The employees serving Los Angeles County are each on a unique personal journey. LACERA is proud to be a part of that journey, with services that begin the moment a new hire becomes a member and continue throughout his or her career. Regardless of the chosen path, each LACERA member heads toward one common destination: a secure retirement.

Different Paths Same Destination

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, 2016. 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 19 consecutive years. 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 2018

Alan J. Bernstein
Board of Retirement
Appointed by Board of Supervisors
Term expires 2019

Anthony Bravo
Board of Retirement
Appointed by Board of Supervisors
Term expires 2017

Yves Chery
(In Memoriam)
Board of Retirement
Elected by General Members
Term expires 2017

William de la Garza
Board of Retirement
Elected by Retired Members
Term expires 2017

Vivian H. Gray
Board of Retirement
Elected by General Members
Term expires 2018

David Green
Board of Investments
Elected by General Members
Term expires 2017

Shawn R. Kehoe
Board of Retirement
Board of Investments
Elected by Safety Members
Term expires 2019

Joseph Kelly
Board of Retirement
Board of Investments
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

Wayne Moore
Board of Investments
Appointed by Board of Supervisors
Term expires 2017

David L. Muir
Board of Retirement
Alternate Retired Member
Elected by Retired Members
Term expires 2017

Ronald A. Okum
Board of Retirement
(Term expires 2017)
Board of Investments
(Term expires 2019)
Appointed by Board of Supervisors

William R. Pryor
Board of Retirement
Alternate Member
Elected by Safety Members
Term expires 2019

Diane A. Sandoval
Board of Investments
Elected by Retired Members
Term expires 2017

Herman B. Santos
Board of Investments
Elected by General Members
Term expires 2018

Michael S. Schneider
Board of Investments
Appointed by Board of Supervisors
Term expires 2018

Valerie Rose Villarreal
Board of Investments
Appointed by Board of Supervisors
Term expires 2017

Financial Report Issued by:

Robert R. Hill
Interim Chief Executive Officer

James Brekk
Interim Deputy Chief Executive Officer

JJ Popowich
Assistant Executive Officer

Bernie Buenaflor
Interim Assistant Executive Officer

Popular Annual Financial Report (**PAFR**) for the Fiscal Year Ended June 30, 2017
Pension and OPEB Trust Funds of the County of Los Angeles, California

Different Paths Same Destination

Robert R. Hill
Interim Chief Executive Officer

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017; 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 (GAAP*). The CAFR will be available on lacera.com in January 2018.

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

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 LACERA Board of Investments has exclusive control of all retirement system investments. There are nine LACERA Board of Investments members: four are elected by the active and retired members; four are appointed by the Los Angeles County (County) Board of Supervisors; and 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 LACERA 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.

In June 2016, the LACERA Board of Investments directed LACERA staff to establish 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 create a unitized fund structure, subject to the Board's approval of the Master OPEB Trust for investments of the combined OPEB Trust assets.

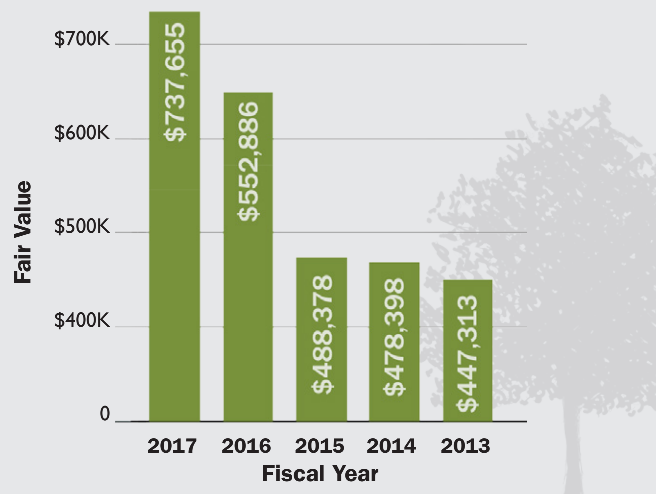
The OPEB Trust has grown over the last five years due to contributions from the County, LACERA, and the Superior Court, as well as investment earnings. The Fair Values include net investment income of $182.5 million and administrative expenses of $0.7 million as of June 30, 2017.

Contributions — OPEB Trust

For the Fiscal Years Ended June 30, 2017 and 2016
(Dollars in Thousands)

	2017	2016
Los Angeles County	$61,145	$72,489
LACERA	243	289
Superior Court	26,612	7,900
Total Contributions	**$88,000**	**$80,678**

Growth of Investments — OPEB Trust
Five Years Ending June 30
(Dollars in Thousands)

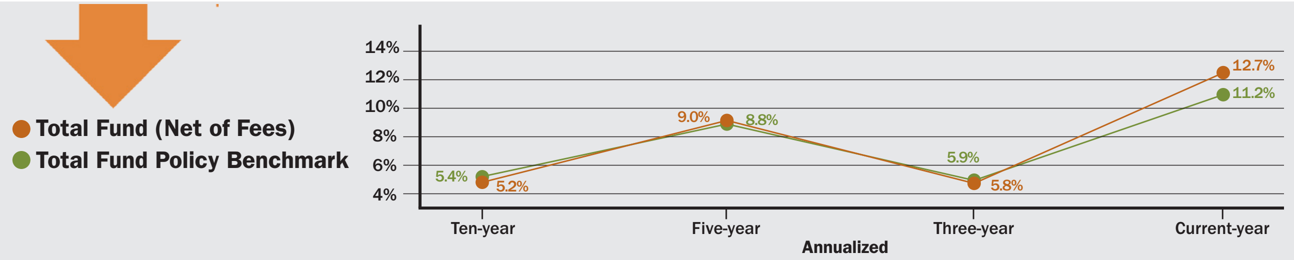


The County and other plan sponsors continue to fund the current Retiree Healthcare Program benefits due on a pay-as-you-go basis. As a result of the ongoing funding and the prefunding contributions, the total Net Position Restricted for Benefits for the OPEB Trust as of fiscal year June 30, 2017 is $742.9 million.

The LACERA 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 LACERA Board of Investments, staff, and external professional service providers. 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 Pension Plan and the Retiree Healthcare Program.

Fund Return — Pension Plan

LACERA's total fund returns on a three-year, five-year, and ten-year period, net of fees, compared to the total fund policy benchmark are shown in the graph to the right.



Total fund gross of fee returns for the one-year, three-year, five-year, and ten-year periods are 13.0 percent, 6.0 percent, 9.3 percent, and 5.4 percent, respectively.

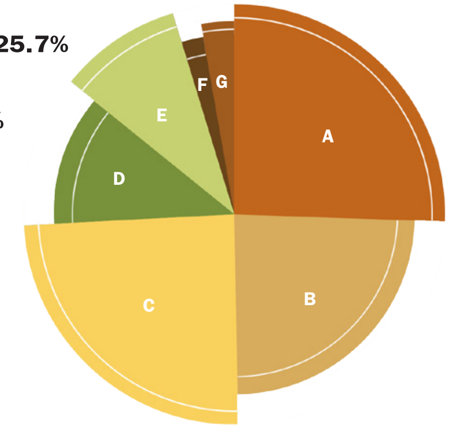
A fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The LACERA Board of Investments implements the asset allocation plans by hiring investment managers to invest assets subject to investment guidelines incorporated into each manager's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

Actual Asset Allocation — Pension Plan*

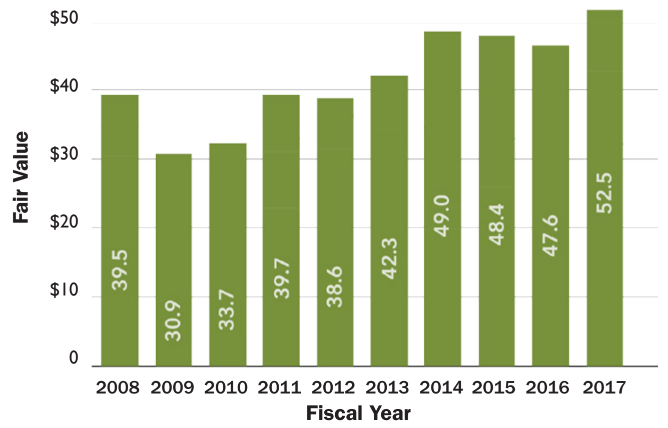
As of June 30, 2017

- A Fixed Income & Cash **25.7%**
- B U.S. Equity **24.2%**
- C Non-U.S. Equity **24.3%**
- D Real Estate **11.8%**
- E Private Equity **9.3%**
- F Commodities **2.0%**
- G Hedge Funds **2.7%**

*Asset allocation based on Investment Manager classifications.



Growth of Investments — Pension Plan
Ten Years Ending June 30
(Dollars in Billions)



Net Position Restricted for Benefits — Pension Plan

As of June 30, 2017, Net Position Restricted for Benefits totaled $52.7 billion, and represents the assets available for future payments to retirees and their beneficiaries. This amount represents an increase of $4.9 billion, or 10.2 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 sponsors (employers) retirement contributions. For fiscal year 2017, Total Additions amounted to $8.0 billion, achieved through investment returns and retirement 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 2017 amounted to $3.1 billion.

The LACERA Boards of Retirement and Investments jointly approved the $76.8 million annual budget, which controls administrative expenses and represents approximately 0.13 percent of total Net Position Restricted for Benefits in fiscal year 2017.

Cost-of-Living Adjustment (COLA)

By law, LACERA retirement and survivor allowances are subject to an annual Cost-of-Living Adjustment (COLA). The adjustment is driven by changes in the cost of living over the previous 12-month period as of December 31.

Each year, the LACERA Board of Retirement is required to review the Bureau of Labor Statistics Consumer Price Index for all Urban Consumers in the Los Angeles-Riverside-Orange County metro area to determine whether there has been an increase or decrease in the cost of living over the prior year. The difference is reflected as a percentage.

The maximum allowable COLA adjustment is determined by the provisions of each LACERA retirement plan. Plan A allows a maximum adjustment of 3 percent; the other LACERA plans allow a maximum of 2 percent.

Additions and Deductions in Fiduciary Net Position — Pension Plan

For the Years Ended June 30, 2017, 2016 and 2015
(Dollars in Millions)

	2017	2016	2015
Contributions	$1,858	$1,902	$1,936
Net Investment Income	6,135	83	1,991
Total Additions	**$7,993**	**$1,985**	**$3,927**
Benefits and Refunds	(3,030)	(2,889)	(2,768)
Administrative Expenses and Miscellaneous	(67)	(67)	(63)
Total Deductions	**$(3,097)**	**$(2,956)**	**$(2,831)**
Net Increase/(Decrease) During the Year	4,896	(971)	1,096
Beginning Net Position Restricted for Benefits	47,847	48,818	47,722
Ending Net Position Restricted for Benefits	**$52,743**	**$47,847**	**$48,818**

LACERA Membership

For the Last Three Fiscal Years Ended June 30

	2017	2016	2015	(2017-2016) % Change	(2016-2015) % Change
Active Members	105,562	103,682	101,860	1.8%	1.8%
Retired Members	63,295	61,893	60,584	2.3%	2.2%
Total Membership	**168,857**	**165,575**	**162,444**	**2.0%**	**1.9%**

RETIREMENT

LACERA applies the percentage of annual increase or decrease in the cost of living, rounded to the nearest one-half of one percent, to each total retirement and survivor allowance. Any percentage above the maximum allowable amount is added to the COLA Accumulation to supplement future COLA benefits. The COLA adjustment to retirement allowances is effective annually on April 1 and begins with the April retirement benefit. Members who retired prior to April 1 and eligible survivors of members who died prior to April 1 are eligible for COLA.

On February 9, 2017, the LACERA Board of Retirement approved a 2 percent COLA increase for retirees and eligible survivors, which was effective April 1, 2017.

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 plan sponsors are needed to pay all expected future promised benefits. Under the terms of the LACERA 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, 2016 and determined that the Funded Ratio of the actuarial assets to the actuarial accrued liabilities decreased to 79.4 percent, as compared to 83.3 percent as of the June 30, 2015 valuation.

LACERA Funded Ratio

For the Last Five Actuarial Valuations

Valuation Date	Funded Ratio
June 30, 2016	**79.4%**
June 30, 2015	83.3%
June 30, 2014	79.5%
June 30, 2013	75.0%
June 30, 2012	76.8%

Divisions

Service Efforts and Accomplishments for Fiscal Year 2016-17

Administrative Services	332,801	Pieces of Mail Processed
Administrative Services	812,900	Member Documents Scanned & Indexed
Benefits	63,504	Monthly Retirement Allowance Paid
Benefits	3,002	New Retirees
lacera.com My LACERA	65,062	Registered Members
lacera.com My LACERA	172,165	Visits
lacera.com My LACERA	185,213	Retirement Benefit Estimates
Member Services	512	Workshop & Benefits Fairs (14,503 Attendees)
Member Services	18,149	One-on-one Counseling Sessions
Member Services	118,524	Call Center Phone Calls
Retiree Healthcare	54,667	Call Center Phone Calls
Retiree Healthcare	50,130	Insurance Packages Mailed