

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 the 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 that liabilities, which are not funded through portfolio earnings and employee contributions, are satisfied.

LACERA’s independent consulting actuary, Milliman, performed the actuarial valuation as of June 30, 2014 and determined that the Funded Ratio of the actuarial assets to the actuarial accrued liabilities **increased to 79.5 percent**, as compared to 75.0 percent as of the June 30, 2013 valuation.

LACERA Funded Ratio

For the Last Five Actuarial Valuations

Valuation Date	Funded Ratio
June 30, 2014	79.5%
June 30, 2013	75.0%
June 30, 2012	76.8%
June 30, 2011	80.6%
June 30, 2010	83.3%

The expiration of the negative investment return for 2009 resulted in a 4.5 percent increase in the Funded Ratio under the five-year actuarial asset smoothing method. Additionally, four of the last five valuation periods had achieved investment returns greater than the assumed rate of 7.50 percent, which contributed to the significant improvement to the funded ratio for the valuation date June 30, 2014.

Popular Annual Financial Report for the Fiscal Year Ended June 30, 2015 Pension and OPEB Trust Funds of the County of Los Angeles, California

2015 PAFR

Working For You

Board Members

lacera.com 800-786-6464

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

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

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

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

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

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

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

Shawn R. Kehoe
Chair, Board of Retirement
Board of Investments
Elected by Safety Members
Terms expire 12/31/16

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

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

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

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

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

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

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

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

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

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

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

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, 2014. 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 17 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.

Working for You

The annual report for the 2014-2015 fiscal year tells of our commitment to working for you, the 162,500 LACERA members who work or worked for the County. Across 15 divisions and in the various capacities in which we serve, LACERA employees bring expertise and dedication to their work every day. Directed by LACERA’s Board of Retirement and Board of Investments, every employee takes seriously the responsibility to connect with you through customer service, make processes as efficient as they are secure, ensure the security of the Fund, and educate members about retirement, keeping you informed of changes along the way. Our commitment to working for you is crucial to the fulfillment of our broader mission: To produce, protect, and provide the promised benefits.



“This fiscal year has been filled with meaningful accomplishments and gains within LACERA. As members, you can take confidence in the fact your retirement association continues to grow, in order to better serve you, by offering additional service options and improving our business efficiencies.”

Gregg Rademacher Chief Executive Officer

Financial Report Issued By:

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

Investments

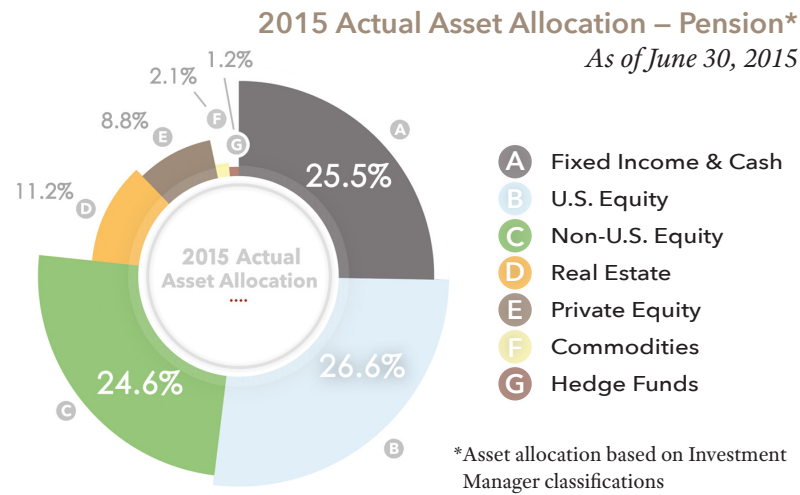
LACERA’s investment program objective is to provide LACERA participants with the promised benefits, as required by the County Employees Retirement Law of 1937.

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.

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 of Investments as Trustee and Investment Manager. In fiscal year ended 2013, the two participating employers in the OPEB Trust, the County and LACERA, provided initial contributions. OPEB Trust total Net Position Restricted for Benefits as of fiscal year June 30, 2015 was \$488.4 million. This total includes net investment income of \$4.7 million and administrative expenses of \$0.2 million.

The Board of Investments 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 of Investments 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.

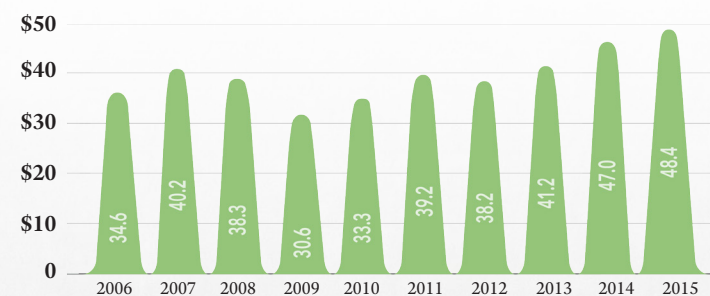


Fiscal Year Fund Return – Pension

For this fiscal year, the total fund returned 4.3 percent (gross of fees), which was 20 basis points below the 4.5 percent return of its policy benchmark. LACERA’s three-year and five-year annualized returns, gross of fees, were 11.0 percent and 10.5 percent, respectively. Despite a weather-related dip in Gross Domestic Product (GDP) during the first quarter of 2015, U.S. economic conditions improved over the course of the fiscal year. The unemployment rate declined to 5.3 percent, inflation remained subdued, home prices continued to appreciate, and full-year GDP increased 2.7 percent. Conditions improved to such an extent that the Federal Reserve began to taper monetary accommodation, and concerns arose about when the Fed would begin to raise rates – its first such action in over nine years.

Growth of Investments – Pension

Ten Years Ending June 30
(Dollars in Billions)



Working For You: 2014-15 Fiscal Year Achievements*

At LACERA, our 162,500 members deserve a high standard of service from our divisions, which we deliver. We are committed to treating each member as we would want to be treated. The statistics below demonstrate that goal and highlight our achievements for this fiscal year.

*Stats as of June 30, 2015

Net Position Restricted for Benefits – Pension

As of June 30, 2015, Net Position Restricted for Benefits totaled **\$48.8 billion** and represents the assets available for future payments to retirees and their beneficiaries. This amount represents **an increase of \$1.1 billion**, or 2.3 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 2015, Total Additions amounted to \$3.9 billion, achieved through investment returns and contributions.

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 2015 was \$2.8 billion.

The LACERA Board of Retirement and Board of Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.13 percent of total Net Position Restricted for Benefits in fiscal year 2015.

Additions and Deductions in Fiduciary Net Position – Pension

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

	2015	2014	2013
Contributions	\$1,936	\$1,759	\$1,403
Net Investment Income	1,991	6,911	4,659
Total Additions	\$3,927	\$8,670	\$6,062
Benefits and Refunds	(2,768)	(2,663)	(2,541)
Administrative Expenses and Miscellaneous	(63)	(59)	(54)
Total Deductions	\$(2,831)	\$(2,722)	\$(2,595)
Net Increase During the Year	1,096	5,948	\$3,467
Beginning Net Position Restricted for Benefits	47,722	41,774	38,307
Ending Net Position Restricted for Benefits	\$48,818	\$47,722	\$41,774

LACERA Membership

For the Last Five Fiscal Years Ended June 30

	2015	2014	2013	2012	2011
Total Retired	60,584	59,223	58,067	56,752	55,371
Total Active	101,860	100,556	99,504	99,811	100,674
Total Membership	162,444	159,779	157,571	156,563	156,045

NOTE: The Total Retired category reflects service and disability retirements, and survivors. The Total Active category reflects active, terminated vested, and deferred members.

We’re working for the 162,500 individuals who spend their lives working for Los Angeles County.

The 2015 Annual Report was designed by LACERA’s Communications Division.

Administrative Services	Administrative Services	Benefits	Benefits	lacera.com My LACERA	lacera.com My LACERA	lacera.com My LACERA	Member Services	Member Services	Member Services	Retiree Healthcare	Retiree Healthcare
288,396 Pieces of Mail Processed	768,007 Pages of Member Documents Scanned	61,895 Monthly Retirement Allowance Paid	2,668 New Retirees	58,514 Registered Members	104,803 Visits	58,131 Retirement Benefit Estimates	501 Workshop & Benefits Fairs (15,082 Attendees)	17,253 One-to-one Counseling Sessions	127,837 Call Center Phone Calls	40,457 Call Center Phone Calls	47,914 Insurance Packages Mailed for 2015