The Table of Contents page contains direct links to each topic.

LIFE CYCLES

LACERA

Los Angeles County Employees Retirement Association

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

Comprehensive Annual Financial Report for the year ended June 30, 2006

LIFE CYCLES

The journey of a career spans many life cycles. LACERA accompanies employees of Los Angeles County through each life cycle on their journey: New Member, Mid-Career, Pre-Retirement, and Retirement and Survivors. The seed of this enduring relationship is planted the day a new hire becomes a member of the LACERA family. The relationship blossoms through the wealth of educational resources we provide to promote informed decision-making… it flourishes with the personalized guidance we offer to assist with retirement planning… and ultimately bears fruit when we pay the promised retirement benefits to the member and potentially to their survivors.

Financial Section

Investment Section

Actuarial Section

Statistical Section

Life Cycles

LACERA

Los Angeles County Employees Retirement Association

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

Comprehensive Annual Financial Report for the year
ended June 30, 2006

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

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 16th consecutive year, LACERA has earned this prestigious award for the 2005 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.

Award For Plan Design And Administration

LACERA received the Public Pension Coordinating Council's (PPCC) Public Pension Standards 2006 Award, in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards. 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. LACERA is a four-time recipient of this important award.

ARC Gold Award In Non-Profit Pension Fund Category

LACERA's 2005 Annual Report won the prestigious international ARC (Annual Report Competition) Award, honoring outstanding achievement in annual reports. Presented by MerComm, Inc., ARC is the world's largest and most respected annual report competition. Entries from across the globe vie for this recognition based on creativity, clarity, effectiveness and excellence. Elements considered in the judging include cover design, president's letter, interior design, clarity of written information, presentation of corporate information, expression of financial data, and how well the spirit of the organization is communicated. A certain minimum score must be achieved to qualify for an award; if no entry scores high enough, no award is given. Only one Gold Award is given in each category.

The Table of Contents page contains direct links to each topic.

Introductory Section

Financial Section

Investment Section

Actuarial Section

Statistical Section

LACERA Los Angeles County Employees Retirement Association
300 N. Lake Ave., Pasadena, CA 91101 / PO Box 7060, Pasadena, CA 91109-7060 / www.lacera.com / 626/564-6132 • 800/786-6464

November 7, 2006

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 pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. The information put forward in this report occurred under the expert stewardship of Marsha D. Richter, who retired on October 16, 2006 following a long and successful career in public service.

Gregg Rademacher
Chief Executive Officer

LACERA has the duty and authority to administer defined retirement plan benefits for the employees of Los Angeles County and participating agencies. In honoring that covenant, we are vigilant in our efforts to provide exceptional customer service to nearly 147,000 members which includes 51,000 benefit recipients.

We are in business to uphold and implement the hallowed pledge made to every member on the first day of LACERA membership, the guarantee they will receive the benefits specified in their retirement plans. It is upon this pledge that our Mission Statement, "To Produce, Protect, and Provide the Promised Benefits" is founded. Our commitment to fulfilling that pledge is steadfast and is incorporated into every aspect of our operations. By employing a progressive strategy that combines specialized expertise with innovation and technology, we continue to be strategically positioned to respond to fluctuating conditions and prosper in an ever-changing world.

LACERA's vision for the future 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 our 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—Offers an overview of LACERA and the significant activities and events that occurred during the fiscal year 2005-2006. In addition to this Letter of Transmittal, this section contains the Certificate of Achievement for Excellence in Financial Reporting, the Public Pension Standards Award, the international ARC Award for outstanding achievement in annual report design and written text, 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. Contents of this section include 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 of 1937 (CERL), 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 CERL, 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, and adopting its annual operating budget.

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, and LACERA's Audit Committee, which is comprised of members of the Boards of Retirement and Investments.

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 that 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.

INTRODUCTORY SECTION
Letter of Transmittal

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 Private Equity, Real Estate and the fund's long-term investment horizon.

For the fourth consecutive year, LACERA achieved a positive performance with a total fund return of 13.0 percent for the fiscal year. Our ten-year return remains strong at 9.1 percent.

Actuarial Funding Status

Pursuant to provisions in the CERL, LACERA engages an independent actuarial firm to perform annual actuarial valuations. A system actuarial valuation and investigation 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, 2004.

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 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.

Robert R. Hill
Assistant Executive Officer

Liabilities not funded through member contributions 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.

The June 30, 2005 valuation, determining the funding ratio to be 85.8 percent, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $4.88 billion. The County contribution rate was therefore set equal to 5.33 percent of payroll for the amortization of the UAAL over a rolling 30-year period, plus the normal cost rate of 9.53 percent, for a total contribution rate of 14.86 percent of payroll.

Life Cycles

Our pledge to provide LACERA members with the promised benefits results in a relationship that begins on the first day of membership and endures throughout the member's entire career and subsequent retirement; it often extends beyond the member's life in the form of payments to eligible survivors and beneficiaries.

During fiscal year 2005-2006, our proactive strategies for keeping the promise to our members were bolstered by important contributions from our divisions. Our path was guided by proven business tactics, and aided by innovative thinking and advances in technology.

Division Activities

Claims Processing Division

Maintaining its focus on providing LACERA members and survivors with excellent member service, Claims Processing Division achieved a 97 percent accuracy level in its core business processes. Highlights of this fiscal year's accomplishments include:

- Paid 99 percent, or 816 of 822 retirees within one payroll cycle of their retirement date during the annual March "rush" of retirements.
- Placed 99 percent of survivors on payroll within one payroll cycle.
- Partnered with other LACERA divisions to implement the Ventura II decision, which enhanced the benefits of more than 24,000 retired members.
- Increased the percentage of retirees registered for direct deposit to 89 percent.
- Implemented domestic partners procedures in accordance with newly enacted state legislation.

Communications Division

In an ongoing pursuit to provide our members with communiqués reflecting the latest changes in retirement laws, policies, services, etc., the Communications Division created and produced an assortment of informational materials over the course of this fiscal year:

- Introduced the innovative *New Member Guide* Package, which focuses on and simplifies a new hire's retirement plan selection. The package includes a redesigned and streamlined *New Member Guide*, *Sworn Statement and Election of Retirement Plan* form, and Plan D and Plan E Summary Plan Description books — all contained in a specially designed envelope displaying the Plan Election Due Date.
- Continued to update active and retired members on all things LACERA through two quarterly newsletters, *Spotlight on Retirement* and *PostScript*; produced four redesigned, easier to read issues of each.
- Developed extensive series of member communications regarding the Ventura Settlement.
- Continued to expand and update the association's web sites: lacera.com, employee intranet, board web site, and KBase internal online knowledge source.
- Collaborated with Member Services, Claims Processing, Disability, and HR to present the second annual LACERA Resource Conference.
- Produced Award-winning 2005 CAFR and PAFR financial reports; named 2006 international ARC (Annual Report Competition) Gold Winner in Non-Profit Pension Fund category.

Disability Division

During fiscal year 2005, a legal advisor was appointed to the Disability Retirement Services Division. The legal advisor assists with the interpretation of legal issues arising during the disability retirement investigative process, and provides legal guidance to the Board of Retirement; other responsibilities include ensuring compliance of staff recommendations and panel physician medical reports with CERL, handling writs filed in Superior Court, and updating and training the Board of Retirement, staff, and service providers on legal issues related to CERL.

Additionally, Disability Division staff:

- Presented 20 seminars to educate and train County personnel on procedures for processing applications for disability retirement.
- Served as presenters at eight County Return-to-Work Coordinator Training Academies sponsored by the County's Chief Administrative Office.
- Facilitated the placement of 50 disability retirement applicants on permanent modified assignments, pursuant to the Salary Supplemental Allowance. As a result, these applicants were able to stay in County service.
- Served as presenters at four LACERA Resource Conferences for County HR professionals.

Internal Audit Division

Internal Audit provided recommendations to, and partnered with, other staff and the Boards to enhance LACERA's internal controls. Tightened controls resulted in:

- Improved operational effectiveness and efficiency.
- Increased protection of member information.
- Reduction of exposure to losses.
- Protection of LACERA's assets.

Legal Services Division

The Legal Office continued to review securities class actions to determine if LACERA should participate in the litigation.

- Filed an independent action in the WorldCom securities litigation resulting in a recovery of $18.7million, more than double the recovery that would have resulted had LACERA remained in the class action.
- In securities class actions involving Focal Communications and King Pharmaceuticals, LACERA sought and obtained "lead plaintiff" status, which enables LACERA to:
    - Select counsel for the class.
    - Control the litigation.
    - Assure the best possible recovery is obtained for LACERA and other injured shareholders.

Member Services Division

The Member Services Division continues to serve the LACERA membership with increasing accuracy, efficiency, and professionalism. Our staff served 13,144 members at our public counter, answered over 160,000 telephone inquiries from members, presented 800 workshops, and replied to approximately 6,400 member emails and letters.

Additionally, Member Services instituted a number of service enhancements during the fiscal year:

- Changes to direct deposit accounts by phone, utilizing our Member Validation Process.
- Execution of Declaration of Non-Receipt of Warrant by phone, resulting in a significant reduction in the time required to issue a replacement check to retirees who did not receive their monthly allowance.
- Addition of a monthly Saturday Pre-Retirement Workshop to the extensive schedule.
- Introduction of Saturday appointments for retirement counseling once a month.
- Presentation of a quarterly Saturday Pre-Retirement Workshop at locations rotating throughout the County.

Quality Assurance and Metrics Division

The Quality Assurance & Metrics Division continued to promote accuracy, productivity and compliance. Our 2005-2006 accomplishments include:

- Audit of 10,742 Claims Processing and Members Services Divisions transactions.
- Addition of six business process procedures posted on the LACERA Intranet.
- Training of 129 new and existing employees.
- Presented a total of 610 hours of classroom and computer training.

Retiree Health Care Division

Under an agreement with the County of Los Angeles, LACERA administers a Health Care Benefits Program that provides medical benefits for more than 39,000 and dental/vision benefits for approximately 39,000 retirees/survivors and their eligible dependents, and a Long-Term Care Program for close to 4,200 participants.

During fiscal year 2005-2006, in our continued efforts to provide a health care benefits program of the highest quality, staff accomplished the following:

- Mailed the annual letter and insurance rate booklet to 39,000 members, and implemented new rate tables.
- Implemented premium 2006 Plan Year rate changes for the Local 1014 medical plan.
- Mailed Medicare Part D Creditable Coverage Notice to 39,000 members.

- Initiated the Medicare Part D Retiree Subsidy Program process for LACERA-administered Health Care Benefits Program; this included completion of Medicare Part D Retiree Drug Subsidy plan sponsor applications and submission of member eligibility data to Centers for Medicare & Medicaid Services.
- Presented LACERA's 15th annual Health Fair sponsored by participating healthcare providers and organizations.

Systems Division

The Systems Division maintained its focus on implementing program updates to increase the security of sensitive member information, enhance procedural efficiency, and augment member services. The division's achievements over the past fiscal year include:

- Completion of DB2 conversion project which converted data from VSAM to DB2 structure and converted all batch and online programs.
- Developed programs to update members' Ventura II benefits and issue lump-sum payments.
- Created programs to determine and report taxable gross income for service-connected disability payees.
- Established programs to generate files for CMS Medicare Part D filings.
- Launched a beta version of the Member Services Workspace.

Awards and Recognition

For the sixteenth consecutive year, the Government Finance Officers Association (GFOA) awarded LACERA its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of our Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2005.

LACERA is also a recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, for the eighth year running. We received this honor for our Popular Annual Financial Report (PAFR), for fiscal year ending June 30, 2005.

These awards recognize contributions to the practice of government finance exemplifying outstanding financial management; in doing so they stress practical, documented work that offers leadership to the profession.

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to LACERA in recognition of compliance with professional standards for plan design and administration. LACERA is a four-time recipient of this honor, which is judged on a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments, and Communications.

In addition, LACERA's 2005 annual report was awarded the prestigious international ARC (Annual Report Competition) Award for outstanding achievement in design and written text. Our report was named the 2006 Gold Winner in the Non-Profit Pension Fund category. The ARC competition is the world's largest and most respected annual award competition.

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,

Gregg Rademacher

Gregg Rademacher
Chief Executive Officer

Board Of Retirement

Los Angeles County Employees Retirement Association

Les Robbins, Chair
Appointed by the Board of Supervisors
Term expires 12-31-08

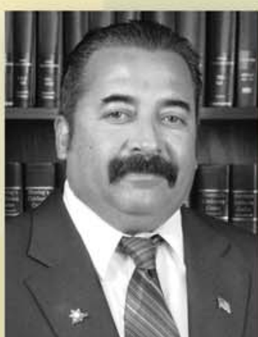
Simon S. Russin, Vice Chair
Elected by General Members
Term expires 12-31-06

William de la Garza, Secretary
Elected by Retired Members
Term expires 12-31-08

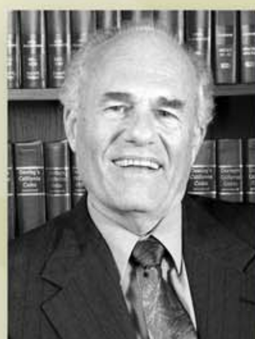
Mark J. Saladino
Treasurer and Tax Collector
Ex-officio Member

Yves Chery
Elected by General Members
Term expires 12-31-08

Simon Frumkin
Appointed by the Board of Supervisors
Term expires 12-31-08



Armando Macias
Alternate Member
Elected by Safety Members
Term expires 12-31-07



Edward C. Morris
Alternate Member
Elected by Retired Members
Term expires 12-31-08

William R. Pryor
Elected by Safety Members
Term expires 12-31-07

Walta M. Smith
Appointed by the Board of Supervisors
Term expires 12-31-07

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

Board Of Investments

Los Angeles County Employees Retirement Association

Estevan Valenzuela, Chair
Appointed by the Board of Supervisors
Term expires 12-31-08

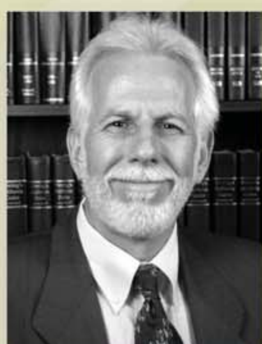
Herman Santos, Vice Chair
Elected by General Members
Term expires 12-31-06

Simon S. Russin, Secretary
Elected by General Members
Term expires 12-31-08

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

William R. Pryor
Elected by Safety Members
Term expires 12-31-07

Diane A. Sandoval
Elected by Retired Members
Term expires 12-31-08



Michael Schneider
Appointed by the Board of Supervisors
Term expires 12-31-07

Robert L. Spare
Appointed by the Board of Supervisors
Term expires 12-31-08

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

2006 LACERA Organizational Chart*

- Board of Investments — Board of Retirement
  - **Chief Executive Officer**
    Marsha D. Richter
    - Internal Audit Services — Richard Bendall
    - Disability Litigation — Daniel E. McCoy
    - Legal Services — David L. Muir
    - Investment Office — Lisa Mazzocco
    - **Asst. Executive Officer**
      Gregg Rademacher
      - Disability Investigation — Sylvia Miller
      - Administrative Services — Robert Whitten
      - Member Services — Janice Golden
      - Communications — Jeannine Smart
      - Human Resources — Bob Proctor
      - Financial & Accounting Services — Beulah Canevari
    - **Asst. Executive Officer**
      Robert R. Hill
      - Claims Processing — Kimberly Hines
      - Quality Assurance & Metrics — Mike Mikhail
      - Systems — Fred Whiting
      - Retiree Health Care Benefits Program

*As of June 30, 2006

Actuary
Milliman, Inc.

Auditors
Brown Armstrong, CPAs
The Segal Company

Commercial Banking
Mellon Working Capital Solutions

Custodian
Mellon Global Securities Services

Data Processing
Los Angeles County
Internal Services Department

Governance Consultants
Institutional Shareholder Services, Inc.

Investment Consultants
Frank Russell Company
The Townsend Group

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

Legal Counsel
Bannan, Green, Frank & Terzian, L.L.P.
Bryan Cave, L.L.P.
Christensen, Glaser, Fink, Jacobs, Weil & Shapiro, L.L.P.
Cox, Castle & Nicholson, L.L.P.
DLA Piper Rudnick Gray Cary U.S., L.L.P.
Girard Gibbs & DeBartolomeo, L.L.P.
Graves, Robertson & Bourassa
Groom Law Group, Chartered
Jones Day
Livingston & Mattesich Law Corporation
Locke Liddell & Sapp
Maples and Calder
Morrison & Foerster, L.L.P.
Ogier
O'Melviney & Myers, L.L.P.
Orrick, Herrington & Sutcliffe, L.L.P.
Paul, Hastings, Janofsky & Walker, L.L.P.
Pillsbury Winthrop Shaw Pittman, L.L.P.
Pircher, Nichols & Meeks, L.L.P.
Seyfarth Shaw, L.L.P.
Steptoe & Johnson, L.L.P.
Tatro Tekosky Sadwick, L.L.P.

Financial Section

New Member

Education is the tool through which we cultivate enduring relationships with our members. The process begins with the clear and concise materials we provide new members to assist them in selecting the retirement plan best suited to their individual needs.

LACERA cultivates.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER

CERTIFIED PUBLIC ACCOUNTANTS

■ Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661-324-4971
Fax 661-324-4997
Email info@bacpas.com

■ Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661-746-2145
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, 2006 and 2005 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, 2006 and 2005 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 (MD&A) as listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB). 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 required supplementary information as listed in the table of contents is presented for purposes of additional analysis, as required by GASB, and is not a required part of the basic financial statements. This information is the responsibility of LACERA's management. Such information has been subjected to the auditing procedures applied by us in the audit of the 2006 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2006 basic financial statements taken as a whole. The other supplementary information as listed in the table of contents, 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 as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the investment, actuarial, and statistical sections and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2006, 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 Thornburgh & Keeter
Accountancy Corporation

Andrew J. Paulden

Bakersfield, CA
October 3, 2006

Management's Discussion and Analysis as of June 30, 2006

This Management's Discussion and Analysis (MD&A) of the financial activities of LACERA is an overview of its fiscal operations for the year ended June 30, 2006. 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, total $35.2 billion, an increase of $3.16 billion or 9.9% from the prior year.
- Total Additions as reflected in the Statement of Changes in Plan Net Assets are $5.07 billion, primarily as a result of Investment Income and the Net Appreciation in the Fair Value of Investments. This represents an increase from the prior year of $856 million or a change of 20.3%.
- Total Deductions as reflected in the Statement of Changes in Plan Net Assets total $1.91 billion, an increase of $241 million or 14.4% from prior year.
- The latest actuarial valuation completed by Milliman, Inc., LACERA's independent actuary, was as of June 30, 2005 and determined the funding status (the ratio of system assets to system liabilities) to be 85.8%.

Beulah S. Canevari
Manager, Financial and
Accounting Services Division

Overview of Financial Statements

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

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

The Statement of Changes in Plan Net Assets is the second financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as Additions or Deductions to the plan. The trend of additions versus deductions to the plan will indicate the condition of LACERA's financial position 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, 2006, LACERA has $35.2 billion in net assets, which means that Total Assets of $38.6 billion exceed Total Liabilities of $3.42 billion. As of June 30, 2005, LACERA had $32.0 billion in net assets, as a result of Total Assets of $35.6 billion exceeding Total Liabilities of $3.59 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 report 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, 2006, 2005, and 2004:
(Dollars in millions)

	2006	2005	2004	% Change 2006 - 2005	% Change 2005 - 2004
Investments	$ 35,191	$ 31,974	$29,887	10.1%	7.0%
Other Assets	3,418	3,642	3,361	-6.2%	8.4%
Total Assets	38,609	35,616	33,248	8.4%	7.1%
Total Liabilities	(3,423)	(3,590)	(3,767)	-4.7%	-4.7%
Total Plan Net Assets	**$ 35,186**	**$32,026**	**$29,481**	**9.9%**	**8.6%**

In order to determine whether Total Plan Net Assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. 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 for 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.

LACERA's independent actuary, Milliman, Inc., performed an actuarial valuation as of June 30, 2005 and determined the funding ratio of the actuarial assets to the actuarial accrued liability is 85.8%. The actuarial valuation as of June 30, 2004 determined the funding ratio to be 82.8%. LACERA's investment returns have exceeded the assumed rate of 7.75% over the past two years. These investment gains led to an improvement in the system's funding status and a reduction in the required County contribution rate.

Additions and Deductions to Plan Net Assets

The primary sources which finance the retirement benefits LACERA provides are investment income and the collection of member (employee) and employer retirement contributions. For fiscal year 2006, Total Additions amounted to $5.07 billion, achieved primarily due to positive investment performance with a total fund return of

13.0% for the fiscal year. For fiscal year 2005, Total Additions amounted to $4.21 billion due primarily to annual investment returns of 11.0%.

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. In 2006, the County funded approximately nine and one-half months of contributions in cash. In 2005, the County funded approximately eight and one-half months of contributions in cash. The County's contributions for the remaining months of each of the fiscal years 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 2006 was $4.09 billion, an increase of $696 million or 20.5% from the prior year. LACERA achieved positive performance with an annualized total fund performance of 13.0%. Net investment income for fiscal year 2005 was $3.40 billion, a decrease of $722 million over prior year, or a change of 17.5%. Total fund performance was 11.0% for the 2005 fiscal year. Please see Economic Factors later in this MD&A for further discussion.

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 Healthcare Program, and the cost of administering the plan. These deductions total $1.91 billion for fiscal year 2006, an increase of $241 million, or 14.4% from the prior year. For fiscal year 2005, these deductions total $1.67 billion, an increase of $122 million, or 7.9% 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. In addition, fiscal year 2006 reflects retroactive benefit payments made to members as a result of the settlement of the Ventura Litigation.

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-hundredths of one percent (0.01%) 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, 2006, 2005, and 2004:
(Dollars in millions)

	2006	2005	2004	% Change 2006 - 2005	% Change 2005 - 2004
Contributions and Misc.	$ 977	$ 817	$ 661	19.6%	23.6%
Net Investment Income	4,092	3,396	4,118	20.5%	-17.5%
Total Additions	**5,069**	**4,213**	**4,779**	**20.3%**	**-11.8%**
Benefits and Refunds	(1,798)	(1,563)	(1,448)	15.0%	7.9%
Administrative Expense and Misc.	(45)	(43)	(39)	4.7%	10.3%
Retiree Health Care	(66)	(62)	(59)	6.5%	5.1%
Total Deductions	**(1,909)**	**(1,668)**	**(1,546)**	**14.4%**	**7.9%**
Net Increase	3,160	2,545	3,233	24.2%	-21.3%
Net Assets at Beginning of Year	32,026	29,481	26,248	8.6%	12.3%
Ending Net Assets	**$35,186**	**$32,026**	**$ 29,481**	**9.9%**	**8.6%**

Economic Factors
The most important economic factor that impacts LACERA is the investment return earned in the financial markets. Investment returns make up approximately 80% of the annual additions to the fund.

For the fiscal year, LACERA's total fund returned 13.0% on an annualized basis, exceeding the benchmark by 190 basis points. The 2006 fiscal year outperformance was principally attributable to solid returns in International Equity, Private Equity, and Real Estate, in order of performance. The 2005 fiscal year's return of 11.0% was primarily attributed to the same top three performing asset classes. The five-year annualized return for the total fund of 7.4% lagged behind its policy benchmark by 30 basis points.

Overall Analysis
As of June 30, 2006, LACERA's market value is $35.2 billion. This fiscal year's investment returns exceeded the actuarial assumed investment earnings rate of 7.75%. The gains experienced will continue to result in an improved actuarial funding ratio as the gains are recognized in the future during the actuarial asset-smoothing process.

Requests for Information

This financial report is designed to provide the Boards of Retirement and Investments, our membership, and other third parties 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, C.P.A., C.G.F.M.
Manager, Financial and Accounting Services Division

Statement of Plan Net Assets

As of June 30, 2006 and 2005:
(Dollars in thousands)

	2006	2005
Assets		
Cash	$ 72,727	$ 97,456
Cash Collateral on Loaned Securities	2,906,455	3,001,156
Receivables		
Accounts Receivable - Sale of Investments	213,906	329,931
Accrued Interest and Dividends	118,188	109,878
Accounts Receivable - Other	106,879	103,895
Total Receivables	438,973	543,704
Investments at Fair Value		
Domestic and International Equity	18,817,409	17,299,546
Fixed Income	8,978,511	8,467,784
Short-Term Investments	1,412,210	947,634
Real Estate	3,553,426	3,213,698
Mortgages	231,195	268,449
Private Equity	2,198,244	1,777,213
Total Investments	35,190,995	31,974,324
Total Assets	**38,609,150**	**35,616,640**
Liabilities		
Accounts Payable - Purchase of Investments	391,503	509,383
Retiree Payroll and Other Payables	143	125
Accrued Expenses	66,042	23,809
Tax Withholding Payable	17,075	15,614
Obligations under Securities Lending Program	2,906,455	3,001,156
Accounts Payable - Other	42,343	40,448
Total Liabilities	**3,423,561**	**3,590,535**
Net Assets Held in Trust for Pension Benefits	**$35,185,589**	**$32,026,105**

(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, 2006 and 2005:

(Dollars in thousands)

	2006	2005
Additions		
Contributions		
Employer	$ 676,667	$ 527,810
Member	296,176	286,096
Total Contributions	972,843	813,906
Investment Income		
From Investing Activities		
Net Appreciation/(Depreciation) in Fair Value of Investments	1,078,066	1,597,148
Investment Income	3,107,323	1,850,038
Total Investing Activity Income/(Loss)	4,185,389	3,447,186
Less Expenses from Investing Activities	(102,415)	(59,664)
Net Investing Activity Income/(Loss)	4,082,974	3,387,522
From Securities Lending Activities		
Securities Lending Income	162,282	79,263
Less Expenses from Securities Lending Activities	(152,846)	(70,592)
Net Securities Lending Income	9,436	8,671
Total Net Investment Income/(Loss)	4,092,410	3,396,193
Miscellaneous	3,877	3,222
Total Additions/(Declines)	**5,069,130**	**4,213,321**
Deductions		
Retiree Payroll	1,777,381	1,542,087
Administrative Expense - Note B	44,691	43,182
Refunds	19,731	18,630
Lump-Sum Death Benefits	1,351	1,646
Retiree Health Care Program	66,417	62,318
Miscellaneous	75	536
Total Deductions	**1,909,646**	**1,668,399**
Net Increase/(Decrease)	**3,159,484**	**2,544,922**
Net Assets Held in Trust for Pension Benefits Beginning of Year	32,026,105	29,481,183
End of Year	**$35,185,589**	**$32,026,105**

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, 2006 and 2005, LACERA membership consisted of:

	2006	2005
Active Members		
Vested	63,138	61,382
Nonvested	25,493	25,002
Total Active Members	**88,631**	**86,384**
Retired Members	50,858	49,769
Terminated Vested (Deferred)	7,459	6,980
Total Membership	**146,948**	**143,133**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates 10 years of creditable service under the general service noncontributory plan. Benefits are based upon 12 or 36 months average compensation, depending on the plan, age at retirement, and length of service as of the retirement date, according to applicable statutory formula. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the noncontributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Cost-of-Living Adjustment (COLA)

Under provisions in the California Government Code, the Board of Retirement (Board) shall, before April 1 each year, determine whether there has been an increase or decrease in the cost of living, as shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of the preceding January 1. Effective April 1 of each year, the Board must increase or decrease retirement and survivor allowances by a percentage of the total allowance to approximate to the nearest one-half of one percent, the percentage of annual increase or decrease in the cost of living as of the preceding January 1 for members and survivors who were retired prior to April 1. Plan A members may receive a 3% maximum increase while Plan B, C, and D members may receive a 2% maximum increase. 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 Adjustment 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. The Board of Retirement made permanent the 2001 through 2004 and 2006 STAR Programs 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. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 because the CPI percentage increased slightly and all eligible members had COLA Accumulation accounts below the 20% threshold for providing STAR benefits. Although the 2001-2004 and 2006 STAR Programs are a permanent benefit, future ad hoc supplemental cost-of-living increases based on future increases in the CPI 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 the present, the Program received $1.52 billion in funding. The STAR Program funded approximately $313 million for the vesting of the 2001-2006 STAR Program benefits. As of June 30, 2006, there is $654 million available in the STAR Program Reserve to fund future benefits. Total STAR Program costs since inception have amounted to $736 million.

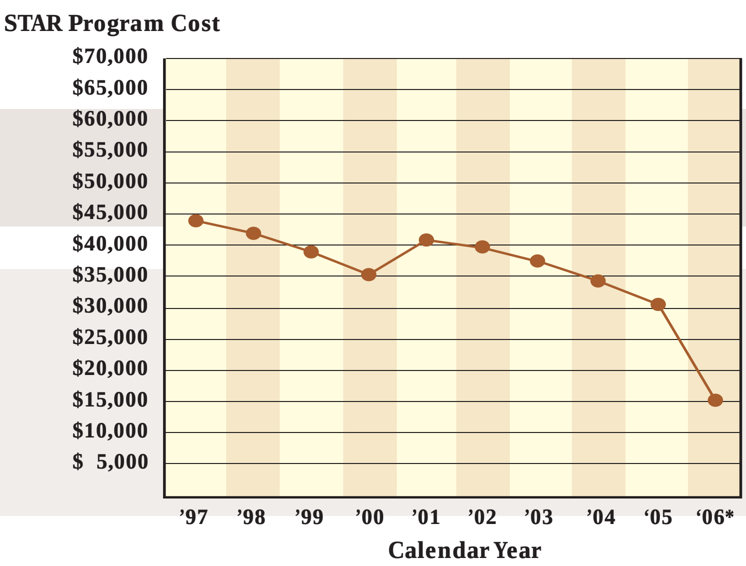
LACERA STAR Program Cost as of June 2006

The STAR program is administered on a calendar-year basis. The following represents the STAR Program cost for the last ten years through June 30, 2006:

(Dollars in thousands)

Year	STAR Program Cost
1997	$44,349
1998	42,225
1999	39,232
2000	35,397
2001	41,430
2002	40,137
2003	37,202
2004	34,544
2005	31,914
2006	15,261*

*Represents Program Year through June 30.



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 thirteen 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 may 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-hundredths of one percent (0.18%) 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 (0.01%) 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 at fair value	$ 33,353,920
Maximum Allowable for Administrative Expense (.18% x $33,353,920)	$ 60,037
Maximum Legal Representation Appropriation (.01% x $33,353,920)	$ 3,335
Total Statutory Budget Appropriation	$ 63,372
Operating Budget Request for Fiscal Year 2005-2006	$ 51,612
Actual Administrative Expenses for Fiscal Year ended June 30, 2006	$ 44,691
Underexpended Operating Budget	**$ 6,921**

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. As of June 30, 2005, all capital assets have been fully depreciated.

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, 2006 and 2005 were $1.83 million and $1.89 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, 2006 and 2005.

Investments

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

Investments	Source
Publicly traded stocks and bonds, and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year end. International securities reflect currency exchange rates in effect at June 30, 2006 and 2005.
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.
Private equity	Fair value as provided by the investment manager and reviewed by LACERA's private equity 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 the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 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, 2006, the County paid its employer contributions due to LACERA in the form of monthly cash payments through the middle of April 2006. The County's contributions for the approximate remaining two and one-half months of the current fiscal year were made using the County Contribution Credit Reserve. For fiscal year ending June 30, 2005, the County paid its employer contributions due to LACERA in the form of monthly cash payments through the middle of March 2005. The County's contributions for the approximate remaining three and one-half months of the 2005 fiscal year were made using 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' survivors, and supplemental disability payments.

For fiscal year 2005-2006, the County paid its employer contributions using a combination of cash payments and transfers from the County Contribution Credit Reserve. On June 30, 2004, the County prefunded approximately $620 million from the County Contribution Credit Reserve, as a portion of its employer contributions due LACERA for the two fiscal years ended June 30, 2005 and 2006. The unused portion of the prefunding was returned to the County Contribution Credit Reserve on June 30, 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 Healthcare Account. The Retiree Healthcare Account is used to subsidize a portion of the Retiree Healthcare Program under the provisions of Internal Revenue Code Section 401(h).

STAR Reserve represents the balance of transfers from the Contingency Reserve for future supplemental cost-of-living increases. Additions include transfers from the Contingency Reserve. Deductions include COLA payments to retirees and funding permanent benefits. The Board of Retirement made permanent the 2001 through 2004 and 2006 STAR Program at an 80% level as authorized in the California Government Code Section 31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 because the CPI percentage increased slightly and all eligible members had COLA Accumulation accounts below the 20% threshold for providing STAR benefits. 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. 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 $1.23 billion and $220 million represent 3.49% and 0.69% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 2006 and 2005, respectively.

RESERVES

Reserves as of June 30, 2006 and 2005 are as follows:
(Dollars in thousands)

	2006	2005
Member Reserves	$ 11,268,431	$ 10,596,424
Employer Reserves		
Employer Contributions	14,323,464	13,718,254
Advanced Employer Contributions		431,806
Total Employer Reserves	14,323,464	14,150,060
County Contribution Credit Reserve	544,039	312,829
STAR Reserve	654,099	656,602
Contingency Reserve	1,227,686	220,387
Total Reserves at Book Value	28,017,719	25,936,302
Unrealized Investment Portfolio Appreciation	7,167,870	6,089,803
Total Reserves at Fair Value	**$35,185,589**	**$32,026,105**

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 2005-2006, Milliman, Inc. served as LACERA's independent actuary. Milliman, Inc. completed the actuarial valuation as of June 30, 2005 and determined the funding status (the ratio of system assets to system liabilities) to be 85.8%. The funding status was established based on the entry age normal actuarial cost method, an assumed 7.75% investment return, an assumed 3.75% annual total payroll growth rate (annual individual salary increases, which vary by service, range from 9.98% to 4.01%), an inflation rate of 3.5%, 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, 2005 valuation, determining the funding ratio to be 85.8%, recognized an Unfunded Actuarial Accrued Liability (UAAL) of $4.88 billion. The County contribution rate was therefore set equal to 5.33% of payroll for the amortization of the UAAL over a rolling 30-year period plus the normal cost rate of 9.53%, for a total contribution rate of 14.86% of payroll.

Under the current funding Agreement, all but $34.5 million of the June 30, 2005 STAR Reserve was used to determine the contribution rates for fiscal year commencing July 1, 2006. Note that if the entire STAR reserve of $657 million was excluded from the Valuation Assets, the UAAL would increase by $632 million. Under this hypothetical scenario, the required County contribution rate would increase by 0.74% to 15.60%, and the Funded Ratio would decrease to 84.0%.

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 $37.8 million and $38.7 million in related reimbursements during each of the years ended June 30, 2006 and 2005, 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 — Post-employment Health Care Benefits

Under an agreement with the County, LACERA administers a Healthcare 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 healthcare 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 healthcare 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 post-employment healthcare benefits. The HBP is billed to and paid by the County and members on a monthly basis. During fiscal year ending June 30, 2006, $315 million in premium payments were made to insurance carriers. These payments were funded by employer contributions of $282 million, of which $66.4 million was paid through the 401(h) Account, and $33.4 million by the participants. During fiscal year ending June 30, 2005, $288 million in premium payments were made to insurance carriers. These payments were funded by employer contributions of $255 million, of which $62.3 million was paid through the 401(h) Account, and $32.9 million by the participants.

Health Care Benefits Program Participants

A summary of HBP participants is as follows:

Plan Type	2006	2005
Medical	39,050	38,060
Dental/Vision	38,975	37,879

Note H – Deposit and Investment Risk Disclosure

The County Employees Retirement Law of 1937 (Retirement Law) vests the Board of Investments (Board) with exclusive control over LACERA's investment portfolio. The Board established an Investment Policy Statement in accordance with applicable local, State, and Federal laws. The Board members exercise authority and control over the management of LACERA's assets (the Plan) by setting policy which the Investment Staff executes either internally, or through the use of external prudent experts. The Board oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- 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 with like objectives.
- Diversify the investments of the Plan 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. Diversification is applicable to the deployment of the assets as a whole.

The Investment Policy Statement encompasses the following:

- Domestic Equity Policy
- International Equity Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Policy
- Alternative Investments Policy
- Securities Lending Program Policy
- Directed Brokerage Policy
- Emerging Manager Policy
- Corporate Governance Principles
- Manager Monitoring and Review Policy
- Derivatives Investment Policy

Credit Risk
Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control Credit Risk, credit quality guidelines have been established.

The Domestic Fixed Income Core Portfolio must meet the following credit qualities:

- Money market instruments must be rated at least A-1/P-1 or equivalent at least by one major credit rating agency.
- U.S. pay debt securities, including Rule 144A securities, must be rated at least investment grade (BBB- by Standard and Poor's (S&P) or equivalent) by at least one major credit rating agency.
- Unrated issues may be purchased provided, in the judgment of the Manager, they would not violate LACERA's minimum credit quality criteria.
- In terms of diversification, unrated issues and securities rated below A-/A3 (S&P/Moody's) or equivalent, in combination, may represent up to 30% of the portfolio. Investments in issuers rated below A-/A3, excluding manager's commingled vehicles, may represent up to 3% of the portfolio. For split-rated issuers, the higher credit rating shall apply.

The Domestic Fixed Income Enhanced Core Portfolio must meet the same credit qualities listed above, except for the following:

- A minimum of 90% of the portfolio must be invested in securities rated investment grade (BBB- by S&P or equivalent) by at least one major credit rating agency.
- All securities, including Rule 144A securities, must be rated at least B- by S&P or B3 by Moody's or equivalent at time of purchase.
- In terms of diversification, unrated issues, and securities rated BBB+, BBB, or BBB- (S&P) or equivalent, in combination, may represent up to 35% of the portfolio. Investments in issuers rated BBB+, BBB, or BBB-, excluding manager's commingled vehicles, may represent up to 3% of the portfolio. Investments in issuers rated below BBB-, excluding manager's commingled funds, may represent up to 1% of the portfolio. For split-rated issuers, the higher credit rating shall apply.

The Domestic Fixed Income Medium-Grade Portfolio must meet the same credit qualities as the Enhanced Core portfolio listed above, except for the following:

- A minimum of 50% of the portfolio must be invested in securities rated investment grade (BBB- by S&P or equivalent) by at least one major credit rating agency, excluding unrated issues.
- In terms of diversification, unrated issues and securities rated below BBB- (S&P) or equivalent, in combination, may represent 50% of the portfolio. Up to 3% of the portfolio may be invested in a single issuer with a credit rating below A- (S&P) or equivalent. For split-rated issuers, the higher credit rating shall apply.

The Domestic High Yield Bond Portfolio must meet the following credit qualities:

- Money market instruments must be rated at least A-1/P-1 or equivalent by at least one major credit rating agency.
- At least 95% of the portfolio must be invested in U.S. pay corporate debt issues, including Rule 144A securities, rated at least B- by S&P or B3 by Moody's at the time of purchase.

- A maximum of 5% of the portfolio may be invested in issues rated at least CCC by S&P or CAA by Moody's at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Manager, they would not violate LACERA's minimum credit criteria.

Credit Quality Ratings of Investments in Fixed Income Securities

The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization as of June 30, 2006 are as follows:

(Dollars in thousands)

Quality Ratings	Fair Value
AAA	$ 843,010
AA	326,022
A	344,101
BAA	670,583
BA	515,668
B	603,578
CAA	88,791
CA	2,426
Not Rated	267,562
Total Credit Risk Fixed Income Securities	**$ 3,661,741**
U.S. Government and Agencies	$ 2,972,927
Pooled Funds (Not Rated)	2,343,843
Total Investments in Fixed Income Securities	**$ 8,978,511**

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a financial institution's failure, LACERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. LACERA's policy as incorporated in its current contract with its custodial bank (Bank) requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance" in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" ("PCA") capital category of "well capitalized," and identifying on Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance, and to maintain a Financial Institution Bond which will cover the loss of money and securities with respect to any and all property which the Bank or its agents hold in or for LACERA's account, up to the amount of the bond.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. LACERA's contract with its custodian (Bank) provides that the Bank may hold securities of LACERA registered in the Bank's or its Agent's nominee name, in bearer form, book entry form, a clearing house corporation or a depository, so long as the Bank's records clearly indicate that the assets held are part of LACERA's account. The Bank may also hold securities in LACERA's name when required by LACERA. To implement certain investment strategies in a cost-effective manner, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian.

Concentration of Credit Risk

As of June 30, 2006, LACERA did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage Interest Rate Risk, the modified adjusted duration of the Domestic Fixed Income Core and Enhanced Core Portfolios are restricted to +/- 25% of the Lehman Brothers Aggregate Bond Index's modified adjusted duration. The Domestic Fixed Income Medium-Grade Portfolio's modified adjusted duration is restricted to +/- 25% of the custom index's modified adjusted duration. The modified adjusted duration of the Domestic High Yield Bond Portfolio is restricted to 6.5 years. Deviations from any of the stated guidelines require prior written authorization from LACERA.

FIXED INCOME SECURITIES

As of June 30, 2006, LACERA had the following investments:
(Dollars in thousands)

Investment Type	Fair Value	Modified Duration
U.S. Government and Agency Instruments:		
U.S. Treasury	$ 1,092,918	4.67
U.S. Government Mortgages	1,820,955	4.35
Municipal/Revenue Bonds	2,163	11.74
Other Fixed Income	56,891	N/A
	$2,972,927	
Corporate Securities:		
Asset-Backed Securities	$ 395,609	1.44
Commercial Mortgage-Backed Securities	435,876	3.57
Corporate and Other Credit	2,479,086	5.46
Pooled investments	2,343,843	N/A
Options	137	N/A
	$5,654,551	
International Fixed Income	$ 88,237	1.25
Private Placement Fixed Income	262,796	5.32
Total Fixed Income Securities	**$8,978,511**	

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA's international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 30 days and not to exceed one year for either instrument) are permitted for defensive currency hedging. See further disclosure under Note J-Derivative Financial Instruments.

International Investment Securities at Fair Value

LACERA's exposure to Foreign Currency Risk in U.S. dollars as of June 30, 2006 is as follows:
(Dollars in thousands)

Currency	Equity	Fixed Income	Total
Australian Dollar	$ 130,083	$ 5,908	$ 135,991
British Pound Sterling	327,554	3,205	330,759
Canadian Dollar	19,148		19,148
Danish Krone	8,966		8,966
Euro Currency Unit	574,731	41,974	616,705
Hong Kong Dollar	89,541		89,541
Japanese Yen	445,456	33,201	478,657
New Zealand Dollar	115		115
Norwegian Krone	17,245		17,245
South Africa Comm Rand	2,792		2,792
Singapore Dollar	30,627		30,627
Swedish Krona	61,758	3,949	65,707
Swiss Franc	111,474		111,474
Total Securities Subject to Foreign Currency Risk	**$1,819,490**	**$88,237**	**$1,907,727**
U.S. Dollar (Securities held by International Managers)	5,706,118		5,706,118
Total International Investment Securities	**$7,525,608**	**$88,237**	**$7,613,845**

NOTE I — 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 which are initially collateralized at 102% of the loan market value. The market value of the collateral is marked to market daily, and additional collateral is required if the market value falls below the maintenance margin. Metropolitan West invests the collateral it receives on loans in short-term highly liquid instruments. Mellon Global Securities Lending lends LACERA's international equities. International loans are 105% collateralized and are marked to market on a daily basis. Mellon Global Securities Lending collateral is reinvested in its commingled fund. The income earned from investments made by Metropolitan West and Mellon Global Securities Lending 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, 2006, 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, 2006 and 2005.

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, 2006, the fair value of securities on loan was $2.84 billion with the value of cash collateral received for the securities on loan of $2.91 billion and non-cash collateral of $2.20 million. As of June 30, 2005, the fair value of securities on loan was $2.95 billion with the value of cash collateral received for the securities on loan of $3.00 billion and non-cash collateral of $6.69 million. LACERA's income net of expenses from securities lending was $9.44 million and $8.67 million for the years ended June 30, 2006 and 2005, respectively.

Securities Lending

The following securities were on loan and collateral received as of June 30, 2006:
(Dollars in thousands)

Securities on Loan	Market Value of Securities on Loan	Cash Collateral Received	Securities Collateral Received
U.S. Government and Agencies	$ 1,588,220	$ 1,609,883	$ 1,715
Domestic Equities	468,413	475,359	
Domestic Corporate Fixed Income	408,373	431,874	
International Equities	371,099	389,339	489
Total	**$2,836,105**	**$ 2,906,455**	**$2,204**

NOTE J – DERIVATIVE FINANCIAL INSTRUMENTS

The Board's Statement of Investment Policy and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their price and payoff from an underlying asset. Managers are required to mark-to-market derivative positions daily and may only trade with counterparties with a credit rating of A3/A- as defined by Moody's and Standard & Poor's, respectively. Substitution and risk control are the only two derivative strategies permitted. The classes of derivatives that are permitted are: futures contracts, currency forward contracts, options, and swaps. Gains and losses from derivatives are included in net investment income. LACERA requires managers to 100% collateralize all derivative positions with cash and/or cash equivalents so that the positions are not leveraged.

Futures Contract

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset, at a specified future date for a specified price. Payment for the transaction is delayed until a future date which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

FUTURES CONTRACTS

As of June 30, 2006, LACERA had the following futures contracts:
(Dollars in thousands)

Description	Fair Value
Long—Cash and Cash Equivalents	$ 640,406
Long—Fixed Income	501,909
Short—Fixed Income	(20,378)
Total	**$1,121,937**

Forward Contracts

Forward contracts represent an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

FORWARD CONTRACTS

As of June 30, 2006, LACERA had the following currency forward contracts:
(Dollars in thousands)

	Amount
Foreign Exchange Contracts Receivable	$ 28,749
Foreign Exchange Contracts Payable	(28,813)

Option Contracts

An option contract is a type of derivative security in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Option Contracts

As of June 30, 2006, LACERA had the following option contracts:
(Dollars in thousands)

Option Type	Asset Type	Fair Value
Purchased Call Options	Cash and Cash Equivalents	$ 20
Purchased Call Options	Fixed Income	116
Written Call Options	Cash and Cash Equivalents	(34)
Written Call Options	Fixed Income	(425)
Written Put Options	Fixed Income	(104)
Total		**$ (427)**

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows that the counterparties exchange are tied to a "notional" amount. A swap agreement specifies the time period over which the periodic payments will be exchanged.

Swap Agreements

As of June 30, 2006, LACERA had the following swap agreements:
(Dollars in thousands)

Description	Maturity Date	Notional Amount	Fair Value
PIMCO Interest Rate Swap 4.50%	9/20/2009	$ 8,000	$ (201)
PIMCO Interest Rate Swap 5.00%	12/20/2011	7,900	(219)
WAMCO Interest Rate Swap 4.66%	10/5/2008	33,450	(683)
WAMCO Interest Rate Swap 4.60%	10/7/2007	2,620	(34)
WAMCO Interest Rate Swap 4.71%	10/11/2010	2,630	(92)
Total Interest Rate Swaps			**$ (1,229)**
PIMCO Credit Default Swap 4.15%	6/20/2007	$ 4,500	$ (34)

NOTE K — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 65 Title Holding Corporations (THCs) and 13 Limited Liability Companies (LLCs) as of June 30, 2006. The real estate portfolio had 70 THCs and ten LLCs as of June 30, 2005.

Title Holding Corporations' Financial Position

The following is a summary of the THCs' financial position as of June 30, 2006 and 2005:
(Dollars in thousands)

	2006	2005
Assets	$ 3,659,788	$ 3,465,045
Less: Liabilities	352,801	444,244
Net Assets	**$3,306,987**	**$3,020,801**
Net Income	**$ 189,821**	**$ 182,048**

NOTE L — Related Party Transactions

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. In January 1991, LACERA entered into its original 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.

Subsequent to the original lease agreement, several amendments have been entered into that adjusted the rentable square footage and lease expiration dates. The latest is the Eighth Amendment to the Office Lease dated March 7, 2005, leasing a total of approximately 95,000 rentable square feet of space, with terms expiring on December 31, 2010. LACERA has three 5-year options to extend the terms of the lease. A new Tenant Improvement Allowance of $1.82 million was provided for the construction of structural improvements to the premises.

Total operating expenses charged to LACERA were approximately $974,000 and $866,000 for the years ended June 30, 2006 and 2005, respectively.

LACERA has notes receivable of approximately $52.2 million from two of its Title Holding Corporations, as of fiscal year end June 30, 2006 and 2005. This amount is reflected in the Accounts Receivable-Other balance for both years.

NOTE M — 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 the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Ventura Litigation

The California Supreme Court's 1997 Ventura decision required LACERA to include several additional items of compensation in pensionable income. LACERA implemented the Ventura decision on a prospective basis, commencing October 1, 1997, the date the Court's decision became final. The subject litigation sought 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 were consolidated and coordinated with a number of similar cases filed in other California counties. On November 30, 2001, the trial court entered judgment and ruled that inclusion in final compensation of the three items mentioned above was not required, but that LACERA must recalculate benefits required by the Ventura decision retroactively for the period beginning three years prior to May 26, 1998, the date of the filing of the complaint. The court further ruled that the Board of Retirement has discretion (but is not required) to assess arrears contributions for the period prior to October 1, 1997, which period may include more than three years prior to that date.

On July 11, 2003, the California Court of Appeal, First Appellate District affirmed the trial court judgment in all respects. The California Supreme Court denied review and the trial court judgment is final.

Implementation of the judgment and payment of retroactive benefits was completed during fiscal year 2005-2006, except for a relatively small number of beneficiary accounts that are still being calculated. The most recent actuarial valuation accounts for the increased liabilities resulting from the judgment that have been calculated as of the valuation date.

Bugh Case

LACERA began including cashable flexible benefit plan contributions in pensionable compensation effective January 1, 1991. A petitioner sought 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 adjustment of pension payments made on and after September 9, 1995. The judgment was appealed by the County, but not LACERA. The Court of Appeal affirmed the trial court judgment, which is now final.

The cost of implementing the trial court judgment in favor of the petitioner has not been determined by LACERA; however, the County 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 submitted by the County. 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.

LACERA is in the process of implementing the judgment. Petitioner's counsel was awarded attorney fees on a common fund basis, which provides that attorney's fees will be allocated against payments otherwise due the members of the class. LACERA has paid the attorney's fees and will allocate pro-rata amounts against retroactive benefit payments as they are made.

Local 1014 Case

This matter involves a dispute over the classification of approximately 510 former Fire Control Laborers who were classified by the County as temporary employees for a period of time, and thus not eligible for membership in LACERA.

Most Fire Control Laborers were reclassified as permanent County firefighters by 1994, which made most of them eligible for membership in LACERA Safety Plan B. They have argued they should have been reclassified as of their temporary hire dates, which would have given them more favorable retirement benefits. LACERA filed a declaratory relief action on February 9, 2001 to resolve the dispute. Shortly thereafter, a group of approximately 150 former Fire Control Laborers intervened on their own behalf and filed a class action cross-complaint raising related issues. A class was subsequently certified. The class action alleges, among other things, a breach of fiduciary duty as to LACERA.

A judgment incorporating a settlement of class member claims was entered on March 1, 2006 and is now final. Under the judgment, the Fire Control Laborers will receive permanent service credit for their temporary time, provided they deposit with LACERA the applicable employee contributions plus interest. The employer's portion of the contributions will constitute an unfunded actuarial accrued liability, which will be recovered by assessing additional employer contributions.

On September 13, 2006, the Court awarded plaintiffs' counsel attorney fees not to exceed a set amount, plus costs, covering counsel's services incurred in connection with the implementation of the judgment. Fees and costs were awarded on a common fund basis, which provides that such fees and costs will be allocated against the class member's recovery. The award of attorney fees and costs is not final and is subject to appeal.

Securities Litigation

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 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 serving as court-appointed co-lead plaintiff, along with the Teachers' Retirement System of Louisiana and the Detroit Policemen and Firemen Retirement Fund, in the King Pharmaceuticals, Inc. securities litigation. LACERA is also serving as lead plaintiff in the Citigroup, Inc. securities litigation on behalf of purchasers of Focal Communications stock. LACERA has also pursued independent securities fraud cases against Worldcom, Adelphia Communications, Motorola, Scientific-Atlanta, Safety-Kleen and AOL Time Warner, recovering more than $19 million through its efforts to date.

Leases

LACERA leases equipment under lease agreements that expire over the next four years. The annual commitments under such equipment leases were approximately $600,000 and $323,000 in fiscal years 2006 and 2005, respectively. The building space lease agreement entered in January 1991, and subsequently amended to include additional rentable square footage and termed to expire on December 31, 2010, requires that LACERA pay a portion of the building's operating expenses based on square footage occupied as discussed in Related Party Transactions Note L.

Total rent expense for all leases was $1.57 million and $1.19 million in fiscal years 2006 and 2005, respectively.

Capital Commitments

LACERA real estate and private equity 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, 2006, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $2.55 billion. Subsequent to June 30, 2006, LACERA funded $138 million of these capital commitments.

Schedule of Funding Progress

(Dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2000	$25,426,507	$24,720,380	($706,127)[1]	102.9%	$4,107,964	-17.2%
June 30, 2001	26,490,000	26,489,976	(24)[1]	100.0%	4,398,443	0.0%
June 30, 2002	28,262,129	28,437,493	175,364	99.4%	4,744.340	3.7%
June 30, 2003	26,564,328	30,474,025	3,909,697	87.2%	4,933,615	79.2%
June 30, 2004	27,089,440	32,700,505	5,611,065	82.8%	4,919,531	114.1%
June 30, 2005	29,497,485	34,375,949	4,878,464	85.8%	4,982,084	97.9%

[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	
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%
2005	750,352	527,810	222,542	750,352	100%
2006	855,531	676,667	179,368	856,035	100%

Notes to Required Supplementary Schedules

For Fiscal Year Ended June 30, 2006:

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, 2005 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 for the June 30, 2000 valuation. 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	Rolling 30-Year Amortization Period. (Open 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 7.75%, compounded annually, net of both investment and administrative expenses. This rate was adopted effective for the June 30, 2004 valuation.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 9.98% to 4.01%. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.75% per annum rate of increase in the general wage level of membership. These rates were adopted effective for the June 30, 2004 valuation. No increase in the number of members is assumed.
Post-Retirement Benefit Increases	Post-retirement benefit increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5% per year. This rate was adopted effective for the June 30, 2004 valuation. Plan E members receive a prorated post-retirement benefit increase of 2% for service credit earned after June 4, 2002. The portion payable is based on the member's years of service earned after June 4, 2002 to their total years of service. The portion of the full 2% increase not provided for may be purchased by the member.
Consumer Price Index	Increase of 3.5% per annum. This rate was adopted effective for the June 30, 2004 valuation.

Administrative Expenses

For the Years Ended June 30, 2006 and 2005:
(Dollars in thousands)

	2006	2005
Personnel Services		
Salaries and Wages	$19,827	$18,477
Employee Benefits	10,017	8,799
Total Personnel Services	29,844	27,276
Professional Services		
Computer Software Services and Support	2,020	2,449
External Audit Fees	86	107
Disability Medical Fees	1,173	1,037
Disability Hearing Officer Fees	129	88
Disability Stenographic Fees	48	52
Temporary Personnel Services	1,583	2,644
Legislative and Other Legal Services	518	334
Other Professional Services	1,120	1,133
Total Professional Services	6,677	7,844
Communication		
Forms and Brochures	526	544
Postage	640	638
Telecommunications	327	298
Transportation and Travel	374	323
Total Communications	1,867	1,803
Rentals		
Rents and Leases	1,643	1,253
Total Rentals	1,643	1,253
Miscellaneous		
Computer Equipment and Supplies	330	284
Office Furniture	6	115
Other Office Expenses	194	170
Maintenance	1,075	1,706
Educational Expenses	731	646
Parking Fees	285	290
Other County Department Charges	208	132
Insurance	462	478
Administrative Support	921	936
Other Service Charges	448	248
Total Miscellaneous	4,660	5,005
Depreciation-Fixed Assets		1
Total Administrative Expenses	**$44,691**	**$43,182**

Fees and Other Investment Expenses

For the Years Ended June 30, 2006 and 2005:

(Dollars in thousands)

	2006	2005
Investment Activity:		
Investment Management Fees		
Equity Managers		
Domestic	$ 15,074	$ 12,536
International	8,350	8,842
Domestic Fixed Income Managers	15,252	14,628
Cash and Short-Term Managers	865	900
Real Estate Managers	53,979	14,756
Mortgage Loan Servicers	627	721
Private Equity Managers	3,673	3,308
Total Fees from Investment Activity	97,820	55,691
Securities Lending Activity:		
Securities Lending Program Expense	152,846	70,592
Total Fees from Securities Lending Activity	152,846	70,592
Total Investment Management Fees	250,666	126,283
Other Investment Expenses:		
Consultants	799	687
Custodian	2,343	2,293
Legal Counsel	618	302
Other	835	691
Total Other Investment Expenses	4,595	3,973
Total Fees and Other Investment Expenses	**$255,261**	**$130,256**

Schedule of Payments to Consultants

For the Years Ended June 30, 2006 and 2005:

(Dollars in thousands)

	2006	2005
Audit		
External Audit Services	$ 86	$ 107
Contract Systems Audits	7	2
Total	93	109
Legal		
Investment Legal Counsel	618	302
Other Legal Services	456	265
Total	1,074	567
Actuarial		
Actuarial Valuations and Consulting Fees	380	394
Total	380	394
Management		
Legislative Consulting	62	69
Management and Human Resources Consulting	92	59
System and Software Consulting	129	9
Total	283	137
Total Payments to Consultants	**$1,830**	**$1,207**

For fees paid to Investment Professionals, refer to Fees and Other Investment Expenses on page 44.

Investment Section

Mid-Career

Education is the tool through which we cultivate enduring relationships with our members. The process begins with the clear and concise materials we provide new members to assist them in selecting the retirement plan best suited to their individual needs.

LACERA nurtures.

Independent Consultant's Report

August 31, 2006

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

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

Annual Consultant's Review

In fiscal year 2006, LACERA experienced strong performance at the total fund level in both absolute and excess return terms as the Total Fund earned a return of 13.0% versus 11.1% for its Total Fund Actual Benchmark. The primary contributions to this outperformance came from the real estate and private equity asset classes. The Fund achieved a 20.7% return in real estate, which outdistanced the Real Estate Target Return by over 1,300 basis points. In private equity, the 26.3% return surpassed the Private Equity Target Return of 17.5% by almost 900 basis points. Absolute returns were positive in all other asset classes and small excess returns were also achieved.

Russell worked with the LACERA staff on an ongoing basis to identify opportunities for improving the Fund's performance and processes. We provided support via our ongoing monitoring of investment managers and assisted with the following ad hoc projects throughout the fiscal year:

- Reviewed and endorsed staff's implementation plans to increase the return potential of LACERA's fixed income and domestic equity strategies.
- Supported staff in their initiative to reduce exposure to high yield during favorable market conditions.
- Supplied staff with data and the views of Russell's manager research analysts for the core enhanced/core plus fixed income, U.S. equity enhanced index managers, international equity, and emerging market equity managers under consideration by LACERA staff.
- Assisted staff with a review of the Fund's currency policy.
- Worked with staff on the restructuring of the international equity asset class. We provided assistance in the search for a new developed market equity manager to complement Capital Guardian, which resulted in the hiring of Acadian Asset Management. In March, we met with staff in our Tacoma office to provide Russell's thoughts on the best practices for structuring a non-U.S. equity portfolio. As the year progressed, Russell continued to provide feedback on the restructuring effort and eventually endorsed the plan, which involves reducing passive investment management and hiring a more diversified set of international and emerging market equity managers. The high allocation to passive investments in this asset class has been a performance opportunity cost in the past. We believe the movement to more active management and manager diversification in the future will improve the Fund's opportunity for added value going forward.
- Ongoing asset allocation discussions; in particular, the role of real estate and private equity.
- Provided Russell's research and held discussions with staff on commodities.
- Russell also participated in the Board of Investment's semi-annual offsite meeting in January in which topics included portable alpha and absolute and real return alternative investment strategies.
- Responded to staff requests throughout the year for information and data pertaining to Russell's investment manager performance universes and performance and statistics for various indexes and investment managers.
- Reviewed the staff's recommendation of a commitment to an externally managed private equity co-investment program.

Through our involvement in these projects, we believe we achieved our goal of providing added value to the Fund's investment performance and processes.

Respectfully submitted,

Monica Butler
Managing Director, Consulting

John Osborn, CFA
Senior Consultant

Russell

TACOMA LONDON AUC---KLAND
NEW YORK PARIS SINGAPORE
TORONTO SYDNEY TOKYO

Chief Investment Officer's Report

As of June 30, 2006

Investment Policy

LACERA's investment program objective is to provide Association participants with retirement benefits, as required by the County Employees Retirement Law of 1937. The Board of Investments (Board) has exclusive control of all retirement system investments. There are a total of nine Board members: four are elected by the active and retired members, and four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer-Tax Collector serves as an ex-officio member.

Lisa Mazzocco
Chief Investment Officer

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

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. LACERA employs Modern Portfolio Theory, which recognizes that higher degrees of investment risk are generally rewarded with higher 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.

Asset Allocation

A pension fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The asset allocation policy determines a fund's optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment return objectives. The Policy also establishes ranges around the optimal target asset class mix, which act as a trigger for re-allocating assets (re-balancing) to ensure adherence to target weights.

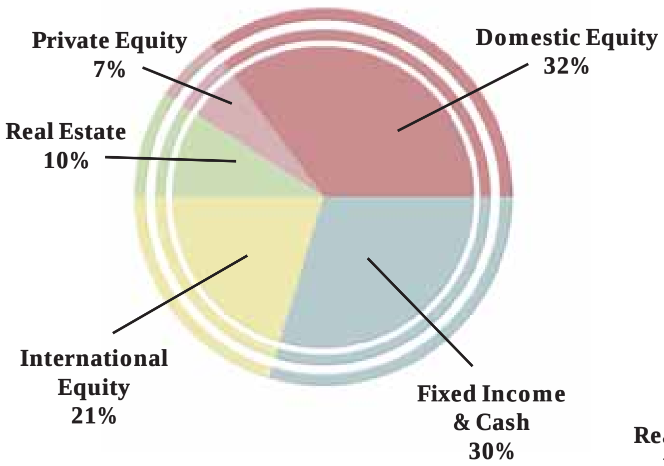
The Board of Investments considered the following factors to determine LACERA's asset allocation, most recently reviewed in fiscal year 2005/2006:

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

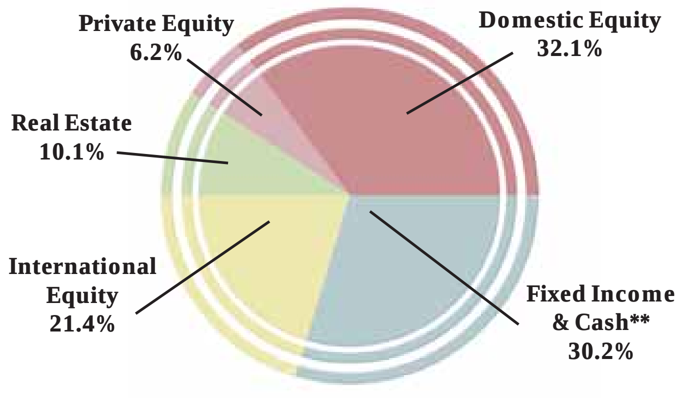
INVESTMENT SECTION
Chief Investment Officer's Report

The following charts display LACERA's fiscal year end (June 30, 2006) target and actual asset allocations. As shown, the allocations are close to the Board-approved asset allocation policy.

2006 Target Asset Allocation



2006 Actual Asset Allocation*



*The 2006 Actual Asset Allocation is based upon the Investment Summary in this Section.

**Cash may include Corporate and Government Bonds, Certificates of Deposits, and Overnight Deposits.

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.

Economic and Market Review

Higher oil prices and increasing interest rates started to adversely impact real disposable income, resulting in slower consumer spending during this period. As a result, the U.S. economy expanded at a modest pace for the quarter ended June 30, 2006, growing at a 2.5% annual rate. This was down significantly from first quarter Gross Domestic Product, which was over 5%.

Given the respectable overall economic growth, corporations continued to generate positive earnings growth and strong cash flows. As a result, the domestic stock market generated a 9.6% return, as measured by the Russell 3000 benchmark, a broad-based index. Mid-smaller market capitalization securities continued to outperform larger stocks, as measured by the Russell 2500 benchmark, which returned 13.5% during this period.

Key S&P 500 economic sectors, such as financial services, returned 12.4%, while technology securities lagged the markets returning, 0.8% during this period, as measured by Mellon Analytics. Not surprisingly, the S&P 500 energy sector returned 24.6%.

Internationally, the Morgan Stanley All Country World excluding the United States benchmark returned 27.9% in dollars. Europe, the Pacific Basin and the Emerging Markets were all strong performers, returning 24.8%, 30.9% and 35.9%, respectively. In local currency, the MSCI ACWI X U.S. returned 24.6%.

Increasing interest rates created a more challenging return environment for fixed income securities. The Lehman Brothers Aggregate Bond Index, a broad-based measure for government, mortgage-backed, and high quality corporate bonds, returned -0.8%. Mortgage-backed securities, which provide a gauge for housing market activity, returned 0.4%, as measured by Lehman Brothers Mortgage-Backed Securities Index. High-yield bonds returned 4.8%, also as measured by the Lehman Brothers.

Summary of Performance

Overall favorable market conditions enabled LACERA to generate a 13.0% return, exceeding its benchmark by 190 basis points for the fiscal year ended June 30, 2006.

Key contributors to the fund's strong returns are as follows: domestic equities (10.1%), international equities (27.8%), real estate (20.7%), and private equity (26.3%). These returns were calculated by various entities including: Mellon Trust, LACERA's custodian; The Townsend Group, LACERA's real estate consultant; and Pathway Capital Management, LACERA's private equity advisor.

This was the fourth consecutive fiscal year in which LACERA's total fund generated a positive return, subsequent to the market correction experienced earlier this decade. Against this backdrop, LACERA's ten-year return remains strong at 9.1%.

Consistent with its fiduciary duty, the Board of Investments continues to adopt prudent policies while evaluating new investment opportunities. The following key items were accomplished during the year:

- Completed a search for an international equity manager.
- Expanded LACERA's private equity investment program to include a co-investment manager to reduce costs without compromising returns.
- Reviewed LACERA's public markets asset class structures to ensure the fund is maximizing risk-adjusted returns.
- Reviewed key policy issues such as managing LACERA's currency exposure, employing leverage in real estate, and reviewing the fund's real estate return assumptions.
- Commenced a search for a general consultant.

Although LACERA's returns have exceeded the fund's 7.75% actuarial expectation, it is important for LACERA to remain diligent to continue meeting this objective.

The relatively low interest rate environment introduces new hurdles into the investment equation. In addition, many institutional investors with large amounts of capital are searching for higher returns, thereby creating a challenging investment environment. In response, LACERA will continue to evaluate all new investment opportunities while carefully considering the risks associated with each investment.

On behalf of the investment staff, I am excited about working with the Board of Investments to address these challenges and ensure the fund's continued success.

Respectfully submitted,

Lisa Mazzocco

Lisa Mazzocco
Chief Investment Officer

Investment Summary

For the Year Ended June 30, 2006:

(Dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Short-Term Investments	$ 1,412,210	4.0%
U.S. Government and Agency Instruments	2,972,927	8.4%
Domestic Corporate Fixed Income	5,654,551	16.1%
International Fixed income	88,237	0.3%
Private Placement Fixed Income	262,796	0.7%
Mortgages	231,195	0.7%
Total Fixed Income	10,621,916	30.2%
Domestic Equity and Convertibles	11,291,800	32.1%
International Equity	7,525,609	21.4%
Total Equities and Convertibles	18,817,409	53.5%
Real Estate and Title Holdings	3,553,426	10.1%
Private Equity	2,198,244	6.2%
Total Private Markets	5,751,670	16.3%
Total Investments	**$ 35,190,995**	**100.0%**

Investment Results Based on Fair Value*

As of June 30, 2006:

	Current Year	Annualized 3-year	Annualized 5-year
Domestic Equity[1]	9.9%	12.6%	3.6%
Benchmark: Russell 3000	9.6	12.6	3.5
International Equity	28.2	25.2	11.5
Benchmark: MSCI ACWI X U.S.[2]	27.9	25.3	11.4
Fixed Income[3]	0.6	3.7	5.9
Benchmark: Fixed Income Custom Index[4]	-0.1	2.9	5.4
Real Estate[5]	20.7	15.3	11.7
Benchmark: Real Estate Target Return[6]	7.5	7.5	7.5
Private Equity[7]	26.3	22.7	4.8
Benchmark: Private Equity Target Return[8]	17.5	17.5	17.5
Total Fund	**13.0**	**13.4**	**7.4**
Total Fund Actual Benchmark[9]	**11.1**	**12.5**	**7.8**
Total Fund Policy Benchmark[9]	**10.9**	**12.3**	**7.7**

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

[1] Includes Cash Equitization.
[2] MSCI All Country World Index X - U.S. (Net)
[3] Does not include Member Home Loan Program (MHLP) or Whole Loan Program (WLP).
[4] Lehman Aggregate (100%) through June 30, 1997; Lehman Aggregate (95%) and Lehman High Yield BB/B(5%) from July 1, 1997 to June 30, 1998; Lehman Aggregate (90%) and Lehman High Yield BB/B (10%) from July 1, 1998 to June 30, 1999; Lehman Aggregate (85%) and Lehman High Yield BB/B (15%) thereafter.
[5] One quarter in arrears.
[6] Rolling five-year return of Consumer Price Index (CPI) plus 500 basis points.
[7] Two quarters in arrears.
[8] Rolling ten-year return of Russell 3000 plus 500 basis points.
[9] The Actual Benchmark uses current asset class weights. The Policy Benchmark uses the fund's Board approved target allocations.

Largest Equity Holdings (by Fair Value)

As of June 30, 2006:
(Dollars in thousands)

Shares	Description	Fair Value
710,366	Citigroup, Inc.	$34,275
1,012,207	General Electric Co.	33,362
512,328	Exxon Mobil Corp.	31,431
648,582	Bank of America Corp.	31,197
302,418	BNP Paribas	28,944
230,257	E.ON AG	26,504
3,065	Mizuho Financial Group	25,981
513,450	Canon, Inc.	25,198
102,030	Orix Corp.	24,946
1,191,000	Mitsubishi Corp.	23,806

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2006:

(Dollars in thousands)

Par	Description			Fair Value
68,000,000	U.S. Treasury Notes	3.250%	01/15/2009	$65,001
64,000,000	U.S. Treasury Notes	3.375%	11/15/2008	61,504
58,500,000	Federal Home Loan Bk Cons Disc		07/03/2006	58,476
49,315,000	U.S. Treasury Notes	4.375%	11/15/2008	48,476
50,406,572	FHLMC Pool #G0-1994	5.000%	12/01/2035	47,121
44,865,000	U.S. Treasury Notes	3.375%	02/28/2007	44,322
44,831,926	FNMA Pool #0735503	6.000%	04/01/2035	44,187
40,125,000	U.S. Treasury Notes	4.000%	02/15/2015	36,987
31,074,726	U.S. Treasury-CPI Inflation Index	3.625%	04/15/2028	36,882
34,100,000	Rabobank U.S.A. Finl Disc		07/03/2006	34,085

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2006 and 2005:

(Dollars in thousands)

	2006	2005
Investment Activity:		
Equity Managers		
Domestic	$ 15,074	$ 12,536
International	8,350	8,842
Subtotal	23,424	21,378
Domestic Fixed Income Managers	15,252	14,628
Cash and Short-Term Managers	**865**	**900**
Real Estate Managers	**53,979**	**14,756**
Mortgage Loan Servicers	627	721
Private Equity Managers	3,673	3,308
Total Fees from Investment Activity	97,820	55,691
Securities Lending Activity:		
Management Fee	1,088	1,153
Borrower Rebate	151,758	69,439
Total Fees from Securities Lending Activity	152,846	70,592
Total Investment Management Fees	**$ 250,666**	**$ 126,283**

Private Equity
Adams Street Partners
Betram Growth Capital I (GP), L.P.
Falcon Investment Advisors, L.P.
HarbourVest International Private Equity Partners
Invesco Private Capital, Inc.
Knightsbridge Advisers, Inc.
Pathway Capital Management, L.L.C.
RLH Investors II, L.P.
Reliant Equity Investors, L.L.C.
Solera Partners, L.P.
Union Square GP 2004 L.P.

Cash and Short-Term
Western Asset Management Company

Equity—Domestic
American Century Investment Management, Inc.
Barclays Global Investors
Delta Asset Management
Eagle Asset Management, Inc.
FIS Funds Management, Inc.
Frontier Capital Management Company, L.L.C.
ICM Asset Management, Inc.
Mazama Capital Management, Inc.
Northern Trust Global Advisors

Equity—International
Acadian Asset Management, Inc.
Barclays Global Investors
Capital Guardian Trust Company
Fidelity Management Trust Company
GAM International Management, Ltd.

Mortgage Loan Servicer
ABN AMRO Mortgage Group, Inc.
Chase Manhattan Mortgage Company
GMAC Mortgage Corporation

Fixed Income—Domestic
Barclays Global Investors
BlackRock Financial Management, Inc.
Dodge & Cox
Dolan McEniry Capital Management, L.L.C.
GW Capital, Inc.
LM Capital Management, Inc.
Loomis, Sayles & Company, L.P.
Oaktree Capital Management, L.L.C.
Penn Capital Management Company, Inc.
PIMCO
Post Advisory Group, L.L.C.
Pugh Capital Management, Inc.
Wells Capital Management
Western Asset Management Company

Real Estate
Capri Capital Advisors
Cornerstone Real Estate Advisers, Inc.
Emmes Asset Management Co., L.L.C.
Invesco Realty Advisors
Lowe Enterprise Residential Advisors, L.L.C.
RREEF America Partners
TA Associates Realty
Urban America, L.P.

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

ACTUARIAL SECTION

Pre-Retirement

Even in the twilight of impending retirement, our support of members continues to grow. To ensure members within five years of retirement gain the greatest available advantage for themselves and their loved ones, we provide them with short-term planning services and customized recommendations.

LACERA grows.

A MILLIMAN GLOBAL FIRM
Milliman
Consultants and Actuaries
1301 Fifth Avenue, Suite 3800
Seattle, WA 98101-2605
Tel +1 206 624.7940
Fax +1 206 623.3485
www.milliman.com

July 27, 2006

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

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, 2003	**Funded Status:**	87.2%
Valuation Date:	June 30, 2004	**Funded Status:**	82.8%
Valuation Date:	June 30, 2005	**Funded Status:**	85.8%

The funding ratio was at or over 100% prior to the market fall in 2000/2001. Since 2003, the funding ratio has stayed near the 85% level, reflecting the three-year smoothing on the actuarial value of assets. If the investment returns stay at the current levels, it is expected that the increased recognition of the deferred asset gains from 2004 and 2005 will cause the funding ratio to increase in the 2006 and 2007 valuations.

It is our opinion that LACERA continues in sound financial condition as of June 30, 2005. The current funding policy is based on the Retirement Benefits Enhancement Agreement. It provides for a short-term funding policy, applicable through the 2008 actuarial valuation. Under this 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 minus 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 funded over a rolling 30-year period. In addition, the 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. This interim approach is not expected to be a permanent, long-term funding policy. The Board of Investments will need to re-evaluate its long-term funding policy prior to the 2009 valuation.

The June 30, 2005 valuation results are based on the membership data and the asset information provided by LACERA. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of LACERA's current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the Board in 2005. The actuarial liabilities are determined

[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.

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. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. For example, the recognition of realized but as yet unrecognized asset gains from 2004 and 2005 will be reflected in the 2006 and 2007 valuations. Please refer to the June 30, 2005 Actuarial Valuation report for further disclosures.

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, 2005 actuarial valuation report.

We certify that the June 30, 2005 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Karen I. Steffen, F.S.A., E.A., M.A.A.A.
Consulting Actuary

Nick J. Collier, A.S.A., E.A., M.A.A.A.
Consulting Actuary

KIS/NJC/nlo

Summary of Actuarial Assumptions and Methods

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 2004 Investigation of Experience Study. New assumptions were adopted by the Board effective for the June 30, 2004 valuation.

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 for the June 30, 2000 valuation.

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 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 7.75%, compounded annually, net of both investment and administrative expenses. This rate was adopted effective for the June 30, 2004 valuation.

Projected Salary Increases

Rates of annual salary increases assumed for the purpose of the valuation range from 9.98% to 4.01%. In addition to increases in salary due to promotions and longevity, the increases include an assumed 3.75% per annum rate of increase in the general wage level of membership. These rates were adopted effective for the June 30, 2004 valuation.

Post-retirement Benefit Increases

Post-retirement benefit increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments, which are based on the Consumer Price Index, are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 3.5% per year. This rate was adopted effective for the June 30, 2004 valuation. Plan E members receive a pro-rated post-retirement benefit increase of 2% for service credit earned after June 4, 2002. The portion payable is based on a ratio of 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 3.5% per annum. This rate was adopted effective for the June 30, 2004 valuation.

Rates of Separation from Employment

Various rates dependent upon member's age, sex, and retirement plan. All terminating members are assumed to not be rehired. These rates were adopted effective for the June 30, 2004 valuation.

Expectation of Life after Retirement

The same post-retirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. Beneficiaries of both service retired and disability retired members are assumed to be of the opposite sex and have the same mortality as General service retired members.

Males: General members: RP-2000 Combined Mortality Table for Males, with ages set back 2 years. Safety members: RP-2000 Combined Mortality Table for Males, with ages set back 3 years.

Females: General members: RP-2000 Combined Mortality Table for Females, with ages set back 2 years. Safety members: RP-2000 Combined Mortality Table for Females, with ages set back 2 years.

These rates were adopted effective for the June 30, 2004 valuation.

Expectation of Life after Disability

Males: General members: RP-2000 Combined Mortality Table for Males, with ages set forward 3 years. Safety members: RP-2000 Combined Mortality Table for Males, with no age adjustment.

Females: General members: RP-2000 Combined Mortality Table for Females, with ages set forward one year. Safety members: RP-2000 Combined Mortality Table for Females, with ages set forward 3 years.

These rates were adopted effective for the June 30, 2001 valuation.

Recent Changes and Their Financial Impact

LACERA's investment returns have exceeded the assumed rate of 7.75% over the past two years. These investment gains led to an improvement in the system's funding status and a reduction in the required County contribution rate. The Funded Ratio increased from 82.8% to 85.8%. Almost all of this increase is due to the investment gain.

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary[1]	Average Annual Salary	% Increase in Average Salary
June 30, 2000	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%**
June 30, 2001	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%**
June 30, 2002	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%**
June 30, 2003	General	75,995	$ 3,954,516,792	$ 52,037	4.62%
	Safety	11,765	899,307,576	76,439	4.16%
	Total	**87,760**	**$4,853,824,368**	**$55,308**	**4.41%**
June 30, 2004	General	74,826	$ 3,967,337,892	$ 53,021	1.89%
	Safety	11,409	885,426,444	77,608	1.53%
	Total	**86,235**	**$4,852,764,336**	**$56,274**	**1.75%**
June 30, 2005	General	75,167	$ 4,046,526,732	$ 53,834	1.53%
	Safety	11,217	904,864,212	80,669	3.94%
	Total	**86,384**	**$4,951,390,944**	**$57,318**	**1.86%**

[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)	Member Count	Annual Allowance (in 000's)	Member Count	Annual Allowance (in 000's)	% Increase in Retiree Allowance	Average Annual Allowance
2001	2,190	$ 78,420	(1,488)	($12,673)	45,396	$1,188,592[1]	13.54%	$26,183
2002	2,371	88,002	(1,525)	(14,374)	46,242	1,280,731[1]	7.75%	27,696
2003	2,654	96,921	(1,664)	(15,508)	47,232	1,383,150[1]	8.00%	29,284
2004	2,824	110,106	(1,724)	(17,387)	48,332	1,536,803[1]	11.11%	31,797
2005	2,855	102,903	(1,418)	(17,465)	49,769	1,645,490[1]	7.07%	33,063
2006	2,873	104,405	(1,784)	(33,101)[2]	50,858	1,768,706[1]	7.49%	34,777

[1] Annual allowance is the monthly benefit allowance annualized for those members counted as of June 30.
[2] Includes COLA amounts not included in the previous years' Annual Allowance totals.

Actuary Solvency Test

(Dollars in millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
Valuation Date	(1) Active Member Contributions	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Valuation Assets	(1) Active	(2) Retired	(3) Employer
June 30, 2000	$3,190	$12,922	$8,609	$25,427	100%	100%	108%
June 30, 2001	3,320	14,368	8,802	26,490	100%	100%	100%
June 30, 2002	3,596	15,424	9,417	28,262	100%	100%	98%
June 30, 2003	3,790	16,844	9,840	26,564	100%	100%	60%
June 30, 2004	4,042	18,857	9,802	27,089	100%	100%	43%
June 30, 2005	4,308	20,238	9,829	29,497	100%	100%	50%

Actuarial Analysis of Financial Experience

Valuation Date, June 30, 2006

(Dollars in millions)

	2000	2001	2002	2003	2004	2005
Prior Valuation Unfunded Actuarial Accrued Liability	($751)	($ 706)	$ 0	$ 175	$3,910	$ 5,611
Expected Increase (Decrease) from Prior Valuation	(192)	128	(26)	162	312	128
Salary Increases Greater (Less) than Expected	(20)	40	(20)	(66)	(270)	(115)
CPI Less than Expected			(39)		(31)	
Change in Assumptions		(239)			697	
Asset Return Less (Greater) than Expected	(697)	690	(194)	3,351	871	(790)
All Other Experience	211	87	13	248	122	44
Change in Procedural Applications	457[1]					
Change in Actuarial Asset Method				40		
Change in Application of Actuarial Asset Method	286					
Change in Benefits (MOU)			441			
Ending Unfunded Actuarial Accrued Liability (Surplus)	**($706)**	**$ 0**	**$ 175**	**$3,910**	**$5,611**	**$4,878**

[1] 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 when salary increases occur changed.

Probability of Occurrence

Age	Service Retirement	Other Terminations	Service Disability	Ordinary Disability	Service Death	Ordinary Death
Plans A, B, and C General Members - Male						
20	0.0000	0.0050	0.0002	0.0001	N/A	0.0004
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0006
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0012
50	0.0300	0.0050	0.0017	0.0006	N/A	0.0024
60	0.2400	0.0050	0.0044	0.0016	N/A	0.0059
70	0.2500	0.0050	0.0052	0.0059	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	0.0002	0.0001	N/A	0.0002
30	0.0000	0.0050	0.0002	0.0001	N/A	0.0003
40	0.0300	0.0050	0.0006	0.0002	N/A	0.0007
50	0.0300	0.0050	0.0016	0.0006	N/A	0.0017
60	0.2000	0.0050	0.0034	0.0017	N/A	0.0039
70	0.2400	0.0050	0.0072	0.0036	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	Other Terminations
Plan D General Members - Male							
20	0.0000	0.0002	0.0001	N/A	0.0004	5	0.0283
30	0.0000	0.0002	0.0001	N/A	0.0006	10	0.0220
40	0.0200	0.0006	0.0002	N/A	0.0012	15	0.0170
50	0.0200	0.0017	0.0006	N/A	0.0024	20	0.0132
60	0.0500	0.0044	0.0016	N/A	0.0059	25	0.0108
70	0.2000	0.0052	0.0059	N/A	0.0112	30 and up	0.0000
75	1.0000	0.0000	0.0000	N/A	0.0000		
Plan D General Members - Female							
20	0.0000	0.0002	0.0001	N/A	0.0002	5	0.0283
30	0.0000	0.0002	0.0001	N/A	0.0003	10	0.0220
40	0.0200	0.0006	0.0002	N/A	0.0007	15	0.0170
50	0.0200	0.0016	0.0006	N/A	0.0017	20	0.0132
60	0.0600	0.0034	0.0017	N/A	0.0039	25	0.0108
70	0.2000	0.0072	0.0036	N/A	0.0076	30 and up	0.0000
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	Other Terminations
Plan E General Members - Male							
20	0.0000	N/A	N/A	N/A	0.0004	5	0.0373
30	0.0000	N/A	N/A	N/A	0.0006	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0012	15	0.0216
50	0.0000	N/A	N/A	N/A	0.0024	20	0.0188
60	0.0300	N/A	N/A	N/A	0.0059	25	0.0168
70	0.2500	N/A	N/A	N/A	0.0112	30 and up	0.0160
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	0.0373
30	0.0000	N/A	N/A	N/A	0.0003	10	0.0272
40	0.0000	N/A	N/A	N/A	0.0007	15	0.0216
50	0.0000	N/A	N/A	N/A	0.0017	20	0.0188
60	0.0400	N/A	N/A	N/A	0.0039	25	0.0168
70	0.2500	N/A	N/A	N/A	0.0076	30 and up	0.0160
75	1.0000	N/A	N/A	N/A	0.0000		

Probability of Occurrence

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
Plans A and B Safety Members - Male							
20	0.0000	0.0050	0.0003	0.0001	0.0003	5	0.0133
30	0.0000	0.0050	0.0003	0.0001	0.0004	10	0.0076
40	0.0100	0.0072	0.0004	0.0001	0.0005	15	0.0048
50	0.0100	0.0168	0.0014	0.0001	0.0011	20 and up	0.0000
60	1.0000	0.0000	0.0038	0.0000	0.0000		
Plans A and B Safety Members - Female							
20	0.0000	0.0050	0.0006	0.0001	0.0002	5	0.0133
30	0.0000	0.0060	0.0006	0.0001	0.0003	10	0.0076
40	0.0500	0.0140	0.0010	0.0001	0.0007	15	0.0048
50	0.0500	0.0190	0.0022	0.0001	0.0017	20 and up	0.0000
60	1.0000	0.0000	0.0078	0.0000	0.0000		

	Government Code Sections or Board of Retirement Bylaws
MANAGEMENT OF THE RETIREMENT SYSTEM	
Except as delegated to the Board of Investments and except for the statutory duties of the County Treasurer, the management of the retirement system is vested in the nine-member (plus two alternate members) 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 Board of Retirement may contract with a third party to temporarily assume administration of the system should a catastrophic event destroy or severely damage the system's administrative facilities or otherwise prevent local administration of the system.	(31522.6)
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.	

	Government Code Sections or Board of Retirement Bylaws
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-hundredths of one percent (0.18%) of the total assets of the retirement system.	(31580.2, 31580.3)
Membership Eligiblity	
Permanent employees of Los Angeles County (County) and participating districts that work three-quarter time or more are eligible for membership in LACERA.	(31551, 31552, Bylaws)
Employees eligible for safety membership (law enforcement, fire fighting and lifeguard classifications) become safety members on the first day of the month after their date of hire.	(31558)
All other employees become general members on the first day of the month after their 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.	(31553, 31562)
General members in Plan E may transfer all their Plan E service credit to Plan D during an approved traditional open window transfer period by making the required contributions. Transferred members relinquish, waive, and forfeit any and all vested or accrued benefits available under any other retirement plan and are entitled only to the benefits of Plan D.	(31494.1, 31494.3)
As an alternative to transferring all their service credit, general members in Plan E may, effective June 4, 2002, transfer prospectively to Plan D and make contributions beginning as of the effective date of transfer. These members may also purchase credit for some or all of their Plan E service earned prior to the transfer to Plan D, as Plan D service credit. 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 to transfer back to Plan E until three years from the effective date of transfer to Plan D.	(31494.5)

	Government Code Sections or Board of Retirement Bylaws
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 to transfer 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 other system. If a member enters LACERA from the Public Employee's Retirement System (PERS) after withdrawing contributions, but redeposits those contributions and otherwise meets the requirements of reciprocity with PERS, the member's entry age is the age at entry into PERS commencing with the pay period immediately following receipt of confirmation from PERS that withdrawn contributions have been redeposited.] Current rates are published in the plan disclosure booklets and on our website, www.lacera.com. The contribution rate is multiplied by the member's compensation earnable to compute the actual contribution. Compensation earnable is the amount of compensation used in calculating retirement contributions for Plan A, B, C, or D members and for computing retirement benefits for all LACERA members.	(31461, 31461.1, 31461.3, 31461.4, 31461.45, 31620, 31639.1, 31831.3, 31833, 31833.1)

	Government Code Sections or Board of Retirement Bylaws
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.	(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 ten-year period. Membership is the same as if unbroken, except that current contributions are based on nearest age at reentry.	(31652, Bylaws)
Members who left service and became a member of a reciprocal system may redeposit their withdrawn contributions plus interest if their prior or current membership consists of active law enforcement or firefighting.	(31831.3)
If a member whose prior or current membership consists of active law enforcement or firefighting duties enters LACERA from a reciprocal system after withdrawing contributions, but redeposits those contributions, the member's entry age is the age at entry into the reciprocal agency commencing with the pay period immediately following receipt of confirmation from the agency that withdrawn contributions have been redeposited.	(31831.3)
Members who were retired for disability and return to membership after a determination they are no longer disabled, or return to membership following a service retirement and elect Plan D, make contributions based on their nearest age at reentry.	(31680.4, 31680.5, 31733)

	Government Code Sections or Board of Retirement Bylaws
Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Investments on amounts that have been on deposit for at least six months. (Note: The total of member contributions and credited interest is called "accumulated contributions.")	(31591)
Member contributions made through payroll deductions are considered to be employer contributions for tax purposes only and are made on a before-tax basis. (Effective August 1, 1983, per Internal Revenue Code Section 414(h)(2).)	
Member contributions may be refunded upon termination of employment by filing a withdrawal application. Effective January 1, 2003, failure to file a withdrawal application will be deemed to be an election to leave accumulated contributions on deposit.	(31628, 31629, 31629.5)
Employer Contributions	
In addition to member contributions, the employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation, and recommendation of the actuary.	(31453, 31454, 31581)
The County or district may also make additional appropriations to fund any deficit or to amortize unfunded accrued actuarial obligations.	(31453.6, 31454.5, 31454.6)
Termination of Employment	
Members who terminate employment with the County may:	
(a) Defer retirement and leave their contributions on deposit to continue drawing interest, provided they: (i) have five or more years of County (including reciprocal system) retirement service credit; or (ii) enter a reciprocal retirement system within 6 months from termination; or	(31591, 31700, 31629.5, 31830, 31831)
(b) Leave their contributions on deposit to continue drawing interest regardless of the amount of retirement service credit; or	
(c) Withdraw all member contributions plus interest; or	
(d) Transfer all tax-deferred member contributions plus interest into an IRA or other qualified retirement plan.	
The withdrawal or transfer of funds forfeits all rights to receive retirement or disability benefits from LACERA in the future.	

	Government Code Sections or Board of Retirement Bylaws
Service and Breaks in Service	
Service means uninterrupted employment of any person appointed or elected for a given period provided:	(31641, Bylaws)
(a) Deductions are made from the member's earnable compensation from the County or district for such service.	
(b) Member contributions are made for specific military service authorized by other provisions of the County Employees Retirement Law (CERL).	
(c) Credit is received for County service and/or for public service under the provisions of Article 7 (Service) in the CERL.	
(d) Credit, as defined in the Bylaws, is allowed for prior service.	
The following are not considered as breaking the continuity of service:	
(a) A temporary layoff because of illness, economy, suspension, or dismissal, followed by reinstatement or reemployment within one year.	(31642)
(b) A leave of absence followed by reinstatement or reemployment within one year after the termination of the leave of absence.	
(c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by reemployment by the County or district within six months after the termination of such service.	
(d) Resignation of a member who has elected in writing to come within the provisions of Article 9 (Deferred Retirement) followed by reemployment before withdrawal of any accumulated contributions.	
Note: The withdrawal of accumulated contributions followed by the redeposit of the contributions upon 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 one-half time position would mean it would take two years to earn one full year of credit.	(31640.5)

	Government Code Sections or Board of Retirement Bylaws
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 five years of County retirement service credit is eligible to purchase up to five years of Additional Retirement Credit (ARC). ARC is not 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)
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)

	Government Code Sections or Board of Retirement Bylaws
Service Retirement Allowance	
Compensation Limit:	
The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the U.S. Code.	(31671)
Combined General and Safety Service:	
Members who earn service credit as both a general and safety member will receive a combined retirement allowance after retirement. The benefits for each type of service will be added together to determine the total retirement allowance payable.	(31664.65)
Combined General Plan D and Plan E Service:	
Members who transfer prospectively from Plan D to Plan E or from Plan E to Plan D and earn service credit under both plans will receive a combined retirement allowance after retirement. The benefits for each plan will be added together to determine the total retirement allowance payable. In addition, the aggregate service credited under both retirement plans is used for the purpose of determining eligibility for and vesting of benefits under each plan.	(31494.2, 31494.5)
Payment of Allowance:	
A retired member's retirement allowance may be paid by warrant or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution.	(31452.6, 31590)
Retirement Plan Allowances:	
Retirement allowances are based on retirement plans which provide different levels of benefits. Two important differences between the plans are the age factors that determine the percent of final compensation per year of service and the final compensation periods: one year versus three years. The plans and their benefits are as follows:	
Plan A	
Retirement Eligibility:	
General members: Age 50 with 10 years of County service, or any age with 30 years of service, or age 70 regardless of the number of years of service.	(31672)
Safety members: Age 50 with 10 years of County service, or any age with 20 years of service, or age 60 (mandatory retirement age for safety members hired before April 1, 1997), regardless of the number of years of service. There is no mandatory retirement for safety members who first became a safety member on or after April 1, 1997.	(31662.4, 31662.6, 31663.25)

	Government Code Sections or Board of Retirement Bylaws
Monthly Allowance:	
General members: 1/60 x final compensation x General Plan A age factor x years of service. Allowance may not exceed 100% of final compensation.	(31676.14)
For those years of County service in which a member was covered by Social Security prior to January 1, 1983, substitute 1/90 for 1/60 for compensation up to and including $350 per month. Use the formula in the paragraph above for compensation in excess of $350 per month. Service prior to membership is also calculated using the formula in the paragraph above unless it was County service that was covered by Social Security.	(31808)
Final compensation is the average monthly compensation earnable for the last one year of service if the member does not elect a different one-year period.	(31462.1)
Safety members: 1/50 x final compensation x Safety Plan A age factor x years of service. Allowance may not exceed 100% of final compensation.	(31664)
Plan B	
Retirement Eligibility/Allowance:	
Same eligibility and allowance formula as Plan A, except General Plan B age factors are different than General Plan A; Safety Plan B age factors are the same as Safety Plan A. For both general and Safety Plan B, final compensation is the average monthly compensation earnable for the last three years of service if the member retires before July 1, 2001 and the member does not elect a different three-year period. If a member has less than three years of service, final compensation is determined by dividing the member's total compensation earnable by the number of credited months of service.	(31462, 31462.3, 31664, 31676.11)
However, for both general and Safety Plan B members who 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 last one year of service if the member does not elect a different one-year period.	(31462.3)
Plan C	
Retirement Eligibility/Allowance:	
Same eligibility and allowance formula as General Plan A, except General Plan C factors are different. Final compensation period is three years as in Plan B for members who retire before July 1, 2001, and one year for members who are employed on or after October 1, 2000 and who retire on or after July 1, 2001.	(31462, 31462.3)

	Government Code Sections or Board of Retirement Bylaws
Plan D **Retirement Eligibility/Allowance:** Same eligibility and allowance formula as General Plan A, except $350 figure is replaced by $1,050. Plan D age factors are the same as Plan C age factors. Final compensation period is three years as in Plan B for members who retire before July 1, 2001, and one year for members who are employed on or after October 1, 2000 and who retire 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 65% of the member's allowance (60% if the member died before 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 65% 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.	(31760.1, 31760.12, 31780.2, 31785, 31785.4)
The continuance of an unmodified service-connected disability retirement allowance to an eligible surviving spouse, domestic partner, or eligible children is equal to 100% of the member's allowance. To receive this continuance the marriage or domestic partnership registration must have occurred at least one year prior to retirement.	(31780.2, 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)

	Government Code Sections or Board of Retirement Bylaws
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 65% (or 60% if the member died before June 4, 2002) 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)
Unmodified+Plus: Member's allowance is reduced to pay an increased continuing allowance (66% up to 100%) to an eligible surviving spouse (or eligible children). The reduction is equal to the additional actuarial cost to the system between the survivor's allowance under Unmodified and the survivor's allowance under Unmodified+Plus. The actuarial cost of the additional survivor allowance is calculated taking into account the life expectancy of the member's surviving spouse. After August 26, 2003, the continuing allowance may be paid to the member's domestic partner if the domestic partner was registered at least one year prior to retirement. Eligible children are unmarried children below the age of 18 (below 22 if unmarried and full-time students in an accredited school).	(31760.5, 31780.2)
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 percentage of member's reduced allowance or a set dollar amount is payable to one or more beneficiaries having an insurable interest in the life of the member.	(31764)
A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4.	(31782)

	Government Code Sections or Board of Retirement Bylaws
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 65% (60% if the member died before June 4, 2002) 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)
The initial retirement allowance is made on a pro rata basis effective on the date of the member's retirement. Payment is made for the entire month in the month of death.	(31600)
Service-Connected Disability Retirement Allowance Eligibility/Definition of Disability: Any age or years of service; member must be permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment, and employment must contribute substantially to the incapacity. In addition, if a safety member (or other specified member) who has completed five or more years of service develops heart trouble, cancer, or a blood-borne infectious disease, such heart trouble, cancer, or disease is presumed to arise out of, and in the course of, employment. The presumption for the latter two is extended following termination of service.	(31720, 31720.5, 31720.6, 31720.7)
A general member in Plan E who transfers prospectively to Plan D may apply for a service-connected disability retirement after he or she has either completed two years of continuous service or if not continuous, earned five years of service as an active Plan D member after the most recent date of transfer. If the member is granted a disability retirement under Plan D, the member may not retire under Plan E.	(31494.5)
Application: Application must be made while the member is in service, within four months after discontinuance of service, within four months after the expiration of any period during which a presumption is extended beyond the discontinuance of service, or while, from the discontinuance of service to the time of application, the member is continuously incapacitated to perform duties.	(31722)

	Government Code Sections or Board of Retirement Bylaws
Monthly Allowance:	
The allowance begins from the date of application, but not earlier than the day following the last day of regular compensation.	(31724)
The monthly allowance is equal to 50% of final compensation or, if the member is eligible to retire, the service retirement allowance, if greater.	(31727.4)
Upon the death of a member who is receiving a service-connected disability retirement allowance, 100% of the allowance continues to an eligible surviving spouse, domestic partner, or minor children, unless the member elected an optional allowance. To receive this continuance, the marriage or domestic partnership registration must have occurred 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 if not continuous, 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)

	Government Code Sections or Board of Retirement Bylaws
The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b):	(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 who is receiving a nonservice-connected disability retirement allowance, 65% (60% if member died before June 4, 2002) of the allowance continues to a surviving spouse who was married to the member one year prior to retirement (or eligible children), unless the member elected an optional allowance. After August 26, 2003, the 65% 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.	(31760, 31760.1, 31760.12, 31780.2, 31785, 31785.4)
Change of Position in Lieu of Disability Retirement Allowance	
An incapacitated member who is eligible for either a nonservice-connected or service-connected disability retirement allowance under his or her former position may, upon approval by the Board, accept a lower paying position for which he or she is not disabled. In such cases, LACERA pays an amount that equals the difference in salary between the member's current and former position, not to exceed the amount of the disability allowance to which the member would otherwise be entitled. Such payments in lieu of a disability retirement allowance are considered a charge against the Employer Reserves.	(31725.5, 31725.6, 31725.65)
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*)

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

	Government Code Sections or Board of Retirement Bylaws
Death Benefit (Lump Sum):	
The member's normal contributions and interest, plus 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) 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 the 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:	(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 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:	
If a member who has children is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty, there is an additional benefit payable to the surviving spouse or domestic partner. The benefit is equal to 25% of the optional death allowance provided in Section 31787 (whether or not the monthly allowance or combined benefit is chosen) for one eligible child, 40% for two eligible children, and 50% for three or more eligible 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.	(31780.2, 31787.5)

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

	Government Code Sections or Board of Retirement Bylaws
Additional Amount For Spouse of Safety Member:	
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 the monthly rate of compensation at the time of member's death, in addition to all other benefits.	(31780.2, 31787.6)
Nonservice-Connected Death Benefits	
Eligibility:	
Active members who die while in service or while physically or mentally incapacitated for the performance of duty.	(31780)
Death Benefit (Lump Sum):	
The member's normal contributions and interest, plus 1/12 of the compensation earnable in the 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)
In lieu of the lump-sum death benefit, the following death benefits are available:	
First Optional Death Benefit:	
If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the surviving spouse, eligible children, or domestic partner may elect to receive an optional death allowance equal to 65% (or 60% if the member died before June 4, 2002) of the monthly retirement allowance to which the member would have been entitled as of the date of death. (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.) 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, 31781.1*, 31781.12)
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.	

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

	Government Code Sections or Board of Retirement Bylaws
Second Optional Death Benefit: If a member dies prior to reaching the minimum retirement age but has 10 or more years of County service, a surviving spouse, eligible children, or domestic partner (effective August 23, 2003) 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 65% continuance or 60% if the member died before June 4, 2002). (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.)	(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 65% (or 60% if the member died before June 4, 2002) 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) the above based on the age of surviving spouse or domestic partner. (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.)	(31780.2, 31781.1*, 31781.12)
Fourth Optional Death Benefit: If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary, the spouse, eligible children, or domestic partner may elect to receive 65% (60% if the member died before June 4, 2002) of the monthly retirement allowance to which the member would have been entitled as of the date of death. (The effective date for the 65% domestic partner survivor benefit is August 23, 2003.)	(31765.1, 31765.2, 31780.2)
Fifth Optional Death Benefit: If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary and survives the member by not less than 30 days, the spouse, eligible children, or domestic partner may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3.	(31765, 31780.2)

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

	Government Code Sections or Board of Retirement Bylaws
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 could have retired had they remained in County service in a full-time position. Members are 0% vested with fewer than five years of County service and 100% vested with five or more years of County service.	(31700)
Years of service for determining eligibility for retirement include reciprocal service with all reciprocal agencies.	(31836)
Monthly Allowance:	
The allowance is calculated according to the applicable service retirement formula at the time of retirement.	(31703, 31704, 31705)
To receive a deferred retirement allowance, a member must leave their contributions on deposit and the member must apply for deferred retirement benefits within 180 days of termination. Members who complete five years of service, but fail to elect a deferred retirement, are deemed to have elected a deferred retirement.	(31700)
If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary.	(31702)
A member who has attained age 70 and is not in service or in a reciprocal retirement system must be notified that the member is eligible to apply for and shall begin receiving a deferred retirement allowance by April 1 of the year following the year in which the member attains age 70-1/2.	(31706)

	Government Code Sections or Board of Retirement Bylaws
Reciprocity:	
Career public service is encouraged by granting reciprocal benefits to members who are entitled to retirement benefits from two or more county retirement systems established under the CERL or from a county retirement system and the Public Employees' Retirement System (PERS), the State Teachers' Retirement System (STRS), the Judge's Retirement System or Judge's Retirement System II, or a retirement system of any other public agency of the state that has established reciprocity with PERS subject to specified conditions.	(31830, 31840.2, 31840.4, 31840.8)
Final compensation may be based on service with PERS, another county retirement system, STRS, the Judge's Retirement System or Judge's Retirement System II, or a retirement system of any other public agency of the state that has established reciprocity with PERS provided: (1) the period between active memberships in the respective systems does not exceed 90 days prior to January 1, 1976, or six months if on or after January 1, 1976 and (2) the member retires concurrently under both systems. The 90-day or six-month period does not include any time during which the member was precluded by law from becoming a member of the system of another county.	(31461.3, 31835)
Deferred members may include CalPERS service and service in another county retirement system for benefit eligibility if compensation for such service constitutes compensation earnable.	(31836)
Deferred members are eligible for disability benefits from LACERA if disabled while a member of CalPERS or other county retirement system. In no event will the benefits be larger than if all service was spent with one system.	(31837, 31838, 31838.5)
Deferred members are eligible for death benefits from LACERA if they die while a member of CalPERS or other county retirement system. The death benefit is a return of normal contributions plus interest only if the death is service-related; if death is nonservice-related, the 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)

	Government Code Sections or Board of Retirement Bylaws
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 one-half of one percent. The CPI is based on the Bureau of Labor Statistics CPI for All Urban Consumers for the area in which the county seat is situated.	(31870, 31870.1)
Plan A members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase (or decrease), whereas Plan B, C, and D members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase (or decrease).	(31870, 31870.1)
When the CPI exceeds 2 or 3%, the difference between the actual CPI and the maximum cost-of-living increase that can be given in any year is credited to the COLA Accumulation and may be used in future years to provide cost-of-living increases when the CPI falls below 2 or 3%, depending on the retirement plan.	(31870, 31870.1)
A decrease in the CPI may not reduce the allowance below the amount being received by the member (or beneficiary) on the effective date of the allowance or when the cost-of-living provisions were implemented.	(31870, 31870.1)
Members who have a COLA Accumulation of more than 20% resulting from CPI increases that exceeded the maximum cost-of-living increases that could be granted are eligible for a Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA), a supplemental cost-of-living increase, effective January 1.	(31874.3(b))
Post-Retirement Death Benefit A one-time lump-sum benefit of $5,000 is payable to the estate or to the beneficiary designated by the member upon the death of any member who is receiving a retirement allowance. This lump-sum benefit is paid in addition to any other death or survivor benefits.	(31789.1, 31789.3)
Post-Retirement Employment A retired member may, without reinstatement from retirement or loss of benefits, serve in various types of post-retirement service such as juror, election officer, field deputy for registration of voters, etc.	(31680.1)
A retired member may, without reinstatement from retirement or loss of benefits, be employed in a position requiring special skills or knowledge for a period not to exceed 120 days or 960 hours, whichever is greater, in any one fiscal year or any other 12-month period determined by the County or district.	(31680.2, 31680.6)

	Government Code Sections or Board of Retirement Bylaws
A member retired from service may be reemployed and again become an active member of the retirement system if the member is determined not to be incapacitated for the duties to be assigned. If the member is returning to general service, the member will be placed in General Plan E or the member may elect General Plan D and pay a contribution rate based on the member's nearest age at the date of reentry 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 reentry into the system. The member's retirement allowance is canceled on the effective date of the member's reemployment and resumed only upon the subsequent termination of the member from employment. The member will receive an additional allowance for the period of reemployment. 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 reentry into the system and the contribution rate is based on the member's nearest age at the date of reentry. The member's account is credited with an amount which is the actuarial equivalent of the member's annuity at that time. The retirement plan remains the same as it was before retirement for disability.	(31730, 31733)
Unclaimed Benefits	
Whenever a person or estate entitled to payment of a member's contributions or any other benefit fails to claim the payment or cannot be located, the Board shall attempt to locate the claimant through reasonable means and hold the payment of the claimant. If the amounts are not claimed within five years, the amounts become part of the pension reserve fund, but the Board may return the amounts to the claimant upon receipt of information satisfactory to it.	(31783.5)
Long-Term Care Insurance	
The Board may provide a long-term care insurance program for retired members and their spouses or domestic partners, 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)

	Government Code Sections or Board of Retirement Bylaws
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 three-quarter time or more and are eligible for general membership in the LACERA.	(31487, Bylaws)
Persons hired on or after January 4, 1982 become Plan E members on the first day of the month following the date of hire or date of eligibility for membership, unless they elect Plan D; or, the first day of the month following an election of Plan E, depending on the law in effect at that time.	(31487, 31493, 31493.5, 31493.6, Bylaws)
General members in Plans A, B, C, and D who transferred all their contributory plan service credit to Plan E during approved transfer periods between January 1982 and January 1993 became members of Plan E. Transferring members relinquished and waived 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 credit for some or all of their Plan E service earned prior to the transfer to Plan D, as Plan D service credit. 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 to transfer 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)

	Government Code Sections or Board of Retirement Bylaws
Service and Breaks in Service	
Service means the period of uninterrupted employment of a member and the time in which a member or former member (1) is totally disabled and (2) is receiving or is eligible to receive disability benefits under a disability plan provided by the County.	(31488)
A member will not be credited with service for any period in excess of 22 consecutive workdays in which the member is absent from work without pay.	(31488)
A member who was in public service prior to becoming a member may not receive credit for that prior public service, except as provided in Section 31494.	(31490)
Absence from work or termination of employment while an eligible employee or disability beneficiary under a disability plan provided by the employer, does not break the continuity of service.	(31490)
An unpaid leave of absence not exceeding one year, or a leave of absence for which an employee receives any benefit which has been approved by the employer, is not considered an interruption of service. The period of unpaid leave in excess of 22 consecutive work days is not considered as service in calculating Plan E benefits.	(31490)
Service does not include military service or public service other than service with the County, except that members transferring to Plan E will receive credit for public service performed prior to the transfer, including service with the County, military service, and other public service or prior service to which the member would otherwise be eligible.	(31488, 31494)
Note: Open window plan transfers to Plan E were discontinued by the County in January 1993.	
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)

	Government Code Sections or Board of Retirement Bylaws
Combined General Plan E and Plan D Service: Members who transfer prospectively from Plan D to Plan E or from Plan E to Plan D and earn service credit under both plans will receive a combined retirement allowance after retirement. The benefits for each plan will be added together to determine the total retirement allowance payable. In addition, the aggregate service credited under both retirement plans is used for the purpose of determining eligibility for and vesting of benefits under each plan.	(31494.2, 31494.5)
Payment of Allowance: A retired member's retirement allowance may be paid by check or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution.	(31452.6, 31590)
Eligibility - Normal Retirement: Age 65 with 10 years of service.	(31491, 31491.3)
Normal Monthly Retirement Allowance: 2% x final compensation x years of service, not to exceed 35 years, plus 1% x final compensation x years of service in excess of 35, not to exceed 10 additional years, reduced by the estimated Primary Insurance Amount (PIA) x a fraction, the numerator of which is the number of years of service with the employer subject to coverage under the federal system not to exceed 35 years, and the denominator of which is 35.	(31491, 31491.3)
Final compensation is the average monthly compensation earnable during any three years (whether or not consecutive) elected by the member or the three years in which the member last earned compensation before retirement if no election is made.	(31488)
Estimated PIA is based on the member's age and salary as of the date of retirement or the date of termination of a vested member, provided that:	(31491, 31491.3)
Prior career earnings shall be assumed to have been subject to the federal system and have increased at a yearly rate equal to the average per worker total wages reported by the Social Security Administration.	(31491, 31491.3)

Government Code Sections or Board of Retirement Bylaws

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

(31491, 31491.3)

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

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

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

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

(31491, 31491.3)

Maximum Normal Monthly Retirement Allowance:

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

(31491, 31491.3)

Eligibility - Early Retirement:

Age 55 with 10 years of service.

(31491, 31491.3)

Early Monthly Retirement Allowance:

An early retirement allowance is the actuarial equivalent of the normal retirement allowance.

(31491, 31491.3)

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 55% (50% if the member died before June 4, 2002) of the member's allowance. To receive this continuance, the spouse must have been married to the member at least one year prior to retirement. After January 1, 2005, the continuing allowance may be paid to the member's domestic partner if the domestic partner was registered at least one year prior to retirement.

(31492, 31492.1)

Eligible children are unmarried children below the age of 18 (below 22 if unmarried and full-time students in an accredited school).

(31492)

	Government Code Sections or Board of Retirement Bylaws
Optional Retirement Allowance: Under an Optional Retirement Allowance, a member may elect to have the actuarial equivalent of the service 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 55% (or 50% if the member died before June 4, 2002) continuance benefit under a service retirement is replaced by the following:	(31492, 31492.1)
Unmodified+Plus: Member's allowance is reduced to pay an increased continuing allowance (56% up to 100%) to an eligible surviving spouse (or eligible children). The reduction is equal to the additional actuarial cost to the system between the survivor's allowance under Unmodified and the survivor's allowance under Unmodified+Plus. The actuarial cost of the additional survivor allowance is calculated taking into account the life expectancy of the member's surviving spouse. After January 1, 2005, the continuing allowance may be paid to the member's domestic partner if the domestic partner was registered at least one year prior to retirement. Eligible children are unmarried children below the age of 18 (below 22 if unmarried and full-time students in an accredited school).	
Option 2: 100% of member's reduced allowance is payable to a beneficiary having an insurable interest in the life of the member.	
Option 3: 50% of member's reduced allowance is payable to a beneficiary having an insurable interest in the life of the member.	
Option 4: Other percentage of the member's reduced allowance or a customized dollar amount is payable to one or more beneficiaries having an insurable interest in the life of the member.	
A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4.	
Service-Connected Disability Retirement Allowance A service-connected disability retirement allowance is not available under Plan E.	(31487)

	Government Code Sections or Board of Retirement Bylaws
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)
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, and rounded to the nearest one-tenth of one percent. That percentage is derived by dividing the number of months of service the member earned on and after June 4, 2002 by the member's total months of service, then multiplying by a percentage equal to the lesser of 2% or the percentage determined by the Board to approximate to the nearest one-half of one percent 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)

	Government Code Sections or Board of Retirement Bylaws
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 received by the member (or beneficiary) on June 4, 2002.	(31495.5)
Post-Retirement Death Benefit A one-time lump-sum benefit of $5,000 is payable to the estate or to the beneficiary designated by the member upon the death of any member who is receiving a retirement allowance. This lump-sum benefit is paid in addition to any other survivor benefits. The amount is currently paid by the County based on a Board of Supervisors' Resolution.	
Post-Retirement Employment Please refer to the Post-Retirement Employment in the Contributory Plans section on page 85.	

STATISTICAL SECTION

Retirees & Survivors

The long-term relationships we carefully cultivate come to fruition as members successfully transition to retirement and we ardently uphold our pledge to pay the promised benefit to our retirees, and potentially to their survivors.

Members thrive.

Changes in Plan Net Assets

Last Ten Fiscal Years

(Dollars in thousands)

	1997	1998	1999	2000	2001
Additions					
Employer Contributions	$ 1,168	$ 9,420	$ 85,576	$ 130,319	$ 193,650
Member Contributions	171,014	179,476	202,062	198,618	216,297
Net Investment Income	3,442,851	3,460,959	3,342,362	4,335,941	(2,382,548)
Miscellaneous	589	1,223	2,563	2,536	2,972
Total Additions	**3,615,622**	**3,651,078**	**3,632,563**	**4,667,414**	**(1,969,629)**
Deductions					
Total Benefit Expenses (see Benefit Expenses by Type)	887,107	943,595	998,181	1,065,265	1,155,670
Administrative Expense	23,417	24,904	27,562	29,401	33,417
Retiree Health Care Program	41,234	42,477	51,164	48,611	52,717
Miscellaneous	2,807	2,593	4,528	2,096	653
Total Deductions	**954,565**	**1,013,569**	**1,081,435**	**1,145,373**	**1,242,457**
Change in Plan Net Assets	**$ 2,661,057**	**$ 2,637,509**	**$2,551,128**	**$3,522,041**	**$(3,212,086)**

	2002	2003	2004	2005	2006
Additions					
Employer Contributions	$ 297,928	$ 325,524	$ 395,109	$ 527,810	$ 676,667
Member Contributions	265,573	233,192	262,699	286,096	296,176
Net Investment Income	(1,533,625)	924,991	4,118,500	3,396,193	4,092,410
Miscellaneous	133	151,215	2,605	3,222	3,877
Total Additions	**(969,991)**	**1,634,922**	**4,778,913**	**4,213,321**	**5,069,130**
Deductions					
Total Benefit Expenses (see Benefit Expenses by Type)	1,240,371	1,339,202	1,447,511	1,562,363	1,798,463
Administrative Expense	37,402	41,523	38,684	43,182	44,691
Retiree Health Care Program	57,654	53,407	59,054	62,318	66,417
Miscellaneous	604	224	287	536	75
Total Deductions	**1,336,031**	**1,434,356**	**1,545,536**	**1,668,399**	**1,909,646**
Change in Plan Net Assets	**$ (2,306,022)**	**$ 200,566**	**$3,233,377**	**$2,544,922**	**$ 3,159,484**

Benefit Expenses by Type

Last Ten Fiscal Years

(Dollars in thousands)

	1997	1998	1999	2000	2001
Service Retiree Payroll					
General	$556,639	$588,036	$614,824	$ 650,584	$ 702,400
Safety	86,450	95,183	104,465	115,813	128,635
Total	**643,089**	**683,219**	**719,289**	**766,397**	**831,035**
Disability Retiree Payroll					
General	96,182	99,261	103,262	106,416	111,707
Safety	131,866	143,927	157,484	173,989	193,554
Total	**228,048**	**243,188**	**260,746**	**280,405**	**305,261**
Total Retiree Payroll					
General	652,821	687,297	718,086	757,000	814,107
Safety	218,316	239,110	261,949	289,802	322,189
Total	**871,137**	**926,407**	**980,035**	**1,046,802**	**1,136,296**
Refunds	**14,973**	**16,391**	**16,295**	**17,250**	**17,640**
Lump-Sum Death Benefits	**997**	**797**	**1,851**	**1,213**	**1,734**
Total Benefit Expenses	**$ 887,107**	**$ 943,595**	**$998,181**	**$1,065,265**	**$1,155,670**

	2002	2003	2004	2005	2006
Service Retiree Payroll					
General	$ 751,892	$ 802,308	$ 867,715	$ 942,997	$1,072,193
Safety	141,541	161,269	178,829	192,093	234,565
Total	**893,433**	**963,577**	**1,046,544**	**1,135,090**	**1,306,758**
Disability Retiree Payroll					
General	116,791	115,090	117,964	123,297	135,397
Safety	212,433	242,108	262,436	283,700	335,226
Total	**329,224**	**357,198**	**380,400**	**406,997**	**470,623**
Total Retiree Payroll					
General	868,683	917,398	985,679	1,066,294	1,207,590
Safety	353,974	403,377	441,265	475,793	569,791
Total	**1,222,657**	**1,320,775**	**1,426,944**	**1,542,087**	**1,777,381**
Refunds	**16,259**	**16,756**	**18,088**	**18,630**	**19,731**
Lump-Sum Death Benefits	**1,455**	**1,671**	**2,479**	**1,646**	**1,351**
Total Benefit Expenses	**$1,240,371**	**$1,339,202**	**$1,447,511**	**$1,562,363**	**$1,798,463**

Active/Deferred Members and Unclaimed Accounts

Last Ten Fiscal Years

	1997	1998	1999	2000	2001
Active Vested					
General	42,461	43,444	44,436	46,366	46,886
Safety	9,269	9,005	8,795	8,789	9,037
Sub-Total	51,730	52,449	53,231	55,155	55,923
Active Nonvested					
General	21,759	22,334	24,216	25,574	28,162
Safety	1,590	1,942	2,229	2,475	2,984
Sub-Total	23,349	24,276	26,445	28,049	31,146
Total Active Members					
General	64,220	65,778	68,652	71,940	75,048
Safety	10,859	10,947	11,024	11,264	12,021
Total	**75,079**	**76,725**	**79,676**	**83,204**	**87,069**
Deferred Members					
General	4,101	4,624	4,859	5,076	5,325
Safety	154	152	160	162	179
Total	**4,255**	**4,776**	**5,019**	**5,238**	**5,504**
Unclaimed Accounts					
General	75	35	29	18	1,196
Safety	3	2	1	1	43
Total	**78**	**37**	**30**	**19**	**1,239**

Active/Deferred Members and Unclaimed Accounts

Last Ten Fiscal Years

	2002	2003	2004	2005	2006
Active Vested					
General	47,763	48,513	50,235	52,113	53,281
Safety	9,030	9,221	9,295	9,269	9,857
Sub-Total	56,795	57,734	59,530	61,382	63,138
Active Nonvested					
General	29,299	27,482	24,591	23,054	23,886
Safety	2,790	2,544	2,114	1,948	1,607
Sub-Total	32,089	30,026	26,705	25,002	25,493
Total Active Members					
General	77,062	75,995	74,826	75,167	77,167
Safety	12,190	11,765	11,409	11,217	11,464
Total	**89,252**	**87,760**	**86,235**	**86,384**	**88,631**
Deferred Members					
General	5,799	6,129	6,260	6,591	7,021
Safety	209	265	299	389	438
Total	**6,008**	**6,394**	**6,559**	**6,980**	**7,459**
Unclaimed Accounts					
General	1,103	1,293	1,209	1,170	1,112
Safety	38	55	50	46	40
Total	**1,141**	**1,348**	**1,259**	**1,216**	**1,152**

Retired Members by Type of Benefit

As of June 30, 2006:

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement* 1	2	3
$ 1 - $1,000	19,030	11,701	2,470	4,859
$1,001 - $2,000	12,809	8,895	2,373	1,541
$2,001 - $3,000	7,199	5,097	1,648	454
$3,001 - $4,000	4,106	3,124	814	168
$4,001 - $5,000	2,789	2,170	523	96
$5,001 - $6,000	1,911	1,431	439	41
$6,001 - $7,000	1,174	825	327	22
Greater than $7,000	1,840	1,351	470	19
	50,858	**34,594**	**9,064**	**7,200**

Amount of Monthly Benefit	Option Selected** Unmodified	Unmodified+Plus	Option 1	Option 2	Option 3	Option 4
$ 1 - $1,000	15,787	54	400	2,716	56	17
$1,001 - $2,000	9,761	78	205	2,699	44	22
$2,001 - $3,000	5,115	61	105	1,881	23	14
$3,001 - $4,000	3,039	50	63	927	14	13
$4,001 - $5,000	2,063	55	45	598	16	12
$5,001 - $6,000	1,356	42	20	480	3	10
$6,001 - $7,000	768	36	8	344	5	13
Greater than $7,000	1,244	77	14	485	7	13
	39,133	**453**	**860**	**10,130**	**168**	**114**

*Type of Retirement:

1 - Service Retiree
2 - Disability Retiree
3 - Beneficiary/Continuant/Survivor

**Option Selected:

Unmodified - For Plans A-D, beneficiary receives 65% of the member's allowance (60% if the member died before June 4, 2002); for Plan E, beneficiary receives 55% of member's allowance (50% if the member died before June 4, 2002).

The following options reduce the member's monthly benefit:

Unmodified+Plus - For all Plans (A-E), member's allowance is reduced to pay an increased continuing allowance to an eligible surviving spouse/domestic partner.
Option 1 - Beneficiary receives lump sum of member's unused contributions.
Option 2 - Beneficiary receives 100% of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50% of member's reduced monthly benefit.
Option 4 - Beneficiary receives percentage of member's reduced monthly benefit as designated by member.

Note: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System Second Generation)

Schedule of Average Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/96 to 6/30/97						
Retirants						
General Members						
Average Monthly Benefit	$ 897	$ 841	$1,278	$ 1,780	$2,317	$3,533
Average Final Average Salary	$4,521	$ 3,639	$3,793	$ 3,726	$4,005	$4,679
Number of Active Retirants	79	162	196	246	347	375
Safety Members						
Average Monthly Benefit	$2,196	$ 2,336	$2,497	$ 2,884	$3,968	$5,218
Average Final Average Salary	$4,742	$ 4,850	$5,168	$ 5,362	$5,757	$6,131
Number of Active Retirants	33	22	12	30	83	130
Survivors						
General Members						
Average Monthly Benefit	$ 621	$ 555	$ 916	$ 974	$ 993	$2,487
Average Final Average Salary	$4,157	$ 3,367	$3,026	$ 3,404	$3,235	$4,464
Number of Active Survivors	4	10	8	16	13	13
Safety Members						
Average Monthly Benefit	$2,230	$ 2,471		$ 2,497	$2,828	$4,533
Average Final Average Salary	$4,460	$ 4,942		$ 4,993	$5,593	$6,165
Number of Active Survivors	2	1		1	3	4

Retirement Effective Dates	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/97 to 6/30/98						
Retirants						
General Members						
Average Monthly Benefit	$ 666	$ 779	$1,099	$ 1,834	$2,198	$3,485
Average Final Average Salary	$3,106	$3,452	$3,469	$ 3,887	$3,988	$4,746
Number of Active Retirants	69	169	168	198	306	312
Safety Members						
Average Monthly Benefit	$2,271	$2,606	$2,479	$ 3,280	$4,260	$5,592
Average Final Average Salary	$4,815	$5,050	$5,009	$ 6,027	$6,025	$6,446
Number of Active Retirants	21	27	12	29	70	107
Survivors						
General Members						
Average Monthly Benefit	$ 694	$ 380	$ 941	$ 876	$1,301	$2,439
Average Final Average Salary	$3,556	$1,404	$3,402	$ 2,311	$3,120	$4,486
Number of Active Survivors	7	20	10	16	27	23
Safety Members						
Average Monthly Benefit	$ 361		$ 1,751	$ 1,452	$3,002	$3,652
Average Final Average Salary			$ 3,312	$ 3,770	$3,492	$3,823
Number of Active Survivors	1		3	3	7	6

Schedule of Average Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
	Years of Credited Service					
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

Last Ten Fiscal Years

	Years of Credited Service					
Retirement Effective Dates	**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

Last Ten Fiscal Years

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

Retirement Effective Dates	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
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	

Schedule of Average Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/04 to 6/30/05						
Retirants						
General Members						
Average Monthly Benefit	$ 788	$ 964	$1,301	$1,843	$2,543	$4,210
Average Final Average Salary	$4,079	$4,049	$4,024	$4,481	$4,737	$5,490
Number of Active Retirants	68	250	249	172	310	890
Safety Members						
Average Monthly Benefit	$3,784	$2,538	$3,144	$3,755	$5,168	$7,387
Average Final Average Salary	$6,543	$5,494	$6,614	$6,798	$7,362	$8,486
Number of Active Retirants	32	24	18	33	61	162
Survivors						
General Members						
Average Monthly Benefit	$ 510	$ 623	$ 788	$1,349	$1,463	$2,287
Average Final Average Salary	$3,112	$2,669	$3,525	$4,219	$3,265	$4,481
Number of Active Survivors	11	27	27	20	37	51
Safety Members						
Average Monthly Benefit		$2,851	$2,816	$2,511	$3,125	$3,887
Average Final Average Salary		$5,701	$5,619	$5,006	$4,229	$4,913
Number of Active Survivors		1	1	6	6	19
7/1/05 to 6/30/06						
Retirants						
General Members						
Average Monthly Benefit	$ 754	$1,001	$1,491	$2,351	$3,652	$4,207
Average Final Average Salary	$4,402	$4,291	$4,521	$5,550	$7,178	$5,771
Number of Active Retirants	75	268	277	180	235	908
Safety Members						
Average Monthly Benefit	$4,625	$3,843	$3,408	$3,612	$5,977	$7,646
Average Final Average Salary	$6,858	$6,458	$6,994	$7,454	$8,461	$9,032
Number of Active Retirants	29	19	13	29	58	110
Survivors						
General Members						
Average Monthly Benefit	$ 611	$ 635	$ 726	$1,132	$1,793	$2,434
Average Final Average Salary	$2,962	$3,500	$3,397	$3,707	$4,519	$4,518
Number of Active Survivors	19	52	31	30	37	71
Safety Members						
Average Monthly Benefit	$ 487	$1,608	$2,449	$2,693	$3,358	$5,707
Average Final Average Salary	$5,061	$5,254	$6,059	$4,501	$5,950	$7,384
Number of Active Survivors	1	4	3	6	6	21

Participating Employers and Active Members

Last Ten Fiscal Years

	1997	1998	1999	2000	2001
County of Los Angeles					
General Members	64,193	65,753	68,631	71,940	75,034
Safety Members	10,859	10,947	11,024	11,264	12,021
Total	**75,052**	**76,700**	**79,655**	**83,204**	**87,055**
Participating Agencies (General Membership)					
South Coast Air Quality Management District	8	7	6	8	3
Los Angeles County Office of Education	11	10	8	8	5
Little Lake Cemetery District	3	3	3	2	2
Local Agency Formation Commission	5	5	4	5	4
Total	**27**	**25**	**21**	**23**	**14**
Total Active Membership					
General Members	64,220	65,778	68,652	71,963	75,048
Safety Members	10,859	10,947	11,024	11,264	12,021
Total	**75,079**	**76,725**	**79,676**	**83,227**	**87,069**

	2002	2003	2004	2005	2006
County of Los Angeles					
General Members	77,048	75,980	74,811	75,154	77,153
Safety Members	12,190	11,765	11,409	11,217	11,464
Total	**89,238**	**87,745**	**86,220**	**86,371**	**88,617**
Participating Agencies (General Membership)					
South Coast Air Quality Management District	3	2	2	2	2
Los Angeles County Office of Education	5	4	3	3	3
Little Lake Cemetery District	2	2	2		1
Local Agency Formation Commission	4	7	8	8	8
Total	**14**	**15**	**15**	**13**	**14**
Total Active Membership					
General Members	77,062	75,995	74,826	75,167	77,167
Safety Members	12,190	11,765	11,409	11,217	11,464
Total	**89,252**	**87,760**	**86,235**	**86,384**	**88,631**

Note: Data from Universal Statistical File created from LACERA's IRIS 2 Database (Integrated Retirement Information System Second Generation)

Employer Contribution Rates
County of Los Angeles and Local Agency Formation Commission
Last Ten Fiscal Years

	General					Safety	
Effective Date	Plan A	Plan B	Plan C	Plan D	Plan E	Plan A	Plan B
July 1, 1996 to September 30, 1998	9.64%	6.03%	5.69%	5.90%	6.48%	16.73%	9.29%
October 1, 1998 to June 30, 1999	9.77%	6.46%	6.20%	6.84%	6.50%	20.42%	13.51%
July 1, 1999 to June 30, 2002	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%
July 1, 2002 to June 30, 2003	14.85%	8.22%	7.88%	7.94%	7.64%	21.86%	18.79%
July 1, 2003 to June 30, 2004	15.31%	8.59%	8.21%	8.31%	7.70%	22.32%	18.75%
July 1, 2004 to June 30, 2005	20.02%	13.07%	12.67%	12.72%	12.38%	26.84%	23.20%
July 1, 2005 to June 30, 2006	21.42%	14.53%	14.16%	14.25%	14.33%	28.21%	23.65%

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
Last Ten Fiscal Years

	General		
Effective Date	Plan A	Plan B	Plan D
July 1, 1996 to September 30, 1998	8.95%	6.02%	5.90%
October 1, 1998 to June 30, 1999	9.08%	6.45%	6.84%
July 1, 1999 to June 30, 2002	10.96%		6.95%
July 1, 2002 to June 30, 2003	14.14%		7.94%
July 1, 2003 to June 30, 2004	14.60%		8.31%
July 1, 2004 to June 30, 2005	19.31%		12.72%
July 1, 2005 to June 30, 2006	20.80%		14.25%

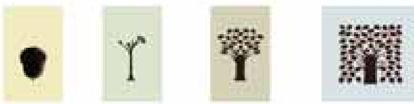
Rates applicable to the Los Angeles County Office of Education are limited to Plan A.

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

Employer Contribution Rates
South Coast Air Quality Management District
Last Ten Fiscal Years

	General		
Effective Date	Plan A	Plan B	Plan C
July 1, 1996 to September 30, 1998	14.56%	12.41%	11.72%
October 1, 1998 to June 30, 1999	14.69%	12.84%	12.23%
July 1, 1999 to June 30, 2002	16.86%	15.61%	15.04%
July 1, 2002 to June 30, 2003	15.69%	11.06%	10.75%
July 1, 2003 to June 30, 2004		11.44%	11.09%
July 1, 2004 to June 30, 2005		15.93%	15.56%
July 1, 2005 to June 30, 2006		20.39%	18.80%

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



We accompany our members throughout the life cycles that encompass career and retirement. The relationship we grow is cultivated through education and nurtured through unwavering support, expert guidance, and personalized services. As we uphold our mission to "produce, protect, and provide the promised benefit," the relationship blossoms… and our members thrive.

The 2006 annual report was designed by the LACERA Communications staff.

Life Cycles

LACERA

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