

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE CITY AND COUNTY OF SAN FRANCISCO

Coordination Proceeding
Special Title (Rule 1550(b))

RETIREMENT CASES

LOS ANGELES COUNTY PROFESSIONAL PEACE
OFFICERS' ASSOCIATION; LOS ANGELES COUNTY FIRE
FIGHTERS, LOCAL 1014; CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES; ARTHUR J. REDDY;
WILLIAM SIEBER; DALLAS JONES; LEE STARK; and JAMES
E. VOGTS;

Petitioners,

vs.

BOARD OF RETIREMENT, LOS ANGELES COUNTY
EMPLOYEES RETIREMENT ASSOCIATION,

Respondent.

COUNTY OF LOS ANGELES,

Real Party in Interest,

MILTON COHEN,

Petitioner,

vs.

BOARD OF RETIREMENT, LOS ANGELES COUNTY
EMPLOYEES RETIREMENT ASSOCIATION,

Respondent.

JUDICIAL COUNCIL COORDINATION PROCEEDING NO.
4049

L.A.S.C. CASE NO. BS 051355 CONSOLIDATED WITH
L.A.S.C. CASE NO. BS 051774

NOTICE OF:

- 1) PROPOSED JUDGMENT IMPLEMENTATION
SETTLEMENT DETERMINING AMOUNTS OF BENEFITS,
CONTRIBUTIONS, AND ATTORNEYS' FEES TO BE PAID
UNDER FINAL JUDGMENT AND WRIT OF MANDATE;
- 2) HEARING TO CONSIDER FAIRNESS OF PROPOSED
SETTLEMENT ON MAY 31, 2005; AND
- 3) WAIVER OF OBJECTIONS TO PROPOSED
SETTLEMENT IF WRITTEN OBJECTIONS NOT FILED ON
OR BEFORE MAY 20, 2005.

DATE: May 31, 2005

TIME: 1:30 p.m.

DEPT: 304

Honorable Stuart R. Pollak

THE COURT HAS APPROVED SENDING YOU THIS NOTICE TO ADVISE YOU OF YOUR RIGHTS UNDER A PROPOSED "JUDGMENT IMPLEMENTATION AGREEMENT SETTling ALL ISSUES CONCERNING DETERMINATION OF AMOUNTS OF BENEFITS, CONTRIBUTIONS, AND ATTORNEYS' FEES TO BE PAID UNDER FINAL JUDGMENT AND PEREMPTORY WRIT OF MANDATE" ("SETTLEMENT AGREEMENT") THAT MAY INCREASE (1) THE "FINAL COMPENSATION" BASE UPON WHICH YOUR PENSION BENEFITS ARE COMPUTED AND (2) YOUR RETIREMENT ALLOWANCE. PLEASE READ THIS ENTIRE NOTICE CAREFULLY. IT DISCUSSES THE PROPOSED SETTLEMENT REGARDING THE IMPLEMENTATION OF A FINAL JUDGMENT AND PEREMPTORY WRIT OF MANDATE RENDERED IN A CLASS ACTION LAWSUIT INVOLVING WHAT ITEMS OF PAY ARE TO BE CONSIDERED PENSIONABLE EARNINGS FOR PURPOSES OF CALCULATING RETIREMENT BENEFITS AND CONTRIBUTIONS.

THIS IS NOT A NOTICE OF A LAWSUIT FILED AGAINST YOU. IT IS NOTICE THAT UNDER THE PROPOSED SETTLEMENT IF YOU ARE AN ACTIVE, RETIRED, OR DEFERRED MEMBER OF THE LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION ("LACERA"), OR IF YOU ARE A SURVIVOR OR BENEFICIARY OF A RETIRED MEMBER OF LACERA, YOU MAY (1) BE ELIGIBLE FOR CERTAIN BENEFITS, (2) BE SATISFYING CERTAIN OBLIGATIONS, (3) BE RELIEVED OF CERTAIN OBLIGATIONS, AND/OR (4) BE GIVING UP CERTAIN RIGHTS PURSUANT TO THE FINAL JUDGMENT AND PEREMPTORY WRIT OF MANDATE IN THIS LAWSUIT.

UNDER NO CIRCUMSTANCES WILL ANY EXISTING RETIREMENT ALLOWANCES BE REDUCED AS A RESULT OF THE PROPOSED SETTLEMENT.

YOU DO NOT NEED TO DO ANYTHING AT THIS TIME TO RECEIVE THE BENEFITS OF THIS PROPOSED SETTLEMENT. IF THE SETTLEMENT AGREEMENT IS APPROVED BY THE COURT AND YOU ARE A PERSON WHO IS RECEIVING OR MAY BECOME ELIGIBLE IN THE FUTURE TO RECEIVE PENSION BENEFITS FROM LACERA, IT WILL BE BINDING ON YOU WHETHER YOU OBJECT OR NOT.

IF YOU HAVE ANY OBJECTIONS TO ANY OF THE TERMS OF THE PROPOSED SETTLEMENT, YOU HAVE THE RIGHT TO APPEAR AND SPEAK AT A HEARING CONDUCTED BY THE SAN FRANCISCO SUPERIOR COURT ON MAY 31, 2005 IN DEPARTMENT 304 AT 1:30 P.M. AT THE CIVIC CENTER COURTHOUSE, 400 McALLISTER STREET, SAN FRANCISCO, CA 94102 TO DECIDE WHETHER OR NOT TO APPROVE THE SETTLEMENT AGREEMENT. IN ORDER TO BE HEARD, YOU MUST FOLLOW THE PROCEDURES SET FORTH IN THIS NOTICE.

IF YOU FAIL TO OBJECT IN WRITING BY MAY 20, 2005 YOU WILL BE CONCLUSIVELY PRESUMED TO HAVE WAIVED ANY OBJECTIONS AND TO HAVE AGREED TO ACCEPT AND BE BOUND BY THE TERMS OF THE SETTLEMENT AGREEMENT IF AND AS IT IS APPROVED BY THE COURT.

A FULL COPY OF THE SETTLEMENT AGREEMENT IS AVAILABLE ON LINE AT www.LACERA.com AND CAN BE DOWNLOADED AND PRINTED OUT IN FULL. PRINTED COPIES ARE ALSO AVAILABLE ON REQUEST FROM THE LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION AND CO-CLASS COUNSEL.

THIS NOTICE INCLUDES THE FOLLOWING IMPORTANT INFORMATION.

1. A description of the background to the settlement.
2. An explanation of why you have been sent this Notice.
- 3-5. A list of all counsel involved in the lawsuit.
6. A description of the terms and methodology of the proposed settlement.
7. The release of claims that will apply to all Class Members.
- 8-11. An explanation of your rights as a Class Member, including how you can object to the terms of the proposed settlement if you wish to do so.
12. Whom to contact if you have questions or want additional information.

SECTION 1: BACKGROUND TO THE SETTLEMENT

Under the County Employees retirement Law of 1937 ("CERL"), when a member of LACERA retires, his or her retirement allowance is calculated on the basis of the member's "compensation earnable" during the period of his or her "final compensation" (the member's "Pensionable Earnings" or "PE"), which period is the one or three year period, whichever is applicable, selected by the member, or, if no period is selected, then it is the last year (or three years) of employment.

In 1983, a California Court of Appeal ruled that pay items to be included in Pensionable Earnings should be limited to only those items of compensation uniformly paid in cash to all members in a given employment classification. Under this ruling, the Court excluded from the calculation of retirement allowances compensation such as bilingual pay, educational incentive pay, shift and assignment bonuses, automobile and uniform allowances, and other additional pay that was not provided on a uniform basis to all employees in a designated classification, but was paid only to employees who had special qualifications or assignments or met other special conditions.

In a decision that became final on October 1, 1997, the California Supreme Court in Ventura County Deputy Sheriffs' Association v. Ventura County Employees' Retirement Board 16 Cal.4th 483 ("Ventura") ruled that the earlier interpretation of the Court of Appeal was incorrect on this point, and that cash payments to the employee as remuneration for services rendered other than pay for time worked in excess of that ordinarily worked by persons in the same grade or class of positions during the applicable time period should not be excluded from Pensionable Earnings ("PE") because they were not provided to all employees in a designated classification on a uniform basis.

The Ventura decision of the Supreme Court left a number of issues unresolved, including whether or not the decision should be applied retroactively, and how to treat non-periodic payments (such as those paid only in connection with separation from employment) and/or payments by employers to third parties on behalf of members (such as insurance premiums and payment of LACERA members' required contributions to the retirement system). After Ventura, LACERA decided that the cash payments that Ventura required to be regarded as Pensionable Earnings would be included in final compensation only from October 1, 1997 (the date of the Ventura decision) forward, but not retroactively to remuneration earned before that date. LACERA also continued its prior determination that Pensionable Earnings should not include either non-periodic payments (especially those paid only in connection with separation from employment) and/or payments by employers to third parties on behalf of LACERA members not capable of being received in cash by the member. As a result, various lawsuits, two of which were later consolidated into this Action, were filed to clarify these issues.

Similar actions were also filed in other counties across the State. On December 21, 1998, the California Judicial Council ordered that these actions be combined in a coordinated proceeding, and tried in the San Francisco County Superior Court. That Court later certified this consolidated action to be a class action, with the class consisting of all past, present and future members of LACERA, including retirees, deferred retirees and active employees, and their survivors, beneficiaries, agents, assigns, and successors in interest, and the labor organizations recognized as the bargaining agents for the active employee members of LACERA. The Court's class certification order assured that all LACERA members, beneficiaries, and bargaining agents, as well as LACERA and the County, would be bound by the same decision. The Court appointed the Petitioners who brought the two original consolidated lawsuits and their attorneys as class representatives and co-class counsel in this consolidated Action dealing with LACERA.

A Final Judgment was entered in this Action denying the mandatory inclusion of additional items sought by Petitioners in Pensionable Earnings. Specifically, neither pay in connection with separation from service (sometimes referred to as "terminal" or "termination" pay) nor payments to third parties on behalf of members were required to be included in Pensionable Earnings. The Final Judgment expressly reserved and did not decide matters involving items at issue in two related coordinated cases.

The Final Judgment and resulting Peremptory Writ of Mandate requires LACERA (1) to retroactively recalculate pension benefits paid after May 26, 1995 (three years prior to the date the first of the two consolidated cases was filed) for those Class Members whose final compensation period included time prior to October 1, 1997, by including in their final compensation base upon which their pensions were

computed those items of pay mandated for inclusion by the Ventura decision (“Ventura Pensionable Earnings” or “VPE”), and (2) to pay Class Members any additional amounts to which they were entitled, plus simple interest at the rate of 7% (seven per cent) per annum on the retroactive payments. The Final Judgment also authorizes, but does not require, LACERA to collect arrears contributions for the period prior to October 1, 1997 plus interest from Class Members directly, or by an offset reducing the increased benefits to be paid to Class Members as a result of the Final Judgment and Peremptory Writ. The Final Judgment also left open issues concerning the payment of Class Counsel’s attorneys’ fees.

All appeals have now been exhausted and the Judgment and Peremptory Writ of Mandate have become final. LACERA must now implement the portions of the Final Judgment and Peremptory Writ of Mandate concerning the recalculation of retroactive benefits, the determination of arrears contributions, and the payment of Class Counsel attorneys’ fees. However, determination of the proper amounts to be paid as benefits and contributions under the Judgment and Writ has been complicated by a lack of complete records. This makes determining an individual Class Member’s “VPE”, which is necessary in order to calculate the benefits and potential arrears contributions due under the Final Judgment and Writ, difficult for periods prior to March 1, 1993, and impossible for periods prior to 1980.

Because of the lack of adequate computerized individual payroll records for members who retired with a final compensation period entirely prior to January 1, 1993 (“Pre-1993 Class Members”), LACERA’s actuary has developed an Implementation Plan to carry out the Final Judgment. The actuary used actual computerized payroll data to recalculate individual VPE increases for Class Members who retired after January 1, 1993 (adjusting for the missing two months of computerized data from January and February 1993). Then, using these calculations, plus group data showing the aggregate percentage increases in total payroll as a result of including VPE pay for the Class Members as a whole going back to 1981, the actuary was able to project backwards to estimate percentage increases for the Pre-1993 Class Members. The estimated percentage increases for Pre-1993 Class Members are broken down between General and Safety Class Members and between normal and disability retirements, and are differentiated by LACERA Plans A-E and by year of retirement going back to 1941.

The Implementation Plan’s original unmodified percentage increases attributable to the retroactive inclusion of VPE in final compensation for the Pre-1993 Class Members under the Final Judgment and Peremptory Writ of Mandate in the Action were estimated using “conservative” assumptions to result in total distributions to the Pre-1993 Class Members of increased pension benefits, after an offset for arrears contributions, equal to approximately \$127.5 million. The County objected to those original assumptions as being overly generous to retirees, particularly with regard to those who retired prior to 1981 for whom no payroll records are available to LACERA that could be used to establish that they had received any VPE during their final compensation period.

The class representatives opposed the County’s objections and, after further negotiations, the Parties reached a compromise resolution that protected the older retirees by slightly reducing the group percentage benefit increases for the Pre-1993 Class Members, including the pre-1981 members. Arrears contribution offsets were also reduced for Class Members in Plans B, C, and D in the members’ favor from 40% in the original Implementation Plan to 20% so that such members would bear roughly the same burden as Class Members in Plan A, despite their less favorable statutory contribution rate structure.

The modified percentage increases resulting from the compromise changed the actuary’s estimate of the total net value of all benefit increases, after an offset for arrears contributions, for the Pre-1993 Class Members as a group from approximately \$127.5 million to approximately \$121 million. The compromise embodied in the proposed Settlement Agreement also changed the actuary’s original estimated net value of all increased benefits due and owing under the Judgment and Peremptory Writ of Mandate, after the offset of arrears contributions, for all Class Members from approximately \$183 million to approximately \$177 million. The Actuary has reviewed this compromise and concluded, “We believe this modification of our original proposed implementation plan is reasonable and well within the expectations of the data provided to us.”

The settlement negotiations also produced agreement on a reserve funded by a provisional 10% reduction in the group percentage benefits for Pre-1993 Class Members calculated by the actuary, in order to provide individually calculated additional increases, to the extent they can be funded from the reserve, for Pre-1993 Members who could establish that an individual calculation of their Pensionable Earnings would produce a percentage increase that was at least 150% of their applicable group percentage increase set forth in the Implementation Plan. Any amounts not used to fund such individually calculated increases for Pre-1993 Class members will be returned to restore value to the group percentage increases that were decreased by the 10% reduction.

A full copy of the actuary’s original July 1, 2004 Implementation Plan, the actuary’s November 29, 2004 letter discussing the modified assumptions used for the proposed settlement, the actuary’s March 9, 2005 letter forwarding the recalculated results using the modified assumptions of the proposed Settlement Agreement, and the proposed Settlement Agreement can be downloaded from LACERA’s website at www.LACERA.com. The Implementation Plan’s modified benefit percentage increases for Pre-1993 Class Members before adjustment for arrears contributions, attorneys’ fees, and the 10% reduction as provided in the Settlement Agreement are set forth in the modified Exhibit 1a to the Implementation Plan, which is included as Attachment 1 to both this Notice and the Settlement Agreement.

SECTION 2: WHY YOU HAVE BEEN SENT THIS NOTICE

You have been sent this Notice because you may be eligible for certain benefits and/or be satisfying and/or relieved of certain obligations, and/or be giving up certain rights as part of the proposed settlement regarding the implementation of a judgment and peremptory writ of mandate in a class action lawsuit. This lawsuit was brought by the Petitioners and Class Representatives identified in the caption of this Notice on behalf of a class of all past, present and future members of LACERA, including retirees, deferred retirees and active employees and their survivors, beneficiaries, agents, assigns, and successors in interest (“Class Members”). This lawsuit (the “Action”) concerns the inclusions and the exclusions from the pensionable earnings that are used to calculate the retirement benefits and contributions of LACERA members.

Although the proposed settlement has not yet been finally approved, the Court has determined that the Settlement Agreement setting forth its terms is sufficient to warrant providing this Notice to you as a Class Member. The purpose of this Notice is to advise you of the benefits being offered, the obligations being satisfied and/or relieved, and/or the rights being given up by Class Members under the proposed settlement, so that you can decide whether you wish to oppose the proposed settlement by submitting objections in the manner set forth below and requesting that the Court reject the Settlement Agreement.

The San Francisco Superior Court (Hon. Stuart Pollak) will hold a hearing on May 31, 2005 at 1:30 p.m. in Department 304, at the Civic Center Courthouse, 400 McAllister Street, San Francisco, CA 94102 to determine whether the proposed settlement should be approved. If the Court approves the proposed settlement, it will enter an Order requiring that all amounts due to or from Class Members and their Counsel

as benefits, arrears contributions, and attorneys' fees pursuant to the Final Judgment and Peremptory Writ of mandate in this Action shall be determined and paid only in accordance with the terms and conditions set forth in the Settlement Agreement. All Class Members, including you, will be bound by the terms of the settlement. No past, present or future member of LACERA, labor organization representing members, or any beneficiary or successor in interest will be able to file any further claim for increased benefits based on the Final Judgment and Peremptory Writ of Mandate in the Action or the issues resolved by the Settlement Agreement.

SECTION 3: CLASS COUNSEL

The Co-Counsel for the Class are:

Stephen H. Silver, Esq. Telephone: (310) 393-1486
SILVER, HADDEN & SILVER Facsimile: (310) 395-5801
1428 Second Street
P.O. Box 2161
Santa Monica, CA 90407-2161

Also Liaison Counsel for Petitioners in the Coordinated Retirement Cases, Judicial Council Coordination Proceeding No. 4049

Philip Paul Bowe, Esq. Telephone: (415) 597-7200
DAVIS, COWELL & BOWE, LLP Facsimile: (415) 597-7201
595 Market Street, Suite 1400
San Francisco, California 94105

as well as

Ronald Yank, Esq. Telephone: (415) 989-5900
CARROLL, BURDICK & McDONOUGH LLP Facsimile: (415) 989-0932
44 Montgomery Street, Suite 400
San Francisco, California 94104-4606
Former Liaison Counsel for Petitioners in the Coordinated
Retirement Cases, Judicial Council Coordination Proceeding No. 4049

SECTION 4: COUNSEL FOR LACERA

The Counsel for LACERA and its Board of Retirement are:

David L. Muir, Chief Counsel Telephone: (626) 564-6000
Margaret L. Oldendorf, Senior Staff Counsel Facsimile: (626) 564-2336
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 620
Pasadena, California 91101

Michael Toumanoff, Esq. Telephone: (213) 225-7171
Tatro Tekosky Sadwick Mendelson LLP Facsimile: (213) 627-7011
444 South Flower Street, Suite 4200
Los Angeles, CA 90071

SECTION 5: COUNSEL FOR LOS ANGELES COUNTY

The Counsel for the County is:

Elwood Lui, Esq. Telephone: (213) 489-3939
Scott D. Bertzyk, Esq.
Jones Day
555 West Fifth Street, Suite 4600
Los Angeles, CA 90013-1025

SECTION 6: DESCRIPTION OF THE SETTLEMENT

The Petitioners and Class Representatives, LACERA, and the County of Los Angeles have been able to reach an agreement to settle all issues concerning the determination of amounts due to or from Class Members and their Counsel as benefits, arrears contributions, and attorneys' fees pursuant to the Final Judgment and Peremptory Writ of Mandate in this consolidated Action. As a result of this settlement, application has been made to the Court for approval of the Settlement Agreement at a hearing to be held on May 31, 2005. The parties and

their counsel believe that, in consideration of all of the circumstances, the proposed settlement set forth in the Settlement Agreement is fair, reasonable, adequate, and in the best interests of all Class Members, LACERA, and the County.

In summary, the proposed settlement provides as follows:

A. Benefit Increases:

1. 1993-1997 Class Members. Under the proposed settlement retirees and their beneficiaries whose pension benefits are based upon final compensation periods that include any time between January 1, 1993 and October 1, 1997 ("1993-1997 Class Members"), will have their benefits individually recalculated to include VPE during their final compensation period, if any, based upon the available computerized records, supplemented if necessary by such other materials upon which LACERA, in its reasonable discretion, may choose to rely, with any resulting increases reduced by 1) arrears contributions not to exceed 20% of their increased pension benefits as set forth below in Section 6(B), and 2) payment of Class Counsel attorneys' fees as set forth below in Section 6(D).

VPE does not include payments for unused paid leave benefits made in connection with separation from service (sometimes referred to as "terminal" or "termination" pay), payments to third parties on behalf of members (such as insurance premiums or "pickups" of required employee retirement contributions), or items reserved from the Judgment because they are at issue in two other related coordinated cases: overtime pay for regularly scheduled hours, flexible benefit plan contributions not capable of being received in cash by the member, and pre-1991 flexible benefit plan contributions.

2. Pre-1993 Class Members. Pre-1993 Class Members and their beneficiaries will have their pension benefits increased by the modified percentage increases calculated by the actuary in Attachment 1, and then reduced for 1) arrears contributions not to exceed 20% of the increase in their pension benefits, 2) a 10% reserve to fund increases for potential claimants from among the Pre-1993 Class Members who can show that they are actually entitled to 150% or more of the percentage increase assigned to them under the settlement agreement as set forth below in Section 6(C), and 3) payment of Class Counsel attorneys' fees.

3. Individual vs. Group Calculations. The most fundamental difference in the treatment of the Pre-1993 Class Members who do not make a claim for an individual calculation and the 1993-1997 Class Members is that the 1993-1997 Class Members will have their benefits individually recalculated, which means that they will receive individually varying amounts depending upon how much VPE, if any, they individually earned in their final compensation period. This means that those members who did not earn any VPE in their final compensation period will neither be entitled to, nor receive, any increase in benefits. In contrast, because the benefit increases for Pre-1993 Class Members will be computed on an average group basis, rather than individually recalculated, all such Pre-1993 Class Members who do not make any claim to have an individual recalculation will receive some increase in benefits based upon the applicable group percentage increase.

B. Arrears Contribution Adjustment: Under the proposed settlement the Actuary's estimates of arrears contribution offsets reducing the increased benefits for Plan A members and their beneficiaries by 20%, and disabled members and their beneficiaries by 18%, will be accepted and applied. The Actuary's estimates of arrears contribution offsets reducing increases for Plan B, C, and D members and their beneficiaries by 40% are not accepted, and instead such increases will be reduced by only 20%. Finally, **no arrears contribution offsets will be applied to reduce the benefits of Plan E members or their beneficiaries, or to reduce the benefits of those members and beneficiaries whose benefits will not be increased as a result of the settlement.** This means that active members who have already benefited from LACERA's implementation of the Ventura decision on a going forward basis from October 1, 1997, will also benefit from this Settlement Agreement because such **active members will not be required to pay any arrears contributions** on any VPE pay items that they may have earned prior to October 1, 1997.

C. Pre-1993 Claimant Adjustment for 150% Members. Under the proposed Settlement Agreement the benefit percentage increases applicable to Pre-1993 Class Members will be provisionally reduced by 10% to create a Claimants' Supplement Reserve to fund increases for any individual Pre-1993 Class Members who (1) file a timely written claim for an individual recalculation with LACERA as set forth in Section 9 of this Notice to have their benefit percentage increase individually recalculated from a by-hand review of available microfiche or other written records and (2) whose records establish that they are entitled to a benefit increase (before applicable reductions) that is at least 150% or more of the increase that would result from application of the group percentage increases determined by the Actuary in Attachment 1 ("150% Members").

150% Members will receive an individually calculated additional Claimant's Supplement increase reduced by an appropriate offset for arrears contributions and attorneys' fees to the extent that such an increase over the applicable percentage increase based upon Attachment 1 (less arrears contributions, attorney's fees, and the 10% reserve) can be funded from the Claimants' Supplement Reserve.

(i) If the value of the amounts set aside in the Claimants' Supplement Reserve is sufficient, then all 150% Members will receive their individually calculated additional Claimant's Supplement, less arrears contributions and attorneys' fees. Any amount left over in the Claimants' Supplement Reserve after funding the 150% Members' Claimant's Supplements will be reapportioned back pro rata to restore value to the percentage increase factors based upon Attachment 1 applicable to all Pre-1993 Class Members other than the 150% Members.

(ii) If the value of the Claimants' Supplement Reserve is not sufficient to fully fund the individually calculated additional Claimant's Supplements for the 150% Members, then the 150% Members shall have their Claimant's Supplements reduced pro rata to the amount of Claimant's Supplements that can be funded from the Claimants' Supplement Reserve.

No Claimant's Supplement for 100% - 149% Members. Pre-1993 Claimants who file a timely claim with LACERA for an individual calculation will not receive an increase pursuant to the claims process unless they can establish that the gross percentage increase in their retirement allowance is at least 150% or more of their applicable gross percentage increase, as reflected on Attachment 1. Pre-1993 Claimants whose individual recalculations result in a gross percentage increase in their retirement allowance that is equal to or greater than the applicable percentage on Attachment 1, but less than 150% of that percentage increase, will be entitled only to the applicable gross percentage increase reflected on Attachment 1, which, just like all Pre-1993 group percentage increases, would be reduced by an appropriate offset for arrears contributions, attorneys' fees and the 10% provisional set-aside to fund the Claimants' Supplement Reserve.

If you believe that the 150% threshold for eligibility for the additional Claimant's Supplement is too high because the additional Claimant's Supplement is not available to Class Members whose individual calculations would otherwise provide additional increases greater than 100% but less than 150% of the percentage increases based upon Attachment 1, your only recourse is to file a timely written objection to the proposed Settlement Agreement with Class Counsel SH&S as provided in Section 8 of this Notice.

Reduced Benefit Increases for Less Than 100% Members. Pre-1993 Claimants whose individual recalculations result in a gross percentage increase in their retirement allowance that is less than the applicable percentage reflected on Attachment 1 ("Less Than 100% Members") will receive only the individually calculated percentage, which again will be reduced by an appropriate offset for arrears

contributions, attorneys' fees, and the 10% provisional set-aside to fund the Claimants' Supplement Reserve, or nothing at all if they turned out not to have earned any VPE in their final compensation period. **Therefore, Less Than 100% Members will be entitled to less than they would have received if they had not made any claim.**

For example, assume a Plan A safety member retired in 1988. In accordance with Attachment 1 hereto, if no claim for an individual recalculation were submitted, that member would receive a gross 1.8872% increase in his or her retirement allowance (which then would be reduced by an appropriate offset for arrears contributions, attorneys' fees and the 10% provisional set-aside to fund the Claimants' Supplement Reserve). If that same member chose to file a claim to have his or her retirement allowance individually recalculated, that member would have to demonstrate at least an increase of 2.8308% (150% of 1.8872%) to his or her gross retirement allowance to obtain an additional benefit. If recalculation yielded a gross increase in the retirement allowance equal to or greater than 1.8872% (the applicable settlement percentage reflected on Attachment 1) but less than 2.8308% (150% of that applicable percentage), then the member will get no benefit from the recalculation, and instead will have his or her benefits calculated on a group percentage basis as if no claim had been filed in the first place. And, if recalculation yielded a gross increase in the retirement allowance less than the applicable percentage reflected on Attachment 1, then the member would receive lower benefits in accordance with that individual recalculation (reduced by an appropriate offset for arrears contributions, attorneys' fees and the 10% provisional set-aside to fund the Claimants' Supplement Reserve), rather than benefits calculated on the basis of the group percentages in Attachment 1.

When making your decision on whether or not to file a claim for an individual recalculation, remember that, under the terms of the Judgment and the Proposed Settlement Agreement implementing it, neither "terminal" pay nor payments to third parties on behalf of a member (such as insurance or "pickups" of retirement contributions) nor items reserved for decision in two related coordinated cases, will be included in the recalculated pre-October 1, 1997 VPE.

GIVEN THE FOREGOING, IF YOU ARE A PRE-1993 MEMBER, YOU ARE ENCOURAGED TO THINK CAREFULLY BEFORE SUBMITTING A CLAIM FOR AN INDIVIDUAL RECALCULATION, BECAUSE YOU COULD RECEIVE LESS THAN THE PERCENTAGE INCREASE YOU WOULD HAVE RECEIVED UNDER THIS SETTLEMENT HAD YOU CHOSEN NOT TO SUBMIT A CLAIM IN THE FIRST PLACE, AND, IF IT CANNOT BE ESTABLISHED THAT YOU RECEIVED ANY VPE DURING YOUR FINAL COMPENSATION PERIOD, YOU WILL NOT RECEIVE ANY ADDITIONAL PENSION BENEFITS AT ALL.

D. Adjustment for Attorneys' Fee Award to Class Counsel. The Final Judgment also awarded Petitioners reasonable attorneys' fees in an amount and on a basis to be determined by the Court. Class Counsel subsequently applied to the Court for fees to be paid out of the Class Members' recovery on a "common fund" basis. The Court approved a "common fund" award of attorneys' fees to Class Counsel of \$3,750,000 from the Class Members' recovery in the Action to be divided as follows: Silver, Hadden & Silver \$3,000,000; Davis, Cowell & Bowe \$600,000; and Carroll, Burdick & McDonough \$150,000. The fees awarded represent slightly more than 2% (two percent) of the net estimated value of the increased pension benefits to which qualifying Class Members are entitled under the Judgment and Peremptory Writ of Mandate and the Settlement Agreement after offsetting arrears contributions. The Court's ruling did not address the question of whether or not interest should be included and paid on the \$3,750,000 attorneys' fee award. The value of the interest sought by Class Counsel from the date of the attorneys' fee award (March 5, 2004) is less than .2% (two tenths of one percent) of the value of the net estimated value of the increased pension benefits to which qualifying Class Members are entitled under the Judgment and Peremptory Writ of Mandate and the Settlement Agreement after offsetting arrears contributions. Both the award itself and the question of interest will be before the Court for final confirmation at the May 31, 2005 hearing to consider the fairness of the proposed settlement.

SECTION 7: RELEASE OF CLAIMS

In exchange for the payments and considerations set forth above, the Class and all Class Members will release all of their claims pertaining to (A) the implementation and/or satisfaction of the final judgment and/or peremptory writ of mandate in the Action; and (B) the recovery of attorney's fees incurred in connection with the litigation and/or settlement of the Action.

This release of claims is a critical element of the proposed settlement. If the proposed settlement is approved by the Court, then none of the claims or causes of action encompassed by the release of claims can thereafter be asserted by you, or any other Class Member, in any other lawsuit or proceeding concerning retirement benefits. However, the release does not affect your right to the pension benefits conferred by the Settlement Agreement, or preclude any action or proceeding by you to enforce, modify, and/or construe the terms of the Settlement Agreement, including the ability to challenge the accuracy of any calculation required by the Settlement Agreement. In any such action the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs.

If the Court does not approve the proposed settlement, then the Settlement Agreement will terminate, you will retain whatever rights you have under the Final Judgment and Peremptory Writ, and this Action will remain before the Court for implementation on whatever terms are made possible by the records available and potential future rulings by the Court regarding arrears contributions and attorneys' fees.

SECTION 8: THE SETTLEMENT HEARING AND OBJECTIONS OF CLASS MEMBERS

Because of the nature of the present lawsuit, you will not have an opportunity to be excluded from the certified class. This means that, if the settlement is approved, you will be bound by it. You may, however, object to the terms of the proposed settlement if you do not like any part of it.

Objections. If you object to the terms of the Settlement Agreement (a full copy of which can be read, downloaded, and printed out from LACERA's website at www.LACERA.com), you may appear in person or through your attorney, and be heard in opposition. You may object on the grounds of the fairness, reasonableness and adequacy of the settlement, including the payment of attorneys' fees to Class Counsel, the amount of those fees or on any other grounds. However, to object you must (1) be a member of the Class; (2) formally state in writing your objections and the specific bases for your objections, including any legal support you wish to bring to the Court's attention and any supporting evidence; and (3) mail or deliver your objecting papers or letter to Class Counsel Silver, Hadden & Silver (SH&S), 1428 Second Street, P.O. Box 2161, Santa Monica, CA 90407-2161 by no later than May 20, 2005. For purposes of determining whether or not your objection has been timely filed, the date of filing will be deemed to be either the actual date of receipt by SH&S, or the postmarked date, whichever is earlier. SH&S will then collect all of the objections, send copies to all other counsel, and file the objections with the Court, together with any responses

or comments that they wish to add or that they receive from other counsel, in sufficient time before the fairness hearing so that the Court and all parties will have adequate time to consider the objections.

IF YOU FAIL TO OBJECT IN WRITING BY MAY 20, 2005, YOU WILL BE CONCLUSIVELY PRESUMED TO HAVE WAIVED ANY OBJECTIONS AND TO HAVE AGREED TO ACCEPT AND BE BOUND BY THE TERMS OF THE SETTLEMENT AGREEMENT IF AND AS IT IS APPROVED BY THE COURT.

SECTION 9: FILING A CLAIM FOR AN INDIVIDUAL RECALCULATION

Pre-1993 Claimants. Under the proposed settlement all 1993-1997 Class Members already will have their VPE individually recalculated and so need not file any claim in order to receive such an individual recalculation. However, if you are a Pre-1993 Member under the proposed settlement you will receive an increase based upon the group percentages in Attachment 1 unless you file a claim for an individual recalculation. Whether you object to or support the proposed settlement, if you are a Pre-1993 Class Member and wish to submit a claim for an individual recalculation of your retirement allowance, you must mail or deliver your written claim to LACERA at 300 North Lake Avenue, Pasadena, California 91101-4199 (Attention: Gregg Rademacher) on or before May 20, 2005. For purposes of determining whether or not your claim has been timely filed, the date of filing will be deemed to be either the actual date of receipt by LACERA, or the postmarked date, whichever is earlier.

IF YOU ARE A PRE-1993 CLASS MEMBER AND YOU FAIL TO FILE A CLAIM FOR AN INDIVIDUAL RECALCULATION OF YOUR RETIREMENT ALLOWANCE IN WRITING WITH LACERA BY MAY 20, 2005, LACERA WILL NOT CONSIDER YOUR CLAIM, AND YOU WILL BE CONCLUSIVELY PRESUMED TO HAVE ABANDONED AND WAIVED THE RIGHT TO ASSERT ANY CLAIM FOR AN INDIVIDUAL RECALCULATION SHOULD THE SETTLEMENT BE APPROVED.

CONVERSELY, SHOULD YOU FILE SUCH A CLAIM, THEN YOU WILL BE CONCLUSIVELY PRESUMED TO HAVE CONSENTED TO YOUR RETIREMENT ALLOWANCE BEING INDIVIDUALLY RECALCULATED AS DESCRIBED ABOVE SHOULD THE SETTLEMENT BE APPROVED, INCLUDING TO HAVE CONSENTED TO RECEIVING A LOWER INCREASE IN YOUR RETIREMENT ALLOWANCE THAN YOU OTHERWISE WOULD HAVE RECEIVED HAD YOU NOT FILED A CLAIM FOR AN INDIVIDUAL RECALCULATION IN THE FIRST PLACE IF YOUR INDIVIDUAL RECALCULATION YIELDS A RESULT LOWER THAN THE APPLICABLE GROUP PERCENTAGE INCREASE BASED ON ATTACHMENT 1.

SECTION 10: SUMMARY OF OPTIONS

To summarize, you have four options here: (1) you may support the settlement but desire to file a claim for an individual recalculation (in which event you need only serve on LACERA a claim for an individual recalculation by the deadline set forth in Section 9 above); (2) you may object to the settlement or any of its terms, but intend not to file a claim for an individual recalculation if the settlement is approved by the Court (in which event you need only serve on Class Counsel SH&S an objection to the settlement by the deadline set forth in Section 8 above); (3) you may object to the settlement, but desire to file a claim for an individual recalculation if the settlement is approved by the Court (in which event you must serve **both** an objection on Class Counsel SH&S **and** a claim on LACERA for an individual recalculation if the settlement is approved — all by the deadlines set forth in Sections 8 and 9 above); or (4) you may support the settlement and be willing to accept a pension increase calculated in accordance with the terms of the proposed Settlement Agreement, including the individual recalculations for 1993-1997 Class Members and the percentages determined on a group basis for Pre-1993 Class Members, in which event you need do nothing.

SHOULD YOU HAVE ANY QUESTIONS AS TO WHICH OF THESE OPTIONS IS MOST APPROPRIATE FOR YOU, YOU ARE ENCOURAGED TO CONSULT CO-CLASS COUNSEL OR COUNSEL OF YOUR OWN CHOOSING.

SECTION 11: YOUR RIGHT TO APPEAR AT THE FAIRNESS HEARING

As a Class Member, you may appear at the Fairness Hearing, either in person or through an attorney retained by you, in order to object to any aspect of the proposed settlement.

If you have timely filed a claim for an individual recalculation of your retirement allowance in the event the settlement is approved, you need not be prepared to submit proof at the Fairness Hearing concerning such a recalculation. The sole focus of the Fairness Hearing on May 31, 2005, will be on whether the Settlement Agreement should be approved or rejected. Individual recalculations, should any be required as a result of the filing of timely claims with LACERA, will occur at a later date.

SECTION 12: IF YOUR ADDRESS CHANGES

To ensure that all Notices and other important documents are received by you, it is important for you to provide any change of your address to Class Counsel SH&S in writing at the address provided above in Section 3, who will then notify LACERA of the change.

ALL OTHER QUESTIONS RELATING TO THE PROPOSED SETTLEMENT SHOULD BE DIRECTED TO CLASS COUNSEL SH&S. PLEASE DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE FOR INFORMATION.

By Order of the Superior Court of the State of California for the City and County of San Francisco.

Dated: March 15, 2005

STUART R. POLLAK

Honorable Stuart R. Pollak
Judge of the Superior Court

Los Angeles County Employees Retirement Association Modified Exhibit 1a

Percentage Increase in Benefits by Plan Updated March 2005

Amounts are BEFORE the offset of the arrears contributions
No Adjustments for Attorneys' Fees

Year of Retirement	General Plan A	Safety Plan A	General Plans B - D	Safety Plan B	General Plan E
1941	0.3333%	0.5757%			
1942	0.3401%	0.5908%			
1943	0.3470%	0.6059%			
1944	0.3540%	0.6214%			
1945	0.3611%	0.6373%			
1946	0.3683%	0.6536%			
1947	0.3758%	0.6703%			
1948	0.3833%	0.6875%			
1949	0.3910%	0.7050%			
1950	0.3989%	0.7231%			
1951	0.4069%	0.7415%			
1952	0.4151%	0.7605%			
1953	0.4235%	0.7800%			
1954	0.4320%	0.7999%			
1955	0.4407%	0.8203%			
1956	0.4495%	0.8413%			
1957	0.4586%	0.8628%			
1958	0.4678%	0.8849%			
1959	0.4772%	0.9075%			
1960	0.4868%	0.9307%			
1961	0.4966%	0.9545%			
1962	0.5066%	0.9789%			
1963	0.5168%	1.0039%			
1964	0.5272%	1.0296%			
1965	0.5378%	1.0559%			
1966	0.5486%	1.0829%			
1967	0.5596%	1.1106%			
1968	0.5709%	1.1390%			
1969	0.5824%	1.1681%			
1970	0.5941%	1.1980%			
1971	0.6060%	1.2286%			
1972	0.6182%	1.2600%			
1973	0.6306%	1.2923%			
1974	0.6433%	1.3253%			
1975	0.6563%	1.3592%			
1976	0.6695%	1.3939%			
1977	0.6829%	1.4296%			
1978	0.6967%	1.4661%	0.6830%	1.4299%	
1979	0.7107%	1.5036%	0.6968%	1.4664%	
1980	0.7250%	1.5420%	0.7108%	1.5039%	
1981	0.7396%	1.5815%	0.7251%	1.5424%	
1982	0.7544%	1.6219%	0.7397%	1.5818%	0.7397%
1983	0.7696%	1.6634%	0.7545%	1.6223%	0.7545%
1984	0.7851%	1.7059%	0.7697%	1.6637%	0.7697%
1985	0.8009%	1.7495%	0.7852%	1.7063%	0.7852%
1986	0.8170%	1.7942%	0.8010%	1.7499%	0.8010%
1987	0.8334%	1.8401%	0.8171%	1.7946%	0.8171%
1988	0.8502%	1.8872%	0.8335%	1.8405%	0.8335%
1989	0.8673%	1.9354%	0.8503%	1.8876%	0.8503%
1990	0.8847%	1.9849%	0.8674%	1.9358%	0.8674%
1991	0.9025%	2.0356%	0.8848%	1.9853%	0.8848%
1992	0.9207%	2.0877%	0.9026%	2.0361%	0.9026%

Note that for years 1993 through 1997, actual Ventura Pensionable Earnings will be used for each individual member to determine benefits.

Prepared by Milliman March 8, 2005