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, 2016

LACERS
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Securing Your Tomorrows

Cover photo credit: Steve Carver, Journeys in Light

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, 2016

Issued by
Thomas Moutes
General Manager

202 W. First Street, Suite 500
Los Angeles, CA 90012-4401
www.LACERS.org

Table of Contents

Table of Contents (Continued)

Table of Contents (Continued)

STATISTICAL SECTION

Introduction

202 W. First Street, Suite 500
Los Angeles, CA 90012-4401
(800) 779-8328
TDD (888) 349-3996
www.lacers.org

Letter of Transmittal

December 9, 2016

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:

We are pleased to present the Los Angeles City Employees' Retirement System (LACERS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016, the System's 79th year of operation. This report is intended to provide a comprehensive review of our financial condition during the fiscal year including the System's audited financial statements, investment performance results, actuarial valuations for retirement and health benefits, and historical trend information.

LACERS History, Participants, and Services

In 1937, the Los Angeles City Charter established LACERS as a retirement trust fund for the exclusive purpose of providing the civilian employees of the City of Los Angeles, a defined benefit retirement plan inclusive of service retirements, disability retirements, death benefits, and in 1999, LACERS began administering the retiree health insurance subsidies. All regular, full time, and certified part-time City employees are eligible for LACERS benefits except employees of the Department of Water and Power, and sworn personnel who are Members of the Los Angeles Fire and Police Pensions. Today, more than 24,000 Active Members and 18,000 Retired Members and beneficiaries count on LACERS to provide a lifetime of retirement benefits.

In recent years, the City, LACERS plan sponsor, has made some retirement benefit changes, including:

- Increasing employee contribution rates from 7% to 11% for most employees to help offset the cost of the retiree health subsidy (effective July 1, 2012 for most employees);
- Suspending reciprocal retirement benefits with the City's Department of Water and Power (effective January 1, 2014); and
- Implementing of a new tier of retirement benefits (Tier 3) for most employees joining LACERS on or after February 21, 2016 (To a large extent, Tier 3 replaced Tier 2 which was implemented for employees joining LACERS on or after July 1, 2013).

Financial Reporting

LACERS management is responsible for the content of this report. A system of internal control is designed, implemented, and maintained by management, as a means to protect System assets, and to assure the integrity of LACERS financial statements. Management recognizes the inherit limitations that internal controls do not provide absolute assurance against errors and material misstatement in the financial statements, and that one should only implement controls where benefits outweigh costs. However, management is confident that its system of internal control, with oversight from LACERS Audit Committee, in tandem with internal audit staff, as well as the annual engagement of an independent external auditing firm to render an opinion on LACERS financial statements, provide the requisite level of due diligence expected from a governmental pension system. In fact, external auditor Brown Armstrong Accountancy Corporation has audited and expressed an unmodified opinion that LACERS basic financial statements are free of material misstatement, presented fairly, and in conformity with accounting principles generally accepted in the United States of America.

Readers of this CAFR are encouraged to review the Management's Discussion and Analysis Section starting on page 15, which provides narrative analysis and highlights of our financial condition and fiscal operations during the reporting period.

Major Initiatives

LACERS is committed to working in the best interests, and for the exclusive benefit of our Members. To help achieve this, LACERS established a Strategic Plan with the intent of implementing industry best practices in several areas. The LACERS Strategic Plan goals and initiatives for FY2015-16 were as follows:

Customer Service (Outstanding Customer Service)

LACERS places great importance on always delivering a high level of customer service to its Members who seek information and assistance through counseling sessions, retirement planning seminars, and health plan enrollments. In this reporting period, LACERS implemented a system to monitor the service provided to our Members by our Member Service Center.

Benefit Delivery (Accurate and Timely Delivery of Benefits)

LACERS fiduciary responsibility includes providing benefits to plan participants and their beneficiaries and assuring prompt delivery of those benefits and related services. LACERS continued an initiative to audit and maintain operational compliance with regulatory requirements; and identified opportunities to reengineer benefit delivery processes for greater efficiency.

Health & Welfare (Maximize Value and Minimize Costs of our Health)

LACERS strives to offer its Members a complete health benefits package that is cost-effective. Initiatives included testing the marketplace and seeking only the most competitive services and premium rates, reviewing health plan utilization data to identify trends and develop strategies to improve Member care and minimize premium increases, and promoting wellness through the LACERS Well campaign for retired Members.

Investment (Achieve Satisfactory Long-term Risk-adjusted Investment Returns)

Achievement of this goal will help ensure funding to provide plan participants with post-retirement benefits and maintain or reduce the City contribution to the System. Main initiatives were to ensure investments were within target of the Asset Allocation Policy, to increase investment manager searches to the emerging manager community, and to increase due diligence and regular review efforts of investment managers.

Board Governance (Uphold Good Governance Practices which Affirm Transparency, Accountability, and Fiduciary Duty)

LACERS strives to being accountable, transparent, law-abiding, responsive, equitable and inclusive, effective and efficient, and being participatory by establishing and maintaining Board Administrative Policies, Board Governance, and Investment Policies.

Organizational (Maximize Organizational Effectiveness and Efficiency)

LACERS entered the third year of a major initiative to replace the Pension Administration System. This project has substantially completed three out of five implementation phases as of the fiscal year ended and will continue to be a significant priority in the coming fiscal year.

Workforce (Recruit, Mentor, Empower, and Promote a High-performing Workforce)

LACERS strives to hire the best employees and develop them to their full potential for career advancement. Completed initiatives include developing standard ratings for evaluation forms for clarity in review, maintaining a regular schedule of training and education, and continuing the staff-led Guiding Principles campaign.

Funding Status and Progress

Annual actuarial valuations are performed by LACERS consulting actuary to determine the actuarial accrued liability arisen from the benefits promised by the City, among other things. Such liability is expected to be met by LACERS assets accumulated through City contributions, employee contributions, and investment returns.

The funding status, commonly expressed by the term "funded ratio," is calculated by dividing the assets, based either on actuarial (smoothed) value or market value, by the actuarial accrued liabilities. The funded ratio is a snapshot of the relative status of LACERS assets and liabilities at the end of each reporting year. Determined annually in the actuarial valuation, it reflects changes that affect the assets and liabilities during the reporting year due to investment performance, change in demographics, assumptions, benefit terms, and other factors. Funded ratios are useful when they are looked at over several years to determine trends, and should be viewed in light of the economic situation at each time point. If the ratio is less than 100%, indicating an underfunding condition, the underfunded portion is paid for by the City systematically over a period no longer than 20 years pursuant to LACERS funding policy fiscal year beginning from 2013 - 2014, which targets a funding status of 100% in the long run.

Based on the June 30, 2016 actuarial valuation, the combined funded ratio, based on the actuarial value of assets, for the Retirement Plan and the Postemployment Health Care Plan has increased by 1.9% from a year ago to 72.6%. Individually, the funded ratio, on the same actuarial basis, for the Retirement Plan increased from 69.4% to 71.4%; and for the Postemployment Health Care Plan, increased from 79.7% to 80.5%. The increase in the funded ratio for the Retirement Plan primarily is attributable to the actuarial experience gains derived from: 1) lower than expected COLA granted to retirees and beneficiaries and 2) lower than expected salary increase for active Members, which were partially offset by a small actuarial investment loss. The slight increase in funded ratio for the Postemployment Health Care Plan primarily is the result of the net effect of various minor factors, including experience gains and losses and the change in the eligibility requirements for part-time Members. It is noteworthy that the funded ratio for the Postemployment Health Care Plan achieved a relatively high funding status of being 80.5% funded on actuarial basis, while a large majority of local governments do not pre-fund their retiree health benefits.

LACERS investment return on market value basis for the fiscal year was 0.5%, gross of fees. Due to the recognition of deferred investment gains from prior years, based on LACERS seven-year Asset Smoothing policy, the rate of return was 6.99%. Under the Asset Smoothing policy, one seventh of the investment gains or losses of each fiscal year is recognized and the rest is deferred to the future years. As of June 30, 2016, there was a deferred loss in the amount of $747.0 million, which will cause the actuarial funded ratios to deteriorate in the next few years even if the investment returns match the 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 for the systematic administration of LACERS. The investment policies are designed to achieve the best risk-adjusted investment returns. 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. equities and fixed income, private equity, private real estate, public real assets, and short-term investments. The System's total portfolio was valued at $14.0 billion as of June 30, 2016, a decrease of $0.1 billion (-0.8%) compared to the prior fiscal year. The portfolio posted a gross of fees return of 0.5% (or a net of fees return of 0.3%) over a one-year period. The total fund outperformed its policy benchmark by 0.36% gross of fees return (or 0.18% net of fees return), and underperformed its actuarial assumed rate of investment return of 7.5%.

The annualized investment returns are presented in detail in the Investment Results on page 65 of the Investment Section. The detail of investment income and loss can be found on pages 20 - 21 of the Financial Section. Other investment related information is summarized in the Investment Section of this report.

Awards and Acknowledgements

GFOA 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, 2015. 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, 2016, 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.

PPCC Standards Award

The Public Pension Coordinating Council presented its Public Pension Standards Award For Funding and Administration to LACERS in recognition of compliance with professional standards for plan funding and administration as for the fiscal year ending 2016. To receive this honor, LACERS was assessed to have met the standards in six key areas: Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, External Investments Performance Evaluation, Member Communications, and Funding Adequacy.

Acknowledgements

Lastly, I would like to acknowledge those who assisted with the preparation of this report: Linda Aparicio, Aleli Cangco, Andy Chiu, Edeliza Fang, Bryan Fujita, Andrea Galstian, Rodney June, Alan Lee, Wilkin Ly, Ricky Mulawin, JoAnn 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
For the Fiscal Year Ended June 30, 2016

Jaime L. Lee
President
Appointed by the Mayor

Michael R. Wilkinson
Vice President
Elected by Retired Members

Elizabeth L. Greenwood
Member
Elected by Active Members

Richard M. Rogers*
Member
Elected by Active Members

Cynthia M. Ruiz
Member
Appointed by the Mayor

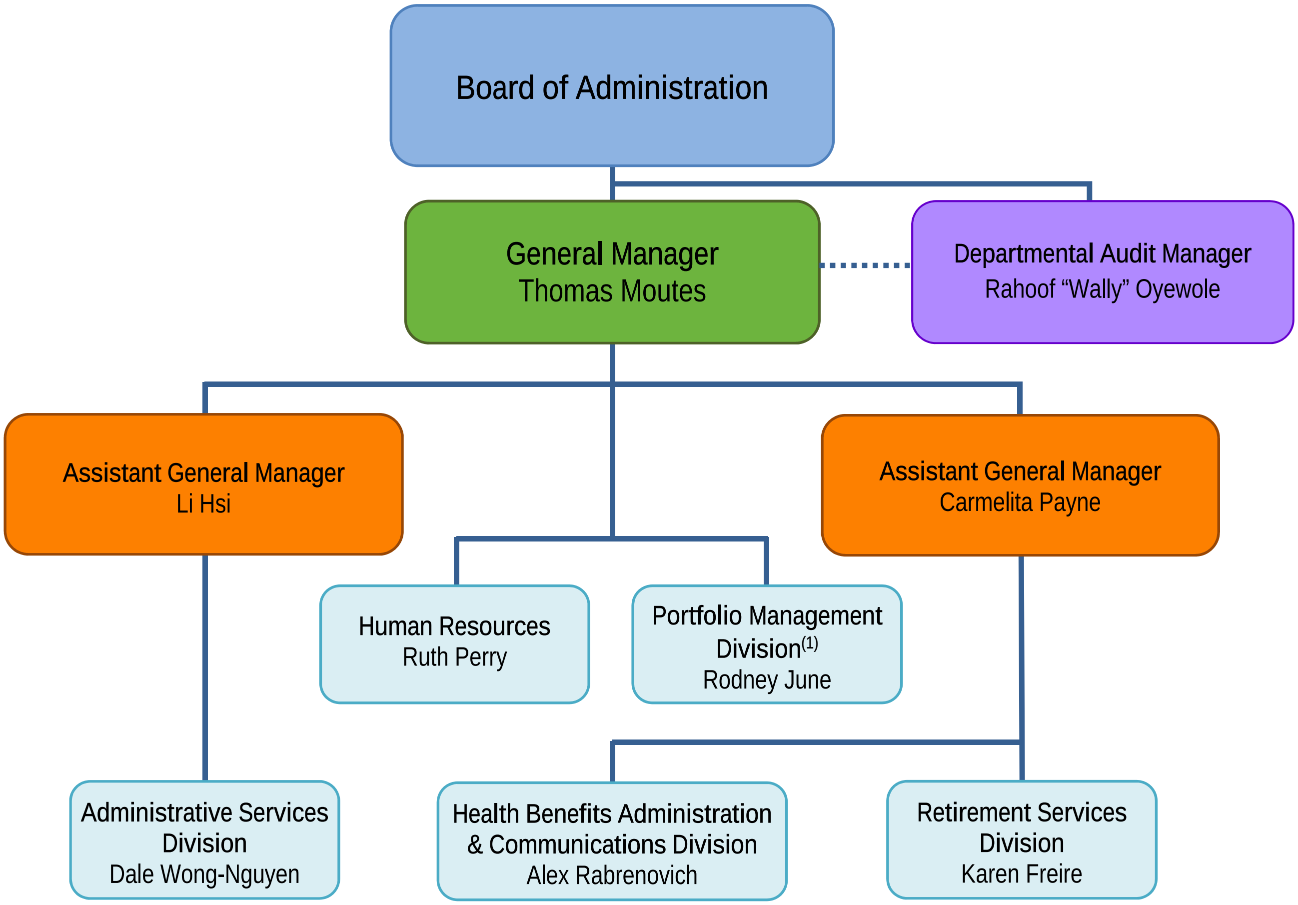
Nilza R. Serrano
Member
Appointed by the Mayor

Sung Won Sohn
Member
Appointed by the Mayor

* Served on the Board until April 6, 2016.

Organization Chart

As of June 30, 2016



(1) Schedules of Fees and Commissions can be found in the Investment Section on page 70, and a list of firms managing the investment portfolio can be found in the Investment Section on pages 72 and 73.

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, 2015

Executive Director/CEO

AWARDED 17 CONSECUTIVE YEARS SINCE 1999

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2016

Presented to

Los Angeles City Employees' Retirement System

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, 2014, & 2015

Financial

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE (MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324. 4997
EMAIL info@bacpas.com

FRESNO OFFICE
7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE
260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542
FAX 626.204.6547

STOCKTON OFFICE
5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

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, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, 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, 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 estate. Such investments totaled $2.2 billion (15.0% of total assets) at June 30, 2016. 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. Additionally, as discussed in Note 6 to the basic financial statements, in the fiscal year of 2016, LACERS adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurements and Application*. 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, 2015 financial statements, and our report dated November 30, 2015, 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, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of LACERS internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering LACERS internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 21, 2016

This page intentionally left blank.

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, 2016. 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, 2016 was $14,005,059,000 a decrease of $119,701,000 or -0.8% 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 $784,949,000, a 25.8% decrease 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) Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* and No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*
- The employer contributions to the Postemployment Health Care Plan represented 100% of the Annual 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 $26,917,000, representing a 92.7% decrease compared with an investment income of $367,992,000 for the previous reporting period.
- The total deduction from the fiduciary net position was $904,650,000, a 4.2% 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 $5,615,667,000 as of June 30, 2016. NPL, an important measure required by 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 Plan's investment performance (0.5% rate of return, gross of fees) of this fiscal year. Compared with the previous fiscal year, the NPL increased by $626,241,000.
- The Plan Fiduciary Net Position as a Percentage of TPL, another required disclosure by GASB Statement No. 67, is 67.8%, which is 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, 2016, the funded ratio for the Postemployment Health Care Plan was 80.5%, a slight increase from 79.7% 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 decreased from 81.0% to 76.4%.

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 26 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 27 provides a view of current year additions to, and deductions from, the fiduciary net position.

Overview of the Financial Statements (Continued)

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 28 - 47 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of the Schedule of Net Pension Liability, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contribution History, and the Schedule of Investment Returns for the Retirement Plan; and the Schedule of Funding Progress, the 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 50 - 55 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 58 and 59 of this report.

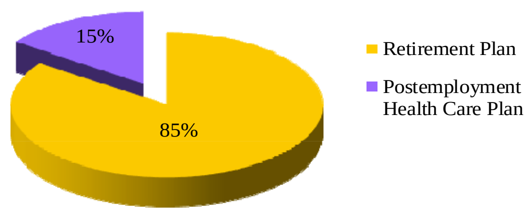
Management's Discussion and Analysis

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, 2016 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$ 11,870,182	84.8%
Postemployment Health Care Plan	2,134,877	15.2
Fiduciary Net Position	$ 14,005,059	100.0%



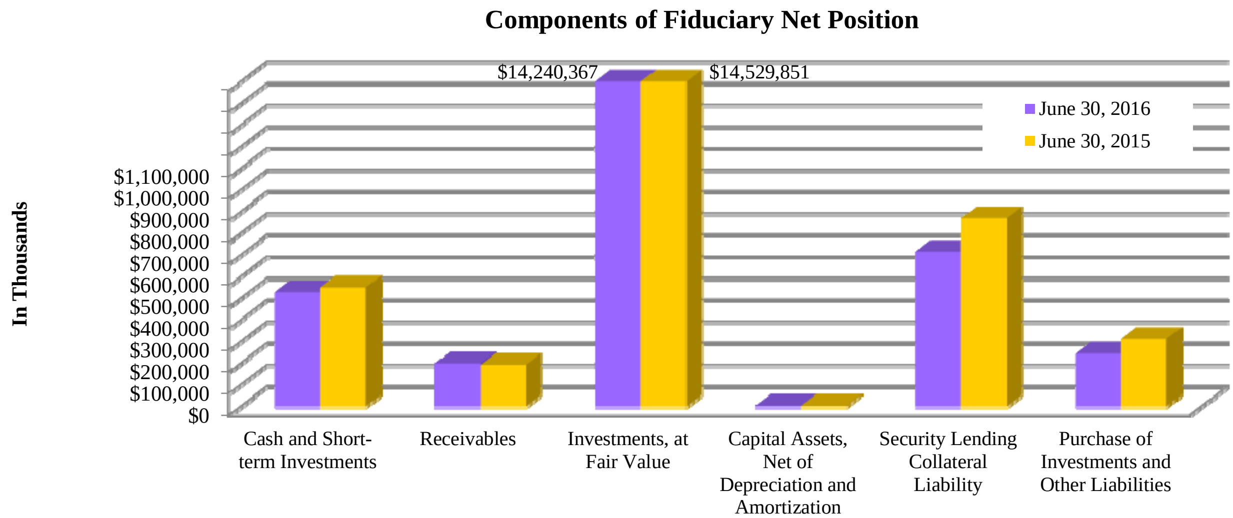
Fiduciary Net Position

The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2016 and 2015 (dollars in thousands):

	June 30, 2016	June 30, 2015	Change	
Cash and Short-Term Investments	$ 499,731	$ 520,834	$ (21,103)	(4.1) %
Receivables	180,505	173,545	6,960	4.0
Investments, at Fair Value	14,240,367	14,529,851	(289,484)	(2.0)
Capital Assets, Net of Depreciation and Amortization	4,952	4,050	902	22.3
Total Assets	14,925,555	15,228,280	(302,725)	(2.0)
Securities Lending Collateral Liability	695,789	830,924	(135,135)	(16.3)
Purchase of Investments and Other Liabilities	224,707	272,596	(47,889)	(17.6)
Total Liabilities	920,496	1,103,520	(183,024)	(16.6)
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 14,005,059	$ 14,124,760	$ (119,701)	(0.8) %

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 decreased by $119,701,000, or -0.8%, during this fiscal year.

Net Decrease in Fiduciary Net Position

The decrease in fiduciary net position during the reporting period was the net effect 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):

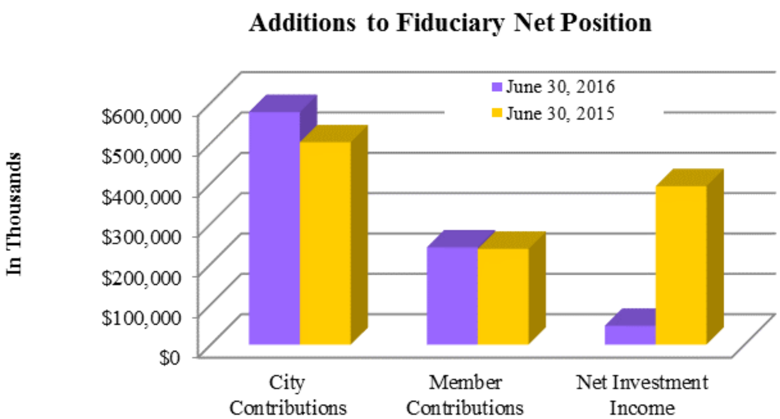
	June 30, 2016	June 30, 2015	Change	
Additions	$ 784,949	$ 1,057,322	$ (272,373)	(25.8) %
Deductions	904,650	868,334	36,316	4.2
Net Increase/(Decrease) in Fiduciary Net Position	(119,701)	188,988	(308,689)	(163.3)
Fiduciary Net Position, Beginning of Year	14,124,760	13,935,772	188,988	1.4
Fiduciary Net Position, End of Year	$ 14,005,059	$ 14,124,760	$ (119,701)	(0.8) %

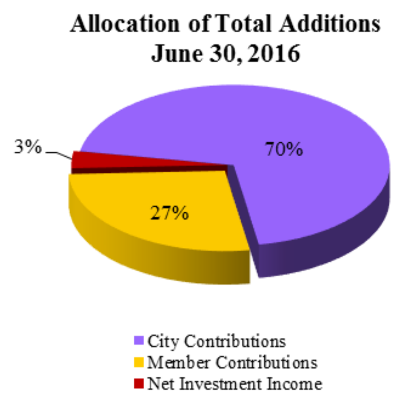
Financial Analysis (Continued)

Net Decrease 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, 2016 and 2015 (dollars in thousands):

	June 30, 2016	June 30, 2015	Change
City Contributions	$ 546,687	$ 481,766	13.5 %
Member Contributions	211,345	207,564	1.8
Net Investment Income	26,917	367,992	(92.7)
Additions to Fiduciary Net Position	$ 784,949	$ 1,057,322	(25.8) %





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 $546,687,000 during the year. The total increase of $64,921,000 (or 13.5%) over the prior fiscal year was due to a higher payroll base, higher contribution rates recommended by the actuary, and the City's payment of the costs of transferring Tier 2 members to Tier 1. The total City contribution includes $8,177,000 of net true-up credit adjustment as a result of: 1) reconciling the City's contribution based on projected payroll against actual payroll, and 2) the City's additional contributions required to fund the benefit cost incurred by the City's Ordinance 184134 that created Tier 3 Members and transferred all Tier 2 Members to Tier 1 on February 21, 2016 (refer to Note 2 – Retirement Plan Description on pages 31 - 33). This true-up amount, which included accrued interest at 7.5%, was recognized as liability as of the end of the reporting period. After reflecting the true-up adjustment, the aggregate employer contribution rate for this fiscal year was 29.12% (23.47% for the Retirement Plan and 5.65% for the Postemployment Health Care Plan) which is 2.88% higher than the prior fiscal year at 26.24%. The actual contribution to the Retirement Plan in the amount of $440,546,000 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 $105,983,000 was equal to 100% of the Annual Required Contribution (ARC), as defined by GASB Statements No. 43 and No. 45.

Factors that may affect the total Member contributions include the change in number of Members in each tier, the change in Member salaries, and the change in Member contribution rates. In fiscal year 2015-16, Member

Management's Discussion and Analysis

Financial Analysis (Continued)

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

contributions were $211,345,000, which was $3,781,000 or 1.8% greater than the prior year. The primary cause of the increased contributions was the increase in number of Members and their salaries during the fiscal year.

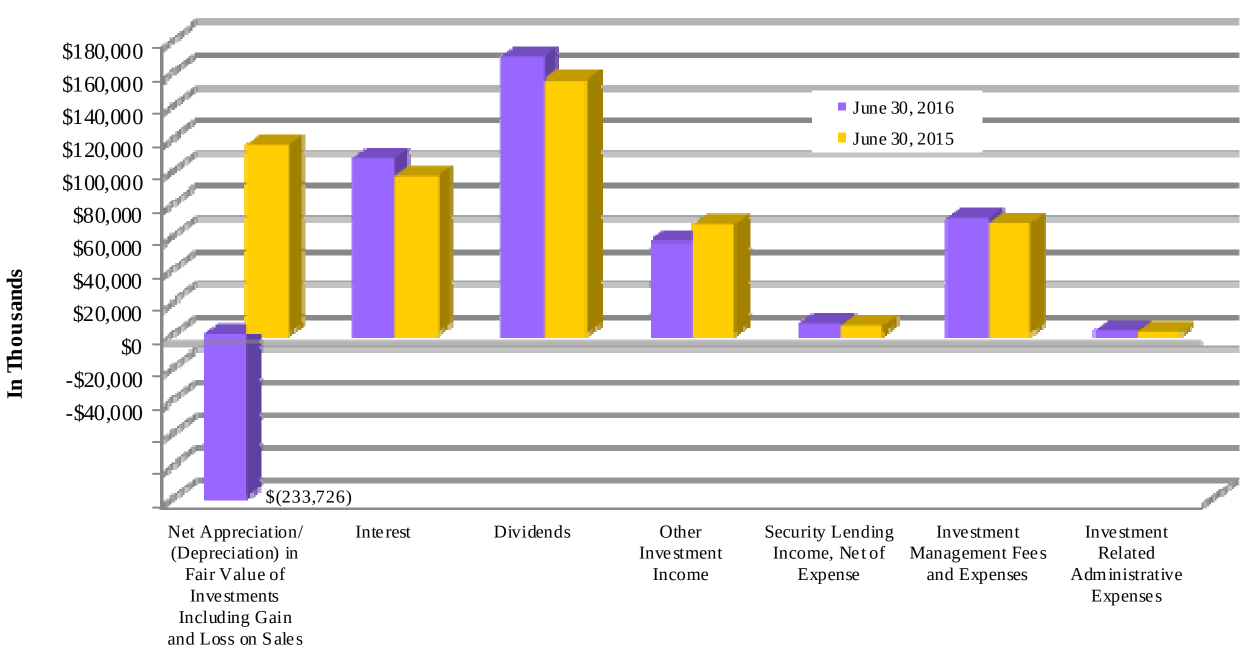
The net investment income was $26,917,000, which included $233,726,000 of net depreciation in the fair value of investments. This is discussed in more detail in the next section.

Investment Income

The following table and graph present the detail of investment income, net of investment management fees and expenses for the years ended June 30, 2016 and 2015 (dollars in thousands):

	June 30, 2016	June 30, 2015	Change
Net Appreciation/(Depreciation) in Fair Value of Investments Including Gain and Loss on Sales	$ (233,726)	$ 116,171	(301.2) %
Interest	103,618	94,272	9.9
Dividends	165,432	154,179	7.3
Other Investment Income	51,479	60,529	(15.0)
Security Lending Income, Net of Expense	6,654	5,437	22.4
Sub-Total	93,457	430,588	(78.3)
Less: Investment Management Fees and Expenses	(64,439)	(61,322)	5.1
Investment Related Administrative Expenses	(2,101)	(1,274)	64.9
Net Investment Income	$ 26,917	$ 367,992	(92.7) %

Investment Income and Expenses



Financial Analysis (Continued)

Investment Income (Continued)

The net investment income for the current fiscal year was $26,917,000, as compared with the income of $367,992,000 for the previous fiscal year (92.7% decrease). The primary cause of the large decrease of investment income was a $233,726,000 decline in fair value of LACERS investment assets as compared with the previous year's net realized and unrealized gain of $116,171,000, and reflected the economic and financial uncertainty in non-U.S. equity markets over the reporting period. Major non-U.S. equity indices experienced losses for the fiscal year. The MSCI World Ex-U.S. Index, which tracks non-U.S. equities in developed markets, returned -9.0%; the MSCI Emerging Markets Index returned -12.1%. In contrast, the Russell 3000 Index, which tracks U.S. broad market equities, returned 2.1%, while Standard & Poor's 500 Index, a gauge of U.S. large capitalization equities, returned 4.0%.

Interest income derived from bonds and other fixed income securities increased by $9,346,000 (9.9%), which was attributed primarily to increased holdings and to higher yielding securities.

Dividend income derived from equities increased by $11,253,000 (7.3%) due to increased dividend payouts from companies held in LACERS portfolio, and a transfer of assets from a commingled fund which does not distribute dividend income, to a separate account which distributes dividend income.

Other investment income, primarily derived from private equity and private real estate partnership investments, decreased by $9,050,000 (-15.0%) to $51,479,000 in the current fiscal year. This decrease was attributed to lower partnership distributions compared to the prior fiscal year, and a "J-Curve" loss effect of newly acquired portfolio investments. The "J-Curve" refers to the typical pattern of returns over the life of a partnership investment and is characterized by negative returns in early years as portfolio investments are made and positive returns in later years as portfolio investments mature.

LACERS earns additional investment income by lending the securities to borrowers through its custodian bank. The borrowers provide cash or non-cash collateral to LACERS custodian bank. To earn income for LACERS, the custodian bank invests the cash collateral pledged by borrowers on behalf of LACERS in short-term fixed-income securities. LACERS also receives income from fees paid by borrowers that pledge non-cash collateral. In the reporting year, LACERS security lending income (net of expense) increased by $1,217,000 (22.4%) from a year ago due to higher borrower demand for securities held in the LACERS portfolio.

Investment management fees, expenses, and investment related administrative expenses increased by $3,944,000 (6.3%) from the prior year. This increase is attributed to the greater exposure to private equity, credit opportunities, and real assets, which have higher fees but are poised to be strong contributors to total fund performance and provide increased diversification benefits. In addition, employee benefit expenses paid for LACERS Investment Division staff and investment related legal expenses are now reclassified from administrative expenses to investment expenses to fully comply with the requirements of GASB Statement No. 67.

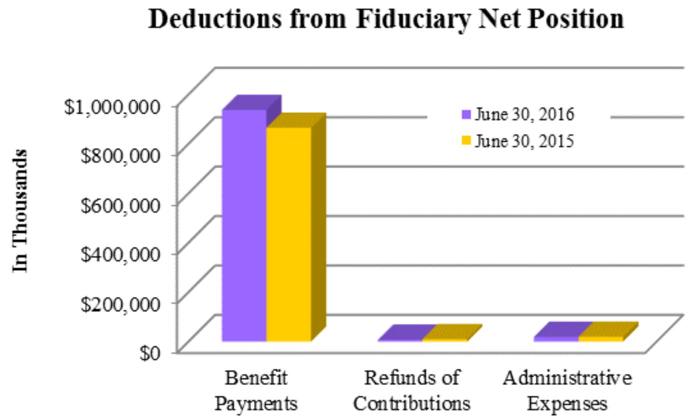
Net Decrease in Fiduciary Net Position – Deductions from Fiduciary Net Position

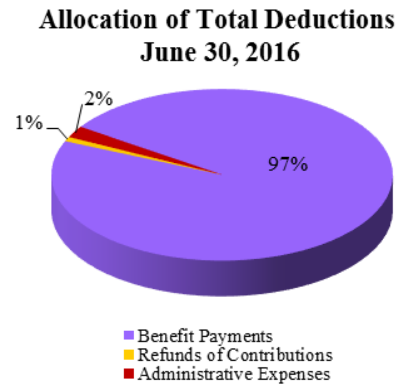
The following table and graphs provide information related to the deductions from fiduciary net position for the years ended June 30, 2016 and 2015 (dollars in thousands):

	June 30, 2016	June 30, 2015	Change
Benefit Payments	$ 877,204	$ 838,335	4.6 %
Refunds of Contributions	7,719	10,121	(23.7)
Administrative Expenses	19,727	19,878	(0.8)
Deductions from Fiduciary Net Position	$ 904,650	$ 868,334	4.2 %

Financial Analysis (Continued)

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





LACERS deductions from fiduciary net position in the reporting period can be summarized as Benefit 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 $36,316,000 or 4.2%.

Compared to the prior year, benefit payments increased by $38,869,000 or 4.6%. The benefit payments for the Retirement Plan increased by $32,528,000 (4.4%) mainly due to the annual cost of living adjustments (COLA) (approximately 1.3% increase on average with 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 $6,341,000 (6.1%). During this year, there was no change in the maximum health subsidy amount at $1,580, and the renewed medical premium rates for calendar year 2016 decreased by 1.9% on average. However, the number of retired Members and their dependents eligible for medical subsidy increased as well as the 2016 Medicare Part B Reimbursement rate resulting in an increase in the health care benefit payment. In addition, there was a retroactive adjustment made in the health care benefit expense in 2015 related to a one-time defrayal of $3,322,000 by the return of excess premium stabilization reserve in the a postemployment health care provider which lowered the prior year expense, resulting in a larger increase in expense for the reporting year.

As the reciprocity program between the Water and Power Employees' Retirement Plan (WPERP) and LACERS was suspended by City Ordinance effective January 1, 2014, refunds of contributions decreased by $2,402,000 (-23.7%) as fewer City employees transferred to the Department of Water and Power (DWP) with their associated retirement contributions from LACERS to the WPERP. In addition, the decrease is related to a transfer of $2,139,000 to the Los Angeles Fire and Police Pension (LAFPP) Plan due to a change in membership for certain employees in the Office of Public Safety in the prior fiscal year, which made last year's refund amount higher on a one-time basis.

LACERS administrative expenses decreased by $151,000 or 0.8% from the prior year. The decrease attributed to an offset caused by the reclassification of numerous administrative expenses to the investment expenses as mentioned above. Without such reclassification, administrative expenses would have been increased by $676,000 (3.2%) from the prior year. The actual increase in expenses are due to salary factors such as negotiated COLA increase, LACERS share of employer contributions to employee benefits, and increased Health Benefit consulting fees.

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of 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

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2016, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2016 Total	2015 Total
Assets				
Cash and Short-Term Investments	$ 423,554	$ 76,177	$ 499,731	$ 520,834
Receivables				
Accrued Investment Income	42,516	7,647	50,163	44,948
Proceeds from Sales of Investments	86,735	15,599	102,334	118,813
Other	23,739	4,269	28,008	9,784
Total Receivables	152,990	27,515	180,505	173,545
Investments, at Fair Value				
U.S. Government Obligations	794,606	142,912	937,518	753,507
Municipal Bonds	1,213	218	1,431	6,300
Domestic Corporate Bonds	765,988	137,765	903,753	929,932
International Bonds	459,721	82,682	542,403	509,435
Other Fixed Income	726,148	130,599	856,747	915,523
Bank Loans	1,789	322	2,111	2,251
Opportunistic Debts	71,438	12,848	84,286	13,058
Domestic Stocks	3,054,520	549,362	3,603,882	3,824,090
International Stocks	3,337,877	600,324	3,938,201	4,276,629
Mortgages	344,923	62,035	406,958	449,658
Government Agencies	21,619	3,888	25,507	24,906
Derivative Instruments	-	-	-	1,714
Real Estate	697,657	125,475	823,132	655,936
Private Equity	1,202,396	216,253	1,418,649	1,335,988
Securities Lending Collateral	589,726	106,063	695,789	830,924
Total Investments	12,069,621	2,170,746	14,240,367	14,529,851
Capital Assets				
Furniture, Computer Hardware and Software (Net of Depreciation and Amortization)	4,197	755	4,952	4,050
Total Assets	12,650,362	2,275,193	14,925,555	15,228,280
Liabilities				
Accounts Payable and Accrued Expenses	32,618	5,866	38,484	34,950
Accrued Investment Expenses	9,598	1,726	11,324	9,333
Derivative Instruments	738	133	871	-
Purchases of Investments	147,500	26,528	174,028	228,313
Securities Lending Collateral	589,726	106,063	695,789	830,924
Total Liabilities	780,180	140,316	920,496	1,103,520
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	**$ 11,870,182**	**$ 2,134,877**	**$ 14,005,059**	**$ 14,124,760**

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 Fiscal Year Ended June 30, 2016, with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2016 Total	2015 Total
Additions				
Contributions				
City Contributions	$ 440,704	$ 105,983	$ 546,687	$ 481,766
Member Contributions	211,345	-	211,345	207,564
Total Contributions	652,049	105,983	758,032	689,330
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments, Including Gain and Loss on Sales	(191,801)	(41,925)	(233,726)	116,171
Interest	86,782	16,836	103,618	94,272
Dividends	138,552	26,880	165,432	154,179
Other Investment Income	43,115	8,364	51,479	60,529
Securities Lending Income	6,557	1,271	7,828	6,395
Less: Securities Lending Expense	(963)	(211)	(1,174)	(958)
Sub-Total	82,242	11,215	93,457	430,588
Less: Investment Management Fees and Expenses	(52,880)	(11,559)	(64,439)	(61,322)
Investment Related Administrative Expenses	(1,724)	(377)	(2,101)	(1,274)
Net Investment Income (Loss)	27,638	(721)	26,917	367,992
Total Additions	679,687	105,262	784,949	1,057,322
Deductions				
Benefit Payments	767,264	109,940	877,204	838,335
Refunds of Contributions	7,719	-	7,719	10,121
Administrative Expenses	15,576	4,151	19,727	19,878
Total Deductions	790,559	114,091	904,650	868,334
Net Increase (Decrease) in Fiduciary Net Position	(110,872)	(8,829)	(119,701)	188,988
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits				
Beginning of Year	11,981,054	2,143,706	14,124,760	13,935,772
End of Year	**$ 11,870,182**	**$ 2,134,877**	**$ 14,005,059**	**$ 14,124,760**

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. Benefits and benefit changes are established by ordinance and approved by the City Council and the Mayor. A description of each plan is located in Note 2 and Note 3 on pages 31 - 37 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

On or after July 1, 2013, new Members became Members of LACERS Tier 2. However, on July 9, 2015, the City and the Coalition of Los Angeles City Unions representing more than half City's civilian workforce reached an agreement which rescinded Tier 2 and created a new tier of benefits. As a result, Ordinance 184134 was adopted on January 12, 2016, and all active Tier 2 Members were transferred to Tier 1 as of February 21, 2016. On or after February 21, 2016, new Members became Tier 3 Members of LACERS (refer to Note 2 – Retirement Plan Description on pages 31 - 33, Note 3 – Postemployment Health Care Plan Description on pages 34 - 35 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 information from the prior year summarized for comparative purpose only. Such information does not include sufficient detail to constitute a presentation in accordance with US GAAP.

Investments

Investment Policies

Funds of the System are invested pursuant to the System's investment policy, established by the Board, in compliance with 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, 2016, 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
Real Assets	10.0
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.

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

Investments (Continued)

Fair Value of Investments (Continued)

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 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.

The provisions of the GASB Statement No. 72, *Fair Value Measurement and Application*, require investments to be measured at fair value as well as to classify the inputs used to determine fair value based on a three-level fair value hierarchy. This information is presented in the Note 6 on pages 43 - 45.

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 future contracts, 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 future contracts in the short-term investments.

Concentrations

The investment portfolio as of June 30, 2016, 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, 2016, the annual money-weighted rate of return on LACERS investments, net of investment expenses, was 0.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

The additional employer contributions of $16,061,000 related to Tier 2 transfer and Tier 3 for this fiscal year was received on July 15, 2016, and recorded as contributions receivable as of June 30, 2016 (refer to Employer Contribution of Note 2 – Retirement Plan Description on page 32). LACERS held no long-term contracts for contributions receivable from the City.

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 customized software solution critical to LACERS core operations, have been capitalized. This project is still in process, and the capitalized costs to date as of June 30, 2016 was $4,538,000.

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:

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

Reserves (Continued)

Reserves for the Retirement Plan

Member Contributions (Mandatory) – Active Member mandatory contributions to the Retirement Plan and interest credited to Members' accounts, less refunds of Members contributions and transfers to the Annuity reserve.

Member Contributions (Voluntary) – Active Member voluntary contributions under the larger annuity program and interest/investment return credited to Members' accounts, less refunds of Members contributions (voluntary) and transfers to the Larger 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 – Members' mandatory contribution balances transferred at retirement to provide for the Members' share of retirement benefits, and investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments, less payments to retired Members.

Larger Annuity – Members' voluntary contribution balances transferred at retirement for Larger Annuity benefit 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 participating retired Members.

Family Death Benefit Plan (FDBP) – Active Member voluntary 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 administered by LACERS, less payments to beneficiaries.

Reserve for the 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 payments to insurance providers and/or reimbursements to retired Members.

Reserve balances as of June 30, 2016, were as follows (in thousands):

Reserves for the Retirement Plan		
Member Contributions:		
- Mandatory	$ 2,168,814	
- Voluntary	5,355	
Basic Pensions	9,169,071	
Annuity	471,444	
Larger Annuity	40,828	
FDBP	14,670	$11,870,182
Reserve for the Postemployment Health Care Plan		2,134,877
Total Reserves		$ 14,005,059

Estimates

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 GASB Pronouncements

In the current fiscal year, the System implemented the provisions of the GASB Statement No. 72, *Fair Value Measurement and Application.* This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the approach: market approach, cost approach, or income approach. The Statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires additional disclosures relating to investments in certain entities that calculate net asset value per share (refer to Note 6 – Fair Value Measurement on pages 43 - 45).

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local*

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

Implementation of New GASB Pronouncements (Continued)

Governments. Statement No. 73 amends certain provisions, and clarifies the application of certain provisions of Statements No. 67 and No. 68 in order to improve the usefulness of information about pensions included in the financial reports of state and local governments for making decisions and assessing accountability. Statement No. 76 establishes the hierarchy of GAAP for state and local governments, in the context of the current governmental financial reporting environment. The System's fiduciary net position was not materially affected by the implementation of the Statements No. 73 and No. 76.

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 including those who elected to opt out of LACERS. Upon transferring all active Tier 2 Members to Tier 1 as of February 21, 2016, Membership to Tier 1 is now closed to new entrants unless a Member meets one of the exceptions allowed in the Ordinance. Eligible employees hired on or after February 21, 2016 become Members of Tier 3.

As of June 30, 2016, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	20,078
Non-vested	4,368
	24,446
Inactive:	
Non-vested	4,677
Terminated Entitled to Benefits, Not Yet Receiving Benefits	2,218
Retired	18,357
Total	49,698

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 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 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 pensionable 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, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a $2,500 funeral allowance is paid, and modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner.

Tier 3

Plan Members are eligible to retire with unreduced benefits if they have at least 10 or more years of City service at age 60 or at least 30 years of City service at age 55, provide that five years of service must be continuous. Full unreduced retirement benefits at age 60 with 10 years of City service are determined with a 1.5% retirement factor. Plan Members also are eligible to retire with an age-based reduced benefits before reaching age 60 with 30 or more years of City

Note 2 – Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provisions (Continued)

service with a retirement factor of 2.0%. If the Member is age 55 or older with 30 years of service at the time of retirement, his or her retirement allowance will not be subject to reduction on account of age. However, if the Member is younger than age 55 with 30 years of Service at the time of retirement, his or her retirement allowance will be reduced by the applicable early retirement reduction factor. In addition, the System also provides Tier 3 Members an enhanced retirement benefits with a 2.0% retirement factor if the Member retires at age 63 with at least 10 years of service, or a retirement factor of 2.1% if the Member retires at age 63 with 30 years of service. Tier 3 retirement benefits are determined by multiplying the Member's retirement factor (1.5% - 2.1%), with the Member's last 36 months of Final Average Compensation (FAC) or any other 36 consecutive months designated by the Member, and by the Member's years of service credit (SC) as follows:

Age at Retirement	Required Years of Service	Retirement Benefit(1)
Under 55	30 Years	2.0% x FAC x Yrs. of SC(2)
55 and Over	30 Years	2.0% x FAC x Yrs. of SC
60 and Over	10 Years	1.5% x FAC x Yrs. of SC
63 and Over	10 Years	2.0% x FAC x Yrs. of SC
63 and Over	30 Years	2.1% x FAC x Yrs. of SC

(1) Retirement allowance may not exceed 80% of final compensation except when benefit is based solely on the annuity component funded by the Member's contributions.

(2) A reduction factor will be applied based on age at retirement.

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, a refund of the Member's contributions and, depending on the Member's years of service, a limited pension benefit equal to 50% of monthly salary may be paid up to 12 months. Or, if such Member was eligible to retire, survivor benefits may be paid to an eligible spouse or qualified domestic partner. Upon a retired Member's death, a $2,500 funeral allowance is paid, and a modified or unmodified allowance is continued to an eligible spouse or qualified domestic partner. There were no Tier 3 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 3 Members. The excess over the maximum will be banked for Tier 1 Members only.

Employer Contributions

The Los Angeles City Charter Sections 1158 and 1160 provide for periodic actuarially-determined employer contribution rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2016, the actuarially-determined contribution of the employer to the Retirement Plan by the City was 23.02% of covered payroll, based on the June 30, 2014 actuarial valuation. Upon closing the fiscal year 2015-16, LACERS re-calculated employer contributions using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment at the beginning of the fiscal year. As a result, employer contributions received for Retirement Plan were $19,226,000 more before considering $13,572,000 of the City's additional contributions required for transferring Tier 2 Members to Tier 1. $5,654,000 of net Retirement Plan true-up was returned to the employer as a credit toward employer contribution for fiscal year 2016-17. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 23.47%.

Member Contributions

Tier 1

The current contribution rate for Tier 1 Members is 11% of their pensionable salary including a 1% increase in the Member contribution rate pursuant to 2009 Early Retirement Incentive Program (ERIP) ordinance for all employees for a period of 15 years (or until the ERIP Cost obligation is fully recovered, whichever comes first); and 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy pursuant to a 2011 City Council ordinance. As of June 30, 2016, all active Tier 1 Members are now paying additional contributions, and are not subject to the retiree medical subsidy cap.

Note 2 – Retirement Plan Description (Continued)

Member Contributions (Continued)

Tier 3
The contribution rate for Tier 3 Members is 11% of their pensionable salary including 4% additional contributions in exchange for a vested right to future increases in the maximum retiree medical subsidy. Unlike Tier 1, Tier 3 Members do not pay ERIP contribution, therefore, Tier 3 Members' contribution rate will not drop down when Tier 1 Members cease to pay the 1% ERIP contribution.

Net Pension Liability

In calculating the Plan's net pension liability, the total pension liability and the Plan fiduciary net position exclude amounts associated with Family Death and Larger Annuity Benefits. As of June 30, 2016, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 17,424,996
Plan Fiduciary Net Position (1)	(11,809,329)
Plan's Net Pension Liability	$ 5,615,667
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.8%

(1) Plan fiduciary net position was $11,870,182,000 as of June 30, 2016 without excluding amounts associated with Family Death, and Larger Annuity Benefits.

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, 2016, are summarized below:

Valuation Date	June 30, 2016
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%, net of pension plan investment expenses, including inflation assumption at 3.25%.
Inflation	3.25%
Real Across-the-Board Salary Increase	0.75%
Projected Salary Increases	Ranges from 4.40% to 10.50% based on years of service, including inflation assumption at 3.25% and the real across-the-board salary increase assumption of 0.75%.
Annual COLAs	3.0% maximum for Tier 1 and 2.0% maximum for Tier 3
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.

Note 2 – Retirement Plan Description (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2016 and June 30, 2015. This rate is a long-term expected rate of return on the System's investments.

The long-term expected rate of return on pension plan investments 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
Public Real Assets	5.0	3.4
Private Equity	12.0	10.5
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 employer contributions 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2016 and June 30, 2015.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2016, calculated using the discount rate of 7.50%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands):

1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
$7,914,675	$5,615,667	$3,700,956

Note 3 – Postemployment Health Care Plan Description

Plan Description

LACERS provides postemployment health care benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan. These benefits may also extend to the coverage of other eligible dependent(s). To be eligible for health care benefits, Member must: 1) be at least age 55; 2) had at least 10 whole 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). Retirees and surviving spouses/domestic partners can choose from the health plans that are available, which include medical, dental, and vision benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. Retirees and surviving spouses/domestic partners receive medical subsidies based on service years and service credit. The dental subsidies are provided to the retirees only, based on service years and service credit.

The maximum subsidies are set annually by the Board. Both Tier 1 and Tier 3 Members will be eligible for 40% of maximum medical plan premium subsidy for 1 – 10 whole years of service credit, and

Note 3 – Postemployment Health Care Plan Description (Continued)

Plan Description (Continued)

the eligible Members earn 4% per year of service credit for their annual medical subsidy accrual after 10 years of service. Eligible spouses/domestic partners of Plan Members are entitled to the System's postemployment health care benefits after the retired Member's death. During the 2011 fiscal year, the City adopted an ordinance ("Subsidy Cap Ordinance") to limit 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 made additional contributions are exempted from the subsidy cap 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, 2016, all non-retired Tier 1 and Tier 3 Members were making the additional contributions, and therefore will not be subject to the medical subsidy cap (refer to Member Contributions of Note 2 – Retirement Plan Description on pages 32 - 33.

Funding Policies and Funded Status and Progress

The Los Angeles City Charter Sections 1158 and 1160 require periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, 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, 2016, was 5.58% of covered payroll, determined by the June 30, 2014 actuarial valuation.

Upon closing the fiscal year 2015-16, LACERS re-calculated employer contributions using actual payroll incurred during the fiscal year which was smaller than projected covered payroll used by the City to make the advance payment at the beginning of the fiscal year. As a result, employer contributions received for Postemployment Plan were $4,805,000 more before considering $2,282,000 of City's additional contribution required for transferring Tier 2 Members to Tier 1. The difference, $2,523,000 of net Postemployment Health Care Plan true-up, was returned to the employer as a credit toward employer contribution for fiscal year 2016-17. Based on the actual payroll, the effective rate of employer contribution for Postemployment Health Care Plan was 5.65%. As of June 30, 2016, the most recent actuarial valuation date, the Postemployment Health Care Plan was 80.5% funded. The actuarial accrued liability for benefits was $2,793,689,000, and the actuarial value of assets was $2,248,753,000, resulting in an Underfunded Actuarial Accrued Liability (UAAL) of $544,935,000. The covered payroll as of the June 30, 2016 valuation was $1,968,703,000. The ratio of UAAL to the covered payroll was 27.7%.

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 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 54 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 LACERS plan provisions 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, 2016
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
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. Any 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 Statements No. 25/27 layers for the Retirement Plan, were combined and amortized over 30 years. Health trend and premium assumption changes are amortized over 15 years. Years remaining range from 8 to 26 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%, net of pension plan investment expenses, including inflation rate at 3.25%.
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 2016-2017 and later years are:

First Fiscal Year (July 1, 2016 through June 30, 2017)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	8.39%	6.59%
Anthem Blue Cross HMO	2.22%	N/A
Anthem Blue Cross PPO	8.27%	5.14%
UHC Medicare HMO	N/A	4.07%

Fiscal Year 2017 - 2018 and later	
Fiscal Year	Trend (Approx.)
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 2016-17 fiscal year will be calculated based on the actual increase in premium from 2016 to 2017. 5.00% for years following the 2017 calendar year.

Note 4 – Contributions Required and Contributions Made

LACERS switched to the Entry Age cost method beginning from the June 30, 2012 actuarial valuation to determine the 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 total contributions to LACERS for the year ended June 30, 2016, in the amount of $758,032,000 ($652,049,000 for the Retirement Plan and $105,983,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Required Contributions	$ 440,546	$ 105,983
FDBP	158	-
Total City Contributions	440,704	105,983
Member Contributions	211,345	-
Total Contributions	$ 652,049	$ 105,983

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $440,546,000 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 $105,983,000, represents 100% of the Annual Required Contribution (ARC) as defined by GASB Statements No. 43 and No. 45. Member contributions in the amount of $211,345,000 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 50 - 53 for the Retirement Plan and pages 54 and 55 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 person 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, 2016, on the Retirement Plan and Postemployment Health Care Plan included approximately $2,674,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $497,057,000 for a total of $499,731,000. 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, 2016, short-term investments included collective STIF of $165,820,000, international STIF of $158,242,000, and future contracts initial margin and collaterals of $172,995,000.

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

The fair value of derivative instruments, including equity index, commodity, currency, and interest rate future contracts, currency forward contracts, and rights and warrants, are recorded in the Statement of Fiduciary Net Position with a net negative value of $871,000. 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, 2016, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ 156,684	$ (799)	$ (1,683)
Equity Index	13,050	158	188
Foreign Exchange	(6,526)	18	(69)
Interest Rate	(73,738)	(32)	(44)
Currency Forward Contracts	117,350	(425)	(766)
Right / Warrants	N/A	209	(211)
Total Value		$ (871)	$ (2,585)

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 Standard and Poor's (S&P), a nationally-recognized statistical rating organization as of June 30, 2016, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 47,632	1.72 %
AA	1,253,142	45.31
A	215,949	7.81
BBB	561,623	20.31
BB	286,787	10.37
B	267,478	9.67
CCC	36,608	1.32
CC	1,677	0.06
D	1,914	0.07
Not Rated	92,728	3.36
	2,765,538	100.00 %
U.S. Government Guaranteed Securities(1)	995,176	
Total Fixed Income Securities	$ 3,760,714	

(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, 2016, 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	$ 1
A	74
BBB	865
Total Value	$ 940

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, 2016, LACERS has exposure to such risk in the amount of $17,988,000, or 0.38% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 20 different investment managers, and held outside of LACERS custodial bank. LACERS policy requires each individual publicly traded equities investment manager 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, are not registered in LACERS name, and are held by the counterparty, or the counterparty's trust department or agent but not in LACERS name. As of June 30, 2016, LACERS investments were not exposed to custodial credit risk because all securities were registered in the name of the System.

Concentration of Credit Risk

The investment portfolio as of June 30, 2016, 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 as of June 30, 2016 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	$ 27,143	1.44
Bank Loans	2,111	1.64
Commercial Mortgage-Backed Securities	67,314	2.82
Corporate Bonds	1,191,174	5.53
Government Agencies	41,267	5.03
Government Bonds	625,604	6.02
Government Mortgage-Backed Securities	339,645	2.48
Index Linked Government Bonds	517,640	8.05
Municipal/Provincial Bonds	5,390	4.69
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	2,393	1.34
Opportunistic Debts	84,286	0.32
Other Fixed Income (Funds)	856,747	5.48
Total Fixed Income Securities	$ 3,760,714	

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	$ 27,143
Commercial Mortgage-Backed Securities	67,314
Government Agencies	41,267
Government Mortgage-Backed Securities	339,645
Non-Government Backed C.M.O.s	2,393
Total Asset-Backed Investments	$ 477,762

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, 2016, which represent 27.0% 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	$ 18	$ -	$ -	$ -	$ -	$ 18
Australian dollar	808	151,842	-	45	-	152,695
Brazilian real	248	65,792	257	-	-	66,297
British pound sterling	2,649	573,787	-	70	3,043	579,549
Canadian dollar	845	140,722	-	4	-	141,571
Chilean peso	22	5,502	-	5	-	5,529
Chinese yuan renminbi	(1,744)	-	-	2	-	(1,742)
Colombian peso	(1,935)	3,796	-	(91)	-	1,770
Czech koruna	558	845	-	-	-	1,403
Danish krone	110	69,817	-	-	-	69,927
Egyptian pound	18	2,966	-	-	-	2,984
Euro	(7,472)	830,451	10,279	111	75,128	908,497
Hong Kong dollar	859	246,144	-	21	-	247,024
Hungarian forint	(1,035)	5,749	-	45	-	4,759
Indian rupee	1,319	88,882	-	(4)	-	90,197
Indonesian rupiah	(421)	25,944	820	(31)	-	26,312
Israeli new shekel	187	11,057	-	-	-	11,244
Japanese yen	2,657	621,131	-	(2)	-	623,786
Malaysian ringgit	3,211	20,948	-	4	-	24,163
Mexican peso	3,053	41,106	4,804	27	-	48,990
New Taiwan dollar	1,225	99,488	-	(238)	-	100,475
New Zealand dollar	44	9,376	3,686	-	-	13,106
Norwegian krone	231	32,764	-	11	-	33,006
Peruvian nuevo sol	(9)	-	-	(80)	-	(89)
Philippine peso	-	21,499	-	10	-	21,509
Polish zloty	2,845	5,541	-	24	-	8,410
Qatari rial	-	1,029	-	-	-	1,029
Russian ruble	1,682	10,439	-	(111)	-	12,010
Singapore dollar	(1,928)	44,908	-	(64)	-	42,916
South African rand	(2,327)	67,596	-	(182)	-	65,087
South Korean won	(1,160)	137,500	-	3	-	136,343
Swedish krona	174	82,225	-	-	-	82,399
Swiss franc	322	242,092	-	-	-	242,414
Thai baht	33	40,276	-	27	-	40,336
Turkish lira	6,009	22,691	-	-	-	28,700
United Arab Emirates dirham	-	8,625	-	-	-	8,625
Total Investments Held in Foreign Currency	$ 11,096	$ 3,732,530	$ 19,846	$ (394)	$ 78,171	$ 3,841,249

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

Fair Value Measurement

LACERS implemented GASB Statement No. 72 (GASB 72), *Fair Value Measurements and Application* in the current fiscal year. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in either a government's principal or the most advantageous market at the measurement date.

As GASB 72 requires, the System categorized its fair value measurements within the fair values. Assets and liabilities are classified based on valuation inputs used to determine fair value into three levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Inputs to the valuation include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in markets that are not active; 3) Inputs other than quoted prices that are observable for the asset or liability; and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs for an asset or liability where there are little market activities. The inputs into the determination of fair value are based upon the best information in the circumstances and may require management judgment or estimation.

Schedule of Investments by Fair Value Hierarchy

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 or 3 of the fair value hierarchy are valued using a matrix pricing technique based on the availability of the market price, the pricing source and type, and the country of incorporation of the securities. The hierarchy levels are determined based on the level of corroborative information obtained from other market sources to assert that the prices provided represent observable data.

Private equity funds classified in Level 3 of the fair value hierarchy are valued based on the availability of market price of the underlying assets, and using either a discounted cash flow or Comparable Company Analysis with internal assumptions. Real estate funds classified in Level 2 or 3 of the fair value hierarchy are valued based on periodic appraisals in accordance with industry practice.

The exchange traded Future Contracts classified in Level 1 of the fair value hierarchy are valued using a daily settlement when available or as a daily mark to market. The Foreign Exchange Contracts classified in Level 2 of the fair value hierarchy are valued using independent pricing services including London Close mid-evaluation, WM/Reuters Company, Bloomberg, and Thomson Reuters.

Certain investments which do not have a readily determinable fair value have been valued at Net Asset Value (NAV) per share (or its equivalent) provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with GAAP requirements. These investments are not categorized within the fair value hierarchy but disclosed in the schedule of Investments Measured at the NAV.

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

Fair Value Measurement (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2016 (in thousands):

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
Government Bonds	$ 1,143,244	$ -	$ 1,143,244	$ -
Government Agencies	41,267	-	41,267	-
Municipal/Provincial Bonds	5,390	-	2,768	2,622
Corporate Bonds	1,220,710	-	1,215,713	4,997
Bank Loans	2,111	-	2,111	-
Government Mortgage Bonds	339,644	-	339,450	194
Commercial Mortgage Bonds	67,314	-	67,314	-
Opportunistic Debts	12,426	-	-	12,426
Total Debt Securities	2,832,106	-	2,811,867	20,239
Equity Securities:				
Common Stock:				
Basic Industries	906,929	903,749	2,639	541
Capital Goods Industries	406,983	406,089	280	614
Consumer & Services	1,960,485	1,946,506	12,225	1,754
Energy	661,843	656,515	5,287	41
Financial Services	1,562,793	1,561,187	1,480	126
Health Care	887,398	887,398	-	-
Information Technology	1,072,659	1,072,551	108	-
Miscellaneous	34,792	18,698	-	16,094
Total Common Stock	7,493,882	7,452,693	22,019	19,170
Preferred Stock	35,848	35,848	-	-
Stapled Securities	12,353	12,353	-	-
Total Equity Securities	7,542,083	7,500,894	22,019	19,170
Private Equity Funds	243,958	-	-	243,958
Real Estate Funds	128,760	-	124,618	4,142
Total Investments by Fair Value Level	10,746,907	$ 7,500,894	$ 2,958,504	$ 287,509
Investments measured at the Net Asset Value (NAV):				
Common Fund Assets	856,747			
Private Equity Funds	1,174,691			
Real Estate Funds	694,372			
Opportunistic Debts	71,861			
Total Investments measured at the NAV	2,797,671			
Total Investments measured at Fair Value(1)	$ 13,544,578			
Investment Derivative Instruments:				
Future Contracts (liabilities)	$ (655)	$ (655)	$ -	$ -
Foreign Exchange Contracts (liabilities)	(425)	-	(425)	-
Rights/Warrants	209	148	-	61
Total Investment Derivative Instruments	$ (871)	$ (507)	$ (425)	$ 61

(1) Excluded securities lending collateral which was invested in short-term investments.

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

Fair Value Measurement (Continued)

Investments measured at the NAV:
(in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets [(1)]	$ 856,747	$ -	Daily	2 days
Private Equity Funds [(2)]	1,174,691	684,532	N/A	N/A
Real Estate Funds [(3)]	694,372	69,347	Daily, Quarterly	1-90 days
Opportunistic Debts [(4)]	71,861	-	Monthly	30 days
Total Investments measured at the NAV	$ 2,797,671	$ 753,879		

(1) Common fund assets - This investment type includes one fund that primarily invest in U.S. bonds. The fair value of the investment have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). This investment can be redeemed daily, with a two-day advance redemption notice period.

(2) Private equity funds - This investment type includes 163 closed-end commingled private equity funds that invest primarily in securities of privately held U.S. and non-U.S. companies. The fair value of these investments has been determined using a practical expedient based on the investments' NAV per share (or its equivalent). These investments are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 13 years, depending on the vintage year of each fund.

(3) Real estate funds - This investment type includes 31 commingled real estate funds that invest primarily in U.S. commercial real estate. The fair value of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). Seven investments, representing approximately 54% of the value of this investment type, are in open-end funds, which may be redeemed according to terms specific to each fund. Redemptions generally are subject to the funds' available cash and redemption queues. There is no intention to redeem any of these seven investments in the near future. Twenty-four investments, representing approximately 46% of the value this investment type, are in closed-end funds and are not redeemable. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as underlying assets are liquidated by the fund managers. It is expected that the underlying assets of these funds will be liquidated over the next one to 12 years, depending on the vintage year of each fund.

(4) Opportunistic debts - This investment type includes two commingled funds: one that invests primarily in senior loans of non-investment grade companies (senior loan fund) and another one invests primarily in the securities and obligations of companies experiencing operational or financial distress (distressed investment fund). The fair values of these investments have been determined using a practical expedient based on the investments' NAV per share (or its equivalent). The senior loan fund, representing approximately 99% of the value of this investment type, can be redeemed monthly. The distressed investment fund, representing approximately 1% of the value of this investment type, is being dissolved and is no longer making new underlying investments. Distributions from this fund will be received as underlying investments are liquidated by the fund manager. It is expected that this fund will be liquidated fully over the next three years.

Note 7 – Securities Lending Agreement

Under authority granted by the City Charter, LACERS has entered into various short-term arrangements with its custodian to lend securities to various brokers. There are no restrictions on the amount of securities that may be lent, and 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 is invested in a separate account comprised of money market or high quality short-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, 2016, 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. However, similar to any other investment portfolio, there is risk associated with investing cash collateral in securities. The value of the invested collateral may fall below the value of the cash collateral pledged by the borrowers, and may impair LACERS ability to return cash collateral to the borrowers upon the redemption of loans. In this event, LACERS would be required to make up the deficiency in collateral and would incur a loss.

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 table represents the fair value of securities on loan and cash/non-cash collateral received as of June 30, 2016 (in thousands):

Securities on Loan	Fair Value of Securities on Loan	Cash/Non-Cash Collateral Received
U.S. Government and Agency Securities	$ 212,990	$ 216,174
Domestic Corporate Fixed Income Securities	101,865	103,294
International Fixed Income Securities	37,010	38,948
Domestic Stocks	438,177	444,489
International Stocks	524,561	558,902
Total	$ 1,314,603	$ 1,361,807

Note 7 – Securities Lending Agreement (Continued)

As of June 30, 2016, the fair value of the securities on loan was $1,314,603,000. The fair value of associated collateral was $1,361,807,000 ($695,789,000 of cash collateral and $666,018,000 of 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 $7,828,000 and $1,174,000, respectively, for the year ended June 30, 2016.

Note 8 – Future and Forward Contracts

LACERS uses derivative financial instruments, primarily to manage portfolio risk. Future and forward contracts are marked to market and are recorded in the Statement of Fiduciary Net Position at fair value. Future 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 39 and 40).

As of June 30, 2016, LACERS had outstanding commodities and equity index future contracts with an aggregate notional amount of $169,734,000, and foreign exchange and interest rate future contracts with an aggregate negative notional amount of $80,264,000 due to their short position. In addition, at June 30, 2016, LACERS had outstanding forward purchase commitments with a notional amount of $117,350,000 and offsetting forward sales commitments with notional amounts of $117,350,000, which expire through December 2016. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $172,995,000 as of June 30, 2016.

Note 9 – Commitments and Contingencies

As of June 30, 2016, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $1,134,699,000.

The Patient Protection and Affordable Care Act (PPACA) of 2010 contains a provision that would impose a 40% excise tax on the annual value of health plan costs that exceed certain dollar thresholds beginning in 2020. If there is no change in the law or LACERS plan provisions between now and 2020, 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 2020 and thereafter. Recently released GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* require the inclusion of the excise tax in the liability. The Statement No. 74 is effective for fiscal years beginning after June 15, 2016 for plan reporting, and the Statement No. 75 is effective for fiscal years beginning after June 15, 2017 for employer reporting. The impact of potential excise tax imposed by the Affordable Care Act and related statutes on certain health plans in calculating the contribution rates for the employer have not yet been reflected in the valuation for fiscal year June 30, 2016.

Note 10 – Subsequent Events

Date of Management's Review

The potential for subsequent events was evaluated through November 21, 2016, which was the date of management's review.

Establishment of Enhanced Benefits for Airport Peace Officers

As a result of the November 2016 City election, approximately 500 Members of sworn Airport peace officers were approved to opt-out of the LACERS Plan, and transfer to the Los Angeles Fire and Police Pension Plan as its Tier 6 Members. However, it is anticipated that a large number of these Members will stay with the LACERS Plan. The provisions to enhance the disability benefits, death benefits, and the retirement factor for sworn Airport peace officers who remain active Members of LACERS are expected to be established in an ordinance to be considered by the City Council.

This page intentionally left blank.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Retirement Plan

The schedules included in the Required Supplementary Information for the Retirement Plan are intended to show information for 10 years. However, the following schedules do not have a full 10-year trend, and therefore, Los Angeles City Employees' Retirement System (LACERS, or 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 [(1)]
(Dollars in Thousands)

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan Fiduciary Net Position	(11,809,329)	(11,920,570)	(11,791,079)	(10,154,486)
Plan's Net Pension Liability	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.8%	70.5%	72.6%	68.2%

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

Note to Schedule:

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

Schedule of Changes in Net Pension Liability and Related Ratios (1)
(Dollars in Thousands)

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability				
Service cost	$ 322,574	$ 322,380	$ 317,185	$ 312,372
Interest	1,263,556	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-	-
Differences of expected and actual experience	(300,813)	(135,821)	(164,247)	(235,829)
Changes of assumptions	-	-	785,439	-
Benefit payments, including refunds of Member contributions	(770,317)	(740,567)	(721,153)	(701,400)
Net change in total pension liability	515,000	661,143	1,367,190	487,704
Total pension liability-beginning	16,909,996	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position				
Contributions-Employer	$ 440,546	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	206,377	202,463	203,975	197,722
Net investment income	29,357	306,980	1,810,782	1,268,939
Benefit Payments, including refunds of Member contributions	(770,317)	(740,567)	(721,153)	(701,400)
Administrative expense	(17,204)	(15,860)	(12,372)	(13,281)
Other (Transfers related to Larger Annuity) (2)	-	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	(111,241)	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	11,920,570	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 11,809,329	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	67.8%	70.5%	72.6%	68.2%
Covered-employee payroll	$ 1,876,946	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered-employee payroll	299.2%	271.8%	247.3%	272.3%

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

(2) $4,666,000 represents the segregation of Member's voluntary larger annuity contributions from the (pension-related) Reserve for Members' Contributions into the (non-pension related) Reserve for Larger Annuity Contributions pursuant to a suggestion made by the actuarial consultant. The Reserve balance for Larger Annuity Contributions as of June 30, 2015 was $5,200,000.

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 for fiscal year ended on June 30, 2014 primarily is 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[1]	Contributions as a Percentage of Covered-Employee Payroll
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
2015	381,141	381,141	-	1,835,637	20.8
2016	440,546	440,546	-	1,876,946	23.5

(1) Covered-employee payroll presented in this schedule represents the pensionable payroll of all participating employees.

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 (individual basis).

Amortization Method — Level Percent of 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 Early Retirement Incentive Program (ERIP), are amortized over 15 years. Future ERIPs will be amortized over five years. Any actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two Governmental Accounting Standards Board (GASB) Statements No. 25/27 layers, were combined and amortized over 30 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 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:

Investment Rate of Return — 7.50%, net of pension plan investment expenses, including inflation assumption at 3.25%.

Inflation — 3.25%

Real Across-the-Board Salary Increase — 0.75%

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases[(1)]	Ranges from 4.40% to 10.50% based on years of service.
Cost of Living Adjustment[(2)]	Tier 1: 3.0% Tier 3: 2.0%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020, set back one year for males and with no set back for females.

(1) Includes inflation at 3.25% as of June 30, 2016, plus across-the-board salary increase of 0.75% plus merit and promotional increases.

(2) Actual increases are contingent upon Consumer Price Index (CPI) increases with a 3.0% maximum for Tier 1 and a 2.0% maximum for Tier 3.

Schedule of Investment Returns

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Annual money-weighted rate of return, net of investment expenses	0.2%	2.6%	18.2%

Note to Schedule:

The last two fiscal years' rates of investment return were much lower compared to the fiscal year 2014, reflecting the impact of divergent (and volatile) global markets on LACERS investment portfolio over the reporting periods.

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[(1)] (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
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
June 30, 2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2
June 30, 2016	2,248,753	2,793,689	544,936	80.5	1,968,703	27.7

(1) Covered payroll presented in this schedule represents the actuarially-projected pensionable payroll of all participating employees.

Schedule of Employer Contributions

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	$ 107,396	100%
2012	115,209	100
2013	72,916	100
2014	97,841	100
2015	100,467	100
2016	105,983	100

Required Supplementary Information
Postemployment Health Care Plan
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 of Administration (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.

Under the current seven-year Asset Smoothing method used in the actuarial valuation process, the full impact of market fluctuations is spread over seven years. As a result, the actuarial value of assets and the City contributions are more stable from year to year. The total unrecognized investment loss as of June 30, 2016 is $747,043,000 for the assets for Retirement, Postemployment Health Care, Family Death, and Larger Annuity benefits. This deferred loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next several years. Because of the deferred loss, the City contribution rates will increase in the next few years even if the investment returns match the 7.50% assumption and all other assumptions are met.

This page intentionally left blank.

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2016
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 8,849	$ 1,935	$ 10,784
Employee Development and Benefits	3,633	794	4,427
Total Personnel Services	12,482	2,729	15,211
Professional Services:			
Actuarial	218	48	266
Audit	72	16	88
Legal Counsel	605	132	737
Disability Evaluation Services	158	34	192
Retirees Health Administrative Consulting	-	747	747
Benefit Payroll Processing	171	37	208
Total Professional Services	1,224	1,014	2,238
Information Technology:			
Computer Hardware and Software	371	81	452
Computer Maintenance and Support	151	33	184
Total Information Technology	522	114	636
Leases:			
Office Space	757	164	921
Office Equipment	50	11	61
Total Leases	807	175	982
Other Expenses:			
Fiduciary Insurance	30	7	37
Educational and Due Diligence Travel	31	7	38
Office Expenses	324	71	395
Depreciation and Amortization	156	34	190
Total Other Expenses	541	119	660
Total Administrative Expenses	$ 15,576	$ 4,151	$ 19,727

Schedule of Investment Fees and Expenses
For the Year Ended June 30, 2016
(In Thousands)

	Assets Under Management	Fees and Expenses
Retirement Plan		
Investment Management Fees:		
Fixed Income Managers	$ 3,187,445	$ 4,639
Equity Managers	6,392,397	16,281
Subtotal Investment Management Fees	9,579,842	20,920
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	622
Real Estate Consulting Fees	N/A	176
Other Consulting Fees	N/A	347
Investment Related Administrative Expenses	N/A	1,724
Subtotal Other Investment Fees and Expenses	N/A	2,869
Postemployment Health Care Plan		
Investment Management Fees:		
Fixed Income Managers	573,269	1,014
Equity Managers	1,149,686	3,559
Subtotal Investment Management Fees	1,722,955	4,573
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	136
Real Estate Consulting Fees	N/A	39
Other Consulting Fees	N/A	76
Investment Related Administrative Expenses	N/A	377
Subtotal Other Investment Fees and Expenses	N/A	628
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$ 11,302,797	$ 28,990
Private Equity Managers' Fees and Expenses:		
Retirement Plan	$ 1,202,396	$ 21,840
Postemployment Health Care Plan	216,253	4,774
Total Private Equity Managers' Fees and Expenses	$ 1,418,649	$ 26,614
Real Estate Managers' Fees and Expenses:		
Retirement Plan	$ 697,657	$ 8,975
Postemployment Health Care Plan	125,475	1,961
Total Real Estate Managers' Fees and Expenses	$ 823,132	$ 10,936

This page intentionally left blank.

Investment

LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM

202 W. First Street, Suite 500
Los Angeles, CA 90012-4401
(800) 779-8328
TDD (888) 349-3996
www.lacers.org

Report on Investment Activity

December 7, 2016

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 2015-2016.

Market Overview

Fiscal year 2016 was a challenging environment for most institutional investors. Despite heightened market volatility due to an unpredictable economic and political landscape, the global financial markets produced a modestly positive return for the year ended June 30, 2016.

During the first quarter of the fiscal year, U.S. and non-U.S. stocks performed poorly, as the slowdown in China and emerging markets left investors concerned about the prospects of a global economic slowdown. After factoring in currency weakness, the performance of emerging markets lagged behind developed markets. The Federal Reserve's decision to postpone raising interest rates further exacerbated the uncertainty of capital markets. Investors fled to defensive strategies such as gold, treasuries, cash and global bonds in hopes of seeking out safe havens.

In the second quarter of the fiscal year, U.S. equity markets rebounded after news of positive economic data and corporate earnings announcements. After seven years of near-zero interest rates, the Federal Reserve raised the target fed funds rate by 0.25% in December 2015. In an effort to spur the European economy, the European Central Bank announced it would continue its massive bond-buying program, known as quantitative easing. Global ex-U.S. earnings still faced large headwinds with declining commodity prices and slower economic growth prospects, particularly in China and Brazil.

The third quarter of the fiscal year was tumultuous, as global equities dropped sharply until mid-February and then quickly rebounded by the end of the quarter. The markets reacted positively as Federal Reserve Chair Janet Yellen announced that further interest rate hikes would be deferred and stated that the Federal Open Market Committee should "proceed cautiously" in raising rates. In the United Kingdom, the Sterling experienced downward pressure due to the impending referendum vote on whether to remain or leave the European Union.

The markets continued to move upward in the fourth quarter of the fiscal year, and reversed sharply when the results of the referendum vote reflected the United Kingdom's break with the European Union. Global equity markets lost nearly $3 trillion in market value following news of the results, but recouped a majority of the initial declines during the final trading days of June.

Despite the periods of volatility and uncertainty, LACERS' investment portfolio remained well diversified and ended the fiscal year with a positive return, as detailed in the next section.

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 $14.0 billion on June 30, 2016, a decrease of $0.1 billion over the prior fiscal year. The Fund realized a 0.5% (gross of fees) return for the fiscal year. Individual asset class gross returns were: U.S. equity, 1.6%; non-U.S. equity, -7.7%; core fixed income, 6.0%; credit opportunities, 2.0%; private equity, 3.4%; and real assets, 9.3%.

The total portfolio outperformed its policy benchmark by 36 basis points for the fiscal year, benefiting from the strong relative performance of non-U.S. publicly traded equity, and real assets, which outperformed their benchmarks by 252 and 333 basis points, respectively.

The Investment Results table presented on page 65 provides a summary of time-weighted rates of return based on fair value of assets by asset classes and for the total fund.

Policies, Procedures and Guidelines

During the fiscal year, the Board of Administration continued a comprehensive review of the LACERS Investment Policy that began in fiscal year 2014-2015. The Board reviewed and affirmed revisions to the following topical policies: Geopolitical Investment Risk, Manager Search and Selection, Emerging Investment Manager, Real Estate Investment, Private Equity Investment, Specialized, Non-Traditional Alternative Investment, Soft Dollars and Commission Recapture, Brokerage, and Securities Lending. The Board's approval of all policy revisions is expected to occur in the next fiscal year upon completion of the review process.

Investment Manager Contract Awards and Renewals

As presented in the table on page 66, contracts with 8 investment managers of publicly traded securities were awarded or renewed during the fiscal year: one with a U.S. equity index manager, three with non-U.S. equity managers, one with a core fixed income manager, one with a U.S. high yield fixed income manager, and two with multi-passive index managers.

Private Investments

LACERS approved 20 private equity partnerships totaling $357 million of committed capital, and two real estate partnerships totaling $50 million of committed capital, as presented in the table on page 66.

Respectfully submitted,

Rodney L. June
Chief Investment Officer

Outline of Investment Policies
Fiscal Year 2015-2016

The Los Angeles City Employees' Retirement System's (LACERS, or the System) general investment 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	1.6	11.0	11.2
Russell 3000	2.1	11.1	11.6
Non-U.S. Equity	-7.7	3.0	1.9
MSCI ACWI ex U.S.	-10.2	1.2	0.1
Private Equity	3.4	10.3	10.5
Russell 3000 plus 300 bps	5.2	14.5	15.1
Core Fixed Income[(2)]	6.0	4.6	--
Barclays U.S. Aggregate	6.0	4.1	--
Credit Opportunities[(3)]	2.0	4.4	--
Credit Opportunities Blend[(4)]	4.5	5.3	--
Real Assets	9.3	9.9	9.7
CPI plus 5%	6.0	6.1	6.3
LACERS Total Fund	0.5	7.0	7.2
LACERS Policy Benchmark	0.2	6.5	6.9

(1) Time-weighted rate of return based on fair value of assets for all asset classes.
(2) Fixed income mandate changed from core-plus to core on July 1, 2012. Returns reflect core mandate only.
(3) Initial funding of this asset class occurred in the second quarter of 2013.
(4) 65% Barclays U.S. Corp High Yield 2% Capped/35% JP Morgan EMBI-Global Diversified.

Investment Contract Activity

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

Firms	Mandate
Aegon USA Investment Management, LLC	Active U.S. High Yield Fixed Income
Barrow, Hanley, Mewhinney & Strauss, LLC	Active Non-U.S. Developed Markets Value Equities
Blackrock Institutional Trust Company, N.A.	Multi-Passive Index
Lazard Asset Management, LLC	Active Non-U.S. Developed Markets Core Equities
MFS Institutional Advisors, Inc.	Active Non-U.S. Developed Markets Growth Equities
Neuberger Berman Investment Advisers LLC	Active Core Fixed Income
Rhumbline Advisers Limited Partnership	U.S. Equity Index Funds
State Street Global Advisors	Multi-Passive Index

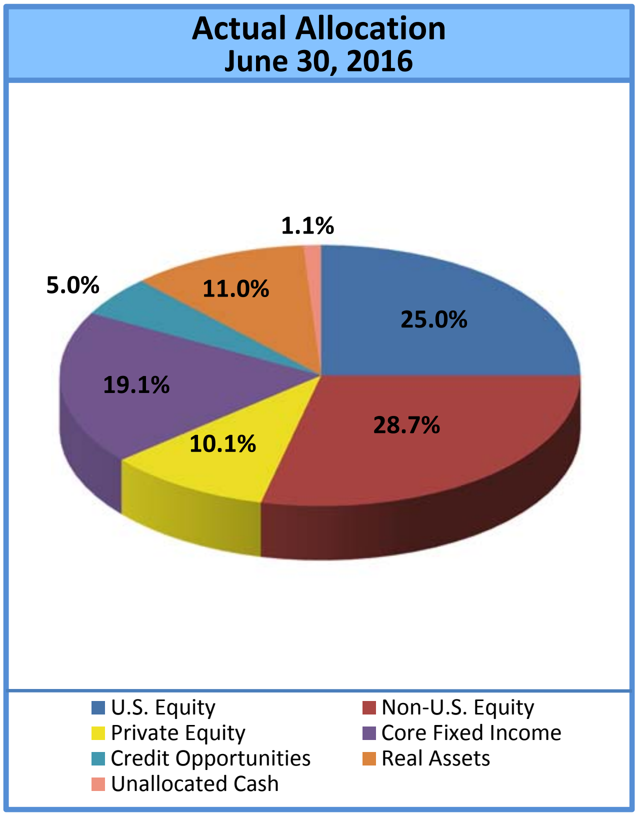
New private equity and real estate partnerships:

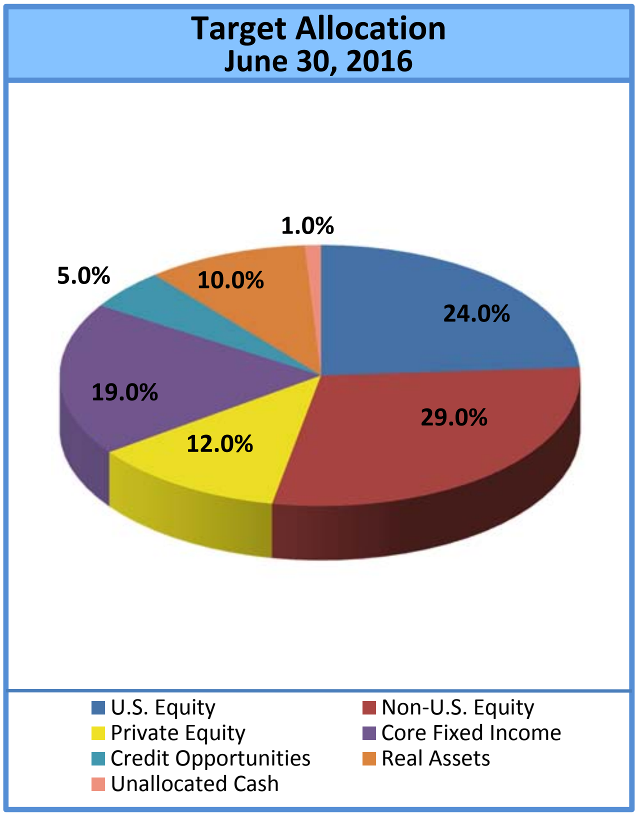
Investment Funds	Mandate
1315 Capital, L.P.	Private Equity – Growth
Advent International GPE VIII-B-2 L.P.	Private Equity – Buyout
Angeles Equity Partners I, L.P.	Private Equity – Special Situations
Astorg VI	Private Equity – Buyout
Bain Capital Asia Fund III, L.P.	Private Equity – Buyout
Berkshire Multifamily Income Realty Fund, L.P.	Real Estate – Core
CenterGate Capital Partners I, L.P.	Private Equity – Buyout
DFJ Growth 2016, L.P.	Private Equity – Growth
DFJ Venture XII, L.P.	Private Equity – Venture
Gilde Buy-Out Fund V	Private Equity – Buyout
Green Equity Investors VII, L.P.	Private Equity – Buyout
Harvest Partners VII, L.P.	Private Equity – Buyout
Longitude Venture Partners III, L.P.	Private Equity – Venture Capital
Searchlight Capital II, L.P.	Private Equity – Special Situations
Spark Capital Growth Fund II, L.P.	Private Equity – Venture Capital
Standard Life Investments European Real Estate Club II	Real Estate – Non-Core
Stepstone Secondary Opportunities Fund III, L.P.	Private Equity – Special Situations
Sunstone Partners I, L.P. (Formerly TC Growth Partners)	Private Equity – Buyout
TCV IX, L.P.	Private Equity – Venture Capital
Thoma Bravo Fund XII, L.P.	Private Equity – Buyout
Vista Foundation Fund III, L.P.	Private Equity – Buyout
Vista Equity Partners Fund VI, L.P.	Private Equity – Buyout

Asset Allocation
As of June 30, 2016

	Actual		Target
U.S. Equity	25.0%	U.S. Equity	24.0%
Non-U.S. Equity	28.7	Non-U.S. Equity	29.0
Private Equity[1]	10.1	Private Equity	12.0
Core Fixed Income	19.1	Core Fixed Income	19.0
Credit Opportunities	5.0	Credit Opportunities	5.0
Real Assets	11.0	Real Assets	10.0
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 Fair Value

Displayed below are the ten largest holdings in each asset class along with their fair and share/par values as of June 30, 2016. A complete listing of the System's top 100 holdings is available on www.LACERS.org.

Largest U.S. Equity Holdings(1)

	Shares	Asset Description		Fair Value (in US$)
1.	819,403	Apple Inc.	$	78,334,927
2.	1,219,395	Microsoft Corp.		62,396,442
3.	607,718	Exxon Mobil Corp.		56,967,485
4.	434,127	Johnson & Johnson		52,659,605
5.	58,344	Amazon Inc.		41,752,133
6.	1,285,690	General Electric		40,473,521
7.	347,539	Facebook Inc.		39,716,757
8.	908,084	AT&T Inc.		39,238,310
9.	257,089	Berkshire Hathaway Inc.		37,223,916
10.	589,720	JP Morgan Chase & Co.		36,645,201
		Total	$	485,408,297

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

	Shares	Asset Description		Fair Value (in US$)
1.	533,412	Nestle SA	$	41,147,518
2.	451,507	Novartis AG		37,146,670
3.	134,882	Roche Hldgs AG		35,458,099
4.	1,341,400	Tencent Hldgs Ltd.		30,448,835
5.	22,995	Samsung Electronic		28,448,040
6.	417,164	British American Tobacco		27,007,706
7.	4,456,703	AIA Group Ltd.		26,626,645
8.	237,528	Bayer AG		23,749,356
9.	1,219,372	Compass Group Plc.		23,179,402
10.	421,382	Imperial Brands Plc.		22,833,504
		Total	$	296,045,775

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

List of Largest Assets Held by Fair Value

Largest U.S. Fixed Income Holdings[1]

	Par Value	Asset Description		Fair Value (in US$)
1.	82,000,000	United States Treas Bills Dtd 03/10/2016 Due 09/08/2016	$	81,968,102
2.	52,617,000	United States Infl Indxd Treas Notes 0.25% Tb Due 01/15/2025		53,952,753
3.	48,468,000	United States Treas Notes Inflation Index 0.125% Nts Due 07/15/2024		49,321,874
4.	46,600,000	United States Treas Bills Dtd 03/24/2016 Due 09/22/2016		46,574,090
5.	37,824,000	United States Treas Infl Ix Treas Bd 0.625% Due 01/15/2024		40,598,732
6.	27,752,000	United States Treas Bds Index Linked 2.00% Due 01/15/2026		39,350,284
7.	29,125,000	United States Treas Bds Dtd 08/15/1993 6.25% Due 08/15/2023		39,037,752
8.	33,957,668	United States Treas Nts Dtd 08/15/2010 2.625% Due 08/15/2020		36,303,190
9.	33,500,000	United States Treas Infl Nts Dtd 07/15/2015 0.375% Due 07/15/2025		34,797,065
10.	32,559,000	United States Treas Infl Indexed Nts 0.125% Due 01/15/2023		34,191,426
		Total	$	456,095,268

Largest Non-U.S. Fixed Income Holdings[1]

	Par Value (in local currency)	Asset Description		Fair Value (in US$)
1.	7,330,000	Anheuser-Busch 3.65% Due 02/01/2026	$	7,852,233
2.	5,850,000	Pvtpl Macquarie Bk Ltd 1.65% Due 03/24/2017		5,862,981
3.	4,899,083	Pvtpl British Awys Pass Thru Tr 2013-1A 4.625% Due 06/20/2024		5,170,982
4.	5,080,000	Anz New Zealand Intl Ltd Medium Term 1.40% Due 04/27/2017		5,089,743
5.	4,885,000	Toronto Dominion Bk Sr Medium Term Bk Nt 1.50% Due 09/09/2016		4,891,683
6.	4,435,000	HSBC Hldgs Plc 3.90% Due 05/25/2026		4,562,799
7.	3,440,000	Spain (Kingdom of) 2.90% Bds Due 10/31/2046		4,304,547
8.	4,080,000	Ingersoll-Rand 3.55% Due 11/01/2024		4,292,788
9.	765,000	Mexico (Utd Mex St) 7.25% Mbonos Due 12/15/2016		4,200,479
10.	3,510,000	Anheuser-Busch 4.90% Due 02/01/2046		4,113,165
		Total	$	50,341,400

(1) The U.S. Fixed Income and Non-U.S. Fixed Income holdings represent the fair value of LACERS separate accounts and the fair value of LACERS ownership in mutual fund-like accounts.

Schedules of Fees and Commissions

Schedule of Fees

(In Thousands)

	2016 Assets Under Management	Fees	2015 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	$ 3,760,714	$ 5,653	$ 3,604,582	$ 5,425
Equity Managers	7,542,083	19,840	8,102,421	20,281
Real Estate Managers	823,132	10,936	655,936	13,986
Private Equity Managers	1,418,649	26,614	1,335,988	20,317
Total	$ 13,544,578	$ 63,043	$ 13,698,927	$ 60,009
Investment Consulting Fees	N/A	$ 1,396	N/A	$ 1,313
Investment Related Administrative Expense	N/A	2,101	N/A	1,274
Total	N/A	$ 3,497	N/A	$ 2,587

Schedule of Top Ten Brokerage Commissions

	Broker	Shares	Commission	$/Share
1.	Merrill Lynch International Limited	114,539,593	$ 235,529	$ 0.002
2.	The Northern Trust Company	19,350,877	159,147	0.008
3.	UBS Limited	21,380,497	139,302	0.007
4.	Morgan Stanley and Co., LLC	59,087,748	91,217	0.002
5.	J.P. Morgan Securities Plc	14,261,709	79,069	0.006
6.	Citigroup Global Markets Inc.	64,270,642	70,269	0.001
7.	Goldman, Sachs and Co.	48,611,644	62,217	0.001
8.	Deutsche Bank Securities	59,016,537	56,653	0.001
9.	State Street Bank and Trust Company	5,622,294	55,954	0.010
10.	Liquidnet Inc.	3,824,111	54,138	0.014
	Total	409,965,652	1,003,495	0.002
	Total - Other Brokers	791,227,357	2,253,345	0.003
	Grand Total[(1)]	1,201,193,009	$ 3,256,840	$ 0.003

(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 $19,969 commission credit from ConvergEx, which was rebated to LACERS in cash.

Investment Summary
As of June 30, 2016

Type of investment	Total Fair Value	% of Total Fair Value	Domestic Fair Value	Foreign Fair Value
Fixed Income				
Government bonds	$ 1,143,244,588	8.03%	$ 937,518,106	$ 205,726,482
Government agencies	40,401,579	0.28	25,507,243	14,894,336
Municipal / provincial bonds	5,389,738	0.04	1,430,754	3,958,984
Corporate bonds	1,221,576,214	8.58	903,752,961	317,823,253
Bank loans	2,110,580	0.01	2,110,580	-
Government mortgage bonds	339,644,558	2.39	339,644,558	-
Commercial mortgage bonds	67,314,015	0.47	67,314,015	-
Opportunistic debts	84,285,691	0.59	71,860,010	12,425,681
Other fixed income (Common Fund Assets)	856,747,822	6.02	856,747,822	-
Total Fixed Income	3,760,714,785	26.41	3,205,886,049	554,828,736
Equities				
Common stock				
Basic industries	906,929,378	6.37	377,940,611	528,988,767
Capital goods industries	406,983,176	2.86	109,227,244	297,755,932
Consumer & services	1,960,484,791	13.77	851,441,434	1,109,043,357
Energy	661,842,608	4.65	347,070,287	314,772,321
Financial services	1,562,793,520	10.97	716,808,212	845,985,308
Health care	887,366,742	6.23	509,496,045	377,870,697
Information technology	1,072,658,794	7.53	678,013,890	394,644,904
Miscellaneous	34,823,081	0.24	10,048,584	24,774,497
Total Common Stock	7,493,882,090	52.62	3,600,046,307	3,893,835,783
Preferred stock	35,848,047	0.25	3,835,087	32,012,960
Stapled securities	12,352,718	0.09	-	12,352,718
Total Equities	7,542,082,855	52.96	3,603,881,394	3,938,201,461
Real Estate	823,131,549	5.78	802,832,237	20,299,312
Private Equity				
Acquisitions	823,476,333	5.78	695,156,504	128,319,829
Distressed debt	103,667,382	0.73	62,664,394	41,002,988
International acquisitions	92,178,162	0.65	22,120,378	70,057,784
Mezzanine	5,920,755	0.04	5,920,755	-
Special Situations	60,209,453	0.42	46,097,824	14,111,629
Venture capital	333,197,026	2.34	308,885,443	24,311,583
Total Private Equity	1,418,649,111	9.96	1,140,845,298	277,803,813
Security Lending Collateral	695,789,322	4.89	620,050,653	75,738,669
Total Fund(1)	$ 14,240,367,622	100.00%	$ 9,373,495,631	$ 4,866,871,991

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

Advisory/Consulting/Custody Services

Investment Advisors

U.S. Equity

AJO
BlackRock Institutional Trust Company
EAM Investors
PanAgora Asset Management
Principal Global Investors
Rhumbline Advisers

Non-U.S. Equity

AQR Capital Management
Axiom International Investors
Barrow, Hanley, Mewhinney & Strauss
Dimensional Fund Advisors
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.
State Street Global Advisors

Credit Opportunities

Aegon USA Investment Management
Prudential Investment Management
Sankaty Advisors

Public Real Assets

CenterSquare Investment Management
CoreCommodity Management
Dimensional Fund Advisors

Cash & Short-Term

The Northern Trust Company

Real Estate

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

Private Equity

1315 Capital Management
ABRY Partners
Acon-Bastion Partners
Advent International
AION Capital Partners
Alchemy Partners
Angeleno Group
Angeles Equity
Apollo Management
Ares Management
Ascribe Capital
Austin Ventures
Avenue Capital Group

Investment Advisors (Continued)

Private Equity (Continued)

Bain Capital
Baring Private Equity Asia Limited
Black Diamond Capital Management
Blackstone
Blue Sea Capital
Cardinal Health Partners
Carlyle Group
Carpenter & Company
CenterGate Capital
Charterhouse Capital Partners
CHS Capital
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
First Reserve Corporation
Gilde Buy Out Partners
Glendon Capital Management
GTCR
Halifax Capital
Hellman & Friedman Investors
High Road Capital Partners
Hony Capital
Insight Venture
Institutional Venture Partners
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
New Water Capital Partners
NGP Natural Resources
Nogales Investors
Nordic Capital
Oak HC/FT Partners
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
Searchlight Capital Partners
Spark Capital
Spire Capital
SSG Capital Partners
St. Cloud Capital
StarVest Partners
StepStone Group
Sterling Partners
Stripes Group
Sunstone Partners (Formerly TC Growth Partners)
TA Associates
Technology Crossover Ventures
TCW/Crescent Mezzanine
Texas Pacific Group
Thoma Bravo
Thoma Cressey
Trident Capital
VantagePoint Venture Partners
Vestar Capital Partners
Vicente Capital Partners
Vista Equity Partners
Welsh, Carson, Anderson & Stowe
Weston Presidio
Wynnchurch Capital
Yucaipa American Alliance

Consultants

Portfolio Advisors
The Townsend Group
Wilshire Associates

Custodian

The Northern Trust Company

This page intentionally left blank.

Actuarial

Actuarial Valuation Summary

Summary of Significant Valuation Results

	June 30, 2016	June 30, 2015	Change
I. Total Membership			
a. Active Members	24,446	23,895	2.3 %
b. Pensioners and Beneficiaries	18,357	17,932	2.4 %
II. Valuation Salary			
a. Total Annual Payroll	$1,968,702,630	$1,907,664,598	3.2 %
b. Average Monthly Salary	6,711	6,653	0.9 %
III. Benefits to Current Retirees and Beneficiaries[1]			
a. Total Annual Benefits	$778,355,427	$750,391,750	3.7 %
b. Average Monthly Benefit Amount	3,533	3,487	1.3 %
IV. Total System Assets[2]			
a. Actuarial Value	$14,752,102,625	$13,895,589,227	6.2 %
b. Market Value	14,005,059,515	14,124,760,375	(0.8) %
V. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirement Benefits	$4,985,746,123	$5,182,835,002	(3.8) %
b. Health Subsidy Benefits	544,935,475	538,064,716	1.3 %

[1] Includes July COLA.

[2] Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

	FY 2017-2018[1]		FY 2016-2017[1],[2]		Change	
VI. Budget Items	Tier 1	Tier 3	Tier 1	Tier 3	Tier 1	Tier 3
a. Retirement Benefits						
1. Normal Cost as a Percent of Pay	6.76%	3.85%	6.77%	3.51%	(0.01)%	0.34 %
2. Amortization of UAAL	15.49%	15.49%	16.44%	16.44%	(0.95)%	(0.95)%
3. Total Retirement Contribution	22.25%	19.34%	23.21%	19.95%	(0.96)%	(0.61)%
b. Health Subsidy Benefits						
1. Normal Cost as a Percent of Pay	3.48%	3.83%	3.33%	3.48%	0.15 %	0.35 %
2. Amortization of UAAL	1.43%	1.43%	1.46%[3]	1.53%	(0.03)%	(0.10)%
3. Total Health Subsidy Contribution	4.91%	5.26%	4.79%	5.01%	0.12 %	0.25 %
c. Total Contribution (a+b)	27.16%	24.60%	28.00%	24.96%	(0.84)%	(0.36)%

[1] Contributions are assumed to be made on July 15.

[2] The employer rates for Tier 2 were 17.96% for retirement benefits and 4.09% for health subsidy benefits, or 22.05% in total. Note that Tier 2 was rescinded and all Tier 2 Members were transferred to Tier 1 effective February 21, 2016.

[3] This rate was updated to 1.53% in March 2016 to reflect retiree health benefits provided to current and future part-time employees who retire with 10 or more years of eligibility service but less than 10 years of benefit service (previously not eligible for health benefits).

	June 30, 2016	June 30, 2015	Change
VII. Funded Ratio			
(Based on Valuation Value of Assets)			
a. Retirement Benefits	71.4%	69.4%	2.0%
b. Health Subsidy Benefits	80.5%	79.7%	0.8%
c. Total	72.6%	70.7%	1.9%
(Based on Market Value of Assets)			
d. Retirement Benefits	67.8%	70.5%	(2.7)%
e. Health Subsidy Benefits	76.4%	81.0%	(4.6)%
f. Total	69.0%	71.9%	(2.9)%

	June 30, 2016	June 30, 2015	Change
VIII. Net Pension Liability[1]			
Total Pension Liability	$17,424,996,329	$16,909,996,380	3.0 %
Plan Fiduciary Net Position	(11,809,329,415)	(11,920,570,019)	(0.9) %
Net Pension Liability	$ 5,615,666,914	$ 4,989,426,361	12.6 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.8%	70.5%	(2.7) %

[1] Refer to the Schedule of Changes in Net Pension Liability and Related Ratios on page 83.

Segal Consulting

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

Actuarial Certification

November 9, 2016

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, 2016, 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 the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2015. 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) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2016 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB, and in the Actuarial Section, is provided below:

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

Actuarial Section
4) Summary of Significant Valuation Results
5) Active Member Valuation Data
6) Retirees and Beneficiaries Added to and Removed from Retiree Payroll
7) Solvency Test
8) Schedule of Funding Progress
9) Actuarial Analysis of Financial Experience
10) Actuarial Balance Sheet
11) Schedule of Changes in Net Pension Liability and Related Ratios*
12) Projection of Plan's Fiduciary Net Position for use in Calculation of Discount Rate as of June 30, 2016*

* Source: Segal's GASB Statement No. 67 valuation report as of June 30, 2016.

Actuarial Certification (Continued)

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, FCA, EA
Vice President and Actuary

Active Member Valuation Data

Member Population: 2007 – 2016

Year Ended June 30	Active Members[1]	Covered-Employee Payroll	Annual Average Pay[2]	Change in Annual Average Pay (%)
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
2015	23,895	1,907,664,598	79,835	1.0
2016	24,446	1,968,702,630	80,533	0.9

(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
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
2015	1,083	55,849,106	683	22,013,426	17,932	750,391,750	4.7	41,847
2016	1,082	51,056,286	657	23,092,610	18,357	778,355,426	3.7	42,401

(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 Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For: Active Member Contributions	Retirees, Beneficiaries & Inactive/Vested	Active Members	Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Active Member Contributions	Retirees, Beneficiaries & Inactive/Vested	Active Members
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
06/30/2015	2,012,378	9,118,166	5,779,452	11,727,161	100.0	100.0	10.3
06/30/2016	2,137,269	9,439,001	5,848,726	12,439,250	100.0	100.0	14.8

(1) Excludes assets transferred for 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)
06/30/2007	$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
06/30/2015	11,727,161	16,909,996	5,182,835	69.4	1,907,665	271.7
06/30/2016	12,439,250	17,424,996	4,985,746	71.4	1,968,703	253.3

(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, 2016

1. Unfunded actuarial accrued liability at beginning of year	$5,182,835,002
2. Normal cost at beginning of year	322,574,274
3. Expected contributions at beginning of year[1]	(629,883,573)
4. Interest	365,664,427
5. Expected unfunded actuarial accrued liability	5,241,190,130
6. Changes due to net experience gain[2]	(255,444,007)
7. Unfunded actuarial accrued liability at end of year	$4,985,746,123

[1] Net of the additional expected employer contributions due to the application of the 40-year minimum amortization required for the two GASB 25/27 layers, since the beginning of year UAAL was developed without the liability associated with those two layers. These additional contributions will serve to reduce the contribution loss (if any) from the scheduled one-year delay in implementing the higher contribution rates calculated in the prior valuation.

[2] The breakdown of the net experience gain is as follows:

Gain due to actual contributions more than expected (with interest to end of year)	$ (8,193,722)
Investment loss	53,562,466
Gain due to lower than expected salary increases for continuing actives	(115,585,774)
Gain due to lower than expected COLA granted to retirees and beneficiaries	(183,080,033)
Miscellaneous gain	(2,146,944)
Total gain	$(255,444,007)

Actuarial Balance Sheet

Assets		
1. Valuation value of assets ($14,005,059,515 at market value as reported by LACERS and $14,752,102,625 at actuarial value[1])		$12,439,250,206
2. Present value of future normal costs		
Employee	$1,692,325,332	
Employer	1,080,451,987	
Total		2,772,777,319
3. Unfunded actuarial accrued liability		4,985,746,123
4. Present value of current and future assets		$20,197,773,648
Liabilities		
5. Present value of future benefits		
Retired Members and beneficiaries		$ 9,185,730,095
Inactive Members		402,619,618
Active Members		10,609,423,935
Total		$20,197,773,648

[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, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability				
Service cost	$ 322,574	$ 322,380	$ 317,185	$ 312,372
Interest	1,263,556	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-	-
Differences of expected and actual experience	(300,813)	(135,821)	(164,247)	(235,829)
Changes of assumptions	-	-	785,439	-
Benefit payments, including refunds of Member contributions	(770,317)	(740,567)	(721,153)	(701,400)
Net change in total pension liability	515,000	661,143	1,367,190	487,704
Total pension liability-beginning	16,909,996	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position				
Contributions-Employer	$ 440,546	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	206,377	202,463	203,975	197,722
Net investment income	29,357	306,980	1,810,782	1,268,939
Benefit Payments, including refunds of Member contributions	(770,317)	(740,567)	(721,153)	(701,400)
Administrative expense	(17,204)	(15,860)	(12,372)	(13,281)
Other (Transfers related to Larger Annuity) [2]	-	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	(111,241)	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	11,920,570	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 11,809,329	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan fiduciary net position as a percentage of the total pension liability (b)/(a)	67.8%	70.5%	72.6%	68.2%
Covered-employee payroll	$ 1,876,946	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered-employee payroll	299.2%	271.8%	247.3%	272.3%

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

(2) $4,666,000 represents the segregation of Members' voluntary larger annuity contributions from the (pension-related) Reserve for Members' Contributions into the (non-pension related) Reserve for Larger Annuity Contributions pursuant to a suggestion made by the actuarial consultant. The Reserve balance for Larger Annuity Contributions as of June 30, 2015 was $5,200,000.

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 for fiscal year ended on June 30, 2014 primarily is 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 Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2016

(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)
2015	$11,921	$647	$770	$17	$29	$11,809
2016	11,809	637	866	17	873	12,436
2017	12,436	650	893	18	919	13,093
2018	13,093	664	948	19	967	13,757
2019	13,757	673	1,008	20	1,014	14,416
2020	14,416	685	1,072	21	1,061	15,069
2021	15,069	719	1,139	22	1,109	15,736
2022	15,736	744	1,208	23	1,157	16,407
2023	16,407	754	1,278	24	1,205	17,064
2042	24,517	111 (1)	2,329	35	1,744	24,008
2043	24,008	105 (1)	2,336	35	1,706	23,448
2044	23,448	100 (1)	2,337	34	1,663	22,840
2045	22,840	95 (1)	2,333	33	1,618	22,187
2046	22,187	89 (1)	2,326	32	1,569	21,487
2079	1,195	12 (1)	281	2	78	1,003
2080	1,003	10 (1)	242	1	65	835
2081	835	9 (1)	207	1	54	690
2082	690	8 (1)	176	1	45	566
2083	566	7 (1)	148	1	36	460
2099	12	0 (1),(2)	4	0	1	10
2100	10	0 (1),(2)	3	0	1	8
2101	8	0 (1),(2)	2	0	1	7
2102	7	0 (1),(2)	2	0	0	5
2103	5	0 (1),(2)	1	0	0	4
2104	4	0 (1),(2)	1	0	0	4
2105	4	0 (1),(2)	1	0	0	3
2106	3	0 (1),(2)	1	0	0	2
2107	2	0 (1),(2)	1	0	0	2
2108	2	0 (1),(2)	1	0	0	2
2109	2	0 (1),(2)	0 (2)	0	0	1
2110	1	0 (1),(2)	0 (2)	0	0	1
2111	1	0 (1),(2)	0 (2)	0	0	1
2112	1	0 (1),(2)	0 (2)	0	0	1
2113	1	0 (1),(2)	0 (2)	0	0	0
2114	0	0 (1),(2)	0 (2)	0	0	0

(1) Mainly attributable to employer contributions to fund each year's annual administrative expenses.

(2) Less than $1 million when rounded.

Note that in preparing the above projections, we have not taken into consideration the one-year delay between the date of the contribution rate calculation and the implementation.

Projection of Plan's Fiduciary Net Position for Use in Calculation of Discount Rate as of June 30, 2016 (Continued)

Notes to Schedule:

1. Amounts may not total exactly due to rounding.

2. Amounts shown for the year beginning July 1, 2015 row are actual amounts, based on the unaudited financial statements provided by LACERS.

3. Years 2024-2041, 2047-2078, and 2084-2098 have been omitted from this table.

4. Column (a): None of the projected beginning Plan Fiduciary Net Position amounts shown have been adjusted for the time value of money.

5. Column (b): Projected total contributions include employee and employer normal cost contributions based on closed group projections (based on covered active Members as of June 30, 2016); plus employer contributions to the unfunded actuarial accrued liability; plus contributions to fund each year's annual administrative expenses reflecting a 15-year amortization schedule. Contributions are assumed to occur halfway through the year, on average.

6. Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GAS Statement No. 67, and are based on the closed group of active, inactive vested, retired Members, and beneficiaries as of June 30, 2016. The projected benefit payments reflect the cost of living increase assumptions used in the June 30, 2016 funding valuation report. 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% was applied to all periods of projected benefit payments to determine the discount rate.

7. Column (d): Projected administrative expenses are calculated as approximately 0.14% of the projected beginning Plan Fiduciary Net Position amount. The 0.14% portion was based on the actual fiscal year 2015 - 2016 administrative expenses as a percentage of the beginning Plan Fiduciary Net Position amount as of July 1, 2015. 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 Exhibit, 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, 2016 shown earlier in this section, pursuant to paragraph 44 of GASB Statement No. 67.

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 8, 2014. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. The following assumptions used to value the Plan liabilities for funding purposes and for financial reporting purposes have been adopted by the Board.

Net Investment Return

7.50%(1)

(1) Net of investment expenses for funding and financial reporting purposes, and net of administrative expenses for funding purposes only.

Discount Rate

7.50%

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 3.

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.

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%

Mortality Rates

After Service Retirement and all Beneficiaries
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 above mortality tables contain about a 10% margin, based on actual to expected deaths, as a provision appropriate to reasonably anticipate 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:

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Retirement Rates

	Rate (%)			
	Tier 1		Tier 3	
Age	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	6.0	0.0
51	3.0	0.0	3.0	0.0
52	3.0	0.0	3.0	0.0
53	3.0	0.0	3.0	0.0
54	16.0	0.0	15.0	0.0
55	6.0	20.0	0.0(1)	19.0
56	6.0	14.0	0.0(1)	13.0
57	6.0	14.0	0.0(1)	13.0
58	6.0	14.0	0.0(1)	13.0
59	6.0	14.0	0.0(1)	13.0
60	6.0	14.0	5.0	13.0
61	6.0	14.0	5.0	13.0
62	7.0	15.0	6.0	14.0
63	7.0	15.0	6.0	14.0
64	7.0	16.0	6.0	15.0
65	12.0	17.0	11.0	16.0
66	12.0	17.0	11.0	16.0
67	12.0	17.0	11.0	16.0
68	12.0	17.0	11.0	16.0
69	12.0	17.0	11.0	16.0
70	100.0	100.0	100.0	100.0

(1) Not eligible to retire under the provisions of the Tier 3 plan.

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.

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.

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 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 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 (UAAL). The amortization method for the UAAL is a level percentage of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation). 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 employment service.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Funding Policy (Continued)

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 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.

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 (§ 4.1002(a))

All employees who became Members of LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016 (refer to Note 2 – Retirement Plan Description on pages 31 - 32 regarding the membership).

Tier 3 (§ 4.1080.2(a))

All employees who became Members of LACERS on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.

Normal Retirement Benefit

Tier 1

Age & Service Requirement (§ 4.1005(a))

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

Amount (§ 4.1007(a))

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

Tier 3

With less than 30 Years of Service (§ 4.1080.5(a)(2)(i))

Age & Service Requirement

Age 60 with 10 years of service, including 5 years of continuous City service.

Amount

1.50% per year of service credit at age 60 (not greater than 80%[1]) of the Final Average Monthly Compensation.

With 30 or more Years of Service (§ 4.1080.5(a)(2)(ii))

Age & Service Requirement

Age 60 with 30 years of service, including 5 years of continuous City service.

Amount

2.00% per year of service credit at age 60 (not greater than 80%[1]) of the Final Average Monthly Compensation.

(1) Except when benefit is based solely on the annuity component funded by the Member's contributions.

Summary of Plan Provisions (Continued)

Early Retirement Benefit

Tier 1

Age & Service Requirement (§ 4.1005(b))

- Age 55 with 10 years of continuous City service; or
- Any age with 30 years of City 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 Early Retirement benefit adjustment factors:

Age	Factor	Age	Factor
45	0.6250	53	0.8650
46	0.6550	54	0.8950
47	0.6850	55	0.9250
48	0.7150	56	0.9400
49	0.7450	57	0.9550
50	0.7750	58	0.9700
51	0.8050	59	0.9850
52	0.8350	60	1.0000

Tier 3

Age & Service Requirement (§ 4.1080.5(a)(1))

Prior to age 60 with 30 years of service, including 5 years of continuous City service.

Amount (§ 4.1080.5(a)(1))

2.00% per year of service credit (not greater than 80%[(1)]) of the Final Average Monthly Compensation, reduced for retirement ages below age 55 using the following Early Retirement benefit adjustment factors:

Age	Factor	Age	Factor
45	0.6250	50	0.7750
46	0.6550	51	0.8050
47	0.6850	52	0.8350
48	0.7150	53	0.8650
49	0.7450	54	0.8950
		55 - 60	1.0000

[(1)] Except when benefit is based solely on the annuity component funded by the Member's contributions.

Enhanced Retirement Benefit

Tier 1

Age & Service Requirement

Not applicable – see Normal Retirement age and service requirement.

Amount

Not applicable – see Normal Retirement amount.

Tier 3

With less than 30 Years of Service (§ 4.1080.5(a)(3)(i))

Age & Service Requirement

Age 63 with 10 years of service, including 5 years of continuous City service.

Amount

2.00% per year of service credit at age 63 (not greater than 80%[(1)]) of the Final Average Monthly Compensation.

With 30 or more Years of Service (§ 4.1080.5(a)(3)(ii))

Age & Service Requirement

Age 63 with 30 years of service, including 5 years of continuous City service.

Amount

2.10% per year of service credit at age 63 (not greater than 80%[(1)]) of the Final Average Monthly Compensation.

[(1)] Except when benefit is based solely on the annuity component funded by the Member's contributions.

Service Credit

Tiers 1 & 3 (§ 4.1001(a) & § 4.1080.1(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 pensionable bonuses or premium pay.[(1)]

Tier 3 (§ 4.1081(b))

Equivalent of monthly average salary of highest continuous 36 months (three years); limited to base salary and any items of compensation that are designated as pension based.[(1)]

[(1)] IRC Section 401(a)(17) compensation limit would apply to all employees who began membership in LACERS after June 30, 1996.

Summary of Plan Provisions (Continued)

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 3 (§ 4.1080.17)

Based on changes to Los Angeles area Consumer Price Index, to a maximum of 2% per year; excess not banked.

Death after Retirement

Tiers 1 & 3 (§ 4.1010(c) & § 4.1080.10(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.

(1) The retire may elect at the time of retirement to take a reduced allowance in order to provide for a higher continuance percentage pursuant to the provisions of either Section 4.1015 (Tier 1) or Section 4.1080.14 (Tier 3).

Death before Retirement

Tiers 1 & 3 (§ 4.1010(a) & § 4.1080.10(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	Number of Monthly Payments
Less than 1 year	0
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Option #2:

- Eligibility – Duty-related death or after five years of continuous service.
- Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified 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 No. 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 to defray the cost of providing a Retiree Medical Plan premium subsidy (this additional rate has increased to 4.5% for certain Members).

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 3 (§ 4.1080.3)

The Member normal contribution rate is 7% for all employees.

All Members are required to pay an additional 4% Member contribution rate to defray the cost of providing a Retiree Medical Plan premium subsidy.

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).

Summary of Plan Provisions (Continued)

Disability

Tiers 1 & 3

Service Requirement (§ 4.1008(a) & § 4.1080.8(a))

5 years of continuous service

Amount[(1)] (§ 4.1008(c) & § 4.1080.8(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.

(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 Retirement Benefit (Vested)

Tier 1 (§ 4.1006)

Age & Service Requirement

- Age 70 with 5 years of continuous City service; or
- Age 60 with 5 years of continuous City 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 and at least 10 years elapsed from first date of membership.

Amount

Normal Retirement Benefit (or refund of contributions and accumulated interest).

Age & Service Requirement

- Age 55 with 5 years of continuous City service and at least 10 years elapsed from first date of membership; or
- Age 55 with 10 years of continuous City service.
- Deferred employee who meets part-time eligibility: age 55 and at least 10 years elapsed from first date of membership.

Amount

Early Retirement Benefit (or refund of contributions and accumulated interest), using the following Early Retirement benefit adjustment factors:

Age	Factor
55	0.9250
56	0.9400
57	0.9550
58	0.9700
59	0.9850

Tier 3 (§ 4.1080.6)

Age & Service Requirement

- Age 60 with 5 years of continuous City service and at least 10 years elapsed from first date of membership; or
- Age 70 with 5 years of continuous City service, regardless of the number of years that have elapsed from first date of membership.

Amount

Normal retirement benefit (based on a Retirement Factor of 1.50%; or refund of contributions and accumulated interest).

Age & Service Requirement

- Age 60 with 30 years of continuous City service and at least 10 years elapsed from first date of membership; or
- Age 63 with 10 years of service, including 5 years of continuous City Service.

Amount

Normal retirement benefit (based on a Retirement Factor of 2.00%; or refund of contributions and accumulated interest).

Age & Service Requirement

Age 63 with 30 years of continuous City service and at least 10 years elapsed from first date of membership.

Amount

Enhanced retirement (benefit based on a Retirement Factor of 2.10%; or refund of contributions and accumulated interest).

Age & Service Requirement

Age 55 (but not yet 60) with 5 years of continuous City service and at least 10 years elapsed from first date of membership.

Amount

Early retirement benefit (based on a Retirement Factor of 1.50% instead of 2.00%; or refund of contributions and accumulated interest), using the following Early Retirement benefit adjustment factors:

Age	Factor
55	0.9250
56	0.9400
57	0.9550
58	0.9700
59	0.9850

Withdrawal of Contributions Benefit (Ordinary Withdrawal)

Refund of employee contributions with interest.

Summary of Plan Provisions (Continued)

Changes in Plan Provisions

Tier 2 was rescinded (Tier 2 Members were transferred to Tier 1) and Tier 3 became effective February 21, 2016.

Segal Consulting

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

Actuarial Certification

November 9, 2016

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 other postemployment benefit programs as of June 30, 2016, 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 the Actuarial Standards of Practice (ASOPs). Actuarial valuations are performed annually for this other postemployment benefit program with the last valuation completed as of June 30, 2015. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of Governmental Accounting Standard Board (GASB) Statement No. 43 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 LACERS. Segal did not audit LACERS' financial statements, but 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 Statement No. 43.

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 Comprehensive Annual Financial Report (CAFR) and certain supporting schedules in the Financial Section, based on the results of the June 30, 2016 actuarial valuation. A listing of the supporting schedules Segal prepared for inclusion in the Financial Section as Required Supplementary Information prescribed by GASB Statement No. 43, and in the Actuarial Section, is provided below:

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

Actuarial Section
3) Active Member Valuation Data
4) Retirees and Beneficiaries Added to and Removed from Health Benefits
5) Solvency Test for Health Benefits
6) Schedule of Funding Progress
7) Actuarial Analysis of Financial Experience
8) Actuarial Balance Sheet

Actuarial Certification (Continued)

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

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statement No. 43 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, ASA, MAAA, EA
Associate Actuary

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

Active Member Valuation Data

Member Population: 2007 – 2016

Year Ended June 30	Active Members[1]	Covered-Employee Payroll	Annual Average Pay[2]	Change in Annual Average Pay (%)
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
2015	23,895	1,907,664,598	79,835	1.0
2016	24,446	1,968,702,630	80,533	0.9

(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 Subsidies Added[1]	No. of Retirees/ Beneficiaries Removed	Annual Subsidies Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Subsidies at 6/30	Percent Increase in Annual Subsidies	Average Annual Subsidy
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
2015	860	10,844,333	534	3,174,045	14,012	112,629,520	7.3	8,038
2016	837	2,185,058	536	3,102,492	14,313	111,712,086	(0.8)	7,805

(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).

Health Benefits Valuation

Solvency Test

For Years Ended June 30
(Dollars in Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For: Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members	Valuation Value of Assets	Portion of Aggregate Accrued Liabilities Covered by Reported Assets: Inactive/ Vested Members	Retirees, Beneficiaries & Dependents	Active Members
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
06/30/2015	42,943	1,210,067	1,393,980	2,108,925	100	100	61
06/30/2016	50,413	1,275,604	1,467,671	2,248,753	100	100	63

[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)
06/30/2007	$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
06/30/2015	2,108,925	2,646,989	538,064	79.7	1,907,665	28.2
06/30/2016	2,248,753	2,793,688	544,935	80.5	1,968,703	27.7

Actuarial Analysis of Financial Experience

Development of Unfunded Actuarial Accrued Liability
for the Year Ended June 30, 2016

1.	Unfunded actuarial accrued liability as of June 30, 2015	$ 538,064,716
2.	Employer normal cost as of June 30, 2015	62,359,771
3.	Expected employer contributions during 2015/2016 fiscal year	(90,187,237)
4.	Interest	38,267,794
5.	Expected unfunded actuarial accrued liability as of June 30, 2016	548,505,044
6.	Effect of change in eligibility requirement for part-time employees	17,214,744
7.	Effect of combined gains and losses[(1)]	(20,784,313)
8.	Unfunded actuarial accrued liability as of June 30, 2016	$ 544,935,475

(1) Due in part to fewer than expected Members retiring and enrolling in a health plan than projected in the prior valuation.

Actuarial Balance Sheet

Assets	
1. Actuarial value of assets	$ 2,248,753,480
2. Present value of future normal costs	590,548,510
3. Unfunded actuarial accrued liability	544,935,475
4. Present value of current and future assets	$ 3,384,237,465
Liabilities	
5. Actuarial present value of total projected benefits	$ 3,384,237,465

Summary of Actuarial Assumptions and Actuarial Cost Method

Rationale for Assumptions

The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation is shown in the July 1, 2011 through June 30, 2014 Actuarial Experience Study dated October 8, 2014 and retiree health assumptions letter dated September 30, 2016. Unless otherwise noted, all actuarial assumptions and methods shown below apply to both Tier 1 and Tier 3 Members. These assumptions have been adopted by the Board.

Data

LACERS provided detailed census data and financial information for post-employment benefits.

Post-Retirement Mortality Rates

Healthy Members and all Beneficiaries

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 Members

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 above mortality tables contain about a 10% margin, based on actual to expected deaths, as a provision appropriate to reasonably anticipate 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 (%)
0	13.25
1	11.00
2	8.75
3	7.25
4	5.75

Retirement Rates

	Rate (%)			
	Tier 1		Tier 3	
Age	Non-55/30	55/30	Non-55/30	55/30
50	6.0	0.0	6.0	0.0
51	3.0	0.0	3.0	0.0
52	3.0	0.0	3.0	0.0
53	3.0	0.0	3.0	0.0
54	16.0	0.0	15.0	0.0
55	6.0	20.0	0.0[1]	19.0
56	6.0	14.0	0.0[1]	13.0
57	6.0	14.0	0.0[1]	13.0
58	6.0	14.0	0.0[1]	13.0
59	6.0	14.0	0.0[1]	13.0
60	6.0	14.0	5.0	13.0
61	6.0	14.0	5.0	13.0
62	7.0	15.0	6.0	14.0
63	7.0	15.0	6.0	14.0
64	7.0	16.0	6.0	15.0
65	12.0	17.0	11.0	16.0
66	12.0	17.0	11.0	16.0
67	12.0	17.0	11.0	16.0
68	12.0	17.0	11.0	16.0
69	12.0	17.0	11.0	16.0
70	100.0	100.0	100.0	100.0

[1] Not eligible to retire under the provisions of the Tier 3 plan.

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.

Unknown Data for Members

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

Service

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

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Future Benefit Accruals

1.0 year of service per year

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%

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.

2016-2017 Fiscal Year

Carrier	Election Percent	Maximum Monthly Dental Subsidy
Delta Dental PPO	78.6%	$43.92
DeltaCare USA HMO	21.4%	$12.19

Maximum Monthly Medical Subsidy
(Not Subject to Medical Subsidy Cap)
Participant Under Age 65 or Not Eligible for Medicare A & B
2016-17 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser HMO	62.8%	$787.23	$1,574.46	$787.23
Anthem BC PPO	22.0%	$1,127.66	$1,658.48	$787.23
Anthem BC HMO	15.2%	$991.96	$1,658.48	$787.23

Maximum Monthly Medical Subsidy
(Not Subject to Medical Subsidy Cap)
Participant Eligible for Medicare A & B
2016-17 Fiscal Year

Carrier	Observed and Assumed Election Percent	Single Party Subsidy	Married/with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser Senior Adv. HMO	58.0%	$237.57	$475.14	$237.57
Anthem BC Medicare Supplement	30.2%	$496.82	$989.17	$496.82
UHC Medicare Adv. HMO for California(1)	11.8%	$258.77	$513.07	$258.77

(1) Rates for CA plan.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

Per Capita Cost Development (Continued)

Members who are subject to the retiree medical subsidy cap 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 (Subject to Medical Subsidy Cap)

	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 HMO	$203.27	$406.54	$203.27
Blue Cross Medicare Supplement	$478.43	$540.77	$478.43
UHC Medicare Adv. HMO for California	$219.09	$417.14	$219.09

Adjustments to per-capita costs based on age, gender, and status are as follows:

	Retiree		Spouse	
Age	Male	Female	Male	Female
55	0.9000	0.9292	0.7083	0.8023
60	1.0689	1.0016	0.9483	0.9305
64	1.2263	1.0625	1.1971	1.0473
65	0.9186	0.7808	0.9186	0.7808
70	1.0647	0.8415	1.0647	0.8415
75	1.1474	0.9058	1.1474	0.9058
80+	1.2356	0.9765	1.2356	0.9765

Spouse/Domestic Partner Coverage

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. Of these covered spouses/domestic partners, 100% are assumed to continue coverage if the retiree predeceases the spouse/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.

Participation

Retiree Medical and Dental Coverage Participation:

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, 2016 through June 30, 2017)

Plan	Trend to be applied to 2016-17 Fiscal Year premium
Anthem BC HMO, Under Age 65	2.22%
Anthem BC PPO, Under Age 65	8.27%
Kaiser HMO, Under Age 65	8.39%
Anthem BC Medicare Supplement, Age 65 and Over	5.14%
Kaiser Senior Adv. HMO, Age 65 and Over	6.59%
UHC Medicare Adv. HMO, Age 65 and Over	4.07%

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)
2017-2018	6.38%	2017	6.50%
2018-2019	6.13%	2018	6.25%
2019-2020	5.88%	2019	6.00%
2020-2021	5.63%	2020	5.75%
2021-2022	5.38%	2021	5.50%
2022-2023	5.13%	2022	5.25%
2023 and later	5.00%	2023 and later	5.00%

Dental Premium Trend: 5.00% for all years.

Medicare Part B Premium Trend: 5.00% for all years.

Summary of Actuarial Assumptions and Actuarial Cost Method (Continued)

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. The recently adopted Statements No. 74 and No. 75 by the Governmental Accounting Standards Board (GASB) for financial reporting purposes is expected to require the inclusion of the excise tax in the liability. Statement No. 74 is effective for fiscal years beginning after June 15, 2016 for plan reporting and Statement No. 75 is effective for fiscal years beginning after June 15, 2017 for employer reporting.

Administrative Expenses

No administrative expenses were valued separately from the premium costs.

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 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 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 (UAAL). The amortization method for the UAAL is a level percentage of payroll, assuming annual increases in total covered payroll equal to inflation plus across the board increases (other than inflation). 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. Health trend and premium assumption changes are amortized over 15 years.

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

Starting premium costs and first year trends were revised to reflect 2017 calendar year premium data.

Medical and dental carrier election assumptions were updated. Retirement rates for Tier 3 were added.

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 LACERS before July 1, 2013, and certain employees who became Members of LACERS on or after July 1, 2013. In addition, pursuant to Ordinance No. 184134, all Tier 2 employees who became Members of LACERS between July 1, 2013 and February 21, 2016 were transferred to Tier 1 effective February 21, 2016.

Summary of Plan Provisions (Continued)

Membership Eligibility (Continued)

Tier 3 (§4.1080.2(a))

All employees who became Members of LACERS on or after February 21, 2016, except as provided otherwise in Section 4.1080.2(b) of the Los Angeles Administrative Code.

Benefit Eligibility

Tier 1 (§4.1111(a)) and Tier 3 (§4.1126(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 Cap

Under Age 65 or Over Age 65 Without Medicare Part A:

Tier 1 (§4.1111(d)) and Tier 3 (§4.1126(c))

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 June 30, 2016, the maximum health subsidy is $1,580.08 per month, increasing to $1,736.88 in calendar year 2017.

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

Tier 1 (§4.1111(e)) and Tier 3 (§4.1126(d))

For retirees, a maximum health subsidy shall be paid in the amount of the single-party monthly premium of the approved Medicare supplemental or coordinated plan in which the retiree is enrolled, subject to the following vesting schedule:

Completed Years of Service Credit	Vested Percentage
1-14	75%
15-19	90%
20+	100%

Subsidy Cap for Tier 1

Tier 1 (§4.1111(b))

As of the June 30, 2011 valuation, the retiree health benefits program was changed to cap the medical subsidy for non-retired Members who do not contribute an additional 4.0% or 4.5% of employee contributions to the System.

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

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

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

Dependents

Tier 1 (§4.1111(e)(4)) and Tier 3 (§4.1126(d)(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 credit. The combined Member and dependent subsidy shall not exceed the actual premium.

Dental Subsidy for Members

Tier 1 (§4.1114(b)) and Tier 3 (§4.1129(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 June 30, 2016, the maximum dental subsidy is $43.24 per month; increasing to $44.60 in calendar year 2017.

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

Medicare Part B Subsidy for Members

Tier 1 (§4.1113) and Tier 3 (§4.1128)

If a 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.

Summary of Plan Provisions (Continued)

Surviving Spouse Subsidy

Tier 1 (§4.1115) and Tier 3 (§4.1129.1)

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

Under Age 65 or Over Age 65 Without Medicare Part A

The maximum health subsidy available for survivors is the lowest cost plan available (currently Kaiser) single-party premium ($748.03 per month as of June 30, 2016, increasing to $826.43 on January 1, 2017).

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 Credit	Vested Percentage
1-14	75%
15-19	90%
20+	100%

Changes in Plan Provisions

Tier 2 was rescinded (Tier 2 Members were transferred to Tier 1) and Tier 3 became effective February 21, 2016.

Retiree health benefits provided to current and future part-time employees who retire with 10 or more years of eligibility service but less than 10 years of benefit service (previously not eligible for health benefits).

This page intentionally left blank.

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	As a % of Annual Covered-Employee Payroll[3]	Net Investment Income (Loss)[4]	Total Additions
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
2015	207,564	381,299	20.8	308,557	897,420
2016	211,345	440,704	23.5	27,638	679,687

(1) Contributions received at the beginning of the fiscal year with discounted rate for fiscal years 2007-2008.
(2) Contributions received on July 15th of the fiscal year with discounted rate starting fiscal year 2009.
(3) Starting fiscal year 2014, when a new benefit tier was added, % of annual covered-employee payroll is an aggregate rate for all tiers and it is based on actual covered-employee payroll.
(4) Includes changes in unrealized gains and losses of investments. Investment related administrative expenses are included starting fiscal year 2014 pursuant to GASB Statement No. 67.

Schedule of Deductions by Type - Retirement Plan

(In Thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses[1]	Miscellaneous Expenses	Total Deductions
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
2015	734,736	10,121	15,946	-	760,803
2016	767,264	7,719	15,576	-	790,559

(1) Excludes investment related 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] As a % of Annual Covered Payroll[3]	Miscellaneous Income	Net Investment Income (Loss)[4]	Total Additions
2007	$ 115,233	7.0 %	$ -	$ 231,613	$ 346,846
2008	108,848	6.3	11,000[5]	(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
2015	100,467	5.5	-	59,435	159,902
2016	105,983	5.7	-	(721)	105,262

(1) Contributions received at the beginning of the fiscal year with discounted rate for fiscal years 2007-2008.
(2) Contributions received on July 15th of the fiscal year with discounted rate starting fiscal year 2009.
(3) Starting fiscal year 2014, when a new benefit tier was added, % of annual covered payroll is an aggregate rate for all tiers and it is based on actual covered payroll.
(4) Includes changes in unrealized gains and losses of investments. Investment related administrative expenses are included starting fiscal year 2014 pursuant to GASB Statement No. 67.
(5) Return of Excess Reserve.

Schedule of Deductions by Type - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	Benefit Payments	Administrative Expenses[1]	Miscellaneous Expenses	Total Deductions
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
2015	103,599	3,932	-	107,531
2016	109,940	4,151	-	114,091

(1) Excludes investment related 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	Benefit Payments	Refunds of Contributions	Admin. Expenses[1]	Misc. Expenses	Total Deductions	Net In(De)crease in Fiduciary Net Position
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
2015	381,299	207,564	308,557	897,420	734,736	10,121	15,946	-	760,803	136,617
2016	440,704	211,345	27,638	679,687	767,264	7,719	15,576	-	790,559	(110,872)

(1) Excludes investment related 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	Benefit Payments	Admin. Expenses[1]	Misc. Expenses	Total Deductions	Net In(De)crease in Fiduciary Net Position
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
2015	100,467	-	59,435	159,902	103,599	3,932	-	107,531	52,371
2016	105,983	-	(721)	105,262	109,940	4,151	-	114,091	(8,829)

(1) Excludes investment related 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

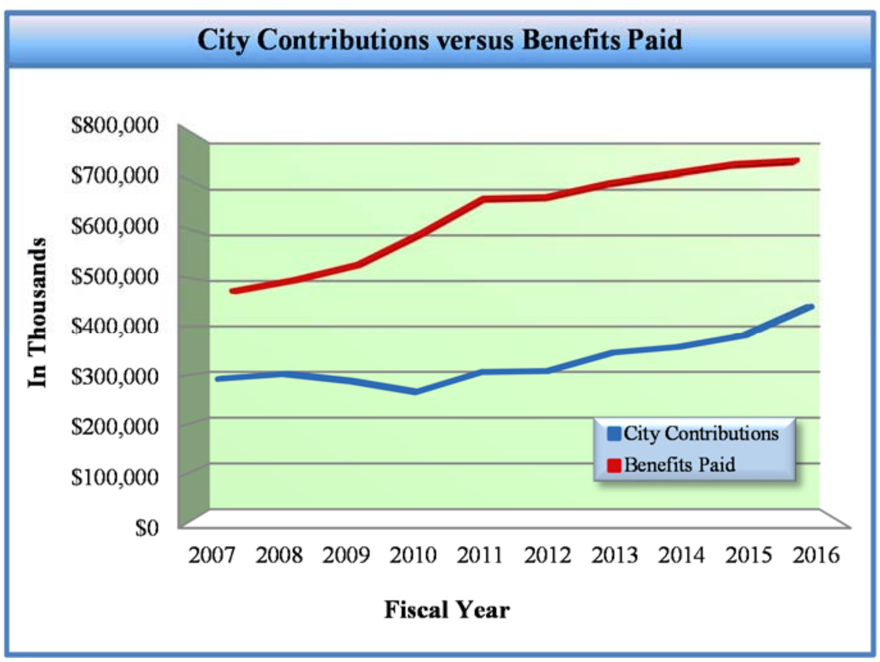
(In Thousands)

Fiscal Year	Age & Service Benefits: Retirants	Age & Service Benefits: Survivors	Death in Service Benefits	Disability Benefits: Retirants	Disability Benefits: Survivors	Sub-total	Refunds of Contributions: Separation	Refunds of Contributions: Death in Service	Refunds of Contributions: Unused Contributions	Refunds of Contributions: Misc.	Refunds of Contributions: Sub-Total	Total Benefits Paid
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
2015	627,865	76,619	2,537	18,348	9,367	734,736	3,891	1,848	1,342	3,040	10,121	744,857
2016	657,810	78,441	2,315	19,001	9,697	767,264	4,241	1,231	883	1,364	7,719	774,983

City Contributions versus Benefits Paid - Retirement Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
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
2015	381,299	744,857
2016	440,704	774,983



Schedule of Benefit Expenses by Type - Postemployment Health Care Plan

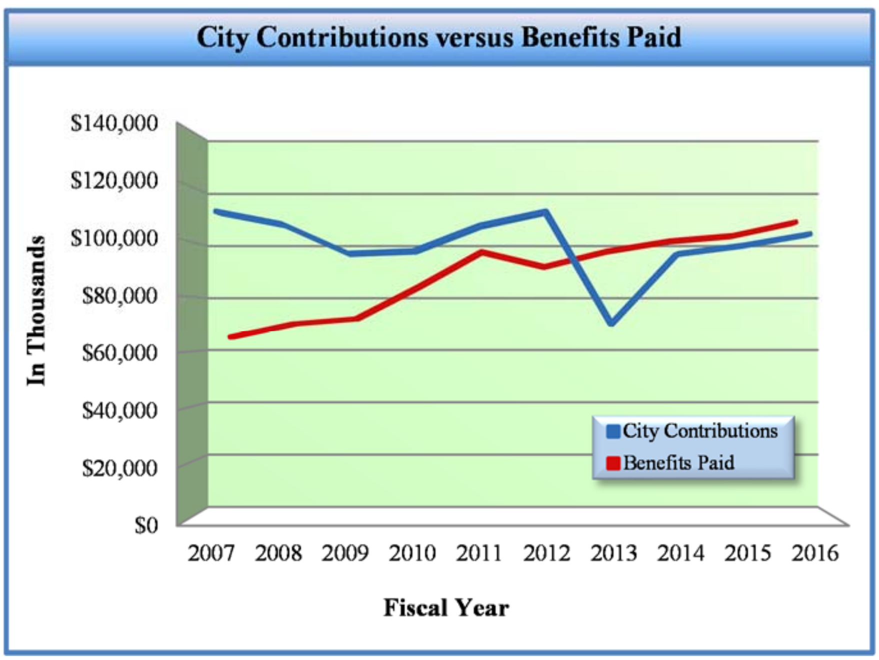
(In Thousands)

Fiscal Year	Age & Service Benefits		Death in Service Benefits	Disability Benefits		Total Benefits Paid
	Retirants	Survivors		Retirants	Survivors	
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
2015	88,530	10,803	358	2,587	1,321	103,599
2016	94,256	11,240	332	2,723	1,389	109,940

City Contributions versus Benefits Paid - Postemployment Health Care Plan

(In Thousands)

Fiscal Year	City Contributions	Benefits Paid
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
2015	100,467	103,599
2016	105,983	109,940



Schedule of Retired Members by Type of Benefits - Retirement Plan

Amount of Monthly Benefits[1]	Number of Retirants[1]	Type of Benefits[2] 1	2	3	4	5	6	7	8	9	10	11
$ 1 to $1,000	1,893	416	417	10	458	83	177	95	236	1	357	17
1,001 to 2,000	3,757	1,217	933	70	450	659	72	204	152	-	56	1
2,001 to 3,000	3,158	2,061	529	86	193	162	16	60	51	-	13	-
3,001 to 4,000	3,038	2,580	249	71	95	13	2	10	18	-	4	-
4,001 to 5,000	2,523	2,305	149	26	32	4	-	2	5	-	-	-
5,001 to 6,000	1,604	1,477	97	11	16	-	-	-	3	-	-	-
6,001 to 7,000	929	876	37	2	13	-	-	-	1	-	-	-
7,001 to 8,000	524	476	30	8	10	-	-	-	-	-	-	-
8,001 to 9,000	314	294	10	5	5	-	-	-	-	-	-	-
9,001 to 10,000	236	226	7	2	1	-	-	-	-	-	-	-
Over $10,000	335	318	12	2	3	-	-	-	-	-	-	-
Total	18,311	12,246	2,470	293	1,276	921	267	371	466	1	430	18

(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	710	443	73	11	60	80	22	21
201 to 400	4,336	2,990	977	81	133	87	31	37
401 to 600	4,236	3,589	398	50	123	45	11	20
601 to 800	1,174	829	106	33	127	62	6	11
801 to 1,000	1,301	1,249	-	-	38	14	-	-
1,001 to 1,200	1,214	1,096	-	-	90	28	-	-
1,201 to 1,400	84	71	-	-	12	1	-	-
1,401 to 1,580[1]	1,058	1,033	-	-	20	5	-	-
Total	14,113	11,300	1,554	175	603	322	70	89
Dental								
$ 0 to $ 10	2,447	546	1,302	146	105	183	68	97
11 to 20	2,306	2,137	-	-	100	69	-	-
21 to 30	702	527	-	-	107	68	-	-
31 to 40	1,244	1,040	-	-	159	45	-	-
41 to 43[2]	7,214	7,093	-	-	106	15	-	-
Total	13,913	11,343	1,302	146	577	380	68	97

(1) Maximum medical subsidy for plan year 2016.
(2) Maximum dental subsidy for plan year 2016.
(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, 2006 to June 30, 2016	Years of Credited Service 0-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/06 to 6/30/07						
Average Monthly Benefit at Retirement	$ 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 Retirees Added	41	33	62	85	74	230
Period 7/1/07 to 6/30/08						
Average Monthly Benefit at Retirement	$ 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 Retirees Added	22	36	50	91	69	229
Period 7/1/08 to 6/30/09						
Average Monthly Benefit at Retirement	$ 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 Retirees Added	25	21	51	63	55	121
Period 7/1/09 to 6/30/10						
Average Monthly Benefit at Retirement	$ 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 Retirees Added (2)	94	140	137	365	559	1,238
Period 7/1/10 to 6/30/11						
Average Monthly Benefit at Retirement	$ 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 Retirees Added	51	42	27	55	42	37
Period 7/1/11 to 6/30/12						
Average Monthly Benefit at Retirement	$ 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 Retirees Added	46	37	30	70	43	48
Period 7/1/12 to 6/30/13						
Average Monthly Benefit at Retirement	$ 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 Retirees Added	63	57	34	94	87	107
Period 7/1/13 to 6/30/14						
Average Monthly Benefit at Retirement	$ 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 Retirees Added	60	65	47	83	120	95
Period 7/1/14 to 6/30/15						
Average Monthly Benefit at Retirement	$ 969	$ 1,875	$ 2,775	$ 3,735	$ 4,707	$ 6,307
Average Final Monthly Salary(1)	$ 5,309	$ 6,386	$ 7,040	$ 7,289	$ 7,795	$ 8,379
Number of Retirees Added	66	108	62	111	234	212
Period 7/1/15 to 6/30/16						
Average Monthly Benefit at Retirement	$ 943	$ 1,756	$ 2,514	$ 3,796	$ 4,514	$ 5,498
Average Final Monthly Salary(1)	$ 5,095	$ 6,077	$ 6,786	$ 7,656	$ 7,731	$ 7,876
Number of Retirees Added	117	116	89	77	255	228
Average Monthly Continuance Benefit(3)	$ 886	$ 1,068	$ 1,388	$ 1,521	$ 1,657	$ 2,568
Number of Continuance Benefit Added(3)	79	29	24	41	32	65

(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).
(3) Additional information for Continuance Benefit is provided starting fiscal year 2016.

Schedule of Average Benefit Payments - Postemployment Health Care Plan

Retirement Effective Dates July 1, 2006 to June 30, 2016	Years of Credited Service: Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/06 to 6/30/07					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 297	$ 469	$ 562	$ 664
Number of Retirees Added	2	33	94	100	357
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 13	$ 17	$ 25	$ 27
Number of Retirees Added	4	34	91	93	352
Period 7/1/07 to 6/30/08					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 348	$ 425	$ 580	$ 646
Number of Retirees Added	3	33	60	86	327
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 20	$ 25	$ 28
Number of Retirees Added	2	32	50	85	315
Period 7/1/08 to 6/30/09					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 354	$ 508	$ 613	$ 661
Number of Retirees Added	-	20	56	50	251
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 16	$ 20	$ 23
Number of Retirees Added	2	20	51	48	251
Period 7/1/09 to 6/30/10					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 385	$ 562	$ 634	$ 786
Number of Retirees Added [2]	8	116	110	267	1,978
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 21	$ 26	$ 28
Number of Retirees Added [2]	11	120	102	261	1,987
Period 7/1/10 to 6/30/11					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 465	$ 440	$ 688	$ 648
Number of Retirees Added	1	31	31	69	145
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 12	$ 17	$ 22	$ 17
Number of Retirees Added	2	26	26	68	130
Period 7/1/11 to 6/30/12					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 372	$ 581	$ 660	$ 642
Number of Retirees Added	-	34	27	84	136
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 10	$ 17	$ 28	$ 25
Number of Retirees Added	4	25	24	75	131

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

Retirement Effective Dates July 1, 2006 to June 30, 2016	Years of Credited Service: Under 10 yrs[1]	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/12 to 6/30/13					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 428	$ 596	$ 790	$ 840
Number of Retirees Added	1	64	33	102	243
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 14	$ 21	$ 28	$ 26
Number of Retirees Added	2	55	27	95	235
Period 7/1/13 to 6/30/14					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 447	$ 619	$ 831	$ 876
Number of Retirees Added	1	57	41	93	276
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 15	$ 20	$ 30	$ 27
Number of Retirees Added	2	53	36	91	266
Period 7/1/14 to 6/30/15					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 543	$ 700	$ 914	$ 1,080
Number of Retirees Added	-	85	40	105	409
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 17	$ 26	$ 32	$ 36
Number of Retirees Added	1	78	35	102	399
Period 7/1/15 to 6/30/16					
Health Insurance					
Average Monthly Benefit at Retirement	$ -	$ 515	$ 729	$ 926	$ 1,099
Number of Retirees Added	1	88	62	61	447
Dental Insurance					
Average Monthly Benefit at Retirement	$ -	$ 16	$ 24	$ 34	$ 35
Number of Retirees Added	2	89	57	60	453

(1) Retiree health benefits are provided to part-time employees who retired with 10 or more years of service but less than 10 years of service credit beginning from fiscal year 2016 (previously not eligible for health benefits; however, they were allowed to enroll in LACERS Health Care Plan at their own cost).

(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:

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

(800) 779-8328
(888) 349-3996 TDD
(213) 473-7297 FAX
www.LACERS.org