LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

ANNUAL REPORT

2015

Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2015 and 2014

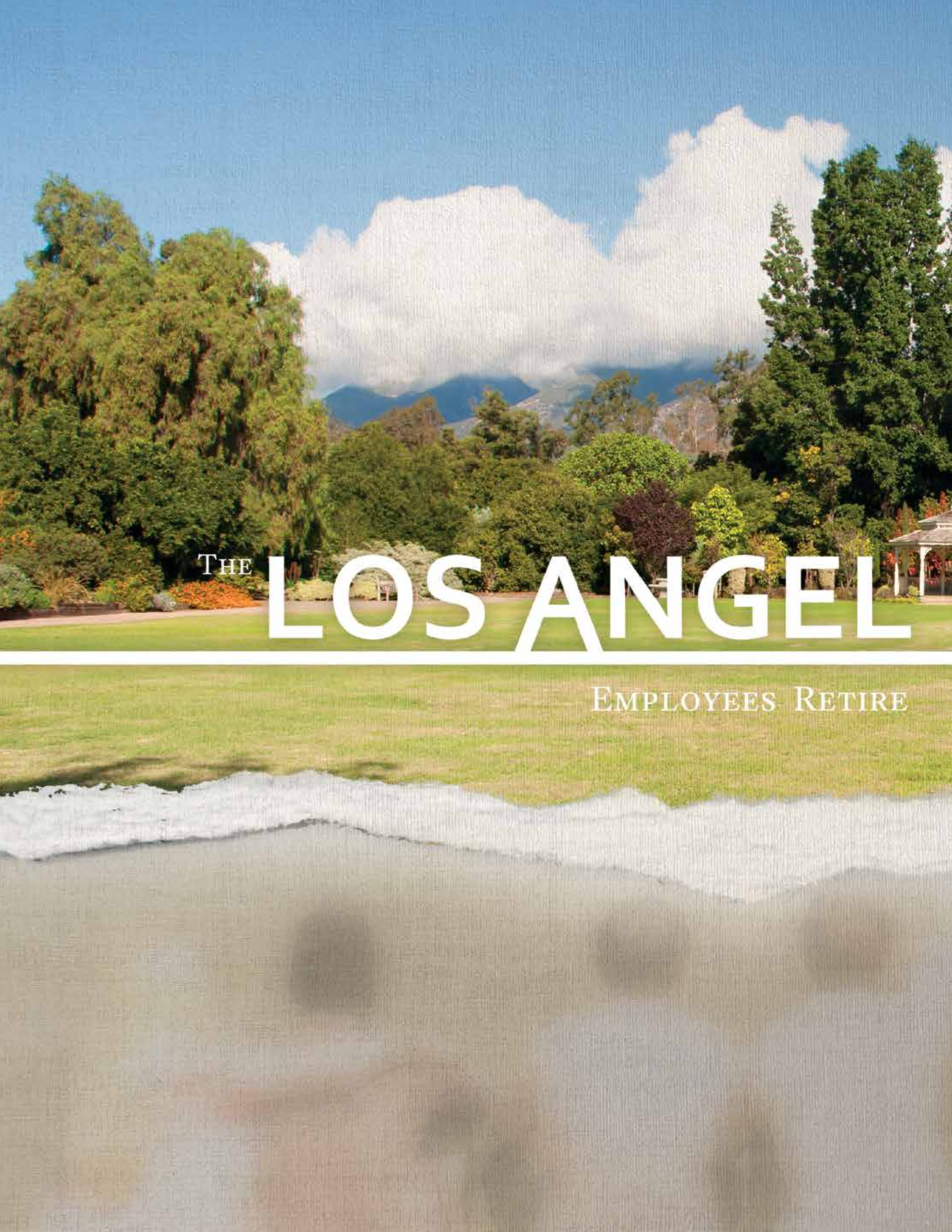
Pension and OPEB Trust Funds of the County of Los Angeles, CA

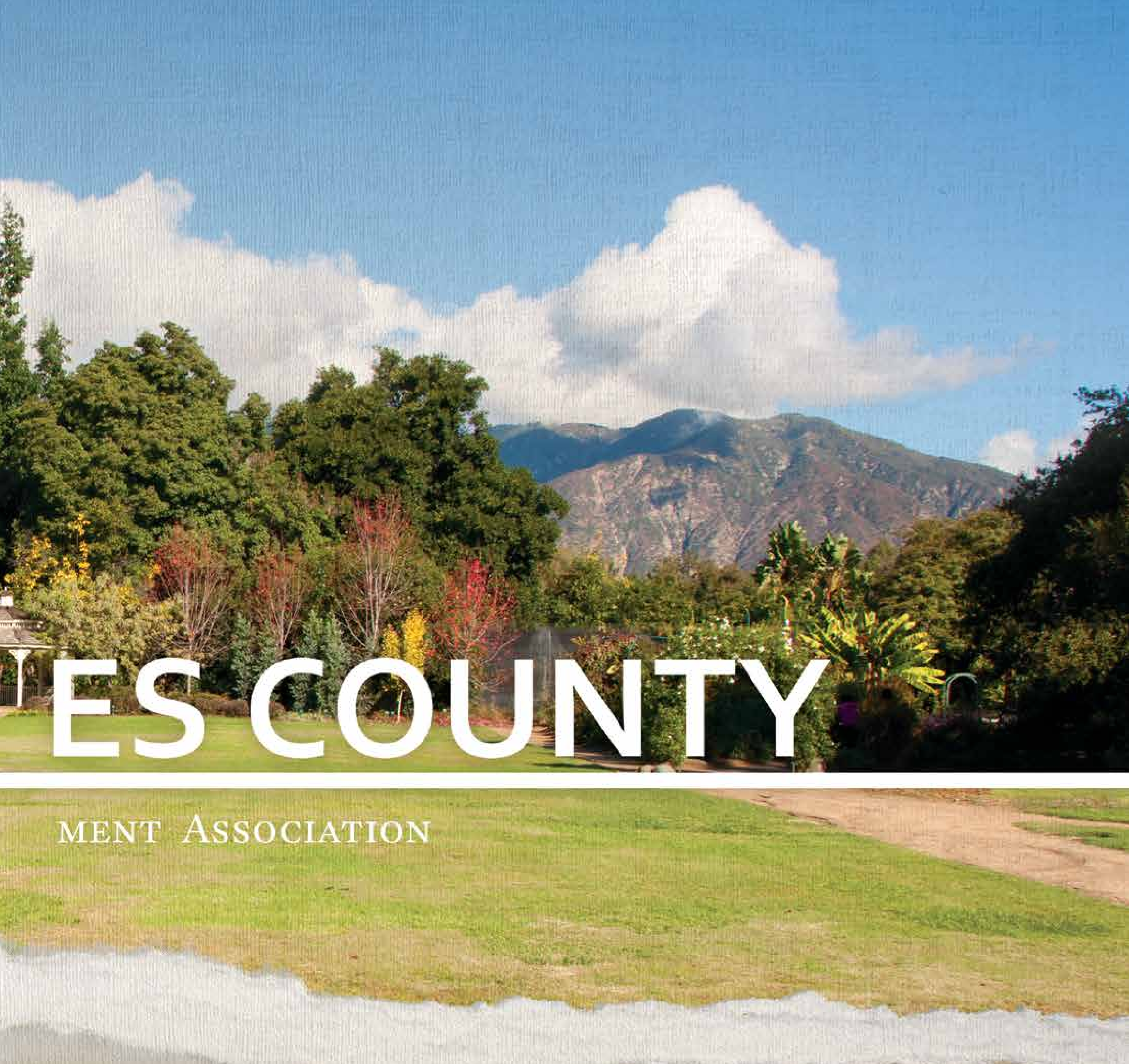
Working For You

LACERA, the retirement association for Los Angeles County employees, strives to be a premiere association. We achieve this by connecting with and keeping our members informed, continuing to embrace technology and develop efficient business processes, securing member data, and working to secure and strengthen the Fund.

Our message is one of dedication to our members and excellent customer service in both word and deed.

LACERA Headquarters


THE LOS ANGEL
EMPLOYEES RETIRE

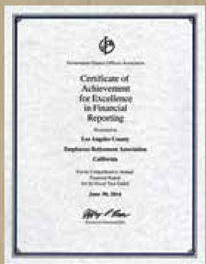


LACERA
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Pasadena, CA 91101
626-564-6000 lacera.com

ISSUED BY

- **Gregg Rademacher**
  Chief Executive Officer
- **Robert R. Hill**
  Assistant Executive Officer
- **JJ Popowich**
  Assistant Executive Officer

AWARDS



Certificate of Achievement

Each year, a Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose Comprehensive Annual Financial Reports (CAFRs) achieve the highest standards in government accounting and reporting. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. For the 25th consecutive year, LACERA has earned this prestigious award for the 2014 Comprehensive Annual Financial Report. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

PPCC Award

LACERA received the Public Pension Coordinating Council's (PPCC)* Public Pension Standards 2014 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. LACERA is the twelfth-time recipient of this important award.

*A confederation of NASRA, NCPERS, and NCTR.

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LACERA Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6132 • 800/786-6464

December 3, 2015

Los Angeles County Employees Retirement Association
Board of Retirement/Board of Investments
300 N. Lake Avenue, Suite 820
Pasadena, CA 91101

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This report is intended to provide a detailed review of the association's financial, actuarial, and investment status. LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and outside districts. It is our mission to produce, protect, and provide the promised benefits to our members and their beneficiaries. In the course of fulfilling that mission, we provide comprehensive customer service to more than 162,500 members, including close to 61,000 benefit recipients.

Working for You

The annual report for fiscal year ended June 30, 2015 tells of our commitment to working for the 162,500 LACERA members who work (or worked) for Los Angeles County. Across 15 divisions and in the various capacities in which we serve, LACERA employees bring expertise and dedication to their work each day. Directed by our Board of Retirement, employees rise to the occasion and connect with members to provide sound work products, deliver excellent customer service, and help to educate members about their retirement. Staff continues to develop efficient business processes all the while keeping member data security in mind. Guided by our Board of Investments, our Investment Office works to secure and strengthen the Funds. Our global commitment to working for our members is crucial to the fulfillment of our broader mission: To produce, protect, and provide the promised benefits.

LACERA and Its Services

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the general and safety members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four other outside districts:

- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

Since our inception, LACERA has been governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the regulations, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect benefits of LACERA members. On September 12, 2012, California Governor Jerry Brown signed the Public Employees' Pension Reform Act of 2013 (PEPRA) into law. As of January 1, 2013, LACERA is governed by CERL and PEPRA. Both laws are contained in the California Government Code.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both Boards appoint a Chief Executive Officer, to whom is delegated the responsibility of overseeing the day-to-day management of LACERA and developing its annual administrative budget. Adoption of the budget is subject to approval by both Boards.

Financial Information

Internal Control

The financial attest audit performed by Brown Armstrong CPAs states that LACERA's financial statements which are prepared by management, are presented in conformity with Generally Accepted Accounting Principles, and are free of material misstatement. Management acknowledges it is responsible for the entire contents of this CAFR. In the course of sustaining a rigorous and comprehensive control environment throughout its operations, LACERA practices stringent risk management activities and annually performs a detailed, organization-wide risk assessment in which control objectives and their related processes are reviewed.

> "This fiscal year has been filled with meaningful accomplishments and gains within LACERA. We want our members to feel confident that their retirement association continues to grow, in order to better serve them, by offering additional service options and improving our business efficiencies."

Gregg Rademacher

Chief Executive Officer

Maintaining appropriate internal controls is the responsibility of management; however, management recognizes no control or combination of controls can entirely free an organization from all error or misstatement. At their best, controls provide reasonable assurance such failings do not occur. The concept of reasonable assurance recognizes the cost of a control should not exceed benefits likely derived; the valuation of costs and benefits requires estimates and judgments by management.

LACERA management is provided such assurance through the ongoing efforts of its Internal Audit and Quality Control Divisions and its Boards. The Executive Office is confident LACERA's established controls and the interactions of those controls detect all significant occurrences and prevent noteworthy inaccuracies.

Analysis

An overview of LACERA's fiscal operations is presented in the Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the organization.

Investment Activities

The Board of Investments adopted an Investment Policy Statement that provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board, investment staff, investment managers, master custodian, and consultants.

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment objectives. LACERA's strategic asset allocation targets are long-term by design because of the Fund's long-term investment horizon and the illiquidity of certain asset classes, such as Private Equity and Real Estate.

The total Fund returned 4.3 percent (gross of fees), representing an underperformance of 20 basis points below its Policy Benchmark, which returned 4.5 percent. Over the five-year period ended June 30, 2015, the total Fund's annualized return was 10.5 percent (gross of fees).

Actuarial Funding Status

Pursuant to provisions in the CERL, LACERA engages an independent actuarial firm to perform annual actuarial valuations. A system actuarial valuation is performed every three years (triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each triennial valuation. The latest triennial valuation was conducted as of June 30, 2013.

Robert Hill

Asst. Executive Officer

LACERA is funded by member and employer contributions and investment earnings on those contributions. Normal member contributions are those required to fund a specific annuity at a specified age. Member contribution rates for members who entered LACERA membership prior to January 1, 2013 vary according to the member's plan and age at first membership. The CERL also requires members to pay half the contributions required to fund the cost-of-living benefit, which is affected by changes in both economic and non-economic assumptions.

Liabilities not funded through member contributions are the responsibility of the employer. Changes in any of the economic and non-economic assumptions impact employer contribution rates. The employer is responsible for contributing to cover the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit. These are called normal cost contributions. The employer is responsible also for making additional contributions to eliminate any shortfalls in funding covering liabilities that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

Provisions of Public Employees' Pension Reform Act of 2013 (PEPRA) require equal sharing of normal costs between employers and employees. In January 2013, LACERA established two new retirement plans — General Plan G and Safety Plan C — for members with membership dates on or after January 1, 2013. Contributions for these plans are based on a single flat-rate percentage and are structured in accordance with the required 50/50 cost-sharing. A member's age at first membership is not considered.

The June 30, 2014 valuation, determining the funded ratio to be 79.5 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $11.3 billion. The County contribution rate was therefore set equal to 10.0 percent of payroll for the amortization of the UAAL over a closed 30-year layered period, plus the normal cost rate of 9.3 percent, for a total contribution rate of 19.3 percent of payroll.

In October 2011, the Board of Investments adopted a decrease in the investment return assumption, to be phased in over a period of three years. The investment return assumption in effect for the 2011 actuarial valuation was 7.70 percent; 2012 actuarial valuation was 7.60 percent; and 7.50 percent since the 2013 valuation. For each decrease in the investment return assumption, a corresponding decrease in the price and wage inflation assumptions will be made.

Summary of Accomplishments for Fiscal Year 2014 - 2015

An important accomplishment this fiscal year was our implementation of the Los Angeles County Retiree Healthcare Benefits Program – Tier 2 (Tier 2), the retiree health insurance program for employees hired on or after June 30, 2014. In collaboration with the County, LACERA mailed a Retiree Healthcare Bulletin to all current active, deferred, and retired members, and their eligible beneficiaries, assuring them their benefits have not changed. Other Tier 2 efforts included updates on lacera.com, reaching out to strategic partners (the Human Resource professionals in the County), programming updates in our Systems (IT), producing new Retiree Healthcare forms and materials, and creating outreach print materials to explain Tier 2 to new members.

Other notable accomplishments include our Member Services and Retiree Healthcare Call Centers which fielded 168,294 calls more calls than our members! Our Member Services Division also connected with 17,253 members in one-on-one counseling sessions, and our Correspondence Unit processed 288,396 mailed inquiries. Our Administrative Services Division scanned 768,007 pages of member documentation. Our Benefits Division paid 61,895 monthly retirement allowances. My LACERA, the member portal on lacera.com received 104,803 visits and 58,131 retirement benefit estimates were created with the retirement calculator.

JJ Popowich
Asst. Executive Officer

Awards and Recognition

For the 25th consecutive year, the Government Finance Officers Association (GFOA) awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of our CAFR for the fiscal year ended June 30, 2014.

LACERA is a recipient also of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the 17th year running. We received this honor for our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2014.

These awards recognize contributions to the practice of government finance exemplifying outstanding financial management. In doing so, they stress practical, documented work that offers leadership to the profession.

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to LACERA in recognition of compliance with professional standards for plan design and administration for the fiscal year ended June 30, 2014. LACERA is a twelfth-time recipient of this honor, which is judged on a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report in a timely manner is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I am sincerely grateful to the LACERA Boards and staff, as well as to all of our professional service providers, who perform so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Gregg Rademacher

Gregg Rademacher
Chief Executive Officer

Our Boards

Working For You

John M. Barger
Chair
Board of Investments
Appointed by Board of Supervisors
Term expires 12/31/15

Alan J. Bernstein
Vice Chair
Board of Retirement
Appointed by Board of Supervisors
Term expires 12/31/15

Anthony Bravo
Board of Retirement
Appointed by Board of Supervisors
Term expires 12/31/17

Yves Chery
Board of Retirement
Elected by General Members
Term expires 12/31/17

William de la Garza
Secretary
Board of Retirement
Elected by Retired Members
Term expires 12/31/17

Vivian H. Gray
Board of Retirement
Elected by General Members
Term expires 12/31/15

David Green
Vice Chair
Board of Investments
Elected by General Members
Term expires 12/31/17

Shawn R. Kehoe
Chair
Board of Retirement
Board of Investments
Elected by Safety Members
Term expires 12/31/16

Joseph Kelly
Secretary
Board of Investments
Board of Retirement
County Treasurer and Tax Collector
Ex-Officio Member

Keith Knox
Board of Retirement
Board of Investments
Chief Deputy County Treasurer
and Tax Collector
Alternate Ex-Officio Member

David L. Muir
Board of Retirement
Alternate Retired Member
Elected by Retired Members
Term expires 12/31/17

Ronald A. Okum
Board of Retirement
Appointed by Board of Supervisors
Term expires 12/31/17

Board of Retirement

The Board of Retirement is responsible for the administration of the retirement system, the retiree healthcare program, and the review and processing of disability retirement applications. The Board is composed of eleven members. Four members are elected: two are elected by active General Members; retired members elect one member and one alternate member; Safety Members elect one member and also have an alternate member. Four of its members are appointed by the Los Angeles County Board of Supervisors. The law requires the County Treasurer and Tax Collector to serve as an ex-officio member.

William R. Pryor
Board of Retirement
Alternate Member
Elected by Safety Members
Term expires 12/31/16

Les Robbins
Board of Retirement
Appointed by Board of Supervisors
Term expires 12/31/16

Diane A. Sandoval
Board of Investments
Elected by Retired Members
Term expires 12/31/17

Herman B. Santos
Board of Investments
Elected by General Members
Term expires 12/31/15

Kenneth M. Simril
Board of Investments
Appointed by Board of Supervisors
Term expires 12/31/17

Estevan R. Valenzuela
Board of Investments
Appointed by Board of Supervisors
Term expires 12/31/16

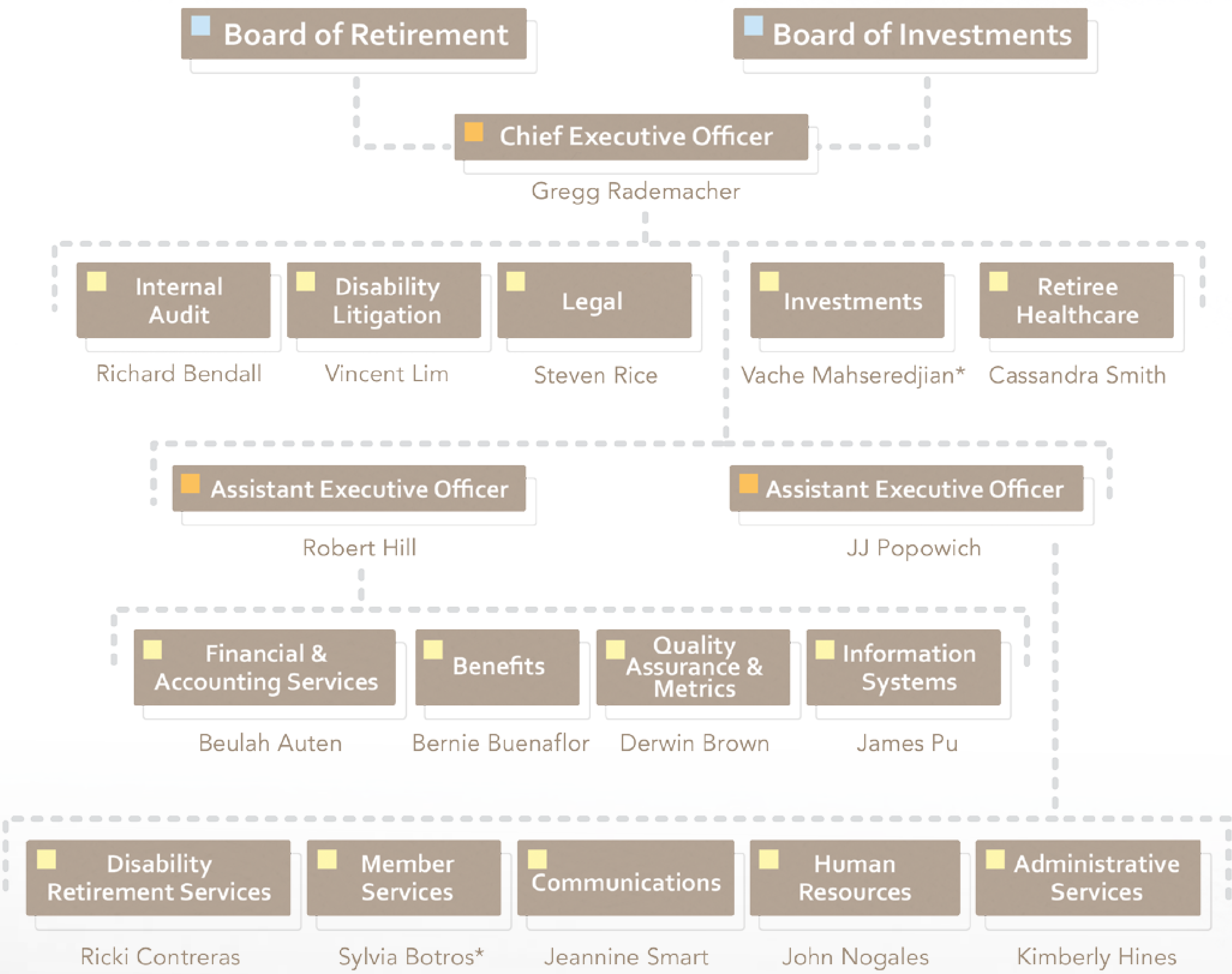
Valerie Rose Villarreal
Board of Investments
Appointed by Board of Supervisors
Term expires 12/31/17

Board of Investments

The Board of Investments is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the Funds. The Board is composed of nine members. Four members are elected: two are elected by active General Members; retired members elect one member, as do Safety Members. Four of its members are appointed by the Los Angeles County Board of Supervisors. The law requires the County Treasurer and Tax Collector to serve as an ex-officio member.

ORGANIZATIONAL CHART

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION



*Interim Division Manager

Consulting Actuary
Milliman

Auditing Actuary
Segal Consulting

Auditors
Brown Armstrong, CPAs

Commercial Banking
State Street Bank and Trust Company

Custodian
State Street Bank and Trust Company

Data Processing
Los Angeles County Internal Services Department

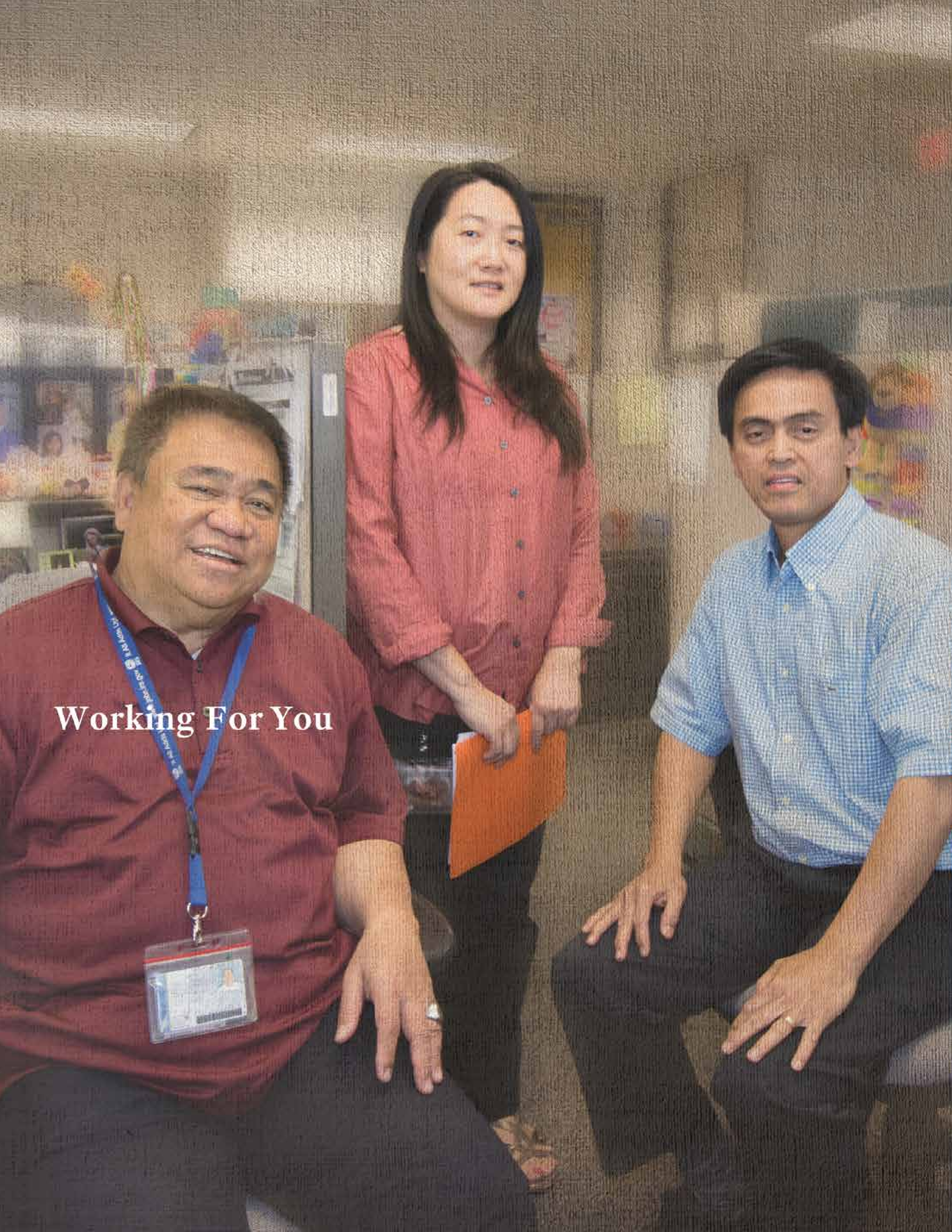
Governance Consultants
Glass, Lewis & Company, LLC
Institutional Shareholder Services, Inc.

Investment Consultants
GCM Customized Fund Investment Group, L.P.
The Townsend Group
Wilshire Associates

Mortgage Loan Custodians
Deutsche Bank National Trust Company

Legal Consultants
Andrews Kurth LLP
Arent Fox LLP
Baggett & Mitchell
Berman DeValerio
Bernstein Litowitz Berger & Grossman LLP
Bradford & Barthel, LLP
Bryan Cave LLP
Chapman & Cutler LLP
Cotchett, Pitre & McCarthy, LLP
Cox, Castle & Nicholson LLP
DLA Piper
Donna R. Evans, Attorney at Law
Foley & Lardner LLP
Foster Pepper PLLC
Glaser Weil Fink Jacobs Howard Avchen & Shapiro LLP
Grant & Eisenhofer P.A.
Greenberg Traurig, LLP
Gutierrez Preciado & House LLP
Liebert Cassidy Whitmore
Jackson Walker L.L.P.
Kessler Topaz Meltzer & Check, LLP
Labaton Sucharow LLP
Manatt, Phelps & Phillips, LLP
Nossaman LLP
Olson Hagel & Fishburn LLP
Orrick, Harrington & Sutcliffe LLP
Paul Hastings LLP
Pearlman, Borska & Wax
Pearson, Simon & Warshaw, LLP
Pillsbury Winthrop Shaw Pittman LLP
Reed Smith LLP
Seyfarth Shaw LLP
Spector Roseman Kodroff & Willis, P.C.
Steptoe & Johnson LLP

Please refer to the Investment Section for a list of Investment Managers and the Schedule of Investment Management Fees.


Working For You

Education

We employ a variety of methods to keep our members informed on the complexities of their retirement plans and benefits. To ensure our members are equipped with the knowledge they need to make wise retirement choices, we produce quarterly newsletters, an array of brochures, and an interactive website. LACERA values internal education as well. Our boards, management, and staff regularly attend seminars and continuing education courses to keep abreast of the latest legislation and policies affecting retirement.

The educational tools we provide to our members reflect the expertise and dedication of several LACERA divisions: Our Communications Division creates and produces our newsletters, brochures, and web content; the Specialists in Member Services hold workshops throughout the year and provide both in-person and by-phone retirement counseling; and our Retiree Healthcare Division serves County retirees and their eligible beneficiaries by administering the Retiree Healthcare Benefits Program and holding semiannual Staying Healthy Together Wellness Workshops.

We believe today's well-informed member is tomorrow's thriving retiree.

BROWN ARMSTRONG
Certified Public Accountants

Boards of Retirement and Investments
Los Angeles County Employees Retirement Association
Pasadena, California

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of the Los Angeles County Employees Retirement Association (LACERA) and the Other Post Employment Benefits Trust (the OPEB Trust) as of June 30, 2015 and 2014; the related Statement of Changes in Fiduciary Net Position for the years then ended; and the related notes to the financial statements, which collectively comprise LACERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LACERA's and the OPEB Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERA's and the OPEB Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of LACERA and the OPEB Trust as of June 30, 2015 and 2014 and their changes in fiduciary net position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note E to the basic financial statements, the total pension liability of the participating employers as of June 30, 2015 was $56,570,520. The fiduciary net position as a percentage of the total liability as of June 30, 2015, was 86.30 percent. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.63 percent, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Additionally, as discussed in Note G to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equity, real estate, and hedge funds. Such investments totaled $10,519,216,000 (20 percent of total assets) as of June 30, 2015. Where a publicly listed price is not available, the management of LACERA uses alternative sources of information, including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence, to determine the fair value of the investments. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide such assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LACERA's and the OPEB Trust's basic financial statements. The other supplementary information and the introductory, investment, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2015, on our consideration of LACERA's and the OPEB Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering LACERA's and the OPEB Trust's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
October 9, 2015

This Management's Discussion and Analysis (MD&A) of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) is an overview of its fiscal operations for the year ended June 30, 2015. Readers are encouraged to consider the information presented here in conjunction with the Basic Financial Statements and the Notes to the Basic Financial Statements. Amounts contained in this discussion have been rounded to facilitate readability.

FINANCIAL HIGHLIGHTS — PENSION PLAN

- Net Position Restricted for Benefits, as reported in the *Statement of Fiduciary Net Position*, totaled $48.8 billion, an increase of $1.1 billion or 2.3 percent from the prior year.
- Total Additions, as reflected in the *Statement of Changes in Fiduciary Net Position*, were $3.9 billion. This was primarily due to positive investment earnings and increases in member and employer contributions. Additions totaled $4.7 billion, 54.7 percent less than the amounts realized for 2014.
- Total Deductions, as reflected in the *Statement of Changes in Fiduciary Net Position*, totaled $2.8 billion, an increase of $109 million or 4.0 percent from the prior year. The increase was primarily attributable to an increase in the retiree payroll.
- The latest actuarial valuation completed by Milliman, LACERA's independent consulting actuary, was as of June 30, 2014 and determined the funded status (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 79.5 percent, versus 75.0 percent as of June 30, 2013.

OVERVIEW OF FINANCIAL STATEMENTS

This MD&A serves as an introduction to the Basic Financial Statements. LACERA has two Basic Financial Statements, the Notes to the Basic Financial Statements, and several Required Supplementary Information Schedules of historical trend information. The Basic Financial Statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting.

Beulah Auten

Chief Financial Officer

The *Statement of Fiduciary Net Position* is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities owed as of the report date. The Net Position Restricted for Benefits, which is the assets less the liabilities, reflects the funds available for future use.

The County of Los Angeles (County) and LACERA participate in the irrevocable Other Post-Employment Benefit Trust Fund (OPEB Trust). The OPEB Trust is presented separately in the *Statement of Fiduciary Net Position*. LACERA's Board of Investments manages the OPEB Trust investments for the County and utilizes a separate Investment Policy Statement in managing the OPEB Trust. The Net Position Restricted for Benefits at year-end will serve as a funding tool for paying future expenses associated with other post-employment benefits such as those options provided for in the Retiree Healthcare Program. To distinguish the activities of the OPEB Trust from the Pension Plan, the OPEB Trust is also presented separately in the *Statement of Changes in Fiduciary Net Position*. Addition and deduction activities for the OPEB Trust are limited to administrative expenses.

The OPEB Program (or Retiree Healthcare Program) is presented as the OPEB Agency Fund. The assets and liabilities related to OPEB activities are reported in this manner because the OPEB Agency Fund was established as a revocable fund. The pay-as-you-go financial activities within the OPEB Agency Fund are represented as additions and deductions to the balances. LACERA is acting as a custodian for these funds on behalf of the plan sponsors and participants. The OPEB Program is administered on a pay-as-you-go basis; therefore, only assets and liabilities are reported.

The *Statement of Changes in Fiduciary Net Position* reflects all the activities that occurred during the fiscal year and the impact of those addition or deduction activities on the Net Position Restricted for Benefits. The trend of additions versus deductions to the Pension Plan will indicate the condition of LACERA's financial position over time. The *Statement of Changes in Assets and Liabilities* for the OPEB Agency Fund is presented in the Other Supplementary Information Section.

The Notes to the Basic Financial Statements (Notes) are an integral part of the financial statements. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year.

FINANCIAL ANALYSIS — PENSION PLAN

Net Position Restricted for Benefits

As of June 30, 2015, LACERA's financial position increased $1.1 billion or 2.3 percent from the prior year, due primarily to positive investment returns. For the fiscal year ended June 30, 2015, LACERA's portfolio earned a 4.1 percent return (net of fees), while retiree payroll and other expenses remained relatively consistent with the prior period.

As of June 30, 2015, LACERA had $48.8 billion in Net Position Restricted for Benefits, which means that Total Assets of $51.4 billion exceeded Total Liabilities of $2.6 billion. As of June 30, 2014, LACERA had $47.7 billion in Net Position Restricted for Benefits as a result of Total Assets of $51.0 billion exceeding Total Liabilities of $3.3 billion. The Total Net Position Restricted for Benefits represents funds available for future retirement benefit payments.

Net Position Restricted for Benefits

As of June 30, 2015, 2014, and 2013
(Dollars in Millions)

	2015	2014	2013	2015 % Change	2014 % Change
Investments	**$47,990**	$49,033	$42,286	-2.1%	16.0%
Other Assets	**3,404**	2,034	1,440	67.4%	41.3%
Total Assets	**51,394**	51,067	43,726	0.6%	16.8%
Total Liabilities	**(2,576)**	(3,345)	(1,952)	-23.0%	71.4%
Net Position Restricted for Benefits	**$48,818**	**$47,722**	**$41,774**	**2.3%**	**14.2%**

Additions and Deductions to Net Position Restricted for Benefits

The primary sources that finance the promised benefits LACERA provides to members and their beneficiaries are investment income and the collection of member and employer retirement contributions. For fiscal year 2015, Total Additions amounted to $3.9 billion as a result of modest investment returns in the U.S. equity market. For fiscal year 2014, Total Additions amounted to $8.7 billion, due primarily to significant investment performance returns.

The net investment gain for fiscal year 2015 was $2.0 billion, a decrease of $4.9 billion from the 2014 fiscal year net investment gain of $6.9 billion. This fiscal year's investment returns of 4.1 percent (net of fees) fell short of the actuarial assumed investment earnings rate of 7.5 percent. The investment gains and losses experienced will continue to impact the actuarial funded ratio over time as they are recognized in the future during the actuarial asset-smoothing process.

To finance employer contributions that are due to LACERA, the County makes semimonthly cash payments, which coincides with the employee payroll cycle. For the fiscal years ended June 30, 2015 and 2014, the County paid all of its employer contributions due to LACERA in the form of cash payments.

The primary uses of LACERA's assets include the payment of the promised benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the plan. These deductions totaled $2.8 billion for fiscal year 2015, an increase of $109 million or 4.0 percent from the prior year. For fiscal year 2014, these deductions totaled $2.7 billion, an increase of $127 million or 4.9 percent from the prior year.

Additions and Deductions in Fiduciary Net Position — Pension

For the Years Ended June 30, 2015, 2014, and 2013
(Dollars in Millions)

	2015	2014	2013	2015 Difference	2015 % Change	2014 % Change
Contributions	**$1,936**	$1,759	$1,403	$177	10.1%	25.4%
Net Investment Income/(Loss)	**1,991**	6,911	4,659	(4,920)	-71.2%	48.3%
Total Additions	**$3,927**	**$8,670**	**$6,062**	**$(4,743)**	**-54.7%**	**43.0%**
Benefits and Refunds	**$(2,768)**	$(2,663)	$(2,541)	$(105)	4.0%	4.8%
Administrative Expenses and Miscellaneous	**(63)**	(59)	(54)	(4)	6.8%	9.3%
Total Deductions	**$(2,831)**	**$(2,722)**	**$(2,595)**	**$(109)**	**4.0%**	**4.9%**
Net Increase/(Decrease)	**$1,096**	$5,948	$3,467	$(4,852)	-81.6%	71.6%
Net Position Beginning of Year	**47,722**	41,774	38,307	5,948	14.2%	9.1%
Net Position at End of Year	**$48,818**	**$47,722**	**$41,774**	**$1,096**	**2.3%**	**14.2%**

Pension Liabilities

As GASB 67 requires, LACERA reports the Total Pension Liability and the Net Pension Liability as calculated by LACERA's actuary. It is important to note that these liabilities are solely calculated for financial reporting purposes and are not intended to provide information about the funding of such liabilities by the employers.

LACERA's Total Pension Liability as of June 30, 2015, was $56.6 billion or an increase of 2.9 percent from $55.0 billion as of June 30, 2014. LACERA's Net Pension Liability as of June 30, 2015, was $7.8 billion, representing an increase of 6.9 percent from $7.3 billion as of June 30, 2014. This $497 million increase in net liabilities is primarily due to the increase in LACERA's Fiduciary Net Position.

Under GASB 67, the Fiduciary Net Position as a percentage of the Total Pension Liability is required to be presented. For the fiscal years ended June 30, 2015 and 2014, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 86.3 percent and 86.8 percent, respectively. The subtle decrease is due to an offsetting effect of growth in Total Pension Liability of $1.6 billion compared to an increase in LACERA's Fiduciary Net Position of $1.1 billion.

Net Pension Liability

As of June 30, 2015, 2014 and 2013
(Dollars in Millions)

	2015	2014	2013	2015 $ Change	2015 % Change
Total Pension Liability	**$56,570**	$54,977	$52,673	$1,593	2.9%
Less: Fiduciary Net Position	**(48,818)**	(47,722)	(41,774)	(1,096)	2.3%
Net Pension Liability	**$7,752**	$7,255	$10,899	$497	6.9%
Fiduciary Net Position as a Percentage of Total Pension Liability	**86.30%**	**86.80%**	**79.31%**		

PLAN ADMINISTRATION

LACERA Membership

The table below provides comparative LACERA membership data for the last two fiscal years. Vested members decreased 1.25 percent from fiscal years ended 2014 to 2015, evidencing a slight dip in the employers' hiring. Retired members increased slightly, by 2.3 percent, between the two fiscal years ended 2014 and 2015, possibly indicating employees are more confident in their financial situation and ability to lead a sustainable retired lifestyle.

LACERA Membership

As of June 30, 2015 and 2014

	2015	2014
Active Members	**93,674**	92,466
Retired/Deferred Members	**68,770**	67,313
Total Membership	**162,444**	**159,779**

Benefit Provisions — Retiree Healthcare Program

In June 2014, the County Board of Supervisors authorized, and the LACERA Board of Retirement and Board of Investments approved, the County's request to modify the existing Agreement between the County and LACERA, which created a new retiree healthcare benefit program for new employees in order to lower retiree healthcare costs. Structurally, this means the County segregated all current retirees and current employees, who will be entitled to future benefits, into the LACERA-administered Retiree Healthcare Benefits Program — Tier 1 (Tier 1). Employees hired after June 30, 2014 are entitled to benefits under the new Los Angeles County Retiree Healthcare Benefits Program — Tier 2 (Tier 2).

This modification brought about a significant difference in LACERA's administrative responsibility for the Retiree Healthcare Program between the two tiers. Regarding Tier 1, LACERA continues its agreed-upon role as program administrator under the 1982 Agreement with the County. Regarding Tier 2, LACERA is responsible for administering this new program for as long as the County desires. The County may, at any time, choose another organization to administer Tier 2 benefits.

The County Board of Supervisors adopted changes to Los Angeles County Code Title 5 - Personnel, which established the benefit provisions for Tier 2. The Tier 2 program offers the same selection of medical and dental/vision plans and the same County subsidy percentages as those offered by Tier 1. However, under Tier 2, the County retiree medical and dental/vision subsidy applies to retiree-only coverage, regardless of whether the retiree includes an eligible dependent on his or her healthcare plan. Additionally, under Tier 2, Medicare-eligible retirees and their eligible dependents are required to enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan.

ADMINISTRATIVE EXPENSES

The LACERA Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.12 percent of the total actual Net Position Restricted for Benefits.

The County Employees Retirement Law of 1937 (CERL) states that the annual budget for administrative expenses of a CERL retirement system may not exceed twenty-one hundredths of one percent (0.21 percent) of the actuarial accrued liability of the retirement system as of the prior fiscal year. The cost of legal representation is not to exceed one-hundredth of one percent (0.01 percent) of system assets in any budget year. LACERA's appropriation for legal representation is included in the administrative expense allocation.

The table below provides a comparison of the actual administrative expenses for the fiscal years ended 2015 and 2014. The actuarial accrued liability was used to calculate the statutory budget amount. For both years, LACERA's administrative expenditures were well below the limit imposed by law.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Actual Administrative Expenses	**$62,591**	$58,723
Basis for Budget Calculation (Actuarial Accrued Liability)	**53,247,776**	50,809,425
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	0.12%
Limit per CERL	**0.21%**	0.21%

ACTUARIAL VALUATIONS

In order to determine whether the Net Position Restricted for Benefits will be sufficient to meet future obligations, the actuarial funded status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which represent the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the employees (members) and the employers (plan sponsors) are needed to pay all expected future benefits.

In December 2009, the LACERA Board of Investments adopted a new Retirement Benefit Funding Policy (Funding Policy). The changes in the Funding Policy continued to impact the valuation for 2014, including the implementation of five-year smoothing on asset gains and losses. The positive investment returns for fiscal year ended 2014 were greater than the assumed rate. The recognition of net asset gains from the current and prior years resulted in a gain on the actuarial value of assets for the current year. The Funding Policy utilizes what is referred to as a "layered" amortization method. Under this method, the Unfunded Actuarial Accrued Liability (UAAL) amounts are amortized over a closed 30-year period. Future actuarial gains and losses on the UAAL are amortized over new closed 30-year periods beginning with the June 30, 2010 valuation. For the June 30, 2014 valuation, six amortization layers were used to calculate the total amortization payment.

The Funding Policy was amended in February 2013 to conform to the new provisions mandated by the California Public Employees' Pension Reform Act of 2013 (PEPRA). In addition, beginning with the June 30, 2012 valuation and on a prospective basis, the Board of Investments approved inclusion of the Supplemental Targeted Adjustment for Retirees (STAR) Reserve balance as part of valuation assets.

In October 2011, the Board of Investments adopted a decrease in the investment return assumption, to be phased in over a three-year period. The investment return assumptions have remained the same at 7.50 percent for the June 30, 2013 and June 30, 2014 actuarial valuations. For each decrease in the investment return assumption, a corresponding decrease in the price and wage inflation assumptions were made.

LACERA's independent consulting actuary, Milliman, performed the actuarial valuation as of June 30, 2014 and determined that the Funded Ratio of the actuarial assets to the actuarial accrued liabilities increased to 79.5 percent, as compared to 75.0 percent as of the June 30, 2013 valuation. The positive investment return for 2014 resulted in a 4.5 percent increase in the Funded Ratio under the five-year actuarial asset smoothing method. For the 2013 valuation, the Pension Fund returned 12.1 percent (net of fees) on a market basis, which is more than the assumed rate of 7.50 percent. The significant recognized gains on actuarial assets from the last two fiscal years ended June 30, 2013 and June 30, 2014 had a positive impact on the 2014 valuation results.

FAIR VALUE, RATES OF RETURN, AND FUNDED RATIO

The table below provides a three-year history of investment and actuarial returns and the actuarial funded ratio. As required by GASB 67, the money-weighted rate of return is presented as an expression of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments was 4.1 percent (net of fees). An expanded version of this table, which provides 10 years of information, when available, can be found in the Investment Section.

The investment returns varied between moderately and significantly positive over the last three years. The Board of Investments has reduced the assumed rate of return (as described in the Actuarial Valuations section above). As a result, the funded ratio has increased from fiscal years ended 2013 to 2014.

Fair Value, Rates of Return, and Funded Ratio

For the Last Three Fiscal Years Ended June 30
(Dollars in Thousands)

Fiscal Year-End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (gross of fees)	Total Fund Money-Weighted Return (net of fees)	Return on Smoothed Valuation Assets* (net of fees)	Actuarial Assumed Rate of Return	Funded Ratio
2013	42,285,906	12.1%	—	5.4%	7.50%	75.0%
2014	49,033,365	16.8%	17.2%	11.8%	7.50%	79.5%
2015**	**47,990,447**	**4.3%**	**4.1%**	—	—	—

*Returns calculated using the money-weighted rate of return method.
**Actuarial valuation report for June 30, 2015 not available at publication.

INTEREST CREDITS FOR RESERVE ACCOUNTS

Pursuant to CERL, LACERA credits interest semiannually on December 31 and June 30 to all contributions in the retirement plan that have been on deposit six months prior to such dates. The Board of Investments' policy is to credit annual interest equal to the current actuarial assumed earnings rate in the same priorities as listed for the allocation of actuarial assets, provided there are sufficient realized earnings for the six-month period to support that interest rate.

The semiannual interest crediting rate applied during the fiscal year ended June 30, 2015 was 3.75 percent (i.e., 7.50 percent annual rate). This rate was implemented with the Board of Investments' adoption of the June 30, 2012 actuarial valuation. To provide ample time for the County and LACERA to prepare for the rate change implementation, the new 7.50 percent rate became effective July 1, 2014, which was also when corresponding employee contribution rates took effect. The total Pension Fund's positive return provided ample realized earnings, which allowed LACERA to credit the full 3.75 percent semiannual interest for the periods ended December 31, 2014 and June 30, 2015 to certain reserve accounts, according to the CERL provisions.

ECONOMIC FACTORS

The U.S. economic output growth paused in early 2015, weighed down by the stronger dollar and adverse weather. Nonetheless, as evidenced by job gains in the private sector and a falling unemployment rate, the labor market has continued to improve. The Federal Reserve has kept policy rates close to zero, consistent with signs of lingering labor market slack, stagnant wages, low underlying inflation and well-anchored inflation expectations. Supportive monetary conditions and lower energy prices should uphold a sustained pick-up in aggregate demand and ongoing increases in household wealth, consumer spending, and residential construction.

Moving forward, the U.S. economy will likely continue to see moderate economic growth in the second half of 2015 but may not see the recent gains in the Gross Domestic Product (GDP) growth. Strong consumer spending is playing a big role in fueling the economic resurgence. An increase in construction activity, including home-building; strong gains in disposable income; and lower gasoline prices are also encouraging.

Over the past year, the dollar has appreciated 20 percent against a basket of currencies including the euro, the Japanese yen, and the Canadian dollar, making U.S.-produced goods more expensive in foreign markets. Indications are that the dollar will stay strong well into the next year, as will historically low interest rates, which may make dollar-based investments more attractive. Canada, a top trade partner with the U.S., and Brazil, Latin America's largest economy, are in recession. China is slowing and is trying to increase its own exports through currency devaluation.

For the fiscal year ended June 30, 2015, LACERA's total Pension Fund return was 4.3 percent, gross of fees. The Pension Fund's return fell short of its Policy benchmark, which returned 4.5 percent.

OPEB TRUST

Pursuant to the California Government Code, Los Angeles County established an irrevocable tax-exempt Other Post-Employment Benefits (OPEB) Trust for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Program administered by LACERA.

In May 2012, the County hired the LACERA Board of Investments to manage and invest the OPEB Trust assets. The participating employers will be responsible for and have full discretion over contributions to and withdrawals from the OPEB Trust. At this time, there are two participating employers in the OPEB Trust: the County and LACERA.

Financial Analysis

As reflected in the *Statement of Changes in Fiduciary Net Position*, additions included net investment income of $4.7 million and total deductions of $0.2 million for administrative expenses. The total Net Position Restricted for Benefits for the OPEB Trust as of the fiscal year ended June 30, 2015 was $488.4 million.

Information related to the OPEB Trust has been included throughout sections of this report to meet financial reporting standards.

NEW PENSION ACCOUNTING AND FINANCIAL REPORTING STANDARDS

On June 25, 2012, the GASB voted to approve two new standards designed to substantially improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises and establishes new financial reporting requirements for governments that provide their employees with defined benefit pensions. These accounting and financial reporting standards represent the most significant fundamental changes in reporting requirements for pension plans (LACERA) and plan sponsors (Los Angeles County and outside districts) since 1994.

LACERA adopted GASB 67 effective for the fiscal year ended June 30, 2014 and has included the required financial information herein. The most notable change is the distinct separation of actuarial funding from financial reporting. Notes and disclosures provided in LACERA's financial statements are intended to provide accounting-related information but will not necessarily provide sufficient information to reflect the Pension Plan's complete actuarial picture. Reports provided by LACERA's consulting actuary include detailed information to measure and provide the Pension Plan's funding status and metrics.

Plan sponsors of LACERA are required to implement GASB 68, effective as of June 30, 2015. The new standards require the County and outside districts to recognize their proportionate share of the long-term obligation for pension benefits as a liability for the first time in their financial statements and to more comprehensively and comparably measure the annual costs of pension benefits. This proportionate share is based on the plan sponsors' long-term projected contribution effort. The new financial reporting standards also enhance accountability and transparency through revised and new note disclosures and required supplementary information. LACERA and its consulting actuary cooperated to provide the required information to the County and outside districts, which will help satisfy the new financial reporting provisions.

Since April 2013, LACERA has hosted a GASB 67/68 Task Force (Task Force) comprised of key stakeholders from the County, outside districts, and external professional service providers to discuss requirements for implementation of the new GASB 68 accounting standards. The Task Force opened the lines of communication among the parties involved and provided the opportunity to establish timelines and a framework for implementing decisions. We are pleased to report the Task Force successfully achieved its objectives.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Board of Retirement and Board of Investments, our membership, and interested third parties with a general overview of LACERA's finances and to show accountability for the funds it receives.

Address questions regarding this report and/or requests for additional financial information to:

Chief Financial Officer
LACERA
300 N. Lake Avenue, Suite 650
Pasadena, CA 91101

Respectfully submitted,

Beulah S. Auten

Beulah S. Auten, CPA, CGFM, CGMA
Chief Financial Officer

Statement of Fiduciary Net Position

As of June 30, 2015 and June 30, 2014

(Dollars in Thousands)

	2015			2014		
	Pension Plan	**OPEB Trust**	**OPEB Agency Fund**	**Pension Plan**	**OPEB Trust**	**OPEB Agency Fund**
Assets						
Cash	**$1,309,414**	—	**$78,735**	$230,254	$6,299	$48,084
Cash Collateral on Loaned Securities	**1,033,471**	—	—	998,216	—	—
Receivables						
Contributions Receivable	**81,249**	—	—	74,412	—	—
Accounts Receivable - Sale of Investments	**778,038**	—	—	583,816	—	—
Accrued Interest and Dividends	**99,637**	**149**	—	120,236	206	—
Accounts Receivable - Other	**102,145**	—	**44,016**	27,000	—	40,574
Total Receivables	**1,061,069**	**149**	**44,016**	**805,464**	**206**	**40,574**
Investments at Fair Value						
Equity	**24,689,701**	**388,254**	—	25,412,713	383,874	—
Fixed Income	**12,781,560**	**100,022**	**110,542**	11,893,851	94,524	110,884
Private Equity	**4,346,854**	—	—	4,015,799	—	—
Real Estate	**5,480,795**	—	—	4,995,446	—	—
Commodities	—	—	—	2,169,289	—	—
Hedge Funds	**691,537**	—	—	546,267	—	—
Total Investments	**47,990,447**	**488,276**	**110,542**	**49,033,365**	**478,398**	**110,884**
Total Assets	**51,394,401**	**488,425**	**233,293**	**51,067,299**	**484,903**	**199,542**
Liabilities						
Accounts Payable - Purchase of Investments	**1,471,192**	—	—	2,283,900	1,000	—
Retiree Payroll and Other Payables	**623**	—	**124**	645	—	150
Accrued Expenses	**30,432**	**66**	**418**	28,392	65	364
Tax Withholding Payable	**30,693**	—	—	29,624	—	—
Obligations under Securities Lending Program	**1,033,471**	—	—	998,216	—	—
Accounts Payable - Other	**9,640**	—	**122,210**	4,245	14	88,144
Due to Employers	—	—	**110,541**	—	—	110,884
Total Liabilities	**2,576,051**	**66**	**233,293**	**3,345,022**	**1,079**	**199,542**
Net Position Restricted for Benefits	**$48,818,350**	**$488,359**	—	**$47,722,277**	**$483,824**	—

The accompanying Notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position

For the Years Ended June 30, 2015 and 2014
(Dollars in Thousands)

	2015		2014	
	Pension Plan	**OPEB Trust**	**Pension Plan**	**OPEB Trust**
Additions				
Contributions				
Employer	**$1,494,975**	**—**	$1,320,442	—
Member	**441,258**	**—**	439,001	—
Total Contributions	**1,936,233**	**—**	**1,759,443**	**—**
Investment Income				
From Investing Activities:				
Net Appreciation/(Depreciation) in Fair Value of Investments	**(330,804)**	**4,429**	4,699,445	35,516
Investment Income/(Loss)	**2,421,690**	**486**	2,305,690	(223)
Total Investing Activity Income	**2,090,886**	**4,915**	**7,005,135**	**35,293**
Less Expenses from Investing Activities	**(108,079)**	**(228)**	(101,170)	(180)
Net Investing Activity Income	**1,982,807**	**4,687**	**6,903,965**	**35,113**
From Securities Lending Activities:				
Securities Lending Income	**5,457**	**—**	2,896	—
Less Expenses from Securities Lending Activities:				
Borrower Rebates	**2,533**	**—**	2,289	—
Management Fees	**(1,439)**	**—**	(738)	—
Total Expenses from Securities Lending Activities	**1,094**	**—**	**1,551**	**—**
Net Securities Lending Income	**6,551**	**—**	**4,447**	**—**
Total Net Investment Income	**1,989,358**	**4,687**	6,908,412	35,113
Miscellaneous	**1,695**	**—**	2,256	—
Total Additions	**3,927,286**	**4,687**	**8,670,111**	**35,113**
Deductions				
Retiree Payroll	**2,740,970**	**—**	2,637,182	—
Administrative Expenses	**62,591**	**152**	58,723	144
Refunds	**25,411**	**—**	23,528	—
Lump-Sum Death/Burial Benefits	**2,029**	**—**	1,691	—
Miscellaneous	**212**	**—**	229	—
Total Deductions	**2,831,213**	**152**	**2,721,353**	**144**
Net Increase in Net Position	**1,096,073**	**4,535**	**5,948,758**	**34,969**
Net Position Restricted for Benefits				
Beginning of Year	**47,722,277**	**483,824**	**41,773,519**	**448,855**
End of Year	**$48,818,350**	**$488,359**	**$47,722,277**	**$483,824**

The accompanying Notes are an integral part of these financial statements.

Note A — Plan Description

The Los Angeles County Employees Retirement Association (LACERA) was established on January 1, 1938. It is governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL); the California Public Employees' Pension Reform Act of 2013 (PEPRA); and the regulations, procedures, and policies adopted by LACERA's Board of Retirement and Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, that may affect the benefits of LACERA members. LACERA operates as a cost-sharing multiple-employer defined benefit plan for Los Angeles County and its affiliated Superior Court, plus four outside districts: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District.

Membership

LACERA provides retirement, disability, and death benefits to its active safety and general members and administers the plan sponsors' Retiree Healthcare Benefits Program. (See Note N — Other Post-Employment Benefits (OPEB) Program). Safety membership includes law enforcement (Sheriff and District Attorney Investigators), firefighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the date of LACERA membership. Additional information regarding the benefit structure is available by contacting LACERA.

LACERA Membership

As of June 30, 2015 and 2014

	2015	2014
Active Members		
Vested	**73,556**	74,489
Non-Vested	**20,118**	17,977
Total Active Members	**93,674**	92,466
Retired Members	**60,584**	59,223
Terminated Vested (Deferred)	**8,186**	8,090
Total Membership	**162,444**	159,779

Investments

Pension Plan: Assets in the Pension Plan are derived from three sources: employer contributions; employee contributions (made by the employer on behalf of employees pursuant to §414(h)(2) of the Internal Revenue Code); and investment earnings. Assets of the Pension Plan are held separate from any other assets and are invested pursuant to policies and procedures adopted by LACERA's Board of Investments. Pension Plan gross income is exempt from federal income taxation under §115 of the Internal Revenue Code.

OPEB Agency Fund: The County provides a health insurance program and death benefits for retired employees and their dependents, which LACERA administers on the County's behalf. Pursuant to an agreement between the County and LACERA, the County subsidizes, either in whole or in part, insurance premiums covering program participants. An Agency Fund is maintained to record income and expenses as well as to maintain asset and liability balances.

LACERA maintains two investment accounts under the OPEB Agency Fund: the OPEB Operating Account and OPEB Reserve Account. Funds in these two accounts are reported and invested separately from Pension Plan assets. External managers invest funds in both accounts pursuant to policies and procedures approved by LACERA's Board of Investments. In addition, tax counsel opined that investment income realized in these types of accounts maintained by government entities generally is exempt from federal income taxation under §115 of the Internal Revenue Code.

OPEB Operating Account: This account is primarily used to fund the OPEB Program's operations. Additions include the monthly insurance subsidy collected from the County, payments from program participants, and interest income. Deductions include premium payments to insurance carriers and program administrative expenses.

OPEB Reserve Account: This account was established to help stabilize premium rates over time. Annual surpluses and deficits for the various insurance plans result from the difference between premiums received and the healthcare costs incurred. The accumulated surplus is held in this account to address deficits and/or emergency premiums. Additions include rebates from insurance carriers and other income. Deductions include management fees and County-authorized payments to offset waived premium costs (i.e., insurance premium holidays) for both the County and affected participants.

OPEB Trust: The County established the OPEB Trust for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Benefits Program, which is administered by LACERA, for eligible retired members and eligible dependents and survivors of LACERA members.

The County hired the LACERA Board of Investments to act as Trustee and Investment Manager by entering into a Trust and Investment Services Agreement on May 15, 2012. The Board of Investments approved an Investment Policy and initial asset allocation for the purpose of effectively managing and monitoring the assets of the OPEB Trust. Contributions and transfers to the OPEB Trust are determined at the County's discretion. OPEB Trust gross income is exempt from federal income taxation under §115 of the Internal Revenue Code. On August 14, 2014, LACERA obtained a letter ruling from the Internal Revenue Service to this effect.

The OPEB Trust will serve as a funding tool for the participating employers to pay expenses associated with other post-employment benefits and to pre-fund the liability for retiree healthcare benefits. The OPEB Trust does not modify the participating employer's benefit programs, and at this time there are two participating employers in the OPEB Trust: the County and LACERA. For fiscal year ended June 30, 2013, the participating employers provided the initial contributions to the OPEB Trust. There have been no additional contributions since that period.

Benefit Provisions

Vesting occurs when a member accumulates five years' creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Cost-of-Living Adjustment (COLA)

Each year, the Board of Retirement considers how the change in the cost of living, a measure of inflation, has affected the purchasing power of monthly allowances paid by LACERA. Cost of living is measured by the Bureau of Labor Statistics, which releases the Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Anaheim-Riverside area as of January 1 each year. The difference in the current and previous year's CPI shows whether the cost of living has increased or decreased in this area in the past year.

If the CPI has increased, the Board of Retirement grants a Cost-of-Living Adjustment (COLA) increase for monthly allowances. If the CPI has decreased, it is possible for the Board of Retirement to decrease monthly allowances; however, a decrease in allowances has never occurred. In any event, a cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

Supplemental Targeted Adjustment for Retirees (STAR) Program

In addition to cost-of-living increases, the CERL also provides the Board of Retirement the authority to grant supplemental cost-of-living increases. Under this program, known as STAR, excess earnings have been used to restore retirement allowances to 80 percent of the purchasing power held by retirees at the time of retirement. Except for Program year 2005, the Board of Retirement made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the CERL §31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program years 2005 and 2010 through 2015 due to the modest CPI percentage increase. Thus, all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

Future ad hoc increases in the current STAR Program will be subject to approval by the Board of Retirement on an annual basis, provided sufficient excess earnings are available as determined by the Board of Investments. Permanent STAR benefits become part of the member's retirement allowance and are payable for life. Ad hoc STAR benefits are payable only for the calendar year approved.

Since the inception of the STAR Program in 1990 to the present, the Program received $1.5 billion in funding. Except for Program years 2005 and 2010 through 2015, the STAR Program funded approximately $353 million when the Board of Retirement made permanent the 2001-2009 STAR Program benefits. As of June 30, 2015, there is $614 million available in the STAR Program reserve to fund future benefits. Total STAR Program costs since inception equaled $957 million.

The STAR Program is administered on a calendar-year basis. The Statistical Section contains a 10-year trend schedule of costs for the STAR Program.

NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own governing Boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). Because of the nature of the close relationship between LACERA and the County, LACERA's basic financial statements are reflected as a Pension Trust Fund of the County's basic financial statements. LACERA's operations are heavily dependent upon County funding, and the operations benefit the County as well as LACERA's members. Maintaining appropriate controls and preparing the financial statements are the responsibility of LACERA management, with oversight by LACERA's Internal Audit staff.

LACERA wholly owns numerous Title Holding Corporations (THCs) and Limited Liability Companies (LLCs). The THCs are nonprofit corporations under §501(c)(25) of the Internal Revenue Code (IRC). The LLCs do not have tax-exempt status, but their income is excludable from taxation under IRC §115. The THCs invest in commercial properties located throughout the United States, and the LLCs invest in hotels and office buildings. The financial activities of the THCs and LLCs are included in the accompanying financial statements as investments at fair value.

Method of Reporting

LACERA follows the accounting principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting to reflect the overall operations of LACERA.

Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each benefit plan.

Capital Assets (Including Intangible Assets)

Capital Assets are items that benefit more than one fiscal year. LACERA's potential capital assets are largely in information technology. Due to the continual upgrading of information technology systems by LACERA, these items are expensed, as they are immaterial to the Pension Plan's Fiduciary Net Position. Management reviewed and considered all expenses that could be capitalized as intangible assets and determined these items to be appropriately classified as expenses for the current fiscal year.

Accrued Vacation and Sick Leave

Employees who terminate or retire from active employment are entitled to full compensation for all unused vacation and a percentage of their unused sick leave. The accrued vacation and sick leave balances for LACERA employees as of June 30, 2015 and 2014, were $2.6 million and $2.8 million, respectively.

Cash

Cash includes deposits with various financial institutions, the County, and non-U.S. currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2015 and 2014.

Investments

Investments are carried at fair value. Fair values for investments are derived by various methods, as indicated below:

Investments	Source
Publicly Traded Securities, such as stocks and bonds. Bonds include obligations of the U.S. Treasury, U.S. agencies, non-U.S. governments, and both U.S. and non-U.S. corporations. Also included are mortgage-backed securities and asset-backed securities.	Valuations are provided by LACERA's custodian based on end-of-day prices from external pricing vendors. Non-U.S. securities reflect currency exchange rates in effect at June 30, 2015 and 2014.
Whole Loan Mortgages	For the LACERA Member Home Loan Program, valuation is performed by LACERA staff based on loan information provided by Ocwen Financial Corporation, the program's mortgage servicer, with fair market value adjustments based on the market returns of the Barclays mortgage-backed securities index.
Real Estate Equity Funds	Fair value as provided by real estate fund managers, based on review of cash flow, exit capitalization rates, and market trends; fund managers commonly subject each property to independent third-party appraisal annually. Investments under development are carried at cumulative cost until developed.
Real Estate: Title Holding Corporations, Limited Liability Companies, and Special Purpose Entities	Fair value of the investment as provided by investment managers. Each property is subject to independent third-party appraisals every three years.
Real Estate Debt Investments	Fair value for real estate debt investments as provided by investment managers.
Private Equity	Fair value provided by investment managers as follows: Private investments — valued by the General Partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments — valued based on quoted market prices, less a discount, if appropriate, for restricted securities. Fair values are reviewed by LACERA's private equity consultant.
Public Market Equity and Fixed Income Investments held in Institutional Commingled Fund/Partnership	Fair value is typically provided by third-party fund administrator, who performs this service for the fund manager.
Derivatives	Over-the-counter derivatives (other than currency forwards) valuations are provided by the fund managers. Currency forward contracts are valued by the custodian bank.
Hedge Fund of Funds	Valuation of the underlying funds is performed by those funds' general partners. Valuation of the fund of funds portfolios is provided by third-party administrators and by the General Partner for the two portfolios held in limited partnership vehicles.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, and event risks that may subject LACERA to economic changes occurring in certain industries, sectors, or geographies.

Dividend income is recorded on the ex-dividend date. Other investment income is recorded as earned on an accrual basis.

Investment Policies

Investment Policy. The allocation of investment assets within the LACERA Defined Benefit Pension Plan (Pension Plan) investment portfolio is approved by the Board of Investments, as outlined in the LACERA Investment Policy Statement. Pension Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Pension Plan. The Investment Policy Statement calls for an asset liability study to be conducted no later than every three to five years. The following table displays the Board of Investments-approved asset allocation targets for the fiscal year ended June 30, 2015. These asset allocation targets were developed through the latest asset liability valuation study that was conducted in 2012, and the long-term expected rates of return displayed reflect the expectations for the asset classes at that time. New asset allocation targets were approved by the Board of Investments in August 2015 as the result of a new asset liability study. Plans to implement the new targets are expected to receive final Board of Investments approval before the end of 2015.

Schedule of Target Allocation and Long-Term Expected Rate of Return

For the Year Ended June 30, 2015

		Weighted Average Long-Term Expected Rate of Return (Geometric)	
Asset Class	**Target Allocation**	**Asset Class**	**Expected Alpha**
Global Equity	48.50%	7.50%	0.10%
Fixed Income	22.50%	3.50%	0.20%
Real Estate	10.00%	6.05%	0.00%
Private Equity	11.00%	9.85%	4.00%
Commodities	3.00%	4.35%	0.75%
Hedge Funds	3.00%	5.50%	0.00%
Cash	2.00%	1.75%	0.25%
Total	**100.00%**	**6.85%**	**0.30%**

Total Fund Long-Term Expected Return Including Alpha 7.15%

Target Allocation. The preceding target allocation was approved by the Board of Investments as a result of the Asset Liability Study completed by Wilshire Consulting in August 2012. These asset allocation targets provide for diversification of assets in an effort to maximize the total return of the Pension Plan consistent with market conditions and risk control. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy and that periodic revisions will occur. The Board of Investments and internal staff implement the asset allocation policy through the use of external managers, who manage portfolios using active and passive investment strategies.

Expected Long-Term Rate of Return by Asset Class. The long-term expected rate of return on Pension Plan investments was determined using a building-block approach, in which a median (or expected) geometric rate of return is developed for each major asset class. The median rates are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages. Estimates of the median geometric rates of return for each major asset class at the time the asset allocation targets were selected are shown in the table. The asset class return assumptions are presented on a nominal basis, and all assumptions incorporate a base inflation rate assumption of 2.35 percent.

Discount Rate. The investment rate of return assumption used for actuarial funding was 7.50 percent for the fiscal year ended June 30, 2015.

GASB Statement No. 67 requires determination that the Pension Plan's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the Total Pension Liability was 7.63 percent. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50 percent, net of all expenses, increased by 0.13 percent to be gross of administrative expenses.

Funding requirements under LACERA's funding policy require the Unfunded Actuarial Accrued Liability to be amortized as a level percent of pay over 30-year closed layered periods and require minimum employee contributions. The projection of cash flows used to determine the discount rate assumed that Pension Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. 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.

Money-Weighted Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 4.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Concentrations. The Pension Plan does not hold investments in any one organization that represents 5 percent or more of the Pension Plan's Fiduciary Net Position.

Use of Estimates

The preparation of LACERA's financial statements in conformity with accounting principles generally accepted in the United States of America (i.e., GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes to the financial statements. Actual results could differ from these estimates.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying *Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position*. Also, certain accounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

NOTE C — Contributions

Members and employers contribute to LACERA based on unisex rates recommended by an independent consulting actuary and adopted by the Board of Investments and the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 5 percent and 16 percent of their annual covered salary. Member and employer contributions received from the outside districts are considered part of LACERA's pension plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Rates for the contributory plans for members who entered the Pension Plan prior to January 1, 2013 are based upon age at entry to the plan and plan-type enrollment. As of January 1, 2013, the rate methodology for new members entering the Pension Plan is different from the previous plans' "age-based" structure. The PEPRA-mandated retirement plans are administered as single average rate contributions.

LACERA's consulting actuary determined these rates following an analysis of PEPRA. Both member rate methodologies are actuarially designed for the employees, as a group, to make the same dollar contributions into the Pension Plan. As a result of collective bargaining, actual member contribution rates for various Plan Types are controlled through these agreements and through additional employer contributions (for some contributory plans), known as the surcharge amount, which is subject to change each year.

For fiscal years ended June 30, 2015 and June 30, 2014, Los Angeles County and the outside districts paid their employee and employer contributions due to LACERA, in the form of monthly and semimonthly cash payments totaling $1.94 billion and $1.76 billion, respectively.

NOTE D — Reserves

LACERA includes accounts within Net Position Restricted for Benefits as reserve accounts for various operating purposes stipulated in various agreements within the plan sponsor. Reserves are neither required nor recognized under accounting principles generally accepted in the United States of America. These are not shown separately on the Statement of Fiduciary Net Position, as the sum of these reserves equals the Net Position Restricted for Benefits. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due.

Pension Plan

LACERA's major classes of reserves:

Member Reserves represent the balance of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees, refunds to members, and related expenses.

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members, lump-sum death/burial benefit payments to members' survivors, and supplemental disability payments.

County Contribution Credit Reserve (CCCR) was created pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Seventy-five percent (75%) of excess earnings in fiscal years 1995-1999 were credited into the CCCR. Deductions include payments, as the County authorizes, for current and future employer contributions due to LACERA.

STAR Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living adjustment (COLA) increases. Twenty-five percent (25%) of excess earnings in fiscal years 1995-1999 were credited to the STAR Reserve pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Additions include transfers from the Contingency Reserve. Deductions include STAR COLA payments to retirees and funding for permanent benefits. Except for Program year 2005, the Board of Retirement made permanent the 2001 through 2009 STAR Programs at an 80 percent level, as authorized in the County Employees Retirement Law of 1937 (CERL). There were no new retirees or beneficiaries entitled to additional STAR benefits for Program years 2005 and 2010 through 2015 due to the modest Consumer Price Index (CPI) percentage increase. Thus, all eligible members had COLA Accumulation accounts below the 20 percent threshold for providing STAR benefits.

Future ad hoc increases in the current STAR Program will be subject to approval by the Board of Retirement on an annual basis, provided sufficient excess earnings are available as determined by the Board of Investments. Permanent STAR benefits become part of the member's retirement allowance and are payable for life. Ad hoc STAR benefits are payable only for the calendar year approved.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include realized investment income and other revenues. Deductions include investment expenses; administrative expenses; interest allocated to other reserves, in priority order, to the extent that realized earnings are available for the six-month period, as defined in the 2009 Retirement Benefit Funding Policy (Funding Policy) approved by the Board of Investments; and funding of the STAR Reserve when excess earnings are available and authorized by the Board of Retirement. The Contingency Reserve is used to satisfy the CERL requirement for LACERA to reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies.

For fiscal year ended June 30, 2015, the net investment earnings were applied to credit interest to some of the reserves in accordance with the Funding Policy, leaving no balance in the Contingency Reserve. For fiscal year ended June 30, 2014, the Contingency Reserve balance of $49 million represented 0.1 percent of the Fair Value of Total Investments.

Reserves

As of June 30, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Member Reserves	**$18,784,899**	**$17,816,467**
Employer Reserves	**21,369,845**	**20,862,024**
County Contribution Credit Reserve	**21,891**	**21,891**
STAR Reserve	**614,011**	**614,011**
Contingency Reserve	**—**	**49,376**
Total Reserves at Book Value	**40,790,646**	**39,363,769**
Unrealized Investment Portfolio Appreciation	**8,027,704**	**8,358,508**
Total Reserves at Fair Value	**$48,818,350**	**$47,722,277**

OPEB Trust

The County hired the LACERA Board of Investments to manage and invest the County's OPEB Trust. During the fiscal year ended June 30, 2013, the County made initial contributions to prefund the growing liability for retiree healthcare benefits. There have been no additional contributions since then. The Trust Fund balance represents the employer contributions received from both employers: the County and LACERA. Additions include contributions from employers and investment income. Deductions include investment and administrative expenses.

As of June 30, 2015, the OPEB Trust Fund balance was $488 million.

NOTE E — Pension Actuarial Valuations

The County Employees Retirement Law of 1937 (CERL) requires an actuarial valuation to be performed at least every three years for the purpose of measuring the Plan's funding progress and setting contribution rates. LACERA exceeds this requirement by engaging an independent actuarial consulting firm to perform an actuarial valuation for the pension plan annually. Employer contribution rates may be updated annually as a result of the valuation.

Actuarial standards guide the frequency with which an investigation of experience (experience study) is performed. LACERA engages an independent actuarial consulting firm to perform the experience study at least every three years. The economic and demographic assumptions are reviewed and updated as required each time an experience study is performed. The experience study and corresponding annual valuation serve as the basis for changes in member contribution rates necessary to properly fund the Pension Plan. New assumptions were adopted by the Board of Investments (BOI) beginning with the June 30, 2013 actuarial valuation, based on the results of the 2013 triennial experience study. In December 2013, the BOI adopted a decrease in the investment return and other economic assumptions. The investment return assumption in effect for the 2014 actuarial valuation was 7.50 percent.

The information displayed below presents the funded status as of the most recent actuarial valuation. The Schedule of Funding Progress — Pension Plan in the Actuarial section 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 of benefits.

Funded Status — Pension Plan as of the Most Recent Actuarial Valuation Date

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Valuation Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2014	$43,654,462	$54,942,453	$11,287,991	79.5%	$6,672,228	169.2%

Actuarial Methods and Significant Assumptions

Actuarial Cost Method	Entry Age Normal.
Actuarial Asset Valuation Method	Five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value is the prior year's market value increased with the net cash flow of funds, both adjusted to reflect expected investment returns during the past fiscal year at the investment return assumption. The five-year smoothing valuation basis for all assets was adopted beginning with the June 30, 2009 valuation.
Inflation Rate — Consumer Price Index (CPI)	3.0 percent. This rate was adopted beginning with the June 30, 2013 valuation.
Investment Return	7.5 percent. Compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2013 valuation.
Projected Salary Increases	3.76 percent to 9.71 percent. The total expected increase in salary includes both merit and the general wage increase assumption of 3.5 percent per annum. The total result is compounded rather than additive. Increases are assumed to occur mid-year (i.e., January 1) and apply only to base salary. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year. These rates were adopted beginning with the June 30, 2013 valuation.
Post-Retirement Benefit Increases	Increase varies by plan. Regular Plan Cost-of-Living Adjustment (COLA) is no greater than the Consumer Price Index (CPI) assumption. A supplemental COLA may be provided to certain members to limit the loss of purchasing power to no more than 20.0 percent. Post-retirement benefit increases of either 3.0 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the CPI, are assumed payable each year in the future as they are less than the expected increase in the CPI of 3.0 percent per year. This rate was adopted beginning with the June 30, 2013 valuation. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on the member's years of service earned after June 4, 2002 to the member's total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member.

Actuarial Methods and Significant Assumptions continued

Amortization Method and Period	In accordance with LACERA's Funding Policy adopted in 2009, the County's contributions are set equal to the normal cost rate, net of expected member contributions for the next year, plus amortization of any Unfunded Actuarial Accrued Liability (UAAL) or Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs if the Funded Ratio is greater than 100 percent. The amortization of the UAAL beginning with the June 30, 2009 valuation is funded over a closed 30-year period. Any future unanticipated changes in the UAAL, such as assumption changes or actuarial gains and losses, are amortized over new closed 30-year periods beginning with the June 30, 2010 valuation. This approach is often referred to as a "layered amortization method." For the June 30, 2014 valuation, six amortization layers were used to calculate the total amortization payment beginning July 1, 2015. The employer contribution rate is not allowed to be less than the rate if LACERA amortized the total UAAL over a 30-year period. If the Funded Ratio is greater than 120 percent in future valuations, the amortization of any Surplus Funding is funded over an open or "rolling" 30-year period. If the Funded Ratio is between 100 and 120 percent, only the employer normal cost rate is contributed.

In December 2009, the BOI adopted a new Retirement Benefit Funding Policy (Funding Policy). The Funding Policy was amended in February 2013 to conform with the new standards mandated in the California Public Employees' Pension Reform Act of 2013. In addition, the BOI approved inclusion of the STAR Reserve as part of valuation assets and on an ongoing basis for future valuations. The liability for STAR benefits that may be granted in the future is not included in the valuation.

The latest actuarial valuation as of June 30, 2014 decreased the County's normal cost rate from 9.44 percent to 9.29 percent. The change in the normal cost contribution rates from year to year is generally due to a few factors. This year the normal cost rate was impacted by normal actuarial experience and a change in plan proportion as new members are hired into General Plan G and Safety Plan C. The County's required contribution rate to finance the UAAL over a layered 30-year period decreased from 11.90 percent to 10.04 percent. Additionally, member contribution rates decreased slightly for General Plan G and increased slightly for Safety Plan C members at most entry ages, effective with the 2014 valuation and due to typical year-to-year experience. There were no changes in the member contribution rates for the other plans.

The combined result is a 2.01 percent decrease in the total required County contribution rate from the previous valuation (from 21.34 percent to 19.33 percent of payroll). The most significant factor causing the decrease was the recognition of asset losses from prior years, which resulted in a 0.88 percent decrease in the UAAL rate, while the recognition of asset losses from the current year resulted in a 0.55 percent decrease. All other factors caused a 0.58 percent decrease.

Net Pension Liability

GASB 67 requires public pension plans to provide a Net Pension Liability. The Net Pension Liability is measured as the Total Pension Liability less the amount of the pension plan's Fiduciary Net Position.

The Net Pension Liability is an accounting measurement for financial statement reporting purposes. The components of LACERA's (the Pension Plan's) Net Pension Liability at June 30, 2015 were as follows:

Schedule of Net Pension Liability

For the Year Ended June 30, 2015
(Dollars in Thousands)

	2015
Total Pension Liability	**$56,570,520**
Less: Fiduciary Net Position	**(48,818,350)**
Net Pension Liability	**$7,752,170**
Fiduciary Net Position as a Percentage of Total Pension Liability	**86.30%**

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive Pension Plan and include the types of benefits provided at the time of each valuation.

The Total Pension Liability at June 30, 2015 was determined by completing a roll-forward calculation based on an actuarial valuation conducted as of June 30, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. All actuarial methods and assumptions used for this GASB analysis were the same as those used for the June 30, 2014 funding valuation, except where differences are noted. Key methods and assumptions used to calculate the Total Pension Liability are presented below.

Description	Method
Inflation	3.0 percent.
Salary Increases	3.5 percent, average, including inflation.
Discount Rate	7.63 percent, net of pension plan investment expense, including inflation.
Mortality	Various rates based on the RP-2000 mortality tables and using static projection of improvement to 2025 using Projection Scale AA. See June 30, 2014 valuation report for further details.
Cost-of-Living Adjustments	The LACERA funding policy calls for the inclusion of the STAR (Supplemental Targeted Adjustment for Retirees) reserves in the calculation of valuation assets for funding purposes, with no corresponding liability. For the Total Pension Liability, STAR COLA (cost-of-living adjustments) benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits. This roll-forward calculation includes a future liability for STAR COLA benefits.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of the actuarial experience study for the period July 1, 2010 to June 30, 2013. LACERA's actuary performs an experience study every three years.

Cost-Of-Living Adjustments (COLA)

Each year, the Board of Retirement considers how the change in the cost of living, a measure of inflation, has affected the purchasing power of monthly allowances paid by LACERA. Cost of living is measured by the Bureau of Labor Statistics, which releases the Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Anaheim-Riverside area as of January 1 each year. The difference in the current and previous year's CPI shows whether the cost of living has increased or decreased in this area in the past year.

If the CPI has increased, the Board of Retirement grants a cost-of-living adjustment (COLA) increase for monthly allowances. If the CPI has decreased, it is possible for the Board of Retirement to decrease monthly allowances; however, a decrease in allowances has never occurred. In any event, a cost-of-living decrease could not reduce a member's allowance to an amount less than the allowance received at the time of retirement.

LACERA members may receive more than one type of COLA:

COLA ("April 1st COLA")

The COLA percentage increase is effective annually on April 1. Members who retire prior to April 1, or eligible survivors of members who died prior to April 1, are eligible for COLA. The increase begins with the April 30 monthly allowances. The COLA provision was added to CERL in 1966, and LACERA's first COLA increase was granted July 1, 1967. Until 2002, only contributory members were eligible for COLA.

Plan E COLA

Effective June 4, 2002, Plan E members and |their survivors also are eligible for COLA. The portion of the COLA percentage received by each Plan E member is a ratio of the member's service credit earned on and after June 4, 2002, to total service credit.

Supplemental Targeted Adjustment for Retirees (STAR) Program

The STAR percentage increase is effective annually on January 1. STAR is designed to keep the purchasing power of monthly allowances no more than 20 percent behind accumulated cost-of-living adjustments based on the CPI (in other words, to restore at least 80 percent of the original value of the monthly allowance). STAR applies to contributory plans only. Retirees and survivors whose allowances have lost more than 20 percent of their purchasing power are eligible for STAR. The STAR Program became effective January 1, 1990.

Sensitivity Analysis

In accordance with GASB 67, changes to the Total Pension Liability and Net Pension Liability must be reported. The Net Pension Liability changes when there are changes in the discount rate. The following presents the Net Pension Liability, calculated using the discount rate of 7.63 percent, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.63 percent) or 1 percentage point higher (8.63 percent) than the current rate (7.63 percent):

Sensitivity Analysis

For the Year Ended June 30, 2015
(Dollars in Thousands)

	1% Decrease [6.63%]	Discount Rate [7.63%]	1% Increase [8.63%]
Total Pension Liability	$63,816,436	$56,570,520	$50,515,373
Less: Fiduciary Net Position	(48,818,350)	(48,818,350)	(48,818,350)
Net Pension Liability	$14,998,086	$7,752,170	$1,697,023

NOTE F — Partial Annuitization of Benefit Payments

In January 1987, LACERA entered into agreements to purchase single life annuities from two insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the agreements, LACERA continues to administer all benefit payments to covered members. There is no effect on covered members, since they retain all benefits accorded to other LACERA members, including rights to continuance of benefits to survivors, health insurance subsidies, and COLA. The values of the annuities are entirely allocated to covered members.

The monthly annuity reimbursement from the carriers is limited to the straight life annuity payments and statutory COLA increases.

LACERA is responsible for any difference in benefit payments payable to covered members who are unreimbursed by the insurance carriers. The reimbursements received are netted with the pension and annuity payments in the financial statements. During the fiscal year ended June 30, 2015, LACERA paid $22.0 million to covered members and received $18.1 million in related reimbursements. During the fiscal year ended June 30, 2014, LACERA paid $25.0 million to covered members and received $20.2 million in related reimbursements. As the monthly annuity reimbursement from carriers is allocated to covered members, the fair value of contracts has been excluded from Pension Plan assets and actuarially determined information.

NOTE G — Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established an Investment Policy Statement. BOI members exercise authority and control over the management of LACERA's Net Position Restricted for Benefits by setting policy that the investment staff executes either internally or through the use of prudent external experts.

The Investment Policy Statement encompasses the following:

- U.S. Equity Investment Policy
- Non-U.S. Equity Investment Policy
- Private Equity Investment Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Investment Policy
- Commodities Investment Policy
- Corporate Governance Policy and Principles
- Derivatives Investment Policy
- Emerging Manager Policy
- Manager Monitoring and Review Policy
- Securities Lending Policy
- Placement Agent Policy
- Hedge Fund Policy

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension Fund at an acceptable level of risk within this asset class. To control Credit Risk, credit quality guidelines have been established.

The majority of the Core, Core Plus, and High Yield portfolios use the following guidelines in terms of credit quality.

Domestic Fixed Income Core and Core Plus Portfolios

A minimum of 80 percent and 70 percent of Core and Core Plus portfolios, respectively, must be invested in securities rated investment-grade by the major credit rating agencies: Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

In addition:

- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic High-Yield Fixed Income Portfolios

By definition, high-yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high-yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

In addition:

- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- At least 95 percent of all rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5 percent of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P or Caa by Moody's.
- Unrated issues may be purchased provided, that in the judgment of the Investment Manager, they would not violate LACERA's minimum credit criteria.

LACERA's Opportunistic Credit portfolios allow for the assumption of more credit risk than other fixed income portfolios, by investing in securities that include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, and bank loans. LACERA utilizes specific investment guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

The following is a schedule of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages from Pension Plan of $63 million, short-term investments from OPEB Trust of $43 million, and short-term investments from OPEB Agency Fund of $2 million are excluded from this presentation. Additionally, investment-grade fixed income securities of $57 million and $109 million held in OPEB Trust and OPEB Agency Fund, respectively, are excluded.

Credit Quality Ratings of Investments in Fixed Income Securities

As of June 30, 2015
(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Total	% of Portfolio
Aaa	$1,858,585	$2,205,374	$1,043	$753,165	—	$4,818,167	38%
Aa	—	6,471	34,268	418,283	—	459,022	4%
A	—	2,406	33,886	1,138,907	—	1,175,199	9%
Baa	—	595	—	1,798,916	—	1,799,511	14%
Ba	—	—	—	780,317	—	780,317	6%
B	—	—	3,857	909,027	—	912,884	7%
Caa	—	—	5,499	321,043	—	326,542	3%
Ca	—	—	—	6,201	—	6,201	0%
C	—	—	—	21,706	—	21,706	0%
Not Rated	—	—	5,620	490,109	1,922,832	2,418,561	19%
Total Investment in Fixed Income Securities	**$1,858,585**	**$2,214,846**	**$84,173**	**$6,637,674**	**$1,922,832**	**$12,718,110**	**100%**

Custodial Credit Risk

LACERA's contract with its primary custodian (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, book-entry form, a clearing house corporation, or a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of its deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" (PCA) capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a Financial Institution Bond, which will cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies in a cost-effective manner, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian.

Counterparty Risk

Counterparty Risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk

No more than 5 percent of the Core, Core Plus, or High-Yield portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and manager's approved commingled funds.

As of June 30, 2015, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

Interest Rate Risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage Interest Rate Risk, the modified adjusted duration of the Domestic Fixed Income Core, Core Plus, and High-Yield portfolios is restricted to +/- 25.0 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Fixed Income Securities – Duration schedule presents the duration by investment type. Whole loan mortgages from Pension Plan of $63 million, short-term investments from OPEB Trust of $43 million, and short-term investments from OPEB Agency Fund of $2 million are excluded from this presentation. Additionally, investment-grade fixed income securities of $57 million and $109 million held in OPEB Trust and OPEB Agency Fund, respectively, were excluded.

Fixed Income Securities — Duration

As of June 30, 2015
(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration*
U.S. Government and Agency Instruments:		
U.S. Treasury	$1,858,585	6.36
U.S. Government Agency	2,214,846	2.53
Municipal/Revenue Bonds	84,173	9.54
Subtotal U.S. Government and Agency Instruments	**$4,157,604**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$475,437	1.05
Commercial Mortgage-Backed Securities	317,718	0.92
Corporate and Other Credit	3,788,855	4.44
Fixed Income Swaps	3,468	N/A
Pooled Investments	1,922,832	N/A
Subtotal Corporate Bonds and Credit Securities	**$6,508,310**	
Non-U.S. Fixed Income	$193,816	5.77
Private Placement Fixed Income	1,858,380	4.10
Subtotal Non-U.S. and Private Placement Securities	**$2,052,196**	
Total Fixed Income Securities	**$12,718,110**	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. To mitigate Foreign Currency Risk, LACERA has in place a passive currency hedging program, which hedges into U.S. dollars (USD) approximately 50 percent of LACERA's foreign currency exposure for developed market equities.

The following schedule represents LACERA's exposure to Foreign Currency Risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds the actual securities and/or currencies. The values shown include LACERA's pro rata portion of non-U.S. commingled fund holdings.

Non-U.S. Securities at Fair Value

As of June 30, 2015
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contract	Total
AMERICAS							
Argentine Peso	$6,753	—	—	—	—	—	$6,753
Bermuda Dollar	2,956	—	—	—	—	—	2,956
Brazilian Real	177,857	15,812	8	—	—	(105)	193,572
Canadian Dollar	834,224	4,769	165	—	—	7,308	846,466
Chilean Peso	17,994	—	—	—	—	—	17,994
Columbian Peso	6,254	—	—	—	—	—	6,254
Mexican Peso	112,394	40,586	953	—	—	7	153,940
Peruvian New Sol	11,670	—	—	—	—	—	11,670
EUROPE							
British Pound Sterling	1,719,028	25,472	761	3,529	54,022	(33,065)	1,769,747
Czech Republic Koruna	1,483	—	—	—	—	—	1,483
Danish Krone	151,861	—	—	—	—	(1,455)	150,406
Euro	2,558,657	92,520	26,760	161,247	295,705	(14,300)	3,120,589
Hungarian Forint	4,492	—	—	—	—	—	4,492
Norwegian Krone	70,914	—	203	—	—	264	71,381
Polish Zloty	20,698	—	—	—	—	—	20,698
Russian Ruble	88,714	—	—	—	—	—	88,714
Swedish Krona	263,162	—	—	—	—	(3,339)	259,823
Swiss Franc	742,937	—	—	—	—	(6,986)	735,951
PACIFIC							
Australian Dollar	606,176	—	3,020	—	—	3,132	612,328
Chinese RNB	28,184	—	—	—	—	—	28,184
Japanese Yen	1,863,021	—	6,805	—	—	18,375	1,888,201
New Zealand Dollar	14,924	1,730	225	—	—	1,282	18,161
South Korean Won	280,312	—	277	—	—	—	280,589
MIDDLE EAST							
Egyptian Pound	3,199	—	—	—	—	—	3,199
Israeli New Shekel	40,865	—	10	—	—	(1,367)	39,508
Lebanese Pound	770	—	—	—	—	—	770
Omani Rial	2,065	—	—	—	—	—	2,065
Qatari Rial	8,407	—	—	—	—	—	8,407
Saudi Riyal	11,121	—	—	—	—	—	11,121
Turkish Lira	52,172	—	—	—	—	—	52,172
UAE Dirham	8,925	—	—	—	—	—	8,925

Non–U.S. Securities at Fair Value continued

As of June 30, 2015
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
CFA Franc (W. African)	$1,812	—	—	—	—	—	$1,812
Ghana New Cedi	2,046	—	—	—	—	—	2,046
Kenyan Shilling	3,728	—	—	—	—	—	3,728
Moroccan Dirham	581	—	—	—	—	—	581
Mozambique Metical	—	—	—	—	—	—	—
Nigerian Naira	11,748	—	—	—	—	—	11,748
South African Rand	182,208	—	341	—	—	—	182,549
Tanzanian Shilling	507	—	—	—	—	—	507
Tunisian Dinar	1,362	—	—	—	—	—	1,362
SOUTHEAST ASIA							
Hong Kong Dollar	926,476	—	6,399	—	—	13	932,888
Indonesian Rupiah	39,328	—	15	—	—	—	39,343
Malaysian Ringgit	51,076	—	16	—	—	—	51,092
New Taiwan Dollar	247,904	—	291	—	—	—	248,195
Philippine Peso	14,598	7,535	—	—	—	—	22,133
Singapore Dollar	192,626	—	2,736	—	—	(539)	194,823
Thai Baht	58,839	—	—	—	—	—	58,839
Vietnamese Dong	3,810	—	—	—	—	—	3,810
SOUTH ASIA							
Indian Rupee	231,325	—	—	—	—	—	231,325
Sri Lankan Rupee	311	—	—	—	—	—	311
Total Securities Subject to Foreign Currency Risk	**$11,682,474**	**$188,424**	**$48,985**	**$164,776**	**$349,727**	**$(30,775)**	**$12,403,611**

NOTE H — Securities Lending Program

The Board of Investments' policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

LACERA's securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lends LACERA's non-U.S. equities, U.S. Treasury, agency, and mortgage-backed securities. GSAL lends LACERA's U.S. equities and corporate bonds. All non-U.S. loans are collateralized at 105 percent, while the U.S. loans are collateralized at 102 percent of the loan market value.

State Street Global Advisors invests the collateral received from both lending programs. The collateral is invested in short-term, highly liquid instruments. The collateral is marked-to-market daily, and if the market value of the securities on loan rises, LACERA receives additional collateral. Earnings generated above and beyond the interest paid to the borrowers represent net income. LACERA shares this net income with the two lending agents based on contractual agreements.

Under the terms of their lending agreements, both lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent shall be liable to LACERA for the amount of such excess, with interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2015, there were no known violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the years ended June 30, 2015 and 2014.

As of June 30, 2015, the fair value of securities on loan was $1.7 billion, with a value of cash collateral received of $1.0 billion and non-cash collateral of $815 million. As of June 30, 2014, the fair value of securities on loan was $1.7 billion, with a value of cash collateral received of $998 million and non-cash collateral of $707 million. LACERA's income, net of expenses from securities lending, was $6.6 million and $4.0 million for the years ended June 30, 2015 and 2014, respectively.

The following table shows the fair value of securities on loan and cash collateral received.

Securities Lending

As of June 30, 2015
(Dollars in Thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received
U.S. Equities	$443,668	$455,078	—
U.S. Fixed Income	168,288	171,887	—
Non-U.S. Equities	1,135,566	406,506	815,428
Total	**$1,747,522**	**$1,033,471**	**$815,428**

NOTE I — Derivative Financial Instruments

LACERA's Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument that represents direct ownership of an asset or an obligation of an issuer whose payments are based on or derived from the performance of some agreed-upon benchmark. Managers are required to mark-to-market derivative positions daily and may trade only with counterparties with a credit rating of A3/A-, as defined by Moody's Investors Service (Moody's) and Standard & Poor's (S&P), respectively. Trades with counterparties with a minimum credit rating of BBB/Baa2 may also be allowed with the posting of initial collateral. Substitution, risk control, and arbitrage are the only derivative strategies permitted. Speculation is prohibited. Gains and losses from derivatives are included in net investment income. For financial reporting purposes, all LACERA derivatives are classified as investment derivatives. The following types of derivatives are permitted: futures contracts, currency forward contracts, option contracts, and swap agreements. Given that hedge fund managers may already have discretion to use derivatives in the funds they manage, LACERA's Derivatives Policy will not apply to hedge fund investments.

Futures Contracts

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Currency Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to manage currency exposure, implement the passive currency hedge, and facilitate the settlement of international security purchase and sale transactions.

Currency Forwards Analysis

As of June 30, 2015
(Dollars in Thousands)

Currency Name	Notional Cost	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Fair Value 2015	Fair Value 2014
Australian Dollar	$495,087	$498,219	$(495,087)	$3,132	$(8,418)
Brazilian Real	18,987	18,882	(18,987)	(105)	61
British Pound Sterling	1,458,400	1,425,335	(1,458,400)	(33,065)	(23,296)
Canadian Dollar	598,506	605,813	(598,506)	7,308	(16,224)
Swiss Franc	649,001	642,015	(649,001)	(6,986)	65
Danish Krone	126,495	125,039	(126,495)	(1,456)	246
Euro	2,957,527	2,943,227	(2,957,527)	(14,300)	445
Hong Kong Dollar	172,549	172,563	(172,549)	14	16
Israeli New Shekel	55,606	54,239	(55,606)	(1,367)	(448)
Japanese Yen	1,978,955	1,997,331	(1,978,955)	18,375	(7,744)
Mexican Peso	14,991	14,998	(14,991)	7	6
Norwegian Krone	55,934	56,198	(55,934)	264	956
New Zealand Dollar	24,901	26,183	(24,901)	1,282	(320)
Swedish Krona	332,147	328,808	(332,147)	(3,339)	3,042
Singapore Dollar	125,124	124,585	(125,124)	(539)	(951)
Total	**$9,064,210**	**$9,033,435**	**$(9,064,210)**	**$(30,775)**	**$(52,564)**

Option Contracts

An option contract is a type of derivative in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. The cash flows the counterparties exchange are tied to a notional amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior mark-to-market.

The Investment Derivatives schedule below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the year ended June 30, 2015, classified by type.

Investment Derivatives

As of June 30, 2015
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value For the Fiscal Year Ended June 30, 2015	Fair Value at June 30, 2015	Notional (Dollars)	Notional (Units)
Commodity Futures Long	$(326,378)	—	—	$345,062
Commodity Futures Short	122,199	—	—	(74,906)
Credit Default Swaps Bought	1,165	(1,352)	39,889	—
Credit Default Swaps Written	(1,113)	1,259	77,727	—
Equity Options Bought	(40)	—	—	—
Equity Swaps	(7)	—	—	—
Fixed Income Futures Long	10,909	—	—	297,495
Fixed Income Futures Short	(900)	—	—	(789,902)
Fixed Income Options Bought	(2,030)	1,386	609,577	—
Fixed Income Options Written	2,675	(1,749)	(934,051)	—
Foreign Currency Options Bought	118	78	13,663	—
Foreign Currency Options Written	64	(6)	(7,184)	—
Futures Options Bought	(1,866)	935	8,184	—
Futures Options Written	2,376	(1,308)	(14,086)	—
FX Forwards	735,286	(30,775)	9,064,209	—
Pay Fixed Interest Rate Swaps	1,385	3,563	819,524	—
Receive Fixed Interest Rate Swaps	(371)	(323)	56,509	—
Rights	388	47	—	9
Total Return Swaps Bond	141	185	38,736	—
Total Return Swaps Equity	(102,296)	7,834	(336,103)	—
Warrants	(95)	—	—	6,167
Total	**$441,610**	**$(20,226)**	**$9,436,594**	**$(216,075)**

All investment derivative positions are included as part of Investments at Fair Value in the *Statement of Fiduciary Net Position*. All changes in fair value are reported as part of Net Appreciation/(Depreciation) in Fair Value of Investments in the *Statement of Changes in Fiduciary Net Position*.

Investment information was provided either by investment managers or LACERA's investment custodian.

Counterparty Credit Risk

LACERA is exposed to counterparty credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to counterparty credit risk include currency forward contracts and swap agreements. To minimize counterparty credit risk exposure, LACERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, LACERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. LACERA requires investment managers to have Master Agreements in place that permit netting in order to minimize credit risk. Netting arrangements provide LACERA with a legal right of setoff in the event of bankruptcy or default by the counterparty. LACERA would be exposed to loss of collateral provided by the counterparty. Collateral provided by the counterparty reduces LACERA's counterparty credit risk exposure.

The schedule displays the fair value of investments with each counterparty's S&P, Fitch, and Moody's credit rating by counterparty's name alphabetically.

Counterparty Credit Risk Analysis

As of June 30, 2015
(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	$322	A	A+	A1
Bank of New York	113	A+	AA-	A1
Barclays	35	A-	A	A2
Barclays Bank PLC Wholesale	2	A-	A	A2
Barclays Capital	204	A-	A	A2
BNP Paribas	39	A+	A+	A1
BNP Paribas SA	379	A+	A+	A1
Citibank N.A.	1,455	A	A+	A1
Credit Suisse FOB CME	1,949	A	A	A1
Credit Suisse FOB LCH	1,846	A	A	A1
Credit Suisse International	4,700	A	A	A1
Credit Suisse Securities (USA) LLC	1,887	A	A	A1
Deutsche Bank AG	13,635	BBB+	A	A3
Deutsche Bank Securities Inc	55	BBB+	A	A3
Goldman Sachs + Co	1,418	A-	A	A3
Goldman Sachs CME	1,824	A-	A	A3
Goldman Sachs International	4,998	A-	A	A3
HSBC Bank USA	1	AA-	AA-	Aa3
JP Morgan	134	A	A+	A3
JP Morgan Chase Bank N.A.	119	A+	AA-	Aa3
JP Morgan Securities Inc	1,579	A	A+	A3
Macquarie Bank Limited	62	A	A	A2
Morgan Stanley Bank N.A.	274	A	A+	A1
Morgan Stanley Co Incorporated	2	A-	A	A3
Royal Bank of Scotland PLC	11,221	BBB+	BBB+	A3
Societe Generale	2,836	A	A	A2
Standard Chartered Bank	66	A+	AA-	Aa2
Standard Chartered Bank, London	17	A+	AA-	Aa2
State Street Bank And Trust Company	1,101	AA-	AA	A1
Toronto Dominion Bank	2	AA-	AA-	Aa1
UBS AG	62	A	A	A2
UBS AG London	14,244	A	A	A2
UBS CME	447	A	A	A2
Westpac Banking Corporation	11,501	AA-	AA-	Aa2
Total	**$78,529**			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest Rate Swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table:

Interest Rate Risk Analysis

As of June 30, 2015
(Dollars in Thousands)

			Investment Maturities (in years)			
Investment Type	**Notional Value**	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More Than 10**
Credit Default Swaps Bought	$39,889	$(1,352)	—	$(1,502)	$150	—
Credit Default Swaps Written	77,727	1,259	32	1,171	(5)	61
Fixed Income Futures Long	297,495	—	—	—	—	—
Fixed Income Futures Short	(789,902)	—	—	—	—	—
Fixed Income Options Bought	609,577	1,386	1,258	128	—	—
Fixed Income Options Written	(934,051)	(1,749)	(1,589)	(153)	(7)	—
Pay Fixed Interest Rate Swaps	819,524	3,563	(52)	(2,371)	61	5,925
Receive Fixed Interest Rate Swaps	56,509	(323)	—	6	(313)	(16)
Total Return Swaps Bond	38,736	185	(53)	238	—	—
Total Return Swaps Equity	(336,103)	7,834	7,798	36	—	—
Total	**$(120,599)**	**$10,803**	**$7,394**	**$(2,447)**	**$(114)**	**$5,970**

NOTE J — Title Holding Corporations, Limited Liability Companies, and Special Purpose Entities

As of June 30, 2015, the LACERA real estate portfolio included 87 Title Holding Corporations (THCs) and 31 Limited Liability Companies (LLCs).

As of June 30, 2014, the portfolio included 89 THCs and 23 LLCs.

The following is a summary of the THCs' and LLCs' financial positions.

Title Holding Corporations' and Limited Liability Companies' Financial Position

As of June 30, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Assets	**$6,541,502**	$5,828,040
Less: Liabilities	**(2,162,184)**	(2,025,448)
Net Assets	**$4,379,318**	**$3,802,592**
Net Income	**$237,858**	**$115,610**

In March 2011, the LACERA Board of Investments approved allocating up to $200 million for a commercial real estate debt investment mandate managed by Cornerstone Real Estate Advisors. Additional allocations of $300 million were made in 2013, bringing the total investable equity commitment to $500 million. In 2014, a $250 million commitment was added for the purpose of backstopping a subscription facility, though this equity is not considered investable. The total assets and liabilities of this Special Purpose Entity (SPE) as of June 30, 2015 were $373 million and $181 million, respectively, with a net income of $12.8 million.

NOTE K — Related Party Transactions

Office Lease

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. In January 1991, LACERA entered into its original lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated via a base rent credit. However, LACERA is required to pay its proportionate share of the building's taxes and operating costs as defined in the lease.

Subsequent to the original lease agreement, several amendments have been entered into that adjusted the rentable square footage and lease expiration dates. The latest is the Eleventh Amendment to the Office Lease, dated March 14, 2013, leasing a total close to 107,000 rentable square feet of space and maintaining the lease's existing expiration date of December 31, 2015. LACERA has one five-year option to further extend the terms of the lease.

Additionally, LACERA leased two additional spaces, one for 3,421 square feet and another for 2,642 square feet of space, on August 6, 2013 and March 17, 2014, respectively, with terms expiring December 31, 2020 for both spaces.

Total operating expenses charged to LACERA were approximately $1.82 million and $1.80 million for the years ended June 30, 2015 and June 30, 2014, respectively.

Notes Receivable

LACERA had a notes receivable balance of approximately $22.5 million from one of its THCs for each of the years ended June 30, 2015 and 2014. This amount is reflected in the Accounts Receivable-Other balance for both years.

NOTE L — Administrative Expenses

The Board of Retirement and Board of Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against the earnings of the retirement fund.

Beginning in fiscal year 2012, LACERA implemented §31580.2 of the CERL, which provided administrative budget limitation relief to LACERA by shifting from an asset-based cap to a more stable liability-based cap. This CERL provision states that the annual budget for administrative expenses of a CERL retirement system may not exceed twenty-one hundredths of one percent (0.21 percent) of the actuarial accrued liability of the retirement system.

Expenses for computer software, hardware, and computer technology consulting services relating to those expenditures are not to be considered a cost of administration subject to the budget limit. The cost of legal representation is not to exceed one-hundredth of one percent (0.01 percent) of system assets in any budget year, pursuant to §31529.1 of the CERL. LACERA's appropriation for legal representation is included in the administrative expense allocation.

Under applicable sections of the CERL, both LACERA Boards approved the operating budgets for fiscal years ended June 30, 2015 and June 30, 2014, which were prepared based upon the twenty-one hundredths of one percent (0.21 percent) CERL limit.

The following budget-to-actual analysis of administrative expenses schedule is based upon the budget, as approved by the LACERA governing boards, in comparison to actual administrative expenses.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014
Basis for Budget Calculation (Actuarial Accrued Liability)	**$53,247,776**	**$50,809,425**
Maximum Allowable for Administrative Expense*	**111,820**	106,700
Total Statutory Budget Appropriation	**111,820**	**106,700**
Operating Budget Request	**65,629**	62,193
Administrative Expenses	**(62,591)**	(58,723)
Underexpended Operating Budget	**3,038**	**3,470**
Administrative Expenses	**62,591**	58,723
Basis for Budget Calculation	**53,247,776**	50,809,425
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	**0.12%**
Limit per CERL	**0.21%**	0.21%
Administrative Expenses	**62,591**	58,723
Net Position Restricted for Benefits	**$48,818,350**	$47,722,277
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.13%**	**0.12%**
Limit per CERL	**0.21%**	0.21%

*LACERA's appropriation for legal representation is included in administrative expense.

NOTE M — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. LACERA's management and legal counsel estimate the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Securities Litigation

In 2001, the Board of Investments adopted a Securities Litigation Policy in response to increasing incidents of corporate corruption and fraud. The policy requires LACERA's Legal Office to monitor securities fraud class actions and to actively pursue recovery of LACERA's losses in accordance with the policy.

In 2011, the U.S. Supreme Court held that certain fraud provisions of the U.S. securities laws could not be applied to securities purchased outside the U.S. Therefore, the Board of Investments adopted a global policy to ensure that LACERA continues to meet its fiduciary duty by identifying, monitoring, and evaluating securities actions in which the fund has an interest both foreign and domestic and pursuing such claims when and in a manner the Board of Investments determines is in the best interest of the fund.

Compliance with the Securities Litigation Policy ensures that the Board of Investments, with the assistance of the LACERA Legal Office, will continue to aggressively protect the financial interests of LACERA and its members.

Leases

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments and operating expenses for such equipment leases were approximately $276,000 and $279,000 in fiscal years 2015 and 2014, respectively.

The building space lease agreement was originally entered in January 1991. Subsequent amendments were made with the latest one dated August 22, 2013. LACERA agreed to lease additional space of which extended lease terms to December 31, 2020. As of fiscal year 2015, a total of 112,756 rentable square feet is leased by LACERA, which requires a proportionate share of taxes, parking facilities, and operating costs applicable to the premises be paid.

LACERA's leasing agreements are also discussed in Note K — Related Party Transactions. The total operating expenses for leasing the building premises are $1.82 million and $1.80 million in fiscal years 2015 and 2014, respectively.

Capital Commitments

LACERA real estate, private equity, and activist investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity is controlled by the LACERA Manager Investment Plan, which identifies the limitations on each manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager. Both the Manager Investment Plan and capital commitments are subject to approval by the Board of Investments and may be updated as often as necessary to reflect LACERA investment preferences, as well as changes in market conditions.

As of June 30, 2015, outstanding capital commitments to the various investment managers, as approved by the Board of Investments, totaled $4.21 billion. Subsequent to June 30, 2015, LACERA funded $266 million of these capital commitments.

Note N — Other Post-Employment Benefits (OPEB) Program

LACERA administers a cost-sharing multiple-employer Other Post-Employment Benefits (OPEB) or Retiree Healthcare Program on behalf of the County, its affiliated Superior Court, and four outside districts. The outside districts include: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and the South Coast Air Quality Management District. This OPEB Program is presented in the Statement of Fiduciary Net Position as the OPEB Agency Fund.

Program Description

In April 1982, the County adopted an ordinance pursuant to the CERL that provided for a retiree health insurance program and death/burial benefits for retired employees and their eligible dependents. In 1982, the County and LACERA entered into an Agreement whereby LACERA would administer the program subject to the terms and conditions of the Agreement. In 1994, the County amended the Agreement to continue to support LACERA's retiree insurance benefits program, regardless of the status of the active member insurance.

In June 2014, the LACERA Boards approved the County's request to modify the agreement to create a new retiree healthcare benefit program in order to lower its costs. Structurally, this means that the County segregated all current retirees and current employees into LACERA-Administered Retiree Healthcare Benefits Program — Tier 1 (Tier 1) and place all employees hired after June 30, 2014 into Los Angeles County Retiree Healthcare Benefits Program — Tier 2 (Tier 2).

A significant difference included in this modification concerns LACERA's administrative responsibility for the Retiree Healthcare Program. Under Tier 1, LACERA will continue its agreed-upon role as program administrator for retiree healthcare benefits as governed by the 1982 Agreement. Under Tier 2, LACERA is responsible for administering this program for as long as the County desires. The County may, at any time, choose another organization to administer the Tier 2 program.

On June 17, 2014, the Los Angeles County Board of Supervisors adopted changes to Los Angeles County Code Title 5 – Personnel, which established the Benefit Provisions for the new Tier 2.

Membership

Employees are eligible for the OPEB Program if they are members of LACERA and retire from the County of Los Angeles, the Superior Court, or a participating outside district. Healthcare benefits are also offered to qualifying survivors of deceased retired members and deceased active employees who were eligible to retire at the time of death. Receipt of a pension benefit is a prerequisite for retiree healthcare and death benefits; therefore, eligibility and qualifications applicable to retiree healthcare and death/burial benefits are substantially similar to pension benefits.

Summary of Participating Retired Members, Spouses, and Dependents — OPEB

OPEB Actuarial Valuation — July 1, 2014

Plan Type	Retirees and Survivors	Spouses and Dependents
Medical	45,825	22,298
Dental/Vision	46,612	25,404
Death Benefit	50,434	N/A

Benefit Provisions

The OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare

Supplement or Medicare HMO plans. Coverage is available regardless of pre-existing medical conditions. Under the new Tier 2 program, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan.

Medical and Dental/Vision — The participant's cost for medical and dental/vision insurance varies according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered. The County contribution subsidizing the participant's cost starts at 10 years of service credit or 40 percent of the lesser of the benchmark plan rate (Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision) or the premium of the plan in which the retiree is enrolled. Under Tier 2, the County subsidy is based on retiree-only coverage. Tier 2 benchmark plans are: Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision. For each year of retirement service credit beyond 10 years, the County contributes four percent per year, up to a maximum of 100 percent for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plan.

Medicare Part B — The member's base rate premiums paid to Social Security for Part B coverage are reimbursed by the County, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be enrolled in both Medicare Part A and Medicare Part B and in a LACERA-administered Medicare HMO Plan or Medicare Supplement Plan. Under Tier 2, the County reimburses for Medicare Part B (standard rate) for eligible members or eligible survivors only.

Disability — If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50 percent of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under Tier 2, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52 percent subsidy. This percentage increases 4 percent for each additional completed year of service.

Death/Burial Benefit — There is a one-time lump-sum $5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree, paid directly by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit upon their death.

Healthcare Reform

In March 2010, President Obama signed into law the Affordable Care Act (ACA). The ACA will have an impact on the County's future healthcare liabilities. Estimated ACA fees are included in the OPEB trend assumptions. As potential impacts become clearer, they will be reflected in the OPEB assumptions. However, as a "retiree only" group plan, LACERA is exempt from many of the provisions implemented thus far, including these significant provisions:

- Dependent Coverage for Adult Children up to Age 26
- Elimination of Lifetime Limits
- No Cost-Sharing for Approved Preventive Services

Other provisions of the ACA may or may not impact the Retiree Healthcare Benefits Program as these provisions and any governing regulations are clarified and implemented.

Eligible Dependent Child Age Limit Increased to Age 26

The plan sponsor, the County of Los Angeles, has approved an extension of the dependent children age limit to age 26 under the Retiree Healthcare Benefits Program, regardless of a dependent child's marital or student status. This comes as a result of a California law, Senate Bill (SB) 1088.

Until July 1, 2014, this law exempted retiree-only plans, such as LACERA's. SB 1088 requires health plan carriers to offer the coverage to dependents up to age 26 but does not obligate the plan sponsor, the County of Los Angeles, to pay for coverage up to age 26. However, in March 2015, the County determined that it will pay for dependent coverage up to age 26 under the contribution method described above.

Summary of Significant Accounting Policies

Basis of Presentation — The OPEB Agency Fund is presented according to the principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB). This OPEB Agency Fund accounts for assets held as an agent on behalf of others. This fund is custodial in nature and does not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting. Receivables include contributions due as of the reporting date. Payables include premium payments and refunds due to members and accrued investment and administrative expenses.

Investment Valuation — Investments are carried at fair value. Fair values for investments are derived from quoted market prices. For publicly traded stocks and bonds and issues of the United States Government and its agencies, the most recent sales price as of fiscal year-end is used.

Contributions Authority — Pursuant to the 1982, 1994, and 2014 Agreements between the County and LACERA, the parties agreed to the continuation of the health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. As part of the 2014 Agreement, the County modified the existing healthcare benefit plan, which created a new benefit structure for all employees hired after June 30, 2014. LACERA agreed not to lower retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent.

Funding Policy and Contributions — The County has historically discharged its premium subsidy obligations on a pay-as-you-go basis. LACERA bills the healthcare premiums to the County and members on a monthly basis. An administrative fee to cover the costs of administering the OPEB Program is added to the monthly premium. Internal cost allocations among the participating outside districts, including the Superior Court, have historically been based on the number of active employees. In June 2015, the Board of Supervisors approved the budget with a dedicated funding promise for the OPEB Liability. LACERA will work with the County to determine its OPEB Trust Fund contribution schedule in a strategic effort to sustain the program on a prefunding basis. LACERA, as an independent employer, will also bring recommendations to the LACERA Boards on joining the County in prefunding its share of the OPEB liability.

Premium Payments

During the fiscal year ended June 30, 2015, premium payments of $455.1 million were made to insurance carriers. These payments were funded by employer subsidy payments of $415.6 million and payments of $39.5 million by the participants. In addition, the County paid $47.3 million in Medicare Part B reimbursements and $7.3 million in death/burial benefits.

In December 2014 and January 2015, the County granted a Premium Holiday. A Premium Holiday is a temporary period in which the monthly premium costs for both the Program Sponsor (County) and affected members are waived. Affected members are those retirees enrolled in certain medical benefit plans who also pay their share of the monthly premiums. The Premium Holiday granted in the fiscal year ended June 30, 2015 amounted to $12.1 million.

Establishment of OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable OPEB Trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program, which LACERA administers. In May 2012, the County Board of Supervisors approved entering into a Trust and Investment Services Agreement with the LACERA Board of Investments to act as trustee and investment manager.

The OPEB Trust was the County's first step to reduce its OPEB unfunded liability. It provides a framework where the Board of Supervisors can make contributions to the trust and transition, over time, from pay-as-you-go to prefunding. The OPEB Trust does not modify the participating employers' benefit programs.

The OPEB Trust will serve as a funding tool for the participating employers to hold and invest assets for paying expenses associated with OPEB benefits, such as the Retiree Healthcare Benefits Program and retiree death/burial benefit. The participating employers will be responsible for and have full discretion over contributions to and withdrawals from the OPEB Trust. At this time, there are only two participating employers in the trust: Los Angeles County and LACERA. Both employers funded contributions to the OPEB Trust totaling $448.8 million during the fiscal year ended June 30, 2013. There have been no additional contributions to the OPEB Trust since the initial funding. The LACERA Board of Investments is responsible for setting the investment policy and investing any contributions transferred into the OPEB Trust from the participating employers.

Employer Disclosures

Participating employers, upon implementing the related GASB Statement No. 45, are required to disclose additional information in their financial statements with regard to funding policy. This includes the employer's annual OPEB Program costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial assumptions and methods used to prepare the actuarial valuation.

OPEB Actuarial Valuation

The Los Angeles County OPEB actuarial valuation was conducted by Milliman as of July 1, 2014. The valuation was performed in accordance with GASB Statements No. 43 and No. 45 requirements to satisfy financial statement reporting guidelines that apply to the sponsoring employers and the pension plans that administer the benefits program. The reporting guidelines are intended to improve cost disclosures and do not require any funding arrangements. The valuations are conducted at least every two years using the projected unit credit actuarial cost method. The next OPEB actuarial valuation will be conducted as of July 1, 2016.

Funded Status — OPEB Program as of the Most Recent Actuarial Valuation Date

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Valuation Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2014	**$483,800**	$28,546,600	$28,062,800	1.7%	$6,672,228	420.6%

*Covered Payroll is consistent with the pension plan's covered payroll.

Excise Tax — The ACA currently contains provisions to assess an excise tax in 2018 on employer-provided health insurance benefits that are determined by the ACA to be an excess benefit. Milliman has estimated the impact on the projection of benefits in the measurement of Los Angeles County's OPEB Actuarial Accrued Liability as of July 1, 2014 to be approximately $2.17 billion. This would increase the Unfunded Actuarial Accrued Liabilities from $28.06 billion to $30.23 billion and would mean a corresponding increase of the Annual Required Contribution as a percentage of payroll from 31.82 percent to 35.04 percent. LACERA and the County are evaluating a process of allocating such potential liabilities among the various OPEB Program stakeholders.

Disclosure of Information about Actuarial Assumptions and Methods

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

The required Schedule of Funding Progress — OPEB Program immediately following the Notes to the Basic Financial Statements 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.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the cost-sharing pattern between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the cost-sharing pattern between the employer and plan members that may be adopted in the future.

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

Actuarial Assumptions and Methods

Where applicable, the same actuarial assumptions used for the LACERA retirement benefit plan (Pension Plan) are used for the LACERA-administered Los Angeles County OPEB Program. The table below summarizes the primary OPEB-related assumptions that were approved and used to conduct the July 1, 2014 OPEB actuarial valuation. The retirement benefit-related demographic and economic assumptions are based on those developed for the June 30, 2014 valuation of the Pension Plan. Economic and demographic assumptions from the retirement benefit investigation of experience are integrated into the OPEB Investigation of Experience. The OPEB demographic and economic assumptions are based on the results of the 2013 OPEB Investigation of Experience, dated March, 25, 2014. OPEB-specific assumptions that have been updated since the 2013 OPEB Investigation of Experience include health cost trend rates, claim costs, and economic assumptions. The 2016 OPEB investigation of experience is scheduled to be completed and the results used for the July 1, 2016 valuation.

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value
Inflation Rate	3.0 percent per annum
Investment Return	3.75 percent. This assumption was adopted beginning with the July 1, 2014 OPEB valuation.
Projected Salary Increases	3.50 percent The general wage increase assumption is 3.50 percent per annum, which is used for projecting the total future payroll. The amortization of the Unfunded Actuarial Accrued Liability (UAAL) is determined as a level percentage of payroll. General wage increases and individual salary increases due to promotion and longevity do not affect the amount of the Program's OPEB benefit.

Healthcare Cost Trend Rates*

	FY 2014 to FY 2015	FY 2015 to FY 2016	Ultimate**
LACERA Medical Under 65	7.05%	6.40%	4.70%
LACERA Medical Over 65	9.60%	8.85%	4.70%
Part B Premiums	2.20%	4.60%	4.85%
Dental (all)	0.50%	3.00%	3.35%
Weighted Average Trend	7.41%	7.31%	4.71%

Amortization Method	Level percentage of projected salaries of the active members, both present and future, over a "rolling" 30-year amortization period. This assumption was adopted beginning with the July 1, 2006 OPEB valuation.

Probability of Initial Enrollment Upon Retirement

Years of Service	Medical	Dental/Vision
<10	9%	11%
10-14	47%	51%
15-19	66%	68%
20-24	82%	83%
25+	95%	95%
Disabled	95%	100%

*The first-year trend rates for LACERA's medical and dental/vision plans are adjusted to reflect premium increases effective July 1, 2015. Healthcare Reform Fees including Transitional Reinsurance Fee and Insurer Fee are also included in the medical and dental/vision trends.

**For the Healthcare Cost Trend Ultimate Rates, the grading period used ranges from June 30, 2015 to June 30, 2094, or 79 years.

Actuarial Assumptions and Methods continued

	Non-Firefighter 1014[*]				Firefighter 1014
	<65 Male	<65 Female	65+ Male	65+ Female	All
Medical Spouse/Dependent Enrollment Probability	76.50%	45%	64.50%	32.50%	93%
	Male		Female		
Dental/Vision Spouse/Dependent Enrollment Probability	74%		43%		

[*]Members who have been covered by the Firefighters Local 1014 medical plan while actively employed by Los Angeles County may continue this coverage after retirement. Retired Local 1014 non-Firefighter members are eligible for the Local 1014 Firefighters' retiree medical plan.

NOTE O — Hedge Funds

The hedge fund category of investments is not a separate asset class but is comprised of strategies that: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives.

LACERA employs two hedge fund of funds managers with specialized knowledge and expertise to construct three hedge fund portfolios. The hedge fund of funds managers identify, select, implement, and monitor these investment strategies in the portfolios consistent with LACERA's stated objectives, constraints, and Investment Policy.

In October 2011, LACERA began investing in hedge funds with a goal of reducing the volatility of the Pension Fund without materially decreasing Pension Fund returns. This initial investment consisted of a portfolio of hedge funds invested in a diversified strategy.

In December 2012, LACERA began investing in a second portfolio of hedge funds focused on opportunistic credit strategies.

These two hedge fund portfolios are each structured in a limited partnership in which LACERA is the sole limited partner, and each was created to hold the interests in the underlying hedge funds. LACERA's original fund of funds manager serves as General Partner and owns a 0.01 percent stake in each partnership.

In April 2015, LACERA began funding a third portfolio of hedge funds, managed in a diversified strategy by a second fund of funds manager. The underlying hedge funds in this portfolio are held directly by LACERA.

Each underlying fund investment in the entire hedge fund program is in a legal entity designed to limit liability for each fund's investment to the capital invested with that fund.

The investment performance for this strategy is measured separately from other asset classes. The market values of assets invested in hedge funds as of June 30, 2015 and June 30, 2014 were $692 million and $546 million, respectively.

NOTE P — Subsequent Event

Subsequent events have been evaluated through October 9, 2015, which is the date the financial statements were issued.

Schedule of Funding Progress — Other Post-Employment Benefits Program

(Dollars in Thousands)

Los Angeles County and Participating Agencies

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2006	—	$21,215,800	$21,215,800	0.0%	$5,205,804	407.5%
July 1, 2008	—	21,863,600	21,863,600	0.0%	6,123,888	357.0%
July 1, 2010	—	24,031,000	24,031,000	0.0%	6,695,439	358.9%
July 1, 2012	—	26,952,700	26,952,700	0.0%	6,619,816	407.2%
July 1, 2014	483,800	28,546,600	28,062,800	1.7%	6,672,228	420.6%

*Using the Projected Unit Credit actuarial cost method.
NOTE: The next valuation will be conducted as of July 1, 2016.

Schedule of Employer Contributions — Other Post-Employment Benefits Program

(Dollars in Thousands)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions	Percentage of ARC Contributed
2010	$1,737,000[1]	$400,686	23%
2011	1,938,400[2]	423,032	22%
2012	1,938,400[2]	442,099	23%
2013	2,126,100[3]	460,331	22%
2014	2,126,100[3]	466,788	22%
2015	2,152,300[4]	470,185	22%

NOTES:

ARC determined by most recent OPEB Actuarial Valuation conducted as of: [1] July 1, 2008, [2] July 1, 2010, [3] July 1, 2012, [4] July 1, 2014.

Significant changes to the OPEB Program and trends that may affect the amounts reported here are discussed in Note N - Other Post-Employment Benefits (OPEB Program).

Schedule of Net Pension Liability

For the Years Ended June 30, 2015, 2014, and 2013
(Dollars in Thousands)

	2015	2014	2013[1]
Total Pension Liability	**$56,570,520**	$54,977,021	$52,672,558
Less: Fiduciary Net Position	**(48,818,350)**	(47,722,277)	(41,773,519)
Net Pension Liability	**$7,752,170**	**$7,254,744**	**$10,899,039**
Fiduciary Net Position as a Percentage of Total Pension Liability	**86.30%**	86.80%	79.31%
Covered Employee Payroll[2]	**$7,592,760**	$7,196,869	$7,041,734
Net Position Liability as a Percentage of Covered Employee Payroll	**102.10%**	100.80%	154.78%

Total Pension Liability

The Total Pension Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions and methods noted below, and was then projected forward to the measurement date taking into account any significant changes between the valuation date and the fiscal year-end as prescribed by GASB 67.

Rates of Return

	2015	2014	2013
Discount Rate	**7.63%**	7.63%	7.63%
Long-Term Expected Rate of Return, Net of Expenses	**7.50%**	7.50%	7.50%
Municipal Bond Rate	**N/A**	N/A	N/A

The best-estimate range for the long-term expected rate of return was determined by adding expected inflation to expected long-term real returns and reflecting volatility and correlation. The 2013 Investigation of Experience analysis was used to develop the 7.63 percent assumption used for the current financial statement reporting date. This is equal to the 7.5 percent long-term investment return assumption adopted by the Board of Investments (net of investment and administrative expenses), plus 0.13 percent assumed administrative expenses.

The plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total Pension Liability is equal to the plan's long-term expected rate of return, gross of administrative expenses.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the Total Pension Liability as of June 30, 2015 were based on the results of an actuarial experience study for the three-year period July 1, 2010 to June 30, 2013.

	2015	2014	2013
Valuation Date[3]	**June 30, 2014**	June 30, 2013	June 30, 2013
Measurement Date	**June 30, 2015**	June 30, 2014	June 30, 2013

For Other Actuarial Assumptions and Methods — See Notes to the Required Supplementary Information.

NOTES:

[1]Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

[2]Covered Employee Payroll reported for GASB 67 disclosures is the payroll of employees who are provided with pensions through the pension plan. Covered Payroll presented here is for financial statement reporting and is distinct from covered payroll reported in actuarial valuation disclosures.

[3]For the initial year of GASB 67 implementation at June 30, 2014, both the beginning of the year (June 30, 2013) measurement and at the end of year (June 30, 2014) measurement are based on the June 30, 2013 actuarial valuation.

Schedule of Changes in Net Pension Liability and Related Ratios

For the Year Ended June 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014*
Total Pension Liability		
Service Cost	$1,024,288	$1,009,834
Interest on Total Pension Liability	4,073,299	3,957,030
Effect of Plan Changes	—	—
Effect of Assumptions Changes or Inputs	—	—
Effect of Economic/Demographic Gains or (Losses)	(735,678)	—
Benefit Payments and Refund of Contributions	(2,768,410)	(2,662,401)
Net Change in Total Pension Liability	1,593,499	2,304,463
Total Pension Liability - Beginning	**54,977,021**	**52,672,558**
Total Pension Liability - Ending (a)	**$56,570,520**	**$54,977,021**
Fiduciary Net Position		
Contributions - Employer	$1,494,975	$1,320,442
Contributions - Member	441,258	439,001
Net Investment Income	1,989,358	6,910,439
Net Miscellaneous Income	1,483	—
Benefit Payments	(2,768,410)	(2,662,401)
Administrative Expenses	(62,591)	(58,723)
Net Change in Fidcuiary Net Position	$1,096,073	$5,948,758
Fiduciary Net Position - Beginning	**$47,722,277**	**$41,773,519**
Fiduciary Net Position - Ending (b)	**$48,818,350**	**$47,722,277**
Net Pension Liability - Ending (a) - (b)	**$7,752,170**	**$7,254,744**
Fiduciary Net Position as a Percentage of Total Pension Liability	86.30%	86.80%
Covered Employee Payroll**	$7,592,760	$7,196,869
Net Position Liability as a Percentage of Covered Employee Payroll	102.10%	100.80%

*Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

**Covered Employee Payroll reported for GASB 67 disclosures is the payroll of employees who are provided with pensions through the pension plan. Covered Payroll presented here is for financial statement reporting and is distinct from covered payroll reported in actuarial valuation disclosures.

Schedule of Contributions History — Pension Plan

Last Ten Fiscal Years
(Dollars in Thousands)

2015 to 2011

	2015	2014	2013	2012	2011
Actuarially Determined Contributions	$1,494,975	$1,320,442	$1,172,014	$1,078,929	$944,174
Contributions in Relation to the Actuarially Determined Contribution	1,494,975	1,320,442	1,172,014	1,078,929	944,174
Contribution Deficiency/ (Excess)	—	—	—	—	—
Covered Employee Payroll	$6,948,738	$6,672,228	$6,595,902	$6,619,816	$6,650,674
Contributions as a Percentage of Covered Employee Payroll	21.51%	19.79%	17.77%	16.30%	14.20%

2010 to 2006

	2010	2009	2008	2007	2006
Actuarially Determined Contributions	$843,704	$847,172	$827,911	$863,626	$855,531
Contributions in Relation to the Actuarially Determined Contribution	843,704	847,172	828,630	863,626	856,035
Contribution Deficiency/ (Excess)	—	—	$(719)	—	$(504)
Covered Employee Payroll	$6,695,439	$6,547,616	$6,123,888	$5,615,736	$5,205,804
Contributions as a Percentage of Covered Employee Payroll	12.60%	12.94%	13.52%	15.38%	16.43%

Schedule of Investment Returns — Pension Plan

For the Year Ended June 30, 2015 and 2014

	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expenses	**4.1%**	**17.2%**

NOTES:

Money-Weighted Rate of Return is calculated as the internal rate of return on pension plan investments, net of investment expenses.

Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

Notes to Required Supplementary Information

For the Year Ended June 30, 2015

Changes in Benefit Terms

California Public Employees' Pension Reform Act of 2013 (PEPRA) changed benefits for new members of Los Angeles County Employees Retirement Association (LACERA) who entered on or after January 1, 2013. These members join either General Plan G or Safety Plan C. The provisions of PEPRA apply for the current valuation. Due to the limited membership in these plans as of the June 30, 2013 valuation, a hypothetical five-year population has been used to determine the normal cost rate for this group. This methodology was adopted by the Board of Investments at its February 2014 meeting and will apply through the June 30, 2017 valuation, when the actual plan populations are expected to reflect five years of membership.

2014 Changes in Assumptions

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the investigation of experience, or experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. On the basis of this review, the actuary determines whether changing the assumptions or methodology will better project benefit liabilities and asset growth.

At the December 2013 Board of Investments meeting, the Board adopted new valuation assumptions with the 2013 Investigation of Experience report. The adopted assumptions included 7.50 percent for the investment return, 3.5 percent for wage growth, and an increase in life expectancies. All assumption changes are reflected in the June 30, 2014 actuarial valuation.

Actuarial Methods and Assumptions

As required by Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67), LACERA's actuary completed a roll forward analysis to calculate the Total Pension and Net Pension Liability information for financial reporting, as of June 30, 2015. The basis for these calculations was the latest valuation report, prepared for funding purposes. All actuarial methods and assumptions used for this roll forward analysis were the same as those used in the June 30, 2014 valuation report, except as noted below. Please see NOTE E — Pension Actuarial Valuations for the actuarial assumptions and methods used for the June 30, 2014 valuation report.

The following are key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual Entry Age Normal*
Amortization Method	
Level Percent or Level Dollar	Level Percent
Closed, Open, or Layered Periods	Layered
Amortization Period for Each Layer	30 years
Amortization Growth Rate	3.5 percent
Asset Valuation Method	
Smoothing Period	5 years
Recognition Method	Non-Asymptotic
Corridor	None

*Differs slightly from actuarial valuation for groups in existence for less than five years.

Inflation	3.0 percent
Salary Increases Including Inflation	3.5 percent
Discount Rate	7.63 percent*
Retirement Age	A schedule of the probabilities of employment termination based on age due to a particular cause is used. For additional information, see the Probability of Occurrence tables in the Actuarial Section of this report.
Cost-of-Living Adjustments	As noted in the June 30, 2014 actuarial valuation report, with one modification: STAR COLA benefits are assumed to be substantively automatic at the 80 percent purchasing power level until the STAR Reserve is projected to be insufficient to pay further STAR benefits.**
Mortality	Various rates based on RP-2000 mortality tables using static projection of improvement to 2025 using Projection Scale AA. See June 30, 2014 valuation report for further details.

*Differs from actuarial valuation due to addition of administrative expense load of 0.13 percent.
**Differs from actuarial valuation due to inclusion of future liability for STAR COLA benefits.

Administrative Expenses

For the Years Ended June 30, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Personnel Services		
Salaries and Wages	**$29,355**	**$27,682**
Employee Benefits	**16,735**	**15,166**
Total Personnel Services	**46,090**	**42,848**
Consultant & Professional Services		
County Department Services	**205**	**216**
External Audit Fees	**153**	**243**
Legal Consultants	**439**	**227**
Professional Services	**405**	**391**
Temporary Personnel Services	**1,627**	**1,832**
Total Consultant & Professional Services	**2,829**	**2,909**
Operating & Equipment Expenses		
Administrative Support	**165**	**288**
General Expenses	**757**	**783**
Computer Software	**1,754**	**2,255**
Disability Medical Service Fees	**1,929**	**1,775**
Educational Expenses	**918**	**694**
Equipment	**1,758**	**961**
Facilities Operations	**2,872**	**2,983**
Insurance	**603**	**458**
Printing	**690**	**692**
Postage	**839**	**756**
Telecommunications	**668**	**544**
Transportation & Travel	**719**	**777**
Total Operating & Equipment Expenses	**13,672**	**12,966**
Total Administrative Expenses	**$62,591**	**$58,723**

Schedule of Investment Expenses

For the Years Ended June 30, 2015 and 2014
(Dollars in Thousands)

	Pension Trust Fund		OPEB Trust Fund	
	2015	2014	2015	2014
Investment Management Fees				
Cash and Short-Term Managers	$951	$841	$50	$92
Commodity Managers	3,848	4,330	—	—
Equity Managers				
U.S. Equity	15,612	15,267	134	50
Non-U.S. Equity	23,230	21,446	—	—
Fixed Income Managers	23,502	18,591	—	—
Hedge Fund Mergers	11,266	10,341	—	—
Private Equity Managers	44,542	45,362	—	—
Real Estate Managers	38,372	39,137	—	—
Total Investment Management Fees	161,323	155,315	184	142
Other Investment Expenses				
Consultants	2,360	2,296	—	—
Custodian	3,073	2,324	44	38
Legal Counsel	598	523	—	—
Other	4,863	7,621	—	—
Total Other Investment Expenses	10,894	12,764	44	38
Total Management Fees & Other Investment Expenses	$172,217	$168,079	$228	$180

Schedule of Payments to Consultants

For the Years Ended June 30, 2015 and 2014
(Dollars in Thousands)

	2015	2014
Actuarial		
Actuarial Valuations and Consulting Fees	**$217**	$230
Audit		
External Audit Services	**153**	243
Legal		
Investment Legal Counsel	**598**	523
Legislative Consulting	**146**	68
Other Legal Services	**293**	159
Total	**1,037**	750
Management		
Management and Human Resources	**125**	113
Information Technology Consulting	**41**	71
Total	**166**	184
Total Payments to Consultants	**$1,573**	**$1,407**

NOTE:
For fees paid to investment professionals, refer to Schedule of Investment Management Fees in the Investment Section.

Statement of Changes in Assets and Liabilities — OPEB Agency Fund

For the Year Ended June 30, 2015
(Dollars in Thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Assets				
Cash	$48,084	$526,214	$495,563	$78,735
Accounts Receivable - Other	40,574	521,704	518,261	44,017
Fixed Income	110,884	1,339,024	1,339,367	110,541
Total Assets	$199,542	$2,386,942	$2,353,191	$233,293
Liabilities				
Retiree Payroll and Other Payables	$150	$42,161	$42,187	$124
Accrued Expenses	364	418	364	418
Accounts Payable - Other	88,144	523,892	489,827	122,210
Due to Employers	110,884	1,339,024	1,339,367	110,541
Total Liabilities	**$199,542**	**$1,905,495**	**$1,871,745**	**$233,293**


Working For You

Technology

LACERA uses technology to make both internal processes and member self-service on My LACERA as efficient as they are secure. Our Benefits Division refines member-related processes, working with our Systems Division to develop innovations such as automated calculations and expedient Direct Deposit enrollment. It's important to us that each member's transition to retirement is smooth and that their beneficiaries receive benefits seamlessly.

In a dynamic IT landscape, our Systems Division plans strategically for LACERA's current and foreseeable information requirements and offers internal technical assistance and consultation. Our Benefits Division serves members by efficiently and accurately processing their retirement benefits.

With the application of advancing technologies, we are able to grow and innovate as a company.

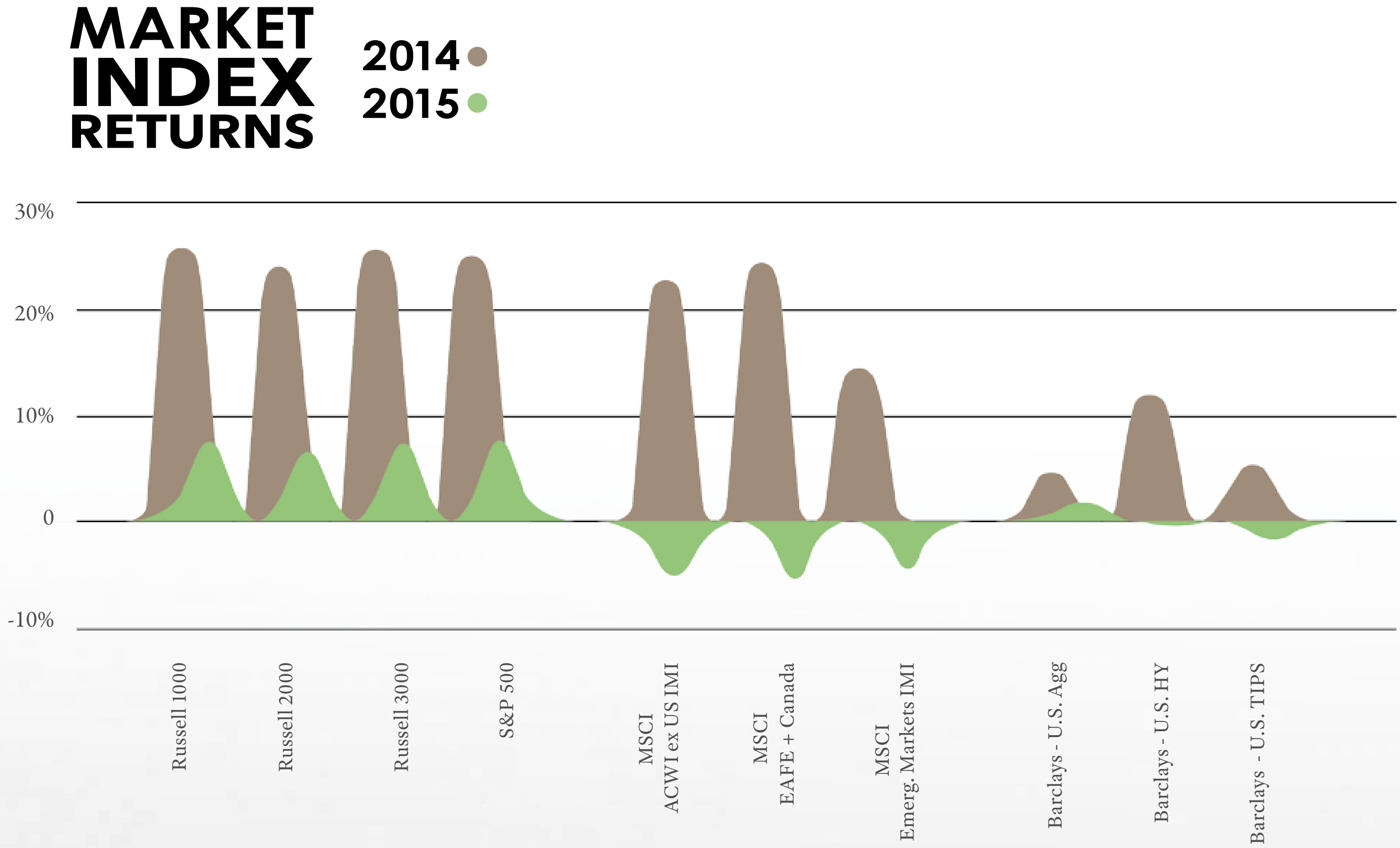
September 30, 2015

Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 91101

Dear Board Members:

Wilshire Associates Incorporated ("Wilshire"), investment consultant to the Board of Investments of the Los Angeles County Employees Retirement Association ("LACERA"), is pleased to present this review of LACERA's investment performance over the past fiscal year (period ending June 30, 2015).

The U.S. equity market posted modest single-digit gains for the one-year period ending June 30, 2015. This represents the third consecutive fiscal year of positive U.S. equity returns across all market capitalizations. An up-and-down year, markets started to follow a more downward path as the fiscal year came to close as rumors of the Fed's first interest rate hike since the Fiscal Crisis began to swirl and issues overseas started to come to a head. The non-U.S. equity markets took a downward trajectory during the year; with Europe concerned about debt issues, prospective Scottish independence, low oil prices, and lastly the Chinese slowdown. The investment grade fixed income markets continued to offer disappointing risk premiums. Speculation regarding rising interest rates made investors uneasy throughout much of the year. The graph below illustrates the capital market results for the past two fiscal years.



Annual Consultant Review

LACERA's 2015 fiscal year Total Fund return performance and ranking within Wilshire's Total Public Fund's Plan Sponsor Universe are displayed in the table below. Percentile rankings are shown to the right of the return and range from 1st (best) to 100th (worst). Differences in returns between plans in the universe are most often driven by differences in asset allocation policies. LACERA has implemented a broadly diversified allocation to both public and private assets, which has achieved top quartile performance over the long term. The LACERA Total Fund ranked in the 5th percentile over the Ten-Year period, while the LACERA Policy ranked in the 11th percentile. LACERA tends to have a lower U.S. Equity policy allocation than many other plans in the universe, as LACERA's U.S. equity allocation is based on the weight of the global equity opportunity set. Because U.S. equity performed well relative to non-U.S. equity over the One- and Five-Year periods, LACERA has ranked lower in the universe over these periods.

2015 Fiscal Year Total Fund Performance*

(Gross of Fees)

	One Year	Rank	Five Years	Rank	Ten Years	Rank
Total Fund	**4.33**	21	10.51	68	7.22	5
Policy	**4.45**	19	9.97	83	6.92	11
Over/(Under) Policy	**-0.12**		0.54		0.30	
Universe Median	**16.86**		12.69		7.27	
*As of June 30, 2015 Number of Funds.	50		47		42	

During fiscal year 2015, the LACERA investment staff and Wilshire have worked cooperatively to address goals and implement ideas designed to improve the efficiency of the investment program. Among the projects completed or currently underway are:

- Board Offsite Education ("Approaches to Asset Allocation")
- Investment Performance Reporting
- Asset/Liability Analysis
- Securitized Credit Fixed Income Search
- Emerging Market Debt Fixed Income Search
- Activist Investment Management Search
- Risk Parity Education
- Performance Fee Education
- Commodities Education

In our partnership with LACERA, Wilshire Associates looks forward to implementing projects both currently underway and those planned for the future.

Sincerely,

Marlin D. Pease, CFA
Managing Director

WILSHIRE ASSOCIATES
210 Sixth Avenue, Suite 3720, Pittsburgh, PA 15222
TEL 412.434.1580 FAX 412.434.1584 www.wilshire.com

Investment Policy

LACERA's investment program objective is to provide Association participants with retirement benefits as required by the County Employees Retirement Law of 1937. The Board of Investments has exclusive control of all retirement system investments. There are nine Board of Investments members: Four are elected by the active and retired members, and four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer-Tax Collector serves as an ex-officio member.

The Board of Investments has adopted an Investment Policy Statement that provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

The assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the pension fund. LACERA applies principles of Modern Portfolio Theory, which asserts that higher levels of investment risk are expected to be rewarded with higher returns in the long run. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of LACERA's members.

Asset Allocation

A pension fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The asset allocation policy determines a fund's optimal long-term asset class mix (target allocation). This policy is expected to achieve a specific set of investment goals, such as risk and return objectives. The policy also establishes ranges around the optimal target asset class mix that act as triggers for reallocating assets to ensure adherence to target weights.

Vache Mahseredjian

Interim
Chief Investments Officer

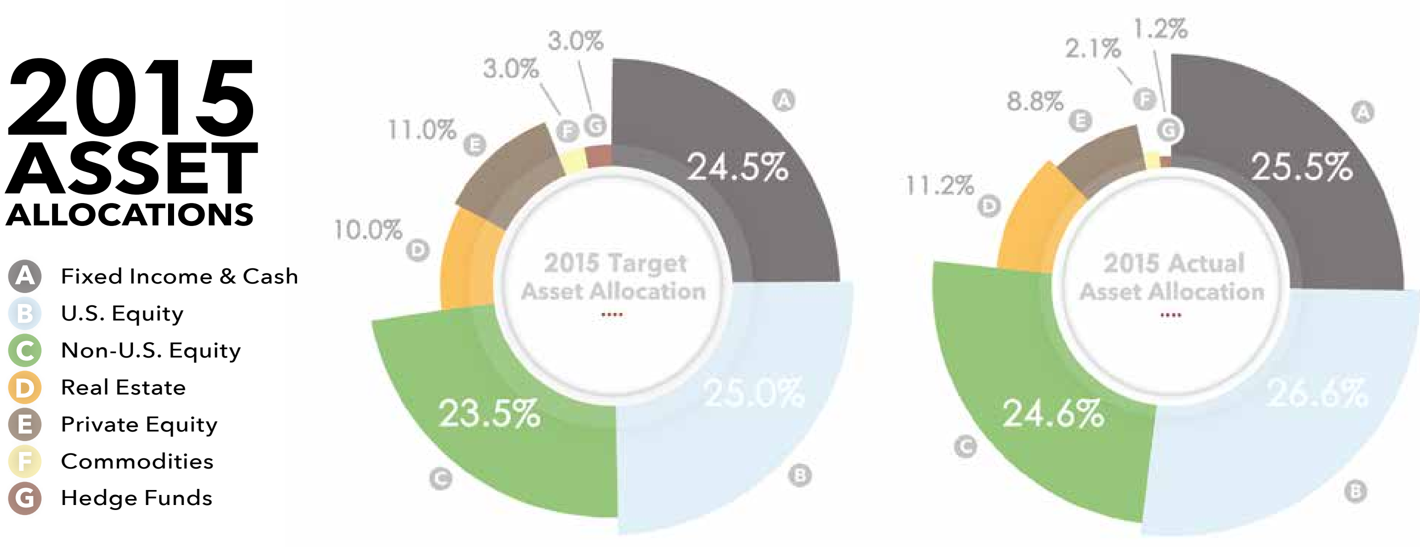
The Board of Investments reviews the Fund's Asset Allocation Policy (the Policy) every three to five years. In August 2012, the Board of Investments adopted the Policy in use during this fiscal year. Since the end of the fiscal year, in August 2015, the Board of Investments adopted a new Asset Allocation Policy. LACERA staff, its Board of Investments, and consultant are developing a plan to implement the new Asset Allocation Policy. The following factors were considered in establishing the Asset Allocation Policy:

- Projected actuarial assets, liabilities, benefit payments, and contributions
- Expected long-term capital market risk and return targets
- Expected future economic conditions, including inflation and interest rate levels
- LACERA's current and projected funding status

LACERA's target and actual asset allocations as of June 30, 2015

The Board of Investments implements the asset allocation plan by hiring investment managers to invest assets on LACERA's behalf, subject to investment guidelines. LACERA's investment staff closely monitors manager activities and assists the Board of Investments with the implementation of investment policies and long-term investment strategies.

In December 2013, the Board of Investments approved a new allocation for the OPEB Trust consisting of a strategic reserve of $100 million in cash and the remainder invested in a global equity index fund. The



cash portion consists of high quality, short-term debt instruments such as U.S. Treasury Bills and Notes, commercial paper, and other corporate obligations, certificates of deposit, and asset-backed securities. The global equity fund's allocation between U.S. equity and non-U.S. equity was 51.6 percent and 48.4 percent, respectively, as of June 30, 2015.

Performance Overview

After generating double-digit returns in the two prior fiscal years, LACERA's investment program earned a modest 4.3 percent for the fiscal year ended June 30, 2015. The best performing sectors of the portfolio were Private Equity (+13.2 percent for the year), Real Estate (+12.8 percent), and U.S. Equities (+7.4 percent). Lower performing sectors were non-U.S. Equity (+1.1 percent), Cash (+0.1 percent), and Commodities (-23.0 percent).

Despite the lackluster return of the past year, the portfolio's average annualized return of 7.2 percent over the past 10 years is solid. As noted in the accompanying letter from LACERA's investment consultant, Wilshire Associates, the fund's relative performance over the past 10 years is excellent, ranking in the top 5 percent of public pension plans in Wilshire's universe. Taking an even longer-term perspective, over the past 25 years, the fund has generated an average annualized return of 8.7 percent, comfortably ahead of the 8 percent return that the actuaries assumed back in 1990.

Economic and Market Review

Despite a weather-related dip in GDP during the first quarter of 2015, U.S. economic conditions improved over the course of the fiscal year. The unemployment rate declined to 5.3 percent, inflation remained subdued, home prices continued to appreciate, and full-year GDP increased 2.7 percent. Conditions improved to such an extent that the Federal Reserve began to taper monetary accommodation, and concerns arose about when the Fed would begin to raise rates—its first such action in over nine years.

In contrast, economic conditions were generally disappointing in other parts of the world. As a result, foreign central banks continue to provide loose monetary policy in an effort to stimulate their respective economies. Growth in Japan was negative in the most recent quarter, and eurozone growth continues to be barely positive. Investors' biggest concern is the slowdown in China, where growth is expected to be approximately 7 percent, down slightly from levels over the past few years and significantly lower than growth rates a decade ago, when China was the biggest contributor to global growth. The slowdown in China has had far-reaching ramifications, negatively impacting commodities prices and depressing growth in emerging market countries, particularly those dependent on commodity exports.

In addition to the slowdown in global growth, financial markets continue to be buffeted by geopolitical developments. Hostilities in the Middle East, Ukraine, and parts of North Africa, combined with political instability in several countries including Greece and Brazil, led to increased uncertainty and a heightened sensitivity to risk. Another wild card was oil, as the combination of slower global growth, increased U.S. production via fracking, and the possible lifting of U.N. sanctions on Iran has led to a 55 percent decline in oil prices over the past year.

Performance by Asset Class

LACERA's 4.3 percent return for the fiscal year ended June 30, 2015 was 20 basis points (bps) below the 4.5 percent return of its policy benchmark. Underperformance relative to policy benchmarks was evident last year in the private equity and hedge funds asset classes, whereas global equities and commodities showed modest outperformance. Over the past five years, the Fund has generated an average annualized return of 10.5 percent, outperforming its policy benchmark by an average of 0.5 percent per year.

LACERA's U.S. and non-U.S. equity portfolios are structured to have a low level of risk relative to their respective benchmarks. With improving economic conditions in the U.S., equity markets provided adequate returns during the fiscal year. LACERA's U.S. equity portfolio returned 7.4 percent, 10 bps above its benchmark, the Russell 3000 Index, a broad-based measure of the U.S. stock market. However, deeper concerns about growth outside the U.S. and in emerging markets led to low returns in those areas. The non-

U.S. equity market, as measured by the Morgan Stanley Capital International (MSCI) All Country World ex-U.S. Investable Market Index (IMI), a broad-based world equity benchmark, declined 5.0 percent in U.S. dollar terms.

The non-U.S. equity portfolio ended the year up 1.1 percent, 20 bps above its customized hedged benchmark, as most active managers performed well. This custom benchmark hedges 50 percent of the currency exposure from developed markets countries. Over the course of the year, the U.S. dollar appreciated 17.7 percent versus a basket of 10 leading currencies. Because of the strengthening dollar, LACERA's 50 percent passive currency hedge program returned 7.7 percent during the year.

LACERA's bond portfolio gained 1.6 percent for the year, matching the performance of its benchmark, the Barclays U.S. Universal Bond Index. Gains from modest declines in long-term U.S. Treasury interest rates were offset by price declines from corporate bonds, particularly lower-rated, higher yielding bonds. Higher-rated corporate bonds, as measured by the Barclays U.S. Corporate Investment Grade Bond Index, generated a total return of +0.8 percent for the year. In comparison, lower-rated corporate bond returns were -0.4 percent, as measured by the Barclays U.S. Corporate High Yield Bond Index.

LACERA's commodities portfolio performed poorly in absolute terms, down 23.0 percent, but exceeded the -23.7 percent return of the broad-based Bloomberg Commodity Index Total Return by 70 bps. Cash, used to fund benefit payments and other obligations, had low absolute performance of 0.1 percent, consistent with the 0.1 percent return of the Citigroup 6-month Treasury Bill Index. LACERA's hedge fund program returned 3.1 percent. This was 190 bps below the 5.0 percent absolute return benchmark, reflecting lower general performance for credit-oriented strategies to which the program is exposed.

LACERA's private market asset classes, private equity and real estate, focus on longer-term, less liquid investments. Both asset classes experienced positive performance during the fiscal year. Though these returns are indicative of overall market direction, final returns can be known with certainty only when assets are sold. Private equity generated a 13.2 percent return due to a favorable environment for exits via initial public offerings and elevated valuations, particularly in the healthcare and technology sectors. LACERA's private equity composite missed its target return of 13.8 percent by 60 bps. The real estate portfolio continued its fifth consecutive year of positive performance, ending the fiscal year up 12.8 percent, which equaled the return of its target benchmark. Stable core properties have been able to generate attractive yields and to benefit from modest capital appreciation.

Outlook

As we look across the investment landscape, several themes come to mind. First, given the improvement in U.S. economic growth, we are on the cusp of a shift in monetary policy. The era of lower domestic interest rates appears to be nearing its end. Second, given weak global growth, it is likely that any increase in U.S. interest rates will be slow and moderate. Third, although rising interest rates will have a different impact on various markets, generally speaking, rising rates have a dampening effect on returns.

Therefore, expected returns in the near term do not look as attractive as past returns. Finally, from a valuation perspective, all of the asset classes look fairly valued, at best.

Faced with this challenging environment, more diligence and creativity are required to uncover investment opportunities and construct a portfolio with the appropriate mix of return, risk, cost, and liquidity. As always, LACERA's investment staff will do its utmost to carry out its fiduciary duties, ever mindful of the 162,000 LACERA members we serve.

Respectfully submitted,

Vache Mahseredjian

Vache Mahseredjian, CFA, CAIA, FRM, ASA
Interim Chief Investment Officer

Investment Summary — Pension Plan*

For the Year Ended June 30, 2015

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$1,436,774	3.0%
Fixed Income	10,882,471	22.5%
Subtotal Fixed Income and Cash	12,319,245	25.5%
U.S. Equity	12,865,258	26.6%
Non-U.S. Equity	11,888,456	24.6%
Subtotal Equities	24,753,714	51.2%
Commodities	1,012,372	2.1%
Private Equity	4,308,056	8.8%
Real Estate	5,413,965	11.2%
Hedge Funds	596,666	1.2%
Total Investments — Pension Plan	$48,404,018	100.0%

Investment Summary — OPEB Agency Fund*

For the Year Ended June 30, 2015

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$4,821	4.4%
Fixed Income	105,742	95.6%
Total Investments — OPEB Agency Fund	**$110,563**	**100.0%**

Investment Summary — OPEB Trust*

For the Year Ended June 30, 2015

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$100,158	20.5%
Equity	388,220	79.5%
Total Investments — OPEB Trust	**$488,378**	**100.0%**

*Differences between Statement of Fiduciary Net Position and investment values above are due to the utilization of investment manager asset classifications and their fair values.

Investment Results Based on Fair Value*

As of June 30, 2015

	Annualized		
	Current Year	Three-year	Five-year
U.S. Equity	7.4%	18.1%	17.7%
Benchmark: Russell 3000 Index	7.3%	17.7%	17.5%
Non-U.S. Equity, 50% Developed Markets Hedge[1]	1.1%	12.6%	9.5%
Benchmark: Non-U.S. Equity Custom Hedged Index[2]	0.9%	12.1%	9.1%
Fixed Income[3]	1.6%	3.6%	5.1%
Benchmark: Barclays U.S. Universal Index	1.6%	2.3%	3.8%
Real Estate[4]	12.8%	10.2%	9.8%
Benchmark: Real Estate Target Return[5]	12.8%	11.8%	12.8%
Private Equity[4]	13.2%	15.7%	15.8%
Benchmark: Private Equity Target Return[6]	13.8%	13.4%	11.1%
Commodities	(23.0)%	(7.1)%	(1.8)%
Benchmark: Bloomberg Commodity Index Total Return[7]	(23.7)%	(8.8)%	(3.9)%
Hedge Funds[8]	3.1%	8.3%	—
Benchmark: Hedge Fund Custom Index[9]	5.0%	5.0%	—
Cash	0.1%	0.3%	0.6%
Benchmark: Citigroup 6-Month T-Bill Index	0.1%	0.1%	0.1%
Total Fund (Gross of Fees)	**4.3%**	**11.0%**	**10.5%**
Total Fund (Net of Fees)	**4.1%**	**10.7%**	**10.3%**
Total Fund Policy Benchmark	**4.5%**	**10.3%**	**10.0%**

*Asset class returns are calculated based on time-weighted rates of return; Total Fund performance is calculated based on the weighted average returns of the asset classes.

Prior year returns are restated to enhance comparability to the current year.

NOTES:

[1] Passive 50 percent developed markets hedge implemented 7/30/10.
[2] The Non-U.S. Equity benchmark is MSCI ACWI X U.S. IMI (Net) with 50 percent hedged Developed Markets from 7/31/10 to present. From 8/31/08 to 7/31/10, it was MSCI ACWI X U.S. IMI (Net).
[3] The performance of two opportunistic portfolios are reported with a one-month lag.
[4] One quarter in arrears. Preliminary returns.
[5] From 7/1/13 to the present, Open End Diversified Core Equity (ODCE)(Net) Index plus 40 basis points. For the period in this table prior to 6/30/13, the benchmark was NCREIF Property Index (NPI) minus 25 basis points.
[6] Rolling 10-year return of the Russell 3000 Index plus 500 bps.
[7] Formerly known as The DJ-UBS Commodity Index, prior to 7/1/14.
[8] Portfolio and benchmark are one month in arrears. Performance included in Total Fund beginning 10/31/11.
[9] The Hedge Fund benchmark is the Citigroup 3-month T-Bill Index plus 500 basis points annually.

Total Pension Investment Rates of Return

For the Last Ten Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year-End	Total Investment Portfolio Fair Value	Total Fund Time-Weighted Return (gross of fees)[1]	Total Fund Money-Weighted Return (net of fees)[2]	Return on Smoothed Valuation Assets (net of fees)[3]	Actuarial Assumed Rate of Return[4]	Actuarial Funded Ratio[5]
2006	$35,190,995	13.4%	—	14.5%	7.75%	90.5%
2007	41,329,424	19.1%	—	14.5%	7.75%	93.8%
2008	39,472,905	(1.4)%	—	9.0%	7.75%	94.5%
2009	30,918,057	(18.2)%	—	1.5%	7.75%	88.9%
2010	33,760,695	11.8%	—	0.5%	7.75%	83.3%
2011	39,770,032	20.4%	—	3.3%	7.70%	80.6%
2012	38,627,163	0.3%	—	1.8%	7.60%	76.8%
2013	42,285,906	12.1%	—	5.4%	7.50%	75.0%
2014	49,033,365	16.8%	17.5%	11.8%	7.50%	79.5%
2015[6]	47,990,447	4.3%	4.1%	—	—	—

NOTES:

[1]**Total Fund - Time-Weighted Rate of Return** is the aggregate increase or decrease in the value of the portfolio resulting from the net appreciation or depreciation of the principal of the fund, plus or minus the net income or loss experienced by the fund during the period. The returns are presented gross of investment management fees.

[2]**Total Fund - Money-Weighted Rate of Return** is a measurement of investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

[3]**Return on Smoothed Valuation Assets** consists of annual investment income in excess or shortfall of the expected rate of return on a valuation (actuarial) basis smoothed over a specified period with a portion of the year's asset gains or losses being recognized each year beginning with the current year. The money-weighted rate of return is presented, net of investment management fees.

[4]**Actuarial Assumed Rate of Return** is the future investment earnings of the assets which are assumed to accrue at an annual rate, compounded annually, net of both investment and administrative expenses. The Actuarial Assumed Rate of Return is 7.50 percent as adopted by the Board of Investments based on the results of the Actuarial Investigation of Experience completed in December 2013. For Fiscal Year 2014-2015, interest crediting and operating tables applied the 7.50 percent Actuarial Assumed Rate of Return.

[5]**Actuarial Funded Ratio** is a measurement of the funded status of the fund calculated by dividing the valuation assets by the actuarial accrued liability.

[6]Actuarial Valuation report for June 30, 2015 is not available at CAFR publication.

Largest Equity Holdings (by Fair Value)

As of June 30, 2015

(Dollars in Thousands)

Shares	Description	Fair Value
360,585	Apple Inc.	$45,226
2,207,652	DBS Group Holdings Ltd.	33,922
186,400	Murata Manufacturing Company Ltd.	32,538
130,000	Fanuc Corporation	26,645
579,253	Microsoft Corporation	25,574
375,900	Toyota Motor Corporation	25,199
374,348	Commonwealth Bank of Australia	24,494
228,800	Daito Trust Construction Company Ltd.	23,709
283,931	Exxon Mobil Corporation	23,623
306,000	Nidec Corporation	22,919

NOTE:

A complete list of portfolio holdings is available upon request.

Largest Fixed Income Holdings by Fair Value

As of June 30, 2015

(Dollars in Thousands)

Par	Description	Fair Value
104,915,000	Federal National Mortgage Association TBA 3.500% 08/13/2045	$107,841
102,000,000	U.S. Treasury Note 2.000% 01/31/2016	103,084
88,120,000	Federal National Mortgage Association TBA 4.000% 08/13/2045	93,155
80,679,000	U.S. Treasury Note 2.500% 02/15/2045	71,004
70,580,000	U.S. Treasury Note 0.375% 03/31/2016	70,652
61,112,500	Federal National Mortgage Association TBA 3.500% 07/14/2045	62,979
49,262,675	U.S. Treasury Inflation Indexed Bond 2.375% 01/15/2025	57,953
53,500,000	U.S. Treasury Note 2.125% 12/31/2015	54,022
52,000,000	U.S. Treasury Note 1.375% 11/30/2015	52,280
51,872,000	U.S. Treasury Note 0.875% 08/15/2017	52,058

NOTE: A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Fiscal Years Ended June 30, 2015 and 2014

(Dollars in Thousands)

	Pension Plan		OPEB Trust	
	2015	2014	2015	2014
Cash and Short-Term Managers	$951	$841	$50	$92
Commodity Managers	3,848	4,330	—	—
Equity Managers				
U.S. Equity	15,612	15,267	134	50
Non-U.S. Equity	23,230	21,446	—	—
Fixed Income Managers	23,502	18,591	—	—
Hedge Fund Managers	11,266	10,341	—	—
Private Equity Managers	44,542	45,362	—	—
Real Estate Managers	38,372	39,137	—	—
Total Investment Management Fees	**$161,323**	**$155,315**	**$184**	**$142**

Cash & Short-Term
J.P. Morgan Asset Management

Equities — U.S.
BlackRock Institutional Trust Company, N.A.
Cramer Rosenthal & McGlynn, LLC
Eagle Asset Management, Inc.
FIS Group, Inc.
Frontier Capital Management Company, LLC
INTECH Investment Management, LLC
Northern Trust Global Advisors, Inc.
Relational Investors, LLC
Twin Capital Management, Inc.
Westwood Management Corporation

Equities — Non-U.S.
Acadian Asset Management, LLC
AQR Capital Management, LLC
BlackRock Institutional Trust Company, N.A.
Capital Group
GAM International Management, Ltd.
Genesis Investment Management, LLP
Lazard Asset Management, LLC
Putnam Advisory Company, LLC

Fixed Income
Beach Point Capital
BlackRock Financial Management, Inc.
Brigade Capital Management, LP
Crescent Capital Group LP
Dodge & Cox
Dolan McEniry Capital Management, LLC
GW Capital, Inc.
LM Capital Group, LLC
Loomis, Sayles & Company, LP
Oaktree Capital Management, L.P.
Pacific Investment Management Company (PIMCO)
PENN Capital Management Company, Inc.
Principal Global Investors, LLC
Pugh Capital Management, Inc.
Sankaty Advisors, LLC
TCW Asset Management Company
Tennenbaum Capital Partners, LLC
Wells Capital Management
Western Asset Management Company

Hedge Funds
Goldman Sachs Hedge Fund Strategies LLC
Grosvenor Capital Management, LP

Private Equity
Gateway Private Equity Fund
GTB Capital Partners, LP
J.P. Morgan EMP

Real Estate
Capri Capital Advisors, LLC
CBRE Global Investors
CityView
Clarion Partners
Cornerstone Real Estate Advisers, LLC
Deutsche Asset & Wealth Management
Europa Capital
Heitman Capital Management, LLC
Hunt Investment Management
Invesco Institutional (N.A.), Inc.
LaSalle Investment Management, Inc.
Phoenix Realty Group, LLC
ProLogis
Quadrant Real Estate Advisors, LLC
Realty Associates Advisors, LLC (TA)
Starwood Capital Group
Stockbridge Capital Group
The Carlyle Group
TriPacific Enterprises Residential Advisors (LOWE)
UrbanAmerica Advisors
Vanbarton Group

Mortgage Loan Servicer
Ocwen Loan Servicing, LLC

Commodities
Credit Suisse Asset Management, LLC
Gresham Investment Management, LLC
Neuberger Berman Alternative Fund Management, LLC
Pacific Investment Management Company (PIMCO)

Passive (Index Fund) Manager
BlackRock Institutional Trust Company, N.A.

Securities Lending Program
State Street Corporation
State Street Bank & Trust Company of California, N.A.
Goldman Sachs Agency Lending (GSAL)

Health Reserve Program
Standish Mellon Asset Management Company, LLC

Working For You

Service

At LACERA we're committed to customer service. It drives everything we do, from taking members' calls, responding to correspondence, leading workshops, and counseling individuals in one-on-one sessions to offering technology like My LACERA that makes connecting with retirement and performing account transactions easy.

Our Member Services Division mission: To explain complex retirement information accurately and clearly and to provide world-class service in a positive, supported, professional, and equitable manner through a variety of channels.

Our commitment to customer service motivates us as a team — Boards, Management, and Staff-to be our best.

Introduction

The actuarial process at LACERA is governed by provisions in the County Employees Retirement Law of 1937 (CERL) §31453. This section requires LACERA to obtain an actuarial valuation at least once every three years. It further requires the Board of Investments to transmit its recommendations related to contribution rates to the County's Board of Supervisors. The Board of Supervisors adopts and adjusts contribution rates in accordance with LACERA's recommendations.

Valuation Policy

LACERA's Board of Investments adopted the Retirement Benefit Funding Policy that requires annual adjustment of the employer contribution rates based on the annual valuation of LACERA's actuary. Milliman, the Plan actuary, performed the actuarial valuation as of June 30, 2014 and recommended changes to the employer and employee contribution rates.

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the investigation of experience or experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. Based on this review, the actuary recommends changes in the assumptions or methodology that will better project benefit liabilities and asset growth. The Board of Investments adopts, possibly with modification, the recommended assumptions and methods to be used in future valuations.

Employee Contributions

As part of the experience study, the Plan actuary will recommend adjustments to employee rates, if necessary, due to changes in the underlying assumptions and methodologies used in calculating employee rates for age-based contributory Plan (General Plans A, B, C, and D, and Safety Plans A and B). Therefore, it is expected that the age-based employee rates will change no more frequently than every three years, when the actuary reviews the assumptions and methodologies.

For the Plans that use single-rate employee contribution rates (General Plan G and Safety Plan C), the Plan actuary is required to recommend rates that are one-half the normal cost rate. If there is a change in these plans' total normal cost, the actuary will recommend new employee rates.

Employer Contributions

The members and employers are responsible for contributing to the cost of benefits to be earned each year. These contributions are known as normal cost contributions. The portion not funded by expected member contributions is the responsibility of the employers and is referred to as the employer normal cost. The actuary has recommended new employer normal cost contribution rates for all Plans.

The employers are responsible also for contributing for funding shortfalls related to liabilities accrued in the past including changes in the economic and non-economic assumptions impacting past service. This portion of the employer's contribution rate is known as the Unfunded Actuarial Accrued Liability (UAAL) contribution.

Actuarial Cost Method

The entry age normal actuarial cost method is used for both funding requirements and financial reporting purposes. This method was approved by LACERA in 1999, as recommended by the consulting actuary. The entry age normal method allocates costs to each future year as a level percentage of payroll, which is ideal for employers to budget future costs.

Audits

The valuation policy requires actuarial audits of retirement benefit valuations at regular intervals in the same cycle as LACERA's triennial experience study and valuation. With 2013 being a year where the triennial valuation and experience study was completed, the Plan audit actuary, The Segal Company (Segal), performed an audit of Milliman's 2013 experience study and valuation reports.

Segal concluded, "Milliman has employed generally accepted actuarial practices and principles in studying Plan experience, selecting assumptions, computing employer contribution rates, and presenting the results of their work. We believe that the actuarial assumptions as recommended by Milliman, as well as those approved by the Board of Investments are reasonable for use in LACERA's actuarial valuation." The audit of Milliman's valuation report "confirms that the actuarial calculations as of June 30, 2013 are reasonable and based on generally accepted actuarial principles and practices," according to Segal.

At their December 2014 meeting, the Board of Investments accepted the June 30, 2014 actuarial valuation report prepared by Milliman.

Other Actuarial Information

Actuarially Determined Contributions: The Schedule of Contributions History–Pension Plan included in the Required Supplementary Information Section provides 10 years of actuarially determined contributions in relation to the actual contributions provided to the Pension Plan.

Actuarial Methods and Significant Assumptions: A description of the actuarial assumptions and methods for the Pension Plan Valuation used by the Pension Plan actuary are included in this Actuarial Section. In addition, Note E–Pension Actuarial Valuations provides a summary of the methods and assumptions used to prepare the Pension Plan (Retirement Benefits) Valuation Report, which determines the Pension Plan's funding requirements. The Notes to Required Supplementary Information discusses the actuarial methods and assumptions used for financial reporting and required GASB 67 disclosures. Any differences between the assumptions used for financial reporting and those applied for funding purposes are noted.

Summary of Plan Provisions: A Summary of Plan Provisions for the Retirement Benefits Plan is available upon request from LACERA.

The following additional information is included in this section:

- Actuary's Certification Letter – Pension Plan
- Actuary's Certification Letter – OPEB Program
- Summary of Actuarial Assumptions and Methods – Pension Plan
- Schedule of Funding Progress – Pension Plan
- Active Member Valuation Data
- Retirants and Beneficiaries Added To/Removed From Retiree Payroll – Pension Plan
- Retirants and Beneficiaries Added To/Removed From Benefits – OPEB Program
- Actuary Solvency Test – Pension Plan
- Actuarial Analysis of Financial Experience – Pension Plan
- Actuarial Analysis of Financial Experience – OPEB Program
- Probability of Occurrence

September 4, 2015

Milliman
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Fax +1 206 623 3485
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Board of Investments
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Members of the Board:

The basic financial goal of LACERA is to establish contributions that fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members.* Annual actuarial valuations measure the progress toward this goal and test the adequacy of the contribution rates.

LACERA measures its funding status as the Funded Ratio, which is equal to the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date: June 30, 2012	**Funded Ratio:** 76.8%
Valuation Date: June 30, 2013	**Funded Ratio:** 75.0%
Valuation Date: June 30, 2014	**Funded Ratio:** 79.5%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2014. Most of this year's increase in the Funded Ratio is due to the recognition of a portion of the deferred asset gains. Using the market value of assets on June 30, 2014, the Funded Ratio would be 86.0 percent. Currently, a net asset gain is being deferred.

LACERA's funding policy provides that the County's contributions are set equal to the normal cost rate, net of member contributions, plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs when the Funded Ratio is greater than 100 percent. The amortization of the UAAL uses a layered 30-year approach. Under this approach, the UAAL, as of June 30, 2009, is amortized over a closed 30-year period. Each year thereafter, any increase or decrease in the UAAL is also amortized over a new 30-year closed period. If the Funded Ratio exceeds 100 percent, then any Surplus is amortized over an open 30-year period.

The current funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1 percent of the market value of assets as part of the valuation assets. The STAR Reserve is also considered part of the valuation assets. The Board's policy does not include any corresponding liability for future STAR benefits in the valuation. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2014 would decrease to 78.3 percent.

The June 30, 2014 valuation results are based on the membership data and the asset information provided by LACERA. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations would need to be revised.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions that were reviewed and adopted by the Board of Investments. The funding assumptions were

*A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and §31595 of the California Government Code.

based on the triennial investigation of experience study report as of June 30, 2013 and adopted at the December 11, 2013 Board of Investments meeting. The assumptions used for financial reporting under GASB 67 are the same as the funding assumptions, with the following exceptions:

1) The discount rate of 7.63 percent is gross of administrative expenses;
2) The STAR COLA is treated as substantively automatic and valued to the extent it is projected to be paid in the future; and
3) The individual entry age normal cost method is used without modification.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for LACERA consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a five-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. We believe that the actuarial assumptions and methods are internally consistent, reasonable, and meet the parameters of GASB Statement No. 67 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to such factors as the following: experience differing from that anticipated by the 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 the program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for LACERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations and uses LACERA's data, which Milliman has not audited. Any third-party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product but should engage qualified professionals for advice appropriate to its own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Milliman prepared the following information for the actuarial and financial sections:

1) For the actuarial section, the Retirants and Beneficiaries Added to and Removed from Retiree Payroll – Pension Plan.
2) For Note E of the financial section, the Schedule of Net Pension Liability and Sensitivity Analysis.

Except as noted above, LACERA staff prepared the supporting schedules in this section and the information in Note E of the financial section, based on information supplied in prior actuarial reports and our June 30, 2014 actuarial valuation and GASB 67 Disclosure reports for the fiscal year ended June 30, 2014. Milliman has reviewed the information in Note E for accuracy.

We certify that the June 30, 2014 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Mark C. Olleman

Mark C. Olleman, FSA, EA, MAAA
Consulting Actuary

Nick Collier

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

September 4, 2015

Milliman
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Board of Retirement
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Members of the Board:

Los Angeles County provides Other Postemployment Benefits (OPEB): retiree medical, dental/vision, and life insurance benefits to the retired Los Angeles County (County) workers who also participate in the Los Angeles County Employees Retirement Association (LACERA) retirement benefits program. These benefits are called the Los Angeles County OPEB Benefits Program, or the "Program." The Program provides these benefits on a "pay-as-you-go" basis. Biennial actuarial valuations provide the required financial disclosures for the Program.

A summary of the results of the past three actuarial valuations is shown below:

Valuation Date	Actuarial Accrued Liability ($ billions)	Annual Required Contribution (ARC) as a Percentage of Payroll
July 1, 2010	$24.03	28.79%
July 1, 2012	$26.95	32.07%
July 1, 2014	$28.55	31.82%

The County's Board of Supervisors affirmed their support for pre-funding its OPEB liabilities by providing specific initial appropriations to the OPEB Trust Fund. Since the July 1, 2012 valuation, details of a long-term funding policy have been finalized. The July 1, 2014 valuation includes assets invested in the Trust.

Biennial actuarial valuations are expected. The first five valuations were as of July 1, 2006, July 1, 2008, July 1, 2010, July 1, 2012 and July 1, 2014. The next valuation is expected as of July 1, 2016.

In preparing the July 1, 2014 OPEB valuation report, we relied, without audit, on information (some oral and some in writing) supplied by Los Angeles County, LACERA, and Aon Hewitt. This information includes, but is not limited to, benefit descriptions, membership data, and financial information. We found this information to be reasonably consistent and comparable with data used for other purposes. The valuation results depend on the integrity of this information. In some cases, where the data was incomplete, we made assumptions as noted in Table C-11 of our July 1, 2014 valuation report. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

The valuation is also based on our understanding of the Program's current benefit provisions and the actuarial assumptions which were reviewed and adopted by the Board of Retirement. The retirement benefit related demographic and economic assumptions were based on those developed for the June 30, 2014 valuation of the LACERA's retirement benefit program, approved by LACERA's Board of Investments. Economic and relevant demographic assumptions from the retirement benefit investigation of experience, conducted by Milliman, are included in the July 1, 2014 OPEB valuation. Assumptions unique to OPEB were identified and evaluated in our 2013 OPEB investigation of experience study report as of June 30, 2013, approved by LACERA's Board of Retirement.

The actuarial computations presented in the valuation report are for purposes of fulfilling financial accounting requirements for LACERA. The liabilities are determined by using the projected unit credit actuarial cost method. We consider the actuarial assumptions and methods to be internally consistent, to represent a long-term perspective, and to be reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board Statement No. 43 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements presented in the valuation report due to such factors as the following: OPEB program experience differing from that anticipated by the 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 OPEB program provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared solely for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning LACERA's operations and uses LACERA's data, which Milliman has not audited. Any third-party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product but should engage qualified professionals for advice appropriate to its own specific needs.

The consultants who worked on this assignment are employee benefit actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Milliman prepared the following information for the actuarial section:

1. Retirees and Beneficiaries Added to and Removed from Benefits – OPEB Program.
2. Actuarial Analysis of Financial Experience – OPEB Program.

Except as noted above, LACERA staff prepared the supporting schedules in this section and the information in Note N of the financial section and the Required Supplementary Information, based on information supplied in prior actuarial reports and our July 1, 2014 actuarial valuation. Milliman has reviewed the information in Note N for accuracy.

We certify that the July 1, 2014 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public OPEB programs.

Sincerely,

Robert L. Schmidt, FSA, EA, MAAA
Consulting Actuary

Janet O. Jennings, ASA, MAAA
Associate Actuary

RLS/PAP

Actuarial Assumptions and Methods	Recommended by the Consulting Actuary and adopted by the Board of Investments. The actuarial assumptions used to determine the liabilities are based on the results of the 2013 triennial investigation of experience study (experience study). In December 2013, the Board of Investments adopted a decrease in the investment return and other economic assumptions. In 2009, the Board of Investments adopted a new Retirement Benefit Funding Policy (Funding Policy). Under the Funding Policy, modifications to the asset valuation and amortization methods were adopted beginning with the June 30, 2009 actuarial valuation. The Funding Policy was amended in February 2013 to conform with the new standards mandated in the PEPRA and to specify that the Supplemental Targeted Adjustment for Retirees Reserve (STAR) should be included with the valuation assets on an ongoing basis.
Actuarial Cost Method	Entry Age Normal.
Actuarial Asset Valuation Method	The assets are valued using a five-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The expected market value is the prior year's market value increased with the net cash flow of funds, all increased with interest during the past fiscal year at the expected investment return rate assumption. The five-year smoothing valuation basis for all assets was adopted beginning with the June 30, 2009 valuation. For the June 30, 2014 valuation, the Board of Investments approved including the STAR Reserve as part of the 2014 valuation assets. The inclusion of the STAR Reserve in the valuation assets was formalized for the current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy.
Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus	In accordance with LACERA's Funding Policy, the County's contributions are set equal to the normal cost rate, net of expected member contributions for the next year, plus amortization of any UAAL or Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100 percent. Surplus Funding occurs if the Funded Ratio is greater than 100 percent. The amortization of the UAAL beginning with the June 30, 2009 valuation is funded over a closed 30-year period. Any future unanticipated changes in the UAAL, such as assumption changes or actuarial gains and losses, are amortized over new closed 30-year periods beginning with the June 30, 2010 valuation. This approach is often referred to as a "layered amortization method." The employer contribution rate is not allowed to be less than the rate if LACERA amortized the total UAAL over a 30-year period. If the Funded Ratio is greater than 120 percent in future valuations, the amortization of any Surplus Funding is funded over an open or "rolling" 30-year period. If the Funded Ratio is between 100 and 120 percent, only the employer normal cost rate is contributed.
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the UAAL or Surplus Funding. The original UAAL, beginning with the June 30, 2009 valuation, is amortized over a closed 30-year period. Future gains and losses are amortized over new closed 30-year periods, referred to as layered amortization. For the June 30, 2014 valuation, six amortization layers were used to calculate the total amortization payment beginning July 1, 2015.

Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.5 percent, compounded annually, net of both investment and administrative expenses. This rate was adopted beginning with the June 30, 2013 valuation.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.76 percent to 9.71 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.5 percent per annum rate of increase in the general wage level of membership. Increases are assumed to occur mid-year (i.e., January 1) and apply only to base salary, excluding Megaflex compensation. The mid-year timing reflects that salary increases occur throughout the year, or on average, mid-year. For plans with a one-year final average compensation period, actual average annual compensation is used. These rates were adopted beginning with the June 30, 2013 valuation.
Post-Retirement Benefit Increases	Post-retirement benefit increases of either 3.0 percent or 2.0 percent per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index (CPI), are assumed payable each year in the future, as they are less than the expected increase in the CPI of 3.0 percent per year. This rate was adopted beginning with the June 30, 2013 valuation. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned after June 4, 2002, to his/her total years of service. The portion of the full 2.0 percent increase not provided for may be purchased by the member.
Consumer Price Index	Increase of 3.0 percent per annum. This rate was adopted beginning with the June 30, 2013 valuation.
Rates of Separation From Employment	Various rates dependent upon member's age, sex, and retirement plan. Each rate represents the probability that a member will separate from service at each age due to the particular cause. These rates of separation from active service were adopted beginning with the June 30, 2013 valuation.
Expectation of Life After Retirement	The same post-retirement mortality rates are used in the valuation for active members, members retired from service, and beneficiaries. Current beneficiary mortality is assumed to be the same as healthy members of the same sex. Future beneficiaries are assumed to be of the opposite sex and have the same mortality as general members. **Males:** **General Members:** RP-2000 Combined Mortality Table for Males, projected to 2025 using Projection Scale AA, with ages set back one year. **Safety Members:** RP-2000 Combined Mortality Table for Males, projected to 2025 using Projection Scale AA, with ages set back two years. **Females:** **General Members:** RP-2000 Combined Mortality Table for Females, projected to 2025 using Projection Scale AA, with ages set back one year. **Safety Members:** RP-2000 Combined Mortality Table for Females, projected to 2025 using Projection Scale AA, with ages set back one year. These rates were adopted beginning with the June 30, 2013 valuation.

Expectation of Life After Disability	**Males:** **General Members:** Average of RP-2000 Combined and Disabled Mortality Tables for Males, projected to 2025 using Projection Scale AA, with ages set back one year. **Safety Members:** RP-2000 Combined Mortality Table for Males, projected to 2025 using Projection Scale AA, with no age adjustment. **Females:** **General Members:** Average of RP-2000 Combined and Disabled Mortality Table for Females, projected to 2025 using Projection Scale AA, with ages set back one year. **Safety Members:** RP-2000 Combined Mortality Table for Females, projected to 2025 using Projection Scale AA, with no age adjustment. These rates were adopted for the June 30, 2013 valuation.
Recent Changes and Their Financial Impact	An experience study was performed by the consulting actuary for the three-year period ended June 30, 2013. The Board of Investments adopted the demographic assumptions as recommended in that report, as well as reductions in the economic assumptions. Changes to those assumptions and other financial impacts are discussed below. **STAR Reserve:** The STAR Reserve is included in the 2014 valuation assets. There is no corresponding liability for future potential STAR benefits included in the valuation. The inclusion of the STAR Reserve in the valuation assets was formalized for the current and future actuarial valuations in the February 2013 amendment to LACERA's Funding Policy. **Employer Contributions:** The total required employer contribution rate calculated in the 2014 valuation decreased over the prior year by 2.01 percent of payroll. The most significant factor causing this decrease was the recognition of asset gains from the current and prior years, which resulted in a 1.43 percent decrease. Additionally, Cost-of-Living Adjustments (COLAs) less than assumed and salary increases less than assumed caused further decreases in the employer rate. **Member Contributions:** New member contribution rates for General Plan G and Safety Plan C were implemented based on the new plan normal cost rates calculated in the 2014 actuarial valuation. The General Plan G member rate decreased from 7.63 percent to 7.62 percent, while the Safety Plan C member rate increased from 13.39 percent to 13.42 percent, effective July 1, 2015. **Funding:** The recognition of deferred asset gains from the current and prior years caused a 3.0 percent increase in the Funded Ratio. Additionally, the salary increases and COLA increases less than assumed caused further increases to the Funded Ratio. In total, the Funded Ratio increased from 75.0 percent in the June 30, 2013 valuation to 79.5 percent in the June 30, 2014 valuation due to these changes.

See Note N — OPEB Program in the Financial Section for a Summary of Actuarial Assumptions and Methods for the OPEB Program.

Schedule of Funding Progress — Pension Plan

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2005	$29,497,485	$34,375,949	$4,878,464	85.8%	$4,982,084	97.9%
June 30, 2006	32,819,725	36,258,929	3,439,204	90.5%	5,205,802	66.1%
June 30, 2007	37,041,832	39,502,456	2,460,624	93.8%	5,615,736	43.8%
June 30, 2008	39,662,361	41,975,631	2,313,270	94.5%	6,123,888	37.8%
June 30, 2009	39,541,865	44,468,636	4,926,771	88.9%	6,547,616	75.2%
June 30, 2010	38,839,392	46,646,838	7,807,446	83.3%	6,695,439	116.6%
June 30, 2011	39,193,627	48,598,166	9,404,539	80.6%	6,650,674	141.4%
June 30, 2012	39,039,364	50,809,425	11,770,061	76.8%	6,619,816	177.8%
June 30, 2013	39,932,416	53,247,776	13,315,360	75.0%	6,595,902	201.9%
June 30, 2014	**43,654,462**	**54,942,453**	**11,287,991**	**79.5%**	**6,672,228**	**169.2%**

*Using the Entry Age Normal actuarial cost method.

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary*	Average Annual Salary	% Increase/ Decrease in Average Salary
June 30, 2005	General	75,167	$4,046,526,732	$53,834	1.53%
	Safety	11,217	904,864,212	80,669	3.94%
	Total	**86,384**	**$4,951,390,944**	**$57,318**	**1.86%**
June 30, 2006	General	77,167	$4,267,148,748	$55,298	2.72%
	Safety	11,464	969,379,404	84,559	4.82%
	Total	**88,631**	**$5,236,528,152**	**$59,082**	**3.08%**
June 30, 2007	General	79,829	$4,673,126,964	$58,539	5.86%
	Safety	12,267	1,103,924,952	89,991	6.42%
	Total	**92,096**	**$5,777,051,916**	**$62,729**	**6.17%**
June 30, 2008	General	81,664	$5,016,720,948	$61,431	4.94%
	Safety	12,828	1,187,406,768	92,564	2.86%
	Total	**94,492**	**$6,204,127,716**	**$65,658**	**4.67%**
June 30, 2009	General	82,878	$5,347,558,596	$64,523	5.03%
	Safety	12,910	1,239,655,092	96,023	3.74%
	Total	**95,788**	**$6,587,213,688**	**$68,769**	**4.74%**
June 30, 2010	General	81,413	$5,318,137,692	$65,323	1.24%
	Safety	12,997	1,257,305,532	96,738	0.75%
	Total	**94,410**	**$6,575,443,224**	**$69,648**	**1.28%**
June 30, 2011	General	80,145	$5,295,354,528	$66,072	1.15%
	Safety	12,641	1,239,553,116	98,058	1.36%
	Total	**92,786**	**$6,534,907,644**	**$70,430**	**1.12%**
June 30, 2012	General	79,467	$5,271,580,728	$66,337	0.40%
	Safety	12,485	1,229,922,420	98,512	0.46%
	Total	**91,952**	**$6,501,503,148**	**$70,705**	**0.39%**
June 30, 2013	General	79,006	$5,253,152,532	$66,491	0.23%
	Safety	12,539	1,234,902,228	98,485	-0.03%
	Total	**91,545**	**$6,488,054,760**	**$70,873**	**0.24%**
June 30, 2014	**General**	**79,943**	**$5,487,670,164**	**$68,645**	**3.24%**
	Safety	**12,523**	**1,252,867,272**	**100,045**	**1.58%**
	Total	**92,466**	**$6,740,537,436**	**$72,897**	**2.86%**

*Active Member Valuation Annual Salary is an annualized compensation of only those members who were active on the actuarial valuation date. Covered Payroll includes compensation paid to all active employees, on which contributions are calculated.

Retirants and Beneficiaries Added to and Removed From Retiree Payroll — Pension Plan

Valuation Date	Added to Rolls: Member Count	Added to Rolls: Annual Allowance (in 000s)	Removed From Rolls: Member Count	Removed From Rolls: Annual Allowance (in 000s)	Rolls at End of Year: Member Count	Rolls at End of Year: Annual Allowance[1] (in 000s)	% Increase in Retiree Allowance	Average Annual Allowance
June 30, 2005	2,855	$102,903	(1,418)	$(17,465)	49,769	$1,645,490	7.07%	$33,063
June 30, 2006	3,007	104,405	(1,784)	(33,101)	50,992	1,768,706	7.49%	34,686
June 30, 2007	2,015	79,955	(1,615)	(35,054)	51,392	1,858,225	5.06%	36,158
June 30, 2008	2,759	167,753[2]	(1,801)	(47,103)	52,350	1,978,875	6.49%	37,801
June 30, 2009	2,505	157,469[2]	(1,786)	(50,619)	53,069	2,085,725	5.40%	39,302
June 30, 2010	2,947	188,724[2]	(1,820)	(54,105)	54,196[3]	2,220,344	6.45%	40,969
June 30, 2011	3,134	185,204[2]	(1,959)	(62,923)	55,371	2,342,625	5.51%	42,308
June 30, 2012	3,194	193,865[2]	(1,795)	(61,588)	56,770	2,474,902	5.65%	43,595
June 30, 2013	3,373	205,659[2]	(2,057)	(69,494)	58,086	2,611,067	5.50%	44,952
June 30, 2014	**3,128**	**172,743**[2]	**(1,985)**	**(71,730)**	**59,229**	**2,712,080**	**3.87%**	**45,790**

NOTES:

[1]Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30.

[2]Includes COLAs that occurred during the fiscal year and therefore were not included in the previous years' Annual Allowance totals.

[3]For the June 30, 2010 actuarial valuation, Member Count includes 25 beneficiaries of recently deceased retirees who due to timing at year end, are not yet included in the total Retired Members count disclosed in Note A - Plan Description.

Retirants and Beneficiaries Added to and Removed From Benefits — OPEB Program

Valuation Date*	Added to Rolls: Member Count	Added to Rolls: Annual Allowance** (in 000s)	Removed From Rolls: Member Count	Removed From Rolls: Annual Allowance (in 000s)	Rolls at End of Year: Member Count	Rolls at End of Year: Annual Allowance (in 000s)	% Increase in Retiree Allowance	Average Annual Allowance
July 1, 2010	—	—	—	—	43,936	$391,979	—	$8,922
July 1, 2012	5,336	56,982	(3,070)	(25,497)	46,202	423,464	8.03%	9,165
July 1, 2014	**5,335**	**89,205**	**(3,369)**	**(29,925)**	**48,168**	**482,744**	**14.00%**	**10,022**

*Includes changes for continuing retirees and beneficiaries.

**Schedule is intended to show information for six years. Additional years will be displayed as they become available prospectively.

Actuary Solvency Test — Pension Plan

(Dollars in Millions)

Valuation Date	(1) Active Member Contributions	(2) Retired/ Vested Member Contributions	(3) Employer Financed Portion	Actuarial Value of Valuation Assets	(1) Active	(2) Retired	(3) Employer
	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
June 30, 2005	$4,308	$20,238	$9,829	$29,497	100%	100%	50%
June 30, 2006	4,628	21,377	10,254	32,820	100%	100%	66%
June 30, 2007	4,852	22,398	12,253	37,042	100%	100%	80%
June 30, 2008	5,279	23,730	12,966	39,662	100%	100%	82%
June 30, 2009	5,795	24,692	13,982	39,542	100%	100%	65%
June 30, 2010	6,278	26,220	14,148	38,839	100%	100%	45%
June 30, 2011	6,529	27,559	14,511	39,194	100%	100%	35%
June 30, 2012	6,961	29,118	14,730	39,039	100%	100%	20%
June 30, 2013	7,837	30,980	14,430	39,932	100%	100%	8%
June 30, 2014	**8,354**	**31,882**	**14,706**	**43,654**	**100%**	**100%**	**23%**

Actuarial Analysis of Financial Experience — Pension Plan

(Dollars in Millions)

	Valuation as of June 30					
	2009	2010	2011	2012	2013	2014
Prior Valuation Unfunded Actuarial Accrued Liability	$2,313	$4,927	$7,807	$9,405	$11,770	$13,315
Expected Increase (Decrease) from Prior Valuation	(78)	333	565	772	1,380	338
Salary Increases Greater (Less) than Expected	380	(353)	(579)	(629)	(563)	(291)
CPI Less than Expected	(4)	(29)	(215)	(181)	(190)	(427)
Asset Return Less (Greater) than Expected	2,465	2,879	1,761	2,337	893	(1,664)
All Other Experience	(149)	50	66	66	25	17
Ending Unfunded Actuarial Accrued Liability	**$4,927**	**$7,807**	**$9,405**	**$11,770**	**$13,315**	**$11,288**

Actuarial Analysis of Financial Experience — OPEB Program

(Dollars in Billions)

	Valuation as of July 1			
	2008	2010	2012	2014
Prior Valuation Unfunded Actuarial Accrued Liability	$21.22	$21.86	$24.03	$26.95
Expected Increase (Decrease) from Prior Valuation	3.34	3.48	3.77	3.68
Claim Costs Greater (Less) than Expected*	(3.13)	(1.27)	(4.60)	(4.50)
Change in Assumptions	0.53	0.29	4.15	2.47
All Other Experience	(0.10)	(0.33)	(0.40)	(0.05)
Ending Unfunded Actuarial Accrued Liability	**$21.86**	**$24.03**	**$26.95**	**$28.55**

*Includes the trend assumption change.

Plans A, B, and C General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Other Terminations
Male						
20	0.0000	0.0002	0.0001	N/A	0.0002	0.0050
30	0.0000	0.0002	0.0001	N/A	0.0004	0.0050
40	0.0300	0.0006	0.0002	N/A	0.0009	0.0050
50	0.0300	0.0014	0.0004	N/A	0.0014	0.0050
60	0.2600	0.0036	0.0010	N/A	0.0037	0.0050
70	0.2800	0.0042	0.0025	N/A	0.0071	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0000	0.0000
Female						
20	0.0000	0.0001	0.0001	N/A	0.0001	0.0050
30	0.0000	0.0001	0.0001	N/A	0.0002	0.0050
40	0.0300	0.0005	0.0002	N/A	0.0004	0.0050
50	0.0300	0.0012	0.0004	N/A	0.0009	0.0050
60	0.2600	0.0024	0.0010	N/A	0.0032	0.0050
70	0.2800	0.0052	0.0025	N/A	0.0061	0.0050
75	1.0000	0.0000	0.0000	N/A	0.0078	0.0000

Plans D and G General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	0.0002	0.0001	N/A	0.0002	5	0.0233
30	0.0000	0.0002	0.0001	N/A	0.0004	10	0.0170
40	0.0200	0.0006	0.0002	N/A	0.0009	15	0.0120
50	0.0200	0.0014	0.0004	N/A	0.0014	20	0.0076
60	0.0600	0.0036	0.0010	N/A	0.0037	25	0.0048
70	0.2000	0.0042	0.0025	N/A	0.0071	30 & up	0.0000
75	1.0000	0.0042	0.0000	N/A	0.0119	—	—
Female							
20	0.0000	0.0001	0.0001	N/A	0.0001	5	0.0233
30	0.0000	0.0001	0.0001	N/A	0.0002	10	0.0170
40	0.0200	0.0005	0.0002	N/A	0.0004	15	0.0120
50	0.0200	0.0012	0.0004	N/A	0.0009	20	0.0076
60	0.0600	0.0024	0.0010	N/A	0.0029	25	0.0048
70	0.2000	0.0052	0.0025	N/A	0.0061	30 & up	0.0000
75	1.0000	0.0000	0.0000	N/A	0.0078	—	—

Plan E General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0277
30	0.0000	N/A	N/A	N/A	0.0004	10	0.0200
40	0.0000	N/A	N/A	N/A	0.0009	15	0.0162
50	0.0000	N/A	N/A	N/A	0.0014	20	0.0132
60	0.0450	N/A	N/A	N/A	0.0037	25	0.0108
70	0.2000	N/A	N/A	N/A	0.0071	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0119		
Female							
20	0.0000	N/A	N/A	N/A	0.0001	5	0.0277
30	0.0000	N/A	N/A	N/A	0.0002	10	0.0200
40	0.0000	N/A	N/A	N/A	0.0004	15	0.0162
50	0.0000	N/A	N/A	N/A	0.0009	20	0.0132
60	0.0450	N/A	N/A	N/A	0.0029	25	0.0108
70	0.2000	N/A	N/A	N/A	0.0061	30 & up	0.0100
75	1.0000	N/A	N/A	N/A	0.0078	—	—

Plans A, B, and C Safety Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Male							
20	0.0000	0.0027	0.0000	0.0001	0.0002	5	0.0113
30	0.0000	0.0027	0.0000	0.0001	0.0003	10	0.0076
40	0.0100	0.0041	0.0000	0.0001	0.0007	15	0.0042
50	0.0100	0.0090	0.0000	0.0001	0.0011	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0019	—	—
Female							
20	0.0000	0.0033	0.0000	0.0001	0.0001	5	0.0113
30	0.0000	0.0046	0.0000	0.0001	0.0002	10	0.0076
40	0.0100	0.0095	0.0000	0.0001	0.0004	15	0.0042
50	0.0100	0.0203	0.0000	0.0001	0.0009	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0029	—	—

Working For You

Investments

As a premier retirement association, LACERA's investment strategy is multifaceted to ensure the security of the Fund. Our Board of Investments is responsible for establishing LACERA's investment policy and objectives in addition to exercising authority and control over the investment management of the Funds, guiding our internal Investments Office in its activities. This structure enables us to pay the promised benefits, generation after generation.

Our Investment Office's role is to oversee, administer, and implement the Board of Investments' policies and decisions. In doing so, they develop and recommend investment and risk management strategies that help the pension Fund achieve its objectives.

The Investment Office helps make it possible for LACERA to fulfill our collective mission: To produce, protect, and provide the promised benefits.

The objective of the Statistical Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information to understand and assess LACERA's economic condition. Statistical data is maintained by LACERA's in-house member information system, commonly referred to as Member Workspace (Workspace). Workspace is a sophisticated data management system where member-specific information resides and comprehensive plan membership records are actively maintained by LACERA. For the fiscal year-end, membership information is generated and reported so that the status of each member (active, retired, deferred, etc.) is the most current information available to report.

The Statistical Information provided here is divided into two main categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how LACERA's financial position has changed over time. *Changes in Fiduciary Net Position — Pension Plan and Changes in Fiduciary Net Position — OPEB Trust* present additions by source, deductions by type, and the total change in Fiduciary Net Position for each year. *Pension Benefit Expenses by Type* presents retirement benefits, lump-sum death/burial benefits, and refund deductions by type of benefit, such as Service Retiree and Disability Retiree, as well as by General and Safety benefits.

Operating Information provides contextual information about LACERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition. *Active and Deferred Members* provides membership statistics for active vested and non-vested members as well as for deferred members. *Retired Members by Type of Pension Benefit* and the *Retired Members by Type of OPEB Benefit* present benefit information for the current year by benefit type and dollar levels. *Schedule of Average Pension Benefit Payments* presents the average monthly benefit, average final salary, and number of retired members, organized in five-year increments of credited service. *Active Members and Participating Pension Employers* presents the employers and their corresponding covered employees. *Retired Members of Participating OPEB Employers* presents the number of covered members by medical or dental/vision benefits. The *Employer Contribution Rates* are provided as additional information. Finally, the *Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA) Program Cost* schedule trends the Program's cost through June 30, 2015.

Changes in Fiduciary Net Position — Pension Plan

Last Ten Fiscal Years
(Dollars in Thousands)

	2006	2007	2008	2009	2010
Additions					
Employer Contributions	$676,667	$751,928	$788,029	$831,671	$843,704
Member Contributions	296,176	347,701	414,752	415,545	429,612
Net Investment Income/(Loss)	4,092,410	6,487,184	(1,426,117)	(7,407,790)	3,840,401
Miscellaneous	1,582	1,803	1,767	1,221	868
Total Additions/(Declines)	**5,066,835**	**7,588,616**	**(221,569)**	**(6,159,353)**	**5,114,585**
Deductions					
Total Benefit Expenses*	1,798,463	1,792,654	1,913,272	2,016,364	2,130,738
Administrative Expenses	42,469	43,880	48,223	49,730	48,892
Miscellaneous	75	197	371	243	48
Total Deductions	**1,841,007**	**1,836,731**	1,961,866	**2,066,337**	**2,179,678**
Transfer to OPEB Agency Fund**	66,344	29,368	—	—	—
Net Increase/(Decrease) in Fiduciary Net Position	**$3,159,484**	**$5,722,517**	**$(2,183,435)**	**$(8,225,690)**	**$2,934,907**

	2011	2012	2013	2014	2015
Additions					
Employer Contributions	$944,174	$1,078,929	$723,195	$1,320,442	**$1,494,975**
Member Contributions	463,743	506,758	679,572	439,001	**441,258**
Net Investment Income/(Loss)	6,930,358	(291,009)	4,659,015	6,908,412	**1,989,358**
Miscellaneous	591	1,004	385	2,256	**1,695**
Total Additions/(Declines)	**8,338,866**	**1,295,682**	**6,062,167**	**8,670,111**	**3,927,286**
Deductions					
Total Benefit Expenses*	2,269,791	2,390,598	2,541,351	2,662,401	**2,768,410**
Administrative Expenses	50,605	50,218	53,863	58,723	**62,591**
Miscellaneous	347	121	190	229	**212**
Total Deductions	**2,320,743**	**2,440,937**	**2,595,404**	**2,721,353**	**2,831,213**
Transfer to OPEB Agency Fund**	—	—	—	—	—
Net Increase/(Decrease) in Fiduciary Net Position	**$6,018,123**	**$(1,145,255)**	**$3,466,763**	**$5,948,758**	**$1,096,073**

*See *Pension Benefit Expenses by Type*.
**GASB Statement No. 43 implementation.

Changes in Fiduciary Net Position — OPEB Trust

(Dollars in Thousands)

	2015	2014	2013*
Additions			
Employer Contributions	—	—	$448,819
Member Contributions	—	—	—
Net Investment Income	4,688	35,113	209
Miscellaneous	—	—	—
Total Additions	4,688	35,113	449,028
Deductions			
Premium Expense	—	—	—
Administrative Expense	153	144	173
Miscellaneous	—	—	—
Total Deductions	153	144	173
Net Increase in Fiduciary Net Position	**$4,535**	**$34,969**	**$448,855**

*Trend Information: Schedule will ultimately show information for 10 years. Additional years will be displayed as they become available prospectively.

Pension Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in Thousands)

	2006	2007	2008	2009	2010
Service Retiree Payroll					
General	$1,072,193	$1,087,908	$1,162,474	$1,221,671	$1,295,574
Safety	234,565	228,779	242,948	269,893	291,796
Total	**1,306,758**	**1,316,687**	**1,405,422**	**1,491,564**	**1,587,370**
Disability Retiree Payroll					
General	135,397	133,361	139,390	141,821	144,861
Safety	335,226	322,979	341,158	361,235	377,429
Total	**470,623**	**456,340**	**480,548**	**503,056**	**522,290**
Total Retiree Payroll					
General	1,207,590	1,221,269	1,301,864	1,363,492	1,440,435
Safety	569,791	551,758	584,106	631,128	669,225
Total	**1,777,381**	**1,773,027**	**1,885,970**	**1,994,620**	**2,109,660**
Refunds					
General	16,889	15,682	20,894	16,743	13,041
Safety	2,842	2,356	4,694	3,613	5,863
Total	**19,731**	**18,038**	**25,588**	**20,356**	**18,904**
Lump-Sum Death/Burial Benefits	**1,351**	**1,589**	**1,714**	**1,388**	**2,174**
Total Benefit Expenses	**$1,798,463**	**$1,792,654**	**$1,913,272**	**$2,016,364**	**$2,130,738**

	2011	2012	2013	2014	2015
Service Retiree Payroll					
General	$1,383,478	$1,465,218	$1,556,814	$1,631,285	**$1,692,558**
Safety	315,745	340,177	367,471	384,248	**397,962**
Total	**1,699,223**	**1,805,395**	**1,924,285**	**2,015,533**	**2,090,520**
Disability Retiree Payroll					
General	150,585	152,698	157,406	162,338	**165,543**
Safety	395,197	413,300	432,405	459,311	**484,907**
Total	**545,782**	**565,998**	**589,811**	**621,649**	**650,450**
Total Retiree Payroll					
General	1,534,063	1,617,916	1,714,220	1,793,623	**1,858,101**
Safety	710,942	753,477	799,876	843,559	**882,869**
Total	**2,245,005**	**2,371,393**	**2,514,096**	**2,637,182**	**2,740,970**
Refunds					
General	17,498	14,523	19,406	18,994	**22,050**
Safety	5,220	3,098	5,606	4,534	**3,361**
Total	**22,718**	**17,621**	**25,012**	**23,528**	**25,411**
Lump-Sum Death/Burial Benefits	**2,068**	**1,584**	**2,243**	**1,691**	**2,029**
Total Benefit Expenses	**$2,269,791**	**$2,390,598**	**$2,541,351**	**$2,662,401**	**$2,768,410**

Active and Deferred Members

Last Ten Fiscal Years

	2006	2007	2008	2009	2010
Active Vested					
General	53,280	53,918	53,884	54,729	56,162
Safety	9,860	10,061	9,876	9,761	9,916
Subtotal	63,140	63,979	63,760	64,490	66,078
Active Non-Vested					
General	23,887	25,911	27,780	28,149	25,251
Safety	1,604	2,206	2,952	3,149	3,081
Subtotal	25,491	28,117	30,732	31,298	28,332
Total Active Members					
General	77,167	79,829	81,664	82,878	81,413
Safety	11,464	12,267	12,828	12,910	12,997
Total	**88,631**	**92,096**	**94,492**	**95,788**	**94,410**
Deferred Members					
General	7,021	7,441	11,149	7,589	7,478
Safety	438	470	685	462	460
Total	**7,459**	**7,911**	**11,834**	**8,051**	**7,938**

	2011	2012	2013	2014	2015
Active Vested					
General	59,055	61,433	62,803	63,301	**62,532**
Safety	10,054	10,663	11,177	11,188	**11,024**
Subtotal	69,109	72,096	73,980	74,489	**73,556**
Active Non-Vested					
General	21,090	18,034	16,203	16,642	**18,696**
Safety	2,587	1,822	1,362	1,335	**1,422**
Subtotal	23,677	19,856	17,565	17,977	**20,118**
Total Active Members					
General	80,145	79,467	79,006	79,943	**81,228**
Safety	12,641	12,485	12,539	12,523	**12,446**
Total	**92,786**	**91,952**	**91,545**	**92,466**	**93,674**
Deferred Members					
General	7,423	7,379	7,462	7,550	**7,623**
Safety	465	480	497	540	**563**
Total	**7,888**	**7,859**	**7,959**	**8,090**	**8,186**

Retired Members by Type of Pension Benefit

As of June 30, 2015

Amount of Monthly Benefit			Number of Retired Members	Type of Retirement[1]		
				1	2	3
$1	—	$1,000	15,437	9,584	1,499	4,354
$1,001	—	$2,000	14,165	9,708	2,104	2,353
$2,001	—	$3,000	9,579	6,994	1,718	867
$3,001	—	$4,000	6,382	4,868	1,062	452
$4,001	—	$5,000	4,409	3,545	628	236
$5,001	—	$6,000	3,132	2,468	534	130
$6,001	—	$7,000	2,191	1,690	432	69
	>	$7,000	5,289	3,923	1,257	109
			60,584	**42,780**	**9,234**	**8,570**

Amount of Monthly Benefit			Retirement Option Selected[2]					
			Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$1	—	$1,000	14,094	543	163	451	85	101
$1,001	—	$2,000	12,778	721	154	309	85	118
$2,001	—	$3,000	8,582	608	98	154	50	87
$3,001	—	$4,000	5,677	451	56	87	27	84
$4,001	—	$5,000	3,834	395	47	50	23	60
$5,001	—	$6,000	2,705	320	22	28	7	50
$6,001	—	$7,000	1,794	306	11	22	6	52
	>	$7,000	3,946	1,127	24	23	20	149
			53,410	**4,471**	**575**	**1,124**	**303**	**701**

NOTES:

[1] Type of Retirement:
1 - Service Retiree
2 - Disability Retiree
3 - Beneficiary/Continuant/Survivor

[2] Retirement Option Selected:
Unmodified - For Plans A-G, beneficiary receives 65% of the member's allowance (60% if the member retired before June 4, 2002); for Plan E, beneficiary receives 55% of member's allowance (50% if the member retired before June 4, 2002).

The following options reduce the member's monthly benefit:

Unmodified+Plus - For all Plans (A-G), member's allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/partner.
Option 1 - Beneficiary receives lump sum of member's unused contributions.
Option 2 - Beneficiary receives 100% of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50% of member's reduced monthly benefit.
Option 4 - Beneficiary(ies) receives percentage of member's reduced monthly benefit as designated by member.

Retired Members by Type of OPEB Benefit

As of June 30, 2015

	Medical Benefit/Premium Amounts					Total
	$1-$500	$501-$1,000	$1,001-$1,500	$1,501-$2,000	> $2,000	Member Count
Medical Plans by Plan Type						
Blue Cross I	4	—	1,044	395	38	1,481
Blue Cross II	2	—	2,227	1,992	455	4,676
Blue Cross III	6,045	3,533	1,109	82	—	10,769
Blue Cross Prudent Buyer Plan	2	828	36	579	—	1,445
CIGNA Healthcare for Seniors	21	17	8	1	—	47
CIGNA Network Model Plan	1	—	408	22	226	657
Kaiser - California	—	3,187	194	2,673	49	6,103
Kaiser - Senior Advantage	13,652	—	1,922	—	—	15,574
Kaiser - Colorado	27	13	5	—	2	47
Kaiser - Georgia	55	19	39	—	7	120
Kaiser - Hawaii	28	18	7	2	—	55
Kaiser - Oregon-Washington	72	40	9	12	6	139
Firefighters Local 1014	—	426	—	983	255	1,664
Pacificare	—	418	—	352	188	958
Scan/Smart Care Health Plan	269	91	—	—	—	360
Secure Horizons - Pacificare	1,375	753	344	—	—	2,472
Total Medical by Plan Type	**21,553**	**9,343**	**7,352**	**7,093**	**1,226**	**46,567**
Medical Plans by Retirement Type						
Service Retirees	16,279	6,819	5,324	4,902	769	34,093
Disability Retirees	1,891	1,588	1,000	2,058	429	6,966
Survivors	3,383	936	1,028	133	28	5,508
Total Medical by Retirement Type	**21,553**	**9,343**	**7,352**	**7,093**	**1,226**	**46,567**

	Dental/Vision Benefit Premium Amount $1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision (Provident)	42,183
CIGNA HMO Dental/Vision	5,303
Total Dental/Vision by Plan Type	**47,486**
Dental/Vision Plans by Retirement Type	
Service Retirees	34,555
Disability Retirees	7,290
Survivors	5,641
Total by Retirement Type	**47,486**

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/05 to 6/30/06						
Retirants						
General Members						
Average Monthly Benefit	$754	$1,001	$1,491	$2,351	$3,652	$4,207
Average Final Salary	$4,402	$4,291	$4,521	$5,550	$7,178	$5,771
Number of Active Retirants	75	268	277	180	235	908
Safety Members						
Average Monthly Benefit	$4,625	$3,843	$3,408	$3,612	$5,977	$7,646
Average Final Salary	$6,858	$6,458	$6,994	$7,454	$8,461	$9,032
Number of Active Retirants	29	19	13	29	58	110
Survivors						
General Members						
Average Monthly Benefit	$611	$635	$726	$1,132	$1,793	$2,434
Average Final Salary	$2,962	$3,500	$3,397	$3,707	$4,519	$4,518
Number of Active Survivors	19	52	31	30	37	71
Safety Members						
Average Monthly Benefit	$487	$1,608	$2,449	$2,693	$3,358	$5,707
Average Final Salary	$5,061	$5,254	$6,059	$4,501	$5,950	$7,384
Number of Active Survivors	1	4	3	6	6	21
7/1/06 to 6/30/07						
Retirants						
General Members						
Average Monthly Benefit	$1,011	$955	$1,445	$1,927	$2,325	$4,068
Average Final Salary	$4,398	$4,201	$4,775	$5,224	$5,070	$5,749
Number of Active Retirants	74	219	246	177	266	624
Safety Members						
Average Monthly Benefit	$2,714	$3,414	$3,433	$3,837	$5,903	$8,093
Average Final Salary	$6,093	$7,083	$6,906	$7,498	$8,622	10,050
Number of Active Retirants	25	19	20	14	62	88
Survivors						
General Members						
Average Monthly Benefit	$600	$480	$917	$951	$1,565	$2,210
Average Final Salary	$2,436	$3,462	$4,165	$3,246	$4,171	$4,832
Number of Active Survivors	15	31	31	34	27	61
Safety Members						
Average Monthly Benefit	$3,432	$2,960	$2,549	$2,138	$2,939	$4,493
Average Final Salary	$6,863	$3,735	$6,591	$4,149	$5,347	$6,656
Number of Active Survivors	2	1	4	3	8	15

Schedule of Average Pension Benefit Payments continued

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/07 to 6/30/08						
Retirants						
General Members						
Average Monthly Benefit	$1,247	$894	$1,681	$2,198	$2,575	$4,603
Average Final Salary	$5,160	$4,425	$5,095	$5,394	$5,352	$6,151
Number of Active Retirants	109	206	256	195	264	778
Safety Members						
Average Monthly Benefit	$4,264	$3,995	$3,534	$4,785	$6,170	$9,478
Average Final Salary	$7,234	$7,344	$8,061	$8,923	$9,252	$11,067
Number of Active Retirants	25	17	13	20	92	188
Survivors						
General Members						
Average Monthly Benefit	$1,026	$738	$906	$1,101	$1,690	$2,506
Average Final Salary	$5,729	$4,095	$4,409	$3,937	$4,441	$5,113
Number of Active Survivors	18	37	28	29	37	56
Safety Members						
Average Monthly Benefit	$1,574	$3,661	$1,555	$2,964	$3,638	$4,723
Average Final Salary	$5,295	$4,838	$4,379	$5,534	$6,619	$7,088
Number of Active Survivors	2	1	5	5	10	9
7/1/08 to 6/30/09						
Retirants						
General Members						
Average Monthly Benefit	$1,462	$1,018	$1,793	$2,284	$2,916	$4,917
Average Final Salary	$5,224	$4,233	$5,054	$5,478	$5,711	$6,387
Number of Active Retirants	116	232	195	172	182	669
Safety Members						
Average Monthly Benefit	$4,959	$4,185	$4,593	$4,719	$7,000	$10,042
Average Final Salary	$8,344	$7,798	$8,425	$9,120	$10,131	$11,838
Number of Active Retirants	22	13	17	22	76	127
Survivors						
General Members						
Average Monthly Benefit	$755	$688	$999	$1,204	$1,819	$2,363
Average Final Salary	$4,243	$3,810	$4,450	$3,939	$4,563	$4,987
Number of Active Survivors	14	31	39	43	52	67
Safety Members						
Average Monthly Benefit	$3,045	$3,267	$2,136	$2,535	$3,272	$4,931
Average Final Salary	$5,765	$5,497	$4,271	$5,996	$6,153	$7,238
Number of Active Survivors	4	2	2	5	14	22

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/09 to 6/30/10						
Retirants						
General Members						
Average Monthly Benefit	$1,242	$1,204	$1,782	$2,559	$3,418	$5,319
Average Final Salary	$4,984	$4,790	$5,072	$5,888	$6,525	$6,923
Number of Active Retirants	116	242	251	210	258	888
Safety Members						
Average Monthly Benefit	$4,656	$3,461	$3,008	$4,840	$7,055	$10,450
Average Final Salary	$8,092	$7,848	$8,377	$8,519	$10,104	$12,206
Number of Active Retirants	14	22	10	11	85	157
Survivors						
General Members						
Average Monthly Benefit	$737	$825	$1,077	$1,201	$1,336	$2,528
Average Final Salary	$4,738	$4,069	$4,592	$3,875	$3,732	$4,926
Number of Active Survivors	19	31	33	40	59	89
Safety Members						
Average Monthly Benefit	$5,467	$1,895	$3,210	$3,413	$3,884	$5,653
Average Final Salary	$8,746	$7,268	$8,850	$7,809	$7,374	$7,554
Number of Active Survivors	1	3	6	7	11	10
7/1/10 to 6/30/11						
Retirants						
General Members						
Average Monthly Benefit	$1,721	$1,249	$1,810	$2,784	$3,418	$5,082
Average Final Salary	$5,702	$5,064	$5,296	$6,286	$6,576	$6,820
Number of Active Retirants	127	238	269	284	258	922
Safety Members						
Average Monthly Benefit	$2,336	$4,135	$5,198	$5,308	$7,347	$9,667
Average Final Salary	$6,862	$9,057	$9,158	$9,679	$10,365	$11,617
Number of Active Retirants	10	28	21	30	91	152
Survivors						
General Members						
Average Monthly Benefit	$629	$786	$871	$1,654	$1,325	$2,485
Average Final Salary	$3,677	$3,698	$3,359	$5,351	$3,678	$5,238
Number of Active Survivors	24	36	43	44	60	93
Safety Members						
Average Monthly Benefit	$3,187	$1,715	$2,386	$3,499	$3,788	$5,461
Average Final Salary	$6,572	$5,766	$5,589	$6,862	$6,768	$6,929
Number of Active Survivors	3	2	8	4	10	25

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/11 to 6/30/12						
Retirants						
General Members						
Average Monthly Benefit	$1,793	$1,362	$2,082	$2,567	$3,525	$4,956
Average Final Salary	$5,624	$5,141	$5,683	$5,686	$6,711	$6,830
Number of Active Retirants	141	291	234	278	297	918
Safety Members						
Average Monthly Benefit	$2,203	$4,924	$6,474	$4,417	$7,372	$9,750
Average Final Salary	$6,307	$8,948	$9,929	$9,108	$10,380	$11,587
Number of Active Retirants	8	29	13	33	103	183
Survivors						
General Members						
Average Monthly Benefit	$1,055	$691	$965	$1,770	$1,643	$2,736
Average Final Salary	$4,661	$3,821	$3,766	$5,244	$4,301	$5,662
Number of Active Survivors	21	46	26	43	57	94
Safety Members						
Average Monthly Benefit	$2,786	$2,352	$2,789	$3,271	$3,221	$5,580
Average Final Salary	$5,771	$6,466	$7,785	$7,019	$6,127	$7,824
Number of Active Survivors	5	5	5	7	8	23
7/1/12 to 6/30/13						
Retirants						
General Members						
Average Monthly Benefit	$1,825	$1,562	$2,116	$2,663	$3,570	$5,043
Average Final Salary	$6,046	$5,405	$6,042	$6,009	$6,758	$6,888
Number of Active Retirants	112	324	233	271	338	897
Safety Members						
Average Monthly Benefit	$2,233	$5,909	$6,416	$5,507	$7,360	$10,046
Average Final Salary	$7,299	$9,266	$9,611	$9,843	$10,481	$11,921
Number of Active Retirants	12	29	20	33	118	191
Survivors						
General Members						
Average Monthly Benefit	$861	$804	$1,097	$1,403	$1,889	$2,496
Average Final Salary	$4,743	$4,020	$3,961	$4,451	$4,930	$5,611
Number of Active Survivors	22	54	39	70	60	103
Safety Members						
Average Monthly Benefit	$989	$1,523	$2,523	$3,378	$4,137	$5,460
Average Final Salary	$4,454	$4,896	$5,990	$8,242	$7,055	$7,468
Number of Active Survivors	6	7	10	5	20	31

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/13 to 6/30/14						
Retirants						
General Members						
Average Monthly Benefit	$1,913	$1,624	$2,024	$2,722	$3,553	$4,788
Average Final Salary	$6,415	$5,241	$5,657	$5,930	$6,724	$6,733
Number of Active Retirants	109	307	240	305	358	726
Safety Members						
Average Monthly Benefit	$1,542	$4,454	$6,018	$5,225	$7,467	$9,719
Average Final Salary	$6,452	$8,381	$10,140	$9,414	$10,753	$11,823
Number of Active Retirants	8	31	18	20	83	212
Survivors						
General Members						
Average Monthly Benefit	$1,017	$837	$936	$1,726	$1,888	$2,550
Average Final Salary	$4,475	$4,679	$3,794	$4,913	$4,732	$6,064
Number of Active Survivors	29	51	37	41	63	119
Safety Members						
Average Monthly Benefit	$1,031	$1,709	$2,056	$3,132	$3,827	$5,358
Average Final Salary	$6,377	$6,249	$5,830	$6,874	$6,772	$7,309
Number of Active Survivors	2	8	6	6	15	22
7/1/14 to 6/30/15						
Retirants						
General Members						
Average Monthly Benefit	$1,422	$1,716	$2,202	$3,106	$3,360	$5,017
Average Final Salary	$5,939	$5,543	$5,903	$6,731	$6,294	$6,970
Number of Active Retirants	126	331	280	308	436	784
Safety Members						
Average Monthly Benefit	$2,917	$5,412	$5,374	$6,477	$7,082	$9,923
Average Final Salary	$7,015	$9,261	$9,810	$10,748	$10,400	$11,847
Number of Active Retirants	20	19	21	28	116	215
Survivors						
General Members						
Average Monthly Benefit	$903	$1,021	$1,342	$1,854	$1,799	$2,741
Average Final Salary	$4,076	$4,471	$5,243	$5,464	$4,814	$5,525
Number of Active Survivors	32	53	40	52	71	126
Safety Members						
Average Monthly Benefit	$2,101	$2,054	$1,768	$2,911	$4,530	$6,206
Average Final Salary	$5,564	$6,518	$4,737	$6,552	$6,815	$8,367
Number of Active Survivors	6	4	9	12	16	29

Active Members and Participating Pension Employers

Last Ten Fiscal Years

County of Los Angeles	2006 Covered Members	2006 Percentage of Total Covered Members	2007 Covered Members	2007 Percentage of Total Covered Members
General Members	77,153	87.050%	79,816	86.666%
Safety Members	11,464	12.935%	12,267	13.320%
Total	**88,617**	**99.985%**	**92,083**	**99.986%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	2	0.002%	2	0.002%
Los Angeles County Office of Education	3	0.003%	3	0.003%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	8	0.009%	7	0.008%
Total Participating Agencies	**14**	**0.015%**	**13**	**0.014%**
Total Active Membership				
General Members	77,167	87.065%	79,829	86.680%
Safety Members	11,464	12.935%	12,267	13.320%
Total	**88,631**	**100.000%**	**92,096**	**100.000%**

County of Los Angeles	2008 Covered Members	2008 Percentage of Total Covered Members	2009 Covered Members	2009 Percentage of Total Covered Members
General Members	81,650	86.409%	82,865	86.509%
Safety Members	12,828	13.576%	12,910	13.478%
Total	**94,478**	**99.985%**	**95,775**	**99.987%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	2	0.002%	2	0.002%
Los Angeles County Office of Education	3	0.003%	3	0.003%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	8	0.009%	7	0.007%
Total Participating Agencies	**14**	**0.015%**	**13**	**0.013%**
Total Active Membership				
General Members	81,664	86.424%	82,878	86.522%
Safety Members	12,828	13.576%	12,910	13.478%
Total	**94,492**	**100.000%**	**95,788**	**100.000%**

Active Members and Participating Pension Employers

Last Ten Fiscal Years

County of Los Angeles	2010 Covered Members	2010 Percentage of Total Covered Members	2011 Covered Members	2011 Percentage of Total Covered Members
General Members	81,400	86.220%	80,133	86.363%
Safety Members	12,997	13.767%	12,641	13.624%
Total	**94,397**	**99.987%**	**92,774**	**99.987%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	2	0.002%	1	0.001%
Los Angeles County Office of Education	3	0.003%	3	0.003%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	7	0.007%	7	0.008%
Total Participating Agencies	**13**	**0.013%**	**12**	**0.013%**
Total Active Membership				
General Members	81,413	86.233%	80,145	86.376%
Safety Members	12,997	13.767%	12,641	13.624%
Total	**94,410**	**100.000%**	**92,786**	**100.000%**

County of Los Angeles	2012 Covered Members	2012 Percentage of Total Covered Members	2013 Covered Members	2013 Percentage of Total Covered Members
General Members	79,459	86.413%	78,997	86.293%
Safety Members	12,485	13.578%	12,539	13.697%
Total	**91,944**	**99.991%**	**91,536**	**99.990%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	0.000%	—	0.000%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	6	0.007%	7	0.008%
Total Participating Agencies	**8**	**0.009%**	**9**	**0.010%**
Total Active Membership				
General Members	79,467	86.422%	79,006	86.303%
Safety Members	12,485	13.578%	12,539	13.697%
Total	**91,952**	**100.000%**	**91,545**	**100.000%**

Active Members and Participating Pension Employers

Last Ten Fiscal Years

County of Los Angeles	2014 Covered Members	2014 Percentage of Total Covered Members	2015 Covered Members	2015 Percentage of Total Covered Members
General Members	79,934	86.447%	81,219	86.704%
Safety Members	12,523	13.543%	12,446	13.286%
Total	**92,457**	**99.990%**	**93,665**	**99.990%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	—	0.000%	—	0.000%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	7	0.008%	7	0.008%
Total Participating Agencies	**9**	**0.010%**	**9**	**0.010%**
Total Active Membership				
General Members	79,943	86.457%	81,228	86.714%
Safety Members	12,523	13.543%	12,446	13.286%
Total	**92,466**	**100.000%**	**93,674**	**100.000%**

Retired Members of Participating OPEB Employers

Last Ten Fiscal Years*

2007 to 2011	2007	2008	2009	2010	2011
Los Angeles County and Participating Agencies					
Medical	40,807	40,444	40,868	41,676	42,627
Dental/Vision	40,172	40,628	41,175	42,045	43,114

2012 to 2015	2012	2013	2014	2015
Los Angeles County and Participating Agencies				
Medical	43,746	44,753	45,576	46,567
Dental/Vision	44,344	45,485	46,383	47,486

*This schedule was implemented effective with GASB Statement No. 43 reporting in fiscal year-end June 30, 2007.

If the OPEB counts in this schedule are different from the counts in Note N - Other Post-Employment Benefits (OPEB) Program in the Financial Section, the differences are due to data edits conducted for the actuarial valuation by the consulting actuary. Data in Note N includes members who retired on or before July 1 but did not enroll for insurance coverage until after July 1.

Employer Contribution Rates: County of Los Angeles

Last Ten Fiscal Years

	General Members						Safety Members		
Effective Date	Plan A	Plan B	Plan C	Plan D	Plan E	Plan G*	Plan A	Plan B	Plan C*
7/1/2005 to 6/30/2006	21.42%	14.53%	14.16%	14.25%	14.33%	—	28.21%	23.65%	—
7/1/2006 to 6/30/2007	20.17%	13.31%	13.02%	13.16%	13.32%	—	28.05%	22.70%	—
7/1/2007 to 6/30/2008	18.14%	11.44%	11.14%	11.33%	11.29%	—	26.89%	20.93%	—
7/1/2008 to 6/30/2009	17.64%	10.79%	10.22%	10.79%	10.67%	—	28.16%	20.54%	—
7/1/2009 to 9/30/2010	17.28%	10.62%	9.88%	10.48%	10.45%	—	27.83%	20.35%	—
10/1/2010 to 9/30/2011	19.40%	12.74%	12.23%	12.65%	12.67%	—	29.46%	22.69%	—
10/1/2011 to 9/30/2012	21.59%	15.00%	14.51%	14.80%	15.30%	—	30.38%	24.10%	—
10/1/2012 to 9/30/2013	22.65%	15.55%	15.35%	16.00%	16.77%	—	31.55%	25.37%	—
1/1/2013 to 9/30/2013	—	—	—	—	—	15.61%	—	—	20.98%
10/1/2013 to 9/30/2014	25.08%	17.95%	17.54%	18.24%	19.09%	17.81%	34.63%	27.92%	23.18%
10/1/2014 to 6/30/2015	26.99%	19.49%	19.01%	19.74%	20.95%	19.53%	35.91%	29.26%	25.29%

*As a result of PEPRA implementation, effective January 1, 2013.

Employer Contribution Rates: Little Lake Cemetery District[1], Local Agency Formation Commission[2], and Los Angeles County Office of Education[3]

Last Ten Fiscal Years

Effective Date			General			
			Plan A	Plan D	Plan E	Plan G[4]
7/1/2005	to	6/30/2006	21.42%	14.25%	14.33%	—
7/1/2006	to	6/30/2007	20.17%	13.16%	13.32%	—
7/1/2007	to	6/30/2008	18.14%	11.33%	11.29%	—
7/1/2008	to	6/30/2009	17.64%	10.79%	10.67%	—
7/1/2009	to	9/30/2010	17.28%	10.48%	10.45%	—
10/1/2010	to	9/30/2011	19.40%	12.65%	12.67%	—
10/1/2011	to	9/30/2012	21.59%	14.80%	15.30%	—
10/1/2012	to	9/30/2013	—	16.00%	16.77%	—
1/1/2013	to	9/30/2013	—	—	—	15.61%
10/1/2013	to	9/30/2014	—	18.24%	19.09%	17.81%
10/1/2014	to	6/30/2015	—	19.74%	20.95%	19.53%

NOTES:

[1]Rates applicable to Little Lake Cemetery District are limited to Plan D.
[2]Rates applicable to the Local Agency Formation Commission are limited to Plans D, E, and G.
[3]Rates applicable to the Los Angeles County Office of Education are limited to Plan A. Effective June 30, 2012, all participating members retired, leaving no active members for this agency.
[4]As a result of PEPRA implementation effective January 1, 2013.

Employer Contribution Rates: South Coast Air Quality Management District (SCAQMD)[1]

Last Ten Fiscal Years

Effective Date			General		
			Plan A[2]	Plan B	Plan C[3]
7/1/2005	to	6/30/2006	—	20.39%	18.80%
7/1/2006	to	6/30/2007	—	19.18%	18.91%
7/1/2007	to	6/30/2008	24.04%	17.31%	17.04%
7/1/2008	to	6/30/2009	22.38%	16.67%	—
7/1/2009	to	9/30/2010	22.02%	16.51%	—
10/1/2010	to	9/30/2011	24.14%	18.64%	—
10/1/2011	to	9/30/2012	—	20.90%	—
10/1/2012	to	9/30/2013	—	21.45%	—
10/1/2013	to	9/30/2014	—	23.87%	—
10/1/2014	to	6/30/2015	—	25.38%	—

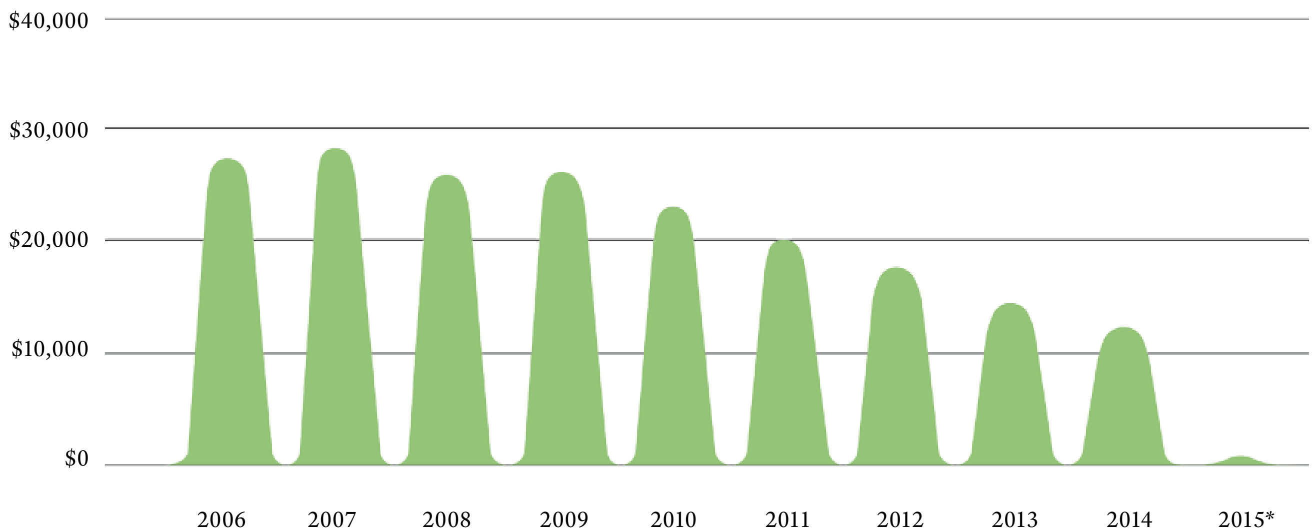
NOTES:

[1]SCAQMD recalculates its employer contribution rates to pick up a portion of its employee rates, in accordance with its labor contract.
[2]Effective March 31, 2011, participating member in Plan A retired, leaving no active members in Plan A.
[3]Member changed from Plan C to Plan A effective November 2007, leaving no active members in Plan C.

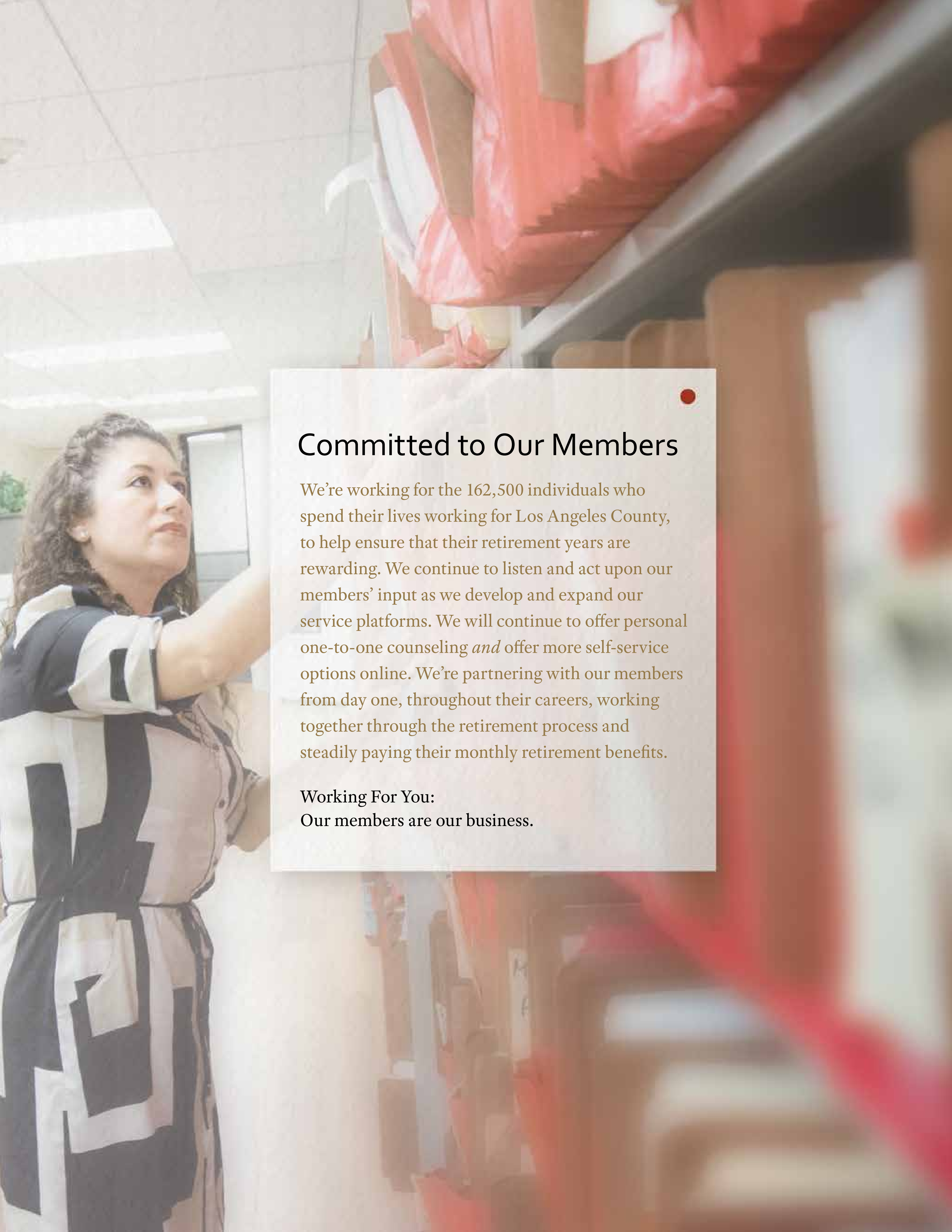
Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA)

The STAR COLA Program is administered on a calendar-year basis. The chart below represents the STAR COLA Program cost for the last 10 years.

LACERA STAR COLA PROGRAM COSTS
AS OF JUNE 2015



*Represents Program year through June 30.



Committed to Our Members

We're working for the 162,500 individuals who spend their lives working for Los Angeles County, to help ensure that their retirement years are rewarding. We continue to listen and act upon our members' input as we develop and expand our service platforms. We will continue to offer personal one-to-one counseling *and* offer more self-service options online. We're partnering with our members from day one, throughout their careers, working together through the retirement process and steadily paying their monthly retirement benefits.

Working For You:
Our members are our business.