

**Funded Status – Pension**

In order to determine whether the Net Position Restricted for Benefits will be sufficient to meet future obligations, an independent actuary conducts an actuarial valuation to calculate the actuarial funded status of the Plan and measure the Plan's funding progress. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for payment of the promised benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future promised benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future promised benefits. Under the terms of the Board of Investments' Retirement Benefit Funding Policy, changes to the employer contribution rates are recommended by the actuary to ensure liabilities, not funded through portfolio earnings and employee contributions, are satisfied.

LACERA's independent actuary, Milliman, performed the actuarial valuation as of June 30, 2013 and determined the Funded Ratio of the actuarial assets to the actuarial accrued liabilities decreased to 75.0 percent as compared to 76.8 percent as of the June 30, 2012 valuation. For the 2012 valuation, the Fund returned 0.1 percent (net of fees) on a market basis, which is less

**LACERA Funded Ratio**

*For the Last Five Actuarial Valuations*

Valuation Date	Funded Ratio
June 30, 2013	75.0%
June 30, 2012	76.8%
June 30, 2011	80.6%
June 30, 2010	83.3%
June 30, 2009	88.9%

than the assumed rate of 7.60 percent. The positive investment return of 11.9 percent (net of fees) for 2013 exceeded the 7.50 percent assumed rate of return. Investment gains for fiscal year ended June 30, 2013 were offset by recognition of current and deferred asset losses in prior years, providing a 1.8 percent decrease in the Funded Ratio under the five-year actuarial asset smoothing method. The large recognized loss on actuarial assets from the fiscal year ended June 30, 2009 had an impact on the 2013 valuation results. It is Milliman's opinion that LACERA continues in sound financial condition as of the June 30, 2013 actuarial valuation.

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2014  
Pension and OPEB Trust Funds of the County of Los Angeles, California

2014  
PAFR

**Board Members**

**Marvin Adams**  
Board of Retirement  
Appointed by the Board of Supervisors  
Term expires 12/31/14

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

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

**Yves Chery**  
Chair, Board of Retirement  
Elected by General Members  
Term expires 12/31/14

**William de la Garza**  
Secretary, Board of Retirement  
Elected by Retired Members  
Term expires 12/31/14

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

**David Green**  
Vice-Chair, Board of Investments  
Elected by General Members  
Term expires 12/31/14

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

**Joseph Kelly**  
Board of Retirement  
Board of Investments  
Chief Deputy Treasurer and  
Tax Collector  
Alternate Ex-officio Member

**David L. Muir**  
Board of Retirement  
Alternate Retired Member  
Appointed by the Board  
of Retirement  
Term expires 12/31/14

**Ronald A. Okum**  
Board of Retirement  
Appointed by Board of Supervisors  
Term expires 12/31/14

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

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

**Mark J. Saladino**  
Board of Retirement  
Board of Investments  
County Treasurer and  
Tax Collector  
Ex-officio Member

**Diane A. Sandoval**  
Board of Investments  
Elected by Retired Members  
Term expires 12/31/14

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

**Michael S. Schneider**  
Board of Investments  
Appointed by the Board of Supervisors  
Term expires 12/31/14

**Leonard Unger**  
Board of Investments  
Appointed by the Board of Supervisors  
Term expires 12/31/14

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

**Award for Outstanding Achievement in Popular Annual Financial Reporting**

The Government Finance Officers Association (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LACERA for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2013. This prestigious international award recognizes conformance with the highest standards for preparation of state and local government popular reports and is valid for one year. LACERA's PAFR has received a GFOA Award for the last 16 consecutive years. To receive this award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA for consideration.

**Strength in Numbers**

Serving all of L.A. County is a large task, with its 4,084 square miles, over 10 million residents, and citizens from 140 countries who speak 224 languages. In fact, if Los Angeles County were its own country, its economy would be larger than those of Saudi Arabia, Switzerland, or Sweden. At LACERA, the statistic we value first and foremost is our 160,000 members and our commitment to them, which is given in our Mission statement: **We produce, protect, and provide the promised benefits.**

In order to fulfill our mission, LACERA calls upon the dedication and diverse talents of individuals who serve in 15 different divisions, from Claims Processing to Member Services, from Systems (IT) to Retiree Healthcare. For 77 years,

LACERA employees have upheld **the four pillars that support our retirement association: compassion, accuracy, service, and security.**

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014; it does not replace the CAFR. Financial data presented herein is derived from the CAFR and prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP\*). The CAFR will be available on lacera.com in January 2015.

\*LACERA prepared the CAFR in conformity with US GAAP and reporting guidelines as set forth by the Governmental Accounting Standards Board.

All figures presented herein apply to the 2013-2014 fiscal year, which ended June 30, 2014.



**"We provide comprehensive customer service to more than 160,000 members, including more than 59,000 benefit recipients."**

**Financial Report Issued By:**

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



**Investments**

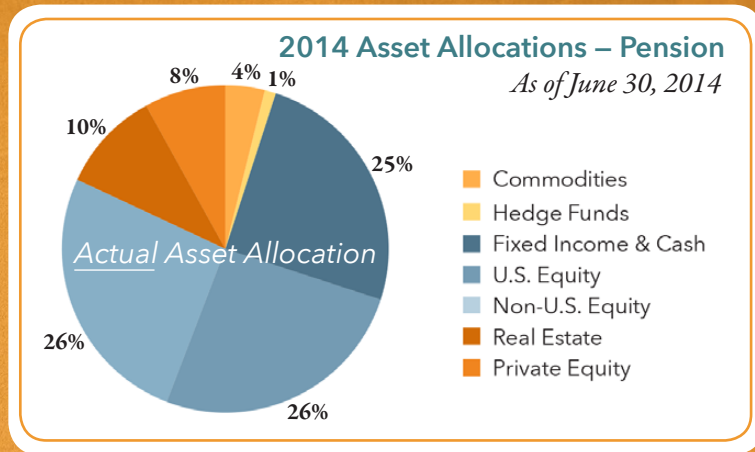
LACERA's investment program objective is to provide LACERA participants with the promised benefits, as required by the County Employees Retirement Law of 1937.

The Board of Investments has exclusive control of all retirement system investments. There are nine Board of Investments members: Four are elected by the active and retired members, and four are appointed by the Los Angeles County (County) Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member.

In 2012, the County established an Other Post-Employment Benefits Trust (OPEB Trust) for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Program. The County hired LACERA to administer the OPEB Trust and the Board as Trustee and Investment Manager. The two participating employers in the OPEB Trust, the County and LACERA, provided initial contributions in the fiscal year ended 2013. There have been no additional contributions to the OPEB Trust. OPEB Trust total Net Position Restricted for Benefits as of fiscal year June 30, 2014 is \$483.8 million. This total includes net investment income of \$35.1 million and administrative expenses of \$.01 million.

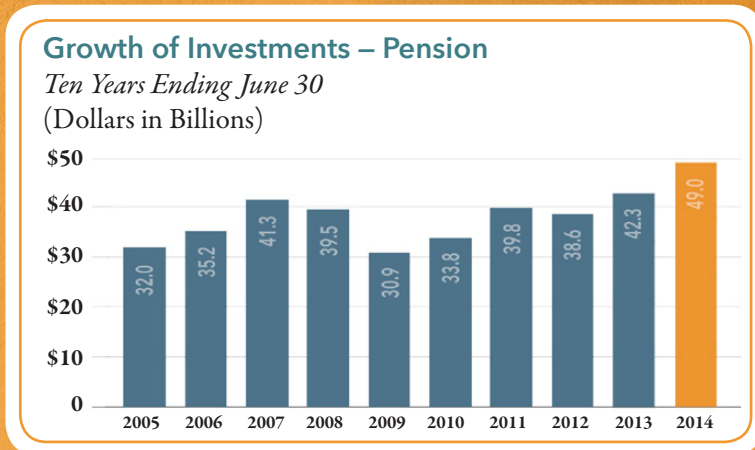
The Board adopted Investment Policy Statements, which provide a framework for the management of LACERA's and the OPEB Trust's investments. These Statements establish investment policies and objectives and define the principal duties of the Board, investment staff, investment managers, master custodian, and consultants. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plans.

A fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The Board implements the asset allocation plans by hiring investment managers to invest assets on behalf of LACERA and the OPEB Trust, subject to investment guidelines incorporated into each manager's investment management contract.



**Fiscal Year Fund Return – Pension**

For this fiscal year, the total fund returned 16.8 percent (gross of fees), which is reflective of improving economic conditions. LACERA's three-year and five-year annualized returns, gross of fees, were 9.5 percent and 12.0 percent respectively. The 2014 fiscal year was marked by the steady improvement of the U.S. economy with the ongoing Federal Reserve's easy monetary policy and the declining unemployment rate. Positive economic growth trends included the stock market nearing all-time highs and a strong rebound throughout the second quarter of 2014 in housing construction and consumer spending.



**Continued Service: 2013-14 Fiscal Year Achievements\***

At LACERA, our 160,000 members expect high levels of service from every one of our divisions, which we gladly deliver. One of our goals is to treat each member as we would want to be treated. The statistics below emphasize that goal while highlighting our achievements for this fiscal year.

\*Stats as of June 30, 2014

**Net Position Restricted for Benefits – Pension**

As of June 30, 2014, Net Position Restricted for Benefits totaled **\$47.7 billion** and represents the assets available for future payments to retirees and their beneficiaries. This amount represents an **increase of \$5.9 billion**, or 14.2 percent, from the prior year.

The primary sources that finance the promised benefits LACERA provides are investment income and the collection of member (employee) and plan sponsor (employer) retirement contributions. For fiscal year 2014, Total Additions amounted to \$8.7 billion, achieved primarily through strong investment returns.

The primary uses of LACERA's assets include the payment of promised benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the Plan. Total Deductions for fiscal year 2014 was \$2.7 billion.

The LACERA Board of Retirement and Board of Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.12 percent of total Net Position Restricted for Benefits in fiscal year 2014.



**Additions and Deductions in Fiduciary Net Position – Pension**

For the Years Ended June 30, 2014, 2013 and 2012  
(Dollars in Millions)

	2014	2013	2012
Contributions	\$1,759	\$1,403	\$1,587
Net Investment Income/(Loss)	6,911	4,659	(291)
<b>Total Additions</b>	<b>\$8,670</b>	<b>\$6,062</b>	<b>\$1,296</b>
Benefits and Refunds	(2,663)	(2,541)	(2,391)
Administrative Expenses and Miscellaneous	(59)	(54)	(50)
<b>Total Deductions</b>	<b>\$(2,722)</b>	<b>\$(2,595)</b>	<b>\$(2,441)</b>
<b>Net Increase/(Decrease) During the Year</b>	<b>5,948</b>	<b>3,467</b>	<b>(1,145)</b>
Beginning Net Position Restricted for Benefits	41,774	38,307	39,452
<b>Ending Net Position Restricted for Benefits</b>	<b>\$47,722</b>	<b>\$41,774</b>	<b>\$38,307</b>

**LACERA Membership**

For the Last Five Fiscal Years Ended June 30

	2014	2013	2012	2011	2010
Service Retirement	41,659	40,804	39,738	38,449	37,398
Disability Retirement	9,129	8,960	8,931	8,947	8,990
Survivors	8,435	8,303	8,083	7,975	7,783
<b>Total Retired Members</b>	<b>59,223</b>	<b>58,067</b>	<b>56,752</b>	<b>55,371</b>	<b>54,171</b>
Active	92,466	91,545	91,952	92,786	94,410
Terminated Vested/Deferred	8,090	7,959	7,859	7,888	7,938
<b>Total Membership</b>	<b>159,779</b>	<b>157,571</b>	<b>156,563</b>	<b>156,045</b>	<b>156,519</b>

\*The Fund's total increase over last fiscal year.

The 2014 Annual Report was designed by LACERA's Communications Division.

<b>60,479</b> Monthly Retirement Allowances Paid	<b>2,407</b> New Retirees	<b>284,389</b> Pieces of Mail Processed	<b>919,039</b> Member Documents Scanned & Indexed	<b>52,212</b> Registered Members	<b>91,817</b> Visits	<b>56,769</b> Retirement Benefit Estimates	<b>414</b> Workshop & Benefits Fairs (11,923 Attendees)	<b>15,694</b> One-to-one Counseling Sessions	<b>119,538</b> Call Center Phone Calls	<b>40,521</b> Call Center Phone Calls	<b>47,500</b> Insurance Packages Mailed for 2014
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