Segal Consulting

Los Angeles City Employees' Retirement System

Governmental Accounting Standards (GAS) 68 Actuarial Valuation Based on June 30, 2014 Measurement Date for Employer Reporting as of June 30, 2015

This report has been prepared at the request of the Board of Administration to assist the sponsors of the Fund in preparing their financial report for their liabilities associated with the LACERS pension plan. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Board of Administration and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

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September 22, 2015

Board of Administration
Los Angeles City Employees' Retirement System
202 W. 1st Street, Suite 500
Los Angeles, CA 90012-4401

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards (GAS) 68 Actuarial Valuation based on a June 30, 2014 measurement date for employer reporting as of June 30, 2015. It contains various information that will need to be disclosed in order for the three employer categories in LACERS (i.e., the City, Airports, and Harbor) to comply with GAS 68.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist the sponsors in preparing their financial report for their liabilities associated with the LACERS pension plan. The census and financial information on which our calculations were based was provided by the Retirement System. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the Retirement System.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By:

Paul Angelo, FSA, MAAA, FCA, EA	*Andy Yeung, ASA, MAAA, FCA, EA*
Senior Vice President and Actuary	*Vice President and Actuary*

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SECTION 1

VALUATION SUMMARY

SECTION 2

GAS 68 INFORMATION

SECTION 2 (CONTINUED)

SECTION 3

ACTUARIAL ASSUMPTIONS AND METHODS AND APPENDICES

Purpose

This report has been prepared by Segal Consulting ("Segal") to present certain disclosure information required by Governmental Accounting Standards (GAS) 68 for employer reporting as of June 30, 2015. The results used in preparing this GAS 68 report are comparable to those used in preparing the Governmental Accounting Standards (GAS) 67 report for the plan based on a reporting date and a measurement date as of June 30, 2014. This valuation is based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2014, provided by LACERS;
- The assets of the Plan as of June 30, 2014, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The Governmental Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 substantially replaces Statement 25 and is for plan reporting. Statement 68 substantially replaces Statement 27 and is for employer reporting. Statement 67 is effective with the fiscal year ending June 30, 2014 for Plan reporting and Statement 68 is effective with the fiscal year ending June 30, 2015 for employer reporting. The information contained in this valuation is intended to be used (along with other information) in order to comply with Statement 68.
- It is important to note that the new GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices.
- When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as LACERS uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on the same basis as LACERS' Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.

- The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis. The NPL reflects all investment gains and losses as of the measurement date. This is different from the UAAL calculated on an actuarial value of assets basis in the funding valuation that reflects investment gains and losses over a seven year period. The NPL decreased from $4.73 billion as of June 30, 2013 to $4.46 billion as of June 30, 2014 primarily due to the approximately 18% return on the market value of assets during 2013/2014 that exceeded the assumption of 7.75% (used in the June 30, 2013 valuation), offset somewhat by the changes in actuarial assumptions adopted as recommended in our 2014 experience study report.

  Changes in these values during the last two fiscal years ending June 30, 2013 and June 30, 2014 can be found in Exhibit 5.

- For this report, the reporting dates for the employer are June 30, 2015 and 2014. The NPL was measured as of June 30, 2014 and 2013 and determined based upon the results of the actuarial valuations as of June 30, 2014 and 2013, respectively. Plan Fiduciary Net Position (plan assets) and the TPL were valued as of the measurement dates. Consistent with the provisions of GAS 68, the assets and liabilities measured as of June 30, 2014 and 2013 were <u>not</u> adjusted or rolled forward to the June 30, 2015 and 2014 reporting dates, respectively.

- The discount rates used to measure the TPL and NPL as of June 30, 2014 and 2013 were 7.50% and 7.75%, respectively, following the same assumptions used by the System in the pension funding valuations as of the same dates. The detailed calculations used in the derivation of the discount rate can be found in Appendix A of Section 3. Various other information that is required to be disclosed can be found throughout Exhibits 1 through 13 in Section 2.

- The NPLs for the three employer categories in LACERS (i.e., the City, Airports, and Harbor) as of June 30, 2013 and June 30, 2014 are allocated based on the actual employer contributions made during 2012/2013 and 2013/2014, respectively. The steps we used for the allocation are as follows:

  - First calculate the ratio of the employer category's contributions to the total contributions.
  - This ratio is multiplied by the NPL to determine the employer category's proportionate share of the NPL. The NPL allocation can be found in Exhibit 7 in Section 2.

- Results shown in this report exclude any employer contributions made after the measurement date of June 30, 2014. The employer should consult with their auditor to determine the deferred outflow that should be created for these contributions.

Summary of Key Valuation Results

Reporting Date for Employer under GAS 68	6/30/2015[1]	6/30/2014[2]
Measurement Date for Employer under GAS 68	**6/30/2014**	**6/30/2013**
Disclosure elements for fiscal year ending June 30:		
1. Service cost[3]	$317,185,480	$312,372,769
2. Total Pension Liability	16,248,853,099	14,881,663,162
3. Plan Fiduciary Net Position	11,791,079,473	10,154,486,098
4. Net Pension Liability	4,457,773,626	4,727,177,064
5. Pension expense	$389,917,291	N/A
Schedule of contributions for fiscal year ending June 30:		
6. Actuarially determined contributions	$357,649,232	$346,180,852
7. Actual contributions	357,649,232	346,180,852
8. Contribution deficiency/(excess): (6) – (7)	0	0
Demographic data for plan year ending June 30:		
9. Number of retired members and beneficiaries	17,532	17,362
10. Number of vested terminated members[4]	6,031	5,799
11. Number of active members	24,009	24,441
Key assumptions as of June 30:		
12. Investment rate of return	7.50%	7.75%
13. Inflation rate	3.25%	3.50%
14. Projected salary increases[5]	Ranges from 4.40% to 10.50% based on years of service	Ranges from 4.65% to 11.25% based on years of service and age

(1) *The reporting date and measurement date for the plan are June 30, 2014.*

(2) *The reporting date and measurement date for the plan are June 30, 2013.*

(3) *The service cost is always based on the previous year's assumptions, meaning both values are based on those assumptions shown as of June 30, 2013.*

(4) *Includes terminated members due a refund of employee contributions.*

(5) *Includes inflation at 3.25% (3.50% for the June 30, 2013 measurement date) plus real across the board salary increase of 0.75% plus merit and promotional increases that vary by service (and by age for the June 30, 2013 valuation).*

Important Information about Actuarial Valuations

In order to prepare an actuarial valuation, Segal relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by LACERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** This valuation is based on the market value of assets as of the valuation date, as provided by LACERS.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The valuation is prepared at the request of the Board to assist the sponsors of the Fund in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

- If the System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of LACERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to LACERS.

EXHIBIT 1

General Information – "Financial Statements", Note Disclosures and Required Supplementary Information for a Single-Employer Pension Plan

Plan Description

Plan administration. The Los Angeles City Employees' Retirement System (LACERS) was established by City Charter in 1937. LACERS is a single-employer public employee retirement system whose main function is to provide retirement benefits to the civilian employees of the City of Los Angeles.

Under the provisions of the City Charter, the Board of Administration (the "Board") has the responsibility and authority to administer the Plan and to invest its assets. The Board members serve as trustees and must act in the exclusive interest of the Plan's members and beneficiaries. 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 Council; two members shall be active employee members of the system elected by the active employee members; one shall be a retired member of the system elected by the retired members of the system.

Plan membership. At June 30, 2014, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	17,532
Vested terminated members entitled to, but not yet receiving benefits[(1)]	6,031
Active members	24,009
Total	47,572

[(1)] *Includes terminated members due a refund of employee contributions*

Benefits provided. LACERS provides service retirement, disability, death and survivor benefits to eligible employees. Employees of the City become members of LACERS on the first day of employment in a position with the City in which the employee is not excluded from membership. Members employed prior to July 1, 2013 are designated as Tier 1 and those employed on or after July 1, 2013 are designated as Tier 2 (unless a specific exemption applies to the employee, providing a right to Tier 1 status).

Tier 1 members are eligible for normal service retirement benefits once they attain the age of 70, or the age of 60 with 10 or more years of continuous service, or the age of 55 with 30 or more years of service. Tier 2 members are eligible for normal service retirement benefits once they attain the age of 70, or the age of 65 with 10 or more years of continuous service.

Tier 1 members are eligible for disability retirement once they have 5 or more years of continuous service. Tier 2 members are eligible for disability retirement once they have 10 or more years of continuous service.

Under the Tier 1 formula, the monthly service retirement allowance at normal retirement age is 2.16% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 1 members reaching age 55 with 10 or more years of continuous service, or at any age with 30 or more years of service. Sample Tier 1 early retirement reduction factors, for retirement below age 60, are as follows:

Age	Early Retirement Reduction Factor
45	0.6250
50	0.7750
55	0.9250
60	1.0000

Under the Tier 2 formula, the monthly service retirement allowance at normal retirement age is 2.00% of final average monthly compensation per year of service credit. Reduced retirement allowances are available for early retirement for Tier 2 members reaching age 55 with 10 or more years of continuance service. The Tier 2 sample retirement factors at early retirement ages are as follows:

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

Under Tier 1, pension benefits are calculated based on the highest average salary earned during a 12-month period (including base salary plus regularly assigned bonuses or premium pay). Under Tier 2, pension benefits are calculated based on the highest average salary earned during a 36-month period (limited to base pay).

For Tier 1 members, the maximum monthly retirement allowance is 100% of the final average monthly compensation. For Tier 2 members, the maximum monthly retirement allowance is 75% of the final average monthly compensation.

In lieu of the service retirement allowance under the Tier 1 or Tier 2 formula ("unmodified option"), the member may choose an optional retirement allowance. The unmodified option provides the highest monthly benefit and a 50% continuance to an eligible surviving spouse or domestic partner for Tier 1 members (no continuance is provided to beneficiaries of Tier 2 members under the unmodified option). The optional retirement allowances require a reduction in the unmodified option amount in order to allow the member the ability to provide various benefits to a surviving spouse, domestic partner, or named beneficiary.

LACERS provides annual cost-of-living adjustments (COLAs) to all retirees. The cost-of-living adjustments are made each July 1 based on the percentage change in the average of the Consumer Price Index for the Los Angeles-Riverside-Orange County Area--All Items For All Urban Consumers. It is capped at 3.0% for Tier 1 and 2.0% for Tier 2. Tier 2 members may purchase additional 1% COLA protection at full actuarial cost.

The City contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Administration. Employer contribution rates are adopted annually based upon recommendations received from LACERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2014 (based on the June 30, 2012 valuation) was 19.84% of compensation(1).

All members are required to make contributions to LACERS regardless of the tier in which they are included. Currently, most Tier 1 members contribute at 11% of compensation and all Tier 2 members contribute at 10% of compensation.

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(1) *After adjustments to phase in over five years the impact of new actuarial assumptions (as a result of the June 30, 2011 Triennial Experience Study) on the City's contributions.*

EXHIBIT 2

Net Pension Liability

Reporting Date for Employer under GAS 68	**June 30, 2015**	**June 30, 2014**
Measurement Date for Employer under GAS 68	**June 30, 2014**	**June 30, 2013**
The components of the Net Pension Liability are as follows:		
Total Pension Liability	$16,248,853,099	$14,881,663,162
Plan Fiduciary Net Position	-11,791,079,473	-10,154,486,098
Net Pension Liability	$4,457,773,626	$4,727,177,064
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.57%	68.23%

The Net Pension Liability was measured as of June 30, 2014 and 2013 and determined based upon the Plan Fiduciary Net Position (plan assets) and Total Pension Liability from actuarial valuations as of June 30, 2014 and 2013, respectively.

Plan provisions. The plan provisions used in the measurement of the NPL are the same as those used in the LACERS funding valuations as of June 30, 2014 and 2013, respectively.

Actuarial assumptions for the June 30, 2014 measurement date. The Total Pension Liability as of June 30, 2014 was measured by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions[(1),(2)], applied to all periods
included in the measurement:

Inflation:	3.25%
Salary increases:	Ranges from 4.40% to 10.50% based on years of service, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense, including inflation
Other assumptions:	Same as those used in the June 30, 2014 actuarial valuation

(1) *The actuarial assumptions used in this June 30, 2014 valuation were based on the results of an experience study for the period from July 1, 2011 through June 30, 2014. They are the same as the assumptions used in the June 30, 2014 funding actuarial valuation for LACERS. The assumptions are outlined in Section 3 of this report.*

(2) *For the June 30, 2013 measurement date, the key actuarial assumptions are provided on page iii of this report. The other assumptions used for that measurement date are the same as those used in the June 30, 2013 actuarial valuation.*

EXHIBIT 3

Target Asset Allocation

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 weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation, and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates 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 in the following table:

Asset Class	Target Allocation	Long-Term (Arithmetic) Expected Real Rate of Return
U.S. Large Cap Equity	20.40%	5.94%
U.S. Small Cap Equity	3.60%	6.64%
Developed International Equity	21.75%	6.98%
Emerging Market Equity	7.25%	8.48%
Core Bonds	16.53%	0.71%
High Yield Bonds	2.47%	2.89%
Private Real Estate	5.00%	4.69%
Cash	1.00%	(0.46)%
Credit Opportunities	5.00%	3.07%
Public Real Assets	5.00%	3.41%
Private Equity	12.00%	10.51%
Total	100.00%	

Discount rate: The discount rates used to measure the Total Pension Liability were 7.50% and 7.75% as of June 30, 2014 and June 30, 2013, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and 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 their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, 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, 2014 and June 30, 2013.

EXHIBIT 4

Discount Rate Sensitivity

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability (NPL) of LACERS as of June 30, 2014, which is allocated to all employer categories, calculated using the discount rate of 7.50%, as well as what LACERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Net Pension Liability		
Employer Category	**1% Decrease (6.50%)**	**Current Discount (7.50%)**	**1% Increase (8.50%)**
City	$5,455,264,953	$3,654,125,793	$2,157,287,719
Airports	918,657,503	615,348,678	363,283,647
Harbor	281,112,868	188,299,155	111,166,248
Total for all Employer Categories	$6,655,035,324	$4,457,773,626	$2,631,737,614

EXHIBIT 5

Schedule of Changes in Net Pension Liability – Last Two Fiscal Years

Reporting Date for Employer under GAS 68	June 30, 2015	June 30, 2014
Measurement Date for Employer under GAS 68	**June 30, 2014**	**June 30, 2013**
Total Pension Liability		
1. Service cost	$317,185,480	$312,372,769
2. Interest	1,149,966,081[1]	1,112,561,414
3. Change of benefit terms	0	0
4. Differences between expected and actual experience	-164,247,475	-235,829,202
5. Changes of assumptions	785,439,114	0
6. Benefit payments, including refunds of member contributions	-721,153,263	-701,400,393
7. Net change in Total Pension Liability	$1,367,189,937	$487,704,588
8. Total Pension Liability – beginning	14,881,663,162	14,393,958,574
9. Total Pension Liability – ending	$16,248,853,099	$14,881,663,162
Plan Fiduciary Net Position		
10. Contributions – employer	$357,649,232	$346,180,852
11. Contributions – employee	203,975,276	197,722,165
12. Net investment income	1,810,782,123	1,268,938,657
13. Benefit payments, including refunds of member contributions	-721,153,263	-701,400,393
14. Administrative expense	-12,372,426	-13,280,859
15. Other (Transfer to Larger Annuity Reserve)	-2,287,567	-2,513,462
16. Net change in Plan Fiduciary Net Position	$1,636,593,375	$1,095,646,960
17. Plan Fiduciary Net Position – beginning	10,154,486,098	9,058,839,138
18. Plan Fiduciary Net Position – ending	$11,791,079,473	$10,154,486,098
19. Net Pension Liability – ending: (9) – (18)	$4,457,773,626	$4,727,177,064
20. Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.57%	68.23%
21. Covered-employee payroll[2]	$1,802,931,195	$1,736,112,598
22. Plan Net Pension Liability as percentage of covered-employee payroll	247.25%	272.29%

[1] *This is the same amount provided in Exhibit 3 of Segal Consulting's June 30, 2014 GAS 67 valuation report dated December 4, 2014. This amount was calculated prior to the reclassification of the FY 2013/2014 transfer of $2,287,567 (from the Reserve for Member Contributions to the Larger Annuity Reserve) as benefit payments, which is discussed further in footnote (1) on page 15 of this report. Note that the "Interest on the Total Pension Liability" shown on page 15 of this report was calculated after the reclassification of said transfer.*

[2] *Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.*

NOTES TO EXHIBIT 5

Benefit changes:	All employees hired on or after July 1, 2013 enter Tier 2 (with the exceptions noted in Section 4.1052 of the LACERS Administrative Code). The addition of a new tier of benefits did not result in a change in the Net Pension Liability of participating employer categories due to "change of benefit terms" as of June 30, 2014 and 2013.

EXHIBIT 6

Schedule of LACERS' Contributions – Last Ten Fiscal Years

Year Ended June 30,	Actuarially Determined Contributions[(1)]	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll[(2)]	Contributions as a Percentage of Covered-Employee Payroll
2005	$183,241,489	$158,131,638	$25,109,851	$1,477,753,943	10.70%
2006	227,740,600	227,740,600	0	1,602,619,746	14.21%
2007	277,516,400	277,516,400	0	1,646,055,902	16.86%
2008	288,119,041	288,119,041	0	1,741,849,669	16.54%
2009	274,554,786	274,554,786	0	1,832,795,577	14.98%
2010	258,642,795	258,642,795	0	1,827,864,283	14.15%
2011	303,560,953	303,560,953	0	1,678,059,440	18.09%
2012	308,539,905	308,539,905	0	1,715,197,133	17.99%
2013	346,180,852	346,180,852	0	1,736,112,598	19.94%
2014	357,649,232	357,649,232	0	1,802,931,195	19.84%

(1) *Prior to year ending June 30, 2014, this amount was the Annual Required Contribution (ARC).*

(2) *Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.*

Notes to Exhibit 6

Methods and assumptions used to establish "actuarially determined contribution" (ADC) rates:	
Valuation date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry Age Actuarial Cost Method, level percent of salary
Amortization method	Level percent of payroll – assuming a 4.00% increase in total covered payroll.
Amortization period	Multiple layers, closed amortization periods. Actuarial gains/losses are amortized over 15 years. Assumption or method changes are amortized over 20 years. Plan changes, including the 2009 ERIP, are amortized over 15 years. Future ERIPs will be amortized over 5 years. Actuarial surplus is amortized over 30 years. The existing layers on June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a seven-year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.
Actuarial assumptions:	June 30, 2012 (for the year ended June 30, 2014 ADC)
Investment rate of return	7.75%
Inflation rate	3.50%
Real across-the-board salary increase	0.75%
Projected salary increases(1)	Ranges from 11.25% to 6.50% for members with less than 5 years of service. Ranges from 6.50% to 4.65% for members with 5 or more years of service.
Cost of living adjustments	3.00% for Tier 1; 2.00% for Tier 2 (actual increases are contingent upon CPI increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2)
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females.
Other assumptions	Same as those used in the June 30, 2012 funding actuarial valuation

(1) *Includes inflation at 3.50% plus across the board salary increases of 0.75% plus merit and promotional increases.*

EXHIBIT 7

Determination of Proportionate Share

Actual Employer Contributions by Employer Category
July 1, 2012 to June 30, 2013

Employer Category	Contributions	Percentage[1]
City	$281,974,547	81.453%
Airports	49,501,258	14.299%
Harbor	14,705,047	4.248%
Total for all Employer Categories	$346,180,852	100.000%

[1] The unrounded percentages are used in the allocation of the NPL amongst employer categories.

Allocation of June 30, 2013 Net Pension Liability

Employer Category	NPL	Percentage
City	$3,850,425,590	81.453%
Airports	675,950,764	14.299%
Harbor	200,800,710	4.248%
Total for all Employer Categories	$4,727,177,064	100.000%

Notes:

1. Based on the July 1, 2012 through June 30, 2013 employer contributions as provided by LACERS.

2. The Net Pension Liability (NPL) is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets).

3. The NPL is allocated based on the actual employer category contributions. The steps used for the allocation are as follows:
   - First calculate the ratio of the employer category's contributions to the total contributions.
   - This ratio is multiplied by the NPL to determine the employer category's proportionate share of the NPL.

EXHIBIT 7 (continued)

Determination of Proportionate Share

Actual Employer Contributions by Employer Category
July 1, 2013 to June 30, 2014

Employer Category	Contributions	Percentage[1]
City	$293,172,196	81.972%
Airports	49,369,708	13.804%
Harbor	15,107,328	4.224%
Total for all Employer Categories	$357,649,232	100.000%

[1] The unrounded percentages are used in the allocation of the NPL amongst employer categories.

Allocation of June 30, 2014 Net Pension Liability

Employer Category	NPL	Percentage
City	$3,654,125,793	81.972%
Airports	615,348,678	13.804%
Harbor	188,299,155	4.224%
Total for all Employer Categories	$4,457,773,626	100.000%

Notes:

1. Based on the July 1, 2013 through June 30, 2014 employer contributions as provided by LACERS.
2. The Net Pension Liability (NPL) is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position (plan assets).
3. The NPL is allocated based on the actual employer category contributions. The steps used for the allocation are as follows:
   - First calculate the ratio of the employer category's contributions to the total contributions.
   - This ratio is multiplied by the NPL to determine the employer category's proportionate share of the NPL.

EXHIBIT 7 (continued)

Determination of Proportionate Share

Notes:

For purposes of the above results, the reporting date for the employer under GAS 68 is June 30, 2015. The reporting date and measurement date for the plan under GAS 67 are June 30, 2014. Consistent with the provisions of GAS 68, the assets and liabilities measured as of June 30, 2014 are not adjusted or rolled forward to the June 30, 2015 reporting date. Other results, such as the total deferred inflows and outflows would also be allocated based on the same proportionate shares determined above.

The following items are allocated based on the corresponding proportionate share:

1) Net Pension Liability
2) Service Cost
3) Interest on the Total Pension Liability
4) Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability
5) Expensed portion of current-period changes of assumptions or other inputs
6) Member contributions
7) Projected earnings on plan investments
8) Expensed portion of current-period differences between actual and projected earnings on plan investments
9) Administrative expense
10) Recognition of beginning of year deferred outflows of resources as pension expense
11) Recognition of beginning of year deferred inflows of resources as pension expense

EXHIBIT 8

Pension Expense – Total for all Employer Categories

Reporting Date for Employer under GAS 68	**June 30, 2015**
Measurement Date for Employer under GAS 68	**June 30, 2014**
Components of Pension Expense	
1. Service cost	$317,185,480
2. Interest on the Total Pension Liability	1,149,877,438
3. Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	0
4. Expensed portion of current-period benefit changes	0
5. Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(28,802,716)[1]
6. Expensed portion of current-period changes of assumptions or other inputs	139,757,849
7. Actual member contributions	(203,975,276)
8. Projected earnings on plan investments	(792,926,857)
9. Expensed portion of current-period differences between actual and projected earnings on plan investments	(203,571,053)
10. Administrative expense	12,372,426
11. Other	0
12. Recognition of beginning of year deferred outflows of resources as pension expense	0
13. Recognition of beginning of year deferred inflows of resources as pension expense	0
14. Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0
Pension Expense	$389,917,291

[1] *Based on clarification provided by LACERS subsequent to the completion of our GAS 67 report dated December 4, 2014, we understand that the transfer of $2,287,567 during fiscal year 2013/2014 from the (Pension Plan's) Reserve for Member Contributions to the (non-Pension Plan related) Larger Annuity Reserve (as referenced in Exhibit 3 as "Other (Transfer to Larger Annuity Reserve)" on page 6 of that report) represents voluntary contributions of members retired during the reporting fiscal year including funds that were transferred from members' deferred compensation accounts into the Pension Plan just prior to those members' retirements. Those funds were then transferred to the Larger Annuity Reserve to pay the additional benefits payable from that plan. Contributions at those amounts were included in Exhibit 3 as "Contributions – employee" and treated by Segal Consulting as if they were made to the Pension Plan. For purposes of determining the deferred inflows of resources and the pension expense in this report, we have reclassified these amounts as benefit payments, to reflect the clarification provided by LACERS. This has the impact of lowering the treatment of the actuarial experience gain for 2013/2014 (referenced in that Exhibit 3 as "Differences between expected and actual experience") by that same amount plus expected interest (or by $2,376,210).*

EXHIBIT 8 (continued)

Pension Expense – City

Reporting Date for Employer under GAS 68	**June 30, 2015**
Measurement Date for Employer under GAS 68	**June 30, 2014**
Components of Pension Expense	
1. Service cost	$260,003,252
2. Interest on the Total Pension Liability	942,577,429
3. Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	4,365,759
4. Expensed portion of current-period benefit changes	0
5. Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(23,610,160)
6. Expensed portion of current-period changes of assumptions or other inputs	114,562,292
7. Actual member contributions	(167,202,594)
8. Projected earnings on plan investments	(649,977,931)
9. Expensed portion of current-period differences between actual and projected earnings on plan investments	(166,871,245)
10. Administrative expense	10,141,924
11. Other	0
12. Recognition of beginning of year deferred outflows of resources as pension expense	0
13. Recognition of beginning of year deferred inflows of resources as pension expense	0
14. Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0
Pension Expense	$323,988,726

EXHIBIT 8 (continued)

Pension Expense – Airports

Reporting Date for Employer under GAS 68	June 30, 2015
Measurement Date for Employer under GAS 68	**June 30, 2014**
Components of Pension Expense	
1. Service cost	$43,784,115
2. Interest on the Total Pension Liability	158,728,464
3. Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(4,166,153)
4. Expensed portion of current-period benefit changes	0
5. Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(3,975,911)
6. Expensed portion of current-period changes of assumptions or other inputs	19,292,098
7. Actual member contributions	(28,156,638)
8. Projected earnings on plan investments	(109,455,198)
9. Expensed portion of current-period differences between actual and projected earnings on plan investments	(28,100,839)
10. Administrative expense	1,707,883
11. Other	0
12. Recognition of beginning of year deferred outflows of resources as pension expense	0
13. Recognition of beginning of year deferred inflows of resources as pension expense	0
14. Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0
Pension Expense	$49,657,821

EXHIBIT 8 (continued)

Pension Expense – Harbor

Reporting Date for Employer under GAS 68	**June 30, 2015**
Measurement Date for Employer under GAS 68	**June 30, 2014**
Components of Pension Expense	
1. Service cost	$13,398,113
2. Interest on the Total Pension Liability	48,571,545
3. Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(199,606)
4. Expensed portion of current-period benefit changes	0
5. Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	(1,216,645)
6. Expensed portion of current-period changes of assumptions or other inputs	5,903,459
7. Actual member contributions	(8,616,044)
8. Projected earnings on plan investments	(33,493,728)
9. Expensed portion of current-period differences between actual and projected earnings on plan investments	(8,598,969)
10. Administrative expense	522,619
11. Other	0
12. Recognition of beginning of year deferred outflows of resources as pension expense	0
13. Recognition of beginning of year deferred inflows of resources as pension expense	0
14. Net amortization of deferred amounts from changes in proportion and differences between employer's contributions and proportionate share of contributions	0
Pension Expense	$16,270,744

EXHIBIT 9

Deferred Outflows of Resources and Deferred Inflows of Resources – Total for all Employer Categories

Reporting Date for Employer under GAS 68	June 30, 2015
Measurement Date for Employer under GAS 68	**June 30, 2014**
Deferred Outflows of Resources	
1. Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$20,169,805
2. Changes of assumptions or other inputs	645,681,265
3. Net difference between projected and actual earnings on pension plan investments	0
4. Difference between expected and actual experience in the Total Pension Liability	0
5. Total deferred outflows of resources	$665,851,070
Deferred Inflows of Resources	
6. Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$20,169,805
7. Changes of assumptions or other inputs	0
8. Net difference between projected and actual earnings on pension plan investments	814,284,213
9. Difference between expected and actual experience in the Total Pension Liability	133,068,549[2]
10. Total deferred inflows of resources	$967,522,567

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Reporting Date for Employer under GAS 68, Year Ended June 30:	
2016	$(92,615,920)
2017	(92,615,920)
2018	(92,615,920)
2019	(92,615,921)
2020	68,792,184
Thereafter	0

[1] *Calculated in accordance with Paragraphs 54 and 55 of GAS 68.*

[2] *See footnote 1 on page 15.*

EXHIBIT 9 (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – City

Reporting Date for Employer under GAS 68	**June 30, 2015**
Measurement Date for Employer under GAS 68	**June 30, 2014**
Deferred Outflows of Resources	
1. Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$20,169,805
2. Changes of assumptions or other inputs	529,277,788
3. Net difference between projected and actual earnings on pension plan investments	0
4. Difference between expected and actual experience in the Total Pension Liability	0
5. Total deferred outflows of resources	$549,447,593
Deferred Inflows of Resources	
6. Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$0
7. Changes of assumptions or other inputs	0
8. Net difference between projected and actual earnings on pension plan investments	667,484,981
9. Difference between expected and actual experience in the Total Pension Liability	109,078,939
10. Total deferred inflows of resources	$776,563,920

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Reporting Date for Employer under GAS 68, Year Ended June 30:	
2016	$(71,553,354)
2017	(71,553,354)
2018	(71,553,354)
2019	(71,553,355)
2020	59,097,090
Thereafter	0

[1] *Calculated in accordance with Paragraphs 54 and 55 of GAS 68.*

EXHIBIT 9 (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – Airports

Reporting Date for Employer under GAS 68		**June 30, 2015**
Measurement Date for Employer under GAS 68		**June 30, 2014**
Deferred Outflows of Resources		
1.	Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$0
2.	Changes of assumptions or other inputs	89,129,495
3.	Net difference between projected and actual earnings on pension plan investments	0
4.	Difference between expected and actual experience in the Total Pension Liability	0
5.	Total deferred outflows of resources	$89,129,495
Deferred Inflows of Resources		
6.	Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$19,247,627
7.	Changes of assumptions or other inputs	0
8.	Net difference between projected and actual earnings on pension plan investments	112,403,356
9.	Difference between expected and actual experience in the Total Pension Liability	18,368,711
10.	Total deferred inflows of resources	$150,019,694

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Reporting Date for Employer under GAS 68, Year Ended June 30:	
2016	$(16,950,805)
2017	(16,950,805)
2018	(16,950,805)
2019	(16,950,805)
2020	6,913,021
Thereafter	0

[1] *Calculated in accordance with Paragraphs 54 and 55 of GAS 68.*

EXHIBIT 9 (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – Harbor

Reporting Date for Employer under GAS 68	June 30, 2015
Measurement Date for Employer under GAS 68	**June 30, 2014**
Deferred Outflows of Resources	
1. Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$0
2. Changes of assumptions or other inputs	27,273,982
3. Net difference between projected and actual earnings on pension plan investments	0
4. Difference between expected and actual experience in the Total Pension Liability	0
5. Total deferred outflows of resources	$27,273,982
Deferred Inflows of Resources	
6. Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]	$922,178
7. Changes of assumptions or other inputs	0
8. Net difference between projected and actual earnings on pension plan investments	34,395,876
9. Difference between expected and actual experience in the Total Pension Liability	5,620,899
10. Total deferred inflows of resources	$40,938,953

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

Reporting Date for Employer under GAS 68, Year Ended June 30:	
2016	$(4,111,761)
2017	(4,111,761)
2018	(4,111,761)
2019	(4,111,761)
2020	2,782,073
Thereafter	0

[1] *Calculated in accordance with Paragraphs 54 and 55 of GAS 68.*

EXHIBIT 9 (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

There are changes in each employer category's proportionate share of the total Net Pension Liability during the measurement period ended June 30, 2014. The net effect of the change on the employer category's proportionate share of the collective Net Pension Liability and collective deferred outflows of resources and deferred inflows of resources is recognized over the average of the expected remaining service lives of all employees that are provided with pensions through LACERS which is 5.62 years determined as of June 30, 2013 (the beginning of the measurement period ending June 30, 2014).

In addition, the difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended June 30, 2014 is recognized over the same period. This is zero because the proportionaate share was determined using the actual employer contributions.

The average of the expected service lives of all employees is determined by:

- Calculating each active employee's expected remaining service life as the present value of $1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.

We did not attempt to determine the beginning balances for deferred inflows of resources and deferred outflows of resources as of the beginning of the fiscal year. Per Paragraph 137 of GAS 68, these balances are assumed to be zero.

EXHIBIT 10

Schedule of Proportionate Share of the Net Pension Liability – Total for all Employer Categories

Reporting Date for Employer under GAS 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered-employee payroll[1]	Proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2014	100.0%	$4,727,177,064	$1,736,112,598	272.29%	68.23%
2015	100.0%	4,457,773,626	1,802,931,195	247.25%	72.57%

[1] Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.

EXHIBIT 10 (continued)

Schedule of Proportionate Share of the Net Pension Liability – City

Reporting Date for Employer under GAS 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered-employee payroll[1]	Proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2014	81.453%	$3,850,425,590	$ 1,414,115,080	272.3%	68.23%
2015	81.972%	3,654,125,793	1,477,663,755	247.3%	72.57%

[1] *Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.*

EXHIBIT 10 (continued)

Schedule of Proportionate Share of the Net Pension Liability – Airports

Reporting Date for Employer under GAS 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered-employee payroll[1]	Proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2014	14.299%	$675,950,764	$248,251,046	272.3%	68.23%
2015	13.804%	615,348,678	249,227,877	246.9%	72.57%

[1] *Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.*

EXHIBIT 10 (continued)

Schedule of Proportionate Share of the Net Pension Liability – Harbor

Reporting Date for Employer under GAS 68 as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered-employee payroll[1]	Proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	Plan Fiduciary Net Position as a percentage of the Total Pension Liability
2014	4.248%	$200,800,710	$73,746,472	272.3%	68.23%
2015	4.224%	188,299,155	76,039,563	247.6%	72.57%

[1] *Covered-employee payroll represents the collective total of the LACERS eligible wages of all LACERS membership tiers.*

EXHIBIT 11

Schedule of Reconciliation of Net Pension Liability – Total for all Employer Categories

Reporting Date for Employer under GAS 68	June 30, 2015
Measurement Date for Employer under GAS 68	**June 30, 2014**
Reconciliation of Net Pension Liability	
1. Beginning Net Pension Liability	$4,727,177,064
2. Pension Expense	389,917,291
3. Employer Contributions	(357,649,232)
4. New Net Deferred Inflows/Outflows	(301,671,497)
5. New Net Deferred Flows Due to Change in Proportion	0
6. Recognition of Prior Deferred Inflows/Outflows	0
7. Ending Net Pension Liability	$4,457,773,626

EXHIBIT 11 (continued)

Schedule of Reconciliation of Net Pension Liability – City

Reporting Date for Employer under GAS 68	**June 30, 2015**
Measurement Date for Employer under GAS 68	**June 30, 2014**
Reconciliation of Net Pension Liability	
1. Beginning Net Pension Liability	$3,850,425,590
2. Pension Expense	323,988,726
3. Employer Contributions	(293,172,196)
4. New Net Deferred Inflows/Outflows	(247,286,132)
5. New Net Deferred Flows Due to Change in Proportion	20,169,805
6. Recognition of Prior Deferred Inflows/Outflows	0
7. Ending Net Pension Liability	$3,654,125,793

EXHIBIT 11 (continued)

Schedule of Reconciliation of Net Pension Liability – Airports

Reporting Date for Employer under GAS 68	**June 30, 2015**
Measurement Date for Employer under GAS 68	**June 30, 2014**
Reconciliation of Net Pension Liability	
1. Beginning Net Pension Liability	$675,950,764
2. Pension Expense	49,657,821
3. Employer Contributions	(49,369,708)
4. New Net Deferred Inflows/Outflows	(41,642,572)
5. New Net Deferred Flows Due to Change in Proportion	(19,247,627)
6. Recognition of Prior Deferred Inflows/Outflows	0
7. Ending Net Pension Liability	$615,348,678

EXHIBIT 11 (continued)

Schedule of Reconciliation of Net Pension Liability – Harbor

Reporting Date for Employer under GAS 68	**June 30, 2015**
Measurement Date for Employer under GAS 68	**June 30, 2014**
Reconciliation of Net Pension Liability	
1. Beginning Net Pension Liability	$200,800,710
2. Pension Expense	16,270,744
3. Employer Contributions	(15,107,328)
4. New Net Deferred Inflows/Outflows	(12,742,793)
5. New Net Deferred Flows Due to Change in Proportion	(922,178)
6. Recognition of Prior Deferred Inflows/Outflows	0
7. Ending Net Pension Liability	$188,299,155

EXHIBIT 12

Schedule of Recognition of Changes in Total Net Pension Liability

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience on Total Pension Liability

Reporting Date for Employer under GAS 68, Year Ended June 30	Differences between Expected and Actual Experience	Recognition Period (Years)	Reporting Date for Employer under GAS 68, Year Ended June 30: 2015	2016	2017	2018	2019	2020	Thereafter
2015	$(161,871,265)	5.62	$(28,802,716)	$(28,802,716)	$(28,802,716)	$(28,802,716)	$(28,802,716)	$(17,857,685)	-
Net increase (decrease) in pension expense			$(28,802,716)	$(28,802,716)	$(28,802,716)	$(28,802,716)	$(28,802,716)	$(17,857,685)	-

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Assumption Changes

Reporting Date for Employer under GAS 68, Year Ended June 30	Effects of Assumption Changes	Recognition Period (Years)	Reporting Date for Employer under GAS 68, Year Ended June 30: 2015	2016	2017	2018	2019	2020	Thereafter
2015	$785,439,114	5.62	$139,757,849	$139,757,849	$139,757,849	$139,757,849	$139,757,849	$86,649,869	-
Net increase (decrease) in pension expense			$139,757,849	$139,757,849	$139,757,849	$139,757,849	$139,757,849	$86,649,869	-

As described in Exhibit 9, the average of the expected remaining service lives of all employees that are provided with pensions through LACERS (active and inactive employees) determined as of June 30, 2013 (the beginning of the measurement period ending June 30, 2014) is 5.62 years.

EXHIBIT 12 (continued)

Schedule of Recognition of Changes in Total Net Pension Liability

Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Earnings on Pension Plan Investments

Reporting Date for Employer under GAS 68, Year Ended June 30	Differences between Projected and Actual Earnings	Recognition Period (Years)	Reporting Date for Employer under GAS 68, Year Ended June 30: 2015	2016	2017	2018	2019	2020	Thereafter
2015	$(1,017,855,266)	5.00	$(203,571,053)	$(203,571,053)	$(203,571,053)	$(203,571,053)	$(203,571,054)	-	-
Net increase (decrease) in pension expense			$(203,571,053)	$(203,571,053)	$(203,571,053)	$(203,571,053)	$(203,571,054)	-	-

The differences between projected and actual earnings on pension plan investments are recognized over a five-year period per Paragraph 33b. of GASB 68.

Increase (Decrease) in Pension Expense

Reporting Date for Employer under GAS 68, Year Ended June 30	Total Differences and Changes	Reporting Date for Employer under GAS 68, Year Ended June 30: 2015	2016	2017	2018	2019	2020	Thereafter
2015	$(394,287,417)	$(92,615,920)	$(92,615,920)	$(92,615,920)	$(92,615,920)	$(92,615,921)	$68,792,184	-
Net increase (decrease) in pension expense		$(92,615,920)	$(92,615,920)	$(92,615,920)	$(92,615,920)	$(92,615,921)	$68,792,184	-

EXHIBIT 13

Allocation of Changes in Total Net Pension Liability

In addition to the amounts shown in Exhibit 12, there are changes in each location's proportionate share of the total Net Pension Liability during the measurement period ending on June 30, 2014. The net effect of the change on the employer's proportionate share of the collective Net Pension Liability and collective deferred outflows of resources and deferred inflows of resources is also recognized over the average of the expected remaining service lives of all employees shown above. The difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ending on June 30, 2014 is recognized over the same periods. These amounts are shown below. While these amounts are different for each employer, they sum to zero over the entire Retirement System.

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of the Change in Proportion and Change in Employer Contributions for the Reporting Date for Employer under GAS 68, Year Ended June 30, 2015

Employer Category	Total Change to be Recognized	Recognition Period (Years)	Reporting Date for Employer under GAS 68, Year Ended June 30: 2015	2016	2017	2018	2019	2020
City	$24,535,564	5.62	$4,365,759	$4,365,759	$4,365,759	$4,365,759	$4,365,759	$2,706,769
Airports	(23,413,780)	5.62	(4,166,153)	(4,166,153)	(4,166,153)	(4,166,153)	(4,166,153)	(2,583,015)
Harbor	(1,121,784)	5.62	(199,606)	(199,606)	(199,606)	(199,606)	(199,606)	(123,754)
Total for all Employer Categories	$0		$0	$0	$0	$0	$0	$0

Actuarial Assumptions and Methods

For June 30, 2014 Measurement Date and Employer Reporting as of June 30, 2015

Post-Retirement Mortality Rates:

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

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

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

Termination Rates Before Retirement:

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

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

* *Rates for members with five or more years of service. Termination rates are zero for members eligible to retire.*

Rates of termination for members with less than 5 years of service are as follows:

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

Retirement Rates:

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

Retirement Age and Benefit for Inactive Vested Participants:	Pension benefit paid at the later of age 58 or the current attained age. For reciprocals, 4.40% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.
Service:	Employment service is used for eligibility determination purposes. Benefit service is used for benefit calculation purposes.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	5% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.25% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.
Employee Contribution Crediting Rate:	Based on average of 5-year Treasury note rate. An assumption of 3.25% is used to approximate that crediting rate in this valuation.
Net Investment Return:	7.50%

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

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

Actuarial Value of Assets: The market value of assets less unrecognized returns in each of the last seven years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a seven year period. The actuarial value of assets cannot be less than 60% or greater than 140% of the market value of assets.

Actuarial Cost Method:	Entry Age Cost Method.
Funding Policy:	The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service. Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15 year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 20 year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15 year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012. The recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined by the then current GASB Statements 25 and 27. In particular, an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005 is included in the calculation of the recommended contribution.
Changes in Actuarial Assumptions:	Based on the June 30, 2014 Actuarial Experience Study, the following actuarial assumptions were changed. Previously, these assumptions were as follows:
Post-Retirement Mortality Rates:	
Healthy Members and All Beneficiaries:	RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females.
Disabled Members:	RP-2000 Combined Healthy Mortality Table, set forward five years for males and set forward six years for females.

Changes in Actuarial Assumptions (continued):

Termination Rates Before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality Table, set back two years for males and set back one year for females.

	Rate (%)
Age	Termination*
25	5.50
30	5.35
35	4.35
40	3.15
45	2.30
50	1.85
55	1.75
60	1.75

* *Rates for members with five or more years of service. Termination rates are zero for members eligible to retire.*

Rates of termination for members with less than 5 years of service are as follows:

	Rate (%)
Service	Termination (Based on Service)
0	11.25
1	8.00
2	7.25
3	6.25
4	5.50

Changes in Actuarial Assumptions (continued):

Retirement Rates:

	Rate (%)	
	Tier 1	
Age	Non-55/30	55/30
50	8.0	0.0
51	4.0	0.0
52	4.0	0.0
53	4.0	0.0
54	15.0	0.0
55	8.0	20.0
56	8.0	15.0
57	8.0	15.0
58	8.0	15.0
59	8.0	15.0
60	8.0	15.0
61	8.0	16.0
62	8.0	17.0
63	8.0	18.0
64	8.0	19.0
65	13.0	20.0
66	13.0	20.0
67	13.0	20.0
68	13.0	20.0
69	13.0	20.0
70	100.0	100.0

Retirement Age and Benefit for Inactive Vested Participants: Pension benefit paid at the later of age 57 or the current attained age. For reciprocals, 4.65% compensation increases per annum.

Changes in Actuarial Assumptions (continued):

Age of Spouse: Female spouses 3 years younger than their spouses.

Other Reciprocal Service: 10% of future inactive vested members will work at a reciprocal system.

Consumer Price Index: Increase of 3.50% per year; benefit increases due to CPI subject to 3.00% maximum for Tier 1 and 2.00% maximum for Tier 2.

Employee Contribution and Matching Account Crediting Rate: Based on average of 5-year Treasury note rate. An assumption of 3.50% is used to approximate that crediting rate in this valuation.

Net Investment Return: 7.75%

Salary Increases: Inflation: 3.50%; plus additional 0.75% "across the board" salary increases (other than inflation); plus the following merit and promotional increases:

For members with under 5 years of service:

Service	Percentage Increase
0	7.00%
1	6.25%
2	4.75%
3	3.50%
4	2.25%

For members with 5 or more years of service:

Age	Percentage Increase*
20 – 24	2.25%
25 – 29	2.00%
30 – 34	1.25%
35 – 39	1.00%
40 – 44	0.75%
45 – 49	0.50%
50 – 54	0.40%
55 – 69	0.40%

** At central age in age range shown.*

Changes in Actuarial Assumptions (continued):

Funding Policy:	The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the normal cost adjusted by an amount to amortize any surplus or unfunded actuarial accrued liability. Both the normal cost and the actuarial accrued liability are determined under the Entry Age cost method and are calculated on an individual basis. Entry age is calculated as age on the valuation date minus years of service. Under the current funding policy, changes in the UAAL due to actuarial gains/losses are amortized over separate 15 year periods. Any changes in the UAAL due to assumption or method changes are amortized over separate 30 year periods. Plan changes, including the 2009 ERIP, are amortized over separate 15 year periods. Future ERIPs will be amortized over 5 years. Any actuarial surplus is amortized over 30 years. All the bases on or before June 30, 2012, except those arising from the 2009 ERIP and the two GASB 25/27 layers, were combined and amortized over 30 years effective June 30, 2012. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

APPENDIX A

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

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

* Net of transfer to Larger Annuity Reserve.

** Less than $1 M, when rounded.

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

APPENDIX A (continued)

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

Notes:

(1) Amounts may not total exactly due to rounding.

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

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

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

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

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

(7) Column (d): Projected administrative expenses are calculated as approximately 0.12% of the projected beginning plan fiduciary net position amount. The 0.12% portion was based on the actual fiscal year 2013/2014 administrative expenses (unaudited) as a percentage of the actual beginning plan fiduciary net position as of July 1, 2013. Administrative expenses are assumed to occur halfway through the year, on average.

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

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

APPENDIX B

Glossary of Terms

Definitions of certain terms *as they are used in Statement 68;* the terms may have different meanings in other contexts.

Active employees
Individuals employed at the end of the reporting or measurement period, as applicable.

Actual contributions
Cash contributions recognized as additions to a pension plan's fiduciary net position.

Actuarial present value of projected benefit payments
Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

Actuarial valuation
The determination, as of a point in time (the actuarial valuation date), of the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.

Actuarial valuation date
The date as of which an actuarial valuation is performed.

Actuarially determined contribution
A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Ad hoc cost-of-living adjustments (ad hoc COLAs)
Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.

APPENDIX B (continued)

Glossary of Terms

Ad hoc postemployment benefit changes
Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.

Agent employer
An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.

Agent multiple-employer defined benefit pension plan (agent pension plan)
A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Allocated insurance contract
A contract with an insurance company under which related payments to the insurance company are currently used to purchase immediate or deferred annuities for individual employees. Also may be referred to as an annuity contract.

Automatic cost-of-living adjustments (automatic COLAs)
Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Automatic postemployment benefit changes
Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Closed period
A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.

APPENDIX B (continued)

Glossary of Terms

Collective deferred outflows of resources and deferred inflows of resources related to pensions
Deferred outflows of resources and deferred inflows of resources related to pensions arising from certain changes in the collective net pension liability.

Collective net pension liability
The net pension liability for benefits provided through (1) a cost-sharing pension plan or (2) a single-employer or agent pension plan in circumstances in which there is a special funding situation.

Collective pension expense
Pension expense arising from certain changes in the collective net pension liability.

Contributions
Additions to a pension plan's fiduciary net position for amounts from employers, nonemployer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.

Cost-of-living adjustments
Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.

Cost-sharing employer
An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.

Cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan)
A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

Covered-employee payroll
The payroll of employees that are provided with pensions through the pension plan.

APPENDIX B (continued)

Glossary of Terms

Deferred retirement option program (DROP)
A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.

Defined benefit pension plans
Pension plans that are used to provide defined benefit pensions.

Defined benefit pensions
Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of Statement 68.)

Defined contribution pension plans
Pension plans that are used to provide defined contribution pensions.

Defined contribution pensions
Pensions having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.

APPENDIX B (continued)

Glossary of Terms

Discount rate
The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected (under the requirements of Statement 68) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Entry age actuarial cost method
A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost.* The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the *actuarial accrued liability.*

Inactive employees
Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.

Measurement period
The period between the prior and the current measurement dates.

Multiple-employer defined benefit pension plan
A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.

APPENDIX B (continued)

Glossary of Terms

Net pension liability
The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan.

Nonemployer contributing entities
Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of Statement 68, employees are not considered nonemployer-contributing entities.

Other postemployment benefits
All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.

Pension plans
Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.

Pensions
Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.

Plan members
Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).

Postemployment
The period after employment.

APPENDIX B (continued)

Glossary of Terms

Postemployment benefit changes
Adjustments to the pension of an inactive employee.

Postemployment healthcare benefits
Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.

Projected benefit payments
All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.

Public employee retirement system
A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.

Real rate of return
The rate of return on an investment after adjustment to eliminate inflation.

Service costs
The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.

Single employer
An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.

Single-employer defined benefit pension plan (single-employer pension plan)
A defined benefit pension plan that is used to provide pensions to employees of only one employer.

APPENDIX B (continued)

Glossary of Terms

Special funding situations
Circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists:

1. The amount of contributions for which the nonemployer entity legally is responsible is *not* dependent upon one or more events or circumstances unrelated to the pensions.

2. The nonemployer entity is the only entity with a legal obligation to make contributions directly to a pension plan.

Termination benefits
Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.

Total pension liability
The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 68.

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 68 REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
GOVERNMENTAL ACCOUNTING STANDARDS
BOARD (GASB) STATEMENT NO. 68 REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Schedules

We have audited the accompanying schedule of employer allocations of the Los Angeles City Employees' Retirement System (LACERS) for the years ended June 30, 2014 and 2013, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense ($4,457,773,626, $665,851,070, $967,522,567, $389,917,291, respectively) included in the accompanying schedule of pension amounts by employer of LACERS as of and for the year ended June 30, 2014, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations as of June 30, 2014 and 2013, and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for LACERS as of June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of LACERS as of and for the year ended June 30, 2014, and our report thereon, dated December 26, 2014, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of LACERS management, the Audit Committee of LACERS, the Board of Administration of LACERS, and LACERS employers and their auditors 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
September 22, 2015

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

Employer	Proportionate Shares					
	2014			2013		
	Actual Contributions	Percentage*	Net Pension Liability	Actual Contributions	Percentage*	Net Pension Liability
City	$ 293,172,196	81.972%	$ 3,654,125,793	$ 281,974,547	81.453%	$ 3,850,425,590
Airports	49,369,708	13.804%	615,348,678	49,501,258	14.299%	675,950,764
Harbor	15,107,328	4.224%	188,299,155	14,705,047	4.248%	200,800,710
Total for all Employers	$ 357,649,232	100.000%	$ 4,457,773,626	$ 346,180,852	100.000%	$ 4,727,177,064

* The unrounded percentages are used in the allocation of the Net Pension Liability among employers.

See accompanying notes and independent auditor's report.

NOTE 1 – PLAN DESCRIPTION

The Los Angeles City Employees' Retirement System (LACERS) 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. LACERS is a Department of the Municipality of the City of Los Angeles (the City). LACERS financial statements are included in the City's Annual Financial Report as a pension trust fund. LACERS operates a single-employer defined benefit plan. Changes to the benefit terms require approval by the City Council.

LACERS 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, and elected officials who elected to participate in an alternative Defined Contribution Plan, and certain Port Police officers of the Harbor Department including those who elected to opt out of LACERS. For the presentation of the detailed allocation, the City has requested to break out three individual entities separately, which are the City, Airports, and Harbor (Employers).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation and Basis of Accounting

Employers participating in LACERS are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The Schedule of Employer Allocations along with LACERS audited financial statements, the GASB Statement No. 67 Actuarial Valuation as of June 30, 2014, and the GASB Statement No. 68 Actuarial Valuation Based on June 30, 2014 Measurement Date for Employer Reporting as of June 30, 2015 prepared by LACERS independent actuary, provide the required information for financial reporting related to LACERS that Employers may use in their financial statements.

The accompanying schedule was prepared by LACERS independent actuary and was derived from information provided by LACERS in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

LACERS funding policy under Article XI Sections 1158 and 1160 of the City Charter provides for periodic Employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2014, the actuarially determined contributions of Employers to LACERS by the City was 19.84% of covered payroll, based on the June 30, 2012 actuarial valuation. Contributions for Employers contributing to LACERS are reported on an accrual basis of accounting.

The employer allocation schedule includes the proportionate shares for each Employer, reflecting a methodology that allocates the Net Pension Liability and Pension Amounts based on each Employer's share of the total Employer contributions among the three Employers. Each Employer's share as of June 30, 2014 and 2013, is determined by the Employer's contributions for the 2013/2014 and 2012/2013 fiscal years, respectively.

Use of Estimates in the Preparation of the Schedule

The preparation of this schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

LACERS policy for contributions states that actuarially determined rates expressed as a percentage of employee pensionable wages are required to finance the costs of benefits earned by LACERS Members during the year, with an additional amount to finance any unfunded liability. Employer contributions are reported in the basic financial statements and are the basis for the proportionate share calculation.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense		
Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense
City	$ 3,654,125,793	$ -	$ -	$ 529,277,788	$ 20,169,805	$ 549,447,593	$ 109,078,939	$ 667,484,981	$ -	$ -	$ 776,563,920	$ 319,622,967	$ 4,365,759	$ 323,988,726
Airports	615,348,678	-	-	89,129,495	-	89,129,495	18,368,711	112,403,356	-	19,247,627	150,019,694	53,823,974	(4,166,153)	49,657,821
Harbor	188,299,155	-	-	27,273,982	-	27,273,982	5,620,899	34,395,876	-	922,178	40,938,953	16,470,350	(199,606)	16,270,744
Total for All Employers	$ 4,457,773,626	$ -	$ -	$ 645,681,265	$ 20,169,805	$ 665,851,070	$ 133,068,549	$ 814,284,213	$ -	$ 20,169,805	$ 967,522,567	$ 389,917,291	$ -	$ 389,917,291

See accompanying notes and independent auditor's report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Basis of Presentation and Basis of Accounting

For the presentation of the detailed allocation, the City of Los Angeles (the City) has requested to break out three individual entities separately, which are the City, Airports, and Harbor (Employers). Employers participating in Los Angeles City Employees' Retirement System (LACERS) are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The Schedule of Pension Amounts by Employer along with LACERS audited financial statements, the GASB Statement No. 67 Actuarial Valuation as of June 30, 2014, and the GASB Statement No. 68 Actuarial Valuation Based on June 30, 2014 Measurement Date for Employer Reporting as of June 30, 2015 prepared by LACERS independent actuary, provide the required information for financial reporting related to LACERS that Employers may use in their financial statements.

The accompanying schedule was prepared by LACERS independent actuary and was derived from information provided by LACERS in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations.

Use of Estimates in the Preparation of the Schedule

The preparation of this schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – ACTUARIAL ASSUMPTIONS

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2011, through June 30, 2014. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2014, and the Total Pension Liability as of the valuation date June 30, 2014.

The components of the Plan's Net Pension Liability at June 30, 2014, were as follows:

	Fiscal Year Ended June 30, 2014
Total Pension Liability	$ 16,248,853,099
Plan Fiduciary Net Position	(11,791,079,473)
Plan's Net Pension Liability	$ 4,457,773,626
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.57%

NOTE 2 – <u>ACTUARIAL ASSUMPTIONS</u> (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

The Total Pension Liability for June 30, 2014, was determined based on the June 30, 2014 actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement:

ACTUARIAL VALUATION ASSUMPTIONS

Valuation Date	June 30, 2014
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation
Projected Salary Increases	Ranges from 4.40% to 10.50% based on years of service
Inflation	3.25%
Cost-of-Living Adjustments	Tier 1: 3.00%, Tier 2: 2.00%, actual increases are contingent upon Consumer Price Index (CPI) increases with a 3.00% maximum for Tier 1 and a 2.00% maximum for Tier 2.

Postemployment mortality rates for healthy retirees and beneficiaries were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set back one year for males and with no setback for females. Postemployment mortality rates for disabled retirees were based on the RP-2000 Combined Healthy Mortality Table projected with scale BB to the year 2020, set forward seven years for males and set forward eight years for females.

For pre-retirement mortality, withdrawal rates, disability rates, and service retirement rates, the rates vary by age, gender, and/or service.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan Members will be made at the current contribution rate and that contributions from the Employers will be made at contractually required rates, actuarially determined. For this purpose, only Employer contributions that are intended to fund benefits for current plan Members and their beneficiaries are included. Projected Employer contributions that are intended to fund the service costs for future plan Members and their beneficiaries, as well as projected contributions from future plan Members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan Members. Therefore, 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 June 30, 2014.

Amortization of Deferred Outflows and Deferred Inflows of Resources

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense during the measurement period, and the remaining difference between projected and actual investment earnings on pension plan investments at June 30, 2014, is to be amortized over the remaining 4-year period.

The assumption changes about future economic and demographic changes and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees that are provided with pensions through LACERS is determined as of June 30, 2013 (the beginning of the measurement period ending June 30, 2014) and is 5.62 years.

NOTE 2 – ACTUARIAL ASSUMPTIONS (Continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources (Continued)

In addition, the difference between the actual Employer contributions and the proportionate share of the Employer contributions during the measurement period ended June 30, 2014 is recognized over the same period which is 5.62 years. The Schedule of Pension Amounts by Employer does not reflect contributions made to LACERS subsequent to the measurement date as defined in GASB Statement No. 68 paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the Employers.

NOTE 3 – RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The components of the schedule associated with pension expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position for the LACERS as shown in the LACERS Statement of Changes in Fiduciary Net Position for the year ended June 30, 2014 and in accordance with requirements promulgated by GASB Statements No. 67 and No. 68. The net pension liability at June 30, 2014, is reported in the Notes to Los Angeles City Employees' Retirement System Basic Financial Statements and Required Supplementary Information following the Notes.