LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Los Angeles City Employees' Retirement System

A Department of the Municipality of the City of Los Angeles, California

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014

Los Angeles City Employees' Retirement System
(A Department of the Municipality of the City of Los Angeles, California)

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Issued by
Thomas Moutes
General Manager

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Introduction

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

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Letter of Transmittal

January 7, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 W. First Street, Suite 500
Los Angeles, CA 90012-4401

Dear Members of the Board:

The City of Los Angeles established the Los Angeles City Employees' Retirement System (LACERS) in 1937 as a pension trust fund to provide secure retirements for the civilian employees who provide public services to maintain and enrich our City. LACERS is entrusted with the administration of the trust fund and carries out its duties with the utmost fiduciary care for its Members. As evidence of our stewardship, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. We invite all stakeholders and interested parties to examine the financial condition of the System.

LACERS investments earned an 18.4% return during this fiscal year. Despite this robust return, the funded status of our Retirement Benefits decreased slightly on a Valuation Value of Assets basis from 68.7% to 67.4%. This reduction largely was attributable to the adoption of new mortality and investment return assumptions. On a Market Value of Assets basis, the funded status of our Retirement Benefits increased from 68.2% to 72.6%. Our Postemployment Health Care Plan funded status increased from 71.9% to 72.9% on a Valuation Value of Assets basis and continued to be one of the best funded governmental plans. On a Market Value of Assets basis, our Postemployment Health Care Plan funded status increased from 71.4% to 78.5%.

The number of our active Members continued to decline to a fourteen-year low of 24,009 or -1.8% compared with the prior fiscal year. Of the 24,009 Members, 23,254 were in Tier 1 and 755 were in Tier 2 (for employees who became Members on or after July 1, 2013). This is our first CAFR that provides Tier 2 data.

Our staff continued work on advancing the Pension Administration System replacement project initiated in 2011 and on a related process reengineering project. Other projects, such as our tax compliance assurance project, continued our focus on ensuring operational integrity.

During the fiscal year, four new Board Members were appointed by the Mayor and one new Board Member was elected to fill the remaining term of our Elected Retired Member position.

This CAFR presents a broad view of our financial condition including the System's financial statements, investment performance results, and actuarial valuations for retirement and health benefits.

Accounting System and Reports

This CAFR was prepared in conformance with accounting principles generally accepted in the United States of America, the reporting guidelines set forth by the Government Accounting Standards Board (GASB), and requirements set forth in the Los Angeles City Charter.

The accompanying financial statements were prepared using the accrual basis of accounting. Contributions from the employer and Members were recognized when due, pursuant to formal commitments and contractual requirements. Investment income was recognized as revenue when earned. Expenses were recorded when corresponding liabilities were incurred, regardless of when payment was due.

The Management's Discussion and Analysis, in the Financial Section starting on page 17, contains financial highlights and an overview of the financial statements and financial analysis in a narrative format. Readers of this CAFR are encouraged to review this supplementary information to gain insight to LACERS financial status and activities.

It is the responsibility of LACERS management to prepare the System's financial statements, notes, and supplementary disclosures, and to establish and maintain internal control to ensure the System assets are protected. However, there are inherent limitations associated with internal control, such as the risk of circumventions as a result of cost considerations, collusion, or improper management overrides which may exist in any system. Also, because the cost of implementing a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. Management believes that the System's internal control is adequate and that the accompanying statements, schedules, and tables are fairly presented.(1) LACERS management assumes full responsibility for the contents of this report.

(1) Brown Armstrong, the independent auditor, has audited and expressed an unmodified opinion regarding LACERS' basic financial statements.

Additions to Fiduciary Net Position

The additions to fiduciary net position consist of the City contributions, Member contributions, and net investment income. The total amount of additions for the fiscal year ending June 30, 2014 was $2,855,565,000, including the City contributions of $455,659,000, Member contributions of $204,136,000, and investment income, net of investment expenses, of $2,195,770,000. The net investment income represents a net increase of $666,526,000 as compared to the prior fiscal year's net investment income of $1,529,244,000. The increase is attributed mainly to the increase of net appreciation in the fair value of investments by $665,901,000 in comparison with that of the prior fiscal year. The System's investment rate of return for the current fiscal year was 18.4% (gross of fees), which outperformed the new 7.5% actuarial assumed rate of return, recently adopted by the Board for the June 30, 2014 actuarial valuation. Details of the components of the additions to fiduciary net position are included in the Statement of Changes in Fiduciary Net Position on page 29.

Deductions from Fiduciary Net Position

Deductions for the fiscal year ended June 30, 2014 totaled $842,331,000, which represented an increase of $22,777,000 (2.8%) over the prior year. This increase was mainly due to the increased benefits payments for the Retirement Plan and the Postemployment Health Care Plan. The components of the total deductions included payments of retirement benefits of $810,584,000 ($708,956,000 for the Retirement Plan and $101,628,000 for the Postemployment Health Care Plan), refunds of contributions to terminated Members of $15,982,000, and administrative expenses of $15,765,000.

Changes in System Membership

LACERS membership changes for the fiscal year ended June 30, 2014 were as follows:

	2014	2013	Net In(De)-crease	Net Change
Active Members	24,009	24,441	(432)	(1.8) %
Retired Members	17,532	17,362	170	1.0 %

Major Initiatives

Installation of Internal Audit Program

To increase transparency and accountability, the Board has long held a strategic initiative to establish an internal audit function at LACERS. This initiative was completed during Fiscal Year 2013-14.

LACERS' Departmental Audit Manager joined the Department in July 2013. The Board adopted Internal Audit and Audit Committee charters to formally establish the function. A cornerstone of strong governance, internal auditing will contribute toward accountability, integrity, and good management practices within LACERS operations by providing valuable support and independent assurance to LACERS management and the Board.

Board Governance Policy Review

The Board completed a comprehensive review of its Board Policies. The Board Governance Policies are enhanced with a strong statement of purpose and commitment to fiduciary duty, as well as a section identifying the governing statutes applicable to LACERS. The review resulted in updates to the roles and responsibilities of the Board, Committees, and the General Manager. Review of the Board Administrative Policies was also completed.

LACERS *Well* - Retiree Wellness Program

Since 2012, LACERS, with the assistance and financial support of LACERS medical plan carriers – Kaiser Permanente, Anthem Blue Cross, SCAN, and UnitedHealthcare – launched a wellness program called LACERS *Well*. The program is designed to enhance the quality of life and retirement for LACERS Members by providing resources and activities that promote optimal health and wellness. With approximately 1,200 Members participating in webinars, exercise classes and online programs, the LACERS *Well* is coordinated with the assistance of a contracted wellness coordinator. The program has been promoted through the LACERS *Well* microsite, periodic mailings, and direct contact with Members. Through the expanded communications effort, LACERS has obtained the commitment of over 100 wellness Champions to lead other Members in activities associated with physical and emotional wellness. The LACERS *Well* Champion program will provide our Members a health-oriented community amongst Members that will continue to promote wellness.

Health and Welfare Program - Data Initiative

The Health and Welfare Data Initiative aims to utilize data analytics to better understand Members' health plan utilization and associated costs in order to develop strategies to stabilize future costs. Web-based interactive dashboards have been developed and expanded in 2014 to include data on wellness and disease management. LACERS and our Health and Welfare Consultant, Keenan and Associates, continue to work in partnership with the medical plan carriers to enhance various indicators.

Pension Administration System Replacement Project

LACERS continued a major, multi-year software replacement project starting in June 2011, with a targeted completion in 2017. The pension administration system tracks Member information for the duration of their City careers then uses the information to calculate and pay Member retirement benefits. March 2014 marked the completion of the first year working with the selected pension administration system vendor to implement a system which incorporates LACERS business rules and processes.

Other Technological Enhancements

LACERS continues to enhance its use of technology to provide improved service to our Members with an internally-developed interactive knowledge-based decision support system used to help staff respond to callers to LACERS' Member services phone number. This knowledge based platform utilizes decision tree technology to help ensure consistent and efficient responses to our callers.

LACERS technological improvements also contributed to greater efficiency and the ability to increase integration between systems in the future. Projects completed this fiscal year include consolidation of internal and external e-mail systems; improvements to our data storage infrastructure resulting in better IT performance and expansion capabilities; and upgrade of our decade old electronic document management system.

Funding Status and Progress

The funded ratio, the ratio of the actuarial value of assets to actuarial accrued liabilities, is a snapshot of the relative status of LACERS assets and liabilities. It is determined annually in the actuarial valuation, reflecting changes that affect the assets and liabilities during the reporting year. Based on the June 30, 2014 actuarial valuation, the combined funded ratio for the Retirement Plan and the Postemployment Health Care Plan was decreased by 1.0% from a year ago to 68.1%. Individually, the funded ratio for the Retirement Plan decreased from 68.7% to 67.4%; and for the Postemployment Health Care Plan, the funded ratio increased from 71.9% to 72.9%. The decreased funded ratio for the Retirement Plan is primarily attributable to the actuarial assumption changes as a result of the recent Experience Study which included a lowered investment return assumption of 7.5%, from 7.75%, and longer life expectancies of LACERS Members and beneficiaries. The increased funded ratio for the Postemployment Health Care Plan is primarily attributable to premiums increasing less than expected and the investment gains of the fiscal year, which, added together, more than offset the negative impact of the assumption changes as a result of the recent Experience Study. Due to the seven-year asset smoothing method used in the actuarial valuation, six-sevenths of the large investment gains of the fiscal year were unrecognized and deferred to the future years. As of June 30, 2014, the deferred gain amounts to $1.0 billion, marking the first time that the market value exceeds the actuarial/smoothed value of assets since the June 2007 valuation. The deferred gain will cause City contribution rates to fall in the next few years if the investment returns match the new 7.5% assumption and all other assumptions are met.

Investment Summary

The System established its investment policies in accordance with Section 1106 of the Charter of the City of Los Angeles. The investment policies are designed to maximize the investment return while minimizing investment risk. The System's assets are managed on a total return basis in compliance with the investment policies to produce a total portfolio, long-term, real (above inflation) return of 5.0%. Consequently, prudent risk-taking is warranted within the context of the overall portfolio diversification. The Board implements its risk management policy by monitoring the portfolio's compliance through the adoption of investment policies, guidelines, and procedures for determining the strategic management of investment risk, while allowing sufficient flexibility in capturing investment opportunities, as they may occur, and establishing reasonable risk parameters to ensure prudence and care in the management of the System's assets.

The portfolio consists of investments in U.S. and non-U.S. stocks and bonds, bank loans, real estate and private equity, and short-term investments. In addition to maximizing the investment return, this asset mix also serves to diversify the portfolio in order to minimize portfolio volatility to the extent possible.

The System's total portfolio was valued at $13.9 billion as of June 30, 2014, an increase of $2.0 billion (16.9%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 18.4% (or a net of fees return of 18.2%) over a one-year period. The total fund outperformed its policy benchmark by 0.5% gross of fees return (or 0.3% net of fees return), and also outperformed its actuarial assumed rate of investment return of 7.5%. The robust results reflect LACERS investment portfolio, as managed by the Board and investment staff through various investment managers, with the assistance of LACERS investment consultants, was performing well under the favorable economic and financial environment of this reporting period at a time when the U.S. and Non-U.S. equity markets posted strong gains.

The annualized investment returns are detailed in the Investment Results on page 63 of the Investment Section. The detail of Investment Income can be found on pages 22 - 23 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its CAFR for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that this report for the fiscal year ended June 30, 2014, will again meet the requirements of the Certificate of Achievement Program and we are submitting it to the GFOA for consideration of an annual award.

LACERS also received a Public Pension Standards Award For Funding and Administration from the Public Pension Coordinating Council (PPCC), a coalition of three national associations that represent public retirement systems and administrators: the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS). The award recognizes that the System meets Public Pension Standards espoused by the PPCC.

Acknowledgements

It is important to recognize that the financial information contained in this report represents the work of the LACERS Board, a staff of over 130 dedicated employees, along with expert consultants, in their service to more than 24,000 active and 17,000 retired Members and beneficiaries. I thank Members of the Board for their dedicated service, strong engagement, and thoughtful consideration and support. I also thank LACERS staff. Our mission to establish a lifelong, trustworthy relationship with each Member, engages the majority of Retirement

Services and Health Benefits Administration and Communications Divisions staff in direct Member services including counseling and educating Members. The Health Benefits Administration and Communications Division also keeps costs down by rigorously advocating for better valued health provider services and fair rates. LACERS Investment Division carries out the Board's Investment mandates, striving to achieve strong investment returns to enable the payment of retirement benefits. Our Fiscal Management personnel ensure proper Members' account maintenance and benefit payments as well as reliable financial accounting and reporting for the department. Executive and Administrative Divisions provide internal direction and support to ensure the infrastructure is in place for the most efficient and effective service delivery.

Lastly, I would like to acknowledge those who assisted with the preparation of this report: Aleli Cangco, Andy Chiu, Bryan Fujita, Andrea Galstian, Rodney June, Alan Lee, Ricky Mulawin, Jo Ann Peralta, Alex Rabrenovich, and May Tran. I would also like to thank our external auditor, Brown Armstrong, and our consulting actuary, Segal Consulting, for their professional assistance in the preparation of this report.

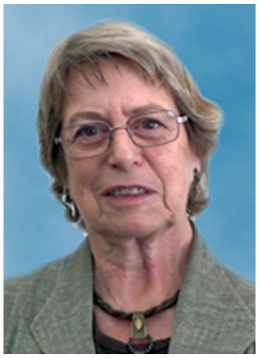
Respectfully Submitted,

Thomas Moutes
General Manager

Mikyong Jang
Chief Accountant

Board of Administration
As of June 30, 2014

Richard M. Rogers
President
Elected by Active Members



Ruth Galanter
Vice President
Appointed by the Mayor

Elizabeth L. Greenwood
Member
Elected by Active Members

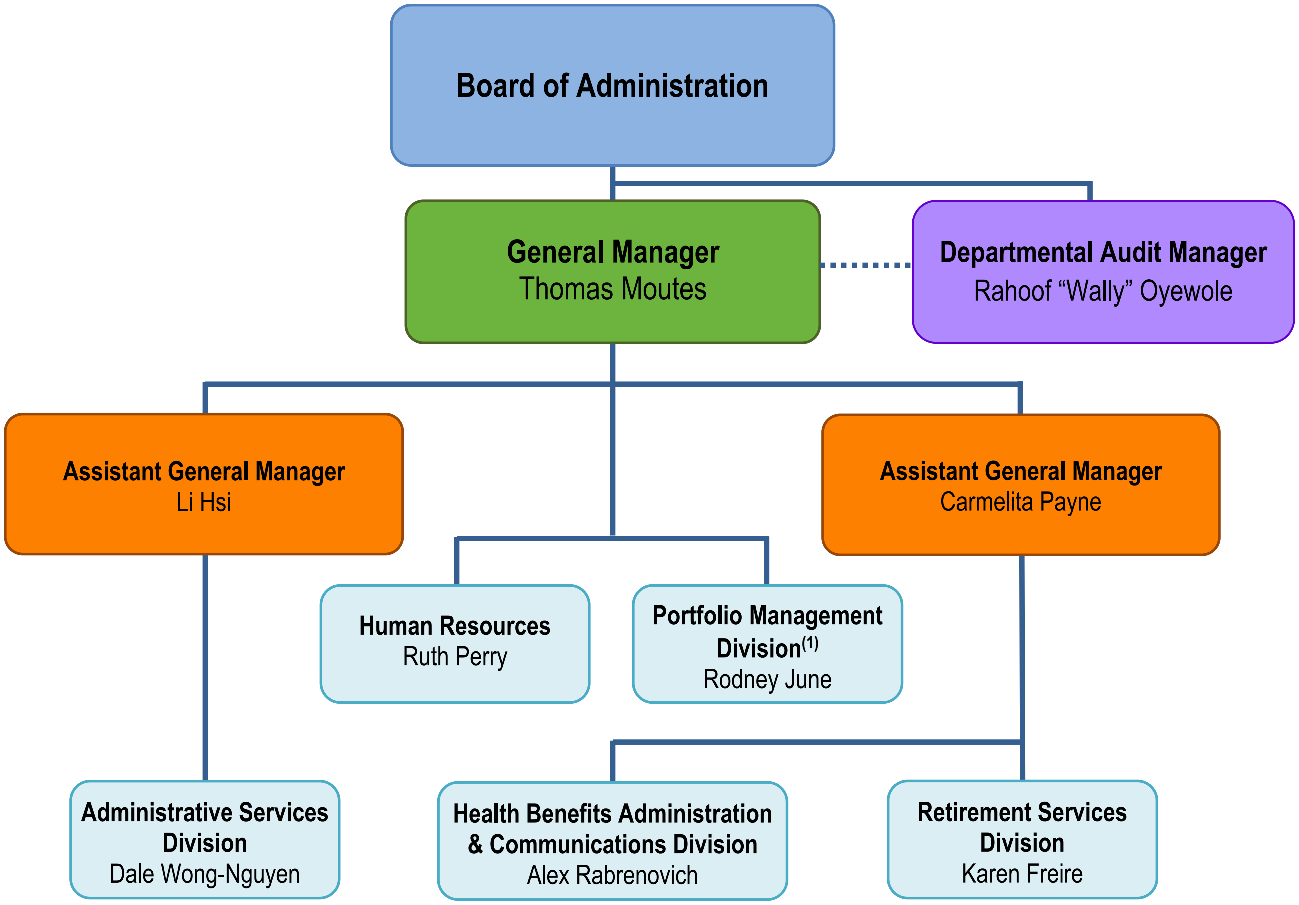
William J. Briggs, II
Member
Appointed by the Mayor

Jaime L. Lee
Member
Appointed by the Mayor

Nilza R. Serrano
Member
Appointed by the Mayor

Michael R. Wilkinson
Member
Elected by Retired Members

Organization Chart
As of June 30, 2014



(1) Schedules of Fees and Commissions can be found in the Investment Section on page 69, and a list of firms managing the investment portfolio can be found in the Investment Section on pages 71 and 72.

Professional Consultants

Actuary
Segal Consulting

Independent Auditor
Brown Armstrong

Investment Consultants
Portfolio Advisors, LLC
The Townsend Group
Wilshire Associates, Inc.

Health & Welfare Consultant
Keenan & Associates

Legal/Fiduciary Counsel
Ice Miller, LLP
Nossaman, LLP
Reed Smith, LLP
Steptoe & Johnson, LLP

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City
Employees' Retirement System
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

ALSO AWARDED IN 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, & 2012

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2014

Presented to

Los Angeles City Employees' Retirement System (LACERS)

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

ALSO AWARDED IN 2013

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Financial

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ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying Retirement Plan and Postemployment Health Care Plan Statement of Fiduciary Net Position of the Los Angeles City Employees' Retirement System (LACERS), a department of the Municipality of the City of Los Angeles, California, as of June 30, 2014, and the related Retirement Plan and Postemployment Health Care Plan Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise LACERS basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to LACERS preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LACERS internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement Plan and Postemployment Health Care Plan of LACERS as of June 30, 2014, and the changes in fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, LACERS implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, which modified the current financial reporting of those elements. Additionally**,** as discussed in Note 1 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include private equities, and investments in real assets. Such investments totaled $2.0 billion (12.8% of total assets) at June 30, 2014. Where a publicly listed price is not available, the management of LACERS uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of the investments. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of LACERS that collectively comprise LACERS basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used in the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited LACERS June 30, 2013 financial statements, and our report dated November 19, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent in all material respects, with the audited financial statements from which it has been derived.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Pasadena, California
December 26, 2014

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information included in our letter of transmittal in the Introductory Section of LACERS Comprehensive Annual Financial Report.

Financial Highlights

- LACERS fiduciary net position as of June 30, 2014 was $13,935,772,000, an increase of $2,013,234,000 or 16.9% over the prior fiscal year.
- The total additions to the fiduciary net position of LACERS, from employer contributions made by the City of Los Angeles (the City), Member contributions, and net investment income, were $2,855,565,000, a 33.0% increase from the prior fiscal year.
- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of employer as defined by the Governmental Accounting Standards Board (GASB) Statement No 67*, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* The employer contributions to the Postemployment Health Care Plan represented 100% of the Annually Required Contribution (ARC) as defined by GASB Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans,* and No. 45, Accounting and *Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.
- Net investment income for this fiscal year was $2,195,770,000, representing 43.6% increase compared with an investment income of $1,529,244,000 for the previous reporting period.
- The total deductions from the fiduciary net position were $842,331,000, a 2.8% increase from the prior fiscal year, for the payment of retirement and postemployment health care benefits, refunds of Member contributions, and administrative expenses.
- The System's Net Pension Liability (NPL) for the retirement benefits was $4,457,774,000 as of June 30, 2014. NPL, an important measure required by the GASB Statement No. 67 to disclose in the financial notes of a pension plan, is the difference between the Total Pension Liability (TPL) and the Plan fiduciary net position. As the Plan fiduciary net position is equal to the market value of the System's assets, NPL is determined on market value basis, and it fully reflects LACERS' strong investment performance (18.4% rate of return, gross of fees) of this fiscal year. Compared with the previous fiscal year, the NPL fell by $269,403,000.
- The "Plan Fiduciary Net Position as a Percentage of TPL", another required disclosure by GASB Statement No. 67, is 72.6%, which is exactly the same as the funded ratio on market value basis reported in the actuarial valuation for the retirement benefits.
- Based on the most recent actuarial valuation as of June 30, 2014, the funded ratio for the Postemployment Health Care Plan was 72.9%, showing an improvement from 71.9% of the same period a year ago. This funded ratio was determined on actuarial value basis: the ratio of actuarial value of assets to the actuarial accrued liabilities of Postemployment Health Care Plan. On market value basis, the funded ratio showed an even greater improvement from 71.4% to 78.5%.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS' financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedules provide additional financial data on LACERS' operations.

Financial Statements

There are two financial statements presented by LACERS. The Statement of Fiduciary Net Position on page 28 gives a snapshot of the account balances at year-end and shows the amount of the fiduciary net position (the difference between the assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources) available to pay future benefits. Over time, increases or decreases in fiduciary net position may serve as a useful indicator of whether the fiduciary net position of LACERS is improving or deteriorating. The Statement of Changes in Fiduciary Net Position on page 29 provides a view of current year additions to, and deductions from, the fiduciary net position.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 30 - 45 of this report.

Overview of the Financial Statements (Continued)

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions History, Schedule of Investment Returns, and the Notes to Required Supplementary Information for the Retirement Plan; and Schedule of Funding Progress, Schedule of Employer Contributions, and the Notes to Required Supplementary Information for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards. This required supplementary information can be found on pages 48 - 53 of this report.

Supplemental Schedules

The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Fees and Expenses, are presented to provide additional financial information on LACERS' operations for the current year. They can be found on pages 56 and 57 of this report.

Management's Discussion and Analysis

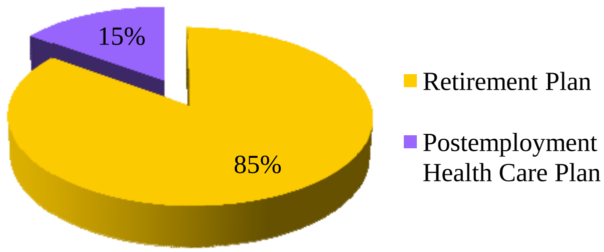
Financial Analysis

Allocation of Fiduciary Net Position

Fiduciary net position may serve as a useful indicator of a plan's financial position. The total fiduciary net position is allocated between the Retirement Plan and Postemployment Health Care Plan, as required by the existing reporting standards. The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Health Care Plan as of June 30, 2014 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$11,844,437	85.0%
Postemployment Health Care Plan	2,091,335	15.0
Fiduciary Net Position	$13,935,772	100.0%

Allocation of Fiduciary Net Position



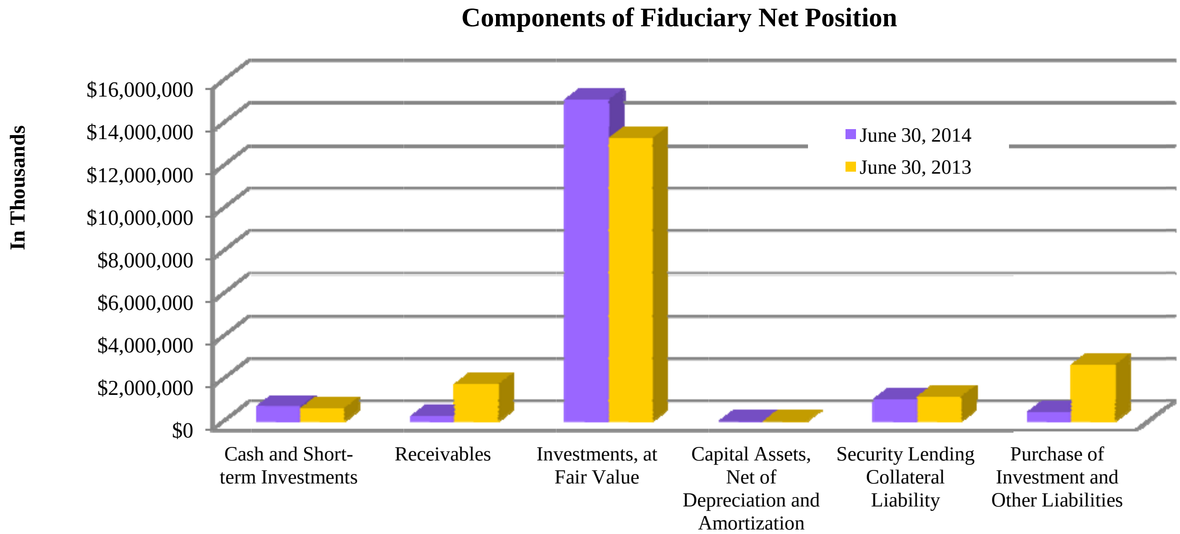
Fiduciary Net Position

The following table and graph represent the detailed information regarding the components of the fiduciary net position of LACERS as of June 30, 2014 and 2013 (dollars in thousands):

	June 30, 2014	June 30, 2013	Change	
Cash and Short-Term Investments	$ 681,629	$ 606,604	$ 75,025	12.4 %
Receivables	222,090	1,734,747	(1,512,657)	(87.2)
Investments, at Fair Value	14,482,891	12,781,115	1,701,776	13.3
Capital Assets, Net of Depreciation and Amortization	2,668	1,318	1,350	102.4
Total Assets	15,389,278	15,123,784	265,494	1.8
Security Lending Collateral Liability	1,022,532	1,155,982	(133,450)	(11.5)
Purchase of Investments and Other Liabilities	430,974	2,045,264	(1,614,290)	(78.9)
Total Liabilities	1,453,506	3,201,246	(1,747,740)	(54.6)
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 13,935,772	$ 11,922,538	$ 2,013,234	16.9 %

Financial Analysis (Continued)

Fiduciary Net Position (Continued)



The majority of LACERS' fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Fiduciary net position increased by $2,013,234,000, or 16.9%, during this fiscal year. The increase is primarily attributable to the $1,924,720,000 net appreciation in fair value of investments, reflecting a very strong year for the equity markets.

Net Increase in Fiduciary Net Position

The increase in fiduciary net position during the reporting period was the net effect of a combination of factors that either added to or deducted from the fiduciary net position. The following table summarizes the changes in fiduciary net position during the report year, as compared with the prior year (dollars in thousands):

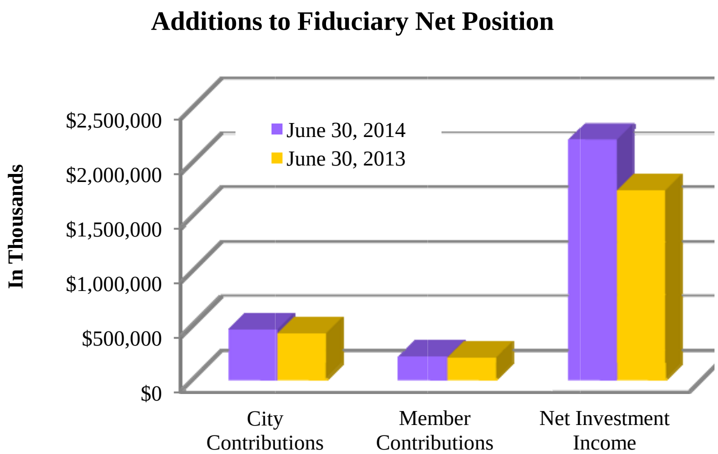
	June 30, 2014	June 30, 2013	Change	
Additions	$ 2,855,565	$ 2,146,391	$ 709,174	33.0 %
Deductions	842,331	819,554	22,777	2.8
Net Increase in Fiduciary Net Position	2,013,234	1,326,837	686,397	51.7
Fiduciary Net Position, Beginning of Year	11,922,538	10,595,701	1,326,837	12.5
Fiduciary Net Position, End of Year	$ 13,935,772	$ 11,922,538	$ 2,013,234	16.9 %

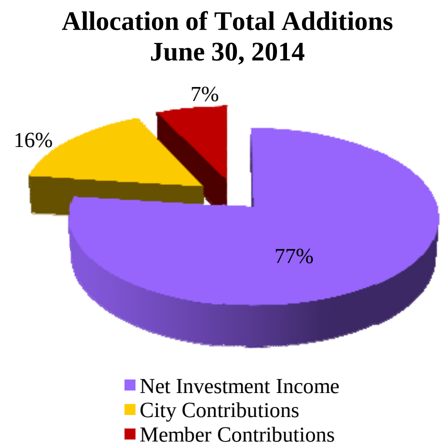
Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Additions to Fiduciary Net Position

The following table and graph represent the components that make up the additions to fiduciary net position for LACERS for the years ended June 30, 2014 and 2013 (dollars in thousands):

	June 30, 2014	June 30, 2013	Change
City Contributions	$ 455,659	$ 419,266	8.7 %
Member Contributions	204,136	197,881	3.2
Net Investment Income	2,195,770	1,529,244	43.6
Additions to Fiduciary Net Position	$ 2,855,565	$ 2,146,391	33.0 %





The additions to LACERS fiduciary net position include three main items that constitute the funding sources of LACERS benefits: City Contributions, Member Contributions, and Net Investment Income.

City Contributions to the Retirement Plan, the Postemployment Health Care Plan, and the Family Death Benefit Plan were $455,659,000 during the year, $36,393,000 or 8.7% more than the prior fiscal year due to a higher payroll base and a higher contribution rate recommended by the actuary. The total City contribution includes a true-up payment of $5,192,000, to reconcile the shortfall of the contribution based on projected payroll versus actual payroll. This true-up amount, which included accrued interest at 7.75%, was recognized as contributions receivable as of the end of the reporting period. In addition, this fiscal year's City contributions, for the first time, included the funding of the benefit costs for the new tier of Members (Tier 2). The aggregate employer contribution rate for this fiscal year was 25.26% (19.84% for the Retirement Plan and 5.42% for the Postemployment Health Care Plan) which is 1.12% higher than the prior fiscal year's rate of 24.14%. The actual contribution to the Retirement Plan in the amount of $357,649,000 was equal to 100% of the Actuarially Determined Contribution (ADC) of employer, as defined by GASB Statement No. 67. The actual contribution to the Postemployment Health Care Plan in the amount of $97,841,000 was equal to 100% of the Annual Required Contribution (ARC), as defined by GASB Statements No. 43 and 45.

Factors that may affect the amount of Member contributions include the change in number and composition of Members, the change in Member salaries, and the change in Member contribution rates. In fiscal year 2013-14,

Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Additions to Fiduciary Net Position (Continued)

Member contributions were $204,136,000, which was $6,255,000 or 3.2% greater than the prior year in spite of a decrease in Active Members by 1.8% during the year. The increased contributions primarily were due to the overall increase in Members' salaries. Although the contribution rate for the new Tier 2 Members, at 10%, is 1% lower than most of the Tier 1 Members' contribution rate, it did not have significant impact on total Member contributions since the Tier 2 Members' payroll was only about 1% of the total payroll base for this fiscal year.

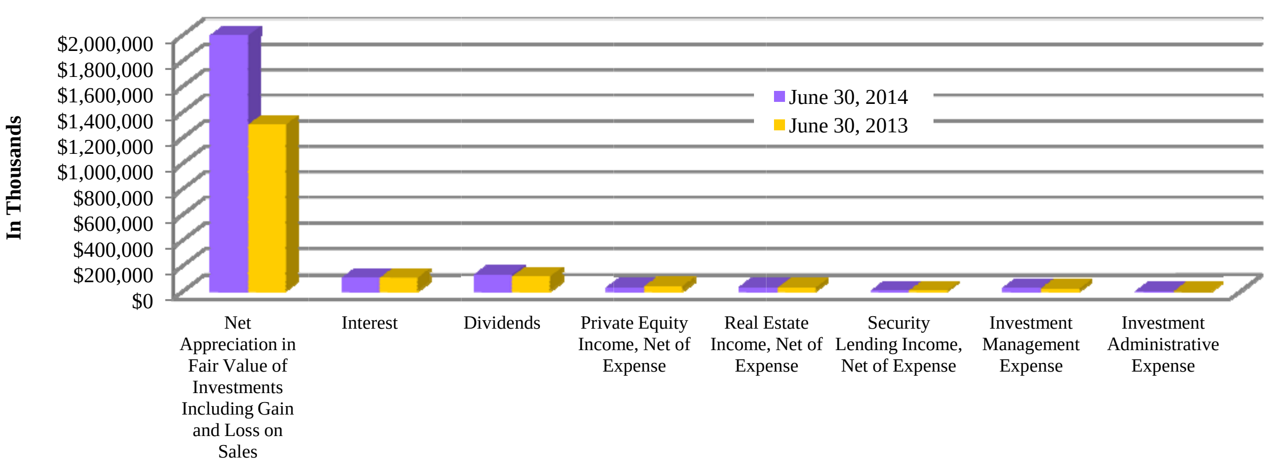
The net investment income of $2,195,770,000, which included $1,924,720,000 of net appreciation in fair value of investments, reflected the continued high investment performance of LACERS under the strong financial and stock markets during the fiscal year. This is discussed in more detail in the next section.

Investment Income

The following table and graph present the detail of investment income, net of investment management expenses for the years ended June 30, 2014 and 2013 (dollars in thousands):

	June 30, 2014	June 30, 2013	Change
Net Appreciation in Fair Value of Investments Including Gain and Loss on Sales	$ 1,924,720	$ 1,258,819	52.9 %
Interest	103,600	102,989	0.6
Dividends	129,149	114,950	12.4
Private Equity Income, Net of Expense	30,012	39,420	(23.9)
Real Estate Income, Net of Expense	29,500	28,307	4.2
Security Lending Income, Net of Expense	4,841	5,795	(16.5)
Sub-Total	2,221,822	1,550,280	43.3
Less: Investment Management Expense	(24,876)	(21,036)	18.3
Investment Administrative Expense	(1,176)	-	N/A
Net Investment Income	$ 2,195,770	$ 1,529,244	43.6 %

Investment Income and Expenses



Financial Analysis (Continued)

Investment Income (Continued)

The net investment income for the current fiscal year was $2,195,770,000, as compared with the income of $1,529,244,000 for the previous fiscal year (43.6% increase). This large increase of investment income which included $1,924,720,000 of net unrealized and realized gains was primarily due to the increases in the market value of U.S. and non-U.S. equity holdings of LACERS in a very favorable economic and financial environment over the reporting period. Major global stock indices rose significantly during the fiscal year. The Standard and Poor's (S&P) 500 Index, a gauge of U.S. equities, returned 24.6%, Dow Jones Industrial Average was up 12.9% while the Morgan Stanley All Country World Index excluding U.S. (MS ACWI ex U.S.) which tracks non-U.S. equities was also up 21.8%. Stock market returns were fueled by favorable global economic growth and accommodative monetary and fiscal policies from central banks and governments across the globe.

Due to the continued low interest rates influenced by the Federal Reserve's monetary policy which affected the yields of fixed income securities during the report year, interest income derived from bonds and other fixed income securities was about the same as the prior year, with a slight increase of $611,000.

Dividend income derived from stocks increased by $14,199,000 (12.4%) due to healthy corporate earnings as well as higher dividend payouts by many companies.

Income from private equity in the current fiscal year decreased by $9,408,000, (-23.9%), attributable to the slower partnership distributions in the wake of record high distribution during the prior fiscal year, and the "J-Curve" effect of the new investments.

Real estate income showed moderate increase by $1,193,000 (4.2%), driven by robust demand for commercial real estate, growing rents, and increased transaction volume.

LACERS earns additional investment income by lending securities to borrowers through its custodian bank. The borrowers provide cash or non-cash collateral to LACERS' custodian bank. The custodian bank, in turn, invests the cash collateral on behalf of the borrowers in short and intermediate term fixed income securities. In the reporting year, LACERS security lending income (net of expense) decreased by $954,000 (-16.5%) from a year ago due to lower borrower demand for securities held in LACERS portfolio, and increased rebates to borrowers.

The investment management expense posted an increase by $3,840,000, or 18.3%, from the prior year. The increase corresponds to the significant increase in assets under management, as indicated by the growth in LACERS fiduciary net position at the end of the reporting year by more than $2.0 billion over the prior year. In order to comply with the GASB Statement No. 67, $1,176,000 of investment related administrative expenses, mostly the personnel costs of LACERS' investment staff, was reclassified from Administrative expenses to Investment expense.

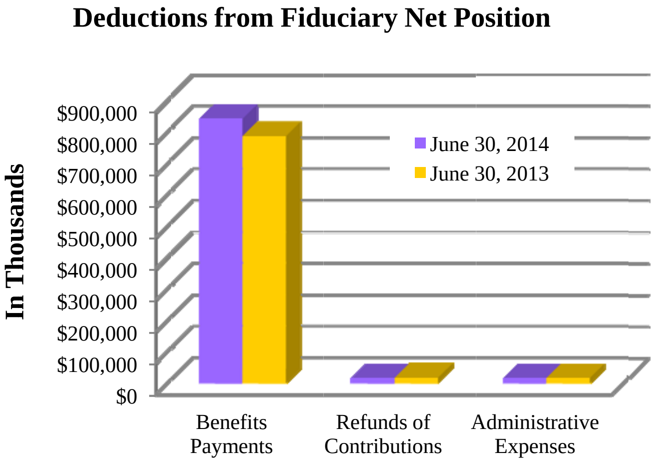
Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position

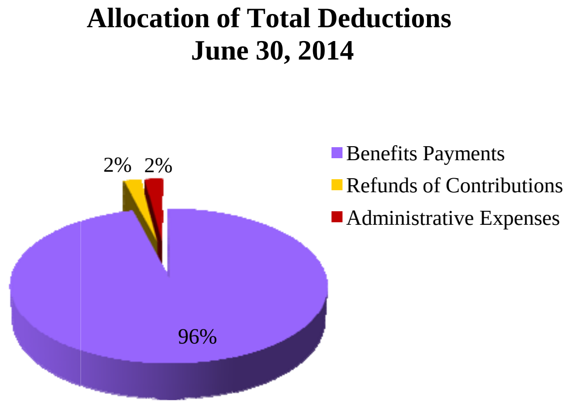
The following table and graphs provide information related to the deductions from fiduciary net position for the years ended June 30, 2014 and 2013 (dollars in thousands):

	June 30, 2014	June 30, 2013	Change
Benefits Payments	$ 810,584	$ 785,308	3.2 %
Refunds of Contributions	15,982	17,697	(9.7)
Administrative Expenses	15,765	16,549	(4.7)
Deductions from Fiduciary Net Position	$ 842,331	$ 819,554	2.8 %

Financial Analysis (Continued)

Net Increase in Fiduciary Net Position – Deductions from Fiduciary Net Position (Continued)





LACERS deductions from fiduciary net position in the reporting period can be summarized as Benefits Payments, Refunds of Contributions, and Administrative Expenses. These deductions represent the types of benefit delivery operations undertaken by LACERS and the costs associated with them. Total deductions increased by $22,777,000 or 2.8%.

Compared to the prior year, benefits payments increased by $25,276,000 or 3.2%. The benefits payments for the Retirement Plan increased by $21,594,000 (3.1%) mainly due to the annual cost of living adjustments (COLA) (approximately 2.0% increase on average up to a maximum of 3.0%); increased number of retirees and beneficiaries; and the average retirement allowance of newly retired Members being higher than those of the deceased Members who were removed from the retirement payroll. Payments for Postemployment Health Care Plan benefits also increased by $3,682,000 (3.8%), due to the increased maximum health subsidy from $1,367 to $1,464 per month as the renewed medical premium rates for 2014 increased. The health care benefit expense reflected an one-time defrayal by the return of excess premium stabilization reserve in the amount of $3,225,000 from a postemployment health care provider.

Refunds of contributions decreased by $1,715,000 (-9.7%) mainly due to the decreased number of City employees transferring to the Department of Water and Power (DWP) and the associated transfer of their retirement contributions from LACERS to the Water and Power Employees' Retirement Plan (WPERP). The reciprocity program between WPERP and LACERS was suspended by City ordinance effective January 1, 2014.

LACERS administrative expenses during the reporting period decreased by $784,000 (-4.7%) from the prior year. The decrease was primarily due to the reclassification of investment related administrative expenses to investment expense as required by GASB Statement No. 67 in this fiscal year. The reclassified expenses included salaries, wages, and employee benefit costs for investment officers and supporting staff as well as travel expenses incurred for investment related education, training, and due diligence visits. Without the reclassification and compared on the same basis, the administrative expenses would be $392,000 (2.4%) higher than the prior year. This variance was mainly attributable to the increased salaries and wages caused by the mandated City COLA, and slightly increased number of filled positions for full-time regular employees as well as Relief Retirement Workers during the reporting period.

Requests for Information

This financial report is designed to provide a general overview of LACERS' finances for all those with an interest in LACERS' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Section
202 W. First Street, Suite 500
Los Angeles, CA 90012-4401

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AUDITED FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2014, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2014 Total	2013 Total
Assets				
Cash and Short-Term Investments	$ 579,337	$ 102,292	$ 681,629	$ 606,604
Receivables				
Accrued Investment Income	35,029	6,185	41,214	38,025
Proceeds from Sales of Investments	141,525	24,989	166,514	1,688,400
Other	12,207	2,155	14,362	8,322
Total Receivables	188,761	33,329	222,090	1,734,747
Investments, at Fair Value				
U.S. Government Obligations	415,440	73,353	488,793	585,729
Municipal Bonds	5,394	952	6,346	7,430
Domestic Corporate Bonds	993,904	175,490	1,169,394	1,064,399
International Bonds	427,177	75,425	502,602	338,185
Bank Loans	1,408	249	1,657	-
Opportunistic Debts	10,877	1,921	12,798	1,217
Domestic Stocks	4,529,612	799,779	5,329,391	4,568,125
International Stocks	2,794,440	493,405	3,287,845	2,510,595
Mortgages	564,050	99,592	663,642	617,640
Government Agencies	25,345	4,475	29,820	42,574
Derivative Instruments	152	27	179	-
Real Estate	599,688	105,885	705,573	682,344
Private Equity	1,072,883	189,436	1,262,319	1,206,895
Security Lending Collateral	869,081	153,451	1,022,532	1,155,982
Total Investments	12,309,451	2,173,440	14,482,891	12,781,115
Capital Assets				
Furniture, Computer Hardware and Software (Net of Depreciation and Amortization)	2,268	400	2,668	1,318
Total Assets	13,079,817	2,309,461	15,389,278	15,123,784
Liabilities				
Accounts Payable and Accrued Expenses	15,197	2,683	17,880	56,205
Accrued Investment Expenses	10,194	1,799	11,993	-
Derivative Instruments	123	22	145	19
Purchases of Investments	340,785	60,171	400,956	1,989,040
Security Lending Collateral	869,081	153,451	1,022,532	1,155,982
Total Liabilities	1,235,380	218,126	1,453,506	3,201,246
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	**$ 11,844,437**	**$ 2,091,335**	**$ 13,935,772**	**$ 11,922,538**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
For the Year Ended June 30, 2014, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2014 Total	2013 Total
Additions				
Contributions				
City Contributions	$ 357,818	$ 97,841	$ 455,659	$ 419,266
Member Contributions	204,136	-	204,136	197,881
Total Contributions	561,954	97,841	659,795	617,147
Investment Income				
Net Appreciation in Fair Value of Investments Including Gain and Loss on Sales	1,591,780	332,940	1,924,720	1,258,819
Interest	87,044	16,556	103,600	102,989
Dividends	108,510	20,639	129,149	114,950
Private Equity Income, Net of Expense	25,481	4,531	30,012	39,420
Real Estate Income, Net of Expense	24,917	4,583	29,500	28,307
Security Lending Income	4,785	910	5,695	6,816
Less: Security Lending Expense	(705)	(149)	(854)	(1,021)
Sub-Total	1,841,812	380,010	2,221,822	1,550,280
Less: Investment Management Expense	(20,573)	(4,303)	(24,876)	(21,036)
Investment Administrative Expense	(973)	(203)	(1,176)	-
Net Investment Income	1,820,266	375,504	2,195,770	1,529,244
Total Additions	2,382,220	473,345	2,855,565	2,146,391
Deductions				
Benefits Payments	708,956	101,628	810,584	785,308
Refunds of Contributions	15,982	-	15,982	17,697
Administrative Expenses	12,438	3,327	15,765	16,549
Total Deductions	737,376	104,955	842,331	819,554
Net Increase in Fiduciary Net Position	1,644,844	368,390	2,013,234	1,326,837
Fiduciary Net Position Restricted for Pension and Postemployment Health Care Benefits				
Beginning of Year	10,199,593	1,722,945	11,922,538	10,595,701
End of Year	**$ 11,844,437**	**$ 2,091,335**	**$ 13,935,772**	**$ 11,922,538**

The accompanying notes are an integral part of these financial statements.

Note 1 – Description of LACERS and Significant Accounting Policies

General Description

The Los Angeles City Employees' Retirement System (LACERS, or the "System") is under the exclusive management and control of its Board of Administration (the Board), whose authority is granted by statute in Article XVI, Section 17 of the California State Constitution, and Article XI of the Los Angeles City Charter. The Board has seven Members. Four Members, one of whom shall be a retired Member of the System, shall be appointed by the Mayor subject to the approval of the City Council. Two Members shall be active employee Members of the System elected by active employee Members. One shall be a retired Member of the System elected by retired Members of the System. Elected Board Members serve five-year terms in office, with no term limits. The System is a Department of the Municipality of the City of Los Angeles (the City). The System's financial statements are included in the City of Los Angeles' Annual Financial Report as a pension trust fund.

The System operates a single-employer defined benefit plan (the Retirement Plan) and a Postemployment Health Care Plan. Changes to the benefit terms require approval by the City Council. A description of each plan is located in Note 2 and Note 3 (pages 32 - 38). All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

On October 26, 2012, the Los Angeles City Council approved amending Chapter 10 and 11 of Division 4 of the Los Angeles Administrative Code to establish a second benefit tier (Tier 2) for new hires who become Members of the LACERS on or after July 1, 2013, except as provided otherwise in Section 4.1052(a) of the Administrative Code (refer to Note 2 – Retirement Plan Description on pages 33 and 34, and Note 3 – Postemployment Health Care Plan Description on page 36 for each tier's required contributions and benefits received).

Basis of Accounting and Presentation

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (US GAAP) as outlined by the Governmental Accounting Standards Board (GASB). The financial statements are maintained on the accrual basis of accounting. Contributions from the employer and Members were recognized when due pursuant to formal commitments and contractual requirements. Benefits, refunds, and other expenses are recognized when due and payable.

The accompanying financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with the US GAAP.

Investments

Investment Policies

Funds of the System are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board as required by Article XI Section 1106(d) of the City Charter. The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. The System's investment portfolio is composed of domestic and international equities, domestic and international bonds, bank loans, derivative instruments, private real estate, private equity, and short-term investments. During the reporting period, there were no significant investment policy changes.

As of June 30, 2014, the Board's adopted asset allocation policy was as follows:

Asset Class	Target Allocation
Domestic and International Equities	53.0%
Domestic and International Bonds	19.0
Private Equity	12.0
Private Real Estate	5.0
Public Real Assets	5.0
Short-term Investments	1.0
Credit Opportunities	5.0
Total	100.0%

Fair Value of Investments

Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, bank loans, stocks, and private equities are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with industry practice. The fair value determined as such is also reviewed and evaluated by the Board's real estate consultant. The private equity funds ("partnership investment"), which are managed by third party investment managers, are valued on a quarterly and/or annual basis at their net asset value as reported by the investment managers under US GAAP. US GAAP requires that assets be reported at fair value in accordance with Accounting Standards Codification

Note 1 – Description of LACERS and Significant Accounting Policies (Continued)

Investments (Continued)

Fair Value of Investments (Continued)

Topic 820 – *Fair Value Measurement and Disclosures.* The fair values of derivative instruments are determined using available market information. Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Management's investment strategy, as it relates to the debt portfolio, is mainly to achieve market appreciation and not to hold bonds to their maturities.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the Statement of Fiduciary Net Position under Receivables and labeled as Proceeds from Sales of Investments, and amounts payable for purchases are reported under (Current) Liabilities and labeled as Purchases of Investments. Dividend income is recorded on the ex-dividend date. Interest income is reported at the stated interest rate as earned, and any premiums or discounts on debt securities are not amortized. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of LACERS pension plan investment. Realized gains and losses on investments that had been held in more than one reporting period and sold in the current period were included as a change in the fair value reported in the prior period(s) and the current period.

For the equity index futures, an initial margin is required to open a position and maintain the collateral requirement until the position is closed. LACERS reports the collateral for the equity index futures in the short-term investments.

Concentrations

The investment portfolio as of June 30, 2014 contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Rate of Return on Investments

For the year ended June 30, 2014, the annual money-weighted rate of return on LACERS investments, net of investment expenses, was 18.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

There was no long-term contract for contributions receivable from the City as of June 30, 2014. However, the City made $5,192,000 of true up contributions after the end of the reporting period on July 15, 2014, based on the actual payroll. This true up amount, which included accrued interest at 7.75%, was recognized as contributions receivable as of the end of the reporting period.

Capital Assets

Prior to July 1, 2001, purchases of capital assets, consisting primarily of office furniture and computer equipment were recorded and expensed in the year acquired. Effective July 1, 2001, these purchases are capitalized upon acquisition if the cost of purchase is $5,000 or more, and depreciated over five years using the straight-line method.

In order to comply with the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, certain costs for developing LACERS' new Pension Administration System (PAS), a strategic initiative critical to LACERS future operations, have been capitalized, and amortized over 15 years, which is its estimated useful life, using the straight-line method.

Administrative Expenses

All administrative expenses are funded from LACERS fiduciary net position, which represents accumulated investment earnings and contributions from the City and the Members net of payments.

Reserves

As provided in the Los Angeles City Charter, LACERS is maintained on a reserve basis, determined in accordance with recognized actuarial methods. The Los Angeles City Charter establishes reserves for the following:

Reserves for Retirement Plan

Member Contributions – Active Member contributions to the Retirement Plan and interest credited to Members' accounts, less refunds of Members contributions and transfers to the annuity reserve.

Basic Pensions – City contributions and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, accumulated to provide for the City's guaranteed portion of retirement benefits, less payments to retired Members.

Annuity – Member contributions transferred to the City and used to provide for the Members' share of retirement benefits and investment earnings (losses) excluding net appreciation (depreciation)

Note 1 – Description of LACERS and Significant Accounting Policies (Continued)

Reserves (Continued)

in fair value of investments, less payments to retired Members.

Larger Annuity – Members' larger annuity account balances at retirement including Internal Revenue Service (IRS) Section 457 deferred compensation and other rollovers, investment earnings (losses) including net appreciation (depreciation) in fair value of investments, less payments to retired participating Members.

Family Death Benefit Plan (FDBP) – Member contributions, matching City contributions, and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, reserved to pay benefits under the Family Death Benefit Plan established by LACERS, less payments to beneficiaries.

Reserve for Postemployment Health Care Plan

City contributions and investment earnings (losses) including net appreciation (depreciation) in fair value of investments, accumulated to provide health care benefits for retirees, less payment to insurance providers and/or reimbursements to retired Members.

Reserve balances as of June 30, 2014, were as follows (in thousands):

Reserve for Retirement Plan		
Member Contributions	$ 1,924,582	
Basic Pensions	9,400,069	
Annuity	466,428	
Larger Annuity	37,073	
FDBP	16,285	$11,844,437
Reserve for Postemployment Health Care Plan		2,091,335
Total Reserves		$ 13,935,772

Use of Estimates in Preparation of the Financial Statements

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Implementation of New Accounting Pronouncement

On June 25, 2012, the GASB approved two new standards designed to substantially improve the accounting and financial reporting of public employee pensions for state and local governments: GASB Statement No. 67, *Financial reporting for Pension Plans – an amendment of GASB Statement No. 25,* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* These statements represent one of the most significant fundamental changes in reporting requirements for pension plans and plan sponsors in over a decade. In the current fiscal year, LACERS implemented the provisions of GASB Statement No. 67. The implementation of this statement enhanced accountability and transparency through revised and new note disclosures and required supplementary information (RSI). Significant changes include an actuarial calculation of total and net position liability using a discount rate required by paragraph 40 of the Statement No. 67, a sensitivity analysis of net pension liability using discount rates at one percentage point higher and lower than that required by paragraph 40 of the Statement No. 67, disclosure of the annual money-weighted rate of return, and disclosure of the asset allocation policy. This information is presented in the Note 2 and in RSI schedules. The previously reported schedule of funding progress under GASB Statement No. 25 is no longer included in RSI. The previously reported schedule of employer contributions for Retirement Plan is replaced by a schedule of actuarially determined employer contribution in RSI.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. There are no accounts presented in the prior year's data that have been reclassified to be consistent with the current year's presentation.

Note 2 – Retirement Plan Description

Plan Administration and Membership

LACERS administers a defined benefit pension plan that provides for service and disability retirement benefits, as well as death benefits.

The Retirement Plan covers all full-time personnel and department-certified part-time employees of the City, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who elected to participate in an alternative Defined Contribution Plan, and certain Port Police officers of the Harbor

Note 2 – Retirement Plan Description (Continued)

Plan Administration and Membership (Continued)

Department including those who elected to opt out of LACERS. Membership to Tier 1 is now closed to new entrants. Eligible employees hired on or after July 1, 2013, except as provided otherwise in Section 4.1052(a) of the Los Angeles Administrative Code become Members of Tier 2.

At June 30, 2014, the components of LACERS membership in both tiers were as follows:

Active:	
Vested	21,787
Non-vested	2,222
	24,009
Inactive:	
Non-vested	4,191
Terminated Entitled to Benefits, Not Yet Receiving Benefits	1,840
Retired	17,532
Total	47,572

Members of LACERS have a vested right to their own contributions and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member who has five or more years of continuous City service terminates employment, the Member has the option of receiving retirement benefits when eligible or withdrawing from LACERS, or having his or her contributions and accumulated interest refunded. Benefits are based upon age, length of service, and compensation.

Eligibility Requirement and Benefits Provisions

Tier 1

Plan Members are eligible to retire with unreduced benefits if they have 10 or more years of continuous City service at age 60, or at least 30 years of City service at age 55, or with any years of City service at age 70 or older. Plan Members also are eligible to retire with an age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service, or at any age with 30 or more years of City service. Full (unreduced) retirement benefits are determined as 2.16% of the Member's average monthly salary during the Member's last 12 months of service, or during any other 12 consecutive months of service designated by the Member, multiplied by the Member's years of service credit. Plan Members with five years of continuous service are eligible for disability retirement, and the benefits are determined as 1/70 of the Member's final average monthly salary for each year of service or 1/3 of the Member's final average monthly salary, if greater. Upon an active Member's death, refund of Member's contributions plus a limited pension benefit equal to 50% of monthly salary will be paid up to 12 months, or survivor benefits will be paid to an eligible spouse or qualified domestic partner if such Member was eligible to retire. Upon a retired Member's death, modified or unmodified allowance continued to an eligible spouse or qualified domestic partner in addition to the funeral allowance will be paid.

Tier 2

Plan Members are eligible to retire with 10 or more years of continuous City service at age 65, or at age 70 or older regardless of length of City service. Plan Members also are eligible to retire with an age-based reduced benefits after reaching age 55 with 10 or more years of continuous City service. Full (unreduced) retirement benefits are determined as 2.00% of the Member's average monthly salary during the Member's last 36 months of service, or during any other 36 consecutive months of service designated by the Member, multiplied by the Member's years of service credit. Plan Members with 10 years of continuous service are eligible for disability retirement, and the benefits are determined as 1/90 of the Member's final average monthly salary for each year of service. Upon an active Member's death, refund of Member's contributions plus a limited pension benefit equal to 50% of monthly salary up to 12 months will be paid; optional survivor benefits will be paid if such Member was eligible to retire. For retired Members, the only death benefits will be the funeral allowance unless the retiree elected at the time of retirement to take a reduced allowance in order to provide for a continuance. There were no Tier 2 Members who retired during this reporting period.

Cost of Living Adjustment

Retirement allowances are indexed annually for inflation. The Board has authority to determine, no later than May 1st of each year, the average annual percentage change in the Consumer Price Index (CPI) for the purpose of providing a Cost of Living Adjustment (COLA) to the benefits of eligible Members and beneficiaries in July. The adjustment is based on the prior year's change of Los Angeles area CPI subject to a maximum of 3.0% for Tier 1 Members or 2.0% for Tier 2 Members. The excess over the maximum will be banked for Tier 1 Members only.

Note 2 – Retirement Plan Description (Continued)

Employer Contribution

The Retirement Plan's funding policy under Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2014, the actuarially determined contribution of employer to the Retirement Plan by the City was 19.84% of covered payroll, based on the June 30, 2012 actuarial valuation.

Member Contributions

Tier 1

As a result of the 2009 Early Retirement Incentive Program (ERIP) ordinance which stipulates a 1% increase in the Member contribution rate for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first), and the new ordinances adopted by the City Council in 2011 requiring additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy, most of the Members' contribution rates were increased to 11% of pay as of June 30, 2014. Members from two bargaining groups who currently contribute at 8% will contribute 11% of pay effective June 29, 2016. Members from only one bargaining group, which consist of approximately 1% of the total Members, are contributing at 7% with no agreement for rate increase as of June 30, 2014.

Tier 2

The initial contribution rate for the active Members in Tier 2, will be 10% of their pensionable salary for the first four years. The Board of LACERS will establish the Tier 2 Members' contribution rate every three years thereafter, with the first such determination to be effective July 1, 2017, for the following three years. The contribution rate shall be an actuarially determined rate sufficient to fund 75% of normal cost and 50% of any unfunded liability for Tier 2. Unlike Tier 1, Tier 2 Member contribution is paid solely for the purpose of providing benefits for the Member only and does not include a survivor contribution.

Net Pension Liability

As of June 30, 2014 the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 16,248,853
Plan Fiduciary Net Position	(11,791,079)
Plan's Net Pension Liability	$ 4,457,774
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.6%

Significant Assumptions

Projections of benefits for financial reporting purposes are based on the types of benefits provided to active, inactive, and retired Members at the time of each valuation, including expected future COLAs. The attribution method and significant assumptions used in the valuation year of June 30, 2014, are summarized below:

Valuation Date	June 30, 2014
Attribution Method	Entry Age Method – assuming a closed group.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2014
Long-term Expected Rate of Return	7.50%
Includes Inflation at	3.25%
Real Across-the-Board Salary Increase	0.75%
Projected Salary Increases	Ranges from 10.5% to 6.1% for Members with less than five years of service, and from 5.1% to 4.4% for Members with five or more years of service, including Inflation.
Annual Cost of Living Adjustments	3.00% for Tier 1 and 2.00% for Tier 2

Note 2 – Retirement Plan Description (Continued)

Significant Assumptions (Continued)

Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, projected with Scale BB to 2020, set back one year for males and no set back for females.
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, projected with Scale BB to 2020, set back seven years for males and set forward eight years for females.
Percent Married / Domestic Partner	76% of male participants; 50% of female participants are assumed to be married or have a qualified domestic partner.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Discount Rate

The discount rates used to measure the total pension liability were 7.50% and 7.75% as of June 30, 2014 and June 30, 2013, respectively. Both rates are long-term expected rate of return on the System's investments.

The long-term expected rate of return was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rate of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized as follows:

Asset Class	Target Allocation	Arithmetic Long-term Expected Real Rate of Return
U.S. Larger Cap Equity	20.4%	5.9%
U.S. Small Cap Equity	3.6	6.6
Developed Int'l Equity	21.7	7.0
Emerging Market Equity	7.3	8.5
Core Bonds	16.5	0.7
High Yield Bonds	2.5	2.9
Private Real Estate	5.0	4.7
Private Equity	12.0	10.5
Public Real Assets	5.0	3.4
Credit Opportunities	5.0	3.1
Cash	1.0	(0.5)
Total	100.0%	

The projection of cash flows used to determine the discount rate assumed plan Member contributions will be made at the current contribution rates and that contributions from employer will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan Members and beneficiaries, as well as projected contributions from future plan Members, are not included.

Based on those assumptions, LACERS fiduciary net position was projected to be available to make "all" projected future benefit payments for current plan Members. Therefore, in accordance with the GASB Statement No. 67, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2014 and June 30, 2013.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2014, calculated using the discount rate of 7.5%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate (dollars in thousands):

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
$6,655,035	$4,457,774	$2,631,738

Note 3 – Postemployment Health Care Plan Description

Plan Description

LACERS provides postemployment health care benefits to eligible retirees of the Retirement Plan, and, if the Member retires under Tier 1 membership, to their spouses/domestic partners as well. Prior to the retirement effective date of July 1, 2011, the benefits of this single employer Postemployment Health Care Plan were available to all employees who 1) participate in the Retirement Plan; 2) have at least 10 years of service with LACERS; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). The retiree or Tier 1 surviving spouse/domestic partner can choose from the health plans that are available, which include medical, vision, and dental benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. The retiree or Tier 1 surviving spouse/domestic partner receives medical subsidies based on service years. The dental subsidies are provided to the retirees only, based on years of service. The maximum subsidies are set annually by the Board.

During the 2011 fiscal year, the City adopted an ordinance (“Freeze Ordinance”) to freeze the maximum medical subsidy at $1,190 for those Members who retire on or after July 1, 2011. However, Members who at any time prior to retirement contribute the additional 2% or 4% of pay pursuant to the ordinances mentioned in Note 2 on page 34 are exempted from the freeze and obtain a vested right to future increases in the maximum medical subsidy at an amount not less than the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium. As of June 30, 2014, approximately 99% of non-retired Members were making the additional contributions, and therefore not subject to the medical subsidy freeze.

Postemployment health care benefits for the Tier 2 Members differ from those for the Tier 1 Members in their annual subsidy accrual after 10 years of service; Tier 1 earns 4% per year while Tier 2 earns 3% per year. As mentioned above, spouses/domestic partners of Tier 2 Members are not entitled to System’s postemployment health care benefits.

Funding Policies and Funded Status and Progress

Article XI Sections 1158 and 1160 of the Los Angeles City Charter requires periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Health Care Plan for the fiscal year ended June 30, 2014, was 5.42% of covered payroll, determined by the June 30, 2012 actuarial valuation. As of June 30, 2014, the most recent actuarial valuation date, the Postemployment Health Care Plan was 72.9% funded. The actuarial accrued liability for benefits was $2,662,853,000 and the actuarial value of assets was $1,941,225,000, resulting in an UAAL of $721,628,000. The covered payroll as of the June 30, 2014 valuation was $1,898,064,000. The ratio of UAAL to the covered payroll was 38.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment returns, and the health care cost trends. The funded status of the plan and the annual required contributions of the employer, determined by the annual actuarial valuations, are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 52 following the notes to the basic financial statements, provides multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 3 – Postemployment Health Care Plan Description (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques, such as seven-year smoothing of assets and amortization of UAAL over various periods of time depending on the nature of the UAAL, that are designed to reduce the effects of short-term volatility in funding, consistent with the long-term perspective of the calculations.

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Cost Method – assuming a closed group.
Amortization Method	Level Percent of Payroll – assuming a 4.00% increase in total covered payroll.
Amortization Period	Multiple layers – closed amortization period. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years, except that assumptions specifically related with the Postemployment Health Care benefits and reviewed annually by the Board are amortized over 15 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over five years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers for Retirement Plan, were combined and amortized over 30 years. Health trend and premium assumption changes are amortized over 15 years. Years remaining range from 10 to 28 years.
Asset Valuation Method	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the fair value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of fair value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and no set back for females.
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.
Marital Status	60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.
Surviving Spouse Coverage	With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Note 3 – Postemployment Health Care Plan Description (Continued)

Actuarial Methods and Assumptions (Continued)

Participation

50% of inactive Members are assumed to receive a subsidy for a City approved health carrier.

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Health Care Cost Trend Rates

Medical Premium Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to the premium for shown fiscal year to calculate next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to fiscal year 2014-2015 and later years are:

First Fiscal Year (July 1, 2014 through June 30, 2015)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	7.52%	5.55%
Anthem Blue Cross HMO	7.59%	N/A
Anthem Blue Cross PPO	0.48%	6.55%
UnitedHealthcare (formerly Secure Horizons)	N/A	6.59%

Fiscal Year 2015 - 2016 and later	
Fiscal Year	Trend (Approx)
2015 - 2016	6.88%
2016 - 2017	6.63%
2017 - 2018	6.38%
2018 - 2019	6.13%
2019 - 2020	5.88%
2020 - 2021	5.63%
2021 - 2022	5.38%
2022 - 2023	5.13%
2023 and later	5.00%

Dental Premium Trend to be applied is 5.00% for all years.

Medicare Part B Premium Trend for the 2014-15 fiscal year is 2.50% (calculated based on the actual increase in premium from 2014 to 2015). 5.00% for years following the 2015 calendar year.

Note 4 – Contributions Required and Contributions Made

LACERS switched to the Entry Age cost method in the June 30, 2012 actuarial valuation to determine the fiscal year 2013-14 required annual contribution amount for the Retirement Plan and the Postemployment Health Care Plan. The required annual contribution amount is composed of two components: normal cost which is the cost of the portion of the benefit that is allocated to a given year, and the payment to amortize the UAAL which is the difference between LACERS actuarial liabilities and actuarial assets.

The components of the UAAL are amortized as a level percent of pay. Based on LACERS funding policy, increases or decreases in the UAAL due to assumption changes are amortized over 20 years, except that health cost trend and premium assumption changes are amortized over 15 years. Plan changes and experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period of 30 years for all layers combined. The amortization periods are "closed" as each layer of the UAAL is systematically amortized over a "fixed" period.

The contributions to LACERS for the year ended June 30, 2014, in the amount of $659,795,000 ($561,954,000 for the Retirement Plan and $97,841,000 for the Postemployment Health Care Plan), were made in accordance with actuarially-determined requirements computed by the actuarial valuation dated June 30, 2012.

Contributions to LACERS consisted of the following for the year ended June 30, 2014 (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Required Contributions	$ 357,649	$ 97,841
FDBP	169	-
Total City Contributions	357,818	97,841
Member Contributions	204,136	-
Total Contributions	$ 561,954	$ 97,841

The City contributions made for the Retirement Plan under the Required Contribution category in the amount of $357,649,000 were equal to 100% of the actuarially determined contribution of the employer. The City contributions made for the Postemployment Health Care Plan, in the amount of $97,841,000, represents 100% of the ARC as defined by GASB Statements No. 43 and No. 45. Member contributions in the amount of $204,136,000 were made toward the Retirement Plan and the voluntary Family Death Benefit Plan.

Note 5 – Historical Trend Information

Historical trend information designed to provide information about LACERS progress made in accumulating sufficient assets to pay benefits when due is presented on pages 48 - 51 for the Retirement Plan and pages 52 - 53 for the Postemployment Health Care Plan.

Note 6 – Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of LACERS funds, and should discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, as prescribed by Article XI Section 1106(c) of the City Charter.

LACERS considers investments with a maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2014 on the Retirement Plan and Postemployment Health Care Plan included approximately $1,028,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $680,601,000 for a total of $681,629,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2014, short-term investments included collective STIF of $195,335,000, international STIF of $203,383,000, and future contracts initial margin and collaterals of $281,883,000.

Note 6 – Cash and Short-Term Investments and Investments (Continued)

The fair value of derivative instruments, including equity index and interest rate future contracts, currency forward contracts, and rights and warrants, are recorded in the Statement of Fiduciary Net Position with a net value of $34,000. The changes in fair value of the derivative instruments during the fiscal year are recorded in the Statement of Changes in Fiduciary Net Position as Investment Income (Loss). LACERS enters into derivative contracts for investment purposes and to manage risks associated with its investment portfolio. For financial reporting purposes, all of LACERS derivatives for the current and previous fiscal years are classified as investment derivatives.

The notional amount and the fair value of derivative instruments as of June 30, 2014, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Equity Index	$ 18,992	$ 7	$ (72)
Interest Rate	(34,604)	(145)	15
Currency Forward			
Contracts	23,480	(8)	14
Right / Warrants	N/A	180	96
Total Value		$ 34	$ 53

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization as of June 30, 2014, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 71,086	3.02 %
AA	696,056	29.61
A	426,587	18.15
BBB	676,298	28.77
BB	238,264	10.14
B	116,255	4.95
CCC	29,661	1.26
CC	1,478	0.06
C	249	0.01
D	3,542	0.15
Not Rated	91,410	3.88
	2,350,886	100.00 %
U.S. Government Guaranteed Securities(1)	524,166	
Total Fixed Income Securities	$ 2,875,052	

(1) Consists of U.S. Government Bonds and GNMA Mortgage-Backed Securities which had the AA+ rating.

Credit Risk – Derivatives

Derivatives are subject to credit risk that the counterparty to a contract will default. LACERS is exposed to credit risk on reported assets of the investment derivatives that are traded over the counter. The credit risk of exchange traded derivatives for future contracts is considered minimal because the exchange clearing house is the counterparty and guarantees the performance.

LACERS permits investment managers, under the terms of individual guidelines, to use derivative instruments as set forth in each manager's investment guidelines to control portfolio risk. It is the responsibility of these investment managers to actively monitor counterparties on their financial safety and ensure compliance with the investment restrictions. LACERS has no general investment policy with respect to netting arrangements or collateral requirements. However, these individual investment managers have set up the arrangements with the counterparties to net off the positive and negative contracts with the same counterparty in case of the counterparty's default.

Note 6 – Cash and Short-Term Investments and Investments (Continued)

Credit Risk – Derivatives (Continued)

As of June 30, 2014, without respect to netting arrangements, LACERS maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is as follows (in thousands):

S & P Ratings	Fair Value
AA-	$ 33
A	30
Total Credit Risk	$ 63

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, LACERS would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2014, LACERS has exposure to such risk in the amount of $26,049,000, or 0.65% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 16 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment managers to hold no more than 10% of their portfolios in the form of cash. LACERS is in compliance with the policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, LACERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not insured, or are not registered in LACERS name, and held by the counterparty. LACERS investments are not exposed to custodial credit risk if they are insured or registered in LACERS name. LACERS investments were not exposed to custodial credit risk because all securities were held by LACERS custodial bank in LACERS name.

Concentration of Credit Risk

The investment portfolio as of June 30, 2014, contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways LACERS manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the BC U.S. High Yield 2% Capped Index, the BC Intermediate Government Credit Index, the BC Aggregate Bond Index, or the J.P. Morgan EMBI Global Diversified Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of LACERS investments to market interest rate fluctuations is provided by the following table that shows the weighted average effective duration of LACERS fixed income securities by investment type (dollars in thousands):

Investment Type	Fair Value	Weighted Average Duration (in Years)
Asset-Backed Securities	$ 43,636	2.23
Bank Loans	1,657	2.38
Commercial Mortgage-Backed Securities	115,997	2.38
Corporate Bonds	1,519,652	5.59
Government Agencies	39,864	6.14
Government Bonds	522,998	4.93
Government Mortgage-Backed Securities	551,141	3.97
Index Linked Government Bonds	43,371	9.28
Municipal/Provincial Bonds	6,752	6.27
Non-Government Backed C.M.O.s	17,186	1.89
Opportunistic Debts	12,798	0.10
Total Fixed Income Securities	$ 2,875,052	

Note 6 – Cash and Short-Term Investments and Investments (Continued)

Highly Sensitive Investments

Highly sensitive investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include embedded options, coupon multipliers, benchmark indexes, and reset dates. LACERS asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of LACERS asset-backed investments by investment type (in thousands):

Investment Type	Fair Value
Asset-Backed Securities	$ 43,636
Commercial Mortgage-Backed Securities	115,997
Government Agencies	39,864
Government Mortgage-Backed Securities	551,141
Non-Government Backed C.M.O.s	17,186
Total Asset-Backed Investments	$ 767,824

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERS Asset Allocation policy sets a target of 29% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and private equity managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts are permitted primarily to reduce the foreign currency risk.

Note 6 – Cash and Short-Term Investments and Investments (Continued)

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2014, which represent 22.6% of the fair value of total investments, are as follows (in thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Derivative Instruments	Other Investments	Total Fair Value in USD
Argentine peso	$ 33	$ -	$ -	$ -	$ -	$ 33
Australian dollar	1,040	148,408	-	(25)	-	149,423
Brazilian real	(844)	40,503	1,414	(19)	-	41,054
British pound sterling	2,769	577,580	5,531	(24)	9,650	595,506
Canadian dollar	2,235	155,032	9,525	7	-	166,799
Chilean peso	1,065	1,423	-	(1)	-	2,487
Chinese yuan renminbi	740	-	-	(3)	-	737
Colombian peso	250	816	-	-	-	1,066
Czech koruna	31	706	-	-	-	737
Danish krone	44	65,377	-	-	-	65,421
Egyptian pound	228	619	-	-	-	847
Euro	3,960	808,147	-	143	109,880	922,130
Hong Kong dollar	1,611	151,087	-	25	-	152,723
Hungarian forint	103	2,790	-	-	-	2,893
Indian rupee	1,887	31,326	-	-	-	33,213
Indonesian rupiah	282	7,388	112	-	-	7,782
Japanese yen	3,554	484,587	-	26	171	488,338
Malaysian ringgit	1,703	8,602	-	-	-	10,305
Mexican peso	455	7,176	11,394	3	-	19,028
New Ghana cedi	-	-	159	-	-	159
New Israeli shekel	54	7,931	-	-	-	7,985
New Romanian leu	232	-	-	-	-	232
New Taiwan dollar	1,112	40,221	-	-	-	41,333
New Zealand dollar	94	3,421	-	-	-	3,515
Norwegian krone	199	37,099	-	-	-	37,298
Peruvian nuevo sol	460	-	-	-	-	460
Philippine peso	327	11,984	-	(3)	-	12,308
Polish zloty	633	5,669	-	-	-	6,302
Qatari rial	-	1,283	-	-	-	1,283
Russian ruble	(500)	4,131	499	(15)	-	4,115
Singapore dollar	637	44,934	-	-	-	45,571
South African rand	54	27,771	347	(2)	-	28,170
South Korean won	13	77,884	-	-	-	77,897
Swedish krona	796	70,174	-	-	-	70,970
Swiss franc	21	259,976	-	-	-	259,997
Thai baht	57	10,679	-	-	-	10,736
Turkish lira	326	9,257	-	-	-	9,583
United Arab Emirates dirham	10	1,535	-	-	-	1,545
Total Investments Held in Foreign Currency	$ 25,671	$ 3,105,516	$ 28,981	$ 112	$ 119,701	$ 3,279,981

Note 7 – Securities Lending Agreement

LACERS has entered into various short-term arrangements with its custodian under Article XXXIV Section 504 of the City Charter, whereby securities are lent to various brokers. The custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

Minimum collateralization is 102% of the fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government and corporate securities, and commercial bank obligations. Cash collateral may be invested separately or pooled in a separate fund for investing in money market or high quality short and intermediate term investments. It is the responsibility of the custodian to monitor the collateralization on a daily basis. If the collateral is below the minimum collateralization level, additional collateral will be requested from the borrower to meet the requirement. Collateral requested each morning is required to be received on the same day. If the borrower fails to deliver additional collateral, the custodian would notify the borrower that they are in default under the securities lending agreement. If the borrower does not provide the necessary collateral after receiving notification, the legal agreement allows the custodian to close the contract with the borrower and buy-in the securities on behalf of LACERS.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. LACERS is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify LACERS as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending.

These agreements provide for the return of the securities and revenue determined by the type of collateral received. The cash collateral values of securities on loan to brokers are shown at their fair values on the Statement of Fiduciary Net Position.

As of June 30, 2014, LACERS had no credit risk exposure to borrowers because the amounts LACERS owed the borrowers exceed the amounts the borrowers owed LACERS. LACERS had no losses on securities lending transactions resulting from default of a borrower or lending agent. Due to the nature of the securities lending program and the custodian bank's collateralization of loans at amounts greater than the fair value of the loaned securities, it is deemed that there were no material credit risks to LACERS as defined in GASB Statement No. 28 and GASB Statement No. 40 by its participation in the securities lending program.

All securities loans can be terminated on demand by either LACERS or the borrower. Because of this nature, their duration did not generally match the duration of the investment made with the cash collateral. LACERS cannot pledge or sell non-cash collateral unless the borrower defaults.

The following tables represent the balances of collateral received and loaned securities as of June 30, 2014 (in thousands):

Fair value of collateral received for loaned securities as of June 30, 2014:

Securities Lent	Cash	Non-Cash	Total Collateral Value
U.S. Government and Agency Securities	$ 321,530	$ -	$ 321,530
Domestic Corporate Fixed Income Securities	187,673	29	187,702
International Fixed Income Securities	24,366	3,276	27,642
Domestic Stocks	440,547	1,465	442,012
International Stocks	48,416	438,546	486,962
	$1,022,532	$ 443,316	$1,465,848

Note 7 – Securities Lending Agreement (Continued)

Fair value of loaned securities as of June 30, 2014:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	$ 315,286	$ -	$ 315,286
Domestic Corporate Fixed Income Securities	183,759	29	183,788
International Fixed Income Securities	23,269	3,115	26,384
Domestic Stocks	431,315	1,435	432,750
International Stocks	45,439	409,083	454,222
	$ 999,068	$ 413,662	$ 1,412,730

As of June 30, 2014, the fair value of the lent securities was $1,412,730,000. The fair value of associated collateral was $1,465,848,000. Of this amount, $1,022,532,000 represents the fair value of cash collateral and $443,316,000 represents the fair value of the non-cash collateral. Non-cash collateral, which LACERS does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position. LACERS income and expenses related to securities lending were $5,695,000 and $854,000, respectively, for the year ended June 30, 2014.

Note 8 – Futures and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Futures and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Futures contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions (refer to Note 6 – Credit Risk - Derivatives on pages 40 and 41).

As of June 30, 2014, LACERS had outstanding equity index future contracts with an aggregate notional amount of $18,992,000, and interest rate future contracts with a negative notional amount of $34,604,000 due to its short position. In addition, at June 30, 2014, LACERS had outstanding forward purchase commitments with a notional amount of $23,480,000 and offsetting forward sales commitments with notional amounts of $23,480,000, which expire through September 2014. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $281,883,000 as of June 30, 2014.

Note 9 – Commitments and Contingencies

At June 30, 2014, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $885,607,000.

The Patient Protection and Affordable Care Act (PPACA) of 2010 contains a provision that would impose a forty percent excise tax on the annual value of health plan costs that exceed certain dollar thresholds beginning in 2018. If there is no change in the law or LACERS plan provisions between now and 2018, and if the current medical cost trend stays substantially the same during the same period, some of LACERS postemployment health care benefits will be subject to the excise tax in 2018. GASB has not yet issued any guidance on accounting or financial reporting of this potential future liability.

Note 10 – Subsequent Events

Date of Management's Review

The potential for subsequent events was evaluated through December 26, 2014, which was the date of management's review.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan
(Dollars in Thousands)

The schedules included in Required Supplementary Information for Retirement Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, the System presented information only for those years for which information is available:

1) Schedule of Net Pension Liability
2) Schedule of Changes in Net Pension Liability and Related Ratios
3) Schedule of Investment Returns

Additional years will be displayed in the future as they become available.

Schedule of Net Pension Liability

	June 30, 2014	June 30, 2013
Total Pension Liability	$ 16,248,853	$ 14,881,663
Plan Fiduciary Net Position	(11,791,079)	(10,154,486)
Plan's Net Pension Liability	$ 4,457,774	$ 4,727,177
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.6%	68.2%

Note to Schedule:

Refer to the note to Schedule of Changes in Net Pension Liability and Related Ratios.

Required Supplementary Information
Retirement Plan
(Dollars in Thousands)

Schedule of Changes in Net Pension Liability and Related Ratios[1]

	June 30, 2014	June 30, 2013
Total Pension Liability		
Service cost	$ 317,185	$ 312,372
Interest	1,149,966	1,112,561
Changes of benefit terms	-	-
Differences between expected and actual experience	(164,247)	(235,829)
Changes of assumptions	785,439	-
Benefit payments, including refunds of Member contributions	(721,153)	(701,400)
Net change in total pension liability	1,367,190	487,704
Total pension liability - beginning	14,881,663	14,393,959
Total pension liability - ending (a)	$ 16,248,853	$ 14,881,663
Plan fiduciary net position		
Contributions- employer	$ 357,649	$ 346,181
Contributions- Member	203,975	197,722
Net investment income	1,810,782	1,268,939
Benefit Payments, including refunds of Member contributions	(721,153)	(701,400)
Administrative expense	(12,372)	(13,281)
Other (Transfer to Larger Annuity Reserve)	(2,288)	(2,514)
Net change in Plan fiduciary net position	1,636,593	1,095,647
Plan fiduciary net position - beginning	10,154,486	9,058,839
Plan fiduciary net position - ending (b)	$ 11,791,079	$ 10,154,486
Plan's net pension liability - ending (a)-(b)	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability	72.6%	68.2%
Covered-employee payroll	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered-employee payroll	247.3%	272.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Health, Family Death, and Larger Annuity Benefits.

Note to Schedule:

Changes of Assumptions: The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability is primarily due to the lowered assumed investment rate of return, from 7.75% to 7.50%, and longer assumed life expectancies for Members and beneficiaries.

Required Supplementary Information
Retirement Plan
(Dollars in Thousands)

Schedule of Contribution History

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2005	$ 183,241	$ 158,131	$ 25,110	$ 1,477,754	10.7 %
2006	227,741	227,741	-	1,602,620	14.2
2007	277,516	277,516	-	1,646,056	16.9
2008	288,119	288,119	-	1,741,850	16.5
2009	274,555	274,555	-	1,832,796	15.0
2010	258,643	258,643	-	1,827,864	14.2
2011	303,561	303,561	-	1,678,059	18.1
2012	308,540	308,540	-	1,715,197	18.0
2013	346,181	346,181	-	1,736,113	19.9
2014	357,649	357,649	-	1,802,931	19.8

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Actuarial Cost Method, level percent of salary.

Amortization Method: Level Percent of Payroll – assuming a 4.0% increase in total covered payroll.

Amortization Period: Multiple layers – closed amortization period.
Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over five years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years.

Asset Valuation Method: Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized returns and losses of prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

Actuarial Assumptions:

	June 30, 2014	June 30, 2013
Investment Rate of Return	7.50%	7.75%
Inflation Rate	3.25%	3.50%
Real Across-the-Board Salary Increase	0.75%	0.75%
Projected Salary Increases[1]	Ranges from 10.50% to 6.10% for Members with less than five years of service, and from 5.10% to 4.40% for Members with five or more years of service.	Ranges from 11.25% to 6.50% for Members with less than five years of service, and from 6.50% to 4.65% for Members with five or more years of service.

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

	June 30, 2014	June 30, 2013
Cost of Living Adjustment[2]	Tier 1: 3.00% Tier 2: 2.00%	Tier 1: 3.00% Tier 2: 2.00%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.	Healthy: RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females.

(1) Includes inflation at 3.25% as of June 30, 2014 and 3.50% as of June 30, 2013 plus across-the-board salary increases of 0.75% plus merit and promotional increases.

(2) Actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2.

Schedule of Investment Returns

	Fiscal Year 2014
Annual money-weighted rate of return, net of investment expenses	18.2%

Note to Schedule:

The required disclosure about factors that significantly affect trends in the rate of return is not provided this year because the money-weighted rate of return is calculated for the current fiscal year only.

Required Supplementary Information
Postemployment Health Care Plan
(Dollars in Thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009[(1)]	$ 1,342,497	$ 2,058,177	$ 715,680	65.2 %	$ 1,816,171	39.4 %
June 30, 2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5
June 30, 2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
June 30, 2012	1,642,374	2,292,400	650,026	71.6	1,819,270	35.7
June 30, 2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
June 30, 2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0

(1) Based on revised June 30, 2009 actuarial valuation.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2009	$ 95,122	100 %
2010	96,511	100
2011	107,396	100
2012	115,209	100
2013	72,916	100
2014	97,841	100

Notes to Required Supplementary Information

Note 1 – Description

The historical trend information about LACERS is presented as required supplementary information. The information is intended to help users assess the funding status of the Postemployment Health Care Plan on a going concern basis and to assess progress made in accumulating assets by paying benefits when due. The Board decided to comply with the requirements in GASB Statements No. 43 and No. 45 for the actuarial valuation of the Postemployment Health Care Plan as of June 30, 2005. As the annual required contribution (ARC) for fiscal year ended June 30, 2006, was determined prior to the June 30, 2005 valuation, it was not calculated using all the parameters required by GASB Statements No. 43 and No. 45.

Note 2 – Significant Factors Affecting Trend in Actuarial Information and Employer Contributions

On October 28, 2014 the Board adopted assumption changes as a result of the June 30, 2014 Experience Study, including a lowered investment return assumption of 7.50%, from 7.75%, and longer life expectancies of LACERS Members and beneficiaries. The cost impact of these assumption changes amounts to $135 million, which will cause the City contribution rate to increase by approximately 0.48% of pay for 20 years, pursuant to the amortization policy modified by the Board on September 9, 2014.

Due to the seven-year Asset Smoothing method used in the actuarial valuation process, six-seventh of the large investment gains of the fiscal year ended on June 30, 2014 are unrecognized and deferred to the future years. The deferred gain amounts to $1.0 billion, which will cause City contribution rates to fall in the next few years if the investment returns match the new 7.50% assumption and all other assumptions are met.

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SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2014
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 8,183	$ 1,712	$ 9,895
Employee Development and Benefits	1,292	270	1,562
Total Personnel Services	9,475	1,982	11,457
Professional Services:			
Actuarial	147	30	177
Audit	69	14	83
Legal Counsel	749	157	906
Disability Evaluation Services	90	19	109
Retirees Health Administrative Consulting	-	726	726
Benefit Payroll Processing	181	38	219
Total Professional Services	1,236	984	2,220
Information Technology:			
Computer Hardware and Software	347	73	420
Computer Maintenance and Support	32	7	39
Total Information Technology	379	80	459
Leases:			
Office Space	710	148	858
Office Equipment	19	4	23
Total Leases	729	152	881
Other Expenses:			
Fiduciary Insurance	56	12	68
Educational and Due Diligence Travel	50	10	60
Office Expenses	362	76	438
Depreciation and Amortization	151	31	182
Total Other Expenses	619	129	748
Total Administrative Expenses	$ 12,438	$ 3,327	$ 15,765

Schedule of Investment Fees and Expenses
For the Year Ended June 30, 2014
(In Thousands)

	Assets Under Management	Fees and Expenses
Retirement Plan		
Investment Management Expenses:		
Fixed Income Managers	$ 2,443,595	$ 3,554
Equity Managers	7,324,204	15,825
Subtotal Investment Management Expenses	9,767,799	19,379
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	665
Real Estate Consulting Fees	N/A	179
Other Consulting Fees	N/A	350
Investment Administrative Expenses	N/A	973
Subtotal Other Investment Fees and Expenses	N/A	2,167
Postemployment Health Care Plan		
Investment Management Expenses:		
Fixed Income Managers	431,457	744
Equity Managers	1,293,211	3,310
Subtotal Investment Management Expenses	1,724,668	4,054
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	139
Real Estate Consulting Fees	N/A	37
Other Consulting Fees	N/A	73
Investment Administrative Expenses	N/A	203
Subtotal Other Investment Fees and Expenses	N/A	452
Total Investment Fees and Expenses excluding Private Equity and Real Estate Consulting Fees, and Security Lending Expenses	$ 11,492,467	$ 26,052
Private Equity Managers' Fees:		
Retirement Plan	$ 1,072,883	$ 16,660
Postemployment Health Care Plan	189,436	3,485
Total Private Equity Managers' Fees	$ 1,262,319	$ 20,145
Real Estate Managers' Fees:		
Retirement Plan	$ 599,688	$ 8,263
Postemployment Health Care Plan	105,885	1,729
Total Real Estate Managers' Fees	$ 705,573	$ 9,992
Security Lending Expenses:		
Retirement Plan	$ 869,081	$ 705
Postemployment Health Care Plan	153,451	149
Total Security Lending Expenses	$ 1,022,532	$ 854

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Investment

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

202 W. First Street, Suite 500
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Report on Investment Activity

January 5, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 W. First Street, Suite 500
Los Angeles, CA 90012-4401

Dear Members of the Board:

Presented below is a summary report of the Fund's investment activities for the fiscal year 2013-2014.

Market Overview

The global financial markets produced positive returns for the fiscal year, despite some market volatility due to economic uncertainty and major political events. Investors' concerns were allayed by improving global economic data and supportive policies from central banks and governments.

During the first quarter of the fiscal year, the U.S. market produced strong positive results after the Fed eased fears of raising short-term interest rates. Non-U.S. markets also performed well as the eurozone emerged from recession, investors gained confidence in Japan's economic policies, and China's growth rebounded.

During the second quarter, financial markets continued to rally despite a two-week U.S. government shutdown at the beginning of the quarter arising from a political impasse over the federal budget and the U.S. debt ceiling. The Fed announced a plan to reduce its bond-buying program, concluding that the economy was showing signs of improvement. U.S. markets ended calendar year 2013 with strong positive returns across a broad array of sectors. Most non-U.S. developed markets followed suit as global economic conditions improved. Returns in emerging markets varied due to diverging economic data.

In the third quarter of the fiscal year, U.S. equity markets produced modest returns, absorbing concerns that a harsh winter throughout much of the nation would stall economic growth. Outside the U.S., financial market returns were mixed. European equities modestly advanced despite a tepid European economy and the growing crisis in the Ukraine. Japanese equities fell under pressure from weakening economic indicators. Emerging markets underperformed due to lackluster economic data from China and the Ukraine crisis.

Domestic equities continued their upward trajectory in the fourth quarter as improving job and housing markets signaled slow, but steady economic growth. The Fed further reduced its bond-buying program in light of positive economic data, but vowed to maintain low interest rates for the foreseeable future. European markets advanced upon the European Central Bank's introduction of a negative deposit rate to encourage bank lending and economic growth. China showed a renewed economic acceleration due to the government's mini-stimulus measures to increase the supply of money and credit.

Despite periods of volatility, the global financial markets ended the fiscal year in positive territory, resulting in strong performance for the Fund.

Investment Performance

LACERS primary investment objective is to maximize the return of the portfolio at a prudent level of risk to meet the obligations of the System. The Fund is managed on a total return basis over a long-term investment horizon. While the System recognizes the importance of capital preservation, it also recognizes that varying degrees of investment risk are generally rewarded with commensurate returns. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification, which is achieved through the System's strategic asset allocation policy.

LACERS investments are reported at fair value. The total portfolio was $13.9 billion on June 30, 2014, an increase of $2.0 billion over the prior fiscal year. The Fund realized an 18.4% (gross of fees) return for the fiscal year. Individual asset class gross returns were: U.S. equity, 25.2%; non-U.S. equity, 23.6%; core fixed income, 6.1%; credit opportunities, 12.4%; private equity, 18.2%; and real estate, 12.6%.

The total portfolio outperformed its policy benchmark by 50 basis points for the fiscal year, benefiting from the strong relative performance of non-U.S. publicly traded equity, core fixed income, credit opportunities, and real estate investments, which outperformed their benchmarks by 180, 170, 70, and 30 basis points, respectively.

In comparison to other public funds with a market value greater than $10 billion in the TUCS (Trust Universe Comparison Service), LACERS ranked in the second quartile for the one-year period ending June 30, 2014.

The Investment Results table presented on page 63 provides a summary of time-weighted rates of return based on fair value of assets by asset classes and total fund.

Policies, Procedures and Guidelines

During the fiscal year, the Board of Administration revised the Emerging Investment Manager Policy to define qualification criteria for private market asset classes, include "aspirational" investment goals for all asset classes, and establish annual reporting requirements.

Investment Manager Contract Awards and Renewals

As presented in the table on pages 64 and 65, contracts with 21 investment managers of publicly traded securities were awarded or renewed during the fiscal year: Eight with U.S. equity managers, seven with non-U.S. equity managers, three with core fixed income managers, one with a credit opportunities manager, and two with public real assets managers. The high volume of contract activity resulted from efforts to align the Fund with the target asset allocation.

Private Investments

LACERS approved 14 private equity and venture capital partnerships totaling $315 million of committed capital, and one real estate partnership totaling $25 million of committed capital, as presented in the table on page 64.

Investment Services

As summarized in the table on page 65, the Board of Administration approved a three-year contract with a new private equity consultant; a three-year contract with a new real estate consultant; a three-year contract extension for the current general fund consultant; and one year contract extensions for the bank custodian and the proxy voting agent.

Respectfully submitted,

Rodney L. June
Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2013-2014

The Los Angeles City Employees' Retirement System's (LACERS, or the System) general investment policies and goals are consistent with the City Charter citations and State Constitution and are stated below:

- The overall goal of the System's investment assets is to provide plan participants with post-retirement benefits as set forth in the System documents. This will be accomplished through a carefully planned and executed investment program.
- The System's investment program shall comply, at all times, with existing and future applicable City, state and federal regulations. Investment performance data is calculated in conformance with Global Investment Performance Standards (GIPS).
- All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
- The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System's investment performance.
- Investment actions are expected to comply with "prudent person" standards as described: "…with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

Investment Results

Annualized asset class investment returns compared to policy benchmarks:

Asset Class / Benchmark	Annualized[1] (gross of fees)		
	1 Yr. (%)	3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	**25.2**	**16.0**	**19.4**
Russell 3000	25.2	16.5	19.3
Non-U.S. Equity	**23.6**	**7.6**	**12.6**
MSCI ACWI ex U.S.	21.8	5.7	11.1
Private Equity	**18.2**	**13.2**	**16.1**
Russell 3000 plus 300 bps	29.0	20.2	23.4
Core Fixed Income	**6.1**	**--**	**--**
Barclays U.S. Aggregate	4.4	--	--
Credit Opportunities	**12.4**	**--**	**--**
Barclays U.S. Corp High Yield 2% Capped	11.7	--	--
Private Real Estate	**12.6**	**10.5**	**2.6**
NCREIF Property Lagged plus 100 bps	12.3	12.4	8.3
LACERS Total Fund	**18.4**	**11.0**	**13.6**
LACERS Policy Benchmark	17.9	10.8	13.6

(1) Time-weighted rate of return based on fair value of assets for all asset classes.

Investment Contract Activity

Contracts with investment managers of publicly traded securities awarded/renewed/extended:

Firms	Mandate
AQR Capital Management, LLC	Active Non-U.S. Small Cap Equities
Aronson + Johnson + Ortiz, LP	Active U.S. Large Cap Value Equities
Attucks Asset Management LLC	Fund-of-Funds of Emerging Managers
Axiom International Investors, LLC	Active Non-U.S. Emerging Markets Growth Equities
The Boston Company Asset Management, LLC	Active Non-U.S. Emerging Markets Equities
Capital Prospects Asset Management LLC	Fund-of-Funds of Emerging Managers
Dimensional Fund Advisors, LP	Active Non-U.S. Emerging Markets Value Equities
Dimensional Fund Advisors, LP	Active U.S. Treasury Inflation Protected Securities ("TIPS")
Franklin Advisers, Inc.	Active U.S. Small Cap Growth Equities
Hartford Investment Management Company	Active U.S. Treasury Inflation Protected Securities ("TIPS")
LM Capital Group, LLC	Active U.S. Core Fixed Income
Loomis, Sayles & Company, L.P.	Active U.S. Core Fixed Income
Oberweis Asset Management, Inc.	Active Non-U.S. Small Cap Core Equities
Principal Global Investors, LLC	Active U.S. Mid Cap Core Equities
Progress Investment Management Co., LLC	Fund-of-Funds of Emerging Managers
Prudential Investment Management, Inc.	Active Emerging Markets Debt
Quantitative Management Associates, LLC	Active Non-U.S. Emerging Markets Core Equities
Robert W. Baird & Co., Inc.	Active U.S. Core Fixed Income
SIT Investment Associates, Inc.	Active U.S. Small Cap Growth Equities
State Street Global Advisors	MSCI World Ex-U.S. IMI Index
Thomson Horstmann & Bryant, Inc.	Active U.S. Small Cap Core Equities

New private equity and real estate partnerships:

Investment Funds	Mandate
ABRY Advanced Securities Fund III, L.P.	Private Equity – Structured Debt
Apollo Investment Fund VIII, L.P.	Private Equity – Buyout
Blue Sea Capital Fund I LP	Private Equity – Buyout
DFJ Growth 2013, L.P.	Private Equity – Venture
DRA Growth and Income Fund VIII, LLC	Real Estate – Value
EIG Energy Fund XVI, L.P.	Private Equity – Special Situations
Energy Capital Partners III, LP	Private Equity – Special Situations
Oak HC/FT Partners, L.P.	Private Equity – Growth Equity
Palladium Equity Partners IV, L.P.	Private Equity – Buyout
Polaris Partners VII, L.P.	Private Equity – Venture
Providence Debt Fund III, L.P.	Private Equity – Structured Debt
Spark Capital Growth Fund, L.P.	Private Equity – Venture
Thoma Bravo Fund XI, L.P.	Private Equity – Buyout
Vista Equity Partners Fund V, L.P.	Private Equity – Buyout
Vista Foundation Fund II, L.P.	Private Equity – Buyout

Investment Contract Activity

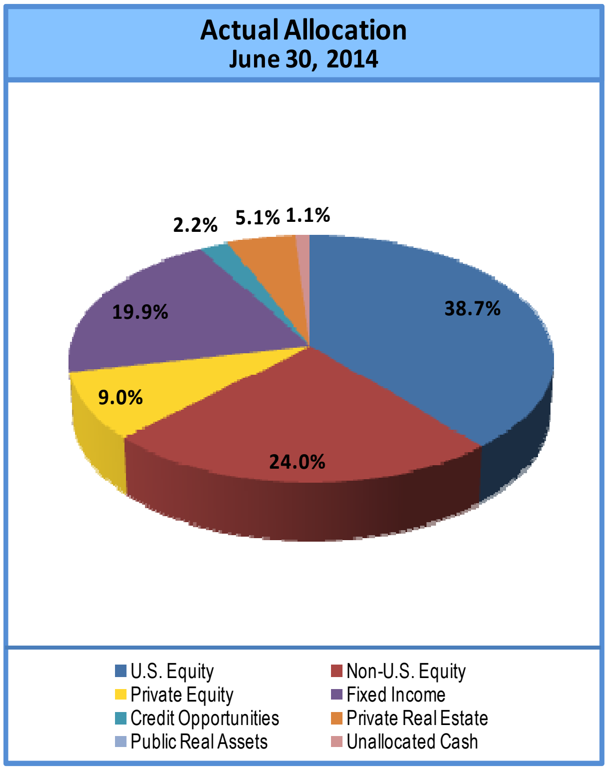
Contracts with investment service provider awarded/renewed/extended:

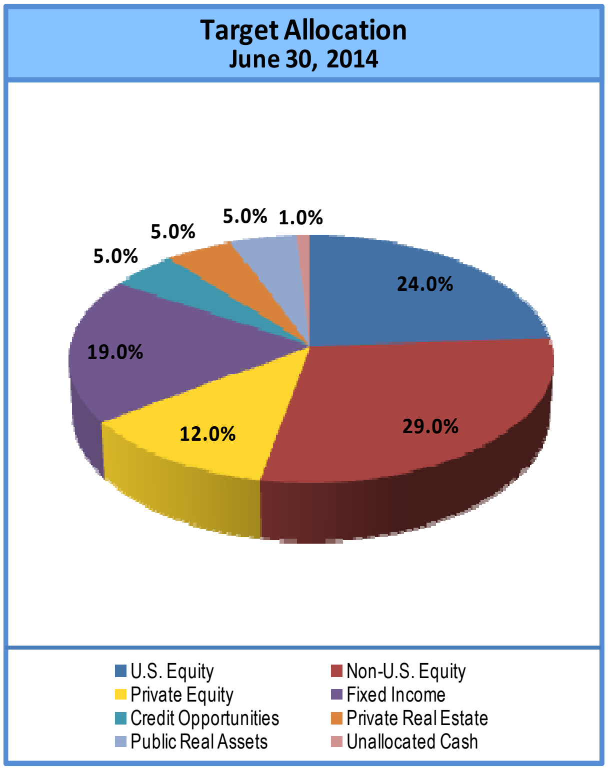
Investment Services	Type of Service
CEM Benchmarking, Inc.	Cost Comparison and Analysis Services
Institutional Shareholder Services, Inc.	Proxy Voting and Analysis Services
Portfolio Advisors, LLC	Private Equity Consulting Services
Townsend Holdings LLC	Real Estate Consulting Services
Wilshire Associates Incorporated	General Pension Fund Consulting Services
The Northern Trust Company	Master Custody Services
	Securities Lending Services
	Compliance Analyst Service and/or Event Analyst Services
	Risk Services
	Integrated Disbursement Service
	Private Monitor Analytical Services

Asset Allocation
As of June 30, 2014

	Actual		Target
U.S. Equity	38.7%	U.S. Equity	24.0%
Non-U.S. Equity	24.0	Non-U.S. Equity	29.0
Private Equity[(1)]	9.0	Private Equity	12.0
Core Fixed Income	19.9	Core Fixed Income	19.0
Credit Opportunities	2.2	Credit Opportunities	5.0
Private Real Estate	5.1	Private Real Estate	5.0
Public Real Assets	0.0	Public Real Assets	5.0
Unallocated Cash	1.1	Unallocated Cash	1.0
Total	100.0%	**Total**	100.0%

(1) The underweight to Private Equity is allocated to U.S. Equity. Private Equity cannot be rebalanced on demand since the general partners control the timing of funding and distributions.





List of Largest Assets Held by Market Value

Displayed below are the ten largest holdings in each asset class along with their market and share/par values as of June 30, 2014. A listing of the System's top 100 holdings is available on www.LACERS.org. For a complete listing of the System's holdings, please contact LACERS.

Largest U.S. Equity Holdings(1)

	Shares	Asset Description	Market Value (in US$)
1.	1,416,321	Apple Inc.	$ 131,618,756
2.	1,078,017	Exxon Mobil Corp.	108,534,702
3.	1,643,901	Microsoft Corp.	68,550,652
4.	592,656	Johnson & Johnson	62,003,648
5.	468,516	Chevron Corp.	61,164,753
6.	1,121,622	Wells Fargo & Co.	58,952,433
7.	2,054,620	General Electric	53,995,427
8.	829,881	JP Morgan Chase & Co.	47,817,749
9.	372,387	Berkshire Hathaway Inc.	47,129,351
10.	1,325,100	AT&T Inc.	46,855,537
		Total	$ 686,623,008

Largest Non-U.S. Equity Holdings(1)

	Shares	Asset Description	Market Value (in US$)
1.	518,808	Novartis AG	$ 46,978,217
2.	463,413	Nestle SA	35,900,398
3.	229,491	Bayer AG	32,410,513
4.	3,135,496	BP	27,604,963
5.	86,310	Roche Hldgs AG	25,743,116
6.	222,092	Sanofi	23,590,313
7.	859,939	Glaxosmithkline	22,996,536
8.	2,192,773	Banco Santander	22,907,053
9.	228,917	Daimler AG	21,438,044
10.	2,063,463	HSBC Hldgs	20,918,771
		Total	$ 280,487,924

(1) The U.S. Equity and Non-U.S. Equity holdings represent the market value of LACERS' separate accounts and the market value of LACERS' ownership in mutual fund-like accounts.

List of Largest Assets Held by Market Value

Largest U.S. Fixed Income Holdings

	Par Value	Asset Description	Market Value (in US$)
1.	62,190,000	United States Treas Bds Dtd 08-15-1993 6.25% Due 08-15-2023	$ 82,032,466
2.	60,150,000	United States Treas Nts Nt 3.625% Due 08-15-2019	66,033,392
3.	56,060,000	United States Treas Nts Dtd 10-31-2012 0.25% Due 10-31-2014	56,088,478
4.	46,800,000	United States Treas 1.25% Due 04-30-2019	46,098,000
5.	39,085,000	FNMA Single Family Mortgage 4.5% 30 Years Settles July	42,327,843
6.	28,450,000	United States Treas Bds 5.5% Due 08-15-2028	37,216,156
7.	29,520,000	FNMA Single Family Mortgage 4.0% 30 Years Settles July	31,328,100
8.	29,130,000	United States Treas Nts 0.25% 03-31-2015	29,163,004
9.	17,335,000	United States Treas Bds Index Linked 2.0% Due 01-15-2026	24,392,970
10.	19,310,000	FHLMC Gold Single Family 4.0% 30 Years Settles July	20,456,531
		Total	$ 435,136,940

Largest Non-U.S. Fixed Income Holdings

	Par Value (in local currency)	Asset Description	Market Value (in US$)
1.	8,920,000	Pvtpl Macquarie Bk Ltd 1.65% Due 03-24-2017	$ 8,971,825
2.	9,430,000	CNOOC Fin 2013 Ltd 3.0% Due 05-09-2023	8,903,966
3.	8,525,000	Pvtpl Credit Agricole SA 1.625% Due 04-17-2016	8,638,118
4.	8,450,000	Pvtpl Anz New Zealand Intl Nts 1.4% Due 04-27-2017	8,466,106
5.	8,595,000	Petrobras Global 4.375% Due 05-20-2023	8,277,415
6.	8,125,000	Toronto Dominion Bk Sr Medium Term Bk Nt 1.5% 09-09-2016	8,246,639
7.	8,000,000	Pvtpl Deutsche Telekom Intl Fin B V Nt 2.25% Due 03-06-2017	8,207,288
8.	7,770,000	CNOOC Nexen Fin 1.625% Due 04-30-2017	7,789,946
9.	765,000	Mexico (Utd Mex St) Mbonos 7.25% Due 12-15-2016	6,403,161
10.	6,205,000	Comwlth Bk 2.25% Due 03-13-2019	6,258,804
		Total	$ 80,163,268

Schedules of Fees and Commissions

Schedule of Fees

(In Thousands)

	2014 Assets Under Management	Fees	2013 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	$ 2,875,052	$ 4,298	$ 2,657,174	$ 4,470
Equity Managers	8,617,415	19,135	7,078,720	15,017
Real Estate Managers	705,573	9,992	682,344	9,090
Private Equity Managers	1,262,319	20,145	1,206,895	18,050
Total	$ 13,460,359	$ 53,570	$ 11,625,133	$ 46,627
Security Lending Fees	$ 1,022,532	$ 854	$ 1,155,982	$ 1,021
Other Investment Fees and Expenses	N/A	2,619	N/A	1,549
Total	$ 1,022,532	$ 3,473	$ 1,155,982	$ 2,570

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	$/Share
1.	Morgan Stanley and Co., LLC	121,442,721	$ 597,241	$ 0.005
2.	Merrill Lynch International Limited	52,532,476	198,531	0.004
3.	Goldman, Sachs and Co.	66,924,701	154,040	0.002
4.	Pulse Trading LLC	3,621,019	121,997	0.034
5.	Credit Suisse Securities (USA) LLC	225,290,072	120,494	0.001
6.	Liquidnet Inc	11,380,730	115,185	0.010
7.	Deutsche Bank Securities Inc.	62,942,175	111,309	0.002
8.	Citigroup Global Markets Inc.	36,626,263	99,805	0.003
9.	ITG Inc	3,967,613	92,322	0.023
10.	Credit Suisse Securities (Europe) Ltd	11,675,074	91,185	0.008
	Total	596,402,844	1,702,109	0.003
	Total - Other Brokers	436,650,291	3,067,131	0.007
	Grand Total(1)	1,033,053,135	$ 4,769,240	$ 0.005

(1) OTC Brokers excluded because there is no stated commission.

LACERS has commission recapture arrangements with brokerage firms. For the current fiscal year, LACERS recaptured a total of $13,767 commission credit from ConvergEx and Citigroup, of which none of the amount was directed to pay for any investment expenses.

Investment Summary
As of June 30, 2014

Type of investment	Market Value	% of Total Market Value	Domestic Market Value	Foreign Market Value
Fixed Income				
Government bonds	$ 566,369,554	3.91%	$ 488,793,296	$ 77,576,258
Government agencies	39,863,692	0.28	29,820,351	10,043,341
Municipal / provincial bonds	6,752,367	0.05	6,346,767	405,600
Corporate bonds	1,580,473,692	10.91	1,169,393,915	411,079,777
Commercial mortgage bonds	115,997,580	0.80	112,500,409	3,497,171
Bank loans	1,656,297	0.01	1,656,297	-
Government mortgage bonds	551,141,620	3.81	551,141,620	-
Opportunistic debts	12,797,450	0.09	976,767	11,820,683
Total Fixed Income	**2,875,052,252**	**19.86**	**2,360,629,422**	**514,422,830**
Equities				
Common stock				
Basic industries	903,795,356	6.24	447,412,126	456,383,230
Capital goods industries	415,830,944	2.87	134,364,894	281,466,050
Consumer & services	1,551,716,708	10.71	651,724,041	899,992,667
Energy	738,627,209	5.10	398,483,523	340,143,686
Financial services	1,316,817,125	9.09	551,167,204	765,649,921
Health care	704,837,876	4.87	404,824,400	300,013,476
Information technology	758,799,600	5.24	574,671,313	184,128,287
Miscellaneous (Common Fund Assets)	2,185,102,771	15.09	2,164,908,588	20,194,183
Total Common Stock	**8,575,527,589**	**59.21**	**5,327,556,089**	**3,247,971,500**
Preferred stock	33,919,941	0.23	1,835,662	32,084,279
Stapled securities	7,789,413	0.05	-	7,789,413
Derivative instruments	178,388	-	-	178,388
Total Equities	**8,617,415,331**	**59.49**	**5,329,391,751**	**3,288,023,580**
Real Estate	**705,573,396**	**4.87**	**692,674,536**	**12,898,860**
Private Equity				
Acquisitions	773,815,182	5.34	703,441,149	70,374,033
Distressed debt	107,759,309	0.74	63,063,363	44,695,946
International acquisitions	114,555,548	0.79	22,784,476	91,771,072
Mezzanine	10,377,613	0.07	10,377,613	-
Venture capital	255,810,757	1.78	240,784,014	15,026,743
Total Private Equity	**1,262,318,409**	**8.72**	**1,040,450,615**	**221,867,794**
Security Lending Collateral	**1,022,532,044**	**7.06**	**949,750,307**	**72,781,737**
Total Fund[(1)]	**$ 14,482,891,432**	**100.00%**	**$ 10,372,896,631**	**$ 4,109,994,801**

(1) Total Fund includes securities lending, but excludes cash and cash equivalents and adjustments to cash.

Advisory/Consulting/Custody Services

Investment Advisors

U.S. Equity

Aronson+Johnson+Ortiz
Attucks Asset Management
BlackRock Institutional Trust Company
Capital Prospects Asset Management
Donald Smith & Co.
Franklin Advisers
New Mountain Vantage
PanAgora Asset Management
Progress Investment Management
Rhumbline Advisers
Sit Investment Associates
Thomson Horstmann & Bryant

Non-U.S. Equity

AQR Capital Management
Axiom International Investors
Barrow, Hanley, Mewhinney & Strauss
The Boston Company Asset Management
Lazard Asset Management
MFS Institutional Advisors
Oberweis Asset Management
Quantitative Management Associates
State Street Global Advisors

Fixed Income

LM Capital Group
Loomis Sayles & Company
Neuberger Berman
Robert W. Baird & Co.

Credit Opportunities

Aegon USA Investment Management
Franklin Advisers
Prudential Investment Management

Cash & Short-Term

The Northern Trust Company

Real Estate

Almanac Realty
Apollo Global Real Estate
Bristol Group
Bryanston Realty Partners
Buchanan Street Partners
Canyon-Johnson Urban Funds
CB Richard Ellis
CIM Group
CityView
Colony Investors
Cornerstone Real Estate Advisors
DLJ Real Estate Capital Partners
DRA Advisors
Hancock Timber Resource Group
Heitman Value Partners
Hunt Realty Investments
Integrated Capital
Invesco Real Estate
JP Morgan Fleming
LaSalle Investment Management
Lone Star Funds
Lowe Hospitality
MacFarlane Partners
Mesa West Capital
Pacific Coast Capital Partners
Paladin Realty Partners
Phoenix Realty Group
Prologis
Prudential Real Estate Investors
Realty Associates
RREEF
Stockbridge Real Estate
Torchlight Investors
Urban America
Urdang
Walton Street Real Estate

Private Equity

ABRY Partners
Acon-Bastion Partners
Advent International
AION Capital Partners
Alchemy Partners
American Securities
Angeleno Group
Apollo Management
Ares Management
Austin Ventures
Avenue Capital Group
Blackstone
Blue Sea Capital
Cardinal Health Partners (CHP)
Carlyle Group

Investment Advisors (Continued)

Private Equity (Continued)

Carpenter & Company
CGW Southeast Partners
Charterhouse Capital Partners
CHS Capital
Chisholm Partners
CIE Management IX Ltd
Coller International Partners
Craton Equity Investors
CVC Capital Partners
DFJ Frontier
DFJ Growth 2013 Partners
EIG Global Energy Partners
Element Partners
Encap Energy Capital
Energy Capital Partners
Enhanced Equity
Essex Woodland Health Ventures
First Israel Mezzanine Investors (FIMI)
First Reserve Corporation
GTCR
Halifax Capital
Hellman & Friedman Investors
High Road Capital Partners
HM Capital Partners
Hony Capital
Insight Venture
The Jordan Company
JH Whitney & Co.
Kelso & Company
Khosla Ventures
KKR
KPS Investors
Leonard Green & Partners
Levine Leichtman Capital Partners
Lindsay Goldberg & Bessemer
Madison Dearborn Partners
Menlo Ventures
Nautic Partners
New Enterprises Associates
New Mountain Partners
Newbridge Asia
NGEN Partners
Nogales Investors
Nordic Capital
Oak Investment Partners
Oaktree Capital Management
Olympus Partners
Onex Partners
Palladium Equity Partners
Permira
Pharos Capital Partners
Platinum Equity
Polaris Venture Partners
Providence Equity Partners
Rustic Canyon/Fontis Partners
Saybrook Capital
Spark Capital
Spire Capital
SSG Capital Partners
St. Cloud Capital
StarVest Partners
StepStone Group
Sterling Partners
TA Associates
Technology Crossover Ventures (TCV)
TCW/Crescent Mezzanine
Texas Pacific Group (TPG)
Thoma Bravo
Thoma Cressey
Thomas H. Lee Partners
Trident Capital
VantagePoint Venture Partners
Vestar Capital Partners
Vicente Capital Partners
Vista Equity Partners
Welsh, Carson, Anderson & Stowe
Weston Presidio
Yucaipa American Alliance

Consultants

Portfolio Advisors
The Townsend Group
Wilshire Associates

Custodian

The Northern Trust Company

Actuarial

Actuarial Valuation Summary

Summary of Significant Valuation Results

	June 30, 2014	June 30, 2013	Change
I. Total Membership			
a. Active Members	24,009	24,441	(1.8) %
b. Pensioners and Beneficiaries	17,532	17,362	1.0 %
II. Valuation Salary			
a. Total Annual Payroll	$1,898,064,175	$1,846,970,474	2.8 %
b. Average Monthly Salary	6,588	6,297	4.6 %
III. Benefits to Current Retirees and Beneficiaries(1)			
a. Total Annual Benefits	$716,556,070	$699,064,942	2.5 %
b. Average Monthly Benefit Amount	3,406	3,355	1.5 %
IV. Total System Assets(2)			
a. Actuarial Value	$12,935,503,398	$12,004,110,338	7.8 %
b. Market Value	13,935,771,998	11,922,538,917	16.9 %
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	$5,304,102,525	$4,657,702,276	13.9 %
b. Health Subsidy Benefits	721,628,343	677,750,710	6.5 %

(1) Includes July COLA.
(2) Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

	FY 2015-2016(1)		FY 2014-2015(1)		Change	
VI. Budget Items	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
a. Retirement Benefits						
1. Normal Cost as a Percent of Pay	6.71%	1.44%	6.89%	1.16%	(0.18)%	0.28 %
2. Amortization of UAAL	16.44%	16.44%	14.13%	14.13%	2.31 %	2.31 %
3. Total Retirement Contribution	23.15%	17.88%	21.02%	15.29%	2.13 %	2.59 %
b. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.46%	2.60%	3.49%	2.29%	(0.03)%	0.31 %
2. Amortization of UAAL	2.14%	2.14%	2.05%	2.05%	0.09 %	0.09 %
3. Total Health Subsidy Contribution	5.60%	4.74%	5.54%	4.34%	0.06 %	0.40 %
c. Total Contribution (a+b)	28.75%	22.62%	26.56%	19.63%	2.19 %	2.99 %

(1) Contributions are assumed to be made on July 15.

	June 30, 2014	June 30, 2013	Change
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	67.4%	68.7%	(1.3)%
b. Health Subsidy Benefits	72.9%	71.9%	1.0 %
c. Total	68.1%	69.1%	(1.0)%
(Based on Market Value of Assets)			
d. Retirement Benefits	72.6%	68.2%	4.4 %
e. Health Subsidy Benefits	78.5%	71.4%	7.1 %
f. Total	73.4%	68.7%	4.7 %

	June 30, 2014	June 30, 2013	Change
VIII. Net Pension Liability(1)			
Total Pension Liability	$16,248,853,099	$14,881,663,162	9.2 %
Plan Fiduciary Net Position	(11,791,079,473)	(10,154,486,098)	16.1 %
System's Net Pension Liability	$ 4,457,773,626	$ 4,727,177,064	(5.7) %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.6%	68.2%	N/A

(1) Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on page 80.

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

Actuarial Certification

December 3, 2014

This is to certify that Segal Consulting (Segal) has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS or the "System") retirement program as of June 30, 2014, in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2013. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS. Segal did not audit LACERS' financial statements, but we conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Retirement System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age cost method.

The actuarial computations made are for funding plan benefits. Accordingly, additional determinations will be needed for other purposes, such as satisfying financial accounting requirements under Governmental Accounting Standards Board (GASB) Statements No. 67 and No. 68 and judging benefit security at termination of the plan.

Segal prepared all of the supporting schedules in the actuarial section of the Comprehensive Annual Financial Report (CAFR). A listing of the supporting schedules Segal prepared for inclusion in the financial section as Supplementary Information required by GASB is provided below:

1) Schedule of Net Pension Liability
2) Schedule of Changes in Net Pension Liability and Related Ratios
3) Schedule of Contribution History

LACERS' staff prepared other trend data schedules in the statistical section based on information supplied in Segal's valuation report.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinion contained herein.

Andy Yeung

Andy Yeung, ASA, MAAA, EA, FCA
Vice President and Associate Actuary

Retirement Benefits Valuation

Active Member Valuation Data

Member Population: 2005 – 2014

Year Ended June 30	Active Members[1]	Covered-Employee Payroll	Annual Average Pay[2]	Change in Annual Average Pay (%)
2005	27,333	$ 1,589,305,846	$ 58,146	0.0%
2006	28,839	1,733,339,536	60,104	3.4
2007	30,175	1,896,609,013	62,854	4.6
2008	30,236	1,977,644,640	65,407	4.1
2009	30,065[3]	1,816,171,212[4]	65,632[4]	0.3
2010	26,245	1,817,662,284	69,257	5.5
2011	25,449	1,833,392,381	72,042	4.0
2012	24,917	1,819,269,630	73,013	1.3
2013	24,441	1,846,970,474	75,569	3.5
2014	24,009	1,898,064,175	79,056	4.6

(1) Includes non-vested Members.
(2) Reflects annualized salaries for part-time Members.
(3) Before reclassifying the 2,393 Early Retirement Incentive Program (ERIP) electing active Members as retired under the program.
(4) After ERIP.

Retirees and Beneficiaries Added to and Removed from Retiree Payroll[1]

Year Ended June 30	No. of New Retirees/ Beneficiaries	Annual Allowances Added[2]	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
2005	934	$ 43,454,836	749	$ 14,769,736	14,322	$427,953,132	7.2%	$ 29,881
2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
2009	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812
2010	2,893[3]	144,594,918[3]	620	17,604,486	17,264	648,849,828	24.3%	37,584
2011	528	24,282,965	595	16,585,589	17,197	656,547,204	1.2%	38,178
2012	620	38,314,256	594	17,986,700	17,223	676,874,760	3.1%	39,301
2013	772	40,966,952	633	18,776,770	17,362	699,064,942	3.3%	40,264
2014	831	38,666,905	661	21,175,777	17,532	716,556,070	2.5%	40,871

(1) Does not include Family Death Benefit Plan Members. Table is based on valuation data.
(2) Includes the COLA granted in July.
(3) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Solvency Test for Retirement Benefits

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retirees, Beneficiaries & Inactive/Vested	Active Members	Valuation Value of Assets	Active Member Contributions	Retirees, Beneficiaries & Inactive/Vested	Active Members
06/30/2005	$1,128,101	$4,858,932	$3,334,492	$7,193,142	100.0%	100.0%	36.2%
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700(1)	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009(2)	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6
06/30/2010	1,379,098	7,507,945	3,707,982	9,554,027	100.0	100.0	18.0
06/30/2011	1,474,824	7,765,071	4,151,809	9,691,011	100.0	100.0	10.9
06/30/2012	1,625,207	7,893,684	4,875,068	9,934,959	100.0	100.0	8.5
06/30/2013	1,757,195	8,066,564	5,057,904	10,223,961	100.0	100.0	7.9
06/30/2014	1,900,068	8,700,896	5,647,889	10,944,751	100.0	100.0	6.1

(1) Excludes assets transferred for Harbor Port Police.
(2) Based on revised June 30, 2009 valuation.

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2005	$ 7,193,142	$ 9,321,525	$ 2,128,383	77.2 %	$ 1,589,306	133.9 %
06/30/2006	7,674,999	9,870,662	2,195,663	77.8	1,733,340	126.7
06/30/2007	8,599,700(1)	10,526,874	1,927,174	81.7	1,896,609	101.6
06/30/2008	9,438,318	11,186,404	1,748,086	84.4	1,977,645	88.4
06/30/2009(2)	9,577,747	12,041,984	2,464,237	79.5	1,816,171	135.7
06/30/2010	9,554,027	12,595,025	3,040,998	75.9	1,817,662	167.3
06/30/2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
06/30/2012	9,934,959	14,393,959	4,459,000	69.0	1,819,270	245.1
06/30/2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
06/30/2014	10,944,751	16,248,853	5,304,102	67.4	1,898,064	279.5

(1) Valuation value of assets is after excluding $5,269 of discounted Harbor Port Police assets transferred in October 2007.
(2) Based on revised June 30, 2009 valuation.

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for Year Ended June 30, 2014

1. Unfunded actuarial accrued liability at beginning of year	$ 4,657,702,276
2. Normal cost at beginning of year	317,185,480
3. Total contributions	(561,624,508)
4. Interest	351,086,853
5. Expected unfunded actuarial accrued liability	4,764,350,101
6. Changes due to experience gain[1]	(245,686,690)
7. Changes due to new actuarial assumptions	785,439,114
8. Unfunded actuarial accrued liability at end of year	$ 5,304,102,525

(1) Excludes a $30,136,798 loss from contributions less than anticipated due to scheduled one-year delay in implementing the higher contribution rate calculated in the June 30, 2013 valuation. That loss is already included in the development of item 5.

The breakdown of the experience gain is as follows:

Investment gain	$ (83,815,425)
Loss due to higher than expected salary increases for continuing actives	14,336,784
Gain due to lower than expected COLA granted to retirees and beneficiaries	(148,439,060)
Miscellaneous gain	(27,768,989)
Total gain	$ (245,686,690)

Actuarial Balance Sheet

Assets		
1. Valuation value of assets ($13,935,771,998 at market value and $12,935,503,398 at actuarial value as reported by LACERS[1])		$ 10,944,750,574
2. Present value of future normal costs		
Employee	$1,657,090,814	
Employer	1,008,613,000	
Total		2,665,703,814
3. Unfunded actuarial accrued liability		5,304,102,525
4. Present value of current and future assets		$ 18,914,556,913
Liabilities		
5. Present value of future benefits		
Retired Members and beneficiaries		$ 8,504,410,789
Inactive Members		315,207,699
Active Members		10,094,938,425
Total		$ 18,914,556,913

(1) Market and actuarial values of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

Schedule of Changes in Net Pension Liability and Related Ratios[1]

(Dollars in Thousands)

	June 30, 2014	June 30, 2013
Total pension liability		
Service cost	$ 317,185	$ 312,372
Interest	1,149,966	1,112,561
Changes of benefit terms	-	-
Differences between expected and actual experience	(164,247)	(235,829)
Changes of assumptions	785,439	-
Benefit payments, including refunds of Member contributions	(721,153)	(701,400)
Net change in total pension liability	1,367,190	487,704
Total pension liability - beginning	14,881,663	14,393,959
Total pension liability - ending (a)	$ 16,248,853	$ 14,881,663
Plan fiduciary net position		
Contributions - employer[2]	$ 357,649	$ 346,181
Contributions - Member	203,975	197,722
Net investment income	1,810,782	1,268,939
Benefit payments, including refunds of Member contributions	(721,153)	(701,400)
Administrative expense	(12,372)	(13,281)
Other (Transfer to Larger Annuity Reserve)	(2,288)	(2,514)
Net change in Plan fiduciary net position	1,636,593	1,095,647
Plan fiduciary net position - beginning	10,154,486	9,058,839
Plan fiduciary net position - ending (b)	$ 11,791,079	$ 10,154,486
Plan's net pension liability - ending (a)-(b)	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability	72.6%	68.2%
Covered-employee payroll	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered-employee payroll	247.3%	272.3%

(1) In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Health, Family Death, and Larger Annuity Benefits.

The schedule is intended to show information for 10 years. However, a full 10-year trend is not available, and therefore, the System presented information only for those years for which information is available. Additional years will be displayed in the future as they become available.

(2) A full 10-year schedule of actuarially determined and actual contributions of employer (Schedule of Contribution History) is provided on page 50 as required supplementary information in the financial section of the CAFR.

Note to Schedule:

Changes of Assumptions: The June 30, 2014 calculations reflected various assumption changes based on the triennial experience study for the period from July 1, 2011 through June 30, 2014. The increase of total pension liability is primarily due to the lowered assumed investment rate of return, from 7.75% to 7.50%, and longer assumed life expectancies for Members and beneficiaries.

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2014

(Dollars in Millions)

Year Beginning July 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Admin. Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2013	$10,154	$562	$721	$12	$1,808[1]	$11,791
2014	11,791	615	775	14	901	12,517
2015	12,517	605	799	15	954	13,262
2016	13,262	596	847	16	1,007	14,002
2017	14,002	586	899	17	1,060	14,731
2018	14,731	576	956	18	1,111	15,444
2019	15,444	560	1,018	19	1,161	16,129
2020	16,129	546	1,085	20	1,209	16,780
2021	16,780	548	1,155	20	1,256	17,408
2022	17,408	549	1,225	21	1,300	18,011
2053	15,345	2	1,874	19	1,080	14,535
2054	14,535	2	1,803	18	1,022	13,738
2055	13,738	1	1,730	17	965	12,957
2056	12,957	1	1,653	16	909	12,199
2057	12,199	1	1,574	15	855	11,465
2098	19,238	0	1	23	1,442	20,655
2099	20,655	0	1	25	1,548	22,177
2100	22,177	0	1	27	1,662	23,812
2101	23,812	0	1	29	1,785	25,567
2102	25,567	0	1	31	1,916	27,451
2115	64,462	0	0[2]	79	4,832	69,216
2116	69,216					
2116 Discounted Value:	43[3]					

(1) Net of transfer to Larger Annuity Reserve.

(2) Less than $1 million when rounded.

(3) $69,216 million when discounted with interest at the rate of 7.50% per annum has a value of $43 million as of June 30, 2014.

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2014 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown in the year beginning July 1, 2013 row are actual amounts, based on the financial statements provided by LACERS.

3. Years 2023-2052, 2058-2097, and 2103-2114 have been omitted from this table.

4. Column (a): Except for the "discounted value" shown for 2116, all of the projected beginning plan fiduciary net position amounts shown have not been adjusted for the time value of money.

5. Column (b): Projected total contributions include employee and employer normal cost rates applied to closed group projected payroll (based on covered active Members as of June 30, 2014), plus employer contributions to the unfunded actuarial accrued liability. Contributions have not been adjusted for the phase-in of the cost impact of the new assumptions adopted from the 2011 experience study or the possible phase-in of the cost impact of the new assumptions adopted from the 2014 experience study. Contributions are assumed to occur at the beginning of the year.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired Members, and beneficiaries as of June 30, 2014. The projected benefit payments reflect the cost of living increase assumption of 3.00% per annum for Tier 1 and 2.00% per annum for Tier 2. Benefit payments are assumed to occur halfway through the year, on average. In accordance with paragraph 31.b.(1)(e) of GASB Statement No. 67, the long-term expected rate of return on Plan investments of 7.50% per annum was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.12% of the projected beginning plan fiduciary net position amount. The 0.12% portion was based on the actual fiscal year 2013-14 administrative expenses as a percentage of the actual beginning plan fiduciary net position as of July 1, 2013. Administrative expenses are assumed to occur halfway through the year, on average.

8. Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.50% per annum.

9. As illustrated in this schedule, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan Members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.50% per annum was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 shown earlier in this section, pursuant to paragraph 44 of GASB Statement No. 67.

Summary of Actuarial Assumptions and Actuarial Cost Method

On October 28, 2014, the Board adopted assumption changes as a result of the June 30, 2014 Experience Study, including a lowered investment return assumption of 7.50% (from 7.75%), and longer life expectancies of LACERS Members and beneficiaries. The following assumptions were used to value the Plan liabilities for funding purposes and for financial reporting purposes as well:

Mortality Rates

After Service Retirement

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

After Disability Retirement

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.

The tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of mortality experience as of the measurement date.

Termination Rates before Retirement

Pre-Retirement Mortality

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

	Rate (%)	
Age	Disability	Termination[1]
25	0.01	5.75
30	0.03	5.75
35	0.05	4.85
40	0.09	3.50
45	0.15	2.70
50	0.19	2.50
55	0.20	2.35
60	0.20	2.25

(1) Rates for Members with five or more years of service. Termination rates are zero for Members eligible to retire.

Rates of termination for Members with less than five years of service are as follows:

Years of Service	Rate (%) Termination (Based on Service)
0	13.25
1	11.00
2	8.75
3	7.25
4	5.75

Retirement Rates

	Rate (%)			
	Tier 1		Tier 2	
Age	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	0.0	0.0
51	3.0	0.0	0.0	0.0
52	3.0	0.0	0.0	0.0
53	3.0	0.0	0.0	0.0
54	16.0	0.0	0.0	0.0
55	6.0	20.0	3.5	8.0
56	6.0	14.0	3.5	7.0
57	6.0	14.0	3.5	7.0
58	6.0	14.0	3.5	7.0
59	6.0	14.0	3.5	7.0
60	6.0	14.0	5.5	7.0
61	6.0	14.0	5.5	9.0
62	7.0	15.0	5.5	11.0
63	7.0	15.0	5.5	13.0
64	7.0	16.0	5.5	16.0
65	12.0	17.0	12.0	19.0
66	12.0	17.0	12.0	19.0
67	12.0	17.0	12.0	19.0
68	12.0	17.0	12.0	19.0
69	12.0	17.0	12.0	19.0
70	100.0	100.0	100.0	100.0

Retirement Age and Benefit for Inactive Vested Participants

Pension benefit will be paid at the later of age 58 or the current attained age. For reciprocals, compensation increases of 4.40% per annum are assumed.

Exclusion of Inactive Members

All inactive participants are included in the valuation.

Definition of Active Members

First day of biweekly payroll following employment for new department employees or immediately following transfer from other City department.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Unknown Data for Members

Same as those exhibited by Members with similar known characteristics. If not specified, Members are assumed to be male.

Percent Married/Domestic Partner

76% of male participants; 50% of female participants.

Age of Spouse

Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Service

Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.

Future Benefit Accruals

1.0 year of service per year.

Other Reciprocal Service

5% of future inactive vested Members will work at a reciprocal system.

Consumer Price Index (CPI)

Increase of 3.25% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.

Employee Contribution Crediting Rate

Based on average of 5-year Treasury note rate. An assumption of 3.25% is used to approximate that crediting rate in this valuation.

Net Investment Return

7.50%

Discount Rate

7.50%

Salary Increases

Inflation: 3.25%; plus additional 0.75% "across the board" salary increases (other than inflation); plus the following merit and promotional increases:

Years of Service	Percentage Increase
0	6.50%
1	6.20%
2	5.10%
3	3.10%
4	2.10%
5	1.10%
6	1.00%
7	0.90%
8	0.70%
9	0.60%
10+	0.40%

Actuarial Cost Method

Entry Age Cost Method, level percent of salary

Actuarial Value of Assets

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized gains and losses from prior years as of June 30, 2013 into one layer and recognize it evenly over six years from fiscal year 2013-14 through fiscal year 2018-19.

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service.

Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Any changes in the UAAL due to assumption or method changes are

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Funding Policy (Continued)

amortized over separate 20-year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012.

The recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined by the then current GASB Statements 25 and 27. In particular, an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003-04 and fiscal year 2004-05 is included in the calculation of the recommended contribution.

Assumption Changes Since Prior Valuation

In addition to the economic assumptions described above, some of the demographic assumptions have been updated as a result of the experience study as of June 30, 2014.

Summary of Plan Provisions

The following summarizes the major provisions of LACERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year

July 1 through June 30

Census Date

June 30

Membership Eligibility

Tier 1

All employees who became Members of the Retirement System before July 1, 2013, and certain non-Tier 2 employees who became Members of the Retirement System on or after July 1, 2013.

Tier 2

All employees who became Members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the LACERS Administrative Code.

Normal Retirement Benefit

Tier 1

Age & Service Requirement (§ 4.1005(a))

- Age 70; or
- Age 60 with 10 years of continuous service; or
- Age 55 with at least 30 years of service.

Amount (§ 4.1007(a))

2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation.

Tier 2

Age & Service Requirement (§ 4.1055(a))

- Age 70; or
- Age 65 with 10 years of continuous service.

Amount (§ 4.1055(a))

2.00% per year of service credit (not greater than 75%) of the Final Average Monthly Compensation.

Early Retirement Benefit

Tier 1

Age & Service Requirement (§ 4.1005(b))

- Age 55 with 10 years of continuous service; or
- Any age with 30 years of service.

Amount (§ 4.1007(b))

2.16% per year of service credit (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

Age	Factor
45	0.6250
50	0.7750
55	0.9250
60	1.0000

Summary of Plan Provisions (Continued)

Early Retirement Benefit (Continued)

Tier 2

Age & Service Requirement (§ 4.1055(b))

- Age 55 with 10 years of continuous service.

Amount (§ 4.1055(b))

Retirement Factor x years of service credit (not greater than 75%) x Final Average Monthly Compensation. Retirement Factors are as follows:

Age	Factor (%)	Age	Factor (%)
55	0.7700	60	1.2200
56	0.8400	61	1.3400
57	0.9200	62	1.4800
58	1.0100	63	1.6300
59	1.1100	64	1.8100

Service Credit (§ 4.1001(a) and § 4.1051(a))

The time component of the formula used by LACERS for purposes of calculating benefits.

Final Average Monthly Compensation

Tier 1 (§ 4.1001(b))

Equivalent of monthly average salary of highest continuous 12 months (one year); includes base salary plus regularly assigned bonuses or premium pay.

Tier 2 (§ 4.1051(b))

Equivalent of monthly average salary of highest continuous 36 months (three years); limited to base salary (excludes bonuses or premium pay).

Cost of Living Benefit

Tier 1 (§ 4.1022)

Based on changes to Los Angeles area Consumer Price Index, to a maximum of 3% per year; excess banked.

Tier 2 (§ 4.1069)

Based on changes to Los Angeles area Consumer Price Index, to a maximum of 2% per year; Member can purchase additional COLA not to exceed 1% per year (paid in full by Member)[(1)]; excess not banked.

(1) It is assumed that such discretionary purchases will only happen at retirement and the cost for such purchases by the Member is therefore not included in this valuation.

Death after Retirement

Tier 1 (§ 4.1010(c))

- 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of Member's death (or a designated beneficiary selected by Member at the time of retirement)[(1)]; and
- $2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

Tier 2 (§ 4.1060(c))

- If elected at retirement, a modified continuance to an eligible spouse, domestic partner, or designated beneficiary[(1)]; and
- $2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the Member has elected the cash refund annuity option.

(1) The retiree may elect at the time of retirement to take a reduced allowance in order to provide for a continuance pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1062 (Tier 2).

Death before Retirement

Tier 1 (§ 4.1010(a))
Greater of:

Option #1:

- Eligibility – None.
- Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

Service Credit	Number of Monthly Payments
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Summary of Plan Provisions (Continued)

Death before Retirement (Continued)

Option #2:

- Eligibility – Duty-related death or after five years of service.
- Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

Tier 2 (§ 4.1060(a))
Greater of:

Option #1:

- Eligibility – None.
- Benefit – Refund of employee contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

Service Credit	Number of Monthly Payments
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Option #2:

- Eligibility – Eligible for service retirement.
- Benefit – Modified continuance of service retirement benefit under 100% joint and survivor option to eligible spouse or domestic partner.

Member Normal Contributions

Tier 1 (§ 4.1003)

Effective July 1, 2011, the Member normal contribution rate became 7% for all employees. The 7% Member rate shall be paid until June 30, 2026 or until the ERIP Cost Obligation (defined in ERIP Ordinance 180926) is fully paid, whichever comes first[(1)].

Beginning January 1, 2013, all non-represented Members and Members in certain bargaining groups are required to pay an additional 4% member contribution rate.

Members with no eligible spouse or domestic partner at retirement can request a refund of the survivor portion of the Member contributions (i.e., generally based on a contribution rate of 0.5% of pay).

(1) The Member normal contribution rate will drop down to 6% afterwards.

Tier 2 (§ 4.1053)

Actuarially determined rate to fund 75% of normal costs and 50% of UAAL for Tier 2. The initial rate is 10% of pay for the first four years of Tier 2. The rate is then established every three years thereafter, with the first determination to be effective July 1, 2017.

Disability

Tier 1

Service Requirement (§ 4.1008(a))

Five years of continuous service

Amount[(1)] (§ 4.1008(c))

1/70 (1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

Tier 2

Service Requirement (§ 4.1058(a))

10 years of continuous service

Amount[(1)] (§ 4.1058(c))

1/90 (1.11%) of the Final Average Monthly Compensation per year of service.

(1) The benefit calculated using the service retirement formula will be paid if the Member is eligible and that benefit is greater than that calculated under the disability retirement formula.

Deferred Withdrawal Retirement Benefit (Vested)

Tier 1 (§ 4.1006)

Age & Service Requirement

- Age 70 with five years of continuous service; or
- Age 60 with five years of continuous service and at least 10 years elapsed from first date of membership; or
- Age 55 with at least 30 years of service.
- Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.

Summary of Plan Provisions (Continued)

Deferred Withdrawal Retirement Benefit (Vested) (Continued)

Amount

Normal Retirement Benefit (or refund of contributions, if greater).

Age & Service Requirement

- Age 55 with five years of continuous service and at least 10 years elapsed from first date of membership; or
- Age 55 with 10 years of continuous service.
- Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.

Amount

Early Retirement Benefit (or refund of contributions, if greater).

Tier 2 (§ 4.1056)

Age & Service Requirement

- Age 70 with five years of continuous service; or
- Age 55 with five years of continuous service and at least 10 years elapsed from first date of membership; or
- Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership; or
- Deferred employee who meets part-time eligibility: age 70.

Amount

Early or Normal Retirement Benefit (or refund of contributions, if greater).

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Changes in Plan Provisions

None during July 1, 2013 to June 30, 2014.

Segal Consulting

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Actuarial Certification

December 3, 2014

This is to certify that Segal Consulting (Segal) has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's (LACERS or the "System") other postemployment benefit program as of June 30, 2014, in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 43 and No. 45. Actuarial valuations are performed annually for this other postemployment benefit program with the last valuation completed as of June 30, 2013. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements No. 43 and No. 45 for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant, premium, claims, and financial data provided by the LACERS. Segal did not audit LACERS' financial statements, but we conducted an examination of all participant data for reasonableness and we concluded that it was reasonable and consistent with the prior year's data.

One of the general goals of an actuarial valuation is to establish contributions that fully fund the Retirement System's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age cost method. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements No. 43 and No. 45.

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security at termination of the plan, or determining short-term cash flow requirements.

Segal prepared all of the supporting schedules in the actuarial section of the System's Comprehensive Annual Financial Report (CAFR). LACERS' staff prepared other trend data schedules in the statistical section based on information supplied in Segal's valuation report. A listing of supporting schedules Segal prepared for inclusion in the financial section as Supplementary Information required by GASB Statements 43 and 45 is provided below:

1) Schedule of Funding Progress
2) Schedule of Employer Contributions

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements No. 43 and No. 45 with respect to the benefit obligations addressed. The signing actuaries are members of the Society of Actuaries, and/or the American Academy of Actuaries, as well as other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Thomas Bergman
Thomas Bergman, ASA, MAAA, EA
Assistant Actuary

Andy Yeung
Andy Yeung, ASA, MAAA, EA, FCA
Vice President and Associate Actuary

Active Member Valuation Data

Member Population: 2005 – 2014

Year Ended June 30	Active Members[1]	Covered-Employee Payroll	Annual Average Pay[2]	Change in Annual Average Pay (%)
2005	27,333	$ 1,589,305,846	$ 58,146	0.0%
2006	28,839	1,733,339,536	60,104	3.4
2007	30,175	1,896,609,013	62,854	4.6
2008	30,236	1,977,644,640	65,407	4.1
2009	30,065[3]	1,816,171,212[4]	65,632[4]	0.3
2010	26,245	1,817,662,284	69,257	5.5
2011	25,449	1,833,392,381	72,042	4.0
2012	24,917	1,819,269,630	73,013	1.3
2013	24,441	1,846,970,474	75,569	3.5
2014	24,009	1,898,064,175	79,056	4.6

(1) Includes non-vested Members.
(2) Reflects annualized salaries for part-time Members.
(3) Before reclassifying the 2,393 Early Retirement Incentive Program (ERIP) electing active Members as retired under the program.
(4) After ERIP.

Retirees and Beneficiaries Added to and Removed from Health Benefits

Year Ended June 30	No. of New Retirees/ Beneficiaries	Annual Allowances Added[1]	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
2005	Data Not Available							
2006								
2007	696	$ 8,660,848	497	$ 1,923,000	11,336	$ 66,602,200	11.3%	$ 5,875
2008	1,139	6,472,277	471	2,051,109	12,004	71,023,368	6.6	5,917
2009	376	5,542,283	487	2,697,150	11,893	73,868,501	4.0	6,211
2010	2,104[2]	23,010,841[2]	555	2,670,987	13,442	94,208,355	27.5	7,009
2011	431	5,670,390	437	2,774,684	13,436	97,104,061	3.1	7,227
2012	433	(540,583)	438	2,516,835	13,431	94,046,643	(3.1)	7,002
2013	635	9,263,844	474	2,463,967	13,592	100,846,520	7.2	7,420
2014	616	7,160,148	522	3,047,436	13,686	104,959,232	4.1	7,669

(1) Also reflects changes in subsidies for continuing retirees and beneficiaries.
(2) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Solvency Test for Health Benefits

For Years Ended June 30
(Dollars in Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Accrued Liabilities Covered by Reported Assets		
Valuation Date	Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members	Valuation Value of Assets	Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members
06/30/2005	$ 22,274	$ 803,472	$ 893,153	$ 893,378	100%	100%	8%
06/30/2006	24,363	808,647	897,789	990,270	100	100	18
06/30/2007	22,064	792,200	916,136	1,185,544	100	100	41
06/30/2008	25,933	849,972	1,052,138	1,342,920	100	100	44
06/30/2009(1)	26,182	1,118,520(2)	913,475	1,342,497	100	100	22
06/30/2010	34,455	1,124,254	1,075,166	1,425,726	100	100	25
06/30/2011	19,964	1,066,351	882,393	1,546,884	100	100	52
06/30/2012	24,454	1,083,168	1,184,778	1,642,374	100	100	45
06/30/2013	26,869	1,104,833	1,280,783	1,734,733	100	100	47
06/30/2014	41,188	1,196,769	1,424,896	1,941,225	100	100	49

(1) Based on revised June 30, 2009 valuation.
(2) Includes liabilities for the 2,393 ERIP-electing Members.

Schedule of Funding Progress

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
06/30/2005	$ 893,378	$1,718,899	$ 825,521	52.0 %	$ 1,589,306	51.9 %
06/30/2006	990,270	1,730,799	740,529	57.2	1,733,340	42.7
06/30/2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
06/30/2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
06/30/2009	1,342,497	2,058,177	715,680	65.2	1,816,171	39.4
06/30/2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5
06/30/2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
06/30/2012	1,642,374	2,292,400	650,026	71.6	1,819,270	35.7
06/30/2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
06/30/2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for the Year Ended June 30, 2014

1.	Unfunded actuarial accrued liability as of June 30, 2013	$ 677,750,710
2.	Employer normal cost as of June 30, 2013	64,319,088
3.	Total employer contributions during 2013/2014 fiscal year	(97,840,554)
4.	Interest	50,255,138
5.	Expected unfunded actuarial accrued liability as of June 30, 2014	694,484,382
6.	Effect of investment gain	(72,508,896)
7.	Effect of demographic changes and technical amendment(1)	17,059,031
8.	Effect of change in medical trend assumption	37,155,734
9.	Effect of premium lower than expected	(89,849,457)
10.	Effect of new actuarial assumptions from triennial experience study	135,287,549
11.	Unfunded actuarial accrued liability as of June 30, 2014	$ 721,628,343

(1) As previously directed by LACERS, deferred vested Members who separated from employment prior to having a chance to make the additional 4% contribution were valued assuming a frozen subsidy in the June 30, 2013 valuation. A technical amendment effective July 25, 2013 unfroze the subsidy for this group, and the June 30, 2014 valuation reflects this change. Excludes a $6,170,728 loss from contributions less than anticipated due to the one-year delay in implementing the higher contribution rate calculated in the June 30, 2013 valuation.

Actuarial Balance Sheet

Assets	
1. Actuarial value of assets	$ 1,941,224,810
2. Present value of future normal costs	568,859,358
3. Unfunded actuarial accrued liability	721,628,343
4. Present value of current and future assets	$ 3,231,712,511
Liabilities	
5. Actuarial present value of total projected benefits	$ 3,231,712,511

Summary of Actuarial Assumptions and Actuarial Cost Method

On October 28, 2014, the Board adopted assumption changes as a result of the June 30, 2014 Experience Study, including a lowered investment return assumption of 7.50% (from 7.75%), and longer life expectancies of LACERS Members and beneficiaries. The following assumptions were used to value the Plan liabilities for funding purposes and for financial reporting purposes as well:

Termination Rates before Retirement

Pre-Retirement Mortality

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

	Rate (%)	
Age	Disability	Termination[1]
25	0.01	5.75
30	0.03	5.75
35	0.05	4.85
40	0.09	3.50
45	0.15	2.70
50	0.19	2.50
55	0.20	2.35
60	0.20	2.25

(1) Rates for Members with five or more years of service. Termination rates are zero for Members eligible to retire.

Rates of termination for Members with less than five years of service are as follows:

Years of Service	Rate (%)
0	13.25
1	11.00
2	8.75
3	7.25
4	5.75

Measurement Date

June 30, 2014

Discount Rate

7.50%

Postemployment Mortality Rates

Healthy

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no setback for females.

Disabled

RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set forward seven years for males and set forward eight years for females.

The tables shown above were determined to contain sufficient provision appropriate to reasonably reflect future mortality improvement, based on a review of mortality experience as of the measurement date.

Retirement Rates

	Rate (%)			
	Tier 1		Tier 2	
Age	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	0.0	0.0
51	3.0	0.0	0.0	0.0
52	3.0	0.0	0.0	0.0
53	3.0	0.0	0.0	0.0
54	16.0	0.0	0.0	0.0
55	6.0	20.0	3.5	8.0
56	6.0	14.0	3.5	7.0
57	6.0	14.0	3.5	7.0
58	6.0	14.0	3.5	7.0
59	6.0	14.0	3.5	7.0
60	6.0	14.0	5.5	7.0
61	6.0	14.0	5.5	9.0
62	7.0	15.0	5.5	11.0
63	7.0	15.0	5.5	13.0
64	7.0	16.0	5.5	16.0
65	12.0	17.0	12.0	19.0
66	12.0	17.0	12.0	19.0
67	12.0	17.0	12.0	19.0
68	12.0	17.0	12.0	19.0
69	12.0	17.0	12.0	19.0
70	100.0	100.0	100.0	100.0

Salary Increases

Inflation: 3.25%; plus additional 0.75% "across the board" salary increases (other than inflation); plus the following merit and promotional increases:

Years of Service	Percentage Increase
0	6.50%
1	6.20%
2	5.10%
3	3.10%
4	2.10%
5	1.10%
6	1.00%
7	0.90%
8	0.70%
9	0.60%
10+	0.40%

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Age and Benefit for Inactive Vested Participants

Assume retiree health benefit will be paid at the later of age 58 or the current attained age.

Exclusion of Inactive Vested

Inactive vested with less than 10 years of service are excluded.

Per Capita Cost Development

The assumed costs on a composite basis are the future costs of providing postemployment health care benefits at each age. To determine the assumed costs on a composite basis, historical premiums are reviewed and adjusted for increases in the cost of health care services.

Maximum Monthly Dental Subsidy (same as premium)

Carrier	Participation Percent	2014-15 Fiscal Year
Delta Dental PPO	77.6%	$43.02
DeltaCare USA HMO	22.4%	$12.71

Maximum Monthly Medical Subsidy
(Tier 1, Not Subject to Medical Subsidy Freeze)
Participant Under Age 65 or Not Eligible for Medicare A & B
2014-15 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	61.5%	$758.85	$1,517.70	$758.85
Anthem BC PPO	21.1%	$1,105.37	$1,522.04	$758.85
Anthem BC HMO	17.4%	$881.75	$1,522.04	$758.85

The amounts shown in the table above apply to Tier 1 Members only. For Tier 2 Members hired on or after July 1, 2013, the medical plan will be for single coverage and for retiree only. In addition, the maximum subsidy will be set at an amount equal to the lowest-cost single-party plan for those not enrolled in Medicare Parts A and B ($758.85 per month for 2014-15).

Maximum Monthly Medical Subsidy
(Tier 1, Not Subject to Medical Subsidy Freeze)
Participant Eligible for Medicare A & B
2014-15 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv HMO	58.2%	$229.82	$459.64	$229.82
Anthem BC Medicare Supplement	30.0%	$508.50	$925.17	$508.50
UHC Medicare Adv HMO(1)	11.8%	$246.57	$488.34	$246.57

(1) Rates for CA plan.

The amounts shown in the table above apply to Tier 1 Members only. For Tier 2 Members hired on or after July 1, 2013, the maximum medical plan premium subsidy will be for single coverage and for retiree only (for example, $229.82 and $508.50 per month for Kaiser HMO and Anthem Blue Cross Medicare Supplement, respectively, in 2014-15).

Members who are subject to the retiree medical subsidy freeze will have monthly health insurance subsidy maximums fixed at the levels in effect at July 1, 2011, as shown in the table below:

Maximum Monthly Medical Subsidy
(Tier 1, Subject to Medical Subsidy Freeze)

Carrier	Single Party Subsidy	Married/With Domestic Partner Subsidy	Eligible Survivor Subsidy
Under Age 65 – All Plans	$1,190.00	$1,190.00	$593.62
Age 65 and Over			
Kaiser Senior Adv HMO	$203.27	$406.54	$203.27
Anthem BC Medicare Supplement	$478.43	$530.52	$478.43
UHC Medicare Adv HMO(1)	$219.09	$433.93	$219.09

(1) Rates for CA plan.

Marital Status

60% of male and 30% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Spouse Age Difference

Male retirees are assumed to be four years older than their female spouses. Female retirees are assumed to be two years younger than their male spouses.

Surviving Spouse Coverage

With regard to Members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Participation

Retiree Medical and Dental Coverage Election:

Years of Service Range	Percent Covered[1]
10 – 14	65%
15 – 19	80%
20 – 24	90%
25 and Over	95%

(1) Inactive Members are assumed to elect coverages at 50% of the rates shown above.

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Health Care Cost Subsidy Trend Rates

Trends to be applied in following fiscal years, to all health plans.

First Fiscal Year (July 1, 2014 through June 30, 2015)

Plan	Trend to be applied to 2014-15 Fiscal Year premium
Anthem BC HMO, Under Age 65	7.59%
Anthem BC PPO, Under Age 65	0.48%
Kaiser HMO, Under Age 65	7.52%
Anthem BC Medicare Supplement, Age 65 and Over	6.55%
Kaiser Senior Adv. HMO Age 65 and Over	5.55%
UHC Medicare Adv HMO, Age 65 and Over	6.59%

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Trend (Approx.)	Calendar Year	Trend (applied to calculate following year premium)
2015-16	6.88%	2015	7.00%
2016-17	6.63%	2016	6.75%
2017-18	6.38%	2017	6.50%
2018-19	6.13%	2018	6.25%
2019-20	5.88%	2019	6.00%
2020-21	5.63%	2020	5.75%
2021-22	5.38%	2021	5.50%
2022-23	5.13%	2022	5.25%
2023 & later	5.00%	2023 & later	5.00%

Dental Premium Trend: 5.00% for all years.

Medicare Part B Premium Trend: 2.50% for the 2014-15 fiscal year (calculated based on the actual change in Medicare B premium from 2014 to 2015). 5.00% for years following the 2015 calendar year.

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

Health Care Reform

As previously directed by LACERS, the impact of potential excise tax imposed by the Affordable Care Act (ACA) and related statutes on certain health plans was not reflected in the current valuation in calculating the contribution rates for the employer. A proposed statement currently under review by the Governmental Accounting Standards Board (GASB) for financial reporting purposes is expected to require the inclusion of excise tax in the liability. The current exposure draft of the statement would be effective for fiscal years beginning after December 15, 2015.

Asset Valuation Method

The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets. An Ad Hoc change was made in 2014 to combine the unrecognized gains and losses from prior years as of June 30, 2013 into one layer and recognize it evenly

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Asset Valuation Method (Continued)

over six years from fiscal year 2013-14 through fiscal year 2018-19.

Actuarial Cost Method

Entry Age Cost Method, level percent of salary

Funding Policy

The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service.

Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15-year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 20-year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15-year periods. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP, were combined and amortized over 30 years effective June 30, 2012.

In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements No. 43 and No. 45.

Assumption Changes since Prior Valuation

In addition to the economic assumptions described above, the assumptions that changed from the previous valuation are as follows:

- Health care cost trend rates have been updated.
- Starting premium costs were revised to reflect updated data.
- Medical and dental carrier election assumptions were updated.
- Some of the demographic assumptions have been updated as a result of the experience study as of June 30, 2014.

Summary of Plan Provisions

The following summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Membership Eligibility

Tier 1 (§4.1002(a))

All employees who became Members of the Retirement System before July 1, 2013, and certain non-Tier 2 employees who became Members of the Retirement System on or after July 1, 2013.

Tier 2 (§4.1052(a))

All employees who became Members of the Retirement System on or after July 1, 2013, except as provided otherwise in Section 4.1002.1 of the LACERS Administrative Code.

Benefit Eligibility

Tier 1 (§4.1111(a)) and Tier 2 (§4.1121(a))

Retired age 55 or older with at least 10 years of service (including deferred vested Members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. The health subsidy is not payable to a disabled retiree before the Member reaches age 55.

Medical Subsidy for Members Not Subject to Freeze

Under Age 65 or Over Age 65 and Only Enrolled in Medicare Part B:

Tier 1 (§4.1111(b))

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2014, the maximum health subsidy was $1,464.00 per month, and will increase to $1,580.08 on January 1, 2015.

Summary of Plan Provisions (Continued)

Medical Subsidy for Members Not Subject to Freeze (Continued)

Tier 2 (§4.1121(c))

The System will pay 40% of the maximum health subsidy (limited to actual premium) for a retiree with 10 years of service credit and an additional 3% for each additional year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2014, the maximum health subsidy is $729.83 per month and will increase to $787.87 on January 1, 2015.

Over Age 65 and Enrolled in Both Medicare Parts A and B:

Tier 1 (§4.1111(e)) and Tier 2 (§4.1121(d))

For retirees, a maximum health subsidy limited to the highest approved single-party monthly premium of the plan per §4.1112(d) in which the Member is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Subsidy Freeze for Tier 1

As of the June 30, 2011 valuation, the retiree health benefits program was changed to freeze the medical subsidy for non-retired Members who did not begin to contribute an additional 2% or 4% of employee contributions to the Pension Plan.

The frozen subsidy is different for Medicare and non-Medicare retirees.

The freeze applies to the medical subsidy limits at the 2011 calendar year level.

The freeze does not apply to the dental subsidy or the Medicare Part B premium reimbursement.

Dependents

Tier 1 (§4.1122(e)(4))

An additional amount is added for coverage of dependents which shall not exceed the amount provided to a retiree not enrolled in Medicare Parts A and B and covered by the same medical plan with the same years of service. The combined Member and dependent subsidy shall not exceed the actual premium.

Tier 2 (§4.1121(d)(4))

None of the subsidy may be applied toward coverage for dependents.

Dental Subsidy for Members

Tier 1 (§4.1114(b))

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2014, the maximum dental subsidy is $42.80 per month and will increase to $43.24 beginning January 1, 2015.

There is no subsidy available to spouses or domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

Tier 2 (§4.1124(b))

The System will pay 40% of the maximum dental subsidy (limited to actual premium) for a retiree with 10 years of Service Credit and an additional 3% for each additional year of Service Credit, up to 100% of the maximum dental subsidy. As of July 1, 2014, the maximum dental subsidy is $42.80 per month and will increase to $43.24 beginning January1, 2015.

Medicare Part B Subsidy for Members

Tier 1 (§4.1113) and Tier 2 (§4.1123)

If a City retiree is covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Medicare Part B premium.

Surviving Spouse Subsidy

Tier 1 (§4.1115)

The surviving spouse or domestic partner will be entitled to a health subsidy (limited to the actual single-party premium) based on the Member's years of service and the surviving dependent's eligibility for Medicare.

Under Age 65 or Over Age 65 and Only Enrolled in Medicare Part B:

The maximum health subsidy available for survivors is the Kaiser single-party premium ($729.83 per month as of July 1, 2014, increasing to $787.87 on January 1, 2015) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

Summary of Plan Provisions (Continued)

Surviving Spouse Subsidy (Continued)

Over Age 65 and Enrolled in Both Medicare Parts A and B:

For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Tier 2

No medical plan premium subsidy shall be provided to the survivor of a Tier 2 retiree.

Statistical

Statistical Section

The Statistical Section of the System's Comprehensive Annual Financial Report provides additional historical trend information to assist the reader in gaining a more comprehensive understanding of the current fiscal year's financial statements, note disclosures, and required supplementary information, which cover the System's Retirement Plan and the Postemployment Health Care Plan. This section also provides multi-year trending of financial and operating information to facilitate comprehensive understanding of how the System's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's revenues (additions), expenses (deductions), net increase (decrease) in fiduciary net position, benefit expenses by type, number of retirees by different types of benefits, and average monthly benefit payments.

The financial and operating trend information is as follows:

Schedule of Additions by Source - Retirement Plan

(Dollars in Thousands)

		Employer Contributions[1][2]			
Fiscal Year	Member Contributions	Amounts	% of Annual Covered Payroll	Net Investment Income (Loss)[3]	Total Additions
2005	$ 94,268	$ 175,947	10.7%	$ 673,389	$ 943,604
2006	98,262	244,283	14.2	925,399	1,267,944
2007	106,234	293,160	16.9	1,591,647	1,991,041
2008	114,678	302,810	16.5	(550,386)	(132,898)
2009	118,592	288,516	15.0	(1,800,906)	(1,393,798)
2010	126,961	266,240	14.2	911,088	1,304,289
2011	114,731	306,737	18.1	1,654,824	2,076,292
2012	178,246	308,712	18.0	72,705	559,663
2013	197,881	346,350	19.9	1,275,612	1,819,843
2014	204,136	357,818	19.8	1,820,266	2,382,220

(1) Contributions received at the beginning of the fiscal year with discounted rate for fiscal years 2005-2008.
(2) Contributions received on July 15th of the fiscal year with discounted rate starting fiscal year 2009.
(3) Includes changes in unrealized gains and losses of investments. Investment administrative expenses are included starting fiscal year 2014.

Schedule of Deductions by Type - Retirement Plan

(In Thousands)

Fiscal Year	Benefits Payments	Refunds of Contributions	Administrative Expenses[1]	Miscellaneous Expenses	Total Deductions
2005	$ 405,456	$ 10,679	$ 9,303	$ -	$ 425,438
2006	431,232	13,021	10,284	-	454,537
2007	457,847	17,452	9,501	-	484,800
2008	484,549	15,149	11,987	5,366[2]	517,051
2009	510,634	21,325	12,829	-	544,788
2010	569,938	27,971	14,204	-	612,113
2011	654,384	18,215	13,232	-	685,831
2012	664,626	11,100	12,995	-	688,721
2013	687,362	17,697	13,352	-	718,411
2014	708,956	15,982	12,438	-	737,376

(1) Excludes investment administrative expenses starting fiscal year 2014.
(2) Transfers to Los Angeles Fire and Police Pension.

Schedule of Additions by Source - Postemployment Health Care Plan

(Dollars in Thousands)

Fiscal Year	Employer Contributions[1][2] Amounts	Employer Contributions[1][2] % of Annual Covered Payroll	Miscellaneous Income	Net Investment Income (Loss)[3]	Total Additions
2005	$ 53,190	3.6 %	$ -	$ 91,412	$ 144,602
2006	76,116	4.8	-	128,473	204,589
2007	115,233	7.0	-	231,613	346,846
2008	108,848	6.3	11,000[4]	(96,007)	23,841
2009	95,122	5.2	-	(309,334)	(214,212)
2010	96,511	5.3	-	155,745	252,256
2011	107,396	6.4	-	295,324	402,720
2012	115,209	6.7	-	10,314	125,523
2013	72,916	4.2	-	253,632	326,548
2014	97,841	5.4	-	375,504	473,345

(1) Contributions received at the beginning of the fiscal year with discounted rate for fiscal years 2005-2008.
(2) Contributions received on July 15th of the fiscal year with discounted rate starting fiscal year 2009.
(3) Includes changes in unrealized gains and losses of investments. Investment administrative expenses are included starting fiscal year 2014.
(4) Return of Excess Reserve.

Schedule of Deductions by Type - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	Benefits Payments	Administrative Expenses[1]	Miscellaneous Expenses	Total Deductions
2005	$ 63,756	$ 1,693	$ -	$ 65,449
2006	62,351	1,924	-	64,275
2007	65,090	1,856	-	66,946
2008	70,096	2,367	854[2]	73,317
2009	73,839	2,569	-	76,408
2010	83,196	2,859	-	86,055
2011	98,156	2,786	-	100,942
2012	91,437	2,931	-	94,368
2013	97,946	3,197	-	101,143
2014	101,628	3,327	-	104,955

(1) Excludes investment administrative expenses starting fiscal year 2014.
(2) Transfers to Los Angeles Fire and Police Pension.

Net Increase (Decrease) in Fiduciary Net Position - Retirement Plan
Last Ten Fiscal Years

(In Thousands)

	Additions				Deductions					
Fiscal Year	City Contributions	Member Contributions	Net Investment Income (Loss)	Total Additions	Benefits Payments	Refund of Contributions	Admin. Expenses[1]	Misc. Expenses	Total Deductions	Net In(De)crease in Fiduciary Net Position
2005	$ 175,947	$ 94,268	$ 673,389	$ 943,604	$ 405,456	$ 10,679	$ 9,303	$ -	$ 425,438	$ 518,166
2006	244,283	98,262	925,399	1,267,944	431,232	13,021	10,284	-	454,537	813,407
2007	293,160	106,234	1,591,647	1,991,041	457,847	17,452	9,501	-	484,800	1,506,241
2008	302,810	114,678	(550,386)	(132,898)	484,549	15,149	11,987	5,366[2]	517,051	(649,949)
2009	288,516	118,592	(1,800,906)	(1,393,798)	510,634	21,325	12,829	-	544,788	(1,938,586)
2010	266,240	126,961	911,088	1,304,289	569,938	27,971	14,204	-	612,113	692,176
2011	306,737	114,731	1,654,824	2,076,292	654,384	18,215	13,232	-	685,831	1,390,461
2012	308,712	178,246	72,705	559,663	664,626	11,100	12,995	-	688,721	(129,058)
2013	346,350	197,881	1,275,612	1,819,843	687,362	17,697	13,352	-	718,411	1,101,432
2014	357,818	204,136	1,820,266	2,382,220	708,956	15,982	12,438	-	737,376	1,644,844

(1) Excludes investment administrative expenses starting fiscal year 2014.
(2) Transfers to Los Angeles Fire and Police Pension.

Net Increase (Decrease) in Fiduciary Net Position - Postemployment Health Care Plan
Last Ten Fiscal Years

(In Thousands)

	Additions				Deductions				
Fiscal Year	City Contributions	Misc. Income	Net Investment Income (Loss)	Total Additions	Benefits Payments	Admin. Expenses[1]	Misc. Expenses	Total Deductions	Net In(De)crease in Fiduciary Net Position
2005	$ 53,190	$ -	$ 91,412	$ 144,602	$ 63,756	$ 1,693	$ -	$ 65,449	$ 79,153
2006	76,116	-	128,473	204,589	62,351	1,924	-	64,275	140,314
2007	115,233	-	231,613	346,846	65,090	1,856	-	66,946	279,900
2008	108,848	11,000[2]	(96,007)	23,841	70,096	2,367	854[3]	73,317	(49,476)
2009	95,122	-	(309,334)	(214,212)	73,839	2,569	-	76,408	(290,620)
2010	96,511	-	155,745	252,256	83,196	2,859	-	86,055	166,201
2011	107,396	-	295,324	402,720	98,156	2,786	-	100,942	301,778
2012	115,209	-	10,314	125,523	91,437	2,931	-	94,368	31,155
2013	72,916	-	253,632	326,548	97,946	3,197	-	101,143	225,405
2014	97,841	-	375,504	473,345	101,628	3,327	-	104,955	368,390

(1) Excludes investment administrative expenses starting fiscal year 2014.
(2) Return of Excess Reserve.
(3) Transfers to Los Angeles Fire and Police Pension.

Schedule of Benefit Expenses by Type - Retirement Plan

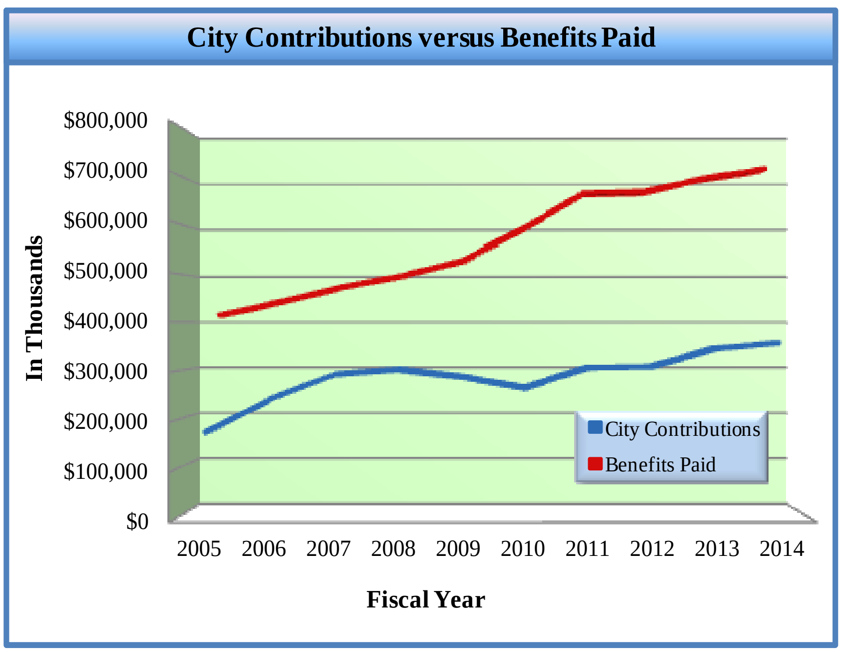
(In Thousands)

	Age & Service Benefits		Death in Service Benefits	Disability Benefits			Refunds of Contributions					Total Benefits Paid
Fiscal Year	Retirants	Survivors		Retirants	Survivors	Sub-total	Separation	Death in Service	Unused Contributions	Misc.	Sub-Total	
2005	$ 338,907	$ 44,558	$ 2,960	$ 13,355	$ 5,677	$ 405,457	$ 7,833	$ 1,294	$ 680	$ 872	$ 10,679	$ 416,136
2006	360,515	47,509	3,053	14,173	5,982	431,232	9,616	1,473	851	1,081	13,021	444,253
2007	383,558	50,497	2,746	14,856	6,190	457,847	14,393	1,216	570	1,273	17,452	475,299
2008	406,891	53,064	2,600	15,390	6,604	484,549	10,973	1,279	1,048	1,849	15,149	499,698
2009	428,819	56,716	2,735	15,462	6,902	510,634	17,081	1,312	1,390	1,542	21,325	531,959
2010	483,295	60,299	2,699	16,268	7,377	569,938	21,814	1,269	1,094	3,794	27,971	597,909
2011	563,254	64,160	2,674	16,544	7,752	654,384	13,951	1,640	1,281	1,343	18,215	672,599
2012	570,633	66,735	2,477	16,720	8,061	664,626	6,765	2,416	965	954	11,100	675,726
2013	588,035	70,298	2,776	17,810	8,443	687,362	13,103	2,515	1,006	1,073	17,697	705,059
2014	606,135	73,477	2,669	17,657	9,018	708,956	12,295	1,509	1,184	994	15,982	724,938

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2005	$ 175,947	$ 416,136
2006	244,283	444,253
2007	293,160	475,299
2008	302,810	499,698
2009	288,516	531,959
2010	266,240	597,909
2011	306,737	672,599
2012	308,712	675,726
2013	346,350	705,059
2014	357,818	724,938



Schedule of Benefit Expenses by Type - Postemployment Health Care Plan

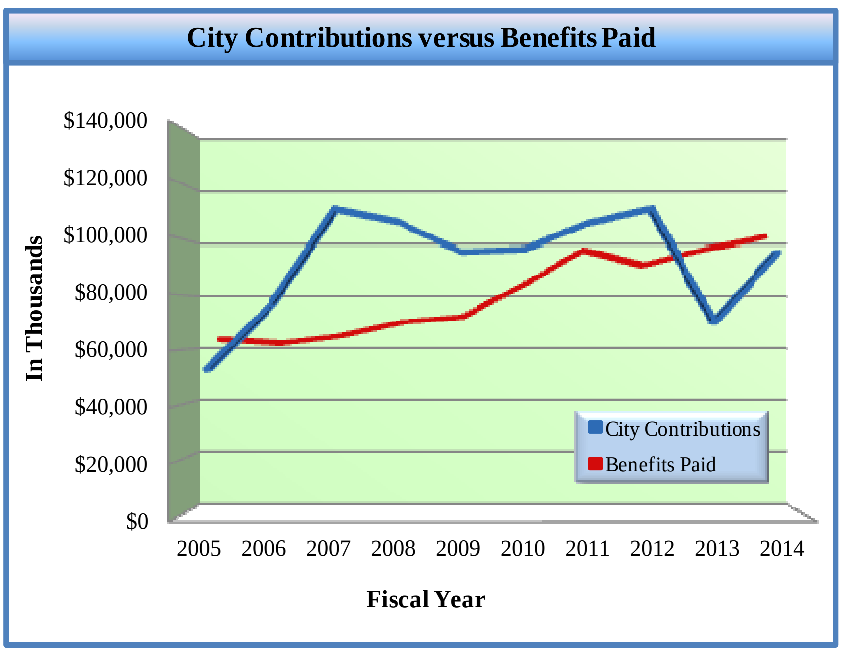
(In Thousands)

	Age & Service Benefits		Death in Service	Disability Benefits		
Fiscal Year	Retirants	Survivors	Benefits	Retirants	Survivors	Total Benefits Paid
2005	$ 53,291	$ 7,006	$ 465	$ 2,100	$ 893	$ 63,755
2006	52,127	6,869	441	2,049	865	62,351
2007	54,529	7,179	390	2,112	880	65,090
2008	58,863	7,676	376	2,226	955	70,096
2009	62,009	8,201	396	2,236	997	73,839
2010	70,548	8,802	394	2,375	1,077	83,196
2011	84,487	9,624	401	2,481	1,163	98,156
2012	78,506	9,181	341	2,300	1,109	91,437
2013	83,792	10,017	396	2,538	1,203	97,946
2014	86,889	10,533	382	2,531	1,293	101,628

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
2005	$ 53,190	$ 63,755
2006	76,116	62,351
2007	115,233	65,090
2008	108,848	70,096
2009	95,122	73,839
2010	96,511	83,196
2011	107,396	98,156
2012	115,209	91,437
2013	72,916	97,946
2014	97,841	101,628



Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits	Number of Retirants[1]	Type of Benefits[2] 1	2	3	4	5	6	7	8	9	10	11
$ 1 to $ 500	525	158	86	2	162	3	32	5	76	1	205	15
501 to 1,000	1,399	266	388	7	272	77	156	103	130	-	94	1
1,001 to 1,500	1,940	495	527	36	254	372	48	118	90	-	31	1
1,501 to 2,000	1,815	753	415	47	165	298	16	78	43	-	11	-
2,001 to 2,500	1,610	983	296	42	106	117	12	34	20	-	9	-
2,501 to 3,000	1,541	1,183	190	44	75	17	3	13	16	-	2	-
3,001 to 3,500	1,525	1,284	121	45	50	9	2	7	7	-	1	-
3,501 to 4,000	1,414	1,257	95	25	26	3	-	3	5	-	1	-
4,001 to 4,500	1,300	1,178	86	13	16	2	-	1	4	-	-	-
4,501 to 5,000	1,012	933	60	7	8	2	-	-	2	-	-	-
Over $5,000	3,442	3,215	164	26	34	-	-	-	3	-	-	-
Total	17,523	11,705	2,428	294	1,168	900	269	362	396	1	354	17

(1) Larger Annuity and Larger Annuity Continuance type of benefits are not included in counting the total number of retirants since both benefits are voluntary supplementary benefits to the retirants.

(2) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship
8 - DRO Life Time Annuity
9 - DRO Term Annuity
10 - Larger Annuity
11 - Larger Annuity Continuance

Schedule of Retired Members by Type of Benefits - Postemployment Health Care Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits[3] 1	2	3	4	5	6	7
Medical								
$ 0 to $ 200	543	320	59	10	44	71	20	19
201 to 400	3,819	2,629	861	77	116	70	28	38
401 to 600	3,918	3,283	392	47	107	58	13	18
601 to 800	1,182	863	109	32	115	47	6	10
801 to 1,000	1,635	1,557	-	-	58	20	-	-
1,001 to 1,200	780	692	-	-	68	20	-	-
1,201 to 1,400	73	62	-	-	10	1	-	-
1,401 to 1,464[1]	929	915	-	-	12	2	-	-
Total	12,879	10,321	1,421	166	530	289	67	85
Dental								
$ 0 to $ 10	2,154	413	1,191	141	88	169	62	90
11 to 20	2,350	2,175	-	-	114	61	-	-
21 to 30	775	593	-	-	108	74	-	-
31 to 42.8[2]	7,720	7,446	-	-	224	50	-	-
Total	12,999	10,627	1,191	141	534	354	62	90

(1) Maximum medical subsidy for plan year 2014.
(2) Maximum dental subsidy for plan year 2014.
(3) Type of Benefits

1 - Service Retirement
2 - Service Continuance
3 - Service Survivorship
4 - Vested Right Retirement
5 - Disability Retirement
6 - Disability Continuance
7 - Disability Survivorship

Schedule of Average Benefit Payments - Retirement Plan

Retirement Effective Dates July 1, 2004 to June 30, 2014	Years of Credited Service 0-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	$ 1,335	$ 1,639	$ 1,881	$ 2,673	$ 3,537	$ 4,734
Average Final Monthly Salary(1)	$ 5,790	$ 4,824	$ 5,116	$ 5,074	$ 6,082	$ 6,450
Number of Active Retirants	36	37	77	72	86	316
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	$ 1,200	$ 1,338	$ 2,122	$ 2,468	$ 3,492	$ 4,828
Average Final Monthly Salary(1)	$ 3,798	$ 4,664	$ 5,422	$ 5,262	$ 5,937	$ 6,380
Number of Active Retirants	40	33	59	88	93	271
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	$ 1,023	$ 1,301	$ 1,991	$ 2,633	$ 3,227	$ 4,997
Average Final Monthly Salary(1)	$ 3,702	$ 5,170	$ 5,223	$ 5,514	$ 5,515	$ 6,543
Number of Active Retirants	41	33	62	85	74	230
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	$ 883	$ 1,191	$ 2,105	$ 3,246	$ 3,818	$ 5,127
Average Final Monthly Salary(1)	$ 3,846	$ 4,336	$ 5,139	$ 5,922	$ 6,482	$ 6,754
Number of Active Retirants	22	36	50	91	69	229
Period 7/1/08 to 6/30/09						
Average Monthly Benefit	$ 759	$ 1,626	$ 2,348	$ 3,109	$ 4,150	$ 5,513
Average Final Monthly Salary(1)	$ 4,561	$ 5,739	$ 5,820	$ 6,078	$ 6,241	$ 6,954
Number of Active Retirants	25	21	51	63	55	121
Period 7/1/09 to 6/30/10						
Average Monthly Benefit	$ 907	$ 1,964	$ 2,810	$ 3,911	$ 4,674	$ 5,818
Average Final Monthly Salary(1)	$ 3,755	$ 5,525	$ 6,030	$ 6,316	$ 6,514	$ 6,708
Number of Active Retirants(2)	94	140	137	365	559	1,238
Period 7/1/10 to 6/30/11						
Average Monthly Benefit	$ 768	$ 1,414	$ 2,369	$ 3,146	$ 3,721	$ 5,920
Average Final Monthly Salary(1)	$ 5,266	$ 5,175	$ 6,141	$ 6,424	$ 6,409	$ 7,882
Number of Active Retirants	51	42	27	55	42	37
Period 7/1/11 to 6/30/12						
Average Monthly Benefit	$ 784	$ 1,379	$ 2,362	$ 3,453	$ 4,008	$ 6,003
Average Final Monthly Salary(1)	$ 4,995	$ 5,052	$ 6,338	$ 7,165	$ 6,804	$ 8,238
Number of Active Retirants	46	37	30	70	43	48
Period 7/1/12 to 6/30/13						
Average Monthly Benefit	$ 976	$ 1,888	$ 2,253	$ 3,355	$ 4,101	$ 5,487
Average Final Monthly Salary(1)	$ 6,025	$ 6,713	$ 6,055	$ 6,819	$ 7,007	$ 7,573
Number of Active Retirants	63	57	34	94	87	107
Period 7/1/13 to 6/30/14						
Average Monthly Benefit	$ 708	$ 1,966	$ 2,459	$ 3,716	$ 4,520	$ 6,204
Average Final Monthly Salary(1)	$ 4,551	$ 6,868	$ 6,343	$ 7,551	$ 7,482	$ 8,350
Number of Active Retirants	60	65	47	83	120	95

(1) Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.
(2) Large increase primarily due to accelerated retirements stimulated by the City’s Early Retirement Incentive Program (ERIP).

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2004 to June 30, 2014	Years of Credited Service Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/04 to 6/30/05					
Health Insurance					
Average Monthly Benefit	$ -	$ 333	$ 419	$ 490	$ 675
Number of Active Retirants	5	58	88	100	391
Dental Insurance					
Average Monthly Benefit	$ -	$ 14	$ 19	$ 22	$ 29
Number of Active Retirants	3	56	75	89	380
Period 7/1/05 to 6/30/06					
Health Insurance					
Average Monthly Benefit	$ -	$ 310	$ 471	$ 530	$ 656
Number of Active Retirants	-	51	84	90	372
Dental Insurance					
Average Monthly Benefit	$ -	$ 12	$ 18	$ 28	$ 28
Number of Active Retirants	4	46	76	82	363
Period 7/1/06 to 6/30/07					
Health Insurance					
Average Monthly Benefit	$ -	$ 297	$ 469	$ 562	$ 664
Number of Active Retirants	2	33	94	100	357
Dental Insurance					
Average Monthly Benefit	$ -	$ 13	$ 17	$ 25	$ 27
Number of Active Retirants	4	34	91	93	352
Period 7/1/07 to 6/30/08					
Health Insurance					
Average Monthly Benefit	$ -	$ 348	$ 425	$ 580	$ 646
Number of Active Retirants	3	33	60	86	327
Dental Insurance					
Average Monthly Benefit	$ -	$ 12	$ 20	$ 25	$ 28
Number of Active Retirants	2	32	50	85	315
Period 7/1/08 to 6/30/09					
Health Insurance					
Average Monthly Benefit	$ -	$ 354	$ 508	$ 613	$ 661
Number of Active Retirants	-	20	56	50	251
Dental Insurance					
Average Monthly Benefit	$ -	$ 12	$ 16	$ 20	$ 23
Number of Active Retirants	2	20	51	48	251
Period 7/1/09 to 6/30/10					
Health Insurance					
Average Monthly Benefit	$ -	$ 385	$ 562	$ 634	$ 786
Number of Active Retirants[2]	8	116	110	267	1,978
Dental Insurance					
Average Monthly Benefit	$ -	$ 12	$ 21	$ 26	$ 28
Number of Active Retirants[2]	11	120	102	261	1,987

Schedule of Average Benefit Payments - Postemployment Health Care Plan (Continued)

Retirement Effective Dates July 1, 2004 to June 30, 2014	Years of Credited Service: Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/10 to 6/30/11					
Health Insurance					
Average Monthly Benefit	$ -	$ 465	$ 440	$ 688	$ 648
Number of Active Retirants	1	31	31	69	145
Dental Insurance					
Average Monthly Benefit	$ -	$ 12	$ 17	$ 22	$ 17
Number of Active Retirants	2	26	26	68	130
Period 7/1/11 to 6/30/12					
Health Insurance					
Average Monthly Benefit	$ -	$ 372	$ 581	$ 660	$ 642
Number of Active Retirants	-	34	27	84	136
Dental Insurance					
Average Monthly Benefit	$ -	$ 10	$ 17	$ 28	$ 25
Number of Active Retirants	4	25	24	75	131
Period 7/1/12 to 6/30/13					
Health Insurance					
Average Monthly Benefit	$ -	$ 428	$ 596	$ 790	$ 840
Number of Active Retirants	1	64	33	102	243
Dental Insurance					
Average Monthly Benefit	$ -	$ 14	$ 21	$ 28	$ 26
Number of Active Retirants	2	55	27	95	235
Period 7/1/13 to 6/30/14					
Health Insurance					
Average Monthly Benefit	$ -	$ 447	$ 619	$ 831	$ 876
Number of Active Retirants	1	57	41	93	276
Dental Insurance					
Average Monthly Benefit	$ -	$ 15	$ 20	$ 30	$ 27
Number of Active Retirants	2	53	36	91	266

(1) Health care benefits are not provided to retirants with service less than 10 years.
(2) Large increase primarily due to accelerated retirements stimulated by the City's Early Retirement Incentive Program (ERIP).

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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