LACERA

Los Angeles County Employees Retirement Association

Achieve

Comprehensive Annual Financial Report for the Year Ended June 30, 2008

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

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

08

L//CERA

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, 2008

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

We Achieve!

At LACERA, we achieve.

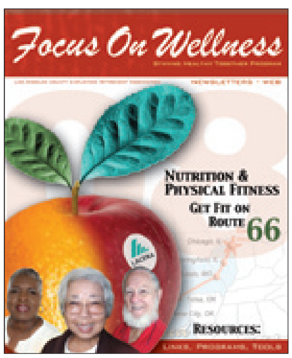
We go beyond what's required and aspire to be a world-class organization. We create and put into practice goals to strengthen our customer service efforts, stay current with technology and best business practices, and improve accuracy and efficiency. We also like to innovate.

We challenge our ideas, work hard and smart, are budget- and security-minded, and through our collaborative strengths, we achieve success.

We are dedicated to our members. We help them maximize their retirement, and we produce, protect, and provide their promised benefits.

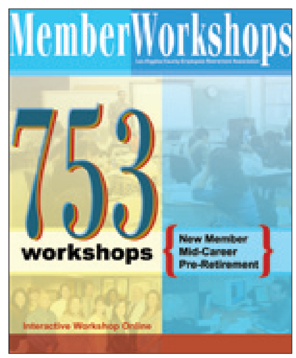
As an organization, we have the drive and know-how to achieve.

2007-2008 Achievements:



{FINANCIAL SECTION}

{INVESTMENT SECTION}



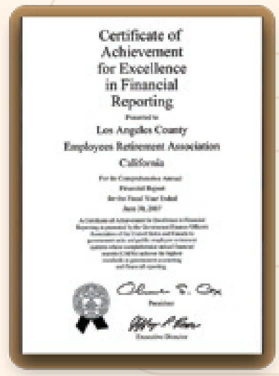
{ACTUARIAL SECTION}

{STATISTICAL SECTION}

We visually share our achievements on the cover and throughout this annual report.
For a written, detailed description, please review the Letter of Transmittal.

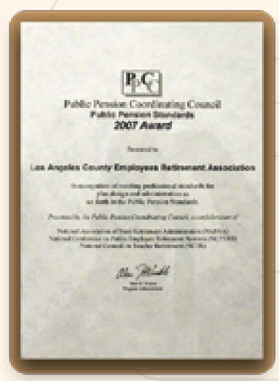
Certificate of Achievement

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. This report must satisfy both generally accepted accounting principles and applicable legal requirements. For the 18th consecutive year, LACERA has earned this prestigious award for the 2007 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

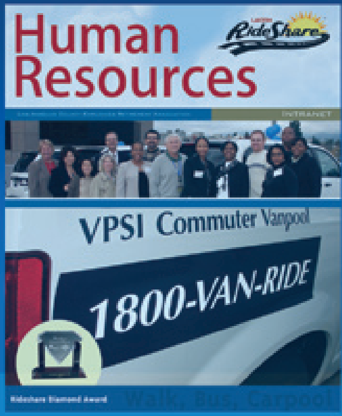
LACERA received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2007 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations 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 roots of true achievement lie in the will to become the best that you can become."

— Harold Taylor, Canadian author

{ Introductory Section } 2

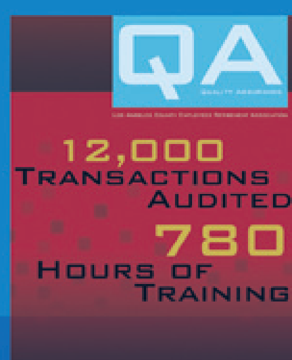


{ Financial Section } 18

{ Investment Section } 64

{ Actuarial Section } 76

{ Statistical Section } 106



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 13, 2008
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, 2008. 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. It is our mission to produce, protect, and provide the promised benefits to our members and their beneficiaries. In the course of fulfilling that mission, we provide extensive customer services to over 158,000 members, including more than 52,000 benefit recipients.

By maintaining a prudent, diversified, and forward-thinking investment strategy, we remain strategically positioned to weather rough economic storms and remain financially sound. 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.

This fiscal year marked the end of LACERA's five-year string of positive total fund returns. Given current market volatility and the challenging economic climate, the strong returns previously earned were not sustainable. The total fund returned a negative 1.4 percent. However, LACERA's five-year annualized return is still a positive 11.2 percent, net of fees.

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, 2007.

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 plan and 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.

Robert R. Hill
Assistant Executive Officer

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 to cover 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, 2007 valuation, determining the funding ratio to be 93.8 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $2.46 billion. The County contribution rate was therefore set equal to 2.24 percent of payroll for the amortization of the UAAL over an open 30-year period, plus the normal cost rate of 10.16 percent, for a total contribution rate of 12.40 percent of payroll.

Achievements

LACERA was created by the County Employees Retirement Law of 1937 (CERL) to administer the retirement plan benefits for the employees of Los Angeles County and participating districts. Our purpose is two-fold: to achieve long-term growth and security for the retirement fund and to assure our members achieve the lifetime benefits promised by their LACERA defined benefit retirement plans.

At LACERA, we achieve! We go beyond what's required and aspire to be a world-class organization. We create and put into practice fiscal-year goals to strengthen our customer service efforts, stay current with technology and best business practices, and improve accuracy and efficiency. We also like to innovate. We challenge our ideas, work hard and smart, are budget- and security-minded, and through our collaborative strengths, we achieve success.

Highlights of our 2007-2008 fiscal year achievements are presented herein.

Division Activities

Administrative Services Division

Our Administrative Services Division remained focused on providing vital daily support services to our organization, including procurement, budget administration, facilities management, document processing, and mail distribution. The division also oversees special programs, such as Health & Safety, Risk Management, Records Management, and Business Continuity.

Fiscal Year Achievements:

- 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 365,000 mail pieces, including more than 100,000 responses to member inquiries.
- LACERA's Records Management team developed a new records retention policy incorporating the latest governing mandates and industry best practices.
- Our Facilities Management team completed renovation of the Robert J. Hermann Memorial Board Room. The updated setting features new technology and furnishings designed to improve safety and access for members attending Board meetings.

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 Achievements:

- Processed 97.77 percent of active member requests within 30 days and 100 percent within 60 days.
- Processed average monthly retiree payroll of $171 million for 51,392 retirees.
- Processed 2,392 new retirees; 99.22 percent were paid in one payroll cycle.
- Reviewed 1,600 member accounts and identified accounts owing back contributions due to birth date discrepancies; accounts were billed and forwarded to the Financial and Accounting Services Division for collections.
- Eight new staff members successfully completed an intensive six-month Claims Business Processes training program conducted by Quality Assurance & Metrics.
- Updated membership dates and service credit accruals of Plan E members who entered County service between 1982-1991; this is Phase 1 of a Board of Retirement-approved project to assure LACERA's entry date policy is consistently applied on all member accounts.

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 web sites, newsletters, brochures, annual reports, special mailings, videos, and presentations.

Fiscal Year Achievements:

- Created a New General Member Interactive Workshop on lacera.com which utilizes videos, quizzes, and written content to assist new hires with the selection of a retirement plan.
- Contributed to the development of the Staying Healthy Together: Focus on Wellness, the retiree health improvement program with newsletter and web site.
- Collaborated with Member Services, Claims Processing, Disability, and Human Resources (HR) to present the fourth annual Countywide LACERA Resource Conference for HR Professionals.
- Partnered with Systems Division in the creation of the Retirement Benefit Estimate feature in My LACERA, member's 24/7 access to personal data, on lacera.com.
- Created quarterly newsletters, *Spotlight on Retirement* and *PostScript*.

- Developed specialized mailings regarding the L.A. County Fire Department Association of Chiefs Judgment, tax issues on heart presumption service-connected disability retirements, the Bugh Judgment, and Pension Protection Act of 2006 tax issues affecting retired Public Safety Officers.
- Continued to expand and update the association's web sites: lacera.com, employee intranet, board web site, HR Professionals site, and KBase internal online knowledge source.
- Partnered with the Financial and Accounting Services Division to create LACERA's 2006-2007 annual report. The report earned awards from the Government Finance Officers Association and the Public Pension Coordinating Council.
- Collaborated with Quality Assurance and Member Services to create member surveys on Call Center and Public Counter services.

Janice Golden
Assistant Executive Officer

Disability Division

Disability Retirement Services continued to investigate and process disability retirement applications in a timely and efficient manner.

Fiscal Year Achievements:

- Processed and presented 269 disability applications to the Board of Retirement (BOR).
- Assisted County departments in placing disability retirement applicants in permanently modified assignments and presented three Salary Supplement Allowance disability retirement applications to the BOR.
- Participated in 32 interactive meetings between County return-to-work coordinators and their disabled employees.
- Presented disability retirement material at 17 County educational and training seminars.
- Served as presenters at LACERA's Resource Conference for County HR professionals.
- Provided disability retirement information to 301 members at LACERA's Public Counter.

Human Resources

Human Resources staff continued to recruit new employees and provide support and training to all LACERA employees.

Fiscal Year Accomplishments:

- Arranged mandatory training sessions on sexual harassment and privacy for 293 staff members.
- Researched, coordinated, and managed enrollment for offsite skill-building workshops for 245 staff members.
- Contracted for and managed enrollment on onsite training workshops for more than 200 staff members.
- Orchestrated Mentoring Program—a series of voluntary one-on-one sessions whereby seasoned LACERA professionals coach less experienced staff on professional development and other topics.
- Developed, implemented, and managed a variety of compensation and employee programs to ensure adherence to applicable laws and established rules and regulations.
- Managed and monitored return-to-work, reasonable accommodations, and disability and leave management in compliance with State and Federal laws and established rules and regulations.
- Developed and implemented an Employee Commute Reduction Plan in compliance with South Coast Air Quality Management District (AQMD) Rule 2202.

- Planned, created, and supported a new Rideshare Program, including the introduction of six new employee vanpools. Earned 2008 Metro Rideshare Diamond Award from L.A. County Metropolitan Transportation Authority.

Internal Audit

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

Fiscal Year Achievements:

- Oversaw the successful completion of an external Fiduciary Review of LACERA.
- Completed revised organization-wide risk assessment of LACERA.
- Completed 25 audits and 10 consulting plans, along with other projects within the fiscal year 2007-2008 Audit Plan.

Legal Office

In accordance with the Board of Investments' (BOI) 2001 Securities Litigation Policy, our Legal Office maintained its commitment to monitor securities fraud class actions and aggressively pursue recovery of losses suffered by LACERA as a result of incidents involving corporate corruption and fraud.

Fiscal Year Achievements:

- Recognized by the National Association of Public Pension Attorneys as an institution at the forefront of shareholder litigation.
- Recovered more than $40 million in securities litigation for the retirement fund since the adoption of the BOI Securities Litigation Policy.

Member Services Division

The Member Services Division served LACERA members with increased accuracy, efficiency, and professionalism.

Fiscal Year Achievements:

- Served 12,979 members at our public counter.
- Answered approximately 127,000 telephone inquiries from members.
- Presented more than 750 workshops serving over 14,000 people at 138 different locations throughout Los Angeles County.
- Introduced new Call Center and revised Public Counter surveys to elicit valuable member feedback.
- Launched a Secret Shopper program to monitor service quality in Outreach workshops.
- Worked with Communications Division to revise the Pre-Retirement Guide and workshop presentation.
- Participated in multi-divisional project to design and implement the online Retirement Benefit Estimate feature on My LACERA; lacera.com.
- Enhanced member counseling through the development of standardized checklists to ensure all important points are addressed during individual counseling at the Public Counter and on the phone.
- Improved member communication by partnering with our Claims Processing and Financial and Accounting Services divisions on letters to members.

Quality Assurance & Metrics Division

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

Fiscal Year Achievements:

- Audit of 12,091 Claims Processing and Members Services Divisions transactions to monitor accuracy, timeliness, and volume of services provided to members.
- To assist staff with consistency and regulatory compliance, QA added one business process procedure and updated other existing procedures posted on the LACERA intranet.
- Provided staff with 780 total hours of classroom and computer instruction on LACERA business practices and changes in the retirement law.

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 Achievements:

- Mailed the annual letter and insurance rate booklet, along with Notice of Creditable Coverage to more than 40,000 members.
- Continued facilitation of the Medicare Part D Retiree Drug Subsidy (RDS) for the LACERA-administered Health Care Benefits Program, including the completion of applications and reconciliation with the Centers for Medicare & Medicaid Services.
- Developed Staying Healthy Together: Focus on Wellness, LACERA's new retiree health improvement program. Staying Healthy Together replaced the annual LACERA Retiree Health Fair with a broader program (newsletter, web, workshops) designed to reach all of our retired members.
- Implemented 2008 plan year premium rate changes for the Local 1014 medical plan.
- Continued 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 Achievements:

- Developed an online Plan E additional retirement credit (ARC) calculator for use as a planning tool for members and a counseling tool for staff.
- Built and launched the online Retirement Benefit Estimate feature on My LACERA; several LACERA divisions contributed to the development of this tool.
- Created Member Locator Program to assist LACERA in maintaining contact with members with undeliverable addresses. The program creates a monthly file of such members for forwarding to a commercial locator service specializing in locating difficult-to-find pension plan participants.
- Modified retiree disbursement program to calculate federal and state withholding tax solely on the taxable portions of service-connected disability retirement allowances.

- Created a program to update member records utilized for GASB reporting and sent the updated data files to the actuary.
- Modified the e-file program to create two 1099-Rs for post-1997 heart presumption service-connected disability retirements with benefits exceeding 50 percent of final compensation.
- Implemented new actuarial tables.

Awards and Recognition

For the eighteenth 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, 2007.

LACERA is also a recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the tenth year running. We received this honor for our Popular Annual Financial Report (PAFR) for fiscal year ending June 30, 2007.

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 for the fiscal year ending June 30, 2007. 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.

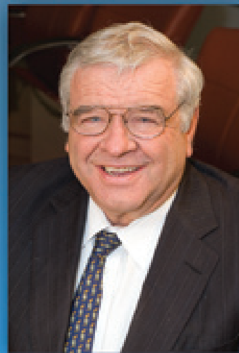
Respectfully submitted,

Gregg Rademacher

Gregg Rademacher
Chief Executive Officer

William R. Pryor
Chair

Elected by Safety Members
Term expires 12-31-10



Simon S. Russin
Vice Chair

Elected by General Members
Term expires 12-31-11

Herman Santos
Secretary

Elected by General Members
Term expires 12-31-09

Diane A. Sandoval

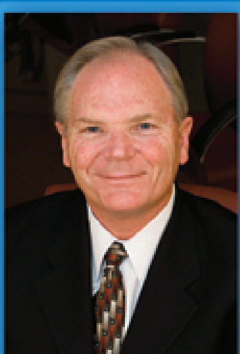
Elected by Retired Members
Term expires 12-31-11

Robert L. Spare

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

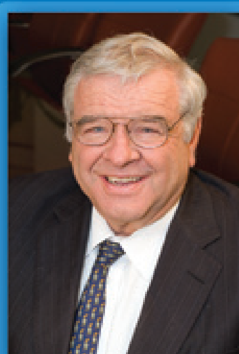
Leonard Unger

Appointed by the Board of Supervisors
Term expires 12-31-10



Les Robbins
Chair

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

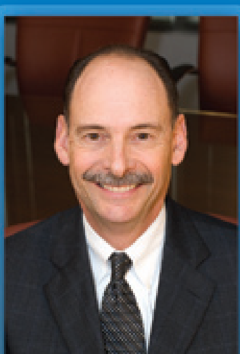


Simon S. Russin
Vice Chair

Elected by General Members
Term expires 12-31-09

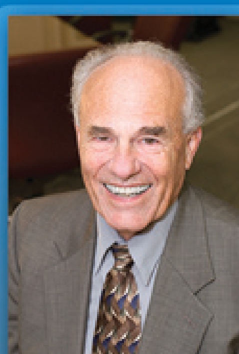
Yves Chery
Secretary

Elected by General Members
Term expires 12-31-11



J.P. Harris
(Alternate Member)

Elected by Safety Members
Term expires 12-31-10



Edward "Ed" C. Morris
(Alternate Member)

Elected by Retired Members
Term expires 12-31-11

William R. Pryor

Elected by Safety Members
Term expires 12-31-10

Mark J. Saladino

Treasurer and Tax Collector Ex-officio Member

Paul C. Hudson

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

Estevan Valenzuela

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

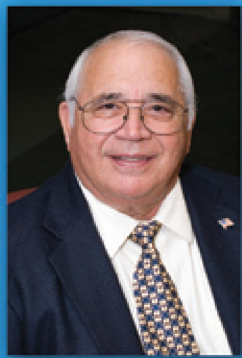
BOI

BOARD OF INVESTMENTS

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



William de la Garza

Elected by Retired Members Term expires 12-31-11

Simon Frumkin

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

Walta M. Smith

Appointed by the Board of Supervisors Term expired 12-31-07*

Sadonya Antebi

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

BOR

BOARD OF RETIREMENT

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.

*As of June 30, 2008, a new appointee had not been named by the Board of Supervisors; therefore Ms. Smith continued to serve on the Board.

08

Organizational Chart

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

Actuary
Milliman, Inc.

Auditors
Brown Armstrong, CPAs
The Segal Company

Commercial Banking
BNY Mellon Working Capital Solutions

Custodian
BNY Mellon Asset Servicing

Data Processing
Los Angeles County Internal Services Department

Governance Consultant
Glass Lewis & Company
RiskMetrics

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
Cox, Castle & Nicholson, LLP
DLA Piper U.S., LLP
Glaser, Weil, Fink, Jacobs & Shapiro, LLP
Graves, Roberson & Bourassa
Jones Day, LLP
Kauff, McClain & McGuire, LLP
Kessel & Associates
Liebert Cassidy Whitmore
Locke, Lord Bissell & Liddell, LLP
Manatt, Phelps & Phillips, LLP
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
Sidley Austin, LLP
Steptoe & Johnson, LLP

Retiree Health Care

Achieve:

"To succeed in doing or gaining something."

Our objective was to create a year-round health improvement program that would be beneficial to all our retirees. With that in mind, we developed Staying Healthy Together: Focus on Wellness, a multi-faceted program that presents educational health and fitness information, strategies, and resources our retirees can use to incorporate healthy choices into their daily lives. The program achieves our goal through presentations in each *Spotlight* newsletter and in the Health Care section of lacera.com, along with informative and interactive workshops.

cus On Wellness

STAYING HEALTHY TOGETHER PROGRAM

nty Employees Retirement Association

newsletter - web - workshops

Newsletter September 2007

LACERA.com

Healthy Together Workshop

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK THORNBURGH & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661-324-4971
Fax 661-324-4997
Email: info@bacpas.com

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

Boards of Retirement and Investments
Los Angeles County Employees Retirement Association
Pasadena, California

We have audited the accompanying Statement of Plan Net Assets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 2008 and 2007 and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of LACERA management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note B to the financial statements, in Fiscal Year 2008, LACERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and 27*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of LACERA as of June 30, 2008 and 2007 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.

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 GASB. 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 Fiscal Year 2008 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Fiscal Year 2008 basic financial statements taken as a whole. The Other Supplementary Information as listed in the table of contents, and the Investment, Actuarial, and Statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of LACERA. The Other Supplementary Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 9, 2008, on our consideration of LACERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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, California
October 9, 2008

Management's Discussion and Analysis as of June 30, 2008

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, 2008. 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 $38.7 billion, a decrease of $2.18 billion or 5.3 percent from the prior year.
- Total Additions as reflected in the Statement of Changes in Pension Plan Net Assets indicate a decline of $221 million primarily as a result of the Net Depreciation in the Fair Value of Investments. This represents a decrease from the prior year of $7.81 billion or a change of 103 percent.
- Total Deductions as reflected in the Statement of Changes in Pension Plan Net Assets total $1.96 billion, an increase of $125 million or 6.8 percent from prior year. The increase was primarily attributable to the increase in Retiree Payroll.
- The latest actuarial valuation completed by Milliman, Inc., LACERA's independent actuary, was as of June 30, 2007 and determined the funding status (the ratio of system assets to system liabilities) to be 93.8 percent.

Beulah S. Canevari
Manager, Financial and Accounting Services Division

Overview of Financial Statements

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 Statement of Changes in Assets and Liabilities for the OPEB Agency Fund is presented in the Other Supplementary Information section.

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 promote understanding of the changes in the funded status of the plan over time.

Financial Analysis

Assets and Funding Ratio

As of June 30, 2008, LACERA has $38.7 billion in net assets, which means that Total Assets of $42.9 billion exceed Total Liabilities of $4.18 billion. As of June 30, 2007, LACERA had $40.9 billion in net assets, as a result of Total Assets of $45.1 billion exceeding Total Liabilities of $4.18 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, 2008, 2007, and 2006

(Dollars in millions)

	2008	2007	2006	% Change 2008 - 2007	% Change 2007 - 2006
Investments	**$39,473**	$41,329	$35,191	-4.5%	17.4%
Other Assets	**3,435**	3,761	3,390	-8.7%	10.9%
Total Assets	**42,908**	45,090	38,581	-4.8%	16.9%
Total Liabilities	**(4,183)**	(4,182)	(3,395)	0.0%	23.2%
Total Plan Net Assets	**$38,725**	**$40,908**	**$35,186**	**-5.3%**	**16.3%**

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

LACERA's independent actuary, Milliman, Inc., performed an actuarial valuation as of June 30, 2007 and determined the funding ratio of the actuarial assets to the actuarial accrued liability is 93.8 percent. The actuarial valuation as of June 30, 2006 determined the funding ratio to be 90.5 percent. LACERA's investment returns have exceeded the assumed rate of 7.75 percent over the past several years. These investment gains led to an improvement in the system's funding status and a reduction in the required County contribution rate. The current year's investment losses will be recognized in future actuarial valuations.

Additions and Deductions to Plan Net Assets

The primary sources which finance the retirement benefits LACERA provides are investment income and the collection of member (employee) and employer retirement contributions. For fiscal year 2008, Total Additions amounted to a decline of $221 million, primarily due to negative investment performance with a total fund loss of 1.5 percent, net of fees, for the fiscal year. For fiscal year 2007, Total Additions amounted to $7.59 billion due primarily to annual investment returns of 19.1 percent.

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 2008, the County funded approximately eleven and one-half months of contributions in cash. In 2007, the County funded approximately ten 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 and from interest earnings. 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 loss for fiscal year 2008 was $1.43 billion, a decrease of $7.91 billion or 122 percent from the prior year. LACERA's annualized total fund performance was a negative 1.5 percent, net of fees. Net investment income for fiscal year 2007 was $6.49 billion, an increase of $2.40 billion over prior year, or a change of 58.5 percent. Total fund performance was 19.1 percent for the 2007 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 $1.96 billion for fiscal year 2008, an increase of $125 million, or 6.8 percent from the prior year. For fiscal year 2007, these deductions total $1.84 billion, a decrease of $4 million, or 0.2 percent from the prior year.

No pension assets were transferred to the Other Post-Employment Benefit (OPEB) Agency Fund in fiscal year 2008. All activities were accounted for directly in the OPEB Agency Fund. In fiscal year 2007, $29 million in pension assets were transferred to the OPEB Agency Fund. This transfer was $37 million less than the prior year, or a decrease of 56.1 percent.

The Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.12 percent of total plan net assets. The California Government Code Section 31580.2 limits the annual administrative expense to eighteen one-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, 2008, 2007, and 2006
(Dollars in millions)

	2008	2007	2006	% Change 2008 - 2007	% Change 2007 - 2006
Contributions and Misc.	**$ 1,205**	$ 1,101	$ 975	9.4%	12.9%
Net Investment Income	**(1,426)**	6,487	4,092	-122.0%	58.5%
Total Additions	**(221)**	**7,588**	**5,067**	**-102.9%**	**49.8%**
Benefits and Refunds	**(1,914)**	(1,793)	(1,798)	6.7%	-0.3%
Administrative Expense and Misc.	**(48)**	(44)	(43)	9.1%	2.3%
Total Deductions	**(1,962)**	**(1,837)**	**(1,841)**	**6.8%**	**-0.2%**
Transfer to OPEB Agency Fund		(29)	(66)	-100.0%	-56.1%
Net Increase	**(2,183)**	5,722	3,160	-138.2%	81.1%
Net Assets at Beginning of Year	**40,908**	35,186	32,026	16.3%	9.9%
Ending Net Assets	**$38,725**	**$40,908**	**$35,186**	**-5.3%**	**16.3%**

Economic Factors and Interest Crediting

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 75 percent of the annual additions to the fund.

For the fiscal year, LACERA's total fund returned negative 1.4 percent gross of fees, and negative 1.5 percent net of fees, on an annualized basis. The double digit returns of the past several years have ended. The financial crisis led by the unraveling of the mortgage sub-prime markets is heading into uncharted territory. The total financial impact is yet to be revealed.

LACERA credits interest semi-annually on June 30th and December 31st to all contributions in the retirement fund which have been on deposit six months prior to such date. The Board's policy is to credit annual interest equal to the actuarial assumed earnings rate of 7.75 percent, equivalent to 3.875 percent semi-annually, provided there is sufficient realized investment income to support that interest rate. The total fund's reported negative return is based on unrealized investment losses. There was sufficient realized investment income to credit the full interest for both semi-annual periods.

Overall Analysis

As of June 30, 2008, LACERA's market value is $38.7 billion. This fiscal year's investment returns did not meet the actuarial assumed investment earnings rate of 7.75 percent. The loss will be recognized in the actuarial funding ratio 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, CPA, CGFM
Manager, Financial and Accounting Services Division

Statement of Plan Net Assets

As of June 30, 2008 and 2007

(Dollars in thousands)

	Fiscal Year Ended June 30, 2008		Fiscal Year Ended June 30, 2007	
	Pension Plan	OPEB Agency Fund	Pension Plan	OPEB Agency Fund
Assets				
Cash	**$ 47,965**	**$ 278**	$ 21,444	$ 558
Cash Collateral on Loaned Securities	**2,322,698**		3,126,337	
Receivables				
Contributions Receivable	**82,562**		25,557	
Accounts Receivable - Sale of Investments	**792,047**		393,776	
Accrued Interest and Dividends	**132,306**		137,271	
Accounts Receivable - Other	**57,566**	**31,504**	56,798	29,957
Total Receivables	**1,064,481**	**31,504**	613,402	29,957
Investments at Fair Value				
Domestic and International Equities	**19,241,860**		21,936,470	
Fixed Income	**12,299,188**	**119,596**	12,063,995	95,823
Private Equity	**3,296,714**		2,791,924	
Real Estate	**3,996,568**		4,126,103	
Commodities	**638,575**		410,932	
Total Investments	**39,472,905**	**119,596**	41,329,424	95,823
Total Assets	**$42,908,049**	**$151,378**	**$45,090,607**	**$126,338**
Liabilities				
Accounts Payable - Purchase of Investments	**1,799,138**		988,225	
Retiree Payroll and Other Payables	**267**	**7**	203	4
Accrued Expenses	**36,302**	**118**	33,988	92
Tax Withholding Payable	**20,365**		18,513	
Obligations under Securities Lending Program	**2,322,698**		3,126,337	
Accounts Payable - Other	**4,608**	**33,267**	15,235	30,523
Due to Employers		**117,986**		95,719
Total Liabilities	**$ 4,183,378**	**$151,378**	**$ 4,182,501**	**$126,338**
Net Assets Held in Trust for Pension Benefits	**$38,724,671**		**$40,908,106**	

(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, 2008 and 2007

(Dollars in thousands)

	2008	2007
Additions		
Contributions		
Employer	$ 788,029	$ 751,928
Member	414,752	347,701
Total Contributions	1,202,781	1,099,629
Investment Income		
From Investing Activities:		
Net Appreciation/(Depreciation) in Fair Value of Investments	(6,258,819)	2,760,428
Investment Income	4,929,295	3,794,202
Total Investing Activity Income/(Loss)	(1,329,524)	6,554,630
Less Expenses From Investing Activities	(114,183)	(75,922)
Net Investing Activity Income/(Loss)	(1,443,707)	6,478,708
From Securities Lending Activities:		
Securities Lending Income	122,531	149,925
Less Expenses From Securities Lending Activities:		
Borrower Rebates	(103,297)	(140,620)
Management Fees	(1,644)	(829)
Total Expenses from Securities Lending Activities	(104,941)	(141,449)
Net Securities Lending Income	17,590	8,476
Total Net Investment Income/(Loss)	(1,426,117)	6,487,184
Miscellaneous	1,767	1,803
Total Additions/(Declines)	(221,569)	**7,588,616**
Deductions		
Retiree Payroll	1,885,970	1,773,027
Administrative Expense - Note L	48,223	43,880
Refunds	25,588	18,038
Lump-Sum Death Benefits	1,714	1,589
Miscellaneous	371	197
Total Deductions	1,961,866	**1,836,731**
Transfer to OPEB Agency Fund		29,368
Net Increase/(Decrease)	(2,183,435)	**5,722,517**
Net Assets Held in Trust for Pension Benefits Beginning of Year	40,908,106	35,185,589
End of Year	$ 38,724,671	**$ 40,908,106**

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 (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 CERL, 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.

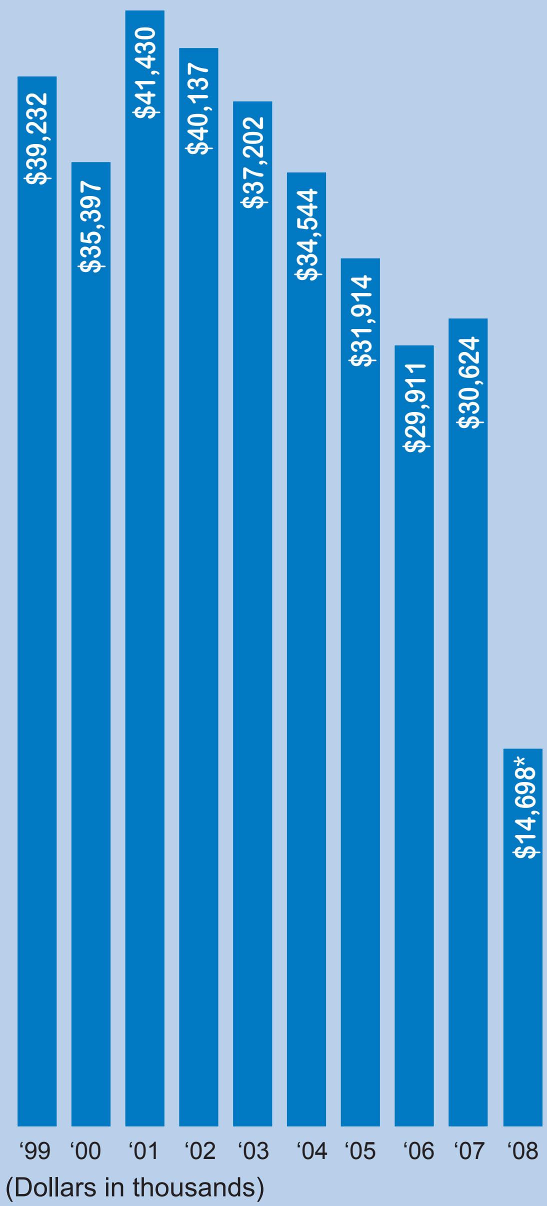
LACERA Membership

As of June 30, 2008 and 2007

	2008	2007
Active Members:		
Vested	**63,758**	63,979
Non-Vested	**30,734**	28,117
Total Active Members	**94,492**	**92,096**
Retired Members	**52,350**	51,392
Terminated Vested (Deferred)	**11,834**	7,911
Total Membership	**158,676**	**151,399**

Benefit Provisions

Vesting occurs when a member accumulates five years of 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 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.



LACERA STAR COLA Program Cost as of June 2008

The STAR program is administered on a calendar year basis. This graph represents the STAR Program costs for the last ten years through June 30, 2008.

*Represents program year through June 30, 2008.

Cost-of-Living Adjustment (COLA)

Under provisions in the California Government Code, the Board of Retirement (BOR) 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 BOR 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 COLA Program

In addition to cost-of-living increases, the California Government Code also provides the BOR 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 BOR made permanent the 2001 through 2008 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 BOR on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments (BOI). Ad hoc STAR payments are only payable for the year approved.

Since the inception of the STAR Program in 1990 to present, the Program received $1.52 billion in funding. Except for Program Year 2005, the STAR Program funded approximately $338 million when the BOR made permanent the 2001-2008 STAR Program benefits. As of June 30, 2008, there is $629 million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception equaled $796 million.

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 (GASB). 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 GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statement No. 25 and 27*, effective June 30, 2008. The expanded information on fair value methods and significant assumptions is included further in this note, and actuarial information is disclosed in Note E – Actuarial Valuations.

The County is scheduled to implement GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*, for its fiscal year ended June 30, 2008. Information was not yet available from the employer as of the date of LACERA's report. LACERA will not have information to report on the Schedule of Employer Contributions – OPEB until after the production of the employer's annual report.

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, 2008 and 2007 were $1.89 million and $1.74 million, respectively.

Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2008 and 2007.

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 at June 30, 2008 and 2007.
Mortgages	Equivalent pricing comparable to GMAC's Wholesale Mortgage Lending Correspondent Rate Sheet.
Real estate equity funds	Fair value as provided by real estate fund manager, based on review of cash flow, exit cap rates, and market trends; subject to independent third party appraisal every two or three years. Investments under development are carried at cumulative cost until developed.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by investment managers, subject to independent appraisals once every three years.
Private equity	Fair value as provided by the investment manager as follows: Private investments – valued by the General Partner giving consideration to financial condition and operating results of the portfolio companies, nature of investment, marketability, and other factors deemed relevant. Public investments – valued based on quoted market prices, less a discount, if appropriate, for restricted securities. Fair values are 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 Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in the prior year's data may have been reclassified in order to be consistent with the current year's presentation.

NOTE C — Contributions

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

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

For fiscal year ending June 30, 2008, Los Angeles County (County) paid its employer contributions due to LACERA in the form of cash payments to cover approximately eleven and one-half months. The County's contribution for the approximate remaining one-half month of the current fiscal year was made from the County Contribution Credit Reserve and from interest earnings. For fiscal year ending June 30, 2007, the County paid its employer contributions due to 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.

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 years 2007-2008 and 2006-2007, Los Angeles County (County) paid its employer contributions using a combination of cash payments and transfers from the County Contribution Credit Reserve.

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 was deposited into the reserve. Deductions include payments, as the County authorizes, for current and future employer contributions due to 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. Except for Program Year 2005, the Board of Retirement (BOR) made permanent the 2001 through 2008 STAR Programs at an 80% level as authorized in the California Government Code Section 31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 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 BOR on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments (BOI). 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 BOI's Actuarial Funding Policy provide the ideal reserve be set at 1% of assets. The balance of the Contingency Reserve of $395 million and $413 million represent 1% of the Fair Value of Total Investments for fiscal years ended June 30, 2008 and 2007, respectively.

Reserves

As of June 30, 2008 and 2007
(Dollars in thousands)

	2008	**2007**
Member Reserves	**$12,827,695**	$12,003,875
Employer Reserves	**20,732,940**	17,484,630
County Contribution Credit Reserve	**470,710**	444,737
STAR Reserve	**629,127**	633,626
Contingency Reserve	**394,721**	412,940
Total Reserves at Book Value	**35,055,193**	30,979,808
Unrealized Investment Portfolio Appreciation	**3,669,478**	9,928,298
Total Reserves at Fair Value	**$38,724,671**	**$40,908,106**

NOTE E — Actuarial Valuations

Pursuant to provisions in the County Employees Retirement Law of 1937 (CERL), 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. New assumptions were adopted by the Board of Investments (BOI) for the June 30, 2007 actuarial valuation based on the results of the 2007 triennial Investigation of Experience.

The information displayed below presents the funded status as of the most recent actuarial valuation. The Schedule of Funding Progress – Pension Plan in the Required Supplementary Information section immediately following the notes to the financial statements presents multiyear trend information regarding whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability of benefits.

Funded Status as of the Most Recent Actuarial Valuation Date

(Dollars in thousands)

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)
June 30, 2007	$37,041,832	$39,502,456	$2,460,624	93.8%	$5,615,736	43.8%

Actuarial Methods and Significant Assumptions

Actuarial Cost Method	Entry Age Normal Cost Funding Method
Actuarial Asset Valuation Method	Three-year smoothed method based on the difference between expected market value and actual market value of assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted effective for the June 30, 2000 valuation.
Inflation Rate (CPI)	3.50% This rate was adopted for the June 30, 2004 valuation.
Investment Return	7.75% Compounded annually, net of both investment and administrative expenses. This rate was adopted for the June 30, 2004 valuation.
Projected Salary Increases	4.26% to 10.24% The total expected increase in salary includes both merit and the general wage increase assumption of 4.00% per annum. The total result is compounded rather than additive. No increase in the number of members is assumed. These rates were adopted for the June 30, 2007 valuation.
Post-retirement Benefit Increases	Increase varies by plan. Regular Plan COLA is not greater than the CPI assumption. A supplemental COLA may be provided to certain members to limit the loss of purchasing power to no more than 20%. 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 a ratio of the member's months of service earned after June 4, 2002 to his/her total months of service. The portion of the full 2% increase not provided for may be purchased by the member.
Amortization Method and Period	Level percentage of the projected salaries of present and future members over an open 30-year period, commonly referred to as a "rolling 30-year amortization method."

The latest actuarial valuation increased Los Angeles County's (County) normal cost rate from 9.42% to 10.16% primarily due to assumption changes. The County's required contribution rate to finance the UAAL over 30 years decreased from 3.49% to 2.24%. The result is a decrease in the required total contribution rate from the prior valuation of 0.51%, from 12.91% to 12.40% of payroll.

The current interim funding policy, in effect through the June 30, 2008 valuation only, provides that funds in the Contingency Reserve in excess of 1% of the actuarial value of assets shall be considered valuation assets. In any year in which the Funded Ratio is less than 100% prior to its inclusion, a portion of the STAR Reserve (to fund supplemental COLAs in the future) shall also be considered 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 $634 million were excluded from the Valuation Assets, the UAAL would increase by $622 million. Under this hypothetical scenario, the required County contribution rate would increase by 0.60% to 13.00% and the Funded Ratio would decrease by 1.6% to 92.2%. This interim funding approach is expected to be replaced with a long-term funding policy that will apply in performing the June 30, 2009 actuarial valuation.

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 $34.7 million and $36.4 million in related reimbursements during each of the years ended June 30, 2008 and 2007, 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 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established an Investment Policy Statement in accordance with applicable local, State, and Federal laws. The BOI 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 BOI 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:

- U.S. Equity Investment Policy
- Non-U.S. Equity Investment Policy
- Private Equity Investment Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Investment Policy
- Commodities Investment Policy
- Corporate Governance Principles
- Derivatives Investment Policy
- Emerging Manager Policy
- Manager Monitoring and Review Policy
- Securities Lending 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 Portfolios** must meet the following credit guidelines:

Credit Quality

A minimum of 90% of the portfolio must be invested in securities rated investment grade by the major credit rating agencies (Moody's, S&P, and Fitch).[1] In addition:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by Standard & Poor's or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Manager, they would not violate LACERA's minimum credit quality criteria.
- In the event a portfolio holding is downgraded and no longer meets the aforementioned credit quality criteria, the Manager will be required to immediately notify LACERA of the downgrade in writing. The Manager shall make every effort to liquidate the security within **six** months. An update of the condition of the credit, as well as a hold/sell recommendation, shall be sent to LACERA on a monthly basis. On a case-by-case basis, LACERA may extend the holding period of a non-credit quality compliant security.
- Unrated issues and securities rated BBB+, BBB or BBB- (S&P) or equivalent, in combination, may represent up to 30% of the portfolio.

The **Domestic Fixed Income Enhanced Core Portfolios** must meet the following credit guidelines:

Credit Quality

A minimum of 80% of the portfolio must be invested in securities rated investment grade by the major credit rating agencies (Moody's, S&P, and Fitch).[1] In addition:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by Standard & Poor's or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Manager, they would not violate LACERA's minimum credit quality criteria.

[1] In case the credit ratings of the rating agencies differ, the methodology used to determine whether an issuer is investment grade will be based upon the Lehman Brothers index rules.

- In the event a portfolio holding is downgraded and no longer meets the aforementioned credit quality criteria, the Manager will be required to immediately notify LACERA of the downgrade in writing. The Manager shall make every effort to liquidate the security within **six** months. An update of the condition of the credit, as well as a hold/sell recommendation, shall be sent to LACERA on a monthly basis. On a case-by-case basis, LACERA may extend the holding period of a non-credit quality compliant security.
- Unrated issues and securities rated BBB+, BBB or BBB- (S&P) or equivalent, in combination, may represent up to 30% of the portfolio.

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

Credit Quality

- 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 guidelines:

Credit Quality

The Benchmark index consists exclusively of below investment-grade securities, so the overwhelming majority of investments held must be rated below investment grade by the major credit rating agencies (Moody's, S&P, and Fitch).[1] In addition, the following credit-related guidelines will apply:

- 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 all rated securities, including Rule 144A securities, must be rated at least B- by Standard & Poor's or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5% of the portfolio may be invested in issues rated below B- by Standard & Poor's (or equivalent); however, these issues must be rated at least CCC by Standard & Poor's or Caa by Moody's.
- Unrated issues may be purchased provided, in the judgment of the Manager, they would not violate LACERA's minimum credit criteria.
- In the event a portfolio holding is downgraded and no longer meets the aforementioned credit quality criteria, the Manager will be required to immediately notify LACERA of the downgrade in writing. The Manager shall make every effort to liquidate the security within **six** months. An update of the condition of the credit, as well as a hold/sell recommendation, shall be sent to LACERA on a monthly basis. On a case-by-case basis, LACERA may extend the holding period of a non-credit quality compliant security.

[1] In case the credit ratings of the rating agencies differ, the methodology used to determine whether an issuer is investment grade will be based upon the Lehman Brothers index rules.

The following is a schedule of the credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization.

Credit Quality Ratings of Investments in Fixed Income Securities

As of June 30, 2008
(Dollars in thousands)

Quality Ratings	Fair Value
U.S. Treasuries, GNMA, SBA (Explicit Guarantee)	$ 762,440
AAA	1,171,519
AA	568,542
A	709,134
BAA	1,081,320
BA	369,236
B	658,885
CAA	86,472
Not Rated	699,262
Total Credit Risk Fixed Income Securities	**$ 6,106,810**
U.S. Government Agencies (Implicit Guarantee)*	
(FNMA, FHLB, FHLMC, FFCB, SLMA, Other)	3,112,544
Pooled Funds (Not Rated)	2,077,416
Total Investments in Fixed Income Securities**	**$11,296,770**

*Credit ratings generally not available by Moody's and S&P's.
**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 it has taken all steps to assure 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 complete 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 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, 2008, LACERA did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

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

To manage Interest Rate Risk, the modified adjusted duration of the Domestic Fixed Income Core and Enhanced Core Portfolios are restricted to +/- 10% and +/- 25%, respectively, 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.

The Fixed Income Securities—Duration schedule presents the duration by investment type.

Fixed Income Securities

As of June 30, 2008

(Dollars in thousands)

Investment Type	Fair Value	Modified Duration
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 816,813	5.34
U.S. Government Mortgages	3,058,171	4.41
Municipal/Revenue Bonds	1,427	10.19
	$ 3,876,411	
Corporate Securities:		
Asset-Backed Securities	$ 331,245	2.39
Commercial Mortgage-Backed Securities	956,075	3.59
Corporate and Other Credit	3,109,816	5.61
Fixed Income Swaps	164,313	11.99
Pooled Investments	2,077,416	N/A
Other Fixed Income	193,778	N/A
	$ 6,832,643	
International Fixed Income	$ 108,543	5.24
Private Placement Fixed Income	479,173	5.06
Total Fixed Income Securities*	**$ 11,296,770**	

*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.

The following schedule represents LACERA's exposure to Foreign Currency Risk in U.S. dollars.

International Investment Securities at Fair Value

As of June 30, 2008

(Dollars in thousands)

Currency	Equity*	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Total
Argentine Peso	$ 7,068		$ 123		$ 7,191
Australian Dollar	401,907	$ 14,292	12,687		428,886
Austrian Shilling	485				485
Bahrain Dinar	674				674
Brazilian Real	170,789	11,886			182,675
British Pound Sterling	1,276,970		520	$ 25,723	1,303,213
Canadian Dollar	597,278	8,945	174		606,397
Cayman Island Dollar	1,317				1,317
Chilean Peso	15,879				15,879
Chinese RNB	113,656				113,656
Columbian Peso	5,930				5,930
Czech Republic Koruna	2,627				2,627
Danish Krone	70,491		262		70,753
Egyptian Pound	29,490				29,490
Estonian Kroon	1,046				1,046
Euro	2,184,816	22,589	785	9,687	2,217,877
Ghanaian Cedi	381				381
Hong Kong Dollar	221,947		5,855		227,802
Hungarian Forint	8,137	6,442			14,579
Iceland Krona		4,937			4,937
Indian Rupee	91,994				91,994
Indonesian Rupiah	40,771	3,514			44,285
Isle of Man Pound Sterling	706				706
Israeli Shekel	25,117				25,117
Japanese Yen	1,192,631		5,051		1,197,682
Jersey Pound	666				666
Jordanian Dinar	143				143
Kazakhstan Tenge	3,112				3,112
Kenyan Shilling	1,459				1,459

*LACERA is invested in several international equity commingled funds. This means LACERA owns units of a commingled fund, and the fund holds the actual securities and/or currencies. The values shown are based on LACERA's pro-rata portion of commingled fund holdings.

The following schedule represents LACERA's exposure to Foreign Currency Risk in U.S. dollars.

International Investment Securities at Fair Value — continued

As of June 30, 2008

(Dollars in thousands)

Currency	Equity*	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Total
Lebanese Pound	$ 666				$ 666
Malaysian Ringgit	39,551				39,551
Mexican Peso	109,376	$ 10,590	$ 6		119,972
Morocco Dirham	1,420				1,420
New Turkish Lira	33,377				33,377
New Zealand Dollar	4,323		1		4,324
Nigerian Naira	2,569				2,569
Norwegian Krone	73,966		163		74,129
Omani Rial	1,872				1,872
Pakastani Rupee	1,698				1,698
Peruvian Nuevo Sol	5,452				5,452
Philippine Peso	9,949				9,949
Polish Zloty	35,311				35,311
Qatari Rial	891				891
Russian Ruble	154,705				154,705
Senegal Franc	1,649				1,649
Singapore Dollar	99,900	25,349	444		125,693
South African Rand	122,258				122,258
South Korean Won	149,999				149,999
Sri Lankan Rupee	4,128				4,128
Swedish Krona	124,446		38	$ 573	125,057
Swiss Franc	399,002		26		399,028
Taiwan Dollar	125,891				125,891
Thailand Baht	25,728				25,728
UAE Dirham	2,438				2,438
Venezuelan Bolivar	69				69
Vietnamese Dong	693				693
Zambian Kwacha	4,198				4,198
Total Securities Subject to Foreign Currency Risk	**$8,003,012**	**$108,544**	**$ 26,135**	**$35,983**	**$8,173,674**
U.S. Dollar (Securities held by International Managers)	107,539				107,539
Total International Investment Securities	**$8,110,551**	**$108,544**	**$ 26,135**	**$35,983**	**$8,281,213**

*LACERA is invested in several international equity commingled funds. This means LACERA owns units of a commingled fund, and the fund holds the actual securities and/or currencies. The values shown are based on LACERA's pro-rata portion of commingled fund holdings.

NOTE H — Securities Lending Program

The Board of Investments's (BOI) 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 (Goldman) and two agent lenders, BNY Mellon Global Securities Lending (BNY Mellon) and Wachovia Global Securities Lending (Wachovia). Goldman has exclusive rights to borrow LACERA's domestic equities and corporate bonds. In exchange for these rights, Goldman pays LACERA an annual guarantee fee. Under this exclusive borrowing arrangement, Goldman's loans are secured by collateral with a market value of at least 102% of the borrowed securities. Standish Mellon invests collateral received from Goldman 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. BNY Mellon lends LACERA's international equities. International loans are 105% collateralized and are marked-to-market on a daily basis. BNY Mellon collateral is reinvested in its commingled fund. The income earned from investments made by Wachovia and BNY Mellon 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, 2008, 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, 2008 and 2007.

Under the terms of their lending agreements, BNY Mellon 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's 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 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, 2008, the fair value of securities on loan was $2.25 billion with the value of cash collateral received for the securities on loan of $2.32 billion and no non-cash collateral. 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. LACERA's income net of expenses from securities lending was $17.6 million and $8.48 million for the years ended June 30, 2008 and 2007, respectively.

The following securities were on loan and cash collateral received.

Securities Lending

As of June 30, 2008
(Dollars in thousands)

Securities on Loan	Market Value of Securities on Loan	Cash Collateral Received
U.S. Government and Agencies	$1,305,750	$1,320,934
Domestic Equities	530,929	548,482
Domestic Corporate Fixed Income	258,556	285,420
International Equities	159,390	167,862
Total	**$2,254,625**	**$2,322,698**

NOTE I — Derivative Financial Instruments

The Boards of Investments' (BOI) Statement of Investment Policy and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument which represents direct ownership of an asset or an obligation of an issuer. 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, risk control, and arbitrage are the only derivative strategies permitted; speculation is prohibited. The classes of derivatives permitted are: futures contracts, currency forward contracts, options, and swaps. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. 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 Contracts

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.

LACERA had the following futures contracts.

Futures Contracts

As of June 30, 2008
(Dollars in thousands)

Description	Exposure
Long—Cash and Cash Equivalents	$1,086,748
Long—Commodities	500,709
Long—Fixed Income	774,234
Short—Cash and Cash Equivalents	(98,211)
Short—Fixed Income	(231,341)
Total	**$2,032,139**

Forward Contracts

A forward contract represents 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.

LACERA had the following forward contracts.

Forward Contracts

As of June 30, 2008
(Dollars in thousands)

	Amount
Foreign Exchange Contracts Receivable	$146,108
Foreign Exchange Contracts Payable	(146,262)

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.

LACERA had the following option contracts.

Option Contracts

As of June 30, 2008
(Dollars in thousands)

Option Type	Asset Type	Fair Value
Purchased Call Options	Cash and Cash Equivalents	$ 221
Purchased Put Options	Cash and Cash Equivalents	47
Purchased Call Options	Fixed Income	9,577
Purchased Call Options	Commoditites	454
Written Call Options	Equity	(41)
Written Call Options	Fixed Income	(6,855)
Written Call Options	Commodities	(499)
Written Put Options	Cash and Cash Equivalents	(54)
Written Put Options	Fixed Income	(402)
Total		**$2,448**

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.

LACERA had the following swap agreements.

Swap Agreements

As of June 30, 2008
(Dollars in thousands)

Description	Number of Agreements	Notional Amount	Fair Value
Interest Rate Swap	85	$617,041	$ (280)
Inflation Swaps	5	34,728	(1,169)
Credit Default Swaps	99	326,856	(11,372)
Total Return Swaps	1	7,600	(131)
Commodities Swaps	21	447,355	(1,758)

NOTE J — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 80 Title Holding Corporations (THCs) and 15 Limited Liability Companies (LLCs) as of June 30, 2008. The real estate portfolio had 81 THCs and 12 LLCs as of June 30, 2007.

The following is a summary of the THCs' financial position.

Title Holding Corporations' Financial Position

As of June 30, 2008 and 2007
(Dollars in thousands)

	2008	2007
Assets	**$4,550,991**	$4,669,841
Less: Liabilities	**838,301**	711,700
Net Assets	**$3,712,690**	**$3,958,141**
Net Income	**$ 195,655**	**$ 204,900**

NOTE K — Related Party Transactions

Office Lease

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 via a "base rent credit." However, LACERA is required to pay its proportionate share of the building's taxes and operating costs 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 Ninth Amendment to the Office Lease dated March 14, 2008, leasing a total of approximately 95,000 rentable square feet of space, and extending the terms of the existing lease for an additional period of five years expiring on December 31, 2015. LACERA has two 5-year options to further extend the terms of the lease. A new Tenant Improvement Allowance of $2.86 million was provided for the construction of structural improvements to the premises.

Total operating expenses charged to LACERA were approximately $1.13 million and $1.03 million for the years ended June 30, 2008 and 2007, respectively.

Notes Receivable

LACERA has notes receivables of approximately $52.2 million from two of its Title Holding Corporations, as of fiscal year end June 30, 2008 and 2007. This amount is reflected in the Accounts Receivable-Other balance for both years.

Guaranty of Unsecured Line of Credit

LACERA invests in a housing program called TriPacific Residential Investors-One, LLC (TRIO) which constructs single-family housing. TRIO is the successor to Lowe Enterprises Residential Investors (LERI). LACERA is a 99% investor in TRIO, and the 1% managing member is TriPacific Capital Advisors. LACERA is the guarantor of a $200 million unsecured line of credit should TRIO/LERI be unable to repay the line of credit. The balance of the unsecured line of credit outstanding as of June 2008 was $200 million. The interest rate for the unsecured line is LIBOR (one month rate) plus 90 basis points. The terms on the existing line of credit expire on February 28, 2009. The guaranty is not reflected on LACERA's financial statements.

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.

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.

Budget to Actual Analysis of Administrative Expenses

As of June 30, 2008 and 2007

(Dollars in thousands)

	2008	2007
Total Projected Asset Base at Fair Value	**$40,409,684**	$36,055,316
Maximum Allowable for Administrative Expense (0.18%)	**72,737**	64,900
Maximum Legal Representation Appropriation (0.01%)	**4,041**	3,605
Total Statutory Budget Appropriation	**76,778**	**68,505**
Operating Budget Request	**53,046**	56,028
Actual Administrative Expenses	**48,223**	43,880
Underexpended Operating Budget	**$ 4,823**	**$ 12,148**

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.

Fire Chiefs Case - Plaintiffs contend LACERA improperly excludes from pensionable compensation (1) premium pay required by the Fair Labor Standards Act (FLSA), and (2) a portion of flexible benefit plan contributions.

Even before it filed its answer, LACERA agreed FLSA premium pay should be included on and after May 27, 1996, the period not barred by the three (3)-year statute of limitations. The cost associated with the resulting retirement allowance increases has not been determined.

Beginning January 1, 1991, LACERA included 100% of a member's cashable flexible benefit contribution in the calculation of final compensation. Since then, the County Board of Supervisors has amended the flexible benefit plans to place limits on the portion of the flexible benefit plan contribution a member may receive in cash. Plaintiffs challenge LACERA's practice of including in final compensation only that portion of the flexible benefit plan contribution that can be received in cash and further challenge the validity of the plan changes incorporated by the Board of Supervisors. The trial court ruled in favor of LACERA on the claims involving flexible benefit plan contributions. Plaintiffs did not challenge LACERA's action to include FLSA premium pay, but did challenge LACERA's ability to collect arrears contributions. The trial court ruled LACERA has the discretion to collect arrears contributions with interest sufficient to fund the employee's share of any additional pension benefits. The trial court ruling is now final.

Any cost associated with the retroactive inclusion of FLSA premium pay will therefore be partially offset by member contributions with the remaining cost included in the unfunded actuarial accrued liability (UAAL) that will be recovered by assessing additional employer contributions. In March 2008, staff initiated 1,891 contracts to collect back contributions for active and deferred class members. In September, staff began issuing retroactive payment notices to class members.

Local 1014 Case - This matter involves a dispute over the classification of approximately 500 former Fire Control Laborers who were classified by Los Angeles County (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, which LACERA was ordered to pay to 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, to cover 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 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, which class counsel subsequently appealed. 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 (BOR) 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. The settlement became final in November 2007 after class counsel obtained a sufficient number of releases (slightly less than 100% of all class members), and LACERA agreed to waive this contingency. On November 15, 2007, class counsel filed a formal request for dismissal of the appeal, which was approved. Staff continues to work on implementing the settlement for all eligible class members.

Securities Litigation - In 2001, the Board of Investments (BOI) adopted a Securities Litigation Policy in response to growing incidents of corporate corruption and fraud. The policy requires LACERA's Legal Office to monitor securities fraud class actions and to actively pursue recovery of LACERA's losses.

Compliance with the Securities Litigation Policy assures the BOI, with the assistance of the LACERA Legal Office, will continue to aggressively protect the financial interests of LACERA's members.

Guaranty of Unsecured Line of Credit

LACERA invests in a housing program called TriPacific Residential Investors-One, LLC (TRIO) which constructs single-family housing. TRIO is the successor to Lowe Enterprises Residential Investors (LERI). LACERA is a 99% investor in TRIO, and the 1% managing member is TriPacific Capital Advisors. LACERA is the guarantor of a $200 million unsecured line of credit should TRIO/LERI be unable to repay the line of credit. The balance of the unsecured line of credit outstanding as of June 2008 was $200 million. The interest rate for the unsecured line is LIBOR (one month rate) plus 90 basis points. The terms on the existing line of credit expire on February 28, 2009.

Leases

LACERA leases equipment under lease agreements that expire over the next five years. The annual commitments under such equipment leases were approximately $322,000 and $465,000 in fiscal years 2008 and 2007, 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, 2015, requires that LACERA 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 were $1.45 million and $1.49 million in fiscal years 2008 and 2007, 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, 2008, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $2.47 billion. Subsequent to June 30, 2008, LACERA funded $229 million of these capital commitments.

Note N — Other Post-Employment Benefits (OPEB)

Plan Description

In April 1982, the County of Los Angeles (County) 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, 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; 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 from 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 (GASB). 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 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 2007-08, 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, 2008, $366 million in premium payments were made to insurance carriers. These payments were funded by employer subsidy payments of $331 million, of which $9.0 million was paid through the 401(h) Account, and $34.9 million by the participants. In addition, the County paid $29.6 million in Medicare Part B reimbursements and $6.14 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. The County is scheduled to implement GASB Statement No. 45 for its fiscal year ended June 30, 2008. Information was not yet available from the employer as of the date of LACERA's report. LACERA will not have information to report on the Schedule of Employer Contributions-OPEB until after the production of the employer's annual report.

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 No. 45 requirements at the request of the 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. The next actuarial valuation will be conducted as of July 1, 2008.

Funded Status as of the Most Recent Actuarial Valuation Date

(Dollars in thousands)

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.

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	5.00% (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.

NOTE O — Subsequent Events

Events or transactions that occur subsequent to the balance sheet date, but prior to the issuance of the financial statements, that have a material effect on the financial statements require adjustment or disclosure in the statements. The following are disclosures of conditions which impacted LACERA. These conditions did not exist as of June 30, 2008, but arose subsequent to that date.

Guaranty of Unsecured Line of Credit

LACERA invests in a housing program called TriPacific Residential Investors-One, LLC (TRIO) which constructs single-family housing. TRIO is the successor to Lowe Enterprises Residential Investors (LERI). LACERA is a 99% investor in TRIO, and the 1% managing member is TriPacific Capital Advisors. LACERA is the guarantor of a $200 million unsecured line of credit should TRIO/LERI be unable to repay the line of credit. The Board of Investments (BOI) approved an increase of $100 million to the unsecured line of credit during its meeting of September 10, 2008, for a total guaranty of $300 million for 39 months. The interest rate for the unsecured line is LIBOR (one-month rate) plus 90 basis points.

Recent Market Events

Fannie Mae and Freddie Mac Exposure

On September 7, 2008, the U.S. government announced it was placing government-sponsored enterprises Fannie Mae (Fannie) and Freddie Mac (Freddie) under conservatorship. The share prices of the two mortgage companies dropped steeply in response to the announcement.

The following table displays LACERA's holdings in Fannie and Freddie prior to and post the government's announcement.

Fannie Mae and Freddie Mac Exposure

	Fannie Mae			Freddie Mac		
	Shares Held*	8/29/2008 Market Value	9/8/2008 Market Value	Shares Held*	8/29/2008 Market Value	9/8/2008 Market Value
Common Stock	716,500	$4,900,860	$523,045	428,700	$1,933,437	$377,256
Preferred Stock	143,400	$2,057,790	$490,428	153,875	$2,161,944	$441,621

*The shares shown include LACERA's approximate pro-rata share of the commingled fund holdings.

Lehman Brothers Holdings Inc. Exposure

Lehman Brothers Holdings Inc. (Lehman) filed for bankruptcy protection on September 14, 2008. LACERA had 543,300 shares of Lehman stock worth approximately $2 million on Friday, September 12, 2008, and the shares are virtually worthless as of the end of September. As of September 12, 2008, LACERA's aggregate exposure to Lehman bonds totaled $56.7 million. LACERA's total loss from the fixed income exposure will become more clear as Lehman works through the bankruptcy proceedings.

American International Group Inc. Exposure

The Federal Reserve and the U.S. Treasury agreed to loan American International Group Inc. (AIG) $85 billion in exchange for warrants equivalent to 80% ownership in the firm. As of September 12, 2008, LACERA's fixed income exposure to AIG totaled $23.6 million. LACERA's aggregate AIG share exposure totaled 1,900,000 shares. The market values of these shares declined sharply and were worth less than $4 million on Wednesday, September 17, 2008. At this time, it is difficult to assess what LACERA's actual loss will be.

The following schedule displays LACERA's investment portfolio exposure to the two companies mentioned previously.

Investment Portfolio Exposure Summary

Market Values as of September 12, 2008
(Dollars in thousands)

	AIG	Lehman	Total
Equity Holdings	$23,176	$ 1,984	$ 25,160
Fixed Income Holdings	23,261	55,770	79,031
Commodities Holdings	769	865	1,634
Total Holdings Exposure	**$47,206**	**$58,619**	**$105,825**

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, 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%	5,205,802	66.1%
June 30, 2007	37,041,832	39,502,456	2,460,624	93.8%	5,615,736	43.8%

Schedule of Employer Contributions - Pension Plan

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions			Percentage of ARC Contributed
		Cash Payment	Transfer from Reserve Account	Total	
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%
2008	827,911	788,029	40,601	828,630	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. The next scheduled Actuarial Valuation will be as of July 1, 2008.

Schedule of Employer Contributions - Other Post-Employment Benefits

Note: Los Angeles County is scheduled to implement GASB Statement No. 45 for its fiscal year ended June 30, 2008. Information was not yet available from the Employer as of the date of LACERA's report. Information will be available after the production of the Employer's annual report.

Administrative Expenses

For the Years Ended June 30, 2008 and 2007
(Dollars in thousands)

	2008	2007
Personnel Services		
Salaries and Wages	**$23,150**	$20,364
Employee Benefits	**10,476**	9,994
Total Personnel Services	**33,626**	30,358
Professional Services		
Computer Software Services and Support	**2,273**	1,683
External Audit Fees	**95**	97
Disability Medical Fees	**734**	991
Disability Hearing Officer Fees	**218**	203
Disability Stenographic Fees	**74**	56
Temporary Personnel Services	**884**	1,173
Legislative and Other Legal Services	**253**	439
Other Professional Services	**1,560**	1,265
Total Professional Services	**6,091**	5,907
Communication		
Forms and Brochures	**565**	490
Postage	**681**	722
Telecommunications	**357**	353
Transportation and Travel	**494**	491
Total Communications	**2,097**	2,056
Rentals		
Rents and Leases	**1,436**	1,490
Total Rentals	**1,436**	1,490
Miscellaneous		
Computer Equipment & Supplies	**1,355**	359
Office Furniture	**21**	
Other Office Expenses	**220**	156
Maintenance	**1,167**	1,591
Educational Expenses	**786**	661
Parking Fees	**344**	272
Other County Department Charges	**230**	194
Insurance	**459**	501
Administrative Support	**105**	105
Other Service Charges	**286**	230
Total Miscellaneous	**4,973**	4,069
Total Administrative Expenses	**$48,223**	**$43,880**

Schedule of Investment Expenses

For the Years Ended June 30, 2008 and 2007

(Dollars in thousands)

	2008	2007
Investment Management Fees		
Equity Managers		
Domestic	**$ 18,570**	$ 20,105
International	**13,303**	9,754
Fixed Income Managers	**15,846**	14,318
Cash and Short-Term Managers	**627**	580
Mortgage Loan Servicers	**676**	633
Private Equity Managers	**4,409**	6,237
Real Estate Managers	**52,917**	19,113
Commodity Managers	**1,096**	9
Total Investment Management Fees	**107,444**	70,749
Other Investment Expenses		
Consultants	**793**	665
Custodian	**1,922**	2,214
Legal Counsel	**449**	891
Other	**3,575**	1,403
Total Other Investment Expenses	**6,739**	5,173
Total Management Fees and Other Investment Expenses	**$ 114,183**	**$ 75,922**

Schedule of Payments to Consultants

For the Years Ended June 30, 2008 and 2007

(Dollars in thousands)

	2008	2007
Audit		
External Audit Services	**$ 95**	$ 97
Contract Audits	**515**	203
Total	**610**	300
Legal		
Investment Legal Counsel	**449**	891
Other Legal Services	**197**	372
Total	**646**	1,263
Actuarial		
Actuarial Valuations and Consulting Fees	**397**	232
Total	**397**	232
Management		
Legislative Consulting	**56**	66
Management and Human Resources Consulting	**141**	127
System and Software Consulting	**85**	73
Total	**282**	266
Total Payments to Consultants	**$1,935**	**$2,061**

For fees paid to Investment Professionals, refer to Schedule of Investment Management Fees in the Investment Section.

Statement of Changes in Assets and Liabilities - OPEB Agency Fund

For the Year Ended June 30, 2008

(Dollars in thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Assets				
Cash	$ 558	$ 11,423	$ 11,703	$ 278
Accounts Receivable - Other	29,957	364,834	363,287	31,504
Fixed Income	95,823	1,507,200	1,483,427	119,596
Total Assets	**$ 126,338**	**$1,883,457**	**$ 1,858,417**	**$ 151,378**
Liabilities				
Retiree Payroll and Other Payables	4	37,124	37,121	7
Accrued Expenses	92	118	92	118
Accounts Payable-Other	30,523	500,651	497,907	33,267
Due to Employers	95,719	1,603,436	1,581,169	117,986
Total Liabilities	**$ 126,338**	**$2,141,329**	**$ 2,116,289**	**$ 151,378**

Call Center > Outreach > Public Counter

Achieve:

"To bring about an intended result."

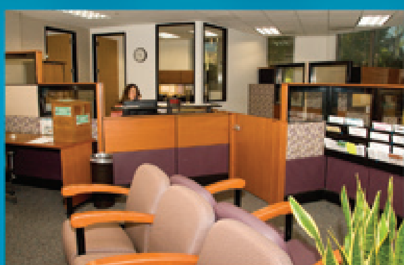
We strive to achieve customer satisfaction. We look for ways to improve our services and offer additional service options to our members. We utilize surveys to help us gain knowledge about the member's experience. Our surveys are service-specific; our latest involves the Call Center and Public Counter. Through members' valuable input, we are able to achieve new levels of customer service.

ustomer Service

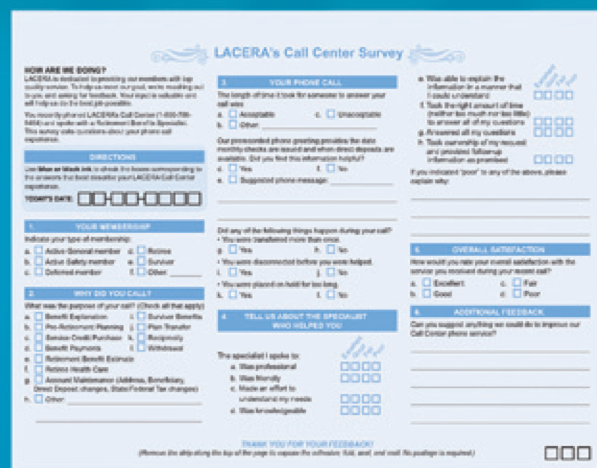
ty Employees Retirement Association

surveys

Public Counter



Call Center Survey



Call Center

Pubic Counter Survey

Excellent

August 18, 2008

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 2008 fiscal year total fund performance exceeded the total fund policy benchmark by 10 basis points (0.10 percent). The total fund return of -1.5 percent (net of fees) ranked in the 13th percentile of Wilshire's Total Public Funds Universe, while the -1.6 percent return of the policy benchmark ranked in the 15th percentile. The Universe, comprised of 37 public funds, had a one-year median return of -5.1 percent. For the three-year period ending June 30, 2008, the total fund return of 9.7 percent exceeded the 8.2 percent return of the policy benchmark by 150 basis points (1.50 percent). The total fund return ranked in the 7th percentile of the Wilshire Public Funds Universe, while the policy ranked in the 37th percentile. The three-year median fund return was 7.4 percent. Over the five-year period ending June 30, 2008, the total fund return of 11.2 percent ranked in the 10th percentile of the Wilshire Public Funds Universe and exceeded the 10.1 percent policy return by 110 basis points (1.10 percent); the policy return ranked in the 43rd percentile of the Public Funds Universe. The five-year median fund return was 9.7 percent.

During fiscal year 2008, 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:

- Universe Analysis: U.S. Equity and U.S. Fixed Income Alpha Expectations
- Currency Fee Analysis
- Educational Presentation: Commitment-Driven Investing
- Educational Presentation: Alpha Transfer
- Risk Analysis Policy Template
- Annual Compliance Review
- 130/30 Investment Manager Analysis/Recommendation
- U.S. Equity Investment Structure Review
- Non-U.S. Equity Investment Structure: Observations/Benchmark Review

We look forward to the successful accomplishment of the ongoing implementation needs of LACERA.

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, 2008

Investment Policy

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 (BOI) 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 BOI 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 objective, and defines the principal duties of the BOI, 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 that recognize varying degrees of investment risk are expected to be 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.

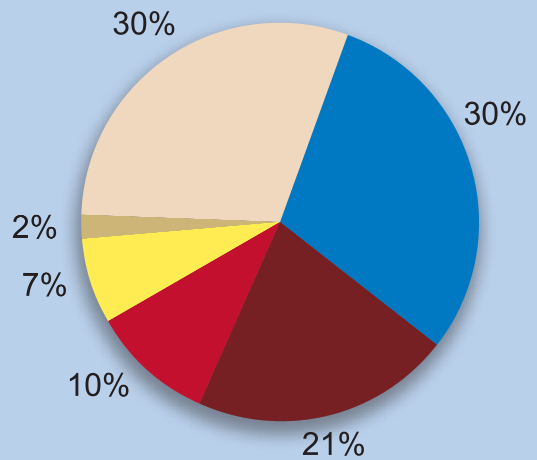
Asset Allocation

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 the optimal target asset class mix, which act as a trigger for reallocating assets to ensure adherence to target weights.

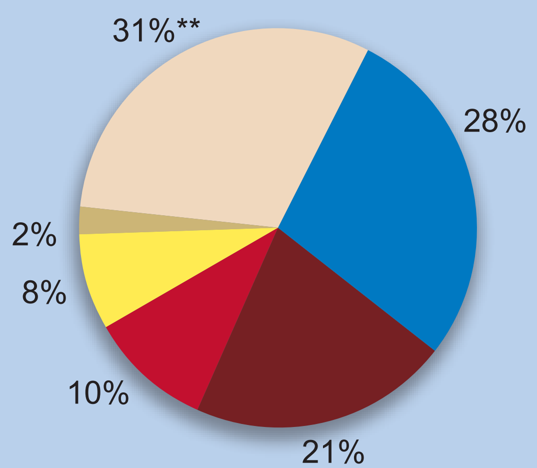
The BOI considered the following factors to determine LACERA's current asset allocation which was last reviewed in fiscal year 2004/2005:

- 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

2008 Target Asset Allocation



2008 Actual Asset Allocation*



*The 2008 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.

- Fixed Income & Cash
- Domestic Equity
- International Equity
- Real Estate
- Private Equity
- Commodities

These charts display LACERA's fiscal year end, June 30, 2008, target and actual asset allocations. As shown, the allocations are close to the BOI-approved asset allocation policy.

The BOI 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 BOI with the implementation of investment policies and long-term investment strategies.

Economic and Market Review

Given the noteworthy events occurring in the stock and bond markets during this fiscal year, the U.S. economy continued to grow at an annual pace of 2.8 percent for fiscal year ended June 2008. The strong economic growth was supported by export growth and the federal tax rebate program. The housing market slowdown, which turned into a steep decline, is expected to lead to slower economic growth later in 2008-2009.

The fiscal year started with the failure of two hedge funds investing in mortgage-backed securities. This was the first event that led investors to realize the potential magnitude of the sub-prime mortgage meltdown on the credit markets. As the sub-prime mortgage markets continued to unravel, the Federal Reserve lowered the Federal Fund's interest rate seven times to help maintain market liquidity and economic growth.

In March 2008, the Federal Reserve took the unprecedented action of guaranteeing a $29 billion loan for the purchase of failed investment bank, Bear Stearns. At the time, The Federal Reserve believed a Bear Stearns' bankruptcy would wreak havoc on the credit markets. Clearly, events subsequent to this action were the warm up act for the Treasury's and Federal Reserve's later actions. As of this writing, the Treasury Secretary requested a $700 billion rescue package to buy bad mortgages from financial institutions.

Not surprisingly, stock market volatility increased tremendously while bond investors were primarily interested in the safety of U.S. Treasury bonds. The U.S. equity market, as measured by the Russell 3000 (a broad-based benchmark), was down 12.7 percent during the fiscal year. Smaller stocks returned a -16.2 percent, as measured by the Russell 2000 benchmark.

In the bond market, the Lehman U.S. Aggregate, a broad measure of government, mortgage-backed, and high-quality corporate bonds, returned 7.1 percent during this fiscal year. Investors became very risk averse during the fiscal year as the magnitude of the credit market catastrophe became more apparent. As a result, the Lehman U.S. Corporate High Yield benchmark returned a -2.3 percent for the one-year period ended June 2008. This contrasts sharply with the safe haven Long-Term Treasury index, as measured by Lehman, which returned 12.7 percent during this period.

International equity markets provided little solace for investors, returning -6.6 percent in U.S. dollars, as measured by the Morgan Stanley Capital International All Country World ex U.S. index (ACWI ex U.S.). The continued decline of the dollar against most major currencies (the Euro, the Yen, and the Pound) improved U.S. investor returns as the local currency return for the ACWI ex U.S. was down 15.0 percent. Emerging Markets were the only component of the ACWI ex U.S. index to generate positive returns for the one-year period ending June 30, 2008, returning 4.9 percent.

Summary of Performance

LACERA's string of five consecutive fiscal years of strong positive total fund returns ended this fiscal year. The total fund returned a negative 1.4 percent, while the fund's custom benchmark was down 1.6 percent. Thus, the total fund return exceeded the fund's composite benchmark by 20 basis points. As indicated in last year's letter, the strong returns previously earned were not sustainable. However, the circumstances surrounding the change in market sentiment are turning out to be monumental.

Three asset classes were positive contributors to the fund's performance: real estate, private equity, and commodities. LACERA's real estate composite returned 12.2 percent during the fiscal year and the private equity composite generated a 23.6 percent return. While these asset classes posted strong results, their valuations also lag relative to public markets by three to six months. As such, reversals in these returns should be expected.

LACERA's new allocation of commodities was the fund's best performing asset class which returned 42.9 percent for the fiscal year end June 2008. The new commitment to commodities, implemented for diversification purposes, proved to be beneficial during this period.

The stock and bond market portfolios had a more challenging year. LACERA's U.S. stock portfolio returned -14.1 percent which lagged the broad-based benchmark Russell 3000 by 140 basis points. The international composite performed better (-6.4 percent), adding 20 basis points relative to its Morgan Stanley Capital International ACWI ex U.S. index (-6.6 percent).

LACERA's custodian, BNY Mellon, calculated the fund's public market and total fund returns. LACERA's consultants for Real Estate (The Townsend Group) and Private Equity (Credit Suisse Customized Fund Investment Group) calculated their respective private market returns. The asset class performance figures are time-weighted rates of return. Total Fund performance is calculated based on the weighted average returns of the asset classes.

Conclusion

Consistent with its fiduciary duty, the BOI continues to evaluate and, when appropriate, adopt new investment opportunities. The following key items accomplished during the year include:

- Reviewed and updated the Fund's Investment Policy Statement.
- Implemented the second part of the new Private Equity program structure resulting in the selection of a new fund manager to invest in emerging and small private equity firms.
- Completed the initial implementation to international real estate.
- Independent third party completed a Fiduciary Review regarding LACERA's Investment Policies and Procedures.

As of this writing, market volatility remains incredibly high given the uncertainty surrounding the proposed $700 billion bailout to prop-up the country's credit markets. The ultimate result remains to be seen. Notwithstanding the understandably low public support for this bailout, the credit markets remain key to this country's economic growth. Until investor confidence is reestablished, market volatility will remain high. Against this backdrop, it will continue to be a challenging investment environment for all investors.

LACERA's BOI and investment staff will remain diligent when evaluating new investment opportunities while carefully considering the potential risks associated with these strategies. On behalf of LACERA's investment staff, I welcome this opportunity to serve the BOI and the Plan's participants by prudently investing the fund's assets to ensure the fund's long-term success.

Respectfully submitted,

Lisa Mazzocco

Lisa Mazzocco
Chief Investment Officer

Investment Summary

For the Year Ended June 30, 2008

(Dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Domestic Equity and Convertibles	$ 11,131,309	28.2%
International Equity	8,110,551	20.5%
Total Equities and Convertibles	19,241,860	48.7%
Short-Term Investments	741,505	1.9%
Mortgages	260,913	0.7%
Subtotal Short-Term and Mortgages	1,002,418	2.6%
U.S. Government and Agency Instruments	3,876,411	9.8%
Domestic Corporate Fixed Income	6,832,643	17.3%
International Fixed Income	108,543	0.3%
Private Placement Fixed Income	479,173	1.2%
Subtotal U.S. Instruments and Fixed Income	11,296,770	28.6%
Total Fixed Income	12,299,188	31.2%
Private Equity	3,296,714	8.4%
Real Estate and Title Holdings	3,996,568	10.1%
Commodities	638,575	1.6%
Total Investments	**$39,472,905**	**100%**

Investment Results
Based on Fair Value*

As of June 30, 2008

	Current	Annualized	
	Year	3-year	5-year
Domestic Equity[1]	-14.1%	4.5%	8.1%
Benchmark: Russell 3000	-12.7	4.7	8.4
International Equity	-6.4	16.0	19.0
Benchmark: MSCI ACWI X U.S.[2]	-6.6	15.7	18.9
Fixed Income[3]	5.3	4.2	4.6
Benchmark: Fixed Income Custom Index[4]	6.6	4.3	4.3
Benchmark: Lehman Aggregate Bond Index	7.1	4.1	3.9
Real Estate[5]	12.2	17.6	15.6
Benchmark: Real Estate Target Return[6]	8.0	8.0	8.0
Private Equity[7]	23.6	27.0	24.5
Benchmark: Private Equity Target Return[8]	11.2	11.2	11.2
Commodities	42.9		
Benchmark: DJ-AIG Commodity Index	41.6		
Total Fund (Gross of Fees)	**-1.4**	**10.0**	**11.4**
Total Fund (Net of Fees)	**-1.5**	**9.7**	**11.2**
Total Fund Policy Benchmark[9]	**-1.6**	**8.2**	**10.1**

*Asset class returns are calculated based on time-weighted rate of return; Total Fund return is calculated based on the weighted average returns of the asset classes.

[1]Includes Cash Equitization.

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

[3]Includes Member Home Loan Program (MHLP) or Whole Loan Program (WLP).

[4]A combination of the Lehman U.S. Aggregate Bond Index and the Lehman U.S. High Yield BB/B Index. The weights have varied over time, but as of September 30, 2006, the mix was 93% Aggregate and 7% High Yield.

[5]One quarter in arrears.

[6]Rolling five-year return of Consumer Price Index (CPI) plus 500 basis points (bps).

[7]Two quarters in arrears.

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

[9]Uses the fund's Board-approved target allocations.

Largest Equity Holdings (by Fair Value)

As of June 30, 2008
(Dollars in thousands)

Shares	Description	Fair Value
644,869	Exxon Mobil Corp.	$56,832
892,406	Royal Dutch Shell	36,747
1,273,600	General Electric Co.	33,992
967,549	AT&T Inc.	32,597
135,700	Potash Corp of Saskatchewan	31,642
1,125,905	Microsoft Corp.	30,974
210,851	Rio Tinto Limited	27,417
413,241	Proctor & Gamble Co.	25,129
246,471	Chevron Corp.	24,433
685,500	Mitsubishi Corp.	22,633

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2008
(Dollars in thousands)

Par	Description			Fair Value
92,495,603	FNMA Pool #0888100	5.500%	09/01/2036	$91,326
81,326,076	FNMA Pool #0745418	5.500%	04/01/2036	80,198
64,000,000	U.S. Treasury Notes	3.375%	11/15/2008	64,326
57,580,000	IRS_P U.S.0003M R	5.55%	10/18/2008	58,693
60,772,313	FNMA Pool #0745275	5.000%	02/01/2036	58,349
56,176,000	IRS_P U.S.0003M R	5.58%	10/19/2008	57,262
57,651,754	FNMA Pool #0888470	5.500%	08/01/2034	57,148
54,560,209	FNMA Pool #0725238	5.000%	03/01/2034	52,646
49,065,000	U.S. Treasury Note	4.875%	06/30/2009	50,282
48,000,000	Commit to Pur FNMA SF Mtg	5.000%	07/01/2023	47,462

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2008 and 2007

(Dollars in thousands)

	2008	2007
Investment Activity:		
Equity Managers		
Domestic	**$ 18,570**	$20,105
International	**13,303**	9,754
Subtotal	**31,873**	29,859
Fixed Income Managers	**15,846**	14,318
Cash and Short-Term Managers	**627**	580
Mortgage Loan Servicers	**676**	633
Private Equity Managers	**4,409**	6,237
Real Estate Managers	**52,917**	19,113
Commodity Managers	**1,096**	9
Total Fees from Investment Activity	**107,444**	70,749
Securities Lending Activity:		
Management Fee	**1,644**	829
Total Investment Management Fees	**$109,088**	$71,578

Cash & Short-Term
Western Asset Management Company

Equity-Domestic
American Century Investment Management, Inc.
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
Batterymarch Financial Management, Inc.
Capital Guardian Trust Company
GAM International Management, Ltd.
Genesis Investment Management, LLP

Fixed Income
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
Credit Suisse CFIG
GTB Capital Partners, LP
HarbourVest International Private Equity Partners
Invesco Private Capital, Inc.
Knightsbridge Advisers, Inc.

Real Estate
AIG Global Investment Group
Capmark Investments, LP
Capri Capital Advisors, LLC
CB Richard Ellis Investors, LLC
CityView
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
New City Asia Partners
Phoenix Realty Group, LLC
RREEF America Partners
TA Associates Realty
The Carlyle Group
Urban America, LP

Mortgage Loan Servicer
CitiMortgage, Inc.
Chase Home Finance, LLC
GMAC Mortgage Corporation

Commodities
Lehman Brothers Asset Management, Inc.
PIMCO

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

New-Member > Mid-Career > Pre-Retirement

Achieve:

"To perform or carry out with success."

Achieving the most advantageous retirement requires an understanding of retirement — the plan provisions, laws, and LACERA policies and procedures. To help our members feel confident with their retirement choices, our Retirement Benefits Specialists hold educational workshops throughout the year. Attendees learn the details of retirement eligibility, plan options, factors affecting their retirement allowances, and strategies to achieve the maximum benefits available. With our introduction of an interactive online workshop on lacera.com, we recently achieved a new dimension of workshop service options.

WELCOME TO LACERA

It's Decision Time

Mem

Los Angeles Cou

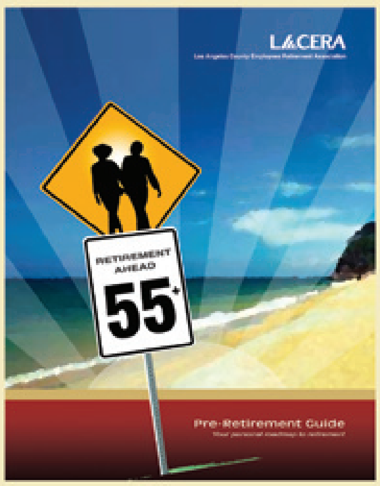
WORKSHOPS

mberWorkshops

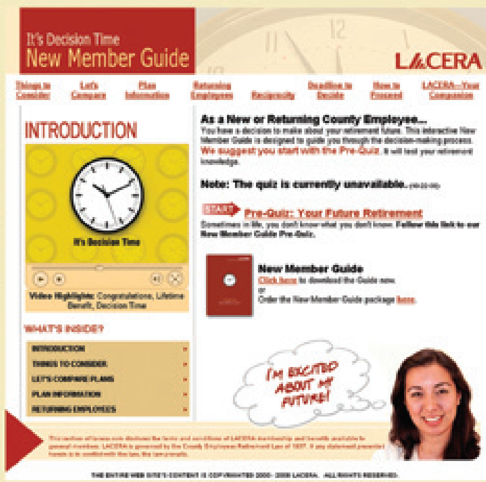
nty Employees Retirement Association

at LACERA - departments - online

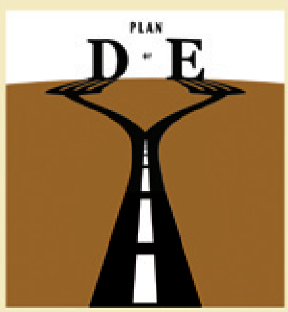
Pre-Retirement Guide



New Member Interactive Workshop



Workshops Throughout the County



Our Workshops

New Hire

Outreach Staff

August 19, 2008

Milliman
1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605 USA
Tel +1 206 624 7940
Fax +1 206 623 3485
milliman.com

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, 2005	**Funded Ratio:**	85.8%
Valuation Date:	June 30, 2006	**Funded Ratio:**	90.5%
Valuation Date:	June 30, 2007	**Funded Ratio:**	93.8%

Since 2005, the Funded Ratio has increased each year due to investment returns in excess of the actuarial assumption. It is expected that the recognition of the deferred asset gains from 2006 and 2007 will cause the Funded Ratio to increase in the 2008 valuation. However, these gains will be offset by asset losses for the year ending June 30, 2008.

It is our opinion that LACERA continues in sound financial condition as of June 30, 2007. The current funding policy is based on the Retirement Benefits Enhancement Agreement. It provides for a short-term funding policy, applicable through the actuarial valuation as of June 30, 2008. 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 percent. Surplus Funding occurs when the Funded Ratio is greater than 100 percent. 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 percent of the actuarial value of assets as part of the valuation assets. In any year in which the Funded Ratio is less than 100 percent 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, 2007 would decrease to 92.2 percent. This interim funding approach under the Agreement is not expected to be a permanent, long-term funding policy. The Board of Investments (BOI) is developing a new long-term funding policy in 2008 that will apply beginning with the actuarial valuation as of June 30, 2009.

[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 June 30, 2007 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. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the Board on December 12, 2007. The assumptions were based on the triennial Investigation of Experience Study report as of June 30, 2007. Assumptions will be reviewed again in 2010.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for LACERA consistent with our understanding of their funding requirements and goals. The 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 for fulfilling financial accounting requirements. 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. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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, 2007 actuarial valuation report.

We certify the June 30, 2007 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

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

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

KIS/NJC/nlo

Actuarial Assumptions and Methods	Recommended by the Actuary and adopted by the Board of Investments (BOI). The actuarial assumptions used to determine the liabilities are based on the results of the 2007 triennial Investigation of Experience Study. New assumptions were adopted by the BOI for the June 30, 2007 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 the 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 percent 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 percent, a portion of the STAR Reserve may be considered as part of the valuation assets to bring the funding ratio up to 100 percent. 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 percent. Surplus Funding occurs if the Funded Ratio is greater than 100 percent. The amortization of either is funded over an open 30-year period, commonly referred to as a "rolling 30-year amortization method." (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 percent 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 4.26 percent to 10.24 percent. In addition to increases in salary due to promotions and longevity, the increases include an assumed 4.00 percent per annum rate of increase in the general wage level of membership. These rates were adopted for the June 30, 2007 valuation.

Post-Retirement Benefit Increases	Post-retirement benefit increases of either 3 percent or 2 percent 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 percent per year. This rate was adopted for the June 30, 2004 valuation. Plan E members receive a prorated post-retirement benefit increase of 2 percent for service credit earned after June 4, 2002. The portion payable is based on a ratio of a member's months of service earned after June 4, 2002 to his/her total months of service. The portion of the full 2 percent increase not provided for may be purchased by the member.
Consumer Price Index	Increase of 3.5 percent 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 for the June 30, 2007 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. Current beneficiary mortality is assumed to be the same as healthy members of the same sex. Future beneficiaries are assumed to be of the opposite sex, and have the same mortality as General 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 one year. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back two years. Females: General members: RP-2000 Combined Table for Females, with no age adjustment. Safety members: RP-2000 Combined Mortality Table for Females, with ages set back two years. These rates were adopted for the June 30, 2007 valuation.
Recent Changes and Their Financial Impact	The assumptions were reviewed and changed for the June 30, 2007 valuation as a result of the 2007 triennial Investigation of Experience Study. The Funded Ratio increased from 90.5 percent to 93.8 percent since the 2006 valuation. The 2007 investment gain resulted in a 5.4 percent increase in the Funded Ratio. However, this was somewhat offset by the impact of changes in the actuarial assumptions and actual salary increases that exceeded those assumed.

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
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%**
June 30, 2007	General	79,829	$4,673,126,964	$58,539	5.86%
	Safety	12,267	1,103,924,952	89,991	6.42%
	Total	**92,096**	**$5,777,051,916**	**$62,729**	**6.17%**

[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	2,015	79,955	(1,615)	(35,054)[2]	51,392	1,858,225	5.06%	36,158

[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)

Valuation Date	Actuarial Accrued Liability (AAL) (1) Active Member Contributions	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Valuation Assets	Percentage of AAL Covered by Assets (1) Active	(2) Retired	(3) Employer
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%
June 30, 2007	4,852	22,398	12,253	37,042	100%	100%	80%

Actuarial Analysis of Financial Experience

(Dollars in millions)

	Valuation Date as of June 30					
	2002	2003	2004	2005	2006	2007
Prior Valuation Unfunded Actuarial Accrued Liability	$ 0	$ 175	$3,910	$5,611	$4,878	$3,439
Expected Increase (Decrease) from Prior Valuation	(26)	162	312	128	(31)	(109)
Salary Increases Greater (Less) than Expected	(20)	(66)	(270)	(115)	156	673
CPI Less than Expected	(39)		(31)			
Change in Assumptions			697			515
Asset Return Less (Greater) than Expected	(194)	3,351	871	(790)	(1,642)	(2,187)
All Other Experience	13	248	122	44	28	130
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)	**$175**	**$3,910**	**$5,611**	**$4,878**	**$3,439**	**$2,461**

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	0.0003
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0004
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0011
50	0.0300	0.0050	0.0017	0.0006	N/A	0.0021
60	0.2200	0.0050	0.0044	0.0016	N/A	0.0049
70	0.3000	0.0050	0.0052	0.0059	N/A	0.0099
75	1.0000	0.0000	0.0000	0.0084	N/A	0.0151
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	0.0002
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0006
50	0.0300	0.0050	0.0016	0.0006	N/A	0.0016
60	0.2200	0.0050	0.0034	0.0017	N/A	0.0036
70	0.3000	0.0050	0.0072	0.0036	N/A	0.0073
75	1.0000	0.0000	0.0000	0.0046	N/A	0.0103

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	0.0003	5	0.0283
30	0.0000	0.0002	0.0001	N/A	0.0004	10	0.0208
40	0.0200	0.0006	0.0002	N/A	0.0011	15	0.0144
50	0.0200	0.0017	0.0006	N/A	0.0021	20	0.0096
60	0.0600	0.0044	0.0016	N/A	0.0049	25	0.0068
70	0.2500	0.0052	0.0059	N/A	0.0099	30 & up	0.0000
75	1.0000	0.0000	0.0084	N/A	0.0151		
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	0.0002	10	0.0208
40	0.0200	0.0006	0.0002	N/A	0.0006	15	0.0144
50	0.0200	0.0016	0.0006	N/A	0.0016	20	0.0096
60	0.0600	0.0034	0.0017	N/A	0.0036	25	0.0068
70	0.2500	0.0072	0.0036	N/A	0.0073	30 & up	0.0000
75	1.0000	0.0000	0.0046	N/A	0.0103		

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	0.0003	5	0.0407
30	0.0000	N/A	N/A	N/A	0.0004	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0011	15	0.0204
50	0.0000	N/A	N/A	N/A	0.0021	20	0.0162
60	0.0500	N/A	N/A	N/A	0.0049	25	0.0132
70	0.2500	N/A	N/A	N/A	0.0099	30 & up	0.0120
75	1.0000	N/A	N/A	N/A	0.0151		
Plan E General Members - Female							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0407
30	0.0000	N/A	N/A	N/A	0.0002	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0006	15	0.0204
50	0.0000	N/A	N/A	N/A	0.0016	20	0.0162
60	0.0500	N/A	N/A	N/A	0.0036	25	0.0132
70	0.2500	N/A	N/A	N/A	0.0073	30 & up	0.0120
75	1.0000	N/A	N/A	N/A	0.0103		

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	0.0002	5	0.0217
30	0.0000	0.0050	0.0003	0.0001	0.0004	10	0.0096
40	0.0100	0.0072	0.0004	0.0001	0.0005	15	0.0048
50	0.0100	0.0168	0.0007	0.0001	0.0011	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0000		
Plan A and B Safety Members - Female							
20	0.0000	0.0050	0.0006	0.0001	0.0002	5	0.0217
30	0.0000	0.0060	0.0006	0.0001	0.0002	10	0.0096
40	0.0100	0.0140	0.0010	0.0001	0.0006	15	0.0048
50	0.0100	0.0190	0.0022	0.0001	0.0016	20 & up	0.0000
60	1.0000	0.0000	0.0000	0.0000	0.0000		

Summary of Plan Provisions

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

The Los Angeles County Employees Retirement Association (LACERA) is governed by the County Employees Retirement Law of 1937 (CERL). The Association has been providing retirement, disability, and death benefits to eligible Los Angeles County (County) employees, retirees, and their beneficiaries since 1938. The information summarized in this section is a summary and is not intended to cover all provisions of the law. If any statement in this report is in conflict with the law, the law prevails.

MANAGEMENT OF THE RETIREMENT SYSTEM

Except as delegated to the Board of Investments (BOI) 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 (BOR).	(31520.1, 31520.5)
Members of each Board serve for three-year terms; specified members receive compensation for not more than five meetings a month. Specified BOR members may receive additional compensation to review and analyze disability cases.	(31520, 31520.2, 31521, 31521.3)
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 BOR and the BOI may appoint such administrative, technical, and clerical personnel as are required to accomplish the necessary work of the Boards. The BOR and the BOI that have elected to appoint personnel pursuant to Section 31522.1 may appoint an administrator.	(31522.1, 31522.2)
The BOR may contract with a third party to temporarily assume administration of the system should a catastrophic event destroy or severely damage the system's administrative facilities or otherwise prevent local administration of the system.	(31522.6)
The Boards may make regulations (Bylaws) not inconsistent with CERL. The Boards have numerous duties that are specified throughout CERL.	(31525)

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

ANNUAL BUDGET

The annual budget of LACERA, covering the 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 percent) of the total assets of the retirement system. This amount may be exceeded under specific conditions. (31529.1, 31580.2, 31580.3)

MEMBERSHIP ELIGIBILITY

Permanent employees of the County and participating Districts that work three-quarter time or more are eligible for membership in LACERA. (31551, 31552, Bylaws)

Permanent employees eligible for safety membership (law enforcement, firefighting, and certain 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. (31493, 31493.5, 31493.6, Bylaws)

Elective officers become members on the first day of the month after filing a declaration with the BOR. (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 transfer prospectively to Plan D and make contributions beginning as of the effective date of transfer. These members may also purchase some or all of their Plan E service (earned prior to the transfer) and convert it to Plan D service credit. (31494.5)

General members in Plan D may transfer prospectively to Plan E and make no further contributions as of the effective date of transfer. (31494.2)

Members who transfer to Plan D or Plan E prospectively retain credit for their prior plan service and receive a combined retirement allowance from both plans when they retire. A member is not eligible to transfer back to the prior plan until three years from the effective date of the last transfer.

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

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.

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

Plan E: General members – hired on or after January 4, 1982, unless they elect Plan D; or former general Plans A-D members who elected to transfer to 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 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.] 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)

There are no normal monthly member contributions under Plan E. Plan E members may make contributions to purchase Additional Retirement Credit (ARC) and an elective cost-of-living adjustment (COLA).

(Board of Supervisors Resolution, 31495)

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 a reduced contribution rate on the first $350 of salary, while Plan D members paid a reduced rate on the first $1,050 of salary. The full rate was applicable on salaries above these amounts.

(31812)

Contributions are deducted monthly from employees' earned compensation and are credited to each individual member's account.

(31625)

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

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 and elect a contributory plan may redeposit their withdrawn accumulated contributions plus interest from date of withdrawal. After the redeposit is completed, membership continues as if unbroken, except current contributions are based on nearest age at reentry.	(31652, Bylaws)
Interest is credited semiannually on June 30 and December 31 on contributions that have been on deposit for at least six months. The interest rate is set by the BOI.	(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.	(31628, 31629, 31629.5)

EMPLOYER CONTRIBUTIONS

The employer (County or District) contributes to the retirement fund a percentage of the total compensation provided for all members based on an actuarial investigation, valuation, and recommendations of the actuary and the BOI.	(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)

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

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.

SERVICE AND BREAKS IN SERVICE

Plans A - D

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 previous service authorized by CERL or the BOR Bylaws.

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. For example, for two years of service in a one-half time position, a member will earn one full year of service credit. (31640.5)

Plan E

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)

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

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 31490.5 and 31494. (31490)

Note: Open window plan transfers to Plan E under Section 31494 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)

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 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)

Retirement Plan Allowances:

Retirement allowances are based on retirement plans, which provide different levels of benefits. Three important differences between the plans are: age factors that determine the percentage of final compensation per year of service; final compensation periods (one year versus three years); and level of cost-of-living adjustments (COLA). The plans and their benefits appear on the following pages.

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS
Retirement Eligibility:	
Plans A-D	
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.	(31663.25)
Plan E	
Normal Retirement – Age 65 with 10 years of service. A reduced benefit is payable at age 55 with 10 years of service.	(31491, 31491.3)
Monthly Allowance:	
General Plans A – D: one-sixtieth x final compensation x the applicable general plan age factor x years of service. Allowance may not exceed 100 percent of final compensation.	(31676.1, 31676.11, 31676.14)
Safety Plans A & B: one-fiftieth x final compensation x safety plan age factor x years of service. Allowance may not exceed 100 percent of final compensation.	(31664)
Final compensation for Plans A – D 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, 31462.3)
Plan E: 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 years, not to exceed 10 additional years, reduced by the estimated Primary Insurance Amount (PIA) x the number of years of service subject to Social Security, not to exceed 35 years, divided by 35.	(31491, 31491.3)
A Plan E normal retirement allowance cannot exceed 80 percent of final compensation.	(31491, 31491.3)
Estimated PIA is based on the member’s age and salary as of the date of retirement or the date of termination.	(31491, 31491.3)
Plan E final compensation is the average monthly compensation earnable during any three years elected by the member or the last three years of compensation if no election is made.	(31491, 31491.3)

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

UNMODIFIED AND OPTIONAL RETIREMENT ALLOWANCES

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)

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)

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 is payable to an eligible surviving spouse; eligible domestic partner, or eligible children. To receive this continuance, marriage or domestic partnership registration must have been in place at least one year prior to retirement. (31760.1, 31760.12, 31780.2, 31785, 31785.4)

If there is no spouse or the spouse dies before every child attains the age of 18, the continuance is payable to the member's children until they no longer qualify as a minor child.

Plans A, B, C, and D: 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.

Plan E: The rights of an eligible domestic partner supersede the rights of any minor children.

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

NOTE: There are no nonservice or service-connected disability benefits for Plan E members or beneficiaries.

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

Optional Retirement Allowance:

Under an Optional Retirement Allowance, a member may elect to have his or her monthly retirement allowance permanently reduced by an actuarially established formula in order to provide an optional survivor allowance. (31760)

Unmodified+Plus: Member's allowance is reduced to pay an increased continuing allowance 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. (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. This option is not available to Plan E members. (31761)

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

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

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

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

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 Plan E members, disability retirees, members who elect Unmodified+Plus, or Option 2, 3, or 4. Under this option, the allowance is increased prior to age 62 and then reduced after 62 by amounts which have equivalent actuarial values. The continuance for eligible spouses or domestic partners 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 this option. (31810, 31811)

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

DISABILITY RETIREMENT ALLOWANCES

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

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)

A general member in Plan E who transfers prospectively to Plan D may apply for a 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)

Monthly Allowance:

The allowance begins from the date of application, but not earlier than the day following the last day of regular compensation. (31724)

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. (31720)

Monthly Allowance:

The monthly allowance is equal to 50 percent 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, one hundred percent of the allowance continues to an eligible surviving spouse, eligible domestic partner, or eligible 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)

If there is an eligible surviving domestic partner and eligible minor children, 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.

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

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)

Monthly Allowance:

The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b): (31726, 31726.5)

(a) Ninety percent of one-sixtieth 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 one-third of final compensation; or (31727(a))

(b) Ninety percent of one-sixtieth of final compensation x years of service projected to age 65 if allowance does not exceed one-third of final compensation. (31727(b))

For safety members one-sixtieth is replaced by one-fiftieth 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 percent of the allowance continues to an eligible surviving spouse, eligible domestic partner, or eligible minor children, unless the member elected an optional allowance. To receive this continuance the marriage or domestic partnership registration must have occurred at least one year prior to retirement. (31760, 31760.1, 31760.12, 31780.2, 31785, 31785.4)

If there is an eligible surviving domestic partner and eligible minor children, 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.

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

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)

DEATH BENEFITS

A lump-sum amount or an optional monthly allowance is payable to the eligible surviving spouse, eligible domestic partner, or eligible minor child of a member who dies while in active service.

Death Benefit (Lump Sum)

Upon the death of a member in active service, a lump-sum death benefit equal to the member's normal contributions and interest plus one-half of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50 percent of the 12 months' compensation) is payable to the named beneficiary. (31781, 31784)

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.

The person to whom the 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.

In lieu of the lump-sum death benefit, the eligible surviving spouse, minor child or domestic partner may be entitled to elect a monthly allowance or a combined benefit.

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

Monthly Allowance:

A lifetime monthly benefit is payable to the eligible surviving spouse, eligible children or eligible 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. (31787)*

If there is an eligible surviving domestic partner and eligible minor children, the children will receive any 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. (31780.2)

Optional Combined Benefit:

(a) A one-time payment equal to one-twelfth of the preceding 12 months compensation earnable x the number of completed years of service (benefit not to exceed 50 percent of the 12 months' compensation), plus (31781.3)

(b) A monthly payment equal to 50 percent of the member's final compensation, reduced by a monthly amount which is the actuarial equivalent of the above (a) based on the age of surviving spouse or domestic partner.

Additional Allowance for Children:*

If a member whose duties consist of active law enforcement or active fire suppression 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 percent for one child, 40 percent for two children, and 50 percent for three or more children. (31787.5)

Additional Amount for Spouse of Safety Member:

A surviving spouse or domestic partner of a safety member who 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. (31787.6)

*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

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility:

Active members who have completed five years of County service or a combination of County and reciprocal service and die while in service or while physically or mentally incapacitated for the performance of duty. (31780)

If there is an eligible surviving domestic partner and eligible minor children, the children will receive any 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. (31780.2)

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 eligible surviving spouse or eligible domestic partner or eligible children may elect to receive an optional death allowance equal to 65 percent of the monthly retirement allowance to which the member would have been entitled as of the date of death. (31781.1, 31781.12)*

Second Optional Death Benefit:

If a member dies prior to reaching the minimum retirement age but has 10 or more years of County service, the eligible surviving spouse, eligible domestic partner, or eligible children may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired. (31781.2)

Third Optional Death Benefit:

An eligible surviving spouse or eligible domestic partner of a member who dies after five years of County service may elect a combined benefit equal to:

(a) A one-time payment 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 percent of the 12 months' compensation), plus (31781.3)

*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

(b) A monthly payment equal to 65 percent 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) above based on the age of surviving spouse or domestic partner. (31781.1, 31781.12)

Fourth Optional Death Benefit:

If a member dies while eligible for a service retirement and the surviving spouse or domestic partner is designated as beneficiary, the eligible spouse, eligible domestic partner or eligible children may elect to receive 65 percent of the monthly retirement allowance to which the member would have been entitled as of the date of death. (31765.1, 31765.2)

Fifth Optional Death Benefit:

If a member dies while eligible for a service retirement and the surviving spouse or domestic partner is designated as beneficiary and survives the member by not less than 30 days, the eligible spouse, eligible domestic partner, or eligible children 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)

DEFERRED VESTED BENEFITS

Eligibility:

Vested contributory plan members (those with five or more years of County and/or reciprocal service) who terminated their employment and deferred retirement may elect to retire at any time they could have retired had they remained in County service in a full-time position. (31700, 31836)

Vested or vested former Plan E members (those with ten or more years of County and/or reciprocal service) may elect to retire at any time after they reach age 55. (31491, 31491.3)

Monthly Allowance:

The allowance is calculated according to the applicable service retirement formula at the time of retirement. (31703, 31704, 31705)

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

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 deferred member must be notified that he or she 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)

Reciprocity:

Career public service is encouraged by granting reciprocal benefits to members who are entitled to retirement benefits from two or more California public agencies covered by a reciprocal retirement system, subject to specified conditions. A member may be eligible for reciprocity when he or she becomes employed by a reciprocal agency within six months after terminating County service and leaving contributions on deposit with LACERA.	(31830, 31840.2, 31840.4, 31840.8)
Final compensation may be based on service with the reciprocal agency if it is greater than the LACERA compensation and the member retires concurrently under both systems.	(31461.3, 31835)
Deferred members are eligible for disability benefits from LACERA if disabled while a member of a reciprocal retirement system. In no event will the benefits be larger than if all service was spent with one system.	(31837, 31838, 31838.5)

TRANSFERS

Whenever firefighting or law enforcement functions performed by a city or the State subject to CERL are transferred to the County, fire authority, or District, employees performing those functions become members of LACERA. LACERA and the California Public Employees Retirement System (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)

COST-OF-LIVING (COLA) INCREASES

Cost-of-living increases (or decreases) are applied to 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, rounded 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)

	GOVERNMENT CODE SECTIONS, BOARD RESOLUTIONS, OR BOARD OF RETIREMENT BYLAWS
Plan A members (and their beneficiaries) are limited to a maximum 3 percent COLA increase (or decrease); Plan B, C, and D members (and their beneficiaries) are limited to a maximum 2 percent COLA increase (or decrease). COLA for Plan E members is limited to service earned after June 4, 2002; the maximum COLA for this service is 2 percent.	(31870, 31870.1, 31495.5)
When the CPI exceeds 2 or 3 percent, 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 COLA increases when the CPI falls below 2 or 3 percent, 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.	(31870, 31870.1)
Plan E members may elect to purchase an elective COLA for some or all of their Plan E service earned prior to June 4, 2002.	(31495.5)
Contributory members who have a COLA Accumulation of more than 20 percent resulting from CPI increases that exceeded the maximum cost-of-living increases that could be granted may be eligible for a Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA) - a supplemental cost-of-living increase - effective January 1. STAR COLA is not applicable to Plan E members.	(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)

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

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 County 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)
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. The member's retirement allowance is canceled at 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, 31680.6, 31680.8)
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 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 other benefit fails to claim the payment or cannot be located, the BOR 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. The BOR may return the amounts to the claimant upon receipt of satisfactory information. (31783.5)

LONG-TERM CARE INSURANCE

The BOR may provide a long-term care insurance program for retired members and their spouses, their parents, and their spouses' parents. The BOR must approve the criteria for: enrollment eligibility, appropriate underwriting, scope of covered benefits, obtaining benefits, and any other standards as needed. The enrollees pay full cost of enrollment. (31693.3, 31696.1, 31696.2, 31696.4, 31696.5)

New Interactive Service Option

Achieve:

"To accomplish some purpose or effect."

Achieving the best possible retirement scenario requires long-term planning. To help members plan for and achieve their optimal retirement, My LACERA, our secure members-only section of lacera.com, provides the technology for members to create their own personalized Retirement Benefit Estimates online at their convenience. This interactive feature represents the next generation of LACERA service options. It automatically displays the earliest date the member is eligible to retire, his or her personal data on file, and retirement tips related to each topic.

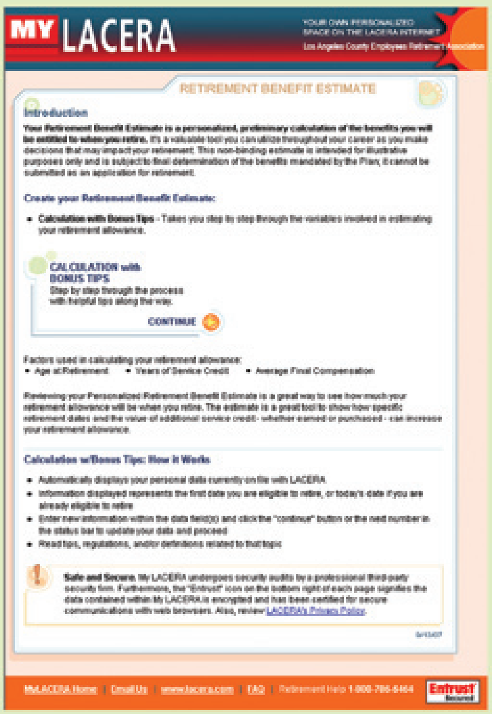
LACERA.COM

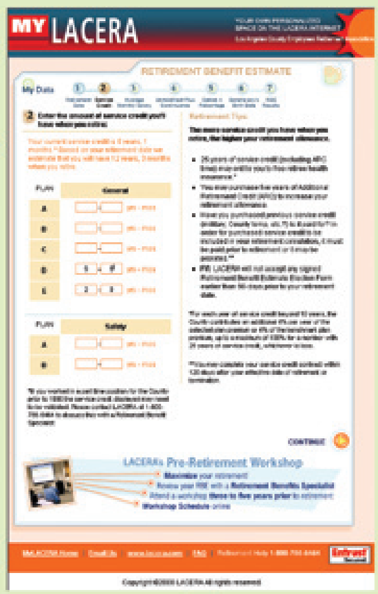
RBE

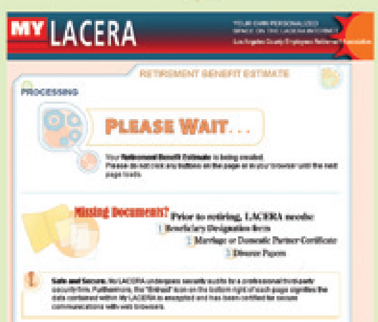
Retirement Benefit Estimate

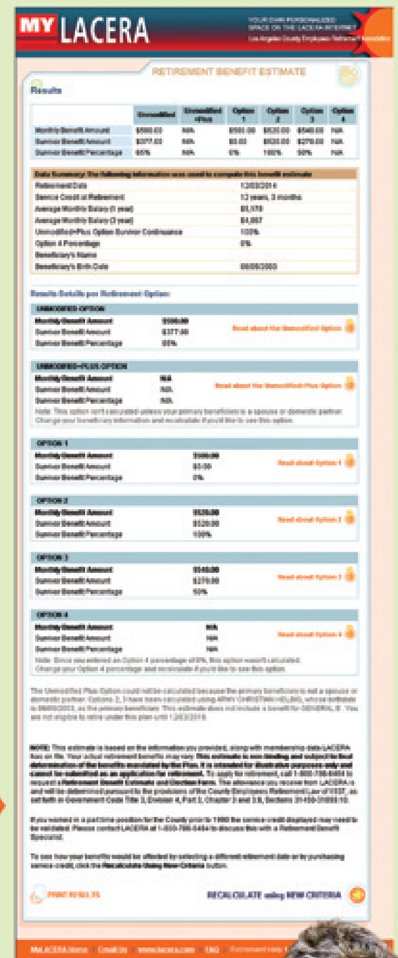
On My LACERA

Los Angeles County Employees Retirement Association lacera.com









Create a Retirement Benefit Estimate

Online

Service Options

Statistical Information Overview

The objective of the Statistical Section is to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the Financial Statements, Notes to Financial Statements, and Required Supplementary Information to understand and assess LACERA's economic condition. The information provided is presented in two main categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how LACERA's financial position has changed over time. The Changes in Pension Plan Net Assets for the Last Ten Fiscal Years presents additions by source, deductions by type, and the total change in net assets for each year. The Pension Benefit Expenses by Type for the Last Ten Fiscal Years presents benefit and refund deductions by type of benefit, such as by Service Retirement and Disability Retirement, as well as by General and Safety benefits.

Operating Information is intended to provide contextual information about LACERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate LACERA's fiscal condition. The Active and Deferred Member Accounts for the Last Ten Years provides membership statistics for active vested and non-vested members, as well as for deferred members. Retired Members by Type of Pension Benefit and Retired Members by Type of OPEB Benefit present benefit information for the current year, by benefit type and dollar levels. The Schedule of Average Pension Benefit Payments for the Last Ten Fiscal Years presents the average monthly benefit, average final average salary, and number of retired members, organized by five-year increments of credited service. Participating Pension Employers and Active Members for the Last Ten Fiscal Years presents the employers and their corresponding covered employees. Participating OPEB Employers and Retired Members for the Last Ten Fiscal Years presents the covered members by medical or dental/vision benefit. Only two years worth of data is currently available. Employer pension contribution rates are also provided as additional information.

Changes in Pension Plan Net Assets

Last Ten Fiscal Years

(Dollars in thousands)

	1999	2000	2001	2002	2003
Additions					
Employer Contributions	$ 85,576	$ 130,319	$ 193,650	$ 297,928	$ 325,524
Member Contributions	202,062	198,618	216,297	265,573	233,192
Net Investment Income	3,342,362	4,335,941	(2,382,548)	(1,533,625)	924,991
Miscellaneous	2,563	2,536	2,972	133	151,215
Total Additions	**3,632,563**	**4,667,414**	**(1,969,629)**	**(969,991)**	**1,634,922**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	998,181	1,065,265	1,155,670	1,240,371	1,339,202
Administrative Expense	27,562	29,401	33,417	37,402	41,523
Retiree Health Care Program	51,164	48,611	52,717	57,654	53,407
Miscellaneous	4,528	2,096	653	604	224
Total Deductions	**1,081,435**	**1,145,373**	**1,242,457**	**1,336,031**	**1,434,356**
Transfer to OPEB Agency Fund					
Change in Plan Net Assets	**$2,551,128**	**$3,522,041**	**$(3,212,086)**	**$(2,306,022)**	**$ 200,566**

	2004	2005	2006*	2007*	2008
Additions					
Employer Contributions	$ 395,109	$ 527,810	$ 676,667	$ 751,928	**$ 788,029**
Member Contributions	262,699	286,096	296,176	347,701	**414,752**
Net Investment Income	4,118,500	3,396,193	4,092,410	6,487,184	**(1,426,117)**
Miscellaneous	2,605	3,222	1,582	1,803	**1,767**
Total Additions	**4,778,913**	**4,213,321**	**5,066,835**	**7,588,616**	**(221,569)**
Deductions					
Total Benefit Expenses (see Pension Benefit Expenses by Type)	1,447,511	1,562,363	1,798,463	1,792,654	**1,913,272**
Administrative Expense	38,684	43,182	42,469	43,880	**48,223**
Retiree Health Care Program	59,054	62,318			
Miscellaneous	287	536	75	197	**371**
Total Deductions	**1,545,536**	**1,668,399**	**1,841,007**	**1,836,731**	**1,961,866**
Transfer to OPEB Agency Fund			66,344	29,368	
Change in Plan Net Assets	**$3,233,377**	**$2,544,922**	**$3,159,484**	**$5,722,517**	**$(2,183,435)**

*Reclassified to reflect GASB No. 43 implementation.

Pension Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in thousands)

	1999	2000	2001	2002	2003
Service Retiree Payroll					
General	$614,824	$ 650,584	$ 702,400	$ 751,892	$ 802,308
Safety	104,465	115,813	128,635	141,541	161,269
Total	**719,289**	**766,397**	**831,035**	**893,433**	**963,577**
Disability Retiree Payroll					
General	103,262	106,416	111,707	116,791	115,090
Safety	157,484	173,989	193,554	212,433	242,108
Total	**260,746**	**280,405**	**305,261**	**329,224**	**357,198**
Total Retiree Payroll					
General	718,086	757,000	814,107	868,683	917,398
Safety	261,949	289,802	322,189	353,974	403,377
Total	**980,035**	**1,046,802**	**1,136,296**	**1,222,657**	**1,320,775**
Refunds*					
General	*	*	*	*	*
Safety	*	*	*	*	*
Total	**16,295**	**17,250**	**17,640**	**16,259**	**16,756**
Lump-Sum Death Benefits	**1,851**	**1,213**	**1,734**	**1,455**	**1,671**
Total Benefit Expenses	**$998,181**	**$1,065,265**	**$1,155,670**	**$1,240,371**	**$1,339,202**

	2004	2005	2006	2007	2008
Service Retiree Payroll					
General	$ 867,715	$ 942,997	$1,072,193	$1,087,908	**$1,162,474**
Safety	178,829	192,093	234,565	228,779	**242,948**
Total	**1,046,544**	**1,135,090**	**1,306,758**	**1,316,687**	**1,405,422**
Disability Retiree Payroll					
General	117,964	123,297	135,397	133,361	**139,390**
Safety	262,436	283,700	335,226	322,979	**341,158**
Total	**380,400**	**406,997**	**470,623**	**456,340**	**480,548**
Total Retiree Payroll					
General	985,679	1,066,294	1,207,590	1,221,269	**1,301,864**
Safety	441,265	475,793	569,791	551,758	**584,106**
Total	**1,426,944**	**1,542,087**	**1,777,381**	**1,773,027**	**1,885,970**
Refunds*					
General	*	*	16,889	15,682	**20,894**
Safety	*	*	2,842	2,356	**4,694**
Total	**18,088**	**18,630**	**19,731**	**18,038**	**25,588**
Lump-Sum Death Benefits	**2,479**	**1,646**	**1,351**	**1,589**	**1,714**
Total Benefit Expenses	**$1,447,511**	**$1,562,363**	**$1,798,463**	**$1,792,654**	**$1,913,272**

*Detail of Refunds available beginning in FY 2006.

Active and Deferred Members

Last Ten Fiscal Years

	1999	2000	2001	2002	2003
Active Vested					
General	44,436	46,366	46,886	47,763	48,513
Safety	8,795	8,789	9,400	9,400	9,221
Subtotal	53,231	55,155	57,163	57,163	57,734
Active Non-Vested					
General	24,216	25,574	28,162	29,299	27,482
Safety	2,229	2,475	2,984	2,790	2,544
Subtotal	26,445	28,049	31,146	32,089	30,026
Total Active Members					
General	68,652	71,940	75,048	77,062	75,995
Safety	11,024	11,264	12,021	12,190	11,765
Total	**79,676**	**83,204**	**87,069**	**89,252**	**87,760**
Deferred Members					
General	4,859	5,076	5,325	5,799	6,129
Safety	160	162	179	209	265
Total	**5,019**	**5,238**	**5,504**	**6,008**	**6,394**

	2004	2005	2006	2007	2008
Active Vested					
General	50,235	52,113	53,280	53,918	**53,884**
Safety	9,295	9,269	9,860	10,061	**9,874**
Subtotal	59,530	61,382	63,140	63,979	**63,758**
Active Non-Vested					
General	24,591	23,054	23,887	25,911	**27,780**
Safety	2,114	1,948	1,604	2,206	**2,954**
Subtotal	26,705	25,002	25,491	28,117	**30,734**
Total Active Members					
General	74,826	75,167	77,167	79,829	**81,664**
Safety	11,409	11,217	11,464	12,267	**12,828**
Total	**86,235**	**86,384**	**88,631**	**92,096**	**94,492**
Deferred Members					
General	6,260	6,591	7,021	7,441	**11,149**
Safety	299	389	438	470	**685**
Total	**6,559**	**6,980**	**7,459**	**7,911**	**11,834**

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, 2008

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*		
		1	2	3
$ 1 - $1,000	18,086	11,072	2,190	4,824
$1,001 - $2,000	13,188	9,175	2,327	1,686
$2,001 - $3,000	7,630	5,435	1,673	522
$3,001 - $4,000	4,561	3,446	903	212
$4,001 - $5,000	3,013	2,365	537	111
$5,001 - $6,000	2,147	1,632	461	54
$6,001 - $7,000	1,365	979	358	28
Greater than $7,000	2,360	1,764	569	27
	52,350	**35,868**	**9,018**	**7,464**

Amount of Monthly Benefit	Option Selected**					
	Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$ 1 - $1,000	17,084	179	304	434	61	24
$1,001 - $2,000	12,446	189	194	281	46	32
$2,001 - $3,000	7,184	159	104	146	24	13
$3,001 - $4,000	4,277	121	62	70	17	14
$4,001 - $5,000	2,780	106	48	48	15	16
$5,001 - $6,000	1,969	112	22	28	2	14
$6,001 - $7,000	1,225	89	11	21	4	15
Greater than $7,000	2,026	261	16	22	8	27
	48,991	**1,216**	**761**	**1,050**	**177**	**155**

*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, 2008

	Medical Benefit/Premium Amounts					Total
	$1- $500	$501- $1,000	$1,001- $1,500	$1,501- $2,000	> $2,000	Member Count
Medical Plans by Plan Type						
Blue Cross I	2	1,618	889	80		2,589
Blue Cross II	6	2,005	2,207	382		4,600
Blue Cross III	4,585	3,775	57			8,417
Blue Cross Prudent Buyer Plan	1,137	865	209			2,211
CIGNA HealthCare for Seniors	24	5				29
CIGNA Network Model Plan	4	758	46	721		1,529
Kaiser - California		3,330	3,155	248	23	6,756
Kaiser - Senior Advantage	8,720	1,380				10,100
Kaiser - Colorado	24	9	4	4		41
Kaiser - Georgia	25	30	31			86
Kaiser - Hawaii	37	23	3			63
Kaiser - Oregon-Washington	60	44	40			144
Firefighters Local 1014		355	910	97		1,362
PacifiCare		397	272	103		772
Scan Health Plan	336					336
Secure Horizons - PacifiCare	807	576	25			1,408
Total Medical by Plan Type	**15,767**	**15,170**	**7,848**	**1,635**	**23**	**40,443**
Medical Plans by Retirement Type						
Service Retirees	11,359	10,824	5,430	1,140	16	28,769
Disability Retirees	1,674	2,482	2,236	483	7	6,882
Survivors	2,734	1,864	182	12		4,792
Total by Retirement Type	**15,767**	**15,170**	**7,848**	**1,635**	**23**	**40,443**

	Dental/Vision Benefit/Premium Amount $1 - $500
Dental/Vision Plans by Plan Type	
CIGNA Indemnity Dental/Vision	36,346
CIGNA Dental HMO/Vision	4,281
Total Dental/Vision by Plan Type	**40,627**
Dental/Vision Plans by Retirement Type	
Service Retirees	28,833
Disability Retirees	7,023
Survivors	4,771
Total by Retirement Type	**40,627**

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

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

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

Schedule of Average 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+
7/1/04 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
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

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+
7/1/06 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
7/1/07 to 6/30/08						
Retirants						
General Members						
Average Monthly Benefit	$ 1,247	$ 894	$ 1,681	$ 2,198	$2,575	$ 4,603
Average Final Average Salary	$ 5,160	$ 4,425	$5,095	$ 5,394	$5,352	$ 6,151
Number of Active Retirants	109	206	256	195	264	778
Safety Members						
Average Monthly Benefit	$4,264	$ 3,995	$ 3,534	$ 4,785	$6,170	$ 9,478
Average Final Average Salary	$7,234	$ 7,344	$ 8,061	$ 8,923	$9,252	$11,067
Number of Active Retirants	25	17	13	20	92	188
Survivors						
General Members						
Average Monthly Benefit	$ 1,026	$ 738	$ 906	$ 1,101	$1,690	$ 2,506
Average Final Average Salary	$ 5,729	$ 4,095	$ 4,409	$ 3,937	$4,441	$ 5,113
Number of Active Survivors	18	37	28	29	37	56
Safety Members						
Average Monthly Benefit	$1,574	$ 3,661	$ 1,555	$ 2,964	$3,638	$ 4,723
Average Final Average Salary	$5,295	$ 4,838	$ 4,379	$ 5,534	$6,619	$ 7,088
Number of Active Survivors	2	1	5	5	10	9

Participating Pension Employers and Active Members

Last Ten Fiscal Years

	1999	2000	2001	2002	2003
County of Los Angeles					
General Members	68,631	71,940	75,034	77,048	75,980
Safety Members	11,024	11,264	12,021	12,190	11,765
Total	**79,655**	**83,204**	**87,055**	**89,238**	**87,745**
Participating Agencies (General Membership)					
South Coast Air Quality Mgmt District	6	8	3	3	2
Los Angeles County Office of Education	8	8	5	5	4
Little Lake Cemetery District	3	2	2	2	2
Local Agency Formation Commission	4	5	4	4	7
Total	**21**	**23**	**14**	**14**	**15**
Total Active Membership					
General Members	68,652	71,963	75,048	77,062	75,995
Safety Members	11,024	11,264	12,021	12,190	11,765
Total	**79,676**	**83,227**	**87,069**	**89,252**	**87,760**

	2004	2005	2006	2007	2008
County of Los Angeles					
General Members	74,811	75,154	77,153	79,816	**81,650**
Safety Members	11,409	11,217	11,464	12,267	**12,828**
Total	**86,220**	**86,371**	**88,617**	**92,083**	**94,478**
Participating Agencies (General Membership)					
South Coast Air Quality Mgmt District	2	2	2	2	**2**
Los Angeles County Office of Education	3	3	3	3	**3**
Little Lake Cemetery District	2		1	1	**1**
Local Agency Formation Commission	8	8	8	7	**8**
Total	**15**	**13**	**14**	**13**	**14**
Total Active Membership					
General Members	74,826	75,167	77,167	79,829	**81,664**
Safety Members	11,409	11,217	11,464	12,267	**12,828**
Total	**86,235**	**86,384**	**88,631**	**92,096**	**94,492**

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

Participating OPEB Employers and Retired Members

Last Ten Fiscal Years*

	2007	2008
Los Angeles County and Participating Agencies:		
Medical	40,807	**40,443**
Dental/Vision	40,172	**40,627**

*This schedule was implemented effective with GASB No. 43 reporting in FYE 6/30/07 and contains only two years 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					Safety	
			Plan A	Plan B	Plan C	Plan D	Plan E	Plan A	Plan B
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%
7/1/2007	to	6/30/2008	18.14%	11.44%	11.14%	11.33%	11.29%	26.89%	20.93%

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	Plan B	Plan D	Plan E
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%
7/1/2007	to	6/30/2008	18.14%		11.33%	11.29%

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	Plan B	Plan C
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%
7/1/2007	to	6/30/2008*	24.04%	17.31%	17.04%

*Member changed to Plan A from Plan C effective November 2007. There were no active members in Plan A from July 2003 to October 2007. SCAQMD recalculates its employer contribution rates to pick up a portion of its employee rates, in accordance with its labor contract.

08

Mixed Sources
Product group from well-managed forests, controlled sources, and recycled wood or fiber
www.fsc.org Cert no.
FSC
© 1996 Forest Stewardship Council

The 2008 LACERA Annual Report is printed on Jefferson and is Forest Stewardship Council (FSC) certified. This paper contains wood from responsibly managed forests certified according to FSC standards, which represent the world's strongest system for guiding forest management toward sustainable outcomes.

The 2008 Annual Report was designed by LACERA's Communications Division.

08

Annual Report

LACERA

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

The 2008 Annual Report is printed on Forest Stewardship Council (FSC) certified paper.