Los Angeles City Employees' Retirement System

Results of the June 30, 2017 Fiscal Year End Financial Statement Audit

Brown Armstrong

Accountancy Corporation

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www.bacpas.com

Presented By: Rosalva Flores, CPA
Partner

Brooke Baird, CPA
Manager

December 12, 2017

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

We are pleased to have the opportunity to present to you the results of our audit of the Los Angeles City Employees' Retirement System (LACERS) financial statements for the year ending June 30, 2017.

We look forward to presenting this information and addressing your questions.

Sincerely,

Rosalva Flores, Partner
Brooke Baird, Manager
Brown Armstrong Accountancy Corporation

Agenda

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Scope of Services

- Audit of LACERS financial statements 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
- Other communications required by professional standards including:
  - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
  - Required Communication to the Audit Committee and Board of Administration

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The Engagement Team

- **Rosalva Flores, CPA** — Engagement Partner
  - **Brooke Baird** — Engagement Manager
    - **Marybeth Brooks** — Engagement Senior
      - **Engagement Staff**
  - **Alaina Sanchez, CPA** — Technical Reviewer

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Audit by Phase

Phase I	Phase II	Phase III	Phase IV
←	**Audit Planning**	→	
	Interim Field Work	**Final Field Work**	**Completion**
Familiarize ourselves with operating environment	Assess internal control environment	Plan and perform substantive audit procedures	Perform completion procedures
Perform risk assessment procedures	Perform Statement on Auditing Standards (SAS) 99 (fraud evaluation) procedures	Conduct final analytical review	Draft internal control management letter comments
Determine planning materiality	Identify internal control strengths and weaknesses	Consider audit evidence sufficiency	Draft Reports
Perform preliminary analytical review	Evaluate design and implementation of selected controls	Conclude on critical accounting matters	Draft management letter
Develop Audit Plan	Test controls over financial reporting and administration		Conduct Exit Conference with management, including discussion of proposed audit adjustments, internal control and compliance findings, and management letter
Identify significant audit areas	Understand accounting and reporting activities		Issue auditor's reports and management letter
Determine nature and extent of audit procedures			
Reevaluate the progress of the audit and make any changes on audit approach and procedures, if necessary			
Confirmation of account balances			

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Audit Timeline/Critical Dates List

Items	Due Date	Status
AUDITOR to provide population request to LACERS	Wednesday, June 21, 2017	Complete
AUDITOR to provide interim information request list to LACERS	Friday, June 23, 2017	Complete
LACERS to provide AUDITOR with populations and information for interim fieldwork testing	Friday, July 14, 2017	Complete
Beginning of interim audit fieldwork at LACERS' office	Monday, July 31, 2017	Complete
Items on interim fieldwork information request lists due	Monday, July 31, 2017	Complete
LACERS to provide trial balance and statements as of 5/31/17	Monday, July 31, 2017	Complete
AUDITOR to provide templates for custodian, investment managers, legal, and actuary confirmations	Week of July 31, 2017	Complete
Expected completion of interim fieldwork	Friday, August 4, 2017	Complete
AUDITOR to provide year-end information request list	Friday, August 11, 2017	Complete

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Audit Timeline/Critical Dates List (cont.)

Items	Due Date	Status
Custodian, investment managers, legal, and actuary confirmations returned to AUDITOR for emailing	Friday, August 11, 2017	Complete
Custodian, investment managers, and actuary confirmations due to AUDITOR and send 2nd Request via email	Friday, August 25, 2017	Complete
LACERS to provide AUDITOR with 6-30-17 trial balance	Thursday, September 7, 2017	Complete
Beginning of final fieldwork at LACERS' office	Monday September 11, 2017	Complete
Items on final fieldwork information request lists due	Monday September 11, 2017	Complete
Expected completion date of fieldwork	Week of September 18, 2017	Complete
Legal confirmations due to AUDITOR	Monday, September 25, 2017	Complete
Exit teleconference call with LACERS to go over results of fieldwork	Thursday, September 28, 2017	Complete
AUDITOR will provide authorization to release numbers to ACTUARY	Friday, September 29, 2017	Complete
LACERS to provide AUDITOR with draft cash and investment note/schedules	Wednesday, October 11, 2017	Complete

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Audit Timeline/Critical Dates List (cont.)

Items	Due Date	Status
AUDITOR to provide LACERS with draft financial section of CAFR	Friday, October 13, 2017	Complete
LACERS to provide AUDITOR with actuarial valuation reports	Tuesday, November 14, 2017	Complete
LACERS to provide AUDITOR with MD&A and suggested changes to draft	Wednesday, November 15, 2017	Complete
AUDITOR to provide LACERS with drafts of reports, including findings and recommendations	Friday, November 17, 2017	Complete
AUDITOR to provide soft copy of signed Audited Financial Statements (for Annual Report to State)	Monday, November 27, 2017	Complete
AUDITOR to deliver 40 bound copies of the audit report to LACERS	Tuesday, November 28, 2017	Complete
AUDITOR to present Financial Section at LACERS Board Meeting	Tuesday, December 12, 2017	
LACERS to provide AUDITOR with draft of entire CAFR	Friday, December 15, 2017	
AUDITOR will provide all recommendations, revisions, and suggestions for improvement to the CAFR	Tuesday, December 19, 2017	
LACERS to submit CAFR to GFOA (information only) - No action	Thursday, December 28, 2017	

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Significant Risk Areas

Area of Significance	Brown Armstrong's Response
Revenue recognition	•Test of controls was performed over contribution amounts as part of participant data •Substantive analytics were performed
Management override of controls	• An understanding of controls over journal entries was obtained and a detailed testing of journal entries was performed •Inquiries performed with individual involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries
Information Technology (IT)	•Walkthrough performed over General Controls •Reduced scope was performed in the current year pending implementation of the new pension administration system

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Significant Audit Areas

Area of Significance	Brown Armstrong's Response
Investments and related earnings	•Walkthrough of controls performed •High level analytics performed on investment income •Confirmation with custodian, managers, and consultants •Reviewed GASB Statement No. 72 valuation inputs •Obtained audited financial statements and SOC reports for traditional investments and valuation methodologies, appraisals, etc. for private equity and real estate
Participant data and actuary	•Walkthrough and test of controls •Confirmed with the actuary •Testing of participant data, including active and terminated members, and employer payroll •Testing of OPEB participant data including determining eligibility of benefits •GASB Statements No. 67/68 •GASB Statement No. 74
Employer and employee contributions	•Walkthrough and test of controls •High level analytics
Benefit payments	•Walkthrough and test of controls •High level analytics

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Passed Audit Adjustments

Uncorrected adjustment in private equity investments resulting from the lag in reporting due to timing of information.	**$17.5 million**

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Audit Opinions Issued

Report	Opinion or Required Communication
Report on Financial Statements (Opinion)	Unmodified
Report on Internal Control Structure and Compliance with Laws and Regulations Over Financial Reporting and on Compliance and Other Matters	No noncompliance noted No material weaknesses, significant deficiencies, or control deficiencies
Required Communication to the Audit Committee and Board of Administration in Accordance with Statement on Auditing Standards (SAS) 114	•Implementation of GASB Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and No. 82, *Pension Issues* •Passed Audit Adjustments

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Questions?

Thank Staff

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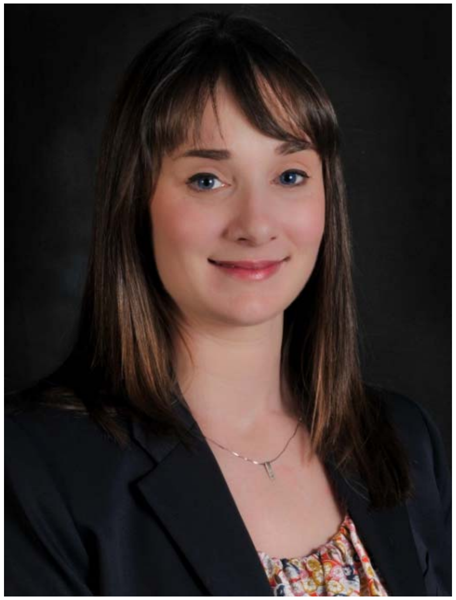

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BROWN ARMSTRONG
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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)

REPORT TO THE AUDIT COMMITTEE AND BOARD OF ADMINISTRATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF
THE CITY OF LOS ANGELES, CALIFORNIA)

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Audit Committee and Board of Administration of
Los Angeles City Employees' Retirement System
Los Angeles, California

We have audited, in accordance with the 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, the financial statements of the Los Angeles City Employees' Retirement System (LACERS), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively compromise LACERS' basic financial statements, and have issued our report thereon dated November 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LACERS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LACERS' internal control. Accordingly, we do not express an opinion on the effectiveness of LACERS' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of LACERS' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LACERS' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LACERS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LACERS' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 21, 2017

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BROWN ARMSTRONG
Certified Public Accountants

REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE AND BOARD OF ADMINISTRATION IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Audit Committee and Board of Administration of
Los Angeles City Employees' Retirement System
Los Angeles, California

We have audited the financial statements of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our scope of services outline to you dated July 25, 2017. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by LACERS are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, in fiscal year 2017, LACERS adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and GASB Statement No. 82, *Pension Issues.* We noted no transactions entered into by LACERS during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting LACERS basic financial statements were:

- Management's estimate of the fair value of investments which is derived by various methods as explained in the notes to the basic financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

- The contribution amounts and net pension and net postemployment healthcare (OPEB) liabilities which are based on the actuarial valuations including actuarially-presumed interest rate and assumptions which involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. We evaluated the key factors and assumptions used to develop the contribution amounts and net pension and OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for deposits and investments in Note 1 – Description of LACERS and Significant Accounting Policies and Note 6 – Cash and Short-Term Investments and Investments were derived from LACERS' investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the basic financial statements.

- Additionally, the disclosures related to the net pension and OPEB liabilities and actuarial methods and assumptions in Note 2 – Retirement Plan Description and Note 3 – Postemployment Health Care Plan Description were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Audit Management Issues
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any misstatements as a result of our audit procedures. However, we did identify uncorrected adjustments in investments due to the lag in reporting of LACERS' private equity investments. The attached schedule summarizes these uncorrected adjustments of the private equity investments in the fair value reporting due to information not sufficiently timely for adjusting the financial statements. The lag in reporting has been consistent from year to year and includes four quarters. Management has determined that their effects are immaterial, both individually or in the aggregate, to the basic financial statements taken as a whole.

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the Management Representation Letter dated November 21, 2017.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the LACERS' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as LACERS' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the Management Discussion and Analysis (MD&A); the Retirement Plan's Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns; and the Postemployment Health Care Plan's Schedule of Net OPEB Liability, Schedule of Changes in Net OPEB

Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses and Schedule of Investment Fees and Expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We were not engaged to report on the introductory, investment, actuarial, and statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

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This report is intended solely for the information and use of the Audit Committee, Board of Administration, and management of LACERS, and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 21, 2017

LACERS
SUMMARY OF UNADJUSTED AUDIT DIFFERENCE
6/30/2017

	Increase in Fiduciary Net Position (in 000's)
Known Audit Difference:	
Difference from timing of private equity fair value reporting	$ 17,540
Total Unadjusted Audit Difference	$ 17,540

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF
THE CITY OF LOS ANGELES, CALIFORNIA)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
(A DEPARTMENT OF THE MUNICIPALITY OF THE CITY OF LOS ANGELES, CALIFORNIA)

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of 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, 2017, 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, 2017, 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, in the fiscal year of 2017, LACERS adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to this matter.

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, as listed in the table of contents, 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.

Report on Summarized Comparative Information

We have previously audited LACERS June 30, 2016 financial statements, and our report dated November 21, 2016, 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, 2016, 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, 2017, 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, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Highlights

- The Los Angeles City Employees' Retirement System ("LACERS", or "the System") fiduciary net position as of June 30, 2017 was $15,689,570,000, an increase of $1,684,511,000 or 12.0% over the prior fiscal year.

- The total additions to the fiduciary net position of LACERS, from employer contributions made by the City of Los Angeles (the City), Member contributions, and net investment income, were $2,633,394,000, a 235.5% increase from the prior fiscal year.

- The employer contributions to the Retirement Plan represented 100% of the Actuarially Determined Contribution of employer as defined by the Governmental Accounting Standards Board (GASB) 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 Actuarially Determined Contribution of employer as defined by 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*.

- Net investment income for this fiscal year was $1,854,901,000, representing a 6,791.2% increase compared with an investment income of $26,917,000 for the previous reporting period.

- The total deduction from the fiduciary net position was $948,883,000, a 4.9% 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 $5,277,672,000 as of June 30, 2017. 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 (13.3% rate of return, gross of fees) of this fiscal year. Compared with the previous fiscal year, the NPL decreased by $337,995,000.

- The System's Net Other Postemployment Benefits (OPEB) Plan Liability for the postemployment health care benefits was $566,944,000 as of June 30, 2017. Net OPEB Liability (NOL) is an important measure required by GASB Statement No. 74. NOL is determined on market value basis, and is the difference between the Total OPEB Liability (TOL) and the Plan fiduciary net position (market value of the System's assets). NOL reflects the Plan's investment performance (13.3% rate of return, gross of fees) for this fiscal year. As compared with the previous fiscal year, NOL decreased by $91,868,000.

- The Plan fiduciary net position as a percentage of TPL for the Retirement Plan, another required disclosure by GASB Statement No. 67, is 71.4%, which is the same as the funded ratio on market value basis reported in the actuarial valuation for the retirement benefits.

- The Plan fiduciary net position as a percentage of TOL for the Postemployment Health Care Plan, another required disclosure by GASB Statement No. 74, is 81.1%, which is the same as the funded ratio on market value basis reported in the actuarial valuation for the postemployment health care benefits.

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 12 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 13 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 to the basic financial statements ("Note") 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 14 - 35 of this report.

Required Supplementary Information

In addition to the Management's Discussion and Analysis, other required supplementary information consists of Schedule of Net Pension Liability, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Retirement Plan, and Schedule of Net OPEB Liability, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Contribution History, and Schedule of Investment Returns for the Postemployment Health Care Plan. These schedules and notes primarily present multi-year information as required by the applicable financial reporting standards of GASB Statements No. 67 and No. 74. This required supplementary information can be found on pages 36 - 43 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 44 and 45 of this report.

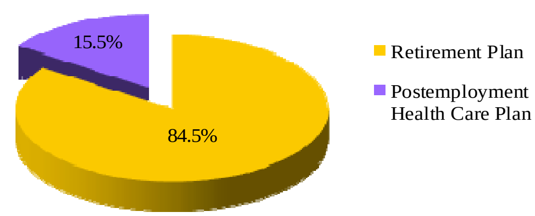
Management's Discussion and Analysis

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, 2017 (dollars in thousands):

	Fiduciary Net Position	Percent
Retirement Plan	$ 13,250,708	84.5%
Postemployment Health Care Plan	2,438,862	15.5
Fiduciary Net Position	$ 15,689,570	100.0%



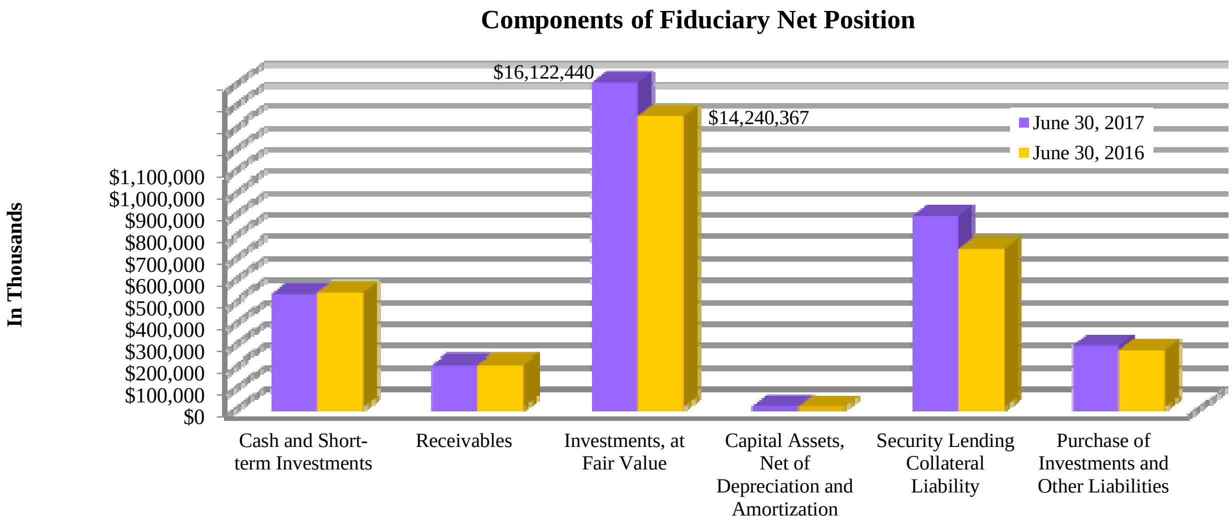
Fiduciary Net Position

The following table and graph detail the components of the fiduciary net position of LACERS as of June 30, 2017 and 2016 (dollars in thousands):

	June 30, 2017	June 30, 2016	Change	
Cash and Short-Term Investments	$ 491,514	$ 499,731	$ (8,217)	(1.6) %
Receivables	178,907	180,505	(1,598)	(0.9)
Investments, at Fair Value	16,122,440	14,240,367	1,882,073	13.2
Capital Assets, Net of Depreciation and Amortization	6,490	4,952	1,538	31.1
Total Assets	16,799,351	14,925,555	1,873,796	12.6
Securities Lending Collateral Liability	863,691	695,789	167,902	24.1
Purchase of Investments and Other Liabilities	246,090	224,707	21,383	9.5
Total Liabilities	1,109,781	920,496	189,285	20.6
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	$ 15,689,570	$ 14,005,059	$ 1,684,511	12.0 %

Financial Analysis (Continued)

Fiduciary Net Position (Continued)



The majority of LACERS fiduciary net position is contained in its investment portfolio, which consists of cash and short-term investments, receivables, fixed income, equities, and other asset classes. Fiduciary net position increased by $1,684,511,000, or 12.0%, during this fiscal year.

Net Increase (Decrease) in Fiduciary Net Position

The increase 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):

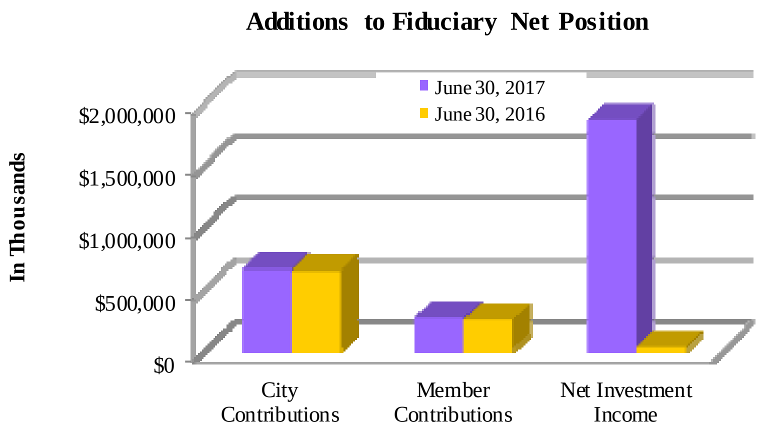
	June 30, 2017	June 30, 2016	Change	
Additions	$ 2,633,394	$ 784,949	$ 1,848,445	235.5 %
Deductions	948,883	904,650	44,233	4.9
Net Increase/(Decrease) in Fiduciary Net Position	1,684,511	(119,701)	1,804,212	1,507.3
Fiduciary Net Position, Beginning of Year	14,005,059	14,124,760	(119,701)	(0.8)
Fiduciary Net Position, End of Year	$ 15,689,570	$ 14,005,059	$ 1,684,511	12.0 %

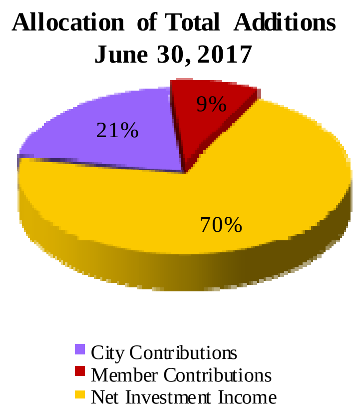
Financial Analysis (Continued)

Net Increase (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, 2017 and 2016 (dollars in thousands):

	June 30, 2017	June 30, 2016	Change
City Contributions	$ 550,961	$ 546,687	0.8 %
Member Contributions	227,532	211,345	7.7
Net Investment Income	1,854,901	26,917	6,791.2
Additions to Fiduciary Net Position	$ 2,633,394	$ 784,949	235.5 %





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 $550,961,000 during the year. The total increase of $4,274,000 (or 0.8%) over the prior fiscal year was due to a higher payroll base (approximately 5.1% increase in payroll). The total City contribution includes a true-up credit adjustment, a reduction from the advance payment of $22,341,000 to reconcile the difference of the City's contribution based on projected payroll against actual payroll. 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 27.92% (22.98% for the Retirement Plan and 4.94% for the Postemployment Health Care Plan) which is 1.20% lower than the prior fiscal year at 29.12%. The actual contribution to the Retirement Plan in the amount of $453,356,000 was equal to 100% of the Actuarially Determined Contribution (ADC) of employer, as defined by GASB Statement No. 67. The actual contribution to the Postemployment Health Care Plan in the amount of $97,457,000 was equal to 100% of the Actuarially Determined Contribution of employer, as defined by GASB Statement No. 74.

Financial Analysis (Continued)

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

In fiscal year 2016-17, Member contributions were $227,532,000, which was $16,187,000 or 7.7% 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. During this fiscal year, LACERS received a $999,000 lump sum payment of Member contributions from Los Angeles World Airport (LAWA) to settle collective bargaining issues with these Members' retroactive contributions for prior years. Although it was paid by the employer, this amount was included as Member contributions in order to comply with the requirements of GASB Statement No. 82, *Pension Issues.*

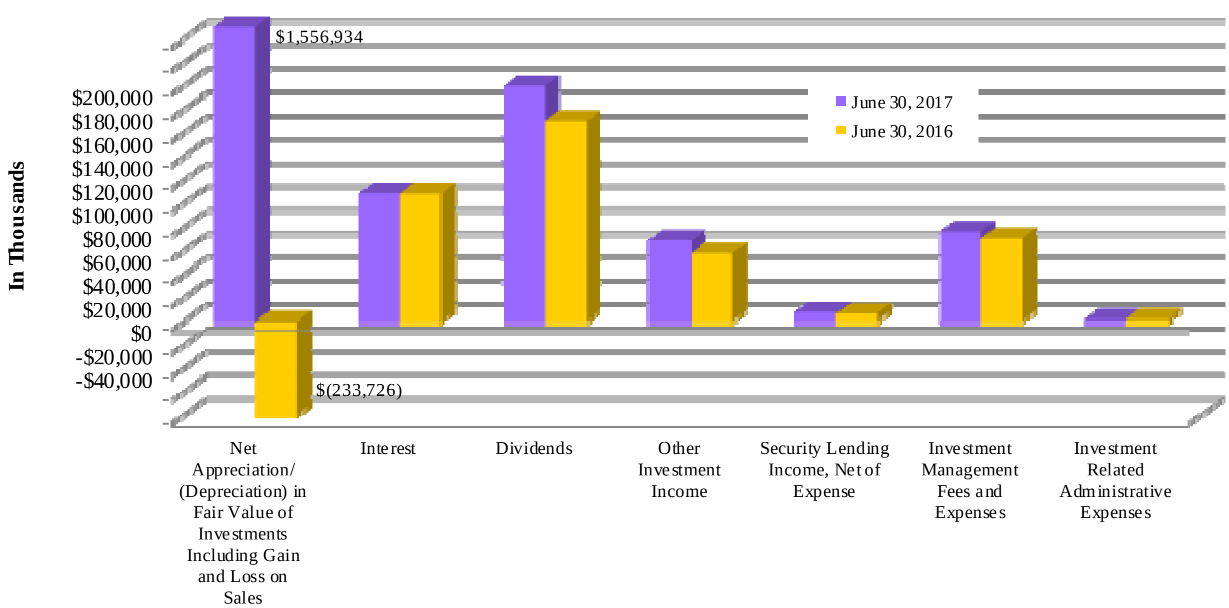
The net investment income was $1,854,901,000, which included $1,556,934,000 of net appreciation in the fair value of investments. This is discussed in more detail in the next section.

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, 2017 and 2016 (dollars in thousands):

	June 30, 2017	June 30, 2016	Change
Net Appreciation/(Depreciation) in Fair Value of Investments Including Gain and Loss on Sales	$ 1,556,934	$ (233,726)	766.1 %
Interest	102,138	103,618	(1.4)
Dividends	195,794	165,432	18.4
Other Investment Income	64,037	51,479	24.4
Security Lending Income, Net of Expense	7,842	6,654	17.9
Sub-Total	1,926,745	93,457	1,961.6
Less: Investment Management Fees and Expenses	(69,969)	(64,439)	8.6
Investment Related Administrative Expenses	(1,875)	(2,101)	(10.8)
Net Investment Income	$ 1,854,901	$ 26,917	6,791.2 %

Investment Income and Expenses



Financial Analysis (Continued)

Investment Income (Continued)

The net investment income for the current fiscal year was $1,854,901,000, as compared with the income of $26,917,000 for the previous fiscal year (6,791.2% increase). The primary cause of large increase of investment income was a $1,556,934,000 of net appreciation, including gain and loss on sales, in fair value of LACERS investment assets as compared with the previous year's net realized and unrealized loss of $233,726,000, and reflected the economic and financial strength in equity markets over the reporting period. Major U.S. and non-U.S. equity indices achieved double returns during the fiscal year. The MSCI World Ex-U.S. Index, which tracks non-U.S. equities in developed markets, returned 19.5%; the MSCI Emerging Markets Index returned 23.8%. In contrast, the Russell 3000 Index, which tracks U.S. broad market equities, returned 18.5%, while Standard & Poor's 500 Index, a gauge of U.S. large capitalization equities, returned 17.9%. With the passage of Assembly Bill No. 2833 in this fiscal year, private equity and real estate funds have started to provide detailed disclosure on fees, expenses, and carried interest. The net appreciation as reported reflects a deduction for carried interest in the amount of $33,399,000 which represents a profit share that the general partners of these funds received as a compensation after the performance of the funds achieved agreed-upon return level.

Interest income derived from bonds and other fixed income securities decreased by $1,480,000 (1.4%), which was attributed primarily to a decline in the average coupon rate of LACERS fixed income portfolio.

Dividend income derived from equities increased by $30,362,000 (18.4%) due to an increase in public equity holdings relative to the previous fiscal year.

Other investment income, primarily derived from private equity and private real estate partnership investments, increased by $12,558,000 (24.4%) to $64,037,000 in the current fiscal year. This increase was attributed to higher partnership distributions in light of a robust market environment.

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 generates income from fees paid by borrowers that pledge non-cash collateral. In the reporting year, LACERS security lending income (net of expense) increased by $1,188,000 (17.9%) 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 $5,304,000 (8.0%) from the prior year. This increase corresponded with the increase in the fair value of LACERS investments over the fiscal year.

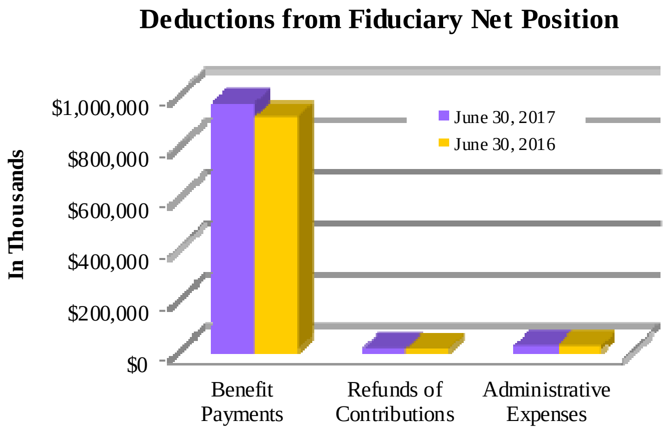
Net Increase (Decrease) in Fiduciary Net Position – Deductions from Fiduciary Net Position

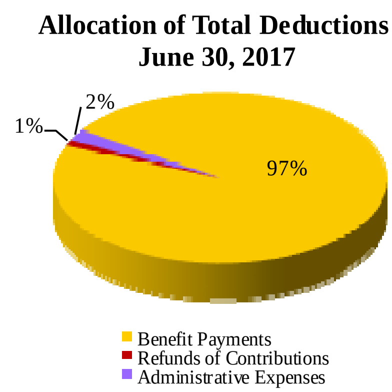
The following table and graphs provide information related to the deductions from fiduciary net position for the years ended June 30, 2017 and 2016 (dollars in thousands):

	June 30, 2017	June 30, 2016	Change
Benefit Payments	$ 918,837	$ 877,204	4.7 %
Refunds of Contributions	9,803	7,719	27.0
Administrative Expenses	20,243	19,727	2.6
Deductions from Fiduciary Net Position	$ 948,883	$ 904,650	4.9 %

Financial Analysis (Continued)

Net Increase (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 $44,233,000 or 4.9%.

Compared to the prior year, benefit payments increased by $41,633,000 or 4.7%. The benefit payments for the Retirement Plan increased by $31,957,000 (4.2%) mainly due to the annual cost of living adjustments (COLA) (approximately 0.9% 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 $9,676,000 (8.8%). This increase mainly driven by the higher maximum health subsidy amount at $1,737 per month (the maximum subsidy amount was $1,580 for the two previous years) based on the higher renewed medical premium rates as well as the higher Medicare Part B Reimbursement rate for calendar year 2017, and the increased in number of retired Members and their dependents eligible for medical subsidy. In addition, there was a retroactive adjustment made in the health care benefit expense in fiscal year 2016 related to a one-time defrayal of $3,718,000 by the return of excess premium stabilization reserve in the a postemployment healthcare provider which lowered the prior year expense, resulting to a higher increase in expense for this reporting year.

The refunds of Member contributions increased by $2,084,000 (27.0%) from the prior year's $7,719,000 mainly due to the increased in claims for the refunds of contributions upon Members leaving City service or their death.

LACERS administrative expenses increased by $516,000 or 2.6% from the prior year. This increase was primarily due to salary factors such as granted COLA increases, additional staff overtime costs for the implementation of the Pension Administration System software replacement project, and LACERS share of employer contributions to employee retirement and OPEB benefits.

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

BASIC FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
Retirement Plan and Postemployment Health Care Plan
As of June 30, 2017 with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2017 Total	2016 Total
Assets				
Cash and Short-Term Investments	$ 415,111	$ 76,403	$ 491,514	$ 499,731
Receivables				
Accrued Investment Income	44,573	8,204	52,777	50,163
Proceeds from Sales of Investments	95,098	17,503	112,601	102,334
Other	11,426	2,103	13,529	28,008
Total Receivables	151,097	27,810	178,907	180,505
Investments, at Fair Value				
U.S. Government Obligations	799,739	147,196	946,935	937,518
Municipal Bonds	3,615	665	4,280	1,431
Domestic Corporate Bonds	777,905	143,177	921,082	903,753
International Bonds	473,954	87,234	561,188	542,403
Other Fixed Income	733,729	135,046	868,775	856,747
Bank Loans	5,372	989	6,361	2,111
Opportunistic Debts	76,351	14,053	90,404	84,286
Domestic Stocks	3,561,155	655,449	4,216,604	3,603,882
International Stocks	4,056,464	746,613	4,803,077	3,938,201
Mortgages	329,795	60,701	390,496	406,958
Government Agencies	28,453	5,237	33,690	25,507
Derivative Instruments	1,993	367	2,360	-
Real Estate	705,075	129,773	834,848	823,132
Private Equity	1,333,256	245,393	1,578,649	1,418,649
Securities Lending Collateral	729,435	134,256	863,691	695,789
Total Investments	13,616,291	2,506,149	16,122,440	14,240,367
Capital Assets				
Furniture, Computer Hardware and Software (Net of Depreciation and Amortization)	5,481	1,009	6,490	4,952
Total Assets	14,187,980	2,611,371	16,799,351	14,925,555
Liabilities				
Accounts Payable and Accrued Expenses	31,745	5,843	37,588	38,484
Accrued Investment Expenses	9,104	1,675	10,779	11,324
Derivative Instruments	-	-	-	871
Purchases of Investments	166,988	30,735	197,723	174,028
Securities Lending Collateral	729,435	134,256	863,691	695,789
Total Liabilities	937,272	172,509	1,109,781	920,496
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits	**$ 13,250,708**	**$ 2,438,862**	**$ 15,689,570**	**$ 14,005,059**

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, 2017 with Comparative Totals
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	2017 Total	2016 Total
Additions				
Contributions				
City Contributions	$ 453,504	$ 97,457	$ 550,961	$ 546,687
Member Contributions	227,532	-	227,532	211,345
Total Contributions	681,036	97,457	778,493	758,032
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments, Including Gain and Loss on Sales	1,274,660	282,274	1,556,934	(233,726)
Interest	85,251	16,887	102,138	103,618
Dividends	163,423	32,371	195,794	165,432
Other Investment Income	53,450	10,587	64,037	51,479
Securities Lending Income	7,700	1,525	9,225	7,828
Less: Securities Lending Expense	(1,132)	(251)	(1,383)	(1,174)
Sub-Total	1,583,352	343,393	1,926,745	93,457
Less: Investment Management Fees and Expenses	(57,284)	(12,685)	(69,969)	(64,439)
Investment Related Administrative Expenses	(1,535)	(340)	(1,875)	(2,101)
Net Investment Income	1,524,533	330,368	1,854,901	26,917
Total Additions	2,205,569	427,825	2,633,394	784,949
Deductions				
Benefit Payments	799,221	119,616	918,837	877,204
Refunds of Contributions	9,803	-	9,803	7,719
Administrative Expenses	16,019	4,224	20,243	19,727
Total Deductions	825,043	123,840	948,883	904,650
Net Increase (Decrease) in Fiduciary Net Position	1,380,526	303,985	1,684,511	(119,701)
Fiduciary Net Position Restricted for Pension Benefits and Postemployment Health Care Benefits				
Beginning of Year	11,870,182	2,134,877	14,005,059	14,124,760
End of Year	**$ 13,250,708**	**$ 2,438,862**	**$ 15,689,570**	**$ 14,005,059**

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

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 17 - 25 of this report. All Notes to the Basic Financial Statements apply to both plans unless indicated otherwise.

Members who entered the System prior to February 21, 2016 are Tier 1 Members of LACERS. On or after February 21, 2016, new Members become Members of LACERS Tier 3 (refer to Note 2 – Retirement Plan Description on pages 17 - 18, and Note 3 – Postemployment Health Care Plan Description on page 22 for each tier's eligibility requirement and benefits provided).

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, real assets, private equity, and short-term investments. During the reporting period, there were no significant investment policy changes.

As of June 30, 2017, 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. 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

1. Description of LACERS and Significant Accounting Policies (Continued)

Investments (Continued)

information. Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. LACERS 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 31 - 33.

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, 2017, 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, 2017, the aggregate annual money-weighted rate of return on LACERS investments, net of investment expenses, was 13.03%.

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. Separate schedules for the money-weighted rate of return for Retirement Plan and Postemployment Health Care Plan are presented in the Required Supplementary Information (RSI) on pages 39 and 43, respectively.

Receivables

As of June 30, 2017, LACERS held no long-term contracts for contributions receivable form 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, 2017 was $6,194,000.

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:

Reserves for the Retirement Plan

Member Contributions (Mandatory) – To provide for individual accounts of Members consisting of 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.

1. Description of LACERS and Significant Accounting Policies (Continued)

Reserves (Continued)

Reserves for the Retirement Plan (Continued)

Member Contributions (Voluntary) – To provide for individual accounts of Members participating in the larger annuity program of Active Member voluntary contributions and interest/investment return credited to Members' accounts, less refunds of Member contributions (voluntary) and transfers to the Larger Annuity reserve.

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

Annuity – To provide for the Members' share of retirement benefits consisting of Members' mandatory contribution balances transferred at retirement; investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments; less payments to retired Members.

Larger Annuity – To provide for the Larger Annuity benefit consisting of Members' voluntary contribution balances transferred at retirement including Internal Revenue Service (IRS) Section 457 deferred compensation and other rollovers; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to participating retired Members.

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

Reserve for the Postemployment Health Care Plan

To provide health care benefits for retirees consisting of City contributions; investment earnings (losses) including net appreciation (depreciation) in fair value of investments; less payments to insurance providers and reimbursements to retired Members.

Reserve balances as of June 30, 2017, were as follows (in thousands):

Reserves for the Retirement Plan		
Member Contributions:		
- Mandatory	$ 2,289,986	
- Voluntary	5,788	
Basic Pensions	10,404,730	
Annuity	485,800	
Larger Annuity	48,543	
FDBP	15,861	$13,250,708
Reserve for the Postemployment Health Care Plan		2,438,862
Total Reserves		$ 15,689,570

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

On June 2, 2015, the GASB released two new standards: GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The new Other Postemployment Benefits (OPEB), primarily retiree health insurance, standards parallel the pension standards issued in June 2012: GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.*

In the current fiscal year, the System implemented the provisions of the GASB Statement No. 74 which requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. The implementation of this Statement also requires various other information provided through revised and new Note disclosures and RSI which, in general, parallel those under the GASB Statement No. 67.

1. Description of LACERS and Significant Accounting Policies (Continued)

Implementation of New GASB Pronouncements (Continued)

Together, the pension and OPEB standards provide consistent and comprehensive guidance for accounting and financial reporting of benefits administered by LACERS. Significant changes include: 1) a disclosure of the annual money-weighted rate of return; 2) a disclosure of the asset allocation policy; 3) a sensitivity analysis of net OPEB liability using a discount rate that is one percentage point higher and lower than the current rate; and 4) an actuarial calculation of net OPEB liability using a healthcare cost trend rate that is one percentage point higher and lower than assumed healthcare cost trend rate, as required by the Statement No. 74. This information is presented in the Note 3 - Postemployment Health Care Plan Description on pages 22 - 25 and in RSI schedules. Statement No. 74 replaces a few reporting requirements under the previously issued GASB Statements, therefore, the schedule of funding progress under GASB Statement No. 25 is no longer included in RSI. The previously reported schedule of employer contributions for the Postemployment Health Care Plan is replaced by a schedule of contribution history in RSI.

In March 2016, GASB issued Statement No. 82, *Pension Issues*, to address certain issues that have been raised with respect to the Statements No. 67, No. 68, and No. 73 such as presentation of payroll related measures in RSI and classification of employer-paid member contributions. Key changes implemented by the System include: 1) replacing the former description of “covered-employee payroll” with “covered payroll” in the RSI schedules; and 2) classifying the payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as Plan Member contributions.

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, certain Port Police officers of the Harbor, and certain Airport Peace Officers of the Airports 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 (No. 184134). Eligible employees hired on or after February 21, 2016 become Members of Tier 3.

As of June 30, 2017, the components of LACERS membership in both tiers (Tier 1 and Tier 3) were as follows:

Active:	
Vested	19,188
Non-vested	6,269
	25,457
Inactive:	
Non-vested	5,078
Terminated Entitled to Benefits, Not Yet Receiving Benefits	2,350
Retired	18,805
Total	51,690

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 Provided

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

2. Retirement Plan Description (Continued)

Eligibility Requirement and Benefits Provided (Continued)

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 a 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 benefit before reaching age 60 with 30 or more years of City 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 Final Average Compensation (FAC) based on the Member's pensionable salary for the last 36 months 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. For Tier 1 Members, the COLA percentage greater than 3.0% is banked for future use.

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

2. Retirement Plan Description (Continued)

Employer Contributions (Continued)

when due. For the year ended June 30, 2017, the actuarially-determined contribution of the employer to the Retirement Plan by the City was 22.88% of covered payroll, based on the June 30, 2015 actuarial valuation. Upon closing the fiscal year 2016-17, 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 the Retirement Plan were $18,921,000 more, and it was credited to the employer toward employer contribution for fiscal year 2017-18. Based on actual payroll, the effective rate of employer contribution for Retirement Plan was 22.98%.

Member Contributions

Tier 1

The current contribution rate for Tier 1 Members is 11% of their pensionable salary including: 1) 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 2) 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, 2017, all active Tier 1 Members are now paying additional contributions, and are not subject to the retiree medical subsidy cap.

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.

2. Retirement Plan Description (Continued)

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, 2017, the components of the net pension liability were as follows (in thousands):

Total Pension Liability	$ 18,458,188
Plan Fiduciary Net Position (1)	(13,180,516)
Plan's Net Pension Liability	$ 5,277,672
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.4%

(1) Plan fiduciary net position was $13,250,708,000 as of June 30, 2017 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, 2017, are summarized below:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Method – assuming a closed group (individual basis).
Amortization Method	Level Percent of Payroll
Actuarial Assumptions:	
Date of Experience Study	June 30, 2014 (July 1, 2011 through June 30, 2014)
Long-Term Expected Rate of Return	7.25%, net of pension plan investment expenses, including inflation assumption at 3.00%.
Inflation	3.00%
Real Across-the-Board Salary Increase	0.50%
Projected Salary Increases	Ranges from 3.90% to 10.00% based on years of service, including inflation assumption at 3.00% and the real across-the-board salary increase assumption of 0.50%.
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 forward 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.

2. Retirement Plan Description (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rates used to measure the total pension liability were 7.25% and 7.50% as of June 30, 2017 and June 30, 2016, respectively. Both rates are 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 and subtracting expected investment expenses and a risk margin. 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. Large Cap Equity	19.0%	5.6%
U.S. Small Cap Equity	5.0	6.5
Developed Int'l Equity	19.0	7.1
Developed Int'l Small Cap Equity	3.0	7.3
Emerging Market Equity	7.0	9.4
Core Bonds	19.0	1.1
Private Real Estate	5.0	4.4
Public Real Assets	5.0	3.4
Private Equity	12.0	9.0
Credit Opportunities	5.0	3.8
Cash	1.0	(0.1)
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, 2017 and June 30, 2016.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of LACERS as of June 30, 2017, calculated using the discount rate of 7.25%, as well as what LACERS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (dollar in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$7,722,365	$5,277,672	$3,243,284

3. Postemployment Health Care Plan Description

Plan Administration and Membership

LACERS administers, and provides postemployment healthcare benefits to eligible retirees and their eligible spouses/domestic partners who participate in the Retirement Plan regardless of their membership tiers. These benefits consist of subsidies which may also apply to the coverage of other eligible dependent(s).

As of June 30, 2017, the components of Membership, excluding non-participating retirees and surviving spouses of LACERS postemployment healthcare benefits were as follows:

Retired Members/Surviving Spouses(1)	14,652
Vested terminated Members entitled to, but not yet receiving benefits(2)	1,280
Active Members	25,457
Total	41,389

(1) Total participants including married dependents and dependent children currently receiving benefits are 19,539.
(2) Includes terminated Members due a refund of employee contributions.

Eligibility Requirement and Benefits Provided

To be eligible for LACERS postemployment healthcare benefits, Member must: 1) be at least age 55; 2) have at least 10 whole years of service with LACERS; and 3) be 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. Effective February 21, 2016, healthcare benefit eligibility requirements have changed Members who have periods of part-time service. Such Members are now eligible to participate in the LACERS retiree medical programs with a 10 whole years of service, even if some or all of that service was part-time, provided that the Member meets the eligibility requirements. 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 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, 2017, all active 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 page 19).

Employer Contributions

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, 2017, was 4.74% of covered payroll, determined by the June 30, 2015 actuarial valuation.

Upon closing the fiscal year 2016-17, 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 for Postemployment Plan were overpaid by $3,420,000, and the overpayment was returned to the employer as a credit toward employer contribution for fiscal year 2017-18. Based on the actual payroll, the effective rate of employer contribution for Postemployment Health Care Plan was 4.94%.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability

As of June 30, 2017, the components of the net OPEB liability were as follows (in thousands):

Total OPEB Liability	$ 3,005,806
Plan Fiduciary Net Position	(2,438,862)
Plan's Net OPEB Liability	$ 566,944
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	81.1%

Significant Assumptions

The total OPEB liability as of June 30, 2017 was determined by actuarial valuation as of June 30, 2017. The attribution method and significant assumptions used to measure the total OPEB liability, including assumptions about inflation, and healthcare cost trend rates in the valuation year of June 30, 2017, are summarized below:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Cost Method – level percent of salary.
Amortization Method:	Level Percent of Payroll – assuming a 3.50% increase in total covered payroll.
Actuarial Assumptions:	
Date of Experience Study	June 30, 2014 (July 1, 2011 through June 30, 2014)
Long-Term Expected Rate of Return	7.25%, net of OPEB plan investment expenses, including inflation assumption at 3.00%
Inflation	3.00%
Salary Increase	Range from 10.00% to 3.90% based on years of service, including inflation assumption at 3.00%
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.
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.
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.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Significant Assumptions (Continued)

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 2017-2018 and later years are:

First Fiscal Year (July 1, 2017 through June 30, 2018)		
Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	5.16%	5.72%
Anthem Blue Cross HMO	7.18%	N/A
Anthem Blue Cross PPO	7.23%	6.85%
UHC Medicare HMO	N/A	5.74%

Fiscal Year 2018 - 2019 and later	
Fiscal Year	Trend (Approx.)
2018 - 2019	6.87%
2019 - 2020	6.62%
2020 - 2021	6.37%
2021 - 2022	6.12%
2022 - 2023	5.87%
2023 - 2024	5.62%
2024 - 2025	5.37%
2025 - 2026	5.12%
2026 - 2027	4.87%
2027 - 2028	4.62%
2028 and later	4.50%

Dental Premium Trend to be applied is 4.50% for all years.

Medicare Part B Premium Trend for the 2017-18 fiscal year will be calculated based on the actual increase in premium from 2017 to 2018. 4.50% for years following the 2018 calendar year.

3. Postemployment Health Care Plan Description (Continued)

Net OPEB Liability (Continued)

Discount Rate

The discount rates used to measure the total OPEB liability were 7.25% and 7.50% as of June 30, 2017 and June 30, 2016, respectively. Both rates are long-term expected rate of return on the System's investments.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB 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 and subtracting expected investment expenses and a risk margin. 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. Large Cap Equity	19.0%	5.6%
U.S. Small Cap Equity	5.0	6.5
Developed Int'l Equity	19.0	7.1
Developed Int'l Small Cap Equity	3.0	7.3
Emerging Market Equity	7.0	9.4
Core Bonds	19.0	1.1
Private Real Estate	5.0	4.4
Public Real Assets	5.0	3.4
Private Equity	12.0	9.0
Credit Opportunities	5.0	3.8
Cash	1.0	(0.1)
Total	100.0%	

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially-determined contribution rates. For this purpose, employer contributions are intended only to fund the benefits of current plan Members and their beneficiaries.

Based on those assumptions, LACERS fiduciary net position was projected to be available to make "all" projected future benefit payments for current plan Members and their beneficiaries. Therefore, in accordance with the GASB Statement No. 74, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability as of both June 30, 2017 and June 30, 2016.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of LACERS as of June 30, 2017, calculated using the discount rate of 7.25%, as well as what LACERS net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate (dollar in thousands):

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 973,450	$ 566,944	$ 229,418

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of LACERS as of June 30, 2017, as well as what LACERS net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollar in thousands):

1% Decrease	Current Healthcare Cost Trend Rates(1)	1% Increase
$ 176,653	$ 566,944	$1,072,553

(1) Current healthcare cost trend rates: 6.87% graded down to 4.50% over 10 years for Non-Medicare medical plan costs; 6.37% graded down to 4.50% over eight years for Medicare medical plan costs; and 4.50% for all years for Dental and Medicare part B subsidy cost.

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 Underfunded Actuarial Accrued Liability (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, 2017, in the amount of $778,493,000 ($681,036,000 for the Retirement Plan and $97,457,000 for the Postemployment Health Care Plan), consisted of the following (in thousands):

	Retirement Plan	Postemployment Health Care Plan
City Contributions:		
Required Contributions	$ 453,356	$ 97,457
FDBP	148	-
Total City Contributions	453,504	97,457
Member Contributions	227,532	-
Total Contributions	$ 681,036	$ 97,457

The City contributions made for the Retirement Plan under the Required Contributions category in the amount of $453,356,000 were equal to 100% of the actuarially determined contribution of the employer. The City contributions made for the Postemployment Health Care Plan, in the amount of $97,457,000, represents 100% of the actuarially determined contribution of the employer as defined by GASB Statement No. 74. Member contributions in the amount of $227,532,000 were made toward the Retirement Plan and the voluntary Family Death Benefit Plan.

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 36 - 39 for the Retirement Plan and pages 40 - 43 for the Postemployment Health Care Plan.

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, 2017, on the Retirement Plan and Postemployment Health Care Plan included approximately $3,179,000 held in LACERS general operating accounts with the City Treasurer and short-term investments funds (STIF) of $488,335,000 for a total of $491,514,000. 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, 2017, short-term investments included collective STIF of $81,898,000, international STIF of $164,960,000, and future contracts initial margin and collaterals of $241,477,000.

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 options, and rights and warrants, are recorded in the Statement of Fiduciary Net Position with a net positive value of $2,360,000. 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. 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, 2017, are as follows (in thousands):

Derivative Type	Notional Amount	Fair Value	Change in Fair Value
Future Contracts -			
Commodities	$ 145,947	$ 2,161	$ 2,960
Equity Index	15,223	(132)	(290)
Foreign Exchange	(860)	1	(17)
Interest Rate	18,931	8	40
Currency Forward Contracts	199,880	(61)	364
Currency Options	N/A	269	269
Right / Warrants	N/A	114	(95)
Total Value		$ 2,360	$ 3,231

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, 2017, are as follows (dollars in thousands):

S & P Ratings	Fair Value	Percentage
AAA	$ 84,940	3.02 %
AA	1,261,933	44.79
A	175,455	6.23
BBB	552,946	19.63
BB	255,499	9.07
B	329,887	11.71
CCC	34,999	1.24
CC	2,560	0.09
D	628	0.02
Not Rated	118,436	4.20
	2,817,283	100.00%
U.S. Government Guaranteed Securities(1)	1,005,936	
Total Fixed Income Securities	$ 3,823,219	

(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.

6. Cash and Short-Term Investments and Investments (Continued)

Credit Risk – Derivatives (Continued)

As of June 30, 2017, without respect to netting arrangements, LACERS maximum loss on derivative instruments subject to credit risk, namely currency forward contracts, is $1,882,000. All counterparties of these investment derivatives had the credit rating of "A" assigned by the Standard & Poor's.

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, 2017, LACERS has exposure to such risk in the amount of $16,553,000 or 0.29% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 12 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, 2017, 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, 2017, 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, 2017 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	$ 80,037	1.33
Bank Loans	6,360	0.21
Commercial Mortgage-Backed Securities	33,405	4.95
Corporate Bonds	1,149,635	5.46
Government Agencies	83,032	3.92
Government Bonds	601,803	7.45
Government Mortgage-Backed Securities	357,091	3.90
Index Linked Government Bonds	542,308	7.70
Municipal/Provincial Bonds	9,387	5.25
Non-Government Backed Collateralized Mortgage Obligations (C.M.O.s)	974	2.70
Opportunistic Debts	90,404	0.30
Other Fixed Income (Funds)	868,775	6.02
Derivative Instruments	8	N/A
Total Fixed Income Securities	$ 3,823,219	

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	$ 80,037
Commercial Mortgage-Backed Securities	33,405
Government Agencies	83,032
Government Mortgage-Backed Securities	357,091
Non-Government Backed C.M.O.s	974
Total Asset-Backed Investments	$ 554,539

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.

6. Cash and Short-Term Investments and Investments (Continued)

Foreign Currency Risk (Continued)

LACERS non-U.S. currency investment holdings as of June 30, 2017, which represent 28.7% 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	$ 2,727	$ -	$ -	$ 10	$ -	$ 2,737
Australian dollar	210	159,408	-	(30)	-	159,588
Brazilian real	3,264	78,576	248	-	-	82,088
British pound sterling	1,051	662,047	-	(15)	1,251	664,334
Canadian dollar	482	180,372	-	(9)	-	180,845
Chilean peso	(3,135)	8,142	-	19	-	5,026
Chinese yuan renminbi	-	-	-	(92)	-	(92)
Colombian peso	(871)	3,427	-	76	-	2,632
Czech koruna	2,144	1,888	-	(92)	-	3,940
Danish krone	93	57,679	-	-	-	57,772
Egyptian pound	-	2,370	-	-	-	2,370
Euro	(5,814)	1,097,130	3,711	(458)	91,658	1,186,227
Hong Kong dollar	1,159	304,171	-	(10)	-	305,320
Hungarian forint	3,296	5,746	-	(37)	-	9,005
Indian rupee	7,749	117,630	-	3	-	125,382
Indonesian rupiah	3,293	31,473	833	-	-	35,599
Israeli new shekel	(477)	12,805	-	(55)	-	12,273
Japanese yen	(1,603)	740,585	-	15	-	738,997
Malaysian ringgit	110	36,844	-	1	-	36,955
Mexican peso	4,729	36,690	586	(8)	-	41,997
New Taiwan dollar	(6,230)	131,275	-	81	-	125,126
New Zealand dollar	150	10,853	-	-	-	11,003
Norwegian krone	133	32,831	-	-	-	32,964
Peruvian nuevo sol	1,201	-	-	-	-	1,201
Philippine peso	16	16,755	-	37	-	16,808
Polish zloty	2,015	17,638	-	(7)	-	19,646
Qatari rial	-	1,275	-	-	-	1,275
Russian ruble	1,900	9,958	-	41	-	11,899
Singapore dollar	(3,841)	62,241	-	(13)	-	58,387
South African rand	(2,644)	66,900	-	(119)	-	64,137
South Korean won	(1,898)	189,533	-	42	-	187,677
Swedish krona	17	102,467	-	-	-	102,484
Swiss franc	127	281,316	-	-	-	281,443
Thai baht	(801)	32,536	-	(9)	-	31,726
Turkish lira	3,384	25,468	-	-	-	28,852
United Arab Emirates dirham	-	4,949	-	-	-	4,949
Total Investments Held in Foreign Currency	$ 11,936	$ 4,522,978	$ 5,378	$ (629)	$ 92,909	$ 4,632,572

6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements

LACERS follows GASB Statement No. 72 (GASB 72), *Fair Value Measurements and Application*. GASB 72 addresses 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.

The System's investments are measured and reported within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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.

6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Schedule of Investments by Fair Value Hierarchy (Continued)

The System has the following recurring fair value measurements as of June 30, 2017 (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	$ 1,144,110	$ -	$ 1,144,110	$ -
Government Agencies	83,032	-	83,032	-
Municipal/Provincial Bonds	9,387	-	9,387	-
Corporate Bonds	1,230,646	-	1,229,736	910
Bank Loans	6,360	-	6,360	-
Government Mortgage Bonds	357,091	-	357,091	-
Commercial Mortgage Bonds	33,405	-	33,405	-
Opportunistic Debts	13,137	-	-	13,137
Total Debt Securities	2,877,168	-	2,863,121	14,047
Equity Securities:				
Common Stock:				
Basic Industries	1,136,592	1,136,525	24	43
Capital Goods Industries	521,794	521,378	-	416
Consumer & Services	2,101,328	2,099,630	-	1,698
Energy	695,279	695,235	-	44
Financial Services	1,635,198	1,634,971	-	227
Health Care	993,986	993,876	-	110
Information Technology	1,458,829	1,458,747	-	82
Real Estate	408,299	408,243	-	56
Miscellaneous	6,869	6,049	-	820
Total Common Stock	8,958,174	8,954,654	24	3,496
Preferred Stock	48,331	48,269	-	62
Stapled Securities	13,177	13,177	-	-
Total Equity Securities	9,019,682	9,016,100	24	3,558
Private Equity Funds	176,700	-	-	176,700
Real Estate Funds	117,025	-	115,288	1,737
Securities Lending Collateral	863,691	-	863,691	-
Total Investments by Fair Value Level	13,054,266	$ 9,016,100	$ 3,842,124	$ 196,042
Investments measured at the Net Asset Value (NAV):				
Common Fund Assets	868,775			
Private Equity Funds	1,401,949			
Real Estate Funds	717,823			
Opportunistic Debts	77,267			
Total Investments measured at the NAV	3,065,814			
Total Investments measured at Fair Value(1)	$ 16,120,080			
Investment Derivative Instruments:				
Future Contracts (liabilities)	$ 2,038	$ 2,038	$ -	$ -
Foreign Exchange Contracts (liabilities)	(61)	-	(61)	-
Rights/Warrants	383	92	270	21
Total Investment Derivative Instruments	$ 2,360	$ 2,130	$ 209	$ 21

(1) Excluded investment derivative instruments of $2,360,000 which is shown separately.

6. Cash and Short-Term Investments and Investments (Continued)

Fair Value Measurements (Continued)

Investments measured at the NAV: (in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Fund Assets (1)	$ 868,775	$ -	Daily	2 days
Private Equity Funds (2)	1,401,949	794,500	N/A	N/A
Real Estate Funds (3)	717,823	51,419	Daily, Quarterly	1-90 days
Opportunistic Debts (4)	77,267	-	Monthly	30 days
Total Investments measured at the NAV	$ 3,065,814	$ 845,919		

(1) Common fund assets - This investment type includes one fund that primarily invest in U.S. bonds. The fair value of the investment has 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 181 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 30 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 63.9% 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-three investments, representing approximately 36.1% 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.

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, 2017, 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, 2017 (in thousands):

Securities on Loan	Fair Value of Securities on Loan	Cash/Non-Cash Collateral Received
U.S. Government and Agency Securities	$ 533,337	$ 546,167
Domestic Corporate Fixed Income Securities	203,295	207,557
International Fixed Income Securities	54,818	57,508
Domestic Stocks	488,897	500,547
International Stocks	394,786	419,925
Total	$ 1,675,133	$ 1,731,704

7. Securities Lending Agreement (Continued)

As of June 30, 2017, the fair value of the securities on loan was $1,675,133,000. The fair value of associated collateral was $1,731,704,000 ($863,691,000 of cash collateral and $868,013,000 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 $9,225,000 and $1,383,000, respectively, for the year ended June 30, 2017.

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 27 and 28).

As of June 30, 2017, LACERS had outstanding commodities, equity index, and interest rate future contracts with an aggregate notional amount of $180,101,000, and foreign exchange future contract with a negative notional amount of $860,000 due to its short position. In addition, at June 30, 2017, LACERS had outstanding forward purchase commitments with a notional amount of $199,880,000 and offsetting forward sales commitments with notional amounts of $199,880,000, which expire through April 2018. LACERS maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury Bills. The total collateral margin was $241,477,000 as of June 30, 2017.

9. Commitments and Contingencies

As of June 30, 2017, LACERS was committed to future purchases of real estate and private equity investments at an aggregate cost of approximately $1,186,080,000 including agreements for acquisition not yet initiated.

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 Statement 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. 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 been reflected in the valuation for fiscal year June 30, 2017. The inclusion of this excise tax increased the employer's contribution rate by 0.30% of pay.

10. Subsequent Events

Date of Management's Review

The potential for subsequent events was evaluated through November 21, 2017, which was the date of management's review.

Establishment of Enhanced Benefits for Airport Peace Officers

In November 2016, voters approved a ballot measure resulting in approximately 500 sworn Airport peace officers provided an election to opt-out of the LACERS Plan and transfer to the Los Angeles Fire and Police Pension (LAFPP) Plan as Tier 6 Members.

On March 28, 2017, the City Council adopted an ordinance (No. 184853) to amend the Los Angeles Administrative Code authorizing certain sworn Airport Peace Officers (APO) at LACERS to elect to transfer into Tier 6 of LAFPP Plan or to remain in LACERS Plan. All new APO hired after that date would be enrolled in LAFPP Tier 6. Under the ordinance, APO Members who elect to remain in LACERS would be Tier 1 Members, and be eligible for enhanced benefits including more favorable disability benefits, death benefits, and a higher retirement factor of 2.30% (versus 2.16% for all other Tier 1 Members), contingent upon mandatory additional contribution payment of $5,700 per remaining Member to LACERS. The enhanced benefits will not be effective until January 7, 2018.

As of November 21, 2017, there is no complete information available how many of APO Members will remain in LACERS Plan. The final count will be available by January 7, 2018 after all affected Members file an irrevocable written election. However, it is anticipated that a large number of these Members will stay with the LACERS Plan.

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, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability	$ 18,458,188	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan Fiduciary Net Position	(13,180,516)	(11,809,329)	(11,920,570)	(11,791,079)	(10,154,486)
Plan's Net Pension Liability	$ 5,277,672	$ 5,615,667	$ 4,989,426	$ 4,457,774	$ 4,727,177
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.4%	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, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability					
Service cost	$ 340,759	$ 322,574	$ 322,380	$ 317,185	$ 312,372
Interest	1,302,278	1,263,556	1,215,151	1,149,966	1,112,561
Changes of benefit terms	-	-	-	-	-
Differences of expected and actual experience	(146,474)	(300,813)	(135,821)	(164,247)	(235,829)
Changes of assumptions	340,718	-	-	785,439	-
Benefit payments, including refunds of Member contributions	(804,089)	(770,317)	(740,567)	(721,153)	(701,400)
Net change in total pension liability	1,033,192	515,000	661,143	1,367,190	487,704
Total pension liability-beginning	17,424,996	16,909,996	16,248,853	14,881,663	14,393,959
Total pension liability-ending (a)	$ 18,458,188	$ 17,424,996	$ 16,909,996	$ 16,248,853	$ 14,881,663
Plan fiduciary net position					
Contributions-employer	$ 453,356	$ 440,546	$ 381,141	$ 357,649	$ 346,181
Contributions-Member	221,829	206,377	202,463	203,975	197,722
Net investment income	1,517,545	29,358	306,980	1,810,782	1,268,939
Benefit Payments, including refunds of Member contributions	(804,089)	(770,318)	(740,567)	(721,153)	(701,400)
Administrative expense	(17,454)	(17,204)	(15,860)	(12,372)	(13,281)
Other (Transfer to Larger Annuity Reserve) [2]	-	-	(4,666)	(2,288)	(2,514)
Net change in Plan fiduciary net position	1,371,187	(111,241)	129,491	1,636,593	1,095,647
Plan fiduciary net position-beginning	11,809,329	11,920,570	11,791,079	10,154,486	9,058,839
Plan fiduciary net position-ending (b)	$ 13,180,516	$ 11,809,329	$ 11,920,570	$ 11,791,079	$ 10,154,486
Plan's net pension liability-ending (a)-(b)	$ 5,277,672	$ 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)	71.4%	67.8%	70.5%	72.6%	68.2%
Covered payroll	$ 1,973,049	$ 1,876,946	$ 1,835,637	$ 1,802,931	$ 1,736,113
Plan's net pension liability as a percentage of covered payroll	267.5%	299.2%	271.8%	247.3%	272.3%

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

(2) On July 1, 2015, the System segregated Members' voluntary larger annuity contributions into the (non-pension related) Reserve for Larger Annuity Contributions pursuant to a suggestion made by 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 years 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 while June 30, 2017 increase primarily is due to the lowered assumed investment rate of return from 7.50% to 7.25%.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
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
2017	453,356	453,356	-	1,973,049	23.0

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: 7.25%, net of pension plan investment expenses, including inflation assumption at 3.00%.
- Inflation: 3.00%
- Real Across-the-Board Salary Increase: 0.50%

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases[1]	Ranges from 3.90% to 10.00% 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 3.00% as of June 30, 2017, plus across-the-board salary increase of 0.50% 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 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Annual money-weighted rate of return, net of investment expenses	12.6%	0.2%	2.6%	18.2%

Note to Schedule:

The rates of investment returns for the fiscal years 2015 and 2016 were much lower compared to the fiscal year 2014 or 2017. It reflected the impact of divergent and volatile global markets on LACERS investment portfolio over the reporting periods.

Required Supplementary Information
Postemployment Health Care Plan

The schedules included in the Required Supplementary Information for the Postemployment Health Care 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 OPEB Liability
2) Schedule of Changes in Net OPEB Liability and Related Ratios
3) Schedule of Investment Returns

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

Schedule of Net OPEB Liability
(Dollars in Thousands)

	June 30, 2017	June 30, 2016
Total OPEB Liability	$ 3,005,806	$ 2,793,689
Plan Fiduciary Net Position	(2,438,862)	(2,134,877)
Plan's Net OPEB Liability	$ 566,944	$ 658,812
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	81.1%	76.4%

Note to Schedule:

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

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

	June 30, 2017	June 30, 2016
Total OPEB Liability		
Service cost	$ 68,385	$ 62,360
Interest	210,170	199,078
Changes of benefit terms	-	17,215
Differences between expected and actual experience	7,216	(22,013)
Changes of assumptions	45,962	-
Benefit payments	(119,616)	(109,940)
Net change in total OPEB liability	212,117	146,700
Total OPEB liability- beginning	2,793,689	2,646,989
Total OPEB liability- ending (a)	$ 3,005,806	$ 2,793,689
Plan fiduciary net position		
Contributions- employer	$ 97,457	$ 105,983
Net investment income (loss)	330,708	(344)
Benefit Payments	(119,616)	(109,940)
Administrative expense	(4,564)	(4,528)
Net change in Plan fiduciary net position	303,985	(8,829)
Plan fiduciary net position - beginning	2,134,877	2,143,706
Plan fiduciary net position - ending (b)	$ 2,438,862	$ 2,134,877
Plan's net OPEB liability - ending (a)-(b)	$ 566,944	$ 658,812
Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a)	81.1%	76.4%
Covered payroll	$ 1,973,049	$ 1,876,946
Plan's net OPEB liability as a percentage of covered payroll	28.7%	35.1%

Note to Schedule:

Changes of Assumptions: The OPEB liability from the changes of assumptions for fiscal year ended on June 30, 2017 primarily is due to the lowered assumed investment rate of return, from 7.50% to 7.25%.

Schedule of Contribution History
(Dollars in Thousands)

Fiscal Year	Actuarially Determined Contributions (ADC)	Contributions in Relation to ADC	Contribution Deficiency	Covered Payroll	Contributions as a Percentage of Covered Payroll
2008	$108,848	$108,848	$ -	$1,741,850	6.3%
2009	95,122	95,122	-	1,832,796	5.2
2010	96,511	96,511	-	1,827,864	5.3
2011	107,396	107,396	-	1,678,059	6.4
2012	115,209	115,209	-	1,715,197	6.7
2013	72,916	72,916	-	1,736,113	4.2
2014	97,841	97,841	-	1,802,931	5.4
2015	100,467	100,467	-	1,835,637	5.5
2016	105,983	105,983	-	1,876,946	5.7
2017	97,457	97,457	-	1,973,049	4.9

Notes to Schedule:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Actuarial Cost Method (level percent of payroll).

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: 7.25%, net of OPEB plan investment expenses, including inflation assumption at 3.00%.

Inflation: 3.00%

Real Across-the-Board Salary Increase: 0.50%

Schedule of Contribution History (Continued)

Notes to Schedule (Continued)

Methods and Assumptions Used to Determine Contribution Rates (Continued)

Projected Salary Increases[1]	Ranges from 3.90% to 10.00% based on years of service.
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 3.00% as of June 30, 2017, plus across-the-board salary increase of 0.50% plus merit and promotional increases.

Schedule of Investment Returns

	Fiscal Year 2017
Annual money-weighted rate of return, net of investment expenses	15.2%

Note to Schedule:

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

SUPPLEMENTAL SCHEDULES

Schedule of Administrative Expenses
For the Year Ended June 30, 2017
(In Thousands)

	Retirement Plan	Postemployment Health Care Plan	Total
Personnel Services:			
Salaries	$ 9,240	$ 2,046	$ 11,286
Employee Development and Benefits	3,778	837	4,615
Total Personnel Services	13,018	2,883	15,901
Professional Services:			
Actuarial	188	42	230
Audit	76	17	93
Legal Counsel	620	137	757
Disability Evaluation Services	131	29	160
Retirees' Health Admin Consulting	-	677	677
Benefit Payroll Processing	182	40	222
Total Professional Services	1,197	942	2,139
Information Technology:			
Computer Hardware and Software	385	85	470
Computer Maintenance and Support	141	31	172
Total Information Technology	526	116	642
Leases:			
Office Space	779	173	952
Office Equipment	37	8	45
Total Leases	816	181	997
Other Expenses:			
Fiduciary Insurance	1	1	2
Educational and Due Diligence Travel	38	8	46
Office Expenses	272	60	332
Depreciation	151	33	184
Total Other Expenses	462	102	564
Total Administrative Expenses	$ 16,019	$ 4,224	$ 20,243

Schedule of Investment Fees and Expenses
For the Year Ended June 30, 2017
(In Thousands)

	Assets Under Management	Fees and Expenses
Retirement Plan		
Investment Management Fees:		
Fixed Income Managers	$ 3,228,920	$ 4,740
Equity Managers	7,619,605	17,814
Subtotal Investment Management Fees	10,848,525	22,554
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	655
Real Estate Consulting Fees	N/A	176
Other Consulting Fees	N/A	353
Investment Related Administrative Expenses	N/A	1,535
Subtotal Other Investment Fees and Expenses	N/A	2,719
Postemployment Health Care Plan		
Investment Management Fees:		
Fixed Income Managers	594,299	1,050
Equity Managers	1,402,428	3,945
Subtotal Investment Management Fees	1,996,727	4,995
Other Investment Fees and Expenses:		
Private Equity Consulting Fees	N/A	145
Real Estate Consulting Fees	N/A	39
Other Consulting Fees	N/A	78
Investment Related Administrative Expenses	N/A	340
Subtotal Other Investment Fees and Expenses	N/A	602
Total Investment Fees and Expenses excluding Private Equity and Real Estate	$ 12,845,252	$ 30,870
Private Equity Managers' Fees and Expenses:		
Retirement Plan	$ 1,333,256	$ 26,065
Postemployment Health Care Plan	245,393	5,772
Total Private Equity Managers' Fees and Expenses	$ 1,578,649	$ 31,837
Real Estate Managers' Fees and Expenses:		
Retirement Plan	$ 705,075	$ 7,481
Postemployment Health Care Plan	129,773	1,656
Total Real Estate Managers' Fees and Expenses	$ 834,848	$ 9,137
Total Assets Under Management and Fees and Expenses	$ 15,258,749(1)	$ 71,844(2)

(1) Excluding Security Lending Collateral assets of $863,691,000. Total Investments including Security Lending Collateral was $16,122,440,000.

(2) Included Investment Management Fees and Expenses of $69,969,000 and Investment Related Administrative Expenses of $1,875,000.