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LACERA

Los Angeles County Employees Retirement Association

2003 | Annual Report

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

Comprehensive Annual Financial Report for the year ended June 30, 2003

IT'S ABOUT PROGRESS

LACERA

Los Angeles County Employees Retirement Association

A Pension Trust Fund of the County of Los Angeles, California
Comprehensive Annual Financial Report for the year ended June 30, 2003

Issued by:

Marsha D. Richter
Chief Executive Officer

Gregg Rademacher
Assistant Executive Officer

Robert R. Hill
Assistant Executive Officer

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

It's About Progress.

LACERA's been busy enhancing services.

This year in our Annual Report we feature a few of this fiscal year's accomplishments. Some improvements originated internally out of a desire to enhance services for our members, while others were mandated by law or required by County-negotiated contracts. At LACERA we are always conscious of improving customer service. We are aware of changing trends and times, and revise our work processes and services accordingly.

Excellence — Commitment — Trust — Service

"Our members deserve the best." — LACERA Vision Statement

Our featured accomplishments for 2002 – 2003 include:

- **Customer Service** – Formed a Quality Assurance Division and a Correspondence Unit, created a Legislative Analyst position, implemented a Retiree Health Insurance Call Center, expanded the Outreach workshops, and expanded www.lacera.com in Communications.
- **Corporate Governance** – Created a Corporate Governance committee, developed and adopted a Corporate Governance Principles document, and updated proxy voting guidelines.
- **HIPAA** – Enhanced the Privacy Policy and posted it on the Internet and Intranet, conducted all-staff Privacy Policy training, and relocated the Retiree Health Care Division to a secure private area.
- **MOUs** – Implemented the County-negotiated enhanced benefits, including prospective plan transfers, incremental service purchase, Plan E COLA, one-year final compensation, increased survivor allowances, and the $5,000 lump sum death benefit.

This Table of Contents page contains direct links to each topic. Click on the topic you wish to view.

LACERA
Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 ■ Mail to: PO Box 7060, Pasadena, CA 91109-7060 626/564-6000

October 21, 2003

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

Dear Board Members:

I am very pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal years ended June 30, 2003 and 2002. The report is intended to provide users extensive and reliable information for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of LACERA.

LACERA is charged with the authority and duty to administer defined retirement plan benefits for the employees of Los Angeles County and participating agencies. The Boards have distilled these responsibilities into our Mission Statement:

Marsha D. Richter, Chief Executive Officer

"We Produce, Protect, and Provide the Promised Benefits."

We are vigilant in our efforts to provide excellent customer service to our members. We are aware of changing trends and times, and revise our work processes and services accordingly. This fiscal year we created new divisions and positions, implemented new processes, and expanded our services.

We believe in:

Excellence — Commitment — Trust — Service

"Our members deserve the best."
— LACERA Vision Statement

We have made progress this fiscal year and we are proud of all the achievements accomplished, including our continued efforts to provide accurate and timely service to over 140,000 members and over 47,000 benefit recipients.

Report Contents

LACERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures. The annual report is divided into five sections:

The **Introductory Section** provides an overview of LACERA and the significant activities and events that occurred during fiscal year 2003. This section contains this Letter of Transmittal, the Certificate of Achievement for Excellence in Financial Reporting, Members of the Boards of Retirement and Investments, LACERA's administrative management, and a list of non-investment professional consultants LACERA utilizes.

The **Financial Section** presents the financial condition and funding status of LACERA. This section contains the opinion of the independent certified public accountants, Brown Armstrong CPAs, Management's Discussion and Analysis, the financial statements, and the related supplementary financial information.

The **Investment Section** provides an overview of LACERA's investment program. This section contains the investment consultant's letter reviewing the investment activity results, the Chief Investment Officer's Report, investment performance results, a list of the external managers who provide investment services to LACERA, and other portfolio information.

The **Actuarial Section** communicates the Plan's funding status and presents other actuarial related information. This section contains the certification of the consulting actuary, Milliman USA, actuarial statistics, and general plan provisions.

The **Statistical Section** presents information pertaining to LACERA's operations on a multi-year basis.

LACERA and Its Services

On January 1, 1938, LACERA was established to provide retirement allowances and other benefits to the safety and general members employed by Los Angeles County. Subsequently, LACERA expanded its membership program to include four other agencies, namely:

Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education
South Coast Air Quality Management District

LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the by-laws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of LACERA members.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. Both Boards appoint a Chief Executive Officer, who is delegated the responsibility for the day-to-day management of LACERA.

Financial Information

Internal Control
The financial attest audit performed by Brown Armstrong CPAs states that LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. Maintaining appropriate internal controls and the financial statement presentation are the responsibility of management, with oversight by LACERA's Internal Audit Services staff.

Analysis
An overview of LACERA's fiscal operations is presented in Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken in consideration with the MD&A, provides an enhanced picture of the activities of the organization.

Investment Activities

The Board of Investments adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board, investment staff, investment managers, master custodian, and consultants.

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives. LACERA's strategic asset allocation targets are long-term by design because of the illiquidity of certain asset classes such as Alternative Assets and Real Estate. Therefore, the implementation process is planned over a five-year horizon. As a result, the actual allocation should not be expected to match the target allocation during the implementation period.

LACERA rebounded from two years of negative performance with a total fund return of 3.6% for the fiscal year. During the first and third quarters of the fiscal year stocks continued their poor performance. However, a strong second quarter and superlative fourth quarter offset this underperformance. The five-year annualized return is still in positive territory with a return of 3.8%.

Actuarial Funding Status

Milliman USA, Consultants and Actuaries (Milliman USA), LACERA's independent actuary, performed the June 30, 2002 Actuarial Valuation and determined the Funding Ratio to be 99.4%. The Unfunded Actuarial Accrued Liability (UAAL) was $175 million, which will be amortized over 30 years, resulting in an increase of .21% of payroll.

Prior to 1990, LACERA obtained valuations every three years as required by the County Employees Retirement Law of 1937. In 1990, LACERA's Board of Investments adopted a valuation policy requiring annual valuations. These valuations are used to review the funding progress made by the System. In addition to these valuations, LACERA requires its actuary to review the reasonableness of the economic and non-economic actuarial assumptions every three years. This review, commonly referred to as the investigation of experience or experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to actuarial assumptions. On the basis of this review, the actuary determines whether changes in assumptions or methodology would allow a more accurate projection of total benefit liabilities and asset growth. An experience study was conducted as of June 30, 2001 and will be performed again in conjunction with the June 30, 2004 valuation.

LACERA is funded by both member and employer contributions. Member normal contributions are those required to fund a specific annuity at a specified age. Member contribution rates vary according to the member's age at first membership. The County Employees Retirement Law also requires members to pay half the contributions required to fund the cost-of-living benefit, which is affected by changes in both economic and non-economic assumptions. Member rates are updated on the basis of triennial valuations.

Liabilities not funded through the member contribution rates are the responsibility of the employer. Change in any of the economic and non-economic assumptions impact employer contribution rates. The employer is responsible for contributing the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit. These are called normal cost contributions. The employer is also responsible for contributing the cost for funding liabilities that have accrued in the past, which is known as the unfunded actuarial liability.

In 2002, modifications to the Retirement System Funding Agreement between Los Angeles County and LACERA (Funding Agreement) were adopted. The Funding Agreement requires the adoption of new employer contribution rates with each annual valuation through June 30, 2008. The Funding Agreement provides for the difference, when liabilities exceed assets, or when assets exceed liabilities, to be amortized over a rolling 30 years. This rate difference would be added to, or deducted from, the County's normal cost. Should the plan's funded status drop below 100%, the Funding Agreement provides for a portion of the STAR Reserve to be recognized as plan assets to the extent that it restores the plan's funded status to 100%. The portion of the STAR Reserve that cannot be recognized as plan assets is the amount of money that the actuary believes will be needed to pay future STAR Program benefits from the valuation date through the term of the Funding Agreement.

Service Efforts and Accomplishments

Fiscal year 2002-2003 was exceptionally eventful and productive for LACERA as we lived up to our mission statement: To Produce, Protect and Provide the Promised Benefits.

We Produce the Promised Benefits
A significant level of Member Services, Claims Processing, Communications, Quality Assurance & Metrics, and Systems resources were required to implement the County-negotiated benefit enhancements in the summer of 2002. Claims Processing Division responded to a significant spike in the service credit purchase contracts workload. This area of Member Services is technically challenging because of the various types of service credit contracts, the different rules that apply to certain hiring timeframes, and the manual research of salary history prior to 1991. This includes the impact from the County Fringe Benefit Package's Plan E to Plan D, and Plan D to Plan E membership transfers.

The Seamless Death Process was implemented, which expedited the set-up of a survivor account for the spouse in the month following the death of the retiree. This process prevents the spouse from having to wait several months before receiving a survivor payment.

The Document Processing Center scanned over 400,000 pages to create over 178,000 documents for electronic usage and storage. This allows both Member Services and Claims Processing Divisions quick and easy access to important member documents, enabling them to better serve our members.

We Protect the Promised Benefits
The Board of Investments adopted a Securities Litigation Policy in early 2001 in response to growing incidents of corporate corruption and fraud. The policy outlines procedures designed to enhance LACERA's recovery of damages from corporate wrongdoers. In addition to aggressively seeking recovery of damages through litigation, the Board of Investments is active in pursuing corporate governance reform to reduce the opportunities for corporate fraud and restore investor confidence in the public capital markets. The Board follows regulatory and legislative developments and actively supports measures that seek to reform corporate governance. This fiscal year, the Board adopted Corporate Governance Principles that establish criteria that should be met by corporations in which LACERA

Gregg Rademacher, Assistant Executive Officer

invests. LACERA's Proxy Voting Guidelines were updated to assure LACERA's proxy votes promote effective corporate governance. A Corporate Governance Committee was formed to advise the Board on corporate governance issues and initiatives.

LACERA developed and implemented our Privacy Policy as a result of the Health Information Portability and Accountability Act (HIPAA). The Privacy Policy provides guidance to enable LACERA to meet its commitments to protect the privacy of members in addition to complying with relevant legal requirements. The Privacy Policy ensures the confidentiality of personal information as well as protected health information in any medium, whether it is oral, written, or electronic.

We ensured our members' information remains confidential by incorporating data encryption into the processing of all outgoing data file exchanges with our service providers.

To ensure operations would run smoothly even in the event of a disaster, LACERA successfully implemented a fully functional disaster recovery "hot site" that included all technology, telecommunications, and end-user platforms. LACERA also developed an operational business continuity plan.

A new division, Quality Assurance & Metrics, was established as of July 1, 2002. This division has been critical to achieving the current level of consistency and quality in the delivery of member services. This division audited over 16,000 work objects for accuracy, evaluated multiple workflow processes for efficiency, and documented detailed procedures.

We Provide the Promised Benefits

In our continuing efforts to help members better understand their retirement benefits, LACERA provided the following service-oriented activities and educational efforts this fiscal year:

Robert R. Hill, Assistant Executive Officer

- Served over 12,000 members at our public service counter.
- Answered over 165,000 telephone inquiries from members.
- Presented over 900 workshops at LACERA, County departmental locations and other facilities.
- Conducted 20 in-home or in-hospital counseling sessions as a service to terminally ill members and their families in order to assist them in making retirement decisions.
- Implemented a Call Center recording system to monitor calls for quality assurance.
- Expanded the Call Center hours to provide service from 7:00 a.m. to 5:30 p.m., Monday through Friday.
- Created a Correspondence Unit and responded to more than 1,200 email inquiries.
- Created 165 new web pages, a Transfer calculator, and a Member Home Loan Program section for www.lacera.com.

Under an agreement with the County of Los Angeles, LACERA administers a Health Care Benefits Program, which includes medical and dental/vision plans for over 69,000 retirees or survivors and their eligible dependents, and a Long Term Care Program for nearly 3,000 participants. During fiscal year 2002-2003, in our continued effort to provide a health care benefits program of the highest quality, staff accomplished the following goals:

- Implemented a Health Insurance Call Center in April, solely dedicated to responding to members' health insurance-related phone inquiries. The Health Insurance Call Center staff answered nearly 9,000 telephone inquiries in less than three months.
- Conducted LACERA's 11th Annual Health Fair, which is sponsored by participating health care providers and organizations. More than 1,600 members attended the Health Fair this year.
- Produced the annual renewal letter and insurance rate booklet, mailed to 37,000 members, and implemented the new premium rate tables.

On December 20, 1989, the Board of Retirement approved the Supplemental Targeted Adjustment for Retirees (STAR) program, a supplemental cost-of-living benefit for retirees or their survivors who have lost 20% or more of the purchasing power of their original retirement benefit. The Board of Retirement, together with the Board of Investments, has unanimously supported the STAR program through their annual program approval and fund appropriations. In November 2002, the Board of Retirement voted to make permanent the 2003 STAR program at an 80% level as authorized in the California Government Code at a cost of $18,000. A permanent STAR benefit becomes part of the member's retirement allowance and is payable for life. The STAR program benefit costs for calendar year 2002 were $40.1 million. Currently, over 12,000 retirees receive this benefit.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. This was the 13th consecutive year that LACERA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, government units must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we will submit it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report on a timely basis is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I would like to express my sincere gratitude to the LACERA Boards and staff, as well as to all our professional service providers, who performed so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Marsha D. Richter

Marsha D. Richter
Chief Executive Officer

Board of Retirement

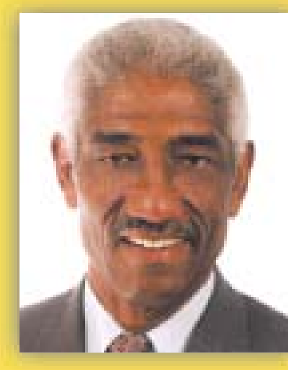
LACERA is governed by two nine-member Boards. The Board of Retirement is responsible for the overall management of the retirement association. The Board of Investments is responsible for establishing LACERA's investment policy and objectives, as well as exercising authority and control over the investment management of the fund. The day-to-day management and operation of LACERA is delegated to a Chief Executive Officer, who is appointed by both Boards.

Sadonya Antebi
(not pictured)
Appointed by the Board
of Supervisors
Term expires 12-31-02

Chair

Simon S. Russin
Elected by General members
Term expires 12-31-03

Vice Chair



Edgar H. Twine
Appointed by the Board
of Supervisors
Term expires 12-31-03

Secretary

Les Robbins
Elected by Safety members
Term expires 12-31-04

Mark J. Saladino
Treasurer and Tax Collector
Ex-officio member

Brian C. Brooks
Elected by General members
Term expires 12-31-05

William de la Garza
Elected by Retired members
Term expires 12-31-05

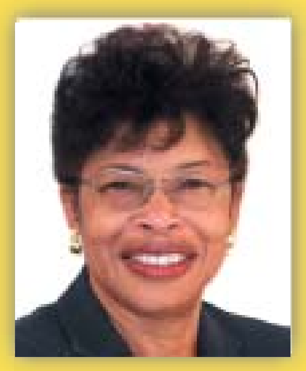
Warren Bennett
Appointed by the Board
of Supervisors
Term expires 12-31-05

William Pryor
(Alternate member)
Elected by Safety members
Term expires 12-31-04

Simon Frumkin
Appointed by the Board
of Supervisors
Term expires 12-31-04

Board of Investments

Chair

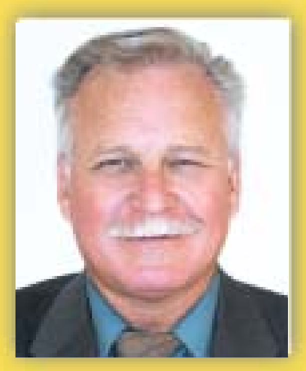


Sandra J. Anderson
Elected by Retired members
Term expires 12-31-05

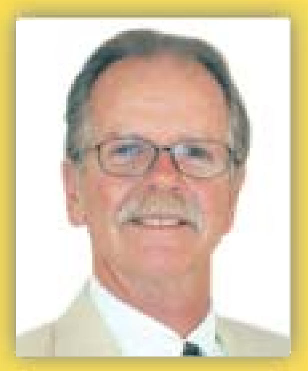
Vice Chair

Mark J. Saladino
Treasurer and Tax Collector
Ex-officio member

Secretary

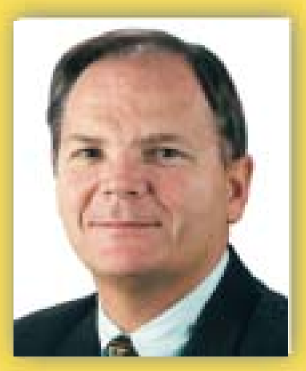


Brian C. Brooks
Elected by General members
Term expires 12-31-03

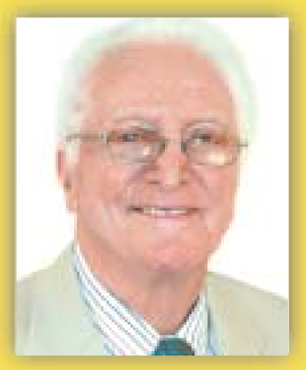


Cody Ferguson
Appointed by the Board
of Supervisors
Term expires 12-31-03

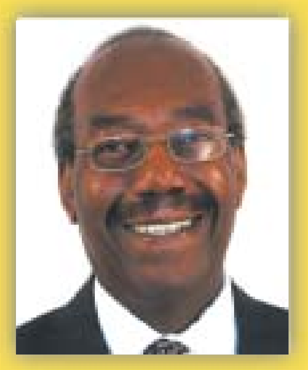
Bruce Perelman
Elected by General members
Term expires 12-31-05



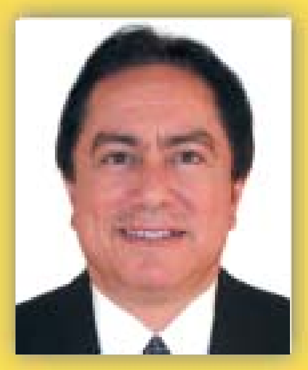
Les Robbins
Elected by Safety members
Term expires 12-31-04



Sol Soteras
Appointed by the Board
of Supervisors
Term expires 12-31-04



Larkin Teasley
Appointed by the Board
of Supervisors
Term expires 12-31-05



Estevan Valenzuela
Appointed by the Board
of Supervisors
Term expires 12-31-05

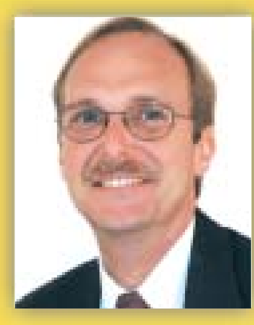
The Los Angeles County Board of Supervisors appoints four members on each board. Four other members are elected as follows:

- **General member employees elect two members for each Board.**
- **Safety member employees elect one member for each Board and one alternate member for the Board of Retirement.**
- **Retired members elect one member per Board.**

The County Treasurer and Tax Collector is required by law to serve on both Boards as an ex-officio member.

Marsha D. Richter
CHIEF EXECUTIVE OFFICER

The Chief Executive Officer oversees the day-to-day management and operation of LACERA under the direction of the Boards of Retirement and Investments.



Gregg Rademacher
ASSISTANT EXECUTIVE OFFICER

Supports the Chief Executive Officer in managing LACERA and oversees Member Services, Disability Investigation, Administrative Services, Communications, Human Resources, and Accounting.

Kenneth L. Shaffer
INVESTMENT OFFICE

Investments recommends and implements policies and procedures as approved by the Board of Investments relating to the management of LACERA's trust fund assets.

Kathy Migita
RETIREE HEALTH CARE BENEFITS PROGRAM

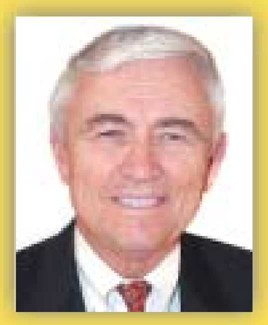
Retiree Health Care administers LACERA's health care benefits program for our retired members.

Sylvia Miller
DISABILITY INVESTIGATION

Disability Investigation staff research and prepare all applications for disability retirement in order to present them to the Board of Retirement for determination.

Janice Golden
MEMBER SERVICES

Member Services assists our members with retirement information through the Call Center, Public Service Counter, Outreach program, and the Correspondence Unit.



Robert Proctor
HUMAN RESOURCES

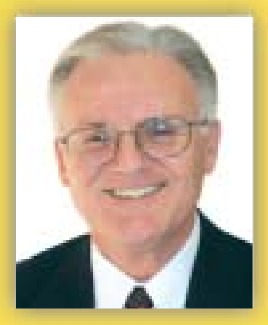
Human Resources provides workforce solutions that align with LACERA's strategic business plan and target employee and organizational development.

Kimberly Hines
CLAIMS PROCESSING

Claims Processing is responsible for servicing members' requests for benefits, including retirements, estimates, plan transfers, service credit purchases, reciprocity, withdrawals, and death benefits.

Robert R. Hill
ASSISTANT EXECUTIVE OFFICER

Supports the Chief Executive Officer in managing LACERA and oversees Claims Processing, Quality Assurance, and Systems.

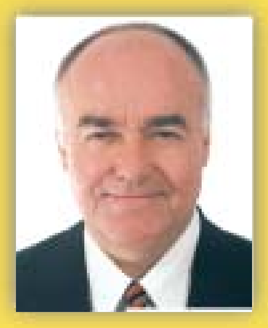


David L. Muir
LEGAL SERVICES

The Legal Office provides legal counsel and advice to the Boards and staff, and represents LACERA in litigation and other legal proceedings.

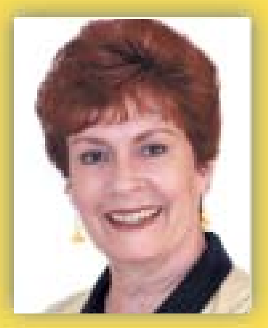
Wayne Petersen
INTERNAL AUDIT SERVICES

Internal Audit is responsible for examining, evaluating and recommending improvements to the system of internal controls and services provided by LACERA.



Daniel E. McCoy
DISABILITY LITIGATION

Disability Litigation attorneys represent the retirement association in administrative hearings and represent the Board of Retirement in court on disability retirement matters.

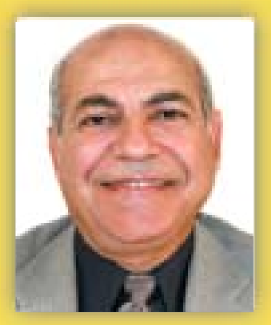


Delia Price
COMMUNICATIONS

Communications delivers information to our members via the web site, newsletters, and brochures, and provides the Intranet for staff.

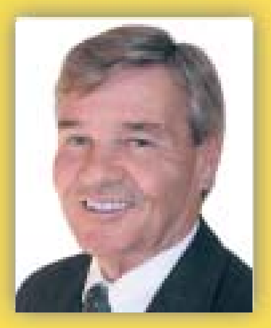
Beulah Canevari
FINANCIAL & ACCOUNTING SERVICES

Accounting is responsible for our financial reporting and ensuring regulatory and tax compliance.



Mike Mikhail
QUALITY ASSURANCE & METRICS

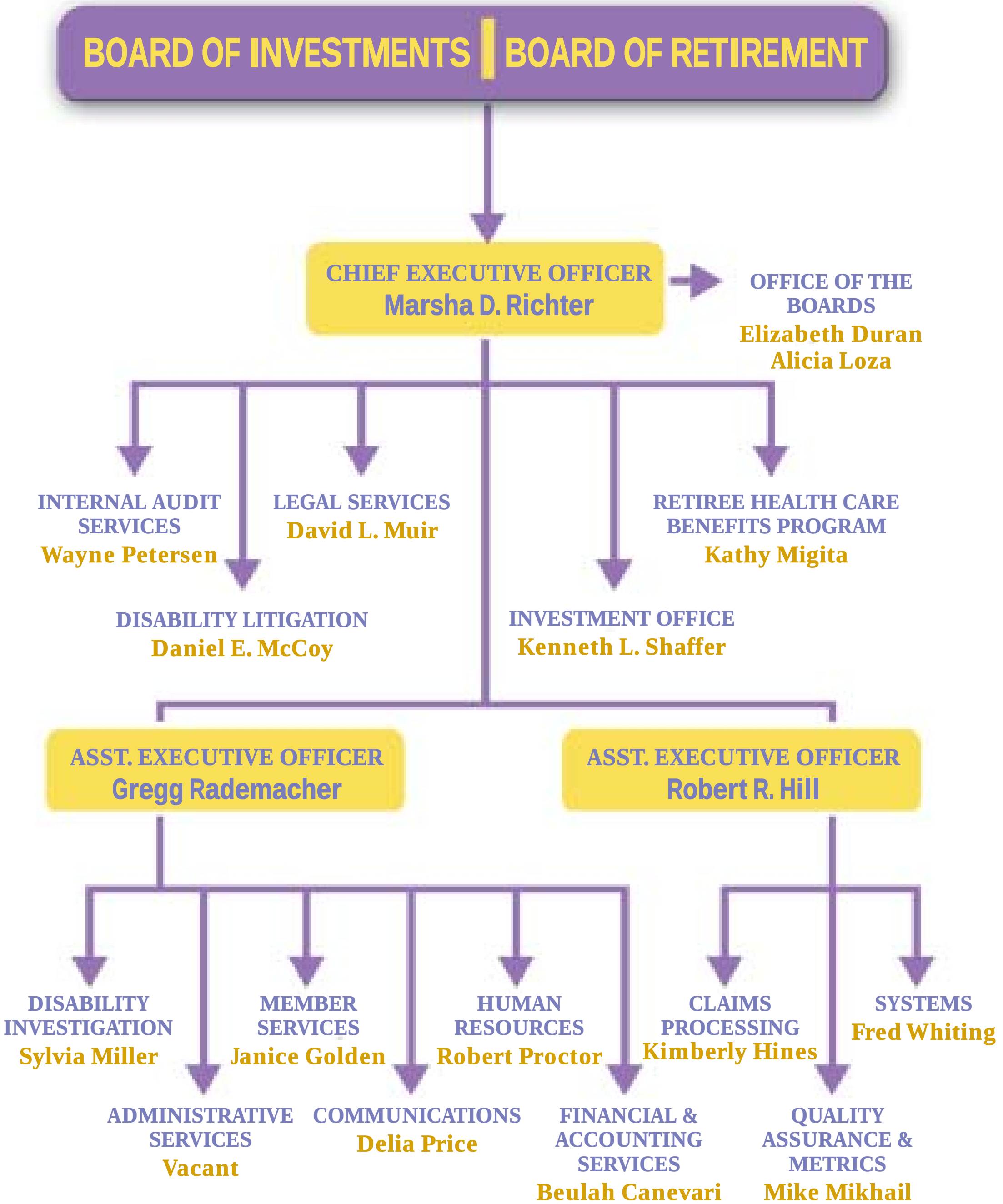
Quality Assurance & Metrics develops and applies performance measurements, conducts quality audits, documents procedures for the business processes, and trains staff.



Fred Whiting
SYSTEMS

Systems is responsible for all the technological support, security, and maintenance that is required to run our members' retirement processes and staff's information technology needs.

Organizational Chart 2003



List of Professional Consultants

Actuary
Milliman USA

Auditors
Financial Control Systems, Inc.
Brown Armstrong, CPAs
The Segal Company

Commercial Banking
Mellon Global Cash Management

Data Processing
Los Angeles County
Internal Services Department

Governance Consultant
Institutional Shareholder Services, Inc.

Investment Consultants
Frank Russell Company
The Townsend Group

Legal Counsel
Cox, Castle & Nicholson, L.L.P.
Christensen, Miller, Fink, Jacobs, Glaser,
Weil & Shapiro, L.L.P.
D'Ancona & Pflaum
Graves, Roberson & Bourassa
Jones, Day, Reavis & Pogue
Morgan, Lewis & Brockius, L.L.P.
Morrison & Foerster, L.L.P.
Orrick, Herrington & Sutcliffe, L.L.P.
Paul, Hastings, Janofsky & Walker, L.L.P.
Latham & Watkins
Bannan, Green, Frank & Terzian, L.L.P.
Groom Law Group, Chartered
O'Melveny & Myers, L.L.P.
Hanson, Bridgett, Marcus, Vlahos, Rudy, L.L.P.

Custodian
Mellon Trust

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

Certificate of Achievement
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting each year. For the 13th year in a row, LACERA has been awarded this prestigious Certificate of Achievement for the 2002 comprehensive annual financial report.

Financial Section

CUSTOMER SERVICE Overview:

At LACERA, we are always conscious of improving customer service.

We are aware of changing trends and times, and revise our work processes and services accordingly. This fiscal year we created new divisions and positions, implemented new processes, and expanded our services.

(Correspondence Unit)

CUSTOMER SERVICE

- **Correspondence Unit (NEW Unit)** — Streamlined the correspondence process and provided more effective written responses to member inquiries received by phone, mail, and email.

- **Outreach Program** — Expanded services and presented over 900 New Member and Pre-retirement Workshops held at LACERA, County department locations, and other facilities.

- **Claims Processing Division** — Created and implemented the Seamless Death Process, which expedites survivor payments for the spouse of a deceased retired member.

- **Communications Division** — Created 165 new web pages on www.LACERA.com, including a Plan Transfer Calculator and a Member Home Loan Program section. Communications created the 2002 Annual Financial Report in-house, for the first time.

- **Retiree Health Care Division** — Implemented a Health Insurance Call Center in April, solely dedicated to responding to members' health insurance related inquiries, and answered over 9,000 telephone inquiries in less than three months.

- **Legislative Analyst (NEW Position)** — Reported relevant state and federal retirement legislative developments to our Boards and staff.

Outreach in the field

- **Quality Assurance & Metrics Division (New Division)**— Set standards for improved quality and consistency in our service to members. QA audited over 16,000 work objects for accuracy, evaluated multiple workflow processes for efficiency, and documented detailed procedures.

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Boards of Retirement and Investments
Los Angeles County Employees Retirement Association

We have audited the accompanying statement of plan net assets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 2003 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of management of LACERA. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Los Angeles County Employees Retirement Association as of and for the year ended June 30, 2002 were audited by other auditors, whose report dated October 3, 2002, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the Los Angeles County Employees Retirement Association as of June 30, 2003 and its changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information, and the investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of LACERA. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the investment, actuarial, and statistical sections and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2003, on our consideration of LACERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Brown Armstrong Paulden
McCown Starbuck & Keeter
Accountancy Corporation

Andrew J. Paulden

This Management's Discussion and Analysis of the financial activities of LACERA is an overview of its fiscal operations for the year ended June 30, 2003. Readers are encouraged to consider the information presented in conjunction with the Financial Statements.

Financial Highlights

(Dollars in millions)

- Net Assets Held in Trust for Pension Benefits, as reported in the Statement of Plan Net Assets, totals $26,248, an increase of $201 or .8% from the prior year. Economic factors are discussed further in this Management's Discussion and Analysis.
- Total Additions as reflected in the Statement of Changes in Plan Net Assets are $1,635 primarily as a result of Contributions, the Net Appreciation in the Fair Value of Investments, and Investment Income. This represents an increase from the prior year of $2,605, or a change of 269%.
- Total Deductions as reflected in the Statement of Changes in Plan Net Assets total $1,434, an increase of $98, or a change of 7.3% from the prior year.
- Milliman USA served as LACERA's independent actuary. The latest actuarial valuation completed was as of June 30, 2002 and determined the funding status (the ratio of system assets to system liabilities) to be 99.4%.

Overview of Financial Statements

This Management's Discussion and Analysis serves as an introduction to the basic financial statements. LACERA has two basic financial statements, the notes to the financial statements, and two required supplementary schedules of historical trend information. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board, utilizing the accrual basis of accounting.

The Statement of Plan Net Assets is the first basic financial report. This is a snapshot of account balances at fiscal year end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of fiscal year end. The net assets, which are the assets less the liabilities, reflect the funds available for future use.

The Statement of Changes in Plan Net Assets is the second financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as Additions or Deductions to the plan. The trend of additions versus deductions to the plan will indicate whether LACERA's financial position is improving or deteriorating over time.

The Notes to the Financial Statements (Notes) are an integral part of the financial reports. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year.

The Schedule of Funding Progress, a required supplementary schedule, includes historical trend information about the actuarially funded status of the plan, and the progress made in accumulating sufficient assets to pay benefits when due. The other required supplementary schedule, the Schedule of Employer Contributions, presents historical trend information about the annual required contributions of the employer and the actual contributions made. These schedules provide information to help promote understanding of the changes in the funded status of the plan over time.

Financial Analysis

(Dollars in millions)

Assets and Funding Ratio

As of June 30, 2003, LACERA has $26,248 in net assets, which means that Total Assets of $30,412 exceed Total Liabilities of $4,164. As of June 30, 2002, LACERA had $26,047 in net assets, as a result of Total Assets of $28,985 exceeding Total Liabilities of $2,938. The net assets represent funds available for future payments. However, of importance, is the fact that unlike private pension funds, public pension funds are not required to disclose the future liability of obligations owed to retirees. Only current liabilities are reported on the Statement of Plan Net Assets.

Plan Net Assets

As of June 30, 2003, 2002, and 2001

(Dollars in millions)

	2003	2002	2001	2003 - 2002 $ Change	2003 - 2002 % Change	2002 - 2001 $ Change	2002 - 2001 % Change
Assets Other Than Investments	$ 3,354	$ 2,242	$ 1,974	$1,112	49.6%	$ 268	13.6%
Investments	27,058	26,743	28,853	315	1.2%	(2,110)	-7.3%
Total Assets	30,412	28,985	30,827	1,427	4.9%	(1,842)	-6.0%
Total Liabilities	4,164	2,938	2,474	1,226	41.7%	464	18.8%
Total Plan Net Assets	**$26,248**	**$26,047**	**$28,353**	**$ 201**	**0.8%**	**$(2,306)**	**-8.1%**

In order to determine whether the $26,248 in net assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. LACERA's independent actuary, Milliman USA, performed an actuarial valuation as of June 30, 2002 and determined that the funding ratio of the actuarial assets to the actuarial accrued liability is 99.4%. The actuarial valuation as of June 30, 2001 determined the funding ratio to be 100%. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid with respect to each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future benefits. This ratio means that as of the June 30, 2002 actuarial valuation, LACERA had approximately $.99 available for each $1.00 of anticipated future liability, and as of the June 30, 2001 actuarial valuation, LACERA had approximately $1.00 available for each $1.00 of anticipated future liability.

Additions to Plan Net Assets

The primary sources to finance the retirement benefits LACERA provides are accumulated through income on investments and through the collection of member (employee) and employer retirement contributions. For fiscal year 2003, primarily due to positive investment returns and steady contributions, Total Additions amounted to $1,635. This turn in investment income was due to a slow economic recovery. For fiscal year 2002, volatile financial markets, weak asset returns, and low interest rates caused net investment losses to be greater than the contributions received by $970.

To finance its contributions due LACERA, the County makes monthly cash payments and/or directs LACERA to transfer funds from its County Contribution Credit Reserve. Employer contributions as reported reflect only cash payments received from the County. The 2003 contributions increased from the prior year primarily due to the increased contribution rates to fund the enhanced employee benefits negotiated during the bargaining process. In 2003, the County funded approximately eight months of contributions in cash. The 2002 employer contributions increased from the prior year because the County paid approximately eight months of contributions in cash in 2002 versus six months in 2001. The

County's contributions for the remaining months were made through transfers from funds available in the County Contribution Credit Reserve (CCCR). The CCCR was established in 1994 pursuant to an agreement with the County under which the County issued pension obligation bonds and transferred the proceeds to LACERA to fully fund the system.

Net investment income for fiscal year 2003 was $925, an increase of $2,459 over the prior year, or a change of 160.3%. The increase was due to a positive change in the investment market resulting in a net appreciation in the fair value of investments. Total fund performance was 3.6% for the current fiscal year. Net investment loss for fiscal year 2002 was $1,534, an increase in performance of $849 or 35.6% from the prior year. Due primarily to declining stock markets, the total fund return was -5.6% for the 2002 fiscal year. The five-year annualized return remains at a positive number at 3.8%, exceeding the Total Fund Benchmark of 3.6%.

Additions to Plan Net Assets
For the Years Ended June 30, 2003, 2002, and 2001
(Dollars in millions)

	2003	2002	2001	2003 - 2002 $ Change	2003 - 2002 % Change	2002 - 2001 $ Change	2002 - 2001 % Change
Contributions and Misc.	$ 710	$ 564	$ 413	$ 146	25.9%	$ 151	36.6%
Net Investment Income/(Loss)	925	(1,534)	(2,383)	2,459	160.3%	849	35.6%
Total Additions	**$1,635**	**$ (970)**	**$(1,970)**	**$2,605**	**268.6%**	**$1,000**	**50.8%**

Deductions from Plan Net Assets

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, refund of contributions to terminated employees, funding the Retiree Health Care Program, and the cost of administering the plan. These deductions total $1,434 for fiscal year 2003, an increase of $98, or 7.3% from the prior year. For fiscal year 2002, these deductions total $1,336, an increase of $94, or 7.6% from the prior year. For both years, the increases are largely due to the growth in the average amount of benefits paid to members and their beneficiaries.

Deductions from Plan Net Assets
For the Years Ended June 30, 2003, 2002, and 2001
(Dollars in millions)

	2003	2002	2001	2003 - 2002 $ Change	2003 - 2002 % Change	2002 - 2001 $ Change	2002 - 2001 % Change
Benefits and Refunds	$1,339	$1,240	$1,155	$99	8.0%	$85	7.4%
Administrative Expense and Misc.	42	38	34	4	10.5%	4	11.8%
Retiree Health Care	53	58	53	(5)	-8.6%	5	9.4%
Total Deductions	**$1,434**	**$1,336**	**$1,242**	**$98**	**7.3%**	**$94**	**7.6%**

The Boards of Retirement and Investments jointly approve the annual budget, which restricts administrative expenses and represents less than 0.12% of total plan assets. The California Government Code Section 31580.2 limits the annual administrative expense to eighteen one hundredths of one percent (0.18%) of the total assets of the retirement system. It is the intent of the Boards to remain within the appropriation limit established in the Government Code, which the Boards have historically done.

Overall Analysis

As of June 30, 2003, LACERA's market value is $26,248 million. Although it slightly increased from the prior year, it represents a decrease of 6.4% from the prior five years. The overall slow recovery within the last five-year period is due to steady contributions by plan participants plus the portfolio's current rebound from two years of negative investment performance.

Economic and Market Review

During the fiscal year, interest rates continued to decline to the lowest levels in a generation. These historically low rates continued to stimulate the housing market and refinancing activity, which sustained consumer spending thereby generating modest economic growth. Corporate investment on capital goods, however, remained weak, thereby muting the pace of the economic recovery.

As the fiscal year began, investor concerns about corporate governance, economic growth and corporate earnings weighed heavily on market activity. As concerns about these issues abated, investors shifted their attention to the pending war with Iraq. Events such as war tend to create tremendous uncertainty because of investors' inability to assess stock risk.

Once U.S. dominance in Iraq became evident, investors again focused their attention on domestic economic growth, and corporate earnings. As a result, the Russell 3000, a broad-based benchmark representative of the U.S. stock market, returned 0.8% for the one-year period ended June 30, 2003. While this return is disappointing compared to the returns experienced during the late '90s, keep in mind this benchmark started the fiscal year with a quarterly return of –17.2%.

Health care was the strongest performing economic sector during the fiscal year, returning 9.2% in the Russell 3000 as measured by Russell Mellon Analytical Services. While Corporate America remained reluctant to increase their capital spending, investors' enthusiasm for technology stocks started to increase. As a result, technology stocks returned 6.0% during the year as measured by Russell Mellon.

International equity markets were also weak during the fiscal year. The Morgan Stanley All Country World excluding the U.S. which includes both industrialized and emerging markets, returned a –4.2% during the fiscal year. Emerging markets, as measured by Morgan Stanley, were one of the best performing market segments with a 7.0% return during the fiscal year.

Requests for Information

This financial report is designed to provide the Boards of Retirement and Investments, our membership, taxpayers, and investment managers with a general overview of LACERA's finances and to show accountability for the money it receives. Questions about this report, or requests for additional financial information, should be addressed as follows:

Beulah S. Canevari, Manager
Retirement Accounting Division
Los Angeles County Employees Retirement Association
300 N. Lake Avenue, Suite 720
Pasadena, CA 91101-4199

Respectfully submitted,

Beulah S. Canevari

Beulah S. Canevari, CPA, CGFM
Manager, Retirement Accounting Division

Beulah S. Canevari, Manager, Accounting Division

Statement of Plan Net Assets

As of June 30, 2003 and 2002

(Dollars in thousands)

	2003	2002
Assets		
Cash	$ 46,995	$ 26,361
Collateral on Loaned Securities	2,485,458	1,775,499
Receivables		
Accounts Receivable - Sale of Investments	622,747	220,075
Accrued Interest and Dividends	94,745	115,530
Accounts Receivable - Other	103,561	104,721
Total Receivables	821,053	440,326
Investments at Fair Value - Note M		
Stocks	13,526,826	13,047,752
Bonds	7,368,548	7,705,426
Short Term Investments	1,417,584	1,345,595
Real Estate	3,143,473	3,099,180
Alternative Assets	1,269,916	1,277,040
Mortgages	331,778	268,386
Total Investments	27,058,125	26,743,379
Capital Assets Net of Depreciation	42	135
Total Assets	**30,411,673**	**28,985,700**
Liabilities		
Accounts Payable - Purchase of Investments	1,612,982	1,097,055
Retiree Payroll and Other Payables	50	79
Accrued Expenses	19,288	24,313
Tax Withholding Payable	12,838	12,170
Obligations under Securities Lending Program	2,485,458	1,775,499
Accounts Payable - Other	33,251	29,344
Total Liabilities	**4,163,867**	**2,938,460**
Net Assets Held in Trust for Pension Benefits	**$26,247,806**	**$26,047,240**

(A Schedule of Funding Progress is presented in the Required Supplementary Information in this Financial Section.)

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Plan Net Assets

For the Years Ended June 30, 2003 and 2002

(Dollars in thousands)

	2003	2002
Additions		
Contributions		
Employer	$ 325,524	$ 297,928
Member	233,192	265,573
Total Contributions	558,716	563,501
Investment Income		
From Investing Activities		
Net Appreciation/(Depreciation) in Fair Value of Investments	405,272	(2,214,241)
Investment Income	580,296	734,949
Total Investing Activity Income/(Loss)	985,568	(1,479,292)
Less Expenses from Investing Activities	(68,258)	(60,282)
Net Investing Activity Income/(Loss)	917,310	(1,539,574)
From Securities Lending Activities		
Securities Lending Income	40,995	39,159
Less Expenses from Securities Lending Activities	(33,314)	(33,210)
Net Securities Lending Income	7,681	5,949
Total Net Investment Income/(Loss)	924,991	(1,533,625)
Miscellaneous	151,215	133
Total Additions/(Declines)	**1,634,922**	**(969,991)**
Deductions		
Retiree Payroll	1,320,775	1,222,657
Administrative Expense - Note B	41,523	37,402
Refunds	16,756	16,259
Lump Sum Death Benefits	1,671	1,455
Retiree Health Care Program	53,407	57,654
Miscellaneous	224	604
Total Deductions	**1,434,356**	**1,336,031**
Net Increase/(Decrease)	200,566	(2,306,022)
Net Assets Held in Trust for Pension Benefits Beginning of Year	26,047,240	28,353,262
End of Year	**$ 26,247,806**	**$ 26,047,240**

The accompanying notes are an integral part of these financial statements.

NOTE A — Plan Description

On January 1, 1938, the Los Angeles County Employees Retirement Association (LACERA) was established. It is governed by the California Constitution, the County Employees Retirement Law of 1937, and the bylaws, procedures, and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the Retirement Law of 1937, which may affect the benefits of LACERA members. LACERA operates as a cost-sharing multi-employer defined benefit plan for Los Angeles County and four participating agencies: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education, and South Coast Air Quality Management District.

Membership

LACERA provides retirement, disability, and death benefits to its active safety and general members, and administers the plan sponsor's retiree health benefit program. Safety membership includes law enforcement (Sheriff and District Attorney Investigators), firefighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the service entry date. General members may elect membership in a contributory or noncontributory plan tier upon entry into service. Additional information regarding the benefit structure is included in the Summary of Plan Provisions in the Actuarial Section of this report.

At June 30, 2003 and 2002, LACERA membership consisted of:

	2003	2002
Active Members:		
Vested	57,494	57,163
Nonvested	30,266	32,089
Total Active Members	87,760	89,252
Retired Members	47,233	46,242
Terminated Vested (Deferred)	6,399	6,008
Total Membership	**141,392**	**141,502**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates 10 years of creditable service under the general service noncontributory plan. Benefits are based upon 12 or 36 months average compensation, depending on the plan, age at retirement, and length of service as of the retirement date, according to applicable statutory formula. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for nonservice-connected disability eligibility according to applicable statutory formula.

Members of the noncontributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Cost-of-Living Adjustment (COLA)

Under provisions in the California Government Code, the Board of Retirement (Board) shall, before April 1 each year, determine whether there has been an increase or decrease in the cost-of-living, as shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of the preceding January 1. Effective April 1 of each year, the Board must increase or decrease retirement and survivor allowances by a percentage of the total allowance to approximate to the nearest one-half of 1%, the percentage of annual increase or decrease in the cost-of-living as of the preceding January 1 for members and survivors who were retired prior to April 1. Plan A members may receive a 3% maximum increase while Plan B, C, and D members may receive a 2% maximum increase. Plan E members receive cost-of-living increases for service credit earned after June 4, 2002. Any CPI cost-of-living increase or decrease in any year, which is not met by the maximum annual change of 3% or 2% in allowances, will be accumulated to be met by increases or decreases in allowances for future years. The accumulated percentage carryover is known as the Cost-of-Living Accumulation.

STAR Program

In addition to cost-of-living increases, the California Government Code also provides the Board the authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess earnings have been used to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. In November 2002, the Board of Retirement voted to make permanent the 2003 STAR Program at an 80% level as authorized in the California Government Code Section 31874.3. A permanent STAR benefit becomes part of the member's retirement allowance and is payable for life. Although the 2003 STAR Program is a permanent benefit, future ad hoc supplemental cost-of-living increases based on future increases in the consumer price index will be subject to approval by the Board of Retirement on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments. Ad hoc STAR payments are only payable for the year approved.

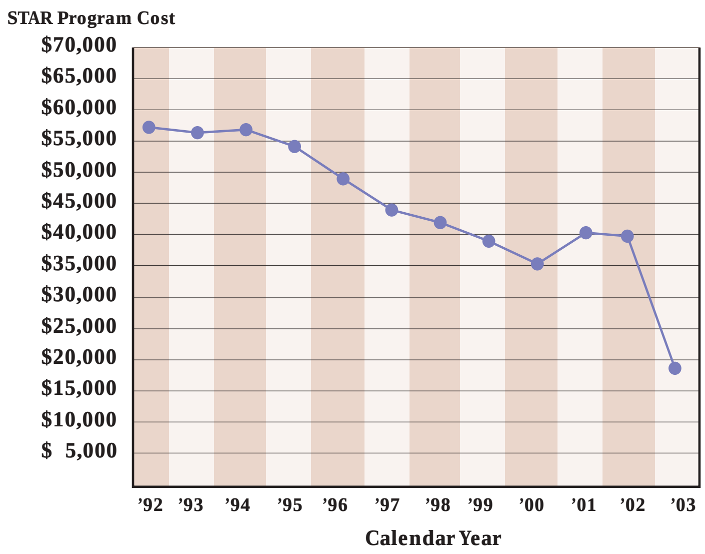
Since the inception of the STAR Program in 1990 to present, the Program received $1.5 billion in funding. The STAR Program funded approximately $310 million for the vesting of the 2001-2003 STAR Program benefits. As of June 30, 2003, there is $657 million available in the STAR Program Reserve to fund future benefits.

The STAR program is administered on a calendar-year basis. The following represents the STAR Program cost from inception through June 30, 2003
(Dollars in thousands):

Year	STAR Program Cost
1992	$ 57,776
1993	56,542
1994	56,895
1995	54,905
1996	49,571
1997	44,349
1998	42,225
1999	39,232
2000	35,397
2001	41,430
2002	40,137
2003	18,981*
Total	**$635,845**

*Represents Program Year through June 30, 2002.

LACERA STAR Program Cost as of June 2003



NOTE B — Summary of Significant Accounting Policies

Reporting Entity

LACERA, with its own governing boards, is an independent governmental entity separate and distinct from the County of Los Angeles (County). LACERA's Annual Financial Statements are included in the County's Annual Financial Report as a pension trust fund. Maintaining appropriate controls and preparing the financial statements are the responsibility of management, with oversight by LACERA's Internal Audit staff.

LACERA wholly owns numerous Title Holding Corporations (THCs) and six Limited Liability Companies (LLCs). The THCs are nonprofit corporations under Section 501 (c)(25) of the Internal Revenue Code. The LLCs do not have tax-exempt status, but their income is excludable from taxation under Internal Revenue Code Section 115. The THCs invest in commercial properties located throughout the United States and the LLCs invest in hotels and office buildings. The financial activities of the THCs and LLCs are included in the accompanying financial statements as investments at fair value. Additional detailed information for these entities can be obtained from LACERA's Retirement Accounting Division, Attention: Manager, 300 North Lake Avenue, Suite 720, Pasadena, CA 91101.

Method of Reporting

LACERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of LACERA. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

Administrative Expenses

The LACERA Boards of Retirement and Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against investment earnings and are limited to eighteen hundredths of one percent of total system assets as set forth under Government Code Section 31580.2.

The following schedule compares the adopted budget to the actual administrative expenses for the current fiscal year (Dollars in thousands):

Total Projected Asset Base as of December 31, 2002 at fair value	$ 28,956,348
Maximum Allowable for Administrative Expense (.0018 x $28,956,348)	52,121
Operating Budget for Fiscal Year 2002-2003	48,647
Actual Administrative Expenses for Fiscal Year ended June 30, 2003	41,523
Underexpended Operating Budget	**$ 7,124**

Capital Assets

In Fiscal Year 1999-2000, LACERA changed its policy on capital assets whereby new capital asset acquisitions are expensed instead of being capitalized. Capital assets acquired prior to Fiscal Year 1999-2000 are carried at cost less accumulated depreciation. These assets are depreciated over their remaining useful lives. Depreciation is calculated using the straight-line method with five-year useful lives for equipment and 10-years for furniture, structures, and leasehold improvements.

The cost and accumulated depreciation of capital assets as of June 30, 2003 and 2002 were as follows (Dollars in thousands):

	2003	2002
Furniture and Equipment	$4,278	$4,278
Structures and Improvements	2,829	2,829
Total Capital Assets (at cost)	7,107	7,107
Less: Accumulated Depreciation		
Furniture and Equipment	4,236	4,143
Structures and Improvements	2,829	2,829
Total Accumulated Depreciation	7,065	6,972
Total Capital Assets Net of Depreciation	**$ 42**	**$ 135**

Accrued Vacation and Sick Leave

Employees who resign or retire from active employment are entitled to full compensation for all unused vacation and a percentage of their unused sick leave. The accrued vacation and sick leave for LACERA employees as of June 30, 2003 and 2002 were $1.79 million and $1.80 million, respectively.

Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings translated to U.S. dollars using the exchange rates in effect at June 30, 2003 and 2002, which have original maturities of less than 90 days.

Investments

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table:

Investments	Source
Publicly traded stocks and bonds, and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year end. International securities reflect currency exchange rates in effect at June 30, 2003 and 2002.
Mortgages	Equivalent pricing to comparable GNMA.
Real estate equity funds	Fair value as provided by real estate fund manager.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by property managers.
Alternative assets	Fair value as provided by the investment manager and reviewed by LACERA's alternative asset consultant.
Private placement bonds	Face value of the security subject to designated conditions such as sales restrictions or limited marketability.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, or event risks which may subject LACERA to economic changes occurring in certain industries, sectors, or geographies.

Dividend income is recorded on the ex-dividend date. Other investment income is recorded as earned on the accrual basis.

Use of Estimates

The preparation of the Plan's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statements of Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in the prior year's data may have been reclassified in order to be consistent with the current year's presentation.

NOTE C — Contributions

The employers and members contribute to LACERA based on unisex rates recommended by an independent actuary and adopted by the Board of Investments and Los Angeles County's Board of Supervisors. Contributory plan members are required to contribute between 5% and 15% of their annual covered salary.

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

Due to protracted negotiations, the County assumed additional surcharge rates for Plan B Safety members, effective July 1, 2002. Member and employer contributions received from the participating agencies are considered part of LACERA's plan as a whole.

Through February of fiscal years ending June 30, 2003 and 2002, the County paid its employer contributions due to LACERA in the form of monthly cash payments. As part of the 1994 Retirement System Funding Agreement (Agreement) between LACERA and the County, the County's contributions for the approximate remaining four months for the fiscal years ending June 30, 2003 and 2002, were made through transfers from excess earnings (i.e. County Contribution Credit Reserve) as defined in the Agreement.

NOTE D — Reserves

The reserves represent the components of LACERA's net assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. LACERA's major classes of reserves are as follows:

Member Reserves represent the balance of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees, refunds to members, and related expenses.

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members, lump sum death benefit payments to members' survivors, and supplemental disability payments.

For fiscal year 2002-2003, the County paid its employer contributions using a combination of cash and transfers from its portion of excess earnings (i.e. County Contribution Credit Reserve). On June 30, 2002, the County prefunded approximately $217 million, a portion of its employer contributions due LACERA for the two fiscal years ended June 30, 2003 and 2004, from the County Contribution Credit Reserve.

County Contribution Credit Reserve was created pursuant to the 1994 Retirement System Funding Agreement between LACERA and the County. Seventy-five percent (75%) of excess earnings in fiscal years 1995-1999 were deposited into the reserve. Deductions include payments, as the County authorizes, for future employer contributions due LACERA and for funding the Retiree Health Care Account. The Retiree Health Care Account is used to subsidize a portion of the Retiree Health Care Program under the provisions of Internal Revenue Code Section 401(h).

STAR Reserve represents the balance of transfers from Contingency Reserve for future supplemental cost-of-living increases. Additions include transfers from Contingency Reserve. In November 2002, the Board of Retirement voted to make permanent the 2003 STAR Program at an 80% level as authorized in the California Government Code Section 31874.3.

Future ad hoc increases in the current STAR program will be subject to approval by the Board of Retirement on an annual basis, as long as sufficient excess earnings are available as determined by the Board of Investments. Deductions include COLA payments to retirees and funding permanent benefits. The permanent STAR benefit becomes part of the member's retirement allowance and is payable for life. Ad hoc STAR benefits are payable only for the year approved.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, and funding of the STAR Reserve when excess earnings are available and authorized by LACERA's Boards. The Contingency Reserve is used to satisfy the California Government Code requirement for LACERA to reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The California Government Code and the Board's Actuarial Funding Policy provide for earnings to be deposited into the Contingency Reserve, and then allows amounts in excess of 1% of assets to be transferred out for certain purposes.

Reserves as of June 30, 2003 and 2002 are as follows
(Dollars in thousands):

	2003	2002
Member Reserves	$ 9,289,062	$ 8,819,576
Employer Reserves		
Actual Employer Contributions	13,364,507	13,543,051
Advanced Employer Contributions (FY 2003 and 2004)	26,897	216,775
Total Employer Reserves	13,391,404	13,759,826
County Contribution Credit Reserve	1,153,018	1,221,256
STAR Reserve	657,037	657,055
Contingency Reserve	5,079	242,593
Total Reserves at Book Value	24,495,600	24,700,306
Unrealized Investment Portfolio Appreciation	1,752,206	1,346,934
Total Reserves at Fair Value	**$26,247,806**	**$26,047,240**

NOTE E — Actuarial Valuations

Pursuant to provisions in the County Employees Retirement Law of 1937, LACERA engages an independent actuarial firm to perform an annual actuarial valuation. A system actuarial valuation is performed every three (3) years (i.e., triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each triennial valuation.

On June 4, 2002, LACERA and the County entered into a Retirement System Funding Agreement that enhanced retirement benefits and amended LACERA's funding policy, effective through the June 30, 2008 valuation. Under the Agreement, employer contribution rates are adjusted annually following completion of an actuarial valuation. Any UAAL or funding surplus is amortized over a rolling 30-year period.

During fiscal year 2002-2003, Milliman USA, Actuaries & Consultants, served as LACERA's independent actuary. Milliman USA completed the actuarial valuation as of June 30, 2002 and determined the funding status (the ratio of system assets to system liabilities) to be 99.4%. The funding status was established based on the entry age normal actuarial cost method, an assumed 8% investment return, an assumed 4% annual total payroll growth rate (annual individual salary increases, which vary by service, range from 10.24% to 4.78%), an inflation rate of 4%, and an actuarial value of assets using a three-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date.

The June 30, 2002 valuation, determining the funding ratio to be 99.4%, recognized an UAAL of $175 million. The County contribution rate was therefore increased by .21% of payroll (amortization of the UAAL over 30 years) over the normal cost rate of 10.03%.

NOTE F — Partial Annuitization of Benefit Payments

In January 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the annuity contracts, LACERA continues to administer benefit payments to affected members, and is reimbursed monthly by the carriers for the gross amount of benefits disbursed. LACERA received $42.0 million and $43.1 million in related reimbursements during each of the years ended June 30, 2003 and 2002, respectively. Such amounts are netted in the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other LACERA members, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

NOTE G — Postemployment Health Care Benefits

Under an agreement with the County, LACERA administers a Health Care Benefits Program (HBP) for retired members and their eligible dependents. The County-sponsored HBP offers members an extensive choice of medical plans, as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare supplement or Medicare HMO plans. The Board reserves the right to amend or revise these plans and programs at any time.

The participant's cost for insurance varies according to the years of retirement service credit with LACERA, the plan selected, and number of persons covered. The County contribution subsidizing the participant's cost ranges from 40% of the benchmark plan for 10 years of service up to 100% of the benchmark plan with 25 years of service.

Beginning in fiscal year 1997, the County and LACERA entered into an agreement establishing a health care funding account pursuant to Section 401(h) of the Internal Revenue Code. Section 401(h) permits the establishment of a separate account (a "401(h) Account") to fund retiree health care benefits, and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA after the 401(h) Account is established.

Funding the HBP through a 401(h) Account allows the County to direct LACERA to use a portion of excess earnings from the County Contribution Credit Reserve to replace County retirement fund contributions to the 401(h) Account.

Plan net assets are not held in trust for postemployment health care benefits. The HBP is billed to and paid by the County and members on a monthly basis. During fiscal year ending June 30, 2003, $217 million in premium payments were made to insurance carriers. These payments were funded by employer contributions of $191 million, of which $53 million was paid through the 401(h) Account, and $26 million by the participants. During fiscal year ending June 30, 2002, $182 million in premium payments were made to insurance carriers. These payments were funded by employer contributions of $159 million, of which $58 million was paid through the 401(h) Account, and $23 million by the participants.

A summary of the Health Care Benefits Program (HBP) participants is as follows:

	2003	2002
Medical Plans	35,992	34,912
Dental/Vision Plans	35,613	34,377
Total	71,605	69,289

NOTE H — Summary of Investment Policies

The County Employees Retirement Law of 1937 (Law) vests the Board of Investments (Board) with exclusive control over the investment of LACERA's investment portfolio. The Law allows for the Board to invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board.

Additionally, the Law requires the Board and its officers and employees to discharge their duties with respect to LACERA and the investment portfolio:

- Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- By diversifying the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

NOTE I — Portfolio Concentration

LACERA's Investment Portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. government) that represented 5% or more of the total investment portfolio. The Board of Investments' policy and guidelines mandate that LACERA's domestic equity composite be well diversified when measured against the broad based Russell 3000 benchmark. As of June 30, 2003, LACERA's largest industry concentration occurred in Financial Services comprising approximately 22.8% of the domestic equity composite compared with 22.7% in the Russell 3000 benchmark.

NOTE J — Securities Lending Program

The Board's policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower) and in turn, LACERA receives cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Earnings generated above and beyond the interest paid to the borrower represents the net income to LACERA from the transaction.

LACERA's securities lending program is managed by one principal borrower, Goldman Sachs, and two agent lenders, Mellon Global Securities Lending, and Metropolitan West Securities. Goldman Sachs borrows domestic equities and corporate bonds. Under this exclusive borrowing arrangement, Goldman Sachs' loans are secured by collateral with a market value of at least 102% of the borrowed securities. Standish Mellon (formerly Mellon Bond Associates) invests collateral received from Goldman Sachs in short-term debt and money market instruments. Metropolitan West lends LACERA's domestic treasury, agency and mortgage-backed securities, and Mellon Global Securities Lending lends LACERA's international equities. Domestic loans are collateralized at 102% of the loan market value, whereas international loans are 105% collateralized and collateral is marked to market on a daily basis. Metropolitan West invests the collateral they receive on loans in short-term highly liquid instruments, while Mellon Global Securities Lending collateral is reinvested in their commingled fund. The income earned from these investments is split between LACERA and the lending agent based on contractual agreements.

At year-end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. As of June 30, 2003, there were no violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the years ended June 30, 2003 and 2002.

Under the terms of their lending agreements, Mellon Global Securities Lending, and Metropolitan West have agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. The terms of Goldman Sachs' lending agreement entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." In the event that the purchase price of replacement securities exceeds the amount of collateral, Goldman Sachs shall be liable to LACERA for the amount of such excess together with interest. Either LACERA or the borrower can terminate all loans on securities on demand.

As of June 30, 2003, the fair value of securities on loan was $2.327 billion with the value of cash collateral received for the securities on loan of $2.485 billion and non-cash collateral of $11 million. As of June 30, 2002, the fair value of securities on loan were $1.707 billion and the value of cash collateral received for the securities on loan was $1.775 billion. LACERA's income net of expenses from securities lending was $7.681 million and $5.949 million for the years ended June 30, 2003 and 2002, respectively.

NOTE K — Forward Currency Contracts and Foreign Currency

Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency gain in fiscal year 2003 was $34 million. The net foreign currency loss in fiscal year 2002 was $33 million. At June 30, 2003, forward currency contracts receivable and payable totaled $208 million and $207 million, respectively. At June 30, 2002, forward currency contracts receivable and payable totaled $270 million and $272 million, respectively.

NOTE L — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 71 Title Holding Corporations (THCs) and six Limited Liability Companies (LLCs) as of June 30, 2003. The real estate portfolio had 72 THCs and four LLCs as of June 30, 2002.

The following is a summary of the Title Holding Corporations (THC) financial position as of June 30, 2003 and 2002 (Dollars in thousands):

	2003	2002
Assets	$ 3,161,326	$ 3,151,285
Less: Liabilities	250,743	225,018
Net Assets	**$2,910,583**	**$2,926,267**
Net Income	$ 227,717	$ 268,228

NOTE M — Deposits and Investments

Three categories of risk level have been developed by the Government Accounting Standards Board Statement 3 to disclose the various custodial risks associated with the deposits and investments of LACERA:

Deposits

Category 1
Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2
Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3
Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

Investments

Category 1
Insured or registered, or securities held by the entity or its agent in the entity's name.

Category 2
Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.

Category 3
Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the entity's name. (This includes the portion of the carrying amount of any underlying securities.)

Deposits and Investments

Based on these criteria, LACERA's deposits and investments as of June 30, 2003 and 2002 are classified as follows (Dollars in thousands):

	Category 1 Bank Balance	Category 3 Bank Balance	June 30, 2003 Total Bank Balance	June 30, 2002 Total Bank Balance
Deposits				
Cash	$ 38,748	$ 7,001	$ 45,749	$ 19,889
Total Categorized Deposits	38,748	7,001	45,749	19,889
	Fair Value		**Fair Value**	**Fair Value**
Investments				
U.S. Government and				
Agency Instruments	1,689,183		1,689,183	2,489,468
Domestic Corporate Bonds	3,575,369		3,575,369	3,729,554
Global Bonds	103,584		103,584	74,664
Private Placement Bonds	412,080		412,080	382,238
Total Bonds	5,780,216		5,780,216	6,675,924
Domestic Stocks	7,862,620		7,862,620	7,287,559
Domestic Convertibles	14,537		14,537	26,351
Global Stocks:				
Not on Securities Loan	4,908,906		4,908,906	5,054,011
On Securities Loan for Securities Collateral	10,630		10,630	
Global Convertible Debentures	1,658		1,658	2,167
Total Stocks and Convertibles	12,798,351		12,798,351	12,370,088
Short Term Investments				
Government	318,080		318,080	184,396
Corporate	1,099,504		1,099,504	1,161,199
Total Short Term Investments	1,417,584		1,417,584	1,345,595
Total Categorized Investments	19,996,151		19,996,151	20,391,607
Investments not considered securities for purposes of custodial risk classification are as follows:				
Real Estate and Title Holdings			3,143,473	3,099,180
Alternative Assets			1,269,916	1,277,040
Mortgages			331,778	268,386
LA County Treasurer Investment Pool			1,246	6,472
Investments held by broker-dealer under securities loans with cash collateral:				
Stocks			728,475	677,664
Government Bonds			1,244,109	678,241
Corporate Bonds			344,223	351,261
Securities Lending Cash Collateral Invested in Short-term Investments			2,485,458	1,775,499
Total Uncategorized Investments			9,548,678	8,133,743
Total Deposits and Investments	**$20,034,899**	**$7,001**	**$29,590,578**	**$28,545,239**

Note: LACERA has no deposits or investments under Category 2.

NOTE N — Related Party Transactions

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. In January 1991, LACERA entered into a lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated. However, LACERA is required to pay its proportionate share of the building operating expenses as defined in the lease. The agreement included a $4 million lease incentive, which LACERA used for build-out and other occupancy costs. These costs were capitalized and were depreciated over the life of the lease, which expired on December 31, 2000. The lease incentive liability was recognized over the life of the lease as a reduction to rent expense.

In January 2001, the original lease was extended for an additional five years, expiring December 31, 2005. The original lease was amended to include an additional 1,230 square feet of office space. A new Tenant Improvement Allowance was provided for structural improvements in the amount of $1.428 million over the five-year lease term. As with the original lease, base rent for LACERA is abated, but LACERA is required to pay its proportionate share of the building operating expenses.

In January 2002, the lease was amended to include an additional 2,723 square feet of office space. The space was rented "As Is" and no additional tenant improvement allowance was offered. All other provisions of the original lease still apply.

In June 2002, the lease was amended to add approximately 3,145 square feet of office space and provide for the termination of 2,723 square feet upon commencement of the lease of the new space. A Tenant Improvement Allowance of approximately $31,000 was granted for the construction of permanently affixed improvements. This amendment to the lease expires December 31, 2005.

In June 2003, the lease was amended to include approximately 4,434 rentable square feet. A Tenant Improvement Allowance of approximately $111,000 was granted for the construction of permanently affixed improvements to the premises. The lease for this space expires December 31, 2010.

Total operating expenses charged to LACERA were approximately $767,000 and $834,000 for the years ended June 30, 2003 and 2002, respectively.

LACERA has notes receivables of approximately $59.2 million and $59.4 million from three of their Title Holding Corporations, as of fiscal year end June 30, 2003 and 2002, respectively. These amounts are reflected in the Accounts Receivable-Other balance.

NOTE O — Commitments and Contingencies

Litigation

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. LACERA's management and legal counsel estimate that the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

The California Supreme Court's 1997 Ventura decision required LACERA to include several additional items of compensation in pensionable income. LACERA has implemented the Ventura decision on a prospective basis, commencing October 1, 1997, the date the Court's decision became final. Current litigation seeks to require LACERA to apply the Ventura decision retroactively to persons already retired, and to include in the calculation of final compensation, (1) the cash-out of accrued benefits at the time of termination ("termination pay"), (2) flexible benefit plan payments for insurance benefits, and (3) employer payment of member-required contributions to LACERA.

These cases have been consolidated and coordinated with a number of similar cases filed in other California counties. On November 30, 2001 the trial court entered judgment and ruled that inclusion in final compensation of the three items mentioned above was not required, but that LACERA must recalculate benefits required by the Ventura decision retroactively for the period beginning three years prior to May 26, 1998, the date of the filing of the complaint. The court further ruled that the Board of Retirement has discretion (but is not required) to assess arrears contributions for the period prior to October 1, 1997, which period may include more than three years prior to that date.

On July 11, 2003, the California Court of Appeal, First Appellate District affirmed the trial court judgment in all respects. Petitions for Review filed by the plaintiffs and the County of Los Angeles are currently pending in the California Supreme Court.

Our most current estimate of the cost to implement the trial court decision retroactively is $190 million. That cost estimate assumes that benefits paid on and after October 1, 1994 would be adjusted and that arrears contributions would not be collected from members or the County.

It is remotely possible the court could require pension treatment for only that portion of termination pay accrued during a member's final compensation period. LACERA's actuary estimated the liability in that event to be $1.908 billion. The financial impact of providing pension treatment for the other two items in question has not been determined. It is reasonably possible the trial court's decision regarding the three items in question will be upheld.

LACERA began including flexible benefit plan contributions in pensionable compensation effective January 1, 1991. A petitioner seeks an order requiring LACERA to include such contributions in pensionable compensation commencing in approximately 1985, when the flexible benefit plan was initiated. It appears recovery would be limited by a three-year statute of limitations, requiring adjustment to pension payments made on and after September 9, 1995. The cost of a judgment in favor of the petitioner has not been determined by LACERA; however, the County has filed with the court an actuarial estimate of $62.7 million in additional Unfunded Actuarial Accrued Liability (UAAL). It is reasonably possible the trial court will rule in favor of the petitioner in this case.

Any UAAL resulting from resolving these cases would be recovered by assessing the employer additional contributions over an amortization period not to exceed 30 years.

The Board of Investments adopted a Securities Litigation Policy in early 2001 in response to growing incidents of corporate corruption and fraud. The policy implements procedures designed to enhance LACERA's recovery of damages from corporate wrongdoers. As a result of the new policy, LACERA has been appointed the "lead plaintiff" in the Enterasys Networks securities class action and directs prosecution of the case on behalf of all Enterasys Networks shareholders. LACERA is co-lead plaintiff, along with the Teachers' Retirement System of Louisiana and the Policemen and Firemen Retirement System of the City of Detroit in the King Pharmaceuticals securities class action. In addition, LACERA commenced independent lawsuits to recover damages suffered in connection with corporate fraud involving WorldCom and Adelphia.

Leases

LACERA leases equipment and property under lease agreements that expire over the next five years. The annual commitments under such leases were approximately $697,000 and $744,000 in fiscal years 2003 and 2002, respectively. The building space lease agreement entered in January 1991, and extended in January 2001 for an additional five years, requires that LACERA pay a portion of the building's operating expenses based on square footage occupied as discussed in related party Note N.

Total rent expense for all leases was $1.464 million and $1.577 million in fiscal years 2003 and 2002, respectively.

Capital Commitments

LACERA equity real estate and alternative investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity is controlled by the Manager Investment Plan, which identifies the limitations on each manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager. Both the Manager Investment Plan and capital commitments are subject to approval by the LACERA Board of Investments and may be updated as often as necessary to reflect LACERA investment preferences, as well as changes in market conditions.

As of June 30, 2003, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $1.760 billion. Subsequent to June 30, 2003, LACERA funded $85 million of these capital commitments.

Schedule of Funding Progress

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
30-Jun-97	$19,642,355	$19,383,641	($258,714)[1]	101.3%	$3,373,314	-7.7%
30-Jun-98	20,851,133	20,959,946	108,813	99.5%	3,562,416	3.1%
30-Jun-99	23,536,116	22,784,706	(751,410)[1]	103.3%	3,858,090	-19.5%
30-Jun-00	25,426,507	24,720,380	(706,127)[1]	102.9%	4,107,964	-17.2%
30-Jun-01	26,490,000	26,489,976	(24)[1]	100.0%	4,398,443	0.0%
30-Jun-02	28,262,129	28,437,493	175,364	99.4%	4,744.340	3.7%

1 Denotes overfunded Actuarial Accrued Liability.

Schedule of Employer Contributions

(Dollars in thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions			Percentage of ARC Contributed
		Cash Payment	Transfer from Reserve Account	Total	
1998	$243,489	$ 9,420	$239,777	$249,197	102%
1999	317,285	84,226	248,403	332,629	105%
2000	342,060	130,319	211,832	342,151	100%
2001	390,679	193,650	197,029	390,679	100%
2002	414,708	258,884	155,824	414,708	100%
2003	518,922	324,709	194,213	518,922	100%

Notes to Required Supplementary Schedules

For Fiscal Year Ended June 30, 2003

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation dated June 30, 2002 is as follows:

Actuarial Cost Method	Entry Age Normal Cost Funding Method.
Actuarial Asset Valuation Method	Three-year smoothed method based on the difference between the expected market value and the actual market value of total assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted effective June 30, 2000. Under the new funding policy, LACERA is required to consider all of the funds in the Contingency Reserve in excess of 1% of the actuarial value of assets as part of the valuation assets. In any year in which the funding ratio is otherwise less than 100%, a portion of the STAR Reserve may be considered as part of the valuation assets to bring the funding ratio up to 100%. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to fund the permanent STAR benefits expected to become payable through July 1, 2009.
Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus	In June 2002, LACERA and the County entered into a Retirement Benefits Enhancement Agreement that provides for a revised short term funding policy through the 2008 actuarial valuation. Under the new funding policy, the County's contributions are set equal to the normal cost rate plus amortization of any Unfunded Actuarial Accrued Liability or Funding Surplus. There is a UAAL if the funding ratio is less than 100%. There is a Funding Surplus if the ratio is greater than 100%. The amortization method for either is a level percentage of pay over a rolling 30-year period.
Amortization Period	Open.
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and amortized over the same period.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 8.00%, compounded annually, exclusive of both investment and administrative expenses.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 10.24% to 4.78%. In addition to increases in salary due to promotions and longevity, the increases include an assumed 4.0% per annum rate of increase in the general wage level of membership. These rates were adopted June 30, 2001.
Post-retirement Benefit Increases	Post-retirement benefit increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 4% per year. Plan E members receive a pro-rated post-retirement benefit increase of 2% for service credit earned after June 4, 2002. The portion payable is based on a ratio of members' years of service earned after June 4, 2002 to their total years of service. The portion of the full 2% increase not included in the pro-rated amount may be purchased by the member.
Consumer Price Index	Increase of 4% per annum.

Administrative Expenses

For the Years Ended June 30, 2003 and 2002

(Dollars in thousands)

	2003	2002
Personnel Services		
Salaries and Wages	$ 15,907	$ 14,849
Employee Benefits	6,597	5,794
Total Personnel Services	22,504	20,643
Professional Services		
Network System Consulting Fees		5
Computer Software Services and Support	2,940	2,690
External Audit Fees	184	202
Investment Audit Services	350	350
Disability Medical Fees	1,170	761
Disability Hearing Officer Fees	113	53
Disability Stenographic Fees	44	15
Disability Attorney Fees	27	86
Temporary Personnel Services	3,355	4,074
Legislative and Other Legal Services	346	341
Other Professional Services	2,108	1,276
Total Professional Services	10,637	9,853
Communication		
Postage	650	523
Telecommunications	386	495
Transportation and Travel	330	361
Total Communications	1,366	1,379
Rentals		
Rents and Leases	1,463	1,577
Total Rentals	1,463	1,577
Miscellaneous		
Computer Equipment and Supplies	923	368
Office Furniture	193	344
Stationery and Forms	510	483
Other Office Expenses	247	188
Maintenance	1,566	680
Educational Expenses	982	707
Parking Fees	273	234
Other County Department Charges	120	104
Insurance	364	287
Administrative Support	121	135
Other Service Charges	161	224
Total Miscellaneous	5,460	3,754
Depreciation-Fixed Assets	93	196
Total Administrative Expenses	**$41,523**	**$37,402**

Fees and Other Investment Expenses

For the Years Ended June 30, 2003 and 2002

(Dollars in thousands)

	2003	2002
Investment Activity		
Investment Management Fees		
Stock Managers		
Domestic	$ 9,039	$ 8,198
International	6,331	6,649
Bond Managers		
Domestic	13,344	14,228
International		(383)
Alternative Assets Managers	6,340	7,214
Real Estate Managers	16,126	17,583
Cash and Short Term Managers	798	1,130
Mortgage Loan Servicers	528	517
Total From Investment Activity	52,506	55,136
Securities Lending Activity		
Securities Lending Program Expense	33,314	33,210
Total From Securities Lending Activity	33,314	33,210
Total Investment Management Fees	85,820	88,346
Other Investment Expenses		
Consultants	709	796
Custodian	2,186	344
Legal Counsel	239	430
Other	12,618	3,576
Total Other Investment Expenses	15,752	5,146
Total Fees and Other Investment Expenses	**$101,572**	**$93,492**

Schedule of Payments to Consultants

For the Years Ended June 30, 2003 and 2002

(Dollars in thousands)

	2003	2002
Audit		
External Audit Services	$ 184	$ 202
Investment Audit Services	350	350
Contract Systems Audits	79	11
Total	613	563
Legal		
Investment Legal Counsel	239	431
Disability Attorney Fees	27	86
Other Legal Services	274	277
Total	540	794
Actuarial		
Actuarial Valuations and Consulting Fees	236	593
Total	236	593
Management		
Legislative Consulting	71	64
Management and Human Resources Consulting	47	57
Network Consulting Fees		5
Other Software Consulting	14	224
Total	132	350
Total Payments to Consultants	**$1,521**	**$2,300**

For fees paid to Investment Professionals, refer to Fees and Other Investment Expenses in this Section.

Investment Section

Investment Section

CORPORATE GOVERNANCE Overview:

"Corporate Governance" describes the responsibilities and relationships of a corporation's board of directors, management, and shareholders. The Board of Investments believes that strong Corporate Governance practices safeguard and promote the economic interests of LACERA members by helping to maximize shareholder value and reducing opportunities for corporate fraud.

(Lisa Mazzocco, Deputy Chief Investment Officer)

CORPORATE GOVERNANCE

- The Board of Investments adopted Corporate Governance Principles that establish criteria that should be met by each corporation in which LACERA invests.

- LACERA formed a Corporate Governance Committee to advise the Board on corporate governance issues and initiatives.

- The Board of Investments regularly reviews LACERA's Proxy Voting Guidelines to ensure that proxy votes promote effective corporate governance.

- LACERA aggressively seeks recovery of damages from corporate wrongdoers through class-action and independent litigation.

Investments Division

Corporate Governance Committee

September 22, 2003

Russell Investment Group
909 A Street
Tacoma, Washington 98402-5120
253-572-9500
1-800-426-7969
Fax: 253-591-3495

Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 91101-4199

Annual Consultants Review

The fiscal year June 30, 2003 ended on a strong note with a rally in the global equity markets. LACERA participated in that rally with second quarter returns of 18.0% in U.S. equities and 19.1% from international equities. This led the fund to a total return of 10.5% for the quarter and 3.6% for the year.

Over the recent one-year period, only fixed income outperformed the target or benchmark return, with alternative investments and real estate having the greatest shortfalls from the benchmarks. However, over five years, all major asset classes, except alternative assets, earned returns superior to the relevant benchmarks.

On an ongoing basis, Russell has worked to identify opportunities for improving the fund's performance and processes. Throughout the fiscal year, manager review and monitoring, regular reviews of asset class strategies, and ad hoc projects were provided.

Examples of projects on which Russell worked with Board of Investments and staff during the year included:

1. Review of the U.S. fixed income structure and managers, which resulted in two manager changes and the initiation of searches for replacement managers. This included advice on the temporary management of one portfolio. Russell continues to work with LACERA on two manager searches currently underway.
2. A review of the role and allocation to high yield bonds, using a risk budgeting framework. The decision was made to maintain the target allocation.
3. Analysis and perspective on the role of increased leverage in Real Estate, and how this should be considered in the total asset allocation framework.
4. Review of U.S. equity structure, current managers, and the role of enhanced index managers with staff during a visit to Tacoma in December, 2002.
5. Ongoing review of asset allocation issues, which resulted in presentations on asset allocation topics at each of the Board offsite meetings in December and June.
6. Review and input into LACERA's equity investment guidelines, which includes issues such as currency hedging guidelines.

Russell's goal is to add value to the fund's investment performance and processes. We look forward to working closely with the Board of Investments and staff on the fund's investment program in the future.

Best regards,

Monica Butler
Managing Director, Consulting

John Osborn, CFA
Senior Consultant

Russell

TACOMA LONDON AUKLAND
NEW YORK PARIS SINGAPORE
TORONTO SYDNEY TOKYO

General Information

LACERA's investment program objective is to provide Association participants with retirement benefits as required by the County Employees Retirement Law of 1937. This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The Board of Investments (Board) has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies. There are a total of nine Board members: the active and retired members elect four members, the Los Angeles County Board of Supervisors appoints four public members, and the County Treasurer-Tax Collector serves as an ex-officio member.

The assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the pension fund. While recognizing the importance of the "preservation of capital," LACERA also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of LACERA's members and beneficiaries.

The Board has adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives and defines the principal duties of the Board, investment staff, investment managers, master custodian, and consultants.

LACERA rebounded from two years of negative performance with a total fund return of 3.6% for the fiscal year. During the first and third quarters of the fiscal year, stocks continued their poor performance. However, a strong second quarter and superlative fourth quarter offset this underperformance. The five-year annualized return is still in positive territory with a return of 3.8%.

Asset Allocation

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives.

Kenneth L. Shaffer, Chief Investment Officer

The following factors were evaluated to determine LACERA's asset allocation adopted in Fiscal Year 2000-2001:

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

LACERA's asset allocation targets are long-term by design because of the illiquidity of certain asset classes such as Alternative Assets and Real Estate. Therefore, the implementation process is planned over a five-year horizon. As a result, the actual allocation should not be expected to match the target allocation during the implementation period. Illustrated below are the 2003 target and actual asset allocations.

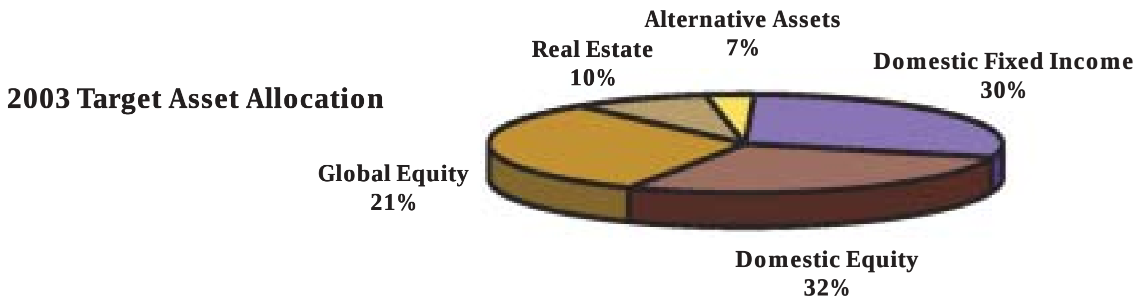
The Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract. LACERA's investment staff closely monitors manager activities and assists the Board with the implementation of investment policies and long-term investment strategies.

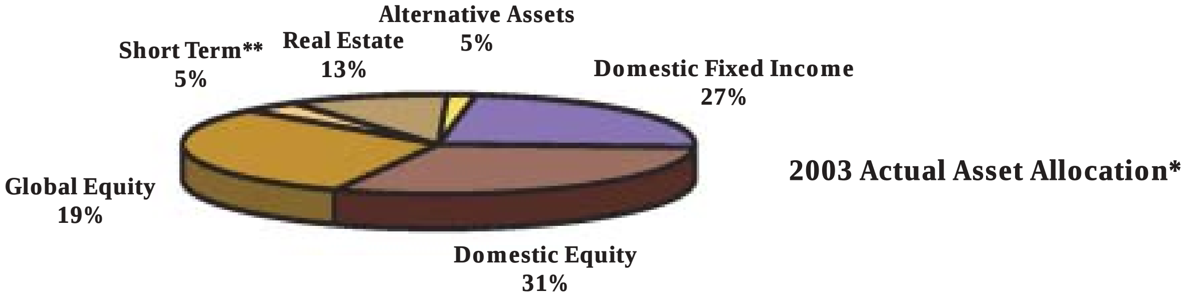
Respectfully submitted,

Kenneth L. Shaffer

Kenneth L. Shaffer
Chief Investment Officer

2003 Target and Actual Asset Allocation





* The 2003 Actual Asset Allocation is based upon the Investment Summary in this section.
** Short Term Investments may include Corporate and Government Bonds, Certificates of Deposit, and Overnight Deposits.

For the Year Ended June 30, 2003
(Dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
U.S. Government and Agency Instruments	$ 2,933,292	10.84%
Domestic Corporate Bonds	3,919,592	14.49%
Global Bonds	103,584	0.38%
Private Placement Bonds	412,080	1.52%
Total Bonds	7,368,548	27.23%
Domestic Stocks	8,347,564	30.85%
Domestic Convertible	14,537	0.05%
Global Stocks	5,163,067	19.08%
Global Convertible Debentures	1,658	0.01%
Total Stocks and Convertibles	13,526,826	49.99%
Corporate Short Term Investments	1,099,504	4.06%
Government Short Term Investments	318,080	1.18%
Total Short Term Investments	1,417,584	5.24%
Real Estate and Title Holdings	3,143,473	11.62%
Alternative Assets	1,269,916	4.69%
Mortgages	331,778	1.23%
Total Uncategorized Investments	4,745,167	17.54%
Total Investments	**$27,058,125**	**100%**

Investment Results Based on Fair Value*

As of June 30, 2003

	Current Year	Annualized 3-year	Annualized 5-year
Total Fund	3.6%	-2.5%	3.8%
Benchmark: Total Fund	5.6	-0.7	3.6
Domestic Equity[1]	0.2	-11.2	-0.2
Benchmark: Russell 3000	0.8	-10.5	-1.1
International Equity	-4.6	-12.7	-1.0
Benchmark: MSCI All Country World X U.S.	-4.2	-12.5	-2.8
Domestic Fixed Income[2]	12.8	9.7	7.2
Benchmark: Domestic Fixed Income Custom Index[3]	12.3	9.5	6.9
Real Estate[4]	4.9	8.5	10.0
Benchmark: Real Estate Target Return[5]	8.6	8.6	8.6
Alternative Assets[6]	-12.8	-5.2	13.9
Benchmark: Alternative Asset Target Return[7]	16.5	16.5	16.5

1 Includes Cash Equitization.

2 Does not include Member Home Loan Program (MHLP) or Whole Loan Program (WLP).

3 Lehman Aggregate (100%) through June 30, 1997; Lehman Aggregate (95%) and Lehman High Yield (5%) from July 1, 1997 to June 30, 1998; Lehman Aggregate (90%) and Lehman High Yield (10%) from July 1, 1998 to June 30, 1999; Lehman Aggregate (85%) and Lehman High Yield (15%) thereafter.

4 One quarter in arrears.

5 Rolling five-year return of Consumer Price Index (CPI) plus 600 basis points.

6 Two quarters in arrears.

7 Rolling ten-year return of Russell 3000 plus 500 basis points.

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

Largest Stock Holdings

As of June 30, 2003
(Dollars in thousands)

Shares	Stocks	Fair Value
2,594,041	Pfizer Inc Com Stk	$88,587
2,992,832	Microsoft Corp Com	76,736
3,403,076	Cisco Sys Inc Com	57,138
26,700,755	Vodafone Group PLC Ord	52,211
1,188,232	Citigroup Inc Com	50,856
890,742	American Intl Group Inc Com	49,151
1,556,467	General Elec Co Com	44,639
801,890	Medtronic Inc Com	38,467
1,802,755	MBNA Corp Com	37,569
3,399,950	EMC Corp Mass	35,597

Largest Bond Holdings

As of June 30, 2003
(Dollars in thousands)

Par	Bonds	Fair Value
167,740,000	Commit to Pur GNMA SF Mtg 6.500% 7/15/2033	$176,127
115,800,000	Commit to Pur FNMA SF Mtg 6.500% 7/01/2033	120,758
99,000,000	Commit to Pur FNMA SF Mtg 5.500% 8/01/2033	102,001
90,700,000	Commit to Pur FNMA SF Mtg 7.000% 7/01/2033	95,547
80,100,000	Student LN Marketing Assn Disc Mat 7/01/2003	80,098
75,000,000	Commit to Pur FNMA SF Mtg 5.000% 8/01/2033	75,908
59,400,000	Commit to Pur FNMA SF Mtg 6.000% 7/01/2033	61,720
60,950,000	Federal Home LN BK Cons Disc Mat 7/16/2003	60,778
57,000,000	Commit to Pur FHLMC Gold SFM 5.500% 8/01/2033	58,630
49,550,000	U.S. Treasury Notes 2.125% 10/31/2004	50,229

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2003 and 2002
(Dollars in thousands)

	2003	2002
Investment Activity		
Stock Managers		
Domestic	$ 9,039	$ 8,199
International	6,331	6,649
Subtotal	15,370	14,848
Bond Managers		
Domestic	13,344	14,228
International		(383)
Subtotal	13,344	13,845
Alternative Asset Managers	6,340	7,214
Real Estate Managers	16,126	17,582
Cash and Short Term Managers	798	1,130
Mortgage Loan Servicers	528	517
Total Fees from Investment Activity	52,506	55,136
Securities Lending Activity		
Management Fee	1,064	2,418
Borrower Rebate	32,250	30,792
Total Fees from Securities Lending Activity	33,314	33,210
Total Investment Management Fees	**$85,820**	**$88,346**

Alternative Assets

Brinson Partners, Inc.
Harbourvest International
Private Equity Partners
Invesco Private Capital, Inc.
Knightsbridge Advisors, Inc.
Pathway Capital Management, L.L.C.
Solera Partners, L.P.
Falcon Mezannine Partners, L.P.

Cash & Short-Term

Barclays Global Investors
Western Asset Management Company

Equity-Domestic

Barclays Global Investors
Capital Guardian Trust Company
Delta Asset Management
Frontier Capital Management Company, L.L.C.
ICM Asset Management, Inc.
Mazama Capital Management, Inc.
Northern Trust Global Advisors
Oak Associates
Progress Investment Management Company
Putnam Investment Management

Equity-International

Barclays Global Investors
Capital Guardian Trust Company
Fidelity Management Trust Company
GAM International Management, Ltd.
Schroder Capital Management Intl., Ltd.

Fixed Income-Domestic

American Express Asset
Management Group, Inc.
Barclays Global Investors
BlackRock Financial Management, Inc.
Dodge & Cox
GW Capital, Inc.
Hughes Capital Management, Inc.
JP Morgan Investment Management, Inc.
LM Capital Management, Inc.
Loomis, Sayles & Company, L.P.
Morgan Stanley Dean Witter
MW Post Advisory Group, L.L.C.
Oaktree Capital Management, L.L.C.
Western Asset Management Company
W.R. Huff Asset Management Co., L.L.C.

Mortgage Loan Servicer

Atlantic Mortgage & Investment Corporation
Chase Manhattan Mortgage Company
GMAC Mortgage Corporation
GMAC Commercial Mortgage Corp.
U.S. Mortgage

Real Estate

Heitman/JMB Advisory Corporation
Henderson Investors North America, Inc.
Insignia/ESG, Inc.
Invesco Realty Advisors
L & B Real Estate Counsel
Lend Lease R.E. Investments, Inc.
Lowe Enterprise Residential Partners
RREEF America Partners
Sarofim Realty Advisors
TA Associates Realty
Urban America, L.P.
Capri Capital Advisors

Securities Lending Program

Goldman, Sachs & Co.
Standish Mellon Associates
Mellon Global Securities Lending
Metropolitan West Securities, L.L.C.

Actuarial Section

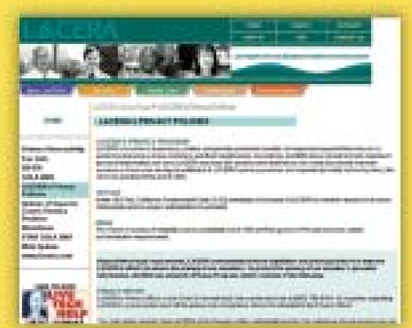
HIPAA Overview:

The Health Insurance Portability and Accountability Act (HIPAA) of 1996 required the Department of Health and Human Services (HHS) to adopt national standards by April 14, 2003, for electronic health care transactions and the adoption of security and privacy standards in order to protect personal information. These standards must be adhered to by hospitals, medical professionals, and other health care providers that process claims or other transactions.

(Wayne Petersen, Chief of Internal Audit)

HIPAA

- Enhanced LACERA's Privacy Policy to comply with HIPAA and posted the policy on the Internet for members to view and on the Intranet as a reference for staff.
- Relocated our Health Care Division into a separate and secure area to further protect our members' private records.
- Provided all-staff training, which included a general overview of the law and specific responsibilities regarding our members' privacy.
- Created and implemented new security and protection procedures to comply with the HIPAA law.



www.lacera.com

Health Care Division

Privacy Policy Training

HIPAA

August 29, 2003

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

Milliman USA
Consultants and Actuaries
1301 Fifth Avenue, Suite 3800, Seattle, Washington 98101-2605
Telephone: 206/624-7940 Fax: 206/623-3485
www.milliman.com

Dear Members of the Board:

LACERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members.[1] Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

LACERA measures its funding status as the ratio of the actuarial value of valuation assets, over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Status
June 30, 2000	102.9%
June 30, 2001	100.0%
June 30, 2002	99.4%

Following the completion of the 2001 valuation, LACERA and the County entered into a Retirement Benefits Enhancement Agreement that provides for a revised funding policy and for increased benefits to members. The June 30, 2002 valuation reflects these changes.

The Retirement Benefits Enhancement Agreement provides for a short term funding policy, applicable through the 2008 actuarial valuation. Under the new funding policy the County's contributions are set equal to the normal cost rate plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL) or decreased for the amortization of any Funding Surplus. There is a UAAL if the funding ratio is less than 100%. There is a Funding Surplus when the funding ratio is greater than 100%. The amortization of either is over a rolling 30-year period. In addition, the new funding policy requires LACERA to consider all of the funds in the Contingency Reserve in excess of 1% of the actuarial value of assets as part of the valuation assets. In any year in which the funding ratio is less than 100% prior to its inclusion, a portion of the STAR Reserve is also to be considered as part of the valuation assets. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to guarantee the STAR benefits expected to become payable through July 1, 2009.

The June 30, 2002 valuation results are based on the membership data and the asset information provided by LACERA. We reviewed the data provided to us for reasonableness. The valuation is also based on our understanding of LACERA's current benefit provisions, including the new MOU benefits adopted June 4, 2002, and the actuarial assumptions, which were last reviewed and adopted by the Board in 2001. The actuarial liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a three-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 25.

LACERA staff prepared the supporting schedules in this section and the trend tables in the financial section are based on information supplied in prior actuarial reports, as well as our June 30, 2002 actuarial valuation report.

Emerging costs will vary from those presented in the valuation to the extent that actual experience differs from that projected by the assumptions. Additional emerging issues are the results of pending litigation regarding benefit payments and the recognition of realized but as yet unrecognized asset experience losses. It is our opinion that LACERA continues in sound financial condition as of June 30, 2002.

We certify that the June 30, 2002 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. I am a Member of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Karen I. Steffen, F.S.A., M.A.A.A.
Consulting Actuary
KIS/cdc

[1]A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code.

Actuarial Assumptions and Methods

Recommended by the Actuary and adopted by the Board of Investments. The actuarial assumptions used to determine the liabilities are based on the results of the 2001 Investigation of Experience Report. New assumptions were adopted by the Board effective June 30, 2001.

Actuarial Cost Method

Entry Age Normal Cost Funding Method.

Actuarial Asset Valuation Method

Three-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date. The expected market value, with three-year smoothing valuation basis for all assets, was adopted effective June 30, 2000.

Under the new funding policy, LACERA is required to consider all of the funds in the Contingency Reserve in excess of 1% of the actuarial value of assets as part of the valuation assets. In any year in which the funding ratio is otherwise less than 100%, a portion of the STAR Reserve may be considered as part of the valuation assets to bring the funding ratio up to 100%. The portion of the STAR Reserve that is not available for treatment as valuation assets is the amount determined to be sufficient to fund the permanent STAR benefits expected to become payable through July 1, 2009.

Amortization of Unfunded Actuarial Accrued Liability (UAAL) or Funding Surplus

In June 2002, LACERA and the County entered into a Retirement Benefits Enhancement Agreement that provides for a revised short term funding policy through the 2008 actuarial valuation. Under the new funding policy, the County's contributions are set equal to the normal cost rate plus amortization of any Unfunded Actuarial Accrued Liability or Funding Surplus. There is a UAAL if the funding ratio is less than 100%. There is a Funding Surplus if the ratio is greater than 100%. The amortization method for either is a level percentage of pay over a rolling 30-year period.

Amortization of Gains and Losses

Actuarial gains and losses are reflected in the unfunded actuarial accrued liability and amortized over the same period.

Investment Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 8.00%, compounded annually, exclusive of both investment and administrative expenses.

Projected Salary Increases

Rates of annual salary increases assumed for the purpose of the valuation range from 10.24% to 4.78%. In addition to increases in salary due to promotions and longevity, the increases include an assumed 4.0% per annum rate of increase in the general wage level of membership. These rates were adopted June 30, 2001.

Post-retirement Benefit Increases

Post-retirement benefit increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 4% per year. Plan E members receive a pro-rated post retirement benefit increase of 2% for service credit earned after June 4, 2002. The portion payable is based on the member's years of service earned after June 4, 2002 to their total years of service. The portion of the full 2% increase not provided for may be purchased by the member.

Consumer Price Index

Increase of 4% per annum.

Rates of Separation from Employment

Various rates dependent upon member's age, sex, and retirement plan. All terminating members are assumed to not be rehired. These rates were revised June 30, 2001.

Expectation of Life After Retirement

1983 Group Annuity Mortality Table with rates multiplied by 85% for male General members, 95% for female General members, 80% for male Safety members and 95% for female Safety members.

Expectation of Life After Disability

RP-2000 Combined Mortality Table for Males, for male General members with ages set forward three years, and for male Safety members with no age adjustment.

RP-2000 Combined Table for Females, for female General members with ages set forward one year, and for female Safety members with ages set forward three years. Rates were adopted June 30, 2001.

Recent Changes and Their Financial Impact

None of the actuarial assumptions and methods were changed between the 2001 and 2002 valuations.

Valuation Date	Plan Type	Number	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
30-Jun-97	General	64,228	$ 2,690,310,456	$ 41,887	-0.12%
	Safety	10,851	683,003,100	62,944	-0.16%
	Total	**75,079**	**$3,373,313,556**	**$ 44,930**	**-0.10%**
30-Jun-98	General	65,754	$ 2,837,360,292	$ 43,151	3.02%
	Safety	10,947	725,055,588	66,233	5.23%
	Total	**76,701**	**$3,562,415,880**	**$ 46,445**	**3.37%**
30-Jun-99	General	68,652	$ 3,104,617,260	$ 45,223	4.80%
	Safety	11,024	753,472,872	68,348	3.19%
	Total	**79,676**	**$3,858,090,132**	**$ 48,422**	**4.26%**
30-Jun-00	General	71,940	$ 3,352,863,984	$ 46,606	3.06%
	Safety	11,264	790,635,384	70,191	2.70%
	Total	**83,204**	**$4,143,499,368**	**$49,799**	**2.84%**
30-Jun-01	General	75,048	$ 3,608,061,804	$ 48,077	3.16%
	Safety	12,021	860,802,108	71,608	2.02%
	Total	**87,069**	**$4,468,863,912**	**$ 51,326**	**3.07%**
30-Jun-02	General	77,062	$ 3,833,165,448	$ 49,741	3.46%
	Safety	12,190	894,549,792	73,384	2.48%
	Total	**89,252**	**$4,727,715,240**	**$ 52,970**	**3.20%**

[1]Active Member Valuation Annual Salary is an annualized compensation of only those members who were active on the actuarial valuation date. Covered Payroll includes compensation paid to all active employees on which contributions are calculated.

Retirants and Beneficiaries Added To and Removed From Retiree Payroll

Fiscal Year	Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase in Retiree Allowance	Average Annual Allowance
	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)		
1998	1,935		(920)		42,888	$ 926,407[1]	6.34%	$21,601
1999	1,990		(1,367)		43,511	980,035[1]	5.79%	22,524
2000	1,660		(477)		44,694	1,046,844[1]	6.82%	23,422
2001	2,190	$78,420	(1,488)	($12,673)	45,396	1,188,592[2]	13.54%	26,183
2002	2,371	88,002	(1,525)	(14,374)	46,242	1,280,731[2]	7.75%	27,696
2003	2,654	96,921	(1,663)	(15,508)	47,233	1,383,150[2]	8.00%	29,284

[1] Annual allowance is calculated as actual payroll expense for the fiscal year, less reimbursements from annuity contracts.
[2] Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30.

Actuary Solvency Test

(Dollars in millions)

Valuation Date	Actuarial Accrued Liability (AAL) (1) Active Members	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Assets	Percentage of AAL Covered by Assets (1) Active	(2) Retired	(3) Employer
30-Jun-97	$2,397	$10,549	$6,438	$19,642	100%	100%	104%
30-Jun-98	2,642	11,268	7,050	20,851	100%	100%	98%
30-Jun-99	2,710	11,863	8,211	23,536	100%	100%	109%
30-Jun-00	3,190	12,922	8,609	25,427	100%	100%	108%
30-Jun-01	3,320	14,368	8,802	26,490	100%	100%	100%
30-Jun-02	3,596	15,424	9,417	28,262	100%	100%	98%

Actuarial Analysis of Financial Experience

(Dollars in millions)

	1997	1998	1999	2000	2001	2002
Prior Valuation Unfunded Actuarial Accrued Liability	($447)	($259)	$109	($751)	($706)	$ 0
Expected Increase (Decrease) from Prior Valuation	59		9	(192)	128	(26)
Salary Increases Greater (Less) than Expected	(353)	(116)	241	(20)	40	(20)
CPI less than expected						(39)
Change in Assumptions		(245)			(239)	
Adjustment from Actuarial Audit	1,130	260				
Asset Return Less (Greater) than Expected	(955)	(494)	(492)	(697)	690	(194)
All Other Experience	307	963	(78)	211	87	13
Change in Procedural Applications			515[1]	457[2]		
Change in Actuarial Asset Method			(1,055)			
Change in Application of Actuarial Asset Method				286		
Change in Benefits (MOU)						441
Ending Unfunded Actuarial Accrued Liability (Surplus)	**($259)**	**$109**	**($751)**	**($706)**	**$ 0**	**$175**

[1] Estimated increase due to change in retained actuary and their proprietary valuation procedures, based on 1998 audit report.

[2] Reflects change in procedures to project member salaries:
- Full-year compensation used for Plan A members; in prior years a monthly rate was annualized.
- Timing of salary increases changed.

Age	Service Retirement	Withdrawal	Service Disability	Ordinary Disability	Service Death	Ordinary Death
Plans A, B, and C General Members - Male						
20	0.0000	0.0050	0.0003	0.0002	N/A	0.0004
30	0.0000	0.0050	0.0004	0.0002	N/A	0.0006
40	0.0300	0.0050	0.0011	0.0003	N/A	0.0012
50	0.0300	0.0050	0.0027	0.0009	N/A	0.0024
60	0.1800	0.0050	0.0057	0.0026	N/A	0.0059
70	0.2500	0.0050	0.0071	0.0039	N/A	0.0112
75	1.0000	0.0000	0.0000	0.0000	N/A	0.0000
Plans A, B, and C General Members - Female						
20	0.0000	0.0050	0.0001	0.0001	N/A	0.0002
30	0.0000	0.0050	0.0004	0.0001	N/A	0.0003
40	0.0300	0.0050	0.0008	0.0002	N/A	0.0007
50	0.0300	0.0050	0.0017	0.0008	N/A	0.0017
60	0.1600	0.0050	0.0033	0.0024	N/A	0.0039
70	0.2400	0.0050	0.0094	0.0038	N/A	0.0076
75	1.0000	0.0000	0.0000	0.0000	N/A	0.0000

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Withdrawal
Plan D General Members - Male							
20	0.0000	0.0003	0.0002	N/A	0.0004	5	0.0340
30	0.0000	0.0004	0.0002	N/A	0.0006	10	0.0292
40	0.0300	0.0011	0.0003	N/A	0.0012	15	0.0280
50	0.0300	0.0027	0.0009	N/A	0.0024	20 & up	0.0280
60	0.0700	0.0057	0.0026	N/A	0.0059		
70	0.2500	0.0071	0.0039	N/A	0.0112		
75	1.0000	0.0000	0.0000	N/A	0.0000		
Plan D General Members - Female							
20	0.0000	0.0001	0.0001	N/A	0.0002	5	0.0340
30	0.0000	0.0004	0.0001	N/A	0.0003	10	0.0292
40	0.0200	0.0008	0.0002	N/A	0.0007	15	0.0280
50	0.0200	0.0017	0.0008	N/A	0.0017	20 & up	0.0280
60	0.0500	0.0033	0.0024	N/A	0.0039		
70	0.2500	0.0094	0.0038	N/A	0.0076		
75	1.0000	0.0000	0.0000	N/A	0.0000		

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Withdrawal
Plan E General Members - Male							
20	0.0000	N/A	N/A	N/A	0.0004	5	0.0400
30	0.0000	N/A	N/A	N/A	0.0007	10	0.0292
40	0.0000	N/A	N/A	N/A	0.0014	15	0.0250
50	0.0000	N/A	N/A	N/A	0.0028	20 & up	0.0250
60	0.0300	N/A	N/A	N/A	0.0070		
70	0.2500	N/A	N/A	N/A	0.0137		
75	1.0000	N/A	N/A	N/A	0.0000		
Plan E General Members - Female							
20	0.0000	N/A	N/A	N/A	0.0002	5	0.0400
30	0.0000	N/A	N/A	N/A	0.0003	10	0.0292
40	0.0000	N/A	N/A	N/A	0.0009	15	0.0250
50	0.0000	N/A	N/A	N/A	0.0020	20 & up	0.0250
60	0.0400	N/A	N/A	N/A	0.0047		
70	0.2500	N/A	N/A	N/A	0.0085		
75	1.0000	N/A	N/A	N/A	0.0000		

Age	Service Retirement	Withdrawal	Service Disability	Ordinary Disability	Service Death	Ordinary Death
Plans A and B Safety Members - Male						
20	0.0000	0.0150	0.0050	0.0003	0.0001	0.0003
30	0.0000	0.0140	0.0060	0.0003	0.0001	0.0004
40	0.0100	0.0050	0.0140	0.0005	0.0001	0.0005
50	0.0100	0.0050	0.0190	0.0011	0.0001	0.0011
60	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Plans A and B Safety Members - Female						
20	0.0000	0.0200	0.0050	0.0003	0.0001	0.0002
30	0.0000	0.0190	0.0060	0.0003	0.0001	0.0003
40	0.0100	0.0090	0.0140	0.0005	0.0001	0.0007
50	0.0100	0.0050	0.0190	0.0011	0.0001	0.0017
60	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000

	Government Code Sections or Board of Retirement Bylaws

Management of the Retirement System

Except as delegated to the Board of Investments and except for the statutory duties of the County Treasurer, the management of the retirement system is vested in the nine-member (plus one alternate) Board of Retirement (hereinafter referred to as "Board.")	(31520.1)
LACERA also has a nine-member Board of Investments that is responsible for all investments of the retirement system.	(31520.2)
Members of each Board serve for three-year terms; specified members receive compensation for not more than five meetings a month.	(31520, 31520.2, 31521)
The official duties of all elected Board members who are employees of the County or a District are included as part of their County or District employment and their Board duties normally take precedence over any other duties.	(31522)
Both the Board of Retirement and the Board of Investments may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the Boards.	(31522.1)
The Board of Retirement and the Board of Investments that have elected to appoint personnel pursuant to Section 31522.1, may appoint an administrator.	(31522.2)
The Boards may make regulations (Bylaws) not inconsistent with the retirement law.	(31525)
The Boards have numerous duties that are specified throughout the retirement law.	

Contributory Plans A, B, C, and D

ANNUAL BUDGET

The annual budget of the Los Angeles County Employees Retirement Association (LACERA) covering the entire expense of administration of the retirement system is charged against the earnings of the retirement fund. The expense incurred in any year cannot exceed eighteen one hundredths of one percent of the total assets of the retirement system.	(31580.2)

MEMBERSHIP

Eligibility:

Permanent employees of Los Angeles County (County) and participating districts who work 3/4 time or more are eligible for membership in LACERA.	(31551, 31552, Bylaws)
Employees eligible for safety membership (law enforcement, firefighting, and lifeguards) become safety members on the first day of the month after date of hire.	(31558)
All other employees become general members on the first day of the month after date of hire, or the first day of the month after they make an election of either Plan D or Plan E, depending on the law in effect at that time.	(31493, 31493.5, 31493.6, Bylaws)

	Government Code Sections or Board of Retirement Bylaws
Elective officers become members on the first day of the month after filing a declaration with the Board of Retirement.	(31553, 31562)
General members in Plan E may transfer all their Plan E service credit to Plan D during an approved traditional open window transfer period by making the required contributions. Transferred members relinquish, waive, and forfeit any and all vested or accrued benefits available under any other retirement plan and are entitled only to the benefits of Plan D.	(31494.1, 31494.3)
As an alternative to transferring all their service credit, general members in Plan E may, effective June 4, 2002, transfer prospectively to Plan D and make contributions beginning as of the effective date of transfer. These members may also purchase some or all of their Plan E service earned prior to the transfer to Plan D, as Plan D service. They will retain credit for their Plan E service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election back to Plan E until three years from the effective date of transfer to Plan D.	(31494.5)
General members in Plan D may, effective June 4, 2002, transfer prospectively to Plan E and make no further contributions as of the effective date of transfer. They will retain credit for their Plan D service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election back to Plan D until three years from the effective date of transfer to Plan E.	(31494.2)

Retirement Plans and Membership Dates:
The County has established seven defined benefit plans (General Plans A, B, C, D and E, and Safety Plans A and B) based on a member's date of entry into LACERA. (Noncontributory Plan E is detailed separately at the end of this section.) The following contributory plans provide retirement, disability, and death benefits for members and their beneficiaries:

Plan A: General and safety members - prior to September 1977

Plan B: General members - September 1977 through September 1978
Safety members - September 1977 to present

Plan C: General members - October 1978 through May 1979

Plan D: General members - June 1979 through January 3, 1982; and those hired on or after January 4, 1982 who elect Plan D instead of Plan E

	Government Code Sections or Board of Retirement Bylaws
MEMBER CONTRIBUTIONS Contributions are based on the nearest entry age of each member and are required of all members in Plans A, B, C, and D. [Note: Age at entry for a person who enters LACERA within 90 days (or six months depending on date of entry) of last performing service in a reciprocal retirement system, and who retains membership in that system, is the age at entry into the first other system. If a member enters LACERA from the Public Employee's Retirement System (PERS) after withdrawing contributions but redeposits those contributions and otherwise meets the requirements of reciprocity with PERS, the member's entry age is the age at entry into PERS commencing with the pay period immediately following receipt of confirmation from PERS that withdrawn contributions have been redeposited.] Current rates are published periodically. The contribution rate is multiplied by the member's compensation earnable to compute the actual contribution. Compensation earnable is the amount of compensation used in calculating retirement contributions for Plan A, B, C, or D members and for computing retirement benefits for all LACERA members.	(31461, 31461.1, 31461.3, 31461.4, 31461.45, 31620, 31639.1, 31831.3, 31833, 31833.1)
The County withdrew its employees from Social Security effective January 1, 1983. General members in Plans A, B, and C who were covered by Social Security as County employees prior to that date paid only two-thirds of the contribution rate on the first $350 of salary while Plan D members paid only two-thirds of the rate on the first $1,050 of salary. The full rate was applicable on salaries above these amounts.	(31812)
Contributions are deducted monthly from wage warrants and are credited to each individual member's account.	(31625)
Contributions cease when members are credited with 30 years of service in a contributory plan provided they were members of LACERA or a reciprocal system on March 7, 1973, and continuously thereafter.	(31625.2, 31836.1)
Former members who return to service may redeposit their withdrawn accumulated contributions plus interest from date of withdrawal. Redeposit may be by lump sum or installment payments over a 10-year period. Membership is the same as if unbroken except that current contributions are based on nearest age at re-entry.	(31652, Bylaws)
Members who left service and became a member of a reciprocal system may redeposit their withdrawn contributions plus interest if their prior or current membership consists of active law enforcement or firefighting.	(31831.3)
If a member whose prior or current membership consists of active law enforcement or firefighting duties enters LACERA from a reciprocal system after withdrawing contributions but redeposits those contributions, the member's entry age is the age at entry into the reciprocal agency commencing with the pay period immediately following receipt of confirmation from the agency that withdrawn contributions have been redeposited.	(31831.3)

Government Code Sections or Board of Retirement Bylaws

Members who were retired for disability and return to membership after a determination they are no longer disabled, or return to membership following a service retirement and elect Plan D, make contributions based on their nearest age at re-entry.

(31680.4, 31680.5, 31733)

Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Investments on amounts that have been on deposit for at least six months. (Note: The total of member contributions and credited interest is called "accumulated contributions.")

(31591)

Member contributions made through payroll deductions are considered to be employer contributions for tax purposes only and are made on a before-tax basis. (Effective August 1, 1983, per Internal Revenue Code Section 414(h)(2).)

Member contributions may be refunded upon termination of employment by filing a withdrawal application. Effective January 1, 2003, failure to file a withdrawal application will be deemed to be an election to leave accumulated contributions on deposit.

(31628, 31629, 31629.5)

EMPLOYER CONTRIBUTIONS

In addition to member contributions, the employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary.

(31453, 31454, 31581)

The County or district may also make additional appropriations to fund any deficit or to amortize unfunded accrued actuarial obligations.

(31453.6, 31454.5, 31454.6)

TERMINATION OF EMPLOYMENT

Members who terminate employment with the County may:

(a) Defer retirement and leave their contributions on deposit to continue drawing interest, provided they: (i) have five or more years of County (including reciprocal system) retirement service credit; or (ii) enter a reciprocal retirement system within 6 months from termination; or

(31591, 31700, 31629.5, 31830, 31831)

(b) Leave their contributions on deposit to continue drawing interest regardless of the amount of retirement service credit; or

(c) Withdraw all member contributions plus interest; or

(d) Transfer all tax-deferred member contributions plus interest into an IRA or other qualified retirement plan.

The withdrawal or transfer of funds forfeits all rights to receive retirement or disability benefits from LACERA in the future.

SERVICE AND BREAKS IN SERVICE

Service means uninterrupted employment of any person appointed or elected for a given period provided:

(31641, Bylaws)

(a) Deductions are made from the member's earnable compensation from the County or district for such service.

	Government Code Sections or Board of Retirement Bylaws
(b) Member contributions are made for specific military service authorized by other provisions of the County Employees Retirement Law (CERL).	
(c) Credit is received for County service and/or for public service under the provisions of Article 7 (Service) in the CERL.	
(d) Credit, as defined in the Bylaws, is allowed for prior service.	
The following are not considered as breaking the continuity of service:	
(a) A temporary layoff because of illness, economy, suspension, or dismissal, followed by reinstatement or reemployment within one year.	(31642)
(b) A leave of absence followed by reinstatement or reemployment within one year after the termination of the leave of absence.	
(c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by reemployment by the County or district within six months after the termination of such service.	
(d) Resignation of a member who has elected in writing to come within the provisions of Article 9 (Deferred Retirement) followed by reemployment before withdrawal of any accumulated contributions.	
Note: The withdrawal of accumulated contributions followed by the redeposit of the contributions upon re-entrance into service does not constitute a break in the continuity of service.	(31652)
When a member receives credit for temporary, seasonal, intermittent, or part-time service performed either before or during membership, the credit received will be proportionate to the time required to perform the same duties in a full-time position. A "year of service" in a 1/2 time position would mean it would take two years to earn one full year of credit.	(31640.5)
Members may purchase service credit to increase their retirement benefits for the following types of service:	
Temporary or Permanent Time	(31641.5)
Redeposit of Withdrawn Contributions	(31652, 31831.3)
Sick Without Pay	(31646)
Federal/Military	(31641.1, 31641.2(a), Board of Supervisors Resolution)
Other Public Agency	(31641.1, 31641.2(c), Board of Supervisors Resolution)
Any Public Entity Located Wholly in the County of Los Angeles	(31643, 31644, Bylaws)

Government Code Sections or Board of Retirement Bylaws

United States of America, State of California, or any Public Entity Located Within the State of California (31643, 31644, Bylaws)

General to Safety Service (31639.75)

A member who elects to purchase credit under Section 31494.3, 31641.1, 31641.5, 31646, 31652, 31831.3 or under regulations adopted by the Board of Retirement (Bylaws) under Section 31643 or 31644 must complete the purchase within 120 days after the effective date of retirement. (31485.8)

SERVICE RETIREMENT ALLOWANCE

Compensation Limit:

The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the U.S. Code. (31671)

Combined General and Safety Service:

Members who earn service credit as both a general and safety member will receive a combined retirement allowance after retirement. The benefits for each type of service will be added together to determine the total retirement allowance payable. (31664.65)

Combined General Plan D and Plan E Service:

Members who transfer prospectively from Plan D to Plan E or from Plan E to Plan D and earn service credit under both plans will receive a combined retirement allowance after retirement. The benefits for each plan will be added together to determine the total retirement allowance payable. In addition, the aggregate service credited under both retirement plans is used for the purpose of determining eligibility for and vesting of benefits under each plan. (31494.2, 31494.5)

Payment of Allowance:

A retired member's retirement allowance may be paid by warrant or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution. (31452.6, 31590)

Retirement Plan Allowances:

Retirement allowances are based on retirement plans which provide different levels of benefits. Two important differences between the plans are the age factors which determine the percent of final compensation per year of service and the final compensation periods: one year versus three years. The plans and their benefits are as follows:

PLAN A

Retirement Eligibility:

General members: Age 50 with 10 years of County service, or any age with 30 years of service or age 70 regardless of the number of years of service. (31672)

Safety members: Age 50 with 10 years of County service, or any age with 20 years of service or age 60 (mandatory retirement age for safety members hired (31662.4, 31662.6, 31663.25)

	Government Code Sections or Board of Retirement Bylaws
before April 1, 1997), regardless of the number of years of service. There is no mandatory retirement for safety members hired on or after April 1, 1997.	
Monthly Allowance: General members: 1/60 x final compensation x General Plan A age factor x years of service. Allowance may not exceed 100% of final compensation.	(31676.14)
For those years of County service in which a member was covered by Social Security prior to January 1, 1983, substitute 1/90 for 1/60 for compensation up to and including $350 per month. Use the formula in the paragraph above for compensation in excess of $350 per month. Service prior to membership is also calculated using the formula in the paragraph above unless it was County service which was covered by Social Security.	(31808)
Final compensation is the average monthly compensation earnable for the last one year of service if the member does not elect a different one-year period.	(31462.1)
Safety members: 1/50 x final compensation x Safety Plan A age factor x years of service. Allowance may not exceed 100% of final compensation.	(31664)
PLAN B **Retirement Eligibility/Allowance:** Same eligibility and allowance formula as Plan A, except General Plan B age factors are different than general Plan A; safety Plan B age factors are the same as safety Plan A. For both general and safety Plan B, final compensation is the average monthly compensation earnable for the last three years of service if the member retires before June 4, 2002 and the member does not elect a different three-year period. If a member has less than three years of service, final compensation is determined by dividing the member's total compensation earnable by the number of credited months of service.	(31462, 31462.3, 31664, 31676.11)
However, for both general and safety Plan B members who retire on or after June 4, 2002, final compensation is the average monthly compensation earnable for the last one year of service if the member does not elect a different one-year period.	(31462.3)
PLAN C **Retirement Eligibility/Allowance:** Same eligibility and allowance formula as general Plan A, except general Plan C factors are different. Final compensation period is three years as in Plan B for members who retire before June 4, 2002, and one year for members who retire on or after June 4, 2002.	(31462, 31462.3)
PLAN D **Retirement Eligibility/Allowance:** Same eligibility and allowance formula as general Plan A, except $350 figure is replaced by $1,050. Plan D age factors are the same as Plan C age factors. Final compensation period is three years as in Plan B for members who retire before June 4, 2002, and one year for members who retire on or after June 4, 2002.	(31462, 31462.3)

	Government Code Sections or Board of Retirement Bylaws
UNMODIFIED AND OPTIONAL RETIREMENT ALLOWANCES	
Unmodified Retirement Allowance:	
An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance or a nonservice-connected disability retirement allowance to an eligible surviving spouse (or eligible children) is equal to 60% of the member's allowance if the member retired before June 4, 2002, or 65% if the member retires on or after June 4, 2002. To receive this continuance the spouse must have been married to the member at least one year prior to retirement.	(31760.1, 31760.12, 31785, 31785.4)
If there is no spouse or the spouse dies before every child attains the age of 18, the continuance is payable to the member's children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school.	
The continuance of an unmodified service-connected disability retirement allowance to an eligible surviving spouse (or eligible children) is equal to 100% of the member's allowance. To receive this continuance the spouse must have been married to the member prior to retirement.	(31786)
A child eligible to receive a survivor benefit under Section 31760.1, 31781.1, 31786, or 31787 is considered unmarried if the child is not married as of the date the member dies, whether or not the child was previously married. If the child thereafter marries, eligibility for the survivor benefit is terminated, and the benefit is not reinstated if the child subsequently returns to unmarried status.	(31780.1)
Optional Retirement Allowance:	
Under an Optional Retirement Allowance a member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance as shown below. The option must be elected before the first retirement allowance payment is made. If an option is elected, the 60% (or 65% if eligible) continuance benefit under a service or nonservice-connected disability retirement or the 100% continuance under a service-connected disability retirement is replaced by the following:	(31760)
Option 1 Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member.	(31761)
Option 2 100% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member.	(31762)
Option 3 50% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member.	(31763)

	Government Code Sections or Board of Retirement Bylaws
Option 4 Other % of member's reduced allowance is payable to a surviving spouse or beneficiary(ies) having an insurable interest in the life of the member.	(31764)
A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4.	(31782)

Pension Advance Option:

The Pension Advance Option is available to members who are fully insured under Social Security for the purpose of coordinating a member's retirement allowance with benefits receivable from Social Security. It is not available to disability retirees or members who elect Option 2, 3 or 4. The allowance is increased prior to age 62 and then reduced after 62 by amounts which have equivalent actuarial values. The automatic 60% (or 65% if eligible) continuance for eligible spouses of members who elect the Pension Advance Option is based on the unmodified allowance the member would have received if the member had not elected the option. (31810, 31811)

All allowances are made on a pro rata basis (based on the number of days in that month) if not in effect for the entire month as in the month of death or the month of retirement. (31600)

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility/Definition of Disability:

Any age or years of service; member must be permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment and employment must contribute substantially to the incapacity. In addition, if a safety member (or other specified member) who has completed five or more years of service develops heart trouble, cancer, or a blood-borne infectious disease, such heart trouble, cancer, or disease is presumed to arise out of, and in the course of, employment. The presumption for the latter two is extended following termination of service. (31720, 31720.5, 31720.6, 31720.7)

A general member in Plan E who transfers prospectively to Plan D may apply for a service-connected disability retirement after he or she has either completed two years of continuous service or earned five years of service as an active Plan D member after the most recent date of transfer. If the member is granted a disability retirement under Plan D, the member may not retire under Plan E. (31494.5)

Application:

Application must be made while the member is in service, within four months after discontinuance of service, within four months after the expiration of any period during which a presumption is extended beyond the discontinuance of service, or while, from the discontinuance of service to the time of application, the member is continuously incapacitated to perform duties. (31722)

Government Code Sections or Board of Retirement Bylaws

Monthly Allowance:

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

The monthly allowance is equal to 50% of final compensation or, if the member is eligible to retire, the service retirement allowance, if greater. (31727.4)

Upon the death of a member while receiving a service-connected disability retirement allowance, 100% of the allowance continues to a surviving spouse who was married to the member prior to retirement (or eligible children) unless the member elected an optional allowance. (31760, 31786)

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility/Definition of Disability:

Any age with five years of County service or combination of County and reciprocal service; member must be permanently incapacitated for the performance of duty. (31720)

A general member in Plan E who transfers prospectively to Plan D may apply for a nonservice-connected disability retirement after he or she has either completed two years of continuous service or earned five years of service as an active Plan D member after the most recent date of transfer. Note that the member must have a minimum of five years of combined service in order to be eligible for nonservice-connected disability retirement. If the member is granted a disability retirement under Plan D, the member may not retire under Plan E. (31494.5)

Application:

Application must be made while the member is in service, within four months after discontinuance of service, or while, from the discontinuance of service to the time of application, the member is continuously incapacitated to perform duties. (31722)

Monthly Allowance:

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

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

(a) is 90% of 1/60 of final compensation x years of service if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation; or (31727(a))

(b) is 90% of 1/60 of final compensation x years of service projected to age 65 if allowance does not exceed 1/3 of final compensation. (Members are eligible for the amount in (b) only if they are eligible to retire without relying upon service in another retirement system and the allowance computed under (a) does not exceed 1/3 of final compensation.) (31727(b))

	Government Code Sections or Board of Retirement Bylaws
For safety members 1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above.	(31727.2)
Upon the death of a member while receiving a nonservice-connected disability retirement allowance, 60% of the allowance continues to a surviving spouse who was married to the member one year prior to retirement (or eligible children), if member retired before June 4, 2002, or 65% if the member retires on or after June 4, 2002 unless the member elected an optional allowance.	(31760, 31760.1, 31760.12, 31785, 31785.4)
CHANGE OF POSITION IN LIEU OF DISABILITY RETIREMENT ALLOWANCE	
An incapacitated member who is eligible for either a nonservice-connected or service-connected disability retirement allowance under his or her former position may, upon approval by the Board, accept a lower paying position for which he or she is not disabled. In such cases, LACERA pays an amount that equals the difference in salary between the member's current and former position, not to exceed the amount of the disability allowance to which the member would otherwise be entitled. Such payments in lieu of a disability retirement allowance are considered a charge against the Employer Reserves.	(31725, 31725.5)
SERVICE-CONNECTED DEATH BENEFITS	
Eligibility:	
Active members who die in service as a result of injury or disease arising out of and in the course of employment.	(31787)
Death Benefit (Lump Sum):	
The member's normal contributions and interest, plus 1/12 of the compensation earnable in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation) is payable to the named beneficiary.	(31781)
Monthly Allowance:	
An optional death allowance is payable monthly to the surviving spouse (or eligible children) equal to the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired by reason of a service-connected disability as of the date of death.	(31787)
Optional Combined Benefit:	
In lieu of the monthly allowance above, a surviving spouse may elect:	(31781.3)
(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus	
(b) A monthly payment equal to 50% of the member's final compensation, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse.	

	Government Code Sections or Board of Retirement Bylaws
Additional Allowance For Children: If a member is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty, there is an additional benefit payable to surviving spouse. The benefit is equal to 25% of the optional death allowance provided in Section 31787 (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children. If the surviving spouse does not have legal custody of the children, the additional benefit is payable to legal guardian.	(31787.5)
Additional Amount for Spouse of Safety Member: A surviving spouse of a safety member who is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty is also entitled to receive a lump sum death benefit equal to 12 x monthly rate of compensation at the time of member's death in addition to all other benefits.	(31787.6)
NONSERVICE-CONNECTED DEATH BENEFITS **Eligibility:** Active members who die while in service or while physically or mentally incapacitated for the performance of duty.	(31780)
Death Benefit (Lump Sum): The member's normal contributions and interest, plus 1/12 of the compensation earnable in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation) is payable to the named beneficiary. In lieu of the lump sum death benefit, the following death benefits are available:	(31781)
First Optional Death Benefit: If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the surviving spouse (or eligible children) may elect to receive an optional death allowance equal to 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death, if the member died before June 4, 2002, or 65% if the member dies on or after June 4, 2002. If there is no spouse or the spouse dies before making an election, the legally appointed guardian makes the election on behalf of the children. The rights of a surviving spouse (or eligible children) to receive the monthly allowance supersede those of any other named beneficiary. Benefits are payable to the children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school.	(31781.1, 31781.12)

	Government Code Sections or Board of Retirement Bylaws
Second Optional Death Benefit: If a member dies prior to reaching the minimum retirement age but has 10 or more years of County service, a surviving spouse (or eligible children) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in Section 31765 (an Option 3 benefit) or 31765.1 (a 60% continuance), if the member died before June 4, 2002, or 65% if the member dies on or after June 4, 2002.	(31765.2, 31781.2)
Third Optional Death Benefit: A surviving spouse of a member who dies after five years of County service may elect a combined benefit equal to:	(31781.3)
(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus	
(b) A monthly payment equal to 60% of the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse, if the member died before June 4, 2002, or 65% if the member dies on or after June 4, 2002.	(31781.1, 31781.12)
Fourth Optional Death Benefit: If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary, the spouse (or eligible children) may elect to receive 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death, if the member died before June 4, 2002, or 65% if the member dies on or after June 4, 2002.	(31765.1, 31765.2)
Fifth Optional Death Benefit: If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary and survives the member by not less than 30 days, the spouse (or eligible children) may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3.	(31765)
Note: The person to whom any lump sum death benefit is payable may optionally elect to receive monthly installments over a period not to exceed 10 years plus interest on the unpaid balance.	(31784)
Payment of Earned Allowance after Member's or Survivor's Death: After retirement, any allowance earned but not yet paid to a member or to any person receiving a survivor's allowance shall be paid to the member's or to the survivor's designated beneficiary upon the death of the member or survivor.	(31452.7)

	Government Code Sections or Board of Retirement Bylaws
DEFERRED VESTED BENEFITS	
Eligibility:	
Vested members may elect to retire at any time they could have retired had they remained in County service in a full-time position. Members are 0% vested with fewer than five years of County service and 100% vested with five or more years of County service.	(31700)
Years of service for determining eligibility for retirement include reciprocal service with all reciprocal agencies.	(31836)
Monthly Allowance:	
The allowance is calculated according to the applicable service retirement formula at the time of retirement.	(31703, 31704, 31705)
To receive a deferred retirement allowance, member contributions must be left on deposit and the member must apply for deferred retirement benefits within 180 days of termination. Members who complete five years of service but fail to elect a deferred retirement are deemed to have elected a deferred retirement.	(31700)
If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary.	(31702)
A member who has attained age 70 and is not in service or in a reciprocal retirement system must be notified that the member is eligible to apply for and shall begin receiving a deferred retirement allowance by April 1 of the year following the year in which the member attains age 70-1/2.	(31706)
Reciprocity:	
Career public service is encouraged by granting reciprocal benefits to members who are entitled to retirement benefits from two or more county retirement systems established under the CERL or from a county retirement system and the Public Employees' Retirement System (PERS), the State Teachers' Retirement System (STRS), the Judge's Retirement System or Judge's Retirement System II, or a retirement system of any other public agency of the state that has established reciprocity with PERS subject to specified conditions.	(31830, 31840.2, 31840.4, 31840.8)
Final compensation may be based on service with PERS, another county retirement system, STRS, the Judge's Retirement System or Judge's Retirement System II, or a retirement system of any other public agency of the state that has established reciprocity with PERS provided: (1) the period between active memberships in the respective systems does not exceed 90 days prior to January 1, 1976, or six months if on or after January 1, 1976; and (2) the member retires concurrently under both systems. The 90-day or six-month period does not include any time during which the member was precluded by law from becoming a member of the system of another county.	(31461.3, 31835)
Deferred members may include CalPERS service, and service in another county retirement system for benefit eligibility if compensation for such service constitutes compensation earnable.	(31836)

	Government Code Sections or Board of Retirement Bylaws
Deferred members are eligible for disability benefits from LACERA if disabled while a member of CalPERS or other county retirement system. In no event will the benefits be larger than if all service was spent with one system.	(31837, 31838, 31838.5)
Deferred members are eligible for death benefits from LACERA if they die while a member of CalPERS or other county retirement system. The death benefit is a return of normal contributions plus interest only if the death is service-related; if death is nonservice-related, benefit equals accumulated contributions plus amount necessary to bring the total LACERA plus CalPERS benefit up to 50% of the final 12 months' compensation.	(31839, 31840)
TRANSFERS	
Whenever firefighting or law enforcement functions performed by a city or the state subject to the California Public Employees' Retirement Law are transferred to the County, fire authority, or district, employees performing those functions become members of LACERA. LACERA and CalPERS may enter into an agreement whereby the members' service credit plus the members' and the cities' or state's retirement contributions are transferred from CalPERS to LACERA.	(31657)
COST-OF-LIVING INCREASES	
Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances, effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest 1/2 of 1%. The CPI is based on the Bureau of Labor Statistics CPI for All Urban Consumers for the area in which the county seat is situated.	(31870, 31870.1)
Plan A members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase (or decrease) whereas Plan B, C, and D members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase (or decrease).	(31870, 31870.1)
When the CPI exceeds 2 or 3%, the difference between the actual CPI and the maximum cost-of-living increase that can be given in any year is credited to the COLA Accumulation and may be used in future years to provide cost-of-living increases when the CPI falls below 2 or 3%, depending on the retirement plan.	(31870, 31870.1)
A decrease in the CPI may not reduce the allowance below the amount being received by the member (or beneficiary) on the effective date of the allowance or when the cost-of-living provisions were implemented.	(31870, 31870.1)
Members who have a COLA Accumulation of more than 20% resulting from CPI increases that exceeded the maximum cost-of-living increases that could be granted are eligible for a supplemental cost-of-living increase effective January 1 known as the Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA).	(31874.3(b))

	Government Code Sections or Board of Retirement Bylaws
POST-RETIREMENT DEATH BENEFIT A one-time lump sum benefit of $750 is payable to the estate or to the beneficiary designated by the member upon the death of any member while receiving a retirement allowance if the member died before June 4, 2002, or $5,000 if the member dies on or after June 4, 2002. This is in addition to any other death or survivor benefits. The amount is currently paid by the County based on agreement with LACERA.	(31789.1, 31789.3)
POST-RETIREMENT EMPLOYMENT A retired member may, without reinstatement from retirement or loss of benefits, serve in various types of post-retirement service such as juror, election officer, field deputy for registration of voters, etc.	(31680.1)
A retired member may, without reinstatement from retirement or loss of benefits, be employed in a position requiring special skills or knowledge for a period not to exceed 120 days or 960 hours, whichever is greater, in any one fiscal year or any other 12-month period determined by the County or district.	(31680.2, 31680.6)
A member, retired from service, may be reemployed and again become an active member of the retirement system if the member is determined not to be incapacitated for the duties to be assigned. If the member is returning to general service, the member will be placed in general Plan E or the member may elect general Plan D and pay a contribution rate based on the member's nearest age at the date of re-entry into the system; or if the member is returning to safety service, the member will be placed in safety Plan B and pay a contribution rate based on the member's nearest age at the date of re-entry into the system. The member's retirement allowance is canceled on the effective date of the member's reemployment and resumed only upon the subsequent termination of the member from employment. The member will receive an additional allowance for the period of re-employment. Other adjustments may be made in the member's allowance.	(31680.4, 31680.5)
A member, retired for disability, may be re-employed and again become an active member of the retirement system if the member is determined to be no longer incapacitated and reinstatement is offered by the employer. The member's allowance is terminated at re-entry into the system and the contribution rate is based on the member's nearest age at the date of re-entry. The member's account is credited with an amount which is the actuarial equivalent of the member's annuity at that time. The retirement plan remains the same as it was before retirement for disability.	(31730, 31733)
UNCLAIMED BENEFITS Whenever a person or estate entitled to payment of a member's contributions or any other benefit fails to claim the payment or cannot be located, the Board shall attempt to locate the claimant through reasonable means and hold the payment of the claimant. If the amounts are not claimed within five years, the amounts become part of the pension reserve fund, but the Board may return the amounts to the claimant upon receipt of information satisfactory to it.	(31783.5)

	Government Code Sections or Board of Retirement Bylaws
LONG-TERM CARE INSURANCE The Board may provide a long-term care insurance program for retired members and their spouses, their parents, and their spouses' parents. The Board must approve the following: eligibility criteria for enrollment, appropriate underwriting criteria, scope of covered benefits, criteria to receive benefits, and any other standards as needed. Full cost of enrollment is paid by the enrollees.	(31693.3, 31696.1, 31696.2, 31696.4, 31696.5)

Noncontributory Plan E

MEMBERSHIP **Eligibility:** Plan E is a noncontributory retirement plan which is only available to permanent employees of Los Angeles County (County) and participating districts who work 3/4 time or more and are eligible for general membership in the LACERA.	(31487, Bylaws)
Persons hired on or after January 4, 1982, become Plan E members on the first day of the month following the date of hire or date of eligibility for membership, unless they elect Plan D; or, the first day of the month following an election of Plan E, depending on the law in effect at that time.	(31487, 31493, 31493.5, 31493.6, Bylaws)
General members in Plans A, B, C, and D who transferred all their contributory plan service credit to Plan E during an approved transfer period are also members of Plan E. Transferring members relinquish and waive all previously available vested or accrued retirement, survivor, disability, and death benefits.	(31487, 31494)
General members in Plan D may, effective June 4, 2002, transfer prospectively to Plan E and make no further contributions as of the effective date of transfer. They will retain credit for their Plan D service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election back to Plan D until three years from the effective date of transfer to Plan E.	(31494.2)
General members in Plan E may, effective June 4, 2002, transfer prospectively to Plan D and make contributions beginning as of the effective date of transfer. These members may also purchase some or all of their Plan E service earned prior to the transfer to Plan D, as Plan D service. They will retain credit for their remaining Plan E service and will receive a combined retirement allowance from both plans when they retire. Once the transfer is effective, a member is not eligible to make an election back to Plan E until three years from the effective date of transfer to Plan D.	(31494.5)
MEMBER CONTRIBUTIONS There are no general member retirement contributions under Plan E.	(31489)
EMPLOYER CONTRIBUTIONS The employer is required to make contributions to finance Plan E based on the recommendation of the actuary.	(31495)

	Government Code Sections or Board of Retirement Bylaws
SERVICE AND BREAKS IN SERVICE	
Service means the period of uninterrupted employment of a member and the time in which a member or former member (1) is totally disabled, and (2) is receiving or is eligible to receive disability benefits under a disability plan provided by the County.	(31488)
A member will not be credited with service for any period, in excess of 22 consecutive workdays, in which the member is absent from work without pay.	(31488)
A member who was in public service prior to becoming a member may not receive credit for that prior public service, except as provided in Section 31494.	(31490)
Absence from work or termination of employment while an eligible employee or disability beneficiary, under a disability plan provided by the employer, does not break the continuity of service.	(31490)
An unpaid leave of absence not exceeding one year, or a leave of absence for which an employee receives any benefit which has been approved by the employer, is not considered an interruption of service. The period of unpaid leave in excess of 22 consecutive work days is not considered as service in calculating Plan E benefits.	(31490)
Service does not include military service or public service other than service with the County, except that members transferring to Plan E will receive credit for public service performed prior to the transfer, including service with the County, military service, and other public service or prior service to which the member would otherwise be eligible.	(31488, 31494)
SERVICE RETIREMENT ALLOWANCE	
Compensation Limit:	
The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the U.S. Code.	(31671)
Combined General Plan E and Plan D Service:	
Members who transfer prospectively from Plan D to Plan E or from Plan E to Plan D and earn service credit under both plans will receive a combined retirement allowance after retirement. The benefits for each plan will be added together to determine the total retirement allowance payable. In addition, the aggregate service credited under both retirement plans is used for the purpose of determining eligibility for and vesting of benefits under each plan.	(31494.2, 31494.5)
Payment of Allowance:	
A retired member's retirement allowance may be paid by check or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution.	(31452.6, 31590)

Government Code Sections or Board of Retirement Bylaws

Eligibility - Normal Retirement:
Age 65 with 10 years of service.

(31491, 31491.3)

Normal Monthly Retirement Allowance:
2% x final compensation x years of service, not to exceed 35 years, plus 1% x final compensation x years of service in excess of 35, not to exceed 10 additional years, reduced by the estimated Primary Insurance Amount (PIA) x a fraction, the numerator of which is the number of years of service with the employer subject to coverage under the federal system not to exceed 35 years, and the denominator of which is 35.

(31491, 31491.3)

Final compensation is the average monthly compensation earnable during any three years (whether or not consecutive) elected by the member or the three years in which the member last earned compensation before retirement if no election is made.

(31488)

Estimated PIA is based on the member's age and salary as of the date of retirement or the date of termination of a vested member, provided that:

(31491, 31491.3)

Prior career earnings shall be assumed to have been subject to the federal system and have increased at a yearly rate equal to the average per worker total wages reported by the Social Security Administration; and

(31491, 31491.3)

For those members who have not attained the normal retirement age under the federal system:

(31491, 31491.3)

(a) Future earnings shall be assumed to continue at the pay rate received by the employee from the employer as of the date of retirement or date of termination of a vested member, whichever is applicable, and

(b) Future wage bases, as defined by the federal system, shall be assumed to continue at the wage base in effect in the year of retirement or year of termination of a vested member, whichever is applicable, and

(c) Cost-of-living increases in the year of retirement and delayed retirement credit provided under the federal system shall not be included in the calculation of the estimated PIA.

Adjustments will be made for members receiving a normal retirement allowance upon presentation of the actual PIA.

(31491, 31491.3)

Maximum Normal Monthly Retirement Allowance:
The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of final compensation for a member with 35 or less years of service and cannot exceed 80% of final compensation if service exceeds 35 years.

(31491, 31491.3)

Eligibility - Early Retirement:
Age 55 with 10 years of service.

(31491, 31491.3)

Early Monthly Retirement Allowance:
An early retirement allowance is the actuarial equivalent of the normal retirement allowance.

(31491, 31491.3)

	Government Code Sections or Board of Retirement Bylaws
UNMODIFIED AND OPTIONAL RETIREMENT ALLOWANCES	
Unmodified Retirement Allowance:	
An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance to an eligible surviving spouse (or eligible children) is equal to 50% of the member's allowance, if the member retired before June 4, 2002, or 55% if the member retires on or after June 4, 2002. To receive this continuance the spouse must have been married to the member at least one year prior to retirement.	(31492, 31492.1)
Eligible children are unmarried children until the age of 18 (through age 21 if unmarried and full-time students in an accredited school).	(31492)
Optional Retirement Allowance:	
Under an Optional Retirement Allowance a retired member may elect to have the actuarial equivalent of the member's allowance as of the date of retirement applied to a lesser amount throughout the retired member's life in order to provide an optional survivor allowance for one or more designated beneficiaries who have an insurable interest in the life of the member. Please refer to Option 2, 3 and 4 described in *Unmodified and Optional Retirement Allowances* shown under the contributory plans for information on this topic.	(31492)
SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE	
A service-connected disability retirement allowance is not available under Plan E.	(31487)
NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE	
A nonservice-connected disability retirement allowance is not available under Plan E.	(31487)
SERVICE-CONNECTED DEATH BENEFITS	
A service-connected death benefit is not available under Plan E.	(31487)
NONSERVICE-CONNECTED DEATH BENEFITS	
A nonservice-connected death benefit is not available under Plan E.	(31487)
VESTED BENEFITS	
Vested members or vested former members may elect to retire at any time after they have completed 10 years of County service and are at least age 55. Members are 0% vested with fewer than 10 years of County service and 100% vested with 10 or more years of County service.	(31491, 31491.3)
Vested benefits are payable at normal retirement or in an actuarially equivalent reduced amount at early retirement.	(31491, 31491.3)
RECIPROCITY	
The provisions of reciprocity are the same as for the contributory plans except those provisions dealing with disability retirement, death benefits, and the requirement relating to the deposit of accumulated member contributions.	(31487)

	Government Code Sections or Board of Retirement Bylaws
COST-OF-LIVING INCREASES Every retirement allowance or death allowance payable on or after June 4, 2002, shall, as of April 1 each year, be increased or decreased by the member's automatic COLA. The automatic COLA is an amount equal to the allowance being received multiplied by a percentage (rounded to the nearest 1/10 of 1 percent) derived by: taking the number of months of service the member earned on and after June 4, 2002, dividing by the member's total months of service, and multiplying by a percentage equal to the lesser of 2% or the percentage determined by the Board to approximate to the nearest 1/2 of 1% the percentage of annual increase or decrease in the cost of living as of January 1 of each year as shown by the then current Consumer Price Index (CPI), as adjusted for the amount applied from a prior year. The CPI is based on the Bureau of Labor Statistics CPI for All Urban Consumers for the area in which the county seat is situated. Members may elect to purchase by lump sum payment or payroll deductions an elective COLA for some or all of their Plan E service earned before becoming eligible for the automatic COLA. The cost-of-living increase for the elective COLA is calculated in a similar manner as the automatic COLA.	(31487, 31495.5)
When the CPI exceeds 2%, the difference between the actual CPI and the maximum cost-of-living increase that can be given in any year is credited to the COLA Accumulation and may be used in future years to provide cost-of-living increases when the CPI falls below 2%.	(31495.5)
A decrease in the CPI may not reduce the allowance below the amount being received by the member (or beneficiary) on June 4, 2002.	(31495.5)
POST-RETIREMENT DEATH BENEFIT A one-time lump sum benefit of $5,000 is payable to the estate or to the beneficiary designated by the member upon the death of any member while receiving a retirement allowance. This is in addition to any other survivor benefits. The amount is currently paid by the County based on agreement with LACERA.	(31789.3)
POST-RETIREMENT EMPLOYMENT Please refer to *Post-Retirement Employment* shown under the contributory plans for information on this topic.	

Statistical Section

MOU and Enhanced Benefits Overview:

The Los Angeles County Board of Supervisors authorized implementation of the Memorandum of Understanding (MOU) between the County and the employee unions on June 4, 2002. The MOU guaranteed many benefit enhancements for LACERA members. This fiscal year, LACERA completed the implementation of the following: Plan D and Plan E Prospective Plan Transfers, incremental service purchase, Plan E Automatic COLA, one-year final compensation for Plans B, C, and D, increased survivor allowances, and the $5,000 post-retirement lump sum death benefit.

(Claims Processing Division, Management and Staff)

MOUs

- Executed the LACERA-wide project plan for implementing the 11 benefit enhancements authorized by the MOU. Behind the scenes, this implementation required a major commitment from all LACERA divisions, particularly Claims Processing, Systems, Member Services, Communications, and Quality Assurance.

- Published two supplemental newsletters, *Extra! Extra!*, to promptly inform members of the benefit enhancements and to explain in detail the plan transfer options and eligibility requirements.

- Generated over 65,000 personalized retirement estimates for all Plan D and Plan E members to illustrate how a prospective plan transfer could affect a member's estimated retirement allowance and current plan contributions.

- Developed an interactive Plan Transfer Calculator for www.LACERA.com, which allows members to estimate their own plan transfer cost at their convenience. The calculator received more than 2,500 hits in its first quarter.

- Provided thousands of detailed plan transfer cost estimates and brochures to members considering a Prospective Plan Transfer and Incremental Service Purchase. During the fiscal year, more than 2,000 members elected to transfer prospectively, with 70% transferring from Plan E to Plan D.

•Claims Processing•
•Systems•
•Member Services•
•Communications•
•Quality Assurance•

Document Processing

Revenues by Source
(Dollars in thousands)

Fiscal Year	Employer Contributions	Member Contributions	Net Investment Income/(Loss)	Miscellaneous Revenues	Total
1998	$ 9,420	$179,476	$3,460,959	$ 1,223	$3,651,078
1999	85,576	202,062	3,342,362	2,563	3,632,563
2000	130,319	198,618	4,335,941	2,536	4,667,414
2001	193,650	216,297	(2,382,548)	2,972	(1,969,629)
2002	297,928	265,573	(1,533,625)	133	(969,991)
2003	$325,524	$233,192	$ 924,991	$151,215	$1,634,922

Expenses by Type
(Dollars in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Miscellaneous Expenses	Total
1998	$ 927,204	$24,904	$16,391	$45,070	$1,013,569
1999	981,886	27,562	16,295	55,692	1,081,435
2000	1,048,015	29,401	17,250	50,707	1,145,373
2001	1,138,030	33,417	17,640	53,370	1,242,457
2002	1,224,112	37,402	16,259	58,258	1,336,031
2003	$1,322,446	$41,523	$16,756	$53,631	$1,434,356

Active/Deferred Members and Unclaimed Accounts

	1998	1999	2000	2001	2002	2003
Active Vested						
General	43,444	44,436	46,366	46,886	47,763	48,517
Safety	9,005	8,795	8,789	9,037	9,400	8,977
Sub-Total	52,449	53,231	55,155	55,923	57,163	57,494
Active Nonvested						
General	22,334	24,216	25,574	28,162	29,299	27,478
Safety	1,942	2,229	2,475	2,984	2,790	2,788
Sub-Total	24,276	26,445	28,049	31,146	32,089	30,266
Total Active Members						
General	65,778	68,652	71,940	75,048	77,062	75,995
Safety	10,947	11,024	11,264	12,021	12,190	11,765
Total	**76,725**	**79,676**	**83,204**	**87,069**	**89,252**	**87,760**
Deferred Members						
General	4,624	4,859	5,076	5,325	5,799	6,134
Safety	152	160	162	179	209	265
Total	**4,776**	**5,019**	**5,238**	**5,504**	**6,008**	**6,399**
Unclaimed Accounts						
General	35	29	18	1,196	1,103	1,293
Safety	2	1	1	43	38	55
Total	**37**	**30**	**19**	**1,239**	**1,141**	**1,348**

Retired Members by Type of Retirement

	1998	1999	2000	2001	2002	2003
Service						
General	26,204	26,492	27,099	27,456	27,939	28,584
Safety	2,641	2,704	2,678	2,755	2,830	2,979
Total	**28,845**	**29,196**	**29,777**	**30,211**	**30,769**	**31,563**
Disability						
General	4,074	4,074	4,119	4,119	4,087	4,048
Safety	3,697	3,859	4,201	4,367	4,556	4,716
Total	**7,771**	**7,933**	**8,320**	**8,486**	**8,643**	**8,764**
Survivors						
General	5,184	5,271	5,378	5,502	5,600	5,652
Safety	1,088	1,111	1,153	1,197	1,230	1,254
Total	**6,272**	**6,382**	**6,531**	**6,699**	**6,830**	**6,906**
Total Retired Members						
General	35,462	35,837	36,596	37,077	37,626	38,284
Safety	7,426	7,674	8,032	8,319	8,616	8,949
Total	**42,888**	**43,511**	**44,628**	**45,396**	**46,242**	**47,233**

Benefit Expenses by Type

(Dollars in thousands)

	1998	1999	2000	2001	2002	2003
Service Retiree Payroll						
General	$588,036	$614,824	$ 650,584	$ 702,400	$ 751,892	$ 802,308
Safety	95,183	104,465	115,813	128,635	141,541	161,269
Total	**683,219**	**719,289**	**766,397**	**831,035**	**893,433**	**963,577**
Disability Retiree Payroll						
General	99,261	103,262	106,416	111,707	116,791	115,090
Safety	143,927	157,484	173,989	193,554	212,433	242,108
Total	**243,188**	**260,746**	**280,405**	**305,261**	**329,224**	**357,198**
Total Retiree Payroll						
General	687,297	718,086	757,000	814,107	868,683	917,398
Safety	239,110	261,949	289,802	322,189	353,974	403,377
Total	**926,407**	**980,035**	**1,046,802**	**1,136,296**	**1,222,657**	**1,320,775**
Lump Sum Death Benefits						
General	577	1,805	1,158	1,503	1,299	1,420
Safety	220	46	55	231	156	251
Total	**797**	**1,851**	**1,213**	**1,734**	**1,455**	**1,671**
Total Benefit Expense						
General	687,874	719,891	758,158	815,610	869,982	918,818
Safety	239,330	261,995	289,857	322,420	354,130	403,628
Total	**$927,204**	**$981,886**	**$1,048,015**	**$1,138,030**	**$1,224,112**	**$1,322,446**

Retirement Effective Dates	Years of Credited Service					
	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/97 to 6/30/98						
Retirants						
General Members						
Average Monthly Benefit	$ 666	$ 779	$1,099	$1,834	$2,198	$3,485
Average Final Average Salary	$3,106	$3,452	$3,469	$3,887	$3,988	$4,746
Number of Active Retirants	69	169	168	198	306	312
Safety Members						
Average Monthly Benefit	$2,271	$2,606	$2,479	$3,280	$4,260	$5,592
Average Final Average Salary	$4,815	$5,050	$5,009	$6,027	$6,025	$6,446
Number of Active Retirants	21	27	12	29	70	107
Survivors						
General Members						
Average Monthly Benefit	$ 694	$ 380	$ 941	$ 876	$1,301	$2,439
Average Final Average Salary	$3,556	$1,404	$3,402	$2,311	$3,120	$4,486
Number of Active Survivors	7	20	10	16	27	23
Safety Members						
Average Monthly Benefit	$ 361		$1,751	$1,452	$3,002	$3,652
Average Final Average Salary			$3,312	$3,770	$3,492	$3,823
Number of Active Survivors	1		3	3	7	6
7/1/98 to 6/30/99						
Retirants						
General Members						
Average Monthly Benefit	$ 886	$ 853	$1,058	$1,631	$2,297	$3,591
Average Final Average Salary	$3,828	$3,688	$3,324	$3,726	$4,037	$4,808
Number of Active Retirants	74	197	159	173	293	334
Safety Members						
Average Monthly Benefit	$2,277	$2,439	$2,884	$3,172	$4,418	$6,236
Average Final Average Salary	$4,935	$4,965	$5,867	$5,913	$6,338	$7,279
Number of Active Retirants	32	23	17	19	57	173
Survivors						
General Members						
Average Monthly Benefit	$ 767	$ 619	$ 972	$1,150	$1,599	$2,647
Average Final Average Salary	$4,746	$3,787	$2,700	$3,320	$3,790	$4,647
Number of Active Survivors	6	13	13	21	30	30
Safety Members						
Average Monthly Benefit	$ 964		$1,957		$2,252	$5,491
Average Final Average Salary	$4,818		$5,459		$3,481	$8,111
Number of Active Survivors	1		2		4	7

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/99 to 6/30/00						
Retirants						
General Members						
Average Monthly Benefit	$ 739	$ 802	$1,127	$1,837	$2,317	$3,377
Average Final Average Salary	$3,524	$3,480	$3,685	$4,001	$4,154	$4,596
Number of Active Retirants	27	72	62	65	153	164
Safety Members						
Average Monthly Benefit	$2,279	$2,264	$2,956	$3,547	$4,521	$6,102
Average Final Average Salary	$4,883	$4,973	$5,637	$6,410	$6,729	$7,256
Number of Active Retirants	33	51	27	18	37	70
Survivors						
General Members						
Average Monthly Benefit	$ 522	$ 508	$ 894	$ 928	$ 934	$2,448
Average Final Average Salary	$2,942	$2,664	$2,142	$3,242	$2,908	$3,077
Number of Active Survivors	6	13	4	7	9	13
Safety Members						
Average Monthly Benefit				$3,802	$2,965	$3,965
Average Final Average Salary				$7,290	$7,865	$5,566
Number of Active Survivors				2	2	2
7/1/00 to 6/30/01						
Retirants						
General Members						
Average Monthly Benefit	$ 883	$ 983	$1,225	$1,978	$2,514	$4,176
Average Final Average Salary	$3,963	$4,142	$3,801	$4,574	$4,352	$5,485
Number of Active Retirants	58	181	111	163	316	531
Safety Members						
Average Monthly Benefit	$3,459	$2,845	$2,909	$3,650	$4,775	$6,860
Average Final Average Salary	$5,439	$5,599	$5,909	$6,687	$6,966	$8,088
Number of Active Retirants	14	30	14	14	79	203
Survivors						
General Members						
Average Monthly Benefit	$ 712	$ 404	$ 568	$ 814	$1,524	$2,227
Average Final Average Salary	$2,438	$1,661	$1,186	$1,633	$2,583	$3,655
Number of Active Survivors	17	19	17	25	26	33
Safety Members						
Average Monthly Benefit	$1,059	$1,962	$2,532	$1,529	$2,279	$3,369
Average Final Average Salary	$5,134	$1,822	$4,893	$3,658	$3,023	$3,905
Number of Active Survivors	2	3	3	6	7	10

Retirement Effective Dates	Years of Credited Service					
	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/01 to 6/30/02						
Retirants						
General Members						
Average Monthly Benefit	$ 770	$ 915	$1,421	$1,932	$ 2,753	$ 4,368
Average Final Average Salary	$4,072	$3,815	$4,468	$4,531	$4,734	$5,748
Number of Active Retirants	65	214	147	163	283	631
Safety Members						
Average Monthly Benefit	$4,052	$ 2,961	$3,454	$3,318	$5,092	$7,066
Average Final Average Salary	$6,733	$ 5,899	$6,394	$6,701	$7,216	$8,122
Number of Active Retirants	19	29	26	23	48	221
Survivors						
General Members						
Average Monthly Benefit	$ 399	$ 555	$ 748	$1,227	$1,567	$2,669
Average Final Average Salary	$2,385	$3,764	$1,965	$3,648	$3,610	$4,587
Number of Active Survivors	15	20	25	24	38	35
Safety Members						
Average Monthly Benefit	$1,917	$1,129	$1,414	$1,662	$2,569	$3,981
Average Final Average Salary	$3,421	$5,643	$6,527	$4,153	$5,156	$4,619
Number of Active Survivors	3	1	1	6	9	10
7/1/02 to 6/30/03						
Retirants						
General Members						
Average Monthly Benefit	$ 914	$ 739	$1,059	$1,283	$2,336	$3,015
Average Final Average Salary	$4,664	$3,656	$4,106	$4,201	$4,568	$5,047
Number of Active Retirants	33	138	103	124	134	268
Safety Members						
Average Monthly Benefit	$3,202	$3,007	$3,480	$3,302	$5,063	$7,177
Average Final Average Salary	$6,435	$6,147	$6,783	$6,221	$7,255	$8,230
Number of Active Retirants	9	17	12	12	28	85
Survivors						
General Members						
Average Monthly Benefit	$ 578	$ 518	$ 720	$ 858	$1,713	$2,211
Average Final Average Salary	$4,043	$3,042	$2,049	$2,450	$3,564	$3,916
Number of Active Survivors	11	28	14	18	25	30
Safety Members						
Average Monthly Benefit			$2,887		$1,775	$4,116
Average Final Average Salary			$6,510		$5,138	$5,242
Number of Active Survivors			3		4	3

	1998	1999	2000	2001	2002	2003
County of Los Angeles						
General Members	65,753	68,631	71,940	75,034	77,048	75,980
Safety Members	10,947	11,024	11,264	12,021	12,190	11,765
Total	**76,700**	**79,655**	**83,204**	**87,055**	**89,238**	**87,745**
Participating Agencies (General Membership)						
South Coast Air Quality Management District	7	6	8	3	3	2
Los Angeles County Office of Education	10	8	8	5	5	4
Little Lake Cemetery District	3	3	2	2	2	2
Local Agency Formation Commission	5	4	5	4	4	7
Total	**25**	**21**	**23**	**14**	**14**	**15**
Total Active Membership						
General Members	65,778	68,652	71,963	75,048	77,062	75,995
Safety Members	10,947	11,024	11,264	12,021	12,190	11,765
Total	**76,725**	**79,676**	**83,227**	**87,069**	**89,252**	**87,760**

Employer Contribution Rates

County of Los Angeles and Local Agency Formation Commission

	General					Safety	
Effective Date	Plan A	Plan B	Plan C	Plan D	Plan E	Plan A	Plan B
1 Oct 94 to 30 Jun 95	10.82%	7.58%	7.11%	7.40%	6.34%	19.56%	11.87%
1 Jul 95 to 30 Jun 96	9.73%	6.83%	6.30%	6.85%	5.63%	20.11%	11.53%
1 Jul 96 to 30 Sep 98	9.64%	6.03%	5.69%	5.90%	6.48%	16.73%	9.29%
1 Oct 98 to 30 Jun 99	9.77%	6.46%	6.20%	6.84%	6.50%	20.42%	13.51%
1 Jul 99 to 30 Jun 02	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%
1 Jul 02 to 30 Jun 03	14.85%	8.22%	7.88%	7.94%	7.64%	21.86%	18.79%

Rates applicable to the Local Agency Formation Commission are limited to Plans D and E, General.

Employer Contribution Rates

Los Angeles County Office of Education and Little Lake Cemetery District

	General		
Effective Date	Plan A	Plan B	Plan D
1 Oct 94 to 30 Jun 95	10.09%	7.42%	7.40%
1 Jul 95 to 30 Jun 96	9.00%	6.67%	6.85%
1 Jul 96 to 30 Sep 98	8.95%	6.02%	5.90%
1 Oct 98 to 30 Jun 99	9.08%	6.45%	6.84%
1 Jul 99 to 30 Jun 02	10.96%		6.95%
1 Jul 02 to 30 Jun 03	14.14%		7.94%

Rates applicable to the Los Angeles County Office of Education are limited to Plan A.

Employer Contribution Rates

South Coast Air Quality Management District

	General		
Effective Date	Plan A	Plan B	Plan C
1 Oct 94 to 30 Jun 95	14.32%	11.89%	11.61%
1 Jul 95 to 30 Jun 96	13.23%	11.14%	10.80%
1 Jul 96 to 30 Sep 98	14.56%	12.41%	11.72%
1 Oct 98 to 30 Jun 99	14.69%	12.84%	12.23%
1 Jul 99 to 30 Jun 02	16.86%	15.61%	15.04%
1 Jul 02 to 30 Jun 03	15.69%	11.06%	10.75%

Progress.

This Annual Financial Report shares *what* LACERA has accomplished during fiscal year 2002 – 2003.

We also want you to know *why* we did it. We did it for our members.

Our goal is to Produce, Protect, and Provide the Promised Benefits.

We are proud of our progress thus far and promise to maintain and improve our member services as we progress into the future.

All photos in this book are of actual LA County employees.
This year's annual report was designed by LACERA's Communications staff.

LACERA

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