

**Los Angeles City Employees'
Retirement System**

*Actuarial Valuation and Review for
Retirement and Health
as of June 30, 2008*

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THE SEGAL COMPANY

120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308

T 415.263.8200 F 415.263.8290 www.segalco.com

November 5, 2008

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

Re: June 30, 2008 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2008 actuarial valuations for the retirement and health plans.

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

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

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

Sincerely,

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

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

JKH/
Enclosure

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Exhibit A

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>
I. Total Membership			
A. Active Members	30,236	30,175	0.2%
B. Pensioners and Beneficiaries	14,975	14,836	0.9%
II. Valuation Salary			
A. Total Annual Payroll	\$1,977,644,640	\$1,896,609,013	4.3%
B. Average Monthly Salary	5,451	5,238	4.1%
III. Benefits to Current Retirees and Beneficiaries*			
A. Total Annual Benefits	\$502,357,584	\$476,633,928	5.4%
B. Average Monthly Benefit Amount	2,796	2,677	4.4%
IV. Total System Assets**			
A. Actuarial Value	\$10,805,841,634	\$9,806,868,041	10.2%
B. Market Value	10,372,194,349	11,065,560,426	(6.3)%
V. Unfunded Actuarial Accrued Liability (UAAL)			
A. Retirement Benefits	\$1,748,085,441	\$1,927,174,412	(9.3)%
B. Health Subsidy Benefits	585,123,289	544,856,288	7.4%

* Includes July COLA.

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

Exhibit A (continued)

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

VI. Budget Items	<u>FY 2009-2010</u>		<u>FY 2008-2009</u>		<u>Change</u>	
	Beginning of Year*	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	9.41%	9.77%	9.29%	9.66%	0.12%	0.11%
2. Amortization of UAAL	<u>4.70%</u>	<u>4.88%</u>	<u>5.64%</u>	<u>5.86%</u>	<u>(0.94)%</u>	<u>(0.98)%</u>
3. Total Retirement Contribution	14.11%	14.65%	14.93%	15.52%	(0.82)%	(0.87)%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.60%	3.74%	3.54%	3.68%	0.06%	0.06%
2. Amortization of UAAL	<u>1.67%</u>	<u>1.74%</u>	<u>1.63%</u>	<u>1.70%</u>	<u>0.04%</u>	<u>0.04%</u>
3. Total Retirement Contribution	5.27%	5.48%	5.17%	5.38%	0.10%	0.10%
C. Total Contribution (A+B)	19.38%	20.13%	20.10%	20.90%	(0.72)%	(0.77)%
VII. Funded Ratio		<u>June 30, 2008</u>		<u>June 30, 2007</u>		<u>Change</u>
(Based on Valuation Value of Assets)**						
A. Retirement Benefits		84.4%		81.7%		2.7%
B. Health Subsidy Benefits		69.7%		68.5%		1.2%
C. Total		82.2%		79.8%		2.4%
(Based on Market Value of Assets)**						
D. Retirement Benefits		81.0%		92.2%		(11.2)%
E. Health Subsidy Benefits		66.9%		77.3%		(10.4)%
F. Total		78.9%		90.1%		(11.2)%

* Total contribution rates payable on July 15, 2009 are 14.15% for retirement, 5.28% for health, and 19.43% in total.

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

Exhibit B

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

<u>Valuation Date</u>	<u>Retirement</u>	<u>Health</u>	<u>Total</u>	<u>Valuation Payroll (thousands)</u>
06/30/1994	12.07%	2.99%	15.06%	\$884,951
06/30/1995	7.34%	2.30%	9.64%	911,292
06/30/1996	6.51%	3.18%	9.69%	957,423
06/30/1997	6.57%	1.85%	8.42%	990,616
06/30/1998	6.43%	1.27%	7.70%	1,011,857
06/30/1999	4.93%	0.67%	5.60%	1,068,124
06/30/2000	2.54%	2.17%	4.71%	1,182,203
06/30/2001	3.84%	1.98%	5.82%	1,293,350
06/30/2002	9.22%	1.85%	11.07%	1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609
06/30/2008	14.65%	5.48%	20.13%	1,977,645

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

Exhibit C

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

(\$ In Thousands)

Valuation Date	Aggregate Actuarial Accrued Liabilities For			Valuation Value of Assets	Portion of Accrued Liabilities Covered by <u>Reported Assets</u>		
	(1) Member Contributions	(2) Retirees, Beneficiaries, & Inactives	(3) Active Members		(1) Member Contributions	(2) Retirees, Beneficiaries, & Inactives	(3) Active Members
06/30/1996	\$637,737	\$2,357,798	\$1,480,489	\$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700*	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5

* Excludes assets transferred for Port Police.

Exhibit D

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

<u>Year Ended</u>	<u>No. of New Retirees/ Beneficiaries</u>	<u>Annual Allowances Added**</u>	<u>No. of Retirees/ Beneficiaries Removed</u>	<u>Annual Allowances Removed</u>	<u>No. of Retirees/ Beneficiaries at 6/30</u>	<u>Annual Allowances at 6/30</u>	<u>Percent Increase in Annual Allowances</u>	<u>Average Annual Allowance</u>
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
06/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
06/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
06/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
06/30/2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546

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

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

Los Angeles City Employees' Retirement System

*Actuarial Valuation and Review
as of June 30, 2008*

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The Segal Company
120 Montgomery Street, Suite 500 San Francisco, CA 94104
T 415.263.8200 F 415.263.8290 www.segalco.com

November 5, 2008

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, 2008. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2009/2010 and analyzes the preceding year's experience.

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

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

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

Sincerely,

THE SEGAL COMPANY

By:

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

JKH/hy

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

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SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

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, 2008. 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 members, and retired members and beneficiaries as of June 30, 2008, provided by LACERS;
- The assets of the Plan as of June 30, 2008, provided by LACERS;
- 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 actuarial assumptions used in the June 30, 2008 valuation were those adopted by the Board on October 14, 2008 as a result of our June 30, 2008 triennial experience study. A summary of the new and old assumptions is provided in Section 4, Exhibit VI, beginning on page 32.
- The ratio of the valuation value of assets to actuarial accrued liabilities increased from 81.69% to 84.37%. The unfunded actuarial accrued liability has decreased from \$1,927.2 million to \$1,748.1 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G, on page 21.
- The aggregate employer rate (payable at the end of each pay period) calculated in this valuation has decreased from 15.52% of payroll to 14.65% of payroll. The decrease was due to: (i) amortization costs being spread out over a slightly higher than expected payroll base, (ii) higher than expected return on the valuation value of assets, (iii) other actuarial experience and (iv) assumption changes. A complete reconciliation of the aggregate employer contribution is provided in Section 2, Chart 15, on page 13.

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2008 is \$433,647,285 for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment 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 increase in each of the next few years.
- Consistent with prior instructions from the Board of Administration, the recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. We have also continued to include in the calculation of the recommended contribution an additional contribution due to the application of the 40-year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005.

A Net Pension Obligation (NPO) was created in the June 30, 2004 and June 30, 2005 valuations due to: (1) the phase-in of the higher contribution rate required from the 2002 experience study and (2) the GASB requirement that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan be amortized over an equivalent period of not greater than 40 years. Since (1) is already included in the development of the Plan's actual UAAL, the ARC calculation requires only an additional contribution to amortize (2) over a period of 15 years. In the June 30, 2008 valuation, there are 11 years of payments left in the amortization of (2) from the June 30, 2004 valuation and 12 years of payments left in the amortization of (2) from the June 30, 2005 valuation.

Due to the one-year lag in implementing the contribution rates, the amortization of the NPO created in the June 30, 2004 valuation has only begun with the 2005/2006 fiscal year. As shown in this year's valuation, the amortization of the NPO created in the June 30, 2005 valuation has begun with the 2006/2007 fiscal year. Additional details are provided in Section 4, Exhibit V, on page 31.

- The employer and employee contribution rates developed in this report are before any adjustments to reflect the City's pickup of part of the employee contributions for those hired before January 1, 1983. Since all of the employees hired before January 1, 1983 are vested and entitled to collect a pension benefit from the Plan, we recommend that the City take no discount on the pickup of employee contributions as only a minimal amount, if any, of contributions are expected to be refunded to those members.
- The actuarial valuation report as of June 30, 2008 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.

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

- The Board has adopted a policy of amortizing the June 30, 2005 UAAL over a fixed period of 30 years beginning July 1, 2005. The UAALs arising from the phase-in of contribution rates for the 2002 experience study (for fiscal year 2003/2004 and 2004/2005) were excluded from this 30-year amortization policy. Future changes in the UAAL will be separately identified and amortized over various periods depending on the source of the change. A new 15-year amortization base was established in the June 30, 2008 valuation for an experience gain during 2007-2008. In addition, a new 30-year amortization base was established in the June 30, 2008 valuation for the increase in UAAL due to the changes in actuarial assumptions adopted by the Board on October 14, 2008.

Since the equivalent annual contribution calculated using the layered amortization approach described above is less than the minimum amount required to amortize the Plan's entire UAAL over a period of 30 years as required by GASB Statements No. 25 and No. 27, we have set the UAAL contributions equal to that required under the minimum 30-year amortization period. See Section 3, Exhibit H on page 22 for details.

- 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 July 15 or (3) throughout the year (i.e., the City will pay contributions at the end of every pay period).

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

Summary of Key Valuation Results

	2008	2007
Contributions calculated as of June 30:		
Recommended as a percentage of pay (note there is a 12-month delay until the rate is effective)		
At the beginning of the year	14.11%	14.93%
On July 15	14.15%	14.98%
At the end of each pay period	14.65%	15.52%
Funding elements for plan year ended June 30:		
Normal cost	\$311,749,220	\$297,670,637
Market value of assets*	10,372,194,349	11,071,618,941
Actuarial value of assets*	10,805,841,634	9,812,926,556
Valuation value of retirement assets	9,438,318,300	8,599,699,772**
Actuarial accrued liability	11,186,403,741	10,526,874,184
Unfunded/(overfunded) actuarial accrued liability	1,748,085,441	1,927,174,412
Funded ratio	84.37%	81.69%
GASB 25/27 for fiscal year ended June 30:		
Annual required contributions	288,119,041	\$277,516,400
Actual contributions	288,119,041	277,516,400
Percentage contributed	100.00%	100.00%
Demographic data for plan year ended June 30:		
Number of retired members and beneficiaries	14,975	14,836
Number of inactive members	4,273	3,303
Number of active members	30,236	30,175
Projected total payroll***	\$1,977,644,640	\$1,896,609,013
Projected average payroll***	\$65,407	\$62,854

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

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

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

SECTION 1: Valuation Summary for the Los Angeles City Employees' Retirement System

Actuarial Certification

November 5, 2008

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, 2008, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2007. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

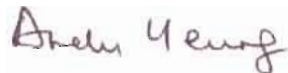
The actuarial valuation is based on the plan of benefits verified by LACERS and on participant and financial data provided by LACERS.

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

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

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

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a member of the American Academy of Actuaries and is qualified to render the actuarial opinion contained herein.



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

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

A. MEMBER DATA

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

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

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

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

CHART 1
Member Population: 1999 – 2008

Year Ended June 30	Active Members	Inactive Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1999	22,504	N/A	12,843	0.57
2000	24,234	N/A	13,058	0.54
2001	25,654	N/A	13,365	0.52
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60
2008	30,236	4,273	14,975	0.64

*Includes terminated members due a refund of employee contributions

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 30,236 active members with an average age of 45.8, average years of service of 11.8 years and average payroll of \$65,407. The 30,175 active members in the prior valuation had an average age of 45.3, average service of 11.5 years and average payroll of \$62,854.

Inactive Members

In this year's valuation, there were 4,273 members who were either (a) non-vested and entitled to a refund of member contributions, or (b) vested with a right to a deferred or immediate benefit.

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

CHART 2
Distribution of Active Members by Age as of June 30, 2008

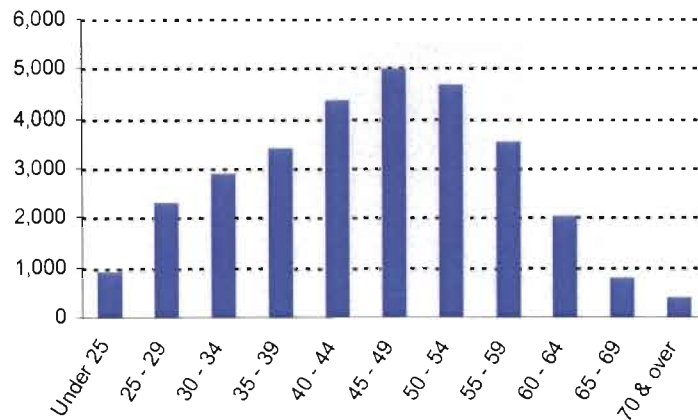
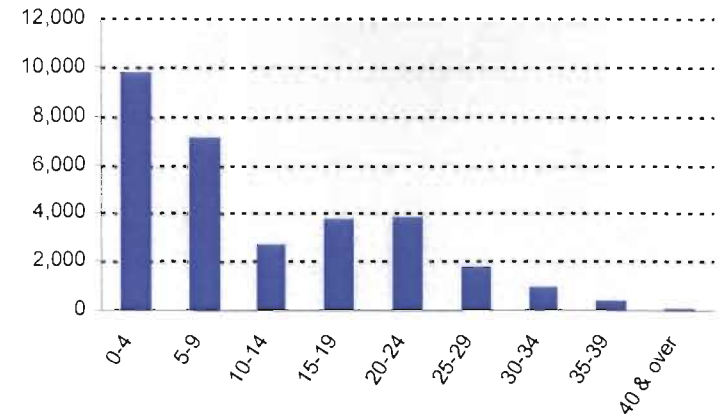


CHART 3
Distribution of Active Members by Years of Service as of June 30, 2008



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Retired Members and Beneficiaries

As of June 30, 2008, 11,490 retired members and 3,485 beneficiaries were receiving total monthly benefits of \$41,863,834. For comparison, in the previous valuation, there were 11,299 retired members and 3,537 beneficiaries receiving monthly benefits of \$39,720,299.

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, 2008

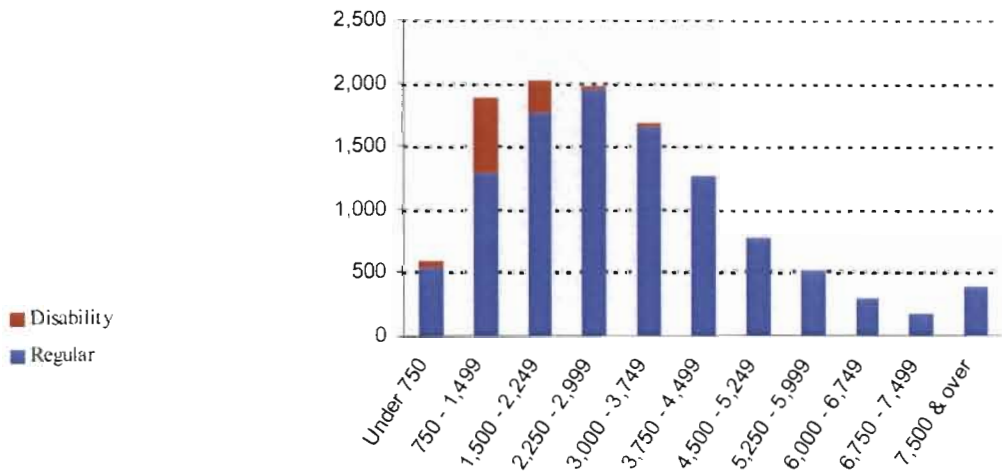
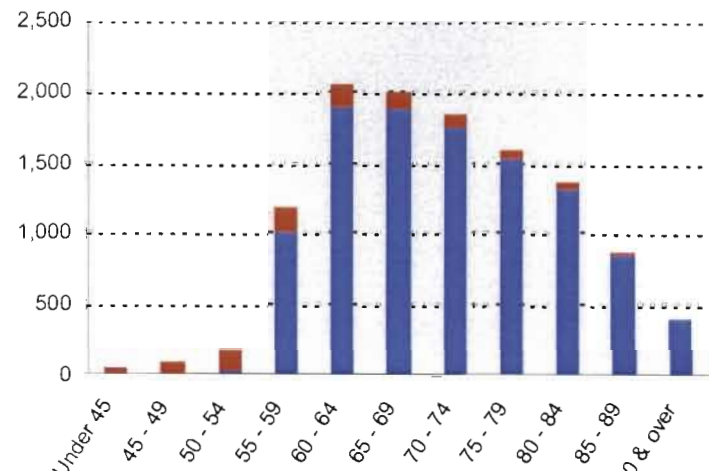


CHART 5
Distribution of Retired Members by Type and by Age as of June 30, 2008



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

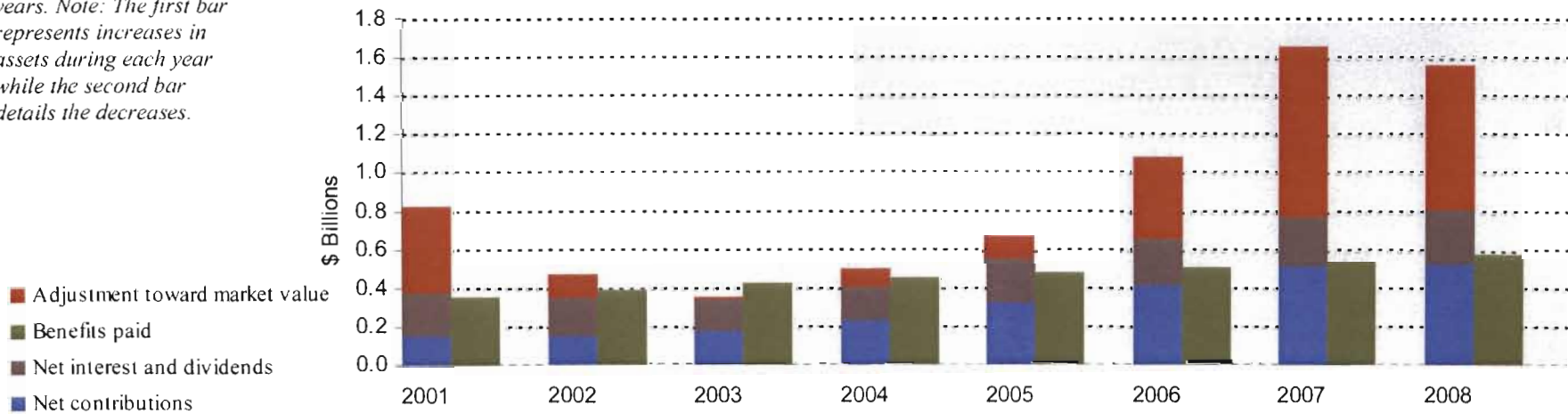
B. FINANCIAL INFORMATION

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

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

The chart depicts the components of changes in the actuarial value of assets over the last eight 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 – 2008



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

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.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2008

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

1. Market value of assets				\$10,372,194,349
2. Calculation of unrecognized return*	Original	Percent Not	Amount Not	
	Amount	Recognized	Recognized	
(a) Year ended June 30, 2008	-\$1,549,293,380	80%	-\$1,239,434,704	
(b) Year ended June 30, 2007	1,054,377,186	60%	632,626,312	
(c) Year ended June 30, 2006	366,478,652	40%	146,591,461	
(d) Year ended June 30, 2005	132,848,231	20%	26,569,646	
(e) Total unrecognized return				-433,647,285
3. Preliminary actuarial value: (1) - (2e)				10,805,841,634
4. Adjustment to be within 20% corridor				0
5. Final actuarial value of assets: (3) + (4)				<u>\$10,805,841,634</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)				104.18%
7. Market value of retirement assets				\$9,059,550,848
8. Valuation value of retirement assets (5) ÷ (1) x (7)				\$9,438,318,300

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

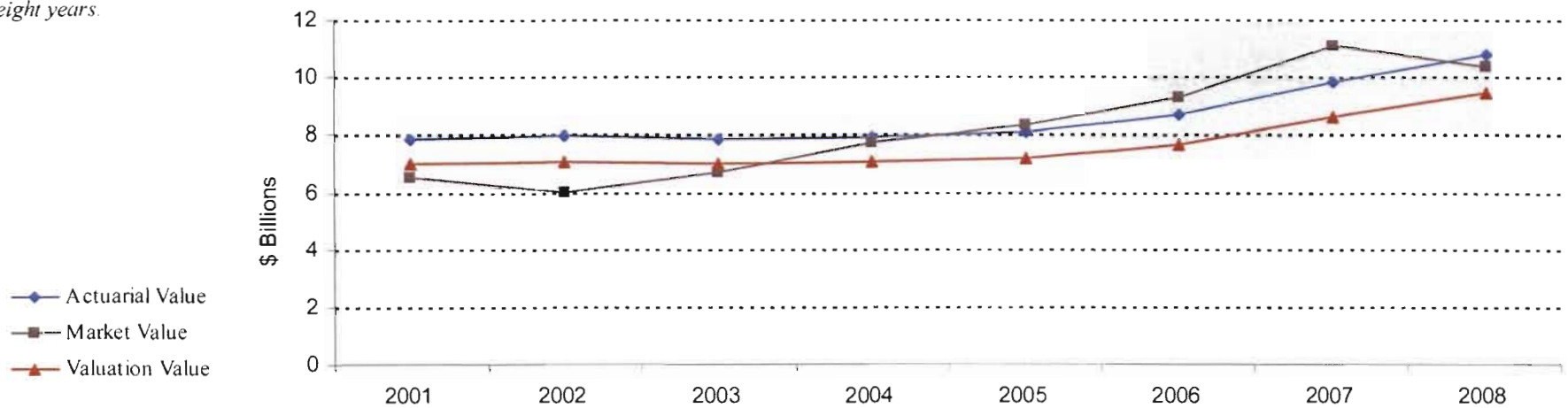
SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

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

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

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2001 – 2008



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

C. ACTUARIAL EXPERIENCE

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

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

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

The total gain of \$247,657,801 before assumption changes was due to an investment gain of \$222,510,137 and a gain of \$25,147,664 from all other sources. The net experience variation from all other sources was 0.22% 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, 2008**

1. Net gain/(loss) from investments*	\$222,510,137
2. Net gain/(loss) from other experience**	12,546,507
3. Net gain/(loss) from one year delay in implementing the lower contribution rate calculated in the June 30, 2007 valuation until fiscal year 2008/2009	<u>12,601,157</u>
4. Net experience gain/(loss): (1) + (2) + (3)	\$247,657,801

* Details in Chart 10.

** Details in Chart 13. The net gain is attributed to actual liability experience from July 1, 2007 through June 30, 2008 compared to the projected experience predicted by the actuarial assumptions as of June 30, 2007.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the LACERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 8.00%. The actual rate of return on the valuation value of assets basis for the 2008 plan year was 10.56%.

Since the actual return for the year was greater than the assumed return, the LACERS experienced an actuarial gain during the year ended June 30, 2008 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, 2008

	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Valuation Value (Includes assets for Retirement Only)
1. Actual return	\$1,042,592,669	\$918,803,482
2. Average value of assets	\$9,985,637,351	\$8,703,666,816
3. Actual rate of return: (1) ÷ (2)	10.44%	10.56%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$798,850,988	\$696,293,345
6. Actuarial gain/(loss): (1) - (5)	<u>\$243,741,681</u>	<u>\$222,510,137</u>

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

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

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

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2001 – 2008

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	2.19%	96,283,183	1.23%	267,449,522	3.42%	1,243,644,727	18.84%
2005	235,062,628	2.96%	109,661,360	1.38%	344,723,988	4.34%	753,805,403	9.71%
2006	238,266,254	2.90%	430,034,467	5.24%	668,300,721	8.14%	1,041,664,291	12.34%
2007	261,677,229	2.95%	890,907,654	10.04%	1,152,584,883	12.99%	1,811,903,293	19.13%
2008	<u>290,092,182</u>	2.91%	<u>752,500,487</u>	7.53%	<u>1,042,592,669</u>	10.44%	<u>-649,747,001</u>	-5.78%
Total	\$1,781,492,281		\$2,847,548,490		\$4,629,040,771		\$4,859,745,118	
					Five-year average return	7.81%		10.45%

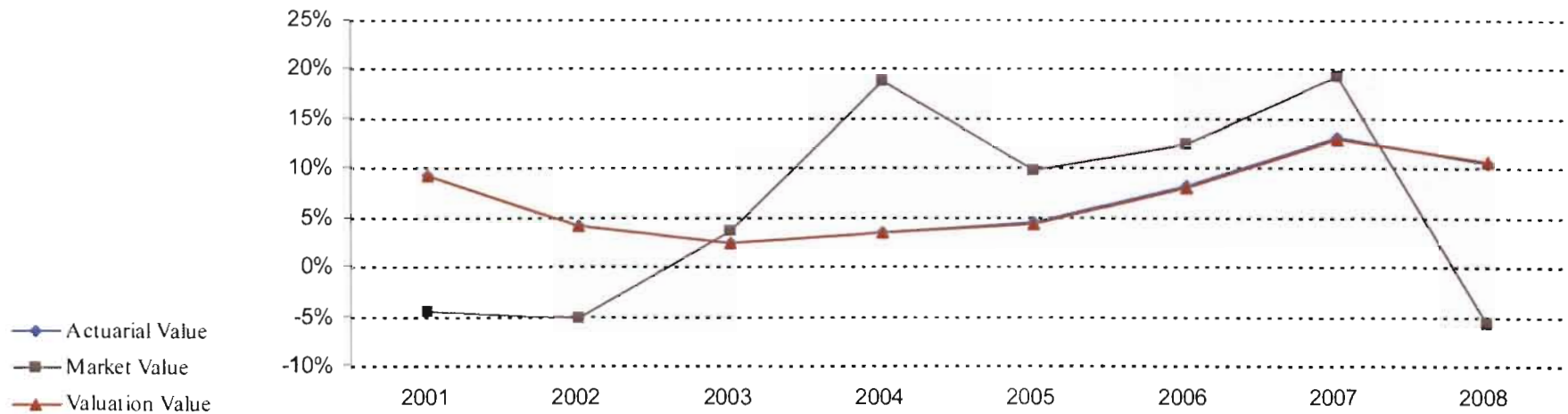
SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

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 - 2008.

CHART 12

Market and Actuarial Rates of Return for Years Ended June 30, 2001 - 2008



SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

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 14.65% of payroll.

We have continued to follow the method used in the June 30, 2005 valuation to adjust the contribution requirement if the GASB ARC minimum contribution is greater than the amount prescribed below. For 2008, the beginning of year minimum GASB ARC is \$278.9 million so an adjustment has been made to the recommended contributions.

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

CHART 14
Recommended Contribution

	Year Ended June 30			
	2008		2007	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$311,749,220	15.76%	\$297,670,637	15.69%
2. Expected employee contributions	<u>-125,667,345</u>	<u>-6.35%</u>	<u>-121,395,801</u>	<u>-6.40%</u>
3. Employer normal cost: (1) + (2)	\$186,081,875	9.41%	\$176,274,836	9.29%
4. Actuarial accrued liability	11,186,403,741		10,526,874,184	
5. Valuation value of assets	<u>-9,438,318,300</u>		<u>-8,599,699,772</u>	
6. Unfunded actuarial accrued liability	\$1,748,085,441		\$1,927,174,412	
7. Amortization of unfunded accrued liability	92,865,317*	4.70%	106,963,925	5.64%
8. Total recommended contribution, beginning of year	<u>\$278,947,192</u>	<u>14.11%</u>	<u>\$283,238,761</u>	<u>14.93%</u>
9. Total recommended contribution, July 15	<u>\$279,830,838</u>	<u>14.15%</u>	<u>\$284,136,002</u>	<u>14.98%</u>
10. Total recommended contribution, end of pay periods	<u>\$289,819,392</u>	<u>14.65%</u>	<u>\$294,278,228</u>	<u>15.52%</u>
11. Projected payroll used for developing normal cost rate	\$1,977,644,640		\$1,896,609,013	

*Includes an adjustment of \$4,186,957 to comply with the GASB ARC minimum contribution requirement.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

If paid by the City at the beginning of the year, the calculated normal cost (including expenses) is 9.41% of payroll. The remaining 4.70% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of 30 years.

The contribution rates as of June 30, 2008 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

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

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

CHART 15

Reconciliation of Recommended Contribution from June 30, 2007 to June 30, 2008

Recommended Contribution as of June 30, 2007	\$294,278,228
Effect of change in amortization amounts due to 4% prior total payroll growth assumption	\$4,445,318
Effect of contributions (more)/less than recommended contribution	-1,121,759
Effect of investment (gain)/loss	-19,807,921
Effect of other gains and losses on accrued liability	-1,116,894
Effect of change in amortization amounts due to new 4.25% total payroll growth assumption	-2,810,295
Effect of assumption changes (excludes increases in employer normal cost)	1,413,291
Effect of increase in employer normal cost due to payroll, demographic and assumption changes	10,189,277
Effect of change in amortization amounts due to GASB minimum ARC requirement	<u>4,350,147</u>
Total change	<u>-\$4,458,836</u>
Recommended Contribution as of June 30, 2008	\$289,819,392

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

E. INFORMATION REQUIRED BY THE GASB

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

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

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

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

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

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

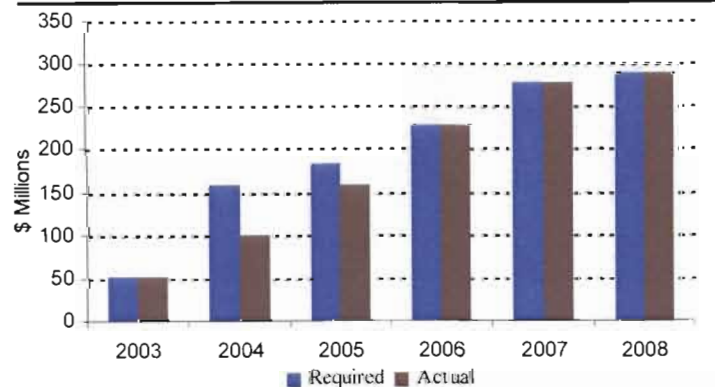
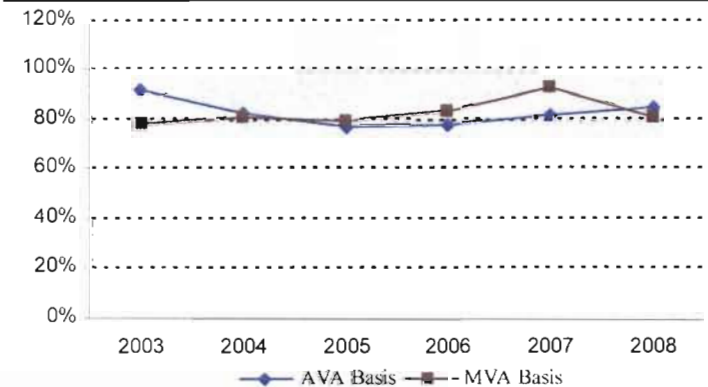


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30		Change From Prior Year
	2008	2007	
Active members in valuation:			
Number	30,236	30,175	0.2%
Average age	45.8	45.3	N/A
Average service	11.8	11.5	N/A
Projected total payroll*	\$1,977,644,640	\$1,896,609,013	4.3%
Projected average payroll*	\$65,407	\$62,854	4.1%
Account balances	\$1,332,217,905	\$1,247,502,196	6.8%
Total active vested members	20,600	20,056	2.7%
Inactive members:			
Number	4,273	3,303	29.4%
Average age	42.0	42.4	N/A
Average contribution balance for those with under 5 years of service	\$3,776	\$3,633	3.9%
Average monthly benefit for those with 5 or more years of service	\$1,343	\$1,278	5.1%
Retired members:			
Number in pay status	10,582	10,398	1.8%
Average service at retirement	26.5	26.4	N/A
Average age at retirement	60.0	60.0	N/A
Average age	71.8	71.6	N/A
Average monthly benefit (includes July COLA)	\$3,319	\$3,192	4.0%
Disabled members:			
Number in pay status	908	901	0.8%
Average service at retirement	12.1	12.2	N/A
Average age at retirement	45.0	44.8	N/A
Average age	61.1	60.7	N/A
Average monthly benefit (includes July COLA)	\$1,368	\$1,318	3.8%
Beneficiaries:			
Number in pay status	3,485	3,537	-1.5%
Average age	75.7	75.5	N/A
Average monthly benefit (includes July COLA)	\$1,578	\$1,510	4.5%

*Reflects annualized salaries for part-time members.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT B

**Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	914	912	2	--	--	--	--	--	--	--
	\$39,785	\$39,792	\$36,322	--	--	--	--	--	--	--
25 - 29	2,289	1,861	424	4	--	--	--	--	--	--
	51,273	50,017	56,768	\$53,088	--	--	--	--	--	--
30 - 34	2,887	1,596	1,159	132	--	--	--	--	--	--
	59,448	54,849	64,952	66,731	--	--	--	--	--	--
35 - 39	3,402	1,346	1,272	529	231	24	--	--	--	--
	63,464	54,861	66,684	71,908	\$75,869	\$69,749	--	--	--	--
40 - 44	4,343	1,151	1,163	584	919	512	14	--	--	--
	67,416	54,191	64,901	73,892	79,595	73,157	\$83,968	--	--	--
45 - 49	4,986	995	977	496	929	1,132	443	14	--	--
	70,501	54,868	64,221	69,975	78,228	81,488	75,389	\$82,589	--	--
50 - 54	4,664	838	834	368	728	938	598	334	26	--
	70,716	54,296	63,152	69,386	76,333	81,205	79,532	74,474	\$74,703	--
55 - 59	3,523	539	663	292	449	644	421	370	143	2
	70,889	52,975	61,806	69,421	74,482	77,500	79,565	84,569	80,996	\$108,764
60 - 64	2,023	290	390	178	273	352	194	163	134	49
	68,949	48,882	60,867	64,885	69,959	75,282	77,452	82,517	88,469	83,483
65 - 69	797	113	168	74	113	132	64	62	44	27
	64,280	43,916	54,180	60,931	70,976	72,490	73,843	76,662	80,313	76,143
70 & over	408	98	71	37	59	61	25	17	17	23
	53,452	32,779	41,282	46,055	56,696	72,048	77,996	61,837	85,717	76,636
Total	30,236	9,739	7,123	2,694	3,701	3,795	1,759	960	364	101
	\$65,407	\$51,763	\$63,440	\$69,966	\$76,418	\$78,503	\$78,073	\$79,766	\$83,436	\$80,463

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT C

Reconciliation of Member Data

	Active Members	Inactive Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2007	30,175	3,303	901	10,398	3,537	48,314
New members	2,108	N/A	N/A	N/A	N/A	2,108
Terminations – with vested rights	-1,120	1,120	0	0	0	0
Retirements	-464	-50	N/A	514	N/A	0
New disabilities	-34	-2	36	N/A	N/A	N/A
New beneficiaries	N/A	N/A	N/A	N/A	198	198
Deaths	-69	-9	-28	-330	-185	-621
Refund of members contributions	-420	-152	0	0	0	-572
Rehired	59	-58	-1	0	N/A	0
Data adjustments	<u>1</u>	<u>121*</u>	<u>0</u>	<u>0</u>	<u>-65**</u>	<u>57</u>
Number as of June 30, 2008	30,236	4,273	908	10,582	3,485	49,484

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

***Includes 60 beneficiaries who were counted last year but were not valued because they were only entitled to a limited pension that had expired before June 30, 2007.*

Note: For the change in the annual benefits from the retirees and beneficiaries added to and removed from the rolls, refer to Exhibit D of the supplemental schedules that accompany this report.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT D

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

	Year Ended June 30, 2008	Year Ended June 30, 2007
Contribution income:		
Employer contributions	\$411,658,277	\$408,392,318
Employee contributions	<u>114,678,456</u>	<u>106,233,984</u>
Net contribution income	\$526,336,733	\$514,626,302
Investment income:		
Interest, dividends and other income	\$316,578,411	\$294,096,161
Return of excess reserve from PPO carrier	11,000,000	0
Recognition of capital appreciation	752,500,487	890,907,654
Less investment and administrative fees	<u>-37,486,229</u>	<u>-32,418,932</u>
Net investment income	<u>\$1,042,592,669</u>	<u>\$1,152,584,883</u>
Total income available for benefits	\$1,568,929,402	\$1,667,211,185
Less benefit payments:		
Payment of benefits	-\$554,645,416	-\$522,936,405
Refunds of contributions	-15,148,832	-17,452,321
Transfer to Fire Police pension	<u>-6,220,076</u>	<u>-</u>
Net benefit payments	-\$576,014,324	-\$540,388,726
Change in reserve for future benefits	\$992,915,078	\$1,126,822,459

Note: Results may be slightly off due to rounding.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT E

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

	Year Ended June 30, 2008	Year Ended June 30, 2007
Cash equivalents	\$647,796,975	\$519,342,132
Accounts receivable:		
Investment income	\$37,665,701	\$38,365,027
Proceeds from sales	52,697,778	64,316,910
Other	<u>9,487,263</u>	<u>8,172,306</u>
Total accounts receivable	\$99,850,742	\$110,854,243
Investments:		
Fixed Income	\$2,318,305,925	\$2,418,321,628
Equities	6,083,367,297	7,163,209,802
Real Estate and Alternative Investment	1,506,707,229	1,207,106,364
Other	<u>1,918,515,928</u>	<u>2,612,552,358</u>
Total investments at market value	\$11,826,896,379	\$13,401,190,152
Total assets	\$12,574,544,096	\$14,031,386,527
Less accounts payable:		
Accounts payable and accrued expenses	-\$25,366,621	-\$29,261,758
Purchases of investments	-362,061,108	-318,259,361
Security lending collateral	<u>-1,814,922,018</u>	<u>-2,612,246,467</u>
Total accounts payable	-\$2,202,349,747	-\$2,959,767,586
Net assets at market value	<u>\$10,372,194,349</u>	<u>\$11,071,618,941</u>
Net assets at actuarial value	<u>\$10,805,841,634</u>	<u>\$9,812,926,556</u>
Net assets at valuation value (retirement benefits)	<u>\$9,438,318,300</u>	<u>\$8,599,699,772</u>

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT F

Development of the Fund Through June 30, 2008 for Retirement, Health, Family Death and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2003	\$97,531,127	\$83,067,509	\$176,606,357	\$423,659,098	\$7,868,307,895
2004	140,201,349	93,417,803	267,449,522	451,867,532	7,917,509,037
2005	229,136,519	94,268,171	344,723,988	479,891,624	8,105,746,091
2006	320,399,222	98,262,366	668,300,721	506,604,304	8,686,104,097
2007	408,392,318	106,233,984	1,152,584,883	540,388,726	9,812,926,556
2008	411,658,277	114,678,456	1,042,592,669***	576,014,324**	10,805,841,634

* Net of investment fees and administrative expenses

** Includes transfer of \$6,220,076 to Fire Police pension.

*** Includes an \$11,000,000 return of excess reserve from PPO carrier.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2008

1. Unfunded actuarial accrued liability at beginning of year	\$1,927,174,412
2. Normal cost at beginning of year	297,670,637
3. Total contributions	-417,087,907
4. Interest	<u>149,779,325</u>
5. Expected unfunded actuarial accrued liability	\$1,957,536,467
6. Changes due to:	
(a) Experience gains*	-235,056,644
(b) Assumption changes	25,605,618
(c) Total	-209,451,026
7. Unfunded actuarial accrued liability at end of year	<u>\$1,748,085,441</u>

* Excludes \$12,601,157 gain from contributions more than anticipated due to one-year delay in implementing the lower contribution rate calculated in the June 30, 2007 valuation. That gain is already included in the development of item 5.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT H

Table of Amortization Bases

Type*	Date Established	Initial Years	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment*
Contribution phase-in loss	06/30/2004	15	\$29,485,103	\$27,111,198	11	\$2,922,712
Contribution phase-in loss	06/30/2005	15	12,401,167	11,753,293	12	1,180,766
Combined bases	06/30/2005	30	1,715,553,201	1,819,733,896	27	102,762,629
Change in assumptions	06/30/2005	30	371,312,873	393,861,654	27	22,241,856
Experience loss	06/30/2006	15	24,171,861	23,452,149	13	2,210,729
Experience gain	06/30/2007	15	-309,656,196	-305,774,567	14	-27,204,171
Experience gain	06/30/2008	15	-247,657,800	-247,657,800	15	-20,899,902
Change in assumptions	06/30/2008	30	25,605,618	<u>25,605,618</u>	30	<u>1,360,273</u>
Subtotal before GASB amount				\$1,748,085,441		\$84,574,892
40-year minimum GASB 25/27	06/30/2004	15	29,189,615	26,839,500	11	2,893,422
40-year minimum GASB 25/27	06/30/2005	15	12,708,684	<u>12,044,744</u>	12	<u>1,210,046</u>
Total				\$1,786,969,685		\$88,678,360**

* Level percentage of payroll.

**The GASB has established a maximum allowable amortization period for the UAAL of 30 years. Since this payment amount under the layered amortization approach is equivalent to an effective amortization period of more than 30 years, a 30-year amortization period has been used in developing the employer UAAL rate. A 30-year amortization of the UAAL yields an annual amortization payment of \$92,865,317.

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT I

Section 415 Limitations

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

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

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of \$160,000 indexed for inflation. That limit is \$185,000 for 2008. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

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

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

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

EXHIBIT J

Definitions of Pension Terms

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

Assumptions or Actuarial

Assumptions:

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

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age; and
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

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

Actuarial Accrued Liability

For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability

For Pensioners:

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

Unfunded Actuarial Accrued

Liability:

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

SECTION 3: Supplemental Information for the Los Angeles City Employees' Retirement System

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

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

1. Retired members as of the valuation date (including 3,485 beneficiaries in pay status)	14,975
2. Inactive members during year ended June 30, 2008 (including 2,951 members with under 5 years of service eligible for a refund of contributions)	4,273
3. Members active during the year ended June 30, 2008	30,236
Fully vested	20,600
Not vested	9,636

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

Assets

1. Valuation value of assets (\$10,372,194,349 at market value* and \$10,805,841,634 at actuarial value* as reported by LACERS)	\$9,438,318,300**
2. Present value of future normal costs	
Employee	\$1,108,451,337
Employer	<u>2,408,261,933</u>
Total	\$3,516,713,270
3. Unfunded actuarial accrued liability	<u>1,748,085,441</u>
4. Present value of current and future assets	\$14,703,117,011

Liabilities

5. Present value of future benefits	
Retired members and beneficiaries	\$5,557,817,112
Inactive members	183,168,780
Active members	<u>8,962,131,119</u>
Total	\$14,703,117,011

*Market and actuarial values of assets include assets for Retirement, Health, Family Death, and Larger Annuity Benefits.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1. Total normal cost	\$311,749,220
2. Expected employee contributions	<u>-125,667,345</u>
3. Employer normal cost: (1) + (2)	\$186,081,875
4. Payment on projected unfunded actuarial accrued liability	92,865,317
5. Total recommended contribution: (3) + (4), payable beginning of year	<u>278,947,192</u>
6. Total recommended contribution: adjusted for July 15 payment	<u>279,830,838</u>
7. Total recommended contribution: adjusted for biweekly payment	<u>289,819,392</u>
8. Projected payroll	\$1,977,644,640
9. Item 5 as a percentage of projected payroll: (5) ÷ (8)	14.11%
10. Item 6 as a percentage of projected payroll: (6) ÷ (8)	14.15%
11. Item 7 as a percentage of projected payroll: (7) ÷ (8)	14.65%

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2003	\$51,604,669	\$51,604,669	100.00%
2004	159,083,407	100,408,689	63.12%
2005	183,241,489	158,131,638	86.30%
2006	227,740,600	227,740,600	100.00%
2007	277,516,400	277,516,400	100.00%
2008	288,119,041	288,119,041	100.00%

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial 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)
06/30/2003	\$6,999,647,000	\$7,659,846,000	\$660,199,000	91.38%	\$1,405,058,000	46.99%
06/30/2004	7,042,107,591	8,533,863,528	1,491,755,937	82.52%	1,575,284,734	94.70%
06/30/2005	7,193,142,227	9,321,524,967	2,128,382,740	77.17%	1,589,305,846	133.92%
06/30/2006	7,674,999,374	9,870,662,387	2,195,663,013	77.76%	1,733,339,536	126.67%
06/30/2007	8,599,699,772*	10,526,874,184	1,927,174,412	81.69%	1,896,609,013	101.61%
06/30/2008	9,438,318,300	11,186,403,741	1,748,085,441	84.37%	1,977,644,640	88.39%

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

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2008
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization method	Level percent of payroll – assuming a 4.25% increase in total covered payroll.
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.50%
Projected salary increases	Ranges from 12.25% to 6.75% for members with less than 5 years of service. Ranges from 6.50% to 4.75% for members with 5 or more years of service.
Cost of living adjustments	3.00%
Plan membership:	
Retired members and beneficiaries receiving benefits	14,975
Inactive members*	4,273
Active members	<u>30,236</u>
Total	49,484

* Either non-vested and entitled to a refund of member contributions or vested with a right to a deferred or immediate benefit.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT V

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

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (h) * .08 (c)	ARC Adjustment with Interest (h) / (e) * 1.08 (d)	Amortization Factor (e)	Pension Cost (a) + (c) - (d) (f)	Change in NPO (f) - (b) (g)	NPO Balance NPO + (g) (h)
2003	\$ 51,604,669	\$ 51,604,669	\$ 0	\$ 0	N/A	\$ 51,604,669	\$ 0	\$ 0
2004	159,083,407	100,408,689	0	0	N/A	159,083,407	58,674,718	58,674,718
2005	183,241,489	158,131,638	0	0	N/A	183,241,489	25,109,851	83,784,569
2006	227,740,600	227,740,600	4,693,977	5,429,482	11.6712*	227,005,095	(735,505)	83,049,064
2007	277,516,400	277,516,400	6,643,929	7,970,213	11.3532**	276,190,116	(1,326,284)	81,722,780
2008	288,119,041	288,119,041	6,537,822	8,289,017	10.8207	286,367,846	(1,751,195)	79,971,585

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

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

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board on October 14, 2008, based on an Actuarial Experience Study as of June 30, 2008.

Mortality Rates:

After Service Retirement: RP-2000 Combined Healthy Mortality Table, set back one year.
After Disability Retirement: RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Termination Rates before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality Table, set back one year.

Age	Rate (%)	
	Disability	Termination*
25	0.01	4.75
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

* Termination rates are zero for members eligible to retire.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

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

Service	Rate (%)	
	Termination (Based on Service)	
0	9.75	
1	8.00	
2	6.25	
3	5.50	
4	4.75	

Retirement Rates:

Age	Retirement Probability	
	Non-55/30	55/30
50	10%	0%
51	5	0
52	5	0
53	5	0
54	15	0
55	10	20
56	10	15
57	10	15
58	10	15
59	10	15
60	10	15
61	10	16
62	10	17
63	10	18
64	10	19
65	15	20
66	15	20
67	15	20
68	15	20
69	15	20
70	100	100

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Retirement Age and Benefit for Inactive Vested Participants:	Assume pension benefit will be paid at the later of age 57 or the current attained age.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Female spouses 4 years younger than their spouses.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	10% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to 3.0% maximum.
Employee Contribution and Matching Account Crediting Rate:	6.50%
Net Investment Return:	8.00%

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Salary Increases:

According to the following schedule:

For members with under 5 years of service,

<u>Service</u>	<u>Percentage Increase*</u>
0	8.00%
1	6.75%
2	4.75%
3	3.75%
4	2.50%

For members with over 5 years of service,

<u>Age</u>	<u>Percentage Increase*</u>
20 – 24	2.25%
25 – 29	2.00%
30 – 34	1.75%
35 – 39	1.50%
40 – 44	1.00%
45 – 49	0.75%
50 – 54	0.50%
55 – 69	0.50%

** Before including a 3.75% inflation increase and a 0.50% across the board increase.*

Actuarial Value of Assets:

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

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Actuarial Cost Method: Projected Unit Credit Cost Method.

Funding Policy: The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Any subsequent change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate 15 year periods. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate 30 year periods. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service.

In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Changes in Assumptions: The Board adopted the above assumptions on October 14, 2008, based on an Actuarial Experience Study as of June 30, 2008. The assumptions that changed from the previous valuation are as follows:

Mortality Rates:

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

Termination Rates before Retirement:

Pre-Retirement Mortality: 1994 Group Annuity Mortality Table.

Age	Rate (%)	
	Disability	Termination*
25	0.01	4.45
30	0.04	3.80
35	0.11	3.05
40	0.18	2.45
45	0.21	2.10
50	0.24	1.70
55	0.23	1.35
60	0.00	1.25

* Termination rates are zero for members eligible to retire.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Change in Actuarial Assumptions (Previous Assumptions continued):

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

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

Retirement Rates:

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

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Change in Actuarial Assumptions (Previous Assumptions continued):

Retirement Age and Benefit for Inactive Vested Participants:

Assume pension benefit will be paid at the later of age 58 or the current attained age.

Salary Increases:

According to the following schedule:

For members with under 5 years of service,

<u>Service</u>	<u>Percentage Increase*</u>
0	6.00%
1	5.00%
2	4.50%
3	3.50%
4	2.75%

For members with over 5 years of service,

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

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

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

EXHIBIT VII
Summary of Plan Provisions

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

Plan Year: July 1 through June 30

Census Date: June 30

Normal Retirement Benefit:

Age & Service Requirement
 (§ 4.1020)

Age 70;
 Age 60 with 10 years of continuous service; or
 Age 55 with at least 30 years of service.

Amount (§ 4.1056.2)

2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation.

Early Retirement Benefit:

Age & Service Requirement
 (§ 4.1020)

Age 55 with 10 years of continuous service; or
 Any age with 30 year of service.

Amount (§ 4.1056.2)

2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

<u>Age</u>	<u>Factor</u>	<u>Age</u>	<u>Factor</u>
45	0.6250	50	0.7750
55	0.9250	60	1.0000

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Final Average Monthly Compensation: <i>(§ 4.1010)</i>	Equivalent of monthly average salary of highest continuous 12 months (one year).
Cost of Living Benefit: <i>(§ 4.1040)</i>	Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.
Death after Retirement: <i>(§ 4.1044)</i>	<ul style="list-style-type: none">(i) 50% of retiree's unmodified allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement);(ii) \$2,500 lump sum death benefit paid to a designated beneficiary; and(iii) Any unused contributions if the member has elected the cash refund annuity option.

SECTION 4: Reporting Information for Los Angeles City Employees' Retirement System

Death before Retirement:
(§ 4.1062 and § 4.1054)

Option #1:

- (i) Eligibility – None.
- (ii) Benefit – Refund of contributions plus a limited pension benefit equal to 50% of monthly salary paid, according to the following schedule:

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

Option #2:

- (i) Eligibility – Duty-related death or after 5 years of service.
- (ii) Benefit – Continuance of service or disability benefit payable under 100% joint and survivor option to an eligible spouse or qualified domestic partner.

SECTION 4: Reporting Information for the Los Angeles City Employees' Retirement System

Member Normal Contributions:
(§ 4.1031)

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

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

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

Disability:
(§ 4.1055)

Service Requirement

5 years of continuous service

Amount

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

SECTION 4: Reporting Information for the Los Angeles City Employees' Retirement System

Deferred Withdrawal Retirement Benefit (Vested):

(§ 4.1020 and § 4.1059.1)

Age & Service Requirement

Age 70 with 5 years of continuous service;
Age 60 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or
Age 55 with at least 30 years of service.
Deferred employee who meets part-time eligibility: age 60 with at least 10 years from the first date of membership.

Amount

See Normal retirement benefit

Age & Service Requirement

Age 55 with 5 years of continuous service and at least 10 years have elapsed from first date of membership; or
Age 55 with 10 years of continuous service.
Deferred employee who meets part-time eligibility: age 55 with at least 10 years from the first date of membership.

Amount

See Early retirement benefit

Withdrawal of Contributions Benefit (Ordinary Withdrawal):

Refund of employee contributions with interest.

Changes in Plan Provisions:

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

5010414v2/05806.001

Los Angeles City Employees' Retirement System

*Actuarial Valuation and Review of Other Postemployment
Benefits (OPEB) as of June 30, 2008
In accordance with GASB Statements No. 43 and No. 45*

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

November 5, 2008

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

Dear Board Members:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits as of June 30, 2008 under GASB Statements Number 43 and 45. It establishes the liabilities of the other postemployment benefits in accordance with GASB for the current year. It also summarizes the actuarial data.

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

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

Sincerely,

THE SEGAL COMPANY

By:

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

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

AB/hy

SECTION 1

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PURPOSE

This report presents the results of our actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS) post retirement medical and dental benefits as of June 30, 2008. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

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

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets.

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

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

ACCOUNTING REQUIREMENTS

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

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

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

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the

amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

HIGHLIGHTS OF THE VALUATION

- The actuarial assumptions used in the June 30, 2008 valuation were those adopted by the Board on October 14, 2008 as a result of our June 30, 2008 triennial experience study. A summary of the new and the old assumptions is provided in Section 4, Exhibit V.
- The recommended contribution has increased from \$98.1 million (5.17% of payroll) to \$104.2 million (5.27% of payroll), assuming contributions made by the City at the beginning of the plan year.
- The employer contribution rates provided in this report have been developed, assuming that they will be made by the City at either (1) the beginning of the fiscal year (i.e. the City will prepay its contributions or (2) on July 15 or (3) throughout the year (i.e. the City will pay contributions at the end of every pay period).
- LACERS has elected to comply with GASB 43 effective with the June 30, 2005 valuation. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.
- The funding method used to develop the actuarial required contribution (ARC) is the Projected Unit Credit Method, a method that will produce an increasing normal cost as a percent of payroll.
- The assumption for the discount rate is 8.00%, and is based on the assumptions that the City is paying a contribution that equals the ARC and that 100% of benefits will be paid from the trust.
- The Board has adopted a policy of amortizing the entire Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2005 over a fixed period of 30 years beginning July 1, 2005. Gains and losses are amortized over 15 years. Assumption changes over 30 years. In no case will the effective amortization period of the unfunded accrued liability exceed 30 years.
- In this valuation, we have established a separate amortization base for the actuarial loss arising during the 2007/2008 plan year. This loss is amortized over a 15-year period while continuing to amortize the plan's remaining UAAL over the 27 years remaining from the 28-year period established for the unfunded accrued liability at the June 30, 2007 valuation. In addition, the assumption change in this valuation is amortized over 30 years.
- As indicated in Section 3, Chart 3 of this report, the total unrecognized investment loss as of June 30, 2008 is \$433,647,285 for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment 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 increase in each of the next few years.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

SUMMARY OF VALUATION RESULTS

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

	June 30	
	2008	2007
Actuarial Accrued Liability by Participant Category		
Current retirees, beneficiaries and dependents	\$849,972,270	\$792,200,391
Inactive vested members	25,933,078	22,064,082
Current active members	<u>1,052,137,552</u>	<u>916,135,708</u>
Total	\$1,928,042,900	\$1,730,400,181
Actuarial Value of Assets	\$1,342,919,611	\$1,185,543,893
Unfunded Actuarial Accrued Liability	585,123,289	544,856,288
Funded Ratio	69.7%	68.5%
Market Value of Assets	\$1,289,027,146	\$1,337,713,402
Annual Required Contribution		
Normal cost (beginning of year)	\$71,140,044	\$67,197,687
Amortization of the unfunded actuarial accrued liability	33,019,617	30,931,299
Adjustment for timing	<u>4,166,386</u>	<u>3,928,506</u>
Total annual required contribution, including adjustment for timing	\$108,326,047	\$102,057,492
Projected total payroll**	1,977,644,640	1,896,609,013
As a percentage of pay		
Beginning of year	5.27%	5.17%
On July 15	5.28%	5.19%
At the end of each pay period	5.48%	5.38%

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

** Reflects amount calculated in the pension valuation.

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR THE YEAR ENDED JUNE 30, 2008

1.	Unfunded actuarial accrued liability at beginning of year		\$544,856,288
2.	Normal cost at beginning of year		67,197,688
3.	Total contribution		108,848,499
4.	Interest		<u>41,113,998</u>
5.	Expected unfunded actuarial accrued liability (UAL)		\$544,319,475
6.	Changes due to assumption changes:		
	(a) Changes due to triennial experience study	8,859,094	
	(b) Changes due to annual health assumption updates	<u>18,740,801</u>	
	(c) Total assumption change		27,599,895
7.	Changes due to experience:*		
	(a) Investment (gain)	(17,923,497)	
	(b) Other plan experience	<u>31,127,416</u>	
	(c) Total experience		13,203,919
8.	Unfunded actuarial accrued liability at end of year		\$585,123,289

**Excludes contribution gain of \$10,719,513 that will be combined and amortized with the experience loss.*

SECTION 2: Valuation Results for the Los Angeles City Employees' Retirement System

PROJECTED CASH FLOW

Year Ending June 30	Projected Number of Retirees *			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2009	16,266	1,131	17,397	\$73,245,314	\$5,849,150	\$79,094,464
2010	15,778	1,982	17,760	74,525,803	11,557,188	86,082,991
2011	15,265	2,887	18,152	76,241,132	18,447,009	94,688,141
2012	14,729	3,870	18,599	77,231,268	26,589,808	103,821,076
2013	14,180	4,872	19,052	77,730,371	35,693,587	113,423,958
2014	13,643	5,913	19,556	77,692,852	45,709,555	123,402,407
2015	13,093	7,000	20,093	77,413,707	57,045,357	134,459,064
2016	12,534	8,133	20,667	76,696,605	69,509,741	146,206,346
2017	11,976	9,340	21,316	75,749,424	83,259,530	159,008,954
2018	11,414	10,579	21,993	74,622,358	97,746,053	172,368,411

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

ACTUARIAL CERTIFICATION

November 5, 2008

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the Los Angeles City Employees' Retirement System other postemployment benefit programs as of June 30, 2008, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this postemployment welfare benefits program, with the last valuation completed on June 30, 2007. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB for the determination of the liability for postemployment benefits other than pensions.

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

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

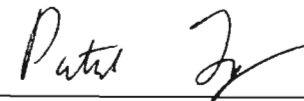
In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

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

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with the plan's funding and GASB requirements with respect to the benefit obligations addressed. The undersigned are members of the American Academy of Actuaries and are qualified to render the actuarial opinion contained herein.



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



Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 1

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

	Year Ended June 30, 2008	Year Ended June 30, 2007
Cash equivalents	\$647,796,975	\$519,342,132
Accounts receivable:		
Investment income	\$37,665,701	\$38,365,027
Proceeds from sales	52,697,778	64,316,910
Other	<u>9,487,263</u>	<u>8,172,306</u>
Total accounts receivable	99,850,742	110,854,243
Investments:		
Fixed Income	\$2,318,305,925	\$2,418,321,628
Equities	6,083,367,297	7,163,209,802
Real Estate and Alternative Investment	1,506,707,229	1,207,106,364
Other	<u>1,918,515,928</u>	<u>2,612,552,358</u>
Total investments at market value	<u>11,826,896,379</u>	<u>13,401,190,152</u>
Total assets	\$12,574,544,096	\$14,031,386,527
Less accounts payable:		
Accounts payable and accrued expenses	-\$25,366,621	-\$29,261,758
Purchases of investments	-362,061,108	-318,259,361
Security lending collateral	<u>-1,814,922,018</u>	<u>-2,612,246,467</u>
Total accounts payable	-\$2,202,349,747	-\$2,959,767,586
Net assets at market value	\$10,372,194,349	\$11,071,618,941
Net assets at actuarial value	\$10,805,841,634	\$9,812,926,556
Net assets at valuation value (retiree health)	\$1,342,919,611	\$1,185,543,893*

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

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

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 2

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

	Year Ended June 30, 2008	Year Ended June 30, 2007
Contribution income:		
Employer contributions	\$411,658,277	\$408,392,318
Employee contributions	<u>114,678,456</u>	<u>106,233,984</u>
Contribution income	\$526,336,733	\$514,626,302
Investment income:		
Interest, dividends and other income	\$316,578,411	\$294,096,161
Return of excess reserve from PPO carrier	11,000,000	0
Recognition of capital appreciation	752,500,487	890,907,654
Less investment and administrative fees	<u>-37,486,229</u>	<u>-32,418,932</u>
Net investment income	<u>1,042,592,669</u>	<u>1,152,584,883</u>
Total income available for benefits	\$1,568,929,402	\$1,667,211,185
Less benefit payments:		
Payment of benefits	-\$554,645,416	-\$522,936,405
Refunds of contributions	-15,148,832	-17,452,321
Transfer to Fire Police pension	<u>-6,220,076</u>	<u>-</u>
Net benefit payments	-\$576,014,324	-\$540,388,726
Change in reserve for future benefits	\$992,915,078	\$1,126,822,459

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 3

Determination of Actuarial Value of Assets as of June 30, 2008

1. Market value of assets, June 30, 2008			\$10,372,194,349
	Original Amount	Percent not recognized	Amount not recognized
2. Calculation of unrecognized return*			
(a) Year ended June 30, 2008	-\$1,549,293,380	80%	-\$1,239,434,704
(b) Year ended June 30, 2007	1,054,377,187	60%	632,626,312
(c) Year ended June 30, 2006	366,478,652	40%	146,591,461
(d) Year ended June 30, 2005	<u>132,848,231</u>	20%	<u>26,569,646</u>
(e) Total unrecognized return			<u>-\$433,647,285</u>
3. Preliminary actuarial value (1) – (2e)			\$10,805,841,634
4. Adjustment to be within 20% corridor			0
5. Final actuarial value of assets (3) + (4)			\$10,805,841,634
6. Actuarial value as a percentage of market value			104.18%
7. Market value of retiree health assets			\$1,289,027,146
8. Valuation value of retiree health assets (5) ÷ (1) x 7			\$1,342,919,611

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

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 4

Determination of Annual Required Contribution

Cost Element	Determined as of June 30			
	2008		2007	
	Amount	Percent of Compensation**	Amount	Percent of Compensation
1. Normal cost (beginning of year)	\$71,140,044	3.60%	\$67,197,684	3.54%
2. Amortization of the unfunded actuarial accrued liability	<u>33,019,617</u>	<u>1.67%</u>	<u>30,931,299</u>	<u>1.63%</u>
3. Total Annual Required Contribution (beginning of year)	<u>\$104,159,661</u>	<u>5.27%</u>	<u>\$98,128,986</u>	<u>5.17%</u>
4. Total Annual Required Contribution (July 15)	<u>\$104,494,207</u>	<u>5.28%</u>	<u>\$98,444,162</u>	<u>5.19%</u>
5. Total Annual Required Contribution (end of pay period)	<u>\$108,326,047</u>	<u>5.48%</u>	<u>\$102,057,492</u>	<u>5.38%</u>
6. Projected total payroll**	\$1,977,644,640		\$1,896,609,013	

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

** Reflects amount calculated in the pension valuation.

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006*	\$76,116,104	\$76,116,104	100.0%
2007	\$115,232,538	\$115,232,538	100.0%
2008	\$108,848,499	\$108,848,499	100.0%

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

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

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

CHART 6
Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Projected Total Payroll*	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2003	\$848,983,000	\$1,205,811,000	\$356,828,000	70.41	\$1,405,058,000	25.40
June 30, 2004	858,997,310	1,419,812,826	560,815,516	60.50	1,575,284,734	35.60
June 30, 2005	893,378,123	1,718,898,792	825,520,669	51.97	1,589,305,346	51.94
June 30, 2006	990,269,715	1,730,798,950	740,529,235	57.21	1,733,339,536	42.72
June 30, 2007	1,185,543,893	1,730,400,181	544,856,288	68.51	1,896,609,013	28.73
June 30, 2008	1,342,919,611	1,928,042,900	585,123,289	69.65	1,977,644,640	29.59

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

**Reflects amount calculated in the pension valuation.*

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Plan Year Ended June 30	Annual Required Contributions (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
2006*	\$76,116,104	\$0	\$0	\$76,116,104	\$76,116,104	\$0	\$0
2007	115,232,538	0	0	115,232,538	115,232,538	0	0
2008	108,848,499	0	0	108,848,499	108,848,499	0	0

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

CHART 8

Required Supplementary Information

Valuation date	June 30, 2008
Actuarial cost method	Projected Unit Credit – assuming a closed group
Amortization method	
<i>Initial Unfunded Liability</i>	30 years, assuming 4.25% increase in total covered payroll
<i>Assumption Changes</i>	30 years, assuming 4.25% increase in total covered payroll
<i>Experience Gains and Losses</i>	15 years, assuming 4.25% increase in total covered payroll
	In no case will the effective amortization period of the unfunded liability exceed 30 years.
Remaining amortization periods	
<i>Initial Unfunded Liability</i>	27 years remaining as of June 30, 2008.
<i>Assumption Changes</i>	30 years remaining as of June 30, 2008.
<i>Experience Gains and Losses</i>	15 years remaining as of June 30, 2008.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period.
Actuarial assumptions:	
Discount rate	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.50%
Projected salary increases	N/A
Health care cost trend rate:	
• Medical	Actual increase for 2008-09, 8.75%, starting in the 2009/2010 fiscal year graded down by 0.50% per year over 8 years to ultimate rate of 5.00%.
• Dental	5% for all years
• Medicare Part B premiums	1.53% in the 2008/2009 fiscal year and 5.00% for later years
Cost of living adjustments on health plan maximum monthly subsidy amount	Same as health care cost trends

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 8
Required Supplementary Information (continued)

Plan membership:	June 30, 2008	June 30, 2007
Current retirees and surviving spouses ⁽¹⁾	14,975	14,836
Inactive vested participants entitled to a future health subsidy	703	607
Current active members	<u>30,236</u>	<u>30,175</u>
Total	45,914	45,618

⁽¹⁾Includes all retirees and surviving spouses whether they are receiving a subsidy.

SECTION 3: Valuation Details for the Los Angeles City Employees' Retirement System

CHART 9

Table of Amortization Bases

Type	Date Established	Initial Years	Initial Amount	Outstanding Balance	Annual Payment*	Years Remaining
Initial Unfunded Accrued Actuarial Liability**	06/30/2007	28	\$544,856,288	\$555,038,988	\$31,343,740	27
Experience Loss	06/30/2008	15	2,484,406	2,484,406	209,660	15
Assumption Change	06/30/2008	30	27,599,895	<u>27,599,895</u>	<u>1,466,217</u>	30
Total				\$585,123,289	\$33,019,617	

* Level percentage of pay.

** Excludes current year experience loss.

SECTION 4: Supporting Information for The Los Angeles City Employees' Retirement System

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

**EXHIBIT I
Summary of Participant Data**

	June 30, 2008	June 30, 2007
Retirees		
Non-disabled	10,582	10,398
Disabled	<u>908</u>	<u>901</u>
Total	11,490**	11,299*
Average age	71.0	70.7
Surviving Spouses		
Number	3,485**	3,537*
Average age	75.7	75.5
Active Participants		
Number	30,236	30,175
Average age	45.8	45.3
Average years of service	11.8	11.5
Inactive Vested Participants (excluding those with less than 10 years of service)		
Number	703	607
Average age	49.0	48.9

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

** Total participants shown. Of the 11,490 retirees, 10,205 were receiving a medical subsidy and of the 3,485 surviving spouses, 1,799 were receiving a medical subsidy.

EXHIBIT II

Actuarial Balance Sheet for Year Ended June 30, 2008

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

Assets

1. Valuation value of assets (\$10,372,194,349 at market value and \$10,805,841,634 at actuarial value as reported by LACERS)	\$1,342,919,611
2. Present value of future normal costs	812,958,605
3. Unfunded actuarial accrued liability	<u>585,123,289</u>
4. Present value of current and future assets	\$2,741,001,505

Liabilities

5. Present value of future benefits	
Retired members and beneficiaries	\$849,972,270
Inactive members with vested rights	25,933,078
Active members	<u>1,865,096,157</u>
Total	\$2,741,001,505

EXHIBIT III

Actuarial Experience for Year Ended June 30, 2008

1. Net (gain) from investments	-\$17,923,497
2. Net (gain) from contributions	-10,719,513
3. Net loss from other experience	<u>31,127,416</u>
4. Net experience loss (1) + (2) + (3)	<u>\$2,484,406</u>

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

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

- Actual rate of return from investment,
- Actual contributions more or less than expected due to the one year delay in implementing the lower contribution rate calculated in the June 30, 2007 valuation until fiscal year 2008/2009,
- Demographic experience (e.g., turnover, retirement, mortality, disability, etc.), relative to the prior assumptions (about \$21.6 million), and
- Updated subsidy levels or starting per capita cost (about \$9.5 million).

EXHIBIT IV

Reconciliation of Recommended Contribution

Recommended Contributions as of June 30, 2007 (Beginning of Year)	\$98,128,986
Effect of investment (gain)	(1,512,568)
Effect of non-investment experience losses	9,740,369
Effect of assumption changes	(2,197,126)
Total change	\$6,030,675
Recommended Contributions as of June 30, 2008 (Beginning of Year)	\$104,159,661

SECTION 4: Supporting Information for The Los Angeles City Employees' Retirement System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

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

Unknown Data for Members: Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Actuarial Cost Method: Projected unit credit.

Termination Rates before Retirement:

Pre-Retirement Mortality: RP-2000 Combined Healthy Mortality table, set back one year.

Age	Disability	Ultimate Withdrawal
25	0.01	4.75%
30	0.03	4.75
35	0.07	4.00
40	0.15	2.84
45	0.22	2.01
50	0.26	1.60
55	0.24	1.35
60	0.22	1.25

All deaths are assumed to be non-duty related.

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

Service	Rate
0	9.75%
1	8.00
2	6.25
3	5.50
4	4.75

SECTION 4: Supporting Information for The Los Angeles City Employees' Retirement System

Measurement Date: June 30, 2008

Discount Rate: 8.00%

Postretirement Mortality Rates:

Healthy RP-2000 Combined Healthy Mortality table, set back one year.

Disabled RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Active Retirement Rates:

Retirement Probability

Age	Non-55/30	55/30
50	10%	0%
51	5	0
52	5	0
53	5	0
54	15	0
55	10	20
56	10	15
57	10	15
58	10	15
59	10	15
60	10	15
61	10	16
62	10	17
63	10	18
64	10	19
65	15	20
66	15	20
67	15	20
68	15	20
69	15	20
70	100	100

Retirement Age and Benefit for Inactive Vested Participants:

Assume pension benefit will be paid at the later of age 57 or the current attained age.

Exclusion of Inactive Vested:

Inactive vested with less than 10 years of service are excluded.

Per Capita Cost Development:

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

Maximum Dental Subsidy (same as premium)

<u>Carrier</u>	<u>Participation Percent</u>	<u>Monthly 2008- 2009 Fiscal Year Subsidy</u>
Wellpoint	76.3	\$37.60
SafeGuard	23.7	\$12.38

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Per Capita Cost Development:

Participant Under Age 65 or Not Eligible for Medicare A & B										
2008-2009 Fiscal Year		Single Party			Married / with Domestic Partner			Eligible Survivor		
CARRIER	Election Percent	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Kaiser	57.6	\$536.27	\$1,071.00	\$536.27	\$1,070.56	\$1,071.00	\$1,070.56	\$536.27	\$536.27	\$536.27
Blue Cross PPO	25.0	\$845.73	\$1,071.00	\$845.73	\$1,685.49	\$1,071.00	\$1,071.00	\$845.73	\$536.27	\$536.27
Blue Cross HMO	17.4	\$542.08	\$1,071.00	\$542.08	\$1,078.20	\$1,071.00	\$1,071.00	\$542.08	\$536.27	\$536.27

Participant Eligible for Medicare A & B										
2008-2009 Fiscal Year		Single Party			Married / with Domestic Partner			Eligible Survivor		
CARRIER	Election Percent	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Kaiser	59.5	\$185.99	\$185.99	\$185.99	\$370.00	\$370.00	\$370.00	\$185.99	\$185.99	\$185.99
Blue Cross PPO	32.7	\$420.44	\$420.44	\$420.44	\$814.36	\$645.72	\$645.72	\$420.44	\$420.44	\$420.44
Secure Horizons	7.8	\$167.01	\$167.01	\$167.01	\$330.04	\$330.04	\$330.04	\$167.01	\$167.01	\$167.01

Marital Status

65% of male and 40% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.

Spouse Age Difference

Males are assumed to be 4 years older than their female spouses.

Surviving Spouse Coverage

With regard to members who are currently alive, 100% of eligible spouses or domestic partners are assumed to elect continued health coverage after the Member's death.

Participation

Retiree Medical and Dental Coverage Election:

Service Range	Enrollment Assumption in June 30, 2007 Valuation	Current Assumption*
10 – 14	90%	65%
15 – 19	90%	80%
20 – 24	90%	90%
25 and Over	90%	95%
All Service	90%	N/A

Inactive members are assumed to receive a subsidy for a City approved health carrier at 50% of the rates shown above.

100% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

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Health Care Cost Subsidy Trend Rates:

Trends to be applied in following fiscal years, to all health plans.
 Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium
 First Fiscal Year (July 1, 2008 through June 30, 2009)

PLAN	Blue Cross PPO, Under Age 65	Blue Cross PPO, Age 65 and Over	Kaiser HMO, Under Age 65	Senior Advantage	Blue Cross HMO, Under 65	Secure Horizons
Trend to be applied to 2008-2009 Fiscal Year premium	7.94%	7.94%	9.30%	6.39%	7.79%	11.06%
			The fiscal year trend rates are based on the following calendar year trend rates:			
Fiscal Year	Trend (Approx)		Calendar Year	Trend (applied to calculate following year premium)		
2009-2010	8.75%		2009	9.00%		
2010-2011	8.25%		2010	8.50%		
2011-2012	7.75%		2011	8.00%		
2012-2013	7.25%		2012	7.50%		
2013-2014	6.75%		2013	7.00%		
2014-2015	6.25%		2014	6.50%		
2015-2016	5.75%		2015	6.00%		
2016-2017	5.25%		2016	5.50%		
2017-2018 and later	5.00%		2017 and later	5.00%		
Dental Premium Trend	5.00% for all years.					
Medicare Part B Premium Trend	5.00% for the years following 2009 calendar year. The 2009 calendar year premium is the same as 2008 premium, so the assumed increase for 2007-2008 to 2008-2009 plan year is 1.5%.					

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Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit VI.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.
Assumption Changes Since Prior Evaluation:	
	The Board adopted the above assumptions on October 14, 2008, based on an Actuarial Experience Study as of June 30, 2008. The assumptions that changed from the previous valuation are as follows:
Mortality Rates:	
<i>After Service Retirement:</i>	1994 Group Annuity Mortality Table.
<i>After Disability Retirement</i>	1994 Group Annuity Mortality Table, set forward 8 years.
Termination Rates before Retirement:	
<i>Pre-Retirement Mortality:</i>	1994 Group Annuity Mortality Table.

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

* Ultimate withdrawal rates are zero for members eligible to retire.

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Change in Actuarial Assumptions (Previous Assumptions continued):

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

<u>Service</u>	<u>Rate (%)</u> <u>Withdrawal (Based on Service)</u>
0	8.75
1	7.00
2	5.75
3	5.25
4	4.75

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

Premiums were updated.
Health care trend rates were updated,
Enrollment percentages were adjusted.

EXHIBIT VI

Summary of Plan

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

Eligibility:

Retirees

§4.1103.2

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

Health Subsidy for Members:

Under Age 65 or

Over Age 65 And Only

Enrolled in Medicare Part B:

§4.1103.2

The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2008, the maximum health subsidy was \$1,022.00 per month, and will increase to \$1,120 per month on January 1, 2009.

Over Age 65 and Enrolled in

Both Medicare Parts A and B:

§4.1103.2

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

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

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

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

Dental Subsidy for Members:
§4.1105.2

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2008, the maximum dental subsidy was \$39.04 per month and will increase to \$39.16 on January 1, 2009.

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

Medicare Part B Subsidy for Members:
§4.1104

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

Surviving Spouse Subsidy:
§4.1107 & §4.1107.1

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

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

The maximum health subsidy available for survivors is the Kaiser single-party premium (\$511.76 per month as of July 1, 2008, increasing to \$560.78 on January 1, 2009) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

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

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

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

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