LACERA
LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

2016

HELPING PEOPLE

THAT'S WHAT WE DO

Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2016 and 2015
Pension and OPEB Trust Funds of the County of Los Angeles, CA

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 and develop efficient business processes, and working to secure and strengthen the Fund.

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

Priorities Set

Our priority is helping people with their retirement, from planning it to living it, by fulfilling our mission to produce, protect, and provide the promised benefits. More specifically, this means we help our members take care of their families, plan for the future, achieve peace of mind, and stay connected. We believe it's important never to lose sight of why we're here, which is to help the people who help our community.


MEMBERS FIRST

Los Angeles County
Employees Retirement
Association

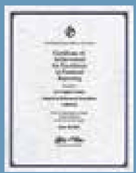
300 N. Lake Avenue
Pasadena, CA 91101
626-564-6000
lacera.com

ISSUED BY

Gregg Rademacher
Chief Executive Officer

JJ Popowich
Assistant Executive Officer

Robert R. Hill
Assistant Executive Officer



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 26th consecutive year, LACERA has earned this prestigious award for its CAFR. 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 2015 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 a thirteen-time recipient of this important award.

*A confederation of NASRA, NCPERS, and NCTR.


It's the
Content
That Matters.

L//.CERA 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, 2016

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, 2016. 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 almost 166,000 members, including close to 62,000 benefit recipients.

Helping People: That's What We Do

LACERA's members serve the County in vastly different ways. They register voters, operate public transportation, protect public health and safety, provide social services, and administer recreational and educational activities — to list just a few. Despite the striking contrast in types of service, what our members have in common is the expectation that, at the end of their service, they will receive their promised retirement benefit.

That's where we come in. We're here to help people with their retirement, from planning it to living it. Helping people drives everything we do, including taking members' calls, responding to correspondence, leading workshops, counseling individuals in one-on-one sessions, and offering technology like My LACERA to connect members with their personal retirement accounts. Our commitment to helping people 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.

Gregg Rademacher
Chief Executive Officer

"Our members work in various jobs throughout Los Angeles County, providing our community with greatly needed services. The way I see it, LACERA is dedicated to helping the people who are helping our community."

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 Certified Public Accountants (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.

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 that 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.

Robert Hill
Assistant Executive Officer

"LACERA's success rests on all of us being diligent in doing our individual work and in helping others with theirs. Regardless of the task at hand, dedication and teamwork are crucial."

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 of Investments, 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 Pension Plan's long-term investment horizon and the illiquidity of certain asset classes, such as Private Equity and Real Estate.

The total Pension Plan returned 1.1 percent (gross of fees), representing an underperformance of 110 basis points below its Policy Benchmark, which returned 2.2 percent. Over the five-year period ended June 30, 2016, the total Pension Plan's annualized return was 6.7 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.

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 the 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, 2015 valuation, determining the funded ratio to be 83.3 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $9.5 billion. The Los Angeles 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 17.8 percent of payroll.

JJ Popowich
Assistant Executive Officer

"I enjoy brainstorming improvements to our processes with LACERA's division managers and staff, who come to work every day with the purpose of producing, protecting, and providing the promised benefits. These conversations lead to solutions that ultimately help our members enjoy their retirement."

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 2015 – 2016

Teamwork enabled many important accomplishments this fiscal year. The work we did together included the formation of the Benefit Protection Unit (BPU), a team of LACERA staff responsible for investigating and resolving instances in which a member's identity and/or status has come into question. The BPU has streamlined processes established to protect our members' data and, more broadly, their promised benefits. Since its inception, the BPU has reviewed approximately 200 cases, working in collaboration with multiple LACERA divisions to resolve queries. The Benefits division also processed 2,629 new retirees and paid 62,010 monthly retirement allowances.

Cross-divisional teamwork made possible our redesign of My LACERA, the interactive web feature on lacera.com that connects members to their retirement accounts. Because of the committed efforts of management and staff this fiscal year, particularly in our Systems (IT) division, My LACERA has benefited from user-friendly enhancements that make it more convenient. Members can communicate more expeditiously and directly with our retirement experts and complete self-service transactions online. This year, 58,063 members are registered on My LACERA, and the portal recorded 102,752 visits, a new high. Members took advantage of My LACERA's online calculator to generate 141,049 Retirement Benefit Estimates.

Noteworthy this fiscal year, our Member Services division increased their availability to meet with LACERA members and their beneficiaries to 40 one-on-one counseling appointments each day. Also for members' convenience, they began inviting members to attend Pre-Retirement Workshops and individual appointments one Saturday each month.

Elsewhere at LACERA, our Outreach team educated 13,302 members during 463 workshops. Additionally, 313,014 pieces of mail were processed and 864,640 documents were scanned and indexed by our Administrative Services staff. Last but not least, our Retiree Healthcare division responded to 44,492 phone calls and mailed 49,525 insurance packages.

Awards and Recognition

For the 26th 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, 2015.

LACERA is a recipient also of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the 18th year running. We received this honor for our Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2015.

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, 2015. LACERA is a thirteen-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.

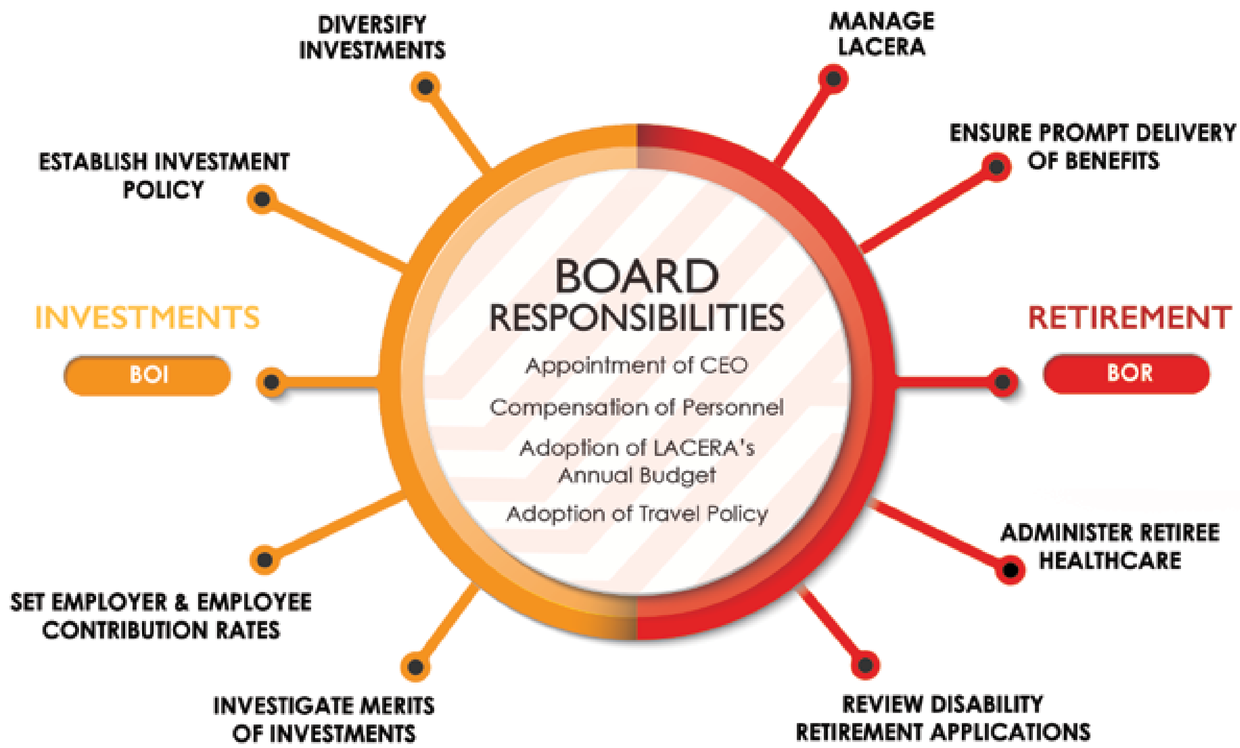
Acknowledgements

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

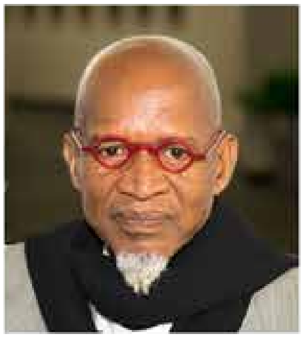
Board of Retirement

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.

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 Fund. 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.

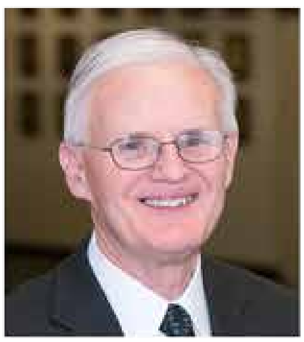
2016





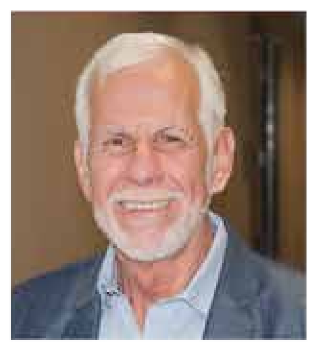


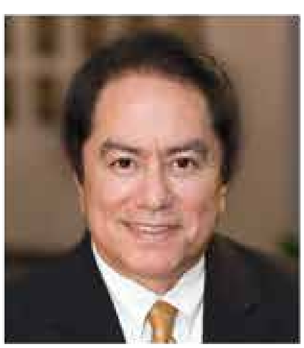










PRODUCE PROTECT& PROVIDE

THE PROMISED BENEFITS

Marvin Adams
Board of Retirement
Appointed by
Board of Supervisors
Term expires 12/31/18

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
Vice Chair
Board of Retirement
Elected by
General Members
Term expires 12/31/18

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

Shawn R. Kehoe
Chair
Board of Retirement
Vice Chair
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

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 12/31/18

Michael S. Schneider
Board of Investments
Appointed by
Board of Supervisors
Term expires 12/31/18

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

ORGANIZATIONAL CHART

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

- Board of Retirement
- Board of Investments
  - Chief Executive Officer — Gregg Rademacher
    - Internal Audit — Richard Bendall
    - Disability Litigation — Vincent Lim
    - Legal — Steven Rice
    - Investments — Vache Mahseredjian
    - Retiree Healthcare — Cassandra Smith
    - Asst. Executive Officer — Robert Hill
      - Financial & Accounting Services — Beulah Auten
      - Benefits — Bernie Buenaflor
      - Quality Assurance & Metrics — Derwin Brown
      - Information Systems — James Pu
    - Asst. Executive Officer — JJ Popowich
      - Disability Retirement Services — Ricki Contreras
      - Member Services — Allan Cochran
      - Communications — Jeannine Smart
      - Human Resources — John Nogales
      - Administrative Services — Kimberly Hines

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
Meketa Investment Group

Mortgage Loan Custodians
Deutsche Bank National Trust Company

Retiree Healthcare Consultant
Aon Consulting Inc

Retiree Healthcare Claims Auditor
Milliman

Legal Consultants
Alston & Bird LLP
Andrews Kurth LLP
Arent Fox LLP
Baggett & Mitchell
Berman DeValerio
Bernstein Litowitz Berger & Grossman 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 PA
Greenberg Traurig LLP
Gordon & Rees
Groom Law Group, Chartered
Gutierrez Preciado & House LLP
Liebert Cassidy Whitmore
Jackson Walker LLP
Kessler Topaz Meltzer & Check
Kirkland & Ellis LLP
Labaton Sucharow LLP
Manatt, Phelps & Phillips LLP
Nora Ann Quinn
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 PC
Steptoe & Johnson LLP
Susan Woolley
Vivian Shultz

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

HELPING PEOPLE *help their families*

"HELPING ALL MEMBERS IS SATISFYING, BUT IT'S ESPECIALLY GRATIFYING WHEN I'VE PLAYED A PART IN ENSURING THAT A MEMBER IS ABLE TO CONTINUE PROVIDING FOR HIS/HER FAMILY AFTER RETIREMENT."

– LACERA BENEFITS EMPLOYEE

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, 2016 and 2015, and 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, 2016 and 2015, 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 net pension liability of the participating employers as of June 30, 2016, was $10,681,763,000. The fiduciary net position as a percentage of the total pension liability as of June 30, 2016, was 81.75 percent. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of as of June 30, 2016, 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 P to the financial statements, in 2016, LACERA adopted Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application*. 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 $11,748,565,000 (23 percent of total assets) at June 30, 2016. 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 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 any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion 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 13, 2016, 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 13, 2016

INTRODUCTION

Management is pleased to provide this discussion and analysis of the financial activities of the Los Angeles County Employees Retirement Association (LACERA) for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information in the Letter of Transmittal of this Comprehensive Annual Financial Report (CAFR) and with the basic financial statements.

In addition to historical information, the Management's Discussion and Analysis (MD&A) includes forward-looking statements, which involve certain risks and uncertainties. LACERA's actual results, performance, and achievements may differ materially from the results, performance, and achievements expressed or implied in such forward-looking statements, due to a wide range of factors, including changes in interest rates, changes in the capital markets, general economic conditions, and legislative changes, as well as other factors.

FINANCIAL HIGHLIGHTS — PENSION PLAN

- Net Position Restricted for Benefits, as reported in the *Statement of Fiduciary Net Position*, totaled $47.8 billion, a decrease of $971 million or 2.0 percent from the prior year.
- Total Additions, as reflected in the *Statement of Changes in Fiduciary Net Position*, were $2.0 billion. This was primarily due to positive investment earnings and increases in member and employer contributions. Additions totaled $1.9 billion or 49.5 percent less than the amounts realized in 2015.
- Total Deductions, as reflected in the *Statement of Changes in Fiduciary Net Position*, totaled $3.0 billion, an increase of $126 million or 4.5 percent from the prior year. The increase was primarily attributable to an increase in retiree benefits and refunds to members.
- The latest actuarial valuation completed by Milliman, LACERA's independent consulting actuary, was as of June 30, 2015, and determined the funded status (the ratio of actuarial value of assets to actuarial accrued liabilities) to be 83.3 percent versus 79.5 percent as of June 30, 2014.

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 set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting as prescribed by Generally Accepted Accounting Principles (GAAP) of the United States.

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.

LACERA is directed by the California Constitution, the County Employees Retirement Law of 1937, and the California Public Employees' Pension Reform Act of 2013, to administer defined retirement plan benefits (Pension Plan) for the employees of the

County of Los Angeles County (County), the Los Angeles Superior Court (Court), and outside Districts. The Pension Plan is presented separately in the *Statement of Fiduciary Net Position* as an irrevocable trust fund. This initiative requires that LACERA collect contributions and earn income on invested assets so the Pension Plan balances accumulate over the long term, such that retirement benefits can be paid.

The County, LACERA, and the Court participate in the irrevocable Other Post-Employment Benefit Trust Fund (OPEB Trust). The purpose of this fund is for plan sponsors to set aside assets, which will be used at a later time to offset the OPEB liability. 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, LACERA, and the Court and utilizes separate Investment Policy Statements to diversify OPEB Trust investments. 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*. Additions to the OPEB Trust are the employer contributions and investment income, while deduction activities 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 operational activities are reported in this manner because the OPEB Agency Fund was established as a revocable fund. The funding received and payments made within the OPEB Agency Fund are represented as additions and deductions to the balances. Plan sponsors provide continuous funding, which is used to pay healthcare benefits. LACERA acts as a custodian for these funds on behalf of the plan sponsors and participants. Since the OPEB Program is administered on a pay-as-you-go basis, 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 a 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, 2016, LACERA's financial position decreased by $971 million or 2.0 percent from the prior year, due primarily to benefits and administrative costs greater than realized investment income.

As of June 30, 2016, LACERA had $47.8 billion in Net Position Restricted for Benefits, where the amount of the Total Assets of $50.9 billion exceeded the Total Liabilities of $3.0 billion. As of June 30, 2015, LACERA had $48.8 billion in Net Position Restricted for Benefits as a result of Total Assets of $51.4 billion exceeding Total Liabilities of $2.6 billion. The Total Net Position Restricted for Benefits represents funds available for future promised benefits.

Net Position Restricted for Benefits

As of June 30, 2016, 2015, and 2014
(Dollars in Millions)

	2016	2015	2014	2016-2015 % Change	2015-2014 % Change
Investments	**$47,899**	$47,990	$49,033	-0.2%	-2.1%
Other Assets	**2,997**	3,404	2,034	-12.0%	67.4%
Total Assets	**50,896**	51,394	51,067	-1.0%	0.6%
Total Liabilities	**(3,049)**	(2,576)	(3,345)	18.4%	-23.0%
Net Position Restricted for Benefits	**$47,847**	**$48,818**	**$47,722**	**-2.0%**	**2.3%**

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 the collection of member and employer retirement contributions and realized investment income. For fiscal year 2016, Total Additions amounted to $2.0 billion as a result of modest investment returns in the investment market. For fiscal year 2015, Total Additions amounted to $3.9 billion, due primarily to significant investment performance returns.

The net investment gain for fiscal year 2016 was $83 million, a decrease of $1.9 billion from the 2015 fiscal year net investment gain of $2.0 billion. This fiscal year's time-weighted investment returns of 0.8 percent (net of fees) fell short of the actuarial assumed investment earnings rate of 7.50 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 that coincide with the employee payroll cycle. For the fiscal years ended June 30, 2016 and 2015, 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 Pension Plan. These deductions totaled $3.0 billion for fiscal year 2016, an increase of $126 million or 4.4 percent from the prior year. For fiscal year 2015, these deductions totaled $2.8 billion, an increase of $109 million or 4.0 percent from fiscal year 2014.

Additions and Deductions in Fiduciary Net Position — Pension Plan

For the Fiscal Years Ended June 30, 2016, 2015, and 2014

(Dollars in Millions)

				2016-2015		2015-2014
	2016	**2015**	**2014**	**Difference**	**% Change**	**% Change**
Contributions	**$1,902**	$1,936	$1,759	$(34)	-1.8%	10.1%
Net Investment Income/(Loss)	**83**	1,991	6,911	(1,908)	-95.8%	-71.2%
Total Additions/(Declines)	**$1,985**	**$3,927**	**$8,670**	**$(1,942)**	**-49.5%**	**-54.7%**
Benefits and Refunds	**$(2,889)**	$(2,768)	$(2,663)	$(121)	-4.4%	-3.9%
Administrative Expenses and Miscellaneous	**(67)**	(63)	(59)	(4)	-6.3%	-6.8%
Total Deductions	**$(2,956)**	**$(2,831)**	**$(2,722)**	**$(125)**	**-4.4%**	**-4.0%**
Net Increase/(Decrease)	**$(971)**	$1,096	$5,948	$(2,067)	-188.6%	-81.6%
Net Position Beginning of Year	**48,818**	47,722	41,774	1,096	2.3%	14.2%
Net Position at End of Year	**$47,847**	**$48,818**	**$47,722**	**$(971)**	**-2.0%**	**2.3%**

Pension Liabilities

As GASB Statement No. 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, 2016, was $58.5 billion or an increase of 3.5 percent from $56.6 billion as of June 30, 2015. LACERA's Net Pension Liability as of June 30, 2016, was $10.7 billion, representing an increase of

37.8 percent from $7.8 billion as of June 30, 2015. This $2.9 million increase in Net Pension Liability was primarily due to the decrease in LACERA's Fiduciary Net Position.

Under GASB Statement No. 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, 2016 and 2015, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 81.7 percent and 86.3 percent, respectively. This decrease is due to an offsetting effect of growth in Total Pension Liability of $2.0 billion compared to a decrease in LACERA's Fiduciary Net Position of $971 million.

Net Pension Liability

As of June 30, 2016, 2015, and 2014
(Dollars in Millions)

				2016-2015	
	2016	**2015**	**2014**	**$ Change**	**% Change**
Total Pension Liability	**$58,529**	$56,570	$54,977	$1,959	3.5%
Less: Fiduciary Net Position	**(47,847)**	(48,818)	(47,722)	971	-2.0%
Net Pension Liability	**$10,682**	**$7,752**	**$7,255**	**$2,930**	**37.8%**
Fiduciary Net Position as a Percentage of Total Pension Liability	**81.7%**	**86.3%**	**86.8%**		

PLAN ADMINISTRATION

LACERA Membership

The table below provides comparative LACERA membership data for the last two fiscal years. The increase in retirement by 2.2 percent between the two fiscal years ended 2015 and 2016 may indicate that employees are more confident in their financial situation and ability to lead a sustainable retired lifestyle.

LACERA Membership

As of June 30, 2016 and 2015

	2016	**2015**
Active Members	**103,682**	101,860
Retired Members	**61,893**	60,584
Total Membership	**165,575**	**162,444**

Benefit Provisions — Retiree Healthcare Program

In June 2014, the County Board of Supervisors authorized, and the LACERA Boards of Retirement and 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 then-current employees and retirees, who will be entitled to future benefits, into the Tier 1 LACERA-administered Retiree Healthcare Benefits Program (Tier 1). Employees hired after June 30, 2014, are entitled to benefits under the new Tier 2 Los Angeles County Retiree Healthcare Benefits Program (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. Tier 2 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 0.14 percent of the total 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 2016 and 2015. The actuarial accrued liability was used to calculate the statutory budget amount. LACERA's administrative expenditures were well below the limit imposed by law for both years.

Budget-to-Actual Analysis of Administrative Expenses

As of June 30, 2016 and 2015

(Dollars in Thousands)

	2016	2015
Actual Administrative Expenses*	**$67,645**	$62,591
Basis for Budget Calculation (Actuarial Accrued Liability)	**54,942,453**	53,247,776
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	0.12%
Limit per CERL	**0.21%**	0.21%

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

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 accrued 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 2015, including the implementation of five-year smoothing on asset gains and losses. The positive investment returns for fiscal year ended 2015 were less than the assumed rate. When applying actuarial smoothing process, there was a recognition of asset losses from the current year (2015) and gains from prior years, which resulted in a "smoothed" net 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, 2015 valuation, seven 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 STAR Reserve balance as part of valuation assets. The Board of Investments also approved and made permanent the STAR Reserve as part of the assets included for funding calculations.

In December 2013, the Board of Investments adopted a decrease in the then current investment return and other economic assumptions. The investment return assumption was 7.50 percent for the June 30, 2014 and June 30, 2015 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, 2015 and determined that the Funded Ratio of the actuarial assets to the actuarial accrued liabilities increased to 83.3 percent, as compared to 79.5 percent as of the June 30, 2014 valuation. The positive investment return for 2015 resulted in a 3.8 percent increase in the Funded Ratio under the five-year actuarial asset smoothing method. For the 2015 and 2014 valuations, the Pension Plan returned 4.3 percent and 16.8 percent (both gross of fees), respectively, on a market basis, which was more than the assumed rate of 7.50 percent in 2014 and less than the assumed rate in 2015. There was a recognized actuarial gain on actuarial assets for the fiscal year ended June 30, 2014 and a recognized actuarial loss for the fiscal year ended June 30, 2015, which, when combined with prior year gains and losses, provided a net positive impact on smoothed valuation results.

FAIR VALUE, RATES OF RETURN, AND FUNDED RATIO

The table on the following page provides a three-year history of investment and actuarial returns and the actuarial funded ratio. As required by GASB Statement No. 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, 2016, the annual money-weighted rate of return on pension plan investments was 0.7 percent (net of fees). An expanded version of this table, which provides 10 years of information, can be found in the Investment Section.

The positive investment returns varied over the last three years. The Board of Investments reduced the assumed rate of return (as described in the Actuarial section). As a result, the actuarial funded ratio increased from fiscal year ended 2014 to 2015.

Total Pension Investment Rates of Return

For the Last Three Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year-End	Total Investment Portfolio Fair Value[1]	Total Fund Time-Weighted Return (gross of fees)	Total Fund Money-Weighted Return (net of fees)	Return on Smoothed Valuation Assets[2] (net of fees)	Actuarial Assumed Rate of Return	Actuarial Funded Ratio
2014	$49,033,365	16.8%	17.5%	11.8%	7.50%	79.5%
2015	47,990,447	4.3%	4.1%	10.5%	7.50%	83.3%
2016[3]	**48,068,004**	**1.1%**	**0.7%**	**—**	**—**	**—**

[1]Differences between Statement of Fiduciary Net Position and Investment Portfolio Fair Value for fiscal year 2016 are due to the utilization of investment manager asset classifications and their fair values.
[2]Returns calculated using the money-weighted rate of return method.
[3]Actuarial valuation report for June 30, 2016 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 assumed semiannual interest crediting rate during the fiscal year ended June 30, 2016, was 3.75 percent (i.e., 7.50 percent annual rate). This rate was implemented with the Board of Investment's adoption of the June 30, 2013 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 realized earnings, which allowed LACERA to credit partial interest at a semiannual rate of 1.59 percent and 3.58 percent for the periods ended December 31, 2015, and June 30, 2016, respectively, in accordance with the CERL provisions.

OPEB TRUST

Pursuant to the California Government Code, Los Angeles County established an irrevocable, tax-exempt 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 County OPEB Trust. There are two participating employers in the County OPEB Trust: the County and LACERA.

The Court considered pre-funding its OPEB obligations through a Court OPEB Trust to be effective and initially funded as of June 30, 2016. After discussions and negotiations between the County, the Court, and LACERA, it was determined that a separate OPEB Trust would be established for the Court. A Trust and Investment Services Agreement was negotiated between LACERA and the Court setting forth the terms under which the Board of Investments will serve as Trustee of the Court OPEB Trust. The Court Agreement was submitted and approved by the Court's Judicial Council in April 2016 and executed in June 2016.

In June 2016, the Board of Investments approved the use of a unitized fund structure for investment of the OPEB Trust funds. This new structure includes the Master Trust and unitization of investments at the asset composite level. The Master Trust accommodates commingling and co-investing of the County, LACERA, and Court OPEB Trust funds. LACERA and its custodian are working through the implementation process.

Financial Analysis

As reflected in the *Statement of Changes in Fiduciary Net Position*, OPEB Trust additions included net investment income of $72.6 million and total deductions of $0.4 million for administrative expenses, including custodial and investment management fees. The total Net Position Restricted for Benefits for the OPEB Trust as of the fiscal year ended June 30, 2016, was $560.8 million.

Information related to the OPEB Trust is included in Note Q – OPEB Trust and throughout sections of this report to meet financial reporting requirements.

NEW PENSION ACCOUNTING AND FINANCIAL REPORTING STANDARDS

On February 27, 2015, the GASB issued a new accounting standard addressing accounting and financial reporting issues related to fair value measurements. LACERA adopted Governmental Accounting Standard Board (GASB) Statement No. 72 (GASB 72), *Fair Value Measurement and Application*, effective for the fiscal year ended June 30, 2016. GASB 72 defines fair value as it applies to local governments and prescribes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the financial statements. Although there are some differences, the definitions and principles of fair value, provided by GASB 72 and used throughout the GASB literature, are more consistent with those private companies have used for several years. (Refer to Note - P Fair Value disclosure).

On June 2, 2015, the GASB approved Statement No. 73 (GASB 73), *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* GASB 73 also provides clarifying amendments to Statements No. 67 and No. 68 that apply to both pension plans and sponsoring employers. Information that is required to be presented as notes to the 10-year schedules of Required Supplementary Information (RSI) about investment-related factors that significantly affect trends in the amounts reported should be limited to those in which influence is provided by the pension plans or employers, such as changes in organization policies. This statement will improve financial reporting by providing additional transparency of the historical impact when policy makers change the plan structure or plan financial arrangements.

LACERA elected the early application of GASB Statement No. 82 (GASB 82), *Pension Issues*, as of June 30, 2016. In April 2016, GASB 82 was issued to address a few concerns raised under Statements Nos. 67, 68, and 73 regarding the financial reporting for local governmental employers and pension plans. The statement prescribes additional guidance for the presentation of payroll-related measures in the RSI Section, the treatment of deviations from the actuarial standards of practice when selecting actuarial assumptions, and the classification of member contributions (i.e., "pick-up" contributions) for reporting purposes. In addition, this Statement will assist LACERA in providing information to the plan sponsors for their financial statement reporting. GASB 82 improves financial reporting by enhancing consistency in the application of financial reporting requirements for certain pension issues.

On June 2, 2015, GASB approved two new standards designed to substantially improve the accounting and decision-usefulness of financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). These new OPEB standards are similar to GASB Statement Nos. 67 and 68, implemented by LACERA and LACERA's sponsoring employers in recent fiscal years, which governed accounting for pension benefits.

GASB Statement No. 74 (GASB 74), *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, revises existing guidance for OPEB plans and benefits provided to employees subsequent to their retirement. GASB 74 addresses the financial reports of defined benefit OPEB plans administered through trusts that meet specified criteria. The rule requires a statement of fiduciary net position, as well as a statement of changes in fiduciary net position. The standard also requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The new financial reporting provisions applicable to LACERA are effective for fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to report a liability on the face of the financial statements for the OPEB that they provide. In addition, governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability — the difference between the total OPEB liability and assets accumulated in the trust restricted to making benefit payments. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. For Los Angeles County, Court, and outside Districts who sponsor the OPEB Program, the new financial reporting provisions are effective for the reporting of their fiscal year ending June 30, 2018.

LACERA established a GASB 74/75 Task Force comprised of key stakeholders from the County, Court, outside Districts, and external professional service providers to discuss requirements for implementing the new accounting standards. The Task Force provides the opportunity to open the lines of communication among the parties involved and work toward establishing timelines and a framework for preliminary execution decisions.

GASB is preparing an Implementation *Guide* for GASB Statement No. 74, which is expected to be issued in March 2017. The LACERA Boards of Retirement and Investments, through their professional organizations and networks, LACERA's management team, and expert consultants, will evaluate and implement these new requirements as prescribed within the designated time constraints. Additional guidance for GASB Statement No. 75 has yet to be distributed. GASB anticipates a release date of November 2017 for the GASB Statement No. 75 *Implementation Guide*.

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, 2016 and June 30, 2015
(Dollars in Thousands)

	2016			2015		
	Pension Plan	OPEB Trust	OPEB Agency Fund	Pension Plan*	OPEB Trust	OPEB Agency Fund
Assets						
Cash and Short-Term Investments	**$846,783**	**$56,009**	**$68,887**	$1,309,414	$42,669	$81,920
Cash Collateral on Loaned Securities	**872,139**	**—**	**—**	1,033,471	—	—
Receivables						
Contributions Receivable	**78,034**	**—**	**—**	81,249	—	—
Accounts Receivable - Sale of Investments	**1,035,640**	**2,900**	**3,933**	778,038	—	—
Accrued Interest and Dividends	**130,324**	**249**	**364**	99,637	149	370
Accounts Receivable - Other	**34,095**	**—**	**46,206**	102,145	—	44,016
Total Receivables	**1,278,093**	**3,149**	**50,503**	**1,061,069**	**149**	**44,386**
Investments at Fair Value						
Equity	**22,464,826**	**452,333**	**—**	24,689,701	388,254	—
Fixed Income	**13,685,276**	**50,051**	**84,627**	12,781,560	57,353	107,307
Private Equity	**4,410,209**	**—**	**—**	4,346,854	—	—
Real Estate	**6,062,780**	**—**	**—**	5,480,795	—	—
Hedge Funds	**1,275,576**	**—**	**—**	691,537	—	—
Total Investments at Fair Value	**47,898,667**	**502,384**	**84,627**	**47,990,447**	**445,607**	**107,307**
Total Assets	**50,895,682**	**561,542**	**204,017**	**51,394,401**	**488,425**	**233,613**
Liabilities						
Accounts Payable - Purchase of Investments	**2,104,540**	**704**	**3,612**	1,471,192	—	301
Retiree Payroll and Other Payables	**848**	**—**	**133**	623	—	124
Accrued Expenses	**32,265**	**88**	**313**	30,432	66	437
Tax Withholding Payable	**32,748**	**—**	**—**	30,693	—	—
Obligations under Securities Lending Program	**872,139**	**—**	**—**	1,033,471	—	—
Accounts Payable - Other	**6,448**	**—**	**110,999**	9,640	—	122,210
Due to Employers	**—**	**—**	**88,960**	—	—	110,541
Total Liabilities	**3,048,988**	**792**	**204,017**	**2,576,051**	**66**	**233,613**
Net Position Restricted for Benefits	**$47,846,694**	**$560,750**	**$—**	**$48,818,350**	**$488,359**	**$—**

The accompanying Notes are an integral part of these financial statements.
*$74 million of Short-Term Investments included in Fixed Income

Statement of Changes in Fiduciary Net Position

For the Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	2016		2015	
	Pension Plan	OPEB Trust	Pension Plan	OPEB Trust
Additions				
Contributions				
Employer	**$1,443,130**	**$80,678**	$1,494,975	$—
Member	**458,665**	**—**	441,258	—
Total Contributions	**1,901,795**	**80,678**	**1,936,233**	**—**
Investment Income				
From Investing Activities:				
Net Appreciation/(Depreciation) in Fair Value of Investments	**(966,251)**	**(8,451)**	(330,804)	4,429
Investment Income/(Loss)	**1,147,978**	**587**	2,421,690	486
Total Investing Activity Income	**181,727**	**(7,864)**	**2,090,886**	**4,915**
Less Expenses from Investing Activities	**(106,567)**	**(231)**	(108,079)	(228)
Net Investing Activity Income	**75,160**	**(8,095)**	**1,982,807**	**4,687**
From Securities Lending Activities:				
Securities Lending Income	**6,409**	**—**	5,457	—
Less Expenses from Securities Lending Activities:				
Borrower Rebates	**246**	**—**	2,533	—
Management Fees	**(1,227)**	**—**	(1,439)	—
Total Expenses from Securities Lending Activities	**(981)**	**—**	**1,094**	**—**
Net Securities Lending Income	**5,428**	**—**	**6,551**	**—**
Total Net Investment Income	**80,588**	**(8,095)**	1,989,358	4,687
Miscellaneous	**2,781**	**—**	1,695	—
Total Additions	**1,985,164**	**72,583**	**3,927,286**	**4,687**
Deductions				
Retiree Payroll	**2,859,011**	**—**	2,740,970	—
Administrative Expenses	**67,645**	**192**	62,591	152
Refunds	**27,092**	**—**	25,411	—
Lump-Sum Death Benefits	**3,083**	**—**	2,029	—
Miscellaneous	**(11)**	**—**	212	—
Total Deductions	**2,956,820**	**192**	**2,831,213**	**152**
Net Increase/(Decrease) in Net Position	**(971,656)**	**72,391**	**1,096,073**	**4,535**
Net Position Restricted for Benefits				
Beginning of Year	**48,818,350**	**488,359**	**47,722,277**	**483,824**
End of Year	**$47,846,694**	**$560,750**	**$48,818,350**	**$488,359**

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, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multiple-employer defined benefit pension 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 Pension 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, 2016 and 2015

	2016	2015
Active Members		
Vested	**72,563**	73,556
Non-Vested	**22,881**	20,118
Terminated Vested (Deferred)	**8,238**	8,186
Total Active Members	**103,682**	**101,860**
Retired Members		
Service	**43,858**	42,780
Disability	**9,335**	9,234
Survivors	**8,700**	8,570
Total Retired Members	**61,893**	**60,584**
Total Membership	**165,575**	**162,444**

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 realized 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 and participating outside District employers provide a health insurance program and death benefits (OPEB Program) for retired employees and their dependents, which LACERA administers. 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 and outside districts, 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. In 2013, LACERA's Board of Retirement adopted a policy that establishes an account balance target for the indemnity medical and dental/vision plans of 20 percent of the total annual premium cost, by plan.

OPEB Trust: The County and LACERA, as participating employers, established an 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 OPEB Trust does not modify the participating employer benefit programs.

The County hired the LACERA Board of Investments to act as Trustee and Investment Manager by entering into a Trust and Investment Services Agreement in May 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 County OPEB Trust. Contributions and transfers to the County OPEB Trust are determined at the County's discretion. The County OPEB Trust's gross income is exempt from federal income taxation under §115 of the Internal Revenue Code (IRC). In August 2014, LACERA obtained a letter ruling from the Internal Revenue Service to this effect.

On June 10, 2016, LACERA's Board of Investments entered into a Trust and Investment Services Agreement with the Los Angeles County Superior Court (Court) to establish an irrevocable trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Benefits Program, which LACERA administers for the Court. The Board of Investments serves as Trustee with sole and exclusive authority, control over, and responsibility for directing the investment and management of the Court OPEB Trust assets. The Board of Investments adopted an Investment Policy Statement establishing the asset allocation for the Court OPEB Trust. Contributions to the Court OPEB Trust are in the Court's discretion. The parties intend that the income of the Court OPEB Trust qualify for exemption from federal income tax under IRC §115. The Court OPEB Trust documentation and structure are substantively similar to the County OPEB Trust. The Court is the only participating employer in the Court OPEB Trust. Note Q – OPEB Trust provides additional information regarding the OPEB Trust.

On June 8, 2016, LACERA's Board of Investments approved formation of a Master OPEB Trust for the purpose of commingling funds of the County OPEB Trust and the Court OPEB Trust for investment purposes. The Master OPEB Trust Declaration was made on July 13, 2016. The Board of Investments serves as Trustee with sole and exclusive authority, control over, and responsibility for directing the investment and management of the Master Trust

Assets. LACERA intends that the income of the Master Trust qualify for exemption from federal income tax under IRC §115.

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 the 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 the 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. The 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 geographic region during 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 Program, 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 Years 2005 and 2010 through 2015, 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.

From the inception of the STAR Program in 1990 to the present, the STAR 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, 2016, there is $614 million available in the STAR Program reserve to fund future benefits. Total STAR Program costs since inception equaled $972 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 operational results are advantageous to 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 utilizes several different types of Special Purpose Entities (SPE), including 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. 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, 2016 and 2015, were $3.1 million and $2.8 million, respectively.

Cash and Short-Term Investments

Cash includes deposits with various financial institutions, the County, and non-U.S. currency holdings translated to U.S. dollars using the exchange rates in effect at June 30, 2016 and 2015.

LACERA classifies fixed income securities with a maturity of 12 months or less as short-term investments. Pending foreign exchange contracts are also included in the category.

Investments

Investments are carried at fair value. Fair values for investments are derived by various methods, as indicated in the following chart:

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, 2016 and 2015.
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: Special Purpose Entities including Title Holding Corporations and Limited Liability Companies	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 portfolios held in limited partnership vehicles.

Fair value level breakout provided in Note P – Fair Value.

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, 2016. These asset allocation targets were developed through the latest asset liability valuation study that was conducted in August 2015, and amended as of May 2016; the long-term expected rates of return displayed reflect the expectations for the asset classes as of August 2016.

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

For the Year Ended June 30, 2016

Asset Class	Target Allocation	Weighted Average Long-Term Expected Rate of Return (Geometric)
Global Equity	41.4%	8.2%
Fixed Income	27.8%	5.1%
Real Estate	11.0%	7.1%
Private Equity	10.0%	9.4%
Commodities	2.8%	4.1%
Hedge Funds	5.0%	5.6%
Other Opportunities	0.0%	7.0%
Cash	2.0%	2.3%
Total	**100.0%**	**7.5%**

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 2015 and updated by Meketa Investment Group in May 2016. 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. In December 2015 and amended in May 2016, the Board of Investments adopted an implementation plan to reach the new targets over the next few years reducing Global Equities, Private Equity, and Commodities while increasing Fixed Income, Real Estate, and Hedge Funds allocations. A new asset class, Other Opportunities, was also added. The target allocations shown are the final allocations to be reached in December 2018.

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 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 2.5 percent.

Discount Rate. The investment rate of return assumption used for actuarial funding was 7.50 percent for the fiscal year ended June 30, 2016.

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, gross of administrative expenses.

Funding requirements under LACERA's Funding Policy require the Unfunded Actuarial Accrued Liability (UAAL) 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, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 0.7 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Historical returns are also presented in the Schedule of Investment Returns – Pension Plan under the RSI Section.

Investment Concentrations. The Pension Plan does not hold investments in any single issuer (other than United States Treasury securities or Agency mortgage-backed securities) 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 — Pension Plan 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 2 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 contributory plan 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.

Los Angeles County and the outside Districts paid their employer and employee contributions due to LACERA in the form of monthly and semimonthly cash payments, respectively. For the fiscal years ended June 30, 2016 and June 30, 2015, employer contributions totaled $1.44 billion and $1.49 billion, respectively, and employee contributions totaled $459 million and $441 million, respectively.

Pension Plan Contributions

For the Fiscal Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
Employer Contributions		
Los Angeles County	**$1,389,625**	$1,437,555
Superior Court	**53,377**	56,910
Local Agency Formation Commission	**106**	132
South Coast Air Quality Management District	**13**	15
Little Lake Cemetery District	**6**	6
Metropolitan Transportation Authority*	**3**	25
CalPERS Transfer**	—	332
Total Employer Contributions	**1,443,130**	1,494,975
Employee Contributions	**458,665**	441,258
Total Contributions	**$1,901,795**	$1,936,233

*Contributions received on behalf of LACERA members' participation in the Metropolitan Transportation Authority's (MTA) governing board meetings.
**Contributions received from California Public Employees' Retirement System (CalPERS) due to transfer into LACERA's Pension Plan.

NOTE D — Reserves

LACERA includes accounts within the Net Position Restricted for Benefits as reserve accounts for various operating purposes stipulated in various agreements with 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 retirement 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 or Court authorizes, for current and future employer contributions due to LACERA. The current balance is the Court's proportionate share of the CCCR.

Supplemental Targeted Adjustment for Retirees (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 Program payments to retirees and funding for permanent benefits. Except for Program year 2005 and 2010 through 2015, 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) amended in 2013, 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 the fiscal years ended June 30, 2016 and 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.

Reserves

As of June 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
Member Reserves	**$19,346,808**	$18,784,899
Employer Reserves	**20,802,531**	21,369,845
County Contribution Credit Reserve	**21,891**	21,891
STAR Reserve	**614,011**	614,011
Contingency Reserve	**—**	—
Total Reserves at Book Value	**40,785,241**	40,790,646
Unrealized Investment Portfolio Appreciation	**7,061,453**	8,027,704
Total Reserves at Fair Value	**$47,846,694**	$48,818,350

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 Pension 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 each year 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 2015 actuarial valuation was 7.50 percent.

The information displayed below presents the f unded status as of the most recent actuarial valuation, June 30, 2015. 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, 2015	$47,328,270	$56,819,215	$9,490,945	83.3%	$7,592,760	125.0%

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)	3.00 percent. This rate was adopted beginning with the June 30, 2013 valuation.
Investment Return	7.50 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 11.78 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 on and after June 4, 2002. The portion payable is based on the member's years of service earned on and 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, amended in 2013, 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, 2015 valuation, seven amortization layers were used to calculate the total amortization payment beginning July 1, 2016. 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 Board of Investments adopted a new Retirement Benefit Funding Policy (Funding Policy). The Funding Policy was amended in February 2013 to conform to the new standards mandated in the California Public Employees' Pension Reform Act of 2013. In addition, the Board of Investments 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, 2015, decreased the Employer's normal cost rate from 9.29 percent to 9.28 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 Employers' required contribution rate to finance the UAAL over a layered 30-year period decreased from 10.04 percent to 8.49 percent. Additionally, member contribution rates decreased slightly for General Plan G and increased slightly for Safety Plan C members effective with the 2015 actuarial valuation 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 1.56 percent decrease in the total required Employer contribution rate from the previous valuation (from 19.33 percent to 17.77 percent of payroll). The most significant factor causing the decrease was the recognition of asset gains from prior years, which resulted in a 1.29 percent decrease in the UAAL rate while the recognition of asset losses from the current year resulted in a 0.25 percent increase. All other factors caused a 0.52 percent decrease.

Net Pension Liability

GASB Statement No. 67 requires public pension plans to provide the calculation of 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 funded status of the Plan is calculated separately by the consulting actuary and the results of which are included in the actuarial valuation report. The components of LACERA's (the Pension Plan's) Net Pension Liability at June 30, 2016, were as follows:

Schedule of Net Pension Liability

For the Year Ended June 30, 2016
(Dollars in Thousands)

	2016
Total Pension Liability	**$58,528,457**
Less: Fiduciary Net Position	**(47,846,694)**
Net Pension Liability	**$10,681,763**
Fiduciary Net Position as a Percentage of Total Pension Liability	**81.75%**

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the 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, 2016, was determined by completing a roll-forward calculation based on an actuarial valuation conducted as of June 30, 2015, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67. All actuarial methods and assumptions used for this GASB analysis were the same as those used for the June 30, 2015 funding valuation, except where differences are noted. Key methods and assumptions used to calculate the Total Pension Liability are presented below.

Description	Method
Actuarial Cost Method	Individual Entry Age Normal*
Inflation	3.00 percent.
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, 2015 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) Reserve 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.

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

The actuarial assumptions used in the June 30, 2015 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 geographic region during 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 allowance. 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. The STAR Program 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 Statement No. 67, changes to the 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, 2016
(Dollars in Thousands)

	1% Decrease [6.63%]	Current Discount Rate [7.63%]	1% Increase [8.63%]
Total Pension Liability	$65,996,381	$58,528,457	$52,283,508
Less: Fiduciary Net Position	(47,846,694)	(47,846,694)	(47,846,694)
Net Pension Liability	**$18,149,687**	**$10,681,763**	**$4,436,814**

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 pension benefit payments to a portion of the retired members. Under the terms of the agreements, LACERA continues to administer all pension benefit payments to covered members. There is no effect on covered members, since they retain all pension 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 pension 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 LACERA's financial statements. During the fiscal year ended June 30, 2016, LACERA paid $19.3 million to covered members and received $15.9 million in related reimbursements. During the fiscal year ended June 30, 2015, LACERA paid $22.0 million to covered members and received $18.1 million in related reimbursements. As the monthly annuity reimbursement from carriers is allocated to covered members, the fair value of contracts were 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 and that the investment will default on its payments or lose value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension Plan 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 included in the Pension Plan portfolio of $50 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan

As of June 30, 2016

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Non-U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$2,265,868	$2,296,958	$1,344	$495,730	$—	$13,853	$280,314	$5,354,067	39%
Aa	—	4,352	37,869	270,413	—	14,326	130,330	457,290	4%
A	—	22,180	13,950	831,368	—	37,867	288,756	1,194,121	9%
Baa	5,024	40,288	21,015	1,488,475	—	10,047	382,720	1,947,569	14%
Ba	4,995	6,972	—	555,508	—	12,891	282,590	862,956	6%
B	12,099	2,296	85	398,820	—	9,297	372,475	795,072	6%
Caa	—	61,657	6,812	192,345	—	—	143,894	404,708	3%
Ca	—	1,957	—	14,987	—	—	679	17,623	0%
C	—	2,606	—	5,078	—	—	8,698	16,382	0%
Not Rated	—	19,046	5,672	408,075	2,077,539	22,112	53,510	2,585,954	19%
Total Investment in Fixed Income Securities	**$2,287,986**	**$2,458,312**	**$86,747**	**$4,660,799**	**$2,077,539**	**$120,393**	**$1,943,966**	**$13,635,742**	**100%**

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 included in the Pension Plan portfolio of $63 million are excluded from this presentation. Non-U.S. fixed income and private placement securities of $194 million and $1.85 billion, respectively, were included as part of the corporate debt/credit securities.

Credit Quality Ratings of Investments in Fixed Income Securities — Pension Plan

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	Percentage 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%**

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Trust

As of June 30, 2016

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Corporate Debt/ Credit Securities	Total	Percentage of Portfolio
Aaa	$12,056	$1,002	$8,602	$21,660	43%
Aa	—	—	8,806	8,806	18%
A	—	—	18,885	18,885	38%
Baa	—	—	700	700	1%
Total Investment in Fixed Income Securities	**$12,056**	**$1,002**	**$36,993**	**$50,051**	**100%**

Note: Comparative schedules will be displayed as they become available prospectively.

Credit Quality Ratings of Investments in Fixed Income Securities — OPEB Agency Fund

As of June 30, 2016

(Dollars in Thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/ Credit Securities	Total	Percentage of Portfolio
Aaa	$52,900	$4,632	$57,532	68%
Aa	—	6,024	6,024	7%
A	—	21,071	21,071	25%
Total Investment in Fixed Income Securities	**$52,900**	**$31,727**	**$84,627**	**100%**

Note: Comparative schedules will be displayed as they become available prospectively.

Custodial Credit Risk

LACERA's contract with its primary custodian State Street Bank and Trust (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, in book-entry form, with a clearing house corporation, or with 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" 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 would 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 approved commingled funds.

As of June 30, 2016, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position. 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 Duration in Fixed Income Securities – Pension Plan schedule presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $50 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan

As of June 30, 2016

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration*
U.S. Treasury, U.S. Government Agency, and Municipal Instruments:		
U.S. Treasury	$2,287,986	7.96
U.S. Government Agency	2,458,312	2.12
Municipal/Revenue Bonds	86,747	9.86
Subtotal U.S. Treasury, U.S. Government Agency, and Municipal Instruments	**$4,833,045**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$347,688	1.32
Commercial Mortgage-Backed Securities	431,451	1.92
Corporate and Other Credit	3,929,560	4.88
Fixed Income Swaps	(47,900)	N/A
Pooled Investments	2,077,539	N/A
Subtotal Corporate Bonds and Credit Securities	**$6,738,338**	
Non-U.S. Fixed Income	$120,393	4.51
Private Placement Fixed Income	1,943,966	4.10
Subtotal Non-U.S. and Private Placement Securities	**$2,064,359**	
Total Fixed Income Securities	**$13,635,742**	

*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.

The Duration in Fixed Income Securities – Pension Plan schedule presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $63 million are excluded from this presentation.

Duration in Fixed Income Securities — Pension Plan

As of June 30, 2015

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration*
U.S. Treasury, U.S. Government Agency, and Municipal 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. Treasury, U.S. Government Agency, and Municipal 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.

Duration in Fixed Income Securities — OPEB Trust

As of June 30, 2016

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration*
U.S. Treasury and U.S. Government Agency Instruments:		
U.S. Treasury	$12,056	0.84
U.S. Government Agency	1,002	0.64
Subtotal U.S. Treasury and U.S. Government Agency Instruments	**$13,058**	
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	$6,609	0.23
Corporate and Other Credit	30,384	0.71
Subtotal Corporate Bonds and Credit Securities	**$36,993**	
Total Fixed Income Securities	**$50,051**	

Note: Comparative schedules will be displayed as they become available prospectively.

*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.

Duration in Fixed Income Securities — OPEB Agency Fund

As of June 30, 2016

(Dollars in Thousands)

Investment Type	Fair Value	Portfolio-Weighted Average Effective Duration*
U.S. Treasury	$52,900	2.12
Corporate Bonds and Credit Securities:		
Asset-Backed Securities	4,001	1.26
Corporate and Other Credit	27,726	1.66
Subtotal Corporate Bonds and Credit Securities	**$31,727**	
Total Fixed Income Securities	**$84,627**	

Note: Comparative schedules will be displayed as they become available prospectively.

*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 implemented a passive currency hedging program, which hedges into U.S. dollars 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 actual securities and/or currencies. The values shown include LACERA's pro rata portion of non-U.S. commingled fund holdings.

Non-U.S. Holdings at Fair Value — Pension Plan

As of June 30, 2016
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AMERICAS							
Argentine Peso	$1,683	$ —	$—	$—	$—	$—	**$1,683**
Bermudan Dollar	6,485	—	—	—	—	—	**6,485**
Brazilian Real	127,828	—	243	—	—	(22)	**128,049**
Canadian Dollar	806,651	4,613	132	—	—	1,875	**813,271**
Chilean Peso	14,642	—	—	—	—	—	**14,642**
Colombian Peso	6,535	—	—	—	—	—	**6,535**
Mexican Peso	83,404	32,378	1,062	—	—	115	**116,959**
Peruvian New Sol	15,452	—	—	—	—	—	**15,452**
EUROPE							
British Pound Sterling	1,539,934	12,893	2,856	2,142	29,018	51,152	**1,637,995**
Czech Republic Koruna	1,778	—	—	—	—	—	**1,778**
Danish Krone	155,126	6,965	—	—	—	1,029	**163,120**
Euro	2,331,488	31,991	3,831	174,171	271,582	14,945	**2,828,008**
Hungarian Forint	4,829	—	—	—	—	—	**4,829**
Norwegian Krone	56,165	—	84	—	—	423	**56,672**
Polish Zloty	15,192	—	—	—	—	—	**15,192**
Romanian New Leu	2,781	—	—	—	—	—	**2,781**
Russian Ruble	72,149	4,000	—	—	—	—	**76,149**
Swedish Krona	260,449	—	—	—	—	4,679	**265,128**
Swiss Franc	654,188	—	—	—	—	(935)	**653,253**
PACIFIC							
Australian Dollar	511,096	6,139	385	—	—	7,960	**525,580**
Chinese RNB	43,557	—	—	—	—	52	**43,609**
Japanese Yen	1,675,178	9,683	2,961	—	—	(76,039)	**1,611,783**
New Zealand Dollar	20,657	6,345	4	—	—	(580)	**26,426**
South Korean Won	301,497	—	191	—	—	—	**301,688**
MIDDLE EAST							
Egyptian Pound	4,870	—	—	—	—	—	**4,870**
Israeli New Shekel	47,466	—	—	—	—	448	**47,914**
Qatari Rial	9,014	—	31	—	—	—	**9,045**
Saudi Riyal	3,635	—	—	—	—	—	**3,635**
Turkish Lira	52,263	—	7	—	—	—	**52,270**
UAE Dirham	7,599	—	—	—	—	—	**7,599**

Non-U.S. Holdings at Fair Value continued — Pension Plan

As of June 30, 2016

(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
CFA Franc (W. African)	1,762	$ —	$ —	$ —	$—	$—	**$1,762**
Ghana New Cedi	1,322	—	—	—	—	—	**1,322**
Kenyan Shilling	4,086	—	—	—	—	—	**4,086**
Moroccan Dirham	1,475	—	—	—	—	—	**1,475**
Nigerian Naira	7,618	—	—	—	—	—	**7,618**
South African Rand	134,740	—	3	—	—	—	**134,743**
Tunisian Dinar	1,204	—	—	—	—	—	**1,204**
SOUTHEAST ASIA							
Hong Kong Dollar	693,132	—	3,192	—	—	24	**696,348**
Indonesian Rupiah	34,143	—	17	—	—	—	**34,160**
Malaysian Ringgit	42,585	—	27	—	—	—	**42,612**
New Taiwan Dollar	199,933	—	—	—	—	—	**199,933**
Philippine Peso	25,731	5,386	—	—	—	—	**31,117**
Singapore Dollar	160,730	—	3,677	—	—	(378)	**164,029**
Thai Baht	62,668	—	1	—	—	—	**62,669**
Vietnamese Dong	2,339	—	—	—	—	—	**2,339**
SOUTH ASIA							
Indian Rupee	227,495	—	—	—	—	—	**227,495**
Sri Lankan Rupee	235	—	—	—	—	—	**235**
Total Holdings Subject to Foreign Currency Risk	**$10,434,789**	**$120,393**	**$18,704**	**$176,313**	**$300,600**	**$4,748**	**$11,055,547**

Non-U.S. Holdings at Fair Value — Pension Plan

As of June 30, 2015
(Dollars in Thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	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. Holdings at Fair Value continued — Pension Plan

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**
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 Holdings Subject to Foreign Currency Risk	**$11,682,474**	**$188,424**	**$48,985**	**$164,776**	**$349,727**	**$(30,775)**	**$12,403,611**

Non-U.S. Holdings at Fair Value — OPEB Trust

As of June 30, 2016

(Dollars in Thousands)

Currency	Equity
AMERICAS	
Brazilian Real	$3,166
Canadian Dollar	14,654
Chilean Peso	588
Colombian Peso	226
Mexican Peso	1,900
Peruvian New Sol	181
EUROPE	
British Pound Sterling	28,223
Czech Republic Koruna	91
Danish Krone	2,849
Euro	43,013
Hungarian Forint	136
Norwegian Krone	1,131
Polish Zloty	498
Russian Ruble	1,583
Swedish Krona	4,704
Swiss Franc	12,845
PACIFIC	
Australian Dollar	10,539
Chinese RNB	12,031
Japanese Yen	36,410
New Zealand Dollar	498
South Korean Won	7,327
MIDDLE EAST	
Egyptian Pound	91
Israeli New Shekel	1,266
Qatari Rial	407
Turkish Lira	633
UAE Dirham	407

Currency	Equity
AFRICA	
South African Rand	$3,347
SOUTH EAST ASIA	
Hong Kong Dollar	4,794
Indonesian Rupiah	1,266
Malaysian Ringgit	1,447
New Taiwan Dollar	6,106
Philippine Peso	724
Singapore Dollar	2,126
Thai Baht	1,176
SOUTH ASIA	
Indian Rupee	4,206
Total Holdings Subject to Foreign Currency Risk	**$210,589**

Note: Comparative schedules will be displayed as they become available prospectively.

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 with maturities that do not generally match the duration of securities on loan. 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, 2016, 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, 2016 and 2015.

As of June 30, 2016, the fair value of securities on loan was $1.3 billion, with a value of cash collateral received of $872 million and non-cash collateral of $515 million. 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. LACERA's income, net of expenses from securities lending, was $5.4 million and $6.6 million for the years ended June 30, 2016 and 2015, respectively.

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

Securities Lending

As of June 30, 2016 and 2015
(Dollars in Thousands)

	2016			2015		
Securities on Loan	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**	**Fair Value of Securities on Loan**	**Cash Collateral Received**	**Non-Cash Collateral Received**
U.S. Equities	$318,126	$326,023	$—	$443,668	$455,078	$—
U.S. Fixed Income	138,040	140,914	—	168,288	171,887	—
Non-U.S. Equities	865,814	405,202	514,841	1,135,566	406,506	815,428
Total	**$1,321,980**	**$872,139**	**$514,841**	**$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. 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 settlement or expiration date for a specified price, though futures are marked to market daily, and margin is exchanged over time until the specified future 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 generally 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 do not trade on a centralized exchange and are considered over the counter instruments. 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, 2016

(Dollars in Thousands)

Currency Name	Options	Currency Forward Contracts: Net Receivables	Currency Forward Contracts: Net Payables	Swaps	Total Exposure
Australian Dollar	$—	$(34)	$7,994	$—	**$7,960**
Brazilian Real	—	1,435	(1,457)	—	**(22)**
British Pound Sterling	—	(32,183)	83,335	326	**51,478**
Canadian Dollar	—	(544)	2,420	3	**1,879**
Danish Krone	—	(433)	1,462	—	**1,029**
Euro	68	(11,342)	26,287	(43)	**14,970**
Hong Kong Dollar	—	6	18	—	**24**
Israeli New Shekel	—	(25)	473	—	**448**
Japanese Yen	10	9,930	(85,969)	(274)	**(76,303)**
Mexican Peso	—	52	62	109	**223**
New Zealand Dollar	—	10	(590)	—	**(580)**
Norwegian Krone	—	(60)	483	—	**423**
Singapore Dollar	—	(3)	(375)	—	**(378)**
Swedish Krona	—	(1,844)	6,523	—	**4,679**
Swiss Franc	—	(1,255)	320	—	**(935)**
Yuan Renminbi	—	—	52	—	**52**
Total	**$78**	**$(36,290)**	**$41,038**	**$121**	**$4,947**

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 since 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, 2016, classified by type.

Investment Derivatives

As of June 30, 2016
(Dollars in Thousands)

Derivative Type	Net Appreciation/ (Depreciation) in Fair Value For the Fiscal Year Ended June 30, 2016	Fair Value at June 30, 2016	Notional Value (Dollars)	Notional Shares (Units)
Commodity Futures Long	$(144,907)	$—	$—	310,973
Commodity Futures Short	55,443	—	—	(53,525)
Credit Default Swaps Bought	(1,614)	904	47,928	—
Credit Default Swaps Written	(1,465)	1,081	69,049	—
Equity Options Bought	(397)	197	—	187
Equity Options Written	15	—	—	—
Fixed Income Futures Long	27,259	—	—	522,157
Fixed Income Futures Short	(5,998)	—	—	(535,961)
Fixed Income Options Bought	(1,414)	719	—	596,486
Fixed Income Options Written	2,101	(799)	—	(393,361)
Foreign Currency Options Bought	33	8	—	1,364
Foreign Currency Options Written	47	(36)	—	(5,214)
Futures Options Bought	(3,919)	1,505	—	4,037
Futures Options Written	4,152	(1,316)	—	(9,587)
FX Forwards	38,833	4,748	8,255,951	—
Pay Fixed Interest Rate Swaps	(57,711)	(51,823)	1,057,127	—
Receive Fixed Interest Rate Swaps	3,139	1,183	65,742	—
Rights	(228)	206	—	292
Total Return Swaps Bond	4,642	(317)	47,608	—
Total Return Swaps Equity	(44,487)	1,129	(351,024)	—
Warrants	—	—	—	6,168
Total	**$(126,476)**	**$(42,611)**	**$9,192,381**	**444,016**

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 custodian bank, State Street Bank and Trust.

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 have unrealized gains 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 to 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, 2016
(Dollars in Thousands)

Counterparty Name	Total Fair Value	S&P Rating	Fitch Rating	Moody's Rating
Bank of America N.A.	$128	A	A+	A1
Bank of America N.A. Hong Kong	154	A	A+	A1
Bank of America Securities LLC	44	BBB+	A	Baa1
Barclays	88	A-	A	A2
Barclays Bank PLC Wholesale	36	A-	A	A2
Barclays Capital	13	A-	A	A2
BNP Paribas SA	190	A	A+	A1
Citibank N.A.	2,561	A	A+	A1
Citigroup Global Markets ICE	349	BBB+	A	Baa1
Citigroup Inc	150	BBB+	A	Baa1
Credit Suisse FOB CME	5	A	A	A2
Credit Suisse International	12,858	A	A	A2
Credit Suisse Securities (USA) LLC	182	A	A	A2
Deutsche Bank AG	9,303	BBB+	A-	Baa2
Deutsche Bank CME	102	BBB+	A-	Baa2
Goldman Sachs + Co.	258	BBB+	A	A3
Goldman Sachs Bank USA	858	BBB+	A	A3
Goldman Sachs CME	820	BBB+	A	A3
Goldman Sachs International	41,631	BBB+	A	A3
JP Morgan	771	A-	A+	A3
JP Morgan Chase Bank	103	A+	AA-	Aa3
JP Morgan Chase Bank N.A.	54	A+	AA-	Aa3
JP Morgan Securities Inc	563	A-	A+	A3
Macquarie Bank Limited	78	A	A	A2
Morgan Stanley and Co. International PLC	49	BBB+	A	A3
Morgan Stanley Co. Incorporated	136	BBB+	A	A3
Royal Bank of Scotland PLC	12,613	BBB+	BBB+	A3
Societe Generale	300	A	A	A2
Standard Chartered Bank	25	A	A+	Aa3
State Street Bank and Trust Company	237	AA-	AA	Aa3
UBS AG	25	A+	A+	A1
UBS AG London	25,444	A+	A+	A1
Westpac Banking Corporation	41,932	AA-	AA-	Aa2
Total	**$152,060**			

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, 2016
(Dollars in Thousands)

				Investment Maturities (in years)				
Investment Type	**Notional Value**	**Notional Units**	**Fair Value**	**Less Than 1**	**1 - 5**	**6 - 10**	**More than 10**	**No Maturity**
Credit Default Swaps Bought	$47,928	—	$904	$(7)	$911	$—	$—	$—
Credit Default Swaps Written	69,049	—	1,081	—	1,144	(77)	14	—
Fixed Income Futures Long	—	522,157	—	—	—	—	—	—
Fixed Income Futures Short	—	(535,961)	—	—	—	—	—	—
Fixed Income Options Bought	—	596,486	719	39	680	—	—	—
Fixed Income Options Written	—	(393,361)	(799)	(334)	(453)	—	(12)	—
Pay Fixed Interest Rate Swaps	1,057,127	—	(51,823)	(829)	(5,680)	(26,347)	(18,967)	—
Receive Fixed Interest Rate	65,742	—	1,183	(85)	158	784	326	—
Total Return Swaps Bond	47,608	—	(317)	(900)	583	—	—	—
Total Return Swaps Equity	(351,024)	—	1,129	1,545	(164)	—	—	(252)
Total	**$936,430**	**189,321**	**$(47,923)**	**$(571)**	**$(2,821)**	**$(25,640)**	**$(18,639)**	**$(252)**

NOTE J — Special Purpose Entities

LACERA uses several different types of Special Purpose Entities (SPEs) in its investment portfolio.

As of June 30, 2016, the LACERA real estate portfolio utilized various SPEs including 90 Title Holding Corporations (THCs) and 40 Limited Liability Companies (LLCs). As of June 30, 2015, the portfolio included 87 THCs and 31 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, 2016 and 2015

(Dollars in Thousands)

	2016	2015
Assets	**$7,103,448**	$6,541,502
Less: Liabilities	**(2,261,697)**	(2,162,184)
Net Assets	**$4,841,751**	$4,379,318
Net Income	**$132,905**	$237,858

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 real estate debt mandate as of June 30, 2016, were $835 million and $464 million, respectively, with a net income of $25.0 million.

NOTE K — Related Party Transactions

Office Lease

In 1991, LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza which provides the office space for approximately 400 employees who administer the retirement association. At that time, 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 Twelfth Amendment to the Office Lease, dated January 1, 2016, leasing a total rentable space of 112,756 square feet and maintaining the lease's existing expiration date of December 31, 2020.

LACERA has one five-year option to further extend the terms of the lease. In connection with the extension of the terms of the lease, LACERA received approximately $4.3 million in Tenant Improvement Allowance for the construction of permanently affixed improvements to the premises.

Total operating expenses charged to LACERA were approximately $1.9 million and $1.8 million for the years ended June 30, 2016 and June 30, 2015, 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, 2016 and 2015. This amount is reflected in the Statement of Fiduciary Net Position as part of 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, 2016 and June 30, 2015, which were prepared based upon the twenty-one hundredths of one percent (0.21 percent) CERL limit.

Note L continued

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, 2016 and 2015

(Dollars in Thousands)

	2016	2015
Basis for Budget Calculation, Actuarial Accrued Liability	**$54,942,453**	**$53,247,776**
Maximum Allowable for Administrative Expense*	**115,379**	111,820
Total Statutory Budget Appropriation	**115,379**	**111,820**
Operating Budget Request	**73,091**	65,629
Administrative Expenses	**(67,645)**	(62,591)
Underexpended Operating Budget	**5,446**	**3,038**
Administrative Expenses	**67,645**	62,591
Basis for Budget Calculation	**54,942,453**	53,247,776
Administrative Expenses as a Percentage of the Basis for Budget Calculation	**0.12%**	**0.12%**
Limit per CERL	**0.21%**	0.21%
Administrative Expenses	**67,645**	62,591
Net Position Restricted for Benefits	**$47,846,694**	$48,818,350
Administrative Expenses as a Percentage of Net Position Restricted for Benefits	**0.14%**	**0.13%**

*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 2010, 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 $232,000 and $276,000 in fiscal years 2016 and 2015, respectively. The building space lease agreement was originally entered in January 1991.

Subsequent amendments were made with the latest one, dated January 1, 2016. LACERA agreed to lease additional space, which extended lease terms to December 31, 2020. As of fiscal year 2016, 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 $1.9 million and $1.8 million in fiscal years 2016 and 2015, respectively.

Capital Commitments

LACERA real estate, private equity, and activist investment managers identify and acquire investments on a discretionary basis. Investment activity is approved by the Board of Investments and controlled by investment management agreements which identify limitations on each investment manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager.

As of June 30, 2016, outstanding capital commitments to the various investment managers, as approved by the Board of Investments, totaled $4.7 billion.

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 and the Statement of Changes in Assets and Liabilities – OPEB Agency Fund is presented in the Other Supplementary Information Section.

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 Tier 1 Retiree Healthcare Benefits Program (Tier 1) and placed all employees hired after June 30, 2014, into Los Angeles County Tier 2 Retiree Healthcare Benefits Program (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	Total
Medical	45,825	22,298	**68,123**
Dental/Vision	46,612	25,404	**72,016**
Death Benefit	50,434	N/A	**50,434**

*If the OPEB counts in this schedule are different from the counts in the Statistical Section, the differences are due to data edits conducted for the actuarial valuation by the consulting actuary. Data in this schedule includes members who retired on or before July 1 but did not enroll for insurance coverage until after July 1.

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 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 in the amount of 40 percent of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. 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.

Under Tier 1, the County subsidy is based on the tier of coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision. 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.

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 enrolled in a LACERA-administered Medicare HMO Plan or Medicare Supplement Plan. Under Tier 2, the County reimburses for Medicare Part B (at the 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, up to a maximum of 100 percent.

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, reimbursed to LACERA 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 liabilities. 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, Tier 2, 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.

Premium Payments

During the fiscal years ended June 30, 2016 and 2015, premium payments of $515.2 and $455.1 million, respectively, were made to insurance carriers. These payments were funded by employer subsidy payments of $472.7 million and payments of $42.4 million by the participants for the fiscal year ended 2016. The employer subsidy payments for the fiscal year ended 2015 were $415.6 million with participants payments of $39.5 million.

In addition, the County paid $50.0 million and $7.6 million for Medicare Part B reimbursements and death/burial benefits for the fiscal year ended June 30, 2016 and $47.3 million and $7.3 million for those benefits, respectively, during the fiscal year ended June 30, 2015.

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 County did not grant a Premium Holiday during fiscal year 2016.

Employer Disclosures

Participating employers, upon implementing the related GASB Statement No. 45, are required to disclose additional information in their financial statements with regards to the measurement, recognition, and display of OPEB expenditures and related liabilities, assets, note disclosures and supplementary information. 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 retirement associations 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 Affordable Care Act (ACA) originally contained 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. After Milliman's estimate, the Consolidated Appropriations Act of 2016 was signed into law in December 2015, delaying the assessment of the excise tax for two years until 2020. While the tax was originally non-tax deductible, the December 2015 changes make it tax deductible for employers who pay it. LACERA and the County are evaluating a process of allocating such potential liabilities among the various OPEB Program stakeholders.

Disclosure of Information about Actuarial Methods and Assumptions

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 Methods and Assumptions

Where applicable, the same actuarial methods and assumptions used for the LACERA retirement benefit plan (Pension Plan) are used for the LACERA-administered 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 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 healthcare 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 OPEB valuation.

Actuarial Methods and Assumptions

Actuarial Cost Method

Projected Unit Credit.
The actuarial present value of the projected benefits of each individual included in the valuation is allocated pro rata to each year of service between entry age and assumed exit. For members who transferred between plans, entry age is based on original entry into LACERA Retirement Benefits Plan. This assumption was adopted beginning with the July 1, 2006 OPEB valuation.

Actuarial Asset Valuation Method

Market Value.

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. This rate was adopted beginning with the July 1, 2014 OPEB valuation.

Investment Return

3.75 percent.
GASB Statement No. 45 requires that the discount rate for OPEB Benefits be equal to the expected return on assets used to pay ongoing benefits. In the case of an unfunded plan, it would be the expected return on the County's general funds. In previous valuations, the expected return on the County's general funds was used to develop the discount rate. For the July 1, 2014 valuation, the OPEB Trust was included to develop the investment return rate. A 3.75 percent investment return is based on the expected return on the County's general funds and the expected return on the OPEB Trust. This rate was adopted beginning with the July 1, 2014 OPEB valuation.

Inflation Rate

3.00 percent per annum.
This rate was adopted beginning with the July 1, 2014 OPEB valuation.

Healthcare Cost Trend Rates*

	FY 2015 to FY 2016	FY 2016 to FY 2017	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/Vision	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, 2100, or 85 years.

Actuarial Methods and Assumptions continued

	Non-Firefighter 1014*				Firefighter 1014
	<65 Male	<65 Female	65+ Male	65+ Female	All
Medical Spouse/Dependent Enrollment Probability	76.5%	45.0%	64.5%	32.5%	93.0%

	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 Fund Investments

The hedge fund category of investments is not a separate asset class but is comprised of strategies that may: 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, Grosvenor Capital Management (GCM) and Goldman Sachs Asset Management (GSAM), with specialized knowledge and expertise to construct four 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 September 2011, LACERA began investing in hedge funds with a goal of reducing the volatility of the Pension Plan without materially decreasing Pension Plan returns. This initial investment consisted of a portfolio of hedge funds invested in a diversified strategy managed by GCM.

In December 2012, LACERA began investing in a second portfolio focused on opportunistic credit strategies, also managed by GCM.

In April 2015, LACERA began investing in a third portfolio, managed in a diversified strategy by GSAM. Within this portfolio, LACERA directly invests in underlying fund vehicles, while GSAM maintains discretion over fund selection and overall portfolio development.

In January 2016, LACERA began investing in a fourth portfolio, also focused on opportunistic credit strategies and managed by GCM.

The three hedge fund portfolios managed by GCM are each structured as a limited partnership in which LACERA is the sole limited partner, and each was created to hold the interests in the underlying hedge funds. GCM serves as General Partner and owns a 0.01 percent stake in each partnership.

Each underlying investment in the entire hedge fund program is in an entity legally structured to limit liability for each investor to the capital invested by that investor.

The investment performance for this strategy is measured separately from other asset classes. The fair values of assets invested in hedge funds as of June 30, 2016 and June 30, 2015, were $1,276 million and $692 million, respectively.

NOTE P — Fair Value

For the fiscal year ended 2016, LACERA adopted GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements.

Equity and Fixed Income Securities

Equity securities, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities, classified in Level 2 of the fair value hierarchy, are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities, classified in Level 3 of the fair value hierarchy, are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by LACERA's custodian bank, State Street Bank and Trust.

Hedge Fund, Private Equity, and Real Estate Funds

Investments in Hedge Fund, Private Equity, and Real Estate funds are valued at estimated fair value, as determined in good faith by the General Partner (GP). These investments are initially valued at cost with subsequent adjustments that reflect third-party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are valued at NAV.

Real Estate Investments

Investments in Real Estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third-party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third-party appraisals every three years. As applicable, these assets are reported in Level 3 or at NAV.

LACERA has the following recurring fair value measurements as of June 30, 2016:

Investments and Derivatives Measured at Fair Value — Pension Plan

As of June 30, 2016
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$347,688	$—	$344,455	$3,233
Commercial Mortgage-Backed Securities	431,451	—	431,451	—
Corporate and Other Credit	3,929,560	11,275	3,915,391	2,894
Municipal / Revenue Bonds	86,747	—	86,747	—
Non-U.S. Fixed Income	120,393	—	120,393	—
Pooled Investments	1,909,066	254,830	1,485,844	168,392
Private Placement Fixed Income	1,943,966	—	1,937,282	6,684
U.S. Government Agency	2,458,312	—	2,457,849	463
U.S. Treasury	2,287,986	—	2,287,986	—
Whole Loan Mortgages	49,534	—	—	49,534
Total Fixed Income Securities	**13,564,703**	**266,105**	**13,067,398**	**231,200**
Equity Securities				
Non-U.S. Equity	1,603,467	1,603,222	—	245
Pooled Investments	18,020,729	17,832,542	184,883	3,304
U.S. Equity	2,840,424	2,839,734	—	690
Total Equity Securities	**22,464,620**	**22,275,498**	**184,883**	**4,239**
Real Estate				
Debt	22,706	—	—	22,706
Properties	5,318,096	—	—	5,318,096
Total Real Estate	**5,340,802**	**—**	**—**	**5,340,802**
Collateral from Securities Lending	**872,139**	**—**	**872,139**	**—**
Total Investments by Fair Value Level	**$42,242,264**	**$22,541,603**	**$14,124,420**	**$5,576,241**
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$168,473			
Hedge Funds	1,275,576			
Private Equity	4,410,209			
Real Estate	721,978			
Total Investments Measured at NAV	**6,576,236**			
Total Investments	**$48,818,500**			
Derivatives				
Foreign Exchange Contracts	$4,748	—	$4,748	—
Foreign Fixed Income Derivatives	(166)	—	(166)	—
U.S. Equity Derivatives	206	218	—	(12)
U.S. Fixed Income Derivatives	(47,734)	44	(47,778)	—
Total Derivatives	**$(42,946)**	**$262**	**$(43,196)**	**$(12)**

Note: Values derived from custodian bank and presented based on securities classification. Amounts per asset class, when aggregated, correspond to values as presented in the Statement of Fiduciary Net Position.

Investments Measured at the Net Asset Value

As of June 30, 2016

(Dollars in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds[1]	$168,473	$—	Not Eligible	N/A
Hedge Funds				
Commodities [2]	20,465	—	Monthly	30 days
Credit [3]	487,267	142,000	Monthly, Quarterly, Semi-Annual; Self-Liquidating	45-180 days
Equity Long / Short [4]	233,799	—	Monthly, Quarterly	20-90 days
Event Driven [5]	111,161	—	Monthly, Quarterly; Self-Liquidating	20-90 days
Macro and Tactical Trading [6]	216,356	—	Monthly, Quarterly	5-90 days
Multi-Strategy [7]	35,757	—	Quarterly, Semi-Annual; Self-Liquidating	60-90 days
Relative Value [8]	158,988	—	Monthly, Quarterly	15-90 days
Other [9]	11,783	—	Illiquid	N/A
Private Equity [10]	4,410,209	3,969,408	Not Eligible	N/A
Real Estate [10]	721,978	139,047	Not Eligible	N/A
Total Investments Measured at the NAV	**$6,576,236**			

NOTES:

[1]**Fixed Income Fund:** One fixed income fund is considered commingled in nature. It is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

[2]**Commodities Hedge Funds:** Consisting of two funds, this strategy invests across the global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental polices, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.

[3]**Credit Hedge Funds:** Consisting of 20 funds, this strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit. These investments are valued at NAV per share. When considering liquidity terms, approximately 65% of assets in this strategy category are available within 12 months. Seven funds in this category are self-liquidating funds that have an agreed upon investment duration. By the end of each fund's stated timeframe, distributions are expected to be made to investors.

[4]**Equity Long/Short Hedge Funds:** Consisting of 16 funds, this strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.

[5]**Event Driven Hedge Funds:** Consisting of nine funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share. When considering liquidity terms, approximately 93% of assets in this strategy category are available within 12 months. One fund in this category is self-liquidating and not all of its capital is expected to be received within the next 12 months.

[6]**Macro and Tactical Trading Hedge Funds:** Consisting of 15 funds, this strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis. These investments are valued at NAV per share. When considering liquidity terms, 100% of assets in this strategy category are available within 12 months.

[7]**Multi-Strategy Hedge Funds:** The three funds that make up this group aim to pursue varying strategies in order to diversify risks and reduce volatility. These investments are valued at NAV per share. When considering liquidity terms, approximately 40% of assets in this strategy category are available within 12 months. One fund in this category is self-liquidating.

[8]**Relative Value Hedge Funds:** Consisting of 10 funds, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing and/or selling these instruments. These investments are valued at NAV per share. When considering liquidity terms, approximately 99% of assets in this strategy category are available within 12 months.

[9]**Other:** This category contains three funds where all liquid capital has been redeemed and remainder balances represent designated or illiquid investments that will be distributed over time. In addition to these funds, cash held by managers and and accrued expenses were also included and consisted of approximately 98% of the total.

[10]**Private Equity and Real Estate Funds:** LACERA's Private Equity portfolio consists of 249 funds, investing primarily in Buyout Funds, with some exposure to Venture Capital, Special Situations, and Non-U.S. Funds. The Real Estate portfolio, comprised of 23 funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds has been determined using net assets valued one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

Investments Measured at Fair Value — OPEB Trust

For the Year Ended June 30, 2016
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$6,609	$—	$6,609	$—
Corporate and Other Credit	30,384	—	30,384	—
U.S. Government Agency	1,002	—	1,002	—
U.S. Treasury	12,056	—	12,056	—
Total Fixed Income Securities	**50,051**	**—**	**50,051**	**—**
Equity Securities				
Pooled Investments	452,333	452,333	—	—
Total Equity Securities	**452,333**	**452,333**	**—**	**—**
Total Investments by Fair Value Level	**$502,384**	**$452,333**	**$50,051**	**—**

Investments Measured at Fair Value — OPEB Agency Fund

For the Year Ended June 30, 2016
(Dollars in Thousands)

Investments by Fair Value Level	Total	Quoted prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$4,001	$—	$4,001	$—
Corporate and Other Credit	27,726	—	27,726	—
U.S. Treasury	52,900	—	52,900	—
Total Fixed Income Securities	**84,627**	**—**	**84,627**	**—**
Total Investments by Fair Value Level	**$84,627**	**—**	**$84,627**	**—**

NOTE Q — Other Post-Employment Benefits (OPEB) Trust

Establishment of County OPEB Trust

Pursuant to the California Government Code, the County established an irrevocable, tax-exempt OPEB Trust for the purpose of holding and investing assets to pre-fund the Retiree Healthcare 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 County 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 a pay-as-you-go model to a prefunding model. The County OPEB Trust does not modify the participating employers' benefit programs.

The County OPEB Trust serves as a funding tool for the participating employers to hold and invest assets for paying expenses associated with OPEB benefits in the future, 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 County OPEB Trust. Initially, there were only two participating employers in the County OPEB Trust: Los Angeles County and LACERA.

Establishment of Court OPEB Trust

Similar to the OPEB Trust established by the County, the Court followed the County's lead and established a separate OPEB Trust Fund, the Court OPEB Trust, to begin prefunding its own OPEB unfunded liability.

Pursuant to the California Government Code, the Court established an irrevocable OPEB Trust for the purpose of holding and investing assets to prefund the Retiree Healthcare Program, which LACERA administers. In April 2016, the Judicial Council of California approved the Court's request to establish a qualified irrevocable Trust with LACERA, as well as use LACERA's Board of Investments as trustee and investment services provider for the prefunding of the Court's OPEB liabilities.

In May 2016, to conform the language of the County OPEB Trust agreement to the language of the Court's OPEB Trust agreement, the Board of Supervisors approved the First Amendment to the Trust and Investment Services Agreement for the County of Los Angeles OPEB Program between the County and LACERA to allow the pooling of County and Court OPEB Trust assets solely for investment purposes and update the fiduciary duty provisions due to the addition of the Court's OPEB Trust agreement.

In June 2016, the Court entered into a Trust and Investment Services Agreement with the LACERA Board of Investments. The Court is the only participating employer in the Court OPEB Trust.

Funding Policy

In June 2015, the Board of Supervisors approved the county-wide budget with a dedicated funding promise for the OPEB liability. Using a multi-year approach to enhance the County's OPEB Trust funding in a consistent manner, the County plan increases its contribution by approximately $25 million each year. The Annual Required Contribution is projected to be fully funded in 2027.

Under the County OPEB Trust, LACERA is defined as a "Contributing Employer" and separate accounts are maintained for the contributions and expense obligations of the County and LACERA. Since inception, LACERA participated in lock step funding with the County. LACERA's budget includes provisions for its pro rata share of OPEB Trust contributions. In December 2015, the LACERA Boards adopted the LACERA OPEB Funding Policy allowing LACERA to pre-fund its portion of retiree healthcare benefits in sync with the County, while also allowing LACERA to pre-fund its portion of the liability separately. LACERA is not legally obligated, under the Trust or otherwise, to match the County's funding practices, but such a course of action, which has been followed in the past, reduces LACERA's share of the unfunded liability.

The Court continues to pay its OPEB liability on a pay-as-you-go basis. Although the Court does not have a formal OPEB funding policy at this time, when surplus funds are available at fiscal year end, such surplus may be earmarked as OPEB Trust contributions.

Investment Policy

The LACERA Board of Investments is responsible for setting the investment policy and investing any contributions made to the OPEB Trust from the participating employers: County Court and LACERA. The Board has adopted separate Investment Policy Statements for the participating employers. The OPEB Trust has a long-term investment horizon, and utilizes an asset allocation which encompasses a strategic, long-run perspective of capital markets. The current target asset allocation is set for $100 million invested in high quality, short-term fixed income instruments and any remaining assets invested in a passive global equity portfolio. This policy provides for diversification of assets in an effort to maximize the total return of the OPEB Trust consistent with market conditions and risk control.

Contributions

In fiscal year 2013, the County and LACERA made initial contributions to the County OPEB Trust totaling $448.8 million: $447.1 million and $1.7 million, respectively. Contributions resumed during the fiscal year ended June 30, 2016, when the County and LACERA made additional contributions totaling $72.8 million: $72.5 million and $0.3 million, respectively, as part of the County's multi-year plan to reduce the OPEB liability. To date, the total County and LACERA contributions to the County OPEB Trust are $521.6 million: $519.6 million and $2.0 million, respectively.

During the fiscal year ended June 30, 2016, the Court made an initial $5.0 million contribution to the Court OPEB Trust. As a result of its budget surplus, the Court also pledged $2.9 million payable as of June 30, 2016. To date, the total Court contribution to its OPEB Trust is $7.9 million.

Contributions — OPEB Trust

For the Fiscal Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
Los Angeles County	**$72,489**	$—
LACERA	**289**	—
Superior Court	**7,900**	—
Total Contributions	**$80,678**	—

Administration

Administration of the OPEB Trust includes payments for investment managers, custodial fees, and overhead charged by LACERA for administering the OPEB Trust Fund. Expenses totaled $0.4 million for each of the fiscal years ended June 30, 2016 and June 30, 2015.

Expenses — OPEB Trust

For the Fiscal Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	2016			
	Management Fees	Custodial Fees	Administrative Expenses	Total
Los Angeles County	$190,623	$39,044	$191,004	$420,671
LACERA	729	149	731	1,609
Superior Court	—	—	—	—
Total Expenses	**$191,352**	**$39,193**	**$191,735**	**$422,280**

	2015			
	Management Fees	Custodial Fees	Administrative Expenses	Total
Los Angeles County	$183,527	$43,632	$151,970	$379,129
LACERA	702	167	581	1,450
Superior Court	—	—	—	—
Total Expenses	**$184,229**	**$43,799**	**$152,551**	**$380,579**

Fund Values

OPEB Trust Fund additions include contributions from participating employers and investment income. Deductions include investment and administrative expenses.

As of June 30, 2016 and June 30, 2015, the combined OPEB Trust Fund values were $561 million and $488 million, respectively.

Fund Values — OPEB Trust

As of June 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
Los Angeles County	**$521,063**	$448,410
LACERA	**2,005**	1,715
Superior Court	**7,900**	—
Total Balance at Book Value	**530,968**	450,125
Unrealized Investment Portfolio Appreciation	**29,782**	38,234
Total Balance at Fair Value	**$560,750**	$488,359

Master OPEB Trust

In June 2016, LACERA's Board of Investments directed LACERA staff to pursue the preparation of a Master OPEB Trust to facilitate the commingling and investment of funds in the County and Court OPEB Trusts. LACERA staff was also directed to pursue implementation of a unitized fund structure, subject to the Board's approval of the Master OPEB Trust for investments of the combined OPEB Trust assets.

In July 2016, LACERA's Board of Investments adopted the Master OPEB Trust Declaration and unitization of OPEB Trust investments. As trustee of the separate OPEB Trusts established by the County and the Court, the Board of Investments will have sole and exclusive authority, control over, and responsibility for directing the investment and management of the Master Trust Assets.

By unitizing the fund structure, it allows for synergy from the shared economy and leveraged investment opportunities for greater diversification of assets. Unitization also provides participants the ability to pool assets and resources while retaining individual fund values and reporting for each participant. This will allow an approach that achieves administrative efficiency, potential cost savings, and permit flexibility in asset allocation. LACERA and its custodian are working through an implementation plan for the unitized fund structure.

NOTE R — SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through October 13, 2016, which is the date the financial statements were issued. No subsequent events with a material effect on the financial statements or note disclosures took place after June 30, 2016.

Schedule of Funding Progress — OPEB 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.

Schedule of Employer Contributions — OPEB Program

(Dollars in Thousands)

Fiscal Year Ended June 30	Actuarial Valuation Date	Annual Required Contribution (ARC)	Actual Employer Contributions	Percentage of ARC Contributed
2010	July 1, 2008	$1,737,000	$400,686	23%
2011	July 1, 2010	1,938,400	423,032	22%
2012	July 1, 2010	1,938,400	442,099	23%
2013	July 1, 2012	2,126,100	460,331	22%
2014	July 1, 2012	2,126,100	466,788	22%
2015	July 1, 2014	2,152,300	470,185	22%
2016	**July 1, 2014**	**2,152,300**	**530,320**	**25%**

NOTE:

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, 2016, 2015, and 2014
(Dollars in Thousands)

	2016	2015	2014*
Total Pension Liability	**$58,528,457**	$56,570,520	$54,977,021
Less: Fiduciary Net Position	**(47,846,694)**	(48,818,350)	(47,722,277)
Net Pension Liability	**$10,681,763**	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	**81.75%**	86.30%	86.80%
Covered Payroll**	**$7,279,091**	$6,948,738	$6,672,228
Net Position Liability as a Percentage of Covered Payroll	**146.75%**	111.56%	108.73%

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 Statement No. 67.

Discount Rate

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, 2016, were based on the results of an actuarial experience study for the three-year period July 1, 2010 to June 30, 2013.

Valuation Date	**June 30, 2015**	June 30, 2014	June 30, 2013
Measurement Date	**June 30, 2016**	June 30, 2015	June 30, 2014

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

NOTES:

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

**In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based. LACERA has elected early application of GASB Statement No. 82.

Schedule of Changes in Net Pension Liability and Related Ratios

For the Years Ended June 30, 2016, 2015 and 2014

(Dollars in Thousands)

	2016	2015	2014[1]
Total Pension Liability			
Service Cost	**$1,069,328**	$1,024,288	$1,009,834
Interest on Total Pension Liability	**4,214,834**	4,073,299	3,957,030
Effect of Plan Changes	**—**	—	—
Effect of Assumptions Changes or Inputs	**—**	—	—
Effect of Economic/Demographic Gains or (Losses)	**(437,039)**	(736,010)	—
CalPERS Transfer	**—**	332	—
Benefit Payments and Refund of Contributions	**(2,889,186)**	(2,768,410)	(2,662,401)
Net Changes in Total Pension Liability	**1,957,937**	1,593,499	2,304,463
Total Pension Liability - Beginning	**56,570,520**	54,977,021	52,672,558
Total Pension Liability - Ending (a)	**$58,528,457**	$56,570,520	$54,977,021
Fiduciary Net Position			
Contributions - Employer	**$1,403,709**	$1,455,718	$1,281,795
Contributions - Metropolitan Transportation Authority	**3**	25	—
CalPERS Transfer	**—**	332	—
Contributions - Member[2]	**498,083**	480,158	477,648
Net Investment Income	**80,588**	1,989,358	6,910,439
Net Miscellaneous Income	**2,792**	1,483	—
Benefit Payments	**(2,889,186)**	(2,768,410)	(2,662,401)
Administrative Expenses	**(67,645)**	(62,591)	(58,723)
Net Change in Fiduciary Net Position	**$(971,656)**	$1,096,073	$5,948,758
Fiduciary Net Position - Beginning	**$48,818,350**	$47,722,277	$41,773,519
Fiduciary Net Position - Ending (b)	**$47,846,694**	$48,818,350	$47,722,277
Net Pension Liability - Ending (a) - (b)	**$10,681,763**	$7,752,170	$7,254,744
Fiduciary Net Position as a Percentage of Total Pension Liability	**81.75%**	86.30%	86.80%
Covered Payroll[3]	**$7,279,091**	$6,948,738	$6,672,228
Net Position Liability as a Percentage of Covered Payroll	**146.75%**	111.56%	108.73%

NOTES:

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

[2]In accordance with GASB Statement No. 82, employer pick-up contributions are classified as Member Contributions. LACERA has elected early application of GASB Statement No. 82.

[3]In accordance with GASB Statement No. 82, Covered Payroll is the payroll on which contributions are based. LACERA has elected early application of GASB Statement No. 82.

Schedule of Contributions History — Pension Plan

Last Ten Fiscal Years
(Dollars in Thousands)
2016 to 2012

	2016	2015	2014	2013	2012
Actuarially Determined Contributions	**$1,443,130**	$1,494,975	$1,320,442	$1,172,014	$1,078,929
Contributions in Relation to the Actuarially Determined Contribution	**1,443,130**	1,494,975	1,320,442	1,172,014	1,078,929
Contribution Deficiency/(Excess)	**$—**	$—	$—	$—	$—
Covered Payroll	**$7,279,091**	$6,948,738	$6,672,228	$6,595,902	$6,619,816
Contributions as a Percentage of Covered Payroll	**19.83%**	21.51%	19.79%	17.77%	16.30%

2011 to 2007

	2011	2010	2009	2008	2007
Actuarially Determined Contributions	$944,174	$843,704	$847,172	$827,911	$863,626
Contributions in Relation to the Actuarially Determined Contribution	944,174	843,704	847,172	828,630	863,626
Contribution Deficiency/ (Excess)	$—	$—	$—	$(719)	$—
Covered Payroll	$6,650,674	$6,695,439	$6,547,616	$6,123,888	$5,615,736
Contributions as a Percentage of Covered Payroll	14.20%	12.60%	12.94%	13.52%	15.38%

Schedule of Investment Returns — Pension Plan

For the Fiscal Years Ended June 30, 2016, 2015, and 2014

	2016	2015	2014
Annual Money-Weighted Rate of Return (Net of Investment Expenses)	**0.7%**	4.1%	17.2%

NOTE: 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, 2016

Changes in Pension Benefit Terms

The 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 joined either General Plan G or Safety Plan C. The provisions of PEPRA apply for the current actuarial valuation. Due to the limited membership in these plans as of the June 30, 2013 valuation, a hypothetical five-year population was 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, after which the actual plan populations are expected to reflect five years of membership.

2015 Changes in Pension Plan Assumptions

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and demographic 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 actual Pension Plan history, 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, 3.50 percent for wage growth, and an increase in life expectancies. All assumption changes were reflected in the June 30, 2015 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, 2016. 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, 2015 valuation report, except as noted below. Please see NOTE E — Pension Actuarial Valuations for the actuarial assumptions and methods used for the June 30, 2015 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	The Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of pay. The UAAL as of June 30, 2009 is amortized over a 30-year closed period. Each year thereafter, that year's UAAL is amortized over a new 30-year closed period. This is referred to as a "layered" amortization. The UAAL contribution rate calculated in the June 30, 2015 funding valuation includes seven (7) layers.
Asset Valuation Method	Assets are valued using a five-year smoothed method based on the difference between expected market value and actual market value. The recognition method is non-asymptotic, and there is no minimum or maximum corridor applied.

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

Inflation	3.00 percent.
Salary Increases Including Inflation	3.50 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 Retirement Probability of Occurrence tables in the Actuarial Section of this report.
Cost-of-Living Adjustments (COLA)	As noted in the June 30, 2015 actuarial valuation report, with one modification: Supplemental Targeted Adjustment for Retirees (STAR) 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 Program benefits.**
Mortality	Various rates based on RP-2000 mortality tables using static projection of improvement to 2025 using Projection Scale AA. See June 30, 2015 valuation report for further details.
Recognition of Inflows/Outflows	
Investment Gains or Losses	Straight-line amortization over five years.
Economic/Demographic Gains/Losses	Straight-line amortization over expected working life.
Assumption Changes or Inputs	Straight-line amortization over expected working life.

*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 — Pension Plan

For the Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	2016	2015
Personnel Services		
Salaries and Wages	**$31,251**	$29,355
Employee Benefits	**17,809**	16,735
Total Personnel Services	**49,060**	46,090
Consultant & Professional Services		
County Department Services	**173**	205
External Audit Fees	**174**	153
Legal Consultants	**1,249**	439
Professional Services	**367**	405
Temporary Personnel Services	**1,402**	1,627
Total Consultant & Professional Services	**3,365**	2,829
Operating & Equipment Expenses		
Administrative Support	**225**	165
General Expenses	**936**	757
Computer Software	**2,527**	1,754
Disability Medical Service Fees	**1,704**	1,929
Educational Expenses	**886**	918
Equipment	**2,140**	1,758
Facilities Operations	**3,409**	2,872
Insurance	**442**	603
Printing	**634**	690
Postage	**884**	839
Telecommunications	**557**	668
Transportation & Travel	**876**	719
Total Operating & Equipment Expenses	**15,220**	13,672
Total Administrative Expenses	**$67,645**	$62,591

Schedule of Management Fees and Other Investment Expenses

For the Fiscal Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Agency Fund	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Investment Management Fees						
Cash and Short-Term	**$715**	$951	**$50**	$50	**$14**	$11
Commodities	**2,962**	3,848	**—**	—	**—**	—
Equity						
U.S. Equity	**16,466**	15,612	**142**	134	**—**	—
Non-U.S. Equity	**21,361**	23,230	**—**	—	**—**	—
Fixed Income	**26,648**	23,502	**—**	—	**66**	66
Private Equity	**52,604**	44,542	**—**	—	**—**	—
Real Estate	**41,929**	38,372	**—**	—	**—**	—
Hedge Funds	**21,076**	11,266	**—**	—	**—**	—
Total Investment Management Fees	**183,761**	161,323	**192**	184	**80**	77
Other Investment Expenses						
Consultants	**2,846**	2,360	**—**	—	**—**	—
Custodian	**2,694**	3,073	**39**	44	**27**	28
Legal Counsel	**270**	598	**—**	—	**—**	—
Other	**3,970**	4,863	**—**	—	**—**	—
Total Other Investment Expenses	**9,780**	10,894	**39**	44	**27**	28
Total Management Fees & Other Investment Expenses	**$193,541**	$172,217	**$231**	$228	**$107**	$105

Schedule of Payments to Consultants — Pension Plan

For the Years Ended June 30, 2016 and 2015
(Dollars in Thousands)

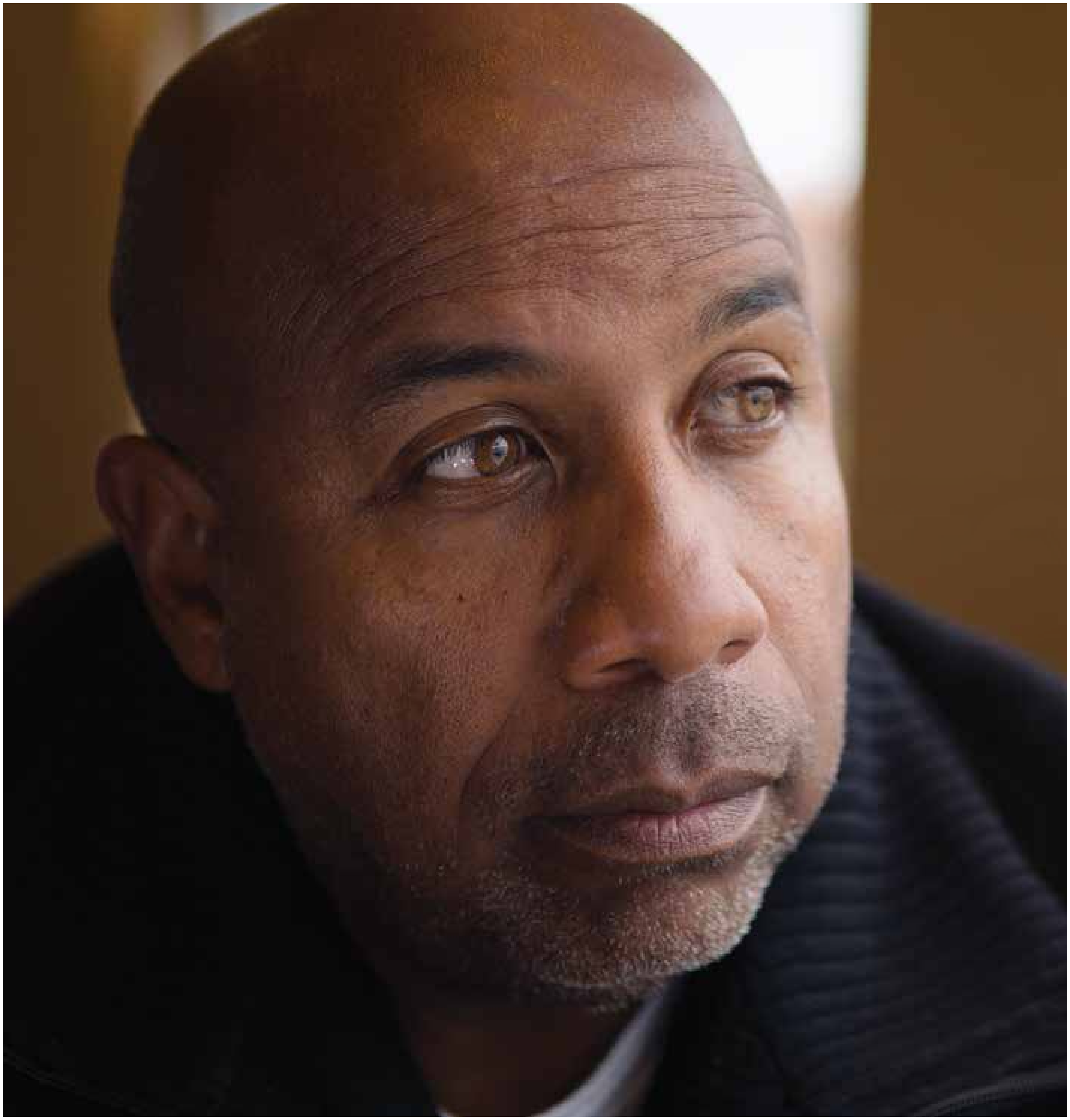
	2016	2015
Actuarial		
Valuation and Consulting Services	**$243**	$217
Audit		
External Audit Services	**174**	153
Legal		
Investment Legal Counsel	**270**	598
Legislative Consulting	**160**	146
Other Legal Services	**1,089**	293
Total Legal	**1,519**	1,037
Management		
Management and Human Resources	**102**	125
Information Technology Consulting	**33**	41
Total Management	**135**	166
Total Payments to Consultants	**$2,071**	$1,573

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, 2016
(Dollars in Thousands)

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and Short-Term Investments	$81,920	$596,767	$609,800	$68,887
Accounts Receivable-Sale of Investments	—	22,137	18,204	3,933
Accrued Interest and Dividends	370	354	360	364
Accounts Receivable-Other	44,016	536,995	534,805	46,206
Fixed Income	107,307	8,292	30,972	84,627
Total Assets	**$233,613**	**$1,164,545**	**$1,194,141**	**$204,017**
Liabilities				
Accounts Payable-Purchase of Investments	$301	$18,718	$15,407	$3,612
Retiree Payroll and Other Payables	124	44,017	44,008	133
Accrued Expenses	437	337	461	313
Accounts Payable-Other	122,210	563,383	574,594	110,999
Due to Employers	110,541	1,322,110	1,343,691	88,960
Total Liabilities	**$233,613**	**$1,948,565**	**$1,978,161**	**$204,017**



HELPING PEOPLE *plan for the future*

"WORKING ON DISABILITY RETIREMENT CASES OFTEN PUTS ME IN TOUCH WITH MEMBERS WHO ARE GOING THROUGH A DIFFICULT OR STRESSFUL TIME. BEING PATIENT AND KIND IS REALLY IMPORTANT, AND IT GOES A LONG WAY IN HELPING PEOPLE PLAN FOR THEIR FUTURE."

– LACERA DISABILITY RETIREMENT EMPLOYEE

September 30, 2016

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

Dear Board Members:

Meketa Investment Group ("Meketa"), investment consultant to the Board of Investments of the Los Angeles County Employees Retirement Association ("LACERA") since January 2016, is pleased to present this review of LACERA's investment performance over the past fiscal year, which ended June 30, 2016.

Fiscal Year Ended June 30, 2016 Recap

The 2016 fiscal year began as a very difficult environment for investors. Global markets were experiencing significant volatility from a variety of factors, including: the potential exit of Greece from the Euro currency bloc, China's currency devaluation, speculation of Federal Reserve interest rate hikes, and significant commodity price declines. When the quarter ending September 30, 2015 ended, only one public market asset class, high quality fixed income, had positive returns. Global growth was slowing and the International Monetary Fund ("IMF") lowered its 2015 global growth projections to 3.1 percent, a 0.2 percent decrease. Within the U.S., unemployment continued to decline (5.1 percent as of September 2015), consumer spending was strong, and 12-month trailing real GDP was +2.1 percent. However, U.S. corporate earnings growth had slowed, impacted by declining earnings in the energy sector and a strengthening U.S. dollar. Inflation continued to remain a non-factor, as CPI was 0.0 percent over the trailing 12 months.

Global macroeconomic issues continued to weigh on markets as the 2015 calendar year came to an end and 2016 began. In December 2015, in what was considered a signal of a coming Yuan devaluation, China removed the Yuan's peg to the U.S. dollar, instead choosing to use a "reference basket" of global currencies. While the U.S. dollar was the largest component in the basket (roughly 26 percent), each of the other components had declined significantly versus the dollar over the previous 18 months. Also in December, the Federal Reserve approved a 0.25 percent interest rate increase, the first increase in nearly a decade, and commodity prices continued their downward spiral, ending the calendar year down 24.7 percent. The year 2016 began with one of the worst calendar year starts for domestic equity markets in history. During the first 10 trading days of 2016, the S&P 500 had declined more than 1 percent during six individual days and lost over 2 percent three times. Global equity markets declined 8 percent to 11 percent over the first half of January. However, starting in February, markets reversed course and rallied throughout March. By the end of the quarter, year-to-date returns for domestic equity were slightly positive, emerging markets were up nearly 6 percent, and international developed markets were down only 3 percent.

The final three months of the 2016 fiscal year were rather uneventful, with one notable exception. On June 23, British citizens voted to leave the European Union ("Brexit") by a 51.9 percent to 48.1 percent margin. Global capital markets, which had steadily been pricing in a victory for the "remain" camp in the days leading up to the referendum, experienced a jarring reversal. On the day following the vote, the British Pound collapsed to 30-year lows and global equity markets fell anywhere from 2 percent to 8 percent. However, within just a few short weeks after the Brexit vote, global equity markets would recover their losses; the British Pound, however, would continue to depreciate.

As the fiscal year concluded, many of the same macroeconomic themes occurring throughout the year remained at the forefront. Oil prices, despite recent increases, remained low from a historical perspective. Monetary stimulus campaigns persisted as developed market central banks continued asset purchase programs (quantitative easing), though the U.S. ended their program several years ago. Interest rates remained at record lows, even negative in several countries, as developed and emerging market central banks attempted to stimulate growth. In the U.S., the Federal Reserve had yet to raise rates since December 2015, despite an improving unemployment rate (4.9 percent as of June 2016) and relatively stable prices.

Fiscal 2016 Market Returns

Over the full fiscal year, U.S. equities had moderately positive returns, which were in stark contrast to the negative double digit returns from international equities. The Russell 3000 returned +2.1 percent for the fiscal year, while the MSCI EAFE and MSCI ACWI (ex. U.S.) each returned -10.2 percent, and MSCI Emerging Markets returned -12.1 percent. Fixed income was mostly positive for the year, with the Barclays Aggregate returning +6.0 percent, Barclays U.S. TIPS returning +4.4 percent, Barclays High Yield returning +1.6 percent, Barclays Global Aggregate returning +8.9 percent, and the JPM GBI-EM Global Diversified (unhedged emerging market bonds) returning +2.0 percent.

Alternative asset classes, boosted by improving commodity prices during the second half of the fiscal year, recovered significantly from their poor first half. For the full fiscal year, the Bloomberg Commodity Index returned -13.3 percent (-23.5 percent during first half), Dow Jones Brookfield Global Infrastructure returned +3.2 percent (-11.2 percent during first half), and S&P Global Natural Resources returned -8.9 percent (-22.1 percent during first half). Real estate and private equity continued to provide strong returns as the National Council of Real Estate Fiduciaries ("NCREIF") Property Index returned +10.6 percent, and the Cambridge Associates Private Equity Composite returned +6.9 percent for the fiscal year.[*]

Fiscal 2017 Outlook

Looking forward, Meketa continues to believe that four key issues are of primary concern, several of which have remained unchanged over the last few years: 1) declining growth in China, along with uncertain fiscal and monetary policies; 2) continued economic sluggishness in Europe and risks related to the U.K.'s approved referendum to exit the European Union; 3) weakening economic activity in the U.S.; and 4) divergent growth in emerging economies.

China's recent policies to support its equity markets, and then to devalue its currency, created heightened volatility in global markets. The process of transitioning from a growth model based on fixed asset investment by the government to a model of consumer-based growth will be difficult. Similar government intervention responses to slowing growth or to support stock prices could prove disruptive and decrease confidence in China's capital markets. China's abandonment of its support of the Yuan, and a resulting major devaluation of the currency, could prove particularly disruptive to global markets and trade.

The recent decision by the U.K. to leave the European Union further weighs on the fragile recovery in Europe. Going forward, the U.K.'s negotiation of trade deals will be a key issue with a wide range of potential outcomes. Uncertainty related to the outcome of negotiations should weigh on foreign investment and consumption. Any additional moves to leave the European Union or the Eurozone could be disruptive to markets and growth.

Slowing growth globally and the eventual increase of interest rates could weigh on economic activity in the U.S. Corporate profits remain vulnerable after a period where companies increased margins by cost-cutting and share repurchases. Continued dollar strength would particularly weigh on multinational companies and domestic exporters.

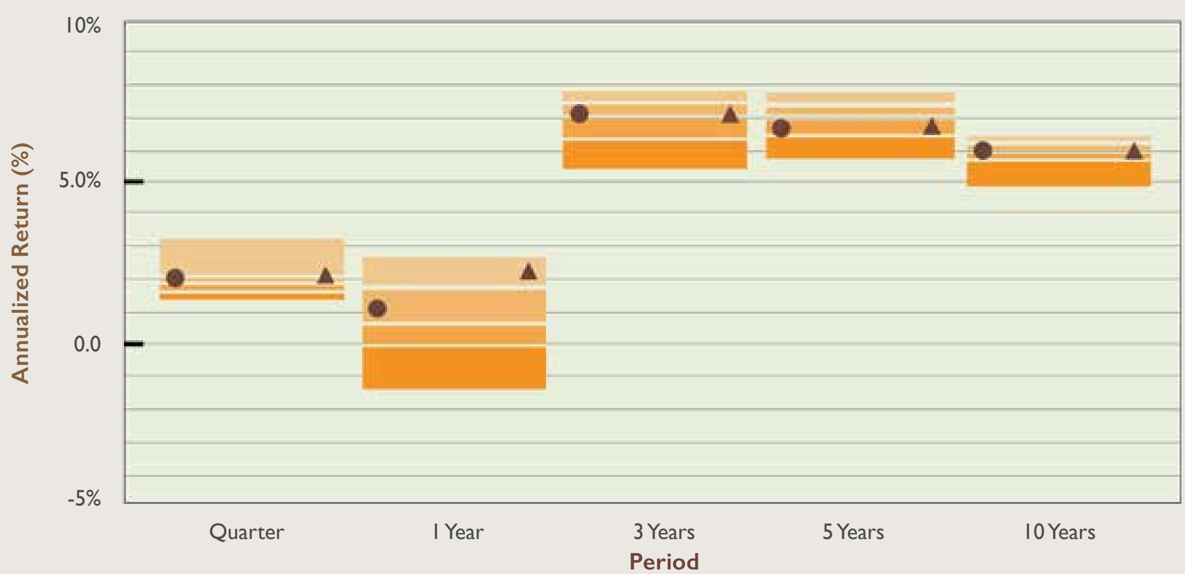
[*]Returns for real estate and private equity benchmarks are lagged one quarter due to the availability of data.

Growth in emerging market economies is likely to remain uneven, with commodity export-dependent economies particularly hurt by a sustained slowdown in global growth and prices. Emerging markets also face a potential flight of capital, should the U.S. Federal Reserve decide to increase interest rates further. Despite varied headwinds, there are bright spots within emerging markets, including India, where the economic growth rate has surpassed China's.

LACERA Investment Results

LACERA had approximately $47.6 billion in assets at the end of the 2016 fiscal year. For the fiscal year, LACERA returned 1.1 percent, underperforming the 2.2 percent return for the Policy Benchmark. This relative result is largely attributable to underperformance (versus respective targets) by its U.S. Equity, Fixed Income, Private Equity, and Hedge Fund composites. LACERA's low absolute performance was primarily driven by its asset allocation policy, coupled with weak market returns. Longer-term performance is in line with LACERA's benchmark over three-, five-, and 10-year periods, as well as in line with peers. The table below shows the peer comparison for LACERA over various time periods.

InvestorForce Universe of Public Defined Benefit Plans With Greater than $5 Billion in Assets Gross of Fee Returns For Periods Ended June 30, 2016



Return (Rank)	Quarter		1 Year		3 Years		5 Years		10 Years	
5th Percentile	3.3		2.7		7.9		7.8		6.5	
25th Percentile	2.1		1.7		7.5		7.4		6.2	
Median	1.9		0.6		7.1		7.0		6.0	
75th Percentile	1.6		-0.1		6.4		6.4		5.7	
95th Percentile	1.3		-1.5		5.3		5.7		4.8	
# of Portfolios	51		47		39		38		28	
● Total Fund	2.0	(28)	1.1	(40)	7.2	(47)	6.7	(67)	6.0	(46)
▲ Total Fund Policy Benchmark	2.1	(25)	2.2	(14)	7.2	(47)	6.7	(66)	6.0	(46)

Summary

Performance for LACERA over the 2016 fiscal year did not meet the actuarial rate of return and underperformed the Policy Benchmark. LACERA's portfolio is well diversified and is invested with a long-term objective, with the goal of meeting the actuarial rate of return assumption over multi-year periods, on average. It is to be expected that in certain years, it will fall short of its target return. LACERA revisited its Asset Allocation targets during the year to ensure the Fund is invested in an optimal manner.

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Investment Policy

Los Angeles County Employees Retirement Association's ("LACERA," "the Association," or "the Fund") 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.

Vache Mahseredjian
Chief Investments Officer
(Interim)

The Board of Investments has adopted an Investment Policy Statement (IPS) that provides a framework for the management of LACERA's investments. The IPS establishes LACERA's investment policies and objectives, identifies the Fund's target asset allocation mix, and defines the principal duties of the Board of Investments, investment staff, investment managers, master custodian, and consultants.

LACERA's assets are managed on a total return basis, with the long-term objective of achieving and maintaining a fully funded pension plan. LACERA applies principles of Modern Portfolio Theory to construct a diversified portfolio that seeks the appropriate balance between risk and return. Investments in broad asset classes such as stocks, bonds, or real estate are evaluated not just on the basis of their own risk and return, but also their impact on the overall portfolio's expected risk and return. Consequently, prudent risk-taking is warranted within the context of a diversified portfolio, in order to achieve the Fund's objective. All activities—portfolio construction, manager selection, and risk management—are conducted in a manner intended to serve the best interests of LACERA's members.

Asset Allocation

LACERA's Asset Allocation Policy is designed to achieve the Fund's long-term risk and return objectives. The strategic asset allocation mix, which sets out the target percentages invested in asset classes, is widely accepted as having the greatest impact on performance. The policy also establishes ranges around the optimal target asset class mix that act as triggers for reallocating assets back to their target weights.

The Board of Investments reviews the Fund's Asset Allocation Policy every three to five years. In August 2015, the Board approved a new Asset Allocation Policy, and in the first quarter of 2016, the Board selected Meketa as the Fund's new general consultant. In May 2016, LACERA staff, the Board of Investments, and Meketa began implementing 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

The graphs to the right display LACERA's target and actual asset allocations as of June 30, 2016.
The Board of Investments hires external managers to invest assets on LACERA's behalf, subject to investment guidelines. LACERA's investment staff closely monitors the activities of these external managers and assists the Board of Investments with the implementation of investment policies and long-term investment strategies.

In April 2016, the Board of Investments approved the addition of a new Other Post-Employment Benefit (OPEB) Trust for the Los Angeles County Superior Court to the existing County Other Post-Employment Benefits (OPEB) Trust, which continues to be invested in a combination of global equities and cash (in roughly an 80 percent/20 percent mix). 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 equities are invested in an index fund, with approximately 53 percent in U.S. equities and 47 percent in non-U.S. equities, as of June 30, 2016.

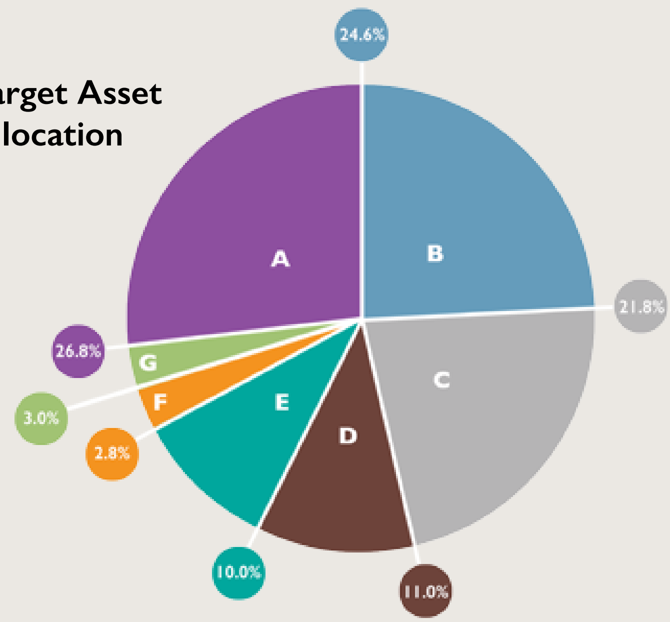
Performance Overview

The LACERA investment program generated a modest 1.1 percent return for the fiscal year ended June 30, 2016. The policy benchmark was up 2.2 percent over the same period. The best performing

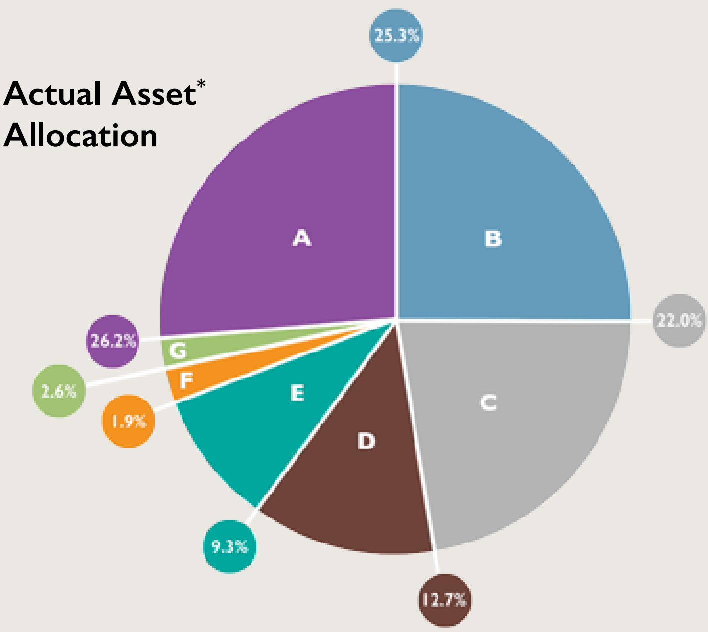
2016 ASSET ALLOCATIONS

- (A) Fixed Income & Cash
- (B) U.S. Equity
- (C) Non-U.S. Equity
- (D) Real Estate
- (E) Private Equity
- (F) Commodities
- (G) Hedge Funds

Target Asset Allocation



Actual Asset* Allocation



*Note: Asset allocation based on Investment Manager classification sectors of the portfolio were real estate (+13.2 percent), private equity (+6.7 percent), and fixed income (+4.7 percent). Lower performing sectors were commodities (-12.7 percent), non-U.S. equity (-8.7 percent), and hedge funds (-4.2 percent).

The portfolio's 1.1 percent return in the 2016 fiscal year comes on the heels of a 4.3 percent return in the prior fiscal year. The disappointing returns of the past two fiscal years stand in sharp contrast to the two prior years, in which the LACERA portfolio generated double-digit returns. LACERA's well-diversified portfolio is designed to withstand the volatility in returns that the capital markets generate. LACERA is a long-term investor with an investment horizon which spans decades into the future, so occasional market declines allow LACERA the opportunity to rebalance to target weights, essentially buying low and selling high.

Over the past 10 years, the portfolio has generated a return of 6.0 percent, matching the return of its policy benchmark.

Economic and Market Review

The fiscal year ended June 30, 2016, was a challenging period for the assets in the riskier portion of LACERA's portfolio. The broad-based Russell 3000 Index of U.S. stocks advanced just 2.1 percent. Outside the U.S., stocks were weaker. Equities in developed economies declined in U.S. dollar terms, as the MSCI World ex-U.S. IMI Index returned -9.0 percent. Emerging market equities fared worse, with the MSCI Emerging Markets IMI Index declining 12.2 percent. High grade bonds outperformed stocks globally (the Bloomberg Barclays Aggregate Index advanced 6.0 percent and the Bloomberg Barclays Global Aggregate Index returned 8.9 percent). Real estate generated double-digit returns, as the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index posted a 10.6 percent return.

As described more fully in Meketa's letter, markets were buffeted by a combination of: 1) macroeconomic challenges (economic growth was lackluster in the U.S., even weaker in Europe and Japan, and continuing to slow down from prior high levels in China); 2) record low interest rates (yields were negative for sovereign bonds in Japan and several European countries); 3) a large decline in many commodities prices, particularly in energy; and 4) a number of significant geopolitical events (fighting in the Middle East and North Africa, the resulting immigrant refugee problem in Europe, the continuation of terrorist attacks, territorial disputes in the South China Sea, an impeachment trial in Brazil, and the Brexit vote in the United Kingdom late in the fiscal year).

Performance by Asset Class

The LACERA investment program's 1.1 percent return for the fiscal year ended June 30, 2016, was 110 basis points (bps) below the 2.2 percent return of its policy benchmark. The underperformance is somewhat misleading, as more than half of the 110 bps difference is attributable to private equity investments, for which one-year returns are not meaningful. Private equity investments are held in long-term vehicles with typical terms of 10 years, so their actual performance becomes apparent only after several years. Other asset classes that detracted from performance are hedge funds and fixed income. International equity and commodities outperformed modestly, offsetting losses in other parts of the portfolio.

LACERA's U.S. and non-U.S. equity portfolios are structured to have a low level of risk relative to their respective benchmarks. LACERA's U.S. equity portfolio returned 1.6 percent, 50 bps below its benchmark, the Russell 3000 Index, a broad-based measure of the U.S. stock market. The non-U.S. equity portfolio declined 8.7 percent for the year, surpassing its customized hedged benchmark by 70 bps, due in part to good stock selection in the financial sector. This custom benchmark, based on the MSCI All-Country World Ex-U.S. IMI Index, hedges 50 percent of the currency exposure from developed market countries. As a result of the U.S. Dollar's relatively muted net change over the fiscal year, LACERA's 50 percent passive currency hedge program returned 0.0 percent for the year.

LACERA's bond portfolio rose 4.7 percent for the year and trailed its benchmark, the Bloomberg Barclays U.S. Universal Bond Index return of 5.8 percent by 110 bps. The U.S. Treasury yield curve flattened, as yields of long-term securities declined, while yields of short-dated instruments increased. As a result, long-term bonds outperformed shorter-maturity bonds. With regard to credit quality, higher-rated corporate bonds outperformed lower-rated bonds. For example, the Bloomberg Barclays Investment Grade Corporate Bond Index return was 7.9 percent, whereas the Bloomberg Barclays High Yield Bond Index return was 1.6 percent. LACERA's bond portfolio underperformed its benchmark because the portfolio held a greater proportion of its assets in shorter-maturity bonds than the benchmark; LACERA's portfolio also held a greater proportion in lower-rated bonds than the benchmark.

LACERA's commodities portfolio generated the lowest absolute returns among the various asset classes, down 12.7 percent; however, the portfolio return exceeded the -13.3 percent return of the broad-based Bloomberg Commodity Index by 60 bps. Therefore, commodities contributed positively toward performance relative to the policy benchmark. LACERA's hedge fund program generated a return of -4.2 percent. The exposure to credit-oriented strategies detracted from performance in a year when hedge funds in general realized poor performance. Cash, which is used to fund benefit payments and other obligations, rose 0.6 percent, outpacing the 0.2 percent return of the Citigroup 6-month Treasury Bill Index.

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. LACERA's private equity composite posted a 6.7 percent return but trailed its target return of 13.0 percent by 630 bps. As noted above, this underperformance accounts for a large portion of the total fund's underperformance. LACERA's real estate portfolio continued its sixth consecutive year of positive performance, ending the fiscal year up 13.2 percent, exceeding its target benchmark by 10 bps. Stable core properties continued to generate attractive yields and benefited from capital appreciation.

Outlook

Global central bank policies continue to set the stage for market expectations. The U.S. Federal Reserve ("the Fed") has begun withdrawing monetary stimulus, in contrast to the other major central banks which continue to be accommodative. The Fed raised rates in December but has since been on hold, given the global headwinds and the persistence of U.S. inflation below the Fed's 2 percent target. The Fed has said it will raise rates in response to changes in economic conditions. As the U.S. growth rate is expected to recover from its subdued level, the Fed will normalize policy by raising rates gradually. Although higher rates may lead to lower capital market returns in the short term, in the longer-term, a healthier economy should lead to increased corporate earnings, higher incomes, and greater investor confidence. These, in turn, will lead to higher returns.

Until then, rest assured that LACERA's investment staff will do its utmost to navigate the vicissitudes of the capital markets. We are focused on generating returns, but doing so in a risk-controlled way. And we are always mindful of our fiduciary duty to the Fund and its 166,000 members.

Respectfully submitted,

Vache Mahseredjian

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

Investment Summary — Pension Plan*

For the Year Ended June 30, 2016

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$752,337	1.6%
Fixed Income	11,731,318	24.6%
Subtotal Fixed Income and Cash	**12,483,655**	**26.2%**
U.S. Equity	12,072,883	25.3%
Non-U.S. Equity	10,498,847	22.0%
Subtotal Equities	**22,571,730**	**47.3%**
Commodities	880,327	1.9%
Private Equity	4,454,455	9.3%
Real Estate	6,011,880	12.7%
Hedge Funds	1,244,708	2.6%
Total Investments — Pension Plan	**$47,646,755**	**100.0%**

Investment Summary — OPEB Agency Fund*

For the Year Ended June 30, 2016

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$3,940	4.4%
Fixed Income	84,987	95.6%
Total Investments — OPEB Agency Fund	**$88,927**	**100.0%**

Investment Summary — OPEB Trust*

For the Year Ended June 30, 2016

(Dollars in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$100,590	18.2%
Equity	452,296	81.8%
Total Investments — OPEB Trust	**$552,886**	**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 — Pension Plan*

As of June 30, 2016

	Annualized		
	Current Year	Three-year	Five-year
U.S. Equity	1.6%	11.1%	11.4%
Benchmark: Russell 3000 Index	2.1%	11.1%	11.6%
Non-U.S. Equity, 50% Developed Markets Hedge	(8.7)%	3.7%	2.5%
Benchmark: Non-U.S. Equity Custom Hedged Index[1]	(9.4)%	3.2%	2.2%
Fixed Income[2]	4.7%	4.3%	4.6%
Benchmark: Barclays U.S. Universal Index	5.8%	4.2%	4.0%
Real Estate[3]	13.2%	11.7%	10.6%
Benchmark: Real Estate Target Return[4]	13.1%	12.7%	12.3%
Private Equity[3]	6.7%	14.2%	12.7%
Benchmark: Private Equity Target Return[5]	13.0%	13.3%	12.4%
Commodities	(12.7)%	(9.5)%	(9.5)%
Benchmark: Bloomberg Commodity Index Total Return[6]	(13.3)%	(10.6)%	(10.8)%
Hedge Funds[7]	(4.2)%	2.3%	—
Benchmark: Hedge Fund Custom Index[8]	5.1%	5.1%	—
Cash	0.6%	0.5%	0.5%
Benchmark: Citigroup 6-Month T-Bill Index	0.2%	0.1%	0.1%
Total Fund (Gross of Fees)	**1.1%**	**7.2%**	**6.7%**
Total Fund (Net of Fees)	**0.8%**	**6.9%**	**6.5%**
Total Fund Policy Benchmark	**2.2%**	**7.2%**	**6.7%**

*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] The Non-U.S. Equity benchmark is MSCI ACWI X U.S. IMI (Net) with 50 percent hedged Developed Markets.
[2] The performance of two opportunistic portfolios are reported with a one-month lag.
[3] One quarter in arrears. Preliminary returns.
[4] 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.
[5] Rolling 10-year return of the Russell 3000 Index plus 500 bps.
[6] Formerly known as The DJ-UBS Commodity Index, prior to 7/1/14.
[7] Portfolio and benchmark are one month in arrears. Performance included in Total Fund beginning 10/31/11.
[8] The Hedge Fund benchmark is the Citigroup 3-month T-Bill Index plus 500 basis points annually.

Total Investment Rates of Return — Pension Plan

For the Last Ten Fiscal Years Ended June 30

(Dollars in Thousands)

Fiscal Year-End	Total Investment Portfolio Fair Value[1]	Total Fund Time-Weighted Return (gross of fees)[2]	Total Fund Money- Weighted Return (net of fees)[3]	Return on Smoothed Valuation Assets (net of fees)[4]	Actuarial Assumed Rate of Return[5]	Actuarial Funded Ratio[6]
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	47,990,447	4.3%	4.1%	10.5%	7.50%	83.3%
2016[7]	48,068,004	1.1%	0.7%	—	—	—

NOTES:

[1]**Total Investment Portfolio Fair Value** utilizes the investment manager asset classifications and their fair values for fiscal year 2016 and thus may be different from the Statement of Fiduciary Net Position.

[2]**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.

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

[4]**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.

[5]**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 2015-2016, interest crediting and operating tables applied the 7.50 percent Actuarial Assumed Rate of Return.

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

[7]Actuarial Valuation report for June 30, 2016 not available at CAFR publication.

Largest Equity Holdings — Pension Plan

As of June 30, 2016

(Dollars in Thousands)

Shares	Description	Fair Value
360,734	Apple Inc.	$34,486
552,152	Microsoft Corporation	28,254
172,100	Daito Trust Construction Company Ltd.	27,914
2,236,302	DBS Group Holdings Ltd.	26,186
275,557	Exxon Mobil Corporation	25,831
306,600	Nidec Corporation	23,078
205,600	Murata Manufacturing Company Ltd.	22,807
643,763	Rio Tinto Ltd.	21,810
702,952	Jardine Strategic Holdings Ltd.	21,215
128,500	Fanuc Corporation	20,711

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

Largest Fixed Income Holdings — Pension Plan

As of June 30, 2016

(Dollars in Thousands)

Par	Description	Fair Value
127,100,000	Federal National Mortgage Assocation TBA 3.000% 08/16/2046	$131,663
120,615,000	Federal National Mortgage Assocation TBA 3.500% 08/16/2046	127,117
111,756,000	U.S. Treasury Note 0.875% 03/31/2018	112,302
87,262,000	U.S. Treasury Note 2.500% 02/15/2046	90,865
85,500,000	U.S. Treasury Note 0.625% 07/31/2017	85,584
64,215,000	Federal National Mortgage Assocation TBA 4.000% 08/16/2046	68,788
67,093,000	U.S. Treasury Note 0.875% 04/15/2019	67,413
66,535,000	Federal Home Loan Bank 0.625% 11/23/2016	66,571
64,481,000	U.S. Treasury Note 1.375% 04/30/2021	65,594
58,955,000	U.S. Treasury Note 2.500% 02/15/2045	61,380

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

Schedule of Investment Management Fees

For the Fiscal Years Ended June 30, 2016 and 2015

(Dollars in Thousands)

	Pension Plan		OPEB Trust		OPEB Agency Fund	
	2016	2015	2016	2015	2016	2015
Cash and Short-Term	$715	$951	$50	$50	$14	$11
Commodities	2,962	3,848	—	—	—	—
Equity						
U.S. Equity	16,466	15,612	141	134	—	—
Non-U.S. Equity	21,361	23,230	—	—	—	—
Fixed Income	26,648	23,502	—	—	66	66
Hedge Funds	21,076	11,266	—	—	—	—
Private Equity	52,604	44,542	—	—	—	—
Real Estate	41,929	38,372	—	—	—	—
Total Investment Management Fees	**$183,761**	**$161,323**	**$191**	**$184**	**$80**	**$77**

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

Equities — U.S.
BlackRock Institutional Trust Company NA
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 NA
Capital Group
GAM International Management Ltd
Genesis Investment Management LLP
Lazard Asset Management LLC
Putnam Advisory Company LLC

Fixed Income
Bain Capital Credit LP
Beach Point Capital
BlackRock Financial Management Inc
Brigade Capital Management LP
Crescent Capital Group LP
Dodge & Cox
Dolan McEniry Capital Management LLC
DoubleLine Capital LP
LM Capital Group LLC
Loomis, Sayles & Company LP
Oaktree Capital Management LP
Pacific Investment Management Company (PIMCO)
PENN Capital Management Company Inc
Principal Global Investors LLC
Pugh Capital Management Inc
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
Barings Real Estate Advisers LLC
Capri Capital Advisors LLC
CBRE Global Investors
CityView
Clarion Partners
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
Van Barton 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 Manager (Index Fund)
BlackRock Institutional Trust Company NA

Securities Lending Program
Goldman Sachs Agency Lending (GSAL)
State Street Corporation
State Street Bank & Trust Company of California NA

Retiree Healthcare Reserve
Standish Mellon Asset Management Company LLC
Western Asset Management Company

Other Post-Employment Benefits Trust
BlackRock Institutional Trust Company NA
J.P. Morgan Asset Management

HELPING PEOPLE *achieve peace of mind*

“I LOVE HELPING MEMBERS DISCOVER WHICH LACERA RETIREE HEALTHCARE PLAN WORKS BEST FOR THEM, DEPENDING ON THEIR CIRCUMSTANCES, AND GIVING THEM PEACE OF MIND ABOUT THEIR LASTING COVERAGE.”

– LACERA RETIREE HEALTHCARE EMPLOYEE

Introduction

The actuarial process at Los Angeles County Employees Retirement Association (LACERA or the Plan) is governed by provisions in the County Employees Retirement Law of 1937 (CERL) §31453. This section requires LACERA to obtain an actuarial valuation of the Pension Plan 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 maintains 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 Pension Plan consulting actuary, performed the most recent actuarial valuation as of June 30, 2015, and recommended changes to the employer and employee contribution rates. At their December 2015 meeting, the Board of Investments accepted Milliman's June 30, 2015 actuarial valuation report.

In addition to the annual valuations, LACERA requires its actuary to review the reasonableness of the economic and demographic 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 Pension Plan actuary will recommend adjustments to employee contribution rates, if necessary, due to changes in the underlying assumptions and methodologies used in calculating employee rates for age-based contributory Plans (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 Pension 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 rate, the actuary will recommend new employee contribution 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. Employer contributions are reviewed and changes are recommended each year by the consulting actuary. The actuary has recommended new employer normal cost contribution rates for all Plans based on the June 30, 2015 valuation.

The employers are also responsible 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 for 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, Segal Consulting (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.

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 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 significant assumptions used for financial reporting and required Governmental Accounting Standards Board (GASB) Statement No. 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 – Pension Plan
- 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
- Actuary Solvency Test – OPEB Program
- Actuarial Analysis of Financial Experience – Pension Plan
- Actuarial Analysis of Financial Experience – OPEB Program
- Retirement Probability of Occurrence

September 16, 2016

Milliman
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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 which 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, as well as 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, 2013	**Funded Ratio:** 75.0%
Valuation Date: June 30, 2014	**Funded Ratio:** 79.5%
Valuation Date: June 30, 2015	**Funded Ratio:** 83.3%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2015. Most of this year's increase in the Funded Ratio is due to the recognition of a portion of the deferred asset gains from prior years and COLA increases that were less than assumed. Using the market value of assets on June 30, 2015, the Funded Ratio would be 85.0 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, 2015 would decrease to 82.2 percent.

The June 30, 2015 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 will need to be revised.

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

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

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 is 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 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 and the Actuarial Analysis of Financial Experience – 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, 2015 actuarial valuation and GASB 67 Disclosure reports for the fiscal year ended June 30, 2015. Milliman has reviewed the information in Note E for accuracy.

We certify that the June 30, 2015 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 16, 2016

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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 death/burial insurance benefits to the retired Los Angeles County (County) workers who also participate in the Los Angeles County Employees Retirement Association (LACERA) retirement benefit 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 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 Milliman's 2013 OPEB investigation of experience study report as of June 30, 2013, approved by LACERA's Board of Retirement.

Offices in Principal Cities Worldwide

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.
3. Actuary Solvency Test — 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

Actuarial Methods and Assumptions	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 price inflation rate 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 (STAR) Reserve 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, 2015 valuation, the Board of Investments approved including the STAR Reserve as part of the 2015 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, 2015 valuation, seven amortization layers were used to calculate the total amortization payment beginning July 1, 2016.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 3.76 percent to 11.78 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.50 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.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 7.50 percent, compounded annually, net of both investment and administrative expenses. This rate was 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. Plan E members receive a prorated post-retirement benefit increase of 2.0 percent for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and 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. COLA adjustments for members with service credit earned prior to June 4, 2002, are based on a ratio of months of service earned on and after June 4, 2002, divided by the total months of service.
Consumer Price Index	Increase of 3.00 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, gender, 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. The Probability of Occurrence schedule included in this Section includes a summary of probability of retirement and withdrawal for sample ages.

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 gender. Future beneficiaries are assumed to be of the opposite gender 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 some of the economic assumptions. Changes to those assumptions and other financial impacts are discussed below.

STAR Reserve: The STAR Reserve is included in the 2015 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 2015 valuation decreased over the prior year by 1.56 percent of payroll. The most significant factor causing this decrease was the recognition of deferred asset gains from prior years, which resulted in a 1.29 percent decrease. Additionally, cost-of-living adjustments (COLAs) less than assumed caused a further decrease 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 2015 actuarial valuation. The General Plan G member rate decreased from 7.62 percent to 7.58 percent, while the Safety Plan C member rate increased from 13.42 percent to 13.44 percent, effective July 1, 2016.

Funding: The recognition of deferred asset gains from prior years caused a 2.7 percent increase in the Funded Ratio. Additionally, contributions to pay off the Unfunded Actuarial Accrued Liability (UAAL) and COLA increases less than assumed caused further increases to the Funded Ratio. In total, the Funded Ratio increased from 79.5 percent in the June 30, 2014 valuation to 83.3 percent in the June 30, 2015 valuation due to these changes.

See Note N — OPEB Program in the Financial Section for a summary of actuarial methods and assumptions 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, 2006	$32,819,725	$36,258,929	$3,439,204	90.5%	$5,205,804	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%
June 30, 2015	**47,328,270**	**56,819,215**	**9,490,945**	**83.3%**	**7,592,760**	**125.0%**

*Using the Entry Age Normal actuarial cost method.
**Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Active Member Valuation Data — Pension Plan

Valuation Date	Plan Type	Member Count	Annual Salary*	Average Annual Salary	Percentage Increase/ Decrease in Average Salary
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%**
June 30, 2015	General	81,228	$5,706,302,532	$70,250	2.34%
	Safety	12,446	1,299,621,108	104,421	4.37%
	Total	**93,674**	**$7,005,923,640**	**$74,790**	**2.60%**

*Active Member Valuation Annual Salary is an annualized compensation of only those members who were active on the actuarial valuation date.

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

(Dollars in Thousands)

	Added to Rolls		Removed From Rolls		Rolls at End of Year			
Valuation Date	Member Count	Annual Allowance	Member Count	Annual Allowance	Member Count	Annual Allowance[1]	Percentage Increase in Retiree Allowance	Average Annual Allowance
June 30, 2006	3,007	$104,405	(1,784)	$(33,101)	50,992[3]	$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[3]	2,474,902	5.65%	43,595
June 30, 2013	3,373	205,659[2]	(2,057)	(69,494)	58,086[3]	2,611,067	5.50%	44,952
June 30, 2014	3,128	172,743[2]	(1,985)	(71,730)	59,229[3]	2,712,080	3.87%	45,790
June 30, 2015	**3,501**	**180,549**[2]	**(2,124)**	**(80,028)**	**60,606**[3]	**2,812,601**	**3.71%**	**46,408**

[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 actuarial valuation year, Member Count includes 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

(Dollars in Thousands)

	Added to Rolls		Removed From Rolls		Rolls at End of Year			
Valuation Date*	Member Count	Annual Allowance**	Member Count	Annual Allowance	Member Count	Annual Allowance	Percentage 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**

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

**Includes changes for continuing retirees and beneficiaries.

Actuary Solvency Test — Pension Plan

(Dollars in Millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
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
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%
June 30, 2015	**8,805**	**32,734**	**15,280**	**47,328**	**100%**	**100%**	**38%**

Actuary Solvency Test — OPEB Program

(Dollars in Millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
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
July 1, 2012	$—	$10,681	$16,272	$—	N/A	0%	0%
July 1, 2014	**—**	**11,791**	**16,756**	**484**	**N/A**	**4%**	**0%**

*Includes vested former members.

Actuarial Analysis of Financial Experience — Pension Plan

(Dollars in Millions)

	Valuation as of June 30				
	2007	2008	2009	2010	2011
Unfunded Actuarial Accrued Liability	$3,439	$2,461	$2,313	$4,927	$7,807
Expected Increase/(Decrease) from Prior Valuation	(109)	(68)	(78)	333	565
Salary Increases Greater/(Less) than Expected	673	298	380	(353)	(579)
CPI Less than Expected	—	—	(4)	(29)	(215)
Change in Assumptions	515	—	—	—	—
Asset Return Less/(Greater) than Expected	(2,187)	(429)	2,465	2,879	1,761
All Other Experience	130	36	(149)	50	66
Recognition of Liabilities due to Court Cases	—	15	—	—	—
Ending Unfunded Actuarial Accrued Liability	**$2,461**	**$2,313**	**$4,927**	**$7,807**	**$9,405**

	Valuation as of June 30			
	2012	2013	2014	2015
Unfunded Actuarial Accrued Liability	$9,405	$11,770	$13,315	**$11,288**
Expected Increase/(Decrease) from Prior Valuation	772	1,380	338	**(54)**
Salary Increases Greater/(Less) than Expected	(629)	(563)	(291)	**79**
CPI Less than Expected	(181)	(190)	(427)	**(570)**
Change in Assumptions	—	—	—	**—**
Asset Return Less/(Greater) than Expected	2,337	893	(1,664)	**(1,263)**
All Other Experience	66	25	17	**11**
Recognition of Liabilities due to Court Cases	—	—	—	**—**
Ending Unfunded Actuarial Accrued Liability	**$11,770**	**$13,315**	**$11,288**	**$9,491**

Actuarial Analysis of Financial Experience — OPEB Program

(Dollars in Millions)

	Valuation as of July 1			
	2008	2010	2012	2014
Unfunded Actuarial Accrued Liability	$21,216	$21,864	$24,031	$26,953
Expected Increase/(Decrease) from Prior Valuation	3,341	3,478	3,771	3,873
Claim Costs Greater/(Less) than Expected*	(3,131)	(1,267)	(3,864)	(5,471)
Change in Assumptions	536	287	3,423	3,238
All Other Experience	(98)	(331)	(408)	(46)
Ending Unfunded Actuarial Accrued Liability	**$21,864**	**$24,031**	**$26,953**	**$28,547**

*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	0.0029	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	—	—

HELPING PEOPLE *stay connected*

"WHEN MEMBERS ASK ME QUESTIONS, I LIKE TO GIVE VERY DETAILED ANSWERS AND TAKE INTO CONSIDERATION EVERYTHING I WOULD WANT TO KNOW IF I WERE IN THEIR SHOES. IT'S GREAT TO BUILD THAT RAPPORT WITH PEOPLE."

– LACERA MEMBER SERVICES EMPLOYEE

Statistical Information Overview

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 the status of the Pension Plan and OPEB Program administered by LACERA as of the fiscal year end. Statistical data is maintained by LACERA's in-house member information technology 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 and related member-specific documents are actively maintained by LACERA. For the fiscal year end, membership information is generated and reported so the status of each member (i.e., active, retired, deferred, etc.) is the most current information available to report in this section.

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 benefits, and refund deductions by type of benefit, such as Service Retiree and Disability Retiree, as well as by General and Safety Pension benefits.

Operating Information is intended to provide contextual information about LACERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition. *Pension Active 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 (STAR) Program Cost* schedule trends the Program's cost through June 30, 2016.

Changes in Fiduciary Net Position — Pension Plan

Last Ten Fiscal Years
(Dollars in Thousands)

	2007	2008	2009	2010	2011
Additions					
Employer Contributions	$751,928	$788,029	$831,671	$843,704	$944,174
Member Contributions	347,701	414,752	415,545	429,612	463,743
Net Investment Income/(Loss)	6,487,184	(1,426,117)	(7,407,790)	3,840,401	6,930,358
Miscellaneous	1,803	1,767	1,221	868	591
Total Additions/(Declines)	**7,588,616**	**(221,569)**	**(6,159,353)**	**5,114,585**	**8,338,866**
Deductions					
Total Benefit Expenses*	1,792,654	1,913,272	2,016,364	2,130,738	2,269,791
Administrative Expenses	43,880	48,223	49,730	48,892	50,605
Miscellaneous	197	371	243	48	347
Total Deductions	**1,836,731**	**1,961,866**	**2,066,337**	**2,179,678**	**2,320,743**
Transfer to OPEB Agency Fund**	29,368	—	—	—	—
Net Increase/(Decrease) in Fiduciary Net Position	**$5,722,517**	**$(2,183,435)**	**$(8,225,690)**	**$2,934,907**	**$6,018,123**

	2012	2013	2014	2015	2016
Additions					
Employer Contributions	$1,078,929	$723,195	$1,320,442	$1,494,975	**$1,443,130**
Member Contributions	506,758	679,572	439,001	441,258	**458,665**
Net Investment Income/(Loss)	(291,009)	4,659,015	6,908,412	1,989,358	**80,588**
Miscellaneous	1,004	385	2,256	1,695	**2,781**
Total Additions/(Declines)	**1,295,682**	**6,062,167**	**8,670,111**	**3,927,286**	**1,985,164**
Deductions					
Total Benefit Expenses*	2,390,598	2,541,351	2,662,401	2,768,410	**2,889,186**
Administrative Expenses	50,218	53,863	58,723	62,591	**67,645**
Miscellaneous	121	190	229	212	**(11)**
Total Deductions	**2,440,937**	**2,595,404**	**2,721,353**	**2,831,213**	**2,956,820**
Transfer to OPEB Agency Fund**	—	—	—	—	—
Net Increase/(Decrease) in Fiduciary Net Position	**$(1,145,255)**	**$3,466,763**	**$5,948,758**	**$1,096,073**	**$(971,656)**

*See *Pension Benefit Expenses by Type* in this Statistical Section.
**GASB Statement No. 43 implementation.

Changes in Fiduciary Net Position — OPEB Trust

(Dollars in Thousands)

	2013	2014	2015	2016*
Additions				
Employer Contributions	$448,819	$—	$—	**$80,678**
Member Contributions	—	—	—	**—**
Net Investment Income/(Loss)	209	35,113	4,688	**(8,095)**
Miscellaneous	—	—	—	**—**
Total Additions	449,028	35,113	4,688	**72,583**
Deductions				
Premium Expense	—	—	—	**—**
Administrative Expense	173	144	153	**192**
Miscellaneous	—	—	—	**—**
Total Deductions	173	144	153	**192**
Net Increase in Fiduciary Net Position	**$448,855**	**$34,969**	**$4,535**	**$72,391**

*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)

	2007	2008	2009	2010	2011
Service Retiree Payroll					
General	$1,087,908	$1,162,474	$1,221,671	$1,295,574	$1,383,478
Safety	228,779	242,948	269,893	291,796	315,745
Total	**1,316,687**	**1,405,422**	**1,491,564**	**1,587,370**	**1,699,223**
Disability Retiree Payroll					
General	133,361	139,390	141,821	144,861	150,585
Safety	322,979	341,158	361,235	377,429	395,197
Total	**456,340**	**480,548**	**503,056**	**522,290**	**545,782**
Total Retiree Payroll					
General	1,221,269	1,301,864	1,363,492	1,440,435	1,534,063
Safety	551,758	584,106	631,128	669,225	710,942
Total	**1,773,027**	**1,885,970**	**1,994,620**	**2,109,660**	**2,245,005**
Refunds					
General	15,682	20,894	16,743	13,041	17,498
Safety	2,356	4,694	3,613	5,863	5,220
Total	**18,038**	**25,588**	**20,356**	**18,904**	**22,718**
Lump-Sum Death Benefits	**1,589**	**1,714**	**1,388**	**2,174**	**2,068**
Total Benefit Expenses	**$1,792,654**	**$1,913,272**	**$2,016,364**	**$2,130,738**	**$2,269,791**

	2012	2013	2014	2015	2016
Service Retiree Payroll					
General	$1,465,218	$1,556,814	$1,631,285	$1,692,558	**$1,762,274**
Safety	340,177	367,471	384,248	397,962	**419,092**
Total	**1,805,395**	**1,924,285**	**2,015,533**	**2,090,520**	**2,181,366**
Disability Retiree Payroll					
General	152,698	157,406	162,338	165,543	**169,821**
Safety	413,300	432,405	459,311	484,907	**507,824**
Total	**565,998**	**589,811**	**621,649**	**650,450**	**677,645**
Total Retiree Payroll					
General	1,617,916	1,714,220	1,793,623	1,858,101	**1,932,095**
Safety	753,477	799,876	843,559	882,869	**926,916**
Total	**2,371,393**	**2,514,096**	**2,637,182**	**2,740,970**	**2,859,011**
Refunds					
General	14,523	19,406	18,994	22,050	**23,470**
Safety	3,098	5,606	4,534	3,361	**3,622**
Total	**17,621**	**25,012**	**23,528**	**25,411**	**27,092**
Lump-Sum Death Benefits	**1,584**	**2,243**	**1,691**	**2,029**	**3,083**
Total Benefit Expenses	**$2,390,598**	**$2,541,351**	**$2,662,401**	**$2,768,410**	**$2,889,186**

Pension Active Members

Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Active Vested					
General	53,918	53,884	54,729	56,162	59,055
Safety	10,061	9,876	9,761	9,916	10,054
Subtotal	63,979	63,760	64,490	66,078	69,109
Active Non-Vested					
General	25,911	27,780	28,149	25,251	21,090
Safety	2,206	2,952	3,149	3,081	2,587
Subtotal	28,117	30,732	31,298	28,332	23,677
Deferred Members					
General	7,441	11,149	7,589	7,478	7,423
Safety	470	685	462	460	465
Total	**7,911**	**11,834**	**8,051**	**7,938**	**7,888**
Total Active Members					
General	87,270	92,813	90,467	88,891	87,568
Safety	12,737	13,513	13,372	13,457	13,106
Total	**100,007**	**106,326**	**103,839**	**102,348**	**100,674**

	2012	2013	2014	2015	2016
Active Vested					
General	61,433	62,803	63,301	62,532	**61,820**
Safety	10,663	11,177	11,188	11,024	**10,743**
Subtotal	72,096	73,980	74,489	73,556	**72,563**
Active Non-Vested					
General	18,034	16,203	16,642	18,696	**21,096**
Safety	1,822	1,362	1,335	1,422	**1,785**
Subtotal	19,856	17,565	17,977	20,118	**22,881**
Deferred Members					
General	7,379	7,462	7,550	7,623	**7,665**
Safety	480	497	540	563	**573**
Total	**7,859**	**7,959**	**8,090**	**8,186**	**8,238**
Total Active Members					
General	86,846	86,468	87,493	88,851	**90,581**
Safety	12,965	13,036	13,063	13,009	**13,101**
Total	**99,811**	**99,504**	**100,556**	**101,860**	**103,682**

Retired Members by Type of Pension Benefit

As of June 30, 2016

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$1 — $1,000	15,035	9,390	1,404	4,241
$1,001 — $2,000	14,218	9,715	2,066	2,437
$2,001 — $3,000	9,918	7,266	1,722	930
$3,001 — $4,000	6,700	5,120	1,097	483
$4,001 — $5,000	4,642	3,736	651	255
$5,001 — $6,000	3,296	2,609	537	150
$6,001 — $7,000	2,320	1,796	445	79
> $7,000	5,764	4,226	1,413	125
	61,893	**43,858**	**9,335**	**8,700**

Amount of Monthly Benefit	Retirement Option Selected**					
	Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$1 — $1,000	13,636	581	146	456	89	127
$1,001 — $2,000	12,737	780	150	319	89	143
$2,001 — $3,000	8,823	684	97	154	55	105
$3,001 — $4,000	5,909	514	54	89	30	104
$4,001 — $5,000	4,013	434	46	49	23	77
$5,001 — $6,000	2,826	356	22	27	7	58
$6,001 — $7,000	1,899	318	11	23	7	62
> $7,000	4,277	1,236	25	25	22	179
	54,120	**4,903**	**551**	**1,142**	**322**	**855**

NOTES:

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

**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, 2016

	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						
Anthem Blue Cross I	6	—	972	353	50	1,381
Anthem Blue Cross II	2	—	2,219	1,934	551	4,706
Anthem Blue Cross III	6,254	3,620	1,085	104	—	11,063
Anthem Blue Cross Prudent Buyer Plan	1	749	39	532	—	1,321
Cigna-HealthSpring Preferred Rx	23	15	10	2	—	50
Cigna Network Model Plan	—	—	374	24	202	600
Kaiser - California	—	3,078	199	2,701	53	6,031
Kaiser - Senior Advantage	14,383	—	1,958	—	—	16,341
Kaiser - Colorado	28	11	5	—	3	47
Kaiser - Georgia	55	24	25	16	6	126
Kaiser - Hawaii	32	12	13	3	—	60
Kaiser - Oregon-Washington	73	44	8	10	4	139
Firefighters Local 1014	—	—	435	1,005	275	1,715
SCAN / SmartCare Health Plan	262	97	—	—	—	359
UnitedHealthcare	—	—	416	366	235	1,017
UnitedHealthcare Medicare Advantage (HMO)	1,485	820	324	68	—	2,697
Total Medical by Plan Type	**22,604**	**8,470**	**8,082**	**7,118**	**1,379**	**47,653**
Medical Plans by Retirement Type						
Service Retirees	17,146	6,478	5,591	4,910	855	34,980
Disability Retirees	1,935	1,353	1,218	2,062	496	7,064
Survivors	3,523	639	1,273	146	28	5,609
Total Medical by Retirement Type	**22,604**	**8,470**	**8,082**	**7,118**	**1,379**	**47,653**

	Dental/Vision Benefit Premium Amount $1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	43,272
CIGNA HMO Dental/Vision	5,399
Total Dental/Vision by Plan Type	**48,671**
Dental/Vision Plans by Retirement Type	
Service Retirees	35,531
Disability Retirees	7,397
Survivors	5,743
Total Dental/Vision by Retirement Type	**48,671**

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
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
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

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
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
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

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
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
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

Last Ten Fiscal Years

Retirement Effective Dates	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
	Years of Credited Service					
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
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

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
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
7/1/15 to 6/30/16						
Retirants						
General Members						
Average Monthly Benefit	$1,619	$1,809	$2,265	$2,893	$3,462	$5,163
Average Final Salary	$6,022	$5,607	$6,020	$6,414	$6,440	$7,372
Number of Active Retirants	118	331	273	274	471	837
Safety Members						
Average Monthly Benefit	$3,134	$3,776	$5,743	$6,290	$7,540	$10,730
Average Final Salary	$7,077	$9,355	$10,057	$10,613	$11,062	$12,654
Number of Active Retirants	24	16	27	22	109	205
Survivors						
General Members						
Average Monthly Benefit	$929	$752	$957	$1,174	$1,745	$2,470
Average Final Salary	$6,444	$4,670	$3,996	$4,367	$4,825	$5,339
Number of Active Survivors	30	55	50	51	69	143
Safety Members						
Average Monthly Benefit	$1,446	$3,207	$3,071	$3,053	$4,468	$5,611
Average Final Salary	$5,927	$6,777	$6,628	$6,941	$6,825	$7,529
Number of Active Survivors	6	6	8	9	16	33

Active Members and Participating Pension Employers

Last Ten Fiscal Years

County of Los Angeles	2007 Covered Members	2007 Percentage of Total Covered Members	2008 Covered Members	2008 Percentage of Total Covered Members
General Members	79,816	86.666%	81,650	86.409%
Safety Members	12,267	13.320%	12,828	13.576%
Total	**92,083**	**99.986%**	**94,478**	**99.985%**
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	7	0.008%	8	0.009%
Total Participating Agencies	**13**	**0.014%**	**14**	**0.015%**
Total Active Membership				
General Members	79,829	86.680%	81,664	86.424%
Safety Members	12,267	13.320%	12,828	13.576%
Total	**92,096**	**100.000%**	**94,492**	**100.000%**

County of Los Angeles	2009 Covered Members	2009 Percentage of Total Covered Members	2010 Covered Members	2010 Percentage of Total Covered Members
General Members	82,865	86.509%	81,400	86.220%
Safety Members	12,910	13.478%	12,997	13.767%
Total	**95,775**	**99.987%**	**94,397**	**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	7	0.007%	7	0.007%
Total Participating Agencies	**13**	**0.013%**	**13**	**0.013%**
Total Active Membership				
General Members	82,878	86.522%	81,413	86.233%
Safety Members	12,910	13.478%	12,997	13.767%
Total	**95,788**	**100.000%**	**94,410**	**100.000%**

Active Members and Participating Pension Employers

Last Ten Fiscal Years

	2011		2012	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	80,133	86.363%	79,459	86.413%
Safety Members	12,641	13.624%	12,485	13.578%
Total	**92,774**	**99.987%**	**91,944**	**99.991%**
Participating Agencies (General Membership)				
South Coast Air Quality Mgmt. District	1	0.001%	1	0.001%
Los Angeles County Office of Education	3	0.003%	—	0.000%
Little Lake Cemetery District	1	0.001%	1	0.001%
Local Agency Formation Commission	7	0.008%	6	0.007%
Total Participating Agencies	**12**	**0.013%**	**8**	**0.009%**
Total Active Membership				
General Members	80,145	86.376%	79,467	86.422%
Safety Members	12,641	13.624%	12,485	13.578%
Total	**92,786**	**100.000%**	**91,952**	**100.000%**

	2013		2014	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	78,997	86.293%	79,934	86.447%
Safety Members	12,539	13.697%	12,523	13.543%
Total	**91,536**	**99.990%**	**92,457**	**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	79,006	86.303%	79,943	86.457%
Safety Members	12,539	13.697%	12,523	13.543%
Total	**91,545**	**100.000%**	**92,466**	**100.000%**

Active Members and Participating Pension Employers

Last Ten Fiscal Years

	2015		2016	
County of Los Angeles	**Covered Members**	**Percentage of Total Covered Members**	**Covered Members**	**Percentage of Total Covered Members**
General Members	81,219	86.704%	**82,907**	**86.865%**
Safety Members	12,446	13.286%	**12,528**	**13.126%**
Total	**93,665**	**99.990%**	**95,435**	**99.991%**
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**	**0.007%**
Total Participating Agencies	**9**	**0.010%**	**9**	**0.009%**
Total Active Membership				
General Members	81,228	86.714%	**82,916**	**86.874%**
Safety Members	12,446	13.286%	**12,528**	**13.126%**
Total	**93,674**	**100.000%**	**95,444**	**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 2016	2012	2013	2014	2015	**2016**
Los Angeles County and Participating Agencies					
Medical	43,746	44,753	45,576	46,567	**47,653**
Dental/Vision	44,344	45,485	46,383	47,486	**48,671**

*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***
7/1/2006 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 6/30/2010	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%
7/1/2015 to 6/30/2016	**25.13%**	**17.45%**	**16.90%**	**17.70%**	**18.97%**	**17.66%**	**34.64%**	**27.50%**	**23.46%**

*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

	General			
Effective Date	**Plan A**	**Plan D**	**Plan E**	**Plan G[4]**
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%
7/1/2015 to 6/30/2016	**—**	**17.70%**	**18.97%**	**17.66%**

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

	General		
Effective Date	**Plan A[2]**	**Plan B**	**Plan C[3]**
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%	—
7/1/2015 to 6/30/2016	**—**	**21.24%**	**—**

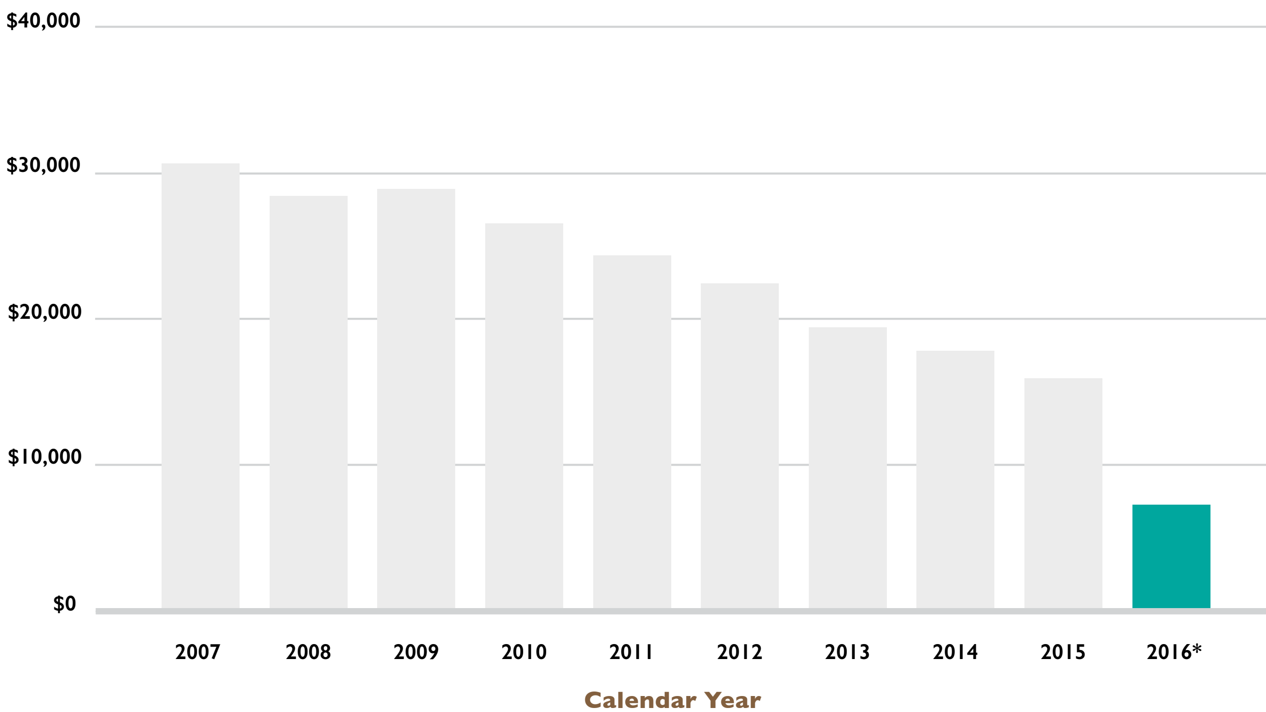
NOTES:

[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 (STAR) Program Costs

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

LACERA STAR PROGRAM COSTS
(Dollars in Thousands)
AS OF JUNE 2016



*Represents Program year through June 30.

Committed to Our Members

LACERA's members serve the County in vastly different ways; what they have in common is the expectation that, at the end of their service, they will receive their promised retirement benefit. We're committed to helping people achieve their retirement goals, which is crucial to the fulfillment of our broader mission: To produce, protect, and provide the promised benefits.

HELPING PEOPLE:

That's what we do