LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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2004 Annual Report

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

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004

LACERA
Los Angeles County Employees Retirement Association

A Pension Trust Fund of the County of Los Angeles, California
Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004

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

Securing the Future for LACERA Members

Financially Sound

Our members trust us to provide them with excellent retirement benefits, and to invest the association's fund prudently. We take those responsibilities seriously. We want our members to feel secure in knowing that LACERA is financially sound. Primarily due to positive investment performance, we ended our fiscal year with total Plan Net Assets of $29.5 billion.

Fiscally Responsible

The Board of Investments establishes LACERA's investment policies and objectives, defines the duties of the Board, investment staff, investment managers, master custodian, and consultants. Our diversified investments include Stocks/Equities, Fixed Income/Bonds, Real Estate, and Alternative Assets which are featured throughout the 2004 annual report.

Service Oriented

The Board of Retirement is responsible for the overall management and direction of the retirement association. In order to produce, protect, and provide the promised benefits, LACERA strives to create innovative ways to streamline and expedite retirement processes and integrate new technologies. A LACERA fiscal year timeline is included in the Introductory Section and highlights some of our service-oriented accomplishments.

PPCC Award

LACERA received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2003 Award, in recognition of meeting professional standards for plan design and administration. The PPCC is a coalition of associations that represent public pension funds that cover the vast majority of public employees in the U.S. The Public Pension Standards are intended to reflect minimum expectations for public retirement systems management and administration, and serve as a benchmark by which all defined benefit public plans should be measured.

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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

November 5, 2004

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

Dear Board Members:

I am very pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This report is intended to provide the users with extensive and reliable information for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of LACERA.

LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and participating agencies. To that end, we are vigilant in our efforts to provide excellent customer service to over 140,000 members and over 48,000 benefit recipients.

Marsha D. Richter
Chief Executive Officer

Our Vision Statement is guided by LACERA's goal of excellence, commitment, trust, and service: "Our members deserve the best." The desire to achieve this goal is a perpetual catalyst for the Boards, the management, and the employees of LACERA. Each passing year affords another opportunity to be on the cutting edge of new technologies and innovative solutions for work processes and services, as we continue on our quest to deliver the highest quality customer service to our members.

LACERA's vision for the future also includes the long-term objectives of maximizing investment assets and achieving and maintaining a fully funded status for the pension fund. By balancing the importance of preserving capital with prudent investment risks, the diversification of our portfolio reflects a deep commitment to serving the best interests of LACERA's members and beneficiaries.

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 the fiscal year 2003-2004. 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 professional consultants utilized by LACERA.

The Financial Section—Presents the financial condition and funding status of LACERA. This section contains the Independent Auditor's Report by Brown Armstrong CPAs, Management's Discussion and Analysis, Financial Statements and Notes, and Other Supplementary Information.

The Investment Section—Provides an overview of LACERA's investment program. This section contains the Independent Consultants Report, the Chief Investment Officer's Report, Investment Results, a list of the Investment Managers who provide investment services to LACERA, and other portfolio information.

The Actuarial Section—Communicates the Association's funding status and presents other actuarial related information. This section contains the certification of the consulting actuary, Milliman Inc., 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:

- 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 (CERL) 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 CERL 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, to whom is delegated the responsibility of overseeing the day-to-day management of LACERA.

Supplemental Targeted Adjustment for Retirees

On December 20, 1989, the Board of Retirement created the Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA) Program. This program began as an *ad hoc benefit* to restore members' purchasing power which had been eroded by inflation in excess of the protection provided by the statutory Cost-of-Living Adjustment Program (COLA Program). Since its inception, the Board of Retirement has been committed to funding the STAR Program as long as it is economically feasible to do so.

From 1990 through 2000, the STAR Program successfully restored LACERA retiree purchasing power to the then maximum allowable 75% level.

On September 4, 2000, the Governor of California signed into law a provision allowing the Board of Retirement to raise the purchasing power protection to a maximum of 80%. This provision also gave the Board of Retirement the option to make the STAR Program a *permanent benefit* using excess earnings.

The Board of Retirement voted to make permanent the 2001, 2002, and 2003 STAR benefits at an 80% level, allowing current STAR participants and their eligible beneficiaries to continue receiving these benefits for life, without further action by the Board. The STAR benefit costs for calendar year 2003 were $37.2 million, and over 12,000 LACERA retirees received this benefit. On November 20, 2003, the Board of Retirement voted to make permanent the 2004 STAR Program at an 80% benefit level, at a projected cost of $435,000. It is expected that about the same number of retirees as last year will receive this benefit in calendar year 2004.

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 the Management's Discussion and Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the organization.

Investment Activities

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

A pension fund's strategic asset allocation policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives. LACERA's strategic asset allocation targets are long-term by design because of the illiquidity of certain asset classes such as 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 exactly match the target allocation during the entire implementation period.

For the second consecutive year, LACERA acheived positive performance with a total fund return of 16.5% for the fiscal year. The five-year annualized return of 4.5%, while improving, has not completely recovered from the recent bear market.

Actuarial Funding Status

Pursuant to provisions in the CERL of 1937, LACERA engages an independent actuarial firm to perform an annual actuarial valuation. A system actuarial valuation is performed every three years (triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund the system. LACERA also hires an independent actuarial firm to audit the results of each triennial valuation. A triennial valuation was conducted as of June 30, 2001, and will be performed again in conjunction with the June 30, 2004 valuation.

LACERA is funded by member and employer contributions, and investment earnings on those contributions. Normal member contributions are those required to fund a specific annuity at a specified age. Member contribution rates vary according to the member's age at first membership. The CERL of 1937 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.

Liabilities not funded through the member contribution rates are the responsibility of the employer. Changes in any of the economic and non-economic assumptions impact employer contribution rates. The employer is responsible for contributing the cost of benefits expected to be accrued in the future and half of the cost-of-living benefit. These are called normal cost contributions. The employer is also responsible for making additional contributions to eliminate any shortfalls in funding covering liabilities that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

On June 4, 2002, LACERA and the County entered into a Retirement Benefits Enhancement Agreement (Agreement) that enhanced retirement benefits and implemented an interim, short-term funding policy that is in effect through the June 30, 2008 valuation. Under the Agreement, employer contribution rates are adjusted annually following completion of an actuarial valuation.

Milliman Inc., Consultants and Actuaries, LACERA's independent actuary, performed the June 30, 2003 Actuarial Valuation and determined the funding status (the ratio of system assets to system liabilities) to be 87.2%. The UAAL was $3.91 billion. The County contribution rate was therefore increased by 4.66% of payroll (amortization of the UAAL over 30 years) over the normal cost rate of 9.99%.

Gregg Rademacher
Assistant Executive Officer

Achievements in Customer Service

Fiscal year 2003-2004 was an eventful and productive period for LACERA. Every division contributed to our members' overall satisfaction, as well as the health of the retirement fund.

Communications Division

LACERA's web site, www.lacera.com, has continued to be an excellent source of information for our members. Launched in November 2000, www.lacera.com has grown to contain over 1,100 pages, with nearly 500 new pages added this year alone. The web site is updated with current reporting on legislation, benefit information, and other retirement news. The launch of the Additional Retirement Credit (ARC) Calculator on the web site now allows members to calculate whether or not purchasing ARC credit would be in their best interest.

This year the Communications Division also rewrote and distributed four new 2004 Plan Brochures: Plan A and B Safety, Plan A, B, and C, Plan D, and Plan E. Because legislation and benefits are constantly changing, www.lacera.com has a coordinating page that will be periodically updated when information in the plan booklets becomes outdated.

Claims Processing Division

The Claims Processing Division saw many improvements during this fiscal year in its ability to deliver excellent customer service. Its staff's overall processing accuracy rating increased from 86% to 93%. During the annual March "rush" of retirements, Claims Processing was able to pay 99.3% or 798 of 804 retirees within 30 days of their retirement date. Other service improvements included:

- With the Systems Division, finalizing the rewrite of the Seamless Survivor program for deceased Active Plan E members and survivors of deceased retirees. This program allows survivors to be paid without interruption during a difficult time of transition.

- Developing and implementing AB 55, the Additional Retirement Credit (ARC) process. As part of this process, Claims Processing designed and implemented procedures which enable members to utilize their termination pay to purchase ARC. To this end, staff processed over 1,500 member requests and set up approximately 400 ARC contracts within a five-month period.

Disability Division

In March 2004, the Disability Division completed a training manual for Disability Retirement Specialists. This manual is now being used in the training of all new recruits, and has become a valuable reference for experienced Specialists in working with LACERA members. The Disability division also created official Disability Policies and Procedures. The information, distributed to the Board of Retirement on customized CDs, was also posted on the LACERA intranet for staff reference.

Member Services Division

The Member Services Division continues to serve the LACERA membership with increasing accuracy and efficiency. This fiscal year Member Services accomplished the following:

- Approximately 136,000 telephone inquiries were received from members, 86% of which were answered within 30 seconds.
- Over 11,500 members were served at our Public Service counter, with an average wait of less than 8 minutes to see a counselor.
- More than 500 workshops were presented at LACERA, County departmental locations, and other facilities.
- 24 in-home or in-hospital counseling sessions were conducted as a service to terminally ill members and their families. These sessions are designed to help critically ill members make benefit decisions that will best provide for their families.

Additionally, this year a service enhancement was put in place which allows retirees, survivors, and deferred members to change their address with a phone call to LACERA's Call Center. This process eliminates the need for the member to submit the request in writing.

Retiree Health Care Division

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 72,500 retirees, survivors, and their eligible dependents.

Robert R. Hill
Assistant Executive Officer

During fiscal year 2003-2004, the Health Care Benefits Program accomplished the following:

- Conducted LACERA's 12th annual Health Fair, sponsored by participating health care providers and organizations.
- Mailed the annual letter and insurance rate booklet to 37,000 members in May 2004, and implemented the new rate tables for a July 1, 2004 effective date.
- Conducted a communication program which informed LACERA members about the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.
- Initiated the process of extending LACERA's Health Care Benefits Program to eligible domestic partners. In addition to extending benefits to domestic partners, this process included coordinating with the Communications Division to publish articles in the *PostScript* and *Spotlight* newsletters about this new benefit.

- In addition to the County-sponsored Health Care Benefits Program, LACERA sponsors a Long Term Care Program with a current enrollment of nearly 3,500 participants.

Systems Division

The Systems Division made significant updates to programs which improved the security of members' personal information, as well as expediting processes for members. IRIS (Integrated Retirement Information System) Security Access was revised and streamlined to tighten up access, as well as ease the transition of new and existing staff from one work team to another. In August 2003, the Board Agenda programs were modified to support weekly, rather than monthly, processing. This expedited the delivery of the Board letters to the departments, streamlining the delivery of member termination data.

In a coordinated effort with the Communications Division, the Systems Division created and launched an Additional Retirement Credit (ARC) Calculator on www.lacera.com. This interactive feature is instrumental for members who are considering purchasing ARC.

Awards and Recognition

For the 14th consecutive year, LACERA was awarded by the GFOA (Government Finance Officers Association) the Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. To be eligible for this award, a report must be easily readable, efficiently organized, and satisfy both generally accepted accounting principles and applicable legal requirements.

LACERA also received the GFOA (Government Finance Officers Association) award for Outstanding Achievement for our PAFR (Popular Annual Financial Report) for fiscal year ending June 30, 2003. This was the sixth year LACERA has received this award.

Additionally, LACERA received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2003 Award, in recognition of meeting professional standards for plan design and administration.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report in a timely manner is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. I am sincerely grateful to the LACERA Boards and staff, as well as to all of our professional service providers, who perform so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Marsha D. Richter

Marsha D. Richter
Chief Executive Officer

Board of Retirement
Los Angeles County Employees Retirement Association

Les Robbins, Chair
Elected by Safety Members
Term expires 12-31-04

Simon S. Russin, Vice Chair
Elected by General Members
Term expires 12-31-06

William de la Garza, Secretary
Elected by Retired Members
Term expires 12-31-05

Mark J. Saladino, Treasurer and Tax Collector
Ex-officio Member

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

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

William Pryor, Alternate
Elected by Safety Members
Term expires 12-31-04

Richard R. Wirth
Appointed by the Board of Supervisors
Term expires 12-31-06

Sadonya Antebi
Appointed by the Board of Supervisors
Term expires 12-31-02*

Vacant
To be appointed by the Board of Supervisors

**A new appointee has not yet been named by the Board of Supervisors, therefore Ms. Antebi continues to serve on the Board.*

Sandra J. Anderson, Chair
Elected by Retired Members
Term expires 12-31-05

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

Bruce Perelman, Secretary
Elected by General Members
Term expires 12-31-05

Mark J. Saladino, Treasurer and Tax Collector
Ex-officio Member

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

Herman Santos
Elected by General Members
Term expires 12-31-06

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

Leonard Unger
Appointed by the Board of Supervisors
Term expires 12-31-06

July 1, 2003 — June 30, 2004 Fiscal Year Timeline

LACERA's goal to produce, protect, and provide our members' promised benefits is always in our line of vision. Fiscal year 2003-2004 was eventful and productive, and brought us even closer to this goal. From the implementation of new programs to the improvement of existing ones, we have—and will continue—to rise to the challenge of surpassing customer service expectations.

The Contribution Balance Interest Posting program is modified by the Systems Division to comply with AB 2766. As of this date, all Inactive and Unclaimed member statuses will be updated with semi-annual interest. 7-2003

The Board of Retirement adopts a recommendation delegating authority to LACERA's Chief Executive Officer to administratively grant service retirements, expediting the retiree payroll process. 8-2003

The Retiree Health Care Division hosts LACERA's 12th annual Health Fair, drawing hundreds of retirees from all over the Southland for an informative day of health, safety, and socializing. 9-2003

For the protection of confidential information, the Systems Division removes beneficiaries' Social Security numbers from Beneficiary Confirmation letters, and the Disability Reason code is removed from the staff's screen display. 10-2003

The Communications Division creates, prints, and distributes award-winning 2003 Annual Report, CAFR (Comprehensive Annual Financial Report), and PAFR (Popular Annual Financial Report); all financial information is compiled by the Financial and Accounting Services Division. 11-2003

The Internal Audit Division conducts an Equity Management Review. 12-2003

July 2003 | August 2003 | September 2003 | October 2003 | November 2003 | December 2003

Service Oriented

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

The Disability Division creates official Disability Policies and Procedures. The information is distributed to the Board of Retirement on customized CDs, and posted on LACERA's intranet

1-2004

During the annual March "rush" of retirements, the Claims Processing Division pays 99.3% of retirees within 30 days of their retirement date.

3-2004

The Administrative Services, Systems, and Internal Audit Divisions successfully test the Business Continuity Plan, a disaster recovery procedure intended to allow business to carry on in the event of a natural or other disaster.

5-2004

The Claims Processing Division transitions from semi-annual reporting of Pension Benefits Information (PBI) to monthly reporting, allowing staff to process deceased members' information more quickly, and identify possible benefit over-payments.

2-2004

The Systems and Communications Divisions add an Additional Retirement Credit (ARC) Calculator to the LACERA web site, www.lacera.com. The Claims Processing Division designs and implements procedures which enable members to utilize their termination pay to purchase ARC.

3-2004

During the fiscal year, Member Services serves 11,748 members at LACERA's public service counter, answers 135,504 telephone inquiries from members, conducts 24 in-home or in-hospital counseling sessions as a service to terminally ill members and their families, and presents 529 workshops at LACERA, County departmental locations, and other facilities.

4-2004

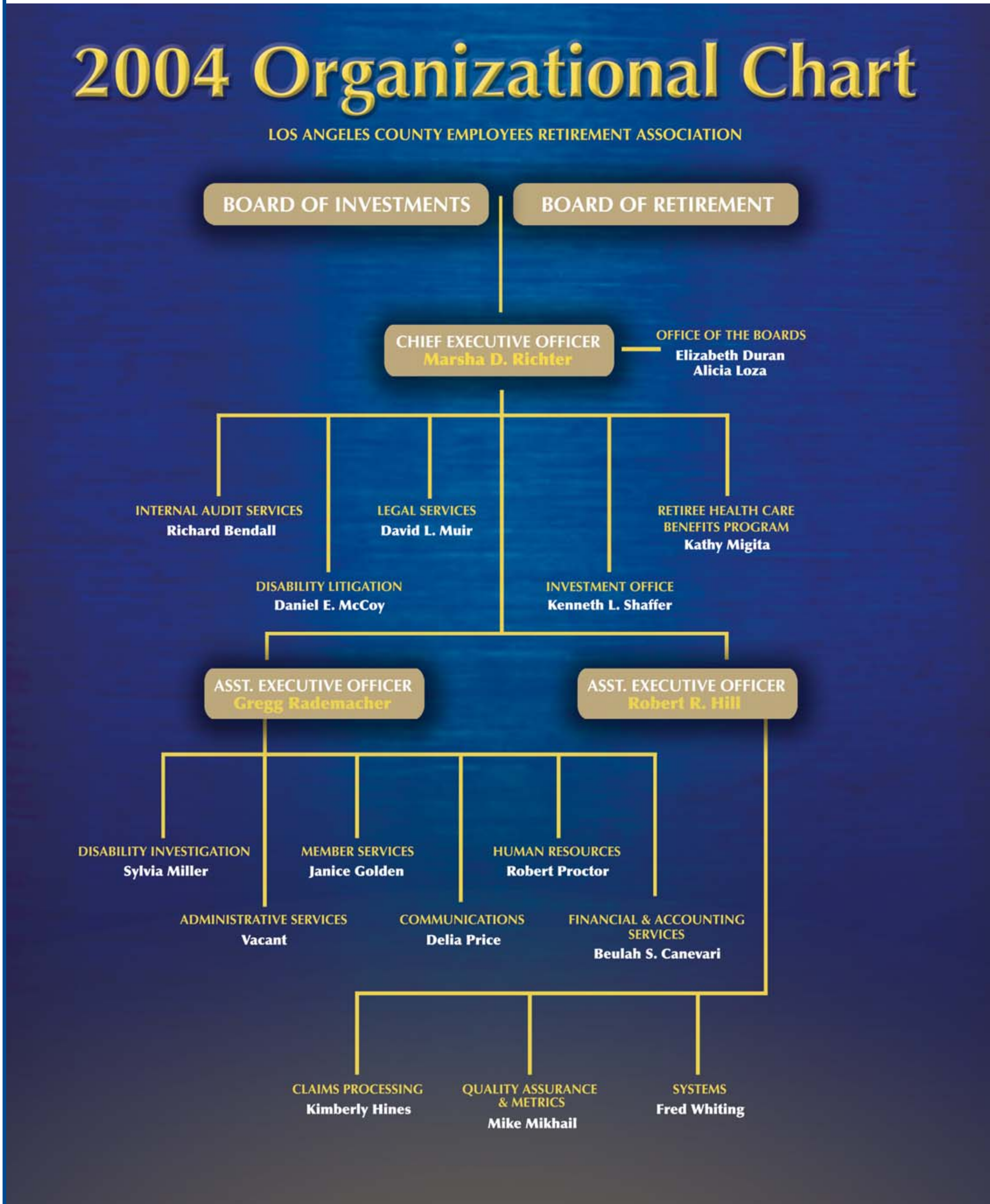
During the fiscal year, the Communications Division produces and distributes eight newsletters to active and retired members, and posts 491 new web pages and documents to the LACERA internet and intranet.

6-2004

January 2004 | February 2004 | March 2004 | April 2004 | May 2004 | June 2004

2004 Annual Report

Comprehensive Annual Financial Report for the year ended June 30, 2004



(The List of Investment Managers is located on page 53 of the Investment Section.)

Actuary
Milliman, Inc.

Auditors
Brown Armstrong, CPAs
The Segal Company

Commercial Banking
Mellon Global Cash Management

Data Processing
Los Angeles County
Internal Services Department

Governance Consultants
Institutional Shareholder Services, Inc.

Investment Consultants
Frank Russell Company
The Townsend Group

Legal Council
Bannan, Green, Frank & Terzian, L.L.P.
Christensen, Miller, Fink, Jacobs, Glasser Weil & Shapiro, L.L.P.
Cochran-Bond Law Offices
Cox, Castle & Nicholson, L.L.P.
Foley & Lardner, L.L.P.
Graves, Roberson & Bourassa
Gray Cary Were & Freidenrich, L.L.P.
Groom Law Group
Hanson, Bridgett, Marcus, Vlahos, Rudy, L.L.P.
Jones, Day, Reavis & Pogue
Kevin Meenan
Morgan, Lewis & Brockius, L.L.P.
Morrison & Foerster, L.L.P.
Ogier & LeMasurier Jersey
O'Melveny & Myers, L.L.P.
Orrick, Herrington & Sutcliffe, L.L.P.
Paul, Hastings, Janofsky & Walker, L.L.P.
Seyfarth Shaw, L.L.P.

Certificate of Achievement
Each year, a Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and reporting each year. This report must satisfy both generally accepted accounting principles and applicable legal requirements. For the 14th consecutive year, LACERA has been awarded this prestigious award for the 2003 comprehensive annual financial report. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we will submit it to the GFOA to determine its eligibility for another certificate.

Stocks

Lisa Mazzocco
Deputy CIO,
Domestic & International Stocks

Stocks (Equities) are 56% of the 2004 Actual Asset Allocation

Global Stock (Equity): 23%
Domestic Stock (Equity): 33%

Total Stocks (Equities): $16,556,302,000
(as of 6-30-04)

Financial Section

Controls Performed by the Financial and Accounting Services Division for Stocks (Equities)

- Ensuring that the stock securities are properly classified and recorded.
- Reconciling the shares/par and market value with the investment managers' and custodian bank's records.
- Verifying, analyzing, and recording the dividend income from domestic and global equity securities.

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

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Shafter, California 93263
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Fax 661-746-1218

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, 2004 and 2003 and the related statement of changes in plan net assets for the years 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.

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, 2004 and 2003 and its changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 19 through 22 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 on pages 41 through 43, 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 on pages 41 through 43 has 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 or statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004, 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

Bakersfield, CA
September 30, 2004

Andrew J. Paulden

Management's Discussion and Analysis as of June 30, 2004

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, 2004. Readers are encouraged to consider the information presented in conjunction with the Financial Statements.

Financial Highlights

- Net Assets Held in Trust for Pension Benefits, as reported in the Statement of Plan Net Assets, totals $29.5 billion, an increase of $3.23 billion or 12.3% 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 $4.78 billion primarily as a result of the Net Appreciation in the Fair Value of Investments and Investment Income. This represents an increase from the prior year of $3.14 billion or a change of 192%.
- Total Deductions as reflected in the Statement of Changes in Plan Net Assets total $1.55 billion, an increase of $112 million or 7.8% from prior year.
- Milliman, Inc. served as LACERA's independent actuary. The latest actuarial valuation completed was as of June 30, 2003 and determined the funding status (the ratio of system assets to system liabilities) to be 87.2%.

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.

Beulah S. Canevari
Manager, Financial and
Accounting Services Division

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

Assets and Funding Ratio

As of June 30, 2004, LACERA has $29.5 billion in net assets, which means that Total Assets of $33.2 billion exceed Total Liabilities of $3.77 billion. As of June 30, 2003, LACERA had $26.2 billion in net assets, as a result of Total Assets of $30.4 billion exceeding Total Liabilities of $4.16 billion. The net assets represent funds available for future payments. However, of importance is the fact that unlike private pension funds, public pension funds are not required to 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, 2004, 2003, and 2002: (Dollars in millions)	2004	2003	2002	% Change 2004 - 2003	% Change 2003 - 2002
Investments	$ 29,887	$27,058	$26,743	10.5%	1.2%
Other Assets	3,361	3,354	2,242	0.2%	49.6%
Total Assets	33,248	30,412	28,985	9.3%	4.9%
Total Liabilities	3,767	4,164	2,938	-9.5%	41.7%
Total Plan Net Assets	**$29,481**	**$26,248**	**$26,047**	**12.3%**	**0.8%**

In order to determine whether the $29.5 billion in net assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. LACERA's independent actuary, Milliman Inc., performed an actuarial valuation as of June 30, 2003 and determined that the funding ratio of the actuarial assets to the actuarial accrued liability is 87.2%. The actuarial valuation as of June 30, 2002 determined the funding ratio to be 99.4%. 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 shows that as of the June 30, 2003 actuarial valuation, LACERA had approximately $.87 available for each $1.00 of anticipated future liability, and as of the June 30, 2002 actuarial valuation, LACERA had approximately $.99 available for each $1.00 of anticipated future liability.

Additions and Deductions to Plan Net Assets

The primary sources which 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 2004, Total Additions amounted to $4.78 billion, achieved primarily due to positive investment performance with a total fund return of 16.5% for the fiscal year. For fiscal year 2003, primarily due to positive investment returns from a slow economic recovery and steady contributions, Total Additions amounted to $1.64 billion.

To finance its contributions due LACERA, the County makes monthly cash payments and/or directs LACERA to transfer funds from its County Contribution Credit Reserve (CCCR). Employer contributions as reported reflect only cash payments received from the County. The 2004 contributions increased from the prior year due to a slight increase in the contribution rates to cover the Unfunded Actuarial Accrued Liability. In addition, the County funded approximately nine months of contributions in cash, which is one month more than the prior year. The 2003 contributions increased from the year prior 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 County's contributions for the remaining months were made through transfers from funds available in the 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 2004 was $4.12 billion, an increase of $3.19 billion or 345.2% over prior year. For the second consecutive year, LACERA achieved positive performance with a total fund performance of 16.5%. Net investment income for fiscal year 2003 was $925 million, an increase of $2.46 billion 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 2003 fiscal year.

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, the funding of the 401(h) portion of the Retiree Health Care Program, and the cost of administering the plan. These deductions total $1.55 billion for fiscal year 2004, an increase of $112 million, or 7.8% from the prior year. For fiscal year 2003, these deductions total $1.43 billion, an increase of $98 million, or 7.3% from the prior year. For both years, the increases are largely due to the steady growth in the number of retired members and their beneficiaries.

The Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.13% 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, plus an additional one-hundredth of one percent (.01%) for the cost of legal representation. It is the intent of the Boards to remain within the appropriation limit established in the Government Code, which the Boards have historically done.

Additions and Deductions to Plan Net Assets

For the Years Ended June 30, 2004, 2003, and 2002: (Dollars in millions)	2004	2003	2002	2004 - 2003 % Change	2003 - 2002 % Change
Contributions and Misc.	$ 661	$ 710	$ 564	-6.9%	25.9%
Net Investment Income/(Loss)	4,118	925	(1,534)	345.2%	160.3%
Total Additions	**$ 4,779**	**$1,635**	**$ (970)**	**192.3%**	**268.6%**
Benefits and Refunds	$ 1,448	$ 1,339	$ 1,240	8.1%	8.0%
Administrative Expense and Misc.	39	42	38	-7.1%	10.5%
Retiree Health Care	59	53	58	11.3%	-8.6%
Total Deductions	**$ 1,546**	**$1,434**	**$ 1,336**	**7.8%**	**7.3%**
Net Increase/(Decrease)	**$ 3,233**	**$ 201**	**$(2,306)**	**1,508.5%**	**-108.7%**

Overall Analysis
As of June 30, 2004, LACERA's market value is $29.5 billion. Although it increased 12.3% from the prior year, it represents a decrease of 6.6% from the prior five years. The overall slow recovery within the last five year period is due to increased contributions by plan participants plus the investment portfolio's positive performance. The portfolio's five year annualized return of 4.5%, while improving, has not completely recovered from the recent bear market.

Economic and Market Review

During the last fiscal year, historically low mortgage rates continued to stimulate home refinancings and support a strong housing market. While this activity kept consumer spending buoyant, two factors started to dampen consumer enthusiasm. First, higher oil prices increased gasoline prices while reducing disposable income. Second, the prospect of higher interest rates increased the cost of consumer debt. As anticipated, the Federal Reserve began the first of what is expected to be many interest rate hikes.

Capital spending was mixed during the period as a result of Corporate America's concerns about terrorism and the sustainability of economic growth. While corporate cash flows remained strong, Chief Executive Officers' continued reluctance to increase payrolls resulted in sub-par job growth. Conversely, spending on equipment and software has increased significantly after a period of weak investment spending and the continued low interest rate environment.

The equity markets generated a positive double-digit return during this period. The Russell 3000, a broad-based benchmark for equity securities, returned 20.5% for the one-year period ended June 30, 2004. This contrasts sharply with the 0.8% return for the prior fiscal year. Key economic sectors such as technology and financial services sectors returned 24.2% and 19.3%, respectively, during the year as measured by Russell/Mellon Analytical Services.

The prospect of higher interest rates diminished investor enthusiasm for fixed income securities. During the one-year period ended June 30, 2004, the Lehman Brothers Aggregate index, a broad-based benchmark of government, mortgage-backed and high quality corporate bonds, returned a 0.3%. High yield bonds were the best performing segment of the bond market with a 10.3% return as measured by Lehman Brothers.

Finally, international equity markets generated robust returns with the Morgan Stanley All Country World excluding the United States returning 32.5%. A depreciating U.S. dollar against major currencies significantly increased U.S. investor returns. In local currencies, this index returned 23.9% thus indicating the dollar depreciated by approximately 7%.

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
Financial and Accounting Services Division
LACERA
300 N. Lake Ave., Suite 720
Pasadena, CA 91101

Respectfully submitted,

Beulah S. Canevari

Beulah S. Canevari, CPA, CGFM
Manager, Financial and Accounting Services Division

Statement of Plan Net Assets

As of June 30, 2004 and 2003:
(Dollars in thousands)

	2004	2003
Assets		
Cash	$ 39,844	$ 46,995
Collateral on Loaned Securities	2,770,860	2,485,458
Receivables		
Accounts Receivable - Sale of Investments	347,492	622,747
Accrued Interest and Dividends	102,427	94,745
Accounts Receivable - Other	100,212	103,561
Total Receivables	550,131	821,053
Investments at Fair Value - Note M		
Stocks	16,556,302	13,526,826
Bonds	7,588,497	7,368,548
Short Term Investments	1,086,950	1,417,584
Real Estate	2,952,245	3,143,473
Mortgages	320,594	331,778
Alternative Assets	1,382,499	1,269,916
Total Investments	29,887,087	27,058,125
Capital Assets Net of Depreciation	1	42
Total Assets	**33,247,923**	**30,411,673**
Liabilities		
Accounts Payable - Purchase of Investments	924,203	1,612,982
Retiree Payroll and Other Payables	8	50
Accrued Expenses	20,660	19,288
Tax Withholding Payable	14,180	12,838
Obligations under Securities Lending Program	2,770,860	2,485,458
Accounts Payable - Other	36,829	33,251
Total Liabilities	**3,766,740**	**4,163,867**
Net Assets Held in Trust for Pension Benefits	**$29,481,183**	**$26,247,806**

(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, 2004 and 2003:
(Dollars in thousands)

	2004	2003
Additions		
Contributions		
Employer	$ 395,109	$ 325,524
Member	262,699	233,192
Total Contributions	657,808	558,716
Investment Income		
From Investing Activities		
Net Appreciation/(Depreciation) in Fair Value of Investments	2,740,449	405,272
Investment Income	1,444,888	580,296
Total Investing Activity Income/(Loss)	4,185,337	985,568
Less Expenses from Investing Activities	(75,823)	(68,258)
Net Investing Activity Income/(Loss)	4,109,514	917,310
From Securities Lending Activities		
Securities Lending Income	36,817	40,995
Less Expenses from Securities Lending Activities	(27,831)	(33,314)
Net Securities Lending Income	8,986	7,681
Total Net Investment Income/(Loss)	4,118,500	924,991
Miscellaneous	2,605	151,215
Total Additions/(Declines)	**4,778,913**	**1,634,922**
Deductions		
Retiree Payroll	1,426,944	1,320,775
Administrative Expense - Note B	38,684	41,523
Refunds	18,088	16,756
Lump Sum Death Benefits	2,479	1,671
Retiree Health Care Program	59,054	53,407
Miscellaneous	287	224
Total Deductions	**1,545,536**	**1,434,356**
Net Increase/(Decrease)	3,233,377	200,566
Net Assets Held in Trust for Pension Benefits Beginning of Year	26,247,806	26,047,240
End of Year	**$29,481,183**	**$ 26,247,806**

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), fire fighting, 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 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.

Membership

At June 30, 2004 and 2003, LACERA membership consisted of:

	2004	2003
Active Members		
Vested	59,278	57,734
Nonvested	26,959	30,026
Total Active Members	86,237	87,760
Retired Members	48,595	47,232
Terminated Vested (Deferred)	6,559	6,394
Total Membership	**141,391**	**141,386**

Benefit Provisions

Vesting occurs when a member accumulates five years of County (or combined County and reciprocal service credit) under contributory plans or accumulates 10 years of County (or combined County and reciprocal service credit) 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 the applicable statutory formula. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for nonservice-connected disability eligibility according to the applicable statutory formula. Members of the 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 of 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 the 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. 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. Plan E members receive cost-of-living increases for service credit earned subsequent to June 4, 2002.

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 2003, the Board of Retirement voted to make permanent the 2004 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 2004 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.

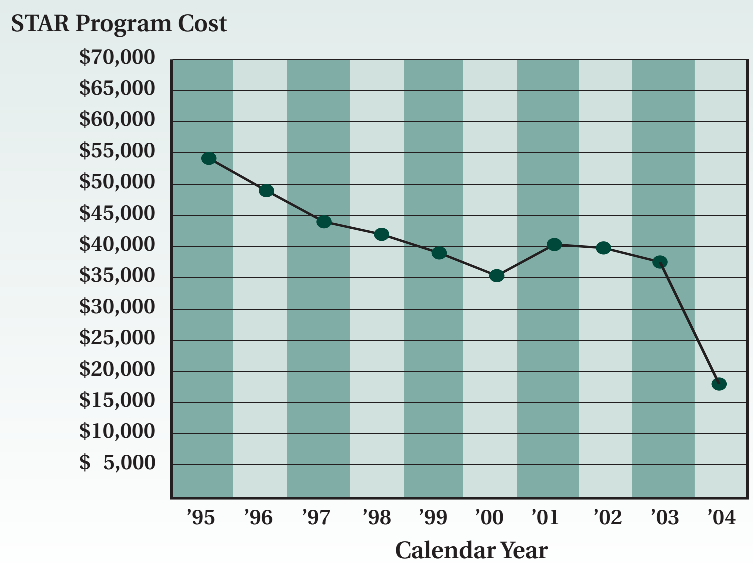
Since the inception of the STAR Program in 1990 to present, the Program has received $1.52 billion in funding. The STAR Program funded approximately $310 million for the vesting of the 2001-2004 STAR Program benefits. As of June 30, 2004, there is $657 million available in the STAR Program Reserve to fund future benefits.

LACERA STAR Program Cost as of June 2004

The STAR program is administered on a calendar year basis. The following represents the STAR Program cost over the last 10 years:
(Dollars in thousands)

Year	STAR Program Cost
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	37,202
2004	17,588*
Total	**$402,036**

*Represents Program Year through June 30.



Note: Charging of the monthly STAR benefit payments to the Employer Reserve took effect as of July 1, 2001.

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 seven 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 Financial and Accounting Services Division, Attention: FASD Manager, 300 North Lake Avenue, Suite 720, Pasadena, CA 91101.

Method of Reporting

LACERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board. 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 the earnings of the retirement fund and are limited to eighteen one-hundredths of one percent (.18%) of total system assets as set forth under Government Code Section 31580.2. In addition, the cost of legal representation shall not exceed one-hundredth of one percent (.01%) of system assets in any budget year, pursuant to Section 31529.1.

Budget to Actual Analysis of Administrative Expenses

The following budget to actual analysis of administrative expenses is based upon the budget, as approved by the governing boards, and reflects actual administrative expenses:
(Dollars in thousands)

Total Projected Asset Base as of December 31, 2003 at fair value	$ 25,587,002
Maximum Allowable for Administrative Expense (.0018 x $25,587,002)	46,057
Maximum Legal Representation Appropriation (.0001 x $25,587,002)	2,559
Total Statutory Budget Appropriation	$ 48,616
Operating Budget Request for Fiscal Year 2003-2004	$ 43,450
Actual Administrative Expenses for Fiscal Year ended June 30, 2004	38,684
Underexpended Operating Budget	**$ 4,766**

Capital Assets

In Fiscal Year 1999-2000, LACERA changed its policy on capital assets whereby new capital asset acquisitions are expensed instead of being capitalized. Capital assets acquired prior to Fiscal Year 1999-2000 are carried at cost less accumulated depreciation.

These assets are depreciated over their remaining useful lives. Depreciation is calculated using the straight-line method with five-year useful lives for equipment and ten-years for furniture, structures, and leasehold improvements.

Cost and Accumulated Depreciation of Capital Assets

The cost and accumulated depreciation of capital assets as of June 30, 2004 and 2003 were as follows:
(Dollars in thousands)

	2004	2003
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	4,276	4,236
Structures and Improvements	2,829	2,829
Total Accumulated Depreciation	7,105	7,065
Total Capital Assets Net of Depreciation	**$ 2**	**$ 42**

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, 2004 and 2003 were $1.85 million and $1.79 million, respectively.

Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2004 and 2003.

Investments

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

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, 2004 and 2003.
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. Member and employer contributions received from the participating agencies are considered part of LACERA's plan as a whole.

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

For fiscal year ending June 30, 2004, the County paid its employer contributions due to LACERA in the form of monthly cash payments through March. The County's contributions for the approximate remaining three months were made from transfers from the County Contribution Credit Reserve. For fiscal year ending June 30, 2003, the County paid its employer contributions due to LACERA in the form of monthly cash payments through February. The County's contributions for the approximate remaining four months were made from transfers from the County Contribution Credit Reserve.

NOTE D — Reserves

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

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

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

For fiscal year 2003-2004, the County paid its employer contributions using a combination of cash and transfers from the County Contribution Credit Reserve. On June 30, 2004, the County prefunded approximately $620 million from the County Contribution Credit Reserve, a portion of its employer contributions due LACERA for the two fiscal years ended June 30, 2005 and 2006.

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 current and 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 2003, the Board of Retirement voted to make permanent the 2004 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. Permanent STAR benefits become part of the member's retirement allowance and are payable for life. Ad hoc STAR benefits are payable only for the year approved.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, and funding of the STAR Reserve when excess earnings are available and authorized by LACERA's Boards. The Contingency Reserve is used to satisfy the California Government Code requirement for LACERA to reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The California Government Code and the Board's Actuarial Funding Policy provide the ideal reserve be set at 1% of net assets. The balance of the Contingency Reserve of $49.1 million and $5.08 million represent 0.17% and 0.02% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 2004 and 2003, respectively.

Reserves

Reserves as of June 30, 2004 and 2003 are as follows:
(Dollars in thousands)

	2004	2003
Member Reserves	$ 9,922,484	$ 9,289,062
Employer Reserves		
Actual Employer Contributions	13,365,323	13,364,507
Advanced Employer Contributions (FY 2004 and 2005)	619,883	26,897
Total Employer Reserves	13,985,206	13,391,404
County Contribution Credit Reserve	375,146	1,153,018
STAR Reserve	656,602	657,037
Contingency Reserve	49,090	5,079
Total Reserves at Book Value	24,988,528	24,495,600
Unrealized Investment Portfolio Appreciation	4,492,655	1,752,206
Total Reserves at Fair Value	**$29,481,183**	**$26,247,806**

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 Benefits Enhancement Agreement (Agreement) that enhanced retirement benefits and implemented an interim, short-term funding policy that is in effect through the June 30, 2008 valuation. Under the Agreement, employer contribution rates are adjusted annually following completion of an actuarial valuation. See Financial Section, “Notes to Required Supplementary Schedules” for additional information.

During fiscal year 2003-2004, Milliman, Inc. served as LACERA’s independent actuary. Milliman, Inc. completed the actuarial valuation as of June 30, 2003 and determined the funding status (the ratio of system assets to system liabilities) to be 87.2%. 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, 2003 valuation, determining the funding ratio to be 87.2%, recognized an UAAL of $3.91 billion. The County contribution rate was therefore increased by 4.66 % of payroll (amortization of the UAAL over 30 years) over the normal cost rate of 9.99%.

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 $40.7 million and $42.0 million in related reimbursements during each of the years ended June 30, 2004 and 2003, 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 — Postretirement 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 postretirement 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, 2004, $255 million in premium payments were made to insurance carriers. These payments were funded by employer contributions of $226 million, of which $59.1 million was paid through the 401(h) Account, and $29.5 million by the participants. 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 $53.4 million was paid through the 401(h) Account, and $26.1 million by the participants.

Health Care Benefits Program Participants

A summary of HBP participants is as follows:

	2004	2003
Medical Plans	36,962	35,992
Dental/Vision Plans	36,686	35,613
Total	**73,648**	71,605

NOTE H — Summary of Investment Policies

The County Employees Retirement Law of 1937 (Retirement Law) vests the Board of Investments (Board) with exclusive control over LACERA’s investment portfolio. Except as otherwise restricted by the California Constitution or other laws, the Retirement 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 Retirement 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.
- Shall diversify 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, 2004, LACERA's largest industry concentration occurred in Financial Services comprising approximately 22.1% of the domestic equity composite compared with 22.4% 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 represent 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 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, 2004, 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, 2004 and 2003.

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, 2004, the fair value of securities on loan was $2.64 billion with the value of cash collateral received for the securities on loan of $2.77 billion. As of June 30, 2003, the fair value of securities on loan was $2.33 billion and the value of cash collateral received for the securities on loan was $2.49 billion, with non-cash collateral of $11.2 million. LACERA's income net of expenses from securities lending was $8.99 million and $7.68 million for the years ended June 30, 2004 and 2003, 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 2004 was $80.4 million. The net foreign currency gain in fiscal year 2003 was $33.6 million. At June 30, 2004, forward currency contracts receivable and payable totaled $196 million and $198 million, respectively. At June 30, 2003, forward currency contracts receivable and payable totaled $208 million and $207 million, respectively.

NOTE L — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 70 Title Holding Corporations (THCs) and seven Limited Liability Companies (LLCs) as of June 30, 2004. The real estate portfolio had 71 THCs and six LLCs as of June 30, 2003.

Title Holding Corporations' Financial Position

The following is a summary of the THCs' financial position as of June 30, 2004 and 2003:
(Dollars in thousands)

	2004	2003
Assets	$ 2,967,011	$ 3,161,326
Less: Liabilities	252,029	250,743
Net Assets	**$2,714,982**	**$2,910,583**
Net Income	$ 216,495	$ 227,717

NOTE M — Deposits and Investments

Three categories of risk level have been developed by the Governmental 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, 2004 and 2003 are classified as follows:

(Dollars in thousands)

	Category 1 Bank Balance	Category 3 Bank Balance	June 30, 2004 Total Bank Balance	June 30, 2003 Total Bank Balance
Deposits				
Cash	$ 28,157	$ 8,176	$ 36,333	$ 45,749
Total Categorized Deposits	28,157	8,176	36,333	45,749
	Fair Value		**Fair Value**	**Fair Value**
Investments				
U.S. Government and				
Agency Instruments	1,911,672		1,911,672	1,689,183
Domestic Corporate Bonds	3,308,633		3,308,633	3,575,369
Global Bonds	53,684		53,684	103,584
Private Placement Bonds	340,918		340,918	412,080
Total Bonds	5,614,907		5,614,907	5,780,216
Domestic Stocks	9,353,495		9,353,495	7,862,620
Domestic Convertibles	14,876		14,876	14,537
Global Stocks:				
Not on Securities Loan	6,511,857		6,511,857	4,908,906
On Securities Loan for Securities Collateral				10,630
Global Convertible Debentures	10,643		10,643	1,658
Total Stocks and Convertibles	15,890,871		15,890,871	12,798,351
Short Term Investments				
Government	153,609		153,609	318,080
Corporate	933,341		933,341	1,099,504
Total Short Term Investments	1,086,950		1,086,950	1,417,584
Total Categorized Investments	22,592,728		22,592,728	19,996,151
Investments not considered securities for purposes of custodial risk classification are as follows:				
Real Estate and Title Holding Corporations			2,952,245	3,143,473
Mortgages			320,594	331,778
Alternative Assets			1,382,499	1,269,916
LA County Treasurer Investment Pool			3,511	1,246
Investments held by broker-dealer under securities loans with cash collateral:				
Stocks			665,431	728,475
Government Bonds			1,435,465	1,244,109
Corporate Bonds			538,125	344,223
Securities Lending Cash Collateral Invested in Short-term Investments			2,770,860	2,485,458
Total Uncategorized Investments			10,068,730	9,548,678
Total Deposits and Investments	**$22,620,885**	**$ 8,176**	**$32,697,791**	**$29,590,578**

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 $4.18 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 $1.43 million over the 5-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 $854,000 and $767,000 for the years ended June 30, 2004 and 2003, respectively.

LACERA has notes receivables of approximately $52.2 million and $59.2 million from three of their Title Holding Corporations, as of fiscal year end June 30, 2004 and 2003, 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 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. The California Supreme Court denied review and the trial court judgment is final.

The actuarial valuation as of June 30, 2003 included $190 million in additional unfunded actuarial accrued liability (UAAL) representing the actuary's then most current estimate of the present value of benefit increases required by the judgment, less anticipated arrears contributions. The employer contribution rates that took effect July 1, 2004 include amounts to discharge the UAAL over a rolling 30 year period. The actuary's most recent estimate, dated July 1, 2004, projects the increase in liability (net of arrears contributions) to be approximately $182 million.

LACERA began including cashable flexible benefit plan contributions in pensionable compensation effective January 1, 1991. In another related proceeding, 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.

A trial court judgment was entered denying the inclusion of cashable flexible benefit contributions, but requiring the inclusion of any flexible benefit payments actually received in cash by pre-1991 retirees who participated in the flexible benefit program, and to adjust pension payments made on and after September 9, 1995. The judgment was appealed by the County, but not LACERA. The case is now pending in the Court of Appeal.

The cost of implementing the trial court judgment in favor of the petitioner has not been determined by LACERA; however, the County has filed with the trial court an actuarial estimate of $62.7 million in additional UAAL as of June 30, 2003 if all flexible benefits had been included. However, the judgment required inclusion of only the amounts actually received in cash by the members. LACERA has not determined the actuarial cost of that ruling. Additional data submitted to the Court by the County showed that the actual amount received in cash was approximately only one-third of the total flexible benefit contributions that resulted in the $62.7 million cost estimate. Any such cost could be partially offset by member contributions applicable to the flexible benefit plan contributions at issue. The balance would be recovered by assessing additional employer contributions.

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 was appointed "lead plaintiff" in the Enterasys Networks, Inc. securities litigation and obtained a $50 million settlement and significant corporate governance improvements on behalf of class members. Currently, LACERA is co-lead plaintiff, along with the Teachers' Retirement System of Louisiana and the Detroit Policemen and Firemen Retirement Fund, in the King Pharmaceuticals securities litigation, and is pursuing lead plaintiff status in the Citigroup Inc. securities litigation on behalf of purchasers of Focal Communications stock. In addition, LACERA has commenced independent lawsuits to recover damages suffered in connection with corporate fraud involving Worldcom, Inc., Adelphia Communications, Motorola, Scientific-Atlanta, and AOL Time Warner.

Leases

LACERA leases equipment and property under lease agreements that expire over the next five years. The annual commitments under such leases were approximately $586,000 and $697,000 in fiscal years 2004 and 2003, 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 were $1.44 million and $1.46 million in fiscal years 2004 and 2003, 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, 2004, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $2.34 billion. Subsequent to June 30, 2004, LACERA funded $110 million of these capital commitments.

Required Supplementary Information

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-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%
30-Jun-03	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%

[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	
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%
2004	521,978	395,062	126,916	521,978	100%

Notes to Required Supplementary Schedules

For Fiscal Year Ended June 30, 2004:

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, 2003 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 an interim, short-term funding policy that is in effect through the June 30, 2008 valuation only (see Note E), funds in the Contingency Reserve in excess of 1% of the actuarial value of assets are included as valuation assets for funding purposes. In any year in which the funding ratio is otherwise less than 100%, 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	Under the interim, short-term funding policy that is in effect through the June 30, 2008 valuation only (see Note E), 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	Postretirement 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 prorated postretirement benefit increase of 2% for service credit earned after June 4, 2002. The portion payable is based on the members' 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.

Administrative Expenses

For the Years Ended June 30, 2004 and 2003:
(Dollars in thousands)

	2004	2003
Personnel Services		
Salaries and Wages	$17,390	$15,907
Employee Benefits	7,468	6,597
Total Personnel Services	24,858	22,504
Professional Services		
Computer Software Services and Support	1,837	2,940
External Audit Fees	132	184
Investment Audit Services	29	350
Disability Medical Fees	1,054	1,170
Disability Hearing Officer Fees	101	113
Disability Stenographic Fees	41	44
Temporary Personnel Services	2,010	3,355
Legislative and Other Legal Services	414	373
Other Professional Services	1,140	2,108
Total Professional Services	6,758	10,637
Communication		
Postage	483	650
Telecommunications	380	386
Transportation and Travel	283	330
Total Communications	1,146	1,366
Rentals		
Rents and Leases	1,526	1,463
Total Rentals	1,526	1,463
Miscellaneous		
Computer Equipment and Supplies	211	923
Office Furniture	127	193
Stationery and Forms	341	510
Other Office Expenses	140	247
Maintenance	972	1,566
Educational Expenses	765	982
Parking Fees	259	273
Other County Department Charges	118	120
Insurance	464	364
Administrative Support	769	121
Other Service Charges	190	161
Total Miscellaneous	4,356	5,460
Depreciation-Fixed Assets	40	93
Total Administrative Expenses	**$38,684**	**$41,523**

Fees and Other Investment Expenses

For the Years Ended June 30, 2004 and 2003:
(Dollars in thousands)

	2004	2003
Investment Activity		
Investment Management Fees		
Stock Managers		
Domestic	$ 11,957	$ 9,039
International	8,038	6,331
Domestic Bond Managers	13,520	13,344
Cash and Short Term Managers	913	798
Real Estate Managers	31,499	16,126
Mortgage Loan Servicers	801	528
Alternative Assets Managers	5,332	6,340
Total from Investment Activity	72,060	52,506
Securities Lending Activity		
Securities Lending Program Expense	27,831	33,314
Total from Securities Lending Activity	27,831	33,314
Total Investment Management Fees	99,891	85,820
Other Investment Expenses		
Consultants	712	709
Custodian	2,235	2,186
Legal Counsel	263	239
Other	553	12,618
Total Other Investment Expenses	3,763	15,752
Total Fees and Other Investment Expenses	**$103,654**	**$101,572**

Schedule of Payments to Consultants

For the Years Ended June 30, 2004 and 2003:
(Dollars in thousands)

	2004	2003
Audit		
External Audit Services	$ 132	$ 184
Investment Audit Services	29	350
Contract Systems Audits	15	79
Total	176	613
Legal		
Investment Legal Counsel	263	239
Other Legal Services	355	301
Total	618	540
Actuarial		
Actuarial Valuations and Consulting Fees	337	236
Total	337	236
Management		
Legislative Consulting	59	71
Management and Human Resources Consulting	28	47
Other Software Consulting	19	19
Total	106	137
Total Payments to Consultants	**$1,237**	**$1,526**

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

Fixed Income/Bonds

Juan Almaguer
Principal Investment Officer,
Fixed Income
Domestic & International Bonds

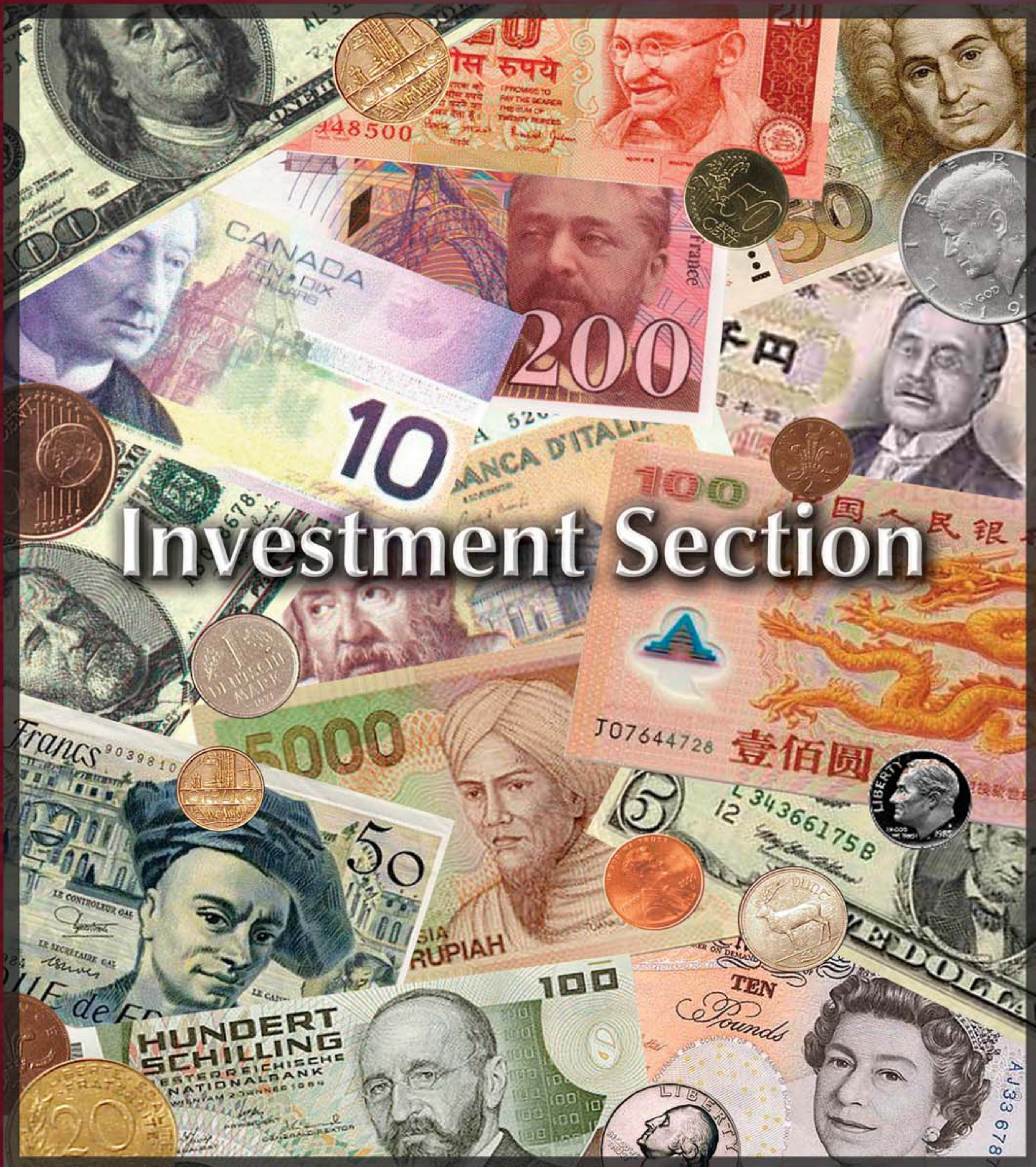
Fixed Income/Bonds is 28% of LACERA's 2004 Actual Asset Allocation

Domestic Fixed Income/Bonds: 25%
Short Term: 3%

Total Fixed Income/Bonds: $7,588,497,000

Total Short Term Investments: $1,086,950,000
(as of 6-30-04)

Investment Section



Controls Performed by the Financial and Accounting Services Division for Fixed Income/Bonds

- **Ensuring that the fixed-income securities are properly classified and recorded.**
- **Reconciling the shares/par and market value with the investment mangers' and custodian bank's records.**
- **Verifying, analyzing, and recording the interest income accrual from fixed-income securities.**

September 2, 2004

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
300 North Lake Avenue, Suite 850
Pasadena, CA 91101-4199

Annual Consultants Review

The fiscal year ended June 30, 2004 was a period of strong equity returns, largely the result of gains in U.S. and non-U.S. markets in the latter half of 2003. LACERA finished the fiscal year with assets of $29.9 billion and a total return of 16.5%, exceeding the total fund benchmark by 80 basis points. Returns were positive in all major asset classes, led by the international equity return of 31.6%. Strong double-digit returns also came from domestic equity at 21.9%, 17.9% in alternative investments, and a solid return of 11.4% in real estate.

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

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

1. Research and analysis of the U.S. equity structure. This resulted in reweighing existing managers and the addition of an enhanced index manager, with the goal of improving the expected risk return profile of the overall fund.
2. A continuation of the fixed income manager realignment that began in the prior fiscal year. Two managers were terminated and two managers were added.
3. A risk budgeting study, which included presentations to the Board and staff. This study measured and put into context various risks impacting the fund, with a special focus on the high yield bond allocation.
4. A continued discussion of the role and uses of leverage in pensions funds, which included a presentation at the January Board offsite.
5. An examination and recommendation on fixed income manager guidelines, including a Board presentation.

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 NEW YORK TORONTO
LONDON PARIS SYDNEY
AUKLAND SINGAPORE TOKYO

Chief Investment Officer's Report

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.

Kenneth L. Shaffer
Chief Investment Officer

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.

For the second consecutive year, LACERA achieved positive performance with a total fund return of 16.5% for the fiscal year. The five-year annualized return of 4.5%, while improving, has not completely recovered from the recent bear market.

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.

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 2004 target and actual asset allocations. A new asset allocation is expected to be started in the next fiscal year.

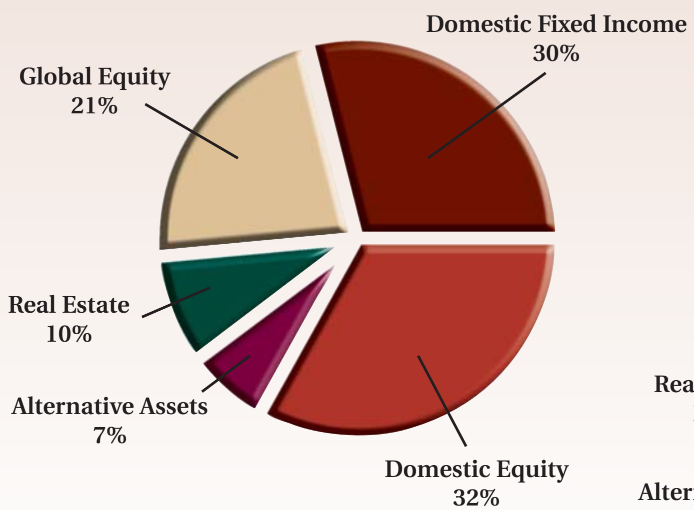
The Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract. LACERA's investment staff closely monitors manager activities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

Respectfully submitted,

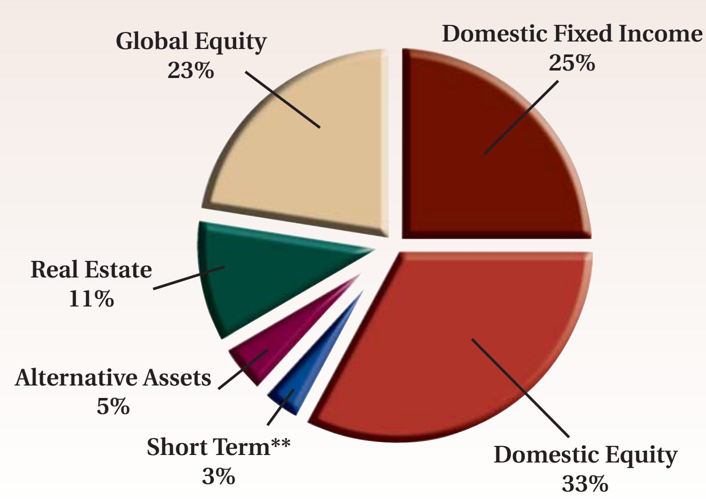
Kenneth L. Shaffer

Kenneth L. Shaffer
Chief Investment Officer

2004 Target Asset Allocation



2004 Actual Asset Allocation*



* The 2004 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.

Investment Summary

For the Year Ended June 30, 2004:
(Dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
U.S. Government and Agency Instruments	$ 3,347,137	11.20%
Domestic Corporate Bonds	3,846,758	12.87%
Global Bonds	53,684	0.18%
Private Placement Bonds	340,918	1.14%
Total Bonds	7,588,497	25.39%
Domestic Stocks	9,747,010	32.61%
Domestic Convertible	14,876	0.05%
Global Stocks	6,783,773	22.70%
Global Convertible Debentures	10,643	0.04%
Total Stocks and Convertibles	16,556,302	55.40%
Corporate Short Term Investments	933,341	3.12%
Government Short Term Investments	153,609	0.51%
Total Short Term Investments	1,086,950	3.63%
Real Estate and Title Holdings	2,952,245	9.88%
Mortgages	320,594	1.07%
Alternative Assets	1,382,499	4.63%
Total Uncategorized Investments	4,655,338	15.58%
Total Investments	**$29,887,087**	**100%**

Investment Results Based on Fair Value*

As of June 30, 2004:

	Current Year	Annualized 3-year	Annualized 5-year
Total Fund	16.5%	4.4%	4.5%
Benchmark: Total Fund	15.7	5.7	4.4
Domestic Equity[1]	21.3	0.4	-0.3
Benchmark: Russell 3000	20.5	0.2	-1.1
International Equity	31.6	4.9	1.7
Benchmark: MSCI All Country World X U.S.	32.5	5.2	1.0
Domestic Fixed Income[2]	2.8	7.1	7.2
Benchmark: Domestic Fixed Income Custom Index[3]	1.8	6.9	6.7
Real Estate[4]	11.4	8.1	9.7
Benchmark: Real Estate Target Return[5]	8.5	8.5	8.5
Alternative Assets[6]	17.9	-7.0	12.1
Benchmark: Alternative Asset Target Return[7]	19.1	19.1	19.1

[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, 2004:
(Dollars in thousands)

Shares	Stocks	Fair Value
27,436,255	Vodaphone Group PLC ORD USD 0.10	$60,080
2,427,876	Cisco Sys, Inc. Com	57,541
1,478,382	Pfizer Inc Com Stk USD 0.05	50,679
1,725,200	Microsoft Corp Com	49,272
621,528	American Int'l Group, Inc. Com	44,303
928,900	Toyota Motor Co Y50	37,628
842,072	Novartis AG CHF 0.50	37,148
739,508	Astrazeneca ORD USD 0.25 Euro-Clear Remote Swedish	33,574
662,500	Medtronic, Inc. Com	32,277
574,900	Maxim Integrated Prods, Inc. Com	30,136

Largest Bond Holdings

As of June 30, 2004:
(Dollars in thousands)

Par	Bonds	Fair Value
28,135,437	Pimco FDS Pac Invt Mgmt Ser Mtg Portfolio	$295,141
26,023,771	Pimco FDS Pac Invt Mgmt Ser U.S. Govt Sect Portfolio	282,618
105,000,000	Commit to Pur GNMA SF MTG 5.5% 7/15/2034 DD 7/01/04	104,803
98,670,000	U.S. Treasury Notes 4.75% 5/15/2014 DD 5/15/04	99,716
90,700,000	Commit to Pur FNMA SF MTG 7% 7/1/2034 DD 7/01/04	95,689
8,392,557	Pimco FDS Pac Invt Mgmt Ser Invt Grade Corp Portfolio	89,968
83,700,000	Commit to Pur GNMA SF MTG 6.5% 7/15/2034 DD 7/1/04	87,408
4,465,844	WAMCO Opportunistic Intl Investment Grade Sec L.L.C.	79,546
64,527,000	U.S. Treasury Notes 2.5% 5/31/2006 DD 5/31/04	64,327
60,000,000	U.S. Treasury Notes 2.125% 10/31/2004 DD 10/31/02	60,132

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2004 and 2003:
(Dollars in thousands)

	2004	2003
Investment Activity		
Stock Managers		
Domestic	$ 11,957	$ 9,039
International	8,038	6,331
Subtotal	19,995	15,370
Domestic Bond Managers	13,520	13,344
Cash and Short Term Managers	913	798
Real Estate Managers	31,499	16,126
Mortgage Loan Servicers	801	528
Alternative Asset Managers	5,332	6,340
Total Fees from Investment Activity	72,060	52,506
Securities Lending Activity		
Management Fee	1,120	1,064
Borrower Rebate	26,711	32,250
Total Fees from Securities Lending Activity	27,831	33,314
Total Investment Management Fees	**$99,891**	**$85,820**

Alternative Assets
Pathway Capital Management, L.L.C.

Cash and Short-Term
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

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

Mortgage Loan Servicer
ABN AMRO Mortgage Group, Inc.
Chase Manhattan Mortgage Company
GMAC Mortgage Corporation
GMAC Commercial Mortgage Corp.
U.S. Mortgage

Fixed Income-Domestic
Barclays Global Investors
BlackRock Financial Management, Inc.
Dodge & Cox
GW Capital, Inc.
Hughes Capital Management, Inc.
LM Capital Management, Inc.
Loomis, Sayles & Company, L.P.
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.
PIMCO
Wells Capital Management

Real Estate
Emmes Asset Management Co. L.L.C.
Heitman/JMB Advisory Corporation
Henderson Investors North America, Inc.
Invesco Realty Advisors
Lowe Enterprise Residential Advisors, L.L.C.
RREEF America Partners
TA Associates Realty
Urban America, L.P.
Capri Capital Advisors, L.L.C.
Cornerstone Real Estate Advisors, Inc.

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

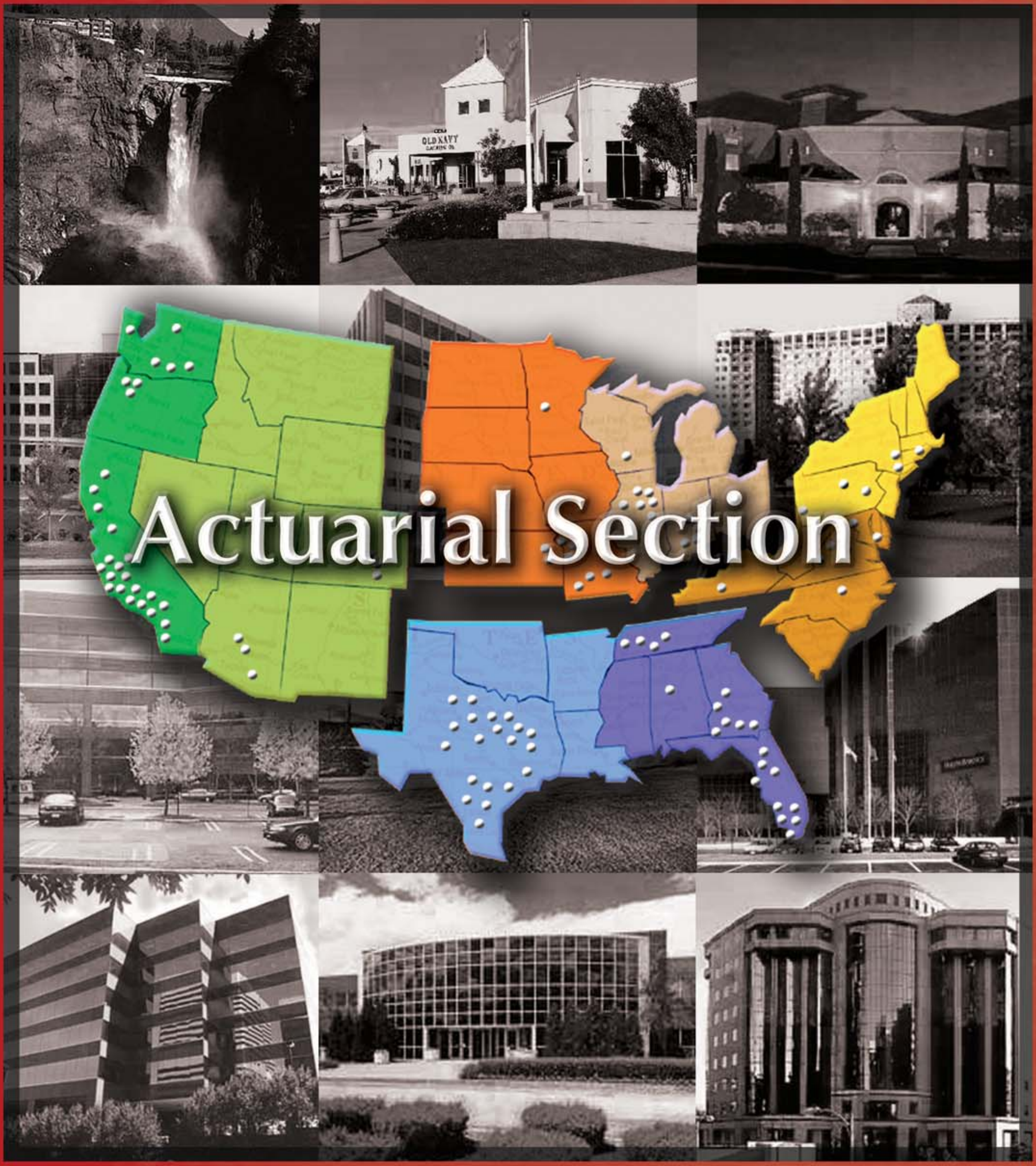
Real Estate

Gloria Gil
Sr. Investment Officer,
Real Estate

Real Estate is 11% of LACERA's 2004 Actual Asset Allocation

LACERA's Equity Real Estate Portfolio

Total Real Estate Value: $2,952,245,000 (as of 6-30-04)



Controls Performed by the Financial and Accounting Services Division for Real Estate

- Facilitating the electronic transfer of funds for the Title Holding Corporations (THC) for the following transactions:
  - Remittance to LACERA for property sale proceeds and quarterly distributions;
  - Payments to vendors for the operating expenses;
  - Interest payment on THCs' loans;
  - Payroll for THC;
  - Transfer of funds from different property accounts within a given corporation.
- Accounting for the purchases and sales of mortgage loans and the regular monthly collections and payoffs.
- Providing Investment Office with the current market value of mortgages.

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

July 29, 2004

Board of Investments

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:	June 30, 2001	**Funded Status:**	100.0%
Valuation Date:	June 30, 2002	**Funded Status:**	99.4%
Valuation Date:	June 30, 2003	**Funded Status:**	87.2%

Almost all of the decrease in the funding ratio from 2002 to 2003 is attributable to the recognition of recent investment income losses on the actuarial value of assets.

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 2002 and 2003 valuations reflect 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, 2003 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 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, 2003 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 from 2002 and 2003. It is our opinion that LACERA continues in sound financial condition as of June 30, 2003.

We certify that the June 30, 2003 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/nlo

[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 an interim, short-term funding policy that is in effect through June 30, 2008 valuation only (see Note E), funds in the Contingency Reserve in excess of 1% of the actuarial value of assets are included as valuation assets for funding purposes. In any year in which the funding ratio is otherwise less than 100%, 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

Under the interim, short-term funding policy that is in effect through the June 30, 2008 valuation only (see Note E), 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.

Postretirement Benefit Increases

Postretirement 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 prorated postretirement 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

The assumptions were reviewed and changed June 30, 2001 as a result of the 2001 triennial Investigation of Experience Study. A slight modification was made to the probability of marriage assumption for the June 30, 2003 actuarial valuation to reflect the inclusion of domestic partners.

Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
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%**
30-Jun-03	General	75,995	$ 3,954,516,792	$ 52,037	4.62%
	Safety	11,765	899,307,576	76,439	4.16%
	Total	**87,760**	**$4,853,824,368**	**$ 55,308**	**4.41%**

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

Retirants and Beneficiaries Added to and Removed from Retiree Payroll

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	Number	Annual Allowance (in 000's)	% Increase in Retiree Allowance	Average Annual Allowance
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	(1,664)	(15,508)	47,232	1,383,150[2]	8.00%	29,284
2004	3,087	110,331	(1,724)	(17,387)	48,595	1,537,029[2]	11.13%	31,629

[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.

Actuarial Section

Actuary Solvency Test

(Dollars in millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
Valuation Date	(1) Active Members	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Assets	(1) Active	(2) Retired	(3) Employer
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%
30-Jun-03	3,790	16,844	9,840	26,564	100%	100%	60%

Actuarial Analysis of Financial Experience

(Dollars in millions)

	1998	1999	2000	2001	2002	2003
Prior Valuation Unfunded Actuarial Accrued Liability	($259)	$109	($751)	($706)	$ 0	$ 175
Expected Increase (Decrease) from Prior Valuation		9	(192)	128	(26)	162
Salary Increases Greater (Less) than expected	(116)	241	(20)	40	(20)	(66)
CPI less than expected					(39)	
Change in Assumptions	(245)			(239)		
Adjustment from Actuarial Audit	260					
Asset Return Less (Greater) than expected	(494)	(492)	(697)	690	(194)	3,351
All Other Experience	963	(78)	211	87	13	248
Change in Procedural Applications		515[1]	457[2]			
Change in Actuarial Asset Method		(1,055)				40
Change in Application of Actuarial Asset Method			286			
Change in Benefits (MOU)					441	
Ending Unfunded Actuarial Accrued Liability (Surplus)	**$109**	**($751)**	**($706)**	**$ 0**	**$ 175**	**$3,910**

[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.

Probability of Occurrence

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

Probability of Occurrence

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 and 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 and 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		

Probability of Occurrence

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 and 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 and 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		

Probability of Occurrence

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

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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, 31520.5)

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, 31580.3)

MEMBERSHIP

Eligibility:

Permanent employees of Los Angeles County (County) and participating districts that 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)

Elective officers become members on the first day of the month after filing a declaration with the Board of Retirement (Board). (31553, 31562)

General members in Plan E may transfer all their Plan E service credit to Plan D during (31494.1, 31494.3)

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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.

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

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 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 in the plan disclosure booklets. The contribution rate is multiplied by the member's compensation earnable to compute the monthly contribution amount. Compensation earnable (the member's base salary plus any other pensionable earnings) 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)

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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)
General member contributions cease when members are credited with 30 years of service in a contributory plan, provided they were members of LACERA or a reciprocal system on March 7, 1973, and continuously thereafter.	(31625.2, 31836.1)
Safety member contributions cease when members are credited with 30 years of continuous service in a contributory plan.	(31664)
Former members who return to service 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, subject to the terms of recip[rocity.	(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 that agency that withdrawn contributions have been redeposited.	(31831.3)
Members who were retired for disability and return to membership after a determination that they are no longer disabled, or return to membership following a service retirement and elect Plan D, will 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 withdrawn 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)

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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 review, 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 six months from termination; or	(31591, 31700, 31629.5, 31830, 31831)
(b) Leave their contributions on deposit to continue drawing interest regardless of the amount of retirement service credit; or	
(c) Withdraw all member contributions plus interest; or	
(d) Transfer all tax-deferred member contributions plus interest into an IRA or other qualified retirement plan.	
The withdrawal or transfer of funds forfeits all rights to receive retirement or disability benefits from LACERA in the future.	
SERVICE AND BREAKS IN SERVICE	
Service means uninterrupted employment of any person appointed or elected for a given period provided:	
(a) Deductions are made from the member's earnable compensation from the County or district for such service.	(31641, 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 re-employment within one year.	(31642)
(b) A leave of absence followed by reinstatement or re-employment within one year after the termination of the leave of absence.	

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(c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by re-employment 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 re-employment before withdrawal of any accumulated contributions.

Note: The withdrawal of accumulated contributions followed by the redeposit of the contributions upon reentrance into service does not constitute a break in the continuity of service. (31652)

When a member receives credit for temporary, seasonal, intermittent, or part-time service performed either before or during membership, the credit received will be proportionate to the time required to perform the same duties in a full-time position. 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)

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)

Additional Retirement Credit (ARC)
A member with at least 5 years of County retirement service credit is eligible to purchase up to five years of Additional Retirement Credit (ARC). ARC does not need to be based on actual prior employment. ARC credit may not be counted to meet the minimum qualifications for service retirement or disability retirement, or for the purpose of establishing eligibility for any benefits based on 30 years of service, health care benefits, or any other benefits based upon service credit. (31658)

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A member who elects to purchase credit under Section 31494.3, 31641.1, 31641.5, 31646, 31652, 31658, 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 check or the retired member may authorize the allowance to be directly deposited by electronic fund transfer to 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 that determine the percentage 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 before April 1, 1997), regardless of the number of years of service. There is no mandatory retirement for safety members that first became safety members on or after April 1, 1997.	(31662.4, 31662.6, 31663.25)
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)

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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 that was covered by Social Security.	(31808)
Final compensation is the average monthly compensation earnable for the final 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 retired before July 1, 2001 and the member did not elect a different three-year period. If a member 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 are employed on or after October 1, 2000 and who retire on or after July 1, 2001, final compensation is the average monthly compensation earnable for the final 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 retired before July 1, 2001, and one year for members who are employed on or after October 1, 2000 and who retired on or after July 1, 2001.	(31462, 31462.3)
PLAN D	
Retirement Eligibility/Allowance:	
Same eligibility and allowance formula as general Plan A, except the $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 July 1, 2001, and one year for members who are employed on or after October 1, 2000 and who are employed on or after October 1, 2000 and retired on or after July 1, 2001.	(31462, 31462.3)
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 died before	(31760.1, 31760.12, 31780.2, 31785, 31785.4)

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June 4, 2002, or 65% if the member dies 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. After August 26, 2003, the monthly allowance may be paid to the member's domestic partner if the domestic partnership was registered at least one year prior to retirement.

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.

If there are eligible children and an eligible domestic partner, the children will receive the monthly allowance until they are no longer eligible, at which time the monthly allowance will be paid to the domestic partner for his or her lifetime.

The continuance of an unmodified service-connected disability retirement allowance to an eligible surviving spouse, or eligible children, or domestic partner is equal to 100% of the member's allowance. To receive this continuance the marriage or domestic partnership registration must have occured at least one year 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, 31780.2)

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 beneficiary having an insurable interest in the life of the member. (31762)

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

Option 4: Other % of member's reduced allowance is payable to a beneficiary(ies) having an insurable interest in the life of the member. (31764)

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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 infections 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)
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)

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Upon the death of a member who is receiving a service-connected disability retirement allowance, 100% of the allowance continues to an eligible surviving spouse, minor children, or domestic partner unless the member elected an optional allowance. To receive this continuance, the marriage or domestic partnership registration must have occured prior to retirement.	(31760, 31780.2, 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))
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 at least one year prior to retirement (or eligible children), if member died before June 4, 2002, or 65% if the member dies on or after June 4, 2002 unless the member elected	(31760, 31760.1, 31760.12, 31780.2, 31785, 31785.4)

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an optional allowance. After August 26, 2003, the continuing monthly allowance may be paid to the member's domestic partner if the domestic partnership was registered at least one year prior to retirement.

CHANGE OF POSITION IN LIEU OF DISABILITY RETIREMENT ALLOWANCE

An incapacitated member who is eligible for either a nonservice-connected or service-connected disability retirement allowance under his or her former position may, upon approval by the Board, accept a lower paying position for which he or she is not disabled. In such cases, LACERA pays an amount that equals the difference in salary between the member's current and former position, not to exceed the amount of the disability allowance to which the member would otherwise be entitled. Such payments in lieu of a disability retirement allowance are considered a charge against the Employer Reserves. (31725.5, 31725.6)

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, eligible children, or domestic partner 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. 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. If there is a surviving domestic partner and no eligible children, the domestic partner will be eligible for a continuing allowance. However, if there are eligible children and a domestic partner, the children will receive the monthly allowance until they are no longer eligible, at which time the allowance will be paid to the domestic partner for his or her lifetime. The rights of a surviving spouse, eligible children, or domestic partner to receive the monthly allowance supersede those of any other named beneficiary. (31780.2, 31787*)

Optional Combined Benefit:

In lieu of the monthly allowance above, a surviving spouse or domestic partner may elect:

(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 (31780.2, 31781.3)

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(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 or domestic partner.

Additional Allowance for Children: (31780.2, 31787.5)
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 for eligible children payable to the surviving spouse or domestic partner. The benefit is 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 or domestic partner does not have legal custody of the children, the additional benefit is payable to the legal guardian.

Additional Amount for Spouse of Safety Member: (31780.2, 31787.6)
A surviving spouse or domestic partner 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.

(*For the purposes of this section, "child" means a natural or adopted child of the deceased member, or a stepchild living or temporarily domiciled with the deceased member at the time of his or her death.)

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility: (31780)
Active members who die while in service or while physically or mentally incapacitated for the performance of duty.

Death Benefit (Lump Sum): (31781)
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:

First Optional Death Benefit: (31780.2, 31781.1*, 31781.12)
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, eligible children, or domestic partner 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 August 23, 2003 for domestic partners), 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. If there is a surviving domestic partner and no eligible children, the domestic partner will be eligible for a continuing allowance. However, if there are eligible children and a domestic partner, the children will receive the monthly allowance until they are no longer eligible, at which time the allowance will be paid to the domestic

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partner for his or her lifetime. The rights of a surviving spouse, eligible children, or domestic partner 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.

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, eligible children, or domestic partner 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 (or August 23, 2003 for domestic partners). (31765.2, 31780.2, 31781.2)

Third Optional Death Benefit:
A surviving spouse or domestic partner of a member who dies after five years of County service may elect a combined benefit equal to: (31780.2, 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 the surviving spouse or domestic partner, if the member died before June 4, 2002, or 65% if the member dies on or after June 4, 2002 (or August 23, 2003 for domestic partners). (31780.2, 31781.1*, 31781.12)

(*For the purposes of this section, "child" means a natural or adopted child of the deceased member, or a stepchild living or temporarily domiciled with the deceased member at the time of his or her death.)

Fourth Optional Death Benefit:
If a member dies while eligible for a service retirement and the surviving spouse or domestic partner is designated as beneficiary, the spouse, eligible children, or domestic partner 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 (or August 23, 2003 for domestic partners). (31765.1, 31765.2, 31780.2)

Fifth Optional Death Benefit:
If a member dies while eligible for a service retirement and the surviving spouse or domestic partner is designated as beneficiary and survives the member by not less than 30 days, the spouse, eligible children, or domestic partner may elect to receive the same retirement allowance that the spouse would have received had the member retired on the date of death and selected Option 3. (31765, 31780.2)

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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)
DEFERRED VESTED BENEFITS **Eligibility:** Vested members may elect to retire at any time they would have been eligible to retire 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 member's 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 he or she is eligible to apply for and shall begin receiving a deferred retirement allowance by April 1 of the year following the year in which the member attains 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	(31461.3, 31835)

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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.

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)

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 earned in 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 the 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 (31874.3(b))

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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).

POSTRETIREMENT 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 an agreement with LACERA. (31789.1, 31789.3)

POSTRETIREMENT EMPLOYMENT

A retired member may, without reinstatement from retirement or loss of benefits, serve in various types of postretirement 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 re-employed 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 re-employment 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 reemployed and again become an active member of the retirement system if the member is determined to be no longer incapacitated and the employer offers reinstatement. The member's 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 deemed satisfactory to the claim. (31783.5)

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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. The enrollees pay full cost of enrollment. (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 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 credits 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 monthly retirement contributions under Plan E. Plan E members may make contributions to purchase an elective COLA. (31489, 31495.5)

EMPLOYER CONTRIBUTIONS
The employer is required to make contributions to finance Plan E based on the recommendation of the actuary. (31495)

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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 work days, 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 to the member's financial institution.	(31452.6, 31590)
Eligibility - Normal Retirement:	
Age 65 with 10 years of service.	(31491, 31491.3)

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Normal Monthly Retirement Allowance: 2 percent x final compensation x years of service, not to exceed 35 years, plus 1 percent 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: (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.	(31491, 31491.3)
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 fewer 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)

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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 died before June 4, 2002, or 55% if the member dies 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 under the age of 18, or 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 his or her 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 ten years of County service and are at least age 55. Members are 0% vested with fewer than ten years of County service and 100% vested with ten 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)

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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%) 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 the effective date of the allowance or on June 4, 2002 whichever is later. (31495.5)

POSTRETIREMENT 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)

POSTRETIREMENT EMPLOYMENT

Please refer to Post Retirement Employment shown under the contributory plans for information on this topic.

Alternative Assets

Christopher Wagner
Sr. Investment Officer,
Alternative Assets

Alternative Assets are 5% of LACERA's 2004 Actual Asset Allocation

This includes Private Equity and Venture Capital, both Domestic and International.

Total Alternative Assets: $1,382,499,000 (as of 6-30-04)

Statistical Section

Controls Performed by the Financial and Accounting Services Division for Alternative Assets

- Updating the financial transactions related to Alternative Assets in the investment accounting software, allowing the Investment Office to evaluate the performance of the Alternative Asset.
- Monitoring of the funding, cash, and stock distribution to accurately account for the return of capital, income, gains, losses, and management fees.

Statistical Section

Revenues by Source and Expenses by Type

Revenues by Source

(Dollars in thousands)

Fiscal Year	Employer Contributions	Member Contributions	Net Investment Income/(Loss)	Miscellaneous Revenues	Total
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
2004	395,109	262,699	4,118,500	2,605	4,778,913

Expenses by Type

(Dollars in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Miscellaneous Expenses	Total
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
2004	1,429,423	38,684	18,088	59,341	1,545,536

Active/Deferred Members and Unclaimed Accounts

	1999	2000	2001	2002	2003	2004
Active Vested						
General	44,436	46,366	46,886	47,763	48,513	50,238
Safety	8,795	8,789	9,037	9,030	9,221	9,040
Sub-Total	53,231	55,155	55,923	56,793	57,734	59,278
Active Nonvested						
General	24,216	25,574	28,162	29,299	27,482	24,590
Safety	2,229	2,475	2,984	2,790	2,544	2,369
Sub-Total	26,445	28,049	31,146	32,089	30,026	26,959
Total Active Members						
General	68,652	71,940	75,048	77,062	75,995	74,828
Safety	11,024	11,264	12,021	12,190	11,765	11,409
Total	**79,676**	**83,204**	**87,069**	**89,252**	**87,760**	**86,237**
Deferred Members						
General	4,859	5,076	5,325	5,799	6,129	6,260
Safety	160	162	179	209	265	299
Total	**5,019**	**5,238**	**5,504**	**6,008**	**6,394**	**6,559**
Unclaimed Accounts						
General	29	18	1,196	1,103	1,293	1,209
Safety	1	1	43	38	55	50
Total	**30**	**19**	**1,239**	**1,141**	**1,348**	**1,259**

Retired Members by Type of Retirement

	1999	2000	2001	2002	2003	2004
Service						
General	26,492	27,099	27,456	27,939	28,583	29,657
Safety	2,704	2,678	2,755	2,830	2,979	3,071
Total	**29,196**	**29,777**	**30,211**	**30,769**	**31,562**	**32,728**
Disability						
General	4,074	4,119	4,119	4,087	4,048	4,011
Safety	3,859	4,201	4,367	4,556	4,716	4,885
Total	**7,933**	**8,320**	**8,486**	**8,643**	**8,764**	**8,896**
Survivors						
General	5,271	5,378	5,502	5,600	5,652	5,666
Safety	1,111	1,153	1,197	1,230	1,254	1,305
Total	**6,382**	**6,531**	**6,699**	**6,830**	**6,906**	**6,971**
Total Retired Members						
General	35,837	36,596	37,077	37,626	38,283	39,334
Safety	7,674	8,032	8,319	8,616	8,949	9,261
Total	**43,511**	**44,628**	**45,396**	**46,242**	**47,232**	**48,595**

Benefit Expenses by Type

(Dollars in thousands)

	1999	2000	2001	2002	2003	2004
Service Retiree Payroll						
General	$614,824	$ 650,584	$ 702,400	$ 751,892	$ 802,308	$ 867,715
Safety	104,465	115,813	128,635	141,541	161,269	178,829
Total	**719,289**	**766,397**	**831,035**	**893,433**	**963,577**	**1,046,544**
Disability Retiree Payroll						
General	103,262	106,416	111,707	116,791	115,090	117,964
Safety	157,484	173,989	193,554	212,433	242,108	262,436
Total	**260,746**	**280,405**	**305,261**	**329,224**	**357,198**	**380,400**
Total Retiree Payroll						
General	718,086	757,000	814,107	868,683	917,398	985,679
Safety	261,949	289,802	322,189	353,974	403,377	441,265
Total	**980,035**	**1,046,802**	**1,136,296**	**1,222,657**	**1,320,775**	**1,426,944**
Lump Sum Death Benefits						
General	1,805	1,158	1,503	1,299	1,420	1,954
Safety	46	55	231	156	251	525
Total	**1,851**	**1,213**	**1,734**	**1,455**	**1,671**	**2,479**
Total Benefit Expense						
General	719,891	758,158	815,610	869,982	918,818	987,633
Safety	261,995	289,857	322,420	354,130	403,628	441,790
Total	**$981,886**	**$1,048,015**	**$1,138,030**	**$1,224,112**	**$1,322,446**	**$1,429,423**

Schedule of Average Benefit Payments

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/98 to 6/30/99						
Retirants						
General Members						
Average Monthly Benefit	$ 886	$ 853	$1,058	$1,631	$2,297	$3,591
Average Final Average Salary	$3,828	$3,688	$3,324	$3,726	$4,037	$4,808
Number of Active Retirants	74	197	159	173	293	334
Safety Members						
Average Monthly Benefit	$2,277	$2,439	$2,884	$3,172	$4,418	$6,236
Average Final Average Salary	$4,935	$4,965	$5,867	$5,913	$6,338	$7,279
Number of Active Retirants	32	23	17	19	57	173
Survivors						
General Members						
Average Monthly Benefit	$ 767	$ 619	$ 972	$1,150	$1,599	$2,647
Average Final Average Salary	$4,746	$3,787	$2,700	$3,320	$3,790	$4,647
Number of Active Survivors	6	13	13	21	30	30
Safety Members						
Average Monthly Benefit	$ 964		$1,957		$2,252	$5,491
Average Final Average Salary	$4,818		$5,459		$3,481	$8,111
Number of Active Survivors	1		2		4	7
7/1/99 to 6/30/00						
Retirants						
General Members						
Average Monthly Benefit	$ 739	$ 802	$1,127	$1,837	$2,317	$3,377
Average Final Average Salary	$3,524	$3,480	$3,685	$4,001	$4,154	$4,596
Number of Active Retirants	27	72	62	65	153	164
Safety Members						
Average Monthly Benefit	$2,279	$2,264	$2,956	$3,547	$4,521	$6,102
Average Final Average Salary	$4,883	$4,973	$5,637	$6,410	$6,729	$7,256
Number of Active Retirants	33	51	27	18	37	70
Survivors						
General Members						
Average Monthly Benefit	$ 522	$ 508	$ 894	$ 928	$ 934	$2,448
Average Final Average Salary	$2,942	$2,664	$2,142	$3,242	$2,908	$3,077
Number of Active Survivors	6	13	4	7	9	13
Safety Members						
Average Monthly Benefit				$3,802	$2,965	$3,965
Average Final Average Salary				$7,290	$7,865	$5,566
Number of Active Survivors				2	2	2

Schedule of Average Benefit Payments

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

Schedule of Average Benefit Payments

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/02 to 6/30/03						
Retirants						
General Members						
Average Monthly Benefit	$ 914	$ 739	$1,059	$1,283	$2,336	$3,015
Average Final Average Salary	$4,664	$3,656	$4,106	$4,201	$4,568	$5,047
Number of Active Retirants	33	138	103	124	134	268
Safety Members						
Average Monthly Benefit	$3,202	$3,007	$3,480	$3,302	$5,063	$7,177
Average Final Average Salary	$6,435	$6,147	$6,783	$6,221	$7,255	$8,230
Number of Active Retirants	9	17	12	12	28	85
Survivors						
General Members						
Average Monthly Benefit	$ 578	$ 518	$ 720	$ 858	$1,713	$2,211
Average Final Average Salary	$4,043	$3,042	$2,049	$2,450	$3,564	$3,916
Number of Active Survivors	11	28	14	18	25	30
Safety Members						
Average Monthly Benefit			$2,887		$1,775	$4,116
Average Final Average Salary			$6,510		$5,138	$5,242
Number of Active Survivors			3		4	3
7/1/03 to 6/30/04						
Retirants						
General Members						
Average Monthly Benefit	$ 944	$ 951	$1,403	$1,974	$2,718	$4,459
Average Final Average Salary	$4,159	$3,976	$4,274	$4,546	$4,814	$5,851
Number of Active Retirants	64	217	234	151	358	856
Safety Members						
Average Monthly Benefit	$3,451	$3,298	$3,459	$3,274	$5,341	$7,452
Average Final Average Salary	$6,015	$5,825	$7,011	$6,572	$7,805	$8,569
Number of Active Retirants	35	25	12	29	80	181
Survivors						
General Members						
Average Monthly Benefit	$ 653	$ 839	$ 639	$1,068	$1,364	$2,306
Average Final Average Salary	$2,938	$4,014	$1,778	$3,006	$3,254	$4,327
Number of Active Survivors	20	29	20	28	25	40
Safety Members						
Average Monthly Benefit	$ 695	$2,707	$1,819	$1,402	$4,020	$3,702
Average Final Average Salary	$6,264	$5,413	$6,146	$4,093	$6,249	$3,563
Number of Active Survivors	3	2	3	4	8	15

Participating Employers and Active Members

	1999	2000	2001	2002	2003	2004
County of Los Angeles						
General Members	68,631	71,940	75,034	77,048	75,980	74,813
Safety Members	11,024	11,264	12,021	12,190	11,765	11,409
Total	**79,655**	**83,204**	**87,055**	**89,238**	**87,745**	**86,222**
Participating Agencies (General Membership)						
South Coast Air Quality Management District	6	8	3	3	2	2
Los Angeles County Office of Education	8	8	5	5	4	3
Little Lake Cemetery District	3	2	2	2	2	2
Local Agency Formation Commission	4	5	4	4	7	8
Total	**21**	**23**	**14**	**14**	**15**	**15**
Total Active Membership						
General Members	68,652	71,963	75,048	77,062	75,995	74,828
Safety Members	11,024	11,264	12,021	12,190	11,765	11,409
Total	**79,676**	**83,227**	**87,069**	**89,252**	**87,760**	**86,237**

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 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%
1 Jul 03 to 30 Jun 04	15.31%	8.59%	8.21%	8.31%	7.70%	22.32%	18.75%

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 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%
1 Jul 03 to 30 Jun 04	14.60%		8.31%

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

Effective July 1, 1999, there were no active members in Plan B.

Employer Contribution Rates *South Coast Air Quality Management District*

	General		
Effective Date	**Plan A**	**Plan B**	**Plan C**
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%
1 Jul 03 to 30 Jun 04		11.44%	11.09%

Effective July 1, 2003, there were no active members in Plan A.

LACERA
Los Angeles County Employees Retirement Association

LACERA — Securing the Future for LACERA Members

Financially Sound, Fiscally Responsible, and Service Oriented.

This Comprehensive Annual Financial Report shares LACERA's financial and customer service accomplishments during fiscal year 2003-2004. We proudly present this information for public review.

Our Vision Statement is guided by LACERA's goal of excellence, commitment, trust, and service: "Our members deserve the best." The desire to achieve this goal is a perpetual catalyst for the Boards, the management, and the employees of LACERA. Each passing year affords another opportunity to be on the cutting edge of new technologies and innovative solutions for work processes and services, as we continue on our quest to deliver the highest quality customer service to our members.

This year's annual report was designed by LACERA's Communications staff.

LACERA

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