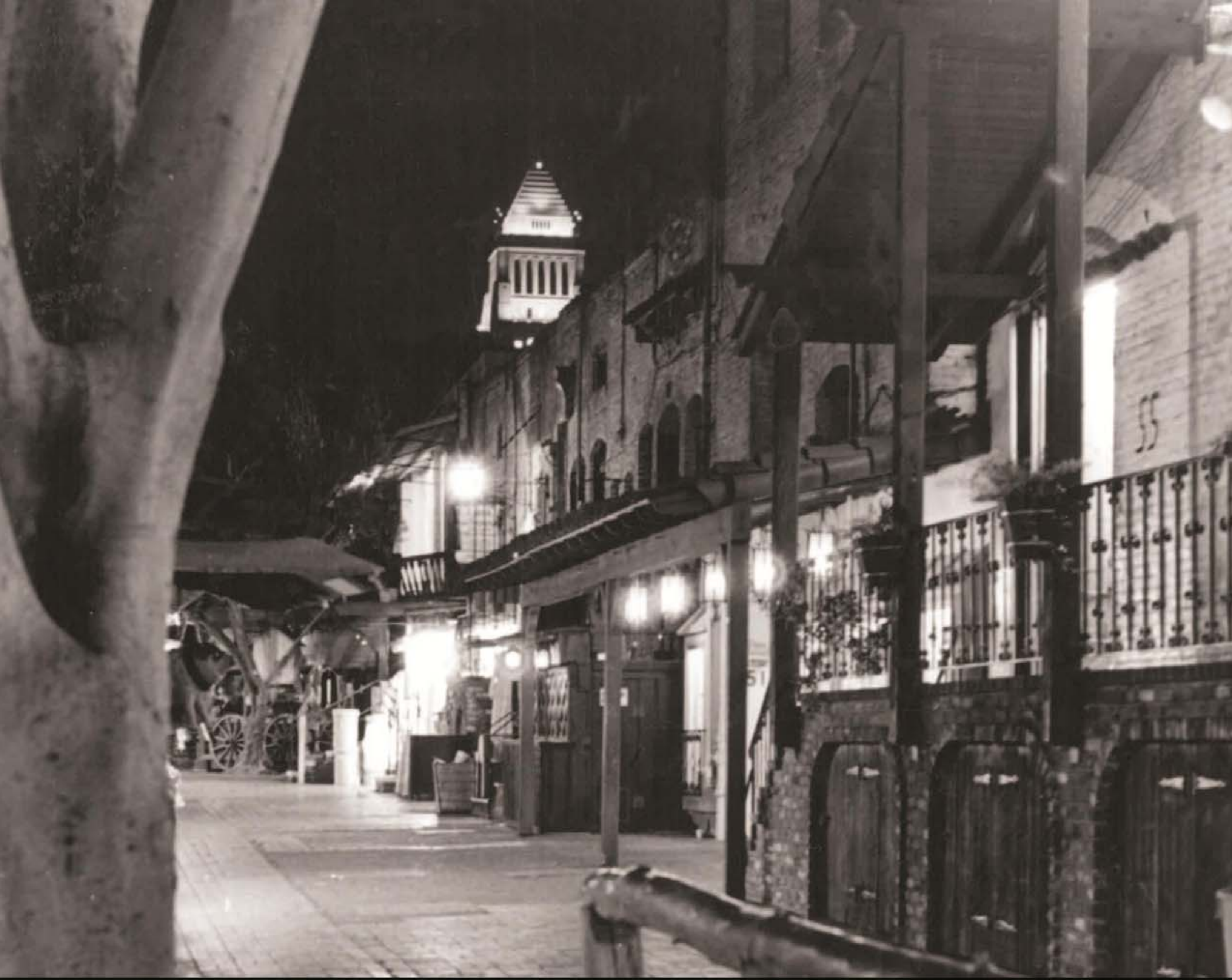

Los Angeles City Employees' Retirement System

A Department of the Municipality of the City of Los Angeles, California

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Securing Your Tomorrows

Photo Credit: El Pueblo De Los Angeles Historical Monument

Los Angeles City Employees' Retirement System
(A Department of the Municipality of the City of Los Angeles, California)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

Issued by
Thomas Moutes
General Manager

202 W. First Street, Suite 500
Los Angeles, CA 90012-4401
www.LACERS.org

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STATISTICAL SECTION

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Introduction

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

202 W. First Street, Suite 500
Los Angeles, CA 90012-4401
(800) 779-8328
TDD (888) 349-3996
www.lacers.org

Letter of Transmittal

December 10, 2015

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

Dear Members of the Board:

We are pleased to present the Los Angeles City Employees' Retirement System (LACERS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015, the System's 78th year of operation. This report is intended to provide a comprehensive review of our financial condition during the fiscal year including the System's audited financial statements, investment performance results, and actuarial valuations for retirement and health benefits.

LACERS is committed to working in the best interests, and for the exclusive benefit of our Members. To help achieve this, LACERS implements industry best practices in many areas.

In our investment program, we have commissioned an investment program benchmarking report which found that our five-year total return and value added were above the US public median. In addition, we continue to strengthen our external manager selection process and manager termination practices.

In the area of retiree health benefits, LACERS often is highlighted in best practice reports and case studies for our pre-funding of our retiree health benefits since 1987/88, whereas the vast majority of retiree health benefits are funded on a pay-as-you-go basis. Our initiative to use of data analytics to understand our retirees' health plan utilization helps us design more effective health coverage plans and gives us the leverage to negotiate medical cost increases of only 4.9% versus the 9.4% medical trend rate over the last ten years.

We are committed to maximizing the use of technology through various projects. A multi-million dollar investment in replacing our pension administration system software is nearly 50% complete as of June 30, 2015, with a projected completion date in 2017. The pension administration system (PAS) tracks Member information during their careers, and uses that information along with programmed rules and formulas to calculate and pay benefits. When completed, the new PAS will create significant efficiencies in our benefit administration, especially when combined with our process reengineering project which aims to optimize and automate our processes to the greatest possible extent. The process reengineering will include front-end scanning, automated workflows, a relatively paper-free environment, and enhanced web-based services available to Members. Other technological improvements implemented this fiscal year include: the expansion of an internally-developed interactive computer-based knowledge support system used to help staff respond to Member questions and ensure consistent and efficient responses, the implementation of a departmental budget tracking tool, and successful implementation of Voice over Internet Protocol (VoIP) service throughout our offices.

LACERS continues to manage risk through various initiatives. To insure our continued tax advantage for our Members and the plan sponsor, LACERS participates in the Internal Revenue Service's (IRS) Voluntary Compliance Program to facilitate full compliance with IRS rules for public pension plans. Our internal audit staff completed a departmental risk assessment and has completed audits of our investment management fees and benefit payments. Our external audit included a favorable audit of our Information Technology systems. Lastly, LACERS continues to enhance its emergency planning and training with an annual practice exercise and assessment by a third party consultant.

LACERS History, Participants, and Services

In 1937, the Los Angeles City Charter established LACERS as a retirement trust fund for the exclusive purpose of providing the civilian employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, survivor benefits, and in 1999, LACERS began administering the retiree health insurance subsidies. All regular, full time, and certified part-time City employees are eligible for LACERS benefits except employees of the Department of Water and Power, and sworn personnel who are Members of the Los Angeles Fire and Police Pensions. Today, 24,000 Active Members and 18,000 Retired Members and beneficiaries count on LACERS to provide a lifetime of retirement benefits.

In recent years, the City, LACERS plan sponsor, has made some significant benefit changes, including: an increase in employee contribution rates from 7% to 11% for most employees starting July 1, 2012 to help offset the cost of the retiree health subsidy; the implementation of a new tier of retirement benefits for employees joining LACERS on or after July 1, 2013 which require higher ages to qualify for a retirement benefit coupled with a less generous retirement benefit formula earned with each year of service; and effective July 1, 2014, the suspension of reciprocal retirement benefits with the City's Department of Water and Power.

Financial Reporting

LACERS management is responsible for the contents of this report. A system of internal control is designed, implemented, and maintained by management, as a means to protect System assets, and to assure the integrity of LACERS financial statements. Management recognizes the inherit limitations that internal controls do not provide absolute assurance against errors and material misstatement in the financial statements, and that one should only implement controls whose benefits outweigh its costs. However, management is confident that its system of internal control, with oversight from LACERS Audit Committee, in tandem with internal auditor staff, as well as the annual engagement of an independent external auditing firm to render an opinion on LACERS financial statements, provide the requisite level of due diligence expected from a governmental pension system. In fact, external auditor Brown Armstrong Accountancy Corporation has audited and expressed an unmodified opinion that LACERS basic financial statements are free of material misstatement, presented fairly, and in conformity with accounting principles generally accepted in the United States of America.

Readers of this CAFR are encouraged to review the Management's Discussion and Analysis Section starting on page 15, which provides narrative analysis and highlights of our financial condition and fiscal operations during the reporting period.

Funding Status and Progress

Annual actuarial valuations are performed by LACERS consulting actuary to determine the actuarial accrued liability arisen from the benefits promised by the City, among other things. Such liability is expected to be met by LACERS assets accumulated through City contributions, employee contributions, and investment returns.

The funding status, commonly expressed by the term "funded ratio," is calculated by dividing the assets, based either on actuarial (smoothed) value or market value, by the actuarial accrued liabilities. The funded ratio is a snapshot of the relative status of LACERS assets and liabilities at the end of each reporting year. Determined annually in the actuarial valuation, it reflects changes that affect the assets and liabilities during the reporting year due to investment performance, change in demographics, assumptions, benefit terms, and other factors. Funded ratios are useful when they are looked at over several years to determine trends, and should be viewed in light of the economic situation at each time point. If the ratio is less than 100%, indicating an underfunding condition, the underfunded portion is paid for by the City systematically over a period no longer than 20 years pursuant to LACERS funding policy, which targets a funding status of 100% in the long run.

Based on the June 30, 2015 actuarial valuation, the combined funded ratio, based on actuarial value of assets, for the Retirement Plan and the Postemployment Health Care Plan has increased by 2.6% from a year ago to 70.7%. Individually, the funded ratio, on the same actuarial basis, for the Retirement Plan increased from 67.4% to 69.4%; and for the Postemployment Health Care Plan, increased from 72.9% to 79.7%. The increase in the funded ratio for the Retirement Plan primarily is attributable to the actuarial experience gains derived from: 1) lower than expected salary increase for active Members, 2) lower than expected COLA granted to retirees and beneficiaries, and 3) investment gain, ordered by significance in terms of dollar amounts. The increase in funded ratio for the Postemployment Health Care Plan primarily is attributable to the effect of health premiums being considerably lower than expected, and, to a smaller extent, the actuarial investment gain for the Fiscal Year. It is noteworthy that the funded ratio for the Postemployment Health Care Plan showed a significant improvement this year and achieved a relatively high funding status, while a large majority of local governments do not pre-funded their retiree health benefits (paid on a pay-as-you-go basis with a funded ratio of zero), according to a recent study by Moody's.

Although LACERS investment return on market value basis for the Fiscal Year is lower than the assumed rate of return of 7.5%, an actuarial investment gain is reported due to the recognition of deferred investment gains of prior years based on LACERS seven-year Asset Smoothing policy. Under the policy, one seventh of the investment gains or losses of each Fiscal Year is recognized and the rest is deferred to the future years. As of June 30, 2015, there is still a deferred gain in the amount of $229 million, which will cause the actuarial funded ratios to further improve in the next few years if the investment returns match the 7.5% assumption and all other assumptions are met.

Investment Summary

The System established its investment policies in accordance with Section 1106 of the Charter of the City of Los Angeles for the systematic administration of LACERS. The investment policies are designed to maximize the investment return while minimizing investment risk. The System's assets are managed on a total return basis in compliance with the investment policies to produce a total portfolio, long-term, real (above inflation) return of 5.0%. Consequently, prudent risk-taking is warranted within the context of the overall portfolio diversification. The Board implements its risk management policy by monitoring the portfolio's compliance through the adoption of investment policies, guidelines, and procedures for determining the strategic management of investment risk, while allowing sufficient flexibility in capturing investment opportunities, as they may occur, and establishing reasonable risk parameters to ensure prudence and care in the management of the System's assets.

The portfolio consists of investments in U.S. and non-U.S. stocks and bonds, bank loans, real assets, private equity, and short-term investments. In addition to maximizing the investment return, this asset mix also serves to diversify the portfolio in order to minimize portfolio volatility to the extent possible.

The System's total portfolio was valued at $14.1 billion as of June 30, 2015, an increase of $0.2 billion (1.4%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 2.8% (or a net of fees return of 2.6%) over a one-year period. The total fund outperformed its policy benchmark by 0.4% gross of fees return (or 0.2% net of fees return), and underperformed its actuarial assumed rate of investment return of 7.50%.

The annualized investment returns in detail are presented in the Investment Results on page 61 of the Investment Section. The detail of investment income and loss can be found on pages 20 - 21 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Awards and Acknowledgements

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its CAFR for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this report for the fiscal year ended June 30, 2015, will again meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA for consideration of an annual award.

PPCC Standards Award

The Public Pension Coordinating Council presented its Public Pension Standards Award For Funding and Administration to LACERS in recognition of compliance with professional standards for plan funding and administration as for the fiscal year ending 2015. To receive this honor, LACERS was assesed to have met the standards in six key areas: Comprehensive Benefit Program, Actuarial

Valuation, Independent Audit, External Investments Performance Evaluation, Member Communications, and Funding Adequacy.

Acknowledgements

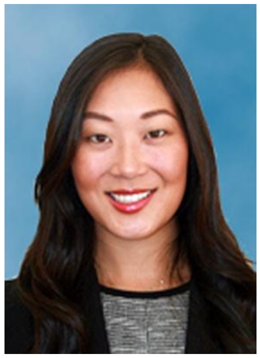
Lastly, I would like to acknowledge those who assisted with the preparation of this report: Linda Aparicio, Aleli Cangco, Andy Chiu, Bryan Fujita, Andrea Galstian, Rodney June, Alan Lee, Ricky Mulawin, JoAnn Peralta, Alex Rabrenovich, May Tran, and Jimmy Wang. I would also like to thank our external auditor, Brown Armstrong, and our consulting actuary, Segal Consulting, for their professional assistance in the preparation of this report.

Respectfully Submitted,

Thomas Moutes
General Manager

Mikyong Jang
Chief Accountant

Board of Administration
For the Fiscal Year Ended June 30, 2015

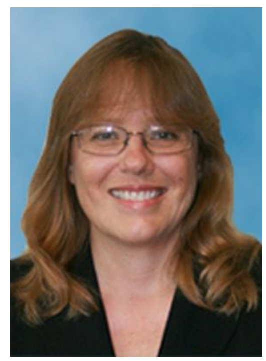


Jaime L. Lee
President
Appointed by the Mayor

Michael R. Wilkinson
Vice President
Elected by Retired Members

William J. Briggs, II
Member
Appointed by the Mayor

Elma Duke
Member
Appointed by the Mayor



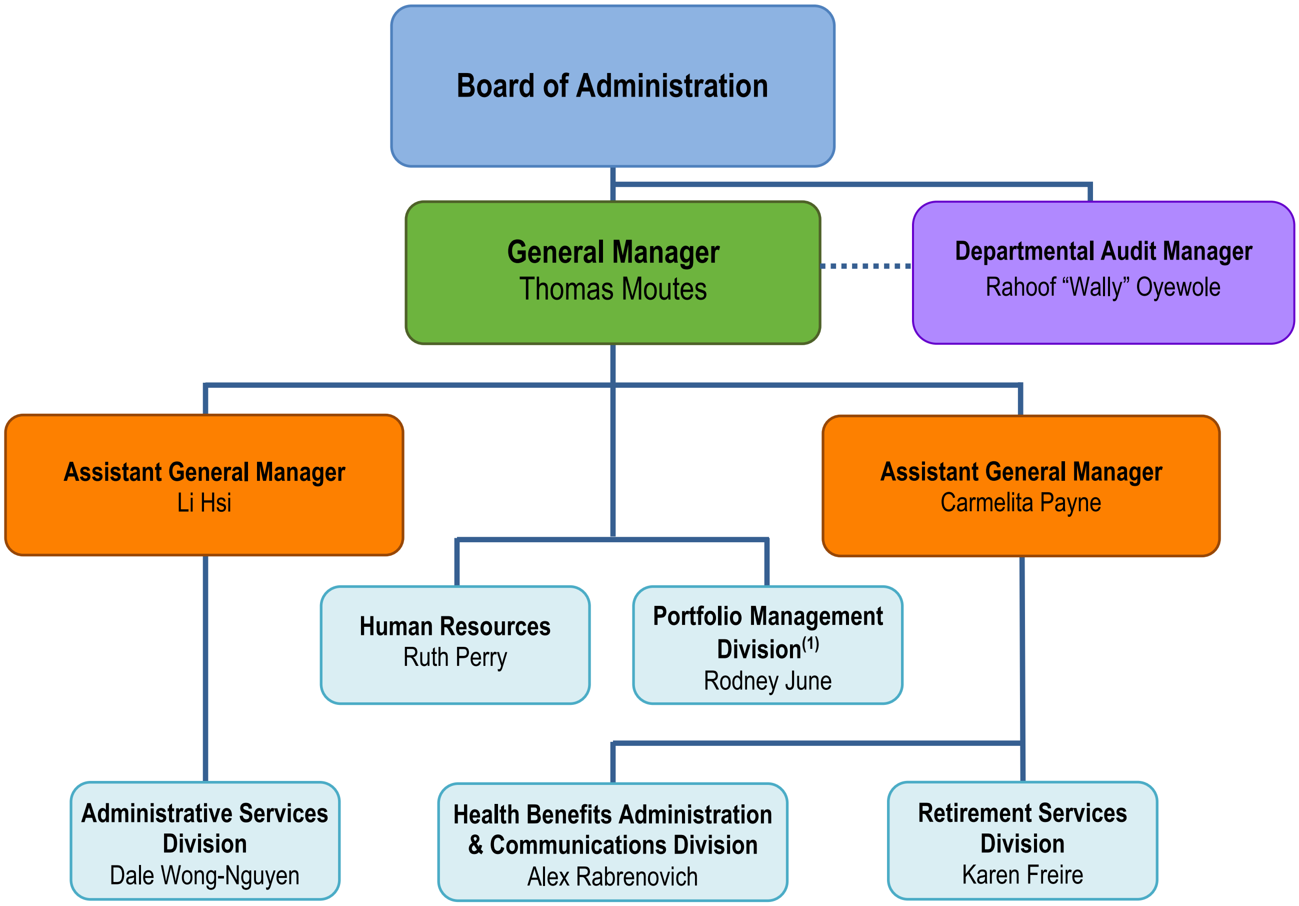
Elizabeth L. Greenwood
Member
Elected by Active Members

Richard M. Rogers
Member
Elected by Active Members

Nilza R. Serrano
Member
Appointed by the Mayor

Organization Chart

As of June 30, 2015



(1) Schedules of Fees and Commissions can be found in the Investment Section on page 67, and a list of firms managing the investment portfolio can be found in the Investment Section on pages 69 and 70.

Professional Consultants

Actuary
Segal Consulting

Independent Auditor
Brown Armstrong

Investment Consultants
Portfolio Advisors, LLC
The Townsend Group
Wilshire Associates, Inc.

Health & Welfare Consultant
Keenan & Associates

Legal/Fiduciary Counsel
Ice Miller, LLP
Nossaman, LLP
Olson Hagel & Fishburn, LLP
Reed Smith, LLP
Steptoe & Johnson, LLP

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City
Employees' Retirement System
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

ALSO AWARDED IN 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, & 2013

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2015

Presented to

Los Angeles City Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

ALSO AWARDED IN 2013 & 2014

Financial

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CERTIFIED PUBLIC ACCOUNTANTS

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FAX 559.476.3593

PASADENA OFFICE
260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542
FAX 626.204.6547

STOCKTON OFFICE
5250 CLAREMONT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying Retirement Plan and Postemployment Health Care Plan Statement of Fiduciary Net Position of the Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of June 30, 2015, and the related Retirement Plan and Postemployment Health Care Plan Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise LACERS 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 LACERS 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 LACERS 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 the Retirement Plan and Postemployment Health Care Plan of LACERS as of June 30, 2015, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equities and investments in real assets. Such investments totaled $2.0 billion (13.1% of total assets) at June 30, 2015. Where a publicly listed price is not available, the management of LACERS 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 basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of LACERS that collectively comprise LACERS basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Report on Summarized Comparative Information

We have previously audited LACERS June 30, 2014 financial statements, and our report dated December 26, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATIO

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 30, 2015

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Comprehensive Annual Financial Report.

Financial Highlights

- LACERS fiduciary net position as of June 30, 2015 was $14,124,760,000, an increase of $188,988,000 or 1.4% over the prior fiscal year.
- The total additions to the fiduciary net position of LACERS, from employer contributions made by the City of Los Angeles (the City), Member contributions, and net investment income, were $1,057,322,000, a 63.0% decrease from the prior fiscal year.
- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of employer as defined by the Governmental Accounting Standards Board (GASB) Statements No. 67*, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* and No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*
- The employer contributions to the Postemployment Health Care Plan represented 100% of the Annual Required Contribution (ARC) as defined by GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.
- Net investment income for this fiscal year was $367,992,000, representing a 83.2% decrease compared with an investment income of $2,195,770,000 for the previous reporting period.
- The total deduction from the fiduciary net position was $868,334,000, a 3.1% increase from the prior fiscal year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.
- The System's Net Pension Liability (NPL) for the retirement benefits was $4,989,426,000 as of June 30, 2015. NPL, an important measure required by GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the Plan fiduciary net position. As the Plan fiduciary net position is equal to the market value of the System's assets, NPL is determined on market value basis, and it fully reflects Plan's investment performance (2.8% rate of return, gross of fees) of this fiscal year. Compared with the previous fiscal year, the NPL increased by $531,652,000.
- The Plan Fiduciary Net Position as a Percentage of TPL, another required disclosure by GASB Statement No. 67, is 70.5%, which is exactly the same as the funded ratio on market value basis reported in the actuarial valuation for the retirement benefits.
- Based on the most recent actuarial valuation as of June 30, 2015, the funded ratio for the Postemployment Health Care Plan was 79.7%, an increase of 6.8%, showing a significant improvement from 72.9% of the same period a year ago. This funded ratio was determined on actuarial value basis: the ratio of actuarial value of assets to the actuarial accrued liabilities of Postemployment Health Care Plan. On market value basis, the funded ratio also showed an improvement from 78.5% to 81.0%.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedules provide additional financial data on LACERS operations.

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on page 26 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 27 provides a view of current year additions to, and deductions from, the fiduciary net position.

Overview of the Financial Statements (Continued)

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 28 - 43 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Retirement Plan; and Schedule of Funding Progress, Schedule of Employer Contributions, and Notes to Required Supplementary Information for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards. This required supplementary information can be found on pages 46 - 51 of this report.

Supplemental Schedules

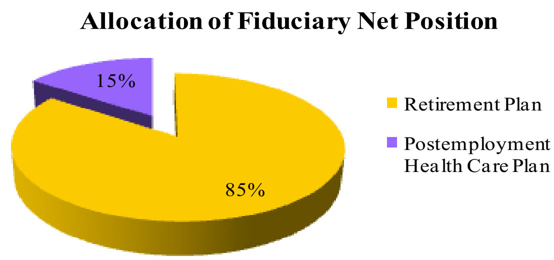
The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS operations for the current year. They can be found on pages 54 and 55 of this report.

Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2015 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$11,981,054	84.8%
Postemployment Health Care Plan	2,143,706	15.2
Fiduciary Net Position	$14,124,760	100.0%



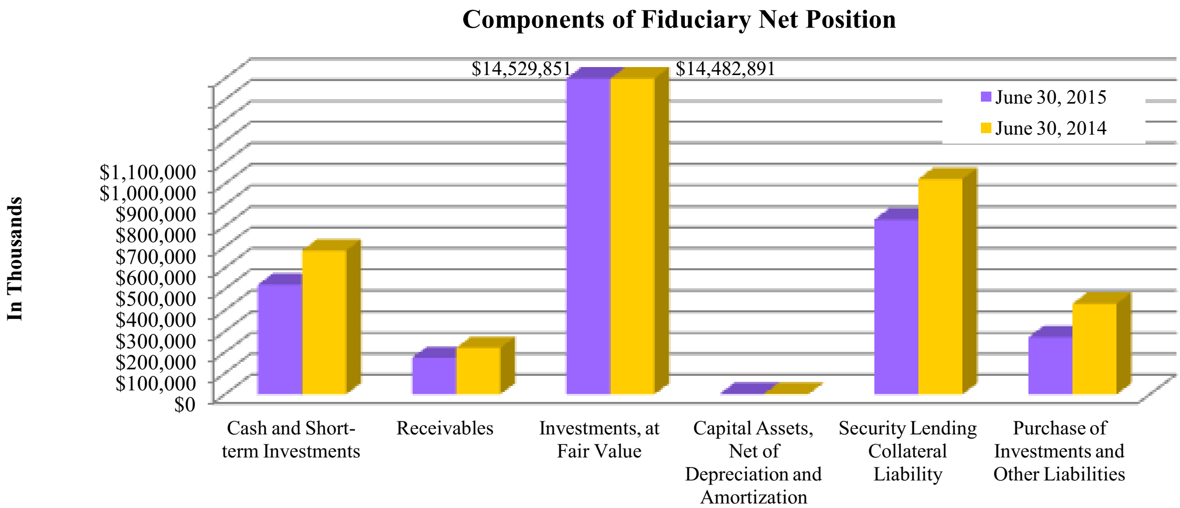
Fiduciary Net Position

The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2015 and 2014 (dollars in thousands):

	June 30, 2015	June 30, 2014	Change	
Cash and Short-Term Investments	$ 520,834	$ 681,629	$ (160,795)	(23.6) %
Receivables	173,545	222,090	(48,545)	(21.9)
Investments, at Fair Value	14,529,851	14,482,891	46,960	0.3
Capital Assets, Net of Depreciation and Amortization	4,050	2,668	1,382	51.8
Total Assets	15,228,280	15,389,278	(160,998)	(1.0)
Security Lending Collateral Liability	830,924	1,022,532	(191,608)	(18.7)
Purchase of Investments and Other Liabilities	272,596	430,974	(158,378)	(36.7)
Total Liabilities	1,103,520	1,453,506	(349,986)	(24.1)
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 14,124,760	$ 13,935,772	$ 188,988	1.4 %

Financial Analysis (Continued)

Fiduciary Net Position (Continued)



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Fiduciary net position increased by $188,988,000, or 1.4%, during this fiscal year.

Net Increase in Fiduciary Net Position

The increase in fiduciary net position during the reporting period was the net effect of factors that either added to or deducted from the fiduciary net position. The following table summarizes the changes in fiduciary net position during the report year, as compared with the prior year (dollars in thousands):

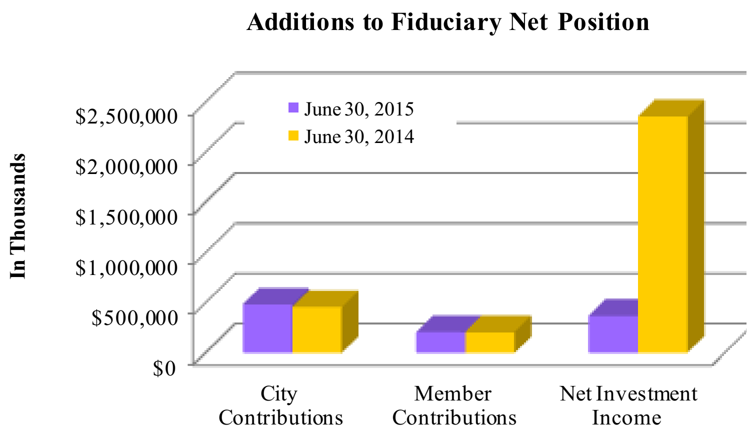
	June 30, 2015	June 30, 2014	Change	
Additions	$ 1,057,322	$ 2,855,565	$ (1,798,243)	(63.0) %
Deductions	868,334	842,331	26,003	3.1
Net Increase in Fiduciary Net Position	188,988	2,013,234	(1,824,246)	(90.6)
Fiduciary Net Position, Beginning of Year	13,935,772	11,922,538	2,013,234	16.9
Fiduciary Net Position, End of Year	$ 14,124,760	$ 13,935,772	$ 188,988	1.4 %

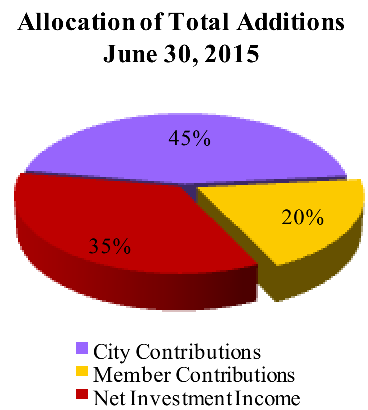
Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Additions to Fiduciary Net Position

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the years ended June 30, 2015 and 2014 (dollars in thousands):

	June 30, 2015	June 30, 2014	Change
City Contributions	$ 481,766	$ 455,659	5.7 %
Member Contributions	207,564	204,136	1.7
Net Investment Income	367,992	2,195,770	(83.2)
Additions to Fiduciary Net Position	$ 1,057,322	$ 2,855,565	(63.0) %





The additions to LACERS fiduciary net position include three main items that constitute the funding sources of LACERS benefits: City Contributions, Member Contributions, and Net Investment Income.

City contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were $481,766,000 during the year. The increase of $26,107,000 (or 5.7%) over the prior fiscal year was due to a higher payroll base and higher contribution rates recommended by the actuary. The total City contribution includes a true-up credit adjustment, a reduction from the advance payment, of $18,052,000, to reconcile the difference of the contribution based on projected payroll versus actual payroll. This true-up amount, which included accrued interest at 7.75%, was recognized as liability as of the end of the reporting period. The City contributions also included the funding of the benefit costs for the Tier 2 Members, and the aggregate employer contribution rate for this fiscal year was 26.24% (20.77% for the Retirement Plan and 5.47% for the Postemployment Health Care Plan) which is 0.98% higher than the prior fiscal year at 25.26%. The actual contribution to the Retirement Plan in the amount of $381,141,000 was equal to 100% of the Actuarially Determined Contribution (ADC) of employer, as defined by GASB Statement No. 67. The actual contribution to the Postemployment Health Care Plan in the amount of $100,467,000 was equal to 100% of the Annual Required Contribution (ARC), as defined by GASB Statements No. 43 and No. 45.

Factors that may affect the total Member contributions include the change in number of Members in each tier, the change in Member salaries, and the change in Member contribution rates. In fiscal year 2014-15, Member

Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Additions to Fiduciary Net Position (Continued)

contributions were $207,564,000, which was $3,428,000 or 1.7% greater than the prior year. The increased contributions primarily were due to the overall increase in Members' salaries during the fiscal year which was slightly mitigated by growing Tier 2 Members who pay 1% lower than most Tier 1 Members' contribution rate. Last year, only 1% of Members were in Tier 2, but the Tier 2 membership increased to 4% in one year.

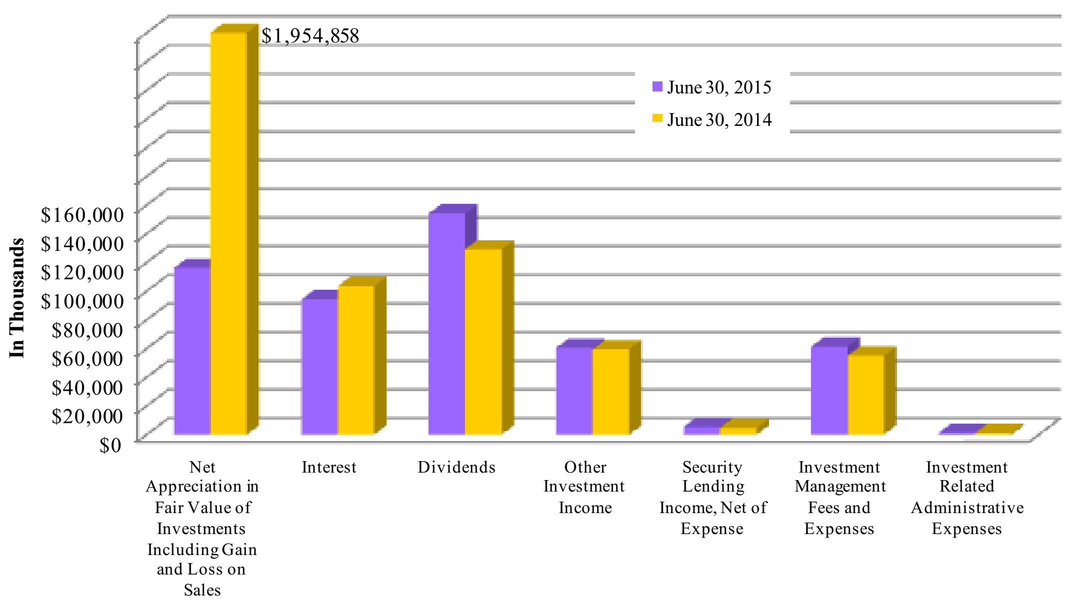
The net investment income was $367,992,000, which included $116,171,000 of net appreciation in the fair value of investments. This is discussed in more detail in the next section.

Investment Income

The following table and graph present the detail of investment income, net of investment management fees and expenses for the years ended June 30, 2015 and 2014 (dollars in thousands):

	June 30, 2015	June 30, 2014	Change
Net Appreciation in Fair Value of Investments Including Gain and Loss on Sales	$ 116,171	$ 1,954,858	(94.1) %
Interest	94,272	103,600	(9.0)
Dividends	154,179	129,149	19.4
Other Investment Income	60,529	59,511	1.7
Security Lending Income, Net of Expense	5,437	4,841	12.3
Sub-Total	430,588	2,251,959	(80.9)
Less: Investment Management Fees and Expenses	(61,322)	(55,013)	11.5
Investment Related Administrative Expenses	(1,274)	(1,176)	8.3
Net Investment Income	$ 367,992	$ 2,195,770	(83.2) %

Investment Income and Expenses



Financial Analysis (Continued)

Investment Income (Continued)

The net investment income for the current fiscal year was $367,992,000, as compared with the income of $2,195,770,000 for the previous fiscal year (83.2% decrease). This large decrease of investment income primarily was due to a drop of net realized and unrealized gains to $116,171,000 from $1,954,858,000 of the prior fiscal year, a year with unusual investment performance. This fiscal year's modest increase in the fair value of investments reflected the impact of divergent (and volatile) global markets on LACERS investment portfolio over the reporting period. Major U.S. equity indices traded at record highs and produced positive returns during the fiscal year. The Standard and Poor's 500 Index, a recognized gauge of U.S. equities, returned 7.4%, while the Dow Jones Industrial Average Index was up 7.2%. In contrast, major non-U.S. equity indices experienced losses for the fiscal year. The MSCI All Country World Ex-U.S. Index, which tracks non-U.S. equities in developed and emerging markets, was down 5.3% for the fiscal year.

The low interest environment influenced by the Federal Reserve's monetary policy continued to affect the yields of fixed income securities during the report year. Interest income derived from bonds and other fixed income securities decreased by $9,328,000 (-9.0%).

Dividend income derived from equities increased by $25,030,000 (19.4%) primarily due to an increase in the total fair value of equities compared with the prior fiscal year, and a transfer of assets from an equity commingled fund, which does not distribute dividend income, to equity separate accounts, which distribute dividend income to LACERS.

Other investment income, primarily derived from private equity and private real estate partnership investments, was $60,529,000, increased slightly by $1,018,000 (1.7%) in the current fiscal year, as managers of partnerships continued to harvest portfolio holdings in a robust domestic market environment.

LACERS earns additional investment income by lending securities to borrowers through its custodian bank. The borrowers provide cash or non-cash collateral to LACERS custodian bank. To earn income, the custodian bank invests the cash collateral on behalf of LACERS in short and intermediate term fixed income securities. LACERS also generates income from fees paid by borrowers that pledge non-cash collateral. In the reporting year, LACERS security lending income (net of expense) increased by $596,000 (12.3%) from a year ago due to higher borrower demand for securities held in LACERS portfolio.

The investment management fees, expenses, and investment related administrative expenses increased by $6,407,000, or 11.4%, from the prior year. This increase is attributed to the slight increase in the fair value of total fund assets, on which most of the investment management fees are based; and greater exposure to non-U.S. equities, credit opportunities, and real assets, which have higher fees but are poised to be strong contributors to total fund performance and provide increased diversification benefits.

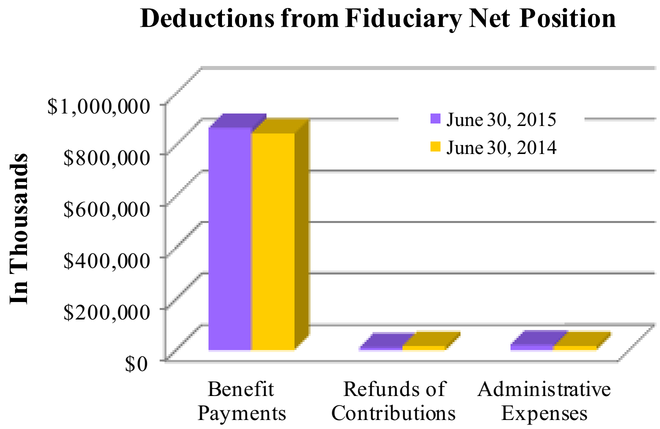
Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position

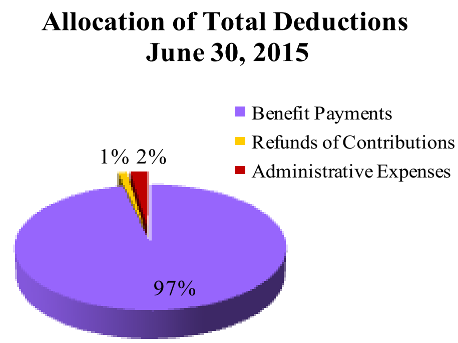
The following table and graphs provide information related to the deductions from fiduciary net position for the years ended June 30, 2015 and 2014 (dollars in thousands):

	June 30, 2015	June 30, 2014	Change
Benefit Payments	$ 838,335	$ 810,584	3.4 %
Refunds of Contributions	10,121	15,982	(36.7)
Administrative Expenses	19,878	15,765	26.1
Deductions from Fiduciary Net Position	$ 868,334	$ 842,331	3.1 %

Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position (Continued)





LACERS deductions from fiduciary net position in the reporting period can be summarized as Benefit Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $26,003,000 or 3.1%.

Compared to the prior year, benefit payments increased by $27,751,000 or 3.4%. The benefit payments for the Retirement Plan increased by $25,780,000 (3.6%) mainly due to the annual cost of living adjustments (COLA) (approximately 1.1% increase on average up to a maximum of 3.0%); increased number of retirees and beneficiaries; and the average retirement allowance of newly retired Members being higher than those of the deceased Members who were removed from the retirement payroll. Payments for Postemployment Health Care Plan benefits also increased by $1,971,000 (1.9%), due to the increased maximum health subsidy from $1,464 to $1,580 per month as the renewed medical premium rates for 2015 increased. The health care benefit expense reflected a one-time defrayal by the return of excess premium stabilization reserve in the amount of $3,708,000 from a postemployment health care provider.

Refunds of contributions decreased by $5,861,000 (-36.7%) mainly due to the significantly decreased number of City employees transferring to the Department of Water and Power (DWP) and the associated transfer of their retirement contributions from LACERS to the Water and Power Employees' Retirement Plan (WPERP) as the reciprocity program between WPERP and LACERS was suspended by City ordinance effective January 1, 2014.

LACERS administrative expenses during the reporting period increased by $4,113,000 (26.1%) from the prior year. This increase was primarily due to $2,883,000 of the required employer contributions shared by LACERS for its employees' retirement and postemployment health care benefit beginning this reporting period. In addition, salaries and wages increased due to the City mandated COLA, higher staff's overtime wages for the implementation of the Pension Administration System software replacement project, and higher professional fees paid for actuarial and legal services to continuously comply with applicable laws and regulations of pension plans also caused the increase in administrative expenses for this fiscal year.

Requests for Information

This financial report is designed to provide a general overview of LACERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Section
202 W. First Street, Suite 500
Los Angeles, CA 90012-4401

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BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2015, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2015 Total	2014 Total
Assets				
Cash and Short-Term Investments	$ 441,787	$ 79,047	$ 520,834	$ 681,629
Receivables				
Accrued Investment Income	38,126	6,822	44,948	41,214
Proceeds from Sales of Investments	100,781	18,032	118,813	166,514
Other	8,299	1,485	9,784	14,362
Total Receivables	147,206	26,339	173,545	222,090
Investments, at Fair Value				
U.S. Government Obligations	639,148	114,359	753,507	488,793
Municipal Bonds	5,344	956	6,300	6,346
Domestic Corporate Bonds	788,797	141,135	929,932	1,169,394
International Bonds	432,118	77,317	509,435	502,602
Other Fixed Income	776,575	138,948	915,523	-
Bank Loans	1,909	342	2,251	1,657
Opportunistic Debts	11,076	1,982	13,058	12,798
Domestic Stocks	3,243,710	580,380	3,824,090	5,329,391
International Stocks	3,627,568	649,061	4,276,629	3,287,845
Mortgages	381,414	68,244	449,658	663,642
Government Agencies	21,126	3,780	24,906	29,820
Derivative Instruments	1,454	260	1,714	179
Real Estate	556,385	99,551	655,936	705,573
Private Equity	1,133,226	202,762	1,335,988	1,262,319
Security Lending Collateral	704,815	126,109	830,924	1,022,532
Total Investments	12,324,665	2,205,186	14,529,851	14,482,891
Capital Assets				
Furniture, Computer Hardware, and Software (Net of Depreciation and Amortization)	3,436	614	4,050	2,668
Total Assets	12,917,094	2,311,186	15,228,280	15,389,278
Liabilities				
Accounts Payable and Accrued Expenses	29,646	5,304	34,950	17,880
Accrued Investment Expenses	7,917	1,416	9,333	11,993
Derivative Instruments	-	-	-	145
Purchases of Investments	193,662	34,651	228,313	400,956
Security Lending Collateral	704,815	126,109	830,924	1,022,532
Total Liabilities	936,040	167,480	1,103,520	1,453,506
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	**$ 11,981,054**	**$ 2,143,706**	**$ 14,124,760**	**$ 13,935,772**

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

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Year Ended June 30, 2015, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2015 Total	2014 Total
Additions				
Contributions				
City Contributions	$ 381,299	$ 100,467	$ 481,766	$ 455,659
Member Contributions	207,564	-	207,564	204,136
Total Contributions	588,863	100,467	689,330	659,795
Investment Income				
Net Appreciation in Fair Value of Investments Including Gain and Loss on Sales	95,676	20,495	116,171	1,954,858
Interest	79,280	14,992	94,272	103,600
Dividends	129,661	24,518	154,179	129,149
Other Investment Income	50,903	9,626	60,529	59,511
Security Lending Income	5,378	1,017	6,395	5,695
Less: Security Lending Expense	(789)	(169)	(958)	(854)
Sub-Total	360,109	70,479	430,588	2,251,959
Less: Investment Management Fees and Expenses	(50,503)	(10,819)	(61,322)	(55,013)
Investment Related Administrative Expenses	(1,049)	(225)	(1,274)	(1,176)
Net Investment Income	308,557	59,435	367,992	2,195,770
Total Additions	897,420	159,902	1,057,322	2,855,565
Deductions				
Benefit Payments	734,736	103,599	838,335	810,584
Refunds of Contributions	10,121	-	10,121	15,982
Administrative Expenses	15,946	3,932	19,878	15,765
Total Deductions	760,803	107,531	868,334	842,331
Net Increase in Fiduciary Net Position	136,617	52,371	188,988	2,013,234
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits				
Beginning of Year	11,844,437	2,091,335	13,935,772	11,922,538
End of Year	**$ 11,981,054**	**$ 2,143,706**	**$ 14,124,760**	**$ 13,935,772**

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

Note 1 – Description of LACERS and Significant Accounting Policies

General Description

The Los Angeles City Employees' Retirement System (LACERS, or the System) is under the exclusive management and control of its Board of Administration (the Board), whose authority is granted by statute in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. The Board has seven members. Four members, one of whom shall be a retired Member of the System, shall be appointed by the Mayor subject to the approval of the City Council. Two members shall be active employee Members of the System elected by active employee Members. One shall be a retired Member of the System elected by retired Members of the System. Elected Board members serve five-year terms in office, with no term limits. The System is a Department of the Municipality of the City of Los Angeles (the City). The System's financial statements are included in the City of Los Angeles' Annual Financial Report as a pension trust fund.

The System operates a single-employer defined benefit plan (the Retirement Plan) and a Postemployment Health Care Plan. Benefits and benefit changes are established by ordinance and approved by City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 30 - 36 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

On October 26, 2012, the Los Angeles City Council approved amending Chapter 10 and 11 of Division 4 of the Los Angeles Administrative Code to establish a second benefit tier (Tier 2) for new hires who become Members of LACERS on or after July 1, 2013, except as provided otherwise in Section 4.1052(a) of the Administrative Code (refer to Note 2 – Retirement Plan Description on pages 31 and 32, Note 3 – Postemployment Health Care Plan Description on page 34 for each tier's required contributions and benefits received, and Note 10 – Subsequent Events on page 43 regarding the rescinding of Tier 2).

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP) as outlined by the Governmental Accounting Standards Board (GASB). The financial statements are maintained on the accrual basis of accounting. Contributions from the employer and Members were recognized when due pursuant to formal commitments and contractual requirements. Benefits, refunds, and other expenses are recognized when due and payable. The accompanying financial statements include information from the prior year summarized for comparative purpose only. Such information does not include sufficient detail to constitute a presentation in accordance with the US GAAP.

Investments

Investment Policies

Funds of the System are invested pursuant to the System's investment policy, established by the Board, in compliance with Article XI Section 1106(d) of the City Charter. The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. The System's investment portfolio is composed of domestic and international equities, domestic and international bonds, bank loans, derivative instruments, private real estate, private equity, and short-term investments. During the reporting period, there were no significant investment policy changes.

As of June 30, 2015, the Board's adopted asset allocation policy was as follows:

Asset Class	Target Allocation
Domestic and International Equities	53.0%
Domestic and International Bonds	19.0
Private Equity	12.0
Private Real Estate	5.0
Public Real Assets	5.0
Short-Term Investments	1.0
Credit Opportunities	5.0
Total	100.0%

Fair Value of Investments

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, bank loans, stocks, and private equities are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with industry practice. The fair value determined as such is also reviewed and evaluated by the Board's real estate consultant. The private equity funds ("partnership investment"), which are managed by third party investment managers, are valued on a quarterly and/or annual basis at their net asset value as reported by the investment managers under US GAAP. US GAAP requires that assets be reported at fair value in

Note 1 – Description of LACERS and Significant Accounting Policies (Continued)

Investments (Continued)

Fair Value of Investments (Continued)
accordance with Accounting Standards Codification Topic 820 – *Fair Value Measurement and Disclosures.* The fair values of derivative instruments are determined using available market information. Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Management's investment strategy, as it relates to the debt portfolio, is mainly to achieve market appreciation and not to hold bonds to their maturities.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the Statement of Fiduciary Net Position under Receivables and labeled as Proceeds from Sales of Investments, and amounts payable for purchases are reported under (Current) Liabilities and labeled as Purchases of Investments. Dividend income is recorded on the ex-dividend date. Interest income is reported at the stated interest rate as earned, and any premiums or discounts on debt securities are not amortized. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of LACERS pension plan investment. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

For the futures contracts, an initial margin is required to open a position and maintain the collateral requirement until the position is closed. LACERS reports the collateral for the futures contracts in the short-term investments.

Concentrations
The investment portfolio as of June 30, 2015, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments
For the year ended June 30, 2015, the annual money-weighted rate of return on LACERS investments, net of investment expenses, was 2.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

As of June 30, 2015, LACERS held no long-term contracts for contributions receivable from the City.

Capital Assets

Prior to July 1, 2001, purchases of capital assets, consisting primarily of office furniture and computer equipment, were recorded and expensed in the year acquired. Effective July 1, 2001, these purchases are capitalized upon acquisition if the cost of purchase is $5,000 or more, and depreciated over five years using the straight-line method.

In order to comply with the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, certain costs for developing LACERS new Pension Administration System (PAS), a strategic initiative critical to LACERS future operations, have been capitalized, and amortized over 15 years, which is its estimated useful life, using the straight-line method.

Administrative Expenses

All administrative expenses are funded from LACERS fiduciary net position, which represents accumulated investment earnings and contributions from the City and the Members net of payments.

Reserves

As provided in the Los Angeles City Charter, LACERS is maintained on a reserve basis, determined in accordance with recognized actuarial methods. The Los Angeles City Charter establishes reserves for the following:

Reserves for the Retirement Plan

Member Contributions (Mandatory) – Active Member mandatory contributions to the Retirement Plan and interest credited to Members' accounts, less refunds of Members contributions and transfers to the Annuity reserve.

Member Contributions (Voluntary) – Active Member voluntary contributions under the larger annuity program and interest/investment return credited to Members' accounts, less refunds of Members contributions (voluntary) and transfers to the Larger Annuity reserve.

Basic Pensions – City contributions and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, accumulated to provide for the City's guaranteed portion of retirement benefits, less payments to retired Members.

Note 1 – Description of LACERS and Significant Accounting Policies (Continued)

Reserves (Continued)

Annuity – Members' mandatory contribution balances transferred at retirement to provide for the Members' share of retirement benefits, and investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments, less payments to retired Members.

Larger Annuity – Members' voluntary contribution balances transferred at retirement for Larger Annuity benefit including Internal Revenue Service (IRS) Section 457 deferred compensation and other rollovers, investment earnings (losses) including net appreciation (depreciation) in fair value of investments, less payments to participating retired Members.

Family Death Benefit Plan (FDBP) – Active Member voluntary contributions, matching City contributions, and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, reserved to pay benefits under the Family Death Benefit Plan established by LACERS, less payments to beneficiaries.

Reserve for the Postemployment Health Care Plan

City contributions and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, accumulated to provide health care benefits for retirees, less payments to insurance providers and/or reimbursements to retired Members.

Reserve balances as of June 30, 2015, were as follows (in thousands):

Reserve for the Retirement Plan		
Member Contributions:		
- Mandatory	$ 2,042,987	
- Voluntary	5,200	
Basic Pensions	9,406,816	
Annuity	470,767	
Larger Annuity	39,628	
FDBP	15,656	$11,981,054
Reserve for the Postemployment Health Care Plan		2,143,706
Total Reserves		$ 14,124,760

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those 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. Certain items from the prior year's financial statements have been reclassified for comparative purposes. Such reclassification had no effect on the previously reported Fiduciary Net Position.

Note 2 – Retirement Plan Description

Plan Administration and Membership

LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits.

The Retirement Plan covers all full-time personnel and department-certified part-time employees of the City, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who elected to participate in an alternative Defined Contribution Plan, and certain Port Police officers of the Harbor Department including those who elected to opt out of LACERS. Membership to Tier 1 is now closed to new entrants. Eligible employees hired on or after July 1, 2013, except as provided otherwise in Section 4.1052(a) of the Los Angeles Administrative Code become Members of Tier 2 (refer to Note 10 – Subsequent Events on page 43 regarding the rescinding of Tier 2).

As of June 30, 2015, the components of LACERS membership in both tiers were as follows:

Active:	
Vested	20,906
Non-vested	2,989
	23,895
Inactive:	
Non-vested	4,408
Terminated Entitled to Benefits, Not Yet Receiving Benefits	2,099
Retired	17,932
Total	48,334

Note 2 – Retirement Plan Description (Continued)

Plan Administration and Membership (Continued)

Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member who has five or more years of continuous City service terminates employment, the Member has the option of receiving retirement benefits when eligible or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

Eligibility Requirement and Benefits Provisions

Tier 1

Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the Member's average monthly salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit. Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, refund of the Member's contributions plus a limited pension benefit equal to 50% of monthly salary will be paid up to 12 months, or survivor benefits will be paid to an eligible spouse or qualified domestic partner if such Member was eligible to retire. Upon a retired Member's death, modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner in addition to payment of a funeral allowance.

Tier 2

Plan Members are eligible to retire with 10 or more years of continuous City service at age 65, or at age 70 or older regardless of length of City service. Plan Members also are eligible to retire with an age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service. Full (unreduced) retirement benefits are determined as 2.00% of the Member's average monthly salary during the Member's last 36 months of service, or during any other 36 consecutive months of service designated by the Member, multiplied by the Member's years of service credit. Plan Members with 10 years of continuous service are eligible for disability retirement, and the benefits are determined as 1/90 of the Member's final average monthly salary for each year of service. Upon an active Member's death, refund of the Member's contributions plus a limited pension benefit equal to 50% of monthly salary up to 12 months will be paid; optional survivor benefits will be paid if such Member was eligible to retire. For retired Members, the only death benefits will be the funeral allowance unless the retiree elected at the time of retirement to take a reduced allowance in order to provide for a continuance (refer to Note 10 – Subsequent Events on page 43 regarding the rescinding of Tier 2). There were no Tier 2 Members who retired during this reporting period.

Cost of Living Adjustment

Retirement allowances are indexed annually for inflation. The Board has authority to determine, no later than May 1st of each year, the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a Cost of Living Adjustment (COLA) to the benefits of eligible Members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 Members or 2.0% for Tier 2 Members. The excess over the maximum will be banked for Tier 1 Members only.

Employer Contribution

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2015, the actuarially determined contribution of the employer to the Retirement Plan by the City was 21.50% of covered payroll, based on the June 30, 2013 actuarial valuation. Upon closing the fiscal year 2014-15, LACERS re-calculated employer contributions using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment at the beginning of the fiscal year. As a result, employer contributions received for Retirement Plan were $14,210,000 more, and it was returned to the employer as a credit toward employer contribution for fiscal year 2015-16. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 20.77%.

Note 2 – Retirement Plan Description (Continued)

Member Contributions

Tier 1

As a result of the 2009 Early Retirement Incentive Program (ERIP) ordinance which stipulates a 1% increase in the Member contribution rate for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first), and the new ordinances adopted by the City Council in 2011 requiring additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy, most of the Members contribute 11% of pay as of June 30, 2015.

Tier 2

The initial contribution rate for Tier 2 Members is 10% of their pensionable salary for the first four years. The Board of LACERS will establish the Tier 2 Members' contribution rate every three years thereafter, with the first such determination to be effective July 1, 2017. The contribution rate shall be an actuarially determined rate sufficient to fund 75% of normal cost and 50% of any unfunded liability for Tier 2. Unlike Tier 1, Tier 2 Member contribution is paid solely for the purpose of providing benefits for the Member only and does not include a survivor contribution (refer to Note 10 – Subsequent Events on page 43 regarding the rescinding of Tier 2).

Net Pension Liability

As of June 30, 2015, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 16,909,996
Plan Fiduciary Net Position	(11,920,570)
Plan's Net Pension Liability	$ 4,989,426
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.5%

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2015, are summarized below:

Valuation Date	June 30, 2015
Attribution Method	Entry Age Method – assuming a closed group.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2014
Long-Term Expected Rate of Return	7.50%, net of pension plan investment expenses, including inflation assumption at 3.25%.
Inflation	3.25%
Real Across-the-Board Salary Increase	0.75%
Projected Salary Increases	Ranges from 4.40% to 10.50% based on years of service, including inflation assumption at 3.25% and the real across-the-board salary increase assumption of 0.75%.
Annual COLAs	3.0% for Tier 1 and 2.0% for Tier 2
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, projected with Scale BB to 2020, set back one year for males and no set back for females.
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, projected with Scale BB to 2020, set back seven years for males and set forward eight years for females.
Percent Married / Domestic Partner	76% of male participants; 50% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Note 2 – Retirement Plan Description (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2015 and June 30, 2014. This rate is a long-term expected rate of return on the System's investments.

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

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
U.S. Larger Cap Equity	20.4%	5.9%
U.S. Small Cap Equity	3.6	6.6
Developed Int'l Equity	21.7	7.0
Emerging Market Equity	7.3	8.5
Core Bonds	16.5	0.7
High Yield Bonds	2.5	2.9
Private Real Estate	5.0	4.7
Private Equity	12.0	10.5
Public Real Assets	5.0	3.4
Credit Opportunities	5.0	3.1
Cash	1.0	(0.5)
Total	100.0%	

The projection of cash flows used to determine the discount rate assumed plan Member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan Members and beneficiaries, as well as projected contributions from future plan Members, are not included.

Based on those assumptions, LACERS fiduciary net position was projected to be available to make "all" projected future benefit payments for current plan Members. Therefore, in accordance with the GASB Statement No. 67, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2015 and June 30, 2014.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2015, calculated using the discount rate of 7.50%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollar in thousands):

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
$7,243,147	$4,989,426	$3,113,889

Note 3 – Postemployment Health Care Plan Description

Plan Description

LACERS provides postemployment health care benefits to eligible retirees of the Retirement Plan, and, if the Members retire under Tier 1 membership, to their spouses/domestic partners as well. Prior to the retirement effective date of July 1, 2011, the benefits of this single employer Postemployment Health Care Plan were available to all employees who 1) participate in the Retirement Plan; 2) have at least 10 years of service with LACERS; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). Retirees and Tier 1 surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and Tier 1 surviving spouses/domestic partners receive medical subsidies based on service years. The dental subsidies are provided to the retirees only, based on years of service. The maximum subsidies are set annually by the Board.

Note 3 – Postemployment Health Care Plan Description (Continued)

Plan Description (Continued)

During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit the maximum medical subsidy at $1,190 for those Members who retire on or after July 1, 2011. However, Members who at any time prior to retirement contribute the additional 1%, 2%, or 4%, depending on their bargaining units, of pay pursuant to the ordinances mentioned in Note 2 on page 32 are exempted from the subsidy cap and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2015, more than 99% of non-retired Members were making the additional contributions, and therefore not subject to the medical subsidy cap.

Postemployment health care benefits for the Tier 2 Members differ from those for the Tier 1 Members in their annual subsidy accrual after 10 years of service; Tier 1 earns 4% per year while Tier 2 earns 3% per year. As mentioned above, spouses/domestic partners of Tier 2 Members are not entitled to the System's postemployment health care benefits (refer to Note 10 – Subsequent Events on page 43 regarding the rescinding of Tier 2).

Funding Policies and Funded Status and Progress

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2015, was 5.61% of covered payroll, determined by the June 30, 2013 actuarial valuation.

Upon closing the fiscal year 2014-15, LACERS re-calculated employer contributions using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment at the beginning of the fiscal year. As a result, employer contributions received for Postemployment Plan were $3,842,000 more, and it was returned to the employer as a credit toward employer contribution for fiscal year 2015-16. Based on the actual payroll, the effective rate of employer contribution for Postemployment Health Care Plan was 5.47%. As of June 30, 2015, the most recent actuarial valuation date, the Postemployment Health Care Plan was 79.7% funded. The actuarial accrued liability for benefits was $2,646,989,000, and the actuarial value of assets was $2,108,925,000, resulting in an Underfunded Actuarial Accrued Liability (UAAL) of $538,064,000. The covered payroll as of the June 30, 2015 valuation was $1,907,665,000. The ratio of UAAL to the covered payroll was 28.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment returns, and health care cost trends. The funded status of the plan and the annual required contributions of the employer, determined by the annual actuarial valuations, are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 50 following the notes to the basic financial statements, provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 3 – Postemployment Health Care Plan Description (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on LACERS plan provisions and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques, such as seven-year smoothing of assets and amortization of UAAL over various periods of time depending on the nature of the UAAL, that are designed to reduce the effects of short-term volatility in funding, consistent with the long-term perspective of the calculations.

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.00% increase in total covered payroll.
Amortization Period	Multiple layers – closed amortization period. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years, except that assumptions specifically related with the Postemployment Health Care benefits and reviewed annually by the Board are amortized over 15 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over five years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB Statements No. 25/27 layers for the Retirement Plan, were combined and amortized over 30 years. Health trend and premium assumption changes are amortized over 15 years. Years remaining range from 9 to 27 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of fair value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.
Actuarial Assumptions:	
Investment Rate of Return	7.50%, net of pension plan investment expenses, including inflation rate at 3.25%.
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and no set back for females.
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.
Marital Status	60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Note 3 – Postemployment Health Care Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Participation	50% of inactive Members are assumed to receive a subsidy for a City approved health carrier. 100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.
Health Care Cost Trend Rates	Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium. Medical Premium Trend Rates to be applied to fiscal year 2015-2016 and later years are:

First Fiscal Year (July 1, 2015 through June 30, 2016)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	0.69%	2.38%
Anthem Blue Cross HMO	7.99%	N/A
Anthem Blue Cross PPO	3.38%	(0.26)%
UHC Medicare HMO	N/A	4.85%

Fiscal Year 2016 - 2017 and later	
Fiscal Year	Trend (Approx.)
2016 - 2017	6.63%
2017 - 2018	6.38%
2018 - 2019	6.13%
2019 - 2020	5.88%
2020 - 2021	5.63%
2021 - 2022	5.38%
2022 - 2023	5.13%
2023 and later	5.00%

Dental Premium Trend to be applied is 5.00% for all years.

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

Note 4 – Contributions Required and Contributions Made

LACERS switched to the Entry Age cost method beginning from the June 30, 2012 actuarial valuation to determine the required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the UAAL which is the difference between LACERS actuarial liabilities and actuarial assets.

The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are "closed" as each layer of the UAAL is systematically amortized over a "fixed" period.

The total contributions to LACERS for the year ended June 30, 2015, in the amount of $689,330,000 ($588,863,000 for the Retirement Plan and $100,467,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Required Contributions	$ 381,141	$ 100,467
FDBP	158	-
Total City Contributions	381,299	100,467
Member Contributions	207,564	-
Total Contributions	$ 588,863	$ 100,467

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $381,141,000 were equal to 100% of the actuarially determined contribution of the employer. The City contributions made for the Postemployment Health Care Plan, in the amount of $100,467,000, represents 100% of the Annual Required Contribution (ARC) as defined by GASB Statements No. 43 and No. 45. Member contributions in the amount of $207,564,000 were made toward the Retirement Plan and the voluntary Family Death Benefit Plan.

Note 5 – Historical Trend Information

Historical trend information, designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due, is presented on pages 46 - 49 for the Retirement Plan and pages 50 and 51 for the Postemployment Health Care Plan.

Note 6 – Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of LACERS funds, and should discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, as prescribed by Article XI Section 1106(c) of the City Charter.

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2015, on the Retirement Plan and Postemployment Health Care Plan included approximately $1,934,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $518,900,000 for a total of $520,834,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2015, short-term investments included collective STIF of $192,384,000, international STIF of $228,189,000, and future contracts initial margin and collaterals of $98,327,000.

Note 6 – Cash and Short-Term Investments and Investments (Continued)

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts, and rights and warrants, are recorded in the Statement of Fiduciary Net Position with a net value of $1,714,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income (Loss). LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2015, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ 47,733	$ 884	$ 884
Equity Index	17,713	(30)	(37)
Foreign Exchange	(976)	87	87
Interest Rate	(49,249)	12	157
Currency Forward Contracts	99,305	341	349
Right / Warrants	N/A	420	240
Total Value		$ 1,714	$ 1,680

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by a nationally-recognized statistical rating organization as of June 30, 2015, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 50,040	1.78 %
AA	1,379,246	49.22
A	293,952	10.49
BBB	504,930	18.02
BB	265,946	9.49
B	183,429	6.55
CCC	39,438	1.41
D	4,651	0.17
Not Rated	80,416	2.87
	2,802,048	100.00 %
U.S. Government Guaranteed Securities(1)	802,534	
Total Fixed Income Securities	$ 3,604,582	

(1) Consists of U.S. Government Bonds and GNMA Mortgage-Backed Securities which had the AA+ rating.

Credit Risk – Derivatives

Derivatives are subject to credit risk that the counterparty to a contract will default. LACERS is exposed to credit risk on reported assets of the investment derivatives that are traded over the counter. The credit risk of exchange traded derivatives for future contracts is considered minimal because the exchange clearing house is the counterparty and guarantees the performance.

LACERS permits investment managers, under the terms of individual guidelines, to use derivative instruments as set forth in each manager's investment guidelines to control portfolio risk. It is the responsibility of these investment managers to actively monitor counterparties on their financial safety and ensure compliance with the investment restrictions. LACERS has no general investment policy with respect to netting arrangements or collateral requirements. However, these individual investment managers have set up the arrangements with the counterparties to net off the positive and negative contracts with the same counterparty in case of the counterparty's default.

Note 6 – Cash and Short-Term Investments and Investments (Continued)

Credit Risk – Derivatives (Continued)

As of June 30, 2015, without respect to netting arrangements, LACERS maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is as follows (in thousands):

S & P Ratings	Fair Value
AA	$ 56
A	719
BBB	139
Total Credit Risk	$ 914

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2015, LACERS has exposure to such risk in the amount of $23,849,000, or 0.47% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 20 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment manager to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, LACERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not insured, or are not registered in LACERS name, and held by the counterparty. LACERS investments are not exposed to custodial credit risk if they are insured or registered in LACERS name. LACERS investments were not exposed to custodial credit risk because all securities were held by LACERS custodial bank in LACERS name.

Concentration of Credit Risk

The investment portfolio as of June 30, 2015, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 32,690	1.69
Bank Loans	2,251	0.86
Commercial Mortgage-Backed Securities	80,488	2.04
Corporate Bonds	1,209,899	4.83
Government Agencies	32,900	6.88
Government Bonds	578,535	5.47
Government Mortgage-Backed Securities	370,472	4.08
Index Linked Government Bonds	356,871	8.16
Municipal/Provincial Bonds	7,716	5.26
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	4,167	1.17
Opportunistic Debts	13,058	0.10
Other Fixed Income (Funds)	915,523	5.61
Derivative Instruments	12	8.99
Total Fixed Income Securities	$ 3,604,582	

Note 6 – Cash and Short-Term Investments and Investments (Continued)

Highly Sensitive Investments

Highly sensitive investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include embedded options, coupon multipliers, benchmark indexes, and reset dates. LACERS asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of LACERS asset-backed investments by investment type (in thousands):

Investment Type	Fair Value
Asset-Backed Securities	$ 32,690
Commercial Mortgage-Backed Securities	80,488
Government Agencies	32,900
Government Mortgage-Backed Securities	370,472
Non-Government Backed C.M.O.s	4,167
Total Asset-Backed Investments	$ 520,717

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. LACERS Asset Allocation policy sets a target of 29% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

Note 6 – Cash and Short-Term Investments and Investments (Continued)

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2015, which represent 28.8% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivative Instruments	Other Investments	Total Fair Value in USD
Argentine peso	$ 29	$ -	$ -	$ -	$ -	$ 29
Australian dollar	222	168,315	-	6	-	168,543
Brazilian real	217	57,700	1,266	139	-	59,322
British pound sterling	3,439	694,752	-	(49)	5,535	703,677
Canadian dollar	1,366	182,977	-	51	-	184,394
Chilean peso	(769)	4,441	-	69	-	3,741
Colombian peso	(1,809)	1,333	-	95	-	(381)
Czech koruna	97	1,604	-	-	-	1,701
Danish krone	123	86,740	-	-	-	86,863
Egyptian pound	-	4,421	-	-	-	4,421
Euro	(1,082)	952,482	135	59	79,452	1,031,046
Hong Kong dollar	632	243,384	-	14	-	244,030
Hungarian forint	1,212	622	-	38	-	1,872
Indian rupee	2,437	55,311	-	-	-	57,748
Indonesian rupiah	(284)	17,023	941	3	-	17,683
Israeli New shekel	(2,409)	12,458	-	7	-	10,056
Japanese yen	4,421	702,850	-	95	-	707,366
Malaysian ringgit	61	15,646	-	-	-	15,707
Mexican peso	2,480	31,192	5,825	36	-	39,533
New Taiwan dollar	(2,933)	88,582	-	(6)	-	85,643
New Zealand dollar	59	4,120	-	-	-	4,179
Norwegian krone	387	29,220	-	-	-	29,607
Peruvian nuevo sol	(1,830)	-	-	3	-	(1,827)
Philippine peso	(773)	21,011	370	8	-	20,616
Polish zloty	3,666	9,072	-	8	-	12,746
Qatari rial	-	1,119	-	-	-	1,119
Russian ruble	603	6,032	-	28	-	6,663
Singapore dollar	802	48,305	-	202	-	49,309
South African rand	(2,761)	62,927	-	2	-	60,168
South Korean won	48	110,290	-	(1)	-	110,337
Swedish krona	251	95,306	-	-	-	95,557
Swiss franc	202	332,108	-	(25)	-	332,285
Thai baht	(4,170)	31,418	-	131	-	27,379
Turkish lira	13	16,940	-	8	-	16,961
United Arab Emirates dirham	-	2,944	-	-	-	2,944
Total Investments Held in Foreign Currency	$ 3,947	$ 4,092,645	$ 8,537	$ 921	$ 84,987	$ 4,191,037

Note 7 – Securities Lending Agreement

Under authority granted by City Charter, LACERS has entered into various short-term arrangements with its custodian to lend securities to various brokers. The custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

Minimum collateralization is 102% of the fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government and corporate securities, and commercial bank obligations. Cash collateral is invested in a separate account comprised of money market or high quality short and intermediate term investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of LACERS.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. LACERS is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify LACERS as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending.

These agreements provide for the return of the securities and revenue determined by the type of collateral received. The cash collateral values of securities on loan to brokers are shown at their fair values on the Statement of Fiduciary Net Position.

As of June 30, 2015, LACERS had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to LACERS as defined in GASB Statement No. 28 and GASB Statement No. 40 by its participation in the securities lending program. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities. The value of the invested collateral may fall below the value of the cash collateral pledged by the borrowers, and may impair LACERS ability to return cash collateral to the borrowers upon the redemption of loans. In this event, LACERS would be required to make up the deficiency in collateral and would incur a loss.

All securities loans can be terminated on demand by either LACERS or the borrower. Because of this nature, their duration did not generally match the duration of the investment made with the cash collateral. LACERS cannot pledge or sell non-cash collateral unless the borrower defaults.

The following table represents the fair value of securities on loan and cash/non-cash collateral received as of June 30, 2015 (in thousands):

Securities on Loan	Fair Value of Securities on Loan	Cash/Non-Cash Collateral Received
U.S. Government and Agency Securities	$ 236,192	$ 241,151
Domestic Corporate Fixed Income Securities	166,835	170,334
International Fixed Income Securities	44,701	47,360
Domestic Stocks	443,176	452,637
International Stocks	534,503	574,504
Total	$ 1,425,407	$ 1,485,986

Note 7 – Securities Lending Agreement (Continued)

As of June 30, 2015, the fair value of the securities on loan was $1,425,407,000. The fair value of associated collateral was $1,485,986,000 ($830,924,000 of cash collateral and $655,062,000 of non-cash collateral, respectively). Non-cash collateral, which LACERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. LACERS income and expenses related to securities lending were $6,395,000 and $958,000, respectively, for the year ended June 30, 2015.

Note 8 – Future and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Future and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Future contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (refer to Note 6 – Credit Risk - Derivatives on pages 38 and 39).

As of June 30, 2015, LACERS had outstanding commodities and equity index future contracts with an aggregate notional amount of $65,446,000, and foreign exchange and interest rate future contracts with an aggregate negative notional amount of $50,225,000 due to their short position. In addition, at June 30, 2015, LACERS had outstanding forward purchase commitments with a notional amount of $99,305,000 and offsetting forward sales commitments with notional amounts of $99,305,000, which expire through April 2016. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $99,642,000 as of June 30, 2015.

Note 9 – Commitments and Contingencies

As of June 30, 2015, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $936,038,000.

The Patient Protection and Affordable Care Act (PPACA) of 2010 contains a provision that would impose a 40% excise tax on the annual value of health plan costs that exceed certain dollar thresholds beginning in 2018. If there is no change in the law or LACERS plan provisions between now and 2018, and if the current medical cost trend stays substantially the same during the same period, some of LACERS postemployment health care benefits will be subject to the excise tax in 2018 and thereafter. Recently released GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, Accounting and *Financial Reporting for Postemployment Benefits Other Than Pensions* require the inclusion of the excise tax in the liability. The Statement No. 74 is effective for fiscal year beginning after June 15, 2016 for plan reporting, and the Statement No. 75 is effective for fiscal year beginning after June 15, 2017 for employer reporting. The impact of potential excise tax imposed by the Affordable Care Act and related statues on certain health plans in calculating the contribution rates for the employer have not yet reflected in the valuation for fiscal year June 30, 2015.

Note 10 – Subsequent Events

Date of Management's Review

The potential for subsequent events was evaluated through November 30, 2015, which was the date of management's review.

Rescinding of Tier 2 and Establishment of New Tier (Tier 3) of Members

New hires on or after July 1, 2013 became Members of LACERS Tier 2, pursuant to an ordinance adopted in October 2012. However, on July 28, 2014, the City Employee Relations Board ordered that the City rescind the implementation of Tier 2. As announced by the City in August 2015, the City and the Coalition of Los Angeles City Unions representing more than half City's civilian workforce had reached a tentative contract agreement, which, in effect, will rescind the Tier 2 and create a new tier of benefits, among other things. The effective date of the new benefit tier and the conversion of Members in Tier 2 to Tier 1 will be established in an Ordinance yet to be adopted by the City Council as of November 30, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan
(Dollars in Thousands)

The schedules included in the Required Supplementary Information for the Retirement Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, Los Angeles City Employees' Retirement System (LACERS, or the System) presented information only for those years for which information is available:

1) Schedule of Net Pension Liability
2) Schedule of Changes in Net Pension Liability and Related Ratios
3) Schedule of Investment Returns

Additional years will be displayed in the future as they become available.

Schedule of Net Pension Liability

	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan Fiduciary Net Position	(11,920,570)	(11,791,079)	(10,154,486)
Plan's Net Pension Liability	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.5%	72.6%	68.2%

Note to Schedule:

Refer to the note to the Schedule of Changes in Net Pension Liability and Related Ratios.

Required Supplementary Information
Retirement Plan
(Dollars in Thousands)

Schedule of Changes in Net Pension Liability and Related Ratios[1]

	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability			
Service cost	$ 322,380	$ 317,185	$ 312,372
Interest	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(135,821)	(164,247)	(235,829)
Changes of assumptions	-	785,439	-
Benefit payments, including refunds of Member contributions	(740,567)	(721,153)	(701,400)
Net change in total pension liability	661,143	1,367,190	487,704
Total pension liability-beginning	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position			
Contributions-Employer	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	202,463	203,975	197,722
Net investment income	306,980	1,810,782	1,268,939
Benefit Payments, including refunds of Member contributions	(740,567)	(721,153)	(701,400)
Administrative expense	(15,860)	(12,372)	(13,281)
Other (Transfer to Larger Annuity Reserve)	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	70.5%	72.6%	68.2%
Covered-employee payroll	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered-employee payroll	271.8%	247.3%	272.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Postemployment Health Care, Family Death, and Larger Annuity Benefits.

Note to Schedule:

Changes of Assumptions: The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability for fiscal year ended on June 30, 2014 primarily is due to the lowered assumed investment rate of return, from 7.75% to 7.50%, and longer assumed life expectancies for Members and beneficiaries.

(Dollars in Thousands)

Schedule of Contribution History

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered-Employee Payroll[(1)]	Contributions as a Percentage of Covered-Employee Payroll
2006	$227,741	$227,741	$ -	$1,602,620	14.2%
2007	277,516	277,516	-	1,646,056	16.9
2008	288,119	288,119	-	1,741,850	16.5
2009	274,555	274,555	-	1,832,796	15.0
2010	258,643	258,643	-	1,827,864	14.2
2011	303,561	303,561	-	1,678,059	18.1
2012	308,540	308,540	-	1,715,197	18.0
2013	346,181	346,181	-	1,736,113	19.9
2014	357,649	357,649	-	1,802,931	19.8
2015	381,141	381,141	-	1,835,637	20.8

(1) Covered-employee payroll presented in this schedule represents the pensionable payroll of all participating employees.

Notes to Schedule:

Valuation Date 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.

Methods and Assumptions Used to Determine Contribution Rates:

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

Amortization Method: Level Percent of Payroll – assuming a 4.0% increase in total covered payroll.

Amortization Period: Multiple layers – closed amortization period.
Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 years.

Asset Valuation Method: Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

Actuarial Assumptions:

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation assumption at 3.25%.

Inflation: 3.25%

Real Across-the-Board Salary Increase: 0.75%

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases[1]	Ranges from 4.40% to 10.50% based on years of service.
Cost of Living Adjustment[2]	Tier 1: 3.0% Tier 2: 2.0%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

(1) Includes inflation at 3.25% as of June 30, 2015, plus across-the-board salary increase of 0.75% plus merit and promotional increases.

(2) Actual increases are contingent upon Consumer Price Index (CPI) increases with a 3.0% maximum for Tier 1 and a 2.0% maximum for Tier 2.

Schedule of Investment Returns

	Fiscal Year 2015	Fiscal Year 2014
Annual money-weighted rate of return, net of investment expenses	2.6%	18.2%

Note to Schedule:

Current fiscal year’s rate of investment return is much lower compared to the prior fiscal year; it reflects the impact of divergent (and volatile) global markets on LACERS investment portfolio over the reporting period.

Required Supplementary Information
Postemployment Health Care Plan
(Dollars in Thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2010	$1,425,726	$2,233,874	$808,148	63.8%	$1,817,662	44.5%
June 30, 2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
June 30, 2012	1,642,374	2,292,400	650,026	71.6	1,819,270	35.7
June 30, 2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
June 30, 2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
June 30, 2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	$ 96,511	100%
2011	107,396	100
2012	115,209	100
2013	72,916	100
2014	97,841	100
2015	100,467	100

Note 1 – Description

The historical trend information about LACERS is presented as required supplementary information. The information is intended to help users assess the funding status of the Postemployment Health Care Plan on a going concern basis and to assess progress made in accumulating assets by paying benefits when due. The Board of Administration (the Board) decided to comply with the requirements in GASB Statements No. 43 and No. 45 for the actuarial valuation of the Postemployment Health Care Plan as of June 30, 2005. As the annual required contribution (ARC) for fiscal year ended June 30, 2006, was determined prior to the June 30, 2005 valuation, it was not calculated using all the parameters required by GASB Statements No. 43 and No. 45.

Note 2 – Significant Factors Affecting Trend in Actuarial Information and Employer Contributions

On October 28, 2014, the Board adopted assumption changes as a result of the June 30, 2014 Experience Study, including a lowered investment return assumption of 7.50%, from 7.75%, and longer life expectancies of LACERS Members and beneficiaries. The cost impact of these assumption changes amounts to $135 million, which will cause the City contribution rate to increase by approximately 0.48% of pay for 20 years, pursuant to the amortization policy modified by the Board on September 9, 2014.

Under the current seven-year Asset Smoothing method used in the actuarial valuation process, the full impact of market fluctuations is spread over seven years. As a result, the actuarial value of assets and the City contributions are more stable from year to year. The total unrecognized investment gain as of June 30, 2015 is $229,171,000 for the assets for Retirement, Health, Family Death, and Larger Annuity benefits. This deferred gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. Because of the deferred gain, the City contribution rates will fall in the next few years if the investment returns match the 7.5% assumption and all other assumptions are met.

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SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2015
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 8,686	$ 1,860	$ 10,546
Employee Development and Benefits	3,681	788	4,469
Total Personnel Services	12,367	2,648	15,015
Professional Services:			
Actuarial	284	61	345
Audit	71	15	86
Legal Counsel	837	179	1,016
Disability Evaluation Services	162	35	197
Retirees Health Administrative Consulting	-	517	517
Benefit Payroll Processing	164	35	199
Total Professional Services	1,518	842	2,360
Information Technology:			
Computer Hardware and Software	446	96	542
Computer Maintenance and Support	134	29	163
Total Information Technology	580	125	705
Leases:			
Office Space	738	157	895
Office Equipment	22	5	27
Total Leases	760	162	922
Other Expenses:			
Fiduciary Insurance	30	7	37
Educational and Due Diligence Travel	37	8	45
Office Expenses	492	105	597
Depreciation and Amortization	162	35	197
Total Other Expenses	721	155	876
Total Administrative Expenses	$ 15,946	$ 3,932	$ 19,878

Schedule of Investment Fees and Expenses
For the Year Ended June 30, 2015
(In Thousands)

	Assets Under Management	Fees and Expenses
Retirement Plan		
Investment Management Fees:		
Fixed Income Managers	$ 3,057,517	$ 4,468
Equity Managers	6,872,722	16,703
Subtotal Investment Management Fees	9,930,239	21,171
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	562
Real Estate Consulting Fees	N/A	177
Other Consulting Fees	N/A	343
Investment Related Administrative Expenses	N/A	1,049
Subtotal Other Investment Fees and Expenses	N/A	2,131
Postemployment Health Care Plan		
Investment Management Fees:		
Fixed Income Managers	547,065	957
Equity Managers	1,229,699	3,578
Subtotal Investment Management Fees	1,776,764	4,535
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	120
Real Estate Consulting Fees	N/A	38
Other Consulting Fees	N/A	73
Investment Related Administrative Expenses	N/A	225
Subtotal Other Investment Fees and Expenses	N/A	456
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$ 11,707,003	$ 28,293
Private Equity Managers' Fees and Expenses:		
Retirement Plan	$ 1,133,226	$ 16,733
Postemployment Health Care Plan	202,762	3,584
Total Private Equity Managers' Fees and Expenses	$ 1,335,988	$ 20,317
Real Estate Managers' Fees and Expenses:		
Retirement Plan	$ 556,385	$ 11,519
Postemployment Health Care Plan	99,551	2,467
Total Real Estate Managers' Fees and Expenses	$ 655,936	$ 13,986

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Investment

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Report on Investment Activity

December 7, 2015

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

Dear Members of the Board:

Presented below is a summary report of the Fund's investment activities for the fiscal year 2014-2015.

Market Overview

The global financial markets produced mixed performance results for the fiscal year, experiencing moderate market volatility due to economic and political developments around the world. During the first quarter of the fiscal year, U.S. stocks posted slight positive returns as macroeconomic data remained supportive. Merger and acquisition activities in the healthcare and information technology sectors as well as growth in consumer spending helped to balance losses in the energy, utilities, and industrials sectors. Non-U.S. stocks retreated due to weaker economic data and worries over geopolitical tension. The broader fixed income markets behaved inconsistently: U.S. treasuries, the U.K. gilt and German bund experienced price appreciation, investment grade bonds held their value, and high-yield bonds traded downward.

Equity markets were mixed in the second quarter. U.S. stocks performed well, supported by strong economic data, continued strength in the labor market, and static interest rates. Oil prices fell sharply during this period, particularly following OPEC's decision not to reduce output, leading to hopes of a stronger consumer-led U.S. recovery. Non-U.S. stocks continued to decline based on geopolitical uncertainties and slower growth. Fixed income strategies generated positive gains in a stable interest rate environment.

In the third quarter, U.S. stocks continued to produce modest positive returns as investors were encouraged by a delayed interest rate hike despite a strengthening U.S. dollar and disappointing corporate earnings. Non-U.S. stocks performed well as the European Central Bank announced its own quantitative easing plans. Japanese equities gained ground with positive corporate earnings and potential for further stimulus from the Bank of Japan. In addition, emerging markets began to rebound after several quarters of negative returns. Conversely, fixed income yields remained compressed due to moderate global growth projections.

U.S. stocks closed slightly higher in the fourth quarter amid improving employment conditions. Outside the U.S., Eurozone stocks retreated as debt negotiations between the European Central Bank and Greece broke down. Japanese stocks posted strong performance, driven by continued positive corporate earnings. Emerging markets continued to move upward, led by positive economic reforms occurring in India and Indonesia. Fixed income yields rose as the Federal Reserve Bank announced intentions for an interest rate hike later in the calendar year.

While global financial markets ended the fiscal year in mixed territory, the Fund was well-diversified and recorded moderate positive performance for the fiscal year.

Investment Performance

LACERS primary investment objective is to maximize the return of the portfolio at a prudent level of risk to meet the obligations of the System. The Fund is managed on a total return basis over a long-term investment horizon. While the System recognizes the importance of capital preservation, it also recognizes that varying degrees of investment risk are generally rewarded with commensurate returns. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification, which is achieved through the System's strategic asset allocation policy.

LACERS investments are reported at fair value. The total portfolio was $14.1 billion on June 30, 2015, an increase of $0.2 billion over the prior fiscal year. The Fund realized a 2.8% (gross of fees) return for the fiscal year. Individual asset class gross returns were: U.S. equity, 7.5%; non-U.S. equity, -4.2%; core fixed income, 1.6%; credit opportunities, -0.6%; private equity, 9.7%; and real assets, 7.7%.

The total portfolio outperformed its policy benchmark by 42 basis points for the fiscal year, benefiting from the strong relative performance of U.S. publicly traded equity, non-U.S. publicly traded equity, and real assets, which outperformed their benchmarks by 21, 104, and 257 basis points, respectively.

The Investment Results table presented on page 61 provides a summary of time-weighted rates of return based on fair value of assets by asset classes and for total fund.

Policies, Procedures and Guidelines

During the fiscal year, the Board of Administration reviewed the Fund's strategic asset allocation, taking into consideration long term capital markets assumptions and the Fund's expected stream of benefits payments. The Board elected to maintain the target asset allocation originally adopted in January 2012. Furthermore, the Board of Administration began a comprehensive review of the LACERS Investment Policy, which is expected to be completed in the next fiscal year.

Investment Manager Contract Awards and Renewals

As presented in the table on page 62, contracts with 10 investment managers of publicly traded securities were awarded or renewed during the fiscal year: Four with U.S. equity managers, three with fund-of-funds emerging managers, one with a U.S. REIT manager, one with a commodities manager, and one with a U.S. bank loans manager.

Private Investments

LACERS approved 19 private equity and venture capital partnerships totaling $365 million of committed capital, and five real estate partnership totaling $160 million of committed capital, as presented in the table on page 62.

Investment Services

As summarized in the table on page 63, the Board of Administration approved new three-year contracts for the bank custodian and for the proxy voting agent.

Respectfully submitted,

Rodney L. June
Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2014-2015

The Los Angeles City Employees' Retirement System's (LACERS, or the System) general investment goals are consistent with the City Charter citations and State Constitution and are stated below:

- The overall goal of the System's investment assets is to provide plan participants with post-retirement benefits as set forth in the System documents. This will be accomplished through a carefully planned and executed investment program.
- The System's investment program shall comply, at all times, with existing and future applicable City, state and federal regulations. Investment performance data is calculated in conformance with Global Investment Performance Standards (GIPS).
- All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
- The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System's investment performance.
- Investment actions are expected to comply with "prudent person" standards as described: "…with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

Investment Results

Annualized asset class investment returns compared to policy benchmarks:

Asset Class / Benchmark	Annualized(1) (gross of fees)		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	**7.5**	**18.1**	**17.5**
Russell 3000	7.3	17.7	17.5
Non-U.S. Equity	**-4.2**	**11.6**	**9.1**
MSCI ACWI ex U.S.	-5.3	9.4	7.8
Private Equity	**9.7**	**13.3**	**14.1**
Russell 3000 plus 300 bps	10.5	21.3	21.4
Core Fixed Income(2)	**1.6**	**3.2**	**--**
Barclays U.S. Aggregate	1.9	2.1	--
Credit Opportunities(3)	**-0.6**	**--**	**--**
Credit Opportunities Blend(4)	-0.1	--	--
Real Assets	**7.7**	**10.1**	**10.4**
CPI plus 5%	5.1	6.3	6.8
LACERS Total Fund	**2.8**	**11.6**	**11.5**
LACERS Policy Benchmark	2.4	10.9	11.4

(1) Time-weighted rate of return based on fair value of assets for all asset classes.
(2) Fixed income mandate changed from core-plus to core on July 1, 2012. Returns reflect core mandate only.
(3) Initial funding of this asset class occurred in the second quarter of 2013.
(4) 65% Barclays U.S. Corp High Yield 2% Capped/35% JP Morgan EMBI-Global Diversified.

Investment Contract Activity

Contracts with investment managers of publicly traded securities awarded/renewed/extended:

Firms	Mandate
Attucks Asset Management LLC	Fund-of-Funds of Emerging Managers
Capital Prospects Asset Management LLC	Fund-of-Funds of Emerging Managers
CenterSquare Investment Management, Inc.	Active U.S. REIT
CoreCommodity Management, LLC	Active Long-Only Commodities
Donald Smith & Co., Inc.	Active U.S. Small Cap Value Equities
EAM Investors, LLC	Active U.S. Small Cap Growth Equities
Panagora Asset Management, Inc.	Active U.S. Small Cap Value Equities
Progress Investment Management Co., LLC	Fund-of-Funds of Emerging Managers
Sankaty Advisers, LLC	Active U.S. Bank Loans
Thomson Horstmann & Bryant, Inc.	Active U.S. Small Cap Core Equities

New private equity and real estate partnerships:

Investment Funds	Mandate
ABRY Partners VIII, L.P.	Private Equity – Buyout
American Securities Partners VII, L.P.	Private Equity – Buyout
Baring Asia Private Equity Fund VI, L.P.	Private Equity – Buyout
BDCM Opportunity Fund IV, L.P.	Private Equity – Distressed Debt
Clarion Lion Industrial Trust	Real Estate – Core
Encap Energy Capital Fund X, L.P.	Private Equity – Special Situations
Gerrity Retail Fund 2, L.P.	Real Estate – Value Add
Glendon Opportunities Fund, L.P.	Private Equity – Special Situations
Hellman & Friedman Capital Partners VIII, L.P.	Private Equity – Buyout
Insight Venture Partners IX, L.P.	Private Equity – Venture
Institutional Venture Partners XV, L.P.	Private Equity – Venture
Jamestown Premier Property Fund, L.P.	Real Estate – Core
Morgan Stanley Prime Property Fund, LLC	Real Estate – Core
New Enterprise Associates 15, L.P.	Private Equity – Venture
New Water Capital Partners, L.P.	Private Equity – Special Situations
NGP Natural Resources XI, L.P.	Private Equity – Special Situations
Oaktree Opportunities Fund X, L.P.	Private Equity – Distressed Debt
Oaktree Opportunities Fund Xb, L.P.	Private Equity – Distressed Debt
Principal U.S. Property Separate Account	Real Estate – Core
SG Growth Partners III, L.P.	Private Equity – Venture
Spire Capital Partners III, L.P.	Private Equity – Buyout
TA XII-A, L.P.	Private Equity – Buyout
Thoma Bravo Special Opportunities Fund II, L.P.	Private Equity – Buyout
Wynnchurch Capital Partners IV, L.P.	Private Equity – Special Situations

Investment Contract Activity

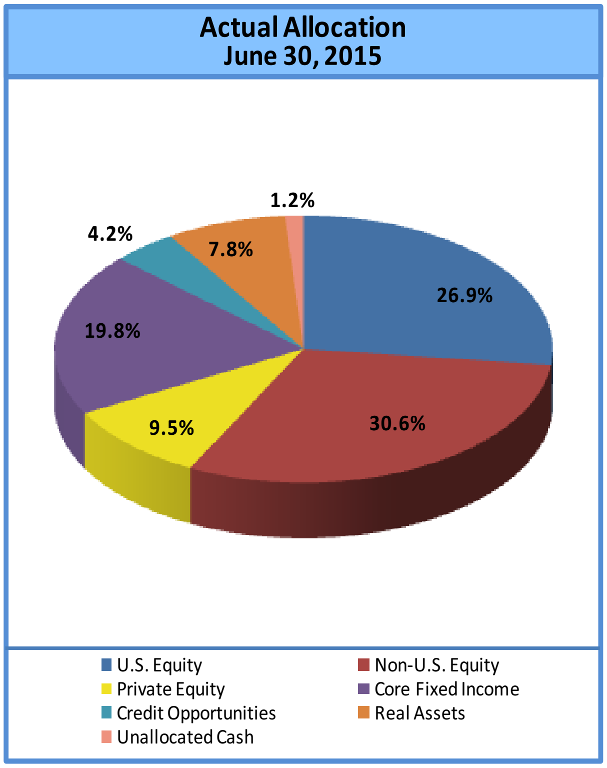
Contracts with investment service provider awarded/renewed/extended:

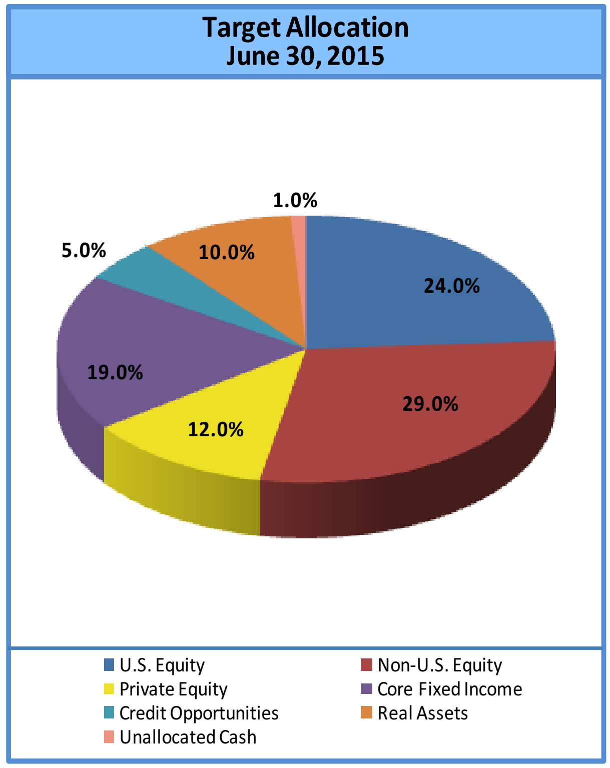
Investment Services	Type of Service
Institutional Shareholder Services, Inc.	Proxy Voting and Analysis Services
The Northern Trust Company	Master Custody Services
	Securities Lending Services
	Compliance Analyst Service
	Risk Services
	Integrated Disbursement Service
	Private Monitor Analytical Services

Asset Allocation
As of June 30, 2015

	Actual		Target
U.S. Equity	26.9%	U.S. Equity	24.0%
Non-U.S. Equity	30.6	Non-U.S. Equity	29.0
Private Equity(1)	9.5	Private Equity	12.0
Core Fixed Income	19.8	Core Fixed Income	19.0
Credit Opportunities	4.2	Credit Opportunities	5.0
Real Assets	7.8	Real Assets	10.0
Unallocated Cash	1.2	Unallocated Cash	1.0
Total	100.0%	**Total**	100.0%

(1) The underweight to Private Equity is allocated to U.S. Equity. Private Equity cannot be rebalanced on demand since the general partners control the timing of funding and distributions.





List of Largest Assets Held by Fair Value

Displayed below are the ten largest holdings in each asset class along with their fair and share/par values as of June 30, 2015. A complete listing of the System's top 100 holdings is available on www.LACERS.org.

Largest U.S. Equity Holdings(1)

	Shares	Asset Description	Fair Value (in US$)
1.	920,776	Apple Inc.	$ 115,488,282
2.	1,257,067	Microsoft Corp.	55,499,491
3.	648,127	Exxon Mobil Corp.	53,924,180
4.	445,882	Johnson & Johnson	43,455,669
5.	615,068	JP Morgan Chase & Co.	41,677,029
6.	1,422,195	General Electric.	37,787,718
7.	662,141	Wells Fargo & Co	37,238,815
8.	259,478	Berkshire Hathaway Inc.	35,317,552
9.	1,028,055	Pfizer Inc	34,470,677
10.	654,265	Verizon Communications	30,495,279
		Total	$ 485,354,692

Largest Non-U.S. Equity Holdings(1)

	Shares	Asset Description	Fair Value (in US$)
1.	746,608	Novartis AG	$ 73,618,241
2.	592,172	Nestle SA	42,770,970
3.	135,804	Roche Hldgs AG	38,072,493
4.	263,569	Bayer AG	36,870,092
5.	3,162,339	HSBC Hldgs	28,353,412
6.	4,114,026	AIA Group	26,931,373
7.	268,744	Sanofi	26,422,107
8.	464,267	British American Tobacco	24,934,714
9.	18,452,769	Lloyds Banking Group	24,737,218
10.	1,452,085	ING	23,961,294
		Total	$ 346,671,914

(1) The U.S. Equity and Non-U.S. Equity holdings represent the fair value of LACERS separate accounts and the fair value of LACERS ownership in mutual fund-like accounts.

List of Largest Assets Held by Fair Value

Largest U.S. Fixed Income Holdings[1]

	Par Value	Asset Description	Fair Value (in US$)
1.	61,000,000	United States Treas Bills Due 09-15-2015	$ 61,001,830
2.	39,033,757	United States Treas Bds Dtd 08-15-1993 6.25% Due 08-15-2023	47,889,120
3.	55,820,025	United States Treas Nts Dtd 2.625% Due 08-15-2020	47,391,544
4.	25,332,000	United States Treas Bds Index Linked 2.00% Due 01-15-2026	34,663,487
5.	28,824,000	United States Treas Infl Indexed Treas Bd 0.625% 01-15-2024	29,723,551
6.	49,806,474	United States Treas Nts Dtd 11-15-2014 2.25% Due 11-15-2024	29,254,104
7.	37,739,857	United States Treas Nts 0.50% Due 07-31-2016	28,934,661
8.	20,880,826	United States Treas Bds 5.50% Due 08-15-2028	25,279,547
9.	16,822,000	United States Treas Infl Indexed Bonds 2.375% Due 01-15-2025	24,837,804
10.	23,205,000	FNMA Single Family Mortgage 4.00% 30 Years Settles July	24,585,233
		Total	$ 353,560,881

Largest Non-U.S. Fixed Income Holdings[1]

	Par Value (in local currency)	Asset Description	Fair Value (in US$)
1.	5,850,000	Pvtpl Macquarie Bk Ltd 1.65% Due 03-24-2017	$ 5,869,779
2.	5,136,212	Pvtpl British Airways Pass Thru Tr 2013-1A 4.625% Due 06-20-2024	5,418,703
3.	6,174,634	CNOOC Fin 2013 Ltd 3.00% Due 05-09-2023	5,395,765
4.	765,000	Mexico (Utd Mex St) 7.25% Mbonos 12-15-2016	5,118,842
5.	5,080,000	Anz New Zealand Intl Ltd Medium Term 1.40% Due 04-27-2017	5,085,791
6.	5,035,936	Toronto Dominion Bk Sr Medium Term Bk Nt 1.50% 09-09-2016	4,945,384
7.	4,810,000	Pvtpl Deutsche Telekom Intl Fin B V Nt 2.25% Due 03-06-2017	4,865,560
8.	5,489,709	Actavis Funding Scs Fixed 3.80% Due 03-15-2025	4,400,542
9.	4,449,570	Toyota Mtr Cr Corp 2.10% Due 01-17-2019	4,060,376
10.	4,259,083	Ingersoll-Rand 3.55% Due 11-01-2024	4,017,419
		Total	$ 49,178,161

(1) The U.S. Fixed Income and Non-U.S. Fixed Income holdings represent the fair value of LACERS separate accounts and the fair value of LACERS ownership in mutual fund-like accounts.

Schedule of Fees

(In Thousands)

	2015 Assets Under Management	Fees	2014 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	$ 3,604,582	$ 5,425	$ 2,875,052	$ 4,298
Equity Managers	8,102,421	20,281	8,617,415	19,135
Real Estate Managers	655,936	13,986	705,573	9,992
Private Equity Managers	1,335,988	20,317	1,262,319	20,145
Total	$ 13,698,927	$ 60,009	$ 13,460,359	$ 53,570
Investment Consulting Fees	N/A	$ 1,313	N/A	$ 1,443
Investment Related Administrative Expense	N/A	1,274	N/A	1,176
Total	N/A	$ 2,587	N/A	$ 2,619

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	$/Share
1.	J.P. Morgan Clearing Corp.	1,402,823,935	$ 518,143	$ 0.0004
2.	Morgan Stanley and Co. International plc	49,824,943	173,011	0.0035
3.	State Street Brokerage Services	5,144,528	161,967	0.0315
4.	Citigroup Global Markets Inc.	54,034,760	161,521	0.0030
5.	Goldman, Sachs and Co.	66,665,804	143,126	0.0021
6.	UBS AG Stamford Branch	19,025,809	134,241	0.0071
7.	Merrill Lynch International Limited	65,359,297	133,902	0.0020
8.	Morgan Stanley and Co., LLC	43,950,647	119,005	0.0027
9.	The Northern Trust Company	107,214,447	217,090	0.0020
10.	Credit Suisse Securities (USA) LLC	37,484,272	99,699	0.0027
	Total	1,851,528,442	1,861,705	0.0010
	Total - Other Brokers	852,454,795	2,855,020	0.0033
	Grand Total(1)	2,703,983,237	$ 4,716,725	$ 0.0017

(1) OTC Brokers are excluded because there is no stated commission.

LACERS has commission recapture arrangements with brokerage firms. For the current fiscal year, LACERS recaptured a total of $4,210 commission credit from ConvergEx, of which none of the amount was directed to pay for any investment expenses.

Investment Summary
As of June 30, 2015

Type of investment	Fair Value	% of Total Fair Value	Domestic Fair Value	Foreign Fair Value
Fixed Income				
Government bonds	$ 935,406,548	6.44%	$ 753,507,909	$ 181,898,639
Government agencies	32,900,471	0.23	24,906,064	7,994,407
Municipal / provincial bonds	7,715,716	0.05	6,300,316	1,415,400
Corporate bonds	1,246,756,237	8.58	929,931,768	316,824,469
Bank loans	2,250,578	0.02	2,250,578	-
Government mortgage bonds	370,472,224	2.55	370,472,224	-
Commercial mortgage bonds	80,487,828	0.55	79,185,923	1,301,905
Opportunistic debts	13,057,811	0.09	885,353	12,172,458
Other fixed income (Common Funds Assets)	915,523,555	6.30	915,523,555	-
Derivative instruments	12,070	-	12,070	-
Total Fixed Income	**3,604,583,038**	**24.81**	**3,082,975,760**	**521,607,278**
Equities				
Common stock				
Basic industries	871,948,594	6.00	310,375,127	561,573,467
Capital goods industries	435,952,655	3.00	104,497,875	331,454,780
Consumer & services	1,810,896,757	12.46	641,087,328	1,169,809,429
Energy	548,866,915	3.78	232,679,066	316,187,849
Financial services	1,652,278,585	11.37	562,270,624	1,090,007,961
Health care	856,431,932	5.89	413,996,644	442,435,288
Information technology	851,058,272	5.86	531,018,630	320,039,642
Miscellaneous (Common Fund Assets)	1,029,709,528	7.09	1,018,708,595	11,000,933
Total Common Stock	**8,057,143,238**	**55.45**	**3,814,633,889**	**4,242,509,349**
Preferred stock	31,919,641	0.22	1,560,751	30,358,890
Stapled securities	11,656,176	0.08	-	11,656,176
Derivative instruments	1,702,139	0.01	986,382	715,757
Total Equities	**8,102,421,194**	**55.76**	**3,817,181,022**	**4,285,240,172**
Real Estate	**655,935,788**	**4.51**	**650,381,114**	**5,554,674**
Private Equity				
Acquisitions	807,145,233	5.56	707,735,205	99,410,028
Distressed debt	117,702,995	0.81	66,400,898	51,302,097
International acquisitions	103,779,999	0.71	22,914,039	80,865,960
Mezzanine	8,567,611	0.06	8,567,611	-
Venture capital	298,792,219	2.06	280,248,524	18,543,695
Total Private Equity	**1,335,988,057**	**9.20**	**1,085,866,277**	**250,121,780**
Security Lending Collateral	**830,923,367**	**5.72**	**741,874,024**	**89,049,343**
Total Fund(1)	**$ 14,529,851,444**	**100.00%**	**$ 9,378,278,197**	**$ 5,151,573,247**

(1) Total Fund includes securities lending, but excludes cash and cash equivalents and adjustments to cash.

Advisory/Consulting/Custody Services

Investment Advisors

U.S. Equity

AJO
Attucks Asset Management
BlackRock Institutional Trust Company
Donald Smith & Co.
Franklin Advisers
PanAgora Asset Management
Principal Global Investors
Rhumbline Advisers
Thomson Horstmann & Bryant

Non-U.S. Equity

AQR Capital Management
Axiom International Investors
Barrow, Hanley, Mewhinney & Strauss
Dimensional Fund Advisors
Lazard Asset Management
MFS Institutional Advisors
Oberweis Asset Management
Quantitative Management Associates
State Street Global Advisors

Fixed Income

LM Capital Group
Loomis Sayles & Company
Neuberger Berman
Robert W. Baird & Co.
State Street Global Advisors

Credit Opportunities

Aegon USA Investment Management
Franklin Advisers
Prudential Investment Management

Public Real Assets

CenterSquare Investment Management
CoreCommodity Management
Dimensional Fund Advisors
Hartford Investment Management Company

Cash & Short-Term

The Northern Trust Company

Real Estate

Almanac Realty
Apollo Global Real Estate
Bristol Group
Bryanston Realty Partners
Buchanan Street Partners
Canyon-Johnson Urban Funds
CB Richard Ellis
CIM Group
CityView
Colony Investors
Cornerstone Real Estate Advisors
DLJ Real Estate Capital Partners
DRA Advisors
Hancock Timber Resource Group
Heitman Value Partners
Hunt Realty Investments
Integrated Capital
Invesco Real Estate
JP Morgan Fleming
LaSalle Investment Management
Lone Star Funds
Lowe Hospitality
MacFarlane Partners
Mesa West Capital
Pacific Coast Capital Partners
Paladin Realty Partners
Phoenix Realty Group
Prudential Real Estate Investors
Realty Associates
RREEF
Stockbridge Real Estate
Torchlight Investors
Urban America
Urdang
Walton Street Real Estate

Private Equity

ABRY Partners
Acon-Bastion Partners
Advent International
AION Capital Partners
Alchemy Partners
American Securities
Angeleno Group
Apollo Management
Ares Management
Austin Ventures
Avenue Capital Group

Investment Advisors (Continued)

Private Equity (Continued)

Black Diamond Capital Management
Blackstone
Blue Sea Capital
Cardinal Health Partners (CHP)
Carlyle Group
Carpenter & Company
Charterhouse Capital Partners
Chisholm Partners
CHS Capital
CIE Management IX Ltd
Coller International Partners
Craton Equity Investors
CVC Capital Partners
DFJ Frontier
DFJ Growth 2013 Partners
EIG Global Energy Partners
Element Partners
Encap Energy Capital
Energy Capital Partners
Enhanced Equity
Essex Woodland Health Ventures
First Israel Mezzanine Investors (FIMI)
First Reserve Corporation
Glendon Capital Management
GTCR
Halifax Capital
Hellman & Friedman Investors
High Road Capital Partners
Hony Capital
Insight Venture
Institutional Venture Partners
The Jordan Company
JH Whitney & Co.
Kelso & Company
Khosla Ventures
KKR
KPS Investors
Leonard Green & Partners
Levine Leichtman Capital Partners
Lindsay Goldberg & Bessemer
Madison Dearborn Partners
Menlo Ventures
Nautic Partners
New Enterprises Associates
New Mountain Partners
Newbridge Asia
NGEN Partners
NGP Natural Resources
Nogales Investors
Nordic Capital
Oak HC/FT Partners
Oak Investment Partners
Oaktree Capital Management
Olympus Partners
Onex Partners
Palladium Equity Partners
Permira
Pharos Capital Partners
Platinum Equity
Polaris Venture Partners
Providence Equity Partners
Rustic Canyon/Fontis Partners
Saybrook Capital
Spark Capital
Spire Capital
SSG Capital Partners
St. Cloud Capital
StarVest Partners
StepStone Group
Sterling Partners
Stripes Group
TA Associates
Technology Crossover Ventures (TCV)
TCW/Crescent Mezzanine
Texas Pacific Group (TPG)
Thoma Bravo
Thoma Cressey
Thomas H. Lee Partners
Trident Capital
VantagePoint Venture Partners
Vestar Capital Partners
Vicente Capital Partners
Vista Equity Partners
Welsh, Carson, Anderson & Stowe
Weston Presidio
Yucaipa American Alliance

Consultants

Portfolio Advisors
The Townsend Group
Wilshire Associates

Custodian

The Northern Trust Company

Actuarial

Summary of Significant Valuation Results

	June 30, 2015	June 30, 2014	Change
I. Total Membership			
a. Active Members	23,895	24,009	(0.5) %
b. Pensioners and Beneficiaries	17,932	17,532	2.3 %
II. Valuation Salary			
a. Total Annual Payroll	$1,907,664,598	$1,898,064,175	0.5 %
b. Average Monthly Salary	6,653	6,588	1.0 %
III. Benefits to Current Retirees and Beneficiaries(1)			
a. Total Annual Benefits	$750,391,750	$716,556,070	4.7 %
b. Average Monthly Benefit Amount	3,487	3,406	2.4 %
IV. Total System Assets(2)			
a. Actuarial Value	$13,895,589,227	$12,935,503,398	7.4 %
b. Market Value	14,124,760,375	13,935,771,998	1.4 %
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	$5,182,835,002	$5,304,102,525	(2.3) %
b. Health Subsidy Benefits	538,064,716	721,628,343	(25.4) %

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

	FY 2016-2017(1)		FY 2015-2016(1)		Change	
VI. Budget Items	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
a. Retirement Benefits						
1. Normal Cost as a Percent of Pay	6.77%	1.52%	6.71%	1.44%	0.06 %	0.08 %
2. Amortization of UAAL	16.44%	16.44%	16.44%	16.44%	0.00 %	0.00 %
3. Total Retirement Contribution	23.21%	17.96%	23.15%	17.88%	0.06 %	0.08 %
b. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.33%	2.63%	3.46%	2.60%	(0.13) %	0.03 %
2. Amortization of UAAL	1.46%	1.46%	2.14%	2.14%	(0.68) %	(0.68) %
3. Total Health Subsidy Contribution	4.79%	4.09%	5.60%	4.74%	(0.81) %	(0.65) %
c. Total Contribution (a+b)	28.00%	22.05%	28.75%	22.62%	(0.75) %	(0.57) %

(1) Contributions are assumed to be made on July 15. The FY 2015-2016 contribution rates are after reflecting the five-year phase-in of the impact of the new actuarial assumptions adopted from the 2011 Experience Study. The phase-in adjustments no longer apply after FY 2015-2016.

	June 30, 2015	June 30, 2014	Change
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	69.4%	67.4%	2.0 %
b. Health Subsidy Benefits	79.7%	72.9%	6.8 %
c. Total	70.7%	68.1%	2.6 %
(Based on Market Value of Assets)			
d. Retirement Benefits	70.5%	72.6%	(2.1)%
e. Health Subsidy Benefits	81.0%	78.5%	2.5 %
f. Total	71.9%	73.4%	(1.5)%

	June 30, 2015	June 30, 2014	Change
VIII. Net Pension Liability(1)			
Total Pension Liability	$16,909,996,380	$16,248,853,099	4.1%
Plan Fiduciary Net Position	(11,920,570,019)	(11,791,079,473)	1.1%
Net Pension Liability	$ 4,989,426,361	$ 4,457,773,626	11.9%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.5%	72.6%	(2.1)%

(1) Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on page 79.

Segal Consulting

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Actuarial Certification

October 30, 2015

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

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

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

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

Segal prepared all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2015 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB, and in the Actuarial Section, is provided below:

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

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

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

Actuarial Certification (Continued)

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

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

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

Active Member Valuation Data

Member Population: 2006 – 2015

Year Ended June 30	Active Members(1)	Covered-Employee Payroll	Annual Average Pay(2)	Change in Annual Average Pay (%)
2006	28,839	$ 1,733,339,536	$ 60,104	3.4%
2007	30,175	1,896,609,013	62,854	4.6
2008	30,236	1,977,644,640	65,407	4.1
2009	30,065(3)	1,816,171,212(4)	65,632(4)	0.3
2010	26,245	1,817,662,284	69,257	5.5
2011	25,449	1,833,392,381	72,042	4.0
2012	24,917	1,819,269,630	73,013	1.3
2013	24,441	1,846,970,474	75,569	3.5
2014	24,009	1,898,064,175	79,056	4.6
2015	23,895	1,907,664,598	79,835	1.0

(1) Includes non-vested Members.
(2) Reflects annualized salaries for part-time Members.
(3) Before reclassifying the 2,393 Early Retirement Incentive Program (ERIP) electing active Members as retired under the program.
(4) After ERIP.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll(1)

Year Ended June 30	No. of New Retirees/ Beneficiaries	Annual Allowances Added(2)	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
2006	890	$ 42,821,079	642	$ 15,061,287	14,570	$455,712,924	6.5%	$ 31,277
2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6	32,127
2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4	33,546
2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9	34,812
2010	2,893(3)	144,594,918(3)	620	17,604,486	17,264	648,849,828	24.3	37,584
2011	528	24,282,965	595	16,585,589	17,197	656,547,204	1.2	38,178
2012	620	38,314,256	594	17,986,700	17,223	676,874,760	3.1	39,301
2013	772	40,966,952	633	18,776,770	17,362	699,064,942	3.3	40,264
2014	831	38,666,905	661	21,175,777	17,532	716,556,070	2.5	40,871
2015	1,083	55,849,106	683	22,013,426	17,932	750,391,750	4.7	41,847

(1) Does not include Family Death Benefit Plan Members. Table is based on valuation data.
(2) Includes the COLA granted in July.
(3) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Solvency Test

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retirees, Beneficiaries & Inactive/Vested	Active Members	Valuation Value of Assets	Active Member Contributions	Retirees, Beneficiaries & Inactive/Vested	Active Members
06/30/2006	$1,210,246	$5,149,385	$3,511,031	$7,674,999	100.0%	100.0%	37.5%
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700(1)	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009(2)	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0
06/30/2011	1,474,824	7,765,071	4,151,809	9,691,011	100.0	100.0	10.9
06/30/2012	1,625,207	7,893,684	4,875,068	9,934,959	100.0	100.0	8.5
06/30/2013	1,757,195	8,066,564	5,057,904	10,223,961	100.0	100.0	7.9
06/30/2014	1,900,068	8,700,896	5,647,889	10,944,751	100.0	100.0	6.1
06/30/2015	2,012,378	9,118,166	5,779,452	11,727,161	100.0	100.0	10.3

(1) Excludes assets transferred for Port Police.
(2) Based on revised June 30, 2009 valuation.

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2006	$ 7,674,999	$ 9,870,662	$ 2,195,663	77.8 %	$ 1,733,340	126.7 %
06/30/2007	8,599,700(1)	10,526,874	1,927,174	81.7	1,896,609	101.6
06/30/2008	9,438,318	11,186,404	1,748,086	84.4	1,977,645	88.4
06/30/2009(2)	9,577,747	12,041,984	2,464,237	79.5	1,816,171	135.7
06/30/2010	9,554,027	12,595,025	3,040,998	75.9	1,817,662	167.3
06/30/2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
06/30/2012	9,934,959	14,393,959	4,459,000	69.0	1,819,270	245.1
06/30/2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
06/30/2014	10,944,751	16,248,853	5,304,102	67.4	1,898,064	279.5
06/30/2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7

(1) Valuation value of assets is after excluding $5,269 of discounted Harbor Port Police assets transferred in October 2007.
(2) Based on revised June 30, 2009 valuation.

Actuarial Analysis of Financial Experience

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

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

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

(2) The breakdown of the net experience gain is as follows:

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

Actuarial Balance Sheet

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

(1) Market and actuarial values of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

Schedule of Changes in Net Pension Liability and Related Ratios[1]

(Dollars in Thousands)

	June 30, 2015	June 30, 2014	June 30, 2013
Total pension liability			
Service cost	$ 322,380	$ 317,185	$ 312,372
Interest	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(135,821)	(164,247)	(235,829)
Changes of assumptions	-	785,439	-
Benefit payments, including refunds of Member contributions	(740,567)	(721,153)	(701,400)
Net change in total pension liability	$ 661,143	$ 1,367,190	$ 487,704
Total pension liability - beginning	16,248,853	14,881,663	14,393,959
Total pension liability - ending (a)	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position			
Contributions - employer[2]	$ 381,141	$ 357,649	$ 346,181
Contributions - Member	202,463	203,975	197,722
Net investment income	306,980	1,810,782	1,268,939
Benefit payments, including refunds of Member contributions	(740,567)	(721,153)	(701,400)
Administrative expense	(15,860)	(12,372)	(13,281)
Other (transfer to Larger Annuity Reserve)	(4,666)	(2,288)	(2,514)
Net change in plan fiduciary net position	$ 129,491	$ 1,636,593	$ 1,095,647
Plan fiduciary net position - beginning	11,791,079	10,154,486	9,058,839
Plan fiduciary net position - ending (b)	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability - ending (a)-(b)	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability	70.5%	72.6%	68.2%
Covered-employee payroll	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered-employee payroll	271.8%	247.3%	272.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Postemployment Health Care, Family Death, and Larger Annuity Benefits.

The schedule is intended to show information for 10 years. However, a full 10-year trend is not available, and therefore, the System presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

(2) A full 10-year schedule of actuarially determined and actual contributions of employer (Schedule of Contribution History) is provided on page 48 as Required Supplementary Information in the Financial Section of the CAFR.

Note to Schedule:

Changes of assumptions: The June 30, 2014 total pension liability reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase in total pension liability from the changes of assumptions for fiscal year ended on June 30, 2014 is primarily due to the decrease in the assumed investment rate of return, from 7.75% to 7.50%, and longer life expectancies assumed for Members and beneficiaries.

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

(Dollars in Millions)

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

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

(2) Mainly attributable to employer contributions to fund each year's annual administrative expenses.

(3) Less than $1 million when rounded.

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

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

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

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

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

5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2015), plus employer contributions to the unfunded actuarial accrued liability (including an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003-04 and fiscal year 2004-05 under the old GASB Statements No. 25 and 27), plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur at the beginning of the year.

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

7. Column (d): Projected administrative expenses are calculated as approximately 0.13% of the projected beginning Plan Fiduciary Net Position. The 0.13% portion was based on the actual fiscal year 2014-15 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position as of July 1, 2014. Administrative expenses are assumed to occur halfway through the year, on average.

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

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

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this valuation is shown in Segal's July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 8, 2014. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 2 Members (refer to Note 10 – Subsequent Events on page 43 in Financial Section regarding the rescinding of Tier 2). The following assumptions used to value the Plan liabilities for funding purposes and for financial reporting purposes have been adopted by the Board:

Mortality Rates

After Service Retirement and all Beneficiaries

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

After Disability Retirement

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

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

Termination Rates before Retirement

Pre-Retirement Mortality

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

	Rate (%)	
Age	Disability	Termination(1)
25	0.01	5.75
30	0.03	5.75
35	0.05	4.85
40	0.09	3.50
45	0.15	2.70
50	0.19	2.50
55	0.20	2.35
60	0.20	2.25

(1) Rates for Members with five or more years of service. Termination rates are zero for Members eligible to retire.

Rates of termination for Members with less than five years of service are as follows:

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

Retirement Rates

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

Retirement Age and Benefit for Inactive Vested Participants

Pension benefit will be paid at the later of age 58 or the current attained age. For reciprocals, compensation increases of 4.40% per annum are assumed.

Exclusion of Inactive Members

All inactive participants are included in the valuation.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Unknown Data for Members

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

Percent Married/Domestic Partner

76% of male participants; 50% of female participants.

Age of Spouse

Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Service

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

Future Benefit Accruals

1.0 year of service per year.

Other Reciprocal Service

5% of future inactive vested Members will work at a reciprocal system.

Net Investment Return

7.50%(1)

(1) Net of investment expenses for funding and financial reporting purposes, and net of administrative expenses for funding purposes only.

Discount Rate

7.50%

Consumer Price Index (CPI)

Increase of 3.25% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2 (refer to Note 10 – Subsequent Events on page 43 in Financial Section regarding the rescinding of Tier 2).

Employee Contribution Crediting Rate

Based on average of 5-year Treasury note rate. An assumption of 3.25% is used to approximate that crediting rate in this valuation.

Salary Increases

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

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

Actuarial Cost Method

Entry Age Cost Method, level percent of salary.

Actuarial Value of Assets

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. The amortization method for the UAAL is a level percentage of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation). Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Funding Policy (Continued)

Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012.

The recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined by the then current GASB Statements 25 and 27. In particular, an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003-04 and fiscal year 2004-05 is included in the calculation of the recommended contribution.

Summary of Plan Provisions

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

Plan Year

July 1 through June 30

Census Date

June 30

Membership Eligibility

Tier 1

All employees who became Members of the Retirement System before July 1, 2013, and certain non-Tier 2 employees who became Members of the Retirement System on or after July 1, 2013.

Tier 2

All employees who became Members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the Los Angeles Administrative Code (refer to Note 10 – Subsequent Events on page 43 in Financial Section regarding the rescinding of Tier 2).

Normal Retirement Benefit

Tier 1

Age & Service Requirement (§ 4.1005(a))

- Age 70; or
- Age 60 with 10 years of continuous service; or
- Age 55 with at least 30 years of service.

Amount (§ 4.1007(a))

2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.

Tier 2

Age & Service Requirement (§ 4.1055(a))

- Age 70; or
- Age 65 with 10 years of continuous service.

Amount (§ 4.1055(a))

2.00% per year of service credit (not greater than 75%) of the Final Average Monthly Compensation.

Early Retirement Benefit

Tier 1

Age & Service Requirement (§ 4.1005(b))

- Age 55 with 10 years of continuous service; or
- Any age with 30 years of service.

Amount (§ 4.1007(b))

2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

Age	Factor
45	0.6250
50	0.7750
55	0.9250
60	1.0000

Summary of Plan Provisions (Continued)

Early Retirement Benefit (Continued)

Tier 2

Age & Service Requirement (§ 4.1055(b))

- Age 55 with 10 years of continuous service.

Amount (§ 4.1055(b))

Retirement Factor x years of service credit (not greater than 75%) x Final Average Monthly Compensation. Retirement Factors are as follows:

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

Service Credit (§ 4.1001(a) and § 4.1051(a))

Tier 1 and Tier 2:

The time component of the formula used by LACERS for purposes of calculating benefits.

Final Average Monthly Compensation

Tier 1 (§ 4.1001(b))

Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned bonuses or premium pay.

Tier 2 (§ 4.1051(b))

Equivalent of monthly average salary of highest continuous 36 months (three years); limited to base salary (excludes bonuses or premium pay).

Cost of Living Benefit

Tier 1 (§ 4.1022)

Based on changes to Los Angeles area Consumer Price Index, to a maximum of 3% per year; excess banked.

Tier 2 (§ 4.1069)

Based on changes to Los Angeles area Consumer Price Index, to a maximum of 2% per year; Member can purchase additional COLA not to exceed 1% per year (paid in full by Member)[1]; excess not banked.

(1) It is assumed that such discretionary purchases will only happen at retirement and the cost for such purchases by the Member is therefore not included in this valuation.

Death after Retirement

Tier 1 (§ 4.1010(c))

- 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of Member's death (or a designated beneficiary selected by Member at the time of retirement)[1]; and
- $2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

Tier 2 (§ 4.1060(c))

- If elected at retirement, a modified continuance to an eligible spouse, domestic partner, or designated beneficiary[1]; and
- $2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

(1) The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a continuance pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1062 (Tier 2).

Death before Retirement

Tier 1 (§ 4.1010(a))

Greater of:

Option #1:

- Eligibility – None.
- Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

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

Summary of Plan Provisions (Continued)

Death before Retirement (Continued)

Option #2:

- Eligibility – Duty-related death or after five years of service.
- Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

Tier 2 (§ 4.1060(a))

Option #1:

- Eligibility – None.
- Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

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

Option #2:

- Eligibility – Eligible for service retirement.
- Benefit – Modified continuance of service retirement benefit under 100% joint and survivor option to eligible spouse or domestic partner.

Member Normal Contributions

Tier 1 (§ 4.1003)

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

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

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

(1) The Member normal contribution rate will drop down to 6% afterwards.

Tier 2 (§ 4.1053)

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

Disability

Tier 1

Service Requirement (§ 4.1008(a))

Five years of continuous service

Amount[1] (§ 4.1008(c))

1/70 (1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

Tier 2

Service Requirement (§ 4.1058(a))

10 years of continuous service

Amount[1] (§ 4.1058(c))

1/90 (1.11%) of the Final Average Monthly Compensation per year of service.

(1) The benefit calculated using the service retirement formula will be paid if the Member is eligible and that benefit is greater than that calculated under the disability retirement formula.

Deferred Withdrawal Retirement Benefit (Vested)

Tier 1 (§ 4.1006)

Age & Service Requirement

- Age 70 with five years of continuous service; or
- Age 60 with five years of continuous service and at least 10 years elapsed from first date of membership; or
- Age 55 with at least 30 years of service.
- Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.

Amount

Normal Retirement Benefit (or refund of contributions and accumulated interest, if greater).

Summary of Plan Provisions (Continued)

Deferred Withdrawal Retirement Benefit (Vested) (Continued)

Tier 1 (§ 4.1006) (Continued)

Age & Service Requirement

- Age 55 with five years of continuous service and at least 10 years elapsed from first date of membership; or
- Age 55 with 10 years of continuous service.
- Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.

Amount

Early Retirement Benefit (or refund of contributions and accumulated interest, if greater).

Tier 2 (§ 4.1056)

Age & Service Requirement

- Age 70 with five years of continuous service; or
- Age 55 with five years of continuous service and at least 10 years elapsed from first date of membership; or
- Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership; or
- Deferred employee who meets part-time eligibility: age 70.

Amount

Early or Normal Retirement Benefit (or refund of contributions and accumulated interest, if greater).

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

None during July 1, 2014 to June 30, 2015.

Segal Consulting

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Actuarial Certification

October 30, 2015

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

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

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

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

Segal prepared all of the supporting schedules in the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2015 actuarial valuation. A listing of supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB Statements No. 43 and No. 45, and in the Actuarial Section, is provided below:

<u>Financial Section</u>
1) Schedule of Funding Progress
2) Schedule of Employer Contributions

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

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Actuarial Certification (Continued)

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

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements No. 43 and No. 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, and/or the American Academy of Actuaries, as well as other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Thomas Bergman, ASA, MAAA, EA
Associate Actuary

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

Active Member Valuation Data

Member Population: 2006 – 2015

Year Ended June 30	Active Members[(1)]	Covered-Employee Payroll	Annual Average Pay[(2)]	Change in Annual Average Pay (%)
2006	28,839	$ 1,733,339,536	$ 60,104	3.4%
2007	30,175	1,896,609,013	62,854	4.6
2008	30,236	1,977,644,640	65,407	4.1
2009	30,065[(3)]	1,816,171,212[(4)]	65,632[(4)]	0.3
2010	26,245	1,817,662,284	69,257	5.5
2011	25,449	1,833,392,381	72,042	4.0
2012	24,917	1,819,269,630	73,013	1.3
2013	24,441	1,846,970,474	75,569	3.5
2014	24,009	1,898,064,175	79,056	4.6
2015	23,895	1,907,664,598	79,835	1.0

(1) Includes non-vested Members.
(2) Reflects annualized salaries for part-time Members.
(3) Before reclassifying the 2,393 Early Retirement Incentive Program (ERIP) electing active Members as retired under the program.
(4) After ERIP.

Retirees and Beneficiaries Added to and Removed from Health Benefits

Year Ended June 30	No. of New Retirees/ Beneficiaries	Annual Allowances Added[(1)]	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
2006	Not Available							
2007	696	$ 8,660,848	497	$ 1,923,000	11,336	$ 66,602,200	11.3%	$ 5,875
2008	1,139	6,472,277	471	2,051,109	12,004	71,023,368	6.6	5,917
2009	376	5,542,283	487	2,697,150	11,893	73,868,501	4.0	6,211
2010	2,104[(2)]	23,010,841[(2)]	555	2,670,987	13,442	94,208,355	27.5	7,009
2011	431	5,670,390	437	2,774,684	13,436	97,104,061	3.1	7,227
2012	433	(540,583)	438	2,516,835	13,431	94,046,643	(3.1)	7,002
2013	635	9,263,844	474	2,463,967	13,592	100,846,520	7.2	7,420
2014	616	7,160,148	522	3,047,436	13,686	104,959,232	4.1	7,669
2015	860	10,844,333	534	3,174,045	14,012	112,629,520	7.3	8,038

(1) Also reflects changes in subsidies for continuing retirees and beneficiaries.
(2) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Solvency Test

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
Valuation Date	Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members	Valuation Value of Assets	Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members
06/30/2006	$ 24,363	$ 808,647	$ 897,789	$ 990,270	100%	100%	18%
06/30/2007	22,064	792,200	916,136	1,185,544	100	100	41
06/30/2008	25,933	849,972	1,052,138	1,342,920	100	100	44
06/30/2009(1)	26,182	1,118,520(2)	913,475	1,342,497	100	100	22
06/30/2010	34,455	1,124,254	1,075,166	1,425,726	100	100	25
06/30/2011	19,964	1,066,351	882,393	1,546,884	100	100	52
06/30/2012	24,454	1,083,168	1,184,778	1,642,374	100	100	45
06/30/2013	26,869	1,104,833	1,280,783	1,734,733	100	100	47
06/30/2014	41,188	1,196,769	1,424,896	1,941,225	100	100	49
06/30/2015	42,943	1,210,067	1,393,980	2,108,925	100	100	61

(1) Based on revised June 30, 2009 valuation.
(2) Includes liabilities for the 2,393 ERIP-electing Members.

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2006	$ 990,270	$1,730,799	$ 740,529	57.2 %	$ 1,733,340	42.7 %
06/30/2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
06/30/2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
06/30/2009	1,342,497	2,058,177	715,680	65.2	1,816,171	39.4
06/30/2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5
06/30/2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
06/30/2012	1,642,374	2,292,400	650,026	71.6	1,819,270	35.7
06/30/2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
06/30/2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0
06/30/2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2

Actuarial Analysis of Financial Experience

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

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

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

Actuarial Balance Sheet

Assets

1.	Actuarial value of assets	$ 2,108,924,651
2.	Present value of future normal costs	530,947,318
3.	Unfunded actuarial accrued liability	538,064,716
4.	Present value of current and future assets	$ 3,177,936,685

Liabilities

5.	Actuarial present value of total projected benefits	$ 3,177,936,685

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 8, 2014. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 2 Members (refer to Note 10 – Subsequent Events on page 43 in Financial Section regarding the rescinding of Tier 2). The following assumptions used to value the Plan liabilities for funding purposes and for financial reporting purposes have been adopted by the Board.

Post-Retirement Mortality Rates

Healthy Members and all Beneficiaries

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

Disabled Members

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

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

Termination Rates before Retirement

Pre-Retirement Mortality

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

	Rate (%)	
Age	Disability	Termination[1]
25	0.01	5.75
30	0.03	5.75
35	0.05	4.85
40	0.09	3.50
45	0.15	2.70
50	0.19	2.50
55	0.20	2.35
60	0.20	2.25

(1) Rates for Members with five or more years of service. Termination rates are zero for Members eligible to retire.

Rates of termination for Members with less than five years of service are as follows:

Years of Service	Rate (%)
0	13.25
1	11.00
2	8.75
3	7.25
4	5.75

Retirement Rates

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

Retirement Age and Benefit for Inactive Vested Participants

Assume retiree health benefit will be paid at the later of age 58 or the current attained age.

Data

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

Exclusion of Inactive Vested

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

Discount Rate

7.50%

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Salary Increases

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

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

Per Capita Cost Development

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

Maximum Monthly Dental Subsidy

Carrier	Participation Percent	2015-16 Fiscal Year
Delta Dental PPO	78.1%	$43.24
DeltaCare USA HMO	21.9%	$12.04

Maximum Monthly Medical Subsidy
(Tier 1, Not Subject to Medical Subsidy Cap)
Participant Under Age 65 or Not Eligible for Medicare A & B
2015-16 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	61.6%	$767.95	$1,535.90	$767.95
Anthem BC PPO	21.8%	$1,072.83	$1,580.08	$767.95
Anthem BC HMO	16.6%	$959.12	$1,580.08	$767.95

The amounts shown in the table above apply to Tier 1 Members only. For Tier 2 Members hired on or after July 1, 2013, the medical plan will be for single coverage and for retiree only. In addition, the maximum subsidy will be set at an amount equal to the lowest-cost single-party plan for those not enrolled in Medicare Parts A and B ($767.95 per month for 2015-16).

Maximum Monthly Medical Subsidy
(Tier 1, Not Subject to Medical Subsidy Cap)
Participant Eligible for Medicare A & B
2015-16 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv HMO	58.1%	$232.13	$464.25	$232.13
Anthem BC Medicare Supplement	29.9%	$505.48	$1,000.73	$505.48
UHC Medicare Adv HMO(1)	12.0%	$253.10	$501.73	$253.10

(1) Rates for CA plan.

The amounts shown in the table above apply to Tier 1 Members only. For Tier 2 Members hired on or after July 1, 2013, the maximum medical plan premium subsidy will be for single coverage and for retiree only (for example, $232.13 and $505.48 per month for Kaiser HMO and Anthem Blue Cross Medicare Supplement, respectively, in 2015-16).

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

Maximum Monthly Medical Subsidy
(Tier 1, Subject to Medical Subsidy Cap)

Carrier	Single Party Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Subsidy
Under Age 65 – All Plans	$1,190.00	$1,190.00	$593.62
Age 65 and Over			
Kaiser Senior Adv HMO	$203.27	$406.54	$203.27
Anthem BC Medicare Supplement	$478.43	$595.60	$478.43
UHC Medicare Adv HMO(1)	$219.09	$433.93	$219.09

(1) Rates for CA plan.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Adjustments to per-capita costs based on age, gender, and status are as follows:

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

Marital Status

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

Spouse Age Difference

Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Surviving Spouse Coverage

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

Participation

Retiree Medical and Dental Coverage Election:

Years of Service Range	Percent Covered(1)
10 – 14	65%
15 – 19	80%
20 – 24	90%
25 and Over	95%

(1) Inactive Members are assumed to elect coverages at 50% of the rates shown above.

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

Health Care Cost Subsidy Trend Rates

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

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

Plan	Trend to be applied to 2015-16 Fiscal Year premium
Anthem BC HMO, Under Age 65	7.99%
Anthem BC PPO, Under Age 65	3.38%
Kaiser HMO, Under Age 65	0.69%
Anthem BC Medicare Supplement, Age 65 and Over	-0.26%
Kaiser Senior Adv. HMO, Age 65 and Over	2.38%
UHC Medicare Adv HMO, Age 65 and Over	4.85%

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

Fiscal Year	Trend (Approx.)	Calendar Year	Trend (applied to calculate following year premium)
2016-17	6.63%	2016	6.75%
2017-18	6.38%	2017	6.50%
2018-19	6.13%	2018	6.25%
2019-20	5.88%	2019	6.00%
2020-21	5.63%	2020	5.75%
2021-22	5.38%	2021	5.50%
2022-23	5.13%	2022	5.25%
2023 & later	5.00%	2023 & later	5.00%

Dental Premium Trend: 5.00% for all years.

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

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

Health Care Reform

As previously directed by LACERS, the impact of potential excise tax imposed by the Affordable Care Act (ACA) and related statutes on certain health plans was not reflected in the current valuation in calculating the contribution rates for the employer. The recently adopted Statements No. 74 and 75 by the Governmental Accounting Standards Board (GASB) for financial reporting purposes is expected to require the inclusion of the excise tax in the liability. Statement No. 74 is effective for fiscal years beginning after June 15, 2016 for plan reporting and Statement No. 75 is effective for fiscal years beginning after June 15, 2017 for employer reporting.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Asset Valuation Method

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

Actuarial Cost Method

Entry Age Cost Method, level percent of salary.

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. The amortization method for the UAAL is a level percentage of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation). Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service.

Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP, were combined and amortized over 30 years effective June 30, 2012. Health trend and premium assumption changes are amortized over 15 years.

In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements No. 43 and No. 45.

Assumption Changes since Prior Valuation

Starting premium costs were revised to reflect updated data.

Medical and dental carrier election assumptions were updated.

Summary of Plan Provisions

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

Membership Eligibility

Tier 1 (§4.1002(a))

All employees who became Members of the Retirement System before July 1, 2013, and certain non-Tier 2 employees who became Members of the Retirement System on or after July 1, 2013.

Tier 2 (§4.1052(a))

All employees who became Members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the Los Angeles Administrative Code (refer to Note 10 – Subsequent Events on page 43 in Financial Section regarding the rescinding of Tier 2).

Benefit Eligibility

Tier 1 (§4.1111(a)) and Tier 2 (§4.1121(a))

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

Summary of Plan Provisions (Continued)

Medical Subsidy for Members Not Subject to Cap

Under Age 65 or Over Age 65 and Only Enrolled in Medicare Part B:

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

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

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

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

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

Subsidy Cap for Tier 1

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

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

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

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

Dependents

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

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

Dental Subsidy for Members

Tier 1 (§4.1114(b))
The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2015, the maximum dental subsidy is $43.24 per month; no increase for calendar year 2016.

There is no subsidy available to spouses or domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

Tier 2 (§4.1124(b))
The System will pay 40% of the maximum dental subsidy (limited to actual premium) for a retiree with 10 years of Service Credit and an additional 3% for each additional year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2015, the maximum dental subsidy is $43.24 per month; no increase for calendar year 2016.

Medicare Part B Subsidy for Members

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

Surviving Spouse Subsidy

Tier 1 (§4.1115)
The surviving spouse or domestic partner will be entitled to a health subsidy (limited to the actual single-party premium) based on the Member's years of service and the surviving dependent's eligibility for Medicare.

Summary of Plan Provisions (Continued)

Surviving Spouse Subsidy (Continued)

Under Age 65 or Over Age 65 and Only Enrolled in Medicare Part B:

The maximum health subsidy available for survivors is the Kaiser single-party premium ($787.87 per month as of July 1, 2015, decreasing to $748.03 on January 1, 2016) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

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

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

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

Tier 2

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

Statistical

The Statistical Section of the System's Comprehensive Annual Financial Report provides additional historical trend information to assist the reader in gaining a more comprehensive understanding of the current fiscal year's financial statements, note disclosures, and required supplementary information, which cover the System's Retirement Plan and the Postemployment Health Care Plan. This section also provides multi-year trending of financial and operating information to facilitate comprehensive understanding of how the System's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's revenues (additions), expenses (deductions), net increase (decrease) in fiduciary net position, benefit expenses by type, number of retirees by different types of benefits, and average monthly benefit payments.

The financial and operating trend information is as follows:

Schedule of Additions by Source - Retirement Plan

(Dollars in Thousands)

Fiscal Year	Member Contributions	Employer Contributions[1][2] Amounts	As a % of Annual Covered-Employee Payroll[3]	Net Investment Income (Loss)[4]	Total Additions
2006	$ 98,262	$ 244,283	14.2%	$ 925,399	$ 1,267,944
2007	106,234	293,160	16.9	1,591,647	1,991,041
2008	114,678	302,810	16.5	(550,386)	(132,898)
2009	118,592	288,516	15.0	(1,800,906)	(1,393,798)
2010	126,961	266,240	14.2	911,088	1,304,289
2011	114,731	306,737	18.1	1,654,824	2,076,292
2012	178,246	308,712	18.0	72,705	559,663
2013	197,881	346,350	19.9	1,275,612	1,819,843
2014	204,136	357,818	19.8	1,820,266	2,382,220
2015	207,564	381,299	20.8	308,557	897,420

(1) Contributions received at the beginning of the fiscal year with discounted rate for fiscal years 2006-2008.
(2) Contributions received on July 15th of the fiscal year with discounted rate starting fiscal year 2009.
(3) Starting fiscal year 2014, when a new benefit tier was added, % of annual covered-employee payroll is an aggregate rate for all tiers and it is based on actual covered-employee payroll.
(4) Includes changes in unrealized gains and losses of investments. Investment related administrative expenses are included starting fiscal year 2014 pursuant to GASB Statement No. 67.

Schedule of Deductions by Type - Retirement Plan

(In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses[1]	Miscellaneous Expenses	Total Deductions
2006	$ 431,232	$ 13,021	$ 10,284	$ -	$ 454,537
2007	457,847	17,452	9,501	-	484,800
2008	484,549	15,149	11,987	5,366[2]	517,051
2009	510,634	21,325	12,829	-	544,788
2010	569,938	27,971	14,204	-	612,113
2011	654,384	18,215	13,232	-	685,831
2012	664,626	11,100	12,995	-	688,721
2013	687,362	17,697	13,352	-	718,411
2014	708,956	15,982	12,438	-	737,376
2015	734,736	10,121	15,946	-	760,803

(1) Excludes investment related administrative expenses starting fiscal year 2014.
(2) Transfers to Los Angeles Fire and Police Pension.

Schedule of Additions by Source - Postemployment Health Care Plan

(Dollars in Thousands)

Fiscal Year	Employer Contributions[1][2] Amounts	Employer Contributions[1][2] As a % of Annual Covered Payroll[3]	Miscellaneous Income	Net Investment Income (Loss)[4]	Total Additions
2006	$ 76,116	4.8 %	$ -	$ 128,473	$ 204,589
2007	115,233	7.0	-	231,613	346,846
2008	108,848	6.3	11,000[5]	(96,007)	23,841
2009	95,122	5.2	-	(309,334)	(214,212)
2010	96,511	5.3	-	155,745	252,256
2011	107,396	6.4	-	295,324	402,720
2012	115,209	6.7	-	10,314	125,523
2013	72,916	4.2	-	253,632	326,548
2014	97,841	5.4	-	375,504	473,345
2015	100,467	5.5	-	59,435	159,902

(1) Contributions received at the beginning of the fiscal year with discounted rate for fiscal years 2006-2008.
(2) Contributions received on July 15th of the fiscal year with discounted rate starting fiscal year 2009.
(3) Starting fiscal year 2014, when a new benefit tier was added, % of annual covered payroll is an aggregate rate for all tiers and it is based on actual covered payroll.
(4) Includes changes in unrealized gains and losses of investments. Investment related administrative expenses are included starting fiscal year 2014 pursuant to GASB Statement No. 67.
(5) Return of Excess Reserve.

Schedule of Deductions by Type - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses[1]	Miscellaneous Expenses	Total Deductions
2006	$ 62,351	$ 1,924	$ -	$ 64,275
2007	65,090	1,856	-	66,946
2008	70,096	2,367	854[2]	73,317
2009	73,839	2,569	-	76,408
2010	83,196	2,859	-	86,055
2011	98,156	2,786	-	100,942
2012	91,437	2,931	-	94,368
2013	97,946	3,197	-	101,143
2014	101,628	3,327	-	104,955
2015	103,599	3,932	-	107,531

(1) Excludes investment related administrative expenses starting fiscal year 2014.
(2) Transfers to Los Angeles Fire and Police Pension.

Net Increase (Decrease) in Fiduciary Net Position - Retirement Plan
Last Ten Fiscal Years

(In Thousands)

	Additions				Deductions					
Fiscal Year	City Contributions	Member Contributions	Net Investment Income (Loss)	Total Additions	Benefit Payments	Refunds of Contributions	Admin. Expenses(1)	Misc. Expenses	Total Deductions	Net In(De)crease in Fiduciary Net Position
2006	$ 244,283	$ 98,262	$ 925,399	$ 1,267,944	$ 431,232	$ 13,021	$ 10,284	$ -	$ 454,537	$ 813,407
2007	293,160	106,234	1,591,647	1,991,041	457,847	17,452	9,501	-	484,800	1,506,241
2008	302,810	114,678	(550,386)	(132,898)	484,549	15,149	11,987	5,366(2)	517,051	(649,949)
2009	288,516	118,592	(1,800,906)	(1,393,798)	510,634	21,325	12,829	-	544,788	(1,938,586)
2010	266,240	126,961	911,088	1,304,289	569,938	27,971	14,204	-	612,113	692,176
2011	306,737	114,731	1,654,824	2,076,292	654,384	18,215	13,232	-	685,831	1,390,461
2012	308,712	178,246	72,705	559,663	664,626	11,100	12,995	-	688,721	(129,058)
2013	346,350	197,881	1,275,612	1,819,843	687,362	17,697	13,352	-	718,411	1,101,432
2014	357,818	204,136	1,820,266	2,382,220	708,956	15,982	12,438	-	737,376	1,644,844
2015	381,299	207,564	308,557	897,420	734,736	10,121	15,946	-	760,803	136,617

(1) Excludes investment related administrative expenses starting fiscal year 2014.
(2) Transfers to Los Angeles Fire and Police Pension.

Net Increase (Decrease) in Fiduciary Net Position - Postemployment Health Care Plan
Last Ten Fiscal Years

(In Thousands)

	Additions				Deductions				
Fiscal Year	City Contributions	Misc. Income	Net Investment Income (Loss)	Total Additions	Benefit Payments	Admin. Expenses(1)	Misc. Expenses	Total Deductions	Net In(De)crease in Fiduciary Net Position
2006	$ 76,116	$ -	$ 128,473	$ 204,589	$ 62,351	$ 1,924	$ -	$ 64,275	$ 140,314
2007	115,233	-	231,613	346,846	65,090	1,856	-	66,946	279,900
2008	108,848	11,000(2)	(96,007)	23,841	70,096	2,367	854(3)	73,317	(49,476)
2009	95,122	-	(309,334)	(214,212)	73,839	2,569	-	76,408	(290,620)
2010	96,511	-	155,745	252,256	83,196	2,859	-	86,055	166,201
2011	107,396	-	295,324	402,720	98,156	2,786	-	100,942	301,778
2012	115,209	-	10,314	125,523	91,437	2,931	-	94,368	31,155
2013	72,916	-	253,632	326,548	97,946	3,197	-	101,143	225,405
2014	97,841	-	375,504	473,345	101,628	3,327	-	104,955	368,390
2015	100,467	-	59,435	159,902	103,599	3,932	-	107,531	52,371

(1) Excludes investment related administrative expenses starting fiscal year 2014.
(2) Return of Excess Reserve.
(3) Transfers to Los Angeles Fire and Police Pension.

Schedule of Benefit Expenses by Type - Retirement Plan

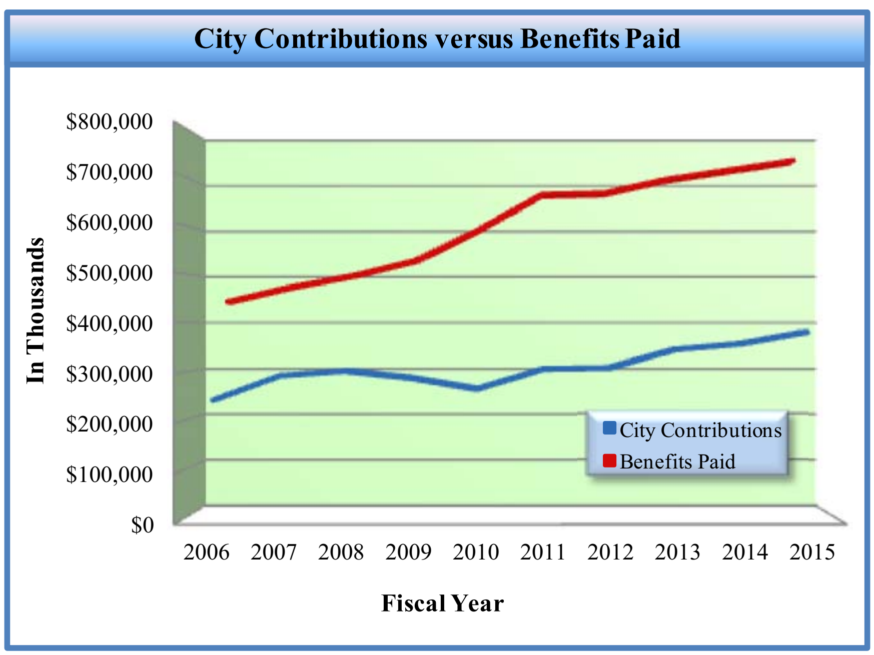
(In Thousands)

Fiscal Year	Age & Service Benefits: Retirants	Age & Service Benefits: Survivors	Death in Service Benefits	Disability Benefits: Retirants	Disability Benefits: Survivors	Sub-total	Refunds of Contributions: Separation	Refunds of Contributions: Death in Service	Refunds of Contributions: Unused Contributions	Refunds of Contributions: Misc.	Sub-Total	Total Benefits Paid
2006	$ 360,515	$ 47,509	$ 3,053	$ 14,173	$ 5,982	$ 431,232	$ 9,616	$ 1,473	$ 851	$1,081	$ 13,021	$ 444,253
2007	383,558	50,497	2,746	14,856	6,190	457,847	14,393	1,216	570	1,273	17,452	475,299
2008	406,891	53,064	2,600	15,390	6,604	484,549	10,973	1,279	1,048	1,849	15,149	499,698
2009	428,819	56,716	2,735	15,462	6,902	510,634	17,081	1,312	1,390	1,542	21,325	531,959
2010	483,295	60,299	2,699	16,268	7,377	569,938	21,814	1,269	1,094	3,794	27,971	597,909
2011	563,254	64,160	2,674	16,544	7,752	654,384	13,951	1,640	1,281	1,343	18,215	672,599
2012	570,633	66,735	2,477	16,720	8,061	664,626	6,765	2,416	965	954	11,100	675,726
2013	588,035	70,298	2,776	17,810	8,443	687,362	13,103	2,515	1,006	1,073	17,697	705,059
2014	606,135	73,477	2,669	17,657	9,018	708,956	12,295	1,509	1,184	994	15,982	724,938
2015	627,865	76,619	2,537	18,348	9,367	734,736	3,891	1,848	1,342	3,040	10,121	744,857

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2006	$ 244,283	$ 444,253
2007	293,160	475,299
2008	302,810	499,698
2009	288,516	531,959
2010	266,240	597,909
2011	306,737	672,599
2012	308,712	675,726
2013	346,350	705,059
2014	357,818	724,938
2015	381,299	744,857



Schedule of Benefit Expenses by Type - Postemployment Health Care Plan

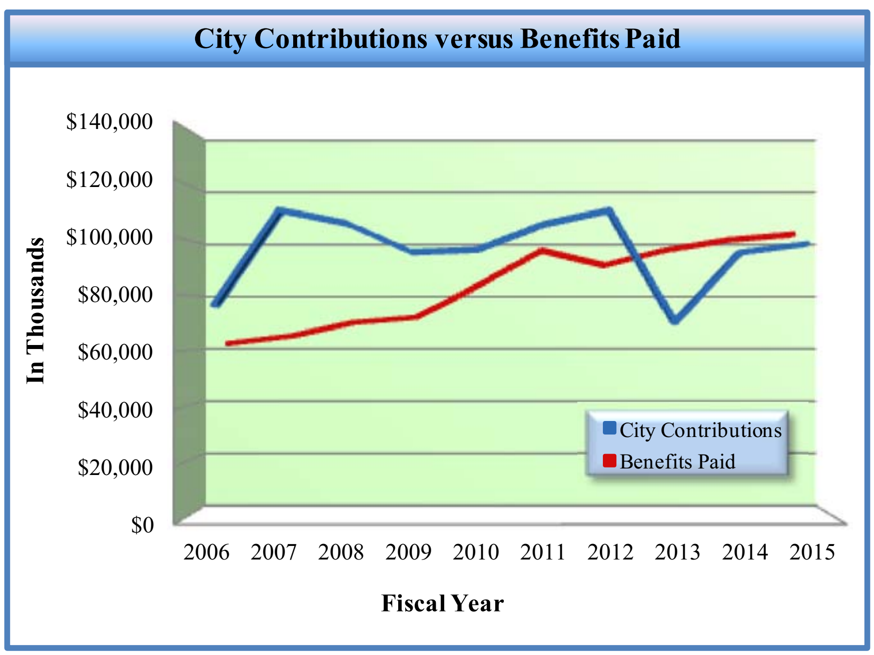
(In Thousands)

Fiscal Year	Age & Service Benefits Retirants	Age & Service Benefits Survivors	Death in Service Benefits	Disability Benefits Retirants	Disability Benefits Survivors	Total Benefits Paid
2006	$ 52,127	$ 6,869	$ 441	$ 2,049	$ 865	$ 62,351
2007	54,529	7,179	390	2,112	880	65,090
2008	58,863	7,676	376	2,226	955	70,096
2009	62,009	8,201	396	2,236	997	73,839
2010	70,548	8,802	394	2,375	1,077	83,196
2011	84,487	9,624	401	2,481	1,163	98,156
2012	78,506	9,181	341	2,300	1,109	91,437
2013	83,792	10,017	396	2,538	1,203	97,946
2014	86,889	10,533	382	2,531	1,293	101,628
2015	88,530	10,803	358	2,587	1,321	103,599

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2006	$ 76,116	$ 62,351
2007	115,233	65,090
2008	108,848	70,096
2009	95,122	73,839
2010	96,511	83,196
2011	107,396	98,156
2012	115,209	91,437
2013	72,916	97,946
2014	97,841	101,628
2015	100,467	103,599



Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits[(1)]	Number of Retirants[(1)]	Type of Benefits[(2)] 1	2	3	4	5	6	7	8	9	10	11
$ 1 to $1,000	1,889	418	451	10	431	79	180	100	218	2	335	17
1,001 to 2,000	3,751	1,222	932	81	438	666	68	200	144	-	46	1
2,001 to 3,000	3,152	2,103	512	87	188	150	15	53	44	-	12	-
3,001 to 4,000	2,995	2,562	234	70	88	13	2	10	16	-	3	-
4,001 to 5,000	2,419	2,215	143	24	27	3	-	1	6	-	-	-
5,001 to 6,000	1,507	1,389	87	11	17	1	-	-	2	-	-	-
6,001 to 7,000	861	815	34	2	9	-	-	-	1	-	-	-
7,001 to 8,000	480	434	30	8	8	-	-	-	-	-	-	-
8,001 to 9,000	303	285	8	5	5	-	-	-	-	-	-	-
9,001 to 10,000	226	215	7	2	2	-	-	-	-	-	-	-
Over $10,000	299	284	11	2	2	-	-	-	-	-	-	-
Total	17,882	11,942	2,449	302	1,215	912	265	364	431	2	396	18

(1) Larger Annuity and Larger Annuity Continuance type of benefits are not included in counting the total number of retirants since both benefits are voluntary supplementary benefits to the retirants.

(2) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship
8 - DRO Life Time Annuity
9 - DRO Term Annuity
10 - Larger Annuity
11 - Larger Annuity Continuance

Schedule of Retired Members by Type of Benefits - Postemployment Health Care Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits[3] 1	2	3	4	5	6	7
Medical								
$ 0 to $ 200	532	313	56	9	45	71	19	19
201 to 400	4,022	2,776	912	78	116	75	29	36
401 to 600	3,964	3,343	392	45	108	44	12	20
601 to 800	1,152	822	102	35	118	57	6	12
801 to 1,000	626	568	-	-	38	20	-	-
1,001 to 1,200	1,848	1,739	-	-	86	23	-	-
1,201 to 1,400	54	43	-	-	11	-	-	-
1,401 to 1,580[1]	980	958	-	-	19	3	-	-
Total	13,178	10,562	1,462	167	541	293	66	87
Dental								
$ 0 to $ 10	2,387	572	1,229	144	106	177	65	94
11 to 20	2,187	2,036	-	-	92	59	-	-
21 to 30	663	492	-	-	102	69	-	-
31 to 40	1,217	1,024	-	-	152	41	-	-
41 to 43[2]	6,902	6,782	-	-	104	16	-	-
Total	13,356	10,906	1,229	144	556	362	65	94

(1) Maximum medical subsidy for plan year 2015.
(2) Maximum dental subsidy for plan year 2015.
(3) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2005 to June 30, 2015	Years of Credited Service 0-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/05 to 6/30/06						
Average Monthly Benefit at Retirement	$ 1,200	$ 1,338	$ 2,122	$ 2,468	$ 3,492	$ 4,828
Average Final Monthly Salary(1)	$ 3,798	$ 4,664	$ 5,422	$ 5,262	$ 5,937	$ 6,380
Number of Retirees Added	40	33	59	88	93	271
Period 7/1/06 to 6/30/07						
Average Monthly Benefit at Retirement	$ 1,023	$ 1,301	$ 1,991	$ 2,633	$ 3,227	$ 4,997
Average Final Monthly Salary(1)	$ 3,702	$ 5,170	$ 5,223	$ 5,514	$ 5,515	$ 6,543
Number of Retirees Added	41	33	62	85	74	230
Period 7/1/07 to 6/30/08						
Average Monthly Benefit at Retirement	$ 883	$ 1,191	$ 2,105	$ 3,246	$ 3,818	$ 5,127
Average Final Monthly Salary(1)	$ 3,846	$ 4,336	$ 5,139	$ 5,922	$ 6,482	$ 6,754
Number of Retirees Added	22	36	50	91	69	229
Period 7/1/08 to 6/30/09						
Average Monthly Benefit at Retirement	$ 759	$ 1,626	$ 2,348	$ 3,109	$ 4,150	$ 5,513
Average Final Monthly Salary(1)	$ 4,561	$ 5,739	$ 5,820	$ 6,078	$ 6,241	$ 6,954
Number of Retirees Added	25	21	51	63	55	121
Period 7/1/09 to 6/30/10						
Average Monthly Benefit at Retirement	$ 907	$ 1,964	$ 2,810	$ 3,911	$ 4,674	$ 5,818
Average Final Monthly Salary(1)	$ 3,755	$ 5,525	$ 6,030	$ 6,316	$ 6,514	$ 6,708
Number of Retirees Added (2)	94	140	137	365	559	1,238
Period 7/1/10 to 6/30/11						
Average Monthly Benefit at Retirement	$ 768	$ 1,414	$ 2,369	$ 3,146	$ 3,721	$ 5,920
Average Final Monthly Salary(1)	$ 5,266	$ 5,175	$ 6,141	$ 6,424	$ 6,409	$ 7,882
Number of Retirees Added	51	42	27	55	42	37
Period 7/1/11 to 6/30/12						
Average Monthly Benefit at Retirement	$ 784	$ 1,379	$ 2,362	$ 3,453	$ 4,008	$ 6,003
Average Final Monthly Salary(1)	$ 4,995	$ 5,052	$ 6,338	$ 7,165	$ 6,804	$ 8,238
Number of Retirees Added	46	37	30	70	43	48
Period 7/1/12 to 6/30/13						
Average Monthly Benefit at Retirement	$ 976	$ 1,888	$ 2,253	$ 3,355	$ 4,101	$ 5,487
Average Final Monthly Salary(1)	$ 6,025	$ 6,713	$ 6,055	$ 6,819	$ 7,007	$ 7,573
Number of Retirees Added	63	57	34	94	87	107
Period 7/1/13 to 6/30/14						
Average Monthly Benefit at Retirement	$ 708	$ 1,966	$ 2,459	$ 3,716	$ 4,520	$ 6,204
Average Final Monthly Salary(1)	$ 4,551	$ 6,868	$ 6,343	$ 7,551	$ 7,482	$ 8,350
Number of Retirees Added	60	65	47	83	120	95
Period 7/1/14 to 6/30/15						
Average Monthly Benefit at Retirement	$ 969	$ 1,875	$ 2,775	$ 3,735	$ 4,707	$ 6,307
Average Final Monthly Salary(1)	$ 5,309	$ 6,386	$ 7,040	$ 7,289	$ 7,795	$ 8,379
Number of Retirees Added	66	108	62	111	234	212

(1) Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.
(2) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2005 to June 30, 2015	Years of Credited Service Under 10 yrs[(1)]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/05 to 6/30/06					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 310	$ 471	$ 530	$ 656
Number of Retirees Added	-	51	84	90	372
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 18	$ 28	$ 28
Number of Retirees Added	4	46	76	82	363
Period 7/1/06 to 6/30/07					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 297	$ 469	$ 562	$ 664
Number of Retirees Added	2	33	94	100	357
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 13	$ 17	$ 25	$ 27
Number of Retirees Added	4	34	91	93	352
Period 7/1/07 to 6/30/08					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 348	$ 425	$ 580	$ 646
Number of Retirees Added	3	33	60	86	327
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 20	$ 25	$ 28
Number of Retirees Added	2	32	50	85	315
Period 7/1/08 to 6/30/09					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 354	$ 508	$ 613	$ 661
Number of Retirees Added	-	20	56	50	251
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 16	$ 20	$ 23
Number of Retirees Added	2	20	51	48	251
Period 7/1/09 to 6/30/10					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 385	$ 562	$ 634	$ 786
Number of Retirees Added [(2)]	8	116	110	267	1,978
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 21	$ 26	$ 28
Number of Retirees Added [(2)]	11	120	102	261	1,987
Period 7/1/10 to 6/30/11					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 465	$ 440	$ 688	$ 648
Number of Retirees Added	1	31	31	69	145
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 17	$ 22	$ 17
Number of Retirees Added	2	26	26	68	130

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2005 to June 30, 2015	Years of Credited Service				
	Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/11 to 6/30/12					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 372	$ 581	$ 660	$ 642
Number of Retirees Added	-	34	27	84	136
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 10	$ 17	$ 28	$ 25
Number of Retirees Added	4	25	24	75	131
Period 7/1/12 to 6/30/13					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 428	$ 596	$ 790	$ 840
Number of Retirees Added	1	64	33	102	243
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 14	$ 21	$ 28	$ 26
Number of Retirees Added	2	55	27	95	235
Period 7/1/13 to 6/30/14					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 447	$ 619	$ 831	$ 876
Number of Retirees Added	1	57	41	93	276
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 15	$ 20	$ 30	$ 27
Number of Retirees Added	2	53	36	91	266
Period 7/1/14 to 6/30/15					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 543	$ 700	$ 914	$ 1,080
Number of Retirees Added	-	85	40	105	409
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 17	$ 26	$ 32	$ 36
Number of Retirees Added	1	78	35	102	399

(1) Postemployment health care benefits are not provided to retirants with service less than 10 years; however, they are allowed to enroll in LACERS health care plan at their own cost.
(2) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Questions concerning any of the information provided in this report:

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