial Section is provided below:

Financial Section
1) Schedule of Funding Progress
2) Schedule of Employer Contributions

Actuarial Section
3) Active Member Valuation Data
4) Retirees and Beneficiaries Added to and Removed from Health Benefits
5) Solvency Test for Health Benefits
6) Schedule of Funding Progress
7) Actuarial Analysis of Financial Experience
8) Actuarial Balance Sheet

Actuarial Certification (continued)

October 30, 2015

LACERS' staff prepared other trend data schedules in the statistical section based on information supplied in this valuation report.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, and/or the American Academy of Actuaries, as well as other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Thomas Bergman, ASA, MAAA, EA
Associate Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

	Actuarial Present Value of Total Projected Benefits (APB)	
	June 30, 2015	**June 30, 2014**
Participant Category		
Current retirees, beneficiaries, and dependents	$1,210,066,527	$1,196,769,321
Current active members	1,924,927,069	1,993,755,009
Terminated members entitled but not yet eligible	42,943,089	41,188,181
Total	$3,177,936,685	$3,231,712,511

	June 30, 2015	**June 30, 2014**
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	$2,108,924,651	$1,941,224,810
2. Present value of future normal costs	530,947,318	568,859,358
3. Unfunded actuarial accrued liability	538,064,716	721,628,343
4. Present value of current and future assets	$3,177,936,685	$3,231,712,511
Liabilities		
5. Actuarial Present Value of total Projected Benefits	$3,177,936,685	$3,231,712,511

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members, and reconciles the unfunded actuarial accrued liability from last year to this year.

CHART 2

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	June 30, 2015	June 30, 2014
Participant Category		
Current retirees, beneficiaries, and dependents	$1,210,066,527	$1,196,769,321
Current active members	1,393,979,751	1,424,895,651
Terminated members entitled but not yet eligible*	42,943,089	41,188,181
Total actuarial accrued liability	$2,646,989,367	$2,662,853,153
Unfunded Actuarial Accrued Liability		
Total actuarial accrued liability	$2,646,989,367	$2,662,853,153
Actuarial value of assets	$2,108,924,651	$1,941,224,810
Unfunded actuarial accrued liability	$538,064,716	$721,628,343

Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2015

1.	Unfunded actuarial accrued liability as of June 30, 2014	$721,628,343
2.	Employer normal cost as of June 30, 2014	65,077,122
3.	Expected employer contributions during 2014/2015 fiscal year	106,322,643
4.	Interest	51,028,712
5.	Expected unfunded actuarial accrued liability as of June 30, 2015 (1 + 2 – 3 + 4)	731,411,534
6.	Effect of actual contributions less than expected	6,608,834
7.	Effect of investment gain	-21,885,711
8.	Effect of demographic changes	-516,300
9.	Effect of premiums lower than expected	-216,379,649
10.	Effect of age-adjusted per-capita costs*	38,826,008
11.	Unfunded actuarial accrued liability as of June 30, 2015 (5 + 6 + 7 + 8 + 10)	$538,064,716

* *This is required under the new Actuarial Standards of Practice No. 6, titled, Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions.*

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. Los Angeles City Employees' Retirement System has elected to amortize the unfunded actuarial accrued liability using the following rules: The costs associated with the 2009 ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date. The unfunded actuarial accrued liability as of June 30, 2012 is amortized over a fixed period of 30 years beginning July 1, 2012. Assumption changes resulting from the triennial experience study will be amortized over 20 years.

Health trend and premium assumption changes, plan changes, and gains and losses will be amortized over 15 years.

The recommended contribution is set equal to the greater of the current funding policy amount or the minimum Annual Required Contribution (ARC) as determined by GASB Statements 43 and 45. In this report, the minimum ARC requirement for fiscal year 2016/2017 (due to the application of the GASB 30-year maximum effective amortization period) is greater than the current funding policy amount due to the 15-year amortization of the experience gain base created June 30, 2015.

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Outstanding Balance	Annual Payment*	Years Remaining
Plan Amendment (2009 ERIP)	06/30/2009	15	$54,735,645	$46,226,133	$5,841,988	9
Combined Base**	06/30/2012	30	597,984,614	634,331,767	34,953,545	27
Experience Loss	06/30/2013	15	16,206,142	15,699,859	1,461,765	13
Change in Assumptions	06/30/2014	20	135,287,549	135,654,578	9,461,134	19
Experience Gain	06/30/2014	15	-101,972,860	-100,500,803	-8,823,091	14
Experience Gain	06/30/2015	15	-193,346,818	-193,346,818	-16,085,695	15
Total				$538,064,716	$27,827,466***	

* *Level percentage of pay.*

** *On October 23, 2012, the Board elected to combine all amortization bases as of June 30, 2012, except for the base associated with the 2009 ERIP, which remains on its original schedule. In addition, the Board adopted an initial amortization period of 30 years for the combined bases as of June 30, 2012.*

*** *Reflects adjustment so that the equivalent single amortization payment is 30 years. Before the adjustment, the payment amount is $26,809,646.*

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. Both are determined as of the start of the accounting period and adjusted as if the annual cost were to be contributed throughout the fiscal year or on July 15th.

CHART 4

Determination of Annual Required Contribution (ARC)

Tier 1 - Cost Element	Determined as of June 30, 2015		June 30, 2014[1]	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$59,249,618	3.31%	$63,891,750	3.45%
2. Amortization of the unfunded actuarial accrued liability	26,092,737	1.46%[2], [3]	40,251,443	2.17%[2], [3]
3. Total Annual Required Contribution (beginning of year)	$85,342,355	4.77%	$104,143,193	5.62%
4. Projected Payroll[4]	$1,788,743,164		$1,852,318,041	
5. Adjustment for timing (July 15)	$257,555	0.02%	$314,295	0.02%
6. Total Annual Required Contribution (July 15)	$85,599,910	4.79%	$104,457,488	5.64%
7. Adjustment for timing (end of pay period)	$3,142,482	0.18%	$3,834,768	0.21%
8. Total Annual Required Contribution (end of pay period)	$88,484,837	4.95%	$107,977,961	5.83%

(1) *The June 30, 2014 contribution rates are before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Even through the City will be paying a UAAL contribution based on the Tier 2 payroll, the contributions should be maintained on a book keeping basis as contributions made to the Tier 1 plan.*

(3) *In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 2 and amortized that total UAAL over the total payroll for Tier 1 and Tier 2.*

(4) *Reflects amount calculated in the pension valuation.*

CHART 4 (continued)

Determination of Annual Required Contribution (ARC)

Tier 2 - Cost Element	**Determined as of June 30, 2015**		**June 30, 2014[1]**	
	Amount	**Percentage of Compensation**	**Amount**	**Percentage of Compensation**
1. Normal cost	$3,110,153	2.62%	$1,185,372	2.59%
2. Amortization of the unfunded actuarial accrued liability	1,734,730	1.46%[2], [3]	994,078	2.17%[2], [3]
3. Total Annual Required Contribution (beginning of year)	$4,844,883	4.08%	$2,179,450	4.76%
4. Projected Payroll[4]	$118,921,434		$45,746,134	
5. Adjustment for timing (July 15)	$14,621	0.01%	$6,577	0.02%
6. Total Annual Required Contribution (July 15)	$4,859,504	4.09%	$2,186,027	4.78%
7. Adjustment for timing (end of pay period)	$178,398	0.14%	$80,252	0.18%
8. Total Annual Required Contribution (end of pay period)	$5,023,281	4.22%	$2,259,702	4.94%

(1) *The June 30, 2014 contribution rates are before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Even through the City will be paying a UAAL contribution based on the Tier 2 payroll, the contributions should be maintained on a book keeping basis as contributions made to the Tier 1 plan.*

(3) *In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 2 and amortized that total UAAL over the total payroll for Tier 1 and Tier 2.*

(4) *Reflects amount calculated in the pension valuation.*

CHART 4 (continued)

Determination of Annual Required Contribution (ARC)

Combined - Cost Element	Determined as of June 30, 2015		June 30, 2014[1]	
	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1. Normal cost	$62,359,771	3.27%	$65,077,122	3.43%
2. Amortization of the unfunded actuarial accrued liability	27,827,466	1.46%[(2), (3)]	41,245,521	2.17%[(2), (3)]
3. Total Annual Required Contribution (beginning of year)	$90,187,237	4.73%	$106,322,643	5.60%
4. Projected Payroll[4]	$1,907,664,598		$1,898,064,175	
5. Adjustment for timing (July 15)	$272,177	0.01%	$320,872	0.02%
6. Total Annual Required Contribution (July 15)	$90,459,414	4.74%	$106,643,515	5.62%
7. Adjustment for timing (end of pay period)	$3,320,881	0.17%	$3,915,020	0.21%
8. Total Annual Required Contribution (end of pay period)	$93,508,118	4.90%	$110,237,663	5.81%

(1) *The June 30, 2014 contribution rates are before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

(2) *Even through the City will be paying a UAAL contribution based on the Tier 2 payroll, the contributions should be maintained on a book keeping basis as contributions made to the Tier 1 plan.*

(3) *In developing the UAAL contribution rate, we have combined the UAAL for Tier 1 and Tier 2 and amortized that total UAAL over the total payroll for Tier 1 and Tier 2.*

(4) *Reflects amount calculated in the pension valuation.*

The OPEB Cost (AOC) adjusts the ARC for any past differences between the ARC and contributions in relation to the ARC as tracked in the Net OPEB Obligation (NOO). The AOC is the cost of OPEB actually recognized as an expense for the Fiscal Year under GASB 45.

CHART 4 (continued)

Determination of Annual OPEB Cost (AOC)

	Determined as of			
Cost Element	**June 30, 2015**		**June 30, 2014***	
	Amount	**Percentage of Compensation**	**Amount**	**Percentage of Compensation**
1. Annual Required Contribution (July 15)	$90,459,414	4.74%	$106,643,515	5.62%
2. Interest on Beginning of Year Net OPEB Obligation (NOO)	0	0.00%	0	0.00%
3. ARC adjustment	0	0.00%	0	0.00%
4. Annual OPEB Cost (July 15)	$90,459,414	4.74%	$106,643,515	5.62%

* *The June 30, 2014 contribution rate is before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the schedule of employer contributions compares actual contributions to the AOC. The dollar amounts shown below reflect the contribution rates applied to actual payrolls.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

GASB 43

Fiscal Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	$96,511,234	$96,511,234	100.00%
2011	107,395,804	107,395,804	100.00%
2012	115,208,835	115,208,835	100.00%
2013	72,916,729	72,916,729	100.00%
2014	97,840,554	97,840,554	100.00%
2015	100,466,945	100,466,945	100.00%

Required Supplementary Information – Schedule of Employer Contributions

GASB 45

Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2010	$96,511,234	$96,511,234	100.00%
2011	107,395,804	107,395,804	100.00%
2012	115,208,835	115,208,835	100.00%
2013	72,916,729	72,916,729	100.00%
2014	97,840,554	97,840,554	100.00%
2015	100,466,945	100,466,945	100.00%

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2010	$1,425,726,017	$2,233,874,432	$808,148,415	63.82%	$1,817,662,284	44.46%
06/30/2011	1,546,883,749	1,968,707,666	421,823,917	78.57%	1,833,392,381	23.01%
06/30/2012	1,642,373,560	2,292,400,227	650,026,667	71.64%	1,819,269,630	35.73%
06/30/2013	1,734,733,258	2,412,483,968	677,750,710	71.91%	1,846,970,474	36.70%
06/30/2014	1,941,224,810	2,662,853,153	721,628,343	72.90%	1,898,064,175	38.02%
06/30/2015	2,108,924,651	2,646,989,367	538,064,716	79.67%	1,907,664,598	28.21%

* *Reflects amount calculated in the pension valuation.*

The Net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

The dollar amounts shown below reflect the contribution rates applied to actual payrolls.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year End	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of Fiscal Year (g)
06/30/2010	$96,511,234	$0	$0	$96,511,234	$96,511,234	$0	$0
06/30/2011	107,395,804	0	0	107,395,804	107,395,804	0	0
06/30/2012	115,208,835	0	0	115,208,835	115,208,835	0	0
06/30/2013	72,916,729	0	0	72,916,729	72,916,729	0	0
06/30/2014	97,840,554	0	0	97,840,554	97,840,554	0	0
06/30/2015	100,466,945	0	0	100,466,945	100,466,945	0	0

VOLATILITY RATIOS

Retirement plans are subject to volatility in the level of required contributions. This volatility tends to increase as retirement plans become more mature.

The Asset Volatility Ratio (AVR), which is equal to the market value of assets divided by total payroll, provides an indication of the potential contribution volatility for any given level of investment volatility. A higher AVR indicates that the plan is subject to a greater level of contribution volatility. This is a current measure since it is based on the current level of assets.

For LACERS, the current AVR is about 1.12. This means that a 1% asset gain/(loss) (relative to the assumed investment return) translates to about 1.12% of one-year's payroll. Since LACERS amortizes actuarial gains and losses over a period of 15 years, there would be a 0.09% of payroll decrease/(increase) in the required contribution for each 1% asset gain/(loss).

The Liability Volatility Ratio (LVR), which is equal to the Actuarial Accrued Liability divided by payroll, provides an indication of the longer-term potential for contribution volatility for any given level of investment volatility. This is because, over an extended period of time, the plan's assets should track the plan's liabilities. For example, if a plan is 50% funded on a market value basis, the liability volatility ratio would be double the asset volatility ratio and the plan sponsor should expect contribution volatility to increase over time as the plan becomes better funded.

The LVR also indicates how volatile contributions will be in response to changes in the Actuarial Accrued Liability due to actual experience or to changes in actuarial assumptions.

For LACERS, the current LVR is about 1.39. This is about 24% higher than the AVR. Therefore, we would expect that contribution volatility will increase over the long-term.

This chart shows how the asset and liability volatility ratios have varied over time.

CHART 8

Volatility Ratios for Years Ended June 30, 2010 – 2015

Year Ended June 30	Asset Volatility Ratio	Liability Volatility Ratio
2010	0.64	1.23
2011	0.80	1.07
2012	0.82	1.26
2013	0.93	1.31
2014	1.10	1.40
2015	1.12	1.39

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, inactive non-vested members (entitled to a refund of member contributions), inactive vested members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibit A.

A historical perspective of how the member population has changed over the past nine valuations can be seen in this chart.

CHART 9

Member Population: 2007 – 2015

Year Ended June 30	Active Participants	Inactive Members	Retired Members and Beneficiaries**	Ratio of Non-Actives to Actives
2007	30,175	607	11,336	0.40
2008	30,236	703	12,004	0.42
2009	30,065	674	11,893	0.42
2010	26,245	806	13,442	0.54*
2011	25,449	813	13,436	0.56
2012	24,917	858	13,431	0.57
2013	24,441	861	13,592	0.59
2014	24,009	955	13,686	0.61
2015	23,895	1,032	14,012	0.63

* *Reflects 2009 Early Retirement Incentive Program.*

** *Excludes retirees and surviving spouses not yet eligible for retiree health benefits.*

This exhibit summarizes the participant data used for the current and prior valuations.

EXHIBIT A
Summary of Participant Data

	June 30, 2015	June 30, 2014
Retirees*		
Number of non-disabled	11,891	11,612
Number of disabled	324	316
Total number of retirees	12,215	11,928
Average age of retirees	71.8	71.7
Number of spouses	4,658	4,579
Average age of spouses	68.3	68.4
Surviving Spouses*		
Number	1,797	1,758
Average age	79.4	79.1
Active Participants		
Number	23,895	24,009
Average age	48.8	48.8
Average years of service	15.0	15.0
Inactive Vested Participants (excluding those with less than 10 years of service)		
Number	1,032	955
Average age	50.8	51.3

* *Excludes retirees and surviving spouses not receiving retiree health benefits.*

EXHIBIT B
Reconciliation of Participant Data with Pension Valuation

	June 30, 2015	June 30, 2014
Retirees		
Pension valuation	13,217	12,880
Retirees with no subsidy due to service or decision not to enroll	-1,299	-1,236
Deferred retirees eligible for future health benefits	-27	-32
Health valuation	11,891	11,612
Disableds		
Pension valuation	910	900
Disabled with no subsidy due to service or decision not to enroll	-512	-500
Deferred disableds eligible for future health benefits	-74	-84
Health valuation	324	316
Surviving Spouses		
Pension valuation	3,805	3,752
Surviving spouses with no subsidy due to service or decision not to enroll	-1,930	-1,918
Deferred surviving spouses eligible for future health benefits	-78	-76
Health valuation	1,797	1,758
Actives		
Pension valuation	23,895	24,009
Health valuation	23,895	24,009
Inactive Vested		
Pension valuation	6,507	6,031
Inactive vesteds with less than 10 years of service	-5,475	-5,076
Health valuation	1,032	955

EXHIBIT C
Retirees and Beneficiaries Added to and Removed from the Rolls

Year Ended 6/30	No. of New Retirees/ Beneficiaries	Annual Allowances Added*	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
2010	2,104	$23,010,841	555	$2,670,987	13,442	$94,208,355	27.5	7,009
2011	431	5,670,390	437	2,774,684	13,436	97,104,061	3.1	7,227
2012	433	-540,583	438	2,516,835	13,431	94,046,643	-3.1	7,002
2013	635	9,263,844	474	2,463,967	13,592	100,846,520	7.2	7,420
2014	616	7,160,148	522	3,047,436	13,686	104,959,232	4.1	7,669
2015	860	10,844,333	534	3,174,045	14,012	112,629,520	7.3	8,038

* *Also reflects changes in subsidies for continuing retirees and beneficiaries.*

EXHIBIT D
Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go ("paygo") cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well-funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending June 30	Projected Number of Retirees*			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2016	18,670	1,190	19,860	$105,254,511	$8,274,635	$113,529,146
2017	18,167	2,097	20,264	101,693,106	15,536,907	117,230,013
2018	17,633	3,049	20,682	101,925,552	24,430,180	126,355,732
2019	17,078	4,057	21,135	102,393,883	34,609,218	137,003,101
2020	16,516	5,107	21,623	102,128,188	46,376,877	148,505,065
2021	15,941	6,192	22,133	101,774,549	59,459,587	161,234,136
2022	15,361	7,235	22,596	101,601,587	72,989,352	174,590,939
2023	14,774	8,237	23,011	100,678,317	86,429,956	187,108,273
2024	14,183	9,218	23,401	100,048,971	100,189,832	200,238,803
2025	13,581	10,106	23,687	99,281,102	113,270,966	212,552,068

* *Includes spouses of retirees, but excludes those not receiving a subsidy from LACERS.*

EXHIBIT E

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement, Health, Family Death and Larger Annuity Benefits

	June 30, 2015		June 30, 2014	
Contribution income:				
Employer contributions	$481,765,868		$455,658,786	
Employee contributions	207,564,465		204,135,914	
Net contribution income		$689,330,333		$659,794,700
Investment income:				
Interest, dividends and other income	$315,373,999		$297,955,531[1]	
Recognition of capital appreciation	887,268,617		873,017,519[1]	
Less investment and administrative fees	-83,431,256		-72,807,769[1]	
Net investment income		$1,119,211,360		$1,098,165,281
Total income available for benefits		$1,808,541,693		$1,757,959,981
Less benefit payments:				
Payment of benefits	-$838,334,980		-$810,584,271	
Refunds of contributions	-10,120,884		-15,982,650	
Net benefit payments		-$848,455,864[2]		-$826,566,921
Change in reserve for future benefits		$960,085,829		$931,393,060

[1] *Based on information provided by LACERS, these amounts have been reclassified for comparative purposes. Such reclassification had no effect on the previously reported Fiduciary Net Position (i.e., market value of assets) for fiscal year ended June 30, 2014.*

[2] *Includes a transfer of $2,614,765 to the City of Los Angeles Fire and Police Pension Plan due to a change in membership for certain employees in the Office of Public Safety.*

Note: Results may be slightly off due to rounding.

EXHIBIT F
Summary Statement of Assets for Retirement, Health, Family Death, and Larger Annuity Benefits

	June 30, 2015		June 30, 2014	
Cash equivalents		$520,833,530		$681,628,644
Accounts receivable:				
Investment income	$44,947,780		$41,214,524	
Proceeds from sales of investments	118,813,253		166,513,233	
Other	9,783,949		14,362,275	
Total accounts receivable		$173,544,982		$222,090,032
Investments:				
Fixed Income	$3,589,262,579		$2,860,598,505	
Equities	8,100,719,055		8,617,236,944	
Real Estate and Alternative Investment	1,991,923,845		1,967,891,805	
Other	847,945,965		1,037,019,541	
Total investments at market value		$14,529,851,444		$14,482,746,795
Capital assets		$4,050,199		$2,667,881
Total assets		$15,228,280,155		$15,389,133,352
Less accounts payable:				
Accounts payable and accrued expenses		-$34,950,273	-$17,879,799	
Accrued investment expenses		-9,333,189	-11,993,596	
Purchases of investments		-228,312,951	-400,955,915	
Security lending collateral		-830,923,367	-1,022,532,044	
Total accounts payable		-$1,103,519,780		-$1,453,361,354
Net assets at market value		$14,124,760,375		$13,935,771,998
Net assets at actuarial value		$13,895,589,227		$12,935,503,398
Net assets at valuation value (retiree health)		$2,108,924,651		$1,941,224,810

Note: Results may be slightly off due to rounding.

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

EXHIBIT G

Determination of Actuarial Value of Assets as of June 30, 2015

		Original Amount	Portion Not Recognized	Amount Not Recognized	
1.	Market value of assets				$14,124,760,375
2.	Calculation of unrecognized return[1]				
	(a) Year ended June 30, 2015	-$707,760,540	6/7	-$606,651,891	
	(b) Year ended June 30, 2014	1,246,285,581	5/7	890,203,986	
	(c) Combined net deferred loss as of June 30, 2013[2]	-81,571,421	4/6	-54,380,947	
	(d) Total unrecognized return				$229,171,148
3.	Preliminary actuarial value: (1) - (2d)				$13,895,589,227
4.	Adjustment to be within 40% corridor				0
5.	Final actuarial value of assets: (3) + (4)				$13,895,589,227
6.	Actuarial value as a percentage of market value: (5) ÷ (1)				98.4%
7.	Market value of health assets				$2,143,705,809
8.	Valuation value of health assets (5) ÷ (1) x (7)				$2,108,924,651
9.	Deferred return recognized in each of the next 6 years:				
	(a) Amount recognized on 6/30/2016				$63,336,911
	(b) Amount recognized on 6/30/2017				63,336,911
	(c) Amount recognized on 6/30/2018				63,336,911
	(d) Amount recognized on 6/30/2019				63,336,911
	(e) Amount recognized on 6/30/2020				76,932,148
	(f) Amount recognized on 6/30/2021				-101,108,649
	(g) Subtotal (may not total exactly due to rounding)				$229,171,148

(1) *Total return minus expected return on a market value basis.*

(2) *Based on action taken by the Board on September 9, 2014, the net unrecognized loss as of June 30, 2013 (i.e., $81,571,421) has been recognized in six level amounts, with four years of recognition remaining after the June 30, 2015 valuation.*

The chart below details the changes in the ARC from the prior valuation to the current year's valuation.

EXHIBIT H

Reconciliation of Recommended Contribution from June 30, 2014 to June 30, 2015[1]

Recommended Contribution as of June 30, 2014[2]	5.81%
Effect of demographic gains and losses[3]	0.04%
Effect of actual contributions less than expected[3]	0.03%
Effect of investment gain[3]	-0.10%
Effect of increase in UAAL rate from lower than expected increase in payroll[3]	0.08%
Effect of limiting UAAL payment to 30 years	0.06%
Effect of premiums lower than expected[3]	-1.23%
Effect of age-adjusted per-capita costs[3]	0.21%
Recommended Contribution as of June 30, 2015[2]	4.90%

[1] *Based on contributions at the end of each pay period.*

[2] *The June 30, 2014 contribution rate is before adjustments to phase in over five years the City contribution rate impact of new actuarial assumptions adopted as recommended in the June 30, 2011 Triennial Experience Study. Those adjustments no longer apply after the June 30, 2014 valuation.*

[3] *Changes in unfunded actuarial accrued liability were amortized over 15 years.*

EXHIBIT I
Solvency Test for OPEB

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date	Terminated Members	Retirees, Beneficiaries, & Dependents	Active Members	Valuation Value of Retiree Health Assets	Terminated Members	Retirees, Beneficiaries, & Dependents	Active Members
06/30/2010	$34,454,928	$1,124,253,854	$1,075,165,650	$1,425,726,017	100%	100%	25%
06/30/2011	19,963,811	1,066,350,888	882,392,967	1,546,883,749	100	100	52
06/30/2012	24,454,075	1,083,168,136	1,184,778,016	1,642,373,560	100	100	45
06/30/2013	26,868,636	1,104,832,577	1,280,782,755	1,734,733,258	100	100	47
06/30/2014	41,188,181	1,196,769,321	1,424,895,651	1,941,224,810	100	100	49
06/30/2015	42,943,089	1,210,066,527	1,393,979,751	2,108,924,651	100	100	61

**Includes liabilities for the 2,393 ERIP-electing members.*

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2015	
Actuarial cost method	Entry Age Cost Method, level percent of salary.	
Amortization method	Level percent of payroll – assuming a 4.00% increase in total covered payroll.	
Amortization period	Multiple layers, closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers for the Retirement Plan, were combined and amortized over 30 years. Health trend and premium assumption changes are amortized over 15 years. The recommended contribution is set equal to the greater of the current funding policy amount or the minimum Annual Required Contribution (ARC) as determined by GASB Statements 43 and 45. In this report, the minimum ARC requirement for fiscal year 2016/2017 (due to the application of the GASB 30-year maximum effective amortization period) is greater than the current funding policy amount due to the 15 year amortization of the experience gain base created June 30, 2015.	
Asset valuation method	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.	
Actuarial assumptions:		
Investment rate of return	7.50%	
Inflation rate	3.25%	
Real across-the-board salary increase	0.75%	
Projected salary increases	Ranges from 10.50% to 4.40%	
Medical cost trend rate	See table on page 38 in Exhibit II.	
Dental cost trend rate	5.00%	
Medicare Part B premium	2.50% for the 2015-16 fiscal year (calculated based on the actual increase in Medicare B premium from 2015 to 2016). 5.00% for years following the 2016 calendar year.	
Plan membership:	June 30, 2015	June 30, 2014
Current retirees, beneficiaries, and dependents receiving benefits	18,670	18,265
Current active participants	23,895	24,009
Terminated participants entitled but not yet eligible	1,032	955
Total	43,597	43,229

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions: The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 8, 2014. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 2 members. These assumptions have been adopted by the Board.

Measurement Date: June 30, 2015

Data: LACERS provided detailed census data and financial data for post-employment benefits.

Post-Retirement Mortality Rates:

Healthy Members and All Beneficiaries: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

Disabled Members: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.

The above mortality tables contain about a 10% margin, based on actual to expected deaths, as a provision appropriate to reasonably anticipate future mortality improvement, based on a review of mortality experience as of the measurement date.

Termination Rates Before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

	Rate (%)	
Age	Disability	Termination*
25	0.01	5.75
30	0.03	5.75
35	0.05	4.85
40	0.09	3.50
45	0.15	2.70
50	0.19	2.50
55	0.20	2.35
60	0.20	2.25

* *Rates for members with five or more years of service. Termination rates are zero for members eligible to retire.*

Rates of termination for members with less than 5 years of service are as follows:

Service	Rate (%) Termination (Based on Service)
0	13.25
1	11.00
2	8.75
3	7.25
4	5.75

Retirement Rates:

	Rate (%)			
	Tier 1		Tier 2	
Age	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	0.0	0.0
51	3.0	0.0	0.0	0.0
52	3.0	0.0	0.0	0.0
53	3.0	0.0	0.0	0.0
54	16.0	0.0	0.0	0.0
55	6.0	20.0	3.5	8.0
56	6.0	14.0	3.5	7.0
57	6.0	14.0	3.5	7.0
58	6.0	14.0	3.5	7.0
59	6.0	14.0	3.5	7.0
60	6.0	14.0	5.5	7.0
61	6.0	14.0	5.5	9.0
62	7.0	15.0	5.5	11.0
63	7.0	15.0	5.5	13.0
64	7.0	16.0	5.5	16.0
65	12.0	17.0	12.0	19.0
66	12.0	17.0	12.0	19.0
67	12.0	17.0	12.0	19.0
68	12.0	17.0	12.0	19.0
69	12.0	17.0	12.0	19.0
70	100.0	100.0	100.0	100.0

Retirement Age and Benefit for Inactive Vested Participants: Assume retiree health benefit will be paid at the later of age 58 or the current attained age.

Exclusion of Inactive Vested: Inactive vested with less than 10 years of service are excluded.

Definition of Active Members: First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.

Unknown Data for Members: Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Service: Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.

Future Benefit Accruals: 1.0 year of service per year.

Net Investment Return: 7.50%

Salary Increases: Inflation: 3.25%; plus additional 0.75% "across the board" salary increases (other than inflation); plus the following merit and promotional increases:

Service	Percentage Increase
0	6.50%
1	6.20%
2	5.10%
3	3.10%
4	2.10%
5	1.10%
6	1.00%
7	0.90%
8	0.70%
9	0.60%
10+	0.40%

Actuarial Value of Assets: The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Cost Method: Entry Age Cost Method, level percent of salary.

Per Capita Cost Development: The assumed costs on a composite basis are the future costs of providing postemployment health care benefits at each age. To determine the assumed costs on a composite basis, historical premiums are reviewed and adjusted for increases in the cost of health care services.

Maximum Dental Subsidy

Carrier	Participation Percent	Monthly 2015-2016 Fiscal Year Subsidy
Delta Dental PPO	78.1%	$43.24
DeltaCare USA HMO	21.9%	$12.04

Per Capita Cost Development – Tier 1, Not Subject to Medical Subsidy Cap:

Participant Under Age 65 or Not Eligible for Medicare A & B

2015-2016 Fiscal Year		**Single Party**			**Married/With Domestic Partner**			**Eligible Survivor**		
CARRIER	Observed and Assumed Election Percent	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**
Kaiser HMO	**61.6%**	$767.95	$1,580.08	**$767.95**	$1,535.90	$1,580.08	**$1,535.90**	$767.95	$767.95	**$767.95**
Anthem Blue Cross PPO	**21.8%**	$1,072.83	$1,580.08	**$1,072.83**	$2,141.19	$1,580.08	**$1,580.08**	$1,072.83	$767.95	**$767.95**
Anthem Blue Cross HMO	**16.6%**	$959.12	$1,580.08	**$959.12**	$1,913.76	$1,580.08	**$1,580.08**	$959.12	$767.95	**$767.95**

* With the exception of Kaiser, the amounts above reflect the inclusion of the vision insurance plan premium.

** The amounts shown in the tables above apply to Tier 1 members only. For Tier 2 members hired on or after July 1, 2013, the medical plan will be for single coverage and for retiree only. In addition, that maximum subsidy will be set at an amount equal to the lowest-cost single-party plan for those not enrolled in Medicare Parts A and B ($767.95 per month for 2015-2016).

Participant Eligible for Medicare A & B

2015-2016 Fiscal Year		**Single Party**			**Married/With Domestic Partner**			**Eligible Survivor**		
CARRIER	Observed and Assumed Election Percent	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**	Monthly Premium*	Maximum Subsidy**	**Subsidy**
Kaiser Senior Advantage HMO	**58.1%**	$232.13	$232.13	**$232.13**	$464.25	$464.25	**$464.25**	$232.13	$232.13	**$232.13**
Anthem Blue Cross Medicare Supplement	**29.9%**	$505.48	$505.48	**$505.48**	$1,006.49	$1,000.73	**$1,000.73**	$505.48	$505.48	**$505.48**
UHC Medicare Adv. HMO for California***	**12.0%**	$253.10	$253.10	**$253.10**	$501.73	$501.73	**$501.73**	$253.10	$253.10	**$253.10**

* With the exception of Kaiser, the amounts above reflect the inclusion of the vision insurance plan premium.

** The amounts shown in the tables above apply to Tier 1 members only. For Tier 2 members hired on or after July 1, 2013, the maximum medical plan premium subsidy will be for single coverage and for retiree only (for example, $232.13 and $505.48 per month for Kaiser HMO and Blue Cross Medicare Supplement, respectively in 2015-2016).

*** Rates for CA plan.

Members who are subject to the retiree medical subsidy cap will have monthly health insurance subsidy maximums fixed at the levels in effect at July 1, 2011, as shown in the table below:

	Single Party	Married/With Domestic Partner	Eligible Survivor
Under 65 – All Plans	$1,190.00	$1,190.00	$593.62
Over 65			
Kaiser HMO	$203.27	$406.54	$203.27
Blue Cross Medicare Supplement	$478.43	$595.60	$478.43
UHC Medicare Adv. HMO for California	$219.09	$433.93	$219.09

Adjustments to per-capita costs (as shown on page 35) based on age, gender, and status, are as follows:

	Retiree		Spouse	
Age	Male	Female	Male	Female
55	0.8981	0.9272	0.7068	0.8006
60	1.0666	0.9995	0.9462	0.9285
64	1.2237	1.0603	1.1945	1.0451
65	0.9175	0.7799	0.9175	0.7799
70	1.0634	0.8404	1.0634	0.8404
75	1.1459	0.9046	1.1459	0.9046
80+	1.2340	0.9753	1.2340	0.9753

Marital Status: 60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.

Spouse Age Difference: Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.

Surviving Spouse Coverage: With regard to members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Participation: Retiree Medical and Dental Coverage Election:

Service Range	Percent Covered*
10 – 14	65%
15 – 19	80%
20 – 24	90%
25 and Over	95%

* *Inactive members are assumed to elect coverages at 50% of the rates shown above.*

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Health Care Cost Subsidy Trend Rates:

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium. For example, the projected single party Kaiser non-Medicare premium for 2016-2017 would be (1 + 0.69%) x $767.95 = $773.25 (before applying the age, gender, and status adjustment factors as shown on page 36).

First Fiscal Year (July 1, 2015 through June 30, 2016)

PLAN	Anthem Blue Cross PPO, Under Age 65	Anthem Blue Cross Medicare Supplement	Kaiser HMO, Under Age 65	Kaiser Senior Advantage	Anthem Blue Cross HMO, Under 65	UHC Medicare Adv. HMO
Trend to be applied to 2015-2016 Fiscal Year premium	3.38%	-0.26%	0.69%	2.38%	7.99%	4.85%

The fiscal year trend rates are based on the following calendar year trend rates:

	Trend (Approx.)			Trend (applied to calculate following year premium)	
Fiscal Year	Medicare	Non-Medicare	Calendar Year	Non-Medicare	Medicare
2016-2017	6.63%	6.63%	2016	6.75%	6.75%
2017-2018	6.38%	6.38%	2017	6.50%	6.50%
2018-2019	6.13%	6.13%	2018	6.25%	6.25%
2019-2020	5.88%	5.88%	2019	6.00%	6.00%
2020-2021	5.63%	5.63%	2020	5.75%	5.75%
2021-2022	5.38%	5.38%	2021	5.50%	5.50%
2022-2023	5.13%	5.13%	2022	5.25%	5.25%
2023 and later	5.00%	5.00%	2023 and later	5.00%	5.00%

Dental Premium Trend	5.00% for all years
Medicare Part B Premium Trend	2.50% for the 2015-16 fiscal year (calculated based on the actual increase in Medicare B premium from 2015 to 2016). 5.00% for years following the 2016 calendar year.

Health Care Reform:	As previously directed by LACERS, we have not reflected in the current valuation the impact of potential excise tax imposed by the Affordable Care Act (ACA) and related statues on certain health plans in calculating the contribution rates for the employer. We understand that the recently adopted Statements No. 74 and 75 by the Governmental Accounting Standards Board (GASB) for financial reporting purposes is expected to require the inclusion of the excise tax in the liability. Statement No. 74 is effective for fiscal years beginning after June 15, 2016 for plan reporting and Statement No. 75 is effective for fiscal years beginning after June 15, 2017 for employer reporting
Administrative Expenses:	No administrative expenses were valued separately from the premium costs.
Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit III.
Assumption Changes Since Prior Valuation:	Starting premium costs and first year trends were revised to reflect 2016 calendar year premium data. Medical and dental carrier election assumptions were updated.

EXHIBIT III

Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Membership Eligibility:

Tier 1(§4.1002(a)) : All employees who became members of the Retirement System before July 1, 2013, and certain non-Tier 2 employees who became members of the Retirement System on or after July 1, 2013.

Tier 2(§4.1052(a)): All employees who became members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the Los Angeles Administrative Code.

Benefit Eligibility:

Tier 1 (§4.1111(a))

and Tier 2 (§4.1121(a)): Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a disabled retiree before the member reaches age 55.

Medical Subsidy for Members Not Subject to Cap:

Under Age 65 or Over Age 65 And Enrolled in Medicare Part B

Tier 1 (§4.1111(b)): The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2015, the maximum health subsidy is $1,580.08 per month; no increase for calendar year 2016.

Tier 2 (§4.1121(c)): The System will pay 40% of the maximum health subsidy (limited to actual premium) for a retiree with 10 years of service credit and an additional 3% for each additional year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2015, the maximum health subsidy is $787.87 per month and will decrease to $748.03 on January 1, 2016.

Over Age 65 and Enrolled in Both Medicare Parts A and B

Tier 1 (§4.1111(e)) and Tier 2 (§4.1121(d)): For retirees, a maximum health subsidy limited to the highest approved single-party monthly premium of the plan per §4.1112(d) in which the member is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Subsidy Cap for Tier 1: As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired members who did not begin to contribute an additional 2% or 4% of employee contributions to the Pension Plan.

The capped subsidy is different for Medicare and non-Medicare retirees.

The cap applies to the medical subsidy limits at the 2011 calendar year level.

The cap does not apply to the dental subsidy or the Medicare Part B premium reimbursement.

Dependents:

Tier 1 (§4.1122(e)(4)): An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service. The combined member and dependent subsidy shall not exceed the actual premium.

Tier 2 (§4.1121(d)(4)): None of the subsidy may be applied toward coverage for dependents.

Dental Subsidy for Members:

Tier 1 (§4.1114(b)):	The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2015, the maximum dental subsidy is $43.24 per month; no increase for calendar year 2016. There is no subsidy available to spouses or domestic partners. There is also no reimbursement for dental plans not sponsored by the System.
Tier 2 (§4.1124(b)):	The System will pay 40% of the maximum dental subsidy (limited to actual premium) for a retiree with 10 years of service credit and an additional 3% for each additional year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2015, the maximum dental subsidy is $43.24 per month; no increase for calendar year 2016.

Medicare Part B Subsidy for Members:

Tier 1 (§4.1113) and Tier 2 (§4.1123):	If a Retiree is covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium.

Surviving Spouse Subsidy

Tier 1 (§4.1115)	The surviving spouse or domestic partner will be entitled to a health subsidy (limited to the actual single-party premium) based on the member's years of service and the surviving dependent's eligibility for Medicare.
Under Age 65 or Over Age 65 And Only Enrolled in Medicare Part B:	The maximum health subsidy available for survivors is the Kaiser single-party premium ($787.87 per month as of July 1, 2015, decreasing to $748.03 on January 1, 2016) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

Over Age 65 and Enrolled in Both Medicare Parts A and B:

For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Surviving Spouse Subsidy For Tier 2:

No medical plan premium subsidy shall be provided to the survivor of a Tier 2 retiree.

EXHIBIT IV

Definitions of Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions:	The estimates on which the cost of the Plan is calculated including: (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future; (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates; (c) Retirement rates — the rate or probability of retirement at a given age; (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.
Actuarial Present Value of Total Projected Benefits (APB):	Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.
Normal Cost:	The amount of contributions required to fund the benefit allocated to the current year of service.
Actuarial Accrued Liability For Actives:	The equivalent of the accumulated normal costs allocated to the years before the valuation date.
Actuarial Accrued Liability For Retirees:	The single sum value of lifetime benefits to existing retirees. This sum takes account of life expectancies appropriate to the ages of the retirees and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valution. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.
Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

Net OPEB Obligation (NOO):	The NOO is the cumulative difference between the annual OPEB cost and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions.
Annual OPEB Cost (AOC):	Annual OPEB cost is the measure required by GASB 45 of a sole or agent employer's "cost" of participating in an OPEB plan. When an employer has no net OPEB obligation, annual OPEB cost is equal to the ARC. When a net OPEB obligation has a liability (positive) balance, annual OPEB cost is equal to (a) the ARC, plus (b) one year's interest on the beginning balance of the net OPEB obligation, less (c) an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of the past contribution deficiencies. When a net OPEB obligation has an asset (negative) balance, the interest adjustment should be deducted from and the ARC adjustment should be added to the ARC, to determine annual OPEB cost.
ARC Adjustment:	The ARC adjustment is an amortization payment based on the prior year NOO. The purpose of the interest and ARC adjustments is to avoid "double-counting" annual OPEB cost and liabilities. Without the adjustments, annual OPEB cost and the net OPEB obligation (liability) would be overstated by the portion of the amortization amount previously recognized in annual OPEB cost. With the adjustments, annual OPEB cost should be approximately equal to the ARC that would have been charged if all prior ARCs had been paid in full, plus one year's interest on the net OPEB obligation.
Employer Contributions:	For the purposes of GASB 43/45, an employer has contributed to an OPEB plan if the employer has (a) provided benefits directly to retired plan members or their beneficiaries, (b) paid insurance premiums to insure the payment of benefits, or (c) irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Under these statements, all state and local government entities that provide other post-employment benefits (OPEB) are required to report the cost of these benefits on their financial statements. The accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce an accrual-basis accounting requirement, thereby recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the Net OPEB Obligation (NOO). In addition, Required Supplementary Information (RSI) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibit IV of Section 4 contains a definition of terms as well as more information about GASB 43/45 concepts.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the Employer is required to implement a funding policy to satisfy the projected expense.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short-term volatility in accrued liabilities and the actuarial value of assets, if any.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future

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October 30, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 West First Street, Suite 500
Los Angeles, CA 90012-4401

Re: Los Angeles City Employees' Retirement System
FDBP Costs as of June 30, 2015

Dear Board Members:

We have developed our recommended contribution rates for the voluntary Family Death Benefit Plan ("Plan") as of June 30, 2015. These rates are effective for the two plan years beginning July 1, 2016 and ending June 30, 2018. The last review of the Plan was conducted as part of the June 30, 2013 actuarial valuation. That study yielded the current employee monthly contribution rate of $3.70. The City matches the employees' cost at the same level.

RECOMMENDATIONS

Based on the census data and the actuarial assumptions used for the June 30, 2015 actuarial valuation, our observations and recommendations are as follows:

- The current employee monthly rate is $3.70 through the end of the current plan year (June 30, 2016). Based on this rate, the estimated total annual contributions would be about $296,000 ($148,000 each for the members and the City) for plan year 2015/2016.
- It is our understanding that the earnings credited to the Family Death Benefits Reserve include realized and unrealized gains or losses. Therefore, the crediting procedure for the Family Death Benefits Reserve is in line with the procedure utilized for the retirement plan reserves (with the exceptions of the Reserve for Member Contributions and the Annuity Reserve). Since the future payment liability for this program has been discounted at the valuation assumed earnings rate of 7.50% per year for this valuation, we believe the crediting procedure is consistent with the valuation discount rate assumption.

- The plan does not currently have a formal policy on how the monthly premium rate should be adjusted to reflect any funding surplus. Based on discussions with LACERS staff, Segal has been directed to provide some possible alternatives, before the next biennial valuation as of June 30, 2017, on how the monthly premium rate could be adjusted in years when there is a surplus.
- In the interim and before presenting these alternatives to the Board, we recommend that the current employee monthly rate of $3.70 be maintained for the two plan years beginning July 1, 2016 and ending June 30, 2018.

ANALYSIS AND ASSUMPTIONS

It is our understanding that the Plan is funded on a term cost basis and the premium charged for the current year is only supposed to be sufficient to pay for the present value of the projected death benefits for those expected to die in the same period. However, there is an adjustment in the monthly premium based on the Plan's funded status to reflect the relative value of the actual plan reserve compared to the actual present value of death benefits in pay status for those who previously died. As of June 30, 2015, the Plan's term cost is $387,590 for the 3,331 active members participating at June 30, 2015. This translates to an employee and City monthly rate of $4.85 each. However, the Plan is in a surplus position as of June 30, 2015, with the Plan's actuarial value of assets of $15,402,402[1] exceeding the liability reserve of $8,378,370 by $7,024,032. This surplus is about $1 million higher than the surplus as of the last review as of June 30, 2013.

We anticipate that the surplus reserve of $7,024,032 will be sufficient to maintain the current monthly premium rates of $3.70 for the employee and the City for the two plan years beginning July 1, 2016. As surplus is depleted at the rate of about $92,000 per year, before even including actual investment return on the surplus assets of $7,024,032, there would still be a positive residual surplus remaining from the June 30, 2015 surplus balance of $7,024,032, at June 30, 2018.

As noted, all of the calculations are based on the June 30, 2015 actuarial valuation participant data and actuarial assumptions shown in the retirement plan valuation report. In addition, this plan requires further assumptions as shown below:

---

[1] If the Plan's June 30, 2015 market value of assets of $15,656,519 were to be used in the above analysis, the Plan would have a surplus of $7,278,149 instead of $7,024,032.

1) Each participating active member is assumed to have two children with an average age of about 13.
2) The children are assumed to be eligible for a monthly benefit of about $938 each until they reach age 18.
3) A surviving spouse is assumed to be eligible for a monthly benefit of about $312 until the children reach age 16.
4) A surviving spouse of a member who has paid FDBP premiums for 10 or more years is assumed to be eligible for an additional monthly benefit of about $613 starting at age 60[2].
5) As previously discussed with LACERS, survivors may not receive benefits from the FDBP if they receive a service retirement survivorship benefit from the pension plan. Therefore, those FDBP participants who are currently eligible to retire under the pension plan do not have an FDBP liability in our valuation even though it is assumed that they would continue to pay premiums to the FDBP.

The above costs were certified by Andy Yeung, ASA, Enrolled Actuary.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

DNA/bqb

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[2] Larger amounts are available if the surviving spouse begins receiving payments after age 60.

Los Angeles City Employees' Retirement System

Governmental Accounting Standards (GAS) 67
Actuarial Valuation as of June 30, 2015

This report has been prepared at the request of the Board of Administration to assist in administering the Fund. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Administration and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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October 30, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2015. It contains various information that will need to be disclosed in order to comply with GAS 67.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the System. The census and financial information on which our calculations were based was prepared by LACERS. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the System.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President and Actuary

DNA/gxk

SECTION 1

VALUATION SUMMARY

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GASB 67 INFORMATION

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Purpose

This report has been prepared by Segal Consulting to present certain disclosure information required by Statement No. 67 of the Governmental Accounting Standards Board as of June 30, 2015. This valuation is based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2015, provided by LACERS;
- The assets of the Plan as of June 30, 2015, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The Governmental Accounting Standards Board (GASB) rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices.
- When measuring pension liability, GASB uses the same actuarial cost method (Entry Age) and the same type of discount rate (expected return on assets) as LACERS uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on the same basis as LACERS' Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.
- The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis.
- The NPL increased from \$4.46 billion as of June 30, 2014 to \$4.99 billion as of June 30, 2015 mainly due to the approximate return on the market value of assets of 2.5% during 2014/2015 that was less than the assumption of 7.50%

used in the June 30, 2014 valuation (that loss was about $0.6 billion). Changes in these values during the last two fiscal years ending June 30, 2014 and June 30, 2015 can be found in Exhibit 3.

- The NPLs measured as of June 30, 2015 and 2014 have been determined from the actuarial valuations as of June 30, 2015 and June 30, 2014, respectively.
- The discount rate used to determine the TPL and NPL as of June 30, 2015 and 2014 was 7.50%, following the same assumption used by the System in the pension funding valuations as of the same dates. Details on the derivation of the discount rate can be found in Exhibit 5 of Section 2. Various other information that is required to be disclosed can be found throughout Exhibits 1 through 4 in Section 2.

Summary of Key Valuation Results

	2015	2014
Disclosure elements for fiscal year ending June 30:		
Service cost[1]	$322,380,251	$317,185,480
Total Pension Liability	16,909,996,380	16,248,853,099
Plan Fiduciary Net Position	11,920,570,019	11,791,079,473
Net Pension Liability	4,989,426,361	4,457,773,626
Schedule of contributions for fiscal year ending June 30:		
Actuarially determined contributions	$381,140,923	$357,649,232
Actual contributions	381,140,923	357,649,232
Contribution deficiency (excess)	0	0
Demographic data for plan year ending June 30:		
Number of retired members and beneficiaries	17,932	17,532
Number of vested terminated members[2]	6,507	6,031
Number of active members	23,895	24,009
Key assumptions as of June 30:		
Investment rate of return	7.50%	7.50%
Inflation rate	3.25%	3.25%
Projected salary increases[3]	Ranges from 10.50% to 4.40%, based on years of service	Ranges from 10.50% to 4.40%, based on years of service

[1] *The service cost is always based on the previous year's assumptions, meaning the June 30, 2015 value is based on those assumptions shown as of June 30, 2014, whereas the June 30, 2014 value is based on the June 30, 2013 assumptions shown below:*

Key assumptions as of June 30:	**2013**
Investment rate of return	7.75%
Inflation rate	3.50%
Projected salary increases*	Ranges from 11.25% to 4.65%, based on years of service for members with under 5 years of service and on age for members with 5 or more years of service

* Includes inflation at 3.50% plus real across the board salary increases of 0.75% plus merit and promotional increases.

[2] *Includes terminated members due a refund of employee contributions.*

[3] *Includes inflation at 3.25% plus real across the board salary increase of 0.75% plus merit and promotional increases.*

EXHIBIT 1

General Information – "Financial Statements", Note Disclosures and Required Supplementary Information for a Single-Employer Pension Plan

Plan Description

Plan administration. The Los Angeles City Employees' Retirement System (LACERS) was established by City Charter in 1937. LACERS is a single employer public employee retirement system whose main function is to provide retirement benefits to the civilian employees of the City of Los Angeles.

Under the provisions of the City Charter, the Board of Administration (the "Board") has the responsibility and authority to administer the Plan and to invest its assets. The Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. The Board has seven members: four members, one of whom shall be a retired member of the system, shall be appointed by the Mayor subject to the approval of the Council; two members shall be active employee members of the system elected by the active employee members; one shall be a retired member of the system elected by the retired members of the system.

Plan membership. At June 30, 2015, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	17,932
Vested terminated members entitled to, but not yet receiving benefits[1]	6,507
Active members	23,895
Total	48,334

[1] *Includes terminated members due a refund of employee contributions.*

Benefits provided. LACERS provides service retirement, disability, death and survivor benefits to eligible employees. Employees of the City become members of LACERS on the first day of employment in a position with the City in which the employee is not excluded from membership. Members employed prior to July 1, 2013 are designated as Tier 1 and those employed on or after July 1, 2013 are designated as Tier 2 (unless a specific exemption applies to the employee, providing a right to Tier 1 status).

Tier 1 members are eligible to retire for service with a normal retirement benefit once they attain the age of 70, or the age of 60 with 10 or more years of continuous service, or the age of 55 with 30 or more years of service. Tier 2 members are eligible to retire for service with a normal retirement benefit once they attain the age of 70, or the age of 65 with 10 or more years of continuous service.

Tier 1 members are eligible to retire for disability once they have 5 or more years of continuous service. Tier 2 members are eligible to retire for disability once they have 10 or more years of continuous service.

Under the Tier 1 formula, the monthly service retirement allowance at normal retirement age is 2.16% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 1 members reaching age 55 with 10 or more years of continuous service, or with 30 or more years of service at any age. Sample Tier 1 early retirement reduction factors, for retirement below age 60, are as follows:

Age	Early Retirement Reduction Factor
45	0.6250
50	0.7750
55	0.9250
60	1.0000

Under the Tier 2 formula, the monthly service retirement allowance at normal retirement age is 2.00% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 2 members reaching age 55 with 10 or more years of continuance service. The Tier 2 retirement factors at early retirement ages are as follows:

Age	Retirement Factor	Age	Retirement Factor
55	0.7700%	60	1.2200%
56	0.8400%	61	1.3400%
57	0.9200%	62	1.4800%
58	1.0100%	63	1.6300%
59	1.1100%	64	1.8100%

Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period (including base salary plus regularly assigned bonuses or premium pay). Under Tier 2, pension benefits are calculated based on the highest average salary earned during a 36-month period (limited to base pay).

For Tier 1 members, the maximum monthly retirement allowance is 100% of the final average monthly compensation. For Tier 2 members, the maximum monthly retirement allowance is 75% of the final average monthly compensation.

In lieu of the service retirement allowance under the Tier 1 or Tier 2 formula ("unmodified option"), the member may choose an optional retirement allowance. The unmodified option provides the highest monthly benefit and a 50% continuance to an eligible surviving spouse or domestic partner for Tier 1 members (no continuance is provided to beneficiaries of Tier 2 members under the unmodified option). The optional retirement allowances require a reduction in the unmodified option amount in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

LACERS provides annual cost-of-living adjustments (COLAs) to all retirees. The cost-of-living adjustments are made each July 1 based on the percentage change in the average of the Consumer Price Index for the Los Angeles-Riverside-Orange County Area--All Items For All Urban Consumers. It is capped at 3.0% for Tier 1 and 2.0% for Tier 2. Tier 2 members may purchase additional 1% COLA protection at full actuarial cost.

The City of Los Angeles contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2015 (based on the June 30, 2013 valuation) was 20.76% of compensation[1].

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, most Tier 1 members contribute at 11% of compensation and all Tier 2 members contribute at 10% of compensation.

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[1] *After adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City's contributions.*

EXHIBIT 2

Net Pension Liability

The components of the Net Pension Liability of LACERS are as follows:

	June 30, 2015	June 30, 2014
Total Pension Liability	$16,909,996,380	$16,248,853,099
Plan Fiduciary Net Position	-11,920,570,019	-11,791,079,473
System's Net Pension Liability	$4,989,426,361	$4,457,773,626
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.49%	72.57%

The Net Pension Liability was measured as of June 30, 2015 and 2014 and determined based upon the Plan Fiduciary Net Position (plan assets) and Total Pension Liability from actuarial valuations as of June 30, 2015 and 2014, respectively.

Actuarial assumptions. The Total Pension Liabilities as of June 30, 2015 and June 30, 2014 were determined by actuarial valuations as of June 30, 2015 and June 30, 2014, respectively. The actuarial assumptions used in this June 30, 2015 valuation were based on the results of an experience study for the period from July 1, 2011 through June 30, 2014. They are the same as the assumptions used in the June 30, 2015 funding actuarial valuation for LACERS. The assumptions are outlined on page 9 of this report. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	Ranges from 10.50% to 4.40% based on years of service, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Other assumptions	Same as those used in the June 30, 2015 actuarial valuation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed International Equity	21.75%	6.98%
Emerging Market Equity	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Cash	1.00%	(0.46)%
Credit Opportunities	5.00%	3.07%
Public Real Assets	5.00%	3.41%
Private Equity	12.00%	10.51%
Total	100.00%	

Discount rate: The discount rate used to measure the Total Pension Liability was 7.50% as of June 30, 2015 and June 30, 2014. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2015 and June 30, 2014.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability of LACERS as of June 30, 2015, calculated using the discount rate of 7.50%, as well as what LACERS' Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Net Pension Liability as of June 30, 2015	$7,243,147,264	$4,989,426,361	$3,113,888,757

EXHIBIT 3

Schedules of Changes in LACERS Net Pension Liability – Last Two Fiscal Years

	2015	2014
Total Pension Liability		
Service cost	$322,380,251	$317,185,480
Interest	1,215,151,439[1]	1,149,966,081[2]
Change of benefit terms	0	0
Differences between expected and actual experience	-135,821,076	-164,247,475
Changes of assumptions	0	785,439,114
Benefit payments, including refunds of employee contributions	-740,567,333[3]	-721,153,263
Net change in Total Pension Liability	$661,143,281	$1,367,189,937
Total Pension Liability – beginning	16,248,853,099	14,881,663,162
Total Pension Liability – ending (a)	$16,909,996,380	$16,248,853,099
Plan Fiduciary Net Position		
Contributions – employer	$381,140,923	$357,649,232
Contributions – employee	202,462,864	203,975,276
Net investment income	306,980,390	1,810,782,123
Benefit payments, including refunds of employee contributions	-740,567,333[3]	-721,153,263
Administrative expense	-15,859,888	-12,372,426
Other[4]	-4,666,410	-2,287,567
Net change in Plan Fiduciary Net Position	$129,490,546	$1,636,593,375
Plan Fiduciary Net Position – beginning	11,791,079,473	10,154,486,098
Plan Fiduciary Net Position – ending (b)	$11,920,570,019[5]	$11,791,079,473
System's Net Pension Liability – ending (a) – (b)	$4,989,426,361	$4,457,773,626
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.49%	72.57%
Covered-employee payroll[6]	$1,835,637,409	$1,802,931,195
Plan Net Pension Liability as percentage of covered-employee payroll	271.81%	247.25%

Notes to Exhibit 3

(1) *Excludes interest on the portion of the benefit payments attributable to the transfer to the City of Los Angeles Fire and Police Pension Plan (see note 3 below), since that transfer was made on July 24, 2015.*

(2) *Based on clarification provided by LACERS subsequent to the completion last year's report, we understand that the transfer of $2,287,567 during fiscal year 2013/2014 from the (Pension Plan's) Reserve for Member Contributions to the (non-Pension Plan related) Larger Annuity Reserve (referenced as "Other (Transfer to Larger Annuity Reserve)" above) represents voluntary contributions of members retired during the reporting fiscal year including funds that were transferred from members' deferred compensation accounts into the Pension Plan just prior to those members' retirements. Those funds were then transferred to the Larger Annuity Reserve to pay the additional benefits payable from that plan. Contributions at those amounts were included as "Contributions – employee" above and treated by Segal Consulting as if they were made to the Pension Plan. Note that we have not restated the Total Pension Liability as of June 30, 2014 by reclassifying these amounts as benefit payments, to reflect the clarification provided by LACERS.*

(3) *Includes a transfer of $2,138,996 to the City of Los Angeles Fire and Police Pension Plan due to a change in membership for certain employees in the Office of Public Safety.*

(4) *Beginning of year segregation of a portion of the Reserve for Member Contributions into the (non-pension related) Reserve for Larger Annuity Contributions ($4,666,410). The Reserve for Larger Annuity Contributions has increased to $5,199,707 as of June 30, 2015.*

(5) *Excludes the Reserve for Larger Annuity Contributions (Acct. 256), based on directions from LACERS. This reserve has been separately identified by LACERS for the first time in the June 30, 2015 valuation, pursuant to a suggestion made by Segal. The amount in Acct. 256 was $4,666,410 as of June 30, 2014 and $5,199,707 as of June 30, 2015, on a market value basis.*

(6) *Covered-employee payroll represents the collective total of the LACERS pensionable wages of all LACERS membership tiers.*

EXHIBIT 4

Schedule of LACERS' Contributions – Last Ten Fiscal Years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll[1]	Contributions as a Percentage of Covered-Employee Payroll
2006	$227,740,600	$227,740,600	$0	$1,602,619,746	14.21%
2007	277,516,400	277,516,400	0	1,646,055,902	16.86%
2008	288,119,041	288,119,041	0	1,741,849,669	16.54%
2009	274,554,786	274,554,786	0	1,832,795,577	14.98%
2010	258,642,795	258,642,795	0	1,827,864,283	14.15%
2011	303,560,953	303,560,953	0	1,678,059,440	18.09%
2012	308,539,905	308,539,905	0	1,715,197,133	17.99%
2013	346,180,852	346,180,852	0	1,736,112,598	19.94%
2014	357,649,232	357,649,232	0	1,802,931,195	19.84%
2015	381,140,923	381,140,923	0	1,835,637,409	20.76%

[1] *Covered-employee payroll represents the collective total of the LACERS pensionable wages of all LACERS membership tiers.*

Notes to Exhibit 4

Methods and assumptions used to establish "actuarially determined contribution" rates:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry Age Actuarial Cost Method, level percent of salary
Amortization method	Level percent of payroll – assuming a 4.00% increase in total covered payroll.
Amortization period	Multiple layers, closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial assumptions:	June 30, 2015	June 30, 2014
Investment rate of return	7.50%	7.50%
Inflation rate	3.25%	3.25%
Real across-the-board salary increase	0.75%	0.75%
Projected salary increases*	Ranges from 10.50% to 4.40%, based on years of service.	Ranges from 10.50% to 4.40%, based on years of service.
Cost of living adjustments	3.00% for Tier 1; 2.00% for Tier 2 (actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2)	3.00% for Tier 1; 2.00% for Tier 2 (actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2)
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.	Healthy: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.
Other assumptions	Same as those used in the June 30, 2015 funding actuarial valuation	Same as those used in the June 30, 2014 funding actuarial valuation

* *Includes inflation at 3.25% plus across the board salary increases of 0.75% plus merit and promotional increases.*

EXHIBIT 5

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2015

($ in millions)

Year Beginning July 1,	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2014	$11,791	$584	$741 *	$16	$302	$11,921
2015	11,921	609	828	16	905	12,590
2016	12,590	611	855	17	954	13,283
2017	13,283	613	906	18	1,004	13,976
2018	13,976	613	961	19	1,053	14,662
2019	14,662	608	1,023	20	1,102	15,328
2020	15,328	603	1,090	21	1,149	15,969
2021	15,969	619	1,159	21	1,195	16,603
2022	16,603	624	1,229	22	1,240	17,215
2023	17,215	630	1,301	23	1,283	17,805
2053	14,714	52 **	1,918	20	1,027	13,855
2054	13,855	50 **	1,849	19	965	13,002
2055	13,002	48 **	1,776	17	904	12,160
2056	12,160	46 **	1,701	16	844	11,333
2057	11,333	44 **	1,623	15	785	10,524
2078	817	9 **	211	1	53	667
2079	667	8 **	177	1	43	540
2080	540	7 **	148	1	35	433
2081	433	6 **	122	1	28	344
2082	344	5 **	100	0	22	271
2099	4	0 **, ***	1	0	0	3
2100	3	0 **, ***	1	0	0	2
2101	2	0 **, ***	1	0	0	2
2102	2	0 **, ***	1	0	0	2
2103	2	0 **, ***	0 ***	0	0	1
2104	1	0 **, ***	0 ***	0	0	1
2105	1	0 **, ***	0 ***	0	0	1
2106	1	0 **, ***	0 ***	0	0	1
2107	1	0 **, ***	0 ***	0	0	0
2108	0	0 **, ***	0 ***	0	0	0

* Includes the transfer to the City of Los Angeles Fire and Police Pension Plan due to a change in membership for certain employees in the Office of Public Safety.

** Mainly attributable to employer contributions to fund each year's annual administrative expenses.

*** Less than $1 M, when rounded.

EXHIBIT 5

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2015

($ in millions) - continued

Notes:

(1) Amounts may not total exactly due to rounding.

(2) Amounts shown in the year beginning July 1, 2014 row are actual amounts, based on the unaudited financial statements provided by LACERS.

(3) Years 2024-2052, 2058-2077, and 2083-2098 have been omitted from this table.

(4) Column (a): All of the projected beginning Plan Fiduciary Net Position amounts shown have not been adjusted for the time value of money.

(5) Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2015), plus employer contributions to the unfunded actuarial accrued liability (including an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005 under the old GASB Statements No. 25 and 27), plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur at the beginning of the year.

(6) Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2015. The projected benefit payments reflect the cost of living increase assumption of 3.00% per annum for Tier 1 and 2.00% per annum for Tier 2. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.50% per annum was applied to all periods of projected benefit payments to determine the discount rate.

(7) Column (d): Projected administrative expenses are calculated as approximately 0.13% of the projected beginning Plan Fiduciary Net Position. The 0.13% portion was based on the actual fiscal year 2014/2015 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position as of July 1, 2014. Administrative expenses are assumed to occur halfway through the year, on average.

(8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.50% per annum.

(9) As illustrated in this Exhibit, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.50% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2015 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.