

Our services **begin**
the moment a
new hire becomes a
LACERA member and continue
throughout the member's career
to retirement... and **beyond.**

PROVIDE

INVESTMENTS

Our Long-Term Investment Program Provides for Current and Future Recipients

As a long-term investor, we have structured our investment portfolio to experience the outstanding returns generated by bull markets and withstand the negative returns resulting from bear markets. Our carefully planned and executed investment strategy is designed to maximize the continuing strength of the Fund. In so doing, it positions the Fund to finance prescribed benefits to current, as well as future recipients.

CUSTOMER SERVICE

We Serve Our Members in a Multiplicity of Ways

We provide exceptional service to our members and their beneficiaries. From paying new retirees within one payroll cycle of their retirement date, to making sure benefits are seamlessly processed and paid to eligible new survivors, to assisting active members with Plan transfers and purchases of prior government service, we are committed to excellent customer service. We offer members a choice of service options — phone, online, mail, or personal consultation.



ACTUARIAL SECTION
Actuary's Certification Letter — Pension Plan

September 24, 2009

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



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

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, 2006	Funded Ratio: 90.5%
Valuation Date: June 30, 2007	Funded Ratio: 93.8%
Valuation Date: June 30, 2008	Funded Ratio: 94.5%

It is our opinion that LACERA continues in sound financial condition as of June 30, 2008. However, it should be noted that the 2008 valuation results do not reflect the significant market loss on assets that occurred in the fiscal year ending June 30, 2009. Thus, the Funded Ratio is expected to be significantly lower once that market loss is reflected in the 2009 and later valuations. The Board of Investments (BOI) is developing a new long-term funding policy in 2008-2009 that will apply beginning with the actuarial valuation as of June 30, 2009.

LACERA's current funding policy is based on the Retirement Benefits Enhancement Agreement (the Agreement). It provides for a short-term funding policy, applicable only 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 the funds in the Contingency Reserve in excess of 1.0 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, 2008 would decrease to 93.0 percent. This interim funding approach under the Agreement is not expected to be a permanent, long-term funding policy.

The June 30, 2008 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

¹A 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.

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.

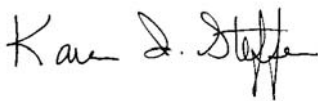
The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the BOI on December 12, 2007. The assumptions were based on the triennial Investigation of Experience Study report as of June 30, 2007. Assumptions 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 its 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 (GASB) 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, based on information supplied in prior actuarial reports, as well as our June 30, 2008 actuarial valuation report.

We certify the June 30, 2008 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 SECTION
Actuary's Certification Letter — OPEB Plan

September 23, 2009

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



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

Dear Members of the Board:

Los Angeles County provides Other Post-Employment Benefits (OPEB): retiree medical, dental/vision, and life insurance benefits to the retired Los Angeles County (County) workers who also participate in the Los Angeles County Employees Retirement Association (LACERA) retirement benefit program. These benefits are called the Los Angeles County OPEB Benefits Program (the Program). The Program provides these benefits on a “pay-as-you-go” basis. Biennial actuarial valuations provide the required financial disclosures for the Program.

A summary of the results of the first two actuarial valuations is shown below:

Valuation Date	Actuarial Accrued Liability (\$ billions)	Annual Required Contribution (ARC) as a Percentage of Payroll
July 1, 2006	\$21.22	30.73%
July 1, 2008	\$21.86	27.75%

There is no current plan to begin a prefunding program for these OPEB benefits. Biennial actuarial valuations are expected. The first valuation was as of July 1, 2006 and the next valuation is expected as of July 1, 2010.

The July 1, 2008 valuation results are based on the membership data and OPEB financial information provided by Los Angeles County, LACERA, and Mercer Health & Benefits. 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 the Program's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the County in May 2009. The retirement benefit-related assumptions were based on LACERA's retirement benefit triennial Investigation of Experience Study report as of June 30, 2007. The OPEB specific assumptions were based on the 2008 OPEB Investigation of Experience Study report as of June 30, 2008. Both the retirement and OPEB assumptions will be reviewed again in 2010.

The actuarial computations presented in the valuation report are for purposes of fulfilling financial accounting requirements for LACERA. The liabilities are determined by using the projected unit credit actuarial cost method. We believe the actuarial assumptions and methods are internally consistent, represent a long-term perspective, and are reasonable. We believe they also meet the parameters of Governmental Accounting Standards Board (GASB) Statement No. 43 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.

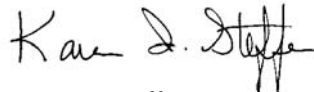
LACERA staff prepared the supporting schedules in this section and the financial section, based on information supplied in our July 1, 2006 and July 1, 2008 actuarial valuation reports.

We certify the July 1, 2008 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 OPEB programs.

Sincerely,



Robert L. Schmidt, FSA, EA, MAAA
Consulting Actuary



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

KIS/RLS/nlo

ACTUARIAL SECTION

Summary of Actuarial Methods and Assumptions — Pension Plan

Actuarial Methods and Assumptions	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	<p>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.</p> <p>Under the interim, short-term funding policy, in effect through the June 30, 2008 valuation only (see Note E—Pension Actuarial Valuations), funds in the Contingency Reserve in excess of 1.0 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.</p>
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—Pension Actuarial Valuations), 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 4.0 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 3.0 percent or 2.0 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 2.0 percent for service credit earned after June 4, 2002. The portion payable is based on a ratio of the member's years of service earned after June 4, 2002 to his/her total years of service. The portion of the full 2.0 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 93.8 percent to 94.5 percent since the 2007 valuation. The 2008 investment gain resulted in a 1.0 percent increase in the Funded Ratio. However, this was somewhat offset by the actuarial loss due to the actual salary increases for continuing active members that exceeded those assumed.

See Note N – Other Post-Employment Benefits in the Financial Section for a Summary of Actuarial Methods and Assumptions for the OPEB Plan.

ACTUARIAL SECTION

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary ¹	Average Annual Salary	% Increase in Average Salary
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%
June 30, 2008	General	81,664	\$5,016,720,948	\$61,431	4.94%
	Safety	12,828	1,187,406,768	92,564	2.86%
	Total	94,492	\$6,204,127,716	\$65,658	4.67%

¹Active 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

Fiscal Year	Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase in Retiree Allowance	Average Annual Allowance
	Member Count	Annual Allowance (in 000s)	Member Count	Annual Allowance (in 000s)	Member Count	Annual Allowance ¹ (in 000s)		
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)	50,992	1,768,706	7.49%	34,686
2007	2,015	79,955	(1,615)	(35,054)	51,392	1,858,225	5.06%	36,158
2008	2,759	\$167,753 ²	(1,801)	\$(47,103)	52,350	\$1,978,875	6.49%	\$37,801

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

²Includes Cost-of-Living (COLA) amounts not included in the previous years' Annual Allowance totals.

Actuary Solvency Test

(Dollars in Millions)

Valuation Date	Actuarial Accrued Liability (AAL)			Actuarial Value of Valuation Assets	Percentage of AAL Covered by Assets		
	(1) Active Member Contributions	(2) Retired/Vested Members	(3) Employer Financed Portion		(1) Active	(2) Retired	(3) Employer
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%
June 30, 2008	\$5,279	\$23,730	\$12,966	\$39,662	100%	100%	82%

Actuarial Analysis of Financial Experience

(Dollars in Millions)

	Valuation as of June 30					
	2003	2004	2005	2006	2007	2008
Prior Valuation Unfunded Actuarial Accrued Liability	\$ 175	\$3,910	\$5,611	\$4,878	\$3,439	\$2,461
Expected Increase/(Decrease) from Prior Valuation	162	312	128	(31)	(109)	(68)
Salary Increases Greater/(Less) than Expected	(66)	(270)	(115)	156	673	298
CPI Less than Expected		(31)				
Change in Assumptions		697			515	
Asset Return Less/(Greater) than Expected	3,351	871	(790)	(1,642)	(2,187)	(429)
All Other Experience	248	122	44	28	130	36
Change in Actuarial Asset Method	40					
Change in Application of Actuarial Asset Method						
Recognition of Liabilities Due to Court Cases				50		15
Ending Unfunded Actuarial Accrued Liability/(Surplus)	\$3,910	\$5,611	\$4,878	\$3,439	\$2,461	\$2,313

ACTUARIAL SECTION
Probability of Occurrence

Plan A, B, and C General Members

Age	Service Retirement	Other Terminations	Service Disability	Ordinary Disability	Service Death	Ordinary Death
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
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

Plan D General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
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		
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		

Plan E General Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
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		
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		

Plan A and B Safety Members

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
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		
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		