SEGAL

THE SEGAL COMPANY
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January 18, 2005

Ms. Sally Choi
Assistant General Manager
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Re: **June 30, 2004 Actuarial Valuations – Revised**

Dear Sally:

Enclosed please find the June 30, 2004 actuarial valuations for the retirement and the health programs.

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

- Summary of significant results for the two programs.
- History of computed contribution rates for the two programs.
- Schedule of funding progress for the health program[1].
- Solvency test for the retirement program.
- Schedule of retirants and beneficiaries added to and removed from the rolls for the retirement program.

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

Sincerely,

Andy Yeung

Andy Yeung, ASA
Associate Actuary

gxk
Enclosure

181981/05806.002

[1] As required by GASB, the schedule of funding progress for the retirement plan is included in Section 4, Exhibit III, of the retirement valuation report.

Exhibit A

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

		June 30, 2004	June 30, 2003	Percent Change
I.	**Total Membership**			
	A. Active Members	27,092	26,358	2.8%
	B. Pensioner	14,137	13,805	2.4%
II.	**Salaries at June 30**			
	A. Total Annual Payroll	$1,575,284,734	$1,405,057,848	12.1%
	B. Average Monthly Salary	4,846	4,442	9.1%
III.	**Benefits to Current Pensioners and Beneficiaries**			
	A. Total Annual Benefits	$399,268,032*	$359,036,215	11.2%
	B. Average Monthly Benefit Amount	2,354*	2,167	8.6%
IV.	**Total System Assets****			
	A. Actuarial Value	$7,917,509,037	$7,868,307,895	0.6%
	B. Market Value	7,734,438,028	6,709,041,681	15.3%
V.	**Unfunded Actuarial Accrued**			
	A. Retirement Benefits	$1,491,755,937	$660,199,346	126.0%
	B. Health Subsidy Benefits	560,815,516	356,827,890	57.2%
VI.	**Budget Items**	**FY 2005-2006**	**FY 2004-2005**	
	A. Retirement Benefits			
	1. Normal Cost as a Percent of Pay	8.77%	10.54%	-1.77%
	2. Amortization of Unfunded Actuarial Accrued Liability	5.99%	1.41%	4.58%
	3. Total Retirement Contribution	14.76%	11.95%	2.81%
	B. Health Subsidy Contribution, as a Percent	4.94%	4.02%	0.92%
	C. Total Contribution (A+B)	19.70%	15.97%	3.73%
VII	**Funded Ratio**			
	(Based on Valuation Value of Assets)			
	A. Retirement Benefits	82.5%	91.4%	-8.9%
	B. Healthy Subsidy Benefits	60.5%	70.4%	-9.9%
	C. Total	79.4%	88.6%	-9.2%
	(Based on Market Value of Assets)			
	D. Retirement Benefits	80.6%	77.9%	2.7%
	E. Health Subsidy Benefits	59.1%	60.0%	-0.9%
	F. Total	77.5%	75.5%	2.0%

* Includes July cola.

** Includes assets for Retirement, Health and Family Death Benefits.

Exhibit B

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

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

Exhibit C

Los Angeles City Employees' Retirement System
Schedule of Funding Progress for the Health Program

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/1999	$724,429,000	$614,093,000	$-110,336,000	117.97%	$1,068,124,000	-10.33%
06/30/2000	810,303,000	854,066,000	43,763,000	94.88%	1,182,203,000	3.70%
06/30/2001	844,984,000	807,905,000	-37,079,000	104.59%	1,293,350,000	-2.87%
06/30/2002	853,916,000	931,964,000	78,048,000	91.63%	1,334,335,000	5.85%
06/30/2003	848,983,000	1,205,811,000	356,828,000	70.41%	1,405,058,000	25.40%
06/30/2004	858,997,310	1,419,812,826	560,815,516	60.50%	1,575,284,734	35.60%

Exhibit D

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

($ In Thousands)

	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date	Member Contributions	Retirants, Beneficiaries, & Deferred Vesteds	Active Members	Valuation Value of Assets			
06/30/1996	$637,737	$2,357,798	$1,480,489	$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2

Exhibit E

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

Year Ended	No. of New Retirants/ Beneficiaries	Annual Allowances Added**	No. of Retirants/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirants/ Bene-ficiaries at 6/30	Annual Allowances at 6/30	% Increase in Annual Allowances	Average Annual Allowances
06/30/2001	773	$22,866,958	466	$6,436,730	13,365	$316,057,216	8.6%	$23,648
06/30/2002	844	23,740,829	620	11,316,344	13,589	336,437,038	6.4%	24,758
06/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
06/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243

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

** For 06/30/2004, also includes the COLA granted in July 2003 and July 2004.

Los Angeles City Employees' Retirement System

Actuarial Valution and Review for Retirement (Revised) and *Health Programs as of June 30, 2004*

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review
as of June 30, 2004 - **Revised**

The Segal Company
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January 18, 2005

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

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2004. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2005/2006 and analyzes the preceding year's experience.

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

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

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

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, MAAA
Vice President and Actuary

Andy Yeung, ASA, MAAA
Associate Actuary

AYY/mep

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the Los Angeles City Employees' Retirement System as of June 30, 2004. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2004, provided by the Administration Office;
- The assets of the Plan as of June 30, 2004, provided by the Administration Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

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

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 91.38% to 82.52%. The unfunded actuarial accrued liability has increased from $660.2 million to $1,491.8 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.
- The aggregate employer rate calculated in this valuation has increased from 11.95% of payroll to 14.76% of payroll. The contribution rate for the employer increased because of: (i) higher than expected salary increases; (ii) lower than expected return on the valuation value of assets, and (iii) other actuarial losses.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2004 is $183,071,009. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would still increase in each of the next few years.

- As instructed by the Board of Administration, we have set the recommended contribution equal to the greater of the current policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. We have included in the calculation of the recommended contribution an additional contribution due to the application of the 40 year minimum amortization requirement for fiscal year 2003/04. A Net Pension Obligation was created as of June 30, 2004 due to: (1) the phase-in of the higher contribution rate requirement brought by the last experience study and (2) the GASB requirement that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan be amortized over an equivalent period of not greater than 40 years. Since (1) is already included in the development of the Plan's actual UAAL, the ARC calculation requires only an additional contribution to amortize (2) over a period of 15 years.
- The employer and employee contribution rates developed in this report are before any adjustments to reflect the City's pickup of part of the employee contributions for those hired before January 1, 1983. Since all of the employees hired before January 1, 1983 are vested and entitled to collect a pension benefit from the Plan, we recommend that the City take no discount on the pickup of employee contributions as only a minimal amount, if any, of contributions are expected to be refunded to those members.
- The employer contribution rates provided in this report have been developed assuming that they will be made by the City at either: (1) the beginning of the fiscal year (i.e., the City will prepay its contributions) or (2) on average at the middle of the year (i.e., the City will pay contributions at the end of every pay period).
- The current funding method (Projected Unit Credit) produces a pattern of increasing cost as a percent of pay. In addition, under the current approach, we have not included any additional dollar normal cost to fund the benefit for new employees expected to be hired during the next plan year. We recommend that the Board consider reviewing this funding method in conjunction with the next experience study.
- The actuarial valuation report as of June 30, 2004 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan. For example, a 10% change in the current year's actuarial value of assets would produce a 3.97% change in the recommended contribution rate. Because the valuation value of assets involves a smoothing method, a 10% change in market value would not be fully reflected immediately in the valuation value of assets. Rather, that effect would be spread over a period of years. We have shown the full impact immediately so as to indicate the long-term sensitivity of costs to market fluctuations.

Summary of Key Valuation Results

	2004	2003
Contributions calculated as of June 30:		
Recommended as a percent of pay (note there is a 12 month delay until the rate is effective)	14.76%	11.95%
Funding elements for plan year beginning June 30:		
Normal cost	$236,238,453	$227,761,893
Market value of assets*	7,734,438,028	6,709,041,681
Actuarial value of assets*	7,917,509,037	7,868,307,895
Valuation value of retirement assets	7,042,107,591	6,999,647,350
Actuarial accrued liability	8,533,863,528	7,659,846,696
Unfunded actuarial accrued liability	1,491,755,937	660,199,346
GASB 25/27 for plan year beginning July 1:		
Annual required contributions	Not Available	$159,083,407
Actual contributions	Not Available	100,408,689
Percentage contributed	Not Available	63.12%
Funded ratio	82.52%	91.38%
Covered payroll	$1,575,284,734	$1,405,057,848
Demographic data for plan year beginning June 30:		
Number of retired members and beneficiaries	14,137	13,805
Number of vested former members	2,232	2,593
Number of active members	27,092	26,358
Total payroll	$1,575,284,734	$1,405,057,848
Average payroll	58,146	53,307

* *Includes assets for Retirement, Health and Family Death Benefits*

ACTUARIAL CERTIFICATION

January 18, 2005

This is to certify that The Segal Company has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System retirement program as of June 30, 2004, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the current historical funding methods used in determination of the liability for retirement benefits.

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

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

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

Andy Yeung

Andy Yeung, ASA, MAAA, EA
Associate Actuary

John Monroe

John Monroe, EA, MAAA
Associate Actuary

A. MEMBER DATA

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

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

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

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

CHART 1

Member Population: 1996 – 2004

Year Ended June 30	Active Members	Vested Terminated Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1996	22,319	N/A	12,242	0.55
1997	22,219	N/A	12,698	0.57
1998	22,091	N/A	12,591	0.57
1999	22,504	N/A	12,843	0.57
2000	24,234	N/A	13,058	0.54
2001	25,654	N/A	13,365	0.52
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60

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

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 27,092 active members with an average age of 45.2, average years of service of 11.9 years and average payroll of $58,146. The 26,358 active members in the prior valuation had an average age of 44.9, average service of 11.8 years and average payroll of $53,307.

Inactive Members

In this year's valuation, there were 2,232 members non-vested (entitled to a refund of member contributions) and vested members with a vested right to a deferred or immediate vested benefit.

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

CHART 2

Distribution of Active Members by Age as of June 30, 2004

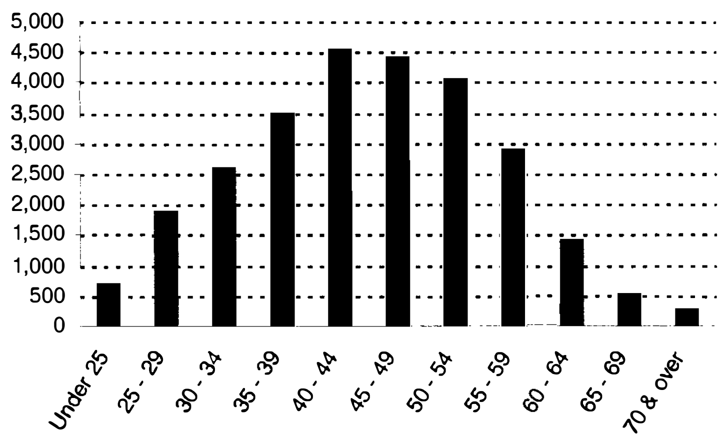
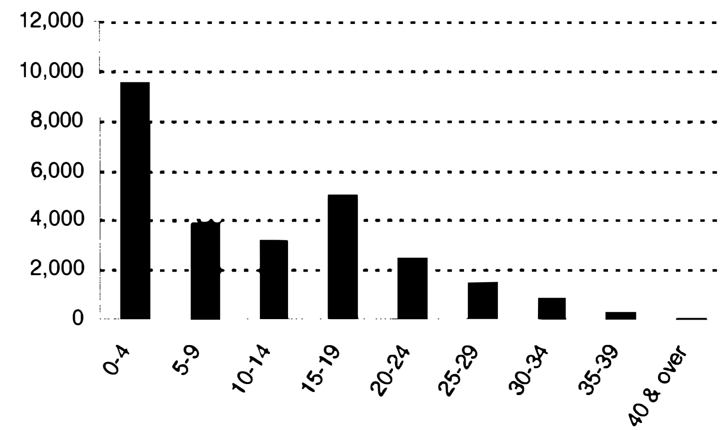


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2004



Retired Members and Beneficiaries

As of June 30, 2004, 10,940 retired members and 3,197 beneficiaries were receiving total monthly benefits of $33,270,878. For comparison, in the previous valuation, there were 10,642 retired members and 3,163 beneficiaries receiving monthly benefits of $30,817,275.

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

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

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2004

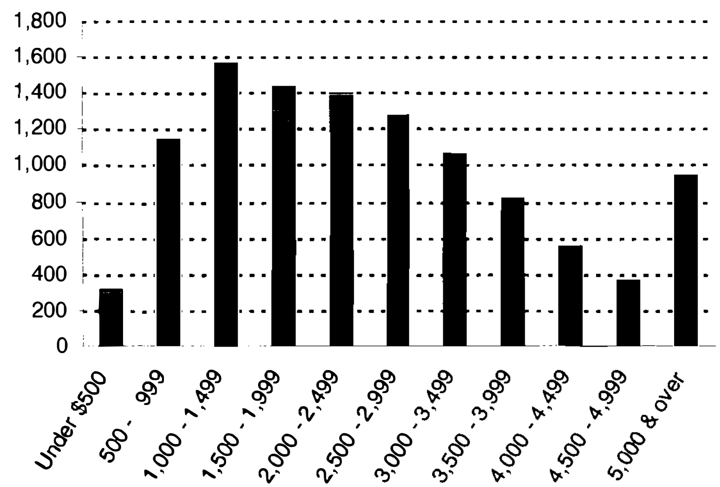
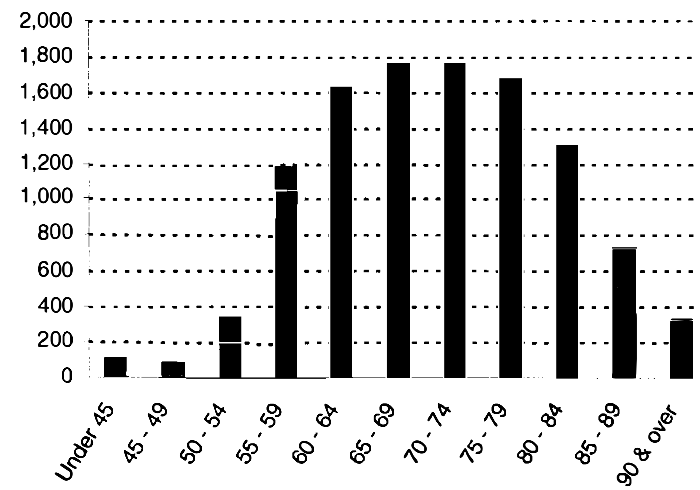


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2004



■ Disability

■ Service

B. FINANCIAL INFORMATION

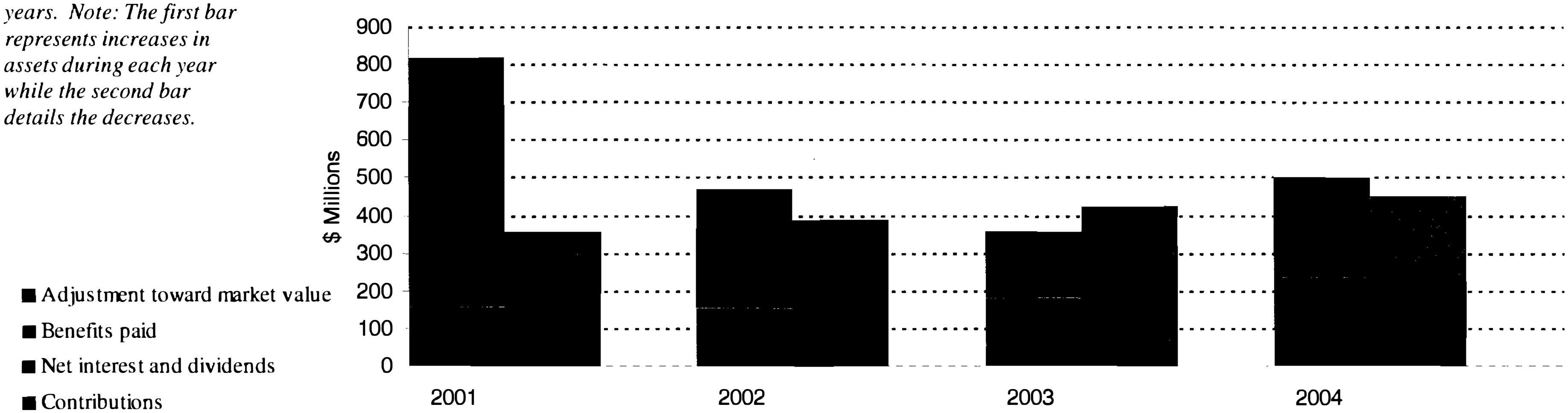
Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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

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

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2001 – 2004



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

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

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

CHART 7

Determination of Actuarial Value and Valuation Value of Assets for Year Ended June 30, 2004

1. Market value of assets			$7,734,438,028
2. Calculation of unrecognized return*	Original Amount	Unrecognized Return	
(a) Year ended June 30, 2004	$710,820,763	$568,656,610	
(b) Year ended June 30, 2003	-289,230,950	-173,538,570	
(c) Year ended June 30, 2002	-955,341,286	-382,136,514	
(d) Year ended June 30, 2001	-980,262,675	-196,052,535	
(e) Total unrecognized return			-183,071,009
3. Preliminary actuarial value: (1) - (2e)			7,917,509,037
4. Adjustment to be within 20% corridor			0
5. Final actuarial value of assets: (3) + (4)			$7,917,509,037
6. Actuarial value as a percentage of market value: (5) ÷ (1)			102.4%
7. Market value of retirement assets			6,879,277,876
8. Valuation value of retirement assets (5) ÷ (1) x (7)			$7,042,107,591

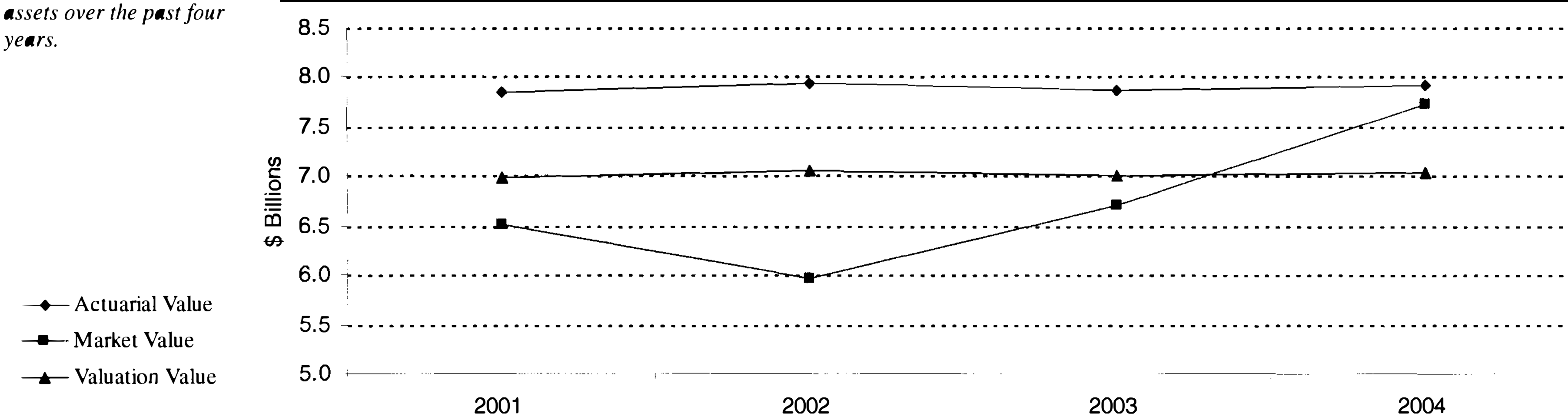
**Total return minus expected return on a market value basis*

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

This chart shows the change in the actuarial value, the valuation value and the market value of assets over the past four years.

CHART 8

Actuarial Value, Valuation Value and Market Value of Assets as of June 30, 2001 – 2004



C. ACTUARIAL EXPERIENCE

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

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

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

The total loss is $799,324,434, $336,383,508 from investments, $40,416,421 from contribution experience and $422,524,505 from other sources. The net experience variation from individual sources other than investments was 5.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

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

CHART 9

Actuarial Experience for Year Ended June 30, 2004

1.	Net loss from investments*	-$336,383,508
2.	Net loss from other experience**	-422,524,505
3.	Net loss from contributions less than anticipated due to phase-in and one-year time lag for new rates	-40,416,421
4.	Net experience loss: (1) + (2) + (3)	-$799,324,434

* *Details in Chart 10.*

** *Details in Chart 13.*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LACERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 8.00%. The actual rate of return on the valuation value of assets basis for the 2004 plan year was 3.17%.

Since the actual return for the year was less than the assumed return, LACERS experienced an actuarial loss during the year ended June 30, 2004 with regard to its investments.

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

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2004

	Actuarial Value (Includes assets for Retirement, Health and Family Death Benefits)	Valuation Value (Includes assets for Retirement Only)
1. Actual return	$267,449,522	$220,599,219
2. Average value of assets	7,819,565,763	6,962,284,097
3. Actual rate of return: (1) ÷ (2)	3.42%	3.17%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	$625,565,261	$556,982,728
6. Actuarial gain/(loss): (1) – (5)	-$358,115,739	-$336,383,508

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

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

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2001 - 2004

Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2001	218,918,771	2.83	443,656,601	5.73	662,575,372	9.09	218,918,771	-4.60
2002	201,393,778	2.58	112,813,481	1.44	314,207,259	4.06	201,393,778	-5.25
2003	164,915,100	2.11	11,691,257	0.15	176,606,357	2.26	238,161,856	3.61
2004	171,166,339	2.21	96,283,183	1.24	267,449,522	3.42	1,243,644,727	18.84
Total	$756,393,988		$664,444,522		$1,420,838,510		$1,902,119,132	
					Four-year average return	4.68		2.71

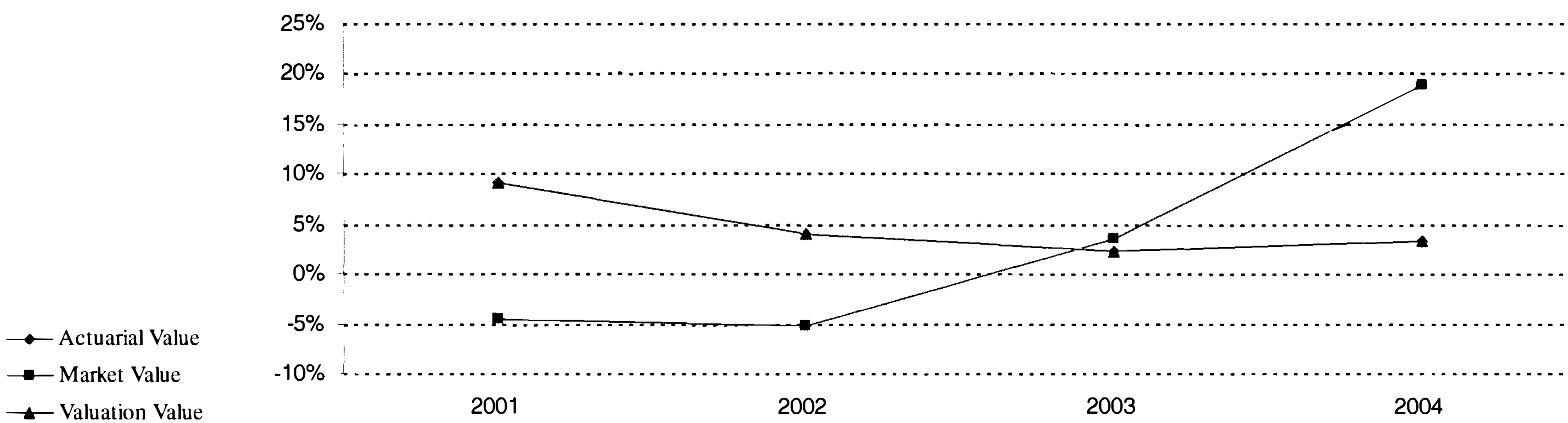
Note: Each year's yield is weighted by the average asset value in that year.

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

This chart illustrates how this leveling effect has actually worked over the years 2001 – 2004.

CHART 12

Market, Actuarial and Valuation Rates of Return for Years Ended June 30, 2001 - 2004



Other Experience

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

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements,
- salary increases different than assumed, and
- change in valuation software that changes allocation of the present value of benefits between normal cost and actuarial accrued liability.

The net loss from this other experience for the year ended June 30, 2004 amounted to ($422,524,505) which is 5.0% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the LACERS for the year ended June 30, 2004 is shown in the chart below.

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

CHART 13

Experience Due to Changes in Other Experience for Year Ended June 30, 2004

1.	Salary increase for continuing actives greater than expected	-$225,109,234
2.	Change in valuation software that changes allocation of present value of benefits between normal cost and actuarial accrued liability	-71,017,767
3.	Miscellaneous	-126,397,504
4.	Total	-$422,524,505

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 14.76% of payroll.

The recommended contribution policy has been updated to adjust the contribution requirement if the GASB ARC minimum contribution is greater than the amount prescribed below. For 2004, the GASB ARC minimum is $211.9 million and no additional adjustment has been made.

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

CHART 14

Recommended Contribution

	Year Beginning June 30			
	2004		2003	
	Amount	% of Payroll	Amount	% of Payroll
1. Total nonnal cost	$236,238,453	14.99%	$227,761,893	16.33%
2. Expected employee contributions	-103,231,144	-6.55%	-86,350,999	-6.19%
3. Employer normal cost: (1) + (2)	$133,007,309	8.44%	$141,410,894	10.14%
4. Actuarial accrued liability	8,533,863,528		7,659,846,696	
5. Actuarial value of assets	7,042,107,591		6,999,647,350	
6. Unfunded actuarial accrued liability	$1,491,755,937		$660,199,346	
7. Amortization of unfunded accrued liability	90,809,198	5.77%	19,059,065	1.37%
8. Total recommended contribution, not adjusted for timing	$223,816,507	14.21%	$160,469,959	11.51%
9. Total recommended contribution, adjusted for timing*	$232,539,943	14.76%	$166,724,122	11.95%
10. Projected payroll used for developing normal cost rate	$1,575,284,734		$1,395,008,058	

**Recommended contributions are assumed to be paid at the end of every month.*

If paid by the City at the beginning of the year, the calculated normal cost (including expenses) is 8.44% of payroll. The remaining 5.77% of payroll will amortize the unfunded actuarial accrued liability.

The contribution rates as of June 30, 2004 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution

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

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

CHART 15

Reconciliation of Recommended Contribution from July 1, 2003 to July 1, 2004

Recommended Contribution as of July 1, 2003	$166,724,122
Effect of contributions less than recommended contribution	3,597,882
Effect of investment loss	29,944,964
Effect of other losses on accrued liability	37,613,262
Effect of net other changes	(5,340,287)
Total change	$65,815,821
Recommended Contribution as of July 1, 2004	$232,539,943

E. INFORMATION REQUIRED BY THE GASB

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

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

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

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

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

These graphs show key GASB factors.

CHART 16

Required Versus Actual Contributions

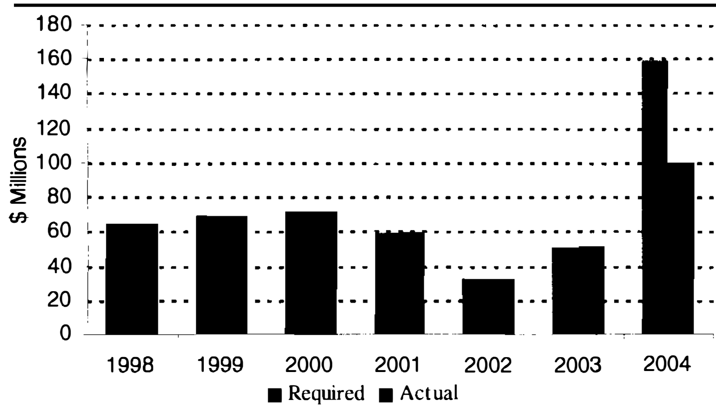


CHART 17

Funded Ratio

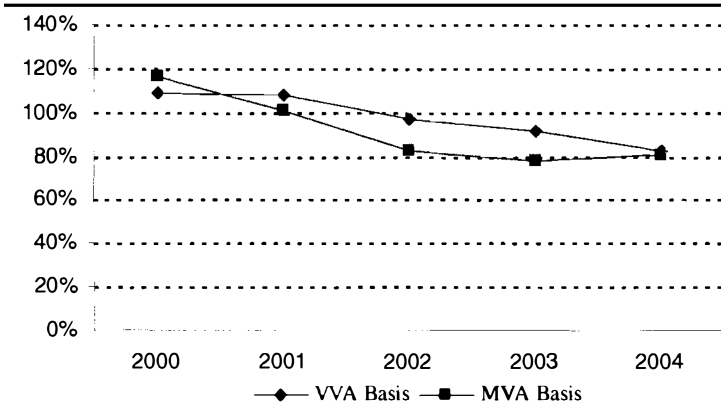


EXHIBIT A
Table of Plan Coverage

Category	Year Ended June 30 2004	Year Ended June 30 2003	Change From Prior Year
Active members in valuation:			
Number	27,092	26,358	2.8%
Average age	45.2	44.9	N/A
Average service	11.9	11.8	N/A
Total payroll	$1,575,284,734	$1,405,057,848	12.1%
Average payroll	58,146	53,307	9.1%
Account balances	1,019,487,318	944,193,600	8.0%
Total active vested members	17,591	16,772	4.9%
Vested terminated members:			
Number	2,232	2,593	-13.9%
Average age	42.7	42.7	N/A
Average contribution balance for those with under 5 years of service	$2,958	N/A	N/A
Average monthly benefit for those members with 5 or more years of service	$1,183	N/A	N/A
Retired members:			
Number in pay status	10,093	9,803	2.9%
Average age at retirement	60.1	N/A	N/A
Average service	26.1	N/A	N/A
Average age	71.4	71.4	N/A
Average monthly benefit (includes July COLA)	$2,778	$2,637	5.3%
Disabled members:			
Number in pay status	847	839	1.1%
Average age at retirement	44.3	N/A	N/A
Average service	12.1	N/A	N/A
Average age	60.2	59.7	N/A
Average monthly benefit (includes July COLA)	$1,182	$1,131	4.5%
Beneficiaries:			
Number in pay status	3,197	3,163	1.1%
Average age	75.0	74.9	N/A
Average monthly benefit (includes July COLA)	$1,324	$1,269	4.3%

EXHIBIT B

Members in Active Service as of June 30, 2004
By Age, Years of Service, and Average Payroll

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	724	720	4	--	--	--	--	--	--	--
	$30,227	$30,128	$47,874	--	--	--	--	--	--	--
25 - 29	1,898	1,681	214	3	--	--	--	--	--	--
	44,801	43,647	53,887	$43,288	--	--	--	--	--	--
30 - 34	2,627	1,698	750	154	25	--	--	--	--	--
	52,307	48,137	59,038	64,633	$57,651	--	--	--	--	--
35 - 39	3,524	1,372	784	740	609	19	--	--	--	--
	57,294	48,295	59,109	68,508	61,594	$57,576	--	--	--	--
40 - 44	4,576	1,247	730	743	1,360	482	14	--	--	--
	61,062	48,978	58,069	67,109	69,104	64,581	$70,220	--	--	--
45 - 49	4,436	1,026	482	626	1,186	787	290	39	--	--
	61,951	46,039	57,527	66,279	69,425	69,845	63,906	$64,616	--	--
50 - 54	4,081	838	435	428	872	577	625	293	13	--
	62,771	46,624	58,849	63,706	66,738	69,051	72,171	68,784	$71,916	--
55 - 59	2,934	531	287	285	553	356	381	387	149	5
	64,567	43,645	54,182	63,121	65,797	66,265	76,842	80,752	79,582	72,331
60 - 64	1,439	289	148	149	275	179	128	134	115	22
	59,417	38,741	48,966	60,083	60,500	67,186	64,345	75,110	81,358	81,117
65 - 69	572	108	56	56	114	85	51	45	35	22
	54,824	27,709	37,275	53,070	63,396	67,495	60,490	63,216	83,552	67,684
70 & over	281	74	41	24	50	29	24	15	13	11
	43,959	19,236	22,225	46,056	59,836	61,558	58,122	70,291	68,446	72,389
Total	27,092	9,584	3,931	3,208	5,044	2,514	1,513	913	325	60
	$58,146	$44,786	$56,946	$65,591	$66,754	$67,689	$70,466	$74,358	$79,886	$73,860

EXHIBIT C
Reconciliation of Member Data

	Active Members	Vested Former Members	Disableds	Retired Members	Beneficiaries	Total
Number as of July 1, 2003	26,358	2,593	839	9,803	3,163	42,756
New members	1,613	N/A	N/A	N/A	N/A	1,613
Terminations – with vested rights	-331	331	0	0	0	0
Terminations – without vested rights	-411	-388	N/A	N/A	N/A	-799
Retirements	-464	-55	N/A	519	N/A	0
New disabilities	-17	-15	32	N/A	N/A	0
Died with beneficiary	0	0	-2	-10	12	0
Died without beneficiary	0	0	-17	-401	-221	-639
Rehired	344	-341	-3	0	N/A	0
Data adjustments	0	107	-2	182	243	530
Number as of June 30, 2004	27,092	2,232	847	10,093	3,197	43,461

EXHIBIT D

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

	Year Ended June 30, 2004		Year Ended June 30, 2003	
Contribution income:				
Employer contributions	$140,201,349		$97,531,127	
Employee contributions	93,417,803		83,067,509	
Contribution income		$233,619,152		$180,598,636
Investment income:				
Interest, dividends and other income	$200,347,430		$191,556,709	
Recognition of capital appreciation	96,283,183		11,691,257	
Less investment and administrative fees	-29,181,091		-26,641,609	
Net investment income		267,449,522		176,606,357
Total income available for benefits		$501,068,674		$357,204,993
Less benefit payments:				
Payment of benefits	-$440,529,521		-$408,979,796	
Refunds of contributions	-11,338,011		-14,679,302	
Net benefit payments		-$451,867,532		-$423,659,098
Change in reserve for future benefits		$49,201,142		-$66,454,105

EXHIBIT E

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

	Year Ended June 30, 2004		Year Ended June 30, 2003	
Cash equivalents		$539,354,004		$410,784,149
Accounts receivable:				
Investment income	$28,095,038		$27,001,516	
Proceeds from sales	113,194,813		172,646,370	
Other	5,982,494		4,591,406	
Total accounts receivable		147,272,345		204,239,292
Investments:				
Fixed income	$1,295,992,620		$1,311,952,438	
Equities	5,058,106,931		4,122,931,262	
Real estate and mortgages	685,373,886		569,346,685	
Other	1,367,398,926		1,235,550,179	
Fixed assets	113,163		55,392	
Total investments at market value		8,406,985,526		7,239,835,956
Total assets		$9,093,611,875		$7,854,859,397
Less accounts payable:				
Accounts payable and accrued expenses	-$19,284,527		-$18,496,212	
Purchases of investments	-343,822,877		-227,761,307	
Security lending collateral	-996,066,443		-899,560,197	
Total accounts payable		-$1,359,173,847		-$1,145,817,716
Net assets at market value		$7,734,438,028		$6,709,041,681
Net assets at actuarial value		$7,917,509,037		$7,868,307,895
Net assets at valuation value		$7,042,107,591		$6,999,647,350

EXHIBIT F

Development of the Fund Through June 30, 2004 for Retirement, Health and Family Death Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2001	$87,896,674	$69,460,111	$662,575,372	$355,862,157	$7,853,297,000
2002	79,467,671	75,654,360	314,207,259	387,864,290	7,934,762,000
2003	97,531,127	83,067,509	176,606,357	423,659,098	7,868,307,895
2004	140,201,349	93,417,803	267,449,522	451,867,532	7,917,509,037

* *Net of investment fees and administrative expenses*