LACERA

Los Angeles County Employees Retirement Association

2007

ANNUAL REPORT

A Pension Trust Fund of the County of Los Angeles, California

Comprehensive Annual Financial Report for the year ended June 30, 2007

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LACERA
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, 2007

ISSUED BY:

GREGG RADEMACHER
Chief Executive Officer

ROBERT R. HILL
Assistant Executive Officer

JANICE GOLDEN
Assistant Executive Officer

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

Retirement—The Big Picture

We all have a unique vision of retirement - start a new business venture, indulge hobbies, further education, travel the world, spend more time with family or just slow down and enjoy life. The big picture of retirement can be a fluid goal. However, in discussions of retirement goals, one constant emerges - the need for security. LACERA is in business to fulfill that need; **it is our duty to insure our members receive the lifetime benefits promised in their LACERA defined benefit retirement plans.**

LACERA is solidly focused on The Big Picture of Retirement.

We are in business to assist members in maximizing their retirement. To achieve this, we've relied on a multi-faceted program of education and service options that begins on the first day of membership and continues throughout the member's career. Through our efforts, members obtain knowledge and tools they can utilize to position themselves to gain the greatest available advantage for themselves and their families.

"We Produce, Protect, and Provide the Promised Benefits"
- LACERA's Mission statement

Awards

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 17th consecutive year, LACERA has earned this prestigious award for the 2006 comprehensive annual financial report. We believe 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 2006 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured. LACERA is a five-time recipient of this important award.

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

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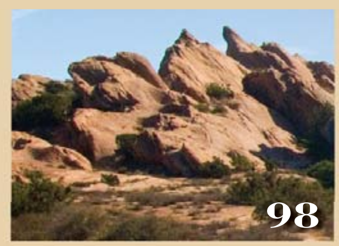


Other Supplementary Information

Investment Section

Employer Contribution Rates

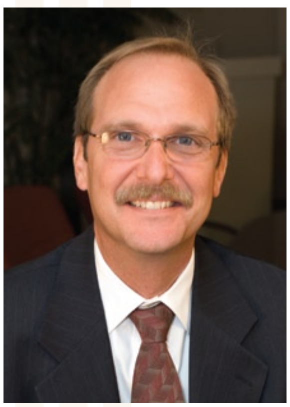
LACERA Los Angeles County Employees Retirement Association

300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6132 • 800/786-6464

November 8, 2007
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, 2007. This report is intended to provide a detailed review of the association's financial, actuarial, and investment status.



Gregg Rademacher
Chief Executive Officer

LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and participating agencies. In the course of fulfilling our duties, we provide extensive customer services to over 151,000 members, including more than 51,000 benefit recipients.

Our mission is to produce, protect, and provide the promised benefits to our members. To that end, we employ the insight, expertise, and efforts of our staff, boards, and other professionals. By applying a blend of advanced technology, innovative strategies, and proven business tactics, we remain strategically positioned to succeed in a fluctuating climate.

The viability and stability of the retirement fund are central to our operations. LACERA's vision for the future 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 our deep commitment to serving the best interests of LACERA's members and beneficiaries.

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 and adopting its annual operating budget.

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 that 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 fifth consecutive year, LACERA achieved a positive performance with a total fund return of 19.1 percent gross of fees for the fiscal year. Our ten-year return remains strong at 8.4 percent.

Actuarial Funding Status

Pursuant to provisions in the CERL, LACERA engages an independent actuarial firm to perform annual actuarial valuations. 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 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, 2006 valuation, determining the funding ratio to be 90.5 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $3.44 billion. The County contribution rate was therefore set equal to 3.49 percent of payroll for the amortization of the UAAL over an open 30-year period, plus the normal cost rate of 9.42 percent, for a total contribution rate of 12.91 percent of payroll.

The Big Picture

The Big Picture of Retirement can be a fluid concept. To those just starting a career, it may be nothing more than a hollow notion. To those more seasoned, The Big Picture may be a series of snapshots in time, each snapshot framed by a career stage. Variables notwithstanding, however, in discussions of retirement goals, one constant always emerges — the need for security. We are in business to fulfill that need; **it is our duty to insure our members receive the lifetime benefits promised in their LACERA defined benefit retirement plans.**

We assist members throughout their careers in solidifying their vision of retirement and identifying the most advantageous strategies available to maximize their retirement. Our extensive program of educational services includes New Member, Mid-Career, and Pre-Retirement Workshops and personal counseling with LACERA Retirement Benefits Specialists. We also provide a wealth of informative print and web materials.

LACERA is solidly focused on The Big Picture of Retirement.

Many teams of professionals contribute to LACERA's success. Below are highlights of fiscal year 2006-2007 accomplishments:

Division Activities

Administrative Services Division

To enhance LACERA's ability to maintain business continuity, the Administrative Services Risk Management Section implemented the MIR3 Emergency Notification System. During a disaster or other business disruption, MIR3 will provide automated status reports and other information to LACERA staff and business partners via phone and/or email.

Fiscal Year Accomplishments:

- Administrative Services' Document Processing Center (DPC) scanned, indexed, and provided same-day processing on approximately 200,000 documents, which amounted to over 500,000 pages of member information.
- DPC processed approximately 375,000 mail pieces, including more than 120,000 responses to member inquiries.

Robert R. Hill
Assistant Executive Officer

Claims Processing Division

LACERA's Claims Processing Division serves active and retired members and their survivors by efficiently processing retirement plan benefits and providing exceptional member service.

Fiscal Year Accomplishments:

- Processed over 3,527 contract documents related to the expanded payment options granted by the Pension Protection Act of 2006 (PPA). This represents a significant increase in document volume over prior year.
- Partnered with other LACERA divisions to develop new contracts in response to enactment of the PPA.
- Initiated Phase 1 of special Board of Retirement-approved project to correct and update membership date and service credit for certain Plan E accounts initiated between 1982 and 1991.
- Upholding our fiduciary duty to protect the fund, staff identified 1,600 accounts owing back retirement contributions. Outstanding accounts were sent notices; non-responsive accounts were forwarded for collections.

Communications Division

The Communications Division employs a multi-media approach to provide timely retirement, policy, and service information to members, staff, and LACERA's strategic partners. In the course of operations, the division creates and produces web sites and content, quarterly newsletters, brochures, annual reports, special mailings, videos, presentations, and other materials.

Fiscal Year Accomplishments:

- Created a new *Pre-Retirement Guide* detailing strategies for maximizing retirement benefits and the process of retirement. The guide, which stresses the importance of careful planning and informed choices, is distributed to attendees at Pre-

Retirement Workshops and is also available online.
- Continued to provide concise, easy-to-understand retirement-related information to active and retired members through the *Spotlight on Retirement* and *PostScript*, our quarterly newsletters.
- Developed specialized mailings regarding the Bugh Judgment and Talbot Action.
- Created an extensive series of member communications exploring the impact of Public Protection Act of 2006; materials included brochures, FAQs, member letters, and web content.
- Originated a web site to serve County Human Resources (HR) Professionals and continued to expand and update the association's other web sites: lacera.com, employee intranet, board web site, and KBase internal online knowledge source.
- Collaborated with Member Services, Claims Processing, Disability, and HR to present the third annual Countywide LACERA Resource Conference for HR Professionals.
- Developed newsletter articles and web content announcing the new availability of Additional Retirement Credit (ARC) to Plan E members; updated existing ARC brochures to include Plan E ARC; collaborated with the Systems Division to create an online Plan E ARC calculator.

Disability Division

Several staffing changes marked fiscal year 2006-2007. A new Division Manager was named to replace the former manager who retired during the period. To assure the timely processing of disability applications, the Division also added two additional disability investigators.

Fiscal Year Accomplishments:
- Processed and presented 371 disability applications to the Board of Retirement.
- Participated in 30 interactive meetings between County return-to-work coordinators and their disabled employees.
- Presented 20 educational and training seminars to County personnel on procedures for processing disability retirement applications.
- Appeared as presenters at 15 County Return-to-Work Coordinator Training Academies sponsored by the County Chief Executive Office.
- Facilitated the placement of 25 disability retirement applicants on permanent modified assignments, pursuant to the Salary Supplement Allowance. As a result, these applicants were able to stay in County service.
- Served as presenters at four LACERA Resource Conferences for County HR professionals.

Internal Audit

Internal Audit continued to provide recommendations to, and partner with, other staff and the Boards to enhance LACERA's internal controls.

Fiscal Year Accomplishments:
- Provided recommendations which resulted in:
  - Improved operational effectiveness and efficiency.
  - Increased protection of member information.
  - Reduced exposure to losses.
  - Protected LACERA's assets.
- Implemented a revised risk assessment process to assist in evaluating risks and determine the allocation of audit resources to the organization.

Legal Office

The Legal Office maintained its commitment to aggressively pursue recovery of losses suffered as a result of incidents of corporate corruption and fraud. LACERA served as the court-appointed "lead plaintiff" in several securities class actions where its losses are significant; these include proceedings involving King Pharmaceuticals and Citigroup, Inc. In addition, LACERA is currently serving as lead plaintiff in Brooks Automation securities litigation. As "lead plaintiff," LACERA is able to:
- Select counsel for the class.
- Control the litigation.
- Assure the best possible recovery for LACERA and other injured shareholders.

Other Fiscal Year Accomplishments:

- Continuing our strategy of opting out of the WorldCom class action and pursuing an individual action on behalf of the retirement fund resulted in an additional recovery in excess of $1million from the WorldCom Victims' Trust Fund and $31,000 from former WorldCom CEO, Bernard Ebbers. This brings our total WorldCom recovery to nearly $20 million to date, more than double the amount LACERA would have received had we remained a passive member of the class.
- LACERA has also pursued independent securities fraud cases involving Adelphia Communications, Motorola, Scientific-Atlanta, and Safety-Kleen.

Member Services Division

The Member Services Division remained focused on improving the high level of service we offer our members.

Janice Golden
Assistant Executive Officer

Fiscal Year Accomplishments:

- Served 12,564 members at our public counter.
- Answered approximately 130,000 telephone inquiries from members.
- Presented more than 800 workshops serving over 22,000 people at 281 different locations throughout the County.
- Processed and/or replied to approximately 5,300 member emails and letters.
- Introduced Workflow Management forecasting tools to improve scheduling in our Call Center; this facilitated an increase in our ability to service members in a timely manner.
- Added additional Spanish bilingual support to our Call Center.
- Created a new Member Services Academy training program to improve training for new hires.
- Improved our management of member-escalated issues by creating tracking and follow-up procedures with definitive time frames.
- Instituted a new Call Center Quality Monitoring system.
- Refined Member Surveys for various workshops to elicit valuable member feedback.

Quality Assurance & Metrics Division

The Quality Assurance & Metrics Division continued to create strategies and policies to promote accuracy, productivity, and compliance.

Fiscal Year Accomplishments:

- Audit of 10,098 Claims Processing and Members Services Divisions transactions to monitor accuracy, timeliness, and volume of services provided to members.
- Added six business process procedures to those posted on the LACERA Intranet to assist staff with consistency and regulatory compliance. Posted procedures currently total 25.
- Retirement processes training of 28 new and existing employees; 1,095 total hours of classroom and computer instruction.

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 more than 40,000 retirees/survivors and their eligible dependents. Additionally, LACERA sponsors a Long-Term Care Program for that population.

Fiscal Year Accomplishments:

- Mailed the annual letter and insurance rate booklet to more than 40,000 members and implemented new rate tables.
- Mailed Medicare Part D Creditable Coverage Notice to more than 40,000 members.
- Implemented the Medicare Part D Retiree Subsidy Program for the LACERA-administered Health Care Benefits Program, including completion of Medicare Part D Retiree Drug Subsidy plan sponsor applications and submission of member eligibility data to Centers for Medicare & Medicaid Services.
- Presented LACERA's 16th annual Health Fair sponsored by participating health care providers and organizations.
- Implemented premium 2007 Plan Year rate changes for the Local 1014 medical plan.

- Implemented the actuarial reporting of post-employment benefits within the LACERA-administered Health Care Benefits Program, in accordance with the Governmental Accounting Standard Board (GASB) Statements No. 43 and 45.

Systems Division
The Systems Division remained focused on implementing program updates to increase the security of sensitive member information, enhance procedural efficiency, and augment member services.

Fiscal Year Accomplishments:
- Instituted Social Security Number (SSN) barcode encryption to comply with HIPPA regulations and safeguard member privacy. This additional security feature ensures SSNs on outgoing correspondence cannot be discerned.
- Prepared and provided numerous data files to LACERA's outside actuary, in compliance with GASB standards.
- Modified system programs to exclude up to $3,000 in distributions from Public Safety Officers' retirement plans, in compliance with the PPA.
- Began development of online Plan E ARC calculator to coincide with July 1, 2007 introduction of Plan E ARC.
- Created web application to allow registered users of "My LACERA" to generate their own online Retirement Benefit Estimates.
- Developed browser-base application to update and enhance the Integrated Retirement Information System (IRIS). This application, which will serve as the nucleus for all future LACERA system development, is currently in beta testing.
- Upgraded Filenet Workflo application to latest version to ensure availability of ongoing support.

Awards and Recognition
For the seventeenth consecutive year, the Government Finance Officers Association (GFOA) 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, 2006.

LACERA is also a recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the ninth year running. We received this honor for our Popular Annual Financial Report (PAFR), for fiscal year ending June 30, 2006.

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.

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to LACERA in recognition of compliance with professional standards for plan design and administration. LACERA is a five-time recipient of this honor, which is judged on a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications.

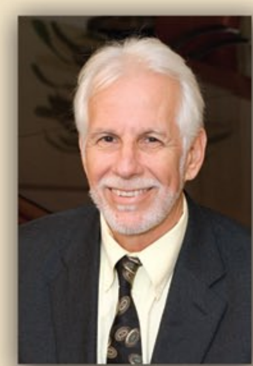
Acknowledgements
The preparation of this Comprehensive Annual Financial Report in a timely manner is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I am sincerely grateful to the LACERA Boards and staff, as well as to all of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

Respectfully submitted,

Gregg Rademacher

Gregg Rademacher
Chief Executive Officer

Board of Investments



Michael Schneider
Chair

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

William R. Pryor
Vice Chair

Elected by Safety Members
Term expires 12-31-07

Simon S. Russin
Secretary

Elected by General Members
Term expires 12-31-08

Herman Santos

Elected by General Members
Term expires 12-31-09

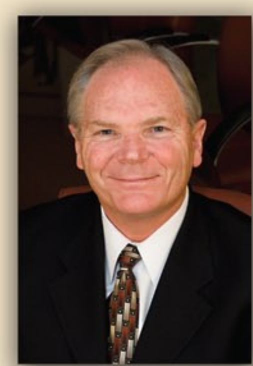
Robert L. Spare

Appointed by the Board of Supervisors
Term expires 12-31-08

Estevan Valenzuela

Appointed by the Board of Supervisors
Term expires 12-31-08

Board of Retirement



Les Robbins
Chair

Appointed by the Board of Supervisors
Term expires 12-31-08

Simon S. Russin
Vice Chair

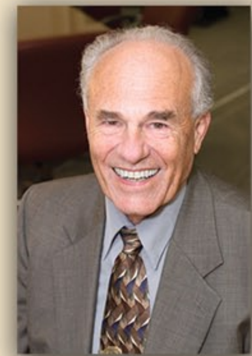
Elected by General Members
Term expires 12-31-09

William de la Garza
Secretary

Elected by Retired Members
Term expires 12-31-08

Armando Macias
(Alternate Member)

Elected by Safety Members
Term expires 12-31-07



Edward "Ed" C. Morris
(Alternate Member)

Elected by Retired Members
Term expires 12-31-08

William R. Pryor

Elected by Safety Members
Term expires 12-31-07

BOI

The Board of Investments (BOI) is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the fund.

Mark J. Saladino

Treasurer and Tax Collector Ex-officio Member

Diane A. Sandoval

Elected by Retired Members Term expires 12-31-08

Paul C. Hudson

Appointed by the Board of Supervisors Term expires 12-31-09

BOR

Overall management of LACERA is vested in its Board of Retirement (BOR). The BOR is responsible for the administration of the retirement system and the retiree health care program. Its duties also include the review and processing of disability retirement applications.

Mark J. Saladino

Treasurer and Tax Collector Ex-officio Member

Yves Chery

Elected by General Members Term expires 12-31-08

Simon Frumkin

Appointed by the Board of Supervisors Term expires 12-31-08

Walta M. Smith

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

Sadonya Antebi

Appointed by the Board of Supervisors Term expires 12-31-09

2007 Organizational Chart

- **Board of Retirement**
- **Board of Investments**
  - **Chief Executive Officer** — GREGG RADEMACHER
    - Disability Litigation — PATRICK JOYCE
    - Legal Services — DAVID L. MUIR
    - Investment Office — LISA MAZZOCCO
    - Internal Audit Services — RICHARD BENDALL
    - **Asst. Executive Officer** — JANICE GOLDEN
      - Disability Retirement Services — DEBBIE JUUL
      - Member Services — JJ POPOWICH
      - Communications — JEANNINE SMART
      - Human Resources — ROBERT PROCTOR
      - Financial and Accounting Services — BEULAH CANEVARI
    - **Asst. Executive Officer** — ROBERT R. HILL
      - Retiree Health Care Benefits Program
      - Administrative Services — ROBERT WHITTEN
      - Claims Processing — KIMBERLY HINES
      - Quality Assurance & Metrics — MIKE MIKHAIL
      - Systems — FRED WHITING

Actuary
Milliman, Inc.

Auditors
Brown Armstrong, CPAs
The Segal Company

Commercial Banking
Mellon Working Capital Solutions

Custodian
BNY Mellon Asset Servicing

Data Processing
Los Angeles County Internal Services Department

Governance Consultant
Glass Lewis & Company
Institutional Shareholder Services, Inc.

Investment Consultants
The Townsend Group
Wilshire Associates Incorporated

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

Legal Consultant
Andrews Kurth, LLP
Bannan, Green, Frank & Terzian, LLP
Bryan Cave, LLP
Christian, Glaser, Fink, Jacobs, Weil & Shapiro, LLP
Cox, Castle & Nicholson, LLP
DLA Piper U.S., LLP
Graves, Roberson & Bourassa
Groom Law Group, Chartered
Locke Liddell & Sapp
Maples & Calder
Morrison & Foerster, LLP
Ogier
Orrick, Herrington & Sutcliffe, LLP
Paul, Hastings, Janofsky & Walker, LLP
Pillsbury Winthrop Shaw Pittman, LLP
Pircher, Nichols & Meeks, LLP
Seyfarth Shaw, LLP
Steefel, Levitt & Weiss
Steptoe & Johnson, LLP

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LACERA Refines The Big Picture. We encourage our members to create their own picture of retirement and present them with strategies for fulfilling their vision. To aid members in maximizing their retirement, we provide a wealth of educational tools and customized services. Our services begin the first day of membership and continue through retirement and ultimately to eligible survivors and beneficiaries.

07

Financial Section

View from Point Fermin, San Pedro, California

BROWN ARMSTRONG CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK THORNBURGH & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

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Email info@bacpas.com

■ **Shafter Office**
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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, 2007 and 2006 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 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, 2007 and 2006 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 2007 LACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

The management's discussion and analysis (MD&A) 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 Required Supplementary Information as listed in the table of contents is presented for purposes of additional analysis, as required by GASB, and is not a required part of the basic financial statements. This information is the responsibility of LACERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the 2007 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2007 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 is presented for purposes of additional analysis and is 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, is 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 5, 2007, 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 Thornburgh & Keeter
Accountancy Corporation

Andrew J. Paulden

Bakersfield, CA
October 5, 2007

Management's Discussion and Analysis as of June 30, 2007

This Management's Discussion and Analysis (MD&A) of the financial activities of LACERA is an overview of its fiscal operations for the year ended June 30, 2007. 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 $40.9 billion, an increase of $5.72 billion or 16.3% from the prior year.
- Total Additions as reflected in the Statement of Changes in Pension Plan Net Assets are $7.59 billion primarily as a result of Investment Income and the Net Appreciation in the Fair Value of Investments. This represents an increase from the prior year of $2.52 billion or a change of 49.8%.
- Total Deductions as reflected in the Statement of Changes in Pension Plan Net Assets total $1.84 billion, a decrease of $4 million or 0.2% from prior year.
- The latest actuarial valuation completed by Milliman, Inc., LACERA's independent actuary, was as of June 30, 2006 and determined the funding status (the ratio of system assets to system liabilities) to be 90.5%.

Overview of Financial Statements

Beulah S. Canevari
Manager, Financial and Accounting Services Division

This 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 owed as of fiscal year end. The Pension Plan net assets, which are the assets less the liabilities, reflect the funds available for future use. The Other Post-Employment Benefit (OPEB) Plan is presented as the OPEB Agency Fund. No net assets are reported for the agency fund.

The Statement of Changes in Pension 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 the condition of LACERA's financial position 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–Pension Plan, a required supplementary schedule, includes historical trend information about the actuarially funded 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–Pension Plan, 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 funded status of the plan over time.

As a result of implementing GASB Statement No. 43 as of June 30, 2007, a Schedule of Funding Progress–OPEB is included for the first time. No information is available to report on the Schedule of Employer Contributions-OPEB until the Employer implements the companion GASB Statement No. 45 in the following fiscal year ending June 30, 2008.

Financial Analysis

Assets and Funding Ratio

As of June 30, 2007, LACERA has $40.9 billion in net assets, which means that Total Assets of $45.1 billion exceed Total Liabilities of $4.18 billion. As of June 30, 2006, LACERA had $35.2 billion in net assets, as a result of Total Assets of $38.6 billion exceeding Total Liabilities of $3.4 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 in the Statement of Plan Net Assets.

Plan Net Assets

As of June 30, 2007, 2006, and 2005:
(Dollars in millions)

	2007	2006	2005	% Change 2007 - 2006	% Change 2006 - 2005
Investments	**$41,329**	$35,191	$31,974	17.4%	10.1%
Other Assets	**3,761**	3,390	3,642	10.9%	-6.9%
Total Assets	**45,090**	38,581	35,616	16.9%	8.3%
Total Liabilities	**(4,182)**	(3,395)	(3,590)	23.2%	-5.4%
Total Plan Net Assets	**$40,908**	**$35,186**	**$32,026**	**16.3%**	**9.9%**

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, 2006 and determined the funding ratio of the actuarial assets to the actuarial accrued liability is 90.5%. The actuarial valuation as of June 30, 2005 determined the funding ratio to be 85.8%. LACERA's investment returns have exceeded the assumed rate of 7.75% over the past three years. These investment gains led to an improvement in the system's funding status and a reduction in the required County contribution rate.

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 2007, Total Additions amounted to $7.59 billion, achieved primarily due to positive investment performance with a total fund return of 19.1% for the fiscal year. For fiscal year 2006, Total Additions amounted to $5.07 billion, due primarily to annual investment returns of 13.0%.

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. In 2007, the County funded approximately ten and one-half months of contributions in cash. In 2006, the County funded approximately nine and one-half months of contributions in cash. The County's contributions for the remaining months of each of the fiscal years 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 2007 was $6.49 billion, an increase of $2.40 billion or 58.5% from the prior year. LACERA achieved positive performance with an annualized total fund performance of 19.1%. Net investment income for fiscal year 2006 was $4.09 billion, an increase of $696 million over prior year, or a change of 20.5%. Total fund performance was 13.0% for the 2006 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, and the cost of administering the plan. These deductions total $1.84 billion for fiscal year 2007, a decrease of $4 million, or 0.2% from the prior year. For fiscal year 2006, these deductions total $1.84 billion, an increase of $235 million, or 14.6% from the prior year. The increase in fiscal year 2006 is due to retroactive benefit payments made to members as a result of the settlement of the Ventura Litigation.

In fiscal year 2007, $29 million in pension assets were transferred to the Other Post-Employment Benefit (OPEB) Agency Fund. This transfer was $37 million less than the prior year, or a decrease of 56.1%. In fiscal year 2006, $66 million in pension assets were transferred to the OPEB Agency Fund. This transfer was $4 million more than the prior year, or an increase of 6.5%.

The Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.11% of total plan net 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, 2007, 2006, and 2005:
(Dollars in millions)

	2007	2006	2005	% Change 2007 - 2006	% Change 2006 - 2005
Contributions and Misc.	**$ 1,101**	$ 975	$ 817	12.9%	19.3%
Net Investment Income	**6,487**	4,092	3,396	58.5%	20.5%
Total Additions	**7,588**	**5,067**	**4,213**	**49.8%**	**20.3%**
Benefits and Refunds	**(1,793)**	(1,798)	(1,563)	-0.3%	15.0%
Administrative Expense and Misc.	**(44)**	(43)	(43)	2.3%	0.0%
Total Deductions	**(1,837)**	**(1,841)**	**(1,606)**	**-0.2%**	**14.6%**
Transfer to OPEB Agency Fund	**(29)**	(66)	(62)	-56.1%	6.5%
Net Increase	**5,722**	3,160	2,545	81.1%	24.2%
Net Assets at Beginning of Year	**35,186**	32,026	29,481	9.9%	8.6%
Ending Net Assets	**$40,908**	**$35,186**	**$32,026**	**16.3%**	**9.9%**

Economic Factors

The most important economic factor that impacts LACERA is the investment return earned in the financial markets. On average over the past ten years, investment returns make up approximately 80% of the annual additions to the fund.

For the fiscal year, LACERA's total fund returned 19.1% gross of fees, and 18.8% net of fees, on an annualized basis, exceeding the policy benchmark by 290 and 260 basis points, respectively. The 2007 fiscal year outperformance was principally attributable to solid returns in Public Equity, Private Equity, and Real Estate. The 2006 fiscal year's return of 13.0% was primarily attributed to the same top three performing asset classes. The five-year annualized return for the total fund of 12.5% gross of fees exceeded its policy benchmark by 80 basis points.

Overall Analysis

As of June 30, 2007, LACERA's market value is $40.9 billion. This fiscal year's investment returns exceeded the actuarial assumed investment earnings rate of 7.75%. The gains experienced will continue to result in an improved actuarial funding ratio as the gains are recognized in the future during the actuarial asset-smoothing process.

Requests for Information

This financial report is designed to provide the Boards of Retirement and Investments, our membership, and other third parties 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:

Beulah S. Canevari, Manager
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, 2007 and 2006:

(Dollars in thousands)

	Fiscal Year Ended June 30, 2007		Fiscal Year Ended June 30, 2006	
	Pension Plan	OPEB Agency Fund	Pension Plan	OPEB Agency Fund
Assets				
Cash	$ 21,444	$ 558	$ 72,553	$ 174
Cash Collateral on Loaned Securities	3,126,337		2,906,455	
Receivables				
Accounts Receivable - Sale of Investments	393,776		213,906	
Accrued Interest and Dividends	137,271		118,188	
Accounts Receivable - Other	82,355	29,957	79,209	27,670
Total Receivables	613,402	29,957	411,303	27,670
Investments at Fair Value				
Domestic and International Equities	21,936,470		18,817,409	
Fixed Income	12,063,995	95,823	10,621,916	77,668
Private Equity	2,791,924		2,198,244	
Real Estate	4,126,103		3,553,426	
Commodities	410,932			
Total Investments	41,329,424	95,823	35,190,995	77,668
Total Assets	$45,090,607	$126,338	$38,581,306	$105,512
Liabilities				
Accounts Payable - Purchase of Investments	988,225		391,503	
Retiree Payroll and Other Payables	203	4	139	4
Accrued Expenses	33,988	92	65,953	89
Tax Withholding Payable	18,513		17,075	
Obligations under Securities Lending Program	3,126,337		2,906,455	
Accounts Payable - Other	15,235	30,523	14,592	27,751
Due to Employers		95,719		77,668
Total Liabilities	$ 4,182,501	$126,338	$ 3,395,717	$105,512
Net Assets Held in Trust for Pension Benefits	$40,908,106		$35,185,589	

(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 Pension Plan Net Assets

For the Years Ended June 30, 2007 and 2006:

(Dollars in thousands)

	2007	2006
Additions		
Contributions		
Employer	$ 751,928	$ 676,667
Member	347,701	296,176
Total Contributions	1,099,629	972,843
Investment Income		
From Investing Activities:		
Net Appreciation/(Depreciation) in Fair Value of Investments	2,760,428	1,078,066
Investment Income	3,794,202	3,107,323
Total Investing Activity Income/(Loss)	6,554,630	4,185,389
Less Expenses From Investing Activities	(75,922)	(102,415)
Net Investing Activity Income/(Loss)	6,478,708	4,082,974
From Securities Lending Activities:		
Securities Lending Income	149,925	162,282
Less Expenses From Securities Lending Activities:		
Borrower Rebates	(140,620)	(151,758)
Management Fees	(829)	(1,088)
Total Expenses from Securities Lending Activities	(141,449)	(152,846)
Net Securities Lending Income	8,476	9,436
Total Net Investment Income/(Loss)	6,487,184	4,092,410
Miscellaneous	1,803	1,582
Total Additions/(Declines)	**7,588,616**	**5,066,835**
Deductions		
Retiree Payroll	1,773,027	1,777,381
Administrative Expense - Note B	43,880	42,469
Refunds	18,038	19,731
Lump-Sum Death Benefits	1,589	1,351
Miscellaneous	197	75
Total Deductions	**1,836,731**	**1,841,007**
Transfer to OPEB Agency Fund	29,368	66,344
Net Increase/(Decrease)	**5,722,517**	**3,159,484**
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	35,185,589	32,026,105
End of Year	**$40,908,106**	**$35,185,589**

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 County Employees 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 its affiliated Superior Court, plus 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 benefit program. (See Note N—Other Post-Employment Benefits.) Safety membership includes law enforcement (Sheriff and District Attorney Investigators), firefighting, 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 non-contributory 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, 2007 and 2006, LACERA membership consisted of:

	2007	2006
Active Members:		
Vested	**63,980**	63,138
Non-Vested	**28,116**	25,493
Total Active Members	**92,096**	**88,631**
Retired Members	**51,392**	50,858
Terminated Vested (Deferred)	**7,911**	7,459
Total Membership	**151,399**	**146,948**

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 non-contributory 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 the 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 non-contributory 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. Plan E members receive cost-of-living increases for service credit earned subsequent to June 4, 2002. 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 Accumulation.

STAR Program

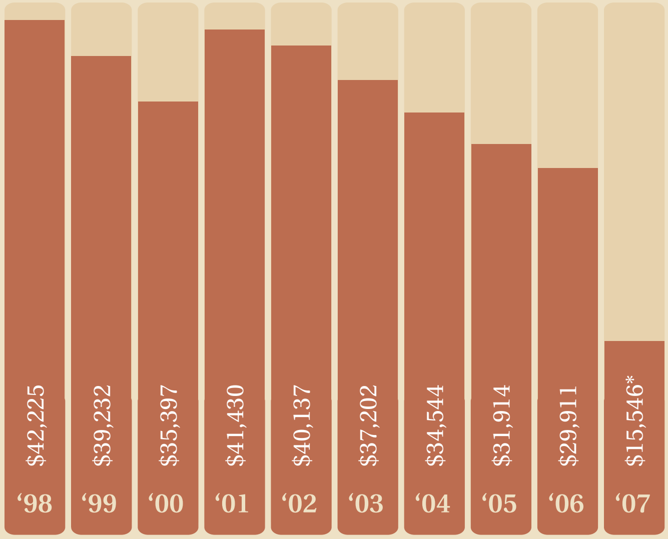
In addition to cost-of-living increases, the California Government Code also provides the Board the authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess earnings have been used to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. The Board of Retirement made permanent the 2001 through 2007 STAR Programs, except for Program Year 2005, 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 due to the modest CPI percentage increase and all eligible members had COLA Accumulation accounts below the 20% threshold for providing STAR benefits.

A permanent STAR benefit becomes part of the member's retirement allowance and is payable for life. 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. Ad hoc STAR payments are only payable for the year approved.

Since the inception of the STAR Program in 1990 to the present, the Program received $1.52 billion in funding. Except for Program Year 2005, the STAR Program funded approximately $333 million when the Board made permanent the 2001-2007 STAR Program benefits. As of June 30, 2007, there is $634 million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception equaled $766 million.

LACERA STAR Program Cost as of June 2007

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, 2007 (Dollars in thousands):



*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 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 North 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 Pronouncement

LACERA adopted Governmental Accounting Standards Board's (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective June 30, 2007. The required information is disclosed in Note N - Other Post-Employment Benefits and in the Required Supplementary Schedules.

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.

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, 2007 and 2006 were $1.74 million and $1.83 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 on June 30, 2007 and 2006.

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 securities 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 on June 30, 2007 and 2006.
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 the selected sections of the accompanying Statements of Pension Plan Net Assets and Changes in Pension 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 pre-funded 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, 2007, the County paid its employer contributions due LACERA in the form of monthly cash payments through the middle of May 2007. The County's contributions for the approximate remaining one and one-half months of the current fiscal year were made using the County Contribution Credit Reserve. For fiscal year ending June 30, 2006, the County paid its employer contributions due LACERA in the form of monthly cash payments through the middle of April 2006. The County's contributions for the approximate remaining two and one-half months of the 2006 fiscal year were made using 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 member's survivors, and supplemental disability payments.

For fiscal year 2006-2007, 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 pre-funded 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. The unused portion of the pre-funding was returned to the County Contribution Credit Reserve on June 30, 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.

STAR Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living increases. Additions include transfers from the Contingency Reserve. Deductions include COLA payments to retirees and funding permanent benefits. The Board of Retirement made permanent the 2001 through 2007 STAR Programs, except for Program Year 2005, 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 due to the modest CPI percentage increase 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 $413 million and $1.23 billion represent 1% and 3.49% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 2007 and 2006, respectively.

Reserves

Reserves as of June 30, 2007 and 2006 are as follows:
(Dollars in thousands)

	2007	2006
Member Reserves	**$12,003,875**	$ 11,268,431
Employer Reserves	**17,484,630**	14,323,464
County Contribution Credit Reserve	**444,737**	544,039
STAR Reserve	**633,626**	654,099
Contingency Reserve	**412,940**	1,227,686
Total Reserves at Book Value	**30,979,808**	28,017,719
Unrealized Investment Portfolio Appreciation	**9,928,298**	7,167,870
Total Reserves at Fair Value	**$40,908,106**	**$35,185,589**

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 2006-2007, Milliman, Inc. served as LACERA's independent actuary. Milliman, Inc. completed the actuarial valuation as of June 30, 2006 and determined the funding status (the ratio of system assets to system liabilities) to be 90.5%. 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 4.01% to 9.98%), 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, 2006 valuation, determining the Funded Ratio to be 90.5%, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $3.44 billion. The County contribution rate for all plans was set equal to 3.49% of payroll for the amortization of the UAAL over an open 30-year period, plus the normal cost rate, net of member contributions, of 9.42%, for a total County contribution rate of 12.91% of payroll. Actual contributions are made on a plan basis.

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 Funded 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. Note that if the entire STAR reserve of $654 million was excluded from the Valuation Assets, the UAAL would increase by $620 million. Under this hypothetical scenario, the required County contribution rate would increase by 0.69% to 13.60% and the Funded Ratio would decrease to 88.8%.

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 $36.4 million and $37.8 million in related reimbursements during each of the years ended June 30, 2007 and 2006, 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 – 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.
- 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 Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Policy
- Alternative Investments Policy
- Securities Lending Program Policy
- Directed Brokerage Policy
- Emerging Manager Policy
- Corporate Governance Principles
- Manager Monitoring and Review Policy
- Derivatives Investment Policy
- Commodities Policy

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 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, 2007 are as follows:

(Dollars in thousands)

Quality Ratings	Fair Value
AAA	$ 1,079,012
AA	315,704
A	368,461
BAA	803,665
BA	316,283
B	615,461
CAA	74,527
Not Rated	724,154
Total Credit Risk Fixed Income Securities	**$ 4,297,267**
U.S. Treasuries, GNMA, SBA (Explicit Guarantee)	$ 1,019,498
U.S. Government Agencies (Implicit Guarantee)	
(FNMA, FHLB, FHLMC, FFCB, SLMA, Other)	2,735,113
Pooled Funds (Not Rated)	2,336,483
Total Investments in Fixed Income Securities*	**$10,388,361**

*Short-term Investments and Mortgages are excluded from this presentation.

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 policy as incorporated in its current contract with its custodial bank (Bank) requires the Bank to certify that it has taken all steps to assure that all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance" in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" ("PCA") capital category of "well capitalized", and identifying on Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance, and to maintain a Financial Institution Bond which will cover the loss of money and securities with respect to any and all property which the Bank or its agents hold in or for LACERA's account, up to the amount of the 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. LACERA's contract with its custodian (Bank) provides that the Bank may hold securities of LACERA registered in the Bank's or its Agent's nominee name, in bearer form, book entry form, a clearing house corporation, or a depository, so long as the Bank's records clearly indicate the assets held are part of LACERA's account. The Bank may also hold securities in LACERA's name when required by LACERA. To implement certain investment strategies in a cost effective manner, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian.

Concentration of Credit Risk

As of June 30, 2007, 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 is 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, 2007, LACERA had the following investments:
(Dollars in thousands)

Investment Type	Fair Value	Modified Duration
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 1,019,498	6.22
U.S. Government Mortgages	2,656,905	4.33
Municipal/Revenue Bonds	1,534	11.06
Other Fixed Income	76,674	N/A
	$ 3,754,611	
Corporate Securities:		
Asset-Backed Securities	$ 332,382	1.51
Commercial Mortgage-Backed Securities	496,313	4.23
Corporate and Other Credit	2,604,340	5.27
Fixed Income Swaps	72,176	1.05
Pooled Investments	2,336,483	N/A
Other Fixed Income	205,875	N/A
	$ 6,047,569	
International Fixed Income	$ 139,709	5.40
Private Placement Fixed Income	446,472	5.83
Total Fixed Income Securities*	**$10,388,361**	

*Short-term Investments and Mortgages are excluded from this presentation.

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 authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines.

International Investment Securities at Fair Value

LACERA's exposure to Foreign Currency Risk in U.S. dollars as of June 30, 2007 is as follows:

(Dollars in thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Total
Argentine Peso	$ 3,883	$ 1,438			$ 5,321
Australian Dollar	430,633		$ 2,849		433,482
Brazillian Real	129,857				129,857
British Pound Sterling	1,568,867	5,282	955	$ 572	1,575,676
Canadian Dollar	543,015	7,734	400		551,149
Chilean Peso	9,186				9,186
Columbian Peso	4,798				4,798
Czech Republic Koruna	4,651				4,651
Danish Krone	61,303		1		61,304
Egyptian Pound	16,968				16,968
Euro	2,753,754	10,108	54	205	2,764,121
Hong Kong Dollar	338,333		6,556		344,889
Hungarian Forint	7,524				7,524
Iceland Krona		10,249			10,249
Indian Rupee	62,875				62,875
Indonesian Rupiah	27,823				27,823
Israeli Shekel	22,222				22,222
Japanese Yen	1,385,544	43,216	8,400		1,437,160
Jordanian Dinar	583				583
Malaysian Ringgit	53,615				53,615
Mexican Peso	70,171	24,056	313		94,540
Morocco Dirham	2,327				2,327
New Turkish Lira	31,926	3,901			35,827
New Zealand Dollar	7,306		1		7,307
Norwegian Krone	70,219		81		70,300
Pakastani Rupee	1,782				1,782
Peruvian Nuevo Sol	3,180				3,180
Philippine Peso	10,097				10,097
Polish Zloty	13,288				13,288
Russian Ruble	21,451				21,451
Singapore Dollar	110,934	33,725	80		144,739
South African Rand	103,771				103,771
South Korean Won	163,873				163,873
Sri Lankan Rupee	1,645				1,645
Swedish Krona	29,291		6		29,297
Swiss Franc	460,985		974		461,959
Taiwan Dollar	164,827				164,827
Thailand Baht	17,331				17,331
Total Securities Subject to Foreign Currency Risk	**$ 8,709,838**	**$ 139,709**	**$ 20,670**	**$ 777**	**$ 8,870,994**
U.S. Dollar (Securities held by International Managers)	328,742				328,742
Total International Investment Securities	**$ 9,038,580**	**$ 139,709**	**$ 20,670**	**$ 777**	**$ 9,199,736**

NOTE H — 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 Wachovia Global Securities Lending (Wachovia), formerly called 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. Wachovia 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. Wachovia invests the collateral it receives 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 its commingled fund. The income earned from investments made by Wachovia 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, 2007, 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, 2007 and 2006.

Under the terms of their lending agreements, Mellon Global Securities Lending and Wachovia 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 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, 2007, the fair value of securities on loan was $3.02 billion with the value of cash collateral received for the securities on loan of $3.13 billion and non-cash collateral of $0.13 million. As of June 30, 2006, the fair value of securities on loan was $2.84 billion with the value of cash collateral received for the securities on loan of $2.91 billion and non-cash collateral of $2.20 million. LACERA's income net of expenses from securities lending was $8.48 million and $9.44 million for the years ended June 30, 2007 and 2006, respectively.

Securities Lending

The following securities were on loan and collateral received as of June 30, 2007:
(Dollars in thousands)

Securities on Loan	Market Value of Securities on Loan	Cash Collateral Received	Securities Collateral Received
U.S. Government and Agencies	$ 1,896,766	$ 1,920,257	
Domestic Equities	551,443	565,901	
Domestic Corporate Fixed Income	325,953	367,681	
International Equities	250,422	272,498	$ 133
Total	**$3,024,584**	**$3,126,337**	**$133**

NOTE I – 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 A3/A- as defined by Moody's and Standard & Poor's, respectively. Substitution and risk control are the only two derivative strategies permitted. The classes of derivatives 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 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, 2007, LACERA had the following futures contracts:
(Dollars in thousands)

Description	Exposure
Long—Cash and Cash Equivalents	$ 775,727
Long—Fixed Income	396,870
Long—Equity	272,014
Long—Commodities	188,983
Short—Fixed Income	(282,339)
Total	**$1,351,255**

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.

Forward Contracts

As of June 30, 2007, LACERA had the following currency forward contracts:
(Dollars in thousands)

	Amount
Foreign Exchange Contracts Receivable	$51,160
Foreign Exchange Contracts Payable	(50,989)

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, 2007, LACERA had the following option contracts:
(Dollars in thousands)

Option Type	Asset Type	Fair Value
Purchased Call Options	Cash and Cash Equivalents	$ 1,709
Purchased Put Options	Cash and Cash Equivalents	40
Purchased Call Options	Fixed Income	1,249
Purchased Put Options	Fixed Income	4
Written Call Options	Fixed Income	(1,280)
Written Put Options	Fixed Income	(63)
Total		**$1,659**

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 the counterparties exchange are tied to a "notional" amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The Fair Value represents the gains or losses as of the prior marking-to-market.

Swap Agreements

As of June 30, 2007, LACERA had the following swap agreements:
(Dollars in thousands)

Description	Number of Agreements	Notional Amount	Fair Value
Interest Rate Swap	14	$121,475	$ 84
Total Return Swaps	3	43,000	13
Commodity Swaps	8	250,190	1,248
Credit Default Swaps	6	(21,099)	(135)
Bond Index Swaps	2	(30,000)	(249)

NOTE J — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 81 Title Holding Corporations (THCs) and 12 Limited Liability Companies (LLCs) as of June 30, 2007. The real estate portfolio had 65 THCs and 13 LLCs as of June 30, 2006.

Title Holding Corporations' Financial Position

The following is a summary of the THCs' financial position as of June 30, 2007 and 2006:
(Dollars in thousands)

	2007	2006
Assets	**$ 4,669,841**	$ 3,659,788
Less: Liabilities	**711,700**	352,801
Net Assets	**$ 3,958,141**	**$ 3,306,987**
Net Income	**$ 204,900**	**$ 189,821**

NOTE K — 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 $1.03 million and $0.97 million for the years ended June 30, 2007 and 2006, respectively.

LACERA has notes receivable of approximately $52.2 million from two of its Title Holding Corporations, as of fiscal year end June 30, 2007 and 2006. This amount is reflected in the Accounts Receivable-Other balance for both years.

NOTE L - 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.

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)

	2007	2006
Total Projected Asset Base at fair value	**$36,055,316**	$33,353,920
Maximum Allowable for Administrative Expense (.18%)	**64,900**	60,037
Maximum Legal Representation Appropriation (.01%)	**3,605**	3,335
Total Statutory Budget Appropriation	**68,505**	63,372
Operating Budget Request	**56,028**	51,612
Actual Administrative Expenses	**43,880**	42,469
Underexpended Operating Budget	**$ 12,148**	**$ 9,143**

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 the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Bugh Case

LACERA began including cashable flexible benefit plan contributions in pensionable compensation effective January 1, 1991. The petitioner sought 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 the trial court judgment, which is now final.

The cost of implementing the trial court judgment in favor of the petitioner has not been determined by LACERA; 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. Therefore, 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 the actual amount received in cash was only approximately one-third of the total flexible benefit contributions that resulted in the $62.7 million cost estimate submitted by the County. 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.

LACERA is in the process of implementing the judgment. While staff has completed the last phase of the implementation project, there are still a small number of exceptional cases that remain to be worked. However, all ongoing retirement payments have been updated, and all retroactive amounts were distributed in August of this year.

Petitioner's counsel was awarded attorney's fees of $125,000 on a common fund basis, which provides that attorney's fees will be allocated against payments otherwise due the members of the class. LACERA has paid the attorney's fees and has allocated pro-rata amounts against retroactive benefit payments.

Local 1014 Case

This matter involves a dispute over the classification of approximately 500 former Fire Control Laborers who were classified by the County as temporary employees for a period of time, and thus not eligible for membership in LACERA.

Most Fire Control Laborers were reclassified as permanent County firefighters by 1994, which made most of them eligible for membership in LACERA Safety Plan B. They have argued they should have been reclassified as of their temporary hire dates, which would have given them more favorable retirement benefits. LACERA filed a declaratory relief action on February 9, 2001 to resolve the dispute. Shortly thereafter, a group of approximately 150 former Fire Control Laborers intervened on their own behalf and filed a class action cross-complaint raising related issues. A class was subsequently certified. The class action alleges, among other things, a breach of fiduciary duty as to LACERA.

A judgment incorporating a settlement of class member claims was entered on March 1, 2006 and is now final. Under the judgment, the Fire Control Laborers will receive permanent service credit for their temporary time, provided they deposit with LACERA the applicable employee contributions plus interest. The employer's portion of the contributions will constitute an unfunded actuarial accrued liability, which will be recovered by assessing additional employer contributions.

On September 13, 2006, the Court awarded plaintiffs' counsel attorney's fees and costs in the amount of $4,923,526. LACERA was ordered to pay class counsel within 30 days of the September 13th hearing. Additionally, LACERA was ordered to set aside attorneys' fees in an amount subject to proof, but not to exceed $762,500, covering attorneys' fees incurred after September 13, 2006 in connection with implementation of the judgment. Fees and costs were awarded on a common fund basis, which provides that such fees and costs will be allocated against each participating class member's recovery.

On February 21, 2007, the court entered judgment on class counsel's motion for attorneys' fees and costs. Class counsel appealed the judgment to the California Court of Appeal; the appeal is currently pending. Following a court-ordered mediation on June 18, 2007, the parties reached a tentative settlement agreement that provides for LACERA to assume a portion of the attorneys' fees and costs paid to (and set aside for) class counsel in exchange for dismissal of the appeal. Under the terms of the settlement, which was approved by the Board of Retirement on September 13, 2007, LACERA will recover approximately $3.6 million of the nearly $5.7 million that it has already paid out and set aside for class counsel. Thus, LACERA will assume as much as $2.1 million of the attorneys' fees award. This portion assumed by LACERA will be handled through inclusion in the UAAL.

The terms of the settlement also call for class counsel to obtain releases from each of the class members. Consequently, the settlement will become final when class counsel obtains the necessary releases (100% of all class members), or LACERA agrees to waive this contingency. Class counsel last reported on September 13, 2007 that it obtained releases from approximately 86 percent of the class members. The briefing schedule in the Court of Appeal has been vacated while the parties work to reach a final settlement. Class counsel has until November 10, 2007 to file a formal request for dismissal of the appeal, or to file a formal request for extension of time to file an opening brief if the settlement is not finalized.

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 policy, LACERA has served as the court-appointed "lead plaintiff" in several securities class actions, including the King Pharmaceuticals securities litigation and Citigroup, Inc., securities litigation. Most notably, LACERA served as lead plaintiff in the Enterasys, Inc., securities litigation, where it obtained a $50 million settlement and significant corporate governance improvements on behalf of class members. Currently, LACERA is serving as lead plaintiff in the Brooks Automation, Inc. securities litigation. LACERA has also pursued independent securities fraud cases involving WorldCom, Adelphia Communications, Motorola, Scientific-Atlanta, Safety-Kleen and AOL Time Warner, recovering more than $23 million through its efforts to date.

Leases

LACERA leases equipment under lease agreements that expire over the next four years. The annual commitments under such equipment leases were approximately $465,000 and $600,000 in fiscal years 2007 and 2006, 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 LACERA to pay a portion of the building's operating expenses based on square footage occupied as discussed in Related Party Transactions Note K.

Total rent expense for all leases was $1.49 million and $1.57 million in fiscal years 2007 and 2006, 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, 2007, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $2.39 billion. Subsequent to June 30, 2007, LACERA funded $299 million of these capital commitments.

Note N – Other Post-Employment Benefits (OPEB)

Plan Description

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691 which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreement to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

LACERA administers a cost-sharing multiple-employer defined benefit Other Post-Employment Benefit (OPEB) Plan on behalf of the County, including its participating agencies, and the Superior Court. The County's participating agencies include South Coast Air Quality Management District, Little Lake Cemetery District, Local Agency Formation Commission, and the Los Angeles County Office of Education. This OPEB Plan is presented as the OPEB Agency Fund.

Membership

Employees are eligible for the OPEB Plan if they are a member of LACERA and retire from the County of Los Angeles, a participating agency, or the Superior Court. Health care benefits are also offered to qualifying survivors of: (a) deceased retired members and (b) deceased active employees, who are eligible to retire at the time of death. Since eligibility for retiree qualifying health and death benefits is dependent on receipt of a pension benefit, the eligibility and other aspects of the pension benefits are applicable for retirement health and death benefits. All LACERA member retirees are eligible for the death benefit.

Summary of Participating Retired Members, Spouses, and Dependents

July 1, 2006 Actuarial Valuation:

Plan Type	Retirees and Survivors	Spouses and Dependents	Total
Medical	39,078	19,999	59,077
Dental/Vision	39,010	19,462	58,472

Benefit Provisions

The OPEB Plan 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.

Medical/Dental/Vision - The participant's cost for medical, dental/vision 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 starts at 40% of the benchmark plan rate (Blue Cross Plans I and II) for 10 years of service credit. For each year of retirement service credit beyond 10 years, the County contributes an additional 4% per year, up to a maximum of 100% for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plan.

Medicare Part B - The member's base rate premiums paid to Social Security for Part B coverage are reimbursed by the County, subject to annual approval by the County Board of Supervisors. Eligible members must be enrolled in both Medicare Part A and Medicare Part B, plus be enrolled in a LACERA-administered Medicare Advantage plan or Medicare supplement plan.

Disability - If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes 50% of the lesser benchmark plan rate or the premium of the plan in which the retiree is enrolled. A member with 13 years of service credit receives a 52% subsidy; this percentage increases 4% for each additional completed year of service credit.

Death Benefit - There is a one-time $5,000 death benefit payable to the designated beneficiary upon the death of a retiree. Active and Vested Terminated (Deferred) Members are eligible for this benefit once they retire. Spouses and Dependents are not eligible for this death benefit upon their death.

Summary of Significant Accounting Policies

Basis of Presentation

The OPEB Agency Fund is presented according to the principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. This Agency Fund accounts for assets held as an agent on behalf of others. This fund is custodial in nature and does not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting. Receivables include contributions due as of the reporting date. Payables include premium payments and refunds due to members and accrued investment and administrative expenses.

Investment Valuation

Investments are carried at fair value. Fair values for investments are derived from quoted market prices. For publicly traded stocks and bonds and issues of the United States Government and its agencies, the most recent sales price as of fiscal year end is used.

Contributions

Authority

Pursuant to the 1982 and 1994 Agreements between the County and LACERA, the parties agreed to the continuation of the health benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of the retired members and their dependents based on the member's length of service. The County further agreed not to decrease or eliminate benefits provided under such insurance programs. LACERA agreed not to lower retired members' contributions toward insurance premiums or increase medical benefit levels without the consent of the County.

Funding Policy and Contributions

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.

Plan net assets are not held in trust for OPEB. For Fiscal Year 2006-07, the health care premiums were billed to the County and members on a monthly basis. The County has historically discharged its premium subsidy obligations on a pay-as-you-go basis. Participants are charged a monthly administrative fee of $3.00 to cover the costs of administering the OPEB plan. Internal cost allocations among the County agencies, including the Superior Court, have historically been based on the number of active employees.

During fiscal year ending June 30, 2007, $338 million in premium payments were made to insurance carriers. These payments were funded by employer subsidy payments of $305 million, of which $29.4 million was paid through the 401(h) Account, and $32.8 million by the participants. In addition, the County paid $26.9 million in Medicare Part B reimbursements and $6.17 million in death benefits.

Employer Disclosures

Participating employers, upon their implementation of the related GASB Statement No. 45, are required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

OPEB Actuarial Valuation

The Los Angeles County Other Post-Employment Benefits Program actuarial valuation was conducted by Milliman, Inc. as of July 1, 2006. The valuation was performed in accordance with GASB Statements No. 43 and 45 requirements at the request of Los Angeles County to satisfy financial statement reporting guidelines that apply to the sponsoring employers and the organizations that administer the benefits program. The reporting guidelines are intended to improve cost disclosures and do not require any funding arrangements. The valuation will need to be conducted at least every two years.

Funded Status and Funding Progress

(Dollars in millions)

Los Angeles County and Participating Agencies

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006		$21,215	$21,215	0%	$5,205	407.5%

*Using the Projected Unit Credit method of valuation.
Note: The first OPEB actuarial valuation was conducted as of July 1, 2006. There is no data available prior to the first valuation.

No information is available to report on the Schedule of Employer Contributions-OPEB until the Employer implements the companion GASB Statement No. 45 in the following fiscal year ending June 30, 2008.

Disclosure of Information about Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Actuarial Methods and Assumptions

Actuarial Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Not applicable
Inflation Rate	3.50% per annum
Investment Return	5.0% (Unfunded Rate)
Projected Salary Increases	4.01% to 9.98% The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.75% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.

Health Care Cost Trend Rates (Initial, Second Year, and Ultimate Rates)*

	Initial	2nd Year	Ultimate
LACERA Medical Under 65	6.50%	11.00%	5.00%
LACERA Medical Over 65	15.00%	13.50%	5.25%
Firefighters Local 1014 (all)	11.50%	11.00%	5.00%
Part B Premiums	11.50%	11.00%	5.00%
Dental (all)	7.20%	3.00%	3.00%

Amortization Method

Level percentage of projected payroll over a rolling (open) 30-year amortization period.

*Initial rates are actual July 1, 2007 premium rate increases. The Second Year Rate grades to the Ultimate Rate over a period of nine years.

Schedule of Funding Progress - Pension Plan

(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, 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%
June 30, 2005	29,497,485	34,375,949	4,878,464	85.8%	4,982,084	97.9%
June 30, 2006	32,819,725	36,258,929	3,439,204	90.5%	5,205,804	66.1%

[1] Denotes overfunded Actuarial Accrued Liability.

Schedule of Employer Contributions - Pension Plan

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions: Cash Payment	Actual Employer Contributions: Transfer from Reserve Account	Total	Percentage of ARC Contributed
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%
2006	855,531	676,667	179,368	856,035	100%
2007	863,626	751,851	111,775	863,626	100%

Schedule of Funding Progress - Other Post-Employment Benefits

(Dollars in thousands)

Los Angeles County and Participating Agencies

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006		$21,215,800	$21,215,800	0%	$5,205,804	407.5%

*Using the Projected Unit Credit method of valuation

Note: The first OPEB actuarial valuation was conducted as of July 1, 2006. There is no data available prior to the first valuation.

Schedule of Employer Contributions - Other Post-Employment Benefits

Note: No information is available to report as of fiscal year ended June 30, 2007. The Employer will implement GASB No. 45 in the following fiscal year ending June 30, 2008.

Notes to Required Supplementary Schedules – Pension Plan

For Fiscal Year Ended June 30, 2007:

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 Pension actuarial valuation dated June 30, 2006 is as follows. For information regarding the Other Post-Employment Benefits actuarial valuation, see Note N—Other Post-Employment Benefits.

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 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 Funded Ratio is otherwise less than 100%, a portion of the STAR Reserve may be considered as part of the valuation assets to bring the Funded 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 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 UAAL or Surplus. A UAAL occurs if the Funded Ratio is less than 100%. Surplus Funding occurs if the Funded Ratio is greater than 100%. The amortization of either is funded over an open 30-year period. (See GASB Statement No. 25, glossary section)
Amortization Period	An Open 30-Year Amortization Period.
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the UAAL 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 for the June 30, 2004 valuation.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 4.01% to 9.98%. 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 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 for the June 30, 2004 valuation. Plan E members receive a prorated post-retirement benefit increase of 2% for service credit earned after June 4, 2002. The portion payable is based on the member's years of service earned after June 4, 2002 to his/her total years of service. The portion of the full 2% increase not provided may be purchased by the member.
Consumer Price Index	Increase of 3.5% per annum. This rate was adopted for the June 30, 2004 valuation.

Administrative Expenses

For the Years Ended June 30, 2007 and 2006:
(Dollars in thousands)

	2007	2006
Personnel Services		
Salaries and Wages	**$20,364**	$ 18,956
Employee Benefits	**9,994**	9,726
Total Personnel Services	**30,358**	28,682
Professional Services		
Computer Software Services and Support	**1,683**	2,020
External Audit Fees	**97**	86
Disability Medical Fees	**991**	1,173
Disability Hearing Officer Fees	**203**	129
Disability Stenographic Fees	**56**	48
Temporary Personnel Services	**1,173**	1,583
Legislative and Other Legal Services	**439**	518
Other Professional Services	**1,265**	1,120
Total Professional Services	**5,907**	6,677
Communication		
Forms and Brochures	**490**	526
Postage	**722**	551
Telecommunications	**353**	327
Transportation and Travel	**491**	384
Total Communications	**2,056**	1,788
Rentals		
Rents and Leases	**1,490**	1,574
Total Rentals	**1,490**	1,574
Miscellaneous		
Computer Equipment & Supplies	**359**	331
Office Furniture		6
Other Office Expenses	**156**	178
Maintenance	**1,591**	1,075
Educational Expenses	**661**	716
Parking Fees	**272**	285
Other County Department Charges	**194**	208
Insurance	**501**	462
Administrative Support	**105**	113
Other Service Charges	**230**	374
Total Miscellaneous	**4,069**	3,748
Total Administrative Expenses	**$43,880**	**$42,469**

Schedule of Investment Expenses

For the Years Ended June 30, 2007 and 2006:

(Dollars in thousands)

	2007	2006
Investment Management Fees		
Equity Managers		
Domestic	**$20,105**	$ 15,074
International	**9,754**	8,350
Fixed Income Managers	**14,318**	15,252
Cash and Short-Term Managers	**580**	865
Mortgage Loan Servicers	**633**	627
Private Equity Managers	**6,237**	3,673
Real Estate Managers	**19,113**	53,979
Commodity Managers	**9**	
Total Investment Management Fees	**70,749**	97,820
Other Investment Expenses		
Consultants	**665**	799
Custodian	**2,214**	2,343
Legal Counsel	**891**	618
Other	**1,403**	835
Total Other Investment Expenses	**5,173**	4,595
Total Management Fees and Other Investment Expenses	**$75,922**	**$102,415**

Schedule of Payments to Consultants

For the Years Ended June 30, 2007 and 2006:

(Dollars in thousands)

	2007	2006
Audit		
External Audit Services	$ 97	$ 86
Contract Systems Audits	203	7
Total	300	93
Legal		
Investment Legal Counsel	891	618
Other Legal Services	372	456
Total	1,263	1,074
Actuarial		
Actuarial Valuations and Consulting Fees	232	380
Total	232	380
Management		
Legislative Consulting	66	62
Management and Human Resources Consulting	127	92
System and Software Consulting	73	129
Total	266	283
Total Payments to Consultants	**$2,061**	**$1,830**

For fees paid to Investment Professionals, refer to Schedule of Investment Expenses in this Section.

Statement of Changes in Assets and Liabilities - OPEB Agency Fund

For the Year Ended June 30, 2007:

(Dollars in thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Assets				
Cash	$ 174	$ 60,100	$ 59,716	$ 558
Accounts Receivable - Other	27,670	376,824	374,537	29,957
Fixed Income	77,668	507,677	489,522	95,823
Total Assets	**$ 105,512**	**$ 944,601**	**$ 923,775**	**$ 126,338**
Liabilities				
Retiree Payroll and Other Payables	4	34,917	34,917	4
Accrued Expenses & Accounts Payable-Other	27,840	525,070	522,295	30,615
Due to Employers	77,668	289,647	271,596	95,719
Total Liabilities	**$ 105,512**	**$ 849,634**	**$ 828,808**	**$ 126,338**

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LACERA Invests in The Big Picture. We invest and nurture the assets of the Los Angeles County employees' retirement fund. The return on our investment can be calculated in more than just dollars and cents; it can be measured in human currency, as well. In addition to prescribed monetary benefits, our investments also pay dividends to our retirees in the form of security, stability… and a promise fulfilled.

07

Investments Section

Huntington Gardens, Pasadena, California

WILSHIRE CONSULTING

September 4, 2007

Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 91101

Annual Consultant Review

LACERA's 2007 fiscal year total fund performance exceeded the total fund policy benchmark by 260 basis points (2.6%). The total fund return of 18.8% (net of fees) ranked in the 21st percentile of Wilshire's Total Public Funds Universe, while the 16.2% return of the policy benchmark ranked in the 65th percentile. The Universe, comprised of 49 public funds, had a median return of 16.9%. For the three-year period ending June 30, 2007, the total fund return of 14.1% exceeded the 12.5% return of the policy benchmark by 160 basis points (1.6%). The total fund return ranked in the 20th percentile of the Wilshire Public Funds Universe, while the policy ranked in the 57th percentile. The median fund return on a three-year basis was 12.9%. Over the five-year period ending June 30, 2007, the total fund return of 12.2% ranked in the 33rd percentile of the Wilshire Public Funds Universe and exceeded the 11.7% policy return by 50 basis points (0.50%); the policy return ranked in the 46th percentile of the Public Funds Universe. The five-year median fund return was 11.7%.

Since establishing our relationship with LACERA in October 2006, the LACERA Investment Staff and Wilshire have worked cooperatively to address goals and implement ideas designed to improve the investment program. Among the projects completed or currently underway are:

- **Participation in the Board Education Session (offsite)**
- **Private Equity Structure Review**
- **Commodity Exposure Analysis**
- **Investment Manager Searches**
  - *Commodity Exposure*
  - *Emerging Market Equity*
  - *Enhanced Equity*
- **Sudan-Free Investment Simulation Analysis**
- **Investment Policy Statement Review**
- **U.S. Equity Structure Review**

Though our relationship with LACERA is relatively new, we are fortunate to have participated in such a wide variety of investment activities. We have enjoyed an excellent working relationship with the LACERA Investment Staff, and we look forward to the successful accomplishment of additional projects.

Sincerely,

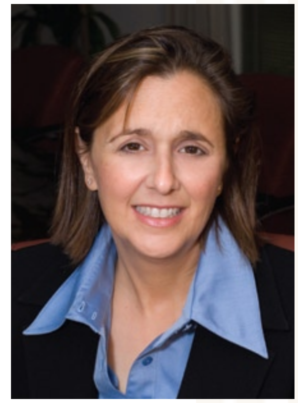
William G. Bensur, Jr., CFA
Managing Director

WILSHIRE ASSOCIATES INCORPORATED
210 Sixth Avenue, Suite 3720, Pittsburgh, PA 15222
TEL 412.434.1580 FAX 412.434.1584 www.wilshire.com

Chief Investment Officer's Report

As of June 30, 2007

Investment Policy



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. The Board of Investments (Board) has exclusive control of all retirement system investments. There are a total of nine Board members; four are elected by the active and retired members, four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer-Tax Collector serves as an ex-officio member.

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.

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. LACERA employs Modern Portfolio Theory principles which recognize that higher degrees of investment risk are generally rewarded with higher 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.

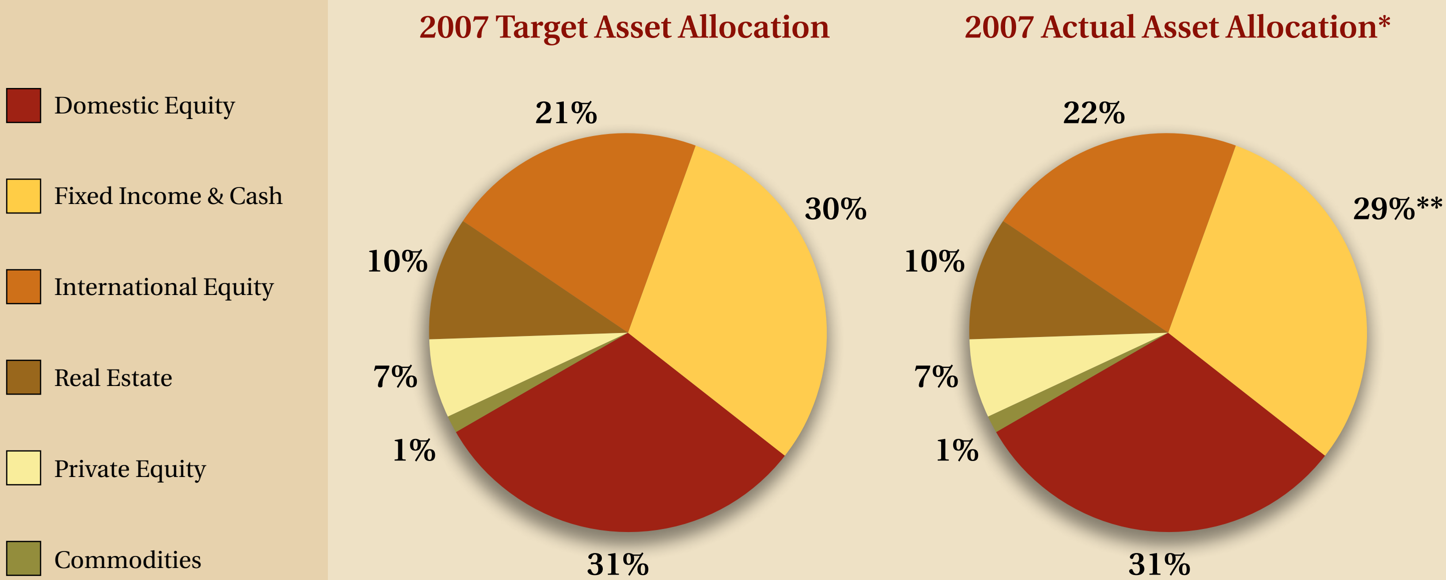
Asset Allocation

A pension fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The asset allocation policy determines a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives. The Policy also establishes ranges around each asset class's optimal weights, which act as a trigger for reallocating assets to ensure adherence to the target weights.

The Board of Investments conducted a study to determine LACERA's current asset allocation. The study, which was completed in the summer of 2005, considered the following factors:

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

The following charts display LACERA's fiscal year-end June 30, 2007 target and actual asset allocations. As shown, the actual allocations are close to the Board-approved asset allocation policy.



*The 2007 Actual Asset Allocation is based upon the Investment Summary in this Section.
**Cash may include Corporate and Government Bonds, Certificates of Deposit, and Overnight Deposits.

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.

Economic and Market Review

As the 2006-07 fiscal year began, U.S. economic growth slowed and then accelerated as the year progressed, with gross domestic product growing at 4.0% in the final quarter. Inflation remained subdued, enabling interest rates to remain low by historical standards. This low interest rate environment provided consumers and investors with low-cost debt and ultimately easy credit, resulting in tremendous financial stimulus. This liquidity spurred many financial sectors from the housing market to private equity investments.

Against this backdrop, corporate earnings remained strong, which continued to propel the domestic equity markets higher. As measured by the Russell 3000 index (a broad-based benchmark), equities returned 20.1% during this period. Mid-smaller market capitalization stocks also performed strongly, returning 18.7% as measured by the Russell 2500 index.

Two key trends that developed during this decade appeared to have reversed during this fiscal year. The S&P 500, a large market capitalization benchmark, outperformed the Russell 2000 index, a small market capitalization benchmark. In addition, growth stock investing appeared to regain momentum in 2007, reversing the trend of value investing dominating growth.

Non-U.S. stock markets sharply outperformed domestic markets, generating a 29.6% return as measured by the Morgan Stanley All Country World Index excluding the U.S. (MSCI ACWI ex U.S.). Two factors were key contributors to this return. First, emerging markets continued to generate strong results, returning a stunning 45.5% as measured by the Morgan Stanley Capital International

Index. Second, the U.S. dollar continued to depreciate against the Euro, the Yen, and the Pound. A depreciating dollar increases foreign equity returns for U.S. dollar-based investors. As such, in local currencies, the MSCI ACWI X U.S. returned 25.8%.

Returns in the bond markets were more tempered when compared with the equity market returns. The Lehman Brothers Aggregate Bond Index, a broad-based measure for government, mortgage-backed, and high quality corporate bonds, returned 6.1%. Given the immense liquidity previously discussed, overall risk premium expectations were lowered for riskier investments such as high yield bonds. As a result, high yield bonds returned 11.5% as measured by Lehman Brothers.

Summary of Performance

Both public and private markets performed well during the fiscal year ended June 30, 2007. As a result, LACERA's total fund generated a 19.1% gross of fee return for this period. With each asset class exceeding its benchmark return, the total fund surpassed its policy benchmark by 2.9% (290 basis points). While these results are excellent on both an absolute and relative basis, it is unlikely these types of returns will be sustainable over a long time period.

Key contributors to the total fund's strong returns were as follows: U.S. equities (20.5%), Non-U.S. equities (30.4%), real estate (18.9%), and private equity (31.2%). These returns were calculated by various entities including: Mellon Trust, LACERA's custodian; The Townsend Group, LACERA's real estate consultant; and Pathway Capital Management, LACERA's private equity advisor.

This was the fifth consecutive fiscal year in which LACERA's total fund generated a positive return, subsequent to the market correction experienced earlier this decade. As a result, LACERA's ten-year return remains strong at 8.4%.

Consistent with its fiduciary duty, the Board continues to adopt and evaluate new investment opportunities. The following are some key accomplishments for the fiscal year:

- Expanded the investment program to include a small allocation to commodities to dampen volatility and serve as an inflationary hedge.
- Developed a new private equity program structure and selected a new private equity advisor to assist in implementing the program.
- Completed searches for both fixed income and equity investment managers.
- Completed a search for a general consultant.
- Expanded the real estate investment program to include international real estate.

Although LACERA's returns have exceeded the fund's actuarial expectations, it is important for LACERA to remain diligent to continue meeting the fund's long-term objectives. Notwithstanding LACERA's past success, the relatively low interest rate environment introduces new hurdles into the investment equation. In addition, many institutional investors with large amounts of capital are searching for higher returns, thereby creating a challenging and competitive investment environment.

In response, LACERA will continue to diligently evaluate new investment opportunities while considering the risks associated with each investment. On behalf of LACERA's investment staff, I welcome this opportunity to serve the Board of Investments and the Plan's participants by prudently investing the fund's assets to ensure the fund's continued success.

Respectfully submitted,

Lisa Mazzocco

Lisa Mazzocco
Chief Investment Officer

Investment Summary

For the Year Ended June 30, 2007:

(Dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Domestic Equity and Convertibles	$ 12,897,890	31.2%
International Equity	9,038,580	21.9%
Total Equities and Convertibles	21,936,470	53.1%
Short-Term Investments	1,418,843	3.4%
Mortgages	256,791	0.6%
Subtotal Short-Term and Mortgages	1,675,634	4.0%
U.S. Government and Agency Instruments	3,754,611	9.1%
Domestic Corporate Fixed Income	6,047,569	14.6%
International Fixed Income	139,709	0.3%
Private Placement Fixed Income	446,472	1.1%
Subtotal U.S. Instruments and Fixed Income	10,388,361	25.1%
Total Fixed Income	12,063,995	29.1%
Private Equity	2,791,924	6.8%
Real Estate and Title Holdings	4,126,103	10.0%
Commodities	410,932	1.0%
Total Investments	**$41,329,424**	**100.0%**

Investment Results Based on Fair Value*

As of June 30, 2007:

	Current Year	Annualized 3-year	Annualized 5-year
Domestic Equity[1]	20.5%	12.4%	11.5%
Benchmark: Russell 3000	20.1	12.4	11.5
International Equity	30.4	24.7	19.5
Benchmark: MSCI ACWI X U.S.[2]	29.6	24.5	19.5
Fixed Income[3]	6.7	5.0	6.0
Benchmark: Fixed Income Custom Index[4]	6.4	4.5	5.3
Benchmark: Lehman Aggregate Bond Index	6.1	4.0	4.5
Real Estate[5]	18.9	18.3	14.0
Benchmark: Real Estate Target Return[6]	7.7	7.7	7.7
Private Equity[7]	31.2	27.2	16.4
Benchmark: Private Equity Target Return[8]	13.6	13.6	13.6
Total Fund (Gross of Fees)	19.1	14.4	12.5
Total Fund (Net of Fees)	18.8	14.1	12.2
Total Fund Actual Benchmark[9]	16.6	12.7	11.9
Total Fund Policy Benchmark[9]	16.2	12.5	11.7

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

[1]Includes Cash Equitization.

[2]MSCI All Country World Index X - U.S. (Net).

[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 500 basis points.

[7]Two quarters in arrears.

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

[9]The Total Fund Actual Benchmark uses current asset class weights. The Total Fund Policy Benchmark uses the fund's Board-approved target allocations.

Largest Equity Holdings (by Fair Value)

As of June 30, 2007:

(Dollars in thousands)

Shares	Description	Fair Value
649,424	Exxon Mobil Corp.	$54,474
1,098,207	General Electric Co.	42,039
978,861	Royal Dutch Shell	39,911
714,916	Citigroup, Inc.	36,668
1,173,606	Microsoft Corp.	34,586
801,020	AT&T Inc.	33,242
595,883	Bank of America Corp.	29,133
1,034,258	Cisco Systems, Inc.	28,804
233,880	BNP Paribas	27,910
719,390	ENI	26,135

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2007:
(Dollars in thousands)

Par	Description			Fair Value
110,912,000	Commit to Pur FNMA SF Mtg	5.500%	07/01/2037	$106,961
103,940,361	FNMA Pool #0888100	5.500%	09/01/2036	100,479
81,285,000	U.S. Treasury Notes	4.750%	05/15/2014	80,293
68,000,000	U.S. Treasury Notes	3.250%	01/15/2009	66,348
64,000,000	U.S. Treasury Notes	3.375%	11/15/2008	62,662
66,390,872	FNMA Pool #0745275	5.000%	02/01/2036	62,354
46,437,071	FHLMC Pool #G0-1994	5.000%	12/01/2035	43,647
40,354,000	Commit to Pur FNMA SF Mtg	5.500%	08/01/2037	38,891
36,947,051	FNMA Pool #0735503	6.000%	04/01/2035	36,665
36,785,383	FHLMC Pool #84-7671	Var Rt	04/01/2036	36,135

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2007 and 2006:
(Dollars in thousands)

	2007	2006
Investment Activity:		
Equity Managers		
Domestic	**$20,105**	$15,074
International	**9,754**	8,350
Subtotal	**29,859**	23,424
Fixed Income Managers	**14,318**	15,252
Cash and Short-Term Managers	**580**	865
Mortgage Loan Servicers	**633**	627
Private Equity Managers	**6,237**	3,673
Real Estate Managers	**19,113**	53,979
Commodity Managers	**9**	
Total Fees from Investment Activity	**70,749**	97,820
Securities Lending Activity:		
Management Fee	**829**	1,088
Total Investment Management Fees	**$71,578**	**$98,908**

Cash & Short-Term
Western Asset Management Company

Equity-Domestic
American Century Investments
Barclays Global Investors
Delta Asset Management
Eagle Asset Management, Inc.
Enhanced Investment Technology, LLC (INTECH)
FIS Funds Management, Inc.
Frontier Capital Management Company, LLC
Goldman Sachs Asset Management, LP
ICM Asset Management, Inc.
Mazama Capital Management, Inc.
Northern Trust Global Advisors
Relational Investors, LLC
Shamrock Capital Advisors, Inc.
Stinson Capital Partners L, LP
Twin Capital Management, Inc.
Western Asset Management Company

Equity-International
Acadian Asset Management, Inc.
Barclays Global Investors
Capital Guardian Trust Company
GAM International Management, Ltd.
Pyramis Global Advisors Trust Company

Fixed Income-Domestic
Barclays Global Investors
BlackRock Financial Management, Inc.
Dodge & Cox
Dolan McEniry Capital Management, LLC
Goldman Sachs Asset Management, LP
GW Capital, Inc.
LM Capital Group, LLC
Loomis, Sayles & Company, LP
Oaktree Capital Management, LP
Penn Capital Management, Inc.
PIMCO
Post Advisory Group, LLC
Principal Global Investors, LLC
Pugh Capital Management, Inc.
Wells Capital Management
Western Asset Management Company

Private Equity
Adams Street Partners
Bertram Growth Capital I (GP), LP
Excellere Partners, LLC
Falcon Investment Advisors, LLC
GTB Capital Partners, LP
HarbourVest International Private Equity Partners
Invesco Private Capital, Inc.
Knightsbridge Advisers, Inc.
Pathway Capital Management, LLC
Reliant Equity Investors, LLC
Riordan, Lewis & Haden Investors II, LP
Solera Partners, LP
Union Square Ventures (GP) 2004, LP

Real Estate
Capri Capital Advisors, LLC
CB Richard Ellis, Inc.
CB Richard Ellis Investors, LLC
CB Richard Ellis Strategic Partners UK III
Cornerstone Real Estate Advisers, Inc.
Emmes Asset Management Co., LLC
Invesco Real Estate, Inc.
LaSalle Investment Management, Inc.
Lowe Enterprises Residential
Advisors/TriPacific Capital Advisors
Phoenix Realty Group, LLC
RREEF America Partners
TA Associates Realty
Urban America, LP

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

Commodities
Lehman Brothers Asset Management, Inc.
PIMCO

Securities Lending Program
Goldman Sachs & Co.
Mellon Global Securities Lending
Standish Mellon Asset Management, LLC
Wachovia Global Securities Lending

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LACERA Protects The Big Picture. We administer defined retirement plan benefits for the employees of Los Angeles County. It is our duty to protect the benefits of sheriffs, firefighters, ambulance crews, nurses, librarians, public defenders, probation officers, and other dedicated public employees who form the framework of America. We are committed to safeguarding the lifetime benefits they were promised.

07

Actuarial Section

Downtown Skyline, Los Angeles, California

August 20, 2007

A MILLIMAN GLOBAL FIRM
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Board of Investments
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Members of the Board:

The basic financial goal of LACERA 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 Funded 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, 2004	**Funded Ratio:**	82.8%
Valuation Date:	June 30, 2005	**Funded Ratio:**	85.8%
Valuation Date:	June 30, 2006	**Funded Ratio:**	90.5%

Since 2004, the Funded Ratio has increased each year due to investment returns in excess of the actuarial assumption. If the investment returns remain at the current levels, it is expected that the recognition of the deferred asset gains from 2005 and 2006 will cause the Funded Ratio to increase in the 2007 and 2008 valuations.

It is our opinion that LACERA continues in sound financial condition as of June 30, 2006. The current funding policy is based on the Retirement Benefits Enhancement Agreement that provides 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, net of member contributions, plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or minus the amortization of any Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100%. Surplus Funding occurs when the Funded Ratio is greater than 100%. The amortization of either is funded over an open 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 Funded 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 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. Note that if all of the STAR Reserve funds were excluded from the valuation assets for funding purposes, the Funded Ratio on June 30, 2006 would decrease to 88.8%. This interim funding approach under the Agreement is not expected to be a permanent, long-term funding policy. The Board of Investments will need to reevaluate its long-term funding policy prior to the 2009 valuation. Board discussions are expected to take place in 2007 and 2008.

The June 30, 2006 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 if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

[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.

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. They will be reviewed again in late 2007.

The actuarial liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a 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 2005 and 2006 will be reflected in the 2007 and 2008 valuations. Please refer to the June 30, 2006 Actuarial Valuation report for further disclosures.

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, 2006 actuarial valuation report.

We certify the June 30, 2006 valuation was performed by qualified actuaries in accordance with the Actuarial Standards Board (ASB) standards of practice. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Karen I. Steffen, FSA, EA, MAAA
Consulting Actuary

Nick J. Collier, ASA, EA, MAAA
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 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 for the June 30, 2000 valuation. Under an interim short-term funding policy 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 in effect through the June 30, 2008 valuation only (see Note E), the County's contributions are set equal to the normal cost rate, net of expected member contributions for the next year, plus amortization of any UAAL or Surplus Funding. A UAAL occurs if the Funded Ratio is less than 100%. Surplus Funding occurs if the Funded Ratio is greater than 100%. The amortization of either is funded over an open 30-year period. (See GASB Statement No. 25, glossary section.)
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the UAAL 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 for the June 30, 2004 valuation.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 4.01% to 9.98%. 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 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 for the June 30, 2004 valuation. Plan E members receive a prorated post-retirement benefit increase of 2% for service credit earned after June 4, 2002. The portion payable is based on the member's years of service earned after June 4, 2002 divided by his/her total years of service. The portion of the full 2% increase not provided may be purchased by the member.

Consumer Price Index

Increase of 3.5% per annum. This rate was adopted 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 adopted 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 two years. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back three years.

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

These rates were adopted 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 three years. Safety members: RP-2000 Combined Mortality Table for Males, with no age adjustment.

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

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

Recent Changes and Their Financial Impact

LACERA's investment returns have exceeded the assumed rate of 7.75% over the past three years. These investment gains led to an improvement in the system's funding status and a reduction in the required County contribution rate. The Funded Ratio increased from 85.8% to 90.5% since the 2005 valuation. Nearly all of this increase was due to the investment gain.

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary [1]	Average Annual Salary	% Increase in Average Salary
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%**
June 30, 2005	General	75,167	$4,046,526,732	$53,834	1.53%
	Safety	11,217	904,864,212	80,669	3.94%
	Total	**86,384**	**$4,951,390,944**	**$57,318**	**1.86%**
June 30, 2006	General	77,167	$4,267,148,748	$55,298	2.72%
	Safety	11,464	969,379,404	84,559	4.82%
	Total	**88,631**	**$5,236,528,152**	**$59,082**	**3.08%**

[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	Member Count	Annual Allowance (in 000's)	Member Count	Annual Allowance (in 000's)	Member Count	Annual Allowance[1] (in 000's)	% Increase in Retiree Allowance	Average Annual Allowance
2002	2,371	$ 88,002	(1,525)	($14,374)	46,242	$1,280,731	7.75%	$27,696
2003	2,654	96,921	(1,664)	(15,508)	47,232	1,383,150	8.00%	29,284
2004	2,824	110,106	(1,724)	(17,387)	48,332	1,536,803	11.11%	31,797
2005	2,855	102,903	(1,418)	(17,465)	49,769	1,645,490	7.07%	33,063
2006	3,007	104,405	(1,784)	(33,101)[2]	50,992	1,768,706	7.49%	34,686
2007	2,411	79,955	(2,031)	(35,054)[2]	51,372	1,824,220	3.14%	35,510

[1] Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30.

[2] Includes COLA amounts not included in the previous years' Annual Allowance totals.

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, 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%
June 30, 2005	4,308	20,238	9,829	29,497	100%	100%	50%
June 30, 2006	4,628	21,377	10,254	32,820	100%	100%	66%

Actuarial Analysis of Financial Experience

(Dollars in millions)

	Valuation Date as of June 30					
	2001	2002	2003	2004	2005	2006
Prior Valuation Unfunded Actuarial Accrued Liability	($706)	$ 0	$ 175	$3,910	$5,611	$4,878
Expected Increase (Decrease) from Prior Valuation	128	(26)	162	312	128	(31)
Salary Increases Greater (Less) than Expected	40	(20)	(66)	(270)	(115)	156
CPI less than Expected		(39)		(31)		
Change in Assumptions	(239)			697		
Asset Return Less (Greater) than Expected	690	(194)	3,351	871	(790)	(1,642)
All Other Experience	87	13	248	122	44	28
Change in Actuarial Asset Method			40			
Change in Application of Actuarial Asset Method		441				
Recognition of Liabilities due to Court Cases						50
Ending Unfunded Actuarial Accrued Liability (Surplus)	**$ 0**	**$175**	**$3,910**	**$5,611**	**$4,878**	**$3,439**

Probability of Occurrence

Age	Service Retirement	Other Terminations	Service Disability	Ordinary Disability	Service Death	Ordinary Death
Plan 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
Plan 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 & 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 & 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 & 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 & 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
Plan 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 & up	0.0000
60	1.0000	0.0000	0.0038	0.0000	0.0000		
Plan 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 & up	0.0000
60	1.0000	0.0000	0.0078	0.0000	0.0000		

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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 numerous duties of the Boards are specified throughout the retirement law. The Boards may make regulations (Bylaws) not inconsistent with the retirement law.	(31525)

GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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 who work three-quarter time or more are eligible for membership in LACERA.

(31551, 31552, Bylaws)

Employees eligible for safety membership (law enforcement, firefighting 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, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS

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. (31494.2)

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. (Non-contributory 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

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 six months (or 90 days 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 first other system. If a member enters LACERA from the Public Employee's 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 website, 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. (31461, 31461.1, 31461.3, 31461.4, 31461.45, 31620, 31639.1, 31831.3, 31833, 31833.1)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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, BOARD RESOLUTIONS, 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 and the Board of Investments.	(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 six 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, BOARD RESOLUTIONS, 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 half-time position would mean it would take two years to earn one full year of credit. (31640.5)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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 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)
Contract Completion: A member who elects to purchase credit under Section 31494.3, 31494.5, 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, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS
SERVICE RETIREMENT ALLOWANCE	
Compensation Limit:	
The amount of compensation 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 a safety member who first became a safety member on or after April 1, 1997.	(31662.4, 31662.6, 31663.25)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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, BOARD RESOLUTIONS, 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 retired 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 the benefit may be paid to the member's eligible children.

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)

Eligible children are unmarried children below the age of 18 (below 22 if unmarried and full-time students in an accredited school). (31780.1, 31780.2)

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.

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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 retired 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 or domestic partner. 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 or domestic partner.	(31760.5, 31780.2)
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 customized 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 Unmodified+Plus or Option 2, 3, or 4.	(31782)

GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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 retired 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, a blood-borne infectious disease, or without regard to the member's length of service, an illness due to exposure to a biochemical substance, such heart trouble, cancer, disease, or illness is presumed to arise out of, and in the course of, employment. The presumptions for the latter three are extended following termination of service. (31720, 31720.5, 31720.6, 31720.7, 31720.9)

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, BOARD RESOLUTIONS, 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: 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, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS
The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise the allowance equals (a) or (b):	(31726, 31726.5)
(a) 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) 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 retired 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 and there are no eligible children.	(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, BOARD RESOLUTIONS, 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-month compensation) is payable to the named beneficiary. (31781)

If there is a surviving domestic partner and eligible minor children, and the children elect the lump-sum benefit, the payment will be shared proportionately among the surviving children and the domestic partner.

Monthly Allowance:

If a member would have been entitled to retirement in the event of a service-connected disability, but dies prior to retirement as a result of injury or disease arising out of and in the course of employment, an optional monthly death allowance is payable to the surviving spouse, eligible children, or domestic partner equal to the retirement allowance to which the deceased member would have been entitled if he or she retired for 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: (31780.2, 31781.3)

(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-month 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.

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, BOARD RESOLUTIONS, 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 monthly rate of compensation at the time of 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. If there is a surviving domestic partner and eligible minor children, and the children elect the lump-sum benefit, the payment will be shared proportionately among the surviving children and the domestic partner. 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 an injury or illness, 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 26, 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, BOARD RESOLUTIONS, 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 26, 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 26, 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 26, 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 26, 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, BOARD RESOLUTIONS, 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 age 70.5.	(31706)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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 Judge's Retirement System or Judge's 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 Judge's Retirement System or Judge's 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, BOARD RESOLUTIONS, 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, subject to meeting normal retirement age or a required 90-day break in service, without reinstatement from retirement or loss of benefits, be employed in a position requiring special skills or knowledge. The employment may not 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 Board of Retirement Resolution 06-001)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, 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, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS

NON-CONTRIBUTORY PLAN E

MEMBERSHIP ELIGIBILITY

Plan E is a non-contributory retirement plan only available to permanent employees of Los Angeles County (County) and participating Districts who work three-quarter 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 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 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 to transfer 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, BOARD RESOLUTIONS, 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 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 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, BOARD RESOLUTIONS, 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:	
Two percent x final compensation x years of service, not to exceed 35 years, plus one percent 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:	(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, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS
For those members who have not attained the normal retirement age under the federal system: (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.	(31491, 31491.3)
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 retired 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. After January 1, 2005, the continuing allowance may be paid to the member's domestic partner if the domestic partnership was registered 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,
BOARD RESOLUTIONS,
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 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 retired 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 or domestic partner. 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 or domestic partner.

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 a 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 Unmodified+Plus or Option 2, 3 or 4.

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

A service-connected disability retirement allowance is not available under Plan E. (31487)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS
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)
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.	(31487, 31495.5)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS
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.	
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)
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.	(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, subject to meeting normal retirement age or a required 90-day break in service, without reinstatement from retirement or loss of benefits, be employed in a position requiring special skills or knowledge. The employment may not 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 Board of Retirement Resolution 06-001)

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LACERA Delivers on The Big Picture. We produce, protect, and provide the promised benefits. Through our efforts, our members can trust their retirement fund is strong. They can trust when they retire, LACERA will pay them the lifetime benefits provided by their defined benefit retirement plan. As a result of what we do, these individuals dedicated to public service are able to transition into retirement with the peace of mind that comes from knowing their retirement is secure.

07

Statistical Section

Vasquez Rocks, Santa Clarita, California

Changes in Pension Plan Net Assets

Last Ten Fiscal Years

(Dollars in thousands)

	1998	1999	2000	2001	2002
Additions					
Employer Contributions	$ 9,420	$ 85,576	$ 130,319	$ 193,650	$ 297,928
Member Contributions	179,476	202,062	198,618	216,297	265,573
Net Investment Income	3,460,959	3,342,362	4,335,941	(2,382,548)	(1,533,625)
Miscellaneous	1,223	2,563	2,536	2,972	133
Total Additions	**3,651,078**	**3,632,563**	**4,667,414**	**(1,969,629)**	**(969,991)**
Deductions					
Total Benefit Expenses	943,595	998,181	1,065,265	1,155,670	1,240,371
(see Pension Benefit Expenses by Type)					
Administrative Expense	24,904	27,562	29,401	33,417	37,402
Retiree Health Care Program	42,477	51,164	48,611	52,717	57,654
Miscellaneous	2,593	4,528	2,096	653	604
Total Deductions	**1,013,569**	**1,081,435**	**1,145,373**	**1,242,457**	**1,336,031**
Transfer to OPEB Agency Fund					
Change in Plan Net Assets	**$2,637,509**	**$2,551,128**	**$3,522,041**	**$(3,212,086)**	**$(2,306,022)**

	2003	2004	2005	2006*	2007*
Additions					
Employer Contributions	$ 325,524	$ 395,109	$ 527,810	$ 676,667	**$ 751,928**
Member Contributions	233,192	262,699	286,096	296,176	**347,701**
Net Investment Income	924,991	4,118,500	3,396,193	4,092,410	**6,487,184**
Miscellaneous	151,215	2,605	3,222	1,582	**1,803**
Total Additions	**1,634,922**	**4,778,913**	**4,213,321**	**5,066,835**	**7,588,616**
Deductions					
Total Benefit Expenses	1,339,202	1,447,511	1,562,363	1,798,463	**1,792,654**
(see Pension Benefit Expenses by Type)					
Administrative Expense	41,523	38,684	43,182	42,469	**43,880**
Retiree Health Care Program	53,407	59,054	62,318		
Miscellaneous	224	287	536	75	**197**
Total Deductions	**1,434,356**	**1,545,536**	**1,668,399**	**1,841,007**	**1,836,731**
Transfer to OPEB Agency Fund				66,344	**29,368**
Change in Plan Net Assets	**$ 200,566**	**$3,233,377**	**$2,544,922**	**$3,159,484**	**$5,722,517**

*Reclassified to reflect GASB No. 43 implementation.

Pension Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in thousands)

	1998	1999	2000	2001	2002
Service Retiree Payroll					
General	$588,036	$614,824	$ 650,584	$ 702,400	$ 751,892
Safety	95,183	104,465	115,813	128,635	141,541
Total	**683,219**	**719,289**	**766,397**	**831,035**	**893,433**
Disability Retiree Payroll					
General	99,261	103,262	106,416	111,707	116,791
Safety	143,927	157,484	173,989	193,554	212,433
Total	**243,188**	**260,746**	**280,405**	**305,261**	**329,224**
Total Retiree Payroll					
General	687,297	718,086	757,000	814,107	868,683
Safety	239,110	261,949	289,802	322,189	353,974
Total	**926,407**	**980,035**	**1,046,802**	**1,136,296**	**1,222,657**
Refunds*					
General	*	*	*	*	*
Safety	*	*	*	*	*
Total	**16,391**	**16,295**	**17,250**	**17,640**	**16,259**
Lump-Sum Death Benefits	**797**	**1,851**	**1,213**	**1,734**	**1,455**
Total Benefit Expenses	**$943,595**	**$998,181**	**$1,065,265**	**$1,155,670**	**$1,240,371**

	2003	2004	2005	2006	2007
Service Retiree Payroll					
General	$ 802,308	$ 867,715	$ 942,997	$ 1,072,193	**$1,087,908**
Safety	161,269	178,829	192,093	234,565	**228,779**
Total	**963,577**	**1,046,544**	**1,135,090**	**1,306,758**	**1,316,687**
Disability Retiree Payroll					
General	115,090	117,964	123,297	135,397	**133,361**
Safety	242,108	262,436	283,700	335,226	**322,979**
Total	**357,198**	**380,400**	**406,997**	**470,623**	**456,340**
Total Retiree Payroll					
General	917,398	985,679	1,066,294	1,207,590	**1,221,269**
Safety	403,377	441,265	475,793	569,791	**551,758**
Total	**1,320,775**	**1,426,944**	**1,542,087**	**1,777,381**	**1,773,027**
Refunds*					
General	*	*	*	16,889	**15,682**
Safety	*	*	*	2,842	**2,356**
Total	**16,756**	**18,088**	**18,630**	**19,731**	**18,038**
Lump-Sum Death Benefits	**1,671**	**2,479**	**1,646**	**1,351**	**1,589**
Total Benefit Expenses	**$1,339,202**	**$1,447,511**	**$1,562,363**	**$1,798,463**	**$1,792,654**

*Detail of Refunds available beginning in FY 2006.

Active/Deferred Members and Unclaimed Accounts

Last Ten Fiscal Years

	1998	1999	2000	2001	2002
Active Vested					
General	43,444	44,436	46,366	46,886	47,763
Safety	9,005	8,795	8,789	9,037	9,030
Subtotal	52,449	53,231	55,155	55,923	56,793
Active Non-Vested					
General	22,334	24,216	25,574	28,162	29,299
Safety	1,942	2,229	2,475	2,984	2,790
Subtotal	24,276	26,445	28,049	31,146	32,089
Total Active Members					
General	65,778	68,652	71,940	75,048	77,062
Safety	10,947	11,024	11,264	12,021	12,190
Total	**76,725**	**79,676**	**83,204**	**87,069**	**89,252**
Deferred Members					
General	4,624	4,859	5,076	5,325	5,799
Safety	152	160	162	179	209
Total	**4,776**	**5,019**	**5,238**	**5,504**	**6,008**
Unclaimed Accounts					
General	35	29	18	1,196	1,103
Safety	2	1	1	43	38
Total	**37**	**30**	**19**	**1,239**	**1,141**

	2003	2004	2005	2006	2007
Active Vested					
General	48,513	50,235	52,113	53,281	**53,921**
Safety	9,221	9,295	9,269	9,857	**10,059**
Subtotal	57,734	59,530	61,382	63,138	**63,980**
Active Non-Vested					
General	27,482	24,591	23,054	23,886	**25,908**
Safety	2,544	2,114	1,948	1,607	**2,208**
Subtotal	30,026	26,705	25,002	25,493	**28,116**
Total Active Members					
General	75,995	74,826	75,167	77,167	**79,829**
Safety	11,765	11,409	11,217	11,464	**12,267**
Total	**87,760**	**86,235**	**86,384**	**88,631**	**92,096**
Deferred Members					
General	6,129	6,260	6,591	7,021	**7,441**
Safety	265	299	389	438	**470**
Total	**6,394**	**6,559**	**6,980**	**7,459**	**7,911**
Unclaimed Accounts					
General	1,293	1,209	1,170	1,112	**1,089**
Safety	55	50	46	40	**40**
Total	**1,348**	**1,259**	**1,216**	**1,152**	**1,129**

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System Second Generation)

Retired Members by Type of Pension Benefit

As of June 30, 2007:

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$ 1 - $1,000	18,555	11,346	2,326	4,883
$1,001 - $2,000	12,977	9,017	2,340	1,620
$2,001 - $3,000	7,403	5,243	1,669	491
$3,001 - $4,000	4,310	3,258	861	191
$4,001 - $5,000	2,885	2,248	533	104
$5,001 - $6,000	2,009	1,511	452	46
$6,001 - $7,000	1,245	875	347	23
Greater than $7,000	2,008	1,467	517	24
	51,392	**34,965**	**9,045**	**7,382**

Amount of Monthly Benefit	Option Selected**					
	Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$ 1 - $1,000	17,583	118	264	508	58	24
$1,001 - $2,000	12,300	132	159	318	43	25
$2,001 - $3,000	7,026	92	74	175	23	13
$3,001 - $4,000	4,068	85	51	79	16	11
$4,001 - $5,000	2,681	77	42	55	15	15
$5,001 - $6,000	1,874	72	19	31	2	11
$6,001 - $7,000	1,147	52	8	20	4	14
Greater than $7,000	1,823	122	12	24	7	20
	48,502	**750**	**629**	**1,210**	**168**	**133**

*Type of Retirement:

1 - Service Retiree
2 - Disability Retiree
3 - Beneficiary/Continuant/Survivor

**Option Selected:

Unmodified - For Plans A-D, beneficiary receives 65% of the member's allowance (60% if the member died before June 4, 2002); for Plan E, beneficiary receives 55% of member's allowance (50% if the member died before June 4, 2002).

The following options reduce the member's monthly benefit:

Unmodified+Plus - For all Plans (A-E), member's allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/domestic partner.
Option 1 - Beneficiary receives lump sum of member's unused contributions.
Option 2 - Beneficiary receives 100% of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50% of member's reduced monthly benefit.
Option 4 - Beneficiary receives percentage of member's reduced monthly benefit or a customized dollar amount as designated by member.

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System Second Generation)

Retired Members by Type of OPEB Benefit

As of June 30, 2007:

	Medical Benefit/Premium Amounts					Total Member Count
	$1-$500	**$501-$1,000**	**$1,001-$1,500**	**$1,501-$2,000**	**> $2,000**	
Medical Plans by Plan Type						
Blue Cross I	1	1,738	36	1,013		2,788
Blue Cross II		2,025	89	2,525		4,639
Blue Cross III	4,483	3,711	53			8,247
Blue Cross Prudent Buyer Plan	3	1,272	1,068			2,343
CIGNA HealthCare for Seniors	24	3				27
CIGNA Network Model Plan	8	820	737			1,565
Kaiser - California		3,372	3,425	295	26	7,118
Kaiser - Senior Advantage	8,433	1,437				9,870
Kaiser - Colorado	25	8	3	4		40
Kaiser - Georgia	25	30	36			91
Kaiser - Hawaii	49	14	2			65
Kaiser - Oregon-Washington	60	67	22	1		150
Firefighters Local 1014		359	903	99		1,361
PacifiCare		397	373			770
Scan Health Plan	339					339
Secure Horizons - PacifiCare	1,186	192	16			1,394
Total Medical by Plan Type	**14,636**	**15,445**	**6,763**	**3,937**	**26**	**40,807**
Medical Plans by Retirement Type						
Service Retirees	10,838	10,715	4,399	2,936	20	28,908
Disability Retirees	1,444	2,487	2,205	955	6	7,097
Survivors	2,354	2,243	159	46		4,802
Total by Retirement Type	**14,636**	**15,445**	**6,763**	**3,937**	**26**	**40,807**

	Dental/Vision Benefit/Premium Amount $1 - $500	Total Member Count
Dental/Vision Plans by Plan Type		
CIGNA Indemnity Dental/Vision	35,902	35,902
CIGNA Dental HMO/Vision	4,270	4,270
Total Dental/Vision by Plan Type	**40,172**	**40,172**
Dental/Vision Plans by Retirement Type		
Service Retirees	28,330	28,330
Disability Retirees	7,117	7,117
Survivors	4,725	4,725
Total by Retirement Type	**40,172**	**40,172**

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System Second Generation)

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/97 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
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

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/99 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
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

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**5 - 9**	**10 - 14**	**15 - 19**	**20 - 24**	**25 - 29**	**30+**
7/1/01 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
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

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service: 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/03 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
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

Schedule of Average Pension Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service					
	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/05 to 6/30/06						
Retirants						
General Members						
Average Monthly Benefit	$ 754	$ 1,001	$ 1,491	$2,351	$3,652	$ 4,207
Average Final Average Salary	$ 4,402	$ 4,291	$ 4,521	$5,550	$7,178	$ 5,771
Number of Active Retirants	75	268	277	180	235	908
Safety Members						
Average Monthly Benefit	$ 4,625	$ 3,843	$ 3,408	$3,612	$5,977	$ 7,646
Average Final Average Salary	$ 6,858	$ 6,458	$ 6,994	$7,454	$8,461	$ 9,032
Number of Active Retirants	29	19	13	29	58	110
Survivors						
General Members						
Average Monthly Benefit	$ 611	$ 635	$ 726	$1,132	$1,793	$ 2,434
Average Final Average Salary	$ 2,962	$ 3,500	$ 3,397	$3,707	$4,519	$ 4,518
Number of Active Survivors	19	52	31	30	37	71
Safety Members						
Average Monthly Benefit	$ 487	$ 1,608	$ 2,449	$2,693	$3,358	$ 5,707
Average Final Average Salary	$ 5,061	$ 5,254	$ 6,059	$4,501	$5,950	$ 7,384
Number of Active Survivors	1	4	3	6	6	21
7/1/06 to 6/30/07						
Retirants						
General Members						
Average Monthly Benefit	$ 1,011	$ 955	$ 1,445	$1,927	$2,325	$ 4,068
Average Final Average Salary	$ 4,398	$ 4,201	$ 4,775	$5,224	$5,070	$ 5,749
Number of Active Retirants	74	219	246	177	266	624
Safety Members						
Average Monthly Benefit	$ 2,714	$ 3,414	$ 3,433	$3,837	$5,903	$ 8,093
Average Final Average Salary	$ 6,093	$ 7,083	$ 6,906	$7,498	$8,622	$10,050
Number of Active Retirants	25	19	20	14	62	88
Survivors						
General Members						
Average Monthly Benefit	$ 600	$ 480	$ 917	$ 951	$1,565	$ 2,210
Average Final Average Salary	$ 2,436	$ 3,462	$ 4,165	$3,246	$4,171	$ 4,832
Number of Active Survivors	15	31	31	34	27	61
Safety Members						
Average Monthly Benefit	$ 3,432	$ 2,960	$ 2,549	$2,138	$2,939	$ 4,493
Average Final Average Salary	$ 6,863	$ 3,735	$ 6,591	$4,149	$5,347	$ 6,656
Number of Active Survivors	2	1	4	3	8	15

Participating Pension Employers and Active Members

Last Ten Fiscal Years

	1998	1999	2000	2001	2002
County of Los Angeles					
General Members	65,753	68,631	71,940	75,034	77,048
Safety Members	10,947	11,024	11,264	12,021	12,190
Total	**76,700**	**79,655**	**83,204**	**87,055**	**89,238**
Participating Agencies (General Membership)					
South Coast Air Quality Mgmt District	7	6	8	3	3
Los Angeles County Office of Education	10	8	8	5	5
Little Lake Cemetery District	3	3	2	2	2
Local Agency Formation Commission	5	4	5	4	4
Total	**25**	**21**	**23**	**14**	**14**
Total Active Membership					
General Members	65,778	68,652	71,963	75,048	77,062
Safety Members	10,947	11,024	11,264	12,021	12,190
Total	**76,725**	**79,676**	**83,227**	**87,069**	**89,252**

	2003	2004	2005	2006	2007
County of Los Angeles					
General Members	75,980	74,811	75,154	77,153	**79,816**
Safety Members	11,765	11,409	11,217	11,464	**12,267**
Total	**87,745**	**86,220**	**86,371**	**88,617**	**92,083**
Participating Agencies (General Membership)					
South Coast Air Quality Mgmt District	2	2	2	2	**2**
Los Angeles County Office of Education	4	3	3	3	**3**
Little Lake Cemetery District	2	2		1	**1**
Local Agency Formation Commission	7	8	8	8	**7**
Total	**15**	**15**	**13**	**14**	**13**
Total Active Membership					
General Members	75,995	74,826	75,167	77,167	**79,829**
Safety Members	11,765	11,409	11,217	11,464	**12,267**
Total	**87,760**	**86,235**	**86,384**	**88,631**	**92,096**

Participating OPEB Employers and Retired Members

*As of June 30, 2007:**

	Medical	Dental/Vision
Los Angeles County and Participating Agencies	40,807	40,172

*This schedule was implemented effective with GASB No. 43 reporting in FYE 6/30/07 and contains only one year of data.

Source: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System Second Generation)

Employer Contribution Rates
County of Los Angeles
Last Ten Fiscal Years

Effective Date			General Plan A	General Plan B	General Plan C	General Plan D	General Plan E	Safety Plan A	Safety Plan B
7/1/1996	to	9/30/1998	9.64%	6.03%	5.69%	5.90%	6.48%	16.73%	9.29%
10/1/1998	to	6/30/1999	9.77%	6.46%	6.20%	6.84%	6.50%	20.42%	13.51%
7/1/1999	to	6/30/2002	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%
7/1/2002	to	6/30/2003	14.85%	8.22%	7.88%	7.94%	7.64%	21.86%	18.79%
7/1/2003	to	6/30/2004	15.31%	8.59%	8.21%	8.31%	7.70%	22.32%	18.75%
7/1/2004	to	6/30/2005	20.02%	13.07%	12.67%	12.72%	12.38%	26.84%	23.20%
7/1/2005	to	6/30/2006	21.42%	14.53%	14.16%	14.25%	14.33%	28.21%	23.65%
7/1/2006	to	6/30/2007	20.17%	13.31%	13.02%	13.16%	13.32%	28.05%	22.70%

Employer Contribution Rates
Los Angeles County Office of Education, Little Lake Cemetery District, and Local Agency Formation Commission
Last Ten Fiscal Years

Effective Date			General Plan A	General Plan B	General Plan D	General Plan E
7/1/1996	to	9/30/1998	8.95%	6.02%	5.90%	6.48%
10/1/1998	to	6/30/1999	9.08%	6.45%	6.84%	6.50%
7/1/1999	to	6/30/2002	10.96%		6.95%	6.00%
7/1/2002	to	6/30/2003	14.14%		7.94%	7.64%
7/1/2003	to	6/30/2004	14.60%		8.31%	7.70%
7/1/2004	to	6/30/2005	19.31%		12.72%	12.38%
7/1/2005	to	6/30/2006	20.80%		14.25%	14.33%
7/1/2006	to	6/30/2007	20.17%		13.16%	13.32%

Effective July 1, 1999, there were no active members in Plan B.
Rates applicable to the Los Angeles County Office of Education are limited to Plan A.
Rates applicable to Little Lake Cemetery District are limited to Plan D.
Rates applicable to the Local Agency Formation Commission are limited to Plans D and E.

Employer Contribution Rates
South Coast Air Quality Management District
Last Ten Fiscal Years

Effective Date			General Plan A	General Plan B	General Plan C
7/1/1996	to	9/30/1998	14.56%	12.41%	11.72%
10/1/1998	to	6/30/1999	14.69%	12.84%	12.23%
7/1/1999	to	6/30/2002	16.86%	15.61%	15.04%
7/1/2002	to	6/30/2003	15.69%	11.06%	10.75%
7/1/2003	to	6/30/2004		11.44%	11.09%
7/1/2004	to	6/30/2005		15.93%	15.56%
7/1/2005	to	6/30/2006		20.39%	18.80%
7/1/2006	to	6/30/2007		19.18%	18.91%

Effective July 1, 2003, there were no active members in Plan A.
SCAQMD recalculates their employer contribution rates to pick up a portion of their employee rates, in accordance with their labor contract.

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The 2007 Annual Report was designed by LACERA's Communications Division.
All photos are of Los Angeles County locations.

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ANNUAL REPORT

LACERA

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