Los Angeles City Employees' Retirement System

Actuarial Valuation and Review Review for Retirement and Health As of June 30, 2007

SEGAL

THE SEGAL COMPANY
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November 8, 2007

Board of Retirement
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Re: June 30, 2007 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2007 actuarial valuations for the retirement, health, and family death benefit insurance plans.

As requested by the System, we have attached the following supplemental schedules:

- Exhibit A - Summary of significant results for the retirement and health plans.
- Exhibit B - History of computed contribution rates for the retirement and health plans.
- Exhibit C - Solvency test for the retirement plan.
- Exhibit D - Schedule of retirees and beneficiaries added to and removed from the rolls for the retirement plan.

We look forward to discussing the reports and the enclosed schedules with you and the Board.

Sincerely,

Paul Angelo, FSA, MAAA, EA
Senior Vice President and Consulting Actuary

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

PXP/gxk
Enclosure

4029313v1/05806.001

Exhibit A

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

		June 30, 2007	June 30, 2006	Percent Change
I.	**Total Membership**			
	A. Active Members	30,175	28,839	4.6%
	B. Pensioners and Beneficiaries	14,836	14,570	1.8%
II.	**Valuation Salary**			
	A. Total Annual Payroll	$1,896,609,013	$1,733,339,536	9.4%
	B. Average Monthly Salary	5,238	5,009	4.6%
III.	**Benefits to Current Retirees and Beneficiaries***			
	A. Total Annual Benefits	$476,633,928	$455,712,924	4.6%
	B. Average Monthly Benefit Amount	2,677	2,606	2.7%
IV.	**Total System Assets****			
	A. Actuarial Value	$9,806,868,041	$8,686,104,097	12.9%
	B. Market Value	11,065,560,426	9,285,478,072	19.2%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$1,927,174,412	$2,195,663,013	-12.2%
	B. Health Subsidy Benefits	544,856,288	740,529,235	-26.4%

* *Includes July COLA.*

** *Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits. The June 30, 2007 assets exclude $6,058,515 of discounted Harbor Port Police assets transferred in October 2007.*

Exhibit A (continued)

Los Angeles City Employees' Retirement System
Summary of Significant Valuation Results

VI. Budget Items	FY 2008-2009		FY 2007-2008		Change	
	Beginning of Year*	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	9.29%	9.66%	9.13%	9.48%	0.16%	0.18%
2. Amortization of UAAL	5.64%	5.86%	7.41%	7.70%	(1.77)%	(1.84)%
3. Total Retirement Contribution	14.93%	15.52%	16.54%	17.18%	(1.61)%	(1.66)%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.54%	3.68%	3.87%	4.02%	(0.33)%	(0.34)%
2. Amortization of UAAL	1.63%	1.70%	2.38%	2.47%	(0.75)%	(0.77)%
3. Total Retirement Contribution	5.17%	5.38%	6.25%	6.49%	(1.08)%	(1.11)%
C. Total Contribution (A+B)	20.10%	20.90%	22.79%	23.67%	(2.69)%	(2.77)%

VII. Funded Ratio	June 30, 2007	June 30, 2006	Change
(Based on Valuation Value of Assets)**			
A. Retirement Benefits	81.7%	77.8%	3.9%
B. Health Subsidy Benefits	68.5%	57.2%	11.3%
C. Total	79.8%	74.7%	5.1%
(Based on Market Value of Assets)**			
D. Retirement Benefits	92.2%	83.1%	9.1%
E. Health Subsidy Benefits	77.3%	61.2%	16.1%
F. Total	90.1%	79.8%	10.3%

* *Total contribution rates payable on July 15, 2008 are 14.98% for retirement, 5.19% for health, and 20.17% in total.*

** *The June 30, 2007 assets exclude $6,058,515 of discounted Harbor Port Police assets transferred in October 2007.*

Exhibit B

Los Angeles City Employees' Retirement System
Computed Contribution Rates* – Historical Comparison

Valuation Date	Retirement	Health	Total	Valuation Payroll (thousands)
06/30/1994	12.07%	2.99%	15.06%	$884,951
06/30/1995	7.34%	2.30%	9.64%	911,292
06/30/1996	6.51%	3.18%	9.69%	957,423
06/30/1997	6.57%	1.85%	8.42%	990,616
06/30/1998	6.43%	1.27%	7.70%	1,011,857
06/30/1999	4.93%	0.67%	5.60%	1,068,124
06/30/2000	2.54%	2.17%	4.71%	1,182,203
06/30/2001	3.84%	1.98%	5.82%	1,293,350
06/30/2002	9.22%	1.85%	11.07%	1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609

* *Contributions are assumed to be made at the end of the pay period.*

Exhibit C

Los Angeles City Employees' Retirement System
Solvency Test for Retirement Benefits
For Years Ended June 30

($ In Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date	Member Contributions	Retirees, Beneficiaries, & Deferred Vesteds	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries, & Deferred Vesteds	Active Member
06/30/1996	$637,737	$2,357,798	$1,480,489	$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700*	100.0	100.0	50.0

** Excludes assets transferred for Port Police.*

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Exhibit D

Los Angeles City Employees' Retirement System
Retirees and Beneficiaries Added To and Removed From the Rolls*
For Years Ended June 30

Year Ended	No. of New Retirees/ Beneficiaries	Annual Allowances Added**	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
6/30/2002	844	$23,740,829	620	$11,316,344	13,589	$336,437,038	6.4%	$24,758
6/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
6/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
6/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
6/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
6/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127

* *Does not include Family Death Benefit Insurance Plan members. Table based on valuation data.*

** *Effective 06/30/2004, also includes the COLA granted in July.*

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review
as of June 30, 2007

SEGAL

The Segal Company
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November 8, 2007

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2007. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008/2009 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the LACERS and the financial information was provided by the Board of Administration. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Administration are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, MAAA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

JKH/DNA/hy

Purpose

This report has been prepared by The Segal Company to present a valuation of the Los Angeles City Employees' Retirement System as of June 30, 2007. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2007, provided by LACERS;
- The assets of the Plan as of June 30, 2007, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings;
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.; and
- The discounted value of assets transferred to the City of Los Angeles Fire and Police Pension Plan (LAFPP) in October 2007 for certain Harbor Port Police Officers.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The ratio of the valuation value of assets to actuarial accrued liabilities increased from 77.76% to 81.69%. The unfunded actuarial accrued liability has decreased from $2,195.7 million to $1,927.2 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.
- The aggregate employer rate (payable at the end of each pay period) calculated in this valuation has decreased from 17.18% of payroll to 15.52% of payroll. The decrease was due to: (i) amortization costs being spread out over a higher than expected payroll base, (ii) higher than expected return on the valuation value of assets, and (iii) other actuarial experience.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment gain as of June 30, 2007 is $1,258,692,385 for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will

result in investment gains on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

- Consistent with prior instructions from the Board of Administration, the recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. We have continued to include in the calculation of the recommended contribution an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005.

  A Net Pension Obligation (NPO) was created in the June 30, 2004 and June 30, 2005 valuations due to: (1) the phase-in of the higher contribution rate required from the 2002 experience study and (2) the GASB requirement that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan be amortized over an equivalent period of not greater than 40 years. Since (1) is already included in the development of the Plan's actual UAAL, the ARC calculation requires only an additional contribution to amortize (2) over a period of 15 years. In the June 30, 2007 valuation, there are 12 years of payments left in the amortization of (2) from the June 30, 2004 valuation and 13 years of payments left in the amortization of (2) from the June 30, 2005 valuation.

  Due to the one-year lag in implementing the contribution rates, the amortization of the NPO created in the June 30, 2004 valuation has only begun with the 2005/2006 fiscal year. Additional details are provided in Section 4, Exhibit V. As shown in this year's valuation, the amortization of the NPO created in the June 30, 2005 valuation has begun with the 2006/2007 fiscal year.

- The employer and employee contribution rates developed in this report are before any adjustments to reflect the City's pickup of part of the employee contributions for those hired before January 1, 1983. Since all of the employees hired before January 1, 1983 are vested and entitled to collect a pension benefit from the Plan, we recommend that the City take no discount on the pickup of employee contributions as only a minimal amount, if any, of contributions are expected to be refunded to those members.

- The actuarial valuation report as of June 30, 2007 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

- The Board has adopted a policy of amortizing the June 30, 2005 UAAL over a fixed period of 30 years beginning July 1, 2005. The UAALs arising from the phase-in of contribution rates for the 2002 experience study (for fiscal year 2003/2004 and 2004/2005) were excluded from this 30-year amortization policy. Future changes in the UAAL will be separately identified and amortized over various periods depending on the source of the change. A new 15-year amortization base was established in the June 30, 2007 valuation for an experience gain during 2006-2007. See Section 3, Exhibit H for details.

- Due to the transfer of Harbor Port Police Officers from LACERS to LAFPP, assets were transferred from LACERS in October 2007 and the estimated June 30, 2007 value of those assets (discounted at 8% per year for 4 months) was accrued as a liability payable for the June 30, 2007 LACERS valuation value of assets.
- The employer contribution rates provided in this report have been developed assuming that they will be made by the City at either: (1) the beginning of the fiscal year (i.e., the City will prepay its contributions) or (2) throughout the year (i.e., the City will pay contributions at the end of every pay period). This year, at the request of LACERS, we have also calculated the rate assuming payment on July 15, 2008. Those results are shown in footnotes throughout the report.

Summary of Key Valuation Results

	2007	2006
Contributions calculated as of June 30:		
Recommended as a percentage of pay (note there is a 12-month delay until the rate is effective)		
At the beginning of the year	14.93%****	16.54%
At the end of each pay period	15.52%	17.18%
Funding elements for plan year ended June 30:		
Normal cost	$297,670,637	$270,276,764
Market value of assets*	11,071,618,941	9,285,478,072
Actuarial value of assets*	9,812,926,556	8,686,104,097
Valuation value of retirement assets**	8,599,699,772	7,674,999,374
Actuarial accrued liability	10,526,874,184	9,870,662,387
Unfunded/(overfunded) actuarial accrued liability	1,927,174,412	2,195,663,013
Funded ratio	81.69%	77.76%
GASB 25/27 for fiscal year ended June 30:		
Annual required contributions	$277,516,400	$227,740,600
Actual contributions	277,516,400	227,740,600
Percentage contributed	100.00%	100.00%
Demographic data for plan year ended June 30:		
Number of retired members and beneficiaries	14,836	14,570
Number of vested former members	3,303	2,903
Number of active members	30,175	28,839
Projected total payroll***	$1,896,609,013	$1,733,339,536
Projected average payroll***	62,854	60,104

**Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits and before excluding $6,058,515 of discounted Harbor Port Police assets (retirement and health) transferred in October 2007.*

***The June 30, 2007 assets exclude $5,269,481 of discounted Harbor Port Police assets transferred in October 2007.*

****Reflects annualized salaries for part-time members.*

*****The contribution rate payable on July 15, 2008 is 14.98% for 2007.*

Actuarial Certification

November 8, 2007

This is to certify that The Segal Company has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System retirement program as of June 30, 2007, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2006. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

1) Schedule of funding progress
2) Schedule of employer contributions
3) Supplementary Information Required by the GASB (Exhibit IV)

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information.

Andy Yeung

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, non-vested members (entitled to a refund of member contribitions), vested terminated members, retired members and beneficiaries.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past ten valuations can be seen in this chart.

CHART 1

Member Population: 1998 – 2007

Year Ended June 30	Active Members	Vested Terminated Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1998	22,091	N/A	12,591	0.57
1999	22,504	N/A	12,843	0.57
2000	24,234	N/A	13,058	0.54
2001	25,654	N/A	13,365	0.52
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60

**Includes terminated members due a refund of employee contributions*

Active Members
Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 30,175 active members with an average age of 45.3, average years of service of 11.5 years and average payroll of $62,854. The 28,839 active members in the prior valuation had an average age of 45.4, average service of 11.7 years and average payroll of $60,104.

Inactive Members
In this year's valuation, there were 3,303 members who were either (a) non-vested and entitled to a refund of member contributions, or (b) vested with a right to a deferred or immediate benefit.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members by Age as of June 30, 2007

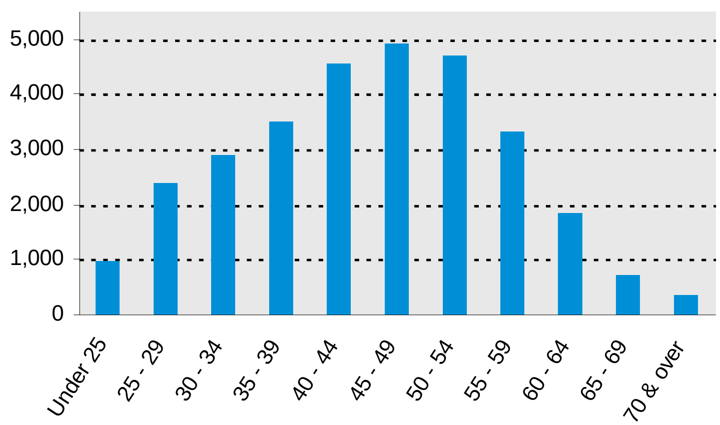
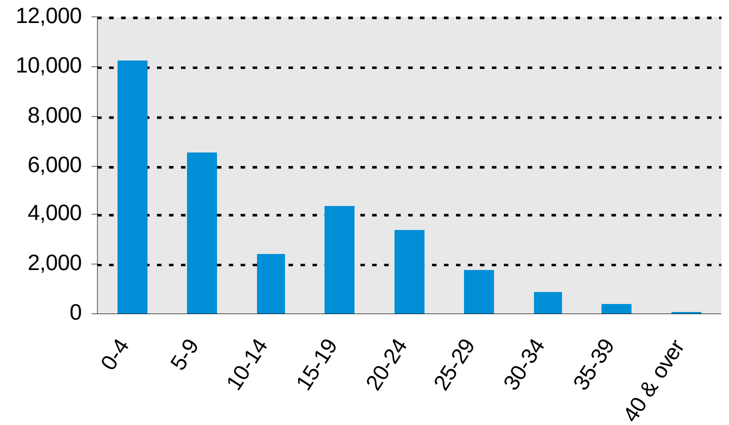


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2007



Retired Members and Beneficiaries

As of June 30, 2007, 11,299 retired members and 3,537 beneficiaries were receiving total monthly benefits of $39,720,299. For comparison, in the previous valuation, there were 11,119 retired members and 3,451 beneficiaries receiving monthly benefits of $37,973,016.

Please note that the monthly benefits provided have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

Disability
Regular

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2007

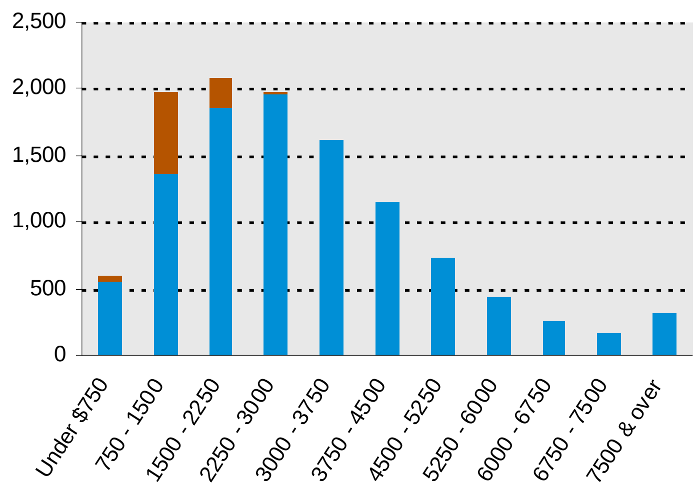
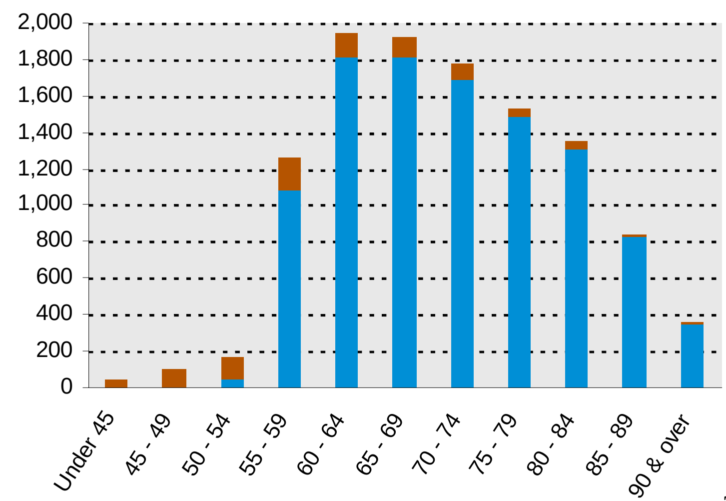


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2007



B. FINANCIAL INFORMATION

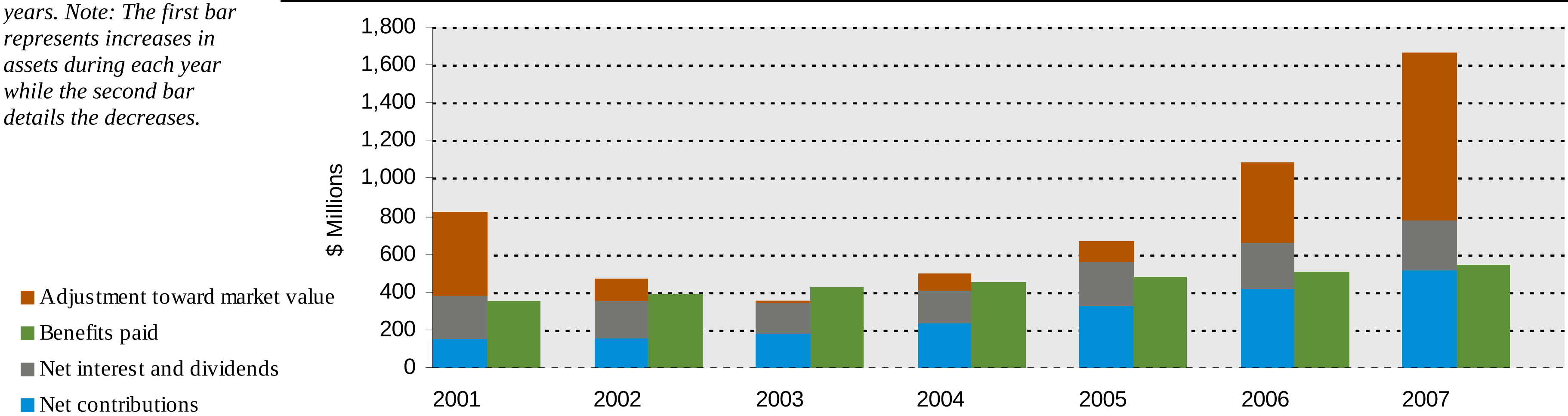
Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last seven years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2001 – 2007



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Administration has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2007

		Original Amount	Percent Not Recognized	Amount Not Recognized	
1.	Market value of assets*				$11,071,618,941
2.	Calculation of unrecognized return**				
	(a) Year ended June 30, 2007	$1,054,377,186	80%	$843,501,749	
	(b) Year ended June 30, 2006	366,478,652	60%	219,887,191	
	(c) Year ended June 30, 2005	132,848,231	40%	53,139,292	
	(d) Year ended June 30, 2004	710,820,763	20%	142,164,153	
	(e) Total unrecognized return				1,258,692,385
3.	Preliminary actuarial value: (1) - (2e)				9,812,926,556
4.	Adjustment to be within 20% corridor				0
5.	Final actuarial value of assets*: (3) + (4)				$9,812,926,556
6.	Actuarial value as a percentage of market value: (5) ÷ (1)				88.6%
7.	Market value of retirement assets				$9,708,718,396
8.	Valuation value of retirement assets (5) ÷ (1) x (7)				$8,604,969,253
9.	Discounted Harbor Port Police retirement assets transferred in October 2007				$5,269,481
10.	Net valuation value of retirement assets (8) - (9)				$8,599,699,772

** Before adjustment to exclude $6,058,515 of discounted Harbor Port Police assets (retirement and health) transferred in October 2007*

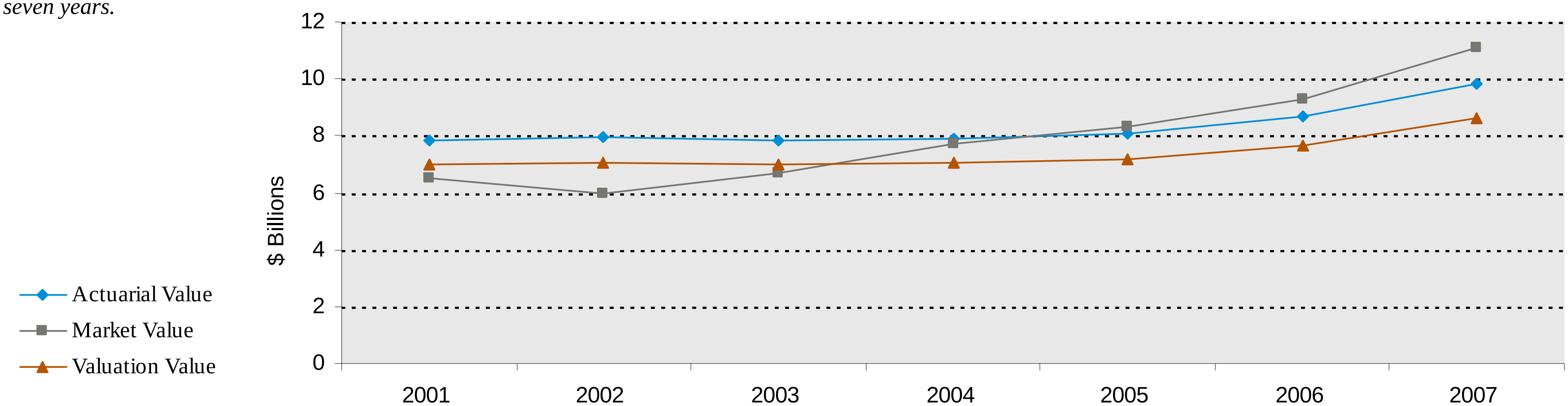
***Total return minus expected return on a market value basis*

The actuarial value, market value and valuation value of assets are representations of LACERS' financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the valuation value of assets. The valuation value of assets is significant because LACERS' liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past seven years.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2001 – 2007



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain of $309,656,196 was due primarily to an investment gain of $381,796,808 offset by a loss of $72,140,612 from all other sources. The net experience variation from all sources was 2.9% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended June 30, 2007

1.	Net gain/(loss) from investments*	$381,796,808
2.	Net gain/(loss) from other experience**	-66,537,371
3.	Net loss from contribution less than anticipated due to actual payroll higher than projected payroll used to determine prepaid contributions	-5,603,241
4.	Net experience gain/(loss): (1) + (2) + (3)	$309,656,196

** Details in Chart 10.*

*** Details in Chart 13. The net gain is attributed to actual liability experience from June 30, 2006 through June 30, 2007 compared to the projected experience predicted by the actuarial assumptions as of June 30, 2006.*

Investment Rate of Return
A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the LACERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 8.00%. The actual rate of return on the valuation value of assets basis for the 2007 plan year was 12.91%.

Since the actual return for the year was greater than the assumed return, the LACERS experienced an actuarial gain during the year ended June 30, 2007 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2007

	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Valuation Value (Includes assets for Retirement Only)
1. Actual return	$1,152,584,883	$1,003,938, 663
2. Average value of assets	$8,869,702,354	$7,776,773,182
3. Actual rate of return: (1) ÷ (2)	12.99%	12.91%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	$709,576,188	$622,141,855
6. Actuarial gain/(loss): (1) – (5)	$443,008,695	$381,796,808

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the Retirement, Health, Family Death and Larger Annuity Benefits for the last seven years, including the five-year year average.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.00%.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2001 - 2007

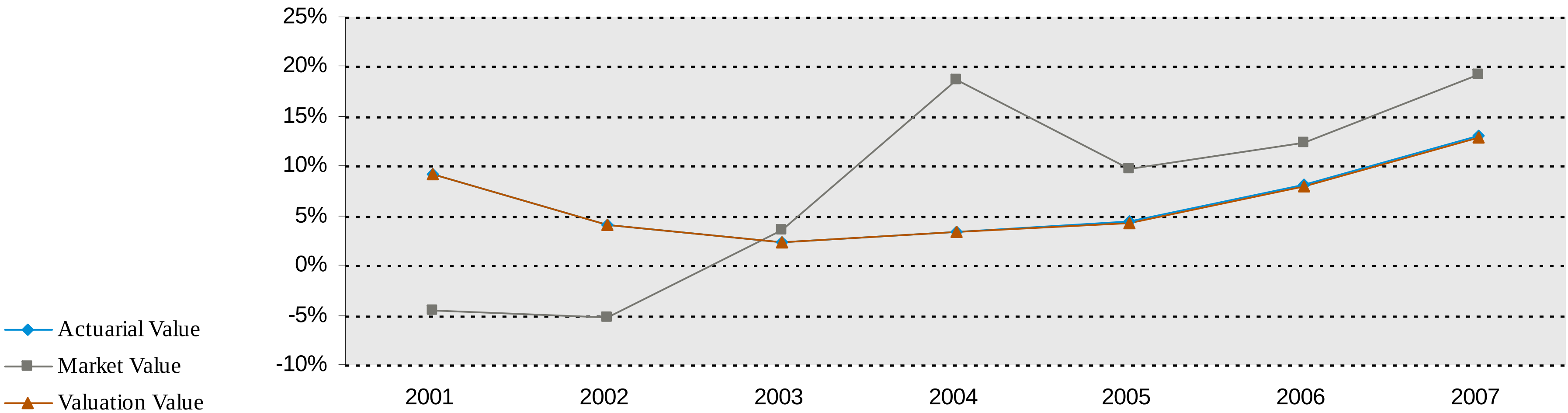
	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
Year Ended June 30	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2001	$218,918,771	2.83%	$443,656,601	5.73%	$662,575,372	9.09%	$218,918,771	-4.60%
2002	201,393,778	2.58%	112,813,481	1.44%	314,207,259	4.06%	201,393,778	-5.25%
2003	164,915,100	2.11%	11,691,257	0.15%	176,606,357	2.26%	238,161,856	3.61%
2004	171,166,339	2.19%	96,283,183	1.23%	267,449,522	3.42%	1,243,644,727	18.84%
2005	235,062,628	2.96%	109,661,360	1.38%	344,723,988	4.34%	753,805,403	9.71%
2006	238,266,254	2.90%	430,034,467	5.24%	668,300,721	8.14%	1,041,664,291	12.34%
2007	261,677,229	2.95%	890,907,654	10.04%	1,152,584,883	12.99%	1,811,903,293	19.13%
Total	$1,491,400,099		$2,095,048,003		$3,586,448,102		$5,509,492,119	
					Five-year average return	6.16%		12.57%

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2001 - 2007 .

CHART 12

Market and Actuarial Rates of Return for Years Ended June 30, 2001 - 2007



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Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2007 amounted to $66,537,371 which is 0.6% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the LACERS for the year ended June 30, 2007 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2007

1.	Loss due to higher than expected salary increases for continuing actives	-$124,597,094
2.	Gain due to correction in retiree benefit payment amount	84,385,320
3.	Miscellaneous losses	-26,325,597
4.	Net gain/(loss)	-$66,537,371

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 15.52% of payroll.

We have continued to follow the method used in the June 30, 2005 valuation to adjust the contribution requirement if the GASB ARC minimum contribution is greater than the amount prescribed below. For 2007, the beginning of year minimum GASB ARC is $281.6 million and no additional adjustment has been made to the recommended contributions.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 14

Recommended Contribution

		Year Ended June 30			
		2007		2006	
		Amount	% of Payroll	Amount	% of Payroll
1.	Total normal cost	$297,670,637	15.69%	$270,276,764	15.59%
2.	Expected employee contributions	-121,395,801	-6.40%	-112,008,469	-6.46%
3.	Employer normal cost: (1) + (2)	$176,274,836	9.29%	$158,268,295	9.13%
4.	Actuarial accrued liability	10,526,874,184		9,870,662,387	
5.	Valuation value of assets	8,599,699,772		7,674,999,374	
6.	Unfunded actuarial accrued liability	$1,927,174,412		$2,195,663,013	
7.	Amortization of unfunded accrued liability	106,963,925	5.64%	128,361,079	7.41%
8.	Total recommended contribution, not adjusted for timing	$283,238,761	14.93%**	$286,629,374	16.54%
9.	Total recommended contribution, adjusted for timing*	$294,278,228	15.52%	$297,800,993	17.18%
10.	Projected payroll used for developing normal cost rate	$1,896,609,013		$1,733,339,536	

**Contributions are assumed to be paid at the end of every pay period.*

***Contribution rate payable on July 15, 2008 is 14.98% for 2007.*

If paid by the City at the beginning of the year, the calculated normal cost (including expenses) is 9.29% of payroll. The remaining 5.64% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 29 years.

The contribution rates as of June 30, 2007 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution from June 30, 2006 to June 30, 2007

Recommended Contribution as of June 30, 2006	$297,800,993
Effect of change in amortization amounts	$ 5,334,565
Effect of contributions (more)/less than recommended contribution	498,802
Effect of investment (gain)/loss	-33,987,670
Effect of other gains and losses on accrued liability	5,923,177
Increase in employer normal cost, due to payroll and demographic changes	18,708,361
Total change	-$3,522,765
Recommended Contribution as of June 30, 2007	$294,278,228

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16

Required Versus Actual Contributions

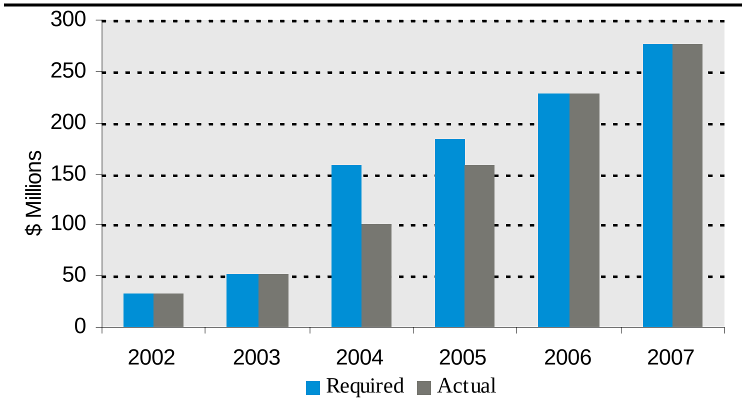

CHART 17

Funded Ratio

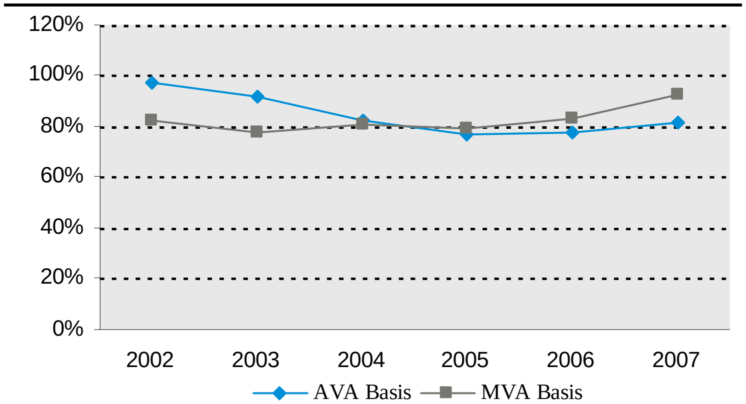

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30 2007	Year Ended June 30 2006	Change From Prior Year
Active members in valuation:			
Number	30,175	28,839	4.6%
Average age	45.3	45.4	N/A
Average service	11.5	11.7	N/A
Projected total payroll*	$1,896,609,013	$1,733,339,536	9.4%
Projected average payroll*	$62,854	$60,104	4.6%
Account balances	$1,247,502,196	$1,156,968,388	7.8%
Total active vested members	20,056	19,510	2.8%
Vested terminated members:			
Number	3,303	2,903	13.8%
Average age	42.4	42.7	N/A
Average contribution balance for those with under 5 years of service	$3,633	$3,555	2.2%
Average monthly benefit for those with 5 or more years of service	$1,278	$1,260	1.4%
Retired members:			
Number in pay status	10,398	10,234	1.6%
Average service at retirement	26.4	26.3	N/A
Average age at retirement	60.0	59.9	N/A
Average age	71.6	71.4	N/A
Average monthly benefit (includes July COLA)	$3,192	$3,116	2.4%
Disabled members:			
Number in pay status	901	885	1.8%
Average service at retirement	12.2	12.2	N/A
Average age at retirement	44.8	44.5	N/A
Average age	60.7	60.2	N/A
Average monthly benefit (includes July COLA)	$1,318	$1,290	2.2%
Beneficiaries:			
Number in pay status	3,537	3,451	2.5%
Average age	75.5	75.3	N/A
Average monthly benefit (includes July COLA)	$1,510	$1,433	5.4%

**Reflects annualized salaries for part-time members.*

EXHIBIT B

Members in Active Service as of June 30, 2007
By Age, Years of Service, and Average Payroll

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	960	948	12	- -	- -	- -	- -	- -	- -	- -
	$38,442	$38,347	$45,989	- -	- -	- -	- -	- -	- -	- -
25 - 29	2,395	1,969	423	3	- -	- -	- -	- -	- -	- -
	48,524	46,882	56,123	$54,327	- -	- -	- -	- -	- -	- -
30 - 34	2,901	1,629	1,139	130	3	- -	- -	- -	- -	- -
	56,872	51,847	62,959	66,343	$64,115	- -	- -	- -	- -	- -
35 - 39	3,518	1,380	1,249	498	369	22	- -	- -	- -	- -
	61,433	52,036	64,415	72,318	71,263	$70,340	- -	- -	- -	- -
40 - 44	4,564	1,245	1,088	553	1,157	491	30	- -	- -	- -
	65,244	52,291	63,649	71,630	75,301	70,526	$68,630	- -	- -	- -
45 - 49	4,924	1,047	915	437	1,039	1,041	432	13	- -	- -
	67,462	51,367	62,080	68,198	74,770	79,475	70,508	$70,414	- -	- -
50 - 54	4,691	900	739	336	832	867	652	339	26	- -
	68,284	51,743	62,514	69,416	73,523	77,184	75,730	73,121	$76,016	- -
55 - 59	3,312	568	515	253	512	523	433	326	179	3
	68,626	49,642	62,738	66,192	71,316	74,520	77,530	82,587	77,156	$81,335
60 - 64	1,847	327	326	140	288	299	182	124	136	25
	66,395	45,741	60,273	61,152	67,953	72,630	75,354	84,975	88,242	77,013
65 - 69	710	116	120	58	126	118	61	51	37	23
	61,495	39,118	52,077	59,103	67,672	69,098	73,222	68,738	76,918	84,698
70 & over	353	102	36	34	47	58	21	16	19	20
	52,475	34,331	45,203	38,611	59,899	67,946	69,536	61,972	79,740	67,939
Total	30,175	10,231	6,562	2,442	4,373	3,419	1,811	869	397	71
	$62,854	$49,025	$62,259	$68,627	$73,152	$75,640	$74,603	$77,861	$80,980	$77,129

EXHIBIT C

Reconciliation of Member Data

	Active Members	Vested Former Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2006	28,839	2,903	885	10,234	3,451	46,312
New members	2,924	N/A	N/A	N/A	N/A	2,924
Terminations – with vested rights	-609	609	0	0	0	0
Retirements	-486	-70	N/A	556	N/A	0
New disabilities	-37	-5	42	N/A	N/A	N/A
New beneficiaries	N/A	N/A	N/A	N/A	266	266
Deaths	-65	-4	-21	-391	-180	-661
Refund of members contributions	-455	-198	0	0	0	-653
Rehired	64	-59	-4	-1	N/A	0
Data adjustments	0	127*	-1	0	0	126
Number as of June 30, 2007	30,175	3,303	901	10,398	3,537	48,314

**Includes members who were both hired and terminated during the year.*

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement, Health, Family Death and Larger Annuity Benefits

	Year Ended June 30, 2007		Year Ended June 30, 2006	
Contribution income:				
Employer contributions	$408,392,318		$320,399,222	
Employee contributions	106,233,984		98,262,366	
Net contribution income		$514,626,302		$418,661,588
Investment income:				
Interest, dividends and other income	$294,096,161		$268,461,511	
Recognition of capital appreciation	890,907,654		430,034,467	
Less investment and administrative fees	-32,418,932		-30,195,257	
Net investment income		1,152,584,883		668,300,721
Total income available for benefits		$1,667,211,185		$1,086,962,309
Less benefit payments:				
Payment of benefits	-$522,936,405		-$493,583,253	
Refunds of contributions	-17,452,321		-13,021,051	
Net benefit payments		-$540,388,726		-$506,604,304
Change in reserve for future benefits		$1,126,822,459		$580,358,005

Notes: *(1) Results may be slightly off due to rounding.*

(2) Before excluding discounted Harbor Port Police assets transferred in October 2007.

EXHIBIT E

Table of Financial Information for Retirement, Health, Family Death, and Larger Annuity Benefits

	Year Ended June 30, 2007		Year Ended June 30, 2006	
Cash equivalents		$519,342,132		$460,158,677
Accounts receivable:				
Investment income	$38,365,027		$33,631,936	
Proceeds from sales	64,316,910		40,956,282	
Other	8,172,306		7,878,261	
Total accounts receivable		110,854,243		82,466,479
Investments:				
Fixed Income	$2,418,321,628		$2,239,512,373*	
Equities	7,163,209,802		5,908,461,505*	
Real Estate and Alternative Investment	1,207,106,364		925,953,899*	
Other	2,612,552,358		1,647,030,614*	
Total investments at market value		13,401,190,152		10,720,958,391
Total assets		$14,031,386,527		$11,263,583,547
Less accounts payable:				
Accounts payable and accrued expenses	-$29,261,758		-$24,881,849	
Purchases of investments	-318,259,361		-306,476,731	
Security lending collateral	-2,612,246,467		-1,646,746,895	
Total accounts payable		-$2,959,767,586		-$1,978,105,475
Net assets at market value		$11,071,618,941		$9,285,478,072
Net assets at actuarial value		$9,812,926,556		$8,686,104,097
Net assets at valuation value (retirement benefits)		$8,599,699,772		$7,674,999,374

** Reclassified but the total is unchanged.*

Note: *Market value and actuarial value of assets as of June 30, 2007 are before excluding the Harbor Port Police assets transferred in October 2007. The June 30, 2007 valuation value of assets is after the transfer of $5,269,481 of discounted Harbor Port Police assets in October 2007.*

EXHIBIT F

Development of the Fund Through June 30, 2007 for Retirement, Health, Family Death and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2002	$79,467,671	$75,654,360	$314,207,259	$387,864,290	$7,934,762,000
2003	97,531,127	83,067,509	176,606,357	423,659,098	7,868,307,895
2004	140,201,349	93,417,803	267,449,522	451,867,532	7,917,509,037
2005	229,136,519	94,268,171	344,723,988	479,891,624	8,105,746,091
2006	320,399,222	98,262,366	668,300,721	506,604,304	8,686,104,097
2007	408,392,318	106,233,984	1,152,584,883	540,388,726	9,812,926,556

** Net of investment fees and administrative expenses*

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2007

1.	Unfunded actuarial accrued liability at beginning of year	$2,195,663,013
2.	Normal cost at beginning of year	270,276,764
3.	Total contributions	-398,990,323
4.	Interest	170,214,913
5.	Expected unfunded actuarial accrued liability	$2,237,164,367
6.	Changes due to experience gain*	-309,989,955
7.	Unfunded actuarial accrued liability at end of year	$1,927,174,412

* *Excludes loss from contributions less than anticipated due to actual payroll higher than projected payroll used to determine prepaid contributions. That loss is already included in the development of item 5.*

EXHIBIT H

Table of Amortization Bases

Type*	Date Established	Initial Years	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Contribution phase-in loss	06/30/2004	15	$29,485,103	$2,841,753	12	$27,944,714
Contribution phase-in loss	06/30/2005	15	12,401,167	1,149,246	13	12,031,925
Combined bases	06/30/2005	30	1,715,553,201	101,410,415	28	1,786,349,207
Change in assumptions	06/30/2005	30	371,312,873	21,949,184	28	386,635,901
Experience loss	06/30/2006	15	24,171,861	2,153,908	14	23,868,861
Experience gain	06/30/2007	15	-309,656,196	-26,531,599	15	-309,656,196
Subtotal before GASB amount				$102,972,907		$1,927,174,412
40-year minimum GASB 25/27	06/30/2004	15	29,189,615	2,813,274	12	27,664,663
40-year minimum GASB 25/27	06/30/2005	15	12,708,684	1,177,744	13	12,330,285
Total				$106,963,925		$1,967,169,360

** Level percentage of payroll*

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $180,000 for 2007. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age; and

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment Return:	The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 3,537 beneficiaries in pay status)		14,836
2.	Members inactive during year ended June 30, 2007 with vested rights (including 2,166 members with under 5 years of service eligible for a refund of contributions)		3,303
3.	Members active during the year ended June 30, 2007		30,175
	Fully vested	20,056	
	Not vested	10,119	

The actuarial factors as of the valuation date are as follows:

	Assets		
1.	Valuation value of assets ($11,071,618,941 at market value* and $9,812,926,556 at actuarial value* as reported by LACERS)		$8,599,699,772**
2.	Present value of future normal costs		
	Employee	$1,070,085,650	
	Employer	2,291,240,252	
	Total		$3,361,325,902
3.	Unfunded actuarial accrued liability		1,927,174,412
4.	Present value of current and future assets		$13,888,200,086
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$5,288,370,437	
	Inactive members with vested rights	136,572,584	
	Active members	8,463,257,065	
	Total		$13,888,200,086

**Market and actuarial values of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits and are before excluding the Harbor Port Police assets transferred in October 2007.*

*** Valuation value of assets is after excluding $5,269,481 of discounted Harbor Port Police assets transferred in October 2007.*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1.	Total normal cost	$297,670,637
2.	Expected employee contributions	-121,395,801
3.	Employer normal cost: (1) + (2)	$176,274,836
4.	Payment on projected unfunded actuarial accrued liability	106,963,925
5.	Total recommended contribution: (3) + (4), not adjusted for timing	283,238,761
6.	Total recommended contribution: (3) + (4), adjusted for timing	$294,278,228
7.	Projected payroll	$1,896,609,013
8.	Total recommended contribution as a percentage of projected payroll: (5) ÷ (7)	14.93%*
9.	Total recommended contribution as a percentage of projected payroll, adjusted for timing: (6) ÷ (7)	15.52%

**Contribution rate payable on July 15, 2008 is 14.98% for 2007.*

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2002	$32,296,002	$32,296,002	100.00%
2003	51,604,669	51,604,669	100.00%
2004	159,083,407	100,408,689	63.12%
2005	183,241,489	158,131,638	86.30%
2006	227,740,600	227,740,600	100.00%
2007	277,516,400	277,516,400	100.00%

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2002	$7,060,188,000	$7,252,118,000	$191,930,000	97.35%	$1,334,335,000	14.38%
06/30/2003	6,999,647,000	7,659,846,000	660,199,000	91.38%	1,405,058,000	46.99%
06/30/2004	7,042,107,591	8,533,863,528	1,491,755,937	82.52%	1,575,284,734	94.70%
06/30/2005	7,193,142,227	9,321,524,967	2,128,382,740	77.17%	1,589,305,846	133.92%
06/30/2006	7,674,999,374	9,870,662,387	2,195,663,013	77.76%	1,733,339,536	126.67%
06/30/2007	8,599,699,772*	10,526,874,184	1,927,174,412	81.69%	1,896,609,013	101.61%

** Valuation value of assets is after excluding $5,269,481 of discounted Harbor Port Police assets transferred in October 2007.*

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2007
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization method	Level percent of payroll – assuming a 4% increase in total covered payroll.
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five - year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.25%
Projected salary increases	Ranges from 10.0% to 6.75% for members with less than 5 years of service. Ranges from 6.75% to 4.75% for members with 5 or more years of service.
Cost of living adjustments	3.00%

Plan membership:	
Retired members and beneficiaries receiving benefits	14,836
Terminated members entitled to, but not yet receiving benefits	3,303
Active members	30,175
Total	48,314

EXHIBIT V

Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (h) * .08 (c)	ARC Adjustment with Interest (h) / (e) * 1.08 (d)	Amortization Factor (e)	Pension Cost (a) + (c) – (d) (f)	Change in NPO (f) – (b) (g)	NPO Balance NPO + (g) (h)
2003	$ 51,604,669	$ 51,604,669	$ 0	$ 0	N/A	$ 51,604,669	$ 0	$ 0
2004	159,083,407	100,408,689	0	0	N/A	159,083,407	58,674,718	58,674,718
2005	183,241,489	158,131,638	0	0	N/A	183,241,489	25,109,851	83,784,569
2006	227,740,600	227,740,600	4,693,977	5,429,482	11.6712*	227,005,095	(735,505)	83,049,064
2007	277,516,400	277,516,400	6,643,929	7,970,213	11.3532**	276,190,116	(1,326,284)	81,722,780

* *Due to the one-year lag in implementing new contribution rates, only the portion of the NPO established in the June 30, 2004 valuation is being amortized during 2005/2006.*

***Similarly, the portion of the NPO established in the June 30, 2005 valuation is being amortized during 2006/2007 and the weighted average factor for the June 30, 2004 and June 30, 2005 layers is shown.*

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board on October 11, 2005, based on an Actuarial Experience Study as of June 30, 2005.

Mortality Rates:

After Service Retirement: 1994 Group Annuity Mortality Table.

After Disability Retirement 1994 Group Annuity Mortality Table, set forward 8 years.

Termination Rates before Retirement:

Pre-Retirement Mortality: 1994 Group Annuity Mortality Table.

	Rate (%)	
Age	Disability	Withdrawal*
25	0.01	4.45
30	0.04	3.80
35	0.11	3.05
40	0.18	2.45
45	0.21	2.10
50	0.24	1.70
55	0.23	1.35
60	0.00	0.00

* *Withdrawal rates are zero for members eligible to retire.*

Rates of Withdrawal for members with less than 5 years of service are as follows:

	Rate (%)
Service	**Withdrawal (Based on Service)**
0	8.75
1	7.00
2	5.75
3	5.25
4	4.75

Retirement Rates:

Age	Retirement Probability
50	10%
51	5
52	5
53	5
54	5
55	10
56	11
57	12
58	13
59	14
60	15
61	16
62	17
63	18
64	19
65	20
66	20
67	20
68	20
69	20
70	100

Retirement Age and Benefit for Inactive Vested Participants:	Assume pension benefit will be paid at the later of age 58 or the current attained age.
Exclusion of Inactive Vesteds:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Female spouses 4 years younger than their spouses.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	10% of future vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to 3.0% maximum.
Employee Contribution and Matching Account Crediting Rate:	6.50%
Net Investment Return:	8.00%

Salary Increases:

According to the following schedule:

For members with under 5 years of service,

Service	Percentage Increase*
0	6.00%
1	5.00%
2	4.50%
3	3.50%
4	2.75%

For members with over 5 years of service,

Age	Percentage Increase*
20 – 24	2.75%
25 – 29	2.00%
30 – 34	1.50%
35 – 39	1.25%
40 – 49	1.00%
50 – 69	0.75%

** Before including a 3.75% inflation increase and a 0.25% across the board increase.*

Actuarial Value of Assets:

The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets can not be less than 80% or greater than 120% of the market value of assets.

Actuarial Cost Method:	Projected Unit Credit Cost Method.
Funding Policy:	The Los Angeles City Employees' Retirement System makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phrase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Any subsequent change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate 15 year periods. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate 30 year periods. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.
Changes in Assumptions:	There have been no changes in actuarial assumptions since the last valuation.

EXHIBIT VII
Summary of Plan Provisions

This exhibit summarizes the major provisions of the LACERS included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	July 1 through June 30
Census Date:	June 30
Normal Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 70; Age 60 with 10 years of continuous service; or Age 55 with at least 30 years of service.
Amount (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation.
Early Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 55 with 10 years of continuous service; or Any age with 30 year of service.
Amount (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

Age	Factor	Age	Factor
45	0.6250	50	0.7750
55	0.9250	60	1.0000

Final Average Monthly Compensation: *(§ 4.1010)*	Equivalent of monthly average salary of highest continuous 12 months (one year).
Cost of Living Benefit: *(§ 4.1040)*	Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.
Death after Retirement: *(§ 4.1044)*	(I) 50% of retiree's unmodifed allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement); (ii) $2,500 lump sum death benefit paid to a designated beneficiary; and (iii) Any unused contributions if the member has elected the cash refund annuity option.

Death before Retirement:

(§ 4.1062 and § 4.1054)

Option #1:

(i) Eligibility – None.

(ii) Benefit – Refund of contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

Service Credit	Number of Monthly Payments
1 year	2
2 years	4
3 years	6
4 years	8
5 years	10
6+ years	12

Option #2:

(i) Eligibility – Duty-related death or after 5 years of service.

(ii) Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

Member Normal Contributions:
(§ 4.1031)

If an employee became a plan member on or after January 1, 1983, the member normal contribution rate is 6%.

If an employee became a plan member before January 1, 1983, the rate is based on age at entry, sample rates by entry age (before reflecting applicable pick ups by the employers or "defrayals") are as follows:

Entry Age	Normal Rate	Survivor Rate
20	8.20%	0.44%
30	9.06%	0.75%
40	10.19%	0.91%
50	11.34%	1.03%

Disability:
(§ 4.1055)

Service Requirement 5 years of continuous service

Amount 1/70 (about 1.43%) of the Final Average Monthly Compensation per year of service or 1/3 of the Final Average Monthly Compensation, if greater.

Deferred Withdrawal Retirement Benefit (Vested):
(§ 4.1020 and § 4.1059.1)

Age & Service Requirement	Age 70 with 5 years of continuous service;
	Age 60 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or
	Age 55 with at least 30 years of service.
	Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.
Amount	See Normal retirement benefit
Age & Service Requirement	Age 55 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or
	Age 55 with 10 years of continuous service.
	Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.
Amount	See Early retirement benefit

Withdrawal of Contributions Benefit (Ordinary Withdrawal):

Refund of employee contributions with interest.

Changes in Plan Provisions:	There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation.

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Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2007
In accordance with GASB Statements No. 43 and No. 45

SEGAL

THE SEGAL COMPANY
120 Montgomery Street, Suite 500, San Francisco, CA 94104
T 415-263-8200 F 415-263-8290 www.segalco.com

November 8, 2007

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Dear Board Members:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2007 under GASB Statements Number 43 and 45. It establishes the liabilities of the other postemployment benefits in accordance with GASB for the current year. It also summarizes the actuarial data.

This report is based on information received from the Retirement System. The actuarial projections were based on the assumptions and methods described in Exhibit V and on the plan of benefits as summarized in Exhibit VI.

We look forward to discussing this material with you at your convenience.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, MAAA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

DTB/kek

SECTION 1

INTRODUCTION

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

SEGAL

PURPOSE

This report presents the results of our actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS) post retirement medical and dental benefits as of June 30, 2007. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

Actuarial computations under GASB are for purposes of fulfilling certain welfare fund accounting requirements. The calculations in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect 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, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that LACERS is required to implement a funding policy to satisfy the projected expense.

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

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Under this statement, all plans of state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

The statement includes postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The new standard introduces an accrual-basis accounting requirement; thereby, recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnovers, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the projected cost of these benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

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HIGHLIGHTS OF THE VALUATION

- The recommended contribution has decreased from $108.3 million (6.25% of payroll) to $98.1 million (5.17% of payroll), assuming contributions made by the City at the beginning of the plan year.
- The employer contribution rates provided in this report have been developed, assuming that they will be made by the City at either (1) the beginning of the fiscal year (i.e. the City will prepay its contributions or (2) throughout the year (i.e. the City will pay contributions at the end of every pay period). This year, at the request of LACERS, we have also calculated the rate assuming payment on July 15, 2008. Those results are shown in footnotes throughout the report.
- Due to the transfer of Harbor Port Police from LACERS to LAFPP, assets were transferred from LACERS in October 2007 and the estimated June 30, 2007 value of those assets (discounted at 8% per year for 4 months) was accrued as a liability payable for the June 30, 2007 LACERS valuation value of assets.
- LACERS has elected to comply with GASB 43 effective with the June 30, 2005 valuation. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.
- The funding method used to develop the actuarial required contribution (ARC) is the Projected Unit Credit Method, a method that will produce an increasing normal cost as a percent of payroll.
- The assumption for the discount rate is 8.00%, and is based on the assumptions that the City is paying a contribution that equals the ARC and that 100% of benefits will be paid from the trust.
- Contributions will generally increase with payroll growth. Other factors such as gains or losses, or changes in trend assumptions will also alter the contribution rate.
- The Board has adopted a policy of amortizing the entire Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2005 over a fixed period of 30 years beginning July 1, 2005.
- In this valuation, we have not established a separate amortization base for the actuarial gains arising during the 2006/2007 plan year. This is because amortizing those gains over a 15-year period while continuing to amortize the plan's remaining UAAL over the 29-year period established at the June 30, 2006 valuation (with 28 years remaining as of June 30, 2007) would not satisfy the GASB requirements for amortizing the UAAL. Satisfying those GASB requirements is part of the Board's current funding policy.

  In order to meet the GASB amortization requirements, we propose that the actuarial gains occurring during 2006/2007 be combined with the plan's remaining UAAL from the June 30, 2006 valuation and the entire UAAL be amortized over a period of 28 years as of June 30, 2007. The contribution rates in this report have been developed using this 28-year amortization schedule.

The key results and significant assumptions for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30 2007	June 30 2006
Actuarial Accrued Liability by Participant Category		
Current retirees, beneficiaries and dependents	$792,200,391	$808,647,216
Inactive vested members	22,064,082	24,363,101
Current active members	916,135,708	897,788,633
Total	$1,730,400,181	$1,730,798,950
Actuarial Value of Assets	$1,185,543,893	$990,269,715
Unfunded Actuarial Accrued Liability	544,856,288	740,529,235
Funded Ratio	68.5%	57.2%
Market Value of Assets	$1,337,713,402	$1,058,602,064
Annual Required Contribution		
Normal cost (beginning of year)	$67,197,687	$67,095,811
Amortization of the unfunded actuarial accrued liability	30,931,299	41,226,085
Adjustment for timing	3,928,506	4,221,936
Total annual required contribution, including adjustment for timing	$102,057,492	$112,543,832
Covered payroll	1,896,609,013	1,733,339,536
As a percentage of pay		
Beginning of year	5.17%**	6.25%
At the end of each pay period	5.38%	6.49%

**The June 30, 2007 assets exclude $789,034 of discounted Harbor Port Police assets transferred in October 2007.*

***Contribution rate payable on July 15, 2008 is 5.19% for 2007.*

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR THE YEAR ENDED JUNE 30, 2007

1.	Unfunded actuarial accrued liability at beginning of year	$740,529,235
2.	Normal cost at beginning of year	67,095,811
3.	Total contributions at beginning of year	115,232,538
4.	Interest	55,391,401
5.	Expected unfunded actuarial accrued liability	747,783,909
6.	Decrease due to the combined effect of experience gains, updated assumptions and methods	(202,927,621)
7.	Unfunded actuarial accrued liability at end of year	$544,856,288

PROJECTED CASH FLOW

Year Ending June 30	Projected Number of Retirees *			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2008	16,087	1,442	17,529	$67,992,789	$5,893,883	$73,886,672
2009	15,635	2,433	18,068	69,043,739	11,425,074	80,468,813
2010	15,163	3,428	18,591	70,684,410	17,840,229	88,524,639
2011	14,664	4,480	19,144	71,864,560	25,276,057	97,140,617
2012	14,146	5,591	19,737	72,436,729	33,754,898	106,191,627
2013	13,607	6,776	20,383	72,481,819	43,340,828	115,822,647
2014	13,090	7,957	21,047	72,079,721	53,453,416	125,533,137
2015	12,555	9,160	21,715	71,462,625	64,789,156	136,251,781
2016	12,008	10,365	22,373	70,500,250	76,819,315	147,319,565
2017	11,477	11,620	23,097	69,406,216	89,643,726	159,049,942

**Includes spouse of retirees, but excludes those not receiving a subsidy from LACERS.*

ACTUARIAL CERTIFICATION

November 8, 2007

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Los Angeles City Employees' Retirement System other postemployment benefit programs as of June 30, 2007, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this postemployment welfare benefits program, with the last valuation completed on June 30, 2006. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the LACERS and on participant, claims and expense data provided by the LACERS.

The actuarial computations made are for purposes of funding plan benefits and fulfilling plan accounting requirements. Determinations for purposes other than funding plan benefits and meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purposes such as judging benefit security at termination plan.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

1) Schedule of funding progress
2) Schedule of employer contributions
3) Required supplementary information

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with the plan's funding and GASB requirements with respect to the benefit obligations addressed.

Dave Bergerson

Dave Bergerson, ASA, MAAA, EA
Vice President and Actuary

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

CHART 1

Summary of Statement of Assets for Retirement, Health, Family Death and Larger Annuity Benefits

	Year Ended June 30, 2007		Year Ended June 30, 2006	
Cash equivalents		$519,342,132		$460,158,677
Accounts receivable:				
Investment income	$38,365,027		$ 33,631,936	
Proceeds from sales	64,316,910		40,956,282	
Other	8,172,306		7,878,261	
Total accounts receivable		110,854,243		82,466,479
Investments:				
Fixed Income	$2,418,321,628		$2,239,512,373*	
Equities	7,163,209,802		5,908,461,505*	
Real Estate and Alternative Investment	1,207,106,364		925,953,899*	
Other	2,612,552,358		1,647,030,614*	
Total investments at market value		13,401,190,152		10,720,958,391
Total assets		$14,031,386,527		$11,263,583,547
Less accounts payable:				
Accounts payable and accrued expenses	-$29,261,758		-$24,881,849	
Purchases of investments	-318,259,361		-306,476,731	
Security lending collateral	-2,612,246,467		-1,646,746,895	
Total accounts payable		-$2,959,767,586		-$1,978,105,475
Net assets at market value		$11,071,618,941		$9,285,478,072
Net assets at actuarial value		$9,812,926,556		$8,686,104,097
Net assets at valuation value (retiree health)		$1,185,543,893**		$990,269,715

**Reclassified but the total is unchanged.*

***Adjusted by $789,034 to reflect Port Police transfer.*

Note: Market value and actuarial value of assets as of June 30, 2007 are before excluding the Harbor Port Police assets transferred in October 2007. The June 30, 2007 valuation value of assets is after the transfer of $789,034 of discounted Harbor Port Police assets in October 2007.

CHART 2

Summary Statement of Income and Expense on an Actuarial Value Basis for Retirement, Health Family Death and Larger Annuity Benefits

	Year Ended June 30, 2007		Year Ended June 30, 2006	
Contribution income:				
Employer contributions	$408,392,318		$320,399,222	
Employee contributions	106,233,984		98,262,366	
Contribution income		$514,626,302		$418,661,588
Investment income:				
Interest, dividends and other income	$294,096,161		$268,461,511	
Recognition of capital appreciation	890,907,654		430,034,467	
Less investment and administrative fees	-32,418,932		-30,195,257	
Net investment income		1,152,584,883		668,300,721
Total income available for benefits		$1,667,211,185		$1,086,962,309
Less benefit payments:				
Payment of benefits	-$522,936,405		-$493,583,253	
Refunds of contributions	-17,452,321		-13,021,051	
Net benefit payments		-$540,388,726		-$506,604,304
Change in reserve for future benefits		$1,126,822,459		$580,358,005

CHART 3

Determination of Actuarial Value of Assets as of June 30, 2007

		Original Amount	Percent not recognized	Amount not recognized	
1.	Market value of assets*, June 30, 2007				$11,071,618,941
2.	Calculation of unrecognized return**				
	(a) Year ended June 30, 2007	$1,054,377,187	80%	$843,501,749	
	(b) Year ended June 30, 2006	366,478,652	60%	219,887,191	
	(c) Year ended June 30, 2005	132,848,231	40%	53,139,292	
	(d) Year ended June 30, 2004	710,820,763	20%	142,164,153	
	(e) Total unrecognized return				$1,258,692,385
3.	Preliminary actuarial value (1) – (2e)				$9,812,926,556
4.	Adjustment to be within 20% corridor				0
5.	Final actuarial value of assets* (3) + (4)				$9,812,926,556
6.	Actuarial value as a percentage of market value				88.6%
7.	Market value of retiree health assets				$1,338,502,436
8.	Valuation value of retiree health assets (5) ÷ (1) X 7				$1,186,332,927
9.	Discounted Harbor Port Police health assets transferred in October 2007				$789,034
10.	Net valuation value of retiree health assets (8) – (9)				$1,185,543,893

* *Before adjustment to exclude $6,058,515 of discounted Harbor Police Port assets (retirement and health) transferred in October 2007.*

** *Total return minus expected return on a market value basis.*

CHART 4

Determination of Annual Required Contribution

	Determined as of June 30			
Cost Element	**2007**		**2006**	
	Amount	**Percent of Compensation**	**Amount**	**Percent of Compensation**
1. Normal cost (beginning of year)	$67,197,684	3.54%	$67,095,811	3.87%
2. Amortization of the unfunded actuarial accrued liability	30,931,299	1.63%	41,226,085	2.38%
3. Total Annual Required Contribution (beginning of year)	$98,128,986	5.17%**	$108,321,896	6.25%
4. Adjustment for timing*	3,928,506	0.21%	4,221,936	0.24%
5. Total Annual Required Contribution (end of pay period)	$102,057,492	5.38%	$112,543,832	6.49%

** Contributions are assumed to be paid at the end of every pay period.*

*** Contribution rate payable on July 15, 2008 is 5.19% for 2007.*

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006*	$76,116,104	$76,116,104	100.0%
2007	$115,232,538	$115,232,538	100.0%

** ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation and it was not calculated using the parameters required for GASB 43 because the plan's funding policy excluded active employees with less than 10 years of service.*

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing of decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2002	$853,916,000	$931,964,000	$78,048,000	91.63	$1,334,335,000	5.85
June 30, 2003	848,983,000	1,205,811,000	356,828,000	70.41	1,405,058,000	25.40
June 30, 2004	858,997,310	1,419,812,826	560,815,516	60.50	1,575,284,734	35.60
June 30, 2005	893,378,123	1,718,898,792	825,520,669	51.97	1,589,305,346	51.94
June 30, 2006	990,269,715	1,730,798,950	740,529,235	57.21	1,733,339,536	42.72
June 30, 2007	1,185,543,893	1,730,400,181	544,856,288	68.51	1,896,609,013	28.73

Note: Funded ratios for years prior to June 30, 2005 were not calculated using the parameters required for GASB 43 because the plan's funding policy excluded active employees with less than 10 years of service.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Plan Year Ended June 30	Annual Required Contributions (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
2006*	$76,116,104	$0	$0	$76,116,104	$76,116,104	$0	$0
2007	$115,232,538	$0	$0	$115,232,538	$115,232,538	$0	$0

** ARC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation and it was not calculated using the parameters required for GASB 43 because the plan's funding policy excluded active employees with less than 10 years of service.*

CHART 8

Required Supplementary Information

Valuation date	June 30, 2007
Actuarial cost method	Projected Unit Credit – assuming a closed group
Amortization method	30 years, assuming a 4% increase in total covered payroll
Remaining amortization period	28 years remaining as of June 30, 2007
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period.
Actuarial assumptions:	
Discount rate	8.00%
Inflation rate	3.75%
Real across-the-Board salary increase	0.25%
Projected salary increases	N/A
Heath care cost trend rate:	
• Medical	8.75%, starting in the 2008/2009 fiscal year graded down by 0.50% per year over 8 years to ultimate rate of 5.00%.
• Dental	5% for all years
• Medicare Part B premiums	4.07% for the 2007/2008 fiscal year increase and 5.00% in the 2008/2009 fiscal year and later.
Cost of living adjustments on health plan maximum monthly subsidy amount	Same as health care cost trends

CHART 8

Required Supplementary Information (continued)

Plan membership:	**June 30, 2007**	**June 30, 2006**
Current retirees and surviving spouses[1]	14,836	14,570
Inactive vested participants entitled to a future health subsidy	607	617
Current active members	30,175	28,839
Total	45,618	44,026

[1] *Includes all retirees and surviving spouses whether they are receiving a subsidy.*

CHART 9

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Combined Bases	06/30/2007	28	$544,856,288**	$30,931,299	28	$544,856,288
Total			$544,856,288	$30,931,299		$544,856,288

* *Level percentage of pay.*

** *This is the balance of prior year's amortization layers net of current year's actuarial gain. See page 3 for detail.*

This exhibit summarizes the participant data used for the current and prior valuations.

EXHIBIT I

Summary of Participant Data

	June 30, 2007	June 30, 2006
Retirees		
Non-disabled	10,398	10,234
Disabled	901	885
Total	11,299**	11,119*
Average age	70.7	70.0
Surviving Spouses		
Number	3,537**	3,451*
Average age	75.0	74.8
Active Participants		
Number	30,175	28,839
Average age	45.3	45.4
Average years of service	11.5	11.7
Inactive Vested Participants (excluding those with less than 10 years of service)		
Number	607	617
Average age	48.9	48.7

* *Total participants shown. Of the 11,119 retirees, 9,814 are receiving a medical subsidy and of the 3,451 surviving spouses, 1,607 are receiving a medical subsidy.*

** *Total participants shown. Of the 11,299 retirees, 9,724 are receiving a medical subsidy and of the 3,537 surviving spouses, 1,612 are receiving a medical subsidy.*

EXHIBIT II

Actuarial Balance Sheet for Year Ended June 30, 2007

The actuarial balance sheet as of the valuation date is as follows:

	Assets	
1.	Valuation value of assets ($11,071,618,941 at market value* and $9,812,926,556 at actuarial value* as reported by LACERS)	$1,185,543,893**
2.	Present value of future normal costs	748,367,266
3.	Unfunded actuarial accrued liability	544,856,288
4.	Present value of current and future assets	$2,478,767,447
	Liabilities	
5.	Present value of future benefits	
	Retired members and beneficiaries	$792,200,391
	Inactive members with vested rights	22,064,082
	Active members	1,664,502,974
	Total	$2,478,767,447

* *Market and actuarial values of assets include assets for Retirement, Health, Family Death and Larger Annuity Benefits and are before excluding the Harbor Port Police assets transferred in October 2007.*

** *Valuation value of assets is after excluding $789,034 of discounted Harbor Port Police assets transferred in October 2007.*

EXHIBIT III

Actuarial Experience for Year Ended June 30, 2007

1.	Net (gain) from investments	($73,555,539)
2.	Net (gain) from reduction in medical trend assumption	(65,232,160)
3.	Net (gain) from reduction in starting per capita cost	(65,019,220)
4.	Net loss from demographic experience	879,298
5.	Net experience (gain) (1) + (2) + (3) + (4)	($202,927,621)

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

The differences between the expected and the actual experience are provided in the table above. These include:

- Actual rate of return from investment,
- Demographic experience (e.g., turnover, retirement, mortality, disability, etc.), relative to the prior assumptions,
- Updated subsidy levels (starting per capita cost), and
- Updated trend rates.

EXHIBIT IV

Reconciliation of Recommended Contribution

Recommended Contributions as of June 30, 2006 (Beginning of Year)	$ 108,321,896
Effect of investment (gain)	(4,175,722)
Effect of other liability gains, assumption and method changes	(6,017,188)
Total change	($10,192,910)
Recommended Contributions as of June 30, 2007 (Beginning of Year)	$ 98,128,986

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Data: Detailed census data and financial data for postemployment benefits were provided by LACERS.

Actuarial Cost Method: Projected unit credit.

Termination Rates before Retirement:

	Mortality			
Age	**Male**	**Female**	**Disability**	**Withdrawal**
25	0.07%	0.03%	0.01%	4.45%
30	0.08	0.04	0.04	3.80
35	0.09	0.05	0.11	3.05
40	0.11	0.07	0.18	2.45
45	0.16	0.10	0.21	2.10
50	0.26	0.14	0.24	1.70
55	0.44	0.23	0.23	1.35

All deaths are assumed to be non-duty related.

Note: Withdrawal rates for actives with less than 5 years of service are as follows and supersede the above probabilities:

Service	Rate
0	8.75%
1	7.00
2	5.75
3	5.25
4	4.75

Measurement Date:	June 30, 2007
Discount Rate:	8.00%
Postretirement Mortality Rates:	
Healthy	1994 Group Annuity Mortality Table
Disabled	1994 Group Annuity Mortality Table, set forward 8 years

Active Retirement Rates:

Age	Rate (%)
50	10%
51	5
52	5
53	5
54	5
55	10
56	11
57	12
58	13
59	14
60	15
61	16
62	17
63	18
64	19
65	20
66	20
67	20
68	20
69	20
70	100

Per Capita Cost Development:

The assumed costs on a composite basis are the future costs of providing postretirement health care benefits at each age. To determine the assumed costs on a composite basis, historical premiums are reviewed and adjusted for increases in the cost of health care services.

Maximum Dental Subsidy (same as premium)

Carrier	Participation Percent	Monthly 2007-2008 Fiscal Year Subsidy
Wellpoint	74.9	$38.11
SafeGuard	25.1	$12.71

Per Capita Cost Development:

Participant Under Age 65 or Not Eligible for Medicare A & B										
2007-2008 Fiscal Year		**Single Party**			**Married**			**Surviving Spouse**		
CARRIER	Election Percent	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**
Kaiser	**57.5**	$501.07	$1,002.50	**$501.07**	$1,001.15	$1,002.50	**$1,001.15**	$501.07	$502.06	**$501.07**
Blue Cross PPO	**25.0**	$794.19	$1,002.50	**$794.19**	$1,585.53	$1,002.50	**$1,002.50**	$794.19	$502.06	**$502.06**
Blue Cross HMO	**17.5**	$514.90	$1,002.50	**$514.90**	$1,026.95	$1,002.50	**$1,002.50**	$514.90	$502.06	**$502.06**

Participant Eligible for Medicare A &B										
2007-2008 Fiscal Year		**Single Party**			**Married**			**Surviving Spouse**		
CARRIER	Election Percent	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**
Kaiser	**57.4**	$176.16	$176.16	**$176.16**	$351.33	$351.33	**$351.33**	$176.16	$176.16	**$171.16**
Blue Cross PPO	**33.5**	$380.93	$380.93	**$380.93**	$740.19	$589.24	**$589.24**	$380.93	$380.93	**$380.93**
Secure Horizons	**9.1**	$150.91	$150.91	**$150.91**	$299.96	$299.96	**$299.96**	$150.91	$150.91	**$150.91**

Marital Status	65% of male and 40% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Spouse Age Difference	Males are assumed to be 4 years older than their female spouses.
Surviving Spouse Coverage	With regard to members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.
Participation	90% of members retiring directly from City employment are assumed to receive a subsidy for a City approved health carrier. 90% of retirees are assumed to elect dental coverage. 45% of inactive members are assumed to receive a subsidy for a City approved health carrier. 85% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B. The remaining 15% will be covered by Medicare Part B only.

Health Care Cost Subsidy Trend Rates:

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium

First Fiscal Year (July 1, 2007 through June 30, 2008)

PLAN	Blue Cross PPO, Under Age 65	Blue Cross PPO, Age 65 and Over	Kaiser HMO, Under Age 65	Senior Advantage	Blue Cross HMO, Under 65	Secure Horizons
Trend to be applied to 2007-2008 Fiscal Year premium	6.44%	9.08%	6.32%	7.18%	4.73%	3.65%

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Trend (Approx)	Calendar Year	Trend (applied to calculate following year premium)
2008-2009	8.75%	2008	9.00%
2009-2010	8.25%	2009	8.50%
2010-2011	7.75%	2010	8.00%
2011-2012	7.25%	2011	7.50%
2012-2013	6.75%	2012	7.00%
2013-2014	6.25%	2013	6.50%
2014-2015	5.75%	2014	6.00%
2015-2016	5.25%	2015	5.50%
2016-2017 and later	5.00%	2016 and later	5.00%

Dental Premium Trend	5.00% for all years.
Medicare Part B Premium Trend	4.07% for the 2007/2008 fiscal year increase and 5.00% in the 2008/2009 fiscal year and later.

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit VI.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.
Assumption Changes Since Prior Evaluation:	The trend rates on future health care costs were updated. The maximum subsidy and utilization table was updated based on updated provisions and data.

EXHIBIT VI
Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plans as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

Eligibility:

Retirees
§4.1103.2

Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a disabled retiree before the member reaches age 55.

Health Subsidy for Members:

Under Age 65 or Over Age 65 And Only Enrolled in Medicare Part B:
§4.1103.2

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2007, the maximum health subsidy was $983.00 per month, and will increase to $1,022 per month on January 1, 2008.

Over Age 65 and Enrolled in Both Medicare Parts A and B:
§4.1103.2

For retirees, a maximum health subsidy limited to the single-party monthly premium of the plan in which the member is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

An additional amount is added for coverage of dependents which shall not exceed the amount provided a retiree not enrolled in Parts A and B and covered by the same medical plan and with the same years of service.

The combined member and dependent subsidy shall not exceed the actual premium.

Dental Subsidy for Members:
§4.1105.2

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2007, the maximum dental subsidy was $37.18 per month and will increase to $39.04 on January 1, 2008.

There is no subsidy available to spouses or domestic partners. There is also no reimbursement for dental plans not sponsored by the System.

Medicare Part B Subsidy for Members:
§4.1104

If a City Retiree is covered by both Medicare Parts A and B, and enrolled in a LACERS medical plan or participates in the LACERS Retiree Medical Premium Reimbursement Program, LACERS will reimburse the retiree the basic Part B Medicare premium.

Surviving Spouse Subsidy:
§4.1107 & §4.1107.1

The surviving spouse or domestic partner will be entitled to a health subsidy (limited to the actual single-party premium) based on member's years of service and the surviving dependent's eligibility for Medicare.

Under Age 65 or Over Age 65 And Only Enrolled in Medicare Part B:

The maximum health subsidy available for survivors is the Kaiser single-party premium ($492.36 per month as of July 1, 2007, increasing to $511.76 on January 1, 2008) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

Over Age 65 and Enrolled in Both Medicare Parts A and B:

For survivors, a maximum health subsidy limited to the single-party monthly premium of the plan in which the survivor is enrolled, is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

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SEGAL

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November 8, 2007

Board of Retirement
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012-4207

Re: **Los Angeles City Employees' Retirement System**
FDBIP Costs as of June 30, 2007

Dear Board Members:

We have developed our recommended contribution rates for the voluntary Family Death Benefit Insurance Plan ("Plan") as of June 30, 2007. These rates are effective for the two plan years beginning July 1, 2008 and ending June 30, 2010. The last review of the Plan was conducted as part of the June 30, 2005 actuarial valuation. That study yielded the current employee monthly contribution rate of $3.70. The City matches the employees' cost at the same level.

RECOMMENDATIONS

Based on the census data and the actuarial assumptions used for the June 30, 2007 actuarial valuation, our observations and recommendations are as follows:

- Due to the timing of the valuation, we recommend maintaining the current employee monthly rate at $3.70 through the end of the current plan year (June 30, 2008). Based on this rate, the estimated total annual contributions would be about $383,400 ($191,700 each for the members and the City) for plan year 2007/2008.
- It is our understanding that the earnings currently credited to the Family Death Benefits Reserve only take into account interest, dividends, and other income not related to market value appreciation. In other words, realized and unrealized gains (or losses) are not credited to this reserve. This procedure is different than that used for the crediting of the retirement plan reserves, with the

exception of the Reserve for Member Contributions. Since the future payment liability for this program has been discounted at the valuation interest rate of 8% per year, we are recommending that the Family Death Benefit Reserve be credited with the same total earnings (i.e., including realized and unrealized gains or losses) as the retirement plan reserves (excluding Member Contributions). We recommend that this procedure start with the plan year beginning July 1, 2008. The current crediting procedure would remain in place until that time.

- Assuming the previous recommendation is adopted, we also recommend that the current employee monthly rate of $3.70 be maintained for the two plan years beginning July 1, 2008 and ending June 30, 2010. If the previous recommendation is not adopted, then the employee monthly rate will need to be increased to a level to be determined by Segal, based on a discount rate that reflects the current interest crediting policy.
- The plan does not currently have a funding policy on how the monthly premium rate should be adjusted to reflect any funding surplus. We recommend that the Board consider developing a surplus policy for this Plan.

ANALYSIS AND ASSUMPTIONS

It is our understanding that the Plan is funded on a term cost basis and the premium charged for the current year is only supposed to be sufficient to pay for the present value of the projected death benefits for those expected to die in the same period. However, there is an adjustment in the monthly premium based on the Plan's funded status to reflect the relative value of the actual plan reserve compared to the actual present value of death benefits in pay status for those who previously died. As of June 30, 2007, the Plan's term cost is $609,075 for the 4,318 active members participating at June 30, 2007. This translates to an employee and City monthly rate of $5.88 each. However, the Plan is in a surplus position as of June 30, 2007, with the Plan's actuarial value of assets of $11,974,118 exceeding the liability reserve of $10,529,297 by $1,444,821.

Based upon the current earnings crediting procedure that does not include realized and unrealized gains (or losses) for the Family Death Benefit Reserve, we anticipate that the surplus reserve of $1,444,821 will not be sufficient to maintain the current monthly premium rates of $3.70 for the employee and the City for the two plan years beginning July 1, 2008, since the surplus of $1,444,821 is anticipated to be fully depleted before June 30, 2010. Based upon our recommendation for the earnings crediting procedure, however, the current monthly premium rate of $3.70 could be maintained through June 30, 2010.

As noted, all of the calculations are based on the June 30, 2007 actuarial valuation participant data and actuarial assumptions shown in the retirement plan valuation report. In addition, this plan requires further assumptions as shown below:

1) Each participating active member is assumed to have two children with an average age of about 13.

2) The children are assumed to be eligible for a monthly benefit of about $938 each until they reach age 18.

3) A surviving spouse is assumed to be eligible for a monthly benefit of about $312 until the children reach age 16.

4) As discussed with LACERS, survivors may not receive benefits from the FDBIP if they receive a service retirement survivorship benefit from the pension plan. Therefore, those currently eligible to retire under the pension plan do not to have a FDBIP liability in our valuation.

The above costs were certified by Andy Yeung, ASA, Enrolled Actuary.

Sincerely,

Paul Angelo, FSA, MAAA, EA
Senior Vice President and Consulting Actuary

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

DNA/jc:hy

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