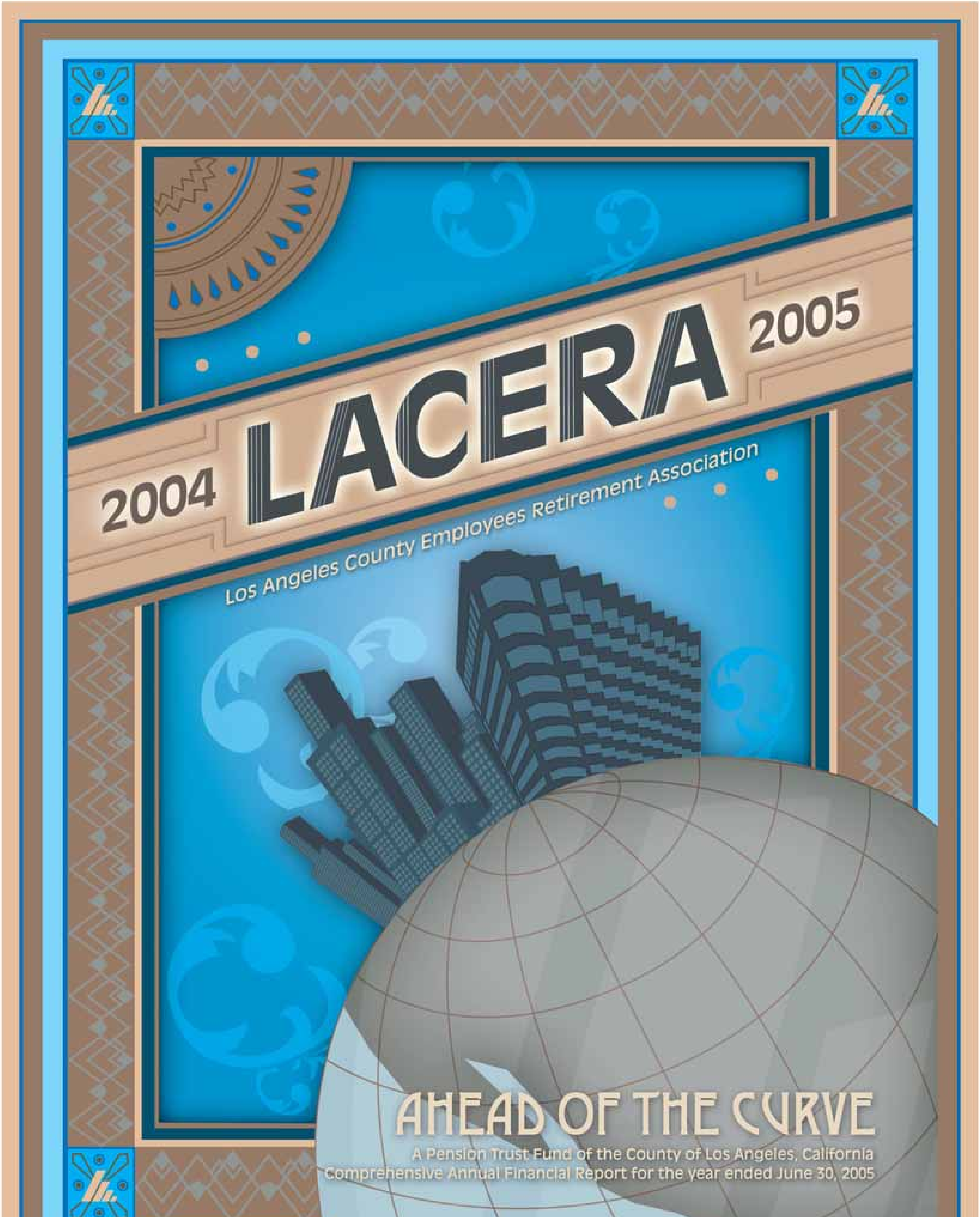


The Table of Contents page contains direct links to each topic.

L/ACERA
Los Angeles County Employees
Retirement Association

A Pension Trust Fund of the County of Los Angeles, California
Comprehensive Annual Financial Report for the year ended June 30, 2005

Issued by:

MARSHA D. RICHTER
Chief Executive Officer

GREGG RADEMACHER
Assistant Executive Officer

ROBERT R. HILL
Assistant Executive Officer

300 N. Lake Avenue
Pasadena, CA 91101
626-564-6000
www.lacera.com

Staying Ahead of the Curve

LACERA's mission is to produce, protect, and provide the promised benefits to our members. Our approach is proactive, with a focus on the development of innovative strategies to enhance the efficacy of our work processes and the quality of our services. These efforts encompass the latest advances in technology, along with the creative, scholarly, and practical contributions made by the Boards, the management, and the employees of LACERA.

LACERA's vision for the future also includes the long-term objectives of maximizing investment assets and achieving a fully-funded status for the pension fund. By balancing the importance of preserving capital with prudent investment risks, the diversification of our portfolio reflects a deep commitment to serving the best interests of LACERA's members and beneficiaries.

LACERA is staying ahead of the curve by embracing technology, continuously refining our customer service, and expanding outreach efforts to educate and inform our members.

Certificate of Achievement

Each year, a Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and reporting each year. This report must satisfy both generally accepted accounting principles and applicable legal requirements. For the 15th consecutive year, LACERA has earned this prestigious award for the 2004 comprehensive annual financial report. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Award For Plan Design And Administration

LACERA received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2004 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

This Table of Contents page contains direct links to each topic. Click on the topic you wish to view.

LACERA Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6132 • 800/786-6464

November 2, 2005

Los Angeles County Employees Retirement Association
Board of Retirement
Board of Investments
Gateway Plaza
300 N. Lake Avenue, Suite 820
Pasadena, CA 91101

Dear Board Members:

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This report is intended to provide the users with extensive and reliable information for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of LACERA.

LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and participating agencies. In honoring that covenant, we are vigilant in our efforts to provide excellent customer service to over 143,000 members and over 49,000 benefit recipients.

As our Mission Statement declares, LACERA will produce, protect, and provide the promised benefits to our members. Our approach is proactive, with a focus on the development and implementation of innovative strategies to enhance the efficacy of our work processes and the quality of our services. These efforts encompass the latest advances in technology, along with the creative, scholarly, and practical contributions made by the Boards, the management, and the employees of LACERA.

Marsha D. Richter
Chief Executive Officer

LACERA's vision for the future also includes the long-term objectives of maximizing investment assets and achieving and maintaining a fully-funded status for the pension fund. By balancing the importance of preserving capital with prudent investment risks, the diversification of our portfolio reflects a deep commitment to serving the best interests of LACERA's members and beneficiaries.

Report Contents

LACERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures. The Annual Report is divided into five sections:

The Introductory Section—Offers an overview of LACERA and the significant activities and events that occurred during the fiscal year 2004-2005. In addition to this Letter of Transmittal, this section contains the Certificate of Achievement for Excellence in Financial Reporting, Public Pension Standards Award, Members of the Boards of Retirement and Investments, LACERA's organizational chart, and a list of professional consultants utilized by LACERA.

The Financial Section—Presents the financial condition and funding status of LACERA. Contents of this section include the Independent Auditor's Report by Brown Armstrong CPAs, Management's Discussion and Analysis, Financial Statements and Notes, and Other Supplementary Information.

The Investment Section—Provides an overview of LACERA's investment program. This section contains the Independent Consultants Report, the Chief Investment Officer's Report, Investment Results, a list of the Investment Managers who provide investment services to LACERA, and other portfolio information.

The Actuarial Section—Communicates the Association's funding status and presents other actuarial-related information. This section contains the certification of the consulting actuary, Milliman, Inc., actuarial statistics, and general plan provisions.

The Statistical Section—Presents information pertaining to LACERA's operations on a multi-year basis.

LACERA and Its Services

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the safety and general members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four other agencies:

- Little Lake Cemetery District
- Local Agency Formation Commission
- Los Angeles County Office of Education
- South Coast Air Quality Management District

LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937 (CERL), and the bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect benefits of LACERA members.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both Boards appoint a Chief Executive Officer, to whom is delegated the responsibility of overseeing the day-to-day management of LACERA.

Financial Information

Internal Control

The financial attest audit performed by Brown Armstrong CPAs states that LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. Maintaining appropriate internal controls and the financial statement presentation are the responsibility of management, with oversight by LACERA's Internal Audit Services staff, and LACERA's Audit Committee, which is comprised of members of the Boards of Retirement and Investments.

Analysis

An overview of LACERA's fiscal operations is presented in the Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the organization.

Investment Activities

The Board of Investments adopted an Investment Policy Statement which provides a framework for the management of LACERA's investments. This Statement established LACERA's investment policies and objectives and defines the principal duties of the Board, the investment staff, investment managers, master custodian, and consultants.

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives. LACERA's strategic asset allocation targets are long term by design because of the illiquidity of certain asset classes such as Private Equity, Real Estate, and the fund's long-term investment horizon.

For the third consecutive year, LACERA achieved a positive performance with a total fund return of 11.0% for the fiscal year. The five-year annualized return of 3.7%, while improving, has not completely recovered from the recent bear market. LACERA's investment returns conform to the AIMR-Performance Presentation Standards (AIMR-PPS).

Actuarial Funding Status

Pursuant to provisions in the CERL, LACERA engages an independent actuarial firm to perform an annual actuarial valuation. A system actuarial valuation is performed every three years (triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each triennial valuation. A triennial valuation was conducted as of June 30, 2004.

LACERA is funded by member and employer contributions, and investment earnings on those contributions. Normal member contributions are those required to fund a specific annuity at a specified age. Member contribution rates vary according to the member's age at first membership. The CERL also requires members to pay half the contributions required to fund the cost-of-living benefit, which is affected by changes in both economic and non-economic assumptions.

Liabilities not funded through the member contributions are the responsibility of the employer. Changes in any of the economic and non-economic assumptions impact employer contribution rates. The employer is responsible for contributing the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit. These are called normal cost contributions. The employer is also responsible for making additional contributions to eliminate any shortfalls in funding covering liabilities that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

On June 4, 2002, LACERA and the County entered into a Retirement Benefits Enhancement Agreement (Agreement) that enhanced retirement benefits and implemented an interim, short-term funding policy that is in effect through the June 30, 2008 valuation. Under the Agreement, employer contribution rates are adjusted annually following completion of an actuarial valuation.

The June 30, 2004 valuation, determining the funding ratio to be 82.8%, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $5.61 billion. The County contribution rate was therefore set equal to 6.41% of payroll for the amortization of the UAAL over 30 years, plus the normal cost rate of 9.60%, for a total contribution rate of 16.01% of payroll.

Staying Ahead of the Curve

During fiscal year 2004-2005, LACERA's proactive strategies for keeping the promise to our members were bolstered by important contributions from each division. Our path was guided by proven business tactics and aided by innovative thinking and advances in technology.

Division Activities

Administrative Services Division

In compliance with best practices for records management, the Administrative Services Records Management Unit conducted an audit of LACERA's archives and overall records management system, constructed a new, secure filing system, and moved most archival records to an offsite document management facility.

The Administrative Services Document Processing Center scanned and indexed over 180,000 documents, amounting to 450,000 pages of member information, with same-day processing.

Claims Processing Division

Our Claims Processing Division continued to develop enhancements to its already excellent customer service. Service improvements included an increase in processing accuracy from 93% to 97%, and an increase in the percentage of retirees registered for direct deposit from 84% to 88%. Other notable accomplishments include:

- During the annual March "rush" of retirements, Claims Processing paid 99.4%, or 847 of 852 retirees, within one payroll cycle of their retirement date.
- To implement recently enacted legislation, Claims Processing created and implemented the Unmodified+ Plus Option, which allows members to increase an eligible survivor's benefits to up to 100%, while the member sustains only a minimal actuarial reduction to their retirement allowance.
- In accordance with legislation affecting domestic partner rights and obligations, the staff designed and executed procedures to provide domestic partners with the same survivor benefits extended to spouses of eligible members.

Communications Division

This year our Communications Division collaborated with LACERA's Human Resources, Disability, and Claims Processing Divisions to create the first annual countywide LACERA Resource Conference. The event was designed to assist County HR personnel in presenting our services to other County employees. To that same end, Communications also created and produced a 20-minute DVD to introduce LACERA's Outreach Program to all County HR departments.


Gregg Rademacher
Assistant Executive Officer

Other Communications activities included the creation of:

- Ads in LACERA publications promoting the array of services and resources available to members.
- 272 print projects, 427 web pages and 272 web site documents created and/or modified, including RFP & Career opportunities and "My LACERA."
- Outreach Program brochure and poster for County HR personnel.
- Ten issues of LACERA-Gram, a monthly document updating County HR personnel officers on pertinent retirement information.

Disability Division

This division focused primarily on the education and training of County personnel on procedures for processing applications for disability retirement. Within that effort, Disability staff presented 20 educational seminars to Return-to-Work Coordinators, Personnel Officers, Risk Management staff, and Third Party Administrator staff, along with miscellaneous County department members.

Additionally, our Disability Division completed the following tasks:

- Updated all application forms to ensure compliance with current law.
- Drafted new panel physician guidelines which were adopted by the Board of Retirement.
- Updated service-provider agreements.

Human Resources Division

Our Human Resources Division made significant progress in the comprehensive support of LACERA's premier service standards and human capital development. The division's progress includes achievements in:

Recruitment and Retention

- Implemented an online recruitment management system to improve the overall efficiency of the new-hire process, resulting in improved recruiter productivity and the launch of LACERA's Career Opportunities section of our web site.
- Conducted over 35 examinations, yielding 25 outstanding new LACERA staff.

Employee and Organizational Development

- HR Training and Development partnered with Legal Services and Communications to develop a Board Resources web site to support LACERA's Boards in effective governance.
- To improve the overall accuracy and timeliness of LACERA's retirement benefit information, HR Training and Development engaged a cross-functional project team to develop and present the LACERA Resource Conference.

Internal Audit Division

Internal Audit successfully underwent its first peer review and was certified as generally complying with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Legal Services Division

For the second consecutive year, LACERA collected more than $2 million in settlement claims from securities litigation. These claims are part of an ongoing commitment by LACERA to aggressively pursue recovery of losses suffered during the period of widely publicized corporate scandals.

The "Ventura Litigation," which involved retroactive adjustment of retirement allowances, was finalized through a negotiated settlement agreement. In compliance with the settlement, LACERA is preparing to make the required retroactive payments.

Collected settlements and pending litigation in fiscal year 2004-2005 include:

- $528,000 settlement from our action against Safety-Kleen.
- $40,000 settlement from the Enterasys Networks class action, in which LACERA served as lead plaintiff.
- LACERA currently serves as court-appointed lead plaintiff in federal securities actions against King Pharmaceuticals and Citigroup/Salomon Smith Barney.
- Lawsuits on LACERA's behalf were pending against WorldCom, AOL/Time Warner, Adelphia, Motorola, and Scientific-Atlanta.

Robert R. Hill
Assistant Executive Officer

Member Services Division
The Member Services Division continues to serve the LACERA membership with increasing accuracy and efficiency. Member Services staff performed the following activities:

- Implemented beneficiary changes by phone, a new service option which allows active and retired members to make beneficiary changes by calling LACERA's Call Center instead of completing a form.
- Answered 144,102 telephone inquiries from members; approximately 87% of these calls were answered within 30 seconds.
- Served 11,496 members at our public service counter, with an average wait time of less than eight minutes to see a counselor. To better serve members with severe time constraints, LACERA began offering a number of pre-set counseling appointments, effective February 2005.
- Presented 725 workshops at LACERA, County departmental locations, and other facilities. Staff also set up information booths and answered members' questions at County departments' benefits days.
- Conducted 22 in-home or in-hospital counseling sessions to assist terminally ill members and their families in making retirement decisions.

Quality Assurance and Metrics Division
In addition to providing daily consultations to the staff of Claims Processing and Member Services, Quality Assurance staff:

- Completed quality audit and beta testing of online calculators, the "My LACERA" web feature, and imaged Board of Retirement Agendas dating back to the inception of LACERA.
- Audited 10,335 members' transactions by applying accuracy metrics covering 22 business processes, an increase of 21% over prior year.
- Developed and documented detailed guidelines to streamline six transaction procedures.
- Conducted 857 hours of classroom and computer lab training to new and existing Claims Processing and Member Services staff.

Retiree Health Care Division
Under an agreement with the County of Los Angeles, LACERA administers a Health Care Benefits Program that provides medical and dental/vision benefits for retirees/survivors and their eligible dependents. Approximately 38,000 receive medical benefits, 37,000 receive dental/vision benefits, and nearly 4,000 participate in the Long Term Care Program.

During this fiscal year, in our continued efforts to provide a health care benefits program of the highest quality, staff accomplished the following:

- Conducted LACERA's 14th annual Health Fair sponsored by participating health care providers and organizations.

- Conducted the mailing of the annual letter and insurance rate booklet to 39,000 members and implemented the new rate tables.
- Implemented premium rate changes for the Local 1014 medical plan for the 2005 Plan Year.
- Implemented the Domestic Partner Health Care Program.
- Implemented the Los Angeles City Health Care Reciprocity Program.

Systems Division
The Systems Division continued to institute program updates to streamline various processes, add member services, and improve the security of members' personal information. The release of the "My LACERA" web feature by the Systems Division, in association with the Communications Division, is one such system enhancement. The new web feature allows both active and retired members easy and secure online access to their personal membership information. The Systems Division also:

- Performed parallel testing of all batch and online programs, stress tests, security tests, and system setup in preparation for VSAM to DB2 file conversion.
- Issued Annual Benefit Statements to Inactive and Unclaimed members, in accordance with AB 2766.
- Modified programs necessary to support new Unmodified+Plus Option, including online retirement calculator.
- Modified 1099-R reporting programs to accommodate reporting of Imputed Income for Domestic Partners.
- Updated the methods of transmitting monthly payroll data and monthly retiree check files from a messengered cartridge system to electronic file transmission.
- Automated the creation of Medicare Part B prior period adjustments.

Awards and Recognition

For the fifteenth consecutive year, the Government Finance Officers Association (GFOA) has awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of our Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2004.

LACERA is also a recipient of the Government Finance Officers Association (GFOA) Award for Outstanding Achievement in Popular Annual Financial Reporting for the seventh year running. We received this honor for our Popular Annual Financial Report (PAFR), for fiscal year ending June 30, 2004.

These awards recognize contributions to the practice of government finance exemplifying outstanding financial management; in doing so they stress practical, documented work that offers leadership to the profession.

In addition, LACERA was honored with the Public Pension Coordinating Council's (PPCC) 2004 Public Pension Standards Award, in recognition of compliance with professional standards for plan design and administration.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report in a timely manner is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I am sincerely grateful to the LACERA Boards and staff, as well as to all of our professional service providers, who perform so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Marsha D. Richter
Marsha D. Richter

Chief Executive Officer

BOARD OF RETIREMENT

Los Angeles County Employees Retirement Association

Les Robbins, Chair
Appointed by the Board of Supervisors
Term expires 12-31-05

William R. Pryor, Vice Chair
Elected by Safety Members
Term expires 12-31-07

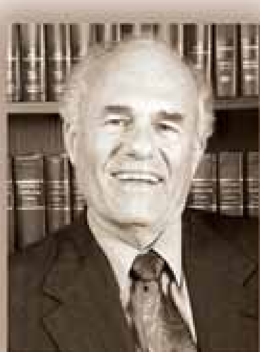
William de la Garza, Secretary
Elected by Retired Members
Term expires 12-31-05

Mark J. Saladino
Treasurer and Tax Collector
Ex-officio Member

Brian C. Brooks
Elected by General Members
Term expires 12-31-05

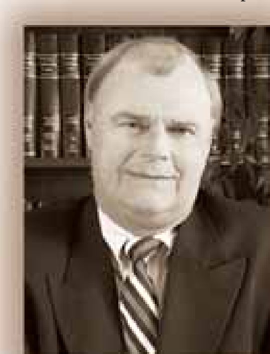
Simon Frumkin
Appointed by the Board of Supervisors
Term expires 12-31-04*

Armando Macias
Alternate Member
Elected by Safety Members
Term expires 12-31-07



Ed Morris
Alternate Retired Member

Simon S. Russin
Elected by General Members
Term expires 12-31-06



Richard R. Wirth
Appointed by the Board of Supervisors
Term expires 12-31-06

Sadonya Antebi
Appointed by the Board of Supervisors
Term expires 12-31-05

**A new appointee has not yet been named by the Board of Supervisors; therefore, Mr. Frumkin continues to serve on the Board.*

BOARD OF INVESTMENTS

Los Angeles County Employees Retirement Association

Sandra J. Anderson, Chair
Elected by Retired Members
Term expires 12-31-05

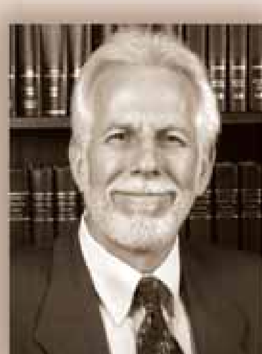
Estevan Valenzuela, Vice Chair
Appointed by the Board of Supervisors
Term expires 12-31-05

Bruce Perelman, Secretary
Elected by General Members
Term expires 12-31-05

Mark J. Saladino
Treasurer and Tax Collector
Ex-officio Member

William R. Pryor
Elected by Safety Members
Term expires 12-31-07

Herman Santos
Elected by General Members
Term expires 12-31-06



Michael Schneider
Appointed by the Board of Supervisors
Term expires 12-31-07

Leonard Unger
Appointed by the Board of Supervisors
Term expires 12-31-06

Larkin Teasley
Appointed by the Board of Supervisors
Term expires 12-31-05

2005 LACERA

BOARD OF INVESTMENTS — **BOARD OF RETIREMENT**

CHIEF EXECUTIVE OFFICER
Marsha D. Richter

- INTERNAL AUDIT SERVICES — Richard Bendall
- DISABILITY LITIGATION — Daniel E. McCoy
- LEGAL SERVICES — David L. Muir
- INVESTMENT OFFICE — Lisa Mazzocco
- RETIREE HEALTH CARE BENEFITS PROGRAM — Kathy Magita

ASST. EXECUTIVE OFFICER
Gregg Rademacher

ASST. EXECUTIVE OFFICER
Robert R. Hill

- DISABILITY INVESTIGATION — Sylvia Miller
- ADMINASTRATIVE SERVICES — Robert Whitten
- MEMBER SERVICES — Janice Golden
- COMMUNICATIONS — Delia Price
- HUMAN RESOURCES — Bob Proctor
- FINANCIAL & ACCOUNTING SERVICES — Beulah Canevari
- CLAIMS PROCESSING — Kimberly Hines
- QUALITY ASSURANCE & METRICS — Mike Mikhail
- SYSTEMS — Fred Whiting

ORGANIZATIONAL CHART

Actuary
Milliman, Inc.

Auditors
Brown Armstrong, CPAs
The Segal Company

Commercial Banking
Mellon Global Cash Management

Data Processing
Los Angeles County
Internal Services Department

Governance Consultants
Institutional Shareholder Services, Inc.

Investment Consultants
Frank Russell Company
The Townsend Group

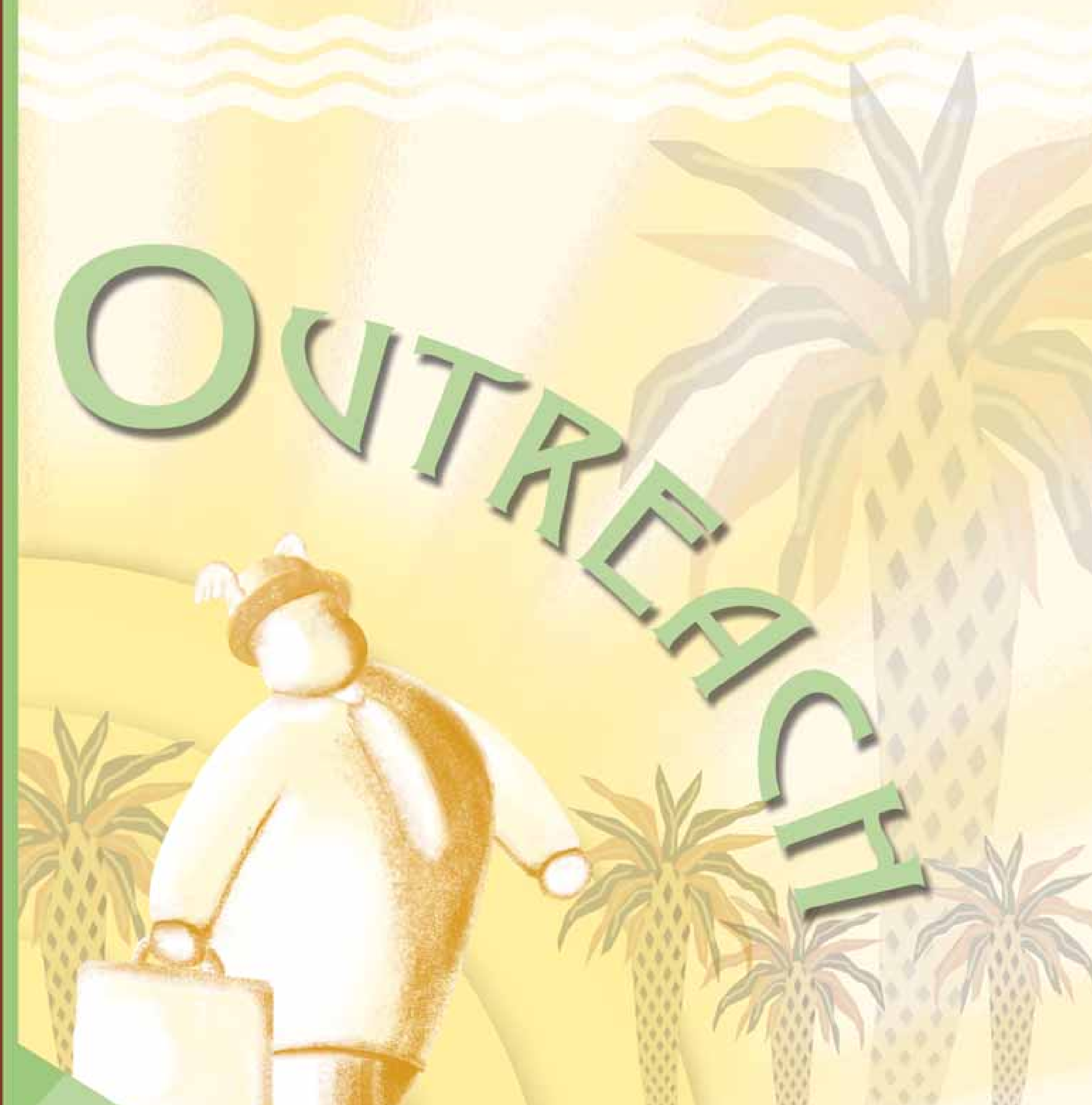
Custodian Bank
Mellon Global Securities Services

Mortgage Loan Custodians
Bankers Trust Company
JP Morgan Chase, N.A.

Legal Counsel
Andrews, Kurth, L.L.P.
Banna, Green, Frank & Terzian, L.L.P.
Berman, DeValerio, Pease, Tabacco, Burt & Pucillo
Bernstein, Litowitz, Berger & Grossman, L.L.P.
Bryan, Cave, L.L.P.
Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, L.L.P.
Cox, Castle & Nicholson, L.L.P.
DLA, Piper, Rudnick, Gray, Cary, USA, L.L.P.
Girard, Gibbs, DeBartolomeo, L.L.P.
Grant & Eisenhofer, P.A.
Graves, Robertson & Bourassa
Gray, Cary, Were & Freidenrich, L.L.P.
Groom Law Group
Jones, Day, Reavis & Pogue
Kaplan, Fox & Kilsheimer, L.L.P.
Lerach, Coughlin, Stoia, Geller, Rudman & Robbins, L.L.P.
Locke, Liddell & Sapp, L.L.P.
Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C.
Morrison & Foerster, L.L.P.
Ogier & LeMasurier Jersey
Orrick, Herrington & Sutcliffe, L.L.P.
Paul, Hastings, Janofsky & Walker, L.L.P.
Pillsbury, Winthrop, Shaw, Pittman, L.L.P.
Pircher, Nichols & Meeks, L.L.P.
Sidley & Austin
Seyfarth, Shaw, L.L.P.
Steptoe & Johnson, L.L.P.
Tatro Tekosky & Sadwick, L.L.P.

Financial Section

Staying Ahead of the Curve



Outreach efforts

Taking our resources to our members...

This year, we introduced a multifaceted outreach initiative, designed to inform LACERA members and County Departments about our latest procedures and services. This proactive endeavor brings our members information about the numerous service options and resources that we provide.

2005 LACERA Resource Conference

Our first annual LACERA Resource Conference was created by a cross-functional team to strengthen the partnership and improve the flow of information between LACERA and Los Angeles County Human Resources personnel, who also serve our members.

- Conferences held in June, July, and August
- Presentations on Outreach Program Workshops, Sworn Statement, Disability Process, and Communication Resources

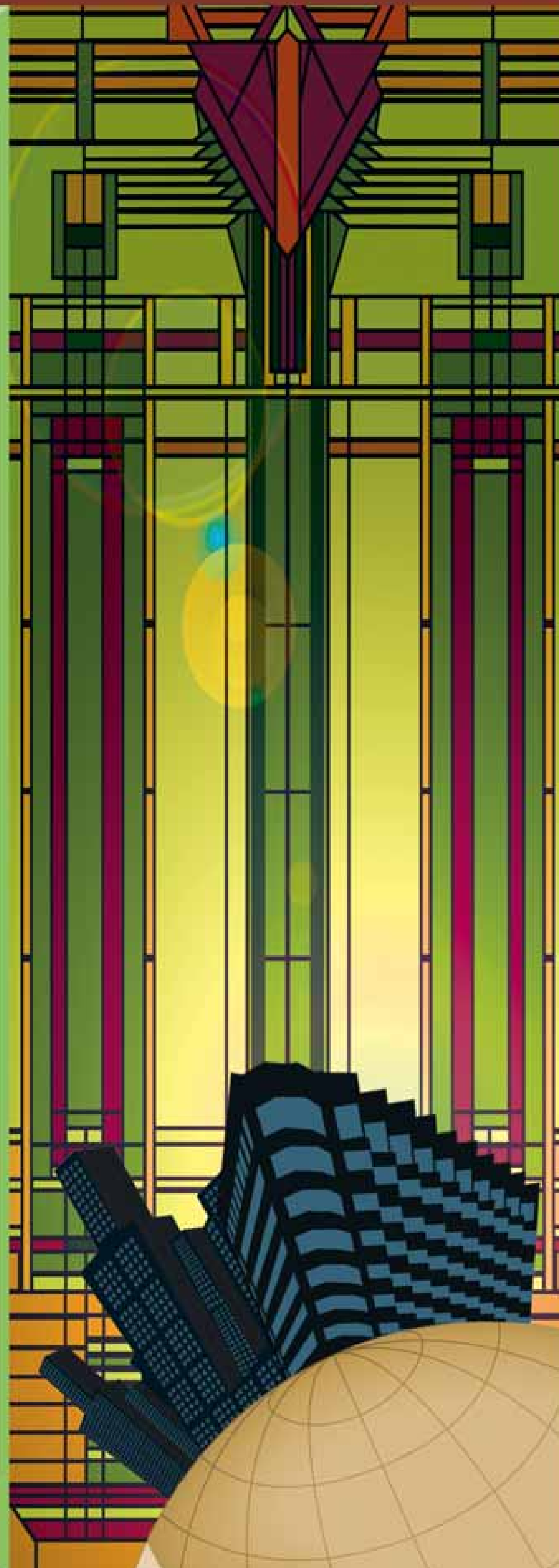
Advertisements in LACERA Printed Communications

To expand the reach of our outreach initiative, we placed advertisements in our collateral materials. These ads featured the following resources:

- "My LACERA" gives members access to their personal retirement information online 24/7
- Brochures & Forms web page allows members to view, print, and order LACERA retirement information
- Online calculators provide instant estimates of retirement allowance and plan transfer costs
- New, Mid-Career, and Pre-Retirement Member Workshops
- Newsletters for active and retired members

In Addition...

We produced a DVD which presents an overview of our Outreach Program services and highlights member workshops. This digital "calling card" helps introduce LACERA services to all County departments.



BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

■ Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661-324-4971
Fax 661-324-4997
Email barrinfo@barrcpa.com

■ Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661-746-2145
Fax 661-746-1218

Independent Auditor's Report

Boards of Retirement and Investments
Los Angeles County Employees Retirement Association

We have audited the accompanying statement of plan net assets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 2005 and 2004 and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of management of LACERA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Los Angeles County Employees Retirement Association as of June 30, 2005 and 2004 and its changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note B to the financial statements, in 2005, LACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, an Amendment of GASB Statement No. 3, and GASB Statement No. 44, Economic Condition Reporting: The Statistical Section.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information as listed in the table of contents, and the investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of LACERA. The other supplementary information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the investment, actuarial, and statistical sections and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2005, on our consideration of LACERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Brown Armstrong Paulden
McCown Starbuck & Keeter
Accountancy Corporation

Andrew J. Paulden

Bakersfield, CA
October 4, 2005

Management's Discussion and Analysis as of June 30, 2005

This Management's Discussion and Analysis of the financial activities of LACERA is an overview of its fiscal operations for the year ended June 30, 2005. Readers are encouraged to consider the information presented in conjunction with the Financial Statements.

Financial Highlights

- Net Assets Held in Trust for Pension Benefits, as reported in the Statement of Plan Net Assets, total $32.0 billion, an increase of $2.55 billion or 8.6% from the prior year.
- Total Additions as reflected in the Statement of Changes in Plan Net Assets are $4.21 billion primarily as a result of the Net Appreciation in the Fair Value of Investments and Investment Income. This represents a decrease from the prior year of $566 million or a change of 11.8%.
- Total Deductions as reflected in the Statement of Changes in Plan Net Assets total $1.67 billion, an increase of $122 million or 7.9% from prior year.
- Milliman, Inc. served as LACERA's independent actuary. The latest actuarial valuation completed was as of June 30, 2004 and determined the funding status (the ratio of system assets to system liabilities) to be 82.8%.

Overview of Financial Statements

This Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements. LACERA has two basic financial statements, the notes to the financial statements, and two required supplementary schedules of historical trend information. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board, utilizing the accrual basis of accounting.

The Statement of Plan Net Assets is the first basic financial report. This is a snapshot of account balances at fiscal year end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of fiscal year end. The net assets, which are the assets less the liabilities, reflect the funds available for future use.

Beulah S. Canevari
Manager, Financial and
Accounting Services Division

The Statement of Changes in Plan Net Assets is the second financial report. This report reflects all the activities that occurred during the fiscal year and shows the impact of those activities as Additions or Deductions to the plan. The trend of additions versus deductions to the plan will indicate whether LACERA's financial position is improving or deteriorating over time.

The Notes to the Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year.

The Schedule of Funding Progress, a required supplementary schedule, includes historical trend information about the actuarial funding status of the plan and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the Schedule of Employer Contributions, presents historical trend information about the annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funding status of the plan over time.

Financial Analysis

Assets and Funding Ratio

As of June 30, 2005, LACERA has $32.0 billion in net assets, which means that Total Assets of $35.6 billion exceed Total Liabilities of $3.59 billion. As of June 30, 2004, LACERA had $29.5 billion in net assets, as a result of Total Assets of $33.2 billion exceeding Total Liabilities of $3.77 billion. The net assets represent funds available for future payments. However, of importance is the fact that, unlike private pension funds, public pension funds are not required to report the future liability of obligations owed to retirees. Only current liabilities are reported on the Statement of Plan Net Assets.

Plan Net Assets

As of June 30, 2005, 2004, and 2003:
(Dollars in millions)

	2005	2004	2003	% Change 2005 - 2004	% Change 2004 - 2003
Investments	$ 31,974	$ 29,887	$27,058	7.0%	10.5%
Other Assets	3,642	3,361	3,354	8.4%	0.2%
Total Assets	35,616	33,248	30,412	7.1%	9.3%
Total Liabilities	3,590	3,767	4,164	-4.7%	-9.5%
Total Plan Net Assets	**$32,026**	**$29,481**	**$26,248**	**8.6%**	**12.3%**

In order to determine whether Total Plan Net Assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future benefits.

LACERA's independent actuary, Milliman, Inc., performed an actuarial valuation as of June 30, 2004 and determined that the funding ratio of the actuarial assets to the actuarial accrued liability is 82.8%. The actuarial valuation as of June 30, 2003 determined the funding ratio to be 87.2%. The decrease in funding status is primarily attributed to the actuarial smoothing of investment gains and losses, plus changes in some actuarial assumptions. Although the fiscal year being valued returned investment gains, only a third was recognized for valuation purposes, while the deferred investment losses from previous years were fully recognized. The deferred gain will be reflected over the next two valuations.

Additions and Deductions to Plan Net Assets

The primary sources which finance the retirement benefits LACERA provides are investment income and the collection of member (employee) and employer retirement contributions. For fiscal year 2005, Total Additions amounted to $4.21 billion, achieved primarily due to positive investment performance with a total fund return of 11.0% for the fiscal year. For fiscal year 2004, Total Additions amounted to $4.78 billion due primarily to annual investment returns of 16.5%.

To finance its contributions due LACERA, the County makes monthly cash payments and/or directs LACERA to transfer funds from its County Contribution Credit Reserve (CCCR). Employer contributions as reported reflect only cash payments received from the County. Generally, the 2005 and 2004 contributions increased from the prior years due to the increases in the employer contribution rates to cover the Unfunded Actuarial Accrued

Liability. In 2005 and 2004, the County funded approximately eight months of contributions in cash. The County's contributions for the remaining months of the fiscal year were made through transfers from funds available in the CCCR. The CCCR was established in 1994 pursuant to an agreement with the County under which the County issued pension obligation bonds and transferred the proceeds to LACERA to fully fund the system.

Net investment income for fiscal year 2005 was $3.40 billion, a decrease of $722 million or 17.5% from the prior year. LACERA achieved positive performance with an annualized total fund performance of 11.0%. Net investment income for fiscal year 2004 was $4.12 billion, an increase of $3.19 billion over the prior year, or a change of 345%. Total fund performance was 16.5% for the 2004 fiscal year. Please see Economic Factors later in this MD&A for further discussion.

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, the funding of the 401(h) portion of the Retiree Health Care Program, and the cost of administering the plan. These deductions total $1.67 billion for fiscal year 2005, an increase of $122 million or 7.9% from the prior year. For fiscal year 2004, these deductions total $1.55 billion, an increase of $112 million or 7.8% from the prior year. For both years, the increases are largely due to the steady growth in the number of retired members and their beneficiaries.

The Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.13% of total plan assets. The California Government Code Section 31580.2 limits the annual administrative expense to eighteen-hundredths of one percent (0.18%) of the total assets of the retirement system, plus an additional one-hundredth of one percent (0.01%) for the cost of legal representation. It is the intent of the Boards to remain within the appropriation limit established in the Government Code, which the Boards have historically done.

Additions and Deductions to Plan Net Assets

For the Years Ended June 30, 2005, 2004, and 2003:
(Dollars in millions)

	2005	2004	2003	% Change 2005 - 2004	% Change 2004 - 2003
Contributions and Misc.	$ 817	$ 661	$ 710	23.6%	-6.9%
Net Investment Income	3,396	4,118	925	-17.5%	345.2%
Total Additions	**4,213**	**4,779**	**1,635**	**-11.8%**	**192.3%**
Benefits and Refunds	1,563	1,448	1,339	7.9%	8.1%
Administrative Expense and Misc.	43	39	42	10.3%	-7.1%
Retiree Health Care	62	59	53	5.1%	11.3%
Total Deductions	**1,668**	**1,546**	**1,434**	**7.9%**	**7.8%**
Net Increase	2,545	3,233	201	-21.3%	1,508.5%
Net Assets at Beginning of Year	29,481	26,248	26,047	12.3%	0.8%
Ending Net Assets	**$32,026**	**$29,481**	**$ 26,248**	**8.6%**	**12.3%**

Economic Factors

The most important economic factor that impacts LACERA is the investment return earned in the financial markets. Investment returns make up approximately 80% of the annual additions to the fund.

Economic growth remained relatively strong during the 2005 fiscal year. LACERA's total fund returned 11.0% on an annualized basis, exceeding the benchmark by approximately 40 basis points. The 2005 fiscal year outperformance was principally attributable to strong returns in International Equity, Private Equity, and Real Estate, which returned 16.2%, 24.1%, and 14.0% respectively. The 2004 fiscal year's strong return of 16.5% was primarily attributed to the equity markets generating positive double-digit returns. The Russell 3000, a broad-based benchmark for equity securities, returned 20.5% for the one-year period ended June 30, 2004. This contrasts sharply with the 0.8% return for the prior fiscal year. The five-year annualized return of 3.7% lagged behind its benchmark by 90 basis points.

Overall Analysis

As of June 30, 2005, LACERA's market value is $32.0 billion. LACERA has finally recovered from the investment losses experienced several years ago, and has exceeded its highest record market value of $31.6 billion from fiscal year 2000. This fiscal year's investment returns exceeded the actuarial assumed investment earnings rate of 7.75%. The gains experienced will result in an improved actuarial funding ratio as they are recognized in the future during the smoothing process.

Requests for Information

This financial report is designed to provide the Boards of Retirement and Investments, our membership, taxpayers, and investment managers with a general overview of LACERA's finances and to show accountability for the money it receives. Questions about this report, or requests for additional financial information, should be addressed as follows:

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Financial and Accounting Services Division
LACERA
300 N. Lake Ave., Suite 720
Pasadena, CA 91101

Respectfully submitted,

Beulah S. Canevari

Beulah S. Canevari, C.P.A., C.G.F.M.
Manager, Financial and Accounting Services Division

Statement of Plan Net Assets

As of June 30, 2005 and 2004:
(Dollars in thousands)

	2005	2004
Assets		
Cash	$ 97,456	$ 39,844
Cash Collateral on Loaned Securities	3,001,156	2,770,860
Receivables		
Accounts Receivable - Sale of Investments	329,931	347,492
Accrued Interest and Dividends	109,878	102,427
Accounts Receivable - Other	103,895	100,212
Total Receivables	543,704	550,131
Investments at Fair Value		
Domestic and International Equity	17,299,546	16,556,302
Fixed Income	8,467,784	7,588,497
Short-Term Investments	947,634	1,086,950
Real Estate	3,213,698	2,952,245
Mortgages	268,449	320,594
Private Equity	1,777,213	1,382,499
Total Investments	31,974,324	29,887,087
Capital Assets Net of Depreciation		1
Total Assets	**35,616,640**	**33,247,923**
Liabilities		
Accounts Payable - Purchase of Investments	509,383	924,203
Retiree Payroll and Other Payables	125	8
Accrued Expenses	23,809	20,660
Tax Withholding Payable	15,614	14,180
Obligations under Securities Lending Program	3,001,156	2,770,860
Accounts Payable - Other	40,448	36,829
Total Liabilities	**3,590,535**	**3,766,740**
Net Assets Held in Trust for Pension Benefits	**$32,026,105**	**$29,481,183**

(A Schedule of Funding Progress is presented in the Required Supplementary Information in this Financial Section.)

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

Statement of Changes in Plan Net Assets

For the Years Ended June 30, 2005 and 2004:
(Dollars in thousands)

	2005	2004
Additions		
Contributions		
Employer	$ 527,810	$ 395,109
Member	286,096	262,699
Total Contributions	813,906	657,808
Investment Income		
From Investing Activities		
Net Appreciation/(Depreciation) in Fair Value of Investments	1,597,148	2,740,449
Investment Income	1,850,038	1,444,888
Total Investing Activity Income/(Loss)	3,447,186	4,185,337
Less Expenses from Investing Activities	(59,664)	(75,823)
Net Investing Activity Income/(Loss)	3,387,522	4,109,514
From Securities Lending Activities		
Securities Lending Income	79,263	36,817
Less Expenses from Securities Lending Activities	(70,592)	(27,831)
Net Securities Lending Income	8,671	8,986
Total Net Investment Income/(Loss)	3,396,193	4,118,500
Miscellaneous	3,222	2,605
Total Additions/(Declines)	**4,213,321**	**4,778,913**
Deductions		
Retiree Payroll	1,542,087	1,426,944
Administrative Expense - Note B	43,182	38,684
Refunds	18,630	18,088
Lump-Sum Death Benefits	1,646	2,479
Retiree Health Care Program	62,318	59,054
Miscellaneous	536	287
Total Deductions	**1,668,399**	**1,545,536**
Net Increase/(Decrease)	**2,544,922**	**3,233,377**
Net Assets Held in Trust for Pension Benefits Beginning of Year	29,481,183	26,247,806
End of Year	**$32,026,105**	**$29,481,183**

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

Note A — Plan Description

On January 1, 1938, the Los Angeles County Employees Retirement Association (LACERA) was established. It is governed by the California Constitution, the County Employees Retirement Law of 1937, and the bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the Retirement Law of 1937, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multi-employer defined benefit plan for Los Angeles County and four participating agencies: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and South Coast Air Quality Management District.

Membership

LACERA provides retirement, disability and death benefits to its active safety and general members, and administers the plan sponsor's retiree health care program. Safety membership includes law enforcement (Sheriff and District Attorney Investigators), fire fighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the service entry date. General members may elect membership in a noncontributory plan tier upon entry into service. Additional information regarding the benefit structure is included in the Summary of Plan Provisions in the Actuarial Section of this report.

Membership

At June 30, 2005 and 2004, LACERA membership consisted of:

	2005	2004
Active Members		
Vested	61,382	59,530
Nonvested	25,002	26,705
Total Active Members	**86,384**	**86,235**
Retired Members	49,853	48,332
Terminated Vested (Deferred)	6,980	6,559
Total Membership	**143,217**	**141,126**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates 10 years of creditable service under the general service noncontributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, age at retirement, and length of service as of the retirement date, according to applicable statutory formula. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for nonservice-connected disability eligibility according to the applicable statutory formula. Members of the noncontributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Cost-of-Living Adjustment (COLA)

Under provisions in the California Government Code, the Board of Retirement (Board) shall, before April 1 each year, determine whether there has been an increase or decrease in the cost-of-living, as shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of the preceding January 1. Effective April 1 of each year, the Board must increase or decrease retirement and survivor allowances by a percentage of the total allowance to approximate to the nearest one-half of one percent the percentage of annual increase or decrease in the cost-of-living as of the preceding January 1 for members and survivors who were retired prior to April 1. Plan A members may receive a 3% maximum increase while Plan B, C, and D members may receive a 2% maximum increase. Any CPI cost-of-living increase or decrease, in any year, which is not met by the maximum annual change of 3% or 2% in allowances, will be accumulated to be met by increases or decreases in allowances for future years. The accumulated percentage carryover is known as the Cost-of-Living Adjustment Bank. Plan E members receive cost-of-living increases for service credit earned on and after June 4, 2002.

STAR Program

In addition to cost-of-living increases, the California Government Code also provides the Board the authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess earnings have been used to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. The Board of Retirement made permanent the 2001 through 2004 STAR Programs at an 80% level as authorized in the California Government Code Section 31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 because the CPI percentage increased slightly and all eligible members had COLA Accumulation accounts below the 20% threshold for providing STAR benefits. Although the 2001-2004 STAR Programs are a permanent benefit, future ad hoc supplemental cost-of-living increases based on future increases in the CPI will be subject to approval by the Board of Retirement on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments. Permanent STAR benefits become part of the member's retirement allowance and are payable for life. Ad hoc STAR payments are only payable for the year approved.

Since the inception of the STAR Program in 1990 to present, the Program received $1.52 billion in funding. The STAR Program funded approximately $310 million for the vesting of the 2001-2004 STAR Program benefits. As of June 30, 2005, there is $657 million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception have amounted to $705 million.

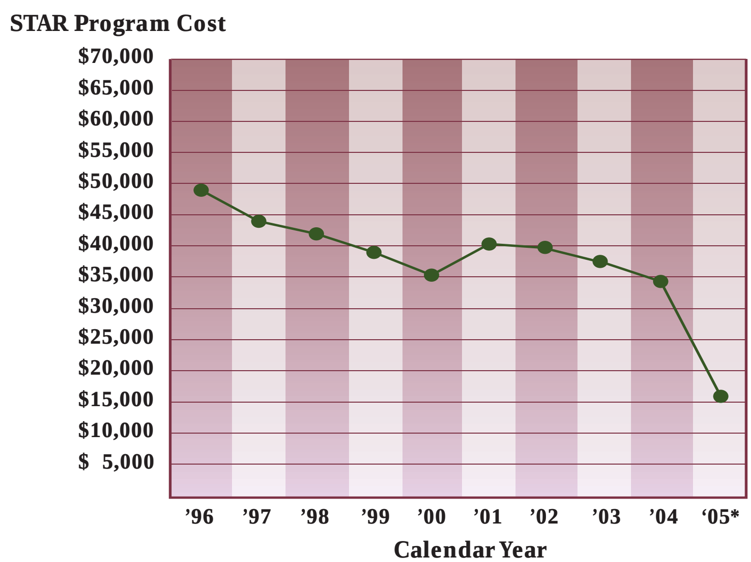
LACERA STAR Program Cost as of June 2005

The STAR program is administered on a calendar year basis. The following represents the STAR Program cost for the last ten years through June 30, 2005:

(Dollars in thousands)

Year	STAR Program Cost
1996	$ 49,571
1997	44,349
1998	42,225
1999	39,232
2000	35,397
2001	41,430
2002	40,137
2003	37,202
2004	34,544
2005	16,191*

*Represents Program Year through June 30.



NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own governing boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). LACERA's Annual Financial Statements are included in the County's Annual Financial Report as a pension trust fund. Maintaining appropriate controls and preparing the financial statements are the responsibility of management, with oversight by LACERA's Internal Audit staff.

LACERA wholly owns numerous Title Holding Corporations (THCs) and ten Limited Liability Companies (LLCs). The THCs are nonprofit corporations under Section 501(c)(25) of the Internal Revenue Code. The LLCs do not have tax-exempt status, but their income is excludable from taxation under Internal Revenue Code Section 115. The THCs invest in commercial properties located throughout the United States and the LLCs invest in hotels and office buildings. The financial activities of the THCs and LLCs are included in the accompanying financial statements as investments at fair value. Additional detailed information for these entities may be obtained from LACERA's Financial and Accounting Services Division, Attention: FASD Manager, 300 N. Lake Avenue, Suite 720, Pasadena, CA 91101.

Method of Reporting

LACERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of LACERA. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

Implementation of New Accounting Pronouncements

LACERA adopted the Governmental Accounting Standards Board's (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure*, an amendment of GASB Statement No. 3, effective for the year ended June 30, 2005. The required information is disclosed in Note H—Deposit and Investment Risk Disclosure. Derivative investment information is further disclosed in Note J—Derivative Financial Instruments.

In addition, LACERA early implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, effective for the year ended June 30, 2005. The Statistical Section has been expanded to include ten years of trend information, plus Financial Trend Information regarding changes in plan net assets.

Administrative Expenses

The LACERA Boards of Retirement and Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against the earnings of the retirement fund and are limited to eighteen-hundredths of one percent (0.18%) of total system assets as set forth under Government Code Section 31580.2. In addition, the cost of legal representation shall not exceed one-hundredth of one percent (0.01%) of system assets in any budget year, pursuant to Section 31529.1. Pursuant to Section 31580.3, in a fiscal year in which the net asset value of the retirement system is reduced from a previous fiscal year due to a general investment downturn, the Boards may fix the expense of administration based on the value of the total assets within a previous fiscal year in which a positive rate of return for the retirement fund was generated. Therefore, in accordance with the new legislation, the Boards adopted the budget for fiscal year 2005 based on the highest fair value of total assets from a previous fiscal year.

Budget to Actual Analysis of Administrative Expenses

The following budget to actual analysis of administrative expenses is based upon the budget, as approved by the governing boards, and reflects actual administrative expenses:
(Dollars in thousands)

Total Projected Asset Base at fair value	$30,426,812
Maximum Allowable for Administrative Expense (.0018 x $30,426,812)	$ 54,768
Maximum Legal Representation Appropriation (.0001 x $30,426,812)	$ 3,043
Total Statutory Budget Appropriation	$ 57,811
Operating Budget Request for Fiscal Year 2004-2005	$ 49,307
Actual Administrative Expenses for Fiscal Year ended June 30, 2005	$ 43,182
Underexpended Operating Budget	**$ 6,125**

Capital Assets
In Fiscal Year 1999-2000, LACERA changed its policy on capital assets whereby new capital asset acquisitions are expensed instead of being capitalized. Capital assets acquired prior to Fiscal Year 1999-2000 are carried at cost less accumulated depreciation. These assets are depreciated over their remaining useful lives. Depreciation is calculated using the straight-line method with five-year useful lives for equipment and ten years for furniture, structures, and leasehold improvements. As of June 30, 2005, all capital assets have been fully depreciated.

Cost and Accumulated Depreciation of Capital Assets

The cost and accumulated depreciation of capital assets as of June 30, 2005 and 2004 were as follows:
(Dollars in thousands)

	2005	2004
Furniture and Equipment	$4,278	$4,278
Structures and Improvements	2,829	2,829
Total Capital Assets (at cost)	7,107	7,107
Less: Accumulated Depreciation		
Furniture and Equipment	4,278	4,277
Structures and Improvements	2,829	2,829
Total Accumulated Depreciation	7,107	7,106
Total Capital Assets Net of Depreciation	**$ 0**	**$ 1**

Accrued Vacation and Sick Leave
Employees who resign or retire from active employment are entitled to full compensation for all unused vacation and a percentage of their unused sick leave. The accrued vacation and sick leave for LACERA employees as of June 30, 2005 and 2004 were $1.89 million and $1.85 million, respectively.

Cash
Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2005 and 2004.

Investments

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table:

Investments	Source
Publicly traded stocks and bonds, and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year end. International securities reflect currency exchange rates in effect at June 30, 2005 and 2004.
Mortgages	Equivalent pricing to comparable GNMA.
Real estate equity funds	Fair value as provided by real estate fund manager.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by property managers.
Private equity	Fair value as provided by the investment manager and reviewed by LACERA's private equity consultant.
Private placement bonds	Face value of the security subject to designated conditions such as sales restrictions or limited marketability.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, or event risks which may subject LACERA to economic changes occurring in certain industries, sectors, or geographies.

Dividend income is recorded on the ex-dividend date. Other investment income is recorded as earned on the accrual basis.

Use of Estimates
The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Reclassifications
Comparative data for the prior year have been presented in selected sections of the accompanying Statements of Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in the prior year's data may have been reclassified in order to be consistent with the current year's presentation.

NOTE C — Contributions

The employers and members contribute to LACERA based on unisex rates recommended by an independent actuary and adopted by the Board of Investments and Los Angeles County's Board of Supervisors. Contributory plan members are required to contribute between approximately 5% and 15% of their annual covered salary. Member and employer contributions received from the participating agencies are considered part of LACERA's plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Member rates for the contributory plan tiers are based upon age at entry to the system and plan enrollment. As a result of collective bargaining, member rates for various plans have been reduced through additional employer contributions, known as a surcharge rate.

For fiscal year ending June 30, 2005, the County paid its employer contributions due to LACERA in the form of monthly cash payments through the middle of March 2005. The County's contributions for the approximate remaining three and one-half months of the current fiscal year were made from transfers from the County Contribution Credit Reserve. For fiscal year ending June 30, 2004, the County paid its employer contributions due to LACERA in the form of monthly cash payments through March 2004. The County's contributions for the approximate remaining three months of the fiscal year were made from transfers from the County Contribution Credit Reserve.

NOTE D — Reserves

The reserves represent the components of LACERA's net assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. LACERA's major classes of reserves are as follows:

Member Reserves represent the balance of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees, refunds to members, and related expenses.

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members, lump-sum death benefit payments to members' survivors, and supplemental disability payments.

For fiscal year 2004-2005, the County paid its employer contributions using a combination of cash payments and transfers from the County Contribution Credit Reserve. On June 30, 2004, the County prefunded approximately $620 million from the County Contribution Credit Reserve, a portion of its employer contributions due LACERA for the two fiscal years ended June 30, 2005 and 2006.

County Contribution Credit Reserve was created pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Seventy-five percent (75%) of excess earnings in fiscal years 1995-1999 were deposited into the reserve. Deductions include payments, as the County authorizes, for current and future employer contributions due LACERA and for funding the Retiree Health Care Account. The Retiree Health Care Account is used to subsidize a portion of the Retiree Health Care Program under the provisions of Internal Revenue Code Section 401(h).

STAR Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living increases. Additions include transfers from Contingency Reserve. Deductions include COLA payments to retirees and funding permanent benefits. The Board of Retirement made permanent the 2001 through 2004 STAR Program at an 80% level as authorized in the California Government Code Section 31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 because the CPI percentage increased slightly and all eligible members had COLA Accumulation accounts below the 20% threshold for providing STAR benefits. Future ad hoc increases in the current STAR program will be subject to approval by the Board of Retirement on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments. Permanent STAR benefits become part of the member's retirement allowance and are payable for life. Ad hoc STAR benefits are payable only for the year approved.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, and funding of the STAR Reserve when excess earnings are available and authorized by LACERA's Boards. The Contingency Reserve is used to satisfy the California Government Code requirement for LACERA to reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The California Government Code and the Board's Actuarial Funding Policy provide the ideal reserve be set at 1% of net assets. The balance of the Contingency Reserve of $220 million and $49.1 million represent 0.69% and 0.17% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 2005 and 2004, respectively.

Reserves

Reserves as of June 30, 2005 and 2004 are as follows:
(Dollars in thousands)

	2005	**2004**
Member Reserves	$10,596,424	$ 9,922,484
Employer Reserves		
Employer Contributions	13,718,254	13,365,323
Advanced Employer Contributions	431,806	619,883
Total Employer Reserves	14,150,060	13,985,206
County Contribution Credit Reserve	312,829	375,146
STAR Reserve	656,602	656,602
Contingency Reserve	220,387	49,090
Total Reserves at Book Value	25,936,302	24,988,528
Unrealized Investment Portfolio Appreciation	6,089,803	4,492,655
Total Reserves at Fair Value	**$32,026,105**	**$29,481,183**

NOTE E — Actuarial Valuations

Pursuant to provisions in the County Employees Retirement Law of 1937, LACERA engages an independent actuarial firm to perform an annual actuarial valuation. A system actuarial valuation is performed every three (3) years (i.e., triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each triennial valuation.

On June 4, 2002, LACERA and the County entered into a Retirement Benefits Enhancement Agreement (Agreement) that enhanced retirement benefits and implemented an interim, short-term funding policy that is in effect through the June 30, 2008 valuation. Under the Agreement, employer contribution rates are adjusted annually following completion of an actuarial valuation. See Financial Section, “Notes to Required Supplementary Schedules” for additional information.

During fiscal year 2004-2005, Milliman, Inc. served as LACERA's independent actuary. Milliman, Inc. completed the actuarial valuation as of June 30, 2004 and determined the funding status (the ratio of system assets to system liabilities) to be 82.8%. The funding status was established based on the entry age normal actuarial cost method, an assumed 7.75% investment return, an assumed 3.75% annual total payroll growth rate (annual individual salary increases, which vary by service, range from 9.98% to 4.01%), an inflation rate of 3.5%, and an actuarial value of assets using a three-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date.

The June 30, 2004 valuation, determining the funding ratio to be 82.8%, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $5.61 billion. The County contribution rate was therefore set equal to 6.41% of payroll for the amortization of the UAAL over 30 years, plus the normal cost rate of 9.60%, for a total contribution rate of 16.01% of payroll.

NOTE F — Partial Annuitization of Benefit Payments

In January 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the annuity contracts, LACERA continues to administer benefit payments to affected members, and is reimbursed monthly by the carriers for the gross amount of benefits disbursed. LACERA received $38.7 million and $40.7 million in related reimbursements during each of the years ended June 30, 2005 and 2004, respectively. Such amounts are netted in the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other LACERA members, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

NOTE G — Post-employment Health Care Benefits

Under an agreement with the County, LACERA administers a Health Care Benefits Program (HBP) for retired members and their eligible dependents. The County-sponsored HBP offers members an extensive choice of medical plans, as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare supplement or Medicare HMO plans. The Board reserves the right to amend or revise these plans and programs at any time.

The participant's cost for insurance varies according to the years of retirement service credit with LACERA, the plan selected, and number of persons covered. The County contribution subsidizing the participant's cost ranges from 40% of the benchmark plan for 10 years of service up to 100% of the benchmark plan with 25 years of service.

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Beginning in fiscal year 1997, the County and LACERA entered into an agreement establishing a health care funding account pursuant to Section 401(h) of the Internal Revenue Code. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree health care benefits, and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA after the 401(h) Account is established.

Funding the HBP through a 401(h) Account allows the County to direct LACERA to use a portion of excess earnings from the County Contribution Credit Reserve to replace County retirement fund contributions to the 401(h) Account.

Plan net assets are not held in trust for post employment health care benefits. The HBP is billed to and paid by the County and members on a monthly basis. During fiscal year ending June 30, 2005, $288 million in premium payments were made to insurance carriers. These payments were funded by employer contributions of $255 million, of which $62.3 million was paid through the 401(h) Account, and $32.9 million by the participants. During fiscal year ending June 30, 2004, $255 million in premium payments were made to insurance carriers. These payments were funded by employer contributions of $226 million, of which $59.1 million was paid through the 401(h) Account, and $29.5 million by the participants.

Health Care Benefits Program Participants

A summary of HBP participants is as follows:

Plan Type	2005	2004
Medical	38,060	36,962
Dental/Vision	37,879	36,686

Note H – Deposit and Investment Risk Disclosure

The County Employees Retirement Law of 1937 (Retirement Law) vests the Board of Investments (Board) with exclusive control over LACERA's investment portfolio. The Board established an Investment Policy Statement in accordance with applicable local, State, and Federal laws. The Board members exercise authority and control over the management of LACERA's assets (the Plan) by setting policy which the Investment Staff executes either internally or through the use of external prudent experts. The Board oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- Shall diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

The Investment Policy Statement encompasses the following:

- Domestic Equity Policy
- International Equity Policy
- Fixed Income Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Policy
- Private Equity Policy
- Securities Lending Program Policy
- Directed Brokerage Policy
- Emerging Manager Policy
- Corporate Governance Principles
- Manager Monitoring and Review Policy
- Derivatives Policy (adopted after fiscal year end)

Credit Risk
Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

The Domestic Fixed Income Core Portfolio must meet the following credit qualities:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least by one major credit rating agency.
- U.S. pay debt securities, including Rule 144A securities, must be rated at least investment grade (BBB- by Standard and Poor's (S&P) or equivalent) by at least one major credit rating agency.
- Unrated issues may be purchased provided that, in the judgment of the Manager, they would not violate LACERA's minimum credit quality criteria.
- In terms of diversification, unrated issues and securities rated below A-/A3 (S&P/Moody's) or equivalent, in combination, may represent up to 30% of the portfolio. Investments in issuers rated below A-/A3, excluding manager's commingled vehicles, may represent up to 3% of the portfolio. For split-rated issuers, the higher credit rating shall apply.

The Domestic Fixed Income Enhanced Core Portfolio must meet the same credit qualities listed above, except for the following:

- A minimum of 90% of the portfolio must be invested in securities rated investment grade (BBB- by S&P or equivalent) by at least one major credit rating agency.
- All securities, including Rule 144A securities, must be rated at least B- by S&P or B3 by Moody's or equivalent at time of purchase.
- In terms of diversification, unrated issues and securities rated BBB+, BBB, or BBB- (S&P) or equivalent, in combination, may represent up to 35% of the portfolio. Investments in issuers rated BBB+, BBB, or BBB-, excluding manager's commingled vehicles, may represent up to 3% of the portfolio. Investments in issuers rated below BBB-, excluding manager's commingled funds, may represent up to 1% of the portfolio. For split-rated issuers, the higher credit rating shall apply.

The Domestic Fixed Income Medium-Grade Portfolio must meet the same credit qualities as the Enhanced Core portfolio listed above, except for the following:

- A minimum of 50% of the portfolio must be invested in securities rated investment grade (BBB- by S&P or equivalent) by at least one major credit rating agency, excluding unrated issues.
- In terms of diversification, unrated issues and securities rated below BBB- (S&P) or equivalent, in combination, may represent 50% of the portfolio. Up to 3% of the portfolio may be invested in a single issuer with a credit rating below A- (S&P) or equivalent. For split-rated issuers, the higher credit rating shall apply.

The Domestic High Yield Bond Portfolio must meet the following credit qualities:

- Money market instruments must be rated

at least A-1/P-1 or equivalent by at least one major credit rating agency.
- At least 95% of the portfolio must be invested in U.S. pay corporate debt issues, including Rule 144A securities, rated at least B- by S&P or B3 by Moody's at the time of purchase.
- A maximum of 5% of the portfolio may be invested in issues rated at least CCC by S&P or Caa by Moody's at the time of purchase.
- Unrated issues may be purchased provided that, in the judgment of the Manager, they would not violate LACERA's minimum credit criteria.

Credit Quality Ratings of Investments in Fixed Income Securities

The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization as of June 30, 2005 are as follows:
(Dollars in thousands)

Quality Ratings	Fair Value
AAA	$ 638,218
AA	374,162
A	385,554
BAA	855,818
BA	511,672
B	755,327
CAA	105,125
CA	1,398
Not Rated	233,764
Total Credit Risk Fixed Income Securities	**$ 3,861,038**
U.S. Government and Agencies	$ 3,428,233
Pooled Funds (Not Rated)	1,178,513
Total Investments in Fixed Income Securities	**$ 8,467,784**

Custodial Credit Risk
Custodial Credit Risk for deposits is the risk that in the event of a financial institution's failure, LACERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. LACERA's deposits are not exposed to custodial credit risk as its deposits are eligible for and covered by "pass-through insurance" in accordance with applicable law and FDIC rules and regulations. Additional insurance against loss and theft is provided through a Financial Institution Bond.

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

Concentration of Credit Risk
As of June 30, 2005, LACERA did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk
Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core and Enhanced Core Portfolios are restricted to +/- 25% of the Lehman Brothers Aggregate Bond Index's modified adjusted duration. The Domestic Fixed Income Medium-Grade Portfolio's modified adjusted duration is restricted to +/- 25% of the custom index's modified adjusted duration. The modified adjusted duration of the Domestic High Yield Bond Portfolio is restricted to 6.5 years. Deviations from any of the stated guidelines require prior written authorization from LACERA.

Fixed Income Securities

As of June 30, 2005, LACERA had the following investments:
(Dollars in thousands)

Investment Type	Fair Value	Modified Duration
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 1,831,106	4.63
U.S. Government Mortgages	1,592,372	2.93
Municipal/Revenue Bonds	2,467	12.75
Call/Put Options	292	14.96
Other Fixed Income	1,996	N/A
	$3,428,233	
Corporate Securities:		
Asset-Backed Securities	$ 301,057	2.04
Commercial Mortgage-Backed Securities	293,516	3.31
Corporate and Other Credit	2,929,202	5.85
Pooled investments	1,178,513	N/A
Put Options	89	N/A
	$4,702,377	
International Fixed Income	$ 36,316	6.54
Private Placement Fixed Income	300,858	5.56
Total Fixed Income Securities	**$8,467,784**	

Foreign Currency Risk
Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 30 days and not to exceed one year for either instrument) are permitted for defensive currency hedging. See further disclosure under Note J—Derivative Financial Instruments.

International Investment Securities at Fair Value

LACERA's exposure to Foreign Currency Risk in U.S. dollars as of June 30, 2005 is as follows:
(Dollars in thousands)

Currency	Equity	Fixed Income	Total
Australian Dollar	$ 133,604	$ 5,921	$ 139,525
British Pound Sterling	266,201	7,043	273,244
Canadian Dollar	17,705	530	18,235
Danish Krone	12,056		12,056
Euro Currency Unit	455,227	11,994	467,221
Hong Kong Dollar	93,216		93,216
Japanese Yen	550,853	10,828	561,681
Norwegian Krone	11,980		11,980
South Africa Comm Rand	3,235		3,235
Singapore Dollar	43,448		43,448
South Korean Wan	1,001		1,001
Swedish Krona	65,726		65,726
Swiss Franc	119,995		119,995
Total Securities Subject to Foreign Currency Risk	**$1,774,247**	**$36,316**	**$1,810,563**
U.S. Dollar (Securities held by International Managers)	5,072,604		5,072,604
Total International Investment Securities	**$6,846,851**	**$36,316**	**$6,883,167**

NOTE I — Securities Lending Program

The Board's policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower) and in turn, LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Earnings generated above and beyond the interest paid to the borrower represent the net income to LACERA from the transaction.

LACERA's securities lending program is managed by one principal borrower, Goldman Sachs, and two agent lenders, Mellon Global Securities Lending and Metropolitan West Securities. Goldman Sachs borrows domestic equities and corporate bonds. Under this exclusive borrowing arrangement, Goldman Sachs' loans are secured by collateral with a market value of at least 102% of the borrowed securities. Standish Mellon invests collateral received from Goldman Sachs in short-term debt and money market instruments. Metropolitan West Securities lends LACERA's domestic treasury, agency, and mortgage-backed securities which are initially collateralized at 102% of the loan market value. The market value of the collateral is marked to market daily, and additional collateral is required if the market value falls below the maintenance margin. Metropolitan West Securities invests the collateral they receive on loans in short-term highly liquid instruments. Mellon Global Securities Lending lends LACERA's international equities. International loans are 105% collateralized and are marked to market on a daily basis. Mellon Global Securities Lending collateral is reinvested in their commingled fund. The income earned from investments made by Metropolitan West Securities and Mellon Global Securities Lending is split between LACERA and the lending agent based on contractual agreements.

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2005, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the years ended June 30, 2005 and 2004.

Under the terms of their lending agreements, Mellon Global Securities Lending and Metropolitan West Securities have agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. The terms of Goldman Sachs' lending agreement entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." In the event that the purchase price of replacement securities exceeds the amount of collateral, Goldman Sachs shall be liable to LACERA for the amount of such excess together with interest. Either LACERA or the borrower can terminate all loans on securities on demand.

As of June 30, 2005, the fair value of securities on loan was $2.95 billion with the value of cash collateral received for the securities on loan of $3 billion and non-cash collateral of $6.69 million. As of June 30, 2004, the fair value of securities on loan was $2.64 billion and the value of cash collateral received for the securities on loan was $2.77 billion. LACERA's income net of expenses from securities lending was $8.67 million and $8.99 million for the years ended June 30, 2005 and 2004, respectively.

Securities Lending

The following securities were on loan and collateral received as of June 30, 2005:
(Dollars in thousands)

Securities on Loan	Market Value of Securities on Loan	Cash Collateral Received	Securities Collateral Received
U.S. Government and Agencies	$ 1,894,980	$ 1,914,730	$ 5,854
Domestic Equities	364,174	372,373	
Domestic Corporate Fixed Income	439,496	455,151	
International Equities	246,965	258,902	839
Total	**$2,945,615**	**$ 3,001,156**	**$6,693**

NOTE J – Derivative Financial Instruments

The Board's Statement of Investment Policy and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their price and payoff from an underlying asset. Managers are required to mark-to-market derivative positions daily and may only trade with counterparties with a credit rating of A-/A3 as defined by Standard & Poor's and Moody's, respectively. Substitution and risk control are the only two derivative strategies permitted. The classes of derivatives that are permitted are: futures contracts, currency forward contracts, options, and swaps. Gains and losses from derivatives are included in net investment income. LACERA requires managers to 100% collateralize all derivative positions with cash and/or cash equivalents so that the positions are not leveraged.

Futures Contract

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Futures Contracts

As of June 30, 2005, LACERA had the following futures contracts:
(Dollars in thousands)

Description	Fair Value
Long—Cash and Cash Equivalents	$ 507,519
Long—Fixed Income	174,238
Short—Fixed Income	(159,827)
Total	**$ 521,930**

Forward Contracts

Forward contracts represent an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Currency Forward Contracts

As of June 30, 2005, LACERA had the following currency forward contracts:
(Dollars in thousands)

Foreign Exchange Contracts Receivable	$ 52,215
Foreign Exchange Contracts Payable	(50,828)

Option Contracts

An option contract is a type of derivative security in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Option Contracts

As of June 30, 2005, LACERA had the following option contracts:
(Dollars in thousands)

Option Type	Asset Type	Fair Value
Purchased Put Options	Cash and Cash Equivalents	$ 89
Purchased Put Options	Fixed Income	34
Purchased Call Options	Cash and Cash Equivalents	93
Purchased Call Options	Fixed Income	76
Written Put Options	Fixed Income	(12)
Written Call Options	Fixed Income	(872)
Total		**$ (592)**

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows that the counterparties exchange are tied to a "notional" amount. A swap agreement specifies the time period over which the periodic payments will be exchanged.

Swap Agreements

As of June 30, 2005, LACERA had the following swap agreements:
(Dollars in thousands)

Description	Maturity Date	Notional Amount	Fair Value
PIMCO Credit Default Swap	6/20/2007	$4,500	$88
PIMCO Interest Rate Swap 4.0%	12/15/2010	7,900	(61)

NOTE K — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 70 Title Holding Corporations (THCs) and ten Limited Liability Companies (LLCs) as of June 30, 2005.

The real estate portfolio had 70 THCs and seven LLCs as of June 30, 2004.

Title Holding Corporations' Financial Position

The following is a summary of the THCs' financial position as of June 30, 2005 and 2004:
(Dollars in thousands)

	2005	2004
Assets	$ 3,465,045	$ 2,967,011
Less: Liabilities	444,244	252,029
Net Assets	**$3,020,801**	**$2,714,982**
Net Income	**$ 182,048**	**$ 216,495**

NOTE L — Related Party Transactions

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. In January 1991, LACERA entered into its original lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated. However, LACERA is required to pay its proportionate share of the building operating expenses as defined in the lease.

Subsequent to the original lease agreement, several amendments have been entered into that adjusted the rentable square footage and lease expiration dates. The latest is the Eighth Amendment to the Office Lease dated March 7, 2005, leasing a total of approximately 95,000 rentable square feet of space, with terms expiring on December 31, 2010. LACERA has three 5-year options to extend the terms of the lease. A new Tenant Improvement Allowance of $1.82 million was provided for the construction of structural improvements to the premises.

Total operating expenses charged to LACERA were approximately $866,000 and $854,000 for the years ended June 30, 2005 and 2004, respectively.

LACERA has notes receivable of approximately $52.2 million from two of its Title Holding Corporations, as of fiscal year end June 30, 2005 and 2004. This amount is reflected in the Accounts Receivable—Other balance for both years.

NOTE M — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. LACERA's management and legal counsel estimate that the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Ventura Litigation

The California Supreme Court's 1997 Ventura decision required LACERA to include several additional items of compensation in pensionable income. LACERA has implemented the Ventura decision on a prospective basis, commencing October 1, 1997, the date the Court's decision became final. The subject litigation sought to require LACERA to apply the Ventura decision retroactively to persons already retired, and to include in the calculation of final compensation, (1) the cash-out of accrued benefits at the time of termination ("termination pay"), (2) flexible benefit plan payments for insurance benefits, and (3) employer payment of member-required contributions to LACERA.

These cases were consolidated and coordinated with a number of similar cases filed in other California counties. On November 30, 2001, the trial court entered judgment and ruled that inclusion in final compensation of the three items mentioned above was not required, but that LACERA must recalculate benefits required by the Ventura decision retroactively for the period beginning three years prior to May 26, 1998, the date of the filing of the complaint. The court further ruled that the Board of Retirement has discretion (but is not required) to assess arrears contributions for the period prior to October 1, 1997, which period may include more than three years prior to that date.

On July 11, 2003, the California Court of Appeal, First Appellate District affirmed the trial court judgment in all respects. The California Supreme Court denied review and the trial court judgment is final.

The anticipated cost of complying with the judgment has been included in actuarial valuations commencing with the valuation as of June 30, 2003. Commencing July 1, 2004, employer contribution rates have included amounts necessary to discharge the additional unfunded actuarial accrued liability (UAAL) resulting from the judgment over a rolling 30-year amortization period in accordance with LACERA's amortization policy.

Bugh Case

LACERA began including cashable flexible benefit plan contributions in pensionable compensation effective January 1, 1991. A petitioner seeks an order requiring LACERA to include such contributions in pensionable compensation commencing in approximately 1985, when the flexible benefit plan was initiated.

A trial court judgment was entered denying the inclusion of cashable flexible benefit contributions, but requiring the inclusion of any flexible benefit payments actually received in cash by pre-1991 retirees who participated in the flexible benefit program, and the adjustment of pension payments made on and after September 9, 1995. The judgment was appealed by the County, but not LACERA. The Court of Appeal affirmed and the Supreme Court denied review. Consequently, the trial court judgment is now final.

The cost of implementing the trial court judgment in favor of the petitioner has not been determined; however, the County filed with the trial court an actuarial estimate of $62.7 million in additional UAAL as of June 30, 2003 if all flexible benefits had been included. However, the judgment required inclusion of only the amounts actually received in cash by the members. LACERA has not determined the actuarial cost of that ruling. Additional data submitted to the Court by the County showed that the actual amount received in cash was approximately only one-third of the total flexible benefit contributions that resulted in the $62.7 million cost estimate. Any such cost could be partially offset by member contributions applicable to the flexible benefit plan contributions at issue. The balance would be recovered by assessing additional employer contributions to amortize any UAAL over a period not to exceed 30 years in accordance with LACERA's amortization policy.

Securities Litigation

The Board of Investments adopted a Securities Litigation Policy in early 2001 in response to growing incidents of corporate corruption and fraud. The policy implements procedures designed to enhance LACERA's recovery of damages from corporate wrongdoers. As a result of the new policy, LACERA was appointed "lead plaintiff" in the Enterasys Networks, Inc. securities litigation and obtained a $50 million settlement and significant corporate governance improvements on behalf of class members. Currently, LACERA is serving as court-appointed co-lead plaintiff, along with the Teachers' Retirement System of Louisiana and the Detroit Policemen and Firemen Retirement Fund, in the King Pharmaceuticals, Inc. securities litigation. LACERA is also lead plaintiff in the Citigroup, Inc. securities litigation on behalf of purchasers of Focal Communications stock. In addition, LACERA has commenced independent lawsuits to recover damages suffered in connection with corporate fraud involving WorldCom, Adelphia Communications, Motorola, Scientific-Atlanta, Safety-Kleen, and AOL Time Warner.

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Leases

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments under such equipment leases were approximately $323,000 and $602,000 in fiscal years 2005 and 2004, respectively. The building space lease agreement entered in January 1991, and subsequently amended to include additional rentable square footage and termed to expire on December 31, 2010, requires that LACERA pay a portion of the building's operating expenses based on square footage occupied as discussed in Related Party Transactions Note L.

Total rent expense for all leases were $1.19 million and $1.46 million in fiscal years 2005 and 2004, respectively.

Capital Commitments

LACERA real estate and private equity investment managers identify and acquire investments on a discretionary basis. Each manager’s investment activity is controlled by the Manager Investment Plan, which identifies the limitations on each manager’s discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager. Both the Manager Investment Plan and capital commitments are subject to approval by the LACERA Board of Investments and may be updated as often as necessary to reflect LACERA investment preferences, as well as changes in market conditions.

As of June 30, 2005, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $2.08 billion. Subsequent to June 30, 2005, LACERA funded $108 million of these capital commitments.

Schedule of Funding Progress

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1999	$23,536,116	$22,784,706	$ (751,410)[1]	103.3%	$3,858,090	-19.5%
June 30, 2000	25,426,507	24,720,380	(706,127)[1]	102.9%	4,107,964	-17.2%
June 30, 2001	26,490,000	26,489,976	(24)[1]	100.0%	4,398,443	0.0%
June 30, 2002	28,262,129	28,437,493	175,364	99.4%	4,744.340	3.7%
June 30, 2003	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%
June 30, 2004	27,089,440	32,700,505	5,611,065	82.8%	4,919,531	114.1%

[1] Denotes overfunded Actuarial Accrued Liability.

Schedule of Employer Contributions

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions			Percentage of ARC Contributed
		Cash Payment	Transfer from Reserve Account	Total	
2000	$342,060	$130,319	$211,832	$342,151	100%
2001	390,679	193,650	197,029	390,679	100%
2002	414,708	258,884	155,824	414,708	100%
2003	518,922	324,709	194,213	518,922	100%
2004	521,978	395,062	126,916	521,978	100%
2005	750,352	527,810	222,542	750,352	100%

Notes to Required Supplementary Schedules

For Fiscal Year Ended June 30, 2005:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation dated June 30, 2004 is as follows:

Actuarial Cost Method

Entry Age Normal Cost Funding Method.

Actuarial Asset Valuation Method

Three-year smoothed method based on the difference between the expected market value and the actual market value of total assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted effective for the June 30, 2000 valuation.

Under an interim, short-term funding policy that is in effect through the June 30, 2008 valuation only (see Note E), funds in the Contingency Reserve in excess of 1% of the actuarial value of assets are included as valuation assets for funding purposes. In any year in which the funding ratio is otherwise less than 100%, a portion of the STAR Reserve may be considered as part of the valuation assets to bring the funding ratio up to 100%. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to fund the permanent STAR benefits expected to become payable through July 1, 2009.

Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus

Under the interim, short-term funding policy that is in effect through the June 30, 2008 valuation only (see Note E), the County's contributions are set equal to the normal cost rate plus amortization of any Unfunded Actuarial Accrued Liability or Funding Surplus. There is a UAAL if the funding ratio is less than 100%. There is a Funding Surplus if the ratio is greater than 100%. The amortization method for either is a level percentage of pay over a rolling 30-year period.

Amortization Period

Open.

Amortization of Gains and Losses

Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and amortized over the same period.

Investment Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 7.75%, compounded annually, net of both investment and administrative expenses. This rate was adopted effective for the June 30, 2004 valuation.

Projected Salary Increases

Rates of annual salary increases assumed for the purpose of the valuation range from 9.98% to 4.01%. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.75% per annum rate of increase in the general wage level of membership. These rates were adopted effective for the June 30, 2004 valuation. No increase in the number of members is assumed.

Post-retirement Benefit Increases

Post-retirement benefit increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5% per year. This rate was adopted effective for the June 30, 2004 valuation. Plan E members receive a pro-rated post-retirement benefit increase of 2% for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and after June 4, 2002 to their total years of service. The portion of the full 2% increase not provided for may be purchased by the member.

Consumer Price Index

Increase of 3.5% per annum. This rate was adopted effective for the June 30, 2004 valuation.

Administrative Expenses

For the Years Ended June 30, 2005 and 2004:
(Dollars in thousands)

	2005	2004
Personnel Services		
Salaries and Wages	$18,477	$17,390
Employee Benefits	8,799	7,468
Total Personnel Services	27,276	24,858
Professional Services		
Computer Software Services and Support	2,449	1,837
External Audit Fees	107	132
Investment Audit Services		29
Disability Medical Fees	1,037	1,054
Disability Hearing Officer Fees	88	101
Disability Stenographic Fees	52	41
Temporary Personnel Services	2,644	2,010
Legislative and Other Legal Services	334	414
Other Professional Services	1,133	1,140
Total Professional Services	7,844	6,758
Communication		
Forms and Brochures	544	341
Postage	638	483
Telecommunications	298	380
Transportation and Travel	323	283
Total Communications	1,803	1,487
Rentals		
Rents and Leases	1,253	1,526
Total Rentals	1,253	1,526
Miscellaneous		
Computer Equipment and Supplies	284	211
Office Furniture	115	127
Other Office Expenses	170	140
Maintenance	1,706	972
Educational Expenses	646	765
Parking Fees	290	259
Other County Department Charges	132	118
Insurance	478	464
Administrative Support	936	769
Other Service Charges	248	190
Total Miscellaneous	5,005	4,015
Depreciation-Fixed Assets	1	40
Total Administrative Expenses	**$43,182**	**$38,684**

Fees and Other Investment Expenses

For the Years Ended June 30, 2005 and 2004:
(Dollars in thousands)

	2005	2004
Investment Activity		
Investment Management Fees		
Equity Managers		
Domestic	$ 12,536	$ 11,957
International	8,842	8,038
Domestic Fixed Income Managers	14,628	13,520
Cash and Short-Term Managers	900	913
Real Estate Managers	14,756	31,499
Mortgage Loan Servicers	721	801
Private Equity Managers	3,308	5,332
Total Fees from Investment Activity	55,691	72,060
Securities Lending Activity		
Securities Lending Program Expense	70,592	27,831
Total from Securities Lending Activity	70,592	27,831
Total Investment Management Fees	126,283	99,891
Other Investment Expenses		
Consultants	687	712
Custodian	2,293	2,235
Legal Counsel	302	263
Other	691	553
Total Other Investment Expenses	3,973	3,763
Total Fees and Other Investment Expenses	**$130,256**	**$103,654**

Schedule of Payments to Consultants

For the Years Ended June 30, 2005 and 2004:
(Dollars in thousands)

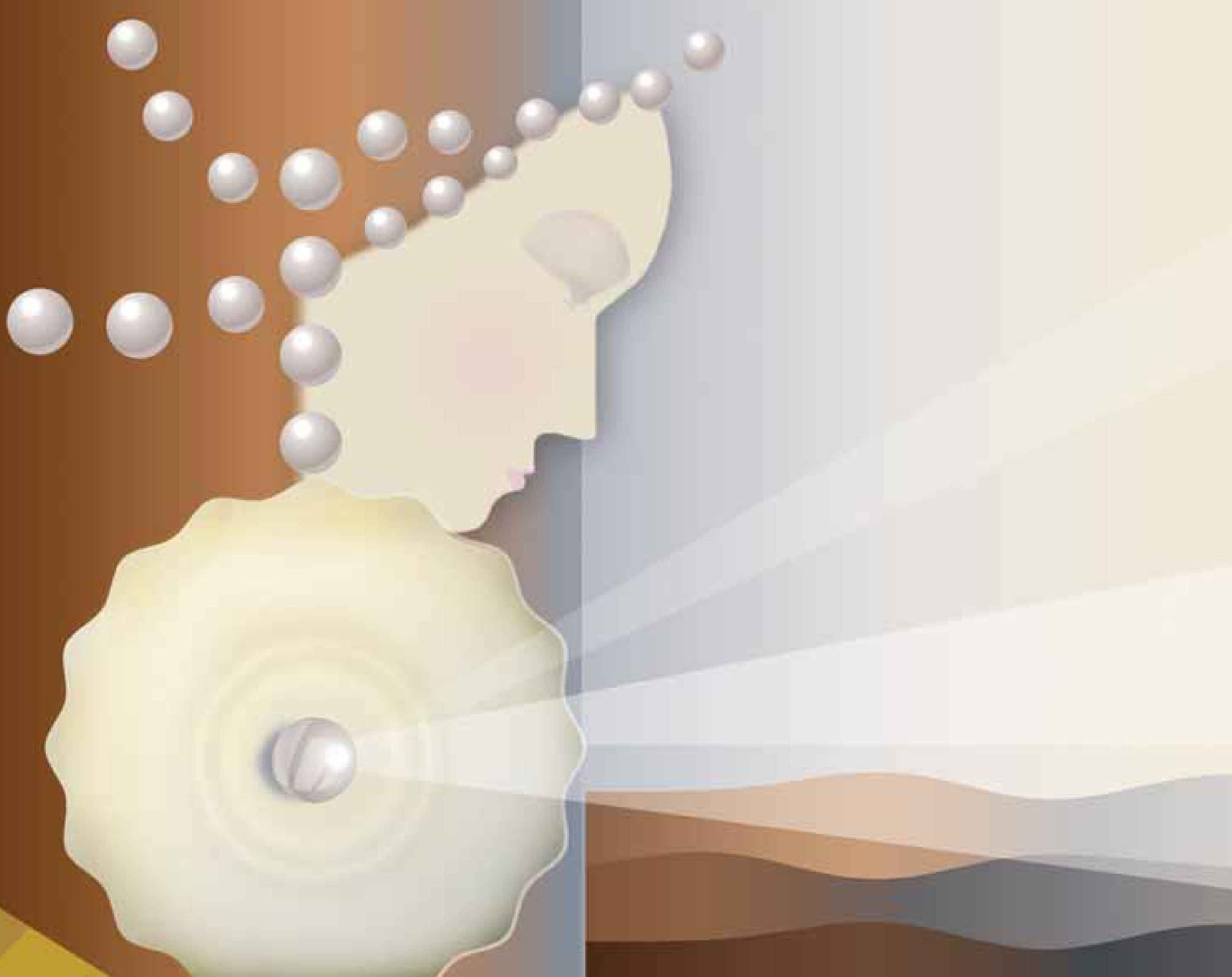
	2005	2004
Audit		
External Audit Services	$ 107	$ 132
Investment Audit Services		29
Contract Systems Audits	2	15
Total	109	176
Legal		
Investment Legal Counsel	302	263
Other Legal Services	265	355
Total	567	618
Actuarial		
Actuarial Valuations and Consulting Fees	394	337
Total	394	337
Management		
Legislative Consulting	69	59
Management and Human Resources Consulting	59	28
System and Software Consulting	9	19
Total	137	106
Total Payments to Consultants	**$1,207**	**$1,237**

For fees paid to Investment Professionals, refer to Fees and Other Investment Expenses in this Section.

Investment Section

Staying Ahead of the Curve

CUSTOMER SERVICE



Customer Service

Ongoing enrichment of service to our members...

Enhancements aimed at simplifying and expediting various member services highlighted LACERA customer service this year. Determined to bring an even greater level of service and convenience to our members, we added several service upgrades.

Change of Beneficiary by Phone
Active and retired members can now make beneficiary changes with one call to LACERA's Call Center. This new service is convenient for members and utilizes a special Member Validation Process for security.

Pre-Set Counseling Appointments at Public Service Counter
As an added convenience, our Public Service Counter now offers pre-set counseling appointments, in addition to our traditional "walk-in" service.

Informative Workshops
Our Outreach Program team presented 725 workshops at LACERA and other County department locations. Our Disability Division presented 20 educational seminars to various County Personnel.

Service-Specific Surveys
A series of service-specific surveys was instituted by our Quality Assurance Division to elicit member feedback on services such as our Public Counter and our various Member Workshops.

"My LACERA"
This new web feature provides members with secure 24-hour online access to their personal membership data.

In Addition...
We continue to deliver the comprehensive and integrated services our members deserve... and have come to expect.

Independent Consultants Report

September 19, 2005

Russell Investment Group
909 A Street
Tacoma, Washington 98402-5120
253-572-9500
1-800-426-7969
Fax: 253-591-3495

Board of Investments
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 850
Pasadena, CA 91101-4199

Annual Consultants Review
Fiscal year 2005 was a good year for all major asset classes as returns were positive across the board. As a result, LACERA assets earned a total return of 11.0%, which was comparable to the total return for other large public funds. LACERA earned positive returns in all major asset classes. Double digit returns were posted in private equity (24.1%), international equity (16.2%), and real estate (13.9%), while fixed income and U.S. equity reported solid returns of 6.9% and 7.7%, respectively. The total fund return exceeded the custom benchmark return of 10.6% by 40 basis points, primarily the result of strong performance from private equity.

Russell worked with LACERA on an ongoing basis to identify opportunities for improving the fund's performance and processes. Throughout the fiscal year, we provided manager reviews and monitoring, regular evaluation of asset class strategies, and assisted with ad hoc projects.

Examples of projects that Russell worked on with the Board of Investments and staff during the year included:

1. Input to the development of a policy and restrictions for the use of leverage within the LACERA real estate portfolio.
2. Provided education and review of the role of each primary asset class utilized by LACERA.
3. Provided education to the Board on hedge funds and commodity futures.
4. Began the data gathering and objective setting for the 2006 asset liability study.
5. Board presentation on expanded guidelines for certain fixed income portfolios.
6. Wrote a letter on the role of money market futures (separate from above).
7. Conducted discussions with staff on individual managers.

Russell's goal is to add value to the fund's investment performance and processes. We look forward to working closely with the Board of Investments and staff on LACERA's investment program in the future.

Respectfully submitted,

Monica Butler
Managing Director, Consulting

John Osborn, CFA
Senior Consultant

Russell
TACOMA LONDON AUKLAND
NEW YORK PARIS SINGAPORE
TORONTO SYDNEY TOKYO

Chief Investment Officer's Report

As of June 30, 2005

Lisa Mazzocco
Chief Investment Officer

LACERA's investment program objective is to provide Association participants with retirement benefits as required by the County Employees Retirement Law of 1937. This objective is accomplished by the implementation of a carefully planned and executed long-term investment program.

The Board of Investments (Board) has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies. There are a total of nine Board members: The active and retired members elect four members, the Los Angeles County Board of Supervisors appoints four public members and the County Treasurer-Tax Collector serves as an ex-officio member.

The assets are managed on a total-return basis with a long-term objective of achieving and maintaining a fully-funded status for the pension fund. While recognizing the importance of the "preservation of capital," LACERA also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of LACERA's members and beneficiaries.

The Board has adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives, and defines the principal duties of the Board, investment staff, investment managers, master custodian, and consultants.

For the third consecutive year, LACERA achieved a positive performance with a total fund return of 11.0% for the fiscal year. The five-year annualized return of 3.7%, while improving, has not completely recovered from the recent bear market. LACERA's investment returns conform to the AIMR Institute's Performance Presentation Standards.

Asset Allocation

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment objectives.

The following factors were evaluated to determine LACERA's current asset allocation, which was reviewed by the Board in Fiscal Year 2004-2005:

- Projected actuarial assets, liabilities, benefit payments, and contributions
- Historical and expected long-term capital market risk and return behavior
- Future economic conditions, including inflation and interest rate levels
- LACERA's current and projected funding status

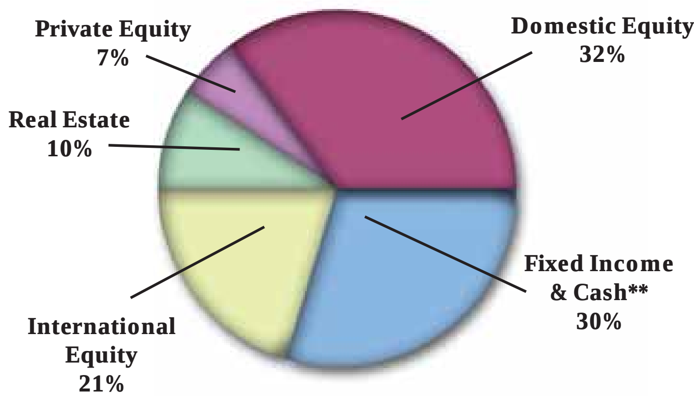
The Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract. LACERA's investment staff closely monitors manager activities and assists the Board with the implementation of investment policies and long-term investment strategies.

INVESTMENT SECTION

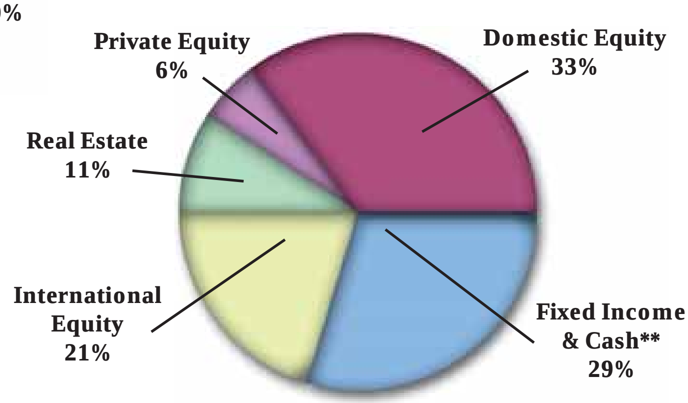
Chief Investment Officer's Report

The following charts display LACERA's fiscal year end (June 30, 2005) target and actual asset allocations. As shown, the allocations are close to the Board-approved asset allocation policy.

2005 Target Asset Allocation



2005 Actual Asset Allocation*



* The 2005 Actual Asset Allocation is based upon the Investment Summary in this Section.
** Cash may include short-term investments such as Corporate and Government Bonds, Certificates of Deposit, and Overnight Deposits.

Economic and Market Review

The U.S. economy grew at an annualized rate of 3.3% for the fiscal year ended June 2005, based on preliminary estimates. While the economy appeared to enter a "soft patch" in the middle of the fiscal year, overall economic growth remained relatively strong. Notwithstanding increasing oil costs, which resulted in higher gasoline prices, consumer spending remained buoyant.

Corporate capital spending ended the calendar year 2004 strong, as depreciation tax incentives were phased out at year end. It subsequently slowed in the beginning of 2005. Corporate profits remained relatively strong, as firms continued to generate high levels of free cash flow.

Domestic equity markets generated an 8.1% return for the one-year period ended June 30, 2005, as measured by the Russell 3000, a broad-based index of stocks. Most of this return was generated in the fourth quarter of 2004, as the equity markets languished in the first half of 2005. Key economic sectors, such as technology and financial services sectors, returned -2.8% and 8.6%, respectively, during the fiscal year as measured by Russell/Mellon Analytics.

During this period, the Federal Reserve's Federal Open Market Committee (FOMC) continued its "measured" pace for increasing short-term rates to mitigate the risk of higher inflation. As such, short-term interest rates increased by approximately 200 basis points. While short-term rates increased, long-term rates declined during the period. This unusual event prompted Federal Reserve Chairman Alan Greenspan to publicly ponder the "conundrum" regarding declining long-term interest rates in light of increasing short-term rates.

Against this backdrop, the Lehman Brothers Aggregate Index, a broad-based measure for government, mortgage-backed and high-quality corporate bonds, returned 6.8% during the period. High-yield bonds returned 10.5%, as measured by Lehman Brothers High Yield BB/B Index.

International equity markets continued to generate robust performance, as measured by the Morgan Stanley All Country World Index (excluding the United States), which returned 16.5%, net of dividends. In local currency, this index returned 15.6%, as a depreciating dollar resulted in a higher U.S. investor return.

Respectfully submitted,

Lisa Mazzocco

Lisa Mazzocco
Chief Investment Officer

Investment Summary

For the Year Ended June 30, 2005:
(Dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
U.S. Government and Agency Instruments	$ 3,428,233	10.72%
Domestic Corporate Fixed Income	4,702,377	14.71%
International Fixed income	36,316	0.11%
Private Placement Fixed Income	300,858	0.94%
Total Fixed Income	8,467,784	26.48%
Domestic Equity	10,440,658	32.65%
Domestic Convertible	12,037	0.04%
International Equity	6,846,851	21.41%
Total Equities and Convertibles	17,299,546	54.10%
Corporate Short-Term Investments	742,607	2.32%
Government Short-Term Investments	205,027	0.64%
Total Short-Term Investments	947,634	2.96%
Real Estate and Title Holdings	3,213,698	10.05%
Mortgages	268,449	0.84%
Private Equity	1,777,213	5.56%
Total Uncategorized Investments	5,259,360	16.45%
Total Investments	**$ 31,974,324**	**100%**

Investment Results Based on Fair Value*

As of June 30, 2005:

	Current Year	Annualized 3-year	Annualized 5-year
Domestic Equity[1]	6.9%	9.2%	-1.9%
Benchmark: Russell 3000	8.1	9.5	-1.4
International Equity	16.2	13.4	0.4
Benchmark: MSCI ACWI ex U.S.-Net Dividends[2]	16.5	13.6	0.5
Fixed Income[3]	7.7	7.7	7.9
Benchmark: Fixed Income Custom Index[4]	7.4	6.8	7.3
Real Estate[5]	14.0	10.1	10.2
Benchmark: Real Estate Target Return[6]	8.5	8.5	8.5
Private Equity[7]	24.1	8.5	4.5
Benchmark: Private Equity Target Return[8]	20.4	20.4	20.4
Total Fund	11.0	10.2	3.7
Benchmark: Total Fund	10.6	10.5	4.6

* Using time-weighted rate of return based on the market rate of return.

[1] Includes Cash Equitization.

[2] In order to obtain the annualized 5-year index return, LACERA adjusted the ACWI ex U.S. 2000 index return to reflect a net dividends basis.

[3] Does not include Member Home Loan Program (MHLP) or Whole Loan Program (WLP).

[4] Lehman Aggregate (100%) through June 30, 1997; Lehman Aggregate (95%) and Lehman High Yield BB/B(5%) from July 1, 1997 to June 30, 1998; Lehman Aggregate (90%) and Lehman High Yield BB/B (10%) from July 1, 1998 to June 30, 1999; Lehman Aggregate (85%) and Lehman High Yield BB/B (15%) thereafter.

[5] One quarter in arrears.

[6] Rolling five-year return of Consumer Price Index (CPI) plus 600 basis points.

[7] Two quarters in arrears.

[8] Rolling ten-year return of Russell 3000 plus 500 basis points.

Largest Equity Holdings (by Fair Value)

As of June 30, 2005:
(Dollars in thousands)

Shares	Description	Fair Value
2,593,006	Cisco Systems Inc.	$49,475
878,545	Citigroup Inc.	40,615
1,296,991	Pfizer Inc.	35,771
659,200	Medtronic Inc.	34,140
542,361	Exxon Mobil Corp.	31,169
2,185,152	EMC Corp.	29,958
629,746	Bank of America Corp.	28,723
1,090,500	MBNA Corp.	28,527
710,123	Dell Inc.	28,021
801,252	General Electric Co.	27,763

A complete list of portfolio holdings is available upon request.

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2005:
(Dollars in thousands)

Par	Description			Fair Value
99,332,000	U.S. Treasury Notes	4.000%	02/15/2015	$99,719
90,000,000	U.S. Treasury Notes	2.625%	05/15/2008	87,849
76,825,000	U.S. Treasury Notes	3.750%	03/31/2007	76,963
77,840,000	U.S. Treasury Notes	2.000%	05/15/2006	76,867
68,000,000	U.S. Treasury Notes	3.250%	01/15/2009	67,048
64,500,000	U.S. Treasury Notes	6.500%	08/15/2005	64,782
60,460,000	U.S. Treasury Notes	3.500%	05/31/2007	60,297
59,120,000	U.S. Treasury Notes	3.125%	01/31/2007	58,671
43,820,000	U.S. Treasury Notes	3.375%	02/15/2008	43,513
42,630,000	U.S. Treasury Notes	3.000%	12/31/2006	42,251

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2005 and 2004:
(Dollars in thousands)

	2005	2004
Investment Activity:		
Equity Managers		
Domestic	$ 12,536	$11,957
International	8,842	8,038
Subtotal	21,378	19,995
Domestic Fixed Income Managers	14,628	13,520
Cash and Short-Term Managers	900	913
Real Estate Managers	14,756	31,499
Mortgage Loan Servicers	721	801
Private Equity Managers	3,308	5,332
Total Fees from Investment Activity	55,691	72,060
Securities Lending Activity:		
Management Fee	1,153	1,120
Borrower Rebate	69,439	26,711
Total Fees from Securities Lending Activity	70,592	27,831
Total Investment Management Fees	**$126,283**	**$99,891**

Private Equity
Adams Street Partners
Falcon Investment Advisors, L.L.C.
HarbourVest
Invesco Private Capital, Inc.
Knightsbridge Advisers, Inc.
Pathway Capital Management, L.L.C.
Reliant Equity Investors, L.L.C.
Solera Partners, L.P.
Union Square Ventures

Cash and Short-Term
Western Asset Management Company

Equity—Domestic
American Century Investment Management, Inc.
Barclays Global Investors
Delta Asset Management
Eagle Asset Management, Inc.
FIS Funds Management, Inc.
Frontier Capital Management Company, L.L.C.
ICM Asset Management, Inc.
Mazama Capital Management, Inc.
Northern Trust Global Advisors
Oak Associates

Equity—International
Barclays Global Investors
Capital Guardian Trust Company
Fidelity Management Trust Company
GAM International Management, Ltd.
Schroder Capital Management Intl., Ltd.

Mortgage Loan Servicer
ABN AMRO Mortgage Group, Inc.
Chase Manhattan Mortgage Company
GMAC Mortgage Corporation
U.S. Mortgage

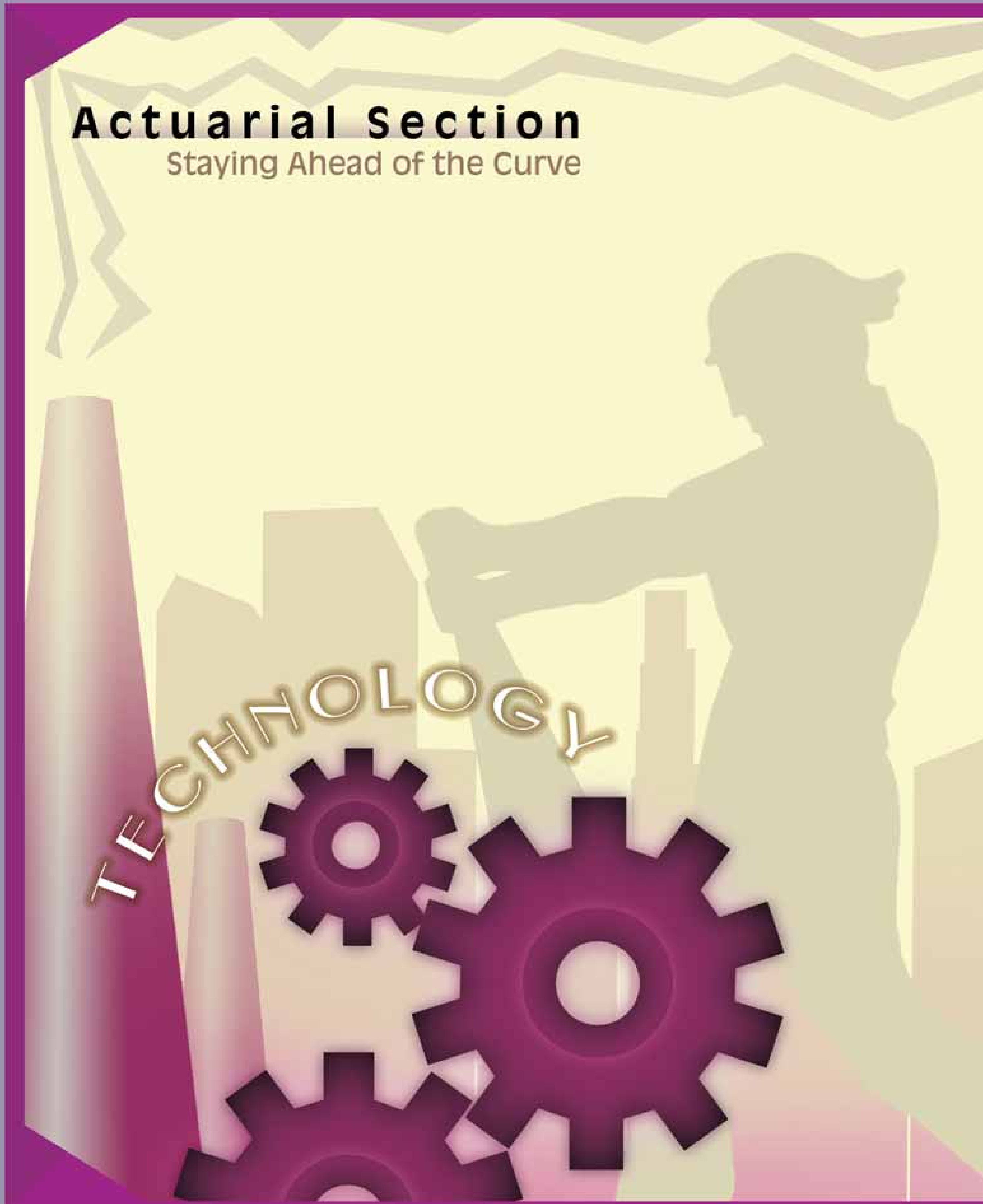
Fixed Income—Domestic
Barclays Global Investors
BlackRock Financial Management, Inc.
Dodge & Cox
Dolan McEniry Capital Management, L.L.C.
GW Capital, Inc.
Hughes Capital Management, Inc.
LM Capital Management, Inc.
Loomis, Sayles & Company, L.P.
MW Post Advisory Group, L.L.C.
Oaktree Capital Management, L.L.C.
Penn Capital Management Company, Inc.
PIMCO
Pugh Capital Management, Inc.
Wells Capital Management
Western Asset Management Company
W.R. Huff Asset Management Co., L.L.C.

Real Estate
Capri Capital Advisors, L.L.C.
Cornerstone Real Estate Advisers, Inc.
Emmes Asset Management Co., L.L.C.
Heitman/JMB Advisory Corporation
Henderson Investors North America, Inc.
Invesco Realty Advisors
Lowe Enterprise Residential Advisors, L.L.C.
RREEF America Partners
TA Associates Realty
Urban America, L.P.

Securities Lending Program
Goldman, Sachs & Co.
Mellon Global Securities Lending
Metropolitan West Securities, L.L.C.
Standish Mellon Associates

Actuarial Section

Staying Ahead of the Curve



Technology

Providing innovative features for our members...

We continue to capitalize on advances in technology as we develop and implement innovative upgrades to our enterprise. Through the collaborative efforts of our Systems, Claims Processing, and Communications Divisions, this year we launched several technology-driven enhancements.

DB2 Integration into LACERA Operating System

The integration of DB2, an advanced database management system, into the LACERA IRIS2 Retirement Information System demonstrates our ability to utilize new technology to stay ahead of the curve in workflow, member service capabilities, and efficiency. During the past fiscal year, in conjunction with the ambitious 2005 DB2 conversion, our Systems Division conducted massive, system-wide testing, preparation of our online programs, and system setup. The integration of DB2 will empower us to provide faster, greater, and more secure services to our members.

Unmodified+Plus Option Added to Retirement Calculator

Legislation was adopted this year establishing a new retirement option known as "Unmodified+Plus." In response, our Claims Processing Division promptly prepared the required calculations which enabled us to add the Unmodified+Plus Option to our interactive online retirement calculator.

"My LACERA"

This user-friendly feature on www.lacera.com allows members to securely view their personal membership information, including years of service credit, total contributions, current purchase contracts, and average compensation. When used together with our online calculators, members can get an instant estimate of their future retirement benefit.

In Addition...

Our Communications Division continuously updates the content and efficiency of www.lacera.com, this year creating and/or modifying more than 400 web pages and 250 documents. The web site provides members with a 24-hour comprehensive resource for all things LACERA.

Milliman USA
Consultants and Actuaries
1301 Fifth Avenue, Suite 3800, Seattle, Washington 98101-2605
Telephone: 206/624-7940 Fax: 206/623-3485 www.milliman.com

July 22, 2005

Los Angeles County Employees Retirement Association
Board of Investments
Gateway Plaza
300 N. Lake Avenue, Suite 820
Pasadena, CA 91101

Dear Members of the Board:

LACERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members.[1] Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

LACERA measures its funding status as the ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date:	June 30, 2002	**Funded Status:**	99.4%
Valuation Date:	June 30, 2003	**Funded Status:**	87.2%
Valuation Date:	June 30, 2004	**Funded Status:**	82.8%

Most of the decrease in the funding ratio from 2002 to 2004 is attributable to the recognition of recent investment losses on the actuarial value of assets. A smaller decrease in the funding ratio was caused by changes in actuarial assumptions adopted for the most recent valuation. It is our opinion that LACERA continues in sound financial condition as of June 30, 2004.

The current funding policy is based on the Retirement Benefits Enhancement Agreement. It provides for a short-term funding policy, applicable through the 2008 actuarial valuation. Under this funding policy, the County's contributions are set equal to the normal cost rate plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any Funding Surplus. There is a UAAL if the funding ratio is less than 100%. There is a Funding Surplus when the funding ratio is greater than 100%. The amortization of either is funded over a rolling 30-year period. In addition, the funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1% of the actuarial value of assets as part of the valuation assets. In any year in which the funding ratio is less than 100% prior to its inclusion, a portion of the STAR Reserve is also to be considered as part of the valuation assets. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to guarantee the STAR benefits expected to become payable through July 1, 2009.

The June 30, 2004 valuation results are based on the membership data and the asset information provided by LACERA. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the Board in 2005. The actuarial liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a

[1] A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code.

three-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. We believe the actuarial assumptions and methods are internally consistent, reasonable, and meet the parameters of Governmental Accounting Standards Board Statement No. 25. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. For example, the recognition of realized, but as yet unrecognized asset gains from 2004 will be reflected in the 2005 and 2006 valuations.

LACERA staff prepared the supporting schedules in this section, and the trend tables in the financial section are based on information supplied in prior actuarial reports, as well as our June 30, 2004 actuarial valuation report.

We certify that the June 30, 2004 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Karen I. Steffen, F.S.A., E.A., M.A.A.A.
Consulting Actuary

Nick J. Collier, A.S.A., E.A., M.A.A.A.
Consulting Actuary

KIS/NJC/nlo

Summary of Actuarial Assumptions and Methods

Actuarial Assumptions and Methods

Recommended by the Actuary and adopted by the Board of Investments. The actuarial assumptions used to determine the liabilities are based on the results of the 2004 Investigation of Experience Study. New assumptions were adopted by the Board effective for the June 30, 2004 valuation.

Actuarial Cost Method

Entry Age Normal Cost Funding Method.

Actuarial Asset Valuation Method

Three-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted effective for the June 30, 2000 valuation.

Under an interim, short-term funding policy that is in effect through the June 30, 2008 valuation only (see Note E), funds in the Contingency Reserve in excess of 1% of the actuarial value of assets are included as valuation assets for funding purposes. In any year in which the funding ratio is otherwise less than 100%, a portion of the STAR Reserve may be considered as part of the valuation assets to bring the funding ratio up to 100%. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to fund the permanent STAR benefits expected to become payable through July 1, 2009.

Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus

Under the interim, short-term funding policy that is in effect through the June 30, 2008 valuation only (see Note E), the County's contributions are set equal to the normal cost rate plus amortization of any Unfunded Actuarial Accrued Liability or Funding Surplus. There is a UAAL if the funding ratio is less than 100%. There is a Funding Surplus if the ratio is greater than 100%. The amortization method for either is a level percentage of pay over a rolling 30-year period.

Amortization of Gains and Losses

Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and amortized over the same period.

Investment Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 7.75%, compounded annually, net of both investment and administrative expenses. This rate was adopted effective for the June 30, 2004 valuation.

Projected Salary Increases

Rates of annual salary increases assumed for the purpose of the valuation range from 9.98% to 4.01%. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.75% per annum rate of increase in the general wage level of membership. These rates were adopted effective for the June 30, 2004 valuation.

Post-retirement Benefit Increases

Post-retirement benefit increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future, as they are less than the expected increase in the Consumer Price Index of 3.5% per year. This rate was adopted effective for the June 30, 2004 valuation. Plan E members receive a pro-rated post-retirement benefit increase of 2% for service credit earned on and after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned on and after June 4, 2002 to their total years of service. The portion of the full 2% increase not provided for may be purchased by the member.

Consumer Price Index

Increase of 3.5% per annum. This rate was adopted effective for the June 30, 2004 valuation.

Rates of Separation from Employment

Various rates dependent upon member's age, sex, and retirement plan. All terminating members are assumed to not be rehired. These rates were revised effective for the June 30, 2004 valuation.

Expectation of Life after Retirement

The same post-retirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. Beneficiaries of both service retired and disability retired members are assumed to be of the opposite sex and have the same mortality as General service retired members.

Males: General members: RP-2000 Combined Mortality Table for Males, with ages set back 2 years. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back 3 years.

Females: General members: RP-2000 Combined Mortality Table for Females, with ages set back 2 years. Safety members: RP-2000 Combined Mortality Table for Females, with ages set back 2 years.

These rates were revised effective for the June 30, 2004 valuation.

Expectation of Life after Disability

Males: General members: RP-2000 Combined Mortality Table for Males, with ages set forward 3 years. Safety members: RP-2000 Combined Mortality Table for Males, with no age adjustment.

Females: General members: RP-2000 Combined Mortality Table for Females, with ages set forward one year. Safety members: RP-2000 Combined Mortality Table for Females, with ages set forward 3 years.

These rates were adopted effective for the June 30, 2001 valuation.

Recent Changes and Their Financial Impact

The assumptions were reviewed and changed effective for the June 30, 2004 valuation as a result of the 2004 triennial Investigation of Experience Study. The overall impact of these changes was to increase liabilities and reduce the normal cost rate. The Funded Ratio decreased from 87.2% to 82.8%. About half of the decrease is due to the asset loss; most of the rest is due to the new assumptions.

ACTUARIAL SECTION

Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
June 30, 1999	General	68,652	$ 3,104,617,260	$ 45,223	4.80%
	Safety	11,024	753,472,872	68,348	3.19%
	Total	**79,676**	**$3,858,090,132**	**$48,422**	**4.26%**
June 30, 2000	General	71,940	$ 3,352,863,984	$ 46,606	3.06%
	Safety	11,264	790,635,384	70,191	2.70%
	Total	**83,204**	**$4,143,499,368**	**$49,799**	**2.84%**
June 30, 2001	General	75,048	$ 3,608,061,804	$ 48,077	3.16%
	Safety	12,021	860,802,108	71,608	2.02%
	Total	**87,069**	**$4,468,863,912**	**$51,326**	**3.07%**
June 30, 2002	General	77,062	$ 3,833,165,448	$ 49,741	3.46%
	Safety	12,190	894,549,792	73,384	2.48%
	Total	**89,252**	**$4,727,715,240**	**$52,970**	**3.20%**
June 30, 2003	General	75,995	$ 3,954,516,792	$ 52,037	4.62%
	Safety	11,765	899,307,576	76,439	4.16%
	Total	**87,760**	**$4,853,824,368**	**$55,308**	**4.41%**
June 30, 2004	General	74,826	$ 3,967,337,892	$ 53,021	1.89%
	Safety	11,409	885,426,444	77,608	1.53%
	Total	**86,235**	**$4,852,764,336**	**$56,274**	**1.75%**

[1]Active Member Valuation Annual Salary is an annualized compensation of only those members who were active on the actuarial valuation date. Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Retirants and Beneficiaries Added to and Removed from Retiree Payroll

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	% Increase in Retiree Allowance	Average Annual Allowance
2000	1,660		(477)		44,694	$ 1,046,844[1]	6.82%	$23,422
2001	2,190	$ 78,420	(1,488)	($12,673)	45,396	1,188,592[2]	13.54%	26,183
2002	2,371	88,002	(1,525)	(14,374)	46,242	1,280,731[2]	7.75%	27,696
2003	2,654	96,921	(1,664)	(15,508)	47,232	1,383,150[2]	8.00%	29,284
2004	2,824	110,106	(1,724)	(17,387)	48,332	1,536,803[2]	11.11%	31,797
2005	2,939	102,903	(1,418)	(17,465)	49,853	1,645,490[2]	7.07%	33,007

[1] Annual allowance is calculated as actual payroll expense for the fiscal year, less reimbursements from annuity contracts.
[2] Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30.

Actuary Solvency Test

(Dollars in millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
Valuation Date	(1) Active Member Contributions	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Valuation Assets	(1) Active	(2) Retired	(3) Employer
June 30, 1999	$2,710	$11,863	$8,211	$23,536	100%	100%	109%
June 30, 2000	3,190	12,922	8,609	25,427	100%	100%	108%
June 30, 2001	3,320	14,368	8,802	26,490	100%	100%	100%
June 30, 2002	3,596	15,424	9,417	28,262	100%	100%	98%
June 30, 2003	3,790	16,844	9,840	26,564	100%	100%	60%
June 30, 2004	4,042	18,857	9,802	27,089	100%	100%	43%

Actuarial Analysis of Financial Experience

(Dollars in millions)

	1999	2000	2001	2002	2003	2004
Prior Valuation Unfunded Actuarial Accrued Liability	$ 109	($751)	($706)	$ 0	$ 175	$3,910
Expected Increase (Decrease) from Prior Valuation	9	(192)	128	(26)	162	312
Salary Increases Greater (Less) than Expected	241	(20)	40	(20)	(66)	(270)
CPI Less than Expected				(39)		(31)
Change in Assumptions			(239)			697
Asset Return Less (Greater) than Expected	(492)	(697)	690	(194)	3,351	871
All Other Experience	(78)	211	87	13	248	122
Change in Procedural Applications	515[1]	457[2]				
Change in Actuarial Asset Method	(1,055)				40	
Change in Application of Actuarial Asset Method		286				
Change in Benefits (MOU)				441		
Ending Unfunded Actuarial Accrued Liability (Surplus)	**($751)**	**($706)**	**$ 0**	**$ 175**	**$3,910**	**$5,611**

[1] Estimated increase due to change in retained actuary and their proprietary valuation procedures, based on 1998 audit report.

[2] Reflects change in procedures to project member salaries:
- Full-year compensation used for Plan A members; in prior years a monthly rate was annualized.
- Timing of salary increases.

Probability of Occurrence

Age	Service Retirement	Other Terminations	Service Disability	Ordinary Disability	Service Death	Ordinary Death
Plans A, B, and C General Members - Male						
20	0.0000	0.0050	0.0002	0.0001	N/A	0.0004
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0006
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0012
50	0.0300	0.0050	0.0017	0.0006	N/A	0.0024
60	0.2400	0.0050	0.0044	0.0016	N/A	0.0059
70	0.2500	0.0050	0.0052	0.0059	N/A	0.0112
75	1.0000	0.0000	0.0000	0.0000	N/A	0.0000
Plans A, B, and C General Members - Female						
20	0.0000	0.0050	0.0002	0.0001	N/A	0.0002
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0003
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0007
50	0.0300	0.0050	0.0016	0.0006	N/A	0.0017
60	0.2000	0.0050	0.0034	0.0017	N/A	0.0039
70	0.2400	0.0050	0.0072	0.0036	N/A	0.0076
75	1.0000	0.0000	0.0000	0.0000	N/A	0.0000

Probability of Occurrence

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Plan D General Members - Male							
20	0.0000	0.0002	0.0001	N/A	0.0004	5	0.0283
30	0.0000	0.0002	0.0001	N/A	0.0006	10	0.0220
40	0.0200	0.0006	0.0002	N/A	0.0012	15	0.0170
50	0.0200	0.0017	0.0006	N/A	0.0024	20	0.0132
60	0.0500	0.0044	0.0016	N/A	0.0059	25	0.0108
70	0.2000	0.0052	0.0059	N/A	0.0112	30 and up	0.0000
75	1.0000	0.0000	0.0000	N/A	0.0000		
Plan D General Members - Female							
20	0.0000	0.0002	0.0001	N/A	0.0002	5	0.0283
30	0.0000	0.0002	0.0001	N/A	0.0003	10	0.0220
40	0.0200	0.0006	0.0002	N/A	0.0007	15	0.0170
50	0.0200	0.0016	0.0006	N/A	0.0017	20	0.0132
60	0.0600	0.0034	0.0017	N/A	0.0039	25	0.0108
70	0.2000	0.0072	0.0036	N/A	0.0076	30 and up	0.0000
75	1.0000	0.0000	0.0000	N/A	0.0000		

Probability of Occurrence

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Plan E General Members - Male							
20	0.0000	N/A	N/A	N/A	0.0004	5	0.0373
30	0.0000	N/A	N/A	N/A	0.0006	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0012	15	0.0216
50	0.0000	N/A	N/A	N/A	0.0024	20	0.0188
60	0.0300	N/A	N/A	N/A	0.0059	25	0.0168
70	0.2500	N/A	N/A	N/A	0.0112	30 and up	0.0160
75	1.0000	N/A	N/A	N/A	0.0000		
Plan E General Members - Female							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0373
30	0.0000	N/A	N/A	N/A	0.0003	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0007	15	0.0216
50	0.0000	N/A	N/A	N/A	0.0017	20	0.0188
60	0.0400	N/A	N/A	N/A	0.0039	25	0.0168
70	0.2500	N/A	N/A	N/A	0.0076	30 and up	0.0160
75	1.0000	N/A	N/A	N/A	0.0000		

Probability of Occurrence

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Plans A and B Safety Members - Male							
20	0.0000	0.0050	0.0003	0.0001	0.0003	5	0.0133
30	0.0000	0.0050	0.0003	0.0001	0.0004	10	0.0076
40	0.0100	0.0072	0.0004	0.0001	0.0005	15	0.0048
50	0.0100	0.0168	0.0014	0.0001	0.0011	20 and up	0.0000
60	1.0000	0.0000	0.0038	0.0000	0.0000		
Plans A and B Safety Members - Female							
20	0.0000	0.0050	0.0006	0.0001	0.0002	5	0.0133
30	0.0000	0.0060	0.0006	0.0001	0.0003	10	0.0076
40	0.0500	0.0140	0.0010	0.0001	0.0007	15	0.0048
50	0.0500	0.0190	0.0022	0.0001	0.0017	20 and up	0.0000
60	1.0000	0.0000	0.0078	0.0000	0.0000		

	Government Code Sections or Board of Retirement Bylaws
Management of the Retirement System	
Except as delegated to the Board of Investments and except for the statutory duties of the County Treasurer, the management of the retirement system is vested in the nine-member (plus two alternate members) Board of Retirement (hereinafter referred to as "Board").	(31520.1, 31520.5)
LACERA also has a nine-member Board of Investments that is responsible for all investments of the retirement system.	(31520.2)
Members of each Board serve for three-year terms; specified members receive compensation for not more than five meetings a month.	(31520, 31520.2, 31521)
The official duties of all elected Board members who are employees of the County or a District are included as part of their County or District employment and their Board duties normally take precedence over any other duties.	(31522)
Both the Board of Retirement and the Board of Investments may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the Boards.	(31522.1)
The Board of Retirement and the Board of Investments that have elected to appoint personnel pursuant to Section 31522.1 may appoint an administrator.	(31522.2)
The Board of Retirement may contract with a third party to temporarily assume administration of the system should a catastrophic event destroy or severely damage the system's administrative facilities or otherwise prevent local administration of the system.	(31522.6)
The Boards may make regulations (Bylaws) not inconsistent with the retirement law.	(31525)
The Boards have numerous duties that are specified throughout the retirement law.	

Government Code Sections or Board of Retirement Bylaws

Contributory Plans A, B, C, and D

Annual Budget

The annual budget of the Los Angeles County Employees Retirement Association (LACERA) covering the entire expense of administration of the retirement system is charged against the earnings of the retirement fund. The expense incurred in any year cannot exceed eighteen-hundredths of one percent (0.18%) of the total assets of the retirement system. (31580.2, 31580.3)

Membership Eligibility

Permanent employees of Los Angeles County (County) and participating districts that work 3/4 time or more are eligible for membership in LACERA. (31551, 31552, Bylaws)

Employees eligible for safety membership (law enforcement, fire fighting and lifeguard classifications) become safety members on the first day of the month after date of hire. (31558)

All other employees become general members on the first day of the month after date of hire, or the first day of the month after they make an election of either Plan D or Plan E, depending on the law in effect at that time. (31493, 31493.5, 31493.6, Bylaws)

Elective officers become members on the first day of the month after filing a declaration with the Board of Retirement (Board). (31553, 31562)

General members in Plan E may transfer all their Plan E service credit to Plan D during an approved traditional open window transfer period by making the required contributions. Transferred members relinquish, waive, and forfeit any and all vested or accrued benefits available under any other retirement plan and are entitled only to the benefits of Plan D. (31494.1, 31494.3)

As an alternative to transferring all their service credit, general members in Plan E may, effective June 4, 2002, transfer prospectively to Plan D and make contributions beginning as of the effective date of transfer. These members may also purchase credit for some or all of their Plan E service earned prior to the transfer to Plan D, as Plan D service credit. They will retain credit for their Plan E service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election to transfer back to Plan E until three years from the effective date of transfer to Plan D. (31494.5)

Government Code Sections or Board of Retirement Bylaws

(31494.2)

General members in Plan D may, effective June 4, 2002, transfer prospectively to Plan E and make no further contributions as of the effective date of transfer. They will retain credit for their Plan D service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election to transfer back to Plan D until three years from the effective date of transfer to Plan E.

Retirement Plans and Membership Dates

The County has established seven defined benefit plans (General Plans A, B, C, D, and E, and Safety Plans A and B) based on a member's date of entry into LACERA. (Noncontributory Plan E is detailed separately at the end of this section.) The following contributory plans provide retirement, disability, and death benefits for members and their beneficiaries:

Plan A: General and safety members - prior to September 1977

Plan B: General members - September 1977 through September 1978
Safety members - September 1977 to present

Plan C: General members - October 1978 through May 1979

Plan D: General members - June 1979 through January 3, 1982; and those hired on or after January 4, 1982 who elect Plan D instead of Plan E

Member Contributions

(31461, 31461.1, 31461.3, 31461.4, 31461.45, 31620, 31639.1, 31831.3, 31833, 31833.1)

Contributions are based on the nearest entry age of each member and are required of all members in Plans A, B, C, and D. [Note: Age at entry for a person who enters LACERA within 90 days (or six months depending on date of entry) of last performing service in a reciprocal retirement system, and who retains membership in that system, is the age at entry into the other system. If a member enters LACERA from the Public Employees' Retirement System (PERS) after withdrawing contributions, but redeposits those contributions and otherwise meets the requirements of reciprocity with PERS, the member's entry age is the age at entry into PERS commencing with the pay period immediately following receipt of confirmation from PERS that withdrawn contributions have been redeposited.] Current rates are published in the plan disclosure booklets and on our web site, www.lacera.com. The contribution rate is multiplied by the member's compensation earnable to compute the actual contribution. Compensation earnable is the amount of compensation used in calculating retirement contributions for Plan A, B, C, or D members and for computing retirement benefits for all LACERA members.

	Government Code Sections or Board of Retirement Bylaws
The County withdrew its employees from Social Security effective January 1, 1983. General members in Plans A, B, and C who were covered by Social Security as County employees prior to that date, paid only two-thirds of the contribution rate on the first $350 of salary while Plan D members paid only two-thirds of the rate on the first $1,050 of salary. The full rate was applicable on salaries above these amounts.	(31812)
Contributions are deducted monthly from wage warrants and are credited to each individual member's account.	(31625)
General member contributions cease when members are credited with 30 years of service in a contributory plan provided they were members of LACERA or a reciprocal system on March 7, 1973.	(31625.2, 31836.1)
Safety member contributions cease when members are credited with 30 years of continuous service in a contributory plan.	(31664)
Former members who return to service may redeposit their withdrawn accumulated contributions plus interest from date of withdrawal. Redeposit may be by lump-sum or installment payments over a ten-year period. Membership is the same as if unbroken, except that current contributions are based on nearest age at reentry.	(31652, Bylaws)
Members who left service and became a member of a reciprocal system may redeposit their withdrawn contributions plus interest if their prior or current membership consists of active law enforcement or firefighting.	(31831.3)
If a member whose prior or current membership consists of active law enforcement or firefighting duties enters LACERA from a reciprocal system after withdrawing contributions, but redeposits those contributions, the member's entry age is the age at entry into the reciprocal agency commencing with the pay period immediately following receipt of confirmation from the agency that withdrawn contributions have been redeposited.	(31831.3)
Members who were retired for disability and return to membership after a determination they are no longer disabled, or return to membership following a service retirement and elect Plan D, make contributions based on their nearest age at reentry.	(31680.4, 31680.5, 31733)

	Government Code Sections or Board of Retirement Bylaws
Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Investments on amounts that have been on deposit for at least six months. (Note: The total of member contributions and credited interest is called "accumulated contributions.")	(31591)
Member contributions made through payroll deductions are considered to be employer contributions for tax purposes only and are made on a before-tax basis. (Effective August 1, 1983, per Internal Revenue Code Section 414(h)(2).)	
Member contributions may be refunded upon termination of employment by filing a withdrawal application. Effective January 1, 2003, failure to file a withdrawal application will be deemed to be an election to leave accumulated contributions on deposit.	(31628, 31629, 31629.5)
Employer Contributions	
In addition to member contributions, the employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation, and recommendation of the actuary.	(31453, 31454, 31581)
The County or district may also make additional appropriations to fund any deficit or to amortize unfunded accrued actuarial obligations.	(31453.6, 31454.5, 31454.6)
Termination of Employment	
Members who terminate employment with the County may:	
(a) Defer retirement and leave their contributions on deposit to continue drawing interest, provided they: (i) have five or more years of County (including reciprocal system) retirement service credit; or (ii) enter a reciprocal retirement system within 6 months from termination; or	(31591, 31700, 31629.5, 31830, 31831)
(b) Leave their contributions on deposit to continue drawing interest regardless of the amount of retirement service credit; or	
(c) Withdraw all member contributions plus interest; or	
(d) Transfer all tax-deferred member contributions plus interest into an IRA or other qualified retirement plan.	
The withdrawal or transfer of funds forfeits all rights to receive retirement or disability benefits from LACERA in the future.	

Government Code Sections or Board of Retirement Bylaws

Service and Breaks in Service

Service means uninterrupted employment of any person appointed or elected for a given period provided: (31641, Bylaws)

(a) Deductions are made from the member's earnable compensation from the County or district for such service.

(b) Member contributions are made for specific military service authorized by other provisions of the County Employees Retirement Law (CERL).

(c) Credit is received for County service and/or for public service under the provisions of Article 7 (Service) in the CERL.

(d) Credit, as defined in the Bylaws, is allowed for prior service.

The following are not considered as breaking the continuity of service:

(a) A temporary layoff because of illness, economy, suspension, or dismissal, followed by reinstatement or reemployment within one year. (31642)

(b) A leave of absence followed by reinstatement or reemployment within one year after the termination of the leave of absence.

(c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by reemployment by the County or district within six months after the termination of such service.

(d) Resignation of a member who has elected in writing to come within the provisions of Article 9 (Deferred Retirement) followed by reemployment before withdrawal of any accumulated contributions.

Note: The withdrawal of accumulated contributions followed by the redeposit of the contributions upon reentrance into service does not constitute a break in the continuity of service. (31652)

When a member receives credit for temporary, seasonal, intermittent, or part-time service performed either before or during membership, the credit received will be proportionate to the time required to perform the same duties in a full-time position. A "year of service" in a 1/2 time position would mean it would take two years to earn one full year of credit. (31640.5)

	Government Code Sections or Board of Retirement Bylaws
Members may purchase service credit to increase their retirement benefits for the following types of service:	
Temporary or Permanent Time	(31641.5)
Redeposit of Withdrawn Contributions	(31652, 31831.3)
Sick Without Pay	(31646)
Federal/Military	(31641.1, 31641.2(a), Board of Supervisors Resolution)
Other Public Agency	(31641.1, 31641.2(c), Board of Supervisors Resolution)
Any Public Entity Located Wholly in the County of Los Angeles	(31643, 31644, Bylaws)
United States of America, State of California or any Public Entity Located Within the State of California	(31643, 31644, Bylaws)
General to Safety Service	(31639.75)
Additional Retirement Credit (ARC) A member with at least five years of County retirement service credit is eligible to purchase up to five years of Additional Retirement Credit (ARC). ARC is not based on actual prior employment. ARC credit may not be counted to meet the minimum qualifications for service retirement or disability retirement or for the purpose of establishing eligibility for any benefits based on 30 years of service, health care benefits, or any other benefits based upon service credit.	(31658)
A member who elects to purchase credit under Section 31494.3, 31641.1, 31641.5, 31646, 31652, 31658, 31831.3 or under regulations adopted by the Board of Retirement (Bylaws) under Section 31643 or 31644 must complete the purchase within 120 days after the effective date of retirement.	(31485.8)

	Government Code Sections or Board of Retirement Bylaws
Service Retirement Allowance	
Compensation Limit:	
The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the U.S. Code.	(31671)
Combined General and Safety Service:	
Members who earn service credit as both a general and safety member will receive a combined retirement allowance after retirement. The benefits for each type of service will be added together to determine the total retirement allowance payable.	(31664.65)
Combined General Plan D and Plan E Service:	
Members who transfer prospectively from Plan D to Plan E or from Plan E to Plan D and earn service credit under both plans will receive a combined retirement allowance after retirement. The benefits for each plan will be added together to determine the total retirement allowance payable. In addition, the aggregate service credited under both retirement plans is used for the purpose of determining eligibility for and vesting of benefits under each plan.	(31494.2, 31494.5)
Payment of Allowance:	
A retired member's retirement allowance may be paid by warrant or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution.	(31452.6, 31590)
Retirement Plan Allowances:	
Retirement allowances are based on retirement plans, which provide different levels of benefits. Two important differences between the plans are the age factors that determine the percent of final compensation per year of service and the final compensation periods: one year versus three years. The plans and their benefits are as follows:	
Plan A	
Retirement Eligibility:	
General members: Age 50 with 10 years of County service, or any age with 30 years of service, or age 70 regardless of the number of years of service.	(31672)
Safety members: Age 50 with 10 years of County service, or any age with 20 years of service, or age 60 (mandatory retirement age for safety members hired before April 1, 1997) regardless of the number of years of service. There is no mandatory retirement for safety members who first became a safety member on or after April 1, 1997.	(31662.4, 31662.6, 31663.25)

	Government Code Sections or Board of Retirement Bylaws
Monthly Allowance: General members: 1/60 x final compensation x general Plan A age factor x years of service. Allowance may not exceed 100% of final compensation.	(31676.14)
For those years of County service in which a member was covered by Social Security prior to January 1, 1983, substitute 1/90 for 1/60 for compensation up to and including $350 per month. Use the formula in the paragraph above for compensation in excess of $350 per month. Service prior to membership is also calculated using the formula in the paragraph above unless it was County service that was covered by Social Security.	(31808)
Final compensation is the average monthly compensation earnable for the last one year of service if the member does not elect a different one-year period.	(31462.1)
Safety members: 1/50 x final compensation x safety Plan A age factor x years of service. Allowance may not exceed 100% of final compensation.	(31664)
Plan B **Retirement Eligibility/Allowance:** Same eligibility and allowance formula as Plan A, except general Plan B age factors are different than general Plan A; safety Plan B age factors are the same as safety Plan A. For both general and safety Plan B, final compensation is the average monthly compensation earnable for the last three years of service if the member retires before July 1, 2001 and the member does not elect a different three-year period. If a member has less than three years of service, final compensation is determined by dividing the member's total compensation earnable by the number of credited months of service.	(31462, 31462.3, 31664, 31676.11)
However, for both general and safety Plan B members who are employed on or after October 1, 2000 and who retire on or after July 1, 2001, final compensation is the average monthly compensation earnable for the last one year of service if the member does not elect a different one-year period.	(31462.3)
Plan C **Retirement Eligibility/Allowance:** Same eligibility and allowance formula as general Plan A, except general Plan C factors are different. Final compensation period is three years as in Plan B for members who retire before July 1, 2001, and one year for members who are employed on or after October 1, 2000 and who retire on or after July 1, 2001.	(31462, 31462.3)

Government Code Sections or Board of Retirement Bylaws

Plan D
Retirement Eligibility/Allowance:
Same eligibility and allowance formula as general Plan A, except $350 figure is replaced by $1,050. Plan D age factors are the same as Plan C age factors. Final compensation period is three years as in Plan B for members who retire before July 1, 2001, and one year for members who are employed on or after October 1, 2000 and who retire on or after July 1, 2001. (31462, 31462.3)

Unmodified and Optional Retirement Allowances
Unmodified Retirement Allowance:
An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance or a nonservice-connected disability retirement allowance to an eligible surviving spouse (or eligible children) is equal to 65% of the member's allowance (60% if the member died before June 4, 2002). To receive this continuance, the spouse must have been married to the member at least one year prior to retirement. After August 26, 2003, the 65% monthly allowance may be paid to the member's domestic partner if the domestic partnership was registered at least one year prior to retirement. (31760.1, 31760.12, 31780.2, 31785, 31785.4)

If there is no spouse or the spouse dies before every child attains the age of 18, the continuance is payable to the member's children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school.

If there are eligible children and an eligible domestic partner, the children will receive the monthly allowance until they are no longer eligible, at which time the monthly allowance will be paid to the domestic partner for his or her lifetime.

The continuance of an unmodified service-connected disability retirement allowance to an eligible surviving spouse, domestic partner, or eligible children is equal to 100% of the member's allowance. To receive this continuance, the marriage or domestic partnership registration must have occurred prior to retirement. (31780.2, 31786)

A child eligible to receive a survivor benefit under Section 31760.1, 31781.1, 31786, or 31787 is considered unmarried if the child is not married as of the date the member dies, whether or not the child was previously married. If the child thereafter marries, eligibility for the survivor benefit is terminated, and the benefit is not reinstated if the child subsequently returns to unmarried status. (31780.1, 31780.2)

Government Code Sections or Board of Retirement Bylaws

Optional Retirement Allowance:
Under an Optional Retirement Allowance, a member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance as shown below. The option must be elected before the first retirement allowance payment is made. If an option is elected, the 65% (or 60% if the member died before June 4, 2002) continuance benefit under a service or nonservice-connected disability retirement or the 100% continuance under a service-connected disability retirement is replaced by the following: (31760)

Unmodified+Plus: Member's allowance is reduced to pay an increased continuing allowance (66% up to 100%) to an eligible surviving spouse. Reduction is equal to the additional actuarial cost to the system between the survivor's allowance under Unmodified and the survivor's allowance under Unmodified+Plus. The actuarial cost of the additional survivor allowance is calculated taking into account the life expectancy of the member's surviving spouse. (31760.5)

Option 1: Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member. (31761)

Option 2: 100% of member's reduced allowance is payable to a beneficiary having an insurable interest in the life of the member. (31762)

Option 3: 50% of member's reduced allowance is payable to a beneficiary having an insurable interest in the life of the member. (31763)

Option 4: Other percentage of member's reduced allowance or a set dollar amount is payable to one or more beneficiaries having an insurable interest in the life of the member. (31764)

A member may not revoke and name another beneficiary if the member elects Option 2, 3, or 4. (31782)

Government Code Sections or Board of Retirement Bylaws

Pension Advance Option:
The Pension Advance Option is available to members who are fully insured under Social Security for the purpose of coordinating a member's retirement allowance with benefits receivable from Social Security. It is not available to disability retirees or members who elect Option 2, 3, or 4. The allowance is increased prior to age 62 and then reduced after 62 by amounts which have equivalent actuarial values. The 65% (60% if the member died before June 4, 2002) continuance for eligible spouses of members who elect the Pension Advance Option is based on the Unmodified allowance the member would have received if the member had not elected the option. (31810, 31811)

The initial retirement allowance is made on a pro rata basis effective on the date of the member's retirement. Payment is made for the entire month in the month of death. (31600)

Service-Connected Disability Retirement Allowance
Eligibility/Definition of Disability:
Any age or years of service; member must be permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment, and employment must contribute substantially to the incapacity. In addition, if a safety member (or other specified member) who has completed five or more years of service develops heart trouble, cancer, or a blood-borne infectious disease, such heart trouble, cancer, or disease is presumed to arise out of, and in the course of, employment. The presumption for the latter two is extended following termination of service. (31720, 31720.5, 31720.6, 31720.7)

A general member in Plan E who transfers prospectively to Plan D may apply for a service-connected disability retirement after he or she has either completed two years of continuous service or if not continuous, earned five years of service as an active Plan D member after the most recent date of transfer. If the member is granted a disability retirement under Plan D, the member may not retire under Plan E. (31494.5)

Application:
Application must be made while the member is in service, within four months after discontinuance of service, within four months after the expiration of any period during which a presumption is extended beyond the discontinuance of service, or while, from the discontinuance of service to the time of application, the member is continuously incapacitated to perform duties. (31722)

	Government Code Sections or Board of Retirement Bylaws
Monthly Allowance: The allowance begins from the date of application, but not earlier than the day following the last day of regular compensation.	(31724)
The monthly allowance is equal to 50% of final compensation or, if the member is eligible to retire, the service retirement allowance, if greater.	(31727.4)
Upon the death of a member who is receiving a service-connected disability retirement allowance, 100% of the allowance continues to an eligible surviving spouse, domestic partner, or minor children, unless the member elected an optional allowance. To receive this continuance, the marriage or domestic partnership registration must have occurred prior to retirement.	(31760, 31780.2, 31786)
Nonservice-Connected Disability Retirement Allowance **Eligibility/Definition of Disability:** Any age with five years of County service or combination of County and reciprocal service; member must be permanently incapacitated for the performance of duty.	(31720)
A general member in Plan E who transfers prospectively to Plan D may apply for a nonservice-connected disability retirement after he or she has either completed two years of continuous service or if not continuous, earned five years of service as an active Plan D member after the most recent date of transfer. Note that the member must have a minimum of five years of combined service in order to be eligible for nonservice-connected disability retirement. If the member is granted a disability retirement under Plan D, the member may not retire under Plan E.	(31494.5)
Application: Application must be made while the member is in service, within four months after discontinuance of service, or while, from the discontinuance of service to the time of application, the member is continuously incapacitated to perform duties.	(31722)
Monthly Allowance: The allowance begins from the date of application, but not earlier than the day following the last day of regular compensation.	(31724)

	Government Code Sections or Board of Retirement Bylaws
The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b):	(31726, 31726.5)
(a) is 90% of 1/60 of final compensation x years of service if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation; or	(31727(a))
(b) is 90% of 1/60 of final compensation x years of service projected to age 65 if allowance does not exceed 1/3 of final compensation. (Members are eligible for the amount in (b) only if they are eligible to retire without relying upon service in another retirement system and the allowance computed under (a) does not exceed 1/3 of final compensation.)	(31727(b))
For safety members 1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above.	(31727.2)
Upon the death of a member who is receiving a nonservice-connected disability retirement allowance, 65% (60% if member died before June 4, 2002) of the allowance continues to a surviving spouse who was married to the member one year prior to retirement (or eligible children), unless the member elected an optional allowance. After August 26, 2003, the 65% continuing monthly allowance may be paid to the member's domestic partner if the domestic partnership was registered at least one year prior to retirement.	(31760, 31760.1, 31760.12, 31780.2, 31785, 31785.4)
Change of Position in Lieu of Disability Retirement Allowance	
An incapacitated member who is eligible for either a nonservice-connected or service-connected disability retirement allowance under his or her former position may, upon approval by the Board, accept a lower paying position for which he or she is not disabled. In such cases, LACERA pays an amount that equals the difference in salary between the member's current and former position, not to exceed the amount of the disability allowance to which the member would otherwise be entitled. Such payments in lieu of a disability retirement allowance are considered a charge against the Employer Reserves.	(31725.5, 31725.6, 31725.65)
Service-Connected Death Benefits Eligibility:	
Active members who die in service as a result of injury or disease arising out of and in the course of employment.	(31787*)

*For purposes of this section, "child" means a natural or adopted child of the deceased member, or a stepchild living or domiciled with the deceased member at the time of his or her death.

	Government Code Sections or Board of Retirement Bylaws
Death Benefit (Lump-Sum): The member's normal contributions and interest, plus 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation) is payable to the named beneficiary.	(31781)
Monthly Allowance: An optional death allowance is payable monthly to the surviving spouse, eligible children, or domestic partner equal to the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired by reason of a service-connected disability as of the date of death. If there is no spouse or the spouse dies before making an election, the legally appointed guardian makes the election on behalf of the children. If there is a surviving domestic partner and no eligible children, the domestic partner will be eligible for a continuing allowance. However, if there are eligible children and a domestic partner, the children will receive the monthly allowance until they are no longer eligible, at which time the allowance will be paid to the domestic partner for his or her lifetime. The rights of a surviving spouse, eligible children, or domestic partner to receive the monthly allowance supersede those of any other named beneficiary.	(31780.2, 31787*)
Optional Combined Benefit: In lieu of the monthly allowance above, a surviving spouse or domestic partner may elect: (a) A lump-sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus (b) A monthly payment equal to 50% of the member's final compensation, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse or domestic partner.	(31780.2, 31781.3)
Additional Allowance For Children: If a member is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty, there is an additional benefit payable to the surviving spouse or domestic partner. The benefit is equal to 25% of the optional death allowance provided in Section 31787 (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children. If the surviving spouse or domestic partner does not have legal custody of the children, the additional benefit is payable to the legal guardian.	(31780.2, 31787.5)

*For purposes of this section, "child" means a natural or adopted child of the deceased member, or a stepchild living or domiciled with the deceased member at the time of his or her death.

	Government Code Sections or Board of Retirement Bylaws
Additional Amount For Spouse of Safety Member: A surviving spouse or domestic partner of a safety member who is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty is also entitled to receive a lump-sum death benefit equal to 12 x the monthly rate of compensation at the time of the member's death, in addition to all other benefits.	(31780.2, 31787.6)
Nonservice-Connected Death Benefits **Eligibility:** Active members who die while in service or while physically or mentally incapacitated for the performance of duty.	(31780)
Death Benefit (Lump-Sum): The member's normal contributions and interest, plus one-twelfth of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation) is payable to the named beneficiary. In lieu of the lump-sum death benefit, the following death benefits are available:	(31781)
First Optional Death Benefit: If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the surviving spouse, eligible children, or domestic partner may elect to receive an optional death allowance equal to 65% (or 60% if the member died before June 4, 2002) of the monthly retirement allowance to which the member would have been entitled as of the date of death. (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.) If there is no spouse or the spouse dies before making an election, the legally appointed guardian makes the election on behalf of the children. If there is a surviving domestic partner and no eligible children, the domestic partner will be eligible for a continuing allowance. However, if there are eligible children and a domestic partner, the children will receive the monthly allowance until they are no longer eligible, at which time the allowance will be paid to the domestic partner for his or her lifetime. The rights of a surviving spouse, eligible children or domestic partner to receive the monthly allowance supersede those of any other named beneficiary. Benefits are payable to the children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school.	(31780.2, 31781.1*, 31781.12)

*For purposes of this section, "child" means a natural or adopted child of the deceased member, or a stepchild living or domiciled with the deceased member at the time of his or her death.

	Government Code Sections or Board of Retirement Bylaws
Second Optional Death Benefit: If a member dies prior to reaching the minimum retirement age but has 10 or more years of County service, a surviving spouse, eligible children, or domestic partner (effective August 23, 2003) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in Section 31765 (an Option 3 benefit) or 31765.1 (a 65% continuance or 60% if the member died before June 4, 2002). (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.)	(31765.2, 31780.2, 31781.2)
Third Optional Death Benefit: A surviving spouse or domestic partner of a member who dies after five years of County service may elect a combined benefit equal to:	(31780.2, 31781.3)
(a) A lump-sum equal to one-twelfth of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus	
(b) A monthly payment equal to 65% (or 60% if the member died before June 4, 2002) of the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) the above based on the age of surviving spouse or domestic partner. (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.)	(31780.2, 31781.1*, 31781.12)
Fourth Optional Death Benefit: If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary, the spouse, eligible children, or domestic partner may elect to receive 65% (60% if the member died before June 4, 2002) of the monthly retirement allowance to which the member would have been entitled as of the date of death. (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.)	(31765.1, 31765.2, 31780.2)
Fifth Optional Death Benefit: If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary and survives the member by not less than 30 days, the spouse, eligible children, or domestic partner may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3.	(31765, 31780.2)

*For purposes of this section, "child" means a natural or adopted child of the deceased member, or a stepchild living or domiciled with the deceased member at the time of his or her death.

	Government Code Sections or Board of Retirement Bylaws
Note: The person to whom any lump-sum death benefit is payable may optionally elect to receive monthly installments over a period not to exceed 10 years, plus interest on the unpaid balance.	(31784)
Payment of Earned Allowance after Member's or Survivor's Death:	
After retirement, any allowance earned, but not yet paid to a member or to any person receiving a survivor's allowance shall be paid to the member's or to the survivor's designated beneficiary upon the death of the member or survivor.	(31452.7)
Deferred Vested Benefits	
Eligibility:	
Vested members may elect to retire at any time they could have retired had they remained in County service in a full-time position. Members are 0% vested with fewer than five years of County service and 100% vested with five or more years of County service.	(31700)
Years of service for determining eligibility for retirement include reciprocal service with all reciprocal agencies.	(31836)
Monthly Allowance:	
The allowance is calculated according to the applicable service retirement formula at the time of retirement.	(31703, 31704, 31705)
To receive a deferred retirement allowance, member contributions must be left on deposit and the member must apply for deferred retirement benefits within 180 days of termination. Members who complete five years of service, but fail to elect a deferred retirement are deemed to have elected a deferred retirement.	(31700)
If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary.	(31702)
A member who has attained age 70 and is not in service or in a reciprocal retirement system must be notified that the member is eligible to apply for and shall begin receiving a deferred retirement allowance by April 1 of the year following the year in which the member attains 70-1/2.	(31706)

	Government Code Sections or Board of Retirement Bylaws
Reciprocity: Career public service is encouraged by granting reciprocal benefits to members who are entitled to retirement benefits from two or more county retirement systems established under the CERL or from a county retirement system and the Public Employees' Retirement System (PERS), the State Teachers' Retirement System (STRS), the Judges' Retirement System or Judges' Retirement System II, or a retirement system of any other public agency of the state that has established reciprocity with PERS subject to specified conditions.	(31830, 31840.2, 31840.4, 31840.8)
Final compensation may be based on service with PERS, another county retirement system, STRS, the Judges' Retirement System or Judges' Retirement System II, or a retirement system of any other public agency of the state that has established reciprocity with PERS provided: (1) the period between active memberships in the respective systems does not exceed 90 days prior to January 1, 1976, or six months if on or after January 1, 1976; and (2) the member retires concurrently under both systems. The 90-day or six-month period does not include any time during which the member was precluded by law from becoming a member of the system of another county.	(31461.3, 31835)
Deferred members may include CalPERS service and service in another county retirement system for benefit eligibility if compensation for such service constitutes compensation earnable.	(31836)
Deferred members are eligible for disability benefits from LACERA if disabled while a member of CalPERS or other county retirement system. In no event will the benefits be larger than if all service was spent with one system.	(31837, 31838, 31838.5)
Deferred members are eligible for death benefits from LACERA if they die while a member of CalPERS or other county retirement system. The death benefit is a return of normal contributions plus interest only if the death is service-related; if death is nonservice-related, the benefit equals accumulated contributions plus the amount necessary to bring the total LACERA plus CalPERS benefit up to 50% of the final 12 months' compensation.	(31839, 31840)
Transfers Whenever firefighting or law enforcement functions performed by a city or the state subject to the California Public Employees' Retirement Law are transferred to the County, fire authority, or district, employees performing those functions become members of LACERA. LACERA and CalPERS may enter into an agreement whereby the members' service credit plus the members' and the cities' or state's retirement contributions are transferred from CalPERS to LACERA.	(31657)

Government Code Sections or Board of Retirement Bylaws

Cost-of-Living Increases

Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest one-half of one percent. The CPI is based on the Bureau of Labor Statistics CPI for All Urban Consumers for the area in which the county seat is situated. (31870, 31870.1)

Plan A members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase (or decrease) whereas Plan B, C, and D members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase (or decrease). (31870, 31870.1)

When the CPI exceeds 2 or 3%, the difference between the actual CPI and the maximum cost-of-living increase that can be given in any year is credited to the COLA Accumulation and may be used in future years to provide cost-of-living increases when the CPI falls below 2 or 3%, depending on the retirement plan. (31870, 31870.1)

A decrease in the CPI may not reduce the allowance below the amount being received by the member (or beneficiary) on the effective date of the allowance or when the cost-of-living provisions were implemented. (31870, 31870.1)

Members who have a COLA Accumulation of more than 20% resulting from CPI increases that exceeded the maximum cost-of-living increases that could be granted are eligible for a Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA)—a supplemental cost-of-living increase—effective January 1. (31874.3(b))

Post-Retirement Death Benefit

A one-time lump-sum benefit of $5,000 is payable to the estate or to the beneficiary designated by the member upon the death of any member who is receiving a retirement allowance. This lump-sum benefit is paid in addition to any other death or survivor benefits. (31789.1, 31789.3)

Post-Retirement Employment

A retired member may, without reinstatement from retirement or loss of benefits, serve in various types of post-retirement service such as juror, election officer, field deputy for registration of voters, etc. (31680.1)

A retired member may, without reinstatement from retirement or loss of benefits, be employed in a position requiring special skills or knowledge for a period not to exceed 120 days or 960 hours, whichever is greater, in any one fiscal year or any other 12-month period determined by the County or district. (31680.2, 31680.6)

	Government Code Sections or Board of Retirement Bylaws
A member, retired from service, may be reemployed and again become an active member of the retirement system if the member is determined not to be incapacitated for the duties to be assigned. If the member is returning to general service, the member will be placed in general Plan E or the member may elect general Plan D and pay a contribution rate based on the member's nearest age at the date of reentry into the system; or if the member is returning to safety service, the member will be placed in safety Plan B and pay a contribution rate based on the member's nearest age at the date of reentry into the system. The member's retirement allowance is canceled on the effective date of the member's reemployment and resumed only upon the subsequent termination of the member from employment. The member will receive an additional allowance for the period of reemployment. Other adjustments may be made in the member's allowance.	(31680.4, 31680.5)
A member, retired for disability, may be reemployed and again become an active member of the retirement system if the member is determined to be no longer incapacitated and the employer offers reinstatement. The member's allowance is terminated at reentry into the system and the contribution rate is based on the member's nearest age at the date of reentry. The member's account is credited with an amount which is the actuarial equivalent of the member's annuity at that time. The retirement plan remains the same as it was before retirement for disability.	(31730, 31733)
Unclaimed Benefits	
Whenever a person or estate entitled to payment of a member's contributions or any other benefit fails to claim the payment or cannot be located, the Board shall attempt to locate the claimant through reasonable means and hold the payment of the claimant. If the amounts are not claimed within five years, the amounts become part of the pension reserve fund, but the Board may return the amounts to the claimant upon receipt of information satisfactory to it.	(31783.5)
Long-Term Care Insurance	
The Board may provide a long-term care insurance program for retired members and their spouses, their parents, and their spouses' parents. The Board must approve the following: eligibility criteria for enrollment, appropriate underwriting criteria, scope of covered benefits, criteria to receive benefits, and any other standards as needed. The enrollees pay full cost of enrollment.	(31693.3, 31696.1, 31696.2, 31696.4, 31696.5)

Government Code Sections or Board of Retirement Bylaws

Noncontributory Plan E

Membership

Eligibility:

Plan E is a noncontributory retirement plan which is only available to permanent employees of Los Angeles County and participating districts who work 3/4 time or more and are eligible for general membership in LACERA. (31487, Bylaws)

Persons hired on or after January 4, 1982, become Plan E members on the first day of the month following the date of hire or date of eligibility for membership, unless they elect Plan D; or, the first day of the month following an election of Plan E, depending on the law in effect at that time. (31487, 31493, 31493.5, 31493.6, Bylaws)

General members in Plans A, B, C, and D who transferred all their contributory plan service credit to Plan E during an approved transfer period are also members of Plan E. Transferring members relinquish and waive all previously available vested or accrued retirement, survivor, disability, and death benefits. (31487, 31494)

General members in Plan D may, effective June 4, 2002, transfer prospectively to Plan E and make no further contributions as of the effective date of transfer. They will retain credit for their Plan D service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election back to Plan D until three years from the effective date of transfer to Plan E. (31494.2)

General members in Plan E may, effective June 4, 2002, transfer prospectively to Plan D and make contributions beginning as of the effective date of transfer. These members may also purchase some or all of their Plan E service earned prior to the transfer to Plan D, as Plan D service. They will retain credit for their remaining Plan E service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election back to Plan E until three years from the effective date of transfer to Plan D. (31494.5)

Member Contributions

There are no general member monthly retirement contributions under Plan E. Plan E members may make contributions to purchase an elective COLA. (31489, 31495.5)

Employer Contributions

The employer is required to make contributions to finance Plan E based on the recommendation of the actuary. (31495)

	Government Code Sections or Board of Retirement Bylaws
Service and Breaks in Service	
Service means the period of uninterrupted employment of a member and the time in which a member or former member (1) is totally disabled, and (2) is receiving or is eligible to receive disability benefits under a disability plan provided by the County.	(31488)
A member will not be credited with service for any period, in excess of 22 consecutive workdays, in which the member is absent from work without pay.	(31488)
A member who was in public service prior to becoming a member may not receive credit for that prior public service, except as provided in Section 31494.	(31490)
Absence from work or termination of employment while an eligible employee or disability beneficiary, under a disability plan provided by the employer, does not break the continuity of service.	(31490)
An unpaid leave of absence not exceeding one year, or a leave of absence for which an employee receives any benefit which has been approved by the employer, is not considered an interruption of service. The period of unpaid leave in excess of 22 consecutive work days is not considered as service in calculating Plan E benefits.	(31490)
Service does not include military service or public service other than service with the County, except that members transferring to Plan E will receive credit for public service performed prior to the transfer, including service with the County, military service, and other public service or prior service to which the member would otherwise be eligible.	(31488, 31494)
Note: Open window plan transfers to Plan E were discontinued by the County in January 1993.	
Service Retirement Allowance	
Compensation Limit:	
The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the U.S. Code.	(31671)

	Government Code Sections or Board of Retirement Bylaws
Combined General Plan E and Plan D Service: Members who transfer prospectively from Plan D to Plan E or from Plan E to Plan D and earn service credit under both plans will receive a combined retirement allowance after retirement. The benefits for each plan will be added together to determine the total retirement allowance payable. In addition, the aggregate service credited under both retirement plans is used for the purpose of determining eligibility for and vesting of benefits under each plan.	(31494.2, 31494.5)
Payment of Allowance: A retired member's retirement allowance may be paid by check or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution.	(31452.6, 31590)
Eligibility - Normal Retirement: Age 65 with 10 years of service.	(31491, 31491.3)
Normal Monthly Retirement Allowance: 2% x final compensation x years of service, not to exceed 35 years, plus 1% x final compensation x years of service in excess of 35, not to exceed 10 additional years, reduced by the estimated Primary Insurance Amount (PIA) x a fraction, the numerator of which is the number of years of service with the employer subject to coverage under the federal system not to exceed 35 years, and the denominator of which is 35.	(31491, 31491.3)
Final compensation is the average monthly compensation earnable during any three years (whether or not consecutive) elected by the member or the three years in which the member last earned compensation before retirement if no election is made.	(31488)
Estimated PIA is based on the member's age and salary as of the date of retirement or the date of termination of a vested member, provided that:	(31491, 31491.3)
Prior career earnings shall be assumed to have been subject to the federal system and have increased at a yearly rate equal to the average per worker total wages reported by the Social Security Administration.	(31491, 31491.3)

	Government Code Sections or Board of Retirement Bylaws
For those members who have not attained the normal retirement age under the federal system:	(31491, 31491.3)
(a) Future earnings shall be assumed to continue at the pay rate received by the employee from the employer as of the date of retirement or date of termination of a vested member, whichever is applicable, and	
(b) Future wage bases, as defined by the federal system, shall be assumed to continue at the wage base in effect in the year of retirement or year of termination of a vested member, whichever is applicable, and	
(c) Cost-of-living increases in the year of retirement and delayed retirement credit provided under the federal system shall not be included in the calculation of the estimated PIA.	
Adjustments will be made for members receiving a normal retirement allowance upon presentation of the actual PIA.	(31491, 31491.3)
Maximum Normal Monthly Retirement Allowance: The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of final compensation for a member with 35 or less years of service and cannot exceed 80% of final compensation if service exceeds 35 years.	(31491, 31491.3)
Eligibility - Early Retirement: Age 55 with 10 years of service.	(31491, 31491.3)
Early Monthly Retirement Allowance: An early retirement allowance is the actuarial equivalent of the normal retirement allowance.	(31491, 31491.3)
Unmodified and Optional Retirement Allowances	
Unmodified Retirement Allowance: An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance to an eligible surviving spouse (or eligible children) is equal to 55% (50% if the member died before June 4, 2002) of the member's allowance. To receive this continuance, the spouse must have been married to the member at least one year prior to retirement.	(31492, 31492.1)
Eligible children are unmarried children below the age of 18 (below 22 if unmarried and full-time students in an accredited school).	(31492)

Government Code Sections or Board of Retirement Bylaws

Optional Retirement Allowance:
Under an Optional Retirement Allowance, a member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance as shown below. The option must be elected before the first retirement allowance payment is made. If an option is elected, the 55% (or 50% if the member died before June 4, 2002) continuance benefit under a service retirement is replaced by the following: (31492, 31492.1)

Unmodified+Plus: Member's allowance is reduced to pay an increased continuing allowance (56% up to 100%) to an eligible surviving spouse. The reduction is equal to the additional actuarial cost to the system between the survivor's allowance under Unmodified and the survivor's allowance under Unmodified+Plus. The actuarial cost of the additional survivor allowance is calculated taking into account the life expectancy of the member's surviving spouse.

Option 2: 100% of member's reduced allowance is payable to a beneficiary having an insurable interest in the life of the member.

Option 3: 50% of member's reduced allowance is payable to a beneficiary having an insurable interest in the life of the member.

Option 4: Other percentage of the member's reduced allowance, or customized dollar amount, is payable to one or more beneficiaries having an insurable interest in the life of the member.

A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4.

Service-Connected Disability Retirement Allowance
A service-connected disability retirement allowance is not available under Plan E. (31487)

Nonservice-Connected Disability Retirement Allowance
A nonservice-connected disability retirement allowance is not available under Plan E. (31487)

Service-Connected Death Benefits
A service-connected death benefit is not available under Plan E. (31487)

	Government Code Sections or Board of Retirement Bylaws
Nonservice-Connected Death Benefits A nonservice-connected death benefit is not available under Plan E.	(31487)
Vested Benefits Vested members or vested former members may elect to retire at any time after they have completed ten years of County service and are at least age 55. Members are 0% vested with fewer than ten years of County service and 100% vested with ten or more years of County service.	(31491, 31491.3)
Vested benefits are payable at normal retirement or in an actuarially equivalent reduced amount at early retirement.	(31491, 31491.3)
Reciprocity The provisions of reciprocity are the same as for the contributory plans except those provisions dealing with disability retirement, death benefits and the requirement relating to the deposit of accumulated member contributions.	(31487)
Cost-of-Living Increases Every retirement allowance or death allowance payable on or after June 4, 2002, shall, as of April 1 each year, be increased or decreased by the member's automatic COLA. The automatic COLA is an amount equal to the allowance being received, multiplied by a percentage, and rounded to the nearest one-tenth of one percent. That percentage is derived by dividing the number of months of service the member earned on and after June 4, 2002 by the member's total months of service, then multiplying by a percentage equal to the lesser of 2% or the percentage determined by the Board to approximate to the nearest one-half of one percent the percentage of annual increase or decrease in the cost of living as of January 1 of each year as shown by the then current Consumer Price Index (CPI), as adjusted for the amount applied from a prior year. The CPI is based on the Bureau of Labor Statistics CPI for All Urban Consumers for the area in which the county seat is situated. Members may elect to purchase by lump-sum payment or payroll deductions an elective COLA for some or all of their Plan E service earned before becoming eligible for the automatic COLA. The cost-of-living increase for the elective COLA is calculated in a similar manner as the automatic COLA.	(31487, 31495.5)
When the CPI exceeds 2%, the difference between the actual CPI and the maximum cost-of-living increase that can be given in any year is credited to the COLA Accumulation and may be used in future years to provide cost-of-living increases when the CPI falls below 2%.	(31495.5)
A decrease in the CPI may not reduce the allowance below the amount being received by the member (or beneficiary) on June 4, 2002.	(31495.5)

Government Code Sections or Board of Retirement Bylaws

Post-Retirement Death Benefit

A one-time lump-sum benefit of $5,000 is payable to the estate or to the beneficiary designated by the member upon the death of any member who is receiving a retirement allowance. This lump-sum benefit is paid in addition to any other survivor benefits. The amount is currently paid by the County based on a Board of Supervisors' Resolution.

Post-Retirement Employment

Please refer to *Post-Retirement Employment* shown under the contributory plans for information on this topic.

Statistical Section

Staying Ahead of the Curve

Going Forward

Continuing success through a blend of technology, creativity, and business acumen...

We exist to produce, protect, and provide the promised benefits to our members. By applying the latest technology and innovative problem-solving strategies, we are strategically positioned to respond to fluctuating conditions, prosper in a changing world, and fulfill the promise... today, tomorrow, and in the years to come.

As we've indicated throughout this report, we are constantly moving forward, alert to the latest advances in technology, inspired to innovate, and strengthened by a reservoir of business acumen.

The service options and upgrades we introduced during the past fiscal year are testaments to our vision for the future, and to our dedication to keeping the covenant we hold with our members.

Multifaceted Outreach Initiative
Brings the latest information to our members via our ongoing campaign.

Customer Service Enhancements
Generate new services and deliver added convenience and efficacy to our menu of member service options.

Technology-Driven Upgrades
Provide additional security, procedural efficiency, and speed to our entire operation.

In Addition...
We are recognized for establishing best practices in the industry. Our approach is proactive, our strategies thoughtful, and our direction is forward.

Changes in Plan Net Assets

Last Ten Fiscal Years
(Dollars in thousands)

	1996	1997	1998	1999	2000
Additions					
Employer Contributions	$ 132,451	$ 1,168	$ 9,420	$ 85,576	$ 130,319
Member Contributions	183,260	171,014	179,476	202,062	198,618
Net Investment Income	2,854,769	3,442,851	3,460,959	3,342,362	4,335,941
Miscellaneous		589	1,223	2,563	2,536
Total Additions	**3,170,480**	**3,615,622**	**3,651,078**	**3,632,563**	**4,667,414**
Deductions					
Total Benefit Expenses	837,389	887,107	943,595	998,181	1,065,265
(see Benefit Expenses by Type)					
Administrative Expense	21,432	23,417	24,904	27,562	29,401
Retiree Health Care Program		41,234	42,477	51,164	48,611
Miscellaneous	52	2,807	2,593	4,528	2,096
Total Deductions	**858,873**	**954,565**	**1,013,569**	**1,081,435**	**1,145,373**
Change in Plan Net Assets	**$ 2,311,607**	**$ 2,661,057**	**$2,637,509**	**$2,551,128**	**$ 3,522,041**

	2001	2002	2003	2004	2005
Additions					
Employer Contributions	$ 193,650	$ 297,928	$ 325,524	$ 395,109	$ 527,810
Member Contributions	216,297	265,573	233,192	262,699	286,096
Net Investment Income	(2,382,548)	(1,533,625)	924,991	4,118,500	3,396,193
Miscellaneous	2,972	133	151,215	2,605	3,222
Total Additions	**(1,969,629)**	**(969,991)**	**1,634,922**	**4,778,913**	**4,213,321**
Deductions					
Total Benefit Expenses	1,155,670	1,240,371	1,339,202	1,447,511	1,562,363
(see Benefit Expenses by Type)					
Administrative Expense	33,417	37,402	41,523	38,684	43,182
Retiree Health Care Program	52,717	57,654	53,407	59,054	62,318
Miscellaneous	653	604	224	287	536
Total Deductions	**1,242,457**	**1,336,031**	**1,434,356**	**1,545,536**	**1,668,399**
Change in Plan Net Assets	**$(3,212,086)**	**$(2,306,022)**	**$ 200,566**	**$3,233,377**	**$ 2,544,922**

Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in thousands)

	1996	1997	1998	1999	2000
Service Retiree Payroll					
General	$ 517,033	$ 556,639	$ 588,036	$ 614,824	$ 650,584
Safety	85,382	86,450	95,183	104,465	115,813
Total	**602,415**	**643,089**	**683,219**	**719,289**	**766,397**
Disability Retiree Payroll					
General	93,102	96,182	99,261	103,262	106,416
Safety	120,111	131,866	143,927	157,484	173,989
Total	**213,213**	**228,048**	**243,188**	**260,746**	**280,405**
Total Retiree Payroll					
General	610,135	652,821	687,297	718,086	757,000
Safety	205,493	218,316	239,110	261,949	289,802
Total	**815,628**	**871,137**	**926,407**	**980,035**	**1,046,802**
Refunds	**20,109**	**14,973**	**16,391**	**16,295**	**17,250**
Lump-Sum Death Benefits	**1,652**	**997**	**797**	**1,851**	**1,213**
Total Benefit Expense	**$ 837,389**	**$ 887,107**	**$ 943,595**	**$ 998,181**	**$1,065,265**

	2001	2002	2003	2004	2005
Service Retiree Payroll					
General	$ 702,400	$ 751,892	$ 802,308	$ 867,715	$ 942,997
Safety	128,635	141,541	161,269	178,829	192,093
Total	**831,035**	**893,433**	**963,577**	**1,046,544**	**1,135,090**
Disability Retiree Payroll					
General	111,707	116,791	115,090	117,964	123,297
Safety	193,554	212,433	242,108	262,436	283,700
Total	**305,261**	**329,224**	**357,198**	**380,400**	**406,997**
Total Retiree Payroll					
General	814,107	868,683	917,398	985,679	1,066,294
Safety	322,189	353,974	403,377	441,265	475,793
Total	**1,136,296**	**1,222,657**	**1,320,775**	**1,426,944**	**1,542,087**
Refunds	**17,640**	**16,259**	**16,756**	**18,088**	**18,630**
Lump-Sum Death Benefits	**1,734**	**1,455**	**1,671**	**2,479**	**1,646**
Total Benefit Expense	**$1,155,670**	**$1,240,371**	**$1,339,202**	**$1,447,511**	**$1,562,363**

Active/Deferred Members and Unclaimed Accounts

Last Ten Fiscal Years

	1996	1997	1998	1999	2000
Active Vested					
General	40,478	42,461	43,444	44,436	46,366
Safety	8,952	9,269	9,005	8,795	8,789
Sub-Total	49,430	51,730	52,449	53,231	55,155
Active Nonvested					
General	23,379	21,759	22,334	24,216	25,574
Safety	1,797	1,590	1,942	2,229	2,475
Sub-Total	25,176	23,349	24,276	26,445	28,049
Total Active Members					
General	63,857	64,220	65,778	68,652	71,940
Safety	10,749	10,859	10,947	11,024	11,264
Total	**74,606**	**75,079**	**76,725**	**79,676**	**83,204**
Deferred Members					
General	3,980	4,101	4,624	4,859	5,076
Safety	150	154	152	160	162
Total	**4,130**	**4,255**	**4,776**	**5,019**	**5,238**
Unclaimed Accounts					
General	104	75	35	29	18
Safety	4	3	2	1	1
Total	**108**	**78**	**37**	**30**	**19**

Active/Deferred Members and Unclaimed Accounts

Last Ten Fiscal Years

	2001	2002	2003	2004	2005
Active Vested					
General	46,886	47,763	48,513	50,235	52,113
Safety	9,037	9,030	9,221	9,295	9,269
Sub-Total	55,923	56,795	57,734	59,530	61,382
Active Nonvested					
General	28,162	29,299	27,482	24,591	23,054
Safety	2,984	2,790	2,544	2,114	1,948
Sub-Total	31,146	32,089	30,026	26,705	25,002
Total Active Members					
General	75,048	77,062	75,995	74,826	75,167
Safety	12,021	12,190	11,765	11,409	11,217
Total	**87,069**	**89,252**	**87,760**	**86,235**	**86,384**
Deferred Members					
General	5,325	5,799	6,129	6,260	6,591
Safety	179	209	265	299	389
Total	**5,504**	**6,008**	**6,394**	**6,559**	**6,980**
Unclaimed Accounts					
General	1,196	1,103	1,293	1,209	1,170
Safety	43	38	55	50	46
Total	**1,239**	**1,141**	**1,348**	**1,259**	**1,216**

STATISTICAL SECTION

Retired Members by Type of Retirement

Last Ten Fiscal Years

	1996	1997	1998	1999	2000
Service					
General	25,122	25,717	26,204	26,492	27,099
Safety	2,316	2,404	2,641	2,704	2,678
Total	**27,438**	**28,121**	**28,845**	**29,196**	**29,777**
Disability					
General	4,051	4,076	4,074	4,074	4,119
Safety	3,407	3,542	3,697	3,859	4,201
Total	**7,458**	**7,618**	**7,771**	**7,933**	**8,320**
Survivors					
General	4,988	5,079	5,184	5,271	5,378
Safety	1,023	1,055	1,088	1,111	1,153
Total	**6,011**	**6,134**	**6,272**	**6,382**	**6,531**
Total Retired Members					
General	34,161	34,872	35,462	35,837	35,596
Safety	6,746	7,001	7,426	7,674	8,032
Total	**40,907**	**41,873**	**42,888**	**43,511**	**44,628**

	2001	2002	2003	2004	2005
Service					
General	27,456	27,939	28,583	29,420	30,562
Safety	2,755	2,830	2,979	3,045	3,159
Total	**30,211**	**30,769**	**31,562**	**32,465**	**33,721**
Disability					
General	4,119	4,087	4,048	4,011	4,000
Safety	4,367	4,556	4,716	4,885	4,995
Total	**8,486**	**8,643**	**8,764**	**8,896**	**8,995**
Survivors					
General	5,502	5,600	5,652	5,666	5,784
Safety	1,197	1,230	1,254	1,305	1,353
Total	**6,699**	**6,830**	**6,906**	**6,971**	**7,137**
Total Retired Members					
General	37,077	37,626	38,283	39,097	40,346
Safety	8,319	8,616	8,949	9,235	9,507
Total	**45,396**	**46,242**	**47,232**	**48,332**	**49,853**

Schedule of Average Benefit Payments

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/96 to 6/30/97						
Retirants						
General Members						
Average Monthly Benefit	$ 897	$ 841	$1,278	$ 1,780	$2,317	$3,533
Average Final Average Salary	$4,521	$ 3,639	$3,793	$ 3,726	$4,005	$4,679
Number of Active Retirants	79	162	196	246	347	375
Safety Members						
Average Monthly Benefit	$2,196	$ 2,336	$2,497	$ 2,884	$3,968	$5,218
Average Final Average Salary	$4,742	$ 4,850	$5,168	$ 5,362	$5,757	$6,131
Number of Active Retirants	33	22	12	30	83	130
Survivors						
General Members						
Average Monthly Benefit	$ 621	$ 555	$ 916	$ 974	$ 993	$2,487
Average Final Average Salary	$4,157	$ 3,367	$3,026	$ 3,404	$3,235	$4,464
Number of Active Survivors	4	10	8	16	13	13
Safety Members						
Average Monthly Benefit	$2,230	$ 2,471		$ 2,497	$2,828	$4,533
Average Final Average Salary	$4,460	$ 4,942		$ 4,993	$5,593	$6,165
Number of Active Survivors	2	1		1	3	4
7/1/97 to 6/30/98						
Retirants						
General Members						
Average Monthly Benefit	$ 666	$ 779	$1,099	$ 1,834	$2,198	$3,485
Average Final Average Salary	$3,106	$3,452	$3,469	$ 3,887	$3,988	$4,746
Number of Active Retirants	69	169	168	198	306	312
Safety Members						
Average Monthly Benefit	$2,271	$2,606	$2,479	$3,280	$4,260	$5,592
Average Final Average Salary	$4,815	$5,050	$5,009	$6,027	$6,025	$6,446
Number of Active Retirants	21	27	12	29	70	107
Survivors						
General Members						
Average Monthly Benefit	$ 694	$ 380	$ 941	$ 876	$ 1,301	$2,439
Average Final Average Salary	$3,556	$1,404	$3,402	$2,311	$3,120	$4,486
Number of Active Survivors	7	20	10	16	27	23
Safety Members						
Average Monthly Benefit	$ 361		$1,751	$1,452	$3,002	$3,652
Average Final Average Salary			$3,312	$3,770	$3,492	$3,823
Number of Active Survivors	1		3	3	7	6

Schedule of Average Benefit Payments

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/98 to 6/30/99						
Retirants						
General Members						
Average Monthly Benefit	$ 886	$ 853	$ 1,058	$ 1,631	$2,297	$3,591
Average Final Average Salary	$ 3,828	$ 3,688	$ 3,324	$ 3,726	$4,037	$4,808
Number of Active Retirants	74	197	159	173	293	334
Safety Members						
Average Monthly Benefit	$ 2,277	$ 2,439	$ 2,884	$ 3,172	$4,418	$6,236
Average Final Average Salary	$ 4,935	$ 4,965	$ 5,867	$ 5,913	$6,338	$7,279
Number of Active Retirants	32	23	17	19	57	173
Survivors						
General Members						
Average Monthly Benefit	$ 767	$ 619	$ 972	$ 1,150	$1,599	$2,647
Average Final Average Salary	$ 4,746	$ 3,787	$ 2,700	$ 3,320	$3,790	$4,647
Number of Active Survivors	6	13	13	21	30	30
Safety Members						
Average Monthly Benefit	$ 964		$ 1,957		$2,252	$5,491
Average Final Average Salary	$ 4,818		$ 5,459		$3,481	$8,111
Number of Active Survivors	1		2		4	7
7/1/99 to 6/30/00						
Retirants						
General Members						
Average Monthly Benefit	$ 739	$ 802	$ 1,127	$ 1,837	$2,317	$3,377
Average Final Average Salary	$ 3,524	$ 3,480	$ 3,685	$ 4,001	$4,154	$4,596
Number of Active Retirants	27	72	62	65	153	164
Safety Members						
Average Monthly Benefit	$ 2,279	$ 2,264	$ 2,956	$ 3,547	$4,521	$6,102
Average Final Average Salary	$ 4,883	$ 4,973	$ 5,637	$ 6,410	$6,729	$7,256
Number of Active Retirants	33	51	27	18	37	70
Survivors						
General Members						
Average Monthly Benefit	$ 522	$ 508	$ 894	$ 928	$ 934	$2,448
Average Final Average Salary	$ 2,942	$ 2,664	$ 2,142	$ 3,242	$2,908	$3,077
Number of Active Survivors	6	13	4	7	9	13
Safety Members						
Average Monthly Benefit				$ 3,802	$2,965	$3,965
Average Final Average Salary				$ 7,290	$7,865	$5,566
Number of Active Survivors				2	2	2

Schedule of Average Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/00 to 6/30/01						
Retirants						
General Members						
Average Monthly Benefit	$ 883	$ 983	$1,225	$1,978	$2,514	$4,176
Average Final Average Salary	$3,963	$4,142	$3,801	$4,574	$4,352	$5,485
Number of Active Retirants	58	181	111	163	316	531
Safety Members						
Average Monthly Benefit	$3,459	$2,845	$2,909	$3,650	$4,775	$6,860
Average Final Average Salary	$5,439	$5,599	$5,909	$6,687	$6,966	$8,088
Number of Active Retirants	14	30	14	14	79	203
Survivors						
General Members						
Average Monthly Benefit	$ 712	$ 404	$ 568	$ 814	$1,524	$2,227
Average Final Average Salary	$2,438	$1,661	$1,186	$1,633	$2,583	$3,655
Number of Active Survivors	17	19	17	25	26	33
Safety Members						
Average Monthly Benefit	$1,059	$1,962	$2,532	$1,529	$2,279	$3,369
Average Final Average Salary	$5,134	$1,822	$4,893	$3,658	$3,023	$3,905
Number of Active Survivors	2	3	3	6	7	10
7/1/01 to 6/30/02						
Retirants						
General Members						
Average Monthly Benefit	$ 770	$ 915	$1,421	$1,932	$2,753	$4,368
Average Final Average Salary	$4,072	$3,815	$4,468	$4,531	$4,734	$5,748
Number of Active Retirants	65	214	147	163	283	631
Safety Members						
Average Monthly Benefit	$4,052	$2,961	$3,454	$3,318	$5,092	$7,066
Average Final Average Salary	$6,733	$5,899	$6,394	$6,701	$7,216	$8,122
Number of Active Retirants	19	29	26	23	48	221
Survivors						
General Members						
Average Monthly Benefit	$ 399	$ 555	$ 748	$1,227	$1,567	$2,669
Average Final Average Salary	$2,385	$3,764	$1,965	$3,648	$3,610	$4,587
Number of Active Survivors	15	20	25	24	38	35
Safety Members						
Average Monthly Benefit	$1,917	$1,129	$1,414	$1,662	$2,569	$3,981
Average Final Average Salary	$3,421	$5,643	$6,527	$4,153	$5,156	$4,619
Number of Active Survivors	3	1	1	6	9	10

Schedule of Average Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/02 to 6/30/03						
Retirants						
General Members						
Average Monthly Benefit	$ 914	$ 739	$ 1,059	$ 1,283	$ 2,336	$ 3,015
Average Final Average Salary	$4,664	$ 3,656	$ 4,106	$ 4,201	$ 4,568	$ 5,047
Number of Active Retirants	33	138	103	124	134	268
Safety Members						
Average Monthly Benefit	$3,202	$ 3,007	$ 3,480	$ 3,302	$ 5,063	$ 7,177
Average Final Average Salary	$6,435	$ 6,147	$ 6,783	$ 6,221	$ 7,255	$ 8,230
Number of Active Retirants	9	17	12	12	28	85
Survivors						
General Members						
Average Monthly Benefit	$ 578	$ 518	$ 720	$ 858	$ 1,713	$ 2,211
Average Final Average Salary	$4,043	$ 3,042	$ 2,049	$ 2,450	$ 3,564	$ 3,916
Number of Active Survivors	11	28	14	18	25	30
Safety Members						
Average Monthly Benefit			$ 2,887		$ 1,775	$ 4,116
Average Final Average Salary			$ 6,510		$ 5,138	$ 5,242
Number of Active Survivors			3		4	3
7/1/03 to 6/30/04						
Retirants						
General Members						
Average Monthly Benefit	$ 944	$ 951	$ 1,403	$ 1,974	$ 2,718	$ 4,459
Average Final Average Salary	$4,159	$ 3,976	$ 4,274	$ 4,546	$ 4,814	$ 5,851
Number of Active Retirants	64	217	234	151	358	856
Safety Members						
Average Monthly Benefit	$3,451	$ 3,298	$ 3,459	$ 3,274	$ 5,341	$ 7,452
Average Final Average Salary	$6,015	$ 5,825	$ 7,011	$ 6,572	$ 7,805	$ 8,569
Number of Active Retirants	35	25	12	29	80	181
Survivors						
General Members						
Average Monthly Benefit	$ 653	$ 839	$ 639	$ 1,068	$ 1,364	$ 2,306
Average Final Average Salary	$2,938	$ 4,014	$ 1,778	$ 3,006	$ 3,254	$ 4,327
Number of Active Survivors	20	29	20	28	25	40
Safety Members						
Average Monthly Benefit	$ 695	$ 2,707	$ 1,819	$ 1,402	$ 4,020	$ 3,702
Average Final Average Salary	$6,264	$ 5,413	$ 6,146	$ 4,093	$ 6,249	$ 3,563
Number of Active Survivors	3	2	3	4	8	15

Schedule of Average Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/04 to 6/30/05						
Retirants						
General Members						
Average Monthly Benefit	$ 788	$ 964	$1,301	$1,843	$2,543	$4,210
Average Final Average Salary	$4,079	$4,049	$4,024	$4,481	$4,737	$5,490
Number of Active Retirants	68	250	249	172	310	890
Safety Members						
Average Monthly Benefit	$3,784	$2,538	$3,144	$3,755	$5,168	$7,387
Average Final Average Salary	$6,543	$5,494	$6,614	$6,798	$7,362	$8,486
Number of Active Retirants	32	24	18	33	61	162
Survivors						
General Members						
Average Monthly Benefit	$ 510	$ 623	$ 788	$1,349	$1,463	$2,287
Average Final Average Salary	$3,112	$2,669	$3,525	$4,219	$3,265	$4,481
Number of Active Survivors	11	27	27	20	37	51
Safety Members						
Average Monthly Benefit		$2,851	$2,816	$2,511	$3,125	$3,887
Average Final Average Salary		$5,701	$5,619	$5,006	$4,229	$4,913
Number of Active Survivors		1	1	6	6	19

Participating Employers and Active Members

Last Ten Fiscal Years

	1996	1997	1998	1999	2000
County of Los Angeles					
General Members	63,830	64,193	65,753	68,631	71,940
Safety Members	10,749	10,859	10,947	11,024	11,264
Total	**74,579**	**75,052**	**76,700**	**79,655**	**83,204**
Participating Agencies (General Membership)					
South Coast Air Quality Management District	8	8	7	6	8
Los Angeles County Office of Education	14	11	10	8	8
Little Lake Cemetery District	3	3	3	3	2
Local Agency Formation Commission	2	5	5	4	5
Total	**27**	**27**	**25**	**21**	**23**
Total Active Membership					
General Members	63,857	64,220	65,778	68,652	71,963
Safety Members	10,749	10,859	10,947	11,024	11,264
Total	**74,606**	**75,079**	**76,725**	**79,676**	**83,227**

	2001	2002	2003	2004	2005
County of Los Angeles					
General Members	75,034	77,048	75,980	74,811	75,154
Safety Members	12,021	12,190	11,765	11,409	11,217
Total	**87,055**	**89,238**	**87,745**	**86,220**	**86,371**
Participating Agencies (General Membership)					
South Coast Air Quality Management District	3	3	2	2	2
Los Angeles County Office of Education	5	5	4	3	3
Little Lake Cemetery District	2	2	2	2	
Local Agency Formation Commission	4	4	7	8	8
Total	**14**	**14**	**15**	**15**	**13**
Total Active Membership					
General Members	75,048	77,062	75,995	74,826	75,167
Safety Members	12,021	12,190	11,765	11,409	11,217
Total	**87,069**	**89,252**	**87,760**	**86,235**	**86,384**

Employer Contribution Rates *County of Los Angeles and Local Agency Formation Commission*

Last Ten Fiscal Years

	General					Safety	
Effective Date	Plan A	Plan B	Plan C	Plan D	Plan E	Plan A	Plan B
July 1, 1995 to June 30, 1996	9.73%	6.83%	6.30%	6.85%	5.63%	20.11%	11.53%
July 1, 1996 to September 30, 1998	9.64%	6.03%	5.69%	5.90%	6.48%	16.73%	9.29%
October 1, 1998 to June 30, 1999	9.77%	6.46%	6.20%	6.84%	6.50%	20.42%	13.51%
July 1, 1999 to June 30, 2002	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%
July 1, 2002 to June 30, 2003	14.85%	8.22%	7.88%	7.94%	7.64%	21.86%	18.79%
July 1, 2003 to June 30, 2004	15.31%	8.59%	8.21%	8.31%	7.70%	22.32%	18.75%
July 1, 2004 to June 30, 2005	20.02%	13.07%	12.67%	12.72%	12.38%	26.84%	23.20%

Rates applicable to the Local Agency Formation Commission are limited to Plans D and E, General.

Employer Contribution Rates *Los Angeles County Office of Education and Little Lake Cemetery District*

Last Ten Fiscal Years

	General		
Effective Date	Plan A	Plan B	Plan D
July 1, 1995 to June 30, 1996	9.00%	6.67%	6.85%
July 1, 1996 to September 30, 1998	8.95%	6.02%	5.90%
October 1, 1998 to June 30, 1999	9.08%	6.45%	6.84%
July 1, 1999 to June 30, 2002	10.96%		6.95%
July 1, 2002 to June 30, 2003	14.14%		7.94%
July 1, 2003 to June 30, 2004	14.60%		8.31%
July 1, 2004 to June 30, 2005	19.31%		12.72%

Rates applicable to the Los Angeles County Office of Education are limited to Plan A.

Effective July 1, 1999, there were no active members in Plan B.

Employer Contribution Rates *South Coast Air Quality Management District*

Last Ten Fiscal Years

	General		
Effective Date	Plan A	Plan B	Plan C
July 1, 1995 to June 30, 1996	13.23%	11.14%	10.80%
July 1, 1996 to September 30, 1998	14.56%	12.41%	11.72%
October 1, 1998 to June 30, 1999	14.69%	12.84%	12.23%
July 1, 1999 to June 30, 2002	16.86%	15.61%	15.04%
July 1, 2002 to June 30, 2003	15.69%	11.06%	10.75%
July 1, 2003 to June 30, 2004		11.44%	11.09%
July 1, 2004 to June 30, 2005		15.93%	15.56%

Effective July 1, 2003, there were no active members in Plan A.

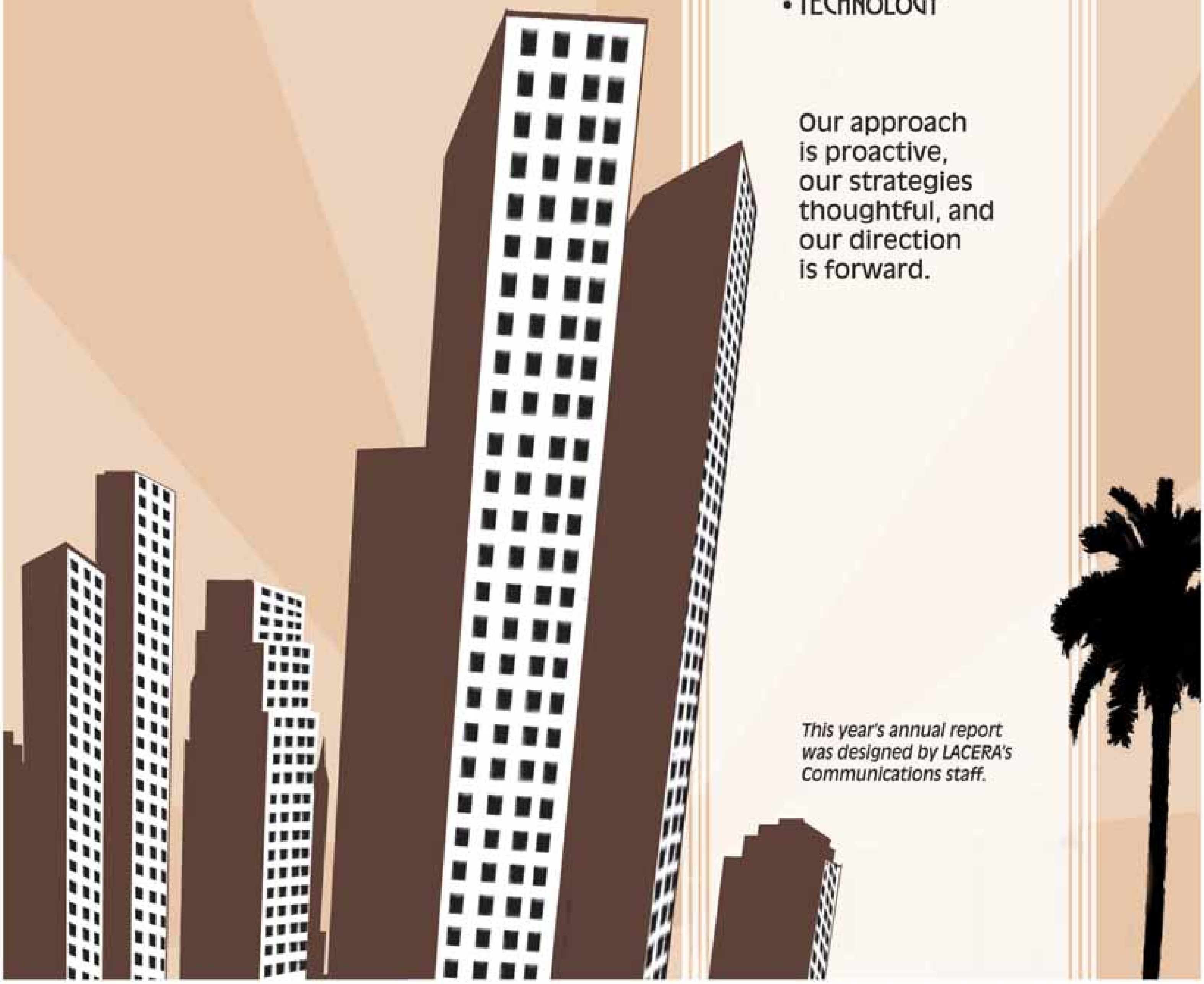
LACERA

Los Angeles County Employees Retirement Association

- OUTREACH EFFORTS
- CUSTOMER SERVICE
- TECHNOLOGY

Our approach
is proactive,
our strategies
thoughtful, and
our direction
is forward.

This year's annual report was designed by LACERA's Communications staff.



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YEARS OF SERVICE