



HELPING PEOPLE

THAT'S WHAT WE DO

Popular Annual Financial Report (PAFR) for the Fiscal Year Ended June 30, 2016
Pension and OPEB Trust Funds of the County of Los Angeles, California



Gregg Rademacher
Chief Executive Officer

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016; 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 2017.

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

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



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 (County OPEB Trust) for the purpose of holding and investing assets to pre-fund the Retiree Healthcare Program. The County hired LACERA to administer the County OPEB Trust and the Board of Investments as Trustee and Investment Manager. The two participating employers in the County OPEB Trust, the County and LACERA, provided initial contributions in the fiscal year ended 2013.

Similar to the OPEB Trust established by the County, the Los Angeles County Superior Court (Court) followed the County's lead and established a separate Court OPEB Trust Fund, to begin prefunding its own OPEB unfunded liability during the fiscal year ended June 30, 2016.

Contributions – OPEB Trust

For the Fiscal Years Ended June 30, 2016 and 2015

(Dollars in Thousands)

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

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

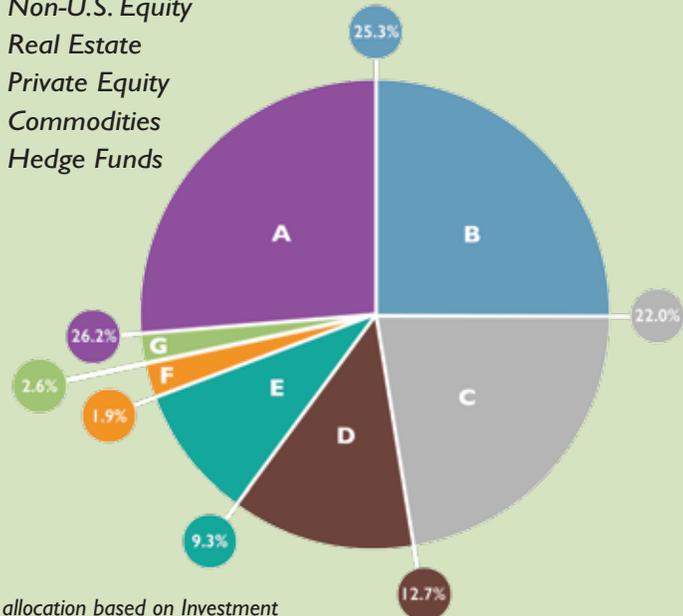
The total Net Position Restricted for Benefits for the OPEB Trust as of fiscal year June 30, 2016 is \$560.8 million. This total includes net investment income of \$72.6 million and administrative expenses of \$0.4 million.

The Board of Investments adopted Investment Policy Statements, which provide an overall framework for the management of LACERA's and the OPEB Trust's investments. These Statements also establish detailed investment policies and objectives and define the principal duties of the Board of Investments, investment staff, investment managers and consultants, and master custodian bank. 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 retirement plans and the Retiree Healthcare Program.

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 LACERA's and the OPEB Trust's behalf, subject to investment guidelines incorporated into each manager's investment management agreement.

Actual Asset Allocation – Pension Plan* As of June 30, 2016

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



*Asset allocation based on Investment Manager classifications.

Divisions

**Service Efforts and
Accomplishments for Fiscal
Year 2015-16**

Administrative Services

313,014
Pieces of Mail
Processed

Administrative Services

864,640
Member Documents
Scanned & Indexed

Benefits

62,010
Monthly
Retirement
Allowance Paid

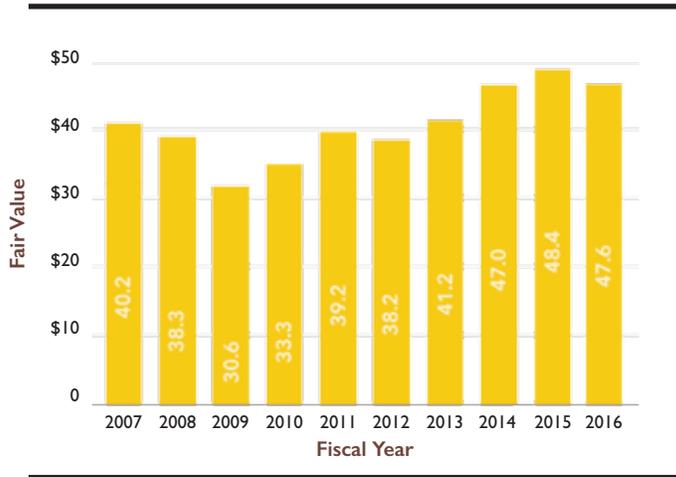
Fiscal Year Fund Return – Pension Plan

For this fiscal year, the total fund returned 1.1 percent (gross of fees), which was 110 basis points below the 2.2 percent return of its policy benchmark. LACERA's three-year and five-year annualized returns, gross of fees, were 7.2 percent and 6.7 percent, respectively.

Growth of Investments – Pension Plan

Ten Years Ending June 30

(Dollars in Billions)



Net Position Restricted for Benefits – Pension Plan

As of June 30, 2016, Net Position Restricted for Benefits totaled \$47.8 billion, and represents the assets available for future payments to retirees and their beneficiaries. This amount represents a decrease of \$1.0 billion, or 2.0 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 2016, Total Additions amounted to \$2.0 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 2016 totaled \$3.0 billion.

The LACERA Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.14 percent of total Net Position Restricted for Benefits in fiscal year 2016.

STAR Program

The Board of Retirement, together with the Board of Investments, has unanimously supported the Supplemental Targeted Adjustment for Retirees (STAR) Program, a supplemental cost-of-living benefit for retirees or their survivors who have lost 20 percent or more of the purchasing power of their original retirement benefit. Except for Program Year 2005, the Board of Retirement made permanent the 2001 through 2009 STAR Programs at an 80 percent level as authorized in the CERL §31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Years 2005 and 2010 through 2015 due to the modest Consumer Price Index percentage increase. Thus, all eligible members had cost-of-living accumulation accounts below the 20 percent threshold for providing STAR benefits. Permanent STAR benefits become part of the member's retirement allowance and are payable for life.

As of June 30, 2016, there was \$614 million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception equaled \$972 million.



Benefits

2,629
New Retirees

lacera.com My LACERA

58,063
Registered
Members

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102,752
Visits

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141,049
Retirement
Benefit
Estimates

Member Services

463
Workshop &
Benefits Fairs
(13,302 Attendees)

Member Services

17,905
One-to-one
Counseling
Sessions

Additions and Deductions in Fiduciary Net Position — Pension Plan

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

(Dollars in Millions)

	2016	2015	2014
Contributions	\$1,902	\$1,936	\$1,759
Net Investment Income	83	1,991	6,911
Total Additions	\$1,985	\$3,927	\$8,670
Benefits and Refunds	(2,889)	(2,768)	(2,663)
Administrative Expenses and Miscellaneous	(67)	(63)	(59)
Total Deductions	\$(2,956)	\$(2,831)	\$(2,722)
Net Increase/(Decrease) During the Year	(971)	1,096	5,948
Beginning Net Position Restricted for Benefits	48,818	47,722	41,774
Ending Net Position Restricted for Benefits	\$47,847	\$48,818	\$47,722

LACERA Membership

For the Last Three Fiscal Years Ended June 30

(2016-2015) (2015-2014)

	2016	2015	2014	% Change	% Change
Active Members	103,682	101,860	100,556	1.8%	1.3%
Retired Members	61,893	60,584	59,223	2.2%	2.3%
Total Membership	165,575	162,444	159,779	4.0%	3.6%

Funded Status – Pension Plan

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 Pension Plan and measure the Pension 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 liabilities, not funded through portfolio earnings and employee contributions, are satisfied.

LACERA's independent consulting actuary, Milliman, performed the actuarial valuation as of June 30, 2015 and determined that

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

LACERA Funded Ratio

For the Last Five Actuarial Valuations

Valuation Date	Funded Ratio
June 30, 2015	83.3%
June 30, 2014	79.5%
June 30, 2013	75.0%
June 30, 2012	76.8%
June 30, 2011	80.6%

Member Services

117,615

Call Center
Phone Calls

Retiree Healthcare

44,492

Call Center
Phone Calls

Retiree Healthcare

49,525

Insurance
Packages Mailed
for 2015



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

– LACERA DISABILITY RETIREMENT EMPLOYEE

HELPING PEOPLE *plan for the future*

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

– LACERA DISABILITY RETIREMENT EMPLOYEE



HELPING PEOPLE *achieve peace of mind*



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

– LACERA MEMBER SERVICES EMPLOYEE

HELPING PEOPLE *stay connected*

THAT'S WHAT WE DO

Award for Outstanding Achievement in Popular Annual Financial Reporting



The Government Finance Officers Association of the United States and Canada (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, 2015. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation,

understandability, and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. LACERA has received a Popular Award for the last 18 consecutive years (fiscal year ended June 2015). We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



Board Members

Marvin Adams

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

Anthony Bravo

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

Yves Chery

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

William de la Garza Secretary

Board of Retirement
Elected by
Retired Members
Term expires 12/31/17

Vivian H. Gray Vice Chair

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

David Green Chair

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

Shawn R. Kehoe Chair

Board of Retirement
Vice Chair
Board of Investments
Elected by
Safety Members
Term expires 12/31/16

Joseph Kelly Secretary

Board of Investments
Board of Retirement
County Treasurer and
Tax Collector
Ex-Officio Member

Keith Knox

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

David L. Muir

Board of Retirement
Alternate Retired Member
Elected by
Retired Members
Term expires 12/31/17

Ronald A. Okum

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

William R. Pryor

Board of Retirement
Alternate Member
Elected by
Safety Members
Term expires 12/31/16

Les Robbins

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

Diane A. Sandoval

Board of Investments
Elected by
Retired Members
Term expires 12/31/17

Herman B. Santos

Board of Investments
Elected by
General Members
Term expires 12/31/18

Michael S. Schneider

Board of Investments
Appointed by
Board of Supervisors
Term expires 12/31/18

Kenneth M. Simril

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

Estevan R. Valenzuela

Board of Investments
Appointed by
Board of Supervisors
Term expires 12/31/16

Valerie Rose Villarreal

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

Financial Report Issued By:

Gregg Rademacher
Chief Executive Officer

JJ Popowich
Assistant Executive Officer

Robert R. Hill
Assistant Executive Officer