Los Angeles City Employees' Retirement System

Actuarial Valution and Review for Retirement **and** *Health Programs as of June 30, 2005*

THE SEGAL COMPANY
120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

November 9, 2005

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

Re: **June 30, 2005 Actuarial Valuations**

Dear Board Members:

Enclosed please find the June 30, 2005 actuarial valuations for the retirement and the health programs.

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

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

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

Sincerely,

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

Paul Poon, ASA, EA
Associate Actuary

Andy Yeung, ASA, MAAA, EA
Associate Actuary

PXP:jc
Enclosure

191126/05806.001

Exhibit A

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

		June 30, 2005	June 30, 2004	Percent Change
I.	**Total Membership**			
	A. Active Members	27,333	27,092	0.9%
	B. Pensioner	14,322	14,137	1.3%
II.	**Valuation Salary**			
	A. Total Annual Payroll	$1,589,305,846	$1,575,284,734	0.9%
	B. Average Monthly Salary	4,846	4,846	0.0%
III.	**Benefits to Current Retirees and Beneficiaries***			
	A. Total Annual Benefits	$427,953,132	$399,268,032	7.2%
	B. Average Monthly Benefit Amount	2,490	2,354	5.8%
IV.	**Total System Assets****			
	A. Actuarial Value	$8,105,746,091	$7,917,509,037	2.4%
	B. Market Value	8,331,756,497	7,734,438,028	7.7%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$2,128,382,740	$1,491,755,937	42.7%
	B. Health Subsidy Benefits	825,520,669	560,815,516	47.2%

* Includes July COLA.

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

Exhibit A (continued)

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

		FY 2006-2007		FY 2005-2006		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	9.22%	9.57%	8.44%	8.77%	0.78%	0.80%
	2. Amortization of UAAL	7.64%	7.94%	5.77%	5.99%	1.87%	1.95%
	3. Total Retirement Contribution	16.86%	17.51%	14.21%	14.76%	2.65%	2.75%
	B. Health Subsidy Contribution						
	1. Normal Cost as a Percent of Pay	4.16%	4.32%	2.03%	2.11%	2.13%	2.21%
	2. Amortization of UAAL	2.84%	2.95%	2.72%	2.83%	0.12%	0.12%
	3. Total Retirement Contribution	7.00%	7.27%	4.75%	4.94%	2.25%	2.33%
	C. Total Contribution (A+B)	23.86%	24.78%	18.96%	19.70%	4.90%	5.08%

		June 30, 2005	June 30, 2004	Change
VII	**Funded Ratio**			
	(Based on Valuation Value of Assets)			
	A. Retirement Benefits	77.2%	82.5%	-5.3%
	B. Healthy Subsidy Benefits	52.0%	60.5%	-8.5%
	C. Total	73.2%	79.4%	-6.2%
	(Based on Market Value of Assets)			
	D. Retirement Benefits	79.3%	80.6%	-1.3%
	E. Health Subsidy Benefits	53.4%	59.1%	-5.7%
	F. Total	75.3%	77.5%	-2.2%

Exhibit B

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

Valuation Date	Retirement	Health	Total	Valuation Payroll (thousands)
06/30/1994	12.07%	2.99%	15.06%	$884,951
06/30/1995	7.34%	2.30%	9.64%	911,292
06/30/1996	6.51%	3.18%	9.69%	957,423
06/30/1997	6.57%	1.85%	8.42%	990,616
06/30/1998	6.43%	1.27%	7.70%	1,011,857
06/30/1999	4.93%	0.67%	5.60%	1,068,124
06/30/2000	2.54%	2.17%	4.71%	1,182,203
06/30/2001	3.84%	1.98%	5.82%	1,293,350
06/30/2002	9.22%	1.85%	11.07%	1,334,335
06/30/2003	11.95%	4.02%	15.97%	1,405,058
06/30/2004	14.76%	4.94%	19.70%	1,575,285
06/30/2005	17.51%	7.27%	24.78%	1,589,306

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

Exhibit C

Los Angeles City Employees' Retirement System

Solvency Test for Retirement Benefits
For Years Ended June 30

($ In Thousands)

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

Exhibit D

Los Angeles City Employees' Retirement System
Retirees and Beneficiaries Added To and Removed From the Rolls*
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
6/30/2001	773	$22,866,958	466	$6,436,730	13,365	$316,057,216	8.6%	$23,648
6/30/2002	844	23,740,829	620	11,316,344	13,589	336,437,038	6.4%	24,758
6/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
6/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
6/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881

* 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.

TAB 1: Retirement Valuation as of June 30, 2005 — Los Angeles City Employees' Retirement System

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review as of June 30, 2005

SEGAL

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

November 9, 2005

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

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2006/2007 and analyzes the preceding year's experience.

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

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

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

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo	Paul C. Poon	Andy Yeung
Paul Angelo, FSA, MAAA	*Paul Poon, ASA*	*Andy Yeung, ASA, MAAA*
Vice President and Actuary	*Associate Actuary*	*Associate Actuary*

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SECTION 1

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the Los Angeles City Employees' Retirement System as of June 30, 2005. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2005, provided by LACERS;
- The assets of the Plan as of June 30, 2005, provided by LACERS;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

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

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 82.52% to 77.17%. The unfunded actuarial accrued liability has increased from $1,491.8 million to $2,128.4 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.
- The aggregate employer rate calculated in this valuation has increased from 14.76% of payroll to 17.51% of payroll. The contribution rate for the employer increased because of: (i) lower than expected return on the valuation value of assets, (ii) changes in actuarial assumptions and methods, and (iii) other actuarial losses.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment gain as of June 30, 2005 is $226,010,406 for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment gains on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would decrease in each of the next few years.

- As instructed by the Board of Administration, the recommended contribution is set equal to the greater of the current funding policy or the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27. We have included in the calculation of the recommended contribution an additional contribution due to the application of the 40 year minimum amortization requirement for both fiscal year 2003/2004 and fiscal year 2004/2005.

  A Net Pension Obligation was created in the last valuation as well as in the June 30, 2005 valuation due to: (1) the phase-in of the higher contribution rate requirement brought by the last experience study and (2) the GASB requirement that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan be amortized over an equivalent period of not greater than 40 years. Since (1) is already included in the development of the Plan’s actual UAAL, the ARC calculation requires only an additional contribution to amortize (2) over a period of 15 years. In the June 30, 2005 valuation, there are 14 years of payments left in the amortization of (2) from the June 30, 2004 valuation and 15 years of payments left in the amortization of (2) from the June 30, 2005 valuation.

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

- The employer contribution rates provided in this report have been developed assuming that they will be made by the City at either: (1) the beginning of the fiscal year (i.e., the City will prepay its contributions) or (2) throughout the year (i.e., the City will pay contributions at the end of every pay period).

- The actuarial valuation report as of June 30, 2005 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

- The actuarial assumptions used in the June 30, 2005 valuation were those adopted by the Board as a result of our June 30, 2005 triennial experience study. A summary of the new and old assumptions is provided in Section 4, Exhibit VI.

- The Board has adopted a policy of amortizing the UAAL over a fixed period of 30 years beginning July 1, 2005. The UAALs arising from the phase-in of contribution rates for the May 30, 2002 experience study (for fiscal year 2003/2004 and 2004/2005) were excluded from this 30 year amortization policy. Future changes in the UAAL will be separately identified and amortized over various periods depending on the source of the change.

Summary of Key Valuation Results

	2005	2004
Contributions calculated as of June 30:		
Recommended as a percent of pay (note there is a 12 month delay until the rate is effective)		
At the beginning of year	16.86%	14.21%
At the end of each pay period	17.51%	14.76%
Funding elements for plan year beginning July 1:		
Normal cost	$ 249,462,452	$ 236,238,453
Market value of assets*	8,331,756,497	7,734,438,028
Actuarial value of assets*	8,105,746,091	7,917,509,037
Valuation value of retirement assets	7,193,142,227	7,042,107,591
Actuarial accrued liability	9,321,524,967	8,533,863,528
Unfunded actuarial accrued liability	2,128,382,740	1,491,755,937
Funded ratio	77.17%	82.52%
GASB 25/27 for fiscal year ended June 30:		
Annual required contributions	$183,241,489	$159,083,407
Actual contributions	158,131,638	100,408,689
Percentage contributed	86.30%	63.12%
Demographic data for plan year beginning July 1:		
Number of retired members and beneficiaries	14,322	14,137
Number of vested former members	2,426	2,232
Number of active members	27,333	27,092
Projected total payroll	$1,589,305,846	$1,575,284,734
Projected average payroll	58,146	58,146

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

Actuarial Certification

November 9, 2005

This is to certify that The Segal Company has conducted an actuarial valuation of the Los Angeles City Employees' Retirement System retirement program as of June 30, 2005, 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, 2004. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

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

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

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

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

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

Paul C. Poon

Paul Poon, ASA, EA
Associate Actuary

Andy Yeung

Andy Yeung, ASA, MAAA, EA
Associate Actuary

A. MEMBER DATA

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

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

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

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

CHART 1

Member Population: 1996 – 2005

Year Ended June 30	Active Members	Vested Terminated Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
1996	22,319	N/A	12,242	0.55
1997	22,219	N/A	12,698	0.57
1998	22,091	N/A	12,591	0.57
1999	22,504	N/A	12,843	0.57
2000	24,234	N/A	13,058	0.54
2001	25,654	N/A	13,365	0.52
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61

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

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 27,333 active members with an average age of 45.6, average years of service of 12.0 years and average payroll of $58,146. The 27,092 active members in the prior valuation had an average age of 45.2, average service of 11.9 years and average payroll of $58,146.

Inactive Members

In this year's valuation, there were a total of 2,426 members who were either (a) non-vested and entitled to a refund of member contributions or (b) vested with a right to a deferred or immediate benefit.

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

CHART 2

Distribution of Active Members by Age as of June 30, 2005

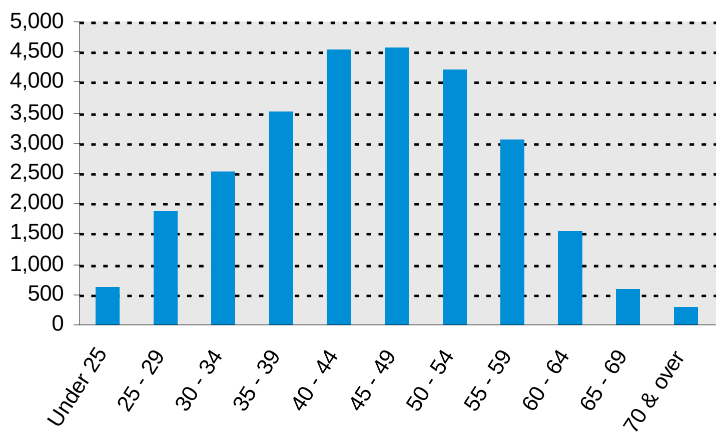
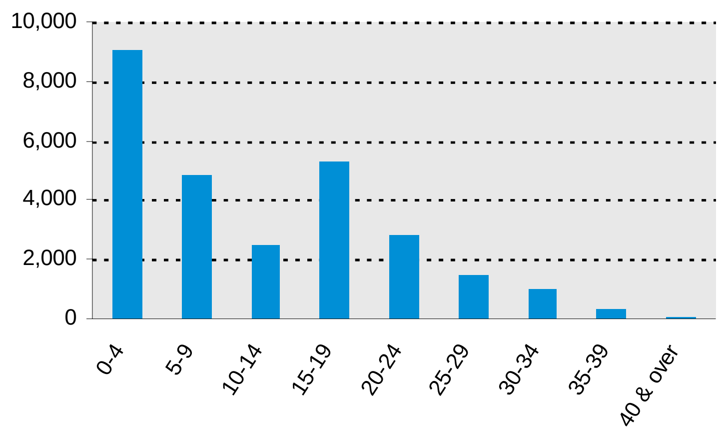


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2005



Retired Members and Beneficiaries
As of June 30, 2005, 11,009 retired members and 3,313 beneficiaries were receiving total monthly benefits of $35,665,309. For comparison, in the previous valuation, there were 10,940 retired members and 3,197 beneficiaries receiving monthly benefits of $33,270,878.

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

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

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2005

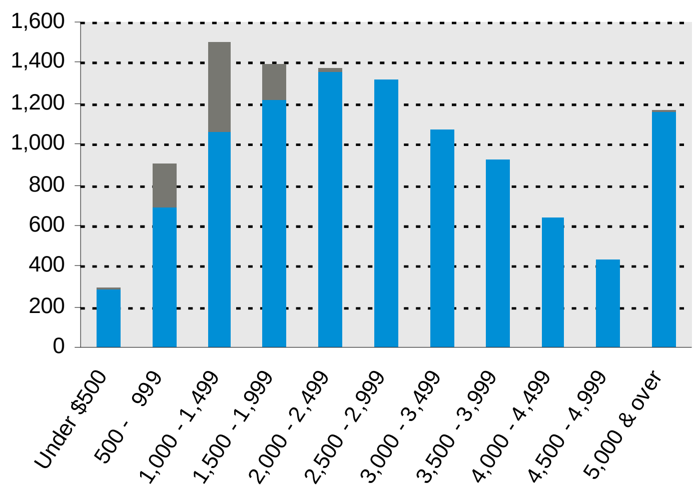
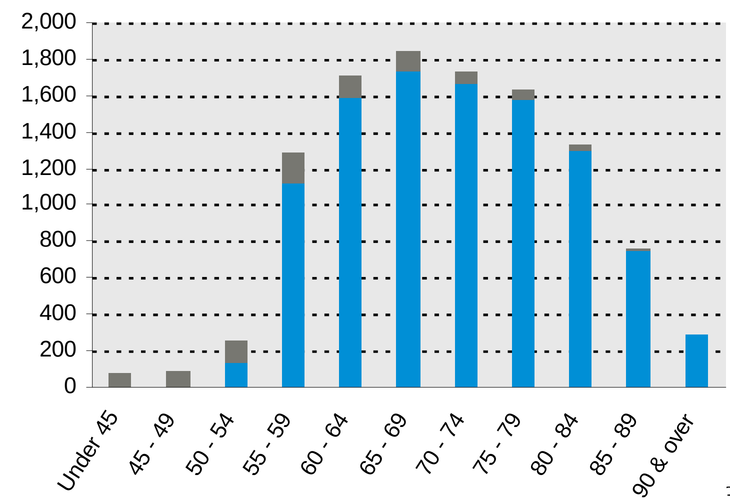


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2005



Disability
Service

B. FINANCIAL INFORMATION

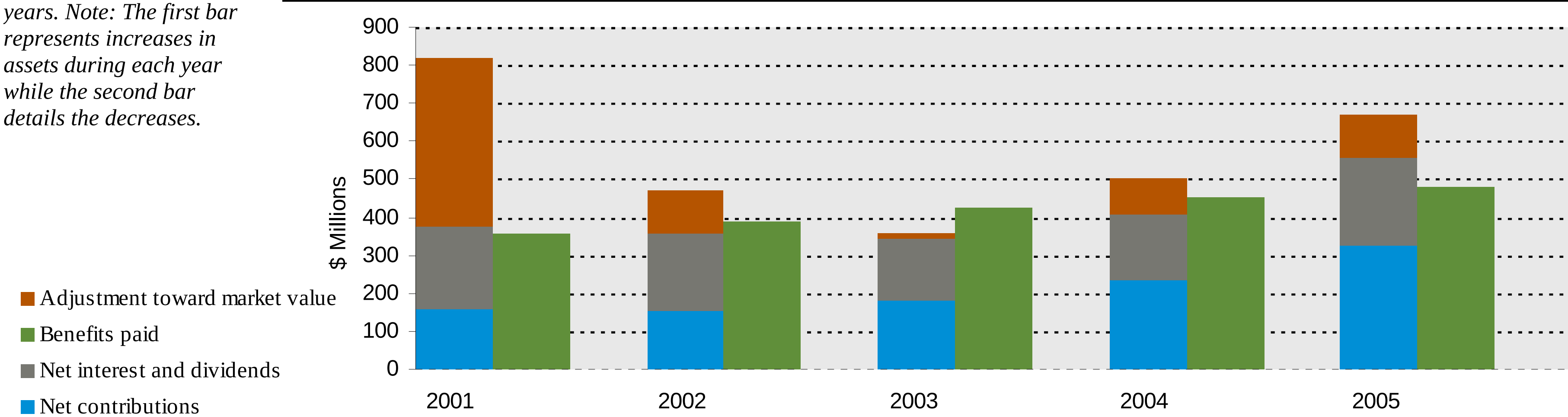
Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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

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

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2001 – 2005



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

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

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

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2005

		Original Amount	Unrecognized Return	
1.	Market value of assets			$8,331,756,497
2.	Calculation of unrecognized return*	Original Amount	Unrecognized Return	
	(a) Year ended June 30, 2005	$132,848,231	$106,278,585	
	(b) Year ended June 30, 2004	710,820,763	426,492,458	
	(c) Year ended June 30, 2003	-289,230,950	-115,692,380	
	(d) Year ended June 30, 2002	-955,341,286	-191,068,257	
	(e) Total unrecognized return			226,010,406
3.	Preliminary actuarial value: (1) - (2e)			8,105,746,091
4.	Adjustment to be within 20% corridor			0
5.	Final actuarial value of assets: (3) + (4)			$8,105,746,091
6.	Actuarial value as a percentage of market value: (5) ÷ (1)			97.3%
7.	Market value of retirement assets			$7,393,706,737
8.	Valuation value of retirement assets: (5) ÷ (1) x (7)			$7,193,142,227

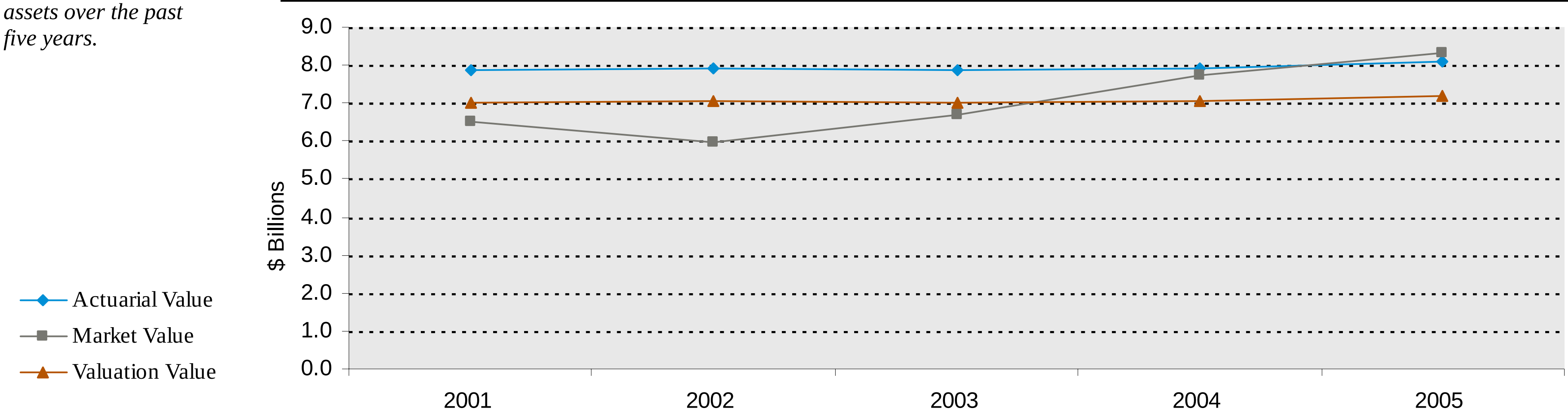
**Total return minus expected return on a market value basis*

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

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

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2001 – 2005



C. ACTUARIAL EXPERIENCE

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

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

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

The total loss of $244,047,389 is comprised of an asset loss of $268,490,141, a gain of $90,755,342 from other experience, and a contribution loss of $66,312,590. The net experience variation from individual sources other than investments was 0.3% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

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

CHART 9

Actuarial Experience for Year Ended June 30, 2005

1.	Net loss from investments*	-$268,490,141
2.	Net gain from other experience**	90,755,342
3.	Net loss from contributions less than anticipated due to phase-in and one-year lag for new rates	-66,312,590
4.	Net experience loss: (1) + (2) + (3)	-$244,047,389

* *Details in Chart 10*

** *Details in Chart 13 – The net gain is attributed to actual liability experience from July 1, 2004 through June 30, 2005, compared to the projected experience predicted by the actuarial assumptions as of June 30, 2004.*

Investment Rate of Return
A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LACERS' investment policy. For valuation purposes, the assumed rate of return on the valuation value of assets is 8.00%. The actual rate of return on the valuation value of assets basis for the 2005 plan year was 4.19%.

Since the actual return for the year was less than the assumed return, LACERS experienced an actuarial loss during the year ended June 30, 2005 with regard to its investments.

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

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2005

	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	**Valuation Value (Includes assets for Retirement Only)**
1. Actual return	$ 344,723,988	$ 295,427,997
2. Average value of assets	7,945,035,660	7,048,976,729
3. Actual rate of return: (1) ÷ (2)	4.34%	4.19%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	$635,602,853	$563,918,138
6. Actuarial gain/(loss): (1) – (5)	-$290,878,865	-$268,490,141

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

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

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2001 - 2005

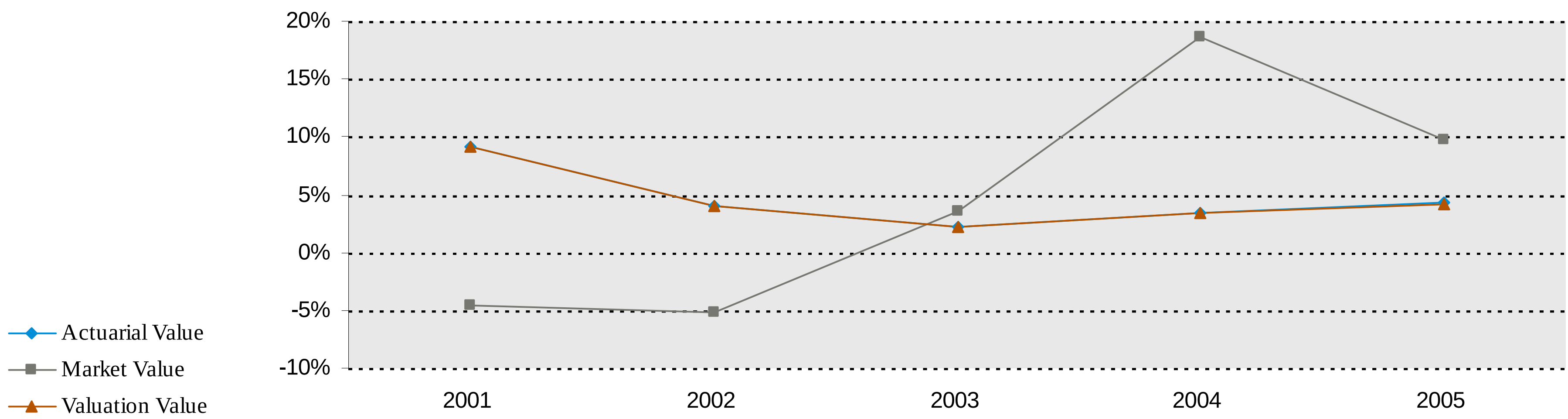
Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2001	$218,918,771	2.83	$443,656,601	5.73	$662,575,372	9.09	$218,918,771	-4.60
2002	201,393,778	2.58	112,813,481	1.44	314,207,259	4.06	201,393,778	-5.25
2003	164,915,100	2.11	11,691,257	0.15	176,606,357	2.26	238,161,856	3.61
2004	171,166,339	2.19	96,283,183	1.23	267,449,522	3.42	1,243,644,727	18.84
2005	235,062,628	2.96	109,661,360	1.38	344,723,988	4.34	753,805,403	9.71
Total	$991,456,616		$774,105,882		$1,765,562,498		$2,655,924,535	
					Five-year average return	4.61%		4.08%

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

This chart illustrates how this leveling effect has actually worked over the years 2001 - 2005.

CHART 12

Market and Actuarial Rates of Return for Years Ended June 30, 2001 - 2005



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

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2005 amounted to $90,755,342 which is 1.0% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the LACERS for the year ended June 30, 2005 is shown in the chart below.

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

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2005

1.	Salary increase for continuing actives less than expected	$116,553,414
2.	Miscellaneous	-25,798,072
3.	Total	$90,755,342

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 17.51% of payroll.

We have continued to follow last year's recommended contribution policy that adjusts the contribution requirement if the GASB ARC minimum contribution is greater than the amount prescribed below. For 2005, the GASB ARC minimum is $273.0 million and no additional adjustment has been made.

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

CHART 14

Recommended Contribution

		Year Beginning July 1			
		2005		**2004**	
		Amount	**% of Payroll**	**Amount**	**% of Payroll**
1.	Total normal cost	$ 249,462,452	15.70%	$ 236,238,453	14.99%
2.	Expected employee contributions	-103,009,993	-6.48%	-103,231,144	-6.55%
3.	Employer normal cost: (1) + (2)	$ 146,452,459	9.22%	$ 133,007,309	8.44%
4.	Actuarial accrued liability	9,321,524,967		8,533,863,528	
5.	Actuarial value of assets	7,193,142,227		7,042,107,591	
6.	Unfunded actuarial accrued liability	$2,128,382,740		$1,491,755,937	
7.	Amortization of unfunded accrued liability	121,432,706	7.64%	90,809,198	5.77%
8.	Total recommended contribution, not adjusted for timing	$ 267,885,165	16.86%	$ 223,816,507	14.21%
9.	Total recommended contribution, adjusted for timing*	$ 278,326,214	17.51%	$ 232,539,943	14.76%
10.	Projected payroll used for developing normal cost rate	$1,589,305,846		$1,575,284,734	

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

If paid by the City at the beginning of the year, the calculated normal cost (including expenses) is 9.22% of payroll. The remaining 7.64% of payroll will amortize the unfunded actuarial accrued liability over about 28 years.

The contribution rates as of June 30, 2005 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution

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

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

CHART 15

Reconciliation of Recommended Contribution from July 1, 2004 to July 1, 2005

Recommended Contribution as of July 1, 2004	$232,539,943
Effect of change in amortization period	-$7,876,717
Effect of change in other actuarial assumptions	30,230,538
Effect of contributions less than recommended contribution	3,765,417
Effect of investment loss	15,245,633
Effect of 40 year minimum GASB 25/27	1,235,271
Effect of net other changes	3,186,129
Total change	$45,786,271
Recommended Contribution as of July 1, 2005	$278,326,214

E. INFORMATION REQUIRED BY THE GASB

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

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

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

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

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

These graphs show key GASB factors.

CHART 16

Required Versus Actual Contributions

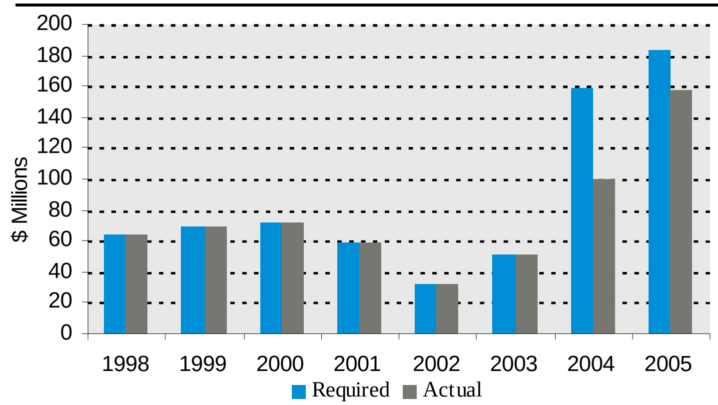


CHART 17

Funded Ratio

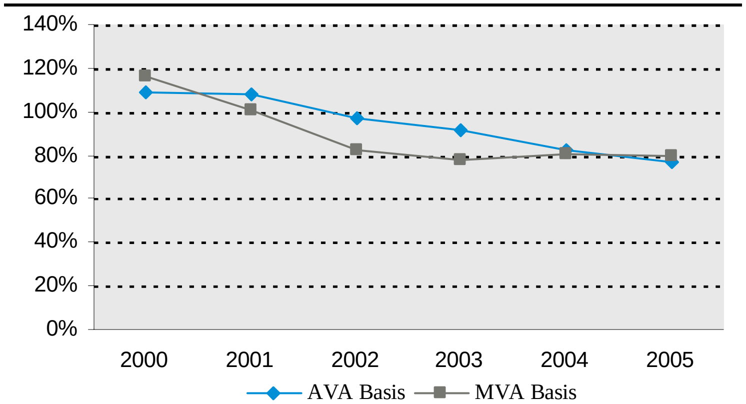


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EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30 2005	Year Ended June 30 2004	Change From Prior Year
Active members in valuation:			
Number	27,333	27,092	0.9%
Average age	45.6	45.2	N/A
Average service	12.0	11.9	N/A
Projected total payroll	$1,589,305,846	$1,575,284,734	0.9%
Projected average payroll	58,146	58,146	0.0%
Account balances	1,081,800,094	1,019,487,318	6.1%
Total active vested members	18,399	17,591	4.6%
Vested terminated members:			
Number	2,426	2,232	8.7%
Average age	42.6	42.7	N/A
Average contribution balance for those with under 5 years of service	$3,294	$2,958	11.4%
Average monthly benefit for those members with 5 or more years of service	$1,202	$1,183	1.6%
Retired members:			
Number in pay status	10,147	10,093	0.5%
Average age at retirement	60.0	60.1	N/A
Average age	71.4	71.4	N/A
Average monthly benefit (includes July COLA)	$2,961	$2,778	6.6%
Disabled members:			
Number in pay status	862	847	1.8%
Average age at retirement	44.3	44.3	N/A
Average age	60.1	60.2	N/A
Average monthly benefit (includes July COLA)	$1,236	$1,182	4.6%
Beneficiaries:			
Number in pay status	3,313	3,197	3.6%
Average age	75.2	75.0	N/A
Average monthly benefit (includes July COLA)	$1,374	$1,324	3.8%

EXHIBIT B

Members in Active Service as of June 30, 2005
By Age, Years of Service, and Average Payroll

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	610	602	8	- -	- -	- -	- -	- -	- -	- -
	28,501	28,230	48,884	- -	- -	- -	- -	- -	- -	- -
25 - 29	1,862	1,594	264	4	- -	- -	- -	- -	- -	- -
	44,882	43,209	54,751	60,296	- -	- -	- -	- -	- -	- -
30 - 34	2,521	1,519	869	118	15	- -	- -	- -	- -	- -
	52,590	47,893	59,108	64,661	55,599	- -	- -	- -	- -	- -
35 - 39	3,510	1,314	1,001	571	601	23	- -	- -	- -	- -
	56,724	46,584	58,938	69,543	62,975	58,145	- -	- -	- -	- -
40 - 44	4,555	1,142	863	544	1,476	499	31	- -	- -	- -
	61,229	47,255	58,890	68,528	69,114	65,710	65,513	- -	- -	- -
45 - 49	4,568	1,002	614	454	1,262	882	318	35	- -	1
	61,825	43,920	57,627	63,903	69,346	72,028	65,586	57,852	- -	87,919
50 - 54	4,222	814	519	341	926	673	553	376	20	- -
	63,124	45,351	58,582	66,610	66,850	70,344	71,597	69,784	69,874	- -
55 - 59	3,048	536	377	241	576	421	366	373	154	4
	63,219	40,510	54,248	61,422	65,808	66,937	75,205	79,376	79,245	75,402
60 - 64	1,530	305	185	120	304	191	131	144	123	27
	59,335	36,152	52,690	60,625	61,420	65,335	68,750	72,463	81,161	79,958
65 - 69	604	116	67	59	122	88	51	45	34	22
	54,250	25,574	43,470	48,850	64,332	67,275	64,146	61,684	73,383	77,037
70 & over	303	94	32	23	47	35	28	17	14	13
	41,601	16,344	21,732	44,062	59,152	58,990	60,571	63,016	60,378	69,420
Total	27,333	9,038	4,799	2,475	5,329	2,812	1,478	990	345	67
	$58,146	$43,368	$57,433	$65,680	$67,052	$68,862	$70,351	$72,881	$78,042	$76,801

EXHIBIT C

Reconciliation of Member Data

	Active Members	Vested Former Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2004	27,092	2,232	847	10,093	3,197	43,461
New members	1,685	N/A	N/A	N/A	N/A	1,685
Terminations – with vested rights	-450	450	0	0	0	0
Terminations – without vested rights	-357	N/A	N/A	N/A	N/A	-357
Retirements	-557	-52	N/A	609	N/A	0
New disabilities	-44	-4	48	N/A	N/A	0
Died with beneficiary	-2	0	-1	-37	40	0
Died without beneficiary	-66	0	-33	-469	-188	-756
Rehired	32	-31	-1	0	N/A	0
Data adjustments	0	-169*	2	-49	264	48
Number as of June 30, 2005	27,333	2,426	862	10,147	3,313	44,081

**Includes non-vested members who received a refund of contributions.*

EXHIBIT D

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

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Contribution income:				
Employer contributions	$229,136,519		$140,201,349	
Employee contributions	94,268,171		93,417,803	
Contribution income		$323,404,690		$233,619,152
Investment income:				
Interest, dividends and other income	$263,747,032		$200,347,430	
Recognition of capital appreciation	109,661,360		96,283,183	
Less investment and administrative fees	-28,684,404		-29,181,091	
Net investment income		344,723,988		267,449,522
Total income available for benefits		$668,128,678		$501,068,674
Less benefit payments:				
Payment of benefits	-$469,212,203		-$440,529,521	
Refunds of contributions	-10,679,421		-11,338,011	
Net benefit payments		-$479,891,624		-$451,867,532
Change in reserve for future benefits		$188,237,054		$49,201,142

EXHIBIT E

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

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Cash equivalents		$ 486,208,221		$ 539,354,004
Accounts receivable:				
Investment income	$ 39,635,686		$ 28,095,038	
Proceeds from sales	136,080,695		113,194,813	
Other	7,530,888		5,982,494	
Total accounts receivable		183,247,269		147,272,345
Investments:				
Fixed Income	$1,502,619,496		$1,295,992,620	
Equities	5,294,730,071		5,058,106,931	
Real Estate and Mortgages	611,251,941		685,373,886	
Other	1,847,994,545		1,367,398,926	
Fixed Assets	80,175		113,163	
Total investments at market value		9,256,676,227		8,406,985,526
Total assets		$9,926,131,717		$9,093,611,875
Less accounts payable:				
Accounts payable and accrued expenses	-$29,844,814		-$19,284,527	
Purchases of investments	-245,013,574		-343,822,877	
Security lending collateral	-1,319,516,832		-996,066,443	
Total accounts payable		-$1,594,375,220		-$1,359,173,847
Net assets at market value		$8,331,756,497		$7,734,438,028
Net assets at actuarial value		$8,105,746,091		$7,917,509,037
Net assets at valuation value		$7,193,142,227		$7,042,107,591

Note: Results may be slightly off due to rounding.

EXHIBIT F

Development of the Fund Through June 30, 2005 for Retirement, Health, Family Death, and Larger Annuity Benefits

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2001	$ 87,896,674	$69,460,111	$662,575,372	$355,862,157	$7,853,297,000
2002	79,467,671	75,654,360	314,207,259	387,864,290	7,934,762,000
2003	97,531,127	83,067,509	176,606,357	423,659,098	7,868,307,895
2004	140,201,349	93,417,803	267,449,522	451,867,532	7,917,509,037
2005	229,136,519	94,268,171	344,723,988	479,891,624	8,105,746,091

** Net of investment fees and administrative expenses*

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2005

1.	Unfunded actuarial accrued liability at beginning of year		$1,491,755,937
2.	Normal cost at beginning of year		236,238,453
3.	Total contributions		-269,782,315
4.	Interest		121,122,993
5.	Expected unfunded actuarial accrued liability		$1,579,335,068
6.	Changes due to:		
	(a) Experience loss*	$177,734,799	
	(b) Assumption changes	371,312,873	
	(c) Total changes		549,047,672
7.	Unfunded actuarial accrued liability at end of year		$2,128,382,740

* *Excludes loss from contributions less than anticipated due to phase-in and one-time lag for new rates. That loss is already included in the development of item 5.*

EXHIBIT H

Table of Amortization Bases

Type*	Date Established	Initial Years	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Contribution phase-in loss**	06/30/2004	15	$29,485,103	$2,627,360	14	$29,115,499
Contribution phase-in loss	06/30/2005	15	12,401,167	1,062,542	15	12,401,167
Combined bases	06/30/2005	30	1,715,553,201	93,759,629	30	1,715,553,201
Change in assumptions	06/30/2005	30	371,312,873	20,293,254	30	371,312,873
Sub-total before GASB amount				$117,742,785		$2,128,382,740
40 year minimum GASB 25/27	06/30/2004	15	29,189,615	2,601,030	14	28,823,715
40 year minimum GASB 25/27	06/30/2005	15	12,708,684	1,088,891	15	12,708,684
Total				$121,432,706		$2,169,915,139

** Level percentage of payroll*

***Reported as part of the actuarial loss of $799,324,434 in the June 30, 2004 valuation.*

EXHIBIT I

Section 415 Limitations

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

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

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $170,000 for 2005. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

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

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

EXHIBIT J

Definitions of Pension Terms

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

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

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

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

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

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

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

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

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

EXHIBIT I

Summary of Actuarial Valuation Results

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

1.	Retired members as of the valuation date (including 3,313 beneficiaries in pay status)		14,322
2.	Members inactive during year ended June 30, 2005 with vested rights (including 1,419 members with under 5 years of service eligible for a refund of contributions)		2,426
3.	Members active during the year ended June 30, 2005		27,333
	Fully vested	18,399	
	Not vested	8,934	

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

	Assets		
1.	Valuation value of assets ($8,331,756,497 at market value* and $8,105,746,091 at actuarial value* as reported by LACERS)		$7,193,142,227
2.	Present value of future normal costs		
	Employee	$911,881,747	
	Employer	1,913,444,767	
	Total		$2,825,326,514
3.	Unfunded actuarial accrued liability		2,128,382,740
4.	Present value of current and future assets		$12,146,851,481
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$4,799,113,445	
	Inactive members with vested rights	106,119,652	
	Active members	7,241,618,384	
	Total		$12,146,851,481

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

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1.	Total normal cost	$249,462,452
2.	Expected employee contributions	-103,009,993
3.	Employer normal cost: (1) + (2)	$146,452,459
4.	Payment on projected unfunded actuarial accrued liability	121,432,706
5.	Total recommended contribution: (3) + (4), not adjusted for timing	267,885,165
6.	Total recommended contribution: (3) + (4), adjusted for timing	$278,326,214
7.	Projected payroll	$1,589,305,846
8.	Total recommended contribution as a percentage of projected payroll: (5) ÷ (7)	16.86%
9.	Total recommended contribution as a percentage of projected payroll, adjusted for timing: (6) ÷ (7)	17.51%

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2000	$ 72,146,277	$ 72,146,277	100.00%
2001	59,153,313	59,153,313	100.00%
2002	32,296,002	32,296,002	100.00%
2003	51,604,669	51,604,669	100.00%
2004	159,083,407	100,408,689	63.12%
2005	183,241,489	158,131,638	86.30%

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2000	$6,561,365,000	$6,012,931,000	-$548,434,000	109.12%	$1,182,203,000	-46.39%
06/30/2001	6,988,782,000	6,468,066,000	-520,716,000	108.05%	1,293,350,000	-40.26%
06/30/2002	7,060,188,000	7,252,118,000	191,930,000	97.35%	1,334,335,000	14.38%
06/30/2003	6,999,647,000	7,659,846,000	660,199,000	91.38%	1,405,058,000	46.99%
06/30/2004	7,042,107,591	8,533,863,528	1,491,755,937	82.52%	1,575,284,734	94.70%
06/30/2005	7,193,142,227	9,321,524,967	2,128,382,740	77.17%	1,589,305,846	133.92%

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2005
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization method	Level percent of payroll – assuming a 4% increase in total covered payroll.
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five - year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.25%
Projected salary increases	Ranges from 10.0% to 6.75% for members with less than 5 years of service. Ranges from 6.75% to 4.75% for members with 5 or more years of service.
Cost of living adjustments	3.00%
Plan membership:	
Retired members and beneficiaries receiving benefits	14,322
Terminated members entitled to, but not yet receiving benefits	2,426
Active members	27,333
Total	44,081

EXHIBIT V

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

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (h) * .08 (c)	ARC Adjustment with Interest (h) / (e) * 1.08 (d)	Amortization Factor (e)	Pension Cost (a) + (c) – (d) (f)	Change in NPO (f) – (b) (g)	NPO Balance NPO + (g) (h)
2003	$ 51,604,669	$ 51,604,669	$ 0	$ 0	N/A	$ 51,604,669	$ 0	$ 0
2004	159,083,407	100,408,689	0	0	N/A	159,083,407	58,674,718	58,674,718
2005	183,241,489	158,131,638	0	0	N/A	183,241,489	25,109,851	83,784,569

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board on October 11, 2005, based on an Actuarial Experience Study as of June 30, 2005.

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	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

* *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

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.
Exclusion of Inactive Vesteds:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Female spouses 4 years younger than their spouses.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	10% of future 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	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.*

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 can not be less than 80% or greater than 120% of the market value of assets.

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

Changes in Assumptions:	The Board adopted the above assumptions on October 11, 2005, based on an Actuarial Experience Study as of June 30, 2005. The assumptions that changed from the previous valuation are as follows:
Mortality Rates:	
After Service Retirement:	1994 Uninsured Pensioner Mortality Table for Males, setback 3 years for females.
After Disability Retirement	1981 Disabled Mortality Table (General), setback 5 years for females.
Termination Rates before Retirement:	

	Mortality	
Age	**Male**	**Female**
25	0.04	0.03
30	0.06	0.05
35	0.08	0.07
40	0.12	0.10
45	0.17	0.14
50	0.23	0.18
55	0.32	0.26
60	0.44	0.42

Change in Actuarial Assumptions (Previous Assumptions continued):

Termination Rates before Retirement (continued):

	Rate (%)	
Age	**Disability**	**Withdrawal***
25	0.01	5.75
30	0.02	5.25
35	0.07	3.75
40	0.12	2.75
45	0.17	2.25
50	0.20	1.70
55	0.20	1.45
60	0.00	1.20
65	0.00	0.00

* *Withdrawal rates are zero for members expected to retire*.

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

	Rate (%)
Service	**Withdrawal (Based on Service)**
0	8.25
1	7.25
2	6.75
3	6.50
4	6.25

Change in Actuarial Assumptions (Previous Assumptions continued):

Retirement Rates:

Age	Retirement Probability
50	1.00%
51	1.00
52	1.00
53	1.00
54	2.00
55	9.00
56	10.00
57	10.00
58	12.00
59	12.00
60	20.00
61	15.00
62	25.00
63	10.00
64	15.00
65	26.00
66	23.00
67	23.00
68	23.00
69	23.00
70	100.00

Retirement Age and Benefit for Inactive Vested Participants: Assume pension benefit will be paid at the later of age 60 or the current attained age.

Other Reciprocal Service: No deferred vested members will leave the City of Los Angeles to work at a reciprocal system.

Change in Actuarial Assumptions (Previous Assumptions continued):

Consumer Price Index: Increase of 4.0% per year; benefit increases due to CPI subject to 3.0% maximum.

Salary Increases: According to the following schedule:

Service	Percentage Increase*
0	5.0%
1	4.5%
2	4.0%
3	3.0%
4	2.5%
5+	1.0%

** Before including 4% general CPI increase.*

EXHIBIT VII
Summary of Plan Provisions

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

Plan Year:	July 1 through June 30
Census Date:	June 30
Normal Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 70; Age 60 with 10 years of continuous service; or Age 55 with at least 30 years of service.
Amount (§ 4.1056.2)	2.16% of the Final Average Monthly Compensation per year of service
Early Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 55 with 10 years of continuous service; or Any age with 30 year of service.
Amount (§ 4.1056.2)	2.16% of the Final Average Monthly Compensation per year of service 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)

(i) 50% of retiree's unmodifed allowance continued to an eligible spouse or a domestic partner; or a modified continuance to an eligible spouse or a domestic partner at the time of member's death (or a designated beneficiary selected by member at the time of retirement);

(ii) $2,500 lump sum death benefit paid to a designated beneficiary; and

(iii) Any unused contributions if the member has elected the cash refund annuity option.

Death before retirement
(§ 4.1062 and § 4.1054)

Option #1:

(i) Eligibility – None.

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

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.

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TAB 2: Health Valuation as of June 30, 2005 — Los Angeles City Employees' Retirement System

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) for the year ending June 30, 2005
In accordance with GASB Statements No. 43 and No. 45

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

November 9, 2005

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

Dear Board Members:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits for the year ending June 30, 2005 under GASB Statements Number 43 and 45. It establishes the liabilities of the other postemployment benefits in accordance with GASB for the current year. It also summarizes the actuarial data.

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

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

Sincerely,

THE SEGAL COMPANY

By:

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

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SECTION 1

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the Los Angeles City Employees' Retirement System (LACERS) post retirement medical and dental benefits for the year ending June 30, 2005. The results are in accordance with the Governmental Accounting Standards, which prescribe an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

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

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

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

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

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

ACCOUNTING REQUIREMENTS

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

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

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

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

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HIGHLIGHTS OF THE VALUATION

- The recommended contribution has increased from $77.8 million (4.94% of payroll) to $115.6 million (7.27% of payroll). The contribution rate for the employer increased primarily because of the inclusion in the valuation for the first time of active members with less than 10 years of service.
- The employer contribution rates provided in this report have been developed, assuming that they will be made by the City at either (1) the beginning of the fiscal year (i.e. the City will prepay its contributions or (2) throughout the year (i.e. the City will pay contributions at the end of every pay period).
- GASB requires that plans whose employers have total annual revenues of $100 million or more, such as LACERS, comply with the new Standard for plan years beginning after December 15, 2005 (i.e., Plan Year 2006/2007). The City is required to include the results in its financial statements effective with the following fiscal year (i.e., Fiscal year 2007/2008).
- The assumption for the discount rate is 8.00%, and is based on the assumption that 100% of benefits will be paid from the trust.
- The funding method used to develop the actuarial required contribution (ARC) is the Projected Unit Credit Method, a method that will produce an increasing normal cost as a percent of payroll.
- Contributions will generally increase with payroll growth. Other factors such as gains or losses, or changes in trend assumptions will also alter the contribution rate.
- Since the prior valuation, several actuarial assumptions have been updated to more accurately reflect past and anticipated experience (see Section 4, Exhibit V for details). Assumed medical trend is slightly higher this year than in the prior year. The changes in mortality, disability, turnover, and retirement rates are the same as those recommended in the Analysis of Actuarial Experience During the Period July 1, 2002 through June 30, 2005 for the pension plan. The net effect of the assumption changes was to increase the ARC by 0.23% of payroll. These assumptions have been adopted by the Board for the June 30, 2005 valuation.
- This year the valuation includes all actives. In prior years, actives with less than 10 years of service had been excluded from the valuation. The cost associated with the inclusion of actives with under 10 years of service is equivalent to about 2.40% of payroll.
- The Board has adopted a policy of amortizing the Unfunded Actuarial Accrued Liability (UAAL) over a fixed period of 30 years beginning July 1, 2005. The cost reduction due to this change is equivalent to 0.77% of payroll. Future changes in the UAAL will be separately identified and amortized over various periods depending on the source of the change.

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

SUMMARY OF VALUATION RESULTS

	June 30 2005	June 30 2004
Actuarial Accrued Liability by Participant Category		
Current retirees, beneficiaries and dependents	$803,472,421	$703,482,695
Inactive vested members	22,273,527	17,561,325
Current active members	893,152,844	698,768,806
Total	$1,718,898,792	$1,419,812,826
Actuarial Value of Assets	$893,378,123	$858,997,310
Unfunded Actuarial Accrued Liability	$825,520,669	$560,815,516
Funded Ratio	52.0%	60.5%
Market Value of Assets	$918,287,952	$839,135,318
Annual Required Contribution		
Normal cost (beginning of year)	$66,146,106	$32,035,500
Amortization of the unfunded actuarial accrued liability	45,116,941	42,851,349
Adjustment for timing	4,336,570	2,918,643
Total annual required contribution, including adjustment for timing	$115,599,617	$77,805,492
Covered payroll	1,589,305,346	1,575,284,734
As a percentage of pay		
Beginning of year	7.00%	4.75%
At the end of each pay period	7.27%	4.94%

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR THE YEAR ENDED JUNE 30, 2005

1.	Unfunded actuarial accrued liability at beginning of year	$560,815,516
2.	Normal cost at beginning of year	32,035,500
3.	Total contributions at beginning of year	53,189,541
4.	Interest	43,172,917
5.	Expected unfunded actuarial accrued liability	$582,834,392
6.	Increase due to experience loss*	86,036,297
7.	Increase due to inclusion of actives with under 10 years of service	$132,218,798
8.	Increase due to change in actuarial assumptions	24,431,182
9.	Unfunded actuarial accrued liability at end of year	$825,520,669

**Please refer to Section 4, Exhibit III for a detailed explanation of the experience loss.*

PROJECTED CASH FLOW

Year Ending June 30	Projected Number of Retirees *			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2006	15,379	2,094	17,473	$61,647,068	$4,792,533	$66,439,601
2007	14,916	3,538	18,454	66,188,069	9,627,300	75,815,369
2008	14,453	4,958	19,411	69,544,380	15,296,434	84,840,814
2009	13,965	6,453	20,418	72,300,506	22,029,078	94,329,584
2010	13,471	8,012	21,483	74,310,371	29,787,643	104,098,014
2011	12,955	9,654	22,609	75,475,786	38,587,601	114,063,387
2012	12,444	11,366	23,810	75,843,231	48,277,576	124,120,807
2013	11,913	13,234	25,147	75,426,226	58,876,262	134,302,488
2014	11,395	15,057	26,452	74,028,908	69,765,143	143,794,051
2015	10,866	16,939	27,805	72,819,878	81,867,529	154,687,407

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

ACTUARIAL CERTIFICATION

November 9, 2005

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 for the year ending June 30, 2005, 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, 2004. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB for the determination of the liability for postemployment benefits other than pensions.

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

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

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

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

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with the plan's funding and GASB requirements with respect to the benefit obligations addressed.

Andy Yeung

Andy Yeung, ASA, MAAA, EA
Associate Actuary

Patrick Twomey

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

CHART 1

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

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Cash equivalents		$486,208,221		$539,354,004
Accounts receivable:				
Investment income	$ 39,635,686		$ 28,095,038	
Proceeds from sales	136,080,695		113,194,813	
Other	7,530,888		5,982,494	
Total accounts receivable		183,247,269		147,272,345
Investments:				
Fixed Income	$1,502,619,496		$1,295,992,620	
Equities	5,294,730,071		5,058,106,931	
Real Estate and Mortgages	611,251,941		685,373,886	
Other	1,847,994,545		1,367,398,926	
Fixed Assets	80,175		113,163	
Total investments at market value		9,256,676,227		8,406,985,526
Total assets		$9,926,131,717		$9,093,611,875
Less accounts payable:				
Accounts payable and accrued expenses	-$29,844,814		-$19,284,527	
Purchases of investments	-245,013,574		-343,822,877	
Security lending collateral	-1,319,516,832		-996,066,443	
Total accounts payable		-$1,594,375,220		-$1,359,173,847
Net assets at market value		$8,331,756,497		$7,734,438,028
Net assets at actuarial value		$8,105,746,091		$7,917,509,037
Net assets at valuation value (retiree health)		$893,378,123		$858,997,310

Note: Results may be slightly off due to rounding.

CHART 2

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

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Contribution income:				
Employer contributions	$229,136,519		$140,201,349	
Employee contributions	94,268,171		93,417,803	
Contribution income		$323,404,690		$233,619,152
Investment income:				
Interest, dividends and other income	$263,747,032		$200,347,430	
Recognition of capital appreciation	109,661,360		96,283,183	
Less investment and administrative fees	-28,684,404		-29,181,091	
Net investment income		344,723,988		267,449,522
Total income available for benefits		$668,128,678		$501,068,674
Less benefit payments:				
Payment of benefits	-$469,212,203		-$440,529,521	
Refunds of contributions	-10,679,421		-11,338,011	
Net benefit payments		-$479,891,624		-$451,867,532
Change in reserve for future benefits		$188,237,054		$49,201,142

CHART 3

Determination of Actuarial Value of Assets as of June 30, 2005

		Original Amount	Percent not recognized	Amount not recognized	
1.	Market value of assets, June 30, 2005				$8,331,756,497
2.	Calculation of unrecognized return*				
	(a) Year ended June 30, 2005	$132,848,231	80%	$106,278,585	
	(b) Year ended June 30, 2004	710,820,763	60%	426,492,458	
	(c) Year ended June 30, 2003	-289,230,950	40%	-115,692,380	
	(d) Year ended June 30, 2002	-955,341,286	20%	-191,068,257	
	(e) Year ended June 30, 2001	-980,262,575	0%	0	
	(f) Total unrecognized return				$226,010,406
3.	Actuarial Value (1) – (2f), June 30, 2005				$8,105,746,091
4.	Actuarial value as a % of market				97.3%
5.	Market value of retiree health				$918,287,952
6.	Valuation value of retiree health				$893,378,123

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

CHART 4

Determination of Annual Required Contribution

	Determined as of June 30			
Cost Element	**2005**		**2004**	
	Amount	**Percent of Compensation**	**Amount**	**Percent of Compensation**
1. Normal cost (beginning of year)	$66,146,106	4.16%	$32,035,500	2.03%
2. Amortization of the unfunded actuarial accrued liability	45,116,941	2.84%	42,851,349	2.72%
3. Total Annual Required Contribution (beginning of year)	$111,263,047	7.00%	$74,886,849	4.75%
4. Adjustment for timing*	4,336,570		2,918,643	
5. Total Annual Required Contribution (end of pay period)	$115,599,617	7.27%	$77,805,492	4.94%

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

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

Plan Year Beginning	Annual Required Contributions*	Actual Contributions	Percentage Contributed
July 1, 2006	Not Available	Not Available	Not Available

**Contributions will be paid at the rate of 7.00% of pay if paid at the beginning of the year or at 7.27% of pay if paid at the end of every pay period.*

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

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2000	$810,303,000	$854,066,000	$43,763,000	94.88%	$1,182,203,000	3.70%
June 30, 2001	844,984,000	807,905,000	-37,079,000	104.59	1,293,350,000	-2.87
June 30, 2002	853,916,000	931,964,000	78,048,000	91.63	1,334,335,000	5.85
June 30, 2003	848,983,000	1,205,811,000	356,828,000	70.41	1,405,058,000	25.40
June 30, 2004	858,997,310	1,419,812,826	560,815,516	60.50	1,575,284,734	35.60
June 30, 2005	893,378,123	1,718,898,792	825,520,669	51.97	1,589,305,346	51.94

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

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Plan Year Beginning	Annual Required Contributions* (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
July 1, 2006	Not Available	$0	$0	Not Available	Not Available	Not Available	Not Available

**Contributions will be paid at the rate of 7.00% of pay if paid at the beginning of the year or at 7.27% of pay if paid at the end of every pay period.*

CHART 8

Required Supplementary Information

Valuation date	June 30, 2005
Actuarial cost method	Projected Unit Credit – assuming a closed group
Amortization method	30 years, assuming a 4% increase in total covered payroll
Remaining amortization period	30 years remaining as of June 30, 2005
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period.
Actuarial assumptions:	
Discount rate	8.00%
Inflation rate	3.75%
Real across-the-Board salary increase	0.25%
Projected salary increases	N/A
Heath care cost trend rate:	
• Medical	12%, graded down over 7 years to ultimate rate of 5.00%
• Dental	5% for all years
• Medicare Part B premiums	15% in 2005/2006 based on actual increases, then 5% for all future years
Cost of living adjustments on health plan maximum monthly subsidy amount	Same as health care cost trends

CHART 8

Required Supplementary Information (continued)

Plan membership:	**June 30, 2005**	**June 30, 2004**
Current retirees and surviving spouses[1]	14,322	14,137
Inactive vested participants entitled to a future health subsidy	561	552
Current active members[2]	27,333	13,577
Total	42,216	28,266

[1] Includes all retirees and surviving spouses whether they are receiving a subsidy.

[2] Prior to the June 30, 2005 valuation, active members with less than 10 years of service were excluded from the valuation.

CHART 9

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Combined Bases	06/30/2005	30	$668,870,689	$36,555,595	30	$668,870,689
Change in Method	06/30/2005	30	132,218,798	7,226,116	30	132,218,798
Change in Assumptions	06/30/2005	30	24,431,182	1,335,230	30	24,431,182
Total			$825,520,669	$45,116,941		$825,520,669

**Level percentage of pay.*

Note: The change in method refers to the inclusion in the valuation of active members with less than ten years of service.

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

EXHIBIT I

Summary of Participant Data

	June 30, 2005	June 30, 2004
Retirees		
Non-disabled	10,147	10,093
Disabled	862	847
Total	11,009	10,940
Average age	70.5	69.8
Surviving Spouses		
Number	3,313	3,197
Average age	75.2	75.0
Active Participants[1]		
Number	27,333	13,577
Average age	45.6	49.5
Average years of service	12.0	20.0
Inactive Vested Participants (excluding those with less than 10 years of service)		
Number	561	552
Average age	48.4	47.3

[1]Prior to the June 30, 2005 valuation, active members with less than 10 years of service were excluded from the valuation.

EXHIBIT II

Actuarial Balance Sheet for Year Ended June 30, 2005

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

	Assets		
1.	Valuation value of assets ($8,331,756,497 at market value* and $8,105,746,091 at actuarial value* as reported by LACERS)		$893,378,123
2.	Present value of future normal costs		725,798,246
3.	Unfunded actuarial accrued liability		825,520,669
4.	Present value of current and future assets		$2,444,697,038
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$803,472,421	
	Inactive members with vested rights	22,273,527	
	Active members	1,618,951,090	
	Total		$2,444,697,038

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

EXHIBIT III

Actuarial Experience for Year Ended June 30, 2005

1.	Net loss from investments	$25,477,294
2.	Net loss from other experience*	55,462,661
3.	Contributions less than anticipated due to phase-in and one-year lag for new rates	5,096,342
4.	Net experience loss: (1) + (2) + (3)	$86,036,297

**The net gain is attributed to actual liability experience from July 1, 2004 through June 30, 2005, compared to the actuarial assumptions as of July 1, 2004.*

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

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

- Actual rate of return from investment,
- Demographic experience (e.g., turnover, retirement, mortality, disability, etc.), relative to the prior assumptions,
- Loss from less than expected contributions due to the phase-in and the one-year lag for implementing the new rates calculated in the June 30, 2004 valuation.

The net loss from actuarial experience for the year ended June 30, 2005 amounted to ($86,036,297) which is 5.0% of the actuarial accrued liability.

EXHIBIT IV

Reconciliation of Recommended Contribution

Recommended Contributions as of July 1, 2004 (Beginning of Year)	$ 74,886,849
Effect of combining amortization bases and amortizing over 30 years	$(12,201,262)
Effect of contributions less than recommended contribution	1,280,682
Effect of investment losses	1,179,901
Effect of other losses on accrued liability	3,127,409
Effect of including active members with less than 10 years of service	36,763,010
Effect of change in actuarial assumptions	3,508,301
Effect of change in composition of active population	2,718,157
Total change	$36,376,198
Recommended Contributions as of July 1, 2005 (Beginning of Year)	$111,263,047

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

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

Actuarial Cost Method: Projected unit credit.

The following assumptions were adopted by the Board on October 11, 2005, based on an Actuarial Experience Study as of June 30, 2005.

Termination Rates before Retirement:

	Mortality		Disability	Withdrawal
Age	Male		Female	
25	0.07%	0.03%	0.01%	
30	0.08	0.04	0.04	4.45%
35	0.09	0.05	0.11	3.80
40	0.11	0.07	0.18	3.05
45	0.16	0.10	0.21	2.45
50	0.26	0.14	0.24	2.10
55	0.44	0.23	0.23	1.70

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 above probabilities:

Service	Rate
0	8.75%
1	7.00
2	5.75
3	5.25
4	4.75

Postretirement Mortality Rates:

Healthy	1994 Group Annuity Mortality Table
Disabled	1994 Group Annuity Mortality Table, set forward 8 years

Active Retirement Rates:

Age	Rate (%)
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

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 claims costs are renewed, and adjusted for increases in the cost of health care services.

Plan	Observed Participation*	Single Maximum Subsidy	Married Maximum Subsidy	Surviving Spouse Maximum Subsidy	Observed Utilization** >10 Yrs of Svc
Pre-65 & Over 65 With Medicare Part B only					
PPO	0.219	$629.83	$883.00	$436.08	0.90
Kaiser	0.607	436.08	870.56	436.08	0.90
Blue Cross HMO/SH	0.174	429.55	855.33	436.08	0.90
Dental	1.000	34.84	34.84	0.00	0.91
Over 65 With Medicare Parts A and B					
PPO	0.327	$356.91	$610.08	$356.91	0.88
Kaiser	0.568	221.80	442.00	221.80	0.88
Blue Cross HMO /SH	0.105	196.71	391.25	196.71	0.88
Dental	1.000	34.84	34.84	0.00	0.86
Medicare Part B	1.000	78.20	78.20	0.00	0.78

* *Participation ratio is the proportion of retirees electing to receive a subsidy that select that specific plan.*

** *Utilization ratio is the proportion of all retirees that elect to receive a subsidy.*

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 90% of members retiring directly from City employment are assumed to receive a subsidy for a City approved health carrier.

90% of retirees are expected to elect Medicare Parts A and B.

90% of retirees are assumed to elect dental coverage.

45% of inactive members are assumed to receive a subsidy for a City approved health carrier.

85% of retirees becoming eligible for Medicare are assumed to be covered by both Parts A and B.

Health Care Cost Subsidy Trend Rates: Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. Trend rates are used to increase the stated subsidies into the future. For example, the proposed medical subsidy for a Kaiser male retiree under age 65 in the calendar year 2007 would be determined with the following formula: [$458.57 x (1 + 12%)] = $513.60.

	Rate (%)			
Premium Year Ending December 31	**PPO**	**HMO**	**Dental**	**Medicare Part B**
2007	12.00%	12.00%	5.00%	15.00%
2008	11.00	11.00	5.00	5.00
2009	10.00	10.00	5.00	5.00
2010	9.00	9.00	5.00	5.00
2011	8.00	8.00	5.00	5.00
2012	7.00	7.00	5.00	5.00
2013	6.00	6.00	5.00	5.00
2014 & later	5.00	5.00	5.00	5.00

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit VI.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.

Demographic Assumption Changes Since Prior Valuation
Prior Year Assumptions

On October 11, 2005, the Board adopted the assumptions shown above based on the September 30, 2005 review of economic and non-economic assumptions. Several assumptions were changed. Previously, those assumptions were as follows:

Termination Rates before Retirement:

	Mortality		Disability	Withdrawal
Age	Male	Female		
20	0.04%	0.02%	0.00%	6.25%
25	0.04	0.03	0.01	5.75
30	0.06	0.05	0.02	5.25
35	0.08	0.07	0.07	3.75
40	0.12	0.10	0.12	2.75
45	0.17	0.14	0.17	2.25
50	0.23	0.18	0.20	1.70
55	0.32	0.26	0.20	1.45

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 above probabilities:

Service	Rate
0	8.25%
1	7.25
2	6.75
3	6.50
4	6.25

Demographic Assumption Changes Since Prior Valuation
Prior Year Assumptions (continued)

Postretirement Mortality Rates:

Healthy	UP 1994 Male Mortality Table for males, set back three years for females
Disabled	1981 Disability Mortality Table (General) for males, set back five years for females

Active Retirement Rates:

Age	Rate (%)
50-53	1.00
54	2.00
55	9.00
56-57	10.00
58-59	12.00
60	20.00
61	15.00
62	25.00
63	10.00
64	15.00
65	26.00
66-69	23.00
70	100.00

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 claims costs are renewed, and adjusted for increases in the cost of health care services.

Plan		Maximum Monthly Subsidy			
Pre-65 and Over 65 with Medicare Part B only	**Participation Ratio***	**Single**	**Married**	**Surviving Spouse**	**Observed Utilization****
PPO	0.161	$702.85	$883.00	$452.86	0.84
Kaiser	0.643	452.86	813.87	452.56	0.84
Pacificare/SH	0.196	490.81	882.09	452.56	0.84
Dental	1.000	39.86	39.86	0.00	0.78
Post-65 with Medicare Parts A and B					
PPO	0.311	$340.29	$520.44	$340.29	0.84
Kaiser	0.568	277.22	552.45	277.22	0.84
Pacificare/SH	0.121	204.74	407.31	204.13	0.84
Dental	1.000	39.86	39.86	0.00	0.84
Medicare Part B	1.000	66.60	66.60	0.00	0.77

* Participation ratio is the proportion of retirees electing to receive a subsidy that select that specific plan.
** Utilization ratio is the proportion of all retirees that elect to receive a subsidy, note the observed rates are based on the combined medical rates.

Participants Excluded from Valuation All participants with under 10 years of service are excluded from the valuation

Marital Status 91% of male and 66% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.

Surviving Spouse Coverage With regard to members who are currently alive, 75% of eligible spouse or domestic partners are assumed to elect continued health coverage after the Member's death. With regard to deceased Members, 70% of the current eligible survivors are assumed to elect health coverage.

Participation 80% of all retirees are assumed to receive a subsidy for a City approved health carrier.

85% of retirees are expected to elect Medicare Parts A and B.

65% of retirees are assumed to elect dental coverage.

Health Care Cost Subsidy Trend Rates: Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. Trend rates are used to increase the stated subsidies into the future. For example, the proposed medical subsidy for a Kaiser male retiree age pre-65 in the calendar year 2006 would be determined with the following formula: [$436.08 x (1 + 12%)] = $488.41.

	Rate (%)					
Premium Year Ending December 31	Pre-65 PPO	Pre-65 HMO	Post-65 PPO	Post-65 HMO	Dental	Medicare Part B
2006	13.00%	12.00%	12.00%	12.00%	5.00%	6.00%
2007	12.00	11.00	11.00	11.00	5.00	5.00
2008	11.00	10.00	10.00	10.00	5.00	5.00
2009	10.00	9.00	9.00	9.00	5.00	5.00
2010	9.00	8.00	8.00	8.00	5.00	5.00
2011	8.00	7.00	7.00	7.00	5.00	5.00
2012	7.00	6.00	6.00	6.00	5.00	5.00
2013	6.00	5.00	5.00	5.00	5.00	5.00
2014 & later	5.00	5.00	5.00	5.00	5.00	5.00

EXHIBIT VI

Summary of Plan

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

Eligibility:

Retirees §4.1103.2	Retired age 55 or older with at least 10 years of service (including deferred vested members who terminate employment and receive a retirement benefit from LACERS), or if retirement date is between October 2, 1996, and September 30, 1999 at age 50 or older with at least 30 years of service. Benefits are also payable to spouses, domestic partners, or other qualified dependents while the retiree is alive. Please note that the health subsidy is not payable to a disabled retiree before the member reaches age 55.

Health Subsidy for Members:

Under Age 65 or *Over Age 65 And Only* *Enrolled in Medicare Part B:* §4.1103.2	The System will pay 4% of the maximum health subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2005, the maximum health subsidy was $883.00 per month*.

*Premium subsidy amount is subject to review by the Board on a calendar year basis. The Board, at its discretion, by resolution, may change the maximum monthly amount of the medical plan subsidy provided to retired employees as long as any increase:

(1) Does not exceed the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium and

(2) The average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rates for the same period.

The maximum medical subsidy will be increased to $928.00 per month for calendar year 2006. The maximum survivor medical subsidy will be increased to $458.57 per month for calendar year 2006, the maximum dental subsidy will remain unchanged at $34.84 per month for calendar year 2006.

Over Age 65 and Enrolled in Both Medicare Parts A and B: §4.1103.2	For retirees, a maximum health subsidy (limited to actual premium) of $883.00* per month, is provided (as of July 1, 2005) subject to the following vesting schedule:

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

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, 2005, the maximum dental subsidy was $34.84* per month. 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.

*Premium subsidy amount is subject to review by the Board on a calendar year basis. The Board, at its discretion, by resolution, may change the maximum monthly amount of the medical plan subsidy provided to retired employees as long as any increase:

(1) Does not exceed the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium and

(2) The average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rates for the same period.

The maximum medical subsidy will be increased to $928.00 per month for calendar year 2006. The maximum survivor medical subsidy will be increased to $458.57 per month for calendar year 2006, the maximum dental subsidy will remain unchanged at $34.84 per month for calendar year 2006.

Surviving Spouse Subsidy: §4.1107 & §4.1107.1	The surviving spouse or domestic partner will be entitled a to a health subsidy (limited to actual premium) based on member's year of service (see Health Subsidy schedules above for members) and the surviving dependent's eligibility for Medicare. The maximum health subsidy available for survivors is the Kaiser single party premium ($436.08* per month as of July 1, 2005). There is no dental subsidy for a surviving spouse or domestic partner.

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*Premium subsidy amount is subject to review by the Board on a calendar year basis. The Board, at its discretion, by resolution, may change the maximum monthly amount of the medical plan subsidy provided to retired employees as long as any increase:

(1) Does not exceed the dollar increase in the Kaiser two-party non-Medicare Part A and Part B premium and

(2) The average percentage increase for the first year of the increase and the preceding two years does not exceed the average assumed actuarial medical trend rates for the same period.

The maximum medical subsidy will be increased to $928.00 per month for calendar year 2006. The maximum survivor medical subsidy will be increased to $458.57 per month for calendar year 2006, the maximum dental subsidy will remain unchanged at $34.84 per month for calendar year 2006.

TAB 3: FDBIP Costs as of June 30, 2005 — Los Angeles City Employees' Retirement System

THE SEGAL COMPANY
120 Montgomery Street, Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

November 9, 2005

Board of Retirement
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012-4207

Re: **Los Angeles City Employees' Retirement System**
FDBIP Costs as of June 30, 2005

Dear Board Members:

We have developed our recommended contribution rates for the voluntary Family Death Benefit Insurance Plan ("Plan") as of June 30, 2005. These rates are effective for the two plan years following the valuation date through June 30, 2007. The last review of the plan was conducted by the System's prior actuary as part of their June 30, 2003 actuarial valuation. Their study yielded the current employee monthly contribution rate of $3.70. The City matches the employee's cost at the same level.

Based on the census data and the actuarial assumptions used for the June 30, 2005 actuarial valuation, we recommend maintaining the current employee monthly rate at $3.70. The City's matching monthly contribution will also remain at $3.70. With this rate, the estimated total annual contributions would be about $413,000 ($206,500 each for the members and the City).

It is our understanding that the Plan is funded on a term cost basis and the premium charged for the current year should only be sufficient to pay for the present value of the projected death benefits for those expected to die in the same period. However, there is an adjustment in the monthly premium based on the Plan's funded status to reflect the relative value of the actual plan reserve compared to the actual present value of death benefits in pay status for those who previously died. As of June 30, 2005, the Plan's term cost is $651,812 for the 4,651 active members participating at June 30, 2005. This translates to an employee and City monthly rate of $5.84 each. However, the Plan is in a surplus position as of June 30, 2005, with the Plan's actuarial value of assets of $14,839,457 exceeding the liability reserve of $11,277,827 by $3,561,630.

The surplus reserve of $3,561,630 may be sufficient to not only avoid increasing the premium rates to $5.84, but even to justify a reduction below the current monthly premium rates of $3.70 for the employee and the City. However, we are recommending no change to the rates at this time. The Plan does not currently have a funding policy on how the monthly premium rate should be adjusted to reflect the Plan's funding surplus. Maintaining the current rate will allow a gradual depletion of the surplus and it will give LACERS time to develop a policy to systematically reduce the surplus. It will also allow some margin for future adverse experience.

As noted, all of the calculations are based on the June 30, 2005 actuarial valuation participant data and actuarial assumptions. In addition, this plan requires further assumptions as shown below:

1) Each participating active member is assumed to have two children with an average age of about 13.

2) The children are assumed to be eligible for a monthly benefit of about $938 each until they reach age 18.

3) A surviving spouse is assumed to be eligible for a monthly benefit of about $312 until the children reach age 16.

4) As discussed with LACERS, survivors may not receive benefits from the FDBIP if they receive a service retirement survivorship benefit from the pension plan. Therefore, those currently eligible to retire under the pension plan do not to have a FDBIP liability in our valuation.

The above costs were certified by Paul Poon, ASA, Enrolled Actuary and Andy Yeung, ASA, Enrolled Actuary.

Sincerely,

Paul Angelo

Paul Angelo, FSA, MAAA
Vice President and Actuary

PXP/jc:hy