

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. 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.

LACERA’s independent actuary, Milliman, performed the actuarial valuation as of June 30, 2012, and determined the Funded Ratio of the actuarial assets to the actuarial accrued liabilities decreased to 76.8 percent. For the fiscal year ended 2012, the total fund returned 0.1 percent (net of fees) on a market basis, which is less than the assumed rate of 7.60 percent. The large recognized loss on actuarial assets from the fiscal year ended June 30, 2009 had an impact on the 2012 valuation results. It is Milliman’s opinion that LACERA continues in sound financial condition as of the June 30, 2012 actuarial valuation.

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, 2012. 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 15 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.

LACERA Funded Ratio — Pension

For the Last Five Actuarial Valuations

Valuation Date	Funded Ratio
June 30, 2008	94.5%
June 30, 2009	88.9%
June 30, 2010	83.3%
June 30, 2011	80.6%
June 30, 2012	76.8%



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

**Sadonya Antebi**  
Board of Retirement  
Appointed by the Board of Supervisors  
Term expires 12-31-13

**John M. Barger**  
Board of Retirement  
Appointed by the Board of Supervisors  
Term expires 12-31-14  
**Board of Investments**  
Term expires 12-31-15

**Alan J. Bernstein**  
Board of Retirement  
Appointed by the 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  
Appointed by the Board of Supervisors  
Term expires 12-31-15

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

**Shawn R. Kehoe**  
Alternate Member, Board of Retirement  
Elected by Safety Members  
Term expires 12-31-13

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

**Edward “Ed” C. Morris**  
Board of Retirement  
Elected by Retired Members  
Term expires 12-31-14

**William R. Pryor**  
Board of Retirement  
Board of Investments  
Elected by Safety Members  
Terms expire 12-31-13

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

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

**Herman Santos**  
Chair, 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**  
Vice-Chair, Board of Investments  
Appointed by the Board of Supervisors  
Term expires 12-31-14

**Carolyn Widener**  
Board of Investments  
Appointed by the Board of Supervisors  
Term expires 12-31-13



**Gregg Rademacher**  
Chief Executive Officer

Inspired by Service, Defined by Trust

To many of our members, our Member Service Center is the face of LACERA, the Call Center is the voice, and the Retirement Benefits Specialists who counsel them and answer their questions are the heart. While the expert services they provide are invaluable, it’s important to know that hundreds of LACERA employees serve you behind the scenes. Some of them invest and grow the Fund to ensure current, as well as future benefits are properly funded. Some are the folks who enroll new hires in LACERA retirement plans, implement member retirements, pay benefits, and process an array of other member transactions. LACERA is comprised of approximately 365 professionals representing a broad range of disciplines — from attorneys, accountants, and investment analysts to information technology specialists, internal auditors, quality assurance monitors, and communications specialists. Our Boards, management, and staff value the services our members provide the people of Los Angeles County and we work each day to uphold your trust. We remain fully committed to fulfilling our mission to produce, protect, and provide the promised benefits.

Prudently investing the pension fund... upholding the public trust. Paying the promised benefits... upholding our members’ trust.

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013; it does not replace the CAFR. Financial data presented herein is derived from the CAFR and is consistent with U.S. Generally Accepted Accounting Principles (GAAP).\* The CAFR, which contains more detailed information, will be available on lacera.com in January 2014.

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

Financial Report Issued By:

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

All figures presented herein apply to the 2012-2013 fiscal year, which ended June 30, 2013.  
The 2013 Annual Report was designed by LACERA’s Communications Division.

Los Angeles County Employees Retirement Association (LACERA)

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 (Board) has exclusive control of all retirement system investments. There are nine Board 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 prefund the Retiree Healthcare Benefits Program administered by LACERA, and hired the Board to act as a Trustee and Investment Manager. The two participating employers in the OPEB Trust, the County and LACERA, provided initial contributions of \$448.8 million during the fiscal year.

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.

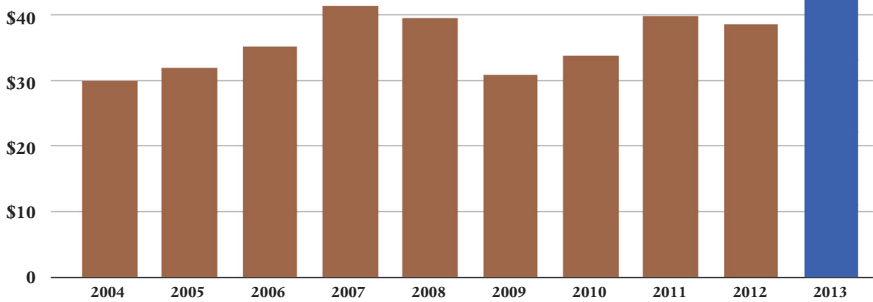
A fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The Board implements the asset allocation plans by hiring investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each manager's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

Fiscal Year Fund Return — Pension

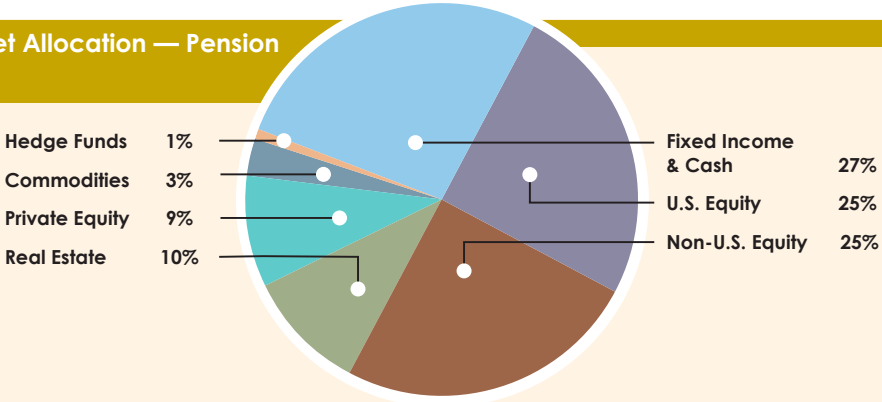
For this fiscal year, the total fund returned 12.1 percent (gross of fees), which is reflective of improving economic conditions. LACERA's three-year and five-year annualized returns, gross of fees, were 10.6 percent and 4.4 percent respectively. The 2013 fiscal year was marked by the steady improvement of the U.S. economy with assistance from the Federal Reserve's open-ended quantitative easing policy. Positive economic growth trends included the stock market run-up, the rebound of housing prices, and the revival of household wealth.

Growth of Investments — Pension

Ten Years Ending June 30  
(Dollars in Billions)



2013 Actual Asset Allocation — Pension  
As of June 30, 2013



Popular Annual Financial Report for the Fiscal Year Ended June 30, 2013

Net Position Restricted for Benefits — Pension

As of June 30, 2013, Net Position Restricted for Benefits totaled \$41.8 billion and represents the assets available for future payments to retirees and their beneficiaries. This amount represents an increase of \$3.5 billion, or 9.1 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 2013, Total Additions amounted to \$6.1 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 2013 totaled \$2.6 billion.

The LACERA Boards of Retirement (Board of Retirement) and Investments (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 2013.

Additions and Deductions in Fiduciary Net Position — Pension

For the Years Ended June 30, 2013, 2012, and 2011  
(Dollars in Millions)

	2013	2012	2011
Contributions	\$1,403	\$1,587	\$1,409
Net Investment Income/(Loss)	4,659	(291)	6,930
Total Additions	6,062	1,296	8,339
Benefits and Refunds	(2,541)	(2,391)	(2,270)
Administrative Expenses and Miscellaneous	(54)	(50)	(51)
Total Deductions	(2,595)	(2,441)	(2,321)
Net Increase/(Decrease) During the Year	3,467	(1,145)	6,018
Net Position Restricted for Benefits at Beginning of Year	38,307	39,452	33,434
Ending Net Position Restricted for Benefits	\$41,774	\$38,307	\$39,452

LACERA Membership

For the Last Five Fiscal Years Ended June 30

	2013	2012	2011	2010	2009
Service Retirement	40,804	39,738	38,449	37,398	36,437
Disability Retirement	8,960	8,931	8,947	8,990	8,996
Survivors	8,303	8,083	7,975	7,783	7,636
Total Retired Members	58,067	56,752	55,371	54,171	53,069
Active Members	91,545	91,952	92,786	94,410	95,788
Terminated Vested/Deferred	7,959	7,859	7,888	7,938	8,051
Total Membership	157,571	156,563	156,045	156,519	156,908

Exceptional Service: Accomplishments for Fiscal Year 2012-13\*

The LACERA team is unwavering in our quest to provide a consistently high level of service to all segments of our 157,000 members. The graphic below highlights some of our accomplishments this fiscal year. As the numbers clearly reflect, we completed a substantial volume of work — both in quantity and scope.

\*Stats as of June 30, 2013.



Member Services

518

Workshops & Benefits Fairs

Member Services

28,337

One-to-one Counseling Sessions

Member Services

128,970

Call Center Phone Calls

Administrative Services

326,419

Pieces of Mail Processed

Administrative Services

721,622

Pages of Member Documents Scanned & Indexed

Claims Processing

59,479

Monthly Retirement Allowances Paid

Claims Processing

2,568

New Retirees

lacera.com My LACERA

39,931

Registered Members

lacera.com My LACERA

66,744

Retirement Benefit Estimates

lacera.com My LACERA

75,519

Visits

Retiree Healthcare

36,576

Call Center Phone Calls

Retiree Healthcare

47,000

Insurance Packages Mailed for 2013