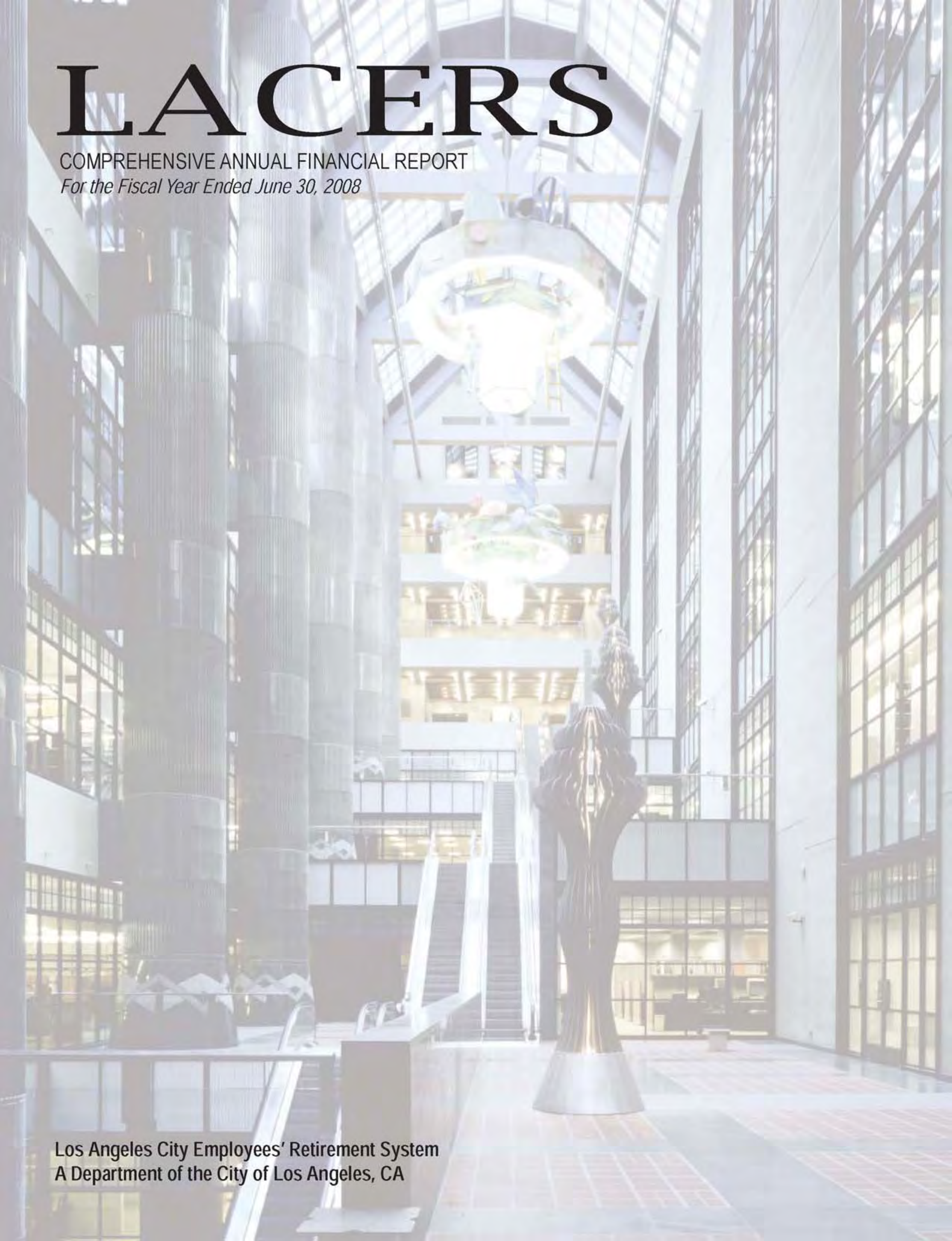
LACERS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2008



Los Angeles City Employees' Retirement System
A Department of the City of Los Angeles, CA

Los Angeles City Employees' Retirement System

A Department of the City of Los Angeles, CA

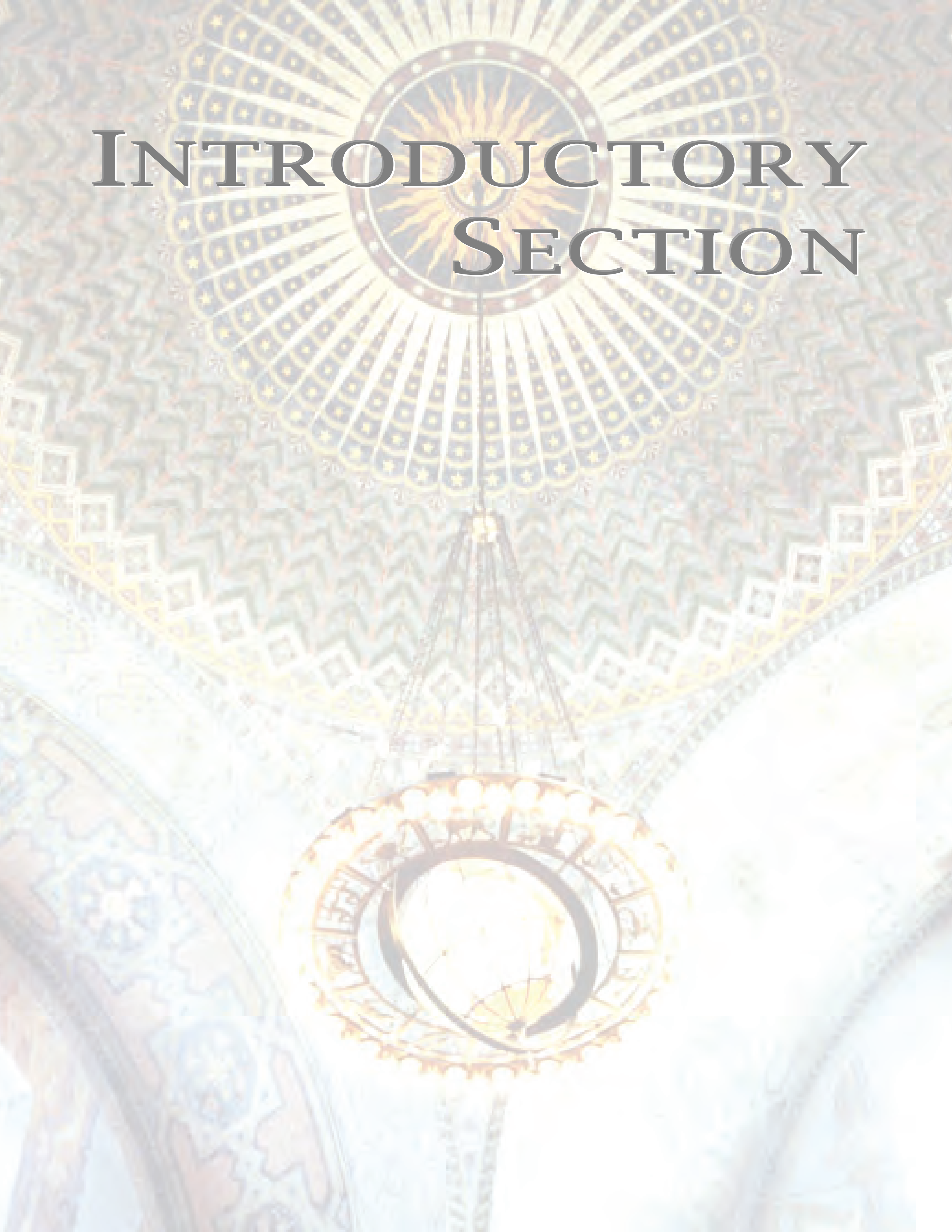
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

360 E. Second St., 2nd Floor
Los Angeles, CA 90012-4207
www.LACERS.org

Table of Contents

Introductory Section



CITY OF LOS ANGELES

CALIFORNIA

ANTONIO R. VILLARAIGOSA
MAYOR

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

360 EAST SECOND STREET
2ND FLOOR
LOS ANGELES, CA 90012-4207

www.LACERS.org

LETTER OF TRANSMITTAL

December 19, 2008

Board of Administration
Los Angeles City Employees' Retirement System
360 E. Second Street, 2nd Floor
Los Angeles, CA 90012-4207

Dear Members of the Board:

As the newly appointed General Manager of LACERS in July 2008, I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ended June 30, 2008.

The CAFR provides extensive and pertinent information on the financial condition of LACERS, as well as the results of LACERS operations during the past fiscal year under the leadership of the Board of Administration.

In our efforts to administer the Plan, LACERS has assembled a team of experts to ensure our Members and the City of Los Angeles get the most from their hard-earned contributions. In our Portfolio Management Division, every effort is made to optimize risk-adjusted returns to meet our investment and actuarial objectives. Our Retirement Services Division guides more than 30,000 Members throughout their City careers towards their goals in retirement with counseling regarding Service Credit purchases, Reciprocity, Dissolution of Marriage, Beneficiary information, and whole wealth of retirement issues. In Health Benefits Administration Division, due diligence is applied to seek the best health plan providers for our Retired Members in an effort to contain ever-increasing health care costs while encouraging Members to learn more about wellness and make informed medical choices. Other LACERS employees work in administration, communications, fiscal management, human resourses and systems to provide excellent customer service to our Members in a transparent and positive environment.

Our dedication to sound financial practices for our Members is mirrored in a CAFR that lays bare our commitment to provide accurate, concise and high-quality financial information for its Board of Administration, interested parties and Members.

While the CAFR represents what occurred financially in the past, we recognize decisions that are made today affect the future of our Members. Moving forward, it is our mission to establish a trustworthy lifelong relationship with our Active and Retired Members through reliable and efficient delivery of benefits funded by prudent investment of plan assets.

Accounting System and Reports

This CAFR was prepared in conformance with accounting principles generally accepted in the United States and reporting guidelines set forth by the Government Accounting Standards Board (GASB), such as Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis* - for State, Local Governments*, Statement No. 40, *Deposit and Investment Risk Disclosures*, Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Statement No. 44, *Economic Condition Reporting: The Statistical Section*, and Statement No. 50, *Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*, and the Los Angeles City Charter.

The accompanying financial statements are prepared using the accrual basis of accounting. Contributions from employer and Members are recognized in the period in which Members provide services. Investment income is recognized as revenue when earned. Expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due.

It is the responsibility of LACERS management to prepare System financial statements, notes and supplementary disclosures, and establish internal control to ensure the System assets are protected. Management believes that internal control is adequate and that the accompanying statements, schedules and tables are fairly presented.[†]

Additions to Plan Net Assets

The total additions to plan net assets, a negative amount for the fiscal year ended June 30, 2008, consisting of contributions, net depreciation in fair value of investments, investment income net of investment management fees, and return of excess reserve, was ($109,057,000). This amount includes member and employer contributions of $526,336,000, net investment loss of $646,393,000, and $11,000,000 of one-time revenue for return of reserve from a Postemployment Healthcare provider. The net investment loss of $646,393,000 for the current fiscal year represents a difference of $2,469,653,000 as compared to the prior fiscal year's net investment income of $1,823,260,000. This loss was attributed largely to the net depreciation in the fair value of investments resulting from the adverse market conditions during the fiscal year. The rate of return for the current fiscal year's investment was at -5.7%, which underperformed the actuarial assumed rate of return of 8%. The $11,000,000 of one-time revenue from a Postemployment Healthcare provider was the result of an effort by staff and the provider to bring the premium stabilization reserve down to a reasonable level and to return the balance to LACERS. Details of the components of the additions to plan net assets are included in the Statement of Changes in Plan Net Assets on page 23 of the financial statements in the financial section.

Deductions from Plan Net Assets

Deductions for the fiscal year ended June 30, 2008, excluding investment management and security lending fees, were $590,368,000, which represented an increase of $38,622,000 over the prior year. This increase was mainly the result of higher average monthly benefits and an increase in the number of retirees. The components of the total deductions include payments of retirement benefits of $554,645,000 ($484,549,000 for the Retirement Plan and $70,096,000 for the Postemployment Healthcare Plan, respectively), refunds of contributions and interest to terminated Members of $15,149,000, administrative expenses of $14,354,000, and transfer of $6,220,000 to the Los Angeles Fire and Police Pension System ($5,366,000 for the Retirement Plan and $854,000 for the Postemployment Healthcare Plan, respectively) due to transfer of Members under a voter-approved Charter amendment.

Changes in System Membership

LACERS membership increases for the fiscal year ended June 30, 2008 were as follows:

	2008	2007	Increase	Change
Active Members	30,236	30,175	61	0.2 %
Retired Members	14,975	14,836	139	0.9 %

Major Accomplishments

Throughout the year, LACERS advanced its Strategic Plan for 2007-08, while looking ahead to a new and reenergized plan for the next three years.

Our Retirement Services Division (RSD) focused on a thorough review of operations with emphasis on the processes and procedures of the Benefit Verification and Input Unit. RSD also worked diligently on its objective of Data Integrity and Cleanup to increase

* *The Management's Discussion and Analysis is located in the Financial Section starting on page 15, which contains financial highlights and an overview of the financial statements and financial analysis in a narrative format. Readers of this CAFR are encouraged to review this supplementary information to gain insight to LACERS financial activities.*

† *Brown Armstrong, the independent auditor, has audited and expressed an unqualified opinion regarding LACERS basic financial statements.*

electronic storage of Member and reconcile certain fields that are critical to LACERS' operations.

In the Health Benefits Administration Division (HBAD), a Wellness Program for Active and Retired Members was implemented. "Your Health Matters" campaign was launched to encourage Members to take an active role in their health management.

Administrative Services Division (ASD) advanced the Strategic Plan in four areas. Progress was made in the search for a new headquarters location. This work will continue in the current fiscal year. ASD also continued to upgrade information technology infrastructure while developing and implementing a comprehensive document management plan.

ASD also guided all the divisions on the Business Continuity Plan so in the event of a disaster LACERS would have a plan to resume operations methodically to best serve our Members. Progress was made on establishing "hot" and "warm" sites, and mutual aid agreements with sister public retirement systems should the need arise. Minimum staffing levels, resources and workflow charts were formalized into the plan.

The Communications Section developed course curriculum for new retirement seminars tailored to City employees in different stages of their careers and worked with the Systems Section of ASD to provide customized services on www.LACERS.org.

During this time, LACERS reached an important milestone—its 70th Anniversary with special events for its Members, including a retirement information fair in City Hall. LACERS received a proclamation from the City Council for serving its Members for the past 70 years.

In September 2007, in conformance with best practices, Deloitte performed an actuarial audit to validate the results of the retirement and health benefits valuations conducted by the consulting actuary, The Segal Company, and to ensure the reasonableness of the underlying actuarial assumptions and the actuarial cost method utilized in performing such actuarial valuations.

Based on its audit of the June 30, 2005 experience study and actuarial valuations of retirement and health benefits, Deloitte has determined that the results of LACERS' actuarial valuations, and the actuarial assumptions and methodologies applied in the valuations, are reasonable and appropriate. These are the most significant findings contained in Deloitte's report. Of course, all the recommendations will continue to be reviewed and implemented as appropriate.

In December 2007, the City of Los Angeles released a Management Audit of LACERS. The audit is mandated by the City Charter to be performed every 5 years. In its final report, LACERS was commended for:

- Structures and work processes that are designed to facilitate manager oversight and quality assurance
- LACERS and the City in having the foresight to plan ahead to fund Other Postemployment Benefits (OPEB)
- Overall, administrative expense that is near the mean of a group of comparable sized funds and there is a measure of efficiency especially considering that LACERS, unlike most other public funds, also administers retiree health care benefits
- LACERS for making its customer satisfaction surveys an integral tool to help it deliver high quality products and services to its Members.

There were other management recommendations in the audit that we are continuing to review and implement as appropriate.

Similarly, in January 2008, the Governor's Public Employee Post-Employment Benefits Commission recognized LACERS for pre-funding and management of retiree health benefit costs. In its assessment for public employee retirement systems, LACERS was aligned with many of the Committee's recommendations.

Funded Ratio

The funded ratio is a snapshot of the relative status of LACERS assets and liabilities. It varies annually because of actuarial valuation, reflecting changes in liabilities, investment returns, demographics, actuarial assumptions and other factors. During the fiscal year, the total funded ratio for both the Retirement Plan and the Postemployment Healthcare Plan, based on actuarial value of assets, is 84.4% for the Retirement Plan and 69.7% for the Postemployment Healthcare Plan, an increase from 79.8% to 82.2% on average. The increase is attributable to deferred investment gains accumulated over the past four fiscal years, despite the large one-year investment loss of the reporting period. Because the System employs a smoothing methodology to spread its investment gains and losses over 5 years to minimize the effects of volatile investment returns, only 20% of asset gains or losses of each year is recognized, the rest is deferred equally to the next four years. As of June 30, 2008, a deferred loss for $433,647,000 had been posted. This deferred investment loss will cause City contribution rates to rise in the next few years even if the investment returns match the 8% assumption.

Investment Summary

The System established the investment policies in accordance with Section 1106 of the Charter of the City of Los Angeles for the systematic administration of the LACERS. The System's investment policies are designed to maximize the investment return while taking prudent risks. The System's assets are managed on a total return basis, and the Board's Investment Policy has been designed to produce a total portfolio, long-term real (above inflation) return of 5.0%. Consequently, prudent risk-taking is warranted within the context of overall portfolio diversification, while allowing sufficient flexibility in the management oversight process to capture investment opportunities as they occur.

The portfolio consists of investments in U.S. and non-U.S. stocks and bonds, short-term financial instruments, real estate and private equity. This asset mix serves to diversify the portfolio, minimizing portfolio volatility. Total net assets were valued at $10.4 billion as of June 30, 2008, a decrease of $700 million from the prior fiscal year. The decrease reflects a -5.7% rate of return during the fiscal year.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERS for its comprehensive annual financial report for the fiscal year ended June 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

I would like to express my appreciation to the entire Board for effectively working together to set investment policies which will enable LACERS to meet its long-term goals. I would like to thank staff for continually providing quality customer service to the Members and various City departments while conducting related business.

In addition, I would like to acknowledge the Fiscal Management, Investments, Systems, and Communications Sections for their efficient and dedicated efforts in preparing this report. I would also like to thank our external auditor, Brown Armstrong, and our consulting actuary, The Segal Company, for their professional assistance in the preparation of this report.

Respectfully Submitted,

Sally Choi
General Manager

Mikyong Jang
Chief Accounting Employee

Board of Administration

As of June 30, 2008

Eric L. Holoman
President
Appointed by the Mayor

Shelley I. Smith
Vice President
Elected by Active Members

Kelly Candaele
Member
Appointed by the Mayor

Moctesuma Esparza
Member
Appointed by the Mayor

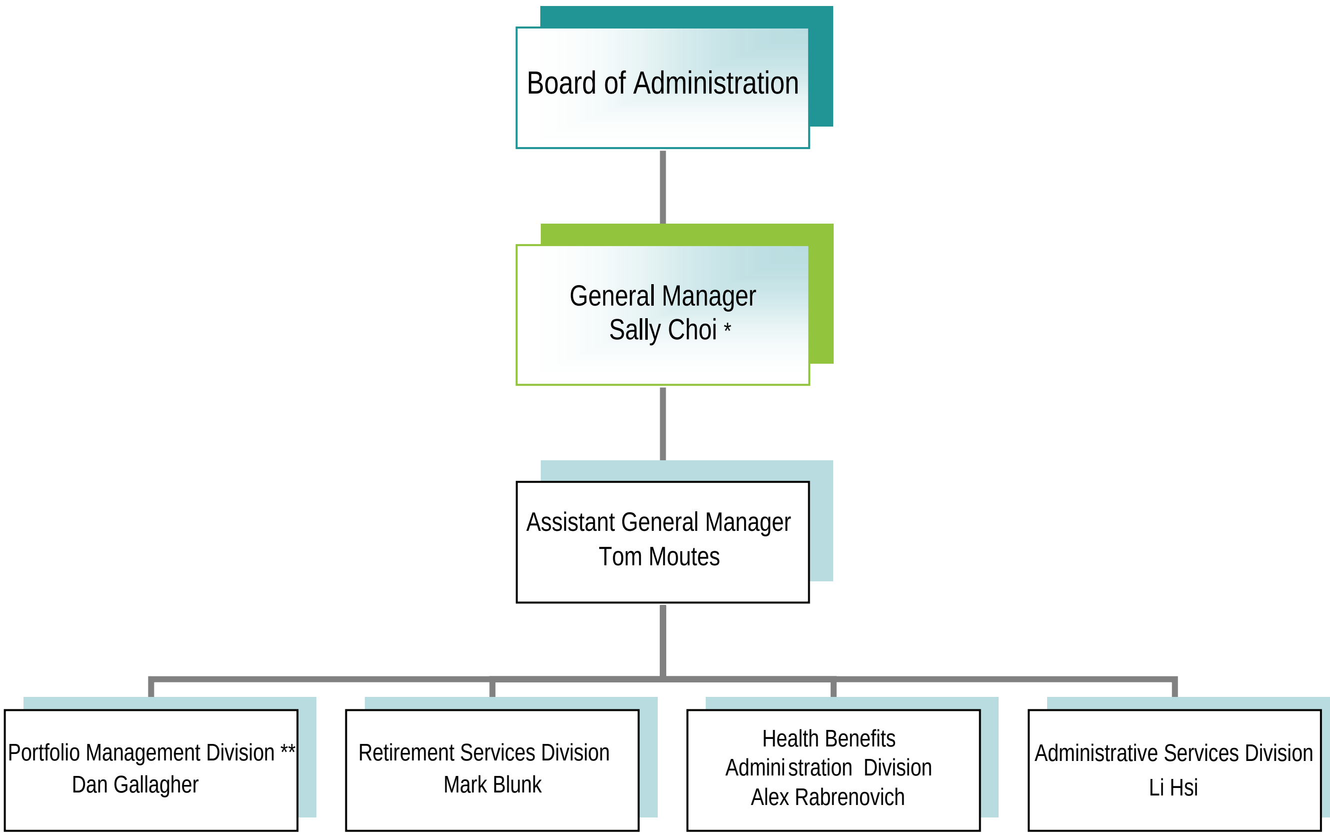
Richard M. Rogers
Member
Elected by Active Members

Ken Spiker
Member
Elected by Retired Members

Steven Uranga
Member
Appointed by the Mayor

Organizational Chart

As of June 30, 2008



* *Effective on July 7, 2008.*

** *A list of firms managing the investment portfolio can be found in the Investment Section, pages 56 and 57.*

Professional Consultants

ACTUARY

The Segal Company

INDEPENDENT AUDITOR

Brown Armstrong

BENEFICIARY VERIFICATION

Pension Benefit Information
Berwyn Group

HEALTH & WELFARE CONSULTANT

Deloitte Consulting LLP

INVESTMENT CONSULTANTS

Courtland Partners, Ltd.
Hamilton Lane
Pension Consulting Alliance Inc.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles City Employees' Retirement System California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Oliver S. Cox

President

Jeffrey R. Esser

Executive Director

ALSO AWARDED IN 1999, 2000, 2001, 2002, 2003, 2004, 2005 & 2006

This page intentionally left blank.

Financial Section

BROWN ARMSTRONG CERTIFIED PUBLIC ACCOUNTANTS

BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK THORNBURGH & KEETER
Certified Public Accountants

Main Office
4200 Truxtun Ave., Suite 300
Bakersfield, California 93309
Tel 661.324.4971 Fax 661.324.4997
e-mail: info@bacpas.com

Shafter Office
560 Central Avenue
Shafter, California 93263
Tel 661.746.2145 Fax 661.746.1218

INDEPENDENT AUDITOR'S REPORT

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

We have audited the accompanying Retirement Plan and Postemployment Healthcare Plan Statement of Plan Net Assets of the Los Angeles City Employees' Retirement System (the System), a department of the City of Los Angeles, California, as of June 30, 2008, and the related Retirement Plan and Postemployment Healthcare Plan Statement of Changes in Plan Net Assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2007 financial statements and, in our report dated October 9, 2007 we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the Net Assets of the Retirement Plan and Postemployment Healthcare Plan of the Los Angeles City Employees' Retirement System as of June 30, 2008, and the Changes in its Net Assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD & A) and Required Supplementary Information (RSI) as listed in the Table of Contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the MD & A. However, we did not audit the MD & A and express no opinion on it. The RSI has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules as listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. The Supplemental Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
November 25, 2008

Management's Discussion and Analysis

As management of the Los Angeles City Employees' Retirement System (LACERS), we are pleased to provide this overview and analysis of the financial activities of LACERS for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal in the Introductory Section of LACERS Comprehensive Annual Financial Report.

Financial Highlights

- The plan net assets of LACERS as of June 30, 2008 were $10,372,194,000.
- Compared with the plan net assets of LACERS as of June 30, 2007, the value of the net assets decreased $699,425,000 or 6.3% during the reporting period.
- The plan assets under the Retirement Plan and Postemployment Healthcare Plan are pooled for investment purposes. Investment loss for the year was $646,393,000, as compared with an investment gain of $1,823,260,000 for the previous reporting period.
- Employer contributions made by the City of Los Angeles (the City) to both the Retirement Plan and the Postemployment Healthcare Plan were $411,658,000. This amount included annual contribution of $396,967,000, which was 22.79% of estimated City's covered payroll of $1,741,850,000, Member contribution defrayal of $14,486,000, and City's matching contribution for Family Death Benefit Insurance Plan for $205,000.
- The employer contributions to the Retirement Plan represented 100% of the Annual Required Contribution as defined by GASB Statements No. 25 and No. 27. The employer contributions to the Postemployment Healthcare Plan represented 100% of the Annual Required Contribution as defined by GASB Statements No. 43 and No. 45.
- Deductions from net assets of LACERS included benefit payments, refunds of Member contributions, and administrative expenses. The total deductions from net assets were $590,368,000, a 7.0% increase from the prior fiscal year.
- As of June 30, 2008, the date of our last actuarial valuation, the funded ratio for the Retirement Plan was 84.4% and the funded ratio for the Postemployment Healthcare Plan was 69.7%. The total funded ratio for LACERS was 82.2%. The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of a pension plan. The ratios change every valuation year, reflecting asset performance, demographic changes, actuarial assumption/method changes, benefit structure changes, or a variety of other actuarial gains and losses.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to LACERS financial statements and the accompanying notes thereto. The required supplementary information and supplemental schedules provide additional financial data of LACERS operations.

Financial Statements

There are two financial statements presented for LACERS. The Statement of Plan Net Assets indicates the net assets, being the difference between the assets and liabilities, available to pay future benefits and gives a snapshot of the account balances at year-end. Over time, increases or decreases in net assets may serve as a useful indicator of whether the net assets of LACERS are improving or deteriorating. The Statement of Changes in Plan Net Assets provides a view of current year additions to and deductions from the plan net assets during the most recent fiscal year. The two statements can be found on pages 22 and 23 of this report.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 24 - 33 of this report.

Required Supplementary Information

In addition to this Management's Discussion and Analysis, the other required supplementary information consists of a Schedule of Funding Progress, a Schedule of Employer Contributions and the Notes to Required Supplementary Information for both the Retirement Plan and the Postemployment Healthcare Plan. They primarily present actuarially-determined information in a multiyear format as required by the applicable financial reporting standards. This required supplementary information can be found on pages 34 - 38 of this report.

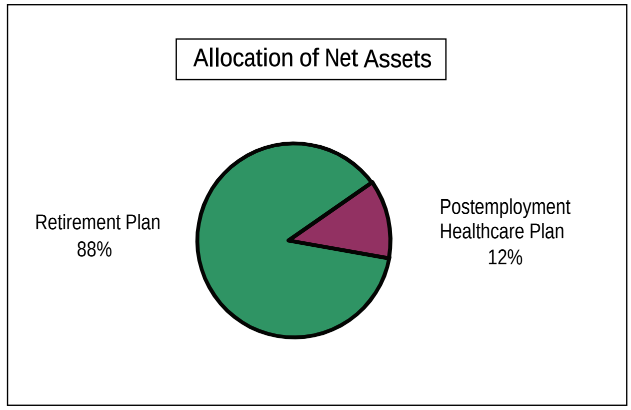
Supplemental Schedules

The supplemental schedules, including a Schedule of Administrative Expenses and a Schedule of Investment Expenses, are presented to provide additional financial information on LACERS operations for the current year. They can be found on pages 39 - 41 of this report.

Allocation of Net Assets

The following information provides a brief description of the asset allocation between the Retirement Plan and the Postemployment Healthcare Plan as of June 30, 2008 (in thousands):

	Net Assets	Percent
Retirement Plan	$9,083,168	87.6%
Postemployment Healthcare Plan	1,289,026	12.4
Net Assets	$10,372,194	100.0%

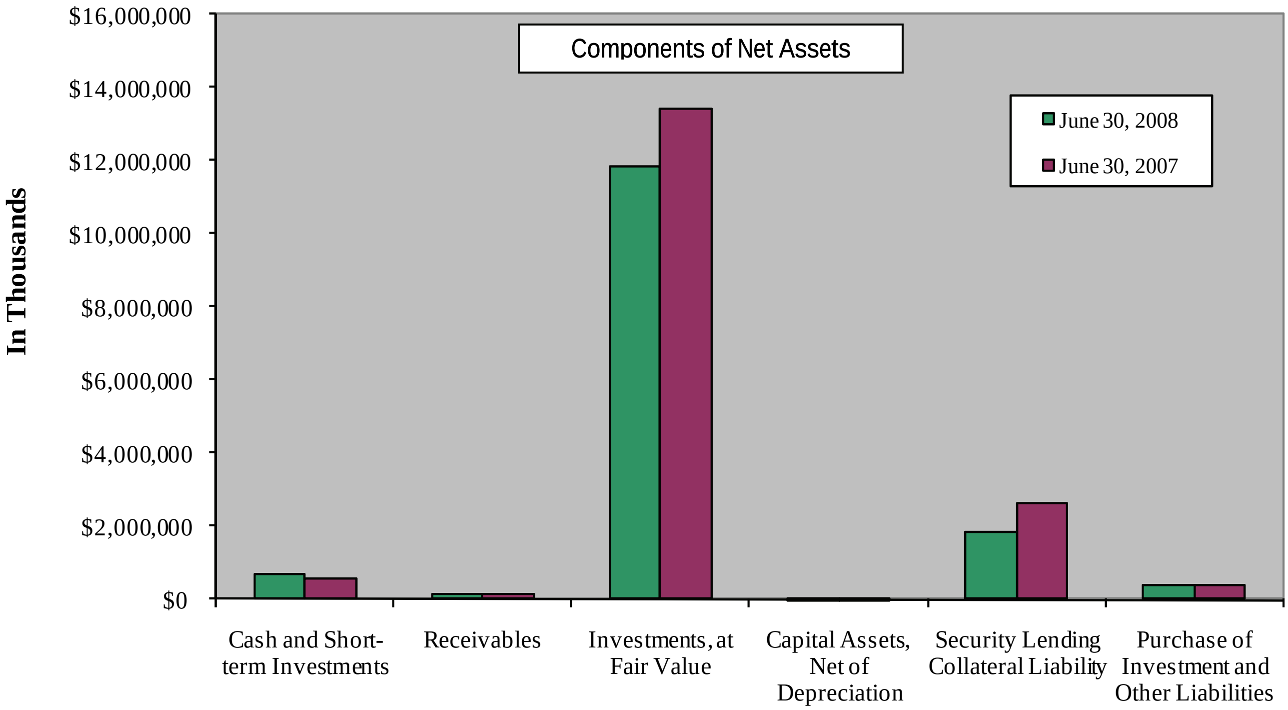


Net assets may serve over time as a useful indicator of a plan's financial position. In the case of LACERS, net assets were $10,372,194,000 at the close of the most recent fiscal year. The total plan net assets are allocated between the Retirement Plan and Postemployment Healthcare Plan, as required by the existing reporting standards. Net assets for the Retirement Plan and Postemployment Healthcare Plan are $9,083,168,000 and $1,289,026,000, respectively.

Net Assets

The following table and graph represent the detailed information regarding the components of the net assets of LACERS as of June 30, 2008 and 2007 (in thousands):

	June 30, 2008	June 30, 2007	Change	
Cash and Short-term Investments	$647,797	$519,341	$128,456	24.7%
Receivables	99,851	110,854	(11,003)	(9.9)
Investments, at Fair Value	11,826,510	13,400,885	(1,574,375)	(11.7)
Capital Assets, Net of Depreciation	386	306	80	26.1
Total Assets	12,574,544	14,031,386	(1,456,842)	(10.4)
Security Lending Collateral Liability	(1,814,923)	(2,612,246)	(797,323)	(30.5)
Purchase of Investment and Other Liabilities	(387,427)	(347,521)	39,906	11.5
Total Liabilities	(2,202,350)	(2,959,767)	(757,417)	(25.6)
Net Assets	$10,372,194	$11,071,619	$(699,425)	(6.3)%



The largest portion of LACERS net assets is its investment portfolio, which includes cash and short-term investments, receivables, fixed income, equities, and other asset classes. Net assets decreased by $699,425,000, or 6.3%, during the report year. The decrease is primarily attributable to the investment loss.

Change in Net Assets

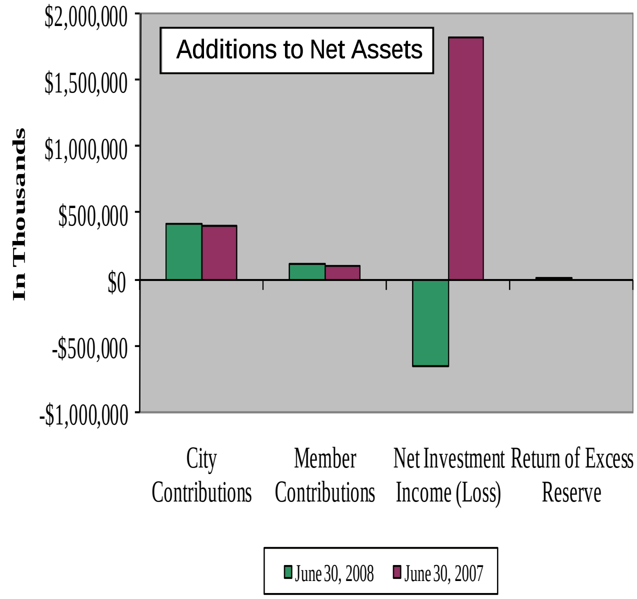
The decrease in net assets was a result of a combination of factors that either add to or deduct from the plan assets. The following table summarizes the change in net assets during the report year, as compared with the prior year (in thousands):

	June 30, 2008	June 30, 2007	Change	
Additions	$(109,057)	$2,337,887	$(2,446,944)	(104.7)%
Deductions	(590,368)	(551,746)	(38,622)	(7.0)
Net Increase (Decrease)	(699,425)	1,786,141	(2,485,566)	(139.2)
Net Assets, Beginning of Year	11,071,619	9,285,478	1,786,141	19.2
Net Assets, End of Year	$10,372,194	$11,071,619	$(699,425)	(6.3)%

Change in Net Assets – Additions to Net Assets

The following table and graph represent the components that make up the additions to net assets for LACERS for the years ended June 30, 2008 and 2007 (in thousands):

	June 30, 2008	June 30, 2007	Change
City Contributions	$411,658	$408,393	0.8%
Member Contributions	114,678	106,234	7.9
Net Investment Income (Loss)	(646,393)	1,823,260	(135.5)
Return of Excess Reserve	11,000	-	100.0
Additions to Net Assets	$(109,057)	$2,337,887	(104.7)%



The additions to LACERS net assets consist of City Contributions, Member Contributions, and Net Investment Income (Loss), which are the main funding sources that support LACERS benefits, and a one-time revenue of Return of Excess Reserve.

City Contributions to the Retirement Plan, the Postemployment Healthcare Plan and the Family Death Benefit Insurance Plan were $411,658,000 during the year, or $3,265,000 more than the prior fiscal year, due to an increased payroll base. The City contribution rate was 16.54% for Retirement Plan and 6.25% for the Postemployment Healthcare Plan, or 22.79% in total, of the City payroll for the fiscal year 2008, which was $1,741,850,000. The actual contribution to the Retirement Plan was equal to 100% of the Annual Required Contribution (ARC) of $288,119,000 as defined by GASB Statements No. 25 and No. 27. The actual contribution to the Postemployment Healthcare Plan was equal to 100% of the Annual Required Contribution (ARC) of $108,848,000 as defined by GASB Statements No. 43 and No. 45.

Factors that affect the amount of Member Contributions are the change in the number and the composition of Members and their salaries. During the year, Members contributed $114,678,000, which was $8,444,000 (7.9%) more than the prior year. The number of Members increased by 0.2%.

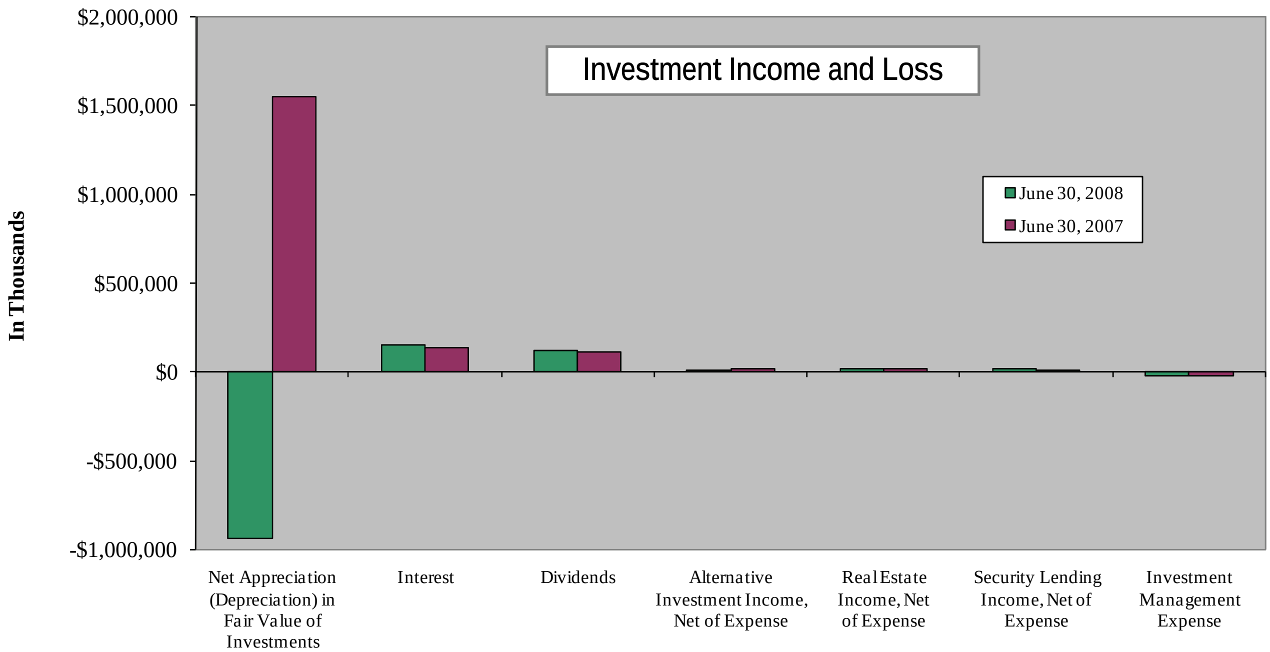
The net investment loss of $646,393,000, which included $939,839,000 of Net Depreciation in Fair Value, caused the Total Additions of the Net Plan Assets in this fiscal year to be a negative $109,057,000. The investment loss, due to the downturn in financial markets, is discussed in the next section with detailed information.

In this fiscal year, the System received $11,000,000 from one of the System's Healthcare providers, Blue Cross PPO, for the Return of Excess Reserve. The System evaluated the level of the premium stabilization reserve held by the PPO provider, and requested the return of $11,000,000 which was no longer needed as part of the premium stabilization reserve.

Investment Income and Loss

The following table and graph present the detail of investment income and loss, net of investment management expenses for the years ended June 30, 2008 and 2007 (in thousands):

	June 30, 2008	June 30, 2007	Change
Net Appreciation(Depreciation) in Fair Value of Investment	$(939,839)	$1,550,225	(160.6)%
Interest	153,068	139,223	9.9
Dividends	120,917	110,822	9.1
Alternative Investment Income, Net of Expense	11,642	17,484	(33.4)
Real Estate Income, Net of Expense	14,894	19,390	(23.2)
Security Lending Income, Net of Expense	16,057	7,177	123.7
Investment Management Expense	(23,132)	(21,061)	9.8
Net Investment Income (Loss)	$(646,393)	$1,823,260	(135.5)%



The net investment loss for the fiscal year, for $646,393,000, was the first one posted in six years. This was due to the financial market conditions, which tumbled sharply in the U.S. since October 2007 as the impact of the defaults of sub-prime mortgages grew and deepened further with the fears of a looming recession on the U.S. economy. The global financial markets also saw widespread deterioration and continued downward slide through the closing of the current fiscal year. The investment loss includes both realized and unrealized capital gain and loss.

Investment income in the Alternative Investment and Real Estate portfolios decreased from the fiscal year 2007 level by $5,842,000 (-33.4%) and $4,496,000 (-23.2%), respectively. The negative financial market conditions adversely affected the Alternative Investment income. The decreased Real Estate income was mainly due to the newly-invested Real Estate funds that have not generated a substantial amount of income to date, as the funds are still early along the "J-Curve," while management fees were being paid regardless of the income level.

Two major components of LACERS asset allocation are bonds and stocks. Interest and dividend income derived from these two investment classes increased by $13,845,000 (9.9%) and $10,095,000 (9.1%), respectively. The increases in interest and dividend income are due to larger portfolios exposure to the bonds and stocks during the current fiscal year than the previous year.

LACERS earns additional investment income by its custodian bank lending LACERS securities to borrowers. The borrowers provide cash or non-cash collateral to the System's custodial bank, which then invests the cash collateral in short and intermediate term fixed income securities. LACERS security lending income posted an increase of 123.7% compared to a year ago mainly due to an exclusive lending and guaranteed income agreement with a borrower, reduced rebate amount paid for the loaned securities, and improved revenue split (ratio from 80/20 to 85/15) initiated in December 2007.

An increased number of investment managers during the year lead to an increase in investment management expense for the current year by $2,071,000 (9.8%) from the previous year.

Change in Net Assets – Deductions from Net Assets

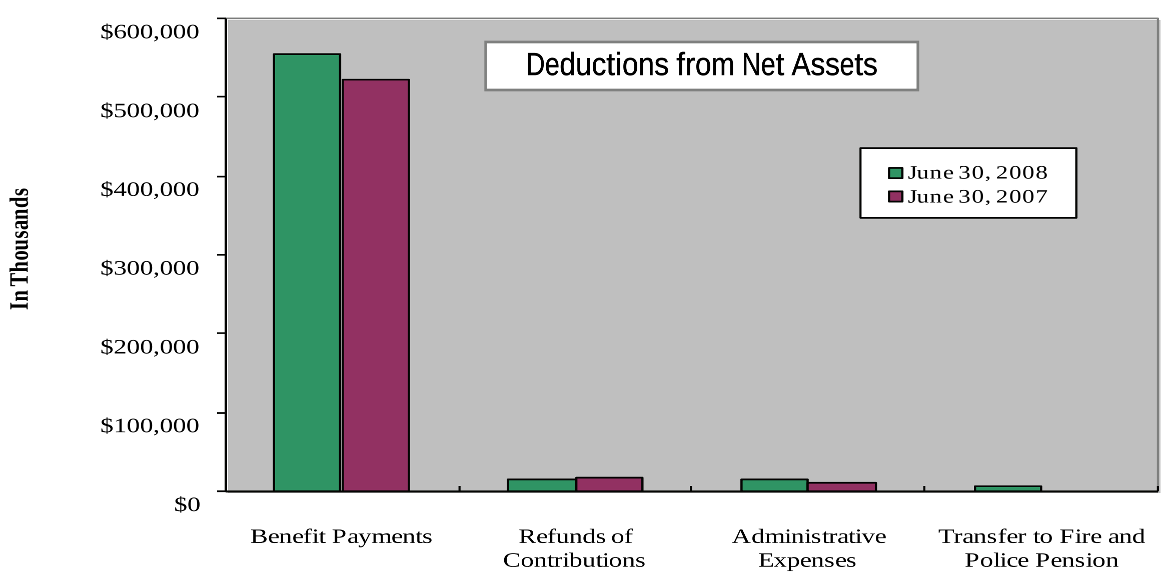
The following table and graphs provide information related to the deductions from net assets for the years ended June 30, 2008 and 2007 (in thousands):

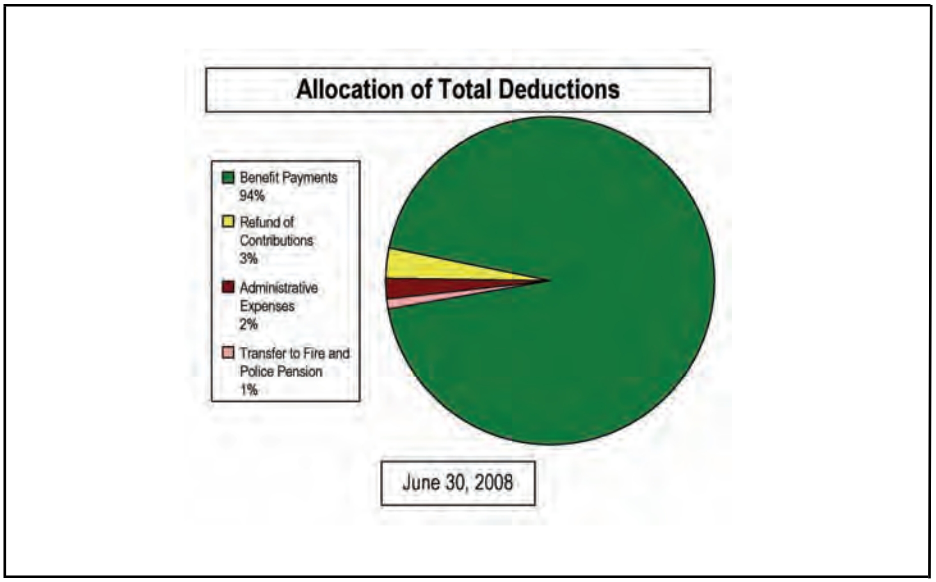
	June 30, 2008	June 30, 2007	Change
Benefit Payments	$554,645	$522,937	6.1%
Refunds of Contributions	15,149	17,452	(13.2)
Administrative Expenses	14,354	11,357	26.4
Transfer to Fire and Police Pension	6,220	-	100.0
Deductions from Net Assets	$590,368	$551,746	7.0%

LACERS deductions from net assets in the reporting period can be summarized as Benefit Payments, Refunds of Contributions, Administrative Expenses, and a one-time Transfer to Fire and Police Pensions. They represent the types of benefit delivery operations undertaken by LACERS and the cost associated with it. Total deductions increased by $38,622,000 or 7.0%. The benefit payments increased by $31,708,000 or 6.1% compared to the prior year. This increase is due to the increase in number of retirees by 0.9% and increase in the average monthly benefit amount by 4.1%, which includes the annual cost of living adjustment of approximately 3%. The refunds of contributions decreased by $2,303,000 or 13.2%.

Administrative expenses grew by 26.4% over the prior year. This relatively large increase was mainly due to the lower base in the prior year resulting from an offset in administrative expense by a miscellaneous income received from a legal settlement. Without this offset, the current year's administrative expense would represent a 15.2% increase over the prior year. This 15.2% of increase in administrative expense was primarily attributable to the increase of salaries and wages, which included a retroactive cost of living adjustment.

During this fiscal year, the System transferred $6,220,000 to the Los Angeles Fire and Police Pensions (LAFPP) System, one of the three Defined Benefit Pension Plans of the City. The amount represents the discounted present value of assets, $5,366,000 for the Retirement Plan and $854,000 for the Postemployment Healthcare Plan, associated with certain Harbor Port Police Officers who elected to transfer from LACERS to LAFPP based on an amendment to the Los Angeles City Administrative Code.





Request for Information

This financial report is designed to provide a general overview of LACERS finances for all those with an interest in LACERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS
Fiscal Management Section
360 E. Second Street, 2nd Fl.
Los Angeles, CA 90012-4207

STATEMENT OF PLAN NET ASSETS

Retirement Plan and Postemployment Healthcare Plan
As of June 30, 2008, With Comparative Totals
(In thousands)

	Retirement Plan	Postemployment Healthcare Plan	2008 Total	2007 Total
Assets				
Cash and Short-Term Investments	$567,291	$80,506	$647,797	$519,341
Receivables				
Accrued Investment Income	32,985	4,681	37,666	38,365
Proceeds from Sales of Investments	46,149	6,549	52,698	64,317
Other	8,308	1,179	9,487	8,172
Total Receivables	87,442	12,409	99,851	110,854
Investments, at Fair Value				
U.S. Government Obligations	209,742	29,765	239,507	505,416
Municipal Bonds	1,044	148	1,192	1,833
Domestic Corporate Bonds	837,735	118,886	956,621	765,194
International Bonds	163,622	23,220	186,842	185,419
Opportunistic Debt	90,381	12,826	103,207	–
Domestic Stocks	3,410,240	483,960	3,894,200	4,554,623
International Stocks	1,917,103	272,064	2,189,167	2,608,588
Mortgages	733,033	104,028	837,061	756,506
Government Agencies	85,018	12,065	97,083	203,954
Real Estate	556,071	78,914	634,985	511,244
Venture Capital and Alternative Investments	763,387	108,335	871,722	695,862
Security Lending Collateral	1,589,369	225,554	1,814,923	2,612,246
Total Investments	10,356,745	1,469,765	11,826,510	13,400,885
Capital Assets				
Furniture, Fixtures and Equipment (Net of Depreciation)	338	48	386	306
Total Assets	11,011,816	1,562,728	12,574,544	14,031,386
Liabilities				
Accounts Payable and Accrued Expenses	(22,214)	(3,153)	(25,367)	(29,262)
Purchases of Investments	(317,065)	(44,995)	(362,060)	(318,259)
Security Lending Collateral	(1,589,369)	(225,554)	(1,814,923)	(2,612,246)
Total Liabilities	(1,928,648)	(273,702)	(2,202,350)	(2,959,767)
Net Assets Held In Trust For Pension Benefits and Postemployment Healthcare Benefits (A Schedule of Funding Progress is Presented in the Required Supplementary Information Section)	$9,083,168	$1,289,026	$10,372,194	$11,071,619

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

Statement of Changes in Plan Net Assets

Retirement Plan and Postemployment Healthcare Plan
For The Year Ended June 30, 2008, With Comparative Totals
(In thousands)

	Retirement Plan	Postemployment Healthcare Plan	2008 Total	2007 Total
Additions				
Contributions				
City Contributions	$302,810	$108,848	$411,658	$408,393
Member Contributions	114,678	-	114,678	106,234
Total Contributions	417,488	108,848	526,336	514,627
Investment Income (Loss)				
Net Appreciation (Depreciation) in Fair Value of Investments Including Gain and Loss on Sales	(810,799)	(129,040)	(939,839)	1,550,225
Interest	135,287	17,781	153,068	139,223
Dividends	106,871	14,046	120,917	110,822
Alternative Investment Income, Net of Expense	10,566	1,076	11,642	17,484
Real Estate Operating Income, Net of Expense	13,385	1,509	14,894	19,390
Security Lending Income	17,059	2,242	19,301	8,970
Less: Security Lending Expense	(2,799)	(445)	(3,244)	(1,793)
Sub-Total	(530,430)	(92,831)	(623,261)	1,844,321
Less: Investment Management Expense	(19,956)	(3,176)	(23,132)	(21,061)
Net Investment Income (Loss)	(550,386)	(96,007)	(646,393)	1,823,260
Return of Excess Reserve	-	11,000	11,000	-
Total Additions	(132,898)	23,841	(109,057)	2,337,887
Deductions				
Benefit Payments	(484,549)	(70,096)	(554,645)	(522,937)
Refunds of Contributions	(15,149)	-	(15,149)	(17,452)
Administrative Expenses	(11,987)	(2,367)	(14,354)	(11,357)
Transfer to Fire and Police Pension	(5,366)	(854)	(6,220)	-
Total Deductions	(517,051)	(73,317)	(590,368)	(551,746)
Net Increase (Decrease)	(649,949)	(49,476)	(699,425)	1,786,141
Net Assets Held in Trust for Pension Benefits and Postemployment Healthcare Benefits Beginning of Year	9,733,117	1,338,502	11,071,619	9,285,478
End of Year	$9,083,168	$1,289,026	$10,372,194	$11,071,619

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

Note 1 – Description of the System and Significant Accounting Policies

General Description

The System is under the exclusive management and control of the Board, whose authority is granted by the Los Angeles City Charter (Article XI). The System is a department of the City of Los Angeles (the City). The System's financial statements are included in the City of Los Angeles' Annual Financial Report as a pension trust fund.

The System operates a single-employer defined benefit plan (the Retirement Plan) and Postemployment Healthcare Plan. A description of each Plan is located in Note 2 and Note 3. All Notes to the Financial Statements apply to both Plans unless indicated otherwise.

Basis of Accounting

The financial statements are maintained on the accrual basis of accounting. Member contributions are recognized as revenues in the period in which compensation is paid to the Member by the employer. Because the employer has made a formal commitment to provide the contributions, employer contributions are recognized when due. Benefits and refunds are recognized when due and payable.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as outlined by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States.

Fair Value of Investments

Funds are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board under Article XI Section 1106(d) of the City Charter. The System's investment portfolios are primarily composed of domestic and international equities, domestic and international bonds, real estate and alternative investment, and short-term investments that include obligations of the U.S. Treasury, agencies, commercial paper rated A-1, bankers acceptances, repurchase agreements and the short-term investment fund managed in-house by staff.

Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates. Short-term investments, bonds, stocks, and alternative investments are reported at fair value. The fair values of real estate investment funds are provided by the individual real estate fund managers based on periodic appraisals, in the form of either annual in-house appraisals or longer-term appraisals by outside professionals, in accordance with the industry practice. The fair value determined as such is also evaluated by the Board's real estate consultant. The fair value of alternative investment funds is provided by the individual General Partners at a liquidating event or other significant events during the reporting period. The fair value of futures and forward contracts are determined using available market information. Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Management's investment strategy, as it relates to the debt portfolio, is to achieve market appreciation and not hold bonds to their maturities.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the statement of plan net assets as receivables and labeled proceeds from sales of investments, and amounts payable for purchases are reported as current liabilities and labeled purchases of investments. Dividend income is recorded on ex-dividend date, and interest income is accrued as earned.

Concentrations of Market and Credit Risk

The System's exposure to credit loss in the event of nonperformance of its investments is limited to the carrying value of such instruments. The System's concentrations of credit risk and market risk are dictated by the System's investment guidelines. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of these investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statement of plan net assets and the statement of changes in plan net assets.

Capital Assets

Effective July 1, 2001, purchases of capital assets, consisting primarily of office furniture and computer equipment are capitalized upon acquisition and depreciated over five years. Prior to July 1, 2001, these purchases were recorded and expensed in the year acquired. Depreciation is calculated using the straight-line method.

Administrative Expenses
All administrative expenses are funded from the System's plan net assets, which include both the investment earnings and the contributions from employers and Members.

Reserves
As provided in the Los Angeles City Charter, the System is maintained on a reserve basis, determined in accordance with accepted actuarial methods. The Los Angeles City Charter establishes reserves for the following:

- Member Contributions – Active Member contributions to the Retirement Plan and interest credited to Members' accounts, less refunds of Member contributions and transfers to the annuity reserve.
- Employer Contributions – Consists of the following components:
  - Basic Pensions – City contributions and investment earnings (losses), accumulated to provide for the City's guaranteed portion of retirement benefits, less payments to retired Members.
  - Annuity – Member contributions transferred to the City and used to provide for the Members' share of retirement benefits and investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments, less payments to retired Members.
- Larger Annuity – Member's larger annuity account balances at retirement including IRS Section 457 deferred compensation and other rollovers, investment earnings (losses) including net appreciation (depreciation) in fair value of investments, less payments to retired participating Members.
- Family Death Benefits – Member contributions, matching City contributions, and investment earnings (losses) excluding net appreciation (depreciation) in fair value of investments reserved to pay benefits under the family death benefits insurance plan established by the System, less payments to beneficiaries.
- Postemployment Health Benefits – City contributions and investment earnings (losses) accumulated to provide health care benefits for retirees, less payments to insurance providers and/or reimbursements to retired Members.

Reserve balances as of June 30, 2008, are as follows (In thousands):

Member Contributions	$1,425,845	
Basic Pensions	7,182,528	
Annuity	451,178	
Larger Annuity	10,978	
Family Death Benefits	12,638	
Postemployment Health Benefits	1,289,027	
Total Reserves	$10,372,194	* **

** During fiscal year 2008, the System's reserves were reduced by $6,220,000 due to the transfer of Harbor Port Police Officers from the System to the Los Angeles Fire and Police Pension Plan pursuant to a voter-approved City Charter Amendment.*
*** During fiscal year 2008, the System's Postemployment Health Benefits reserve was credited with $11,000,000 representing the return of excess premium stabilization reserve from a healthcare provider.*

Use of Estimates in Preparation of the Financial Statements
The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

Implementation of New Accounting Pronouncement
The System early implemented GASB Statement No. 50, Pension Disclosures, an Amendment of GASB Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans for its fiscal year ended June 30, 2007.

Note 2 – Retirement Plan Description

Plan Description
The Plan covers all full-time personnel and department-certified part-time employees of the City of Los Angeles, except for sworn employees of the Fire and Police departments, Department of Water and Power employees, elected officials who elected to participate in an alternative Defined Contribution Plan, and certain Port Police officers of the Harbor Department including those who elected to opt out of LACERS Plan.

Eligible employees contribute based on rates delineated in the City's Administrative Code. The City contributes to the Retirement Plan based on rates recommended by an independent actuary and adopted by the Board. Contributions are invested and applied to benefit payments with accumulated investment earnings. The Plan provides for service and disability retirement benefits, as well as death benefits. Changes to the benefits provided require approval by the City Council.

At June 30, 2008, the components of the System's membership were as follows:

Active	
Vested	20,600
Nonvested	9,636
	30,236
Inactive	
Nonvested	2,951
Terminated Entitled to Benefits, Not Yet Receiving Benefits	1,322
Retired	14,975
Total	49,484

Funding Policies and Funded Status and Progress

The Plan's funding policy under Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. For the year ended June 30, 2008, the annual required contribution to the Retirement Plan by the City was determined at 16.54% of covered payroll, determined by the June 30, 2006 actuarial valuation. The actual contribution made by the City for fiscal year 2007-08 was equal to the recommended rate as adopted by the Board of Administration, which is the recommended contribution rate 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. Members who entered the System prior to February 1983 contribute from 8.22% to 13.33% of their salaries based on their age when they entered the System; however, these contributions are subsidized by the City under a collective bargaining agreement (see Note 6, "Defrayal Portion of Member Contributions-Retirement Plan"). Members entering subsequent to January 1983 contribute a flat rate of 6%. Members of the System have a vested right to their own contribution and accumulated interest posted to their accounts. Generally, after five years of employment, Members are eligible for future retirement benefits, which increase with length of service. If a Member with five or more years of service terminates employment, the Member has the option of receiving retirement benefits when eligible or withdrawing from the System, and having his or her contributions and accumulated interest refunded. Benefits are based on age, length of service and compensation.

As of June 30, 2008, the most recent actuarial valuation date, the Plan was 84.4% funded. The actuarial accrued liability for benefits was $11,186,404,000 and the actuarial value of assets was $9,438,318,000, resulting in an unfunded actuarial accrued liability (UAAL) of $1,748,086,000. The covered payroll as of June 30, 2008 valuation was $1,977,645,000. The ratio of UAAL to the covered payroll was 88.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation and investment returns. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 35 following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial methods and significant assumptions used in the valuation year of June 30, 2008 are summarized in this note to conform to the disclosure requirements for GASB No. 50.

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, closed. Plan and assumption changes are amortized over 30 years, closed. 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. The amortization period may be adjusted to comply with GASB requirements on maximum amortization period for all layers combined.
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%
Includes Inflation at	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%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, set back 1 year
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 7 years

Note 3 – Postemployment Healthcare Plan Description

Plan Description

The System provides Postemployment Healthcare benefits to eligible retirees of the Retirement Plan and their spouses/domestic partners. Generally, the benefits of this single employer Postemployment Healthcare Plan are available to all employees who 1) participate in the Retirement Plan; 2) have at least 10 years of service with the System; and 3) enrolled in a System-sponsored medical or dental plan or are a participant in the Medical Premium Reimbursement Program (MPRP). The retiree or surviving spouse/domestic partner can choose from the health plans that are available, which include medical, vision, caregiver, and dental benefits, or participate in the MPRP if he/she resides in an area not covered by the available medical plans. The retiree or surviving spouse/domestic partner receives medical or dental subsidies based on years of service and the maximum subsidies are set annually by the Board.

Funding Policies and Funded Status and Progress

The Plan's funding policy under Article XI Sections 1158 and 1160 of the Los Angeles City Charter provides for periodic employer contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due. The required contribution rate for the Postemployment Healthcare Plan for the fiscal year ended June 30, 2008, was 6.25% of covered payroll, determined by the June 30, 2006 actuarial valuation. As of June 30, 2008, the most recent actuarial valuation date, the Plan was 69.7% funded. The actuarial accrued liability for benefits was $1,928,043,000 and the actuarial value of assets was $1,342,920,000, resulting in an unfunded actuarial accrued liability (UAAL) of $585,123,000. The covered payroll as of June 30, 2008 valuation was $1,977,645,000. The ratio of UAAL to the covered payroll was 29.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment returns and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information on page 37 following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, funded ratios for years prior to June 30, 2005 were not calculated using the parameters required for GASB No. 43 because the Plan's funding policy excluded active employees with less than 10 years of service.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan Members) and include the types of benefits provided at the time each valuation and historical pattern of sharing of benefit costs between the employer and plan Members to that point. The actuarial methods and assumptions used include techniques such as 5-year smoothing of assets and amortization of UAAL over 15 or 30 years, that are designed to reduce the effects of short-term volatility in funding, consistent with the long-term perspective of the calculations.

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, closed. Plan changes are amortized over 30 years, closed. The existing layers on June 30, 2005 were combined and amortized over 30 years. The amortization period may be adjusted to comply with GASB requirements on maximum amortization period for all layers combined.
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%
Mortality Table for Retirees and Beneficiaries	RP-2000 Combined Healthy Mortality Table, set back 1 year
Mortality Table for Disabled Retirees	RP-2000 Combined Healthy Mortality Table, set forward 7 years
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 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	50% of inactive Members are assumed to receive a subsidy for a City approved health carrier. 100% of retirees becoming eligible for Medicare is assumed to be covered by both Parts A and B.
Health Care Cost Trend Rates	Trend Rates to be applied in the following fiscal years, to all health plans. Trend Rate is to be applied to premium for shown fiscal year to calculate the next fiscal year's projected premium.

Medical Premium Trend Rates to be applied to Fiscal Year 2008-2009 and later years are:

First Fiscal Year (July 1, 2008 through June 30, 2009)

Carrier	Under Age 65	Age 65 & Over
Kaiser HMO	9.30%	N/A
Blue Cross HMO	7.79%	N/A
Blue Cross PPO	7.94%	7.94%
Senior Advantage	N/A	6.39%
Secure Horizons	N/A	11.06%

Fiscal Year 2009 - 2010 and later

Fiscal Year	Trend (Approx)
2009 - 2010	8.75%
2010 - 2011	8.25%
2011 - 2012	7.75%
2012 - 2013	7.25%
2013 - 2014	6.75%
2014 - 2015	6.25%
2015 - 2016	5.75%
2016 - 2017	5.25%
2017 - 2018 & later	5.00%

Dental Premium Trend to be applied is 5.00% for all years.

Medicare Part B Premium Trend to be applied is 1.53% for the Fiscal Year 2008-2009, and 5.00% in the Fiscal Year 2009-2010 and later.

Note 4 – Contributions Required and Contributions Made

The System currently uses the projected unit credit cost method to determine the required annual contribution amount for the Retirement Plan and the Postemployment Healthcare Plan. The required annual contribution amount is composed of two components, (1) normal cost, which is the cost of the portion of the benefit that is allocated to a given year, and (2) the payment to amortize the unfunded actuarial accrued liability (UAAL) which is the difference between LACERS actuarial liabilities and assets.

For the valuation as of June 30, 2008, the components of the UAAL are amortized as a level percent of pay. Based on the System's amortization policy, increases or decreases in the UAAL due to plan or assumption changes are amortized over 30 years. Experience gains and losses are amortized over 15 years, subject to adjustments to comply with GASB requirements on maximum amortization period for all layers combined. The amortization periods are considered "closed" as the amounts calculated annually are amortized over either a 15- or 30-year period.

The contributions to the System for the year ended June 30, 2008, of approximately $526,336,000 ($417,488,000 for the Retirement Plan and $108,848,000 for the Postemployment Healthcare Plan), were made in accordance with actuarially-determined requirements computed through the actuarial valuation dated June 30, 2006.

Contributions to the System consisted of the following for the year ended June 30, 2008 (in thousands):

	Retirement Plan	Postemployment Healthcare Plan
City Contributions		
Required Contribution	$288,119	$108,848
Defrayal Portion of Member Contributions	14,486	-
Family Death Benefits Insurance Plan	205	-
Total City Contributions	302,810	108,848
Member Contributions	114,678	-
Total Contributions	$417,488	$108,848

The amount of the contributions made for the Retirement Plan under the Required Contribution category ($288,119,000) were equal to 100% of the Annual Required Contributions (ARC) of the employer as defined by GASB Statements No. 25 and No. 27. The contributions made for the Postemployment Healthcare Plan, for $108,848,000, represents 100% of the ARC as defined by GASB No. 43 and No. 45.

Note 5 – Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on page 35 for the Retirement Plan and page 37 for the Postemployment Healthcare Plan.

Note 6 – Defrayal Portion of Member Contributions-Retirement Plan

For Members who entered the System prior to February 1983, the City subsidizes a portion of Member contributions. Payments made by the City based on the subsidy are not refundable to Members upon their withdrawal from the System prior to retirement.

The subsidized amount paid by the City was approximately 4.8% of total City contributions paid for the Retirement Plan for the year ended June 30, 2008, or $14,486,000 for the year ended June 30, 2008.

Note 7 – Cash and Short-Term Investments and Investments

The Board has the responsibility for the investment of the System's funds with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, as prescribed by Article XI Section 1106(c) of the City Charter.

The System considers investments purchased with maturity of 12 months or less to be short-term investments. The carrying value of cash and short-term investments at June 30, 2008, on the Retirement Plan and Postemployment Healthcare Plan Statement of Plan Net Assets includes approximately $667,000 held in the System's general operating accounts with the City Treasurer and short-term investments funds (STIF) of $647,130,000 for a total of $647,797,000. The amounts held by the City Treasurer are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable. At June 30, 2008, short-term investments included collective STIF of $124,943,000, international STIF of $326,807,000, financial paper of $179,982,000 and future initial margin of $15,398,000.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization as of June 30, 2008 are as follows (dollars in thousands):

Quality Ratings	Fair Value	Percentage
AAA	$1,017,021	47.28%
AA	70,146	3.26
A	268,822	12.50
BBB	334,172	15.53
BB	120,874	5.62
B	100,388	4.67
CCC	23,812	1.10
Not Rated	215,986	10.04
	2,151,221	100.00%
U.S. Government Guaranteed Securities*	270,292	
Total Fixed Income Securities	$2,421,513	

** Consists of U.S. Government Bonds and GNMA Mortgage-Backed Securities that had the AAA rating.*

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure of depository financial institution, the System would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2008, the System has exposure to such risk for $14,113,000, or 0.63% of the fair value of total international investments. The amount represents non-invested cash denominated in foreign currencies, managed by 14 different investment managers and held outside of the System's custodial bank. The System's policy requires each individual publicly traded equities investment managers, to hold no more than 10% of their portfolios in the form of cash. LACERS insures compliance with this policy.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are not insured, or are not registered in the System's name, and held by the counterparty.

The System's investments are not exposed to custodial credit risk if they are insured or registered in the System's name. The System's investments were not exposed to custodial credit risk because all securities were held by the System's custodial bank in the System's name.

Concentration of Credit Risk

The investment portfolio as of June 30, 2008 contained no concentration of investments in any one entity that represented 5 percent or more of the total investment portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. One of the ways the System manages its exposure to interest rate risk is by requiring the fixed income investment managers to maintain their portfolio effective duration within a specified range of the Lehman U.S. Universal Bond Index, the Lehman Intermediate Government Credit Index or the Lehman Aggregate Bond Index, depending on the Board's mandates. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes. Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is provided by the following table that shows the weighted average effective duration of the System's fixed income securities by investment type (dollars in thousands):

Investment Type	Amount	Weighted Average Duration (in Years)
Asset-Backed Securities	$50,679	1.34
Commercial Mortgage-Backed Securities	121,874	4.82
Corporate Bonds	971,473	6.20
Government Agencies	110,870	3.70
Government Bonds	239,703	6.00
Government Mortgage-Backed Securities	714,995	4.50
Gov't-issued Commercial Mortgage-Backed	191	4.09
Index Linked Government Bonds	28,673	7.72
Municipal/Provincial Bonds	2,585	2.23
Non-Government Backed C.M.O.s	77,263	2.03
Opportunistic Debt	103,207	3.30
Total Fixed Income Securities	$2,421,513	

Highly Sensitive Investments

Highly Sensitive Investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include such information as embedded options, coupon multipliers, benchmark indexes, and reset dates. The System's asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of the System's asset-backed investments by investment type (in thousands):

Investment Type	Amount
Asset-Backed Securities	$50,679
Commercial Mortgage-Backed Securities	121,874
Government Agencies	110,870
Government Mortgage-Backed Securities	714,995
Gov't-issued Commercial Mortgage-Backed	191
Non-Government Backed C.M.O.s	77,263
Total Asset-Backed Investments	$1,075,872

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The System's Asset Allocation policy sets a target of 20% of the total portfolio for non-U.S. investments in equities. In addition, fixed income, real estate, and alternative investment managers may hold non-U.S. investments depending on their individual mandates. Forward currency contracts and currency futures are permitted primarily to reduce the foreign currency risk (refer to Note 9 - Futures and Forward Contracts).

The System's non-U.S. currency investment holdings as of June 30, 2008, which represents 19.0% of fair value of total investments, are as follows (In thousands):

Foreign Currency Type	Cash and Adjustments to Cash	Equity	Fixed Income	Other Investments	Total Fair Value in USD
Argentine peso	$ 146	$ -	$ 219	$ -	$ 365
Australian dollar	2,878	100,995	7,655	-	111,528
Brazilian real	412	10,070	-	4	10,486
British pound sterling	(10,776)	335,931	-	33,314	358,469
Canadian dollar	798	51,774	6,677	-	59,249
Chilean peso	924	1,044	-	-	1,968
Czech koruna	5	983	-	-	988
Danish krone	392	20,736	-	-	21,128
Egyptian pound	11	-	758	-	769
Euro	37,618	548,485	2,762	102,744	691,609
Hong Kong dollar	1,831	94,584	-	-	96,415
Hungarian forint	125	1,311	-	11	1,447
Indian rupee	67	14,782	-	-	14,849
Indonesian rupiah	137	6,027	-	-	6,164
Japanese yen	(1,834)	347,118	-	19,053	364,337
Malaysian ringgit	603	12,628	-	-	13,231
Mexican peso	709	9,200	12,237	-	22,146
New Israeli shekel	30	1,792	-	-	1,822
New Taiwan dollar	2,945	47,817	-	-	50,762
New Zealand dollar	94	667	-	-	761
Norwegian krone	(3,257)	45,937	-	-	42,680
Peruvian nuevo sol	-	-	513	-	513
Philippine peso	74	22,937	-	1	23,012
Polish zloty	(155)	8,514	-	6	8,365
Russian ruble	-	-	544	-	544
Singapore dollar	800	42,821	19,614	-	63,235
South African rand	303	15,228	-	-	15,531
South Korean won	1,318	63,316	-	-	64,634
Swedish krona	5,078	19,353	-	51	24,482
Swiss franc	(632)	142,583	-	3,235	145,186
Thai baht	36	28,522	-	-	28,558
Turkish lira	86	3,247	-	-	3,333
Total Investments Held in Foreign Currency	$40,766	$1,998,402	$50,979	$158,419	$2,248,566

Note 8 – Securities Lending Agreement

The System has entered into various short-term arrangements with its custodian under Article XXXIV Section 504 of the City Charter, whereby securities are lent to various brokers. The custodian determines which lenders' accounts to lend securities from by using an impartial sequential system that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro rata among all lenders.

Minimum collateralization is 102% of fair value of the borrowed U.S. securities and 105% for international securities. Collateral consists of cash, government securities and irrevocable bank letters of credit. Cash collateral may be invested separately or pooled in a separate fund for investing in money market or cash equivalent investments.

The borrower has all incidents of ownership with respect to borrowed securities and collateral, including the right to vote and transfer or loan borrowed securities to others. The System is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower. Under the agreement, the custodian will indemnify the System as a result of the custodian's failure to: 1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; 2) demand adequate collateral; or 3) otherwise maintain the securities lending program in compliance with the Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending.

These agreements provide for the return of the securities and revenue determined by the type of collateral received. The cash collateral values of securities on loan to brokers are shown at their fair value on the statement of plan net assets.

As of June 30, 2008, the System had no credit risk exposure to borrowers because the amounts the System owed the borrowers exceed the amounts the borrowers owed the System. The System had no losses on securities lending transactions resulting from default of a borrower or lending agent. However, there is credit risk exposure due to impairment of securities purchased with the cash collateral.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in a collateral account consisting of short and intermediate term investments. The System cannot pledge or sell non-cash collateral unless the borrower defaults.

The following represents the balances relating to the security lending transactions as of June 30, 2008 (In thousands):

Fair value of collateral received for loaned securities as of June 30, 2008:

Securities Lent	Cash	Non-Cash	Total Collateral Value
U.S. Government and Agency Securities	$313,087	$32,682	$345,769
Domestic Corporate Fixed Income Securities	76,337	-	76,337
International Fixed Income Securities	22,004	-	22,004
Domestic Stocks	1,242,324	-	1,242,324
International Stocks	161,171	223,384	384,555
	$1,814,923	$256,066	$2,070,989

Fair value of loaned securities as of June 30, 2008:

Securities Lent	Cash	Non-Cash	Total Fair Value of Underlying Securities
U.S. Government and Agency Securities	$306,376	$29,713	$336,089
Domestic Corporate Fixed Income Securities	74,265	-	74,265
International Fixed Income Securities	20,886	-	20,886
Domestic Stocks	1,213,031	-	1,213,031
International Stocks	153,401	211,218	364,619
	$1,767,959	$240,931	$2,008,890

As of June 30, 2008, the fair value of the lent securities was $2,008,890,000. The fair value of associated collateral was $2,070,989,000. Of this amount, $1,814,923,000 represents the fair value of cash collateral and $256,066,000 represents the fair value of the non-cash collateral. Non-cash collateral, which the System does not have the ability to sell unless the borrower defaults, is not reported in the statement of plan net assets. The System's income and expenses related to securities lending were $19,301,000 and $3,244,000, respectively, for the year ended June 30, 2008.

Note 9 – Futures and Forward Contracts

The System uses derivative financial instruments, primarily to manage portfolio risk. Futures contracts are used to provide equity exposure for uninvested cash, and forward contracts are used to hedge against fluctuation in foreign currency-denominated assets primarily in trade settlements. Futures and forward contracts are marked to market and are recorded in the statement of plan net assets at fair value. Futures contracts have little credit risk, as organized exchanges are the guarantors. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions.

At June 30, 2008, the System had outstanding futures contracts for foreign currencies and the Standard and Poor's 500 Index with an aggregate notional amount of $13,585,000. In addition, at June 30, 2008, the System had outstanding forward purchase commitments with a notional amount of $108,078,000 and offsetting forward sales commitments with notional amounts of $108,078,000, which expire through September 2008. The System maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury bills. The total collateral margin was $15,398,000 as of June 30, 2008.

The realized gain on foreign currency translation was $121,979,000 for the year ended June 30, 2008.

Note 10 – Commitments and Contingencies

At June 30, 2008, the System was committed to future purchases of real estate and alternative investments at an aggregate cost of approximately $890,939,000.

Note 11 – Subsequent Events

Events or transactions that occur subsequent to the balance sheet date, but prior to the issuance of the financial statements that have a potential material effect on the financial statements require adjustments or disclosure in the statements. The following are disclosures of conditions, which influenced the System that did not exist as of June 30, 2008, but arose subsequent to that date.

Recent Market Events

Subsequent to June 30, 2008, the global investment markets have been experiencing unprecedented, adverse events. Such events include restricted availability of capital, the continued write-down of mortgage-related assets led by defaults in sub-prime mortgages, and the declining U.S. housing market. These events resulted in federal intervention due to the failure of several large domestic financial institutions. The markets continue to suffer significant turmoil from a general uncertainty about how best to address the expanded global credit crisis and losses that financial institutions are facing.

It is management's opinion that while the value of the System's fund has been affected by the turbulent market environment, the System's investment portfolio is structured to focus on the long-term and designed to weather periods of market turbulence. Because the values of individual investment fluctuate based on volatile market conditions, the amount of losses that the System will recognize in its future financial statements, if any, cannot be determined. Market fluctuations are a normal investment risk for a pension fund. However, the collapse of major financial institutions and lack of liquidity in short-term markets, due to the recent market downturn, increased the credit risk in our security-lending program.

Extraordinary circumstances that occurred subsequent to the balance sheet date, but prior to the issuance of financial statements, are disclosed because they could have a material impact on the value of investments after the date of the financial statements. Negative returns on the System's assets through November 25, 2008 could affect the funded status of the System. The ultimate impact on the funded status will be determined based on market conditions in effect when the actuarial annual valuation for the year ended June 30, 2009 is performed.

Required Supplementary Information

Schedule of Funding Progress – Retirement Plan

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2003	$6,999,647	$7,659,846	$660,199	91.4%	$1,405,058	47.0%
June 30, 2004	7,042,108	8,533,864	1,491,756	82.5	1,575,285	94.7
June 30, 2005	7,193,142	9,321,525	2,128,383	77.2	1,589,306	133.9
June 30, 2006	7,674,999	9,870,662	2,195,663	77.8	1,733,340	126.7
June 30, 2007	8,599,700	10,526,874	1,927,174	81.7	1,896,609	101.6
June 30, 2008	9,438,318	11,186,404	1,748,086	84.4	1,977,645	88.4

Schedule of Employer Contributions – Retirement Plan

(Dollars in Thousands)

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	$51,604	100%
2004	159,083	63
2005	183,241	86
2006	227,741	100
2007	277,517	100
2008	288,119	100

Note 1 – Description

The historical trend information about the System is presented as required supplementary information. The information is intended to help users assess the funding status of the Plan on a going-concern basis and to assess progress made in accumulating assets by paying benefits when due.

Note 2 – Significant Factors Affecting Trend in Actuarial Information and Employer Contributions

Due to the deferred investment gains accumulated in the previous four years under the 5-year "asset smoothing" method, the actuarial investment rate of return exceeded the 8% assumption for the third time in a row despite the net investment loss of $646,393,000 in current year. However, there is an unrecognized investment loss as of June 30, 2008 in the amount of $433,647,000 for the Retirement Plan and the Postemployment Healthcare Plan. 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% 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, the contribution requirements would increase in the next few years even if the actual market return is equal to the assumed 8% rate and all other actuarial assumptions are met.

Schedule of Funding Progress – Postemployment Healthcare Plan

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded or (Overfunded) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Underfunded or (Overfunded) AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2003	$848,983	$1,205,811	$356,828	70.4%	$1,405,058	25.4%
June 30, 2004	858,997	1,419,813	560,816	60.5	1,575,285	35.6
June 30, 2005	893,378	1,718,899	825,521	52.0	1,589,305	51.9
June 30, 2006	990,270	1,730,799	740,529	57.2	1,733,340	42.7
June 30, 2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
June 30, 2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6

Schedule of Employer Contributions – Postemployment Healthcare Plan

(Dollars in Thousands)

	Employer Contributions Total	
Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	$26,608	100%
2004	20,144	100
2005	53,190	100
2006	76,116	100
2007	115,233	100
2008	108,848	100

Note1 – Description

The historical trend information about the System is presented as required supplementary information. The information is intended to help users assess the funding status of the Plan on a going-concern basis and to assess progress made in accumulating assets by paying benefits when due. As the Board decided to comply with the requirements in GASB No. 43 and No. 45 for the actuarial valuation of the Postemployment Healthcare Plan as of June 30, 2005, the funded ratios for years prior to June 30, 2005 were not calculated using the parameters required by GASB No. 43 and No. 45 because the plan's funding policy excluded active employees with less than 10 years of service. Similarly, the annual required contribution (ARC) for fiscal year ended June 30, 2006 was determined in the June 30, 2004 valuation and it was not calculated using the parameters required by GASB No. 43 and No. 45.

Note 2 – Significant Factors Affecting Trend in Actuarial Information and Employer Contributions

Due to the deferred investment gains accumulated in the previous four years under the 5-year "asset smoothing" method, the actuarial investment rate of return exceeded the 8% assumption for the third time in a row despite the net investment loss of $646,393,000 in current year. However, there is an unrecognized investment loss as of June 30, 2008 in the amount of $433,647,000 for the Retirement Plan and the Postemployment Healthcare Plan. 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% 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, the contribution requirements would increase in each of the next few years even if the actual market return is equal to the assumed 8% rate and all other actuarial assumptions are met.

Supplemental Schedules

Year Ended June 30, 2008
(In thousands)

	Retirement Plan	Postemployment Healthcare Plan	Total
Personnel Services			
Staff Salaries	$7,677	$1,222	$8,899
Staff Benefits	1,092	174	1,266
Total Personnel Services	8,769	1,396	10,165
Professional Services			
Actuarial	195	31	226
Data Processing	646	103	749
Audit	83	13	96
Retirees' Health Consulting	-	458	458
Legal Counsel	476	76	552
Medical for Temporary Disability	106	17	123
Total Professional Services	1,506	698	2,204
Communication			
Printing	113	18	131
Telephone	5	1	6
Postage	230	37	267
Member Outreach Program	71	11	82
Travel	94	15	109
Total Communication	513	82	595
Rentals			
Office Space	883	141	1,024
Equipment Leasing	33	5	38
Total Rentals	916	146	1,062
Miscellaneous			
Office	206	33	239
Depreciation	77	12	89
Total Miscellaneous	283	45	328
	$11,987	$2,367	$14,354

Year Ended June 30, 2008
(In thousands)

	Assets Under Management	Fees
Retirement Plan		
Investment Management Expense:		
Fixed Income Managers	$2,120,575	$2,717
Equity Managers	5,327,343	15,700
Subtotal Investment Management Expense	7,447,918	18,417
Other Investment Expense:		
Alternative Investments Consulting Fee	-	1,022
Real Estate and Other Consulting Fee	-	518
Subtotal Other Investment Expense	-	1,540
Postemployment Healthcare Plan		
Investment Management Expense:		
Fixed Income Managers	300,938	432
Equity Managers	756,024	2,499
Subtotal Investment Management Expense	1,056,962	2,931
Other Investment Expense:		
Alternative Investments Consulting Fee	-	163
Real Estate and Other Consulting Fee	-	82
Subtotal Other Investment Expense	-	245
Total Investment Management Expense and Other Investment Expense, Excluding Alternative Investments, Real Estate and Securities Lending	$8,504,880	$23,132
Alternative Investments Managers' Fees:		
Retirement Plan	$763,387	$11,276
Postemployment Healthcare Plan	108,335	1,794
Total Alternative Investments Managers' Fees	$871,722	$13,070
Real Estate Managers' Fees:		
Retirement Plan	$556,071	$9,007
Postemployment Healthcare Plan	78,914	1,434
Total Real Estate Managers' Fees	$634,985	$10,441
Security Lending Fees:		
Retirement Plan	$1,589,369	$2,799
Postemployment Healthcare Plan	225,554	445
Total Security Lending Fees	$1,814,923	$3,244

This page intentionally left blank.

Investment Section

CITY OF LOS ANGELES
CALIFORNIA

ANTONIO R. VILLARAIGOSA
MAYOR

LOS ANGELES CITY
EMPLOYEES'
RETIREMENT SYSTEM

360 EAST SECOND STREET
2ND FLOOR
LOS ANGELES, CA 90012-4207

www.LACERS.ORG

Report On Investment Activity

December 19, 2008

Board of Administration
Los Angeles City Employees' Retirement System
360 E. Second Street, 2nd Fl.
Los Angeles, CA 90012-4207

Dear Members of the Board:

Presented below is a summary report of the Fund's investment activities for the fiscal year 2007-2008.

Market Overview

This fiscal year, the global markets continued to deteriorate, increasing credit concerns amidst growing inflationary pressures. The U.S. subprime mortgage fallout continued globally. Mounting fears of a global economic downturn and its impact on corporate profits added to the volatility in the marketplace. With rising food prices and higher energy costs, second quarter projections pointed to global inflation ratcheting up to 5.5%, an increase of 2.0% from the beginning of the year. Growing indications of an economic slowdown driven by the housing slump contributed to the worst performance for the U.S. equity market in more than five years.

Investment Performance

The total portfolio closed the fiscal year 2007-2008 at $10.4 billion, a decrease of $700 million over the prior fiscal year. The portfolio posted a -5.7 % for the one-year period, 8.2% for the three-year period and 10.6% for the five-year period, ending June 30, 2008. The portfolio underperformed its policy benchmark over one year, but has outperformed the benchmark over all longer periods. In comparison to other public funds in TUCS (Trust Universe Comparison Service) with a market value greater than $1 billion, LACERS performance was below median for the one-year period, but above median over all longer periods. LACERS had higher U.S. and non-U.S. stock exposure and held less cash than the median fund. Although that decision has served LACERS well over longer periods, cash outperformed equities over the last fiscal year.

Returns for publicly traded securities and real estate asset classes lagged their benchmarks during the one-year period, and were mixed over longer periods. Private equity continued to outperform its benchmark over all time periods.

Policies, Procedures and Guidelines

During the fiscal year, the Board adopted a revised Cash Management Policy, a Corporate Governance Committee Charter, and moved to become signatory to the United Nations Principles of Responsible Investment. In addition, the Board adopted revised strategic and investment plans for real estate and alternative investments, and updated the general investment policy.

Manager Search, Contract Renewals and New Hires

Manager Search

The Board completed searches for Corporate Governance Investment Managers, and for an active manager of publicly traded emerging markets equities. The Board concluded its custodian search, approving the retention of The Northern Trust Company.

Contracts with thirteen managers of publicly traded securities were renewed, and the Board added a growth manager to complement the incumbent value manager for the emerging markets equity mandate.

Fixed Income

The fixed income portfolio was restructured to shorten its duration and to provide an allocation for opportunistic investments. The actively managed core-plus portfolios were together reduced to 2/3 of the fixed income allocation. Funds reallocated from the core-plus portfolios were used to weight equally the two existing intermediate bond managers. Assets of the passively managed portfolio were targeted to fund new, opportunistic strategies.

Contracts with two opportunistic fixed income managers were approved to exploit opportunities created by the credit crisis. One manager was funded to invest in bank debt, and a second manager was funded to invest in commercial mortgage backed securities. Additional funds were allocated to an existing manager who was recategorized from the private equity carve-out to the new opportunistic debt category to invest in distressed and bankruptcy debt.

Corporate Governance

The Board increased its allocation to corporate governance investments. Funding to three incumbent corporate governance activist investment managers was increased, and two additional managers were hired.

Private Investments

During the fiscal year 2007-2008, the Board continued to fund investments in both alternative and real estate asset classes. Seventeen private equity partnerships and twelve real estate partnerships were added to the portfolio.

Over the past fiscal year, alternative investment partnerships made capital calls of approximately $225 million. Real estate partnerships called approximately $142 million.

Investment Consulting Services

Contracts were renewed for both traditional and non-traditional private equity consultants.

Respectfully submitted,

Daniel P. Gallagher

Daniel P. Gallagher
Chief Investment Officer

OUTLINE OF INVESTMENT POLICIES

Fiscal Year 2007-2008

The Los Angeles City Employees' Retirement System's (LACERS, or the System) general investment goals are consistent with the City Charter citations and State Constitution and are stated below:

- The overall goal of the System's investment assets is to provide plan participants with post-retirement benefits as set forth in the System documents. This will be accomplished through a carefully planned and executed investment program.
- The System's investment program shall comply, at all times, with existing and future applicable city, state and federal regulations. Investment performance data is calculated in conformance with Global Investment Performance Standards (GIPS).
- All transactions undertaken will be for the sole benefit of the System's participants and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses associated with the System.
- The System has a long-term investment horizon, and utilizes an asset allocation that encompasses a strategic, long run perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the System's investment performance.
- Investment actions are expected to comply with "prudent person" standards as described: "…with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

INVESTMENT RESULTS

Annualized asset class investment returns compared to policy benchmarks:

Return Summary (gross of fees)	1 Yr. (%)	Annualized* 3 Yrs. (%)	5 Yrs. (%)
U.S. Equity	-14.2	4.4	8.8
Russell 3000	*-12.7*	*4.7*	*8.4*
Fixed Income	4.9	4.0	4.6
*LB Universal Index***	*6.2*	*4.1*	*4.2*
International Equity	-9.0	15.2	18.3
*MS ACWI Free ex U.S. Index ***	*-6.6*	*15.7*	*18.9*
Real Estate	12.9	18.8	18.3
NCREIF Property Index	*13.6*	*16.8*	*15.1*
Alternative	11.4	23.0	21.1
Russell 3000 plus 400 bps	*-9.1*	*9.0*	*12.8*
Corporate Governance	-24.6	N/A	N/A
Composite Benchmark	*-12.4*	*N/A*	*N/A*
LACERS Total Fund	-5.7	8.2	10.6
LACERS Policy Benchmark	*-5.3*	*7.5*	*9.8*

** Time-weighted rate of return based on fair value of assets for all asset classes.*
*** Both the MS ACWI Free ex U.S. and Lehman Universal indices are historically blended with other indices.*

Public & Private Equity Investment Contract Activity

Contracts with managers of publicly traded securities renewed:

Firms	Discipline
Alliance Bernstein, L.P.	*Active Domestic Large Cap Growth*
Aronson+Johnson+Ortiz	*Active Domestic Large Cap Value*
Baird Advisors	*Active Domestic Intermediate Duration Fixed Income*
Barclays Global Investors, N.A.	*Passive Russell 1000 Value Index*
Capital Guardian Trust Company	*Active European*
Daiwa SB Investments (USA) Ltd.	*Active Pacific Basin*
Franklin Global Advisers	*Active Domestic Small Cap Growth*
LM Capital Group, LLC	*Active Domestic Intermediate Duration Fixed Income*
Loomis Sayles & Company, L.P.	*Active Core-Plus Fixed Income*
Rhumbline Advisors	*S & P Index*
Sit Investments Associates, Inc.	*Active Domestic Small Cap Growth*
State Street Global Advisors	*MSCI EAFE*
Thomson Horstmann & Bryant, Inc.	*Active Small Cap*

Publicly traded securities managers hired:

Investment Managers	Discipline
Batterymarch Financial Management, Inc.*	*Active Emerging Markets Equity*
Blum Stinson *	*Corporate Governance*
New Mountain Vantage, LP	*Corporate Governance*

** Managers' contracts were approved by the Board but not funded as of June 30, 2008.*

Opportunistic fixed income managers funded:

Investment Managers	Discipline
ING Clarion Debt Opportunity Fund II	*CMBS*
Oaktree Loan Fund	*Bank loans*
Whippoorwill Distressed Opportunity Fund	*Distressed Debt*

New alternative investment and real estate partnerships:

Investment Partnerships	Discipline
Ares Distressed Securities Fund, L.P.	*Alternative Investments - Distressed Debt*
Carpenter Community Bancfund, L.P.	*Alternative Investments - Community Bank Startups*
City Front Capital Partners, L.P.	*Alternative Investments - Buyouts*
DFJ Frontier II, L.P.	*Alternative Investments - Venture Capital*
Element Partners II, L.P.	*Alternative Investments - Venture Capital*
HM Capital Partners, L.P.	*Alternative Investments - Buyouts*
New Mountain Capital Fund III	*Alternative Investments - Buyouts*
NGEN III	*Alternative Investments - Venture Capital*
Pacific Venture Group Institutional Equity Fund III, L.P.	*Alternative Investments - Venture Capital/Healthcare*
Spark Capital II	*Alternative Investments - Venture*
Spire Capital Partners II, L.P.	*Alternative Investments - Buyouts*
Starvest Partners II, L.P.	*Alternative Investments - Buyouts*
St. Cloud Partners II, L.P.	*Alternative Investments - Mezzanine*
TCV VII	*Alternative Investments - Venture Capital*
TCW/Crescent Mezzanine Partners V	*Alternative Investments - Mezzanine*
Vista Equity III	*Alternative Investments - Venture Capital*
Yucaipa American Alliance Fund II	*Alternative Investments - Buyouts*
Bond Companies Sustainability Fund, L.P.	*Real Estate - Opportunistic*
CB Richard Ellis Strategic Partners U.S. Value V, L.P.	*Real Estate - Value Added/Opportunistic*
CIM Real Estate Fund III, L.P.	*Real Estate - Opportunistic*
DLJ Real Estate Capital Partners IV, L.P.	*Real Estate - Opportunistic*
DRA Growth and Income Fund VI, LLC	*Real Estate - Value Added*
Integrated Capital Hospitality Fund, L.P.	*Real Estate - Opportunistic*
Mayfield Gentry Genesis Value Fund	*Real Estate - Value Added*
Mesa West RE Income Fund II	*Real Estate - Debt*
Realty Associates Fund IX	*Real Estate - Value Added*
Tuckerman Residential Income and Value Added Fund II	*Real Estate - Value Added*
Urdang Value-Added Fund II, L.P.	*Real Estate - Value Added*
Walton Street Real Estate Fund VI	*Real Estate - Opportunistic*

Investment consultant contracts renewed:

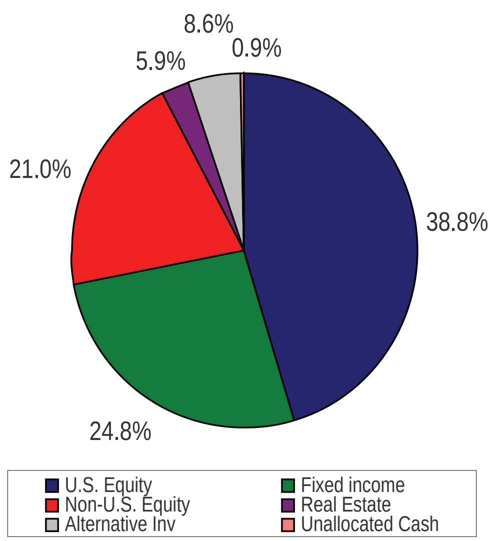
Investment Consultants	Type of Services
Hamilton Lane	*Traditional alternative investment*
Pension Consulting Alliance	*Non-traditional specialized alternative investment*

Asset Allocation

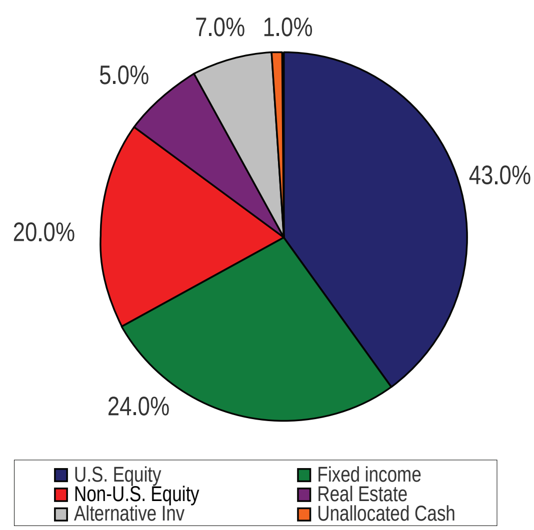
As of June 30, 2008

Actual		Target	
U.S. Equity	38.8%	U.S. Equity	43.0%
Core Fixed Income	24.8	Core Fixed Income	24.0
Non-U.S. Equity	21.0	Non-U.S. Equity	20.0
Real Estate	5.9	Real Estate	5.0
Alternative Investment	8.6	Alternative Investment	7.0
Unallocated Cash	0.9	Unallocated Cash	1.0
Total	100.0%	Total	100.0%

Actual Allocation – June 30, 2008



Target Allocation - June 30, 2008



List of Largest Assets Held

Displayed below are the ten largest holdings in each asset class along with their market and share/par values as of June 30, 2008. A complete listing of the System's holdings is available on www.LACERS.org.

Largest U.S. Equity Holdings

	Shares	Asset Description	Market Value US $
1.	978,787	Exxon Mobil Corp	$ 86,260,498
2.	308,322	Apple Inc	51,625,436
3.	89,611	Google Inc	47,173,023
4.	450,614	Chevron Corp	44,669,366
5.	391,730	Schlumberger Ltd	42,083,554
6.	1,513,337	General Electric Co	40,390,965
7.	1,148,004	AT&T Inc.	38,676,255
8.	1,400,090	Microsoft Corp	38,516,476
9.	822,799	Hewlett Packard Co	36,375,944
10.	581,155	Procter & Gamble Co	35,340,036
		Total	$461,111,553

Largest U.S. Fixed Income Holdings

	Par Value	Asset Description	Market Value US $
1.	$107,435,000	FNMA Single Family Mortgage 5% 30 Yrs	$102,969,787
2.	96,945,000	FNMA 30 Yr Pass-Throughs 5.5% 30 Yrs	95,551,415
3.	84,535,000	FNMA Single Family MTG 5% 15 Yrs	83,583,981
4.	57,380,000	U.S. TREAS 4.5% due 11/15/2015	60,428,313
5.	27,600,000	U.S. TREAS 9.125% due 5/15/2018	38,732,708
6.	38,765,103	FNMA POOL # 835751 4.5% 8/1/2035	35,974,325
7.	32,485,447	FNMA POOL # 899650 6% due 8/1/2037	32,812,900
8.	25,050,000	U.S. TREAS 2.625% due 7/15/2017	28,672,868
9.	28,975,000	FNMA Federal National MTG 3.625% 2/12/2013	28,397,296
10.	25,762,020	FNMA POOL #256101 5.5% 2/1/2036	25,471,683
		Total	$532,595,276

Largest Non-U.S. Equity Holdings

	Shares	Asset Description	Market Value US $
1.	522,880	Nestle	$23,695,406
2.	534,663	BHP Billion Ltd	22,422,004
3.	367,951	Novartis	20,319,304
4.	416,880	Toyota Motor Corp	19,702,550
5.	108,887	Roche Hldgs AG Genusscheine	19,488,718
6.	161,604	Research In Motion Ltd	18,891,508
7.	108,175	Alcon Inc	17,609,808
8.	185,096	Bayer AG	15,590,433
9.	1,740,620	Mitsubishi	15,448,716
10.	123,294	Rio Tinto	14,744,497
		Total	$187,912,944

Largest Non-U.S. Fixed Income Holdings

	Par Value (in local currency)	Asset Description		Market Value US $
1.	1,330,000	Mexico 8% 12/17/2015		$12,225,093
2.	10,860,000	Telecom Italia Cap Gtd Sr Note 7.2% 7/18/2036		10,501,077
3.	7,400,000	Empresa Nacional de Electricidad Chile 8.5% 4/1/2009		7,602,686
4.	8,200,000	Euro Inv Bank 5.375% Mtn 1/11/2024		7,470,493
5.	7,120,000	Encana Corp 6.5% 8/15/2034		6,985,218
6.	4,671,000	Brazil (Fed Rep of) 11% Deb 8/17/2040		6,179,733
7.	4,565,000	Deutsche BK AG GL Medium Trm Nts BK		4,490,627
8.	4,355,000	Covidien Intl Fin S A Sr Nt 6.55% due 10/15/2037		4,392,496
9.	3,900,000	Petrobas Energia S A Nt Ser R 144A 9.375 due 10/30/2013		4,329,000
10.	2,800,000	GE Capital UK Fdg Emtn 4.0% 12/5/2011		4,268,965
			Total	$68,445,388

Schedules of Fees and Commissions

(In thousands)

Schedule of Fees

	2008 Assets Under Management	Fees	2007 Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	$2,421,513	$3,149	$2,418,322	$2,623
Equity Managers	6,083,367	18,199	7,163,211	16,563
Real Estate Managers	634,985	10,441	511,244	9,819
Alternative Investment Managers	871,722	13,070	695,862	12,164
Total	$10,011,587	$44,859	$10,788,639	$41,169
Security Lending Fees	$1,814,923	$3,244	$2,612,246	$1,793
Alternative, Real Estate & Other Inv Consulting Fees	N/A	1,785	N/A	1,875
Total	$1,814,923	$5,029	$2,612,246	$3,668

Schedule of Top Ten Brokers Commissions

	Broker	Shares	Commission	$/Share
1.	Merrill Lynch	4,916,943	$378,086	$0.077
2.	Goldman Sachs & Co	4,699,940	377,677	0.080
3.	Investment Technology Group	18,728,346	207,144	0.011
4.	Lehman Brothers Inc New York	3,795,017	189,798	0.050
5.	BNY ESI Securities Co	5,279,612	102,611	0.019
6.	Pershing LLC formerly DLJ	3,106,678	99,274	0.032
7.	Jones AD	4,336,203	97,229	0.022
8.	Cantor Fitzgerald & Co	3,987,971	95,605	0.024
9.	William Blair & Co	1,910,837	84,010	0.044
10.	JP Morgan Securities Inc	3,191,874	81,898	0.026
	Total	53,953,421	1,713,332	0.032
	Total - Other Brokers	62,983,441	1,855,363	0.029
	Grand Total*	116,936,862	$3,568,695	$0.031

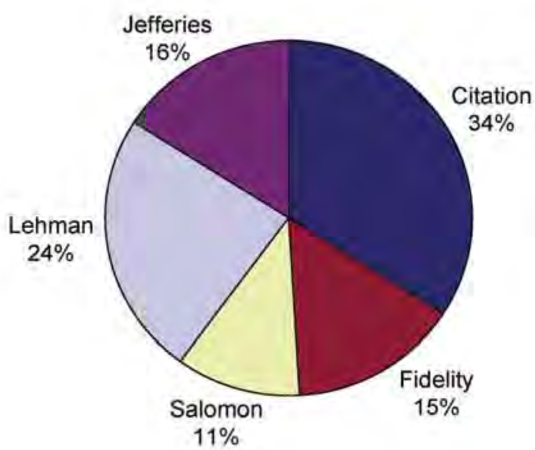
** OTC Brokers excluded because there is no stated commission.*

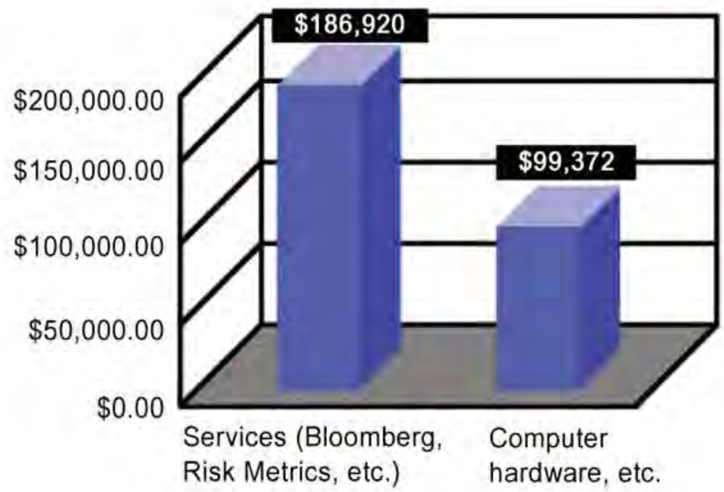
Expenditure by Broker

Broker	Expenditure
Citation	$94,906
Fidelity	44,091
Salomon	31,981
Lehman	69,702
Jefferies	45,612
Total	$286,292

Expenditure by Type

Type	Expenditure
Services (Bloomberg, Risk Metrics, etc.)	$186,920
Computer hardware, etc.	99,372
Total	$286,292





Investment Summary

As of June 30, 2008

Type of Investment	Market Value (M.V.)	% of Total M.V.	Domestic M.V.	Foreign M.V.
Fixed Income				
Government bonds	$268,376,231	2.27%	$239,507,000	$28,869,231
Government agencies	110,870,243	0.94	97,083,172	13,787,071
Municipal / provincial bonds	2,584,899	0.02	1,191,810	1,393,089
Corporate bonds	1,099,414,293	9.30	956,621,301	142,792,992
Commercial mortgage bonds	121,874,151	1.03	121,874,151	-
Government mortgage bonds	715,186,107	6.05	715,186,107	-
Opportunistic debt	103,207,593	0.87	103,207,593	-
Total Fixed Income	2,421,513,517	20.48	2,234,671,134	186,842,383
Equities				
Common stock				
Basic industries	623,353,714	5.27	402,991,119	220,362,595
Capital goods industries	385,288,236	3.26	136,088,462	249,199,774
Consumer & services	1,107,483,449	9.36	612,559,103	494,924,346
Energy	914,295,260	7.73	607,124,554	307,170,706
Financial services	881,183,620	7.45	454,200,151	426,983,469
Health care	569,216,408	4.81	410,406,880	158,809,528
Information technology	769,046,571	6.50	600,236,520	168,810,051
Miscellaneous (Common Fund Assets)	783,693,322	6.63	661,974,044	121,719,278
Total Common Stock	6,033,560,580	51.02	3,885,580,833	2,147,979,747
Preferred stock	41,366,525	0.35	8,610,475	32,756,050
Convertible bonds/equities	5,457,332	0.05	9,480	5,447,852
Rights/warrants	40,148	0.00	-	40,148
Unit trust equity	2,942,712	0.02	-	2,942,712
Total Equities	6,083,367,297	51.44	3,894,200,788	2,189,166,509
Real Estate	634,984,745	5.37	590,582,919	44,401,826
Alternative Investments				
Acquisitions	535,735,774	4.53	531,600,445	4,135,329
Distressed debt	25,754,778	0.22	25,352,738	402,040
International acquisitions	75,960,547	0.64	75,960,547	-
Mezzanine	9,760,077	0.08	9,760,077	-
Venture capital	224,511,308	1.90	217,424,404	7,086,904
Total Alternative Investments	871,722,484	7.37	860,098,211	11,624,273
Security Lending Collateral	1,814,922,018	15.35	1,631,747,192	183,174,826
Total Fund*	$11,826,510,061	100.00%	$9,211,300,244	$2,615,209,817

** Total Fund includes securities lending, but excludes cash and cash equivalents and adjustments to cash.*

Advisory/Consulting/Custody Services

Investment Advisors

U. S. Equity

Alliance Bernstein
Aronson, Johnson & Ortiz, L.P.
Attucks Asset Management
Barclays Global Investors
Blum Stinson Capital
Capital Prospects, LLC
Donald Smith & Co., Inc.
Franklin Global Advisers
New Mountain Vantage, L.P.
PanAgora Asset Mgmt., Inc.
Progress Investment Management
Relational Investors
Rhumbline Advisors
Sit Investment Associates, Inc.
Thomson, Horstmann & Bryant, Inc.

Non-U.S. Equity

Batterymarch Financial Management, Inc.
Boston Company
Capital Guardian Trust
Daiwa SB Investments
Hermes Focus Asset Mgmt.
Knight Vinke
Marvin & Palmer Assoc.
Sparx Asset Management
State Street Global Advisors
Templeton International
TT Int'l. Inv. Management

Fixed Income

Robert W. Baird & Co., Inc.
ING Clarion Debt Opportunity Fund
Lehman Bros. Asset Management
LM Capital Group, LLC
Loomis Sayles & Company
Oaktree Loan Fund
Quadrant
Whippoorwill

Cash & Short-Term

Managed In-House

Real Estate

Allegis Trust
AMB Capital Partners
Asian Realty Partners
Bond Cos. Sustainability Fund
Bryanston Realty Partners
Buchanan Street Partners
Canyon-Johnson Urban Fund
CB Richard Ellis
CIM Urban REIT, LLC
City View Urban Fund
Colony Investors
CPI Capital Partners Europe
DLJ Real Estate Capital Partners
DRA Growth & Inc. Fund
ForesTree
Genesis Workforce Housing
Heitman Value Partners
ING Realty Partners
INVESCO Realty Advisors
JP Morgan
Koll-Bren (K/B) Realty Advisors
LaSalle Inv Management
Lowe Hospitality
Mayfield Gentry Genesis Value
McFarlane Urban Real Estate Fund
Mesa West Real Estate Income
Miller Global Advisors
PRISA
Realty Associates
RREEF Funds
So.Cal. Smart Growth
Stockbridge Real Estate
Tuckerman Group
Urban America Fund
Urdang Value Added Fund
Valencia NextBlock Medical
Walton Street Real Estate
Westbrook Real Estate Fund

Alternative Investments

Acon-Bastion Partners
Advent Int'l.
Alchemy Partners
Apollo Fund
Ares Distressed Securities Fund
Austin Ventures, LLP
Avenue Special Situations
Blackstone Capital Partners
Carlyle Group
Carpenter Community Bancfund
CGW Southeast Partners
Charterhouse Capital Partners
CHS Private Equity
Chisholm Partners
Cityfront Capital Partners
Craton Equity Investors
CVC Capital Partners
CVC Capital Partners (London, UK)
DFJ
Enhanced Equity
Essex Woodland Health Ventures
First Reserve Corporation
Green Equity Investors
GTCR
Halifax Capital
Hellman & Friedman Inv
HM Capital Sector Perf Fund
InterWest Partners
JH Whitney & Co.
Kelso & Company
KH Growth Equity
KKR
Levine Leichtman
Lindsay Goldberg & Bessemer
Madison Dearborn
Menlo Ventures
Nautic Partners
New Mountain Partners
Newbridge Asia
NGEN
Nogales Investors
Nordic Capital
Oak Investment Partners
OCM Opportunities
Olympus Partners
Onex Partners
Palladium Equity Partners
Parish Capital
Permira
Pharos Capital Partners
Polaris Venture Partners
Providence Equity Partners
Relativity
Reliant Equity Partners
Resolute Fund Partners
Richland Ventures
Rustic Canyon/Fontis Partners
St. Cloud Capital
Saybrook Corporate Opportunity
Spark Capital
Spire
Sterling Partners
TA
TCV
TCW
Texas Pacific Group
Thoma Cressey Equity Partners
Thomas H. Lee
Trident Capital
Vantage Point Venture
Vestar Capital Partners
Vista Equity Partners
Welsh, Carson, Anderson & Stowe
Weston Presidio
Yucaipa American Alliance

Consultants

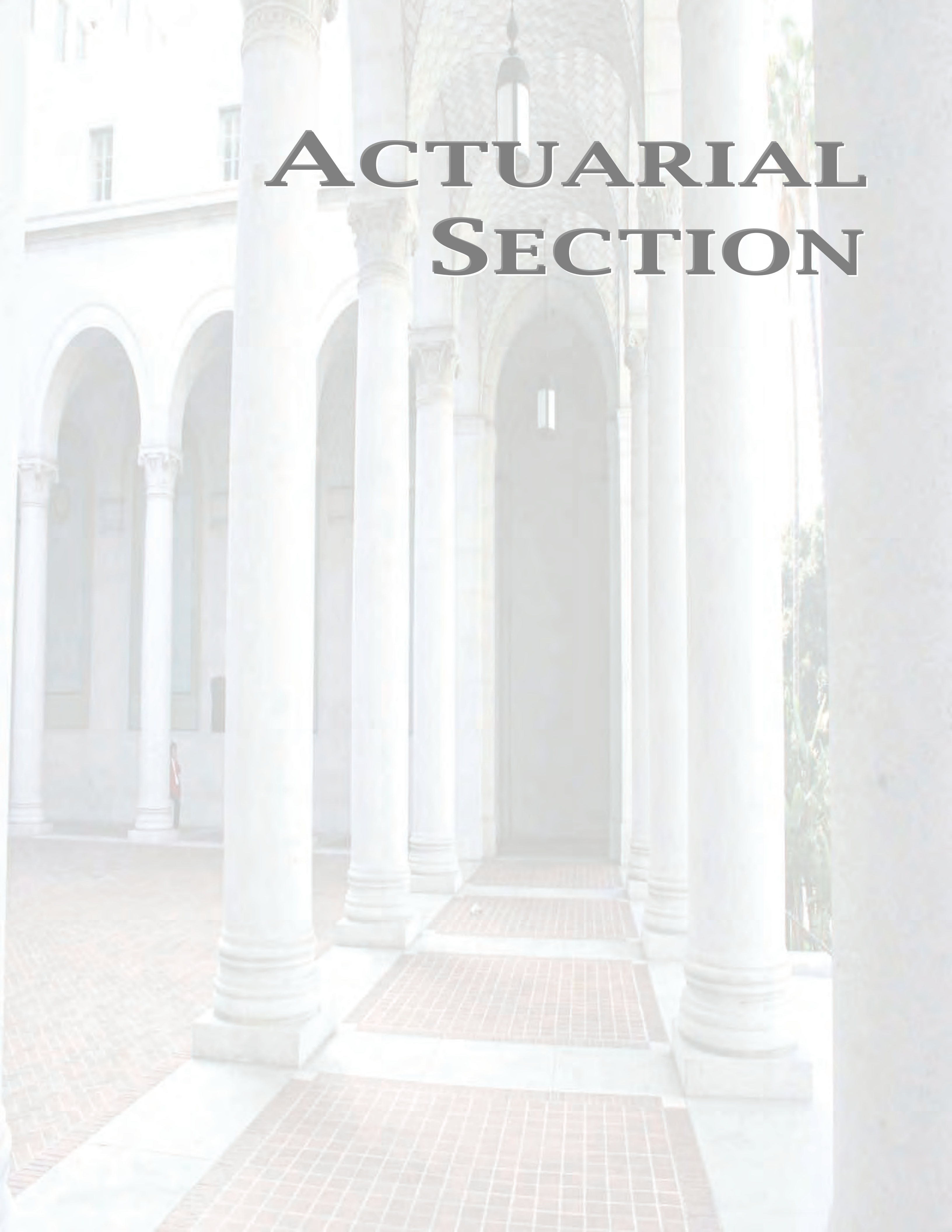
Courtland Partners, Ltd.
Hamilton Lane
Pension Consulting Alliance

Custodian

The Northern Trust Company

This page intentionally left blank.

ACTUARIAL SECTION



Summary of Significant Valuation Results

		June 30, 2008	June 30, 2007	Percent Change
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.*

		FY 2009-2010		FY 2008-2009		Change	
VI.	Budget Items	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	4.70%	4.88%	5.64%	5.86%	(0.94)%	(0.98)%
	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	1.67%	1.74%	1.63%	1.70%	0.04%	0.04%
	3. **Total Health Contribution**	5.27%	5.48%	5.17%	5.38%	0.10%	0.10%
	Total Contribution (A+B)	19.38%	20.13%	20.10%	20.90%	(0.72)%	(0.77)%

		June 30, 2008	June 30, 2007	Change
VII.	Funded Ratio			
	(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.*

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.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the Retirement System's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB 25 and 27.

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

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

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

Member Valuation Data

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.*

Retirees and Beneficiaries Added to and Removed from Retiree Payroll*

For Years Ended June 30

Year Ended	No. of New Retirees/ Beneficiaries	Annual Allowances Added**	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
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.*

Solvency Test for Retirement Benefits

For Years Ended June 30 ($ In Thousands)

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
Valuation Date	Member Contributions	Retirees, Beneficiaries & Inactives	Active Members	Valuation Value of Assets	Member Contributions	Retirees, Beneficiaries & Inactives	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.*

Actuarial Analysis of Financial Experience

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	149,779,325
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	$1,748,085,441

** 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.*

Actuarial Balance Sheet

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	2,408,261,933	
	Total		$3,516,713,270
3.	Unfunded actuarial accrued liability		1,748,085,441
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	8,962,131,119	
	Total		$14,703,117,011

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

Summary of Actuarial Assumptions and Actuarial Cost Method

The Board adopted the following assumptions 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.

	Rate (%)	
Age	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.*

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

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

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 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 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%

Salary Increases

According to the following schedule:

For members with under 5 years of service,

Service	Percentage Increase*
0	8.00%
1	6.75%
2	4.75%
3	3.75%
4	2.50%

For members with over 5 years of service,

Age	Percentage Increase*
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.

Actuarial Cost Method

Projected Unit Credit Cost Method.

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.

	Rate (%)	
Age	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.*

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

	Rate (%)
Service	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

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,

Service	Percentage Increase*
0	6.00%
1	5.00%
2	4.50%
3	3.50%
4	2.75%

For members with over 5 years of service,

Age	Percentage Increase*
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*

The summary represents the substantive plan as of the measurement date. 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 years 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:

Age	Factor	Age	Factor
45	0.6250	50	0.7750
55	0.9250	60	1.0000

Final Average Monthly Compensation (§4.1010)

Equivalent of monthly average salary of highest continuous 12 months (one year).

Cost of Living Benefit (§4.1040)

Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.

Death after Retirement (§4.1044)

- 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);
- $2,500 lump sum death benefit paid to a designated beneficiary; and
- Any unused contributions if the member has elected the cash refund annuity option

Death before Retirement (§4.1062 and §4.1054)

Option #1:

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

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

Option #2:

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

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:

Entry Age	Normal Rate	Survivor Rate
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.

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.

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.

One of the general goals of an actuarial valuation is to establish contributions which fully fund the Retirement System's liabilities, and which, as a percentage of payroll, remain as level as possible for each generation of active members. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB 43 and 45.

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.

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

Dave Bergerson, ASA, MAAA, EA

Vice President and Actuary

Patrick Twomey

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

Actuarial Analysis of Financial Experience

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		41,113,998
5.	Expected unfunded actuarial accrued liability (UAAL)		$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	18,740,801	
	c. Total assumption change		27,599,895
7.	Changes due to experience:*		
	a. Investment (gain)	(17,923,497)	
	b. Other plan experience	31,127,416	
	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.*

Actuarial Balance Sheet

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	585,123,289
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	1,865,096,157
	Total	$2,741,001,505

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

Summary of Actuarial Assumptions and Actuarial Cost Method

The Board adopted the following assumptions on October 14, 2008.

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

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)

Carrier	Participation Percent	Monthly 2008-2009 Fiscal Year Subsidy
WellPoint	76.3	$37.60
SafeGuard	23.7	$12.38

Medical Subsidy
Participant Under Age 65 or Not Eligible for Medicare A & B
2008-2009 Fiscal Year

Carrier	Election Percent	Single Party Subsidy	Married/ with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser	57.6	$536.27	$1,070.56	$536.27
Blue Cross PPO	25.0	$845.73	$1,071.00	$536.27
Blue Cross HMO	17.4	$542.08	$1,071.00	$536.27

Medical Subsidy
Participant Eligible for Medicare A & B
2008-2009 Fiscal Year

Carrier	Election Percent	Single Party Subsidy	Married/ with Domestic Partner Subsidy	Eligible Survivor Subsidy
Kaiser	59.5	$185.99	$370.00	$185.99
Blue Cross PPO	32.7	$420.44	$645.72	$420.44
Secure Horizons	7.8	$167.01	$330.04	$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.

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	Trend to be applied to 2008-2009 Fiscal Year premium
Blue Cross PPO, Under Age 65	7.94%
Blue Cross PPO, Age 65 and Over	7.94%
Kaiser HMO, Under Age 65	9.30%
Senior Advantage	6.39%
Blue Cross HMO, Under 65	7.79%
Secure Horizons	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%.

Administrative Expenses

No administrative expenses were valued separately from the claim costs.

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.

Actuarial Cost Method

Projected Unit Credit Cost Method.

Assumption Changes since Prior Evaluation

The Board adopted the above assumptions on October 14, 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.

	Rate (%)	
Age	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.*

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

	Rate (%)
Service	Withdrawal (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

Premiums were updated.

Health care trend rates were updated.

Enrollment percentages were adjusted.

Summary of Plan Provisions

The summary represents the substantive Plan 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

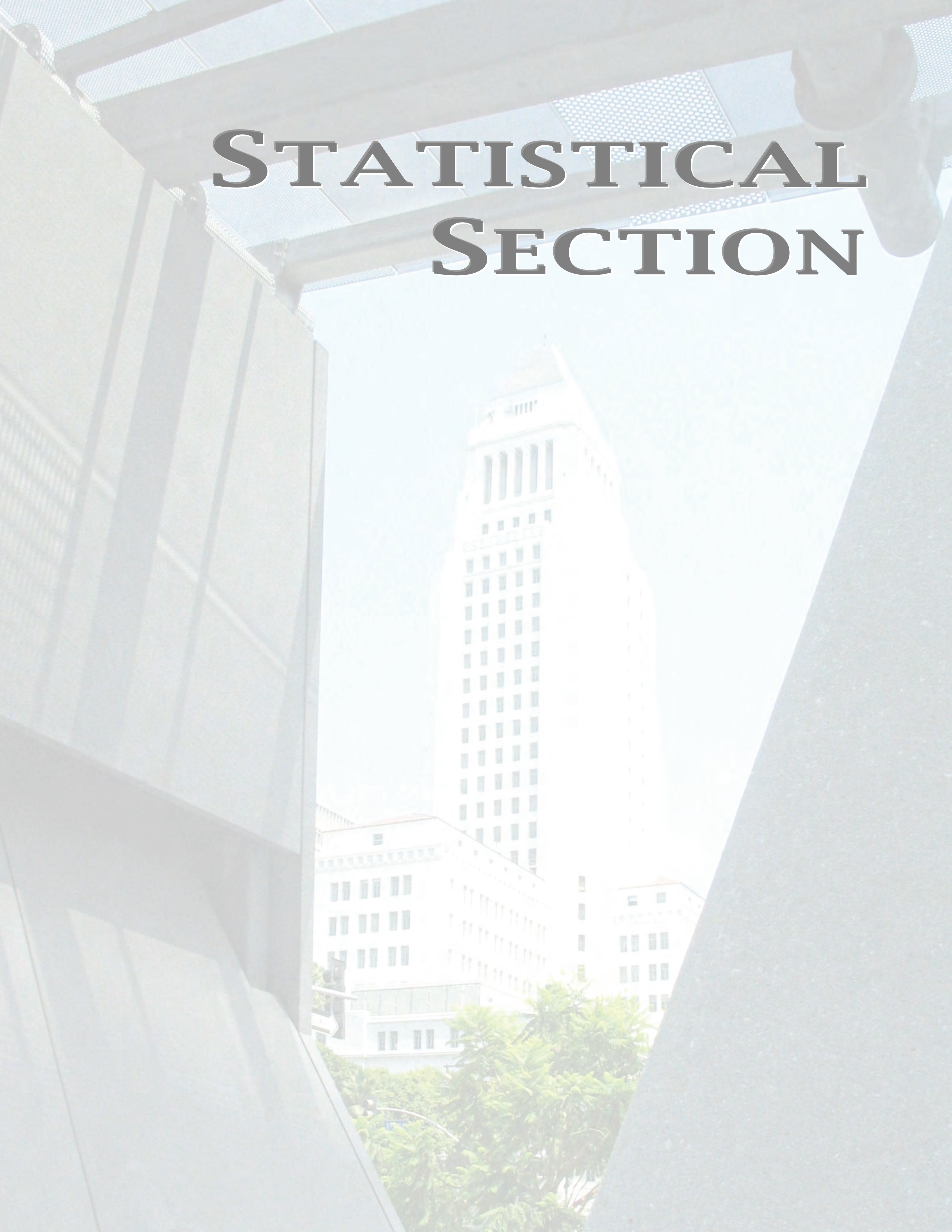
The maximum health subsidy available for survivors is the Kaiser single-party premium ($511.76 per month as of July 1, 2008, increasing to $560.78 on January 1, 2009) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

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:

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

STATISTICAL SECTION



STATISTICAL SECTION

The Statistical Section of the System's Comprehensive Annual Financial Report provides additional historical trend information to assist the reader with a more comprehensive understanding of current fiscal year's financial statements, note disclosures and required supplementary information, which cover the System's Retirement Plan and the Postemployment Healthcare Plan. This section also provides multi-year trends of financial and operating information to facilitate comprehensive understanding of how the System's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's revenues (additions), expenses (deductions), changes in plan net assets, benefit expenses by type, number of retirees by different types of benefits, and average monthly benefit payments.

The financial and operating trend information is as follows:

Schedule of Additions by Source – Retirement Plan

(Dollars in thousands)

		Employer Contribution			
Fiscal Year	Member Contribution	Dollars	% of Annual Covered Payroll	Net Investment Income (Loss)*	Total
1999	$62,560	$89,863	6.6%	$659,888	$812,311
2000	64,579	92,364	6.4	682,805	839,748
2001	69,460	79,861	4.9	(300,649)	(151,328)
2002	75,654	51,879	2.5	(320,330)	(192,797)
2003	83,068	70,923	3.8	220,326	374,317
2004	93,418	120,057	6.9**	1,097,366	1,310,841
2005	94,268	175,947	10.7**	673,389	943,604
2006	98,262	244,283	14.2**	925,399	1,267,944
2007	106,234	293,160	16.9**	1,591,647	1,991,041
2008	114,678	302,810	16.5**	(550,386)	(132,898)

** Includes change in unrealized gain and loss of investment.*
*** Contributions received at the beginning of the fiscal year with discounted rate.*

Schedule of Deductions by Type – Retirement Plan

(In thousands)

Fiscal Year	Benefit Payments	Refunds of Contributions	Administrative Expenses	Miscellaneous Expenses	Total
1999	$268,298	$9,628	$5,549	$ -	$283,475
2000	289,396	12,993	6,627	-	309,016
2001	308,636	12,923	7,196	-	328,755
2002	332,747	13,049	7,137	-	352,933
2003	358,196	14,679	7,706	-	380,581
2004	380,276	11,338	9,066	-	400,680
2005	405,456	10,679	9,303	-	425,438
2006	431,232	13,021	10,284	-	454,537
2007	457,847	17,452	9,501	-	484,800
2008	484,549	15,149	11,987	5,366*	517,051

** Transfer to Fire and Police Pensions.*

Schedule of Additions by Source – Postemployment Healthcare Plan

(Dollars in thousands)

	Employer Contribution				
Fiscal Year	Dollars	% of Annual Covered Payroll	Miscellaneous Income	Net Investment Income (Loss)*	Total
1999	$19,499	1.9%	$ -	$153,031	$172,530
2000	14,246	1.3	-	88,362	102,608
2001	8,036	0.7	-	(48,668)	(40,632)
2002	27,589	2.2	-	(50,163)	(22,574)
2003	26,608	2.0	-	26,999	53,607
2004	20,144	1.4**	-	155,151	175,295
2005	53,190	3.6**	-	91,412	144,602
2006	76,116	4.8**	-	128,473	204,589
2007	115,233	7.0**	-	231,613	346,846
2008	108,848	6.3**	11,000***	(96,007)	23,841

** Includes change in unrealized gain and loss of investment.*
*** Contributions received at the beginning of the fiscal year with discounted rate.*
**** Return of Excess Reserve.*

Schedule of Deductions by Type – Postemployment Healthcare Plan

(In thousands)

Fiscal Year	Benefit Payments	Administrative Expenses	Miscellaneous Expenses	Total
1999	$22,326	$ 683	$ -	$23,009
2000	29,987	920	-	30,907
2001	34,469	1,004	-	35,473
2002	42,069	996	-	43,065
2003	50,784	1,459	-	52,243
2004	58,254	1,805	-	60,059
2005	63,756	1,693	-	65,449
2006	62,351	1,924	-	64,275
2007	65,090	1,856	-	66,946
2008	70,096	2,367	854*	73,317

** Transfer to Fire and Police Pensions.*

Changes in Plan Net Assets – Retirement Plan

(In thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Additions										
City Contributions	$89,863	$92,364	$79,861	$51,879	$70,923	$120,057	$175,947	$244,283	$293,160	$302,810
Member Contributions	62,560	64,579	69,460	75,654	83,068	93,418	94,268	98,262	106,234	114,678
Net Investment Income (Loss)	659,888	682,805	(300,649)	(320,330)	220,326	1,097,366	673,389	925,399	1,591,647	(550,386)
Total Additions	812,311	839,748	(151,328)	(192,797)	374,317	1,310,841	943,604	1,267,944	1,991,041	(132,898)
Deductions										
Benefit Payments	268,298	289,396	308,636	332,747	358,196	380,276	405,456	431,232	457,847	484,549
Refunds of Contributions	9,628	12,993	12,923	13,049	14,679	11,338	10,679	13,021	17,452	15,149
Administrative Expenses	5,549	6,627	7,196	7,137	7,706	9,066	9,303	10,284	9,501	11,987
Miscellaneous Expenses	-	-	-	-	-	-	-	-	-	5,366*
Total Deductions	283,475	309,016	328,755	352,933	380,581	400,680	425,438	454,537	484,800	517,051
Change in Plan Net Assets	$528,836	$530,732	$(480,083)	$(545,730)	$(6,264)	$910,161	$518,166	$813,407	$1,506,241	$(649,949)

** Transfer to Fire and Police Pensions.*

Changes in Plan Net Assets – Postemployment Healthcare Plan

(In thousands)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Additions										
City Contributions	$19,499	$14,246	$8,036	$27,589	$26,608	$20,144	$53,190	$76,116	$115,233	$108,848
Miscellaneous Income	-	-	-	-	-	-	-	-	-	11,000*
Net Investment Income (Loss)	153,031	88,362	(48,668)	(50,163)	26,999	155,151	91,412	128,473	231,613	(96,007)
Total Additions	172,530	102,608	(40,632)	(22,574)	53,607	175,295	144,602	204,589	346,846	23,841
Deductions										
Benefit Payments	22,326	29,987	34,469	42,069	50,784	58,254	63,756	62,351	65,090	70,096
Administrative Expenses	683	920	1,004	996	1,459	1,805	1,693	1,924	1,856	2,367
Miscellaneous Expenses	-	-	-	-	-	-	-	-	-	854**
Total Deductions	23,009	30,907	35,473	43,065	52,243	60,059	65,449	64,275	66,946	73,317
Change in Plan Net Assets	$149,521	$71,701	$(76,105)	$(65,639)	$1,364	$115,236	$79,153	$140,314	$279,900	$(49,476)

** Return of Excess Reserve.*
*** Transfer to Fire and Police Pensions.*

Schedule of Benefit Expenses by Type – Retirement Plan

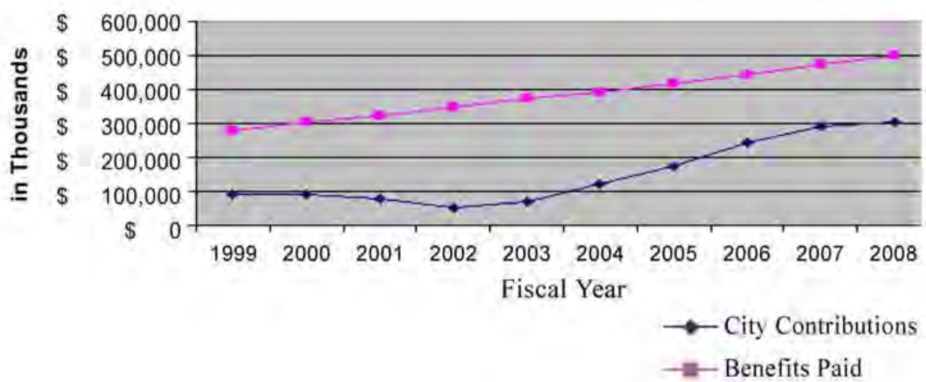
(In thousands)

Fiscal Year	Age & Service Benefit Retirants	Age & Service Benefit Survivors	Death in Service Benefits	Disability Benefits Retirants	Disability Benefits Survivors	Sub Total	Refunds of Contributions	Total Benefits Paid
1999	$229,858	$25,407	$2,874	$8,586	$1,572	$268,297	$9,628	$277,925
2000	240,422	32,440	2,582	9,964	3,989	289,397	12,993	302,390
2001	256,395	34,653	2,626	10,688	4,274	308,636	12,923	321,559
2002	277,241	37,094	2,996	10,803	4,613	332,747	13,049	345,796
2003	298,599	39,915	2,667	11,999	5,016	358,196	14,679	372,875
2004	318,135	42,017	2,814	12,003	5,307	380,276	11,338	391,614
2005	338,907	44,558	2,960	13,355	5,677	405,457	10,679	416,136
2006	360,515	47,509	3,053	14,173	5,982	431,232	13,021	444,253
2007	383,558	50,497	2,746	14,856	6,190	457,847	17,452	475,299
2008	406,891	53,064	2,600	15,390	6,604	484,549	15,149	499,698

City Contributions versus Benefits Paid

(In thousands)

Fiscal Year	City Contributions	Benefits Paid
1999	$89,863	$277,925
2000	92,364	302,390
2001	79,861	321,559
2002	51,879	345,796
2003	70,923	372,875
2004	120,057	391,614
2005	175,947	416,136
2006	244,283	444,253
2007	293,160	475,299
2008	302,810	499,698



Schedule of Benefit Expenses by Type – Postemployment Healthcare Plan

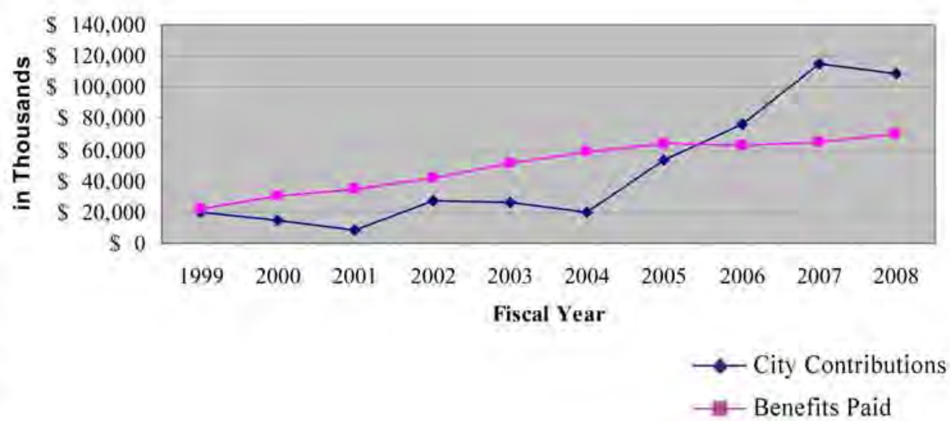
(In thousands)

	Age & Service Benefit			Disability Benefits		
Fiscal Year	Retirants	Survivors	Death in Service Benefits	Retirants	Survivors	Total Benefits Paid
1999	$19,128	$2,114	$239	$715	$131	$22,327
2000	24,912	3,361	268	1,032	413	29,986
2001	28,635	3,870	293	1,194	477	34,469
2002	35,051	4,690	379	1,366	583	42,069
2003	42,335	5,659	378	1,701	711	50,784
2004	48,735	6,436	431	1,839	813	58,254
2005	53,291	7,006	465	2,100	893	63,755
2006	52,127	6,869	441	2,049	865	62,351
2007	54,529	7,179	390	2,112	880	65,090
2008	58,863	7,676	376	2,226	955	70,096

City Contributions versus Benefits Paid

(In thousands)

Fiscal Year	City Contributions	Benefits Paid
1999	$19,499	$22,327
2000	14,246	29,986
2001	8,036	34,469
2002	27,589	42,069
2003	26,608	50,784
2004	20,144	58,254
2005	53,190	63,755
2006	76,116	62,351
2007	115,233	65,090
2008	108,848	70,096



Schedule of Retired Members by Type of Benefits – Retirement Plan

Amount of Monthly Benefits	Number of Retirants*	Type of Benefits **										
		1	2	3	4	5	6	7	8	9	10	11
$1-250	198	44	37	2	35	2	12	1	15	-	49	1
251-500	526	104	164	-	101	7	52	20	47	1	28	2
501-750	836	125	300	6	115	35	115	66	44	1	29	-
751-1,000	979	234	324	18	118	123	40	70	44	-	8	-
1,001-1,250	1,156	317	325	26	105	265	19	64	30	-	5	-
1,251-1,500	1,085	419	263	32	92	204	9	37	27	-	2	-
1,501-1,750	965	490	199	28	52	146	9	28	11	-	2	-
1,751-2,000	855	525	152	26	48	73	6	14	9	-	2	-
Over 2,000	8,499	7,482	590	154	162	52	8	18	28	-	5	-
Total	15,099	9,740	2,354	292	828	907	270	318	255	2	130	3

** The Limited Term Retirement Plan and Family Death Benefit Insurance Plan payments are not included.*
*** Type of Benefits*

1 - Service Retirement *7 - Disability Survivorship*

2 - Service Continuance *8 - DRO Life Time Annuity*

3 - Service Survivorship *9 - DRO Term Annuity*

4 - Vested Right Retirement *10 - Larger Annuity*

5 - Disability Retirement *11 - Larger Annuity Continuance*

6 - Disability Continuance

Schedule of Retired Members by Type of Benefits – Postemployment Healthcare Plan

Amount of Monthly Benefits	Number of Retirants	Type of Benefits *** 1	2	3	4	5	6	7
Medical								
$0-200	3,166	2,027	787	72	87	99	46	48
201-400	2,339	2,039	121	21	77	56	12	13
401-600	2,675	1,885	455	67	136	104	15	13
601-800	1,138	1,087	-	-	39	12	-	-
801-1,000	770	701	-	-	56	13	-	-
1,001-1,022*	1,115	1,101	-	-	12	2	-	-
Total	11,203	8,840	1,363	160	407	286	73	74
Dental								
$0-10	2,070	542	999	130	85	186	57	71
11-20	1,993	1,839	-	-	91	63	-	-
21-30	768	623	-	-	89	56	-	-
31-39.04**	5,993	5,819	-	-	145	29	-	-
Total	10,824	8,823	999	130	410	334	57	71

** Maximum medical subsidy for plan year 2008*
*** Maximum dental subsidy for plan year 2008*
****Type of Benefits*

1 - Service Retirement *5 - Disability Retirement*
2 - Service Continuance *6 - Disability Continuance*
3 - Service Survivorship *7 - Disability Survivorship*
4 - Vested Right Retirement

Schedule of Average Benefit Payments – Retirement Plan

Retirement Effective Dates July 1, 1998 to June 30, 2008	Years Credited Service					
	0-10 yrs	11-15 yrs	16-20 yrs	21-25 yrs	26-30 yrs	Over 30 yrs
Period 7/1/98 to 6/30/99						
Average Monthly Benefit	$868	$1,149	$1,522	$1,880	$2,578	$3,772
Average Final Monthly Salary*	$3,368	$3,806	$3,803	$3,801	$4,213	$4,902
Number of Active Retirants	54	58	46	38	74	304
Period 7/1/99 to 6/30/00						
Average Monthly Benefit	$736	$1,132	$1,642	$2,065	$2,764	$4,107
Average Final Monthly Salary*	$2,635	$3,769	$4,139	$4,078	$4,374	$5,221
Number of Active Retirants	21	94	46	56	61	351
Period 7/1/00 to 6/30/01						
Average Monthly Benefit	$891	$1,212	$1,603	$2,175	$3,018	$4,184
Average Final Monthly Salary*	$3,436	$4,009	$4,115	$4,368	$4,875	$5,384
Number of Active Retirants	24	72	53	44	71	312
Period 7/1/01 to 6/30/02						
Average Monthly Benefit	$670	$1,124	$1,719	$2,174	$3,019	$4,059
Average Final Monthly Salary*	$3,481	$4,027	$4,594	$4,463	$4,871	$5,377
Number of Active Retirants	24	64	76	45	75	304
Period 7/1/02 to 6/30/03						
Average Monthly Benefit	$785	$1,206	$1,716	$2,461	$3,034	$4,179
Average Final Monthly Salary*	$3,245	$4,250	$4,608	$5,134	$5,120	$5,632
Number of Active Retirants	31	65	73	70	61	322
Period 7/1/03 to 6/30/04						
Average Monthly Benefit	$724	$1,525	$1,763	$2,629	$3,027	$4,348
Average Final Monthly Salary*	$4,224	$4,999	$4,800	$4,915	$5,263	$6,051
Number of Active Retirants	33	47	82	66	51	288
Period 7/1/04 to 6/30/05						
Average Monthly Benefit	$1,335	$1,639	$1,881	$2,673	$3,537	$4,734
Average Final Monthly Salary*	$5,790	$4,824	$5,116	$5,074	$6,082	$6,450
Number of Active Retirants	36	37	77	72	86	316
Period 7/1/05 to 6/30/06						
Average Monthly Benefit	$1,200	$1,338	$2,122	$2,468	$3,492	$4,828
Average Final Monthly Salary*	$3,798	$4,664	$5,422	$5,262	$5,937	$6,380
Number of Active Retirants	40	33	59	88	93	271
Period 7/1/06 to 6/30/07						
Average Monthly Benefit	$1,023	$1,301	$1,991	$2,633	$3,227	$4,997
Average Final Monthly Salary*	$3,702	$5,170	$5,223	$5,514	$5,515	$6,543
Number of Active Retirants	41	33	62	85	74	230
Period 7/1/07 to 6/30/08						
Average Monthly Benefit	$883	$1,191	$2,105	$3,246	$3,818	$5,127
Average Final Monthly Salary*	$3,846	$4,336	$5,139	$5,922	$6,482	$6,754
Number of Active Retirants	22	36	50	91	69	229

** Average Final Monthly Salary = Average of last or highest 12 consecutive months' salary.*

Schedule of Average Benefit Payments – Postemployment Healthcare Plan

Retirement Effective Dates July 1, 1998 to June 30, 2008	Years Credited Service Under 10 yrs*	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/98 to 6/30/99					
Health Insurance					
Average Monthly Benefit	$ -	$267	$357	$398	$573
Number of Active Retirants	1	33	33	42	324
Dental Insurance					
Average Monthly Benefit	$ -	$14	$20	$31	$32
Number of Active Retirants	3	36	38	41	327
Period 7/1/99 to 6/30/00					
Health Insurance					
Average Monthly Benefit	$ -	$220	$319	$395	$583
Number of Active Retirants	1	70	39	62	399
Dental Insurance					
Average Monthly Benefit	$ -	$12	$19	$24	$30
Number of Active Retirants	1	74	39	64	401
Period 7/1/00 to 6/30/01					
Health Insurance					
Average Monthly Benefit	$ -	$254	$339	$397	$606
Number of Active Retirants	2	56	52	57	400
Dental Insurance					
Average Monthly Benefit	$ -	$12	$16	$22	$28
Number of Active Retirants	2	56	44	53	387
Period 7/1/01 to 6/30/02					
Health Insurance					
Average Monthly Benefit	$ -	$273	$361	$487	$616
Number of Active Retirants	1	61	62	64	386
Dental Insurance					
Average Monthly Benefit	$ -	$12	$18	$23	$29
Number of Active Retirants	1	59	59	58	375
Period 7/1/02 to 6/30/03					
Health Insurance					
Average Monthly Benefit	$ -	$279	$449	$498	$628
Number of Active Retirants	1	61	65	67	393
Dental Insurance					
Average Monthly Benefit	$ -	$12	$18	$23	$27
Number of Active Retirants	4	57	64	64	382
Period 7/1/03 to 6/30/04					
Health Insurance					
Average Monthly Benefit	$ -	$317	$413	$558	$600
Number of Active Retirants	3	50	86	76	340
Dental Insurance					
Average Monthly Benefit	$ -	$12	$19	$21	$28
Number of Active Retirants	3	48	81	71	337

Schedule of Average Benefit Payments – Postemployment Healthcare Plan (Continued)

Retirement Effective Dates July 1, 1998 to June 30, 2008	Years Credited Service: Under 10 yrs*	10-15 yrs	16-20 yrs	21-25 yrs	Over 25 yrs
Period 7/1/04 to 6/30/05					
Health Insurance					
Average Monthly Benefit	$ -	$333	$419	$490	$675
Number of Active Retirants	5	58	88	100	391
Dental Insurance					
Average Monthly Benefit	$ -	$14	$19	$22	$29
Number of Active Retirants	3	56	75	89	380
Period 7/1/05 to 6/30/06					
Health Insurance					
Average Monthly Benefit	$ -	$310	$471	$530	$656
Number of Active Retirants	-	51	84	90	372
Dental Insurance					
Average Monthly Benefit	$ -	$12	$18	$28	$28
Number of Active Retirants	4	46	76	82	363
Period 7/1/06 to 6/30/07					
Health Insurance					
Average Monthly Benefit	$ -	$297	$469	$562	$664
Number of Active Retirants	2	33	94	100	357
Dental Insurance					
Average Monthly Benefit	$ -	$13	$17	$25	$27
Number of Active Retirants	4	34	91	93	352
Period 7/1/07 to 6/30/08					
Health Insurance					
Average Monthly Benefit	$ -	$348	$425	$580	$646
Number of Active Retirants	3	33	60	86	327
Dental Insurance					
Average Monthly Benefit	$ -	$12	$20	$25	$28
Number of Active Retirants	2	32	50	85	315

** Healthcare benefits are not provided to retirants with services less than 10 years, except two Members who are covered under "Compulsory Retirement" provision per the City's Administrative Code Section 4.1103.2.*

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

LACERS

Fiscal Management Section
360 E. Second Street, 2nd Floor
Los Angeles, CA 90012-4207
www.LACERS.org

(800) 779-8328
(213) 473-7200
(888) 349-3996 TDD
(213) 687-4174 FAX