Los Angeles City Employees'
Retirement System

Revised Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2009, to Reflect Early Retirement Incentive Program (ERIP) Elections

THE SEGAL COMPANY
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April 22, 2010

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

Re: June 30, 2009 Revised Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2009 revised actuarial valuations for the retirement and health plans, after reflecting the liability associated with the City's current ERIP.

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

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

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

Sincerely,

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

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

JKH/hy

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Exhibit A

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

		June 30, 2009	June 30, 2008	Percent Change
I.	**Total Membership**			
	A. Active Members	30,065[1]	30,236	(0.6)%
	B. Pensioners and Beneficiaries	14,991[1]	14,975	0.1%
II.	**Valuation Salary**			
	A. Total Annual Payroll	$1,999,861,604[1]	$1,977,644,640	1.1%
	B. Average Monthly Salary	5,543[1]	5,451	1.7%
	C. Total Annual Payroll after Current ERIP	1,816,171,212	N/A	N/A
III.	**Benefits to Current Retirees and Beneficiaries[2]**			
	A. Total Annual Benefits	$521,859,396[1]	$502,357,584	3.9%
	B. Average Monthly Benefit Amount	2,901[1]	2,796	3.8%
IV.	**Total System Assets[3]**			
	A. Actuarial Value	$10,949,384,202	$10,805,841,634	1.3%
	B. Market Value	8,142,988,791	10,372,194,349	(21.5)%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$2,464,236,515	$1,748,085,441	41.0%
	B. Health Subsidy Benefits	715,680,301	585,123,289	22.3%

(1) *Before reclassifying the 2,393 ERIP-electing active members as retired under the program.*
(2) *Includes July COLA.*
(3) *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

VI. Budget Items	FY 2010-2011 Beginning of Year*	FY 2010-2011 End of Pay Periods	FY 2009-2010 Beginning of Year	FY 2009-2010 End of Pay Periods	Change Beginning of Year	Change End of Pay Periods
A. Retirement Benefits						
1. Normal Cost as a Percent of Pay	9.84%	10.22%	9.41%	9.77%	0.43%	0.45%
2. Amortization of UAAL	8.19%	8.51%	4.70%	4.88%	3.49%	3.63%
3. Total Retirement Contribution	18.03%	18.73%	14.11%	14.65%	3.92%	4.08%
B. Health Subsidy Contribution						
1. Normal Cost as a Percent of Pay	3.84%	3.99%	3.60%	3.74%	0.24%	0.25%
2. Amortization of UAAL	2.53%	2.63%	1.67%	1.74%	0.86%	0.89%
3. Total Health Subsidy Contribution	6.37%	6.62%	5.27%	5.48%	1.10%	1.14%
C. Total Contribution (A+B)	24.40%	25.35%	19.38%	20.13%	5.02%	5.22%

VII. Funded Ratio	June 30, 2009	June 30, 2008	Change
(Based on Valuation Value of Assets)			
A. Retirement Benefits	79.5%	84.4%	(4.9)%
B. Health Subsidy Benefits	65.2%	69.7%	(4.5)%
C. Total	77.4%	82.2%	(4.8)%
(Based on Market Value of Assets)			
D. Retirement Benefits	59.2%	81.0%	(21.8)%
E. Health Subsidy Benefits	48.5%	66.9%	(18.4)%
F. Total	57.6%	78.9%	(21.3)%

* *Alternative contribution payment dates for FY 2010-2011:*

	Retirement	*Health*	*Total*
1) July 15, 2010	*18.09%*	*6.40%*	*24.49%*
2) 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011	*18.43%*	*6.52%*	*24.95%*
3) 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011	*18.99%*	*6.72%*	*25.71%*

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
06/30/2006	17.18%	6.49%	23.67%	1,733,340
06/30/2007	15.52%	5.38%	20.90%	1,896,609
06/30/2008	14.65%	5.48%	20.13%	1,977,645
06/30/2009	18.73%	6.62%	25.35%	1,816,171**

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

** *Payroll after current ERIP.*

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, & Inactives	(3) Active Members	Valuation Value of Assets	(1) Member Contributions	(2) Retirees, Beneficiaries, & Inactives	(3) Active Members
06/30/1996	$637,737	$2,357,798	$1,480,489	$4,468,433	100.0%	100.0%	99.5%
06/30/1997	683,048	2,598,432	1,604,857	4,802,509	100.0	100.0	94.8
06/30/1998	733,680	2,772,712	1,806,526	5,362,923	100.0	100.0	100.0
06/30/1999	776,617	2,989,218	1,918,751	5,910,948	100.0	100.0	100.0
06/30/2000	827,729	3,149,392	2,035,810	6,561,365	100.0	100.0	100.0
06/30/2001	889,658	3,444,240	2,134,168	6,988,782	100.0	100.0	100.0
06/30/2002	950,002	3,756,935	2,545,181	7,060,188	100.0	100.0	92.5
06/30/2003	1,005,888	4,021,213	2,632,745	6,999,647	100.0	100.0	74.9
06/30/2004	1,062,002	4,348,252	3,123,610	7,042,108	100.0	100.0	52.2
06/30/2005	1,128,101	4,858,932	3,334,492	7,193,142	100.0	100.0	36.2
06/30/2006	1,210,246	5,149,385	3,511,031	7,674,999	100.0	100.0	37.5
06/30/2007	1,307,008	5,365,437	3,854,429	8,599,700*	100.0	100.0	50.0
06/30/2008	1,408,074	5,665,130	4,113,200	9,438,318	100.0	100.0	57.5
06/30/2009	1,282,663	7,356,302	3,403,019	9,577,747	100.0	100.0	27.6

* *Excludes assets transferred for Port Police.*

Exhibit D

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

Year Ended	No. of New Retirees/ Beneficiaries	Annual Allowances Added**	No. of Retirees/ Beneficiaries Removed	Annual Allowances Removed	No. of Retirees/ Beneficiaries at 6/30	Annual Allowances at 6/30	Percent Increase in Annual Allowances	Average Annual Allowance
06/30/2002	844	$23,740,829	620	$11,316,344	13,589	$336,437,038	6.4%	$24,758
06/30/2003	827	24,729,535	611	12,008,132	13,805	359,036,215	6.7%	26,008
06/30/2004	986	53,452,133	654	13,220,316	14,137	399,268,032	11.2%	28,243
06/30/2005	934	43,454,836	749	14,769,736	14,322	427,953,132	7.2%	29,881
06/30/2006	890	42,821,079	642	15,061,287	14,570	455,712,924	6.5%	31,277
06/30/2007	821	34,131,744	555	13,210,740	14,836	476,633,928	4.6%	32,127
06/30/2008	748	40,680,279	609	14,956,623	14,975	502,357,584	5.4%	33,546
06/30/2009***	632	36,887,854	616	17,386,042	14,991	521,859,396	3.9%	34,812

* *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.*
*** *Before reclassifying the 2,393 ERIP-electing active members as retired under the program.*

Los Angeles City Employees' Retirement System

Revised Actuarial Valuation and Review of Retirement Benefits as of June 30, 2009, to Reflect Early Retirement Incentive Program (ERIP) Elections

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

April 22, 2010

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 Revised Actuarial Valuation and Review as of June 30, 2009. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2010/2011 and analyzes the preceding year's experience. The City has offered an Early Retirement Incentive Program (ERIP) to active members who meet certain eligibility requirements. As requested by LACERS, Segal has prepared this revised valuation to reflect the latest ERIP election information available from the City at the time we were asked to begin preparing the results shown in this report.

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

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35, 44 and all other relevant ASOPs. 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 are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: Paul Angelo — Andy Yeung

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

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SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the Los Angeles City Employees' Retirement System as of June 30, 2009. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Administration;
- The characteristics of covered active members, inactive members, and retired members and beneficiaries as of June 30, 2009, provided by LACERS;
- The assets of the Plan as of June 30, 2009, 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:

- On November 5, 2009, we issued a preliminary valuation report as of June 30, 2009 that did not include the impact of the current ERIP offered by the City, as the ERIP elections were not available at that time. In this revised valuation report, consistent with the requirements of GASB 47, we have updated the results from the November 5, 2009 report to reflect the latest ERIP election information available from the City at the time we were requested to begin preparing the results shown in this report. The ERIP election information we received is discussed in the next item.
- On March 1, 2010, we received from LACERS the names and Social Security numbers of 2,400 members who elected the current ERIP (we understand that the information was the latest information available from the City at the time we began our update of the June 30, 2009 valuation results to reflect the current ERIP). Based on our review and on further communications with LACERS, we excluded seven of those members who are either ineligible or have incomplete data and included only 2,393 members in preparing the costs in this valuation. It is our understanding that it is the intent of the City to provide the current ERIP to 2,400 members and, therefore, replacements will be made to allow the City to reach that goal. While the ultimate cost may differ somewhat with the addition of seven members, we do not anticipate that the difference in cost will be material.

As LACERS is still in the process of calculating the actual increases in benefits provided by the current ERIP to the 2,393 members, we have estimated the increases by using data available for the preliminary June 30, 2009 valuation. This means that there may be some adjustment to the cost associated with providing the current ERIP, which will be reflected in the June 30, 2010 valuation once the actual benefit amounts become available.

A summary of the improved benefits available under the ERIP for the 2,393 members was provided in our letter dated March 26, 2010. A copy of that letter is provided in Section 4, Exhibit VIII.

Ref: Pgs. 7 and 21

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 84.37% to 79.54%. The unfunded actuarial accrued liability has increased from $1,748.1 million to $2,464.2 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G. Additional information on the actuarial experience is provided in Section 2, Chart 9.

Ref: Pg. 13

- The aggregate employer rate (payable at the end of each pay period) calculated in this valuation has increased from 14.65% of payroll to 18.73% of payroll. The annual dollar contributions increased from about $289.8 million to $340.2 million as a result of this valuation. The increase was due to: (i) lower than expected return on the valuation value of assets, (ii) recognition of the current ERIP costs based on the latest ERIP election information available from the City, and (iii) other actuarial experience, offset somewhat by (iv) change in the market value corridor from 80%-120% to 50%-150% and (v) lower than expected salary increases. A complete reconciliation of the aggregate employer contribution is provided in Section 2, Chart 15.
- We have made a refinement to the valuation procedure for reflecting member contributions. In prior valuations, the employer's normal cost rates as of the beginning of the year were developed by offsetting the total beginning of the year normal cost rates by the biweekly normal costs paid by the employees. In this year's valuation, we have applied an interest discount to the employee normal costs to convert them from a biweekly basis to a beginning of year basis. This refinement increases the employer rate by 0.24% of payroll.
- Under the Board's asset smoothing method, any investment gains/losses relative to the assumed return (currently 8% per year) would be recognized over a period of 5 years. In addition, prior to the June 30, 2009 valuation, the actuarial value of assets was further adjusted, if necessary, so that it would stay within 20% of the market value of assets. As adopted by the Board, the 20% limit has been expanded to 50% effective with the June 30, 2009 valuation.

Ref: Pg. 5

- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2009 is $2,806,395,411 for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.

The deferred losses of $2,806.4 million represent 34% of the market value of assets as of June 30, 2009. Unless offset by future investment gains or other favorable experience, the recognition of the $2,806.4 million market losses is expected to have a significant impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the retirement plan component of the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 79.54% to 59.15%.
- If the retirement plan component of the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable at the end of each pay period) would increase from 18.73% to 30.58% of payroll.

- The actuarial valuation report as of June 30, 2009 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.

Ref: Pg. 22

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

A Net Pension Obligation (NPO) was created in the June 30, 2004 and June 30, 2005 valuations due to: (1) the phase-in of the higher contribution rate required from the 2002 experience study and (2) the GASB requirement that the Unfunded Actuarial Accrued Liability (UAAL) of the Plan be amortized over an equivalent period of not greater than 40 years. Since (1) is already included in the development of the Plan's actual UAAL, the ARC calculation requires only an additional contribution to amortize (2) over a period of 15 years. In the June 30, 2009 valuation, there are 10 years of payments left in the amortization of (2) from the June 30, 2004 valuation and 11 years of payments left in the amortization of (2) from the June 30, 2005 valuation.

Ref: Pg. 31

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

- 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.

  Any increases in the employee contribution rates pursuant to the current ERIP Ordinance that are scheduled to begin on July 1, 2011 have not been reflected in this valuation report since this valuation establishes the funding requirements for fiscal 2010/2011, which is before the scheduled change in the employee rates.

Ref: Pg. 22

- The Board has adopted a policy of amortizing the June 30, 2005 UAAL over a fixed period of 30 years beginning July 1, 2005. The UAALs arising from the phase-in of contribution rates for the 2002 experience study (for fiscal year 2003/2004 and 2004/2005) were excluded from this 30-year amortization policy. Future changes in the UAAL will be separately identified and amortized over various periods depending on the source of the change. A new 15-year amortization base was established in the June 30, 2009 valuation for an experience loss during 2008-2009. In addition, the costs associated with the current ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date.

- The employer contribution rates provided in this report have been developed assuming they will be paid by the City on any of the following dates:

  (1) The beginning of the fiscal year, or

  (2) On July 15, 2010, or

  (3) Throughout the year (i.e., the City will pay contributions at the end of every pay period), or

  (4) On July 15, 2010 for three-fourths of the full payment and on June 30, 2011 for the remaining one-fourth of the full payment, or

  (5) On January 3, 2011 for one-half of the full payment and on May 2, 2011 for the remaining one-half of the full payment.

Summary of Key Valuation Results

	2009	2008
Contributions calculated as of June 30:		
Recommended as a percentage of pay ("after current ERIP" pay for June 30, 2009; note there is a 12-month delay until the rate is effective)		
At the beginning of the year	18.03%	14.11%
On July 15	18.09%	14.15%
At the end of each pay period	18.73%	14.65%
3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011	18.43%	N/A
1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011	18.99%	N/A
Funding elements for plan year ended June 30:		
Normal cost	$286,582,206	$311,749,220
Market value of assets[1]	8,142,988,791	10,372,194,349
Actuarial value of assets[1]	10,949,384,202	10,805,841,634
Valuation value of retirement assets	9,577,747,421	9,438,318,300
Actuarial accrued liability	12,041,983,936	11,186,403,741
Unfunded/(overfunded) actuarial accrued liability	2,464,236,515	1,748,085,441
Funded ratio	79.54%	84.37%
GASB 25/27 for fiscal year ended June 30:		
Annual required contributions	$274,554,786	$288,119,041
Actual contributions	274,554,786	288,119,041
Percentage contributed	100.00%	100.00%
Demographic data for plan year ended June 30:		
Number of retired members and beneficiaries	14,991[2]	14,975
Number of inactive members	4,554	4,273
Number of active members	30,065[2]	30,236
Projected total payroll[3]	$1,999,861,604[2]	$1,977,644,640
Projected average payroll[3]	$66,518[2]	$65,407
Projected total payroll after current ERIP[3]	$1,816,171,212	N/A

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

(2) *Before reclassifying the 2,393 ERIP-electing active members as retired under the program, except where noted.*

(3) *Reflects annualized salaries for part-time members.*

Actuarial Certification

April 22, 2010

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, 2009, 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, 2008. 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 City has offered an Early Retirement Incentive Program (ERIP) to active members who meet certain eligibility requirements. As requested by LACERS, Segal has prepared this valuation to reflect the latest ERIP election information available from the City at the time we were asked to begin preparing the results shown in this report.

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 GASB (Exhibit IV)

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

Andy Yeung

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

A. MEMBER DATA

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

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

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

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

CHART 1

Member Population: 2000 – 2009

Year Ended June 30	Active Members	Inactive Members*	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2000	24,234	N/A	13,058	0.54
2001	25,654	N/A	13,365	0.52
2002	25,930	2,327	13,589	0.61
2003	26,358	2,593	13,805	0.62
2004	27,092	2,232	14,137	0.60
2005	27,333	2,426	14,322	0.61
2006	28,839	2,903	14,570	0.61
2007	30,175	3,303	14,836	0.60
2008	30,236	4,273	14,975	0.64
2009**	30,065	4,554	14,991	0.65

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

** *Before reclassifying the 2,393 ERIP-electing active members as retired under the program.*

Active Members

Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 30,065 active members with an average age of 46.4, average years of service of 12.3 years and average payroll of $66,518. These figures, and the figures in Charts 2 and 3 below, are before reclassifying the 2,393 ERIP-electing active members as retired under the program.

The 30,236 active members in the prior valuation had an average age of 45.8, average service of 11.8 years and average payroll of $65,407.

Inactive Members

In this year's valuation, there were 4,554 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, 2009

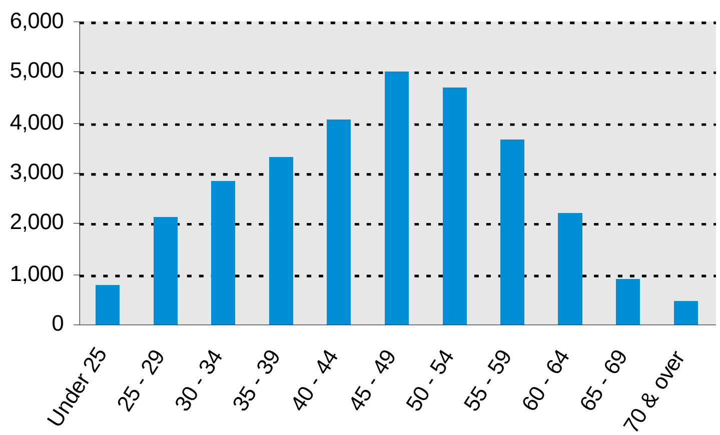
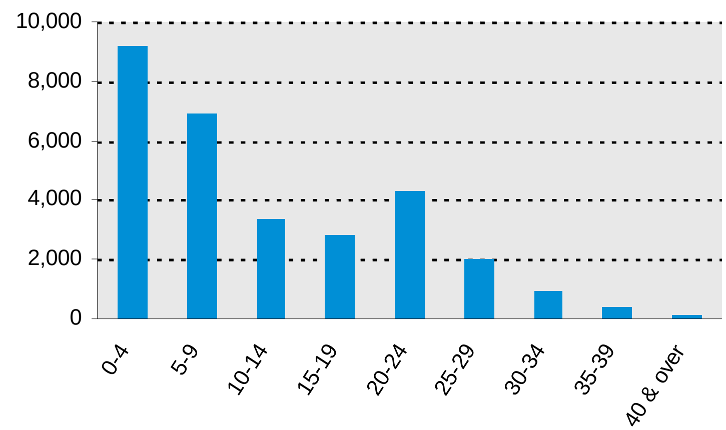


CHART 3

Distribution of Active Members by Years of Service as of June 30, 2009



Retired Members and Beneficiaries

As of June 30, 2009, 11,465 retired members and 3,526 beneficiaries were receiving total monthly benefits of $43,487,379. These figures, and the figures in Charts 4 and 5 below, are before reclassifying the 2,393 ERIP-electing active members as retired under the program.

For comparison, in the previous valuation, there were 11,490 retired members and 3,485 beneficiaries receiving monthly benefits of $41,863,834.

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, 2009

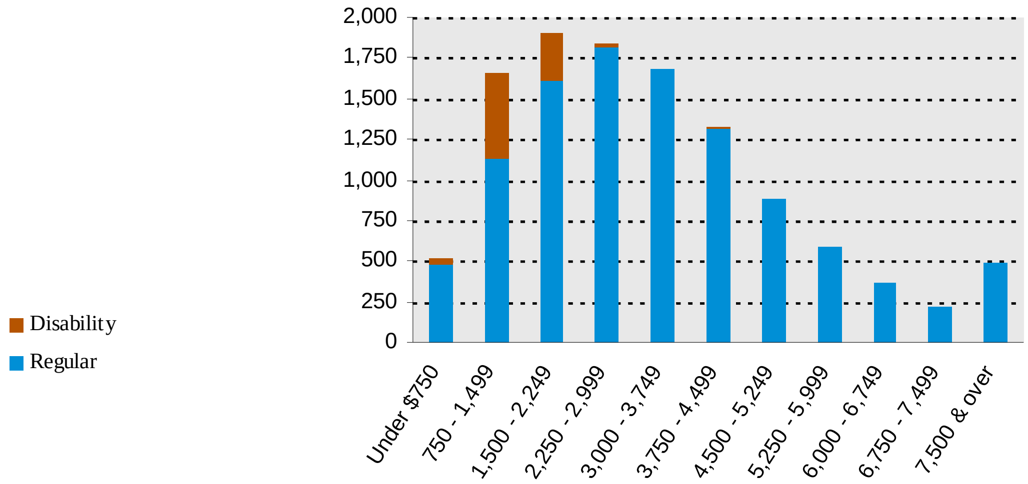
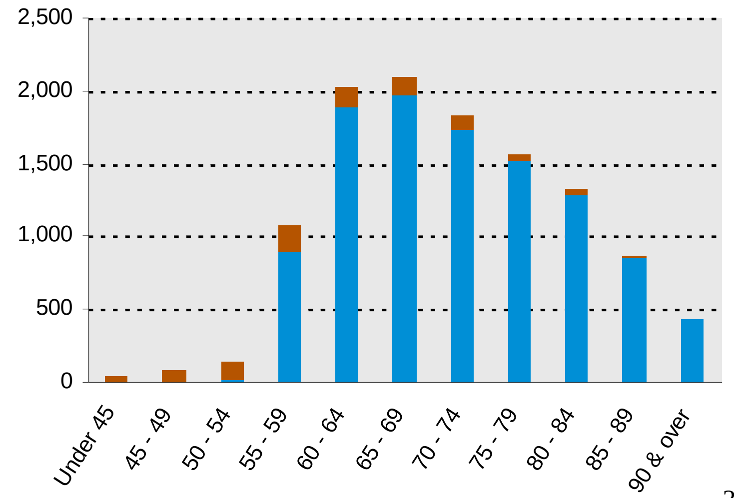


CHART 5

Distribution of Retired Members by Type and by Age as of June 30, 2009



B. FINANCIAL INFORMATION

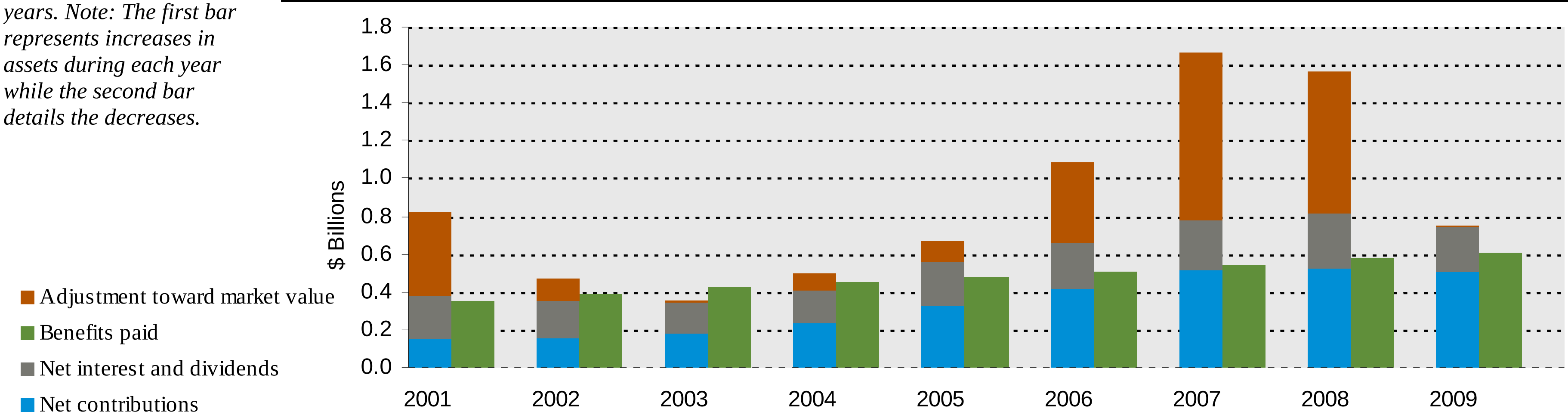
Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

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 nine 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 – 2009



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, 2009

		Original Amount	Percent Not Recognized	Amount Not Recognized	
1.	Market value of assets				$8,142,988,791
2.	Calculation of unrecognized return*				
	(a) Year ended June 30, 2009	-$2,964,832,484	80%	-$2,371,865,987	
	(b) Year ended June 30, 2008	-1,549,293,380	60%	-929,576,028	
	(c) Year ended June 30, 2007	1,054,377,186	40%	421,750,874	
	(d) Year ended June 30, 2006	366,478,652	20%	73,295,730	
	(e) Year ended June 30, 2005	132,848,231	0%	0	
	(f) Total unrecognized return				-$2,806,395,411
3.	Preliminary actuarial value: (1) - (2f)				$10,949,384,202
4.	Adjustment to be within 50% corridor				0
5.	Final actuarial value of assets: (3) + (4)				$10,949,384,202
6.	Actuarial value as a percentage of market value: (5) ÷ (1)				134.46%
7.	Market value of retirement assets				$7,122,911,065
8.	Valuation value of retirement assets (5) ÷ (1) x (7)				$9,577,747,421

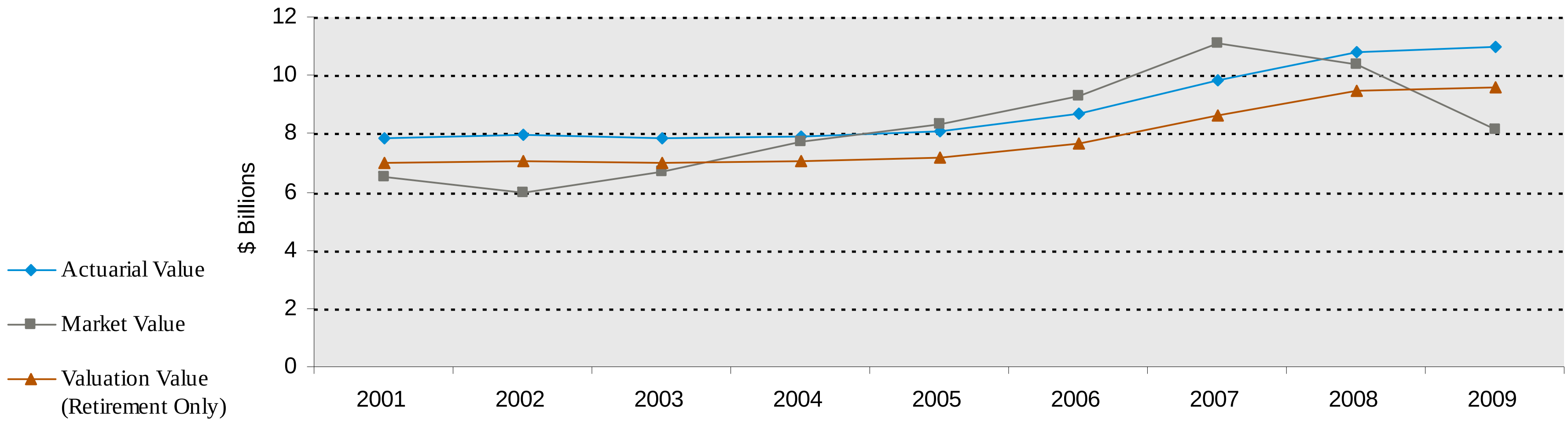
**Total return minus expected return on a market value basis*

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

This chart shows the change in the assets over the past nine years.

CHART 8

Valuation Value (Retirement Only), Actuarial Value, and Market Value of Assets as of June 30, 2001 – 2009



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.

Without including an additional liability of $300,225,354 from the current ERIP, the total loss of $367,419,768 was due to an investment loss of $498,102,906 (which is after an adjustment of about $1,030 million due to a change in the market value corridor from 80%-120% to 50%-150%), offset by a gain of $130,683,138 from all other sources. The net experience variation from all other sources was 1.09% 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, 2009

1.	Net gain/(loss) from investments*	-$498,102,906
2.	Net gain/(loss) from other experience**	125,668,649
3.	Net gain/(loss) from one year delay in implementing the lower contribution rate calculated in the June 30, 2008 valuation until fiscal year 2009/2010	5,014,489
4.	Net experience gain/(loss): (1) + (2) + (3)	-$367,419,768

* *Details in Chart 10.*

** *Details in Chart 13. The net gain is attributed to actual liability experience from July 1, 2008 through June 30, 2009 compared to the projected experience predicted by the actuarial assumptions as of June 30, 2008.*

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 2009 plan year was 2.76%.

Since the actual return for the year was less than the assumed return, LACERS experienced an actuarial loss during the year ended June 30, 2009 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, 2009

	Actuarial Value (Includes assets for Retirement, Health, Family Death, and Larger Annuity Benefits)	Valuation Value (Includes assets for Retirement Only)
1. Actual return	$247,110,655	$262,121,857
2. Average value of assets	$10,923,584,950	9,502,809,542
3. Actual rate of return: (1) ÷ (2)	2.26%	2.76%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	$873,886,796	$760,224,763
6. Actuarial gain/(loss): (1) – (5)	-$626,776,141	-$498,102,906

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

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

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2001 – 2009

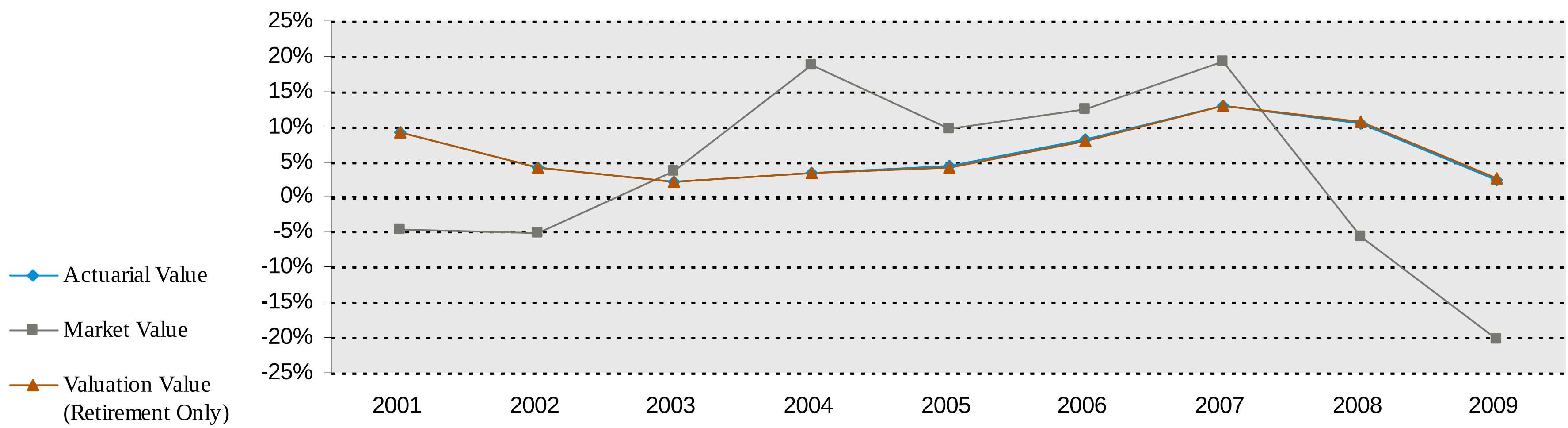
Year Ended June 30	Net Interest and Dividend Income		Recognition of Capital Appreciation		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
2001	$218,918,771	2.83%	$443,656,601	5.73%	$662,575,372	9.09%	$218,918,771	-4.60%
2002	201,393,778	2.58%	112,813,481	1.44%	314,207,259	4.06%	201,393,778	-5.25%
2003	164,915,100	2.11%	11,691,257	0.15%	176,606,357	2.26%	238,161,856	3.61%
2004	171,166,339	2.19%	96,283,183	1.23%	267,449,522	3.42%	1,243,644,727	18.84%
2005	235,062,628	2.96%	109,661,360	1.38%	344,723,988	4.34%	753,805,403	9.71%
2006	238,266,254	2.90%	430,034,467	5.24%	668,300,721	8.14%	1,041,664,291	12.34%
2007	261,677,229	2.95%	890,907,654	10.04%	1,152,584,883	12.99%	1,811,903,293	19.13%
2008	290,092,182	2.91%	752,500,487	7.53%	1,042,592,669	10.44%	-649,747,001	-5.78%
2009	237,249,377	2.17%	9,861,278	0.09%	247,110,655	2.26%	-2,125,637,471	-20.26%
Total	$2,018,741,658		$2,857,409,768		$4,876,151,426		$2,734,107,647	
					Five-year average return	7.56%		1.98%

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 - 2009 .

CHART 12

Valuation Value (Retirement Only), Actuarial Value, and Market Value Rates of Return for Years Ended June 30, 2001 - 2009



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, 2009 amounted to $125,668,649 which is 1.0% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of LACERS for the year ended June 30, 2009 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, 2009

1.	Gain due to lower than expected salary increases for continuing actives	$137,480,936
2.	Miscellaneous (loss)	-11,812,287
3.	Net gain/(loss)	$125,668,649

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 18.73% of payroll.

We have continued to follow the method used in the June 30, 2005 valuation to adjust the contribution requirement if the GASB ARC minimum contribution is greater than the amount prescribed below. For 2009, the beginning of year minimum GASB ARC is $309.6 million, so no additional adjustment has been made to the recommended contributions.

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

CHART 14

Recommended Contribution

	Year Ended June 30			
	2009		2008	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$286,582,206	15.78%	$311,749,220	15.76%
2. Expected employee contributions	-107,903,907	-5.94%*	-125,667,345	-6.35%
3. Employer normal cost: (1) + (2)	$178,678,299	9.84%	$186,081,875	9.41%
4. Actuarial accrued liability	12,041,983,936		11,186,403,741	
5. Valuation value of assets	-9,577,747,421		-9,438,318,300	
6. Unfunded actuarial accrued liability	$2,464,236,515		$1,748,085,441	
7. Amortization of unfunded accrued liability	148,789,924	8.19%	92,865,317**	4.70%
8. Total recommended contribution, beginning of year: (3) + (7)	$327,468,223	18.03%	$278,947,192	14.11%
9. Total recommended contribution, July 15	$328,505,573	18.09%	$279,830,838	14.15%
10. Total recommended contribution, end of pay periods	$340,231,571	18.73%	$289,819,392	14.65%
11. Total recommended contribution, 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011	$334,795,600	18.43%	N/A	N/A
12. Total recommended contribution, 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011	$344,965,626	18.99%	N/A	N/A
13. Projected payroll (after current ERIP for June 30, 2009)	$1,816,171,212		$1,977,644,640	

* *Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period would be 6.18% for the June 30, 2009 valuation.*

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

If paid by the City at the beginning of the year, the calculated normal cost (including expenses) is 9.84% of payroll. The remaining 8.19% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of about 25 years.

The contribution rates as of June 30, 2009 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

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

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

CHART 15

Reconciliation of Recommended Contribution from June 30, 2008 to June 30, 2009

Recommended Contribution as of June 30, 2008	$289,819,392
Effect of change in amortization amounts due to 4.25% prior total payroll growth assumption	$4,100,605
Effect of change in amortization amounts due to GASB minimum ARC requirement no longer applying	-4,535,028
Effect of contributions (more)/less than recommended contribution	-439,668
Effect of investment (gain)/loss*	43,673,376
Effect of additional cost from current ERIP	26,323,586
Effect of other gains and losses on accrued liability	-11,018,555
Effect of decrease in employer normal cost due to payroll and demographic changes, change in member contributions procedure, and implementation of the current ERIP**	-7,692,137
Total change	$50,412,179
Recommended Contribution as of June 30, 2009	$340,231,571

* *Includes adjustment of $(90,332,088) resulting from the change to the 50%-150% market value corridor.*

** *Includes adjustment of $(20,299,387) due to the payroll reduction resulting from the retirement of the 2,393 ERIP-electing actives members.*

E. INFORMATION REQUIRED BY GASB

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

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

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

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

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

These graphs show key GASB factors.

CHART 16

Required Versus Actual Contributions

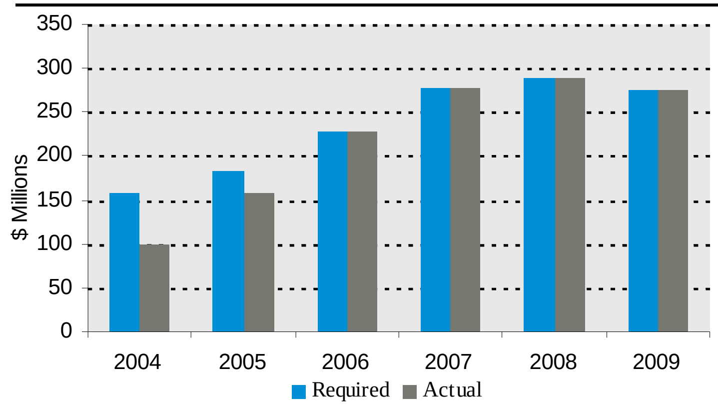


CHART 17

Funded Ratio

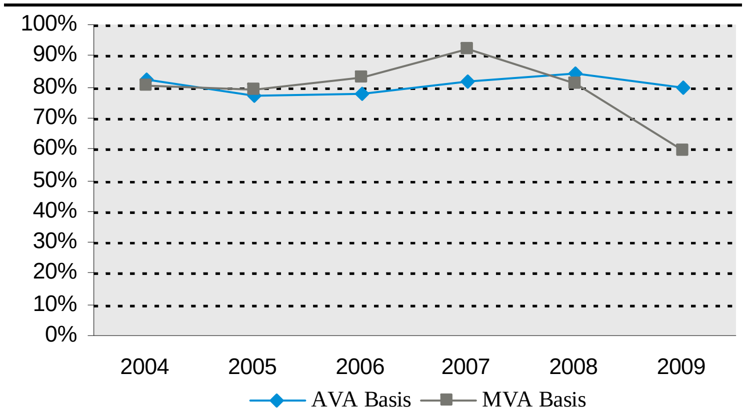


EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30 2009***	Year Ended June 30 2008	Change From Prior Year
Active members in valuation:			
Number	30,065	30,236	-0.6%
Average age	46.4	45.8	N/A
Average service	12.3	11.8	N/A
Projected total payroll*	$1,999,861,604	$1,977,644,640	1.1%
Projected average payroll*	$66,518	$65,407	1.7%
Projected total payroll after current ERIP*	$1,816,171,212	N/A	N/A
Account balances	$1,423,225,489	$1,332,217,905	6.8%
Total active vested members	20,975	20,600	1.8%
Inactive members:			
Number	4,554	4,273	6.6%
Average age	42.4	42.0	N/A
Average contribution balance for those with under 5 years of service	$3,821	$3,776	1.2%
Average monthly benefit at age 60 for those with 5 or more years of service**	$1,355	$1,343	0.9%
Retired members:			
Number in pay status	10,563	10,582	-0.2%
Average service at retirement	26.5	26.5	N/A
Average age at retirement	60.0	60.0	N/A
Average age	72.0	71.8	N/A
Average monthly benefit (includes July COLA)	$3,439	$3,319	3.6%
Disabled members:			
Number in pay status	902	908	-0.7%
Average service at retirement	12.0	12.1	N/A
Average age at retirement	45.0	45.0	N/A
Average age	61.6	61.1	N/A
Average monthly benefit (includes July COLA)	$1,416	$1,368	3.5%
Beneficiaries:			
Number in pay status	3,526	3,485	1.2%
Average age	75.9	75.7	N/A
Average monthly benefit (includes July COLA)	$1,669	$1,578	5.8%

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

** *Based on salary at termination from LACERS.*

*** *Before reclassifying the 2,393 ERIP-electing active members as retired under the program, except where noted.*

EXHIBIT B

Members in Active Service as of June 30, 2009
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	773	768	5	- -	- -	- -	- -	- -	- -	- -
	$32,602	$32,583	$35,470	- -	- -	- -	- -	- -	- -	- -
25 - 29	2,126	1,723	401	2	- -	- -	- -	- -	- -	- -
	49,559	49,125	51,367	$61,698	- -	- -	- -	- -	- -	- -
30 - 34	2,838	1,518	1,119	198	3	- -	- -	- -	- -	- -
	60,613	56,366	65,346	66,503	$55,378	- -	- -	- -	- -	- -
35 - 39	3,302	1,278	1,205	654	144	21	- -	- -	- -	- -
	64,469	55,446	66,705	74,242	80,530	$70,814	- -	- -	- -	- -
40 - 44	4,068	1,071	1,064	689	659	568	17	- -	- -	- -
	68,719	54,423	65,290	74,521	84,955	76,125	$72,089	- -	- -	- -
45 - 49	5,004	980	966	656	693	1,239	456	14	- -	- -
	72,040	55,242	64,614	71,928	81,207	83,576	78,328	$86,038	- -	- -
50 - 54	4,706	787	816	428	567	1,074	719	280	35	- -
	72,524	53,826	61,804	69,348	79,681	82,726	84,305	76,621	$77,929	- -
55 - 59	3,679	556	644	369	371	740	466	378	151	4
	72,788	54,621	61,595	72,029	76,693	79,805	82,680	85,293	83,024	$88,893
60 - 64	2,195	290	393	249	228	400	237	185	161	52
	70,194	44,335	56,300	68,473	73,645	77,801	78,041	88,465	92,222	85,028
65 - 69	898	128	185	92	105	139	95	64	58	32
	63,171	37,565	49,424	59,854	71,948	69,913	77,030	73,363	87,742	90,443
70 & over	476	93	84	40	60	94	36	20	21	28
	51,422	22,488	29,510	47,650	50,113	73,787	77,966	69,185	77,415	80,054
Total	30,065	9,192	6,882	3,377	2,830	4,275	2,026	941	426	116
	$66,518	$51,240	$62,483	$71,394	$79,508	$80,457	$81,297	$82,194	$86,447	$85,455

* *Before reclassifying the 2,393 ERIP-electing active members as retired under the program.*

EXHIBIT C

Reconciliation of Member Data

	Active Members	Inactive Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2008	30,236	4,273	908	10,582	3,485	49,484
New members	1,297	N/A	N/A	N/A	N/A	1,297
Terminations – with vested rights	-704	704	0	0	0	0
Retirements	-329	-59	N/A	388	N/A	0
New disabilities	-19	-2	21	N/A	N/A	0
New beneficiaries	N/A	N/A	N/A	N/A	222	222
Deaths	-79	-3	-26	-408	-181	-697
Refund of members contributions	-403	-398	0	0	0	-801
Rehired	66	-65	-1	0	N/A	0
Data adjustments	0	104**	0	1	0	105
Number as of June 30, 2009*	30,065	4,554	902	10,563	3,526	49,610

* *Before reclassifying the 2,393 ERIP-electing active members as retired under the program.*

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

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

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, 2009		Year Ended June 30, 2008	
Contribution income:				
Employer contributions	$383,637,842		$411,658,277	
Employee contributions	118,592,071		114,678,456	
Net contribution income		$502,229,913		$526,336,733
Investment income:				
Interest, dividends and other income	$269,650,125		$316,578,411	
Return of excess reserve from PPO carrier	0		11,000,000	
Recognition of capital appreciation	9,861,278		752,500,487	
Less investment and administrative fees	-32,400,748		-37,486,229	
Net investment income		$247,110,655		$1,042,592,669
Total income available for benefits		$749,340,568		$1,568,929,402
Less benefit payments:				
Payment of benefits	-$584,472,818		-$554,645,416	
Refunds of contributions	-21,325,182		-15,148,832	
Transfer to Fire and Police pension	0		-6,220,076	
Net benefit payments		-$605,798,000		-$576,014,324
Change in reserve for future benefits		$143,542,568		$992,915,078

Note: Results may be slightly off due to rounding.

EXHIBIT E

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

	Year Ended June 30, 2009		Year Ended June 30, 2008	
Cash equivalents		$317,385,409		$647,796,975
Accounts receivable:				
Investment income	$37,221,396		$37,665,701	
Proceeds from sales	59,510,669		52,697,778	
Other	9,132,119		9,487,263	
Total accounts receivable		$105,864,184		$99,850,742
Investments:				
Fixed Income	$2,005,804,616		$2,318,305,925	
Equities	4,518,507,955		6,083,367,297	
Real Estate and Alternative Investment	1,279,559,314		1,506,707,229	
Other	1,550,993,011		1,918,515,928	
Total investments at market value		$9,354,864,896		$11,826,896,379
Total assets		$9,778,114,489		$12,574,544,096
Less accounts payable:				
Accounts payable and accrued expenses	-$26,963,852		-$25,366,621	
Purchases of investments	-160,749,597		-362,061,108	
Security lending collateral	-1,447,412,249		-1,814,922,018	
Total accounts payable		-$1,635,125,698		-$2,202,349,747
Net assets at market value		$8,142,988,791		$10,372,194,349
Net assets at actuarial value		$10,949,384,202		$10,805,841,634
Net assets at valuation value (retirement benefits)		$9,577,747,421		$9,438,318,300

EXHIBIT F

Development of the Fund Through June 30, 2009 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
2004	$140,201,349	$93,417,803	$267,449,522	$451,867,532	$7,917,509,037
2005	229,136,519	94,268,171	344,723,988	479,891,624	8,105,746,091
2006	320,399,222	98,262,366	668,300,721	506,604,304	8,686,104,097
2007	408,392,318	106,233,984	1,152,584,883	540,388,726	9,812,926,556
2008	411,658,277	114,678,456	1,042,592,669***	576,014,324**	10,805,841,634
2009	383,637,842	118,592,071	247,110,655	605,798,000	10,949,384,202

* *Net of investment fees and administrative expenses.*

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

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

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2009

1.	Unfunded actuarial accrued liability at beginning of year	$1,748,085,441
2.	Normal cost at beginning of year	311,749,220
3.	Total contributions	-406,709,155
4.	Interest	138,451,398
5.	Expected unfunded actuarial accrued liability	1,791,576,904
6.	Changes due to experience loss*	372,434,257
7.	Changes due to current ERIP	300,225,354
8.	Unfunded actuarial accrued liability at end of year	$2,464,236,515

* *Excludes $5,014,489 gain from contributions more than anticipated due to one-year delay in implementing the lower contribution rate calculated in the June 30, 2008 valuation. That gain is already included in the development of item 5.*

EXHIBIT H

Table of Amortization Bases

Type	Date Established	Initial Years	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment*
Contribution phase-in loss	06/30/2004	15	$29,485,103	$26,123,565	10	$3,046,927
Contribution phase-in loss	06/30/2005	15	12,401,167	11,418,329	11	1,230,948
Combined bases	06/30/2005	30	1,715,553,201	1,854,328,968	26	107,130,041
Change in assumptions	06/30/2005	30	371,312,873	401,349,382	26	23,187,135
Experience loss	06/30/2006	15	24,171,861	22,940,734	12	2,304,685
Experience gain	06/30/2007	15	-309,656,196	-300,856,028	13	-28,360,349
Experience gain	06/30/2008	15	-247,657,800	-244,898,530	14	-21,788,148
Change in assumptions	06/30/2008	30	25,605,618	26,184,973	29	1,418,085
Experience loss	06/30/2009	15	367,419,768	367,419,768	15	31,006,644
Plan amendment (ERIP)	06/30/2009	15	300,225,354	300,225,354	15	25,336,091
Subtotal before GASB amount				$2,464,236,515		$144,512,059
40-year minimum GASB 25/27	06/30/2004	15	29,189,615	25,861,764	10	3,016,392
40-year minimum GASB 25/27	06/30/2005	15	12,708,684	11,701,474	11	1,261,473
Total				$2,501,799,753		$148,789,924

* *Beginning of year payments, based on level percentage of payroll.*

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 $195,000 for 2009 and 2010. 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; and

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

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

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

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

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

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 3,526 beneficiaries in pay status)		14,991
2.	Inactive members during year ended June 30, 2009 (including 3,263 members with under 5 years of service eligible for a refund of contributions)		4,554
3.	Members active during the year ended June 30, 2009		30,065
	Fully vested	20,975	
	Not vested	9,090	

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

	Assets		
1.	Valuation value of assets ($8,142,988,791 at market value** and $10,949,384,202 at actuarial value** as reported by LACERS)		$9,577,747,421
2.	Present value of future normal costs		
	Employee	1,047,404,104	
	Employer	2,329,028,002	
	Total		3,376,432,106
3.	Unfunded actuarial accrued liability		2,464,236,515
4.	Present value of current and future assets		$15,418,416,042
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$7,250,606,789***	
	Inactive members	183,318,738	
	Active members	7,984,490,515	
	Total		$15,418,416,042

* *Before reclassifying the 2,393 ERIP-electing active members as retired under the program.*

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

*** *Includes liabilities for the 2,393 ERIP-electing members.*

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1.	Total normal cost	$286,582,206
2.	Expected employee contributions*	-107,903,907
3.	Employer normal cost: (1) + (2)	$178,678,299
4.	Payment on projected unfunded actuarial accrued liability	148,789,924
5.	Total recommended contribution: (3) + (4), payable beginning of year	$327,468,223
6.	Total recommended contribution: adjusted for July 15 payment	$328,505,573
7.	Total recommended contribution: adjusted for biweekly payment	$340,231,571
8.	Total recommended contribution: adjusted for 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011	$334,795,600
9.	Total recommended contribution: adjusted for 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011	$344,965,626
10.	Projected payroll after current ERIP	$1,816,171,212
11.	Item 5 as a percentage of projected payroll: (5) ÷ (10)	18.03%
12.	Item 6 as a percentage of projected payroll: (6) ÷ (10)	18.09%
13.	Item 7 as a percentage of projected payroll: (7) ÷ (10)	18.73%
14.	Item 8 as a percentage of projected payroll: (8) ÷ (10)	18.43%
15.	Item 9 as a percentage of projected payroll: (9) ÷ (10)	18.99%

** Discounted to beginning of year.*

EXHIBIT II

Supplementary Information Required by GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2004	$159,083,407	$100,408,689	63.12%
2005	183,241,489	158,131,638	86.30%
2006	227,740,600	227,740,600	100.00%
2007	277,516,400	277,516,400	100.00%
2008	288,119,041	288,119,041	100.00%
2009	274,554,786	274,554,786	100.00%

EXHIBIT III

Supplementary Information Required by 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)
06/30/2004	$7,042,107,591	$8,533,863,528	$1,491,755,937	82.52%	$1,575,284,734	94.70%
06/30/2005	7,193,142,227	9,321,524,967	2,128,382,740	77.17%	1,589,305,846	133.92%
06/30/2006	7,674,999,374	9,870,662,387	2,195,663,013	77.76%	1,733,339,536	126.67%
06/30/2007	8,599,699,772*	10,526,874,184	1,927,174,412	81.69%	1,896,609,013	101.61%
06/30/2008	9,438,318,300	11,186,403,741	1,748,085,441	84.37%	1,977,644,640	88.39%
06/30/2009	9,577,747,421	12,041,983,936	2,464,236,515	79.54%	1,816,171,212**	135.68%

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

** *After current ERIP.*

EXHIBIT IV

Supplementary Information Required by GASB

Valuation date	June 30, 2009
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group.
Amortization method	Level percent of payroll – assuming a 4.25% increase in total covered payroll.
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years, except for the plan change resulting from the current ERIP, which was amortized over 15 years. The existing layers on June 30, 2005, except those arising from the phase-in of contribution rates for the May 30, 2002 experience study, were combined and amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.50%
Projected salary increases	Ranges from 12.25% to 6.75% for members with less than 5 years of service. Ranges from 6.50% to 4.75% for members with 5 or more years of service.
Cost of living adjustments	3.00%
Plan membership:*	
Retired members and beneficiaries receiving benefits	14,991
Inactive members**	4,554
Active members	30,065
Total	49,610

* *Before reclassifying the 2,393 ERIP-electing active members as retired under the program.*

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

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)
2004	$159,083,407	$100,408,689	$0	$0	N/A	$159,083,407	$58,674,718	$58,674,718
2005	183,241,489	158,131,638	0	0	N/A	183,241,489	25,109,851	83,784,569
2006	227,740,600	227,740,600	4,693,977	5,429,482	11.6712*	227,005,095	(735,505)	83,049,064
2007	277,516,400	277,516,400	6,643,929	7,970,213	11.3532**	276,190,116	(1,326,284)	81,722,780
2008	288,119,041	288,119,041	6,537,822	8,289,017	10.8207	286,367,846	(1,751,195)	79,971,585
2009	274,554,786	274,554,786	6,397,727	8,620,578	10.2384	272,331,935	(2,222,851)	77,748,734

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

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

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

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

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

Termination Rates before Retirement:

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

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

* *Termination rates are zero for members eligible to retire.*

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

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

Retirement Rates:

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

Retirement Age and Benefit for Inactive Vested Participants:	Assume pension benefit will be paid at the later of age 57 or the current attained age. For reciprocals, we assume 4.75% compensation increases per annum.
Exclusion of Inactive Members:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Percent Married/Domestic Partner:	76% of male participants; 50% of female participants.
Age of Spouse:	Female spouses 4 years younger than their spouses.
Future Benefit Accruals:	1.0 year of service per year.
Other Reciprocal Service:	10% of future inactive vested members will work at a reciprocal system.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to 3.0% maximum.
Employee Contribution and Matching Account Crediting Rate:	6.50%
Net Investment Return:	8.00%

Salary Increases:

According to the following schedule:

For members with under 5 years of service,

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

For members with over 5 years of service,

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

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

Actuarial Value of Assets:

The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets cannot be less than 50% or greater than 150% of the market value of assets.

Actuarial Cost Method:	Projected Unit Credit Cost Method.
Funding Policy:	The plan sponsor of the City of Los Angeles Employees' Retirement System makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Projected Unit Credit cost method. All the bases on or before June 30, 2005, except those arising from the phase-in of contribution rates for the 2002 experience study, were combined and amortized over 30 years effective June 30, 2005. Any subsequent change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate 15 year periods. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes, excluding the current ERIP, are amortized over separate 30 year periods. The change in Unfunded Actuarial Accrued Liability from the current ERIP plan amendment is amortized over a separate 15 year period. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service. In no event will the recommended contribution be less than the minimum Annual Required Contribution (ARC) as determined under GASB Statements 25 and 27.

EXHIBIT VII
Summary of Plan Provisions

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

Plan Year:	July 1 through June 30
Census Date:	June 30
Normal Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 70; Age 60 with 10 years of continuous service; or Age 55 with at least 30 years of service.
Amount (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation.
Early Retirement Benefit:	
Age & Service Requirement (§ 4.1020)	Age 55 with 10 years of continuous service; or Any age with 30 year of service.
Amount (§ 4.1056.2)	2.16% per year of service (not greater than 100%) of the Final Average Monthly Compensation, reduced for retirement ages below age 60 using the following sample Early Retirement benefit adjustment factors:

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 equal to 50% of monthly salary paid, according to the following schedule:

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

Option #2:

(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, except for the additional benefits provided to the 2,393 members who elected the current ERIP.

EXHIBIT VIII
Letter on ERIP Dated March 26, 2010

SEGAL

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

VIA EMAIL and USPS MAIL

March 26, 2010

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

Re: Los Angeles City Employees' Retirement System
Revised June 30, 2009 Valuation Results to Reflect the Early Retirement Incentive Program (ERIP) Elections

Dear Sally:

In our reports dated November 5, 2009, we provided the results of our June 30, 2009 actuarial valuations of the retirement benefits and the other postemployment benefits (OPEB) for LACERS. However, those valuations did not include the impact of the current ERIP offered by the City as described in Ordinance No. 180926 ("current ERIP"). As requested by the System, we have updated the results of those valuations to reflect the latest ERIP election information available from the City at the time we were asked to begin preparing the results shown in this letter.

In this letter, we are providing the following updated information as of June 30, 2009:

- employer and employee contribution rates,
- unfunded actuarial accrued liability (UAAL),
- funded ratios, and
- projected payroll.

Note that we will issue fully amended June 30, 2009 valuation reports for retirement benefits and OPEB to reflect the updated information provided in this letter. This information is presented to allow the Board to adopt the employer and employee contribution rates for fiscal year 2010/2011, including the current ERIP, on a timely basis.

CENSUS DATA

Our initial June 30, 2009 valuation results were based on the census data provided by LACERS as of that date. This data did not include any information regarding the current ERIP, which was offered subsequent to the June 30, 2009 valuation date.

On March 1, 2010, we received from your office the names and Social Security numbers of 2,400 members who elected the current ERIP (we understand that the information on this list was the latest information available from the City at the time we began our update of the June 30, 2009 valuation results to reflect the current ERIP). Based on our review and on further communications with your office, we excluded seven of those members who are either ineligible or have incomplete data and included only 2,393 members in preparing the costs in this study. It is our understanding that it is the intent of the City to provide the current ERIP to 2,400 members and, therefore, replacements will be made to allow the City to reach that goal. While the ultimate cost may differ somewhat with the addition of seven members, we do not anticipate that the difference in cost will be material.

As LACERS is still in the process of calculating the actual increases in benefits provided by the current ERIP to the 2,393 members, we have estimated the increases by using data available for the June 30, 2009 valuation. This means that there may be some adjustment to the cost associated with providing the current ERIP, which will be reflected in the 2010 regular valuation once the actual benefit amounts become available.

We understand that the 2,393 members who elected the current ERIP can be categorized in one of the five groups listed below. After each group description, we have included the number of members within that group who elected the current ERIP.

- **Group 1 –** Members who already qualify for an unreduced or normal retirement benefit with less than 33 years of service and who are at least 55 years of age (956 members);
- **Group 2 -** Members who do not currently qualify for an unreduced or normal retirement benefit and who have at least 33 years of service but have not reached age 55 (69 members);
- **Group 3 –** Members who do not currently qualify for an unreduced or normal retirement benefit and who have less than 33 years of service and are within 5 years of age and/or service for an unreduced or normal retirement benefit (778 members);
- **Group 4 -** Members who already qualify for an unreduced or normal retirement benefit with at least 33 years of service and who are at least 55 years of age (545 members); and
- **Group 5 -** Members who began their City careers prior to January 1, 1983 and who are not within 5 years of age and/or service for an unreduced or normal retirement benefit (45 members).

CURRENT ERIP BENEFITS

Our updated June 30, 2009 valuation results contained in this letter are based on the following benefit enhancements approved by the City under the current ERIP:

- **For Group 1 –** Provide 3 years of additional service to those already eligible for an unreduced or normal retirement benefit under the pension plan. The 3 years of additional service will be added to the pension and the health plans. There will also be a one-time cash payment of $15,000.
- **For Group 2 –** Provide enough age credit so members can receive an unreduced or normal retirement benefit under the pension plan, plus 3 years of additional service. There will also be a one-time cash payment of $15,000.
- **For Group 3 –** Provide no less than 3 years but no greater than 5 years of age and/or service so members can receive an unreduced or normal retirement benefit. If less than 3 years are required for a member to reach normal retirement age, he/she will receive the remaining years (up to a total of 3 years) as additional service credit. For example, a member who is age 59 with 10 years of service will receive 1 year of age (thus reaching normal retirement age) and 2 year of service under this scenario. There will also be a one-time cash payment of $15,000.
- **For Group 4 –** Provide no additional age or service credits for the pension and the health plans but only a one-time cash payment of $1,000 per year of service.
- **For Group 5 –** Provide 5 years of service so members can receive an early or reduced retirement benefit. There will also be a one-time cash payment of $15,000.

In addition, the total pension benefit after the current ERIP enhancement will be reduced by 1% for all members retiring under this ERIP, except for those in Group 4.

RESULTS

In the enclosed Exhibits 1 - 3, we provide updated June 30, 2009 valuation results for retirement and OPEB benefits based on the data provided for this study and on the estimates previously discussed. These results are based on the same actuarial assumptions described in our earlier valuation reports dated November 5, 2009, which did not include the effect of the current ERIP. In addition, the Board has adopted a 15-year amortization period for the additional UAAL resulting from this ERIP.

Exhibit 1 provides the updated June 30, 2009 valuation results for the retirement benefits and is similar to page 12 of our November 5, 2009 retirement benefits valuation report. Exhibit 2 provides the updated results for OPEB and is similar to page 8 of our November 5, 2009 OPEB valuation report. In both of these exhibits, we have also included the UAAL and the funded ratio. Exhibit 3 provides combined retirement benefits and OPEB results for selected items from Exhibits 1 and 2.

As requested by LACERS, in Exhibits 1 - 3 we have included two new alternative contribution rate requirements under the "2009 w/ Current ERIP" column. These alternatives assume that the Board would allow the City to pay either: (1) three-fourths of the 2010/2011 fiscal year contributions on July 15, 2010 and the remaining one-fourth on June 30, 2011, or (2) one-half of the 2010/2011 fiscal year contributions on January 1, 2011 and the remaining one-half on May 1, 2011[1]. These are in addition to the July 15 and end of pay period contribution timing options that we have been including in our actuarial valuation reports.

It is our understanding that the cash payments described above under "Current ERIP Benefits" will be paid directly by the City and thus will not have any impact on LACERS' UAAL. Therefore, the total amount of these one-time cash payments is not included in the results in the Exhibits. However, we have estimated the total amount of these cash payments to be $47,874,100.

Special Note about Member Contributions

The expected employee contributions for retirement benefits as shown in Exhibit 1 under both the "2009 w/ Current ERIP" and the "2009 w/o Current ERIP" columns are based on the employee contribution rates that were being paid by the active members as of the June 30, 2009 valuation date, before reflecting any applicable pick ups by the employer ("defrayals"). For members hired before January 1, 1983, the employee rates vary by entry age into LACERS and the actual rates are prescribed in Section 4.1031 of the City's Administrative Code (the rates shown in Section 4.1031 do not reflect any defrayals). For members hired on or after January 1, 1983, the employee contribution rate is 6% of payroll as of June 30, 2009.

For members hired prior to January 1, 1983 who were contributing less than 6% (after defrayals) as of June 30, 2009, we understand that their employee contribution rates were increased to 6% beginning with the payroll period following the effective date of the current ERIP Ordinance on November 8, 2009. While an increase in the employee rates for these members would result in a decrease in the employer pick ups or defrayals, that change should not result in any change in the June 30, 2009 employee rates we provide in Exhibit 1 because those rates are shown before reflecting any pick ups or defrayals.

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[1] As January 1, 2011 is a holiday and May 1, 2011 falls on a Sunday, we have adjusted the payments with interest assuming that actual payments will be made on the first business day following those dates.

According to the current ERIP Ordinance, the employee rate for all active members is scheduled to increase to 7% beginning July 1, 2011 and ending on June 30, 2026 (a 15 year period), or until the "ERIP Cost Obligation" is fully paid, whichever comes first. Since the contribution rates shown in Exhibit 1 are effective for the 2010/2011 fiscal year, they do not take into account the increase in the employee contribution rates (to 7%) that is scheduled to begin on July 1, 2011. That increase in the employee rates will first be reflected in the June 30, 2010 valuation.

We look forward to discussing these results with the Board. If you have any questions, please do not hesitate to call.

Sincerely,

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

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

DNA/bqb
Enclosures

cc: Li Hsi
Tom Moutes

Exhibit 1

Updated June 30, 2009 Valuation Results for Retirement Benefits
Based on Latest Election Information Available for Current ERIP

Retirement Benefits

Recommended Contribution

	Year Ended June 30					
	2009 w/ Current ERIP		2009 w/o Current ERIP		2008	
	Amount	% of Payroll	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$286,582,206	15.78%	$320,013,900	16.00%	$311,749,220	15.76%
2. Expected employee contributions	-107,903,907	-5.94%*	-121,797,720	-6.09%*	-125,667,345	-6.35%
3. Employer normal cost: (1) + (2)	$178,678,299	9.84%	$198,216,180	9.91%	$186,081,875	9.41%
4. Actuarial accrued liability	12,041,983,936		11,741,758,582		11,186,403,741	
5. Valuation value of assets	-9,577,747,421		-9,577,747,421		-9,438,318,300	
6. Unfunded actuarial accrued liability	$2,464,236,515		$2,164,011,161		$1,748,085,441	
7. Amortization of unfunded accrued liability	148,789,924	8.19%	123,453,833	6.17%	92,865,317**	4.70%
8. Total recommended contribution, beginning of year: (3) + (7)	$327,468,223	18.03%	$321,670,013	16.08%	$278,947,192	14.11%
9. Total recommended contribution, July 15	$328,505,573	18.09%	$322,688,996	16.14%	$279,830,838	14.15%
10. Total recommended contribution, end of pay periods	$340,231,571	18.73%	$334,207,371	16.71%	$289,819,392	14.65%
11. Total recommended contribution under Alternative 1 (see below)	$334,795,600	18.43%	N/A	N/A	N/A	N/A
12. Total recommended contribution under Alternative 2 (see below)	$344,965,626	18.99%	N/A	N/A	N/A	N/A
13. Projected payroll	$1,816,171,212		$1,999,861,604		$1,977,644,640	
14. Funded ratio	79.54%		81.57%		84.37%	

* *Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period would be 6.33% for the June 30, 2009 valuation w/o current ERIP and 6.18% w/ current ERIP.*

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

Alternative 1: 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011.

Alternative 2: 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011.

Exhibit 2

Updated June 30, 2009 Valuation Results for OPEB
Based on Latest Election Information Available for Current ERIP

Other Postemployment Benefits

Determination of Annual Required Contribution (ARC)

		Determined as of June 30					
	Cost Element	2009 w/ Current ERIP		2009 w/o Current ERIP		2008	
		Amount	Percentage of Compensation	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1.	Normal cost	$69,782,153	3.84%	$75,134,318	3.76%	$71,140,044	3.60%
2.	Amortization of the unfunded actuarial accrued liability	46,013,918	2.53%	41,394,764	2.07%	33,019,617	1.67%
3.	Total annual required contribution (beginning of year)	$115,796,071	6.37%	$116,529,082	5.83%	$104,159,661	5.27%
4.	Total compensation*	$1,816,171,212		$1,999,861,604		$1,977,644,640	
5.	Adjustment for timing (July 15)	366,818	0.03%	374,275	0.02%	334,546	0.01%
6.	Total annual required contribution (July 15)	$116,162,889	6.40%	$116,903,357	5.85%	$104,494,207	5.28%
7.	Adjustment for timing (end of pay period)	4,513,249	0.25%	4,661,163	0.23%	4,166,386	0.20%
8.	Total annual required contribution (end of pay period)	$120,309,320	6.62%	$121,190,245	6.06%	$108,326,047	5.48%
9.	Total annual required contribution under Alternative 1 (see below)	$118,387,105	6.52%	N/A	N/A	N/A	N/A
10.	Total annual required contribution under Alternative 2 (see below)	$121,983,317	6.72%	N/A	N/A	N/A	N/A
11.	UAAL	$715,680,301		$660,944,656		$585,123,289	
12.	Funded ratio	65.23%		67.01%		69.65%	

**Reflects amount calculated in the pension valuation.*

Alternative 1: 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011.

Alternative 2: 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011.

Exhibit 3

Updated June 30, 2009 Valuation Results for Combined Retirement Benefits and OPEB Based on Latest Election Information Available for Current ERIP

Combined Retirement Benefits and OPEB

Recommended Contribution

	Year Ended June 30					
	2009 w/ Current ERIP		2009 w/o Current ERIP		2008	
	Amount	% of Payroll	Amount	% of Payroll	Amount	% of Payroll
1. Total recommended contribution, beginning of year	$443,264,294	24.40%	$438,199,095	21.91%	$383,106,853	19.38%
2. Total recommended contribution, July 15	$444,668,462	24.49%	$439,592,353	21.99%	$384,325,045	19.43%
3. Total recommended contribution, end of pay periods	$460,540,891	25.35%	$455,397,616	22.77%	$398,145,439	20.13%
4. Total recommended contribution under Alternative 1 (see below)	$453,182,705	24.95%	N/A	N/A	N/A	N/A
5. Total recommended contribution under Alternative 2 (see below)	$466,948,943	25.71%	N/A	N/A	N/A	N/A
6. Projected payroll	$1,816,171,212		$1,999,861,604		$1,977,644,640	
7. Unfunded actuarial accrued liability	$3,179,916,816		$2,824,955,817		$2,333,208,730	
8. Funded ratio	77.45%		79.45%		82.21%	

Alternative 1: 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011.
Alternative 2: 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011.

Los Angeles City Employees' Retirement System

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2009
In accordance with GASB Statements No. 43 and No. 45
Revised to Reflect Early Retirement Incentive Program (ERIP) Elections

THE SEGAL COMPANY
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April 22, 2010

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90112-4207

Dear Board members:

We are pleased to submit this Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2009 under Governmental Accounting Standards Board Statements 43 and 45. The report summarizes the actuarial data used in the valuation, discloses the Net OPEB obligation (NOO) as of June 30, 2009, establishes the Annual Required Contribution (ARC) for the coming year, and analyzes the preceding year's experience. The City has offered an Early Retirement Incentive Program (ERIP) to active members who meet certain eligibility requirements. As requested by LACERS, Segal has prepared this revised valuation to reflect the latest ERIP election information available from the City at the time we were asked to begin preparing the results shown in this report.

This report was based on the information provided by the Retirement System and the terms of the Plan. The actuarial calculations were completed under the supervision of Dave Bergerson, FCA, ASA, MAAA, Enrolled Actuary and Patrick Twomey, 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 used in this valution and described in Exhibit II are reasonably related to the experience of and the expectations for the Plan. The actuarial projections are based on these assumptions and the plan of benefits as summarized in Exhibit III.

Sincerely,

THE SEGAL COMPANY

By: Paul Angelo

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

TXB/hy

SECTION 1

EXECUTIVE SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

PURPOSE

This report presents the results of our actuarial valuation of the City of Los Angeles (the "Employer") OPEB plan for City Employees as of June 30, 2009. 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.

HIGHLIGHTS OF THE VALUATION

- On November 5, 2009, we issued a preliminary valuation report as of June 30, 2009 that did not include the impact of the current ERIP offered by the City, as the ERIP elections were not available at that time. In this revised valuation report, consistent with the requirements of GASB 47, we have updated the results from the November 5, 2009 report to reflect the latest ERIP election information available from the City at the time we were requested to begin preparing the results shown in this report. The ERIP election information we received is discussed in the next item.

- On March 1, 2010, we received from LACERS the names and Social Security numbers of 2,400 members who elected the current ERIP (we understand that the information was the latest information available from the City at the time we began our update of the June 30, 2009 valuation results to reflect the current ERIP). Based on our review and on further communications with LACERS, we excluded seven of those members who are either ineligible or have incomplete data and included only 2,393 members in preparing the costs in this valuation. It is our understanding that it is the intent of the City to provide the current ERIP to 2,400 members and, therefore, replacements will be made to allow the City to reach that goal. While the ultimate cost may differ somewhat with the addition of seven members, we do not anticipate that the difference in cost will be material.

  As LACERS is still in the process of calculating the actual increases in benefits provided by the current ERIP to the 2,393 members, we have estimated the increases by using data available for the preliminary June 30, 2009 valuation. This means that there may be some adjustment to the cost associated with providing the current ERIP, which will be reflected in the June 30, 2010 valuation once the actual benefit amounts become available.

  A summary of the improved benefits available under the ERIP for the 2,393 members was provided in our letter dated March 26, 2010. A copy of that letter is provided in Section 4, Exhibit VI.

- The recommended contribution has increased from \$104.5 million (5.28% of payroll) to \$116.2 million (6.40% of payroll), assuming contributions are made by the City on July 15.

- The employer contribution rates provided in this report have been developed, assuming that they will be made by the City at either (1) the beginning of the fiscal year (i.e. the City will prepay its contributions or (2) on July 15 or (3) throughout the year (i.e. the City will pay contributions at the end of every pay period), or (4) on July 15, 2010 for three-fourths of the full payment and on June 30, 2011 for the remaining one-fourth of the full payment, or (5) on January 3, 2011 for one-half of the full payment and on May 2, 2011 for the remaining one-half of the full payment.

- LACERS has elected to comply with GASB 43 effective with the June 30, 2005 valuation. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.
- The funding method used to develop the actuarial required contribution (ARC) is the Projected Unit Credit Method, a method that will produce an increasing normal cost as a percent of payroll for individual members.
- The funded ratio has decreased from 69.65% to 65.23% in this valuation. The unfunded actuarial accrued liability (UAAL) has increased from $585.1 million to $715.7 million. A reconciliation of the change in the UAAL is provided on page 7, Section 2.
- The discount rate for this valuation is 8.00%, and is based on the assumptions that the City is paying a contribution that equals the ARC and that 100% of benefits will be paid from the trust.
- Under the Board’s asset smoothing method, any investment gains or losses relative to the assumed return (currently 8% per year) would be recognized over a period of 5 years. In addition, prior to the June 30, 2009 valuation, the actuarial value of assets was further adjusted, if necessary, so that it would stay within 20% of the market value of assets. As adopted by the Board, the 20% limit has been expanded to 50% effective with the June 30, 2009 valuation.
- The Board has adopted a policy of amortizing the entire Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2007 over a fixed period of 28 years beginning July 1, 2007. Gains and losses are amortized over 15 years, and assumption changes over 30 years. In no case will the effective amortization period of the unfunded actuarial accrued liability exceed 30 years. In addition, the costs associated with the current ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date.
- As indicated in Section 3, Exhibit E of this report, the total unrecognized investment loss as of June 30, 2009 is $2,806.4 million for the assets for Retirement, Health, Family Death, and Larger Annuity Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.

- The deferred losses of $2,806.4 million represent 34% of the market value of assets as of June 30, 2009. Unless offset by future investment gains or other favorable experience, the recognition of the $2,806.4 million market losses is expected to have a significant impact on the System's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

  - If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 65.23% to 48.51%.

  - If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate (payable on July 15) would increase from 6.40% to 8.00% of payroll.

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

SUMMARY OF VALUATION RESULTS

	June 30, 2009	June 30, 2008
Actuarial Accrued Liability (AAL)	$2,058,176,825	$1,928,042,900
Actuarial Value of Assets	1,342,496,524	1,342,919,611
Unfunded Actuarial Accrued Liability	715,680,301	585,123,289
Funded Ratio	65.23%	69.65%
Market Value of Assets	$998,406,298	$1,289,027,146
Annual Required Contribution (ARC)		
Normal cost (beginning of year)	$69,782,153	$71,140,044
Amortization of the unfunded actuarial accrued liability	46,013,918	33,019,617
Total Annual Required Contribution (beginning of year)	$115,796,071	$104,159,661
Total Annual Required Contribution (July 15)	$116,162,889	$104,494,207
Total Annual Required Contribution (end of each pay period)	$120,309,320	$108,326,047
Projected total payroll*	$1,999,861,604	$1,977,644,646
Projected total payroll after current ERIP**	$1,816,171,212	N/A
ARC as a percentage of pay		
Beginning of year	6.37%	5.27%
July 15	6.40%	5.28%
End of each pay period	6.62%	5.48%
3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011	6.52%	N/A
1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011	6.72%	N/A
Total Participants	46,779	49,803
Annual OPEB Cost (AOC) for Coming Year		
Annual Required Contributions (July 15)	$104,494,207	$95,122,090
Interest on Net OPEB Obligations	0	0
ARC Adjustments	0	0
Total Annual OPEB Cost	$104,494,207	$95,122,090
AOC as a percent of pay	5.28%	4.81%

* *Reflects amount calculated in the pension valuation and before reclassifying the 2,393 ERIP-electing active members as retired under the program.*

** *Reflects amount calculated in the pension valuation.*

April 22, 2010

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of Los Angeles City Employees' Retirement System's other postemployment benefit programs as of June 30, 2009, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB Statements 43 and 45 for the determination of the liability for postemployment benefits other than pensions.

The City has offered an Early Retirement Incentive Program (ERIP) to active members who meet certain eligibility requirements. As requested by LACERS, Segal has prepared this valuation to reflect the latest ERIP election information available from the City at the time we were asked to begin preparing the results shown in this report.

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

The actuarial computations made are for purposes of fulfilling plan accounting and funding requirements. Determinations for purposes other than meeting financial accounting and funding 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 of the plan, or determining short-term cash flow requirements.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB Statements 43 and 45 with respect to the benefit obligations addressed. The signing actuaries are Members of the Society of Actuaries, the American Academy of Actuaries, and other professional actuarial organizations and collectively meet their "General Qualification Standards for Statements of Actuarial Opinions" to render the actuarial opinion contained herein.

Dave Bergerson

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

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

The actuarial present value of total projected benefits uses the actuarial assumptions disclosed in Section 4 to calculate the value today of all benefits expected to be paid to current actives, terminated vested and retired plan members. The actuarial balance sheet shows the expected breakdown of how these benefits will be financed.

CHART 1

Actuarial Present Value of Total Projected Benefits (APB) and Actuarial Balance Sheet

	Actuarial Present Value of Total Projected Benefits (APB)	
	2009	**2008**
Participant Category		
Current retirees, beneficiaries, and dependents	$1,118,519,907*	$849,972,270
Current active members	1,723,009,711	1,865,096,157
Terminated members entitled but not yet eligible	26,181,886	25,933,078
Total as of June 30	$2,867,711,504	$2,741,001,505
	2009	**2008**
Actuarial Balance Sheet		
The actuarial balance sheet as of the valuation date is as follows:		
Assets		
1. Actuarial value of assets	$1,342,496,524	$1,342,919,611
2. Present value of future normal costs	809,534,679	812,958,605
3. Unfunded actuarial accrued liability	715,680,301	585,123,289
4. Present value of current and future assets	$2,867,711,504	$2,741,001,505
Liabilities		
5. Actuarial Present Value of total Projected Benefits	$2,867,711,504	$2,741,001,505

**Includes liabilities for the 2,393 ERIP-electing members.*

The actuarial accrued liability shows that portion of the APB (Chart 1) allocated to periods prior to the valuation date by the actuarial cost method. The chart below shows the portion of the liability for active and inactive members, and reconciles the unfunded actuarial liability from last year to this year.

CHART 2

Actuarial Accrued Liability (AAL) and Unfunded AAL (UAAL)

	June 30, 2009	June 30, 2008
Participant Category		
Current retirees, beneficiaries, and dependents	$1,118,519,906*	$849,972,270
Current active members	913,475,032	1,052,137,552
Terminated members entitled but not yet eligible	26,181,886	25,933,078
Total actuarial accrued liability	$2,058,176,825	$1,928,042,900
Unfunded Actuarial Accrued Liability		
Total actuarial accrued liability	$2,058,176,825	$1,928,042,900
Actuarial value of assets	1,342,496,524	1,342,919,611
Unfunded actuarial accrued liability	$715,680,301	$585,123,289
Development of Unfunded Actuarial Accrued Liability for the Year Ended June 30, 2009		
1. Unfunded actuarial accrued liability at beginning of year	$585,123,289	
2. Employer normal cost at beginning of year	71,140,044	
3. Total employer contributions at July 15	95,122,090	
4. Interest	45,215,705	
5. Expected unfunded actuarial accrued liability (1) + (2) – (3) +(4)	$606,356,948	
6. Change due to the combined effect of experience gains and updated assumptions and methods	54,587,708	
7. Change due to implementation of Early Retirement Incentive Program (ERIP)	54,735,645	
8. Unfunded actuarial accrued liability at end of year	$715,680,301	

**Includes liabilities for the 2,393 ERIP-electing members.*

The unfunded actuarial accrued liability may be amortized over periods of up to 30 years. Amortization payments may be calculated as level dollar amounts or as amounts designed to remain level as a percent of a growing payroll base. Los Angeles City Employees' Retirement System has elected to amortize unfunded actuarial accrued liability using the following rules: The unfunded actuarial accrued liability as of June 30, 2007 is amortized over a fixed period of 28 years beginning July 1, 2007. Assumption changes are amortized over 30 years and gains and losses are amortized over 15 years. The costs associated with the current ERIP have been amortized over 15 years beginning with the June 30, 2009 valuation date.

CHART 3

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Outstanding Balance	Years Remaining	Annual Payment*
Initial Unfunded Actuarial Accrued Liability	06/30/2007	28	$544,856,288	$565,590,868	26	$32,675,849
Experience Loss	06/30/2008	15	2,484,406	2,456,726	14	218,570
Assumption Change	06/30/2008	30	27,599,895	28,224,372	29	1,528,531
Experience Loss	06/30/2009	15	113,097,781	113,097,781	15	9,544,349
Assumption Change	06/30/2009	30	-48,425,091	-48,425,091	30	-2,572,535
Implementation of ERIP	06/30/2009	15	54,735,645	54,735,645	15	4,619,154
Total				$715,680,301		$46,013,918

* *Level percentage of pay*

The Annual Required Contribution (ARC) is the amount calculated to determine the annual cost of the OPEB plan for accounting purposes on an accrual basis. The calculation consists of adding the Normal Cost of the plan to an amortization payment. Both are determined as of the start of the accounting period and adjusted as if the annual cost were to be contributed throughout the fiscal year or on July 15th, three-fourth payment on July 15, 2010 and one-fourth payment on June 30, 2011 or one-half payment on January 3, 2011 and one-half payment on May 2, 2011.

The amortization payment is based on a 28-year amortization of the initial unfunded actuarial accrued liability as of June 30, 2007, 30-year amortization of assumption changes, and 15-year amortization of gains and losses on a level percent of payroll basis.

The change in unfunded actuarial accrued liability due to adoption of the Early Retirement Incentive Program (ERIP) was amortized over 15 years.

CHART 4

Determination of Annual Required Contribution (ARC)

	Cost Element	Determined as of June 30			
		2009		2008	
		Amount	Percentage of Compensation	Amount	Percentage of Compensation
1.	Normal cost	$69,782,153	3.84%	$71,140,044	3.60%
2.	Amortization of the unfunded actuarial accrued liability	46,013,918	2.53%	33,019,617	1.67%
3.	Total Annual Required Contribution (beginning of year)	$115,796,071	6.37%	$104,159,661	5.27%
4.	Projected Payroll (after current ERIP for June 30, 2009)*	$1,816,171,212		$1,977,644,640	
5.	Adjustment for timing (July 15)	366,818	0.03%	334,546	0.01%
6.	Total Annual Required Contribution (July 15)	$116,162,889	6.40%	$104,494,207	5.28%
7.	Adjustment for timing (end of pay period)	4,513,249	0.25%	4,166,386	0.20%
8.	Total Annual Required Contribution (end of pay period)	$120,309,320	6.62%	$108,326,047	5.48%
9.	Total Annual Required Contribution (3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011)	$118,387,105	6.52%	N/A	N/A
10.	Total Annual Required Contribution (1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011)	$121,983,317	6.72%	N/A	N/A

**Reflects amount calculated in the pension valuation.*

The Annual OPEB Cost (AOC) adjusts the ARC for any past differences between the ARC and contributions in relation to the ARC as tracked in the Net OPEB Obligation (NOO).

CHART 4 (continued)

Determination of Annual OPEB Cost (AOC)

	Cost Element	Determined as of June 30 2009	2008
		Amount	**Amount**
1.	Annual Require Contribution (July 15)	$116,162,889	$104,494,207
2.	Interest on Beginning of Year Net OPEB Obligation (NOO)	0	0
3.	ARC adjustment	0	0
4.	Annual OPEB Cost (July 15)	$116,162,889	$104,494,207

For GASB 43 (plan reporting) purposes, the schedule of employer contributions compares actual contributions to the ARC. For GASB 45 (employer reporting) purposes, the schedule of employer contributions compares actual contributions to the AOC.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

GASB 43

Fiscal Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2006*	$76,116,104	$76,116,104	100.00%
2007	115,232,538	115,232,538	100.00%
2008	108,848,499	108,848,499	100.00%
2009	95,122,090	95,122,090	100.00%

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

Required Supplementary Information – Schedule of Employer Contributions

GASB 45

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2006*	$76,116,104	$76,116,104	100.00%
2007	115,232,538	115,232,538	100.00%
2008	108,848,499	108,848,499	100.00%
2009	95,122,090	95,122,090	100.00%

* *AOC for plan year ended June 30, 2006 was determined in the June 30, 2004 valuation. It was not calculated using the parameters required for GASB 45 because the plan's funding policy excluded active employees with less than 10 years of service.*

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

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
06/30/2004	$858,997,310	$1,419,812,826	$560,815,516	60.50%	$1,575,284,734	35.60%
06/30/2005	893,378,123	1,718,898,792	825,520,669	51.97%	1,589,305,346	51.94%
06/30/2006	990,269,715	1,730,798,950	740,529,235	57.21%	1,733,339,536	42.72%
06/30/2007	1,185,543,893	1,730,400,181	544,856,288	68.51%	1,896,609,013	28.73%
06/30/2008	1,342,919,611	1,928,042,900	585,123,289	69.65%	1,977,644,640	29.59%
06/30/2009	1,342,496,524	2,058,176,825	715,680,301	65.23%	1,816,171,212**	39.41%

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

* *Reflects amount calculated in the pension valuation.*

** *After current ERIP.*

The net OPEB obligation measures the accumulated differences between the annual OPEB cost and the actual contributions in relation to the ARC.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year End	Annual Required Contribution (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 Fiscal Year (g)
06/30/2006*	$76,116,104	$0	$0	$76,116,104	$76,116,104	$0	$0
06/30/2007	115,232,538	0	0	115,232,538	115,232,538	0	0
06/30/2008	108,848,499	0	0	108,848,499	108,848,499	0	0
06/30/2009	95,122,090	0	0	95,122,090	95,122,090	0	0

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

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

EXHIBIT A

Summary of Participant Data

	June 30, 2009	June 30, 2008
Retirees		
Number of non-disabled	9,594	9,653
Number of disabled	529	552
Total number of retirees	10,123*	10,205
Average age of retirees	71.2	70.9
Number of spouses	4,147	6,140
Average age of spouses	66.0	65.7
Surviving Spouses		
Number	1,770	1,799
Average age	75.4	75.0
Active Participants		
Number	30,065*	30,236
Average age	46.4	45.8
Average years of service	12.3	11.8
Average expected retirement age		
Inactive Vested Participants (excluding those with less than 10 years of service)		
Number	674	703
Average age	49.6	49.0

**Before reclassifying the 2,393 ERIP-electing active members as retired under the program, except where noted.*

EXHIBIT B

Cash Flow Projections

The ARC generally exceeds the current pay-as-you-go ("paygo") cost of an OPEB plan. Over time the paygo cost will tend to grow and may even eventually exceed the ARC in a well funded plan. The following table projects the paygo cost as the projected net fund payment over the next ten years.

Year Ending June 30	Projected Number of Retirees*			Projected Benefit Payments		
	Current	Future	Total	Current	Future	Total
2010	16,040	409	16,449	$75,191,505	$1,717,737	$76,909,242
2011	15,533	3,997	19,530	75,442,381	26,163,765	101,606,146
2012	15,005	4,711	19,716	76,744,691	32,504,802	109,249,493
2013	14,463	5,469	19,932	77,679,597	39,791,723	117,471,320
2014	13,928	6,306	20,234	78,051,461	48,143,327	126,194,788
2015	13,379	7,225	20,604	78,184,647	57,922,349	136,106,996
2016	12,821	8,201	21,022	77,922,068	68,805,391	146,727,459
2017	12,264	9,287	21,551	77,381,972	81,336,368	158,718,340
2018	11,705	10,421	22,126	76,441,794	94,747,344	171,189,138
2019	11,140	11,585	22,725	75,599,840	108,916,731	184,516,571

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

EXHIBIT C

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

	Year Ended June 30, 2009		Year Ended June 30, 2008	
Cash equivalents		$317,385,409		$647,796,975
Accounts receivable:				
Investment income	$37,221,396		$37,665,701	
Proceeds from sales	59,510,669		52,697,778	
Other	9,132,119		9,487,263	
Total accounts receivable		$105,864,184		$99,850,742
Investments:				
Fixed Income	$2,005,804,616		$2,318,305,925	
Equities	4,518,507,955		6,083,367,297	
Real Estate and Alternative Investment	1,279,559,314		1,506,707,229	
Other	1,550,993,011		1,918,515,928	
Total investments at market value		$9,354,864,896		$11,826,896,379
Total assets		$9,778,114,489		$12,574,544,096
Less accounts payable:				
Accounts payable and accrued expenses	-$26,963,852		-$25,366,621	
Purchases of investments	-160,749,597		-362,061,108	
Security lending collateral	-1,447,412,249		-1,814,922,018	
Total accounts payable		-$1,635,125,698		-$2,202,349,747
Net assets at market value		$8,142,988,791		$10,372,194,349
Net assets at actuarial value		$10,949,384,202		$10,805,841,634
Net assets at valuation value (retiree health benefits)		$1,342,496,524		$1,342,919,611

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, 2009		Year Ended June 30, 2008	
Contribution income:				
Employer contributions	$383,637,842		$411,658,277	
Employee contributions	118,592,071		114,678,456	
Net contribution income		$502,229,913		$526,336,733
Investment income:				
Interest, dividends and other income	$269,650,125		$316,578,411	
Return of excess reserve from PPO carrier	0		11,000,000	
Recognition of capital appreciation	9,861,278		752,500,487	
Less investment and administrative fees	-32,400,748		-37,486,229	
Net investment income		$247,110,655		$1,042,592,669
Total income available for benefits		$749,340,568		$1,568,929,402
Less benefit payments:				
Payment of benefits	-$584,472,818		-$554,645,416	
Refunds of contributions	-21,325,182		-15,148,832	
Transfer to Fire Police pension	0		-6,220,076	
Net benefit payments		-$605,798,000		-$576,014,324
Change in reserve for future benefits		$143,542,568		$992,915,078

Note: Results may be slightly off due to rounding.

EXHIBIT E

Actuarial Value of Assets

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.

Determination of Actuarial Value of Assets for Year Ended June 30, 2009

	Original Amount	Percent Not Recognized	Amount Not Recognized	
1. Market value of assets				$8,142,988,791
2. Calculation of unrecognized return*				
(a) Year ended June 30, 2009	-$2,964,832,484	80%	-$2,371,865,987	
(b) Year ended June 30, 2008	-1,549,293,380	60%	-929,576,028	
(c) Year ended June 30, 2007	1,054,377,186	40%	421,750,874	
(d) Year ended June 30, 2006	366,478,652	20%	73,295,730	
(e) Year ended June 30, 2005	132,848,231	0%	0	
(f) Total unrecognized return				-2,806,395,411
3. Preliminary actuarial value: (1) - (2f)				10,949,384,202
4. Adjustment to be within 50% corridor				0
5. Final actuarial value of assets: (3) + (4)				$10,949,384,202
6. Actuarial value as a percentage of market value: (5) ÷ (1)				134.46%
7. Market value of retiree health assets				$998,406,298
8. Valuation value of retiree health assets (5) ÷ (1) x (7)				$1,342,496,524

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

EXHIBIT F

Reconciliation of Recommended Contribution

Item	Amount
Expected ARC (beginning of year)	$104,159,661
Change in amortization period	$1,403,334
Other experience gains/losses	-2,276,611
Investment loss	10,969,886
Assumption changes	-2,854,455
Changes in composition of active population	5,127,267
Adjustment for implementation of the current ERIP*	-733,011
Actual ARC (beginning of year)	$115,796,071

* *Includes adjustment of -$5,352,165 due to the payroll reduction resulting from the retirement of the 2,393 ERIP-electing active members.*

EXHIBIT I

Summary of Required Supplementary Information

Valuation date	June 30, 2009	
Actuarial cost method	Projected Unit Credit Cost Method – assuming a closed group	
Amortization method	Level percent of payroll – assuming a 4.25% increase in total covered payroll.	
Remaining amortization period	Multiple layers. Actuarial gains/losses are amortized over 15 years. Plan and assumption changes are amortized over 30 years. The initial unfunded on June 30, 2007 were combined and amortized over 28 years. The liability change due to the ERIP is amortized over 15 years.	
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years.	
	Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period.	
Actuarial assumptions:		
Investment rate of return	8.00%	
Inflation rate	3.75%	
Real across-the-board salary increase	0.50%	
Projected salary increases	N/A	
Medical cost trend rate	Actual increase for 2009-2010, 8.75% starting in the 2010-2011 fiscal year graded down by 0.50% per year over 8 years to ultimate rate of 5.00%	
Dental cost trend rate	5.00%	
Medicare Part B premium	0.00% in 2009-2010 based on actual premium increase, 2.50% in 2010-2011, then 5.00% for later years.	
Plan membership:	June 30, 2009	June 30, 2008
Current retirees, beneficiaries, and dependents	16,040**	18,144*
Current active participants	30,065**	30,236
Terminated participants entitled but not yet eligible	674	703
Total	46,779	49,083

* *The current retiree number was adjusted from the prior report to include spouses of current retirees and exclude members not receiving a subsidy.*

** *Before reclassifying 2,393 ERIP-electing active members.*

EXHIBIT II

Actuarial Assumptions and Actuarial Cost Method

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

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

Actuarial Cost Method: Projected unit credit.

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

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

All deaths are assumed to be non-duty related.

No termination is assumed after a member is eligible for retirement.

* Termination rates for actives with less than 5 years of service are as follows:

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

Measurement Date:	June 30, 2009
Discount Rate:	8.00%
Postretirement Mortality Rates:	
Healthy	RP-2000 Combined Healthy Mortality table, set back one year.
Disabled	RP-2000 Combined Healthy Mortality Table, set forward 7 years.

Active Retirement Rates:

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

Retirement Age and Benefit for Inactive Vested Participants: Assume pension benefit will be paid at the later of age 57 or the current attained age.

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

Per Capita Cost Development:

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

Maximum Dental Subsidy (same as premium)

Carrier	Participation Percent	Monthly 2009-2010 Fiscal Year Subsidy
Met Life PPO	77.1	$36.16
SafeGuard	22.9	$12.38

Per Capita Cost Development:

Participant Under Age 65 or Not Eligible for Medicare A & B										
2009-2010 Fiscal Year		**Single Party**			**Married / with Domestic Partner**			**Eligible Survivor**		
CARRIER	Election Percent	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**
Kaiser	**58.1**	$561.57	$1,121.50	**$561.57**	$1,121.16	$1,121.50	**$1,121.16**	$561.57	$561.57	**$561.57**
Blue Cross PPO	**25.4**	$896.69	$1,121.50	**$896.69**	$1,787.15	$1,121.50	**$1,121.50**	$896.69	$561.57	**$561.57**
Blue Cross HMO	**16.5**	$591.76	$1,121.50	**$591.76**	$1,177.28	$1,121.50	**$1,117.72**	$591.76	$561.57	**$561.57**

Participant Eligible for Medicare A &B										
2009-2010 Fiscal Year		**Single Party**			**Married / with Domestic Partner**			**Eligible Survivor**		
CARRIER	Election Percent	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**
Kaiser	**56.5**	$197.48	$197.48	**$197.48**	$392.98	$392.98	**$392.98**	$197.48	$197.48	**$197.48**
Blue Cross PPO	**33.6**	$437.27	$437.27	**$437.27**	$846.93	$662.08	**$662.08**	$437.27	$437.27	**$437.27**
Secure Horizons	**9.9**	$187.50	$187.50	**$187.50**	$370.74	$370.74	**$370.74**	$187.50	$187.50	**$187.50**

Marital Status

60% of male and 30% 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

Male retirees are assumed to be 4 years older than their female spouses. Female retirees are assumed to be 2 years younger than their male spouses.

Surviving Spouse Coverage

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

Participation

Retiree Medical and Dental Coverage Election:

Service Range	Percent Covered*
10 – 14	65%
15 – 19	80%
20 – 24	90%
25 and Over	95%

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

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

Health Care Cost Subsidy Trend Rates:

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium

First Fiscal Year (July 1, 2009 through June 30, 2010)

PLAN	Blue Cross PPO, Under Age 65	Blue Cross PPO, Age 65 and Over	Kaiser HMO, Under Age 65	Senior Advantage	Blue Cross HMO, Under 65	Secure Horizons
Trend to be applied to 2009-2010 Fiscal Year premium	7.18%	5.18%	4.65%	8.82%	10.23%	10.06%

The fiscal year trend rates are based on the following calendar year trend rates:

Fiscal Year	Trend (Approx)	Calendar Year	Trend (applied to calculate following year premium)
2010-2011	8.75%	2010	9.00%
2011-2012	8.25%	2011	8.50%
2012-2013	7.75%	2012	8.00%
2013-2014	7.25%	2013	7.50%
2014-2015	6.75%	2014	7.00%
2015-2016	6.25%	2015	6.50%
2016-2017	5.75%	2016	6.00%
2017-2018	5.25%	2017	5.50%
2018 and later	5.00%	2018 and later	5.00%

Dental Premium Trend	5.00% for all years.
Medicare Part B Premium Trend	Trend for the 2009-10 fiscal year is 0% based on actual increase in Medicare Part B from 2009 to 2010 calendar year. 5.00% assumed for years following the 2010 calendar year.

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit VI.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.
Assumption Changes Since Prior Valuation:	Premiums were updated. Health care trend rates were updated. Medical and dental carrier election assumptions were updated. Spouse age difference for female retirees was changed. Spouse coverage assumption was lowered from 65% male, 40% female to 60% male, 30% female.

EXHIBIT III

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, 2009, the maximum health subsidy was $1,120 per month, and will increase to $1,123 per month on January 1, 2010.

Over Age 65 and Enrolled in Both Medicare Parts A and B:
§4.1103.2

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

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

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

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

Dental Subsidy for Members:
§4.1105.2

The System will pay 4% of the maximum dental subsidy (limited to actual premium) for each year of Service Credit, up to 100% of the maximum health subsidy. As of July 1, 2009, the maximum dental subsidy was $39.16 per month and will remain at $39.16 on January 1, 2010.

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

Medicare Part B Subsidy for Members:
§4.1104

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

Surviving Spouse Subsidy:
§4.1107 & §4.1107.1

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

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

The maximum health subsidy available for survivors is the Kaiser single-party premium ($560.78 per month as of July 1, 2009, increasing to $562.36 on January 1, 2010) or the single-party premium of the plan in which the survivor is enrolled, whichever is less.

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

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

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

EXHIBIT IV

Definitions of Terms

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

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

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

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

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

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

Actuarial Present Value of Total Projected Benefits (APB): Present value of all future benefit payments for current retirees and active employees taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

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

Actuarial Value of Assets (AVA):	The value of assets used by the actuary in the valution. These may be at market value or some other method used to smooth variations in market value from one valuation to the next.
Funded Ratio:	The ratio AVA/AAL.
Unfunded Actuarial Accrued Liability (UAAL):	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 (discount rate):	The rate of earnings of the Plan from its investments, including interest, dividends and capital 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 capital gains and losses to avoid significant swings in the value of assets from one year to the next. If the plan is funded on a pay-as-you-go basis, the discount rate is tied to the expected rate of return on day-to-day employer funds.
Covered Payroll:	Annual reported salaries for all active participants on the valuation date.
ARC as a Percentage of Covered Payroll:	The ratio of the annual required contribution to covered payroll.
Health Care Cost Trend Rates:	The annual rate of increase in net claims costs per individual benefiting from the Plan.
Annual Required Contribution (ARC):	The ARC is equal to the sum of the normal cost and the amortization of the unfunded actuarial accrued liability.

Net OPEB Obligation (NOO): The NOO is the cumulative difference between the ARC and actual contributions made. If the plan is not pre-funded, the actual contribution would be equal to the annual benefit payments less retiree contributions. There are additional adjustments in the NOO calculations to adjust for timing differences between cash and accrual accounting, and to prevent double counting of OPEB plan costs.

EXHIBIT V

Accounting Requirements

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement Number 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Under these statements, all 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 accounting standards supplement cash accounting, under which the expense for postemployment benefits is equal to benefit and administrative costs paid on behalf of retirees and their dependents (*i.e.*, a pay-as-you-go basis).

The statements cover 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. The benefits valued in this report are limited to those described in Exhibit III of Section 4, which are based on those 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 is not limited by legal or contractual limits on funding the plan unless those limits clearly translate into benefit limits on the substantive plan being valued.

The new standards introduce 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, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. These assumptions are summarized in Exhibit II of Section 4. This amount is then discounted to determine the actuarial present value of the total projected 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) must be reported, including historical information about the UAAL and the progress in funding the Plan. Exhibit IV of Section 4 contains a definition of terms as well as more information about GASB 43/45 concepts.

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 the Employer is required to implement a funding policy to satisfy the projected expense.

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, if any.

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.

EXHIBIT VI
Letter on ERIP Dated March 26, 2010

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

VIA EMAIL and USPS MAIL

March 26, 2010

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

Re: Los Angeles City Employees' Retirement System
Revised June 30, 2009 Valuation Results to Reflect the Early Retirement Incentive Program (ERIP) Elections

Dear Sally:

In our reports dated November 5, 2009, we provided the results of our June 30, 2009 actuarial valuations of the retirement benefits and the other postemployment benefits (OPEB) for LACERS. However, those valuations did not include the impact of the current ERIP offered by the City as described in Ordinance No. 180926 ("current ERIP"). As requested by the System, we have updated the results of those valuations to reflect the latest ERIP election information available from the City at the time we were asked to begin preparing the results shown in this letter.

In this letter, we are providing the following updated information as of June 30, 2009:

- employer and employee contribution rates,
- unfunded actuarial accrued liability (UAAL),
- funded ratios, and
- projected payroll.

Note that we will issue fully amended June 30, 2009 valuation reports for retirement benefits and OPEB to reflect the updated information provided in this letter. This information is presented to allow the Board to adopt the employer and employee contribution rates for fiscal year 2010/2011, including the current ERIP, on a timely basis.

CENSUS DATA

Our initial June 30, 2009 valuation results were based on the census data provided by LACERS as of that date. This data did not include any information regarding the current ERIP, which was offered subsequent to the June 30, 2009 valuation date.

On March 1, 2010, we received from your office the names and Social Security numbers of 2,400 members who elected the current ERIP (we understand that the information on this list was the latest information available from the City at the time we began our update of the June 30, 2009 valuation results to reflect the current ERIP). Based on our review and on further communications with your office, we excluded seven of those members who are either ineligible or have incomplete data and included only 2,393 members in preparing the costs in this study. It is our understanding that it is the intent of the City to provide the current ERIP to 2,400 members and, therefore, replacements will be made to allow the City to reach that goal. While the ultimate cost may differ somewhat with the addition of seven members, we do not anticipate that the difference in cost will be material.

As LACERS is still in the process of calculating the actual increases in benefits provided by the current ERIP to the 2,393 members, we have estimated the increases by using data available for the June 30, 2009 valuation. This means that there may be some adjustment to the cost associated with providing the current ERIP, which will be reflected in the 2010 regular valuation once the actual benefit amounts become available.

We understand that the 2,393 members who elected the current ERIP can be categorized in one of the five groups listed below. After each group description, we have included the number of members within that group who elected the current ERIP.

- **Group 1 –** Members who already qualify for an unreduced or normal retirement benefit with less than 33 years of service and who are at least 55 years of age (956 members);
- **Group 2 -** Members who do not currently qualify for an unreduced or normal retirement benefit and who have at least 33 years of service but have not reached age 55 (69 members);
- **Group 3 –** Members who do not currently qualify for an unreduced or normal retirement benefit and who have less than 33 years of service and are within 5 years of age and/or service for an unreduced or normal retirement benefit (778 members);
- **Group 4 -** Members who already qualify for an unreduced or normal retirement benefit with at least 33 years of service and who are at least 55 years of age (545 members); and
- **Group 5 -** Members who began their City careers prior to January 1, 1983 and who are not within 5 years of age and/or service for an unreduced or normal retirement benefit (45 members).

CURRENT ERIP BENEFITS

Our updated June 30, 2009 valuation results contained in this letter are based on the following benefit enhancements approved by the City under the current ERIP:

- **For Group 1 –** Provide 3 years of additional service to those already eligible for an unreduced or normal retirement benefit under the pension plan. The 3 years of additional service will be added to the pension and the health plans. There will also be a one-time cash payment of $15,000.
- **For Group 2 –** Provide enough age credit so members can receive an unreduced or normal retirement benefit under the pension plan, plus 3 years of additional service. There will also be a one-time cash payment of $15,000.
- **For Group 3 –** Provide no less than 3 years but no greater than 5 years of age and/or service so members can receive an unreduced or normal retirement benefit. If less than 3 years are required for a member to reach normal retirement age, he/she will receive the remaining years (up to a total of 3 years) as additional service credit. For example, a member who is age 59 with 10 years of service will receive 1 year of age (thus reaching normal retirement age) and 2 year of service under this scenario. There will also be a one-time cash payment of $15,000.
- **For Group 4 –** Provide no additional age or service credits for the pension and the health plans but only a one-time cash payment of $1,000 per year of service.
- **For Group 5 –** Provide 5 years of service so members can receive an early or reduced retirement benefit. There will also be a one-time cash payment of $15,000.

In addition, the total pension benefit after the current ERIP enhancement will be reduced by 1% for all members retiring under this ERIP, except for those in Group 4.

RESULTS

In the enclosed Exhibits 1 - 3, we provide updated June 30, 2009 valuation results for retirement and OPEB benefits based on the data provided for this study and on the estimates previously discussed. These results are based on the same actuarial assumptions described in our earlier valuation reports dated November 5, 2009, which did not include the effect of the current ERIP. In addition, the Board has adopted a 15-year amortization period for the additional UAAL resulting from this ERIP.

Exhibit 1 provides the updated June 30, 2009 valuation results for the retirement benefits and is similar to page 12 of our November 5, 2009 retirement benefits valuation report. Exhibit 2 provides the updated results for OPEB and is similar to page 8 of our November 5, 2009 OPEB valuation report. In both of these exhibits, we have also included the UAAL and the funded ratio. Exhibit 3 provides combined retirement benefits and OPEB results for selected items from Exhibits 1 and 2.

As requested by LACERS, in Exhibits 1 - 3 we have included two new alternative contribution rate requirements under the “2009 w/ Current ERIP” column. These alternatives assume that the Board would allow the City to pay either: (1) three-fourths of the 2010/2011 fiscal year contributions on July 15, 2010 and the remaining one-fourth on June 30, 2011, or (2) one-half of the 2010/2011 fiscal year contributions on January 1, 2011 and the remaining one-half on May 1, 2011[1]. These are in addition to the July 15 and end of pay period contribution timing options that we have been including in our actuarial valuation reports.

It is our understanding that the cash payments described above under “Current ERIP Benefits” will be paid directly by the City and thus will not have any impact on LACERS’ UAAL. Therefore, the total amount of these one-time cash payments is not included in the results in the Exhibits. However, we have estimated the total amount of these cash payments to be $47,874,100.

Special Note about Member Contributions

The expected employee contributions for retirement benefits as shown in Exhibit 1 under both the “2009 w/ Current ERIP” and the “2009 w/o Current ERIP” columns are based on the employee contribution rates that were being paid by the active members as of the June 30, 2009 valuation date, before reflecting any applicable pick ups by the employer (“defrayals”). For members hired before January 1, 1983, the employee rates vary by entry age into LACERS and the actual rates are prescribed in Section 4.1031 of the City’s Administrative Code (the rates shown in Section 4.1031 do not reflect any defrayals). For members hired on or after January 1, 1983, the employee contribution rate is 6% of payroll as of June 30, 2009.

For members hired prior to January 1, 1983 who were contributing less than 6% (after defrayals) as of June 30, 2009, we understand that their employee contribution rates were increased to 6% beginning with the payroll period following the effective date of the current ERIP Ordinance on November 8, 2009. While an increase in the employee rates for these members would result in a decrease in the employer pick ups or defrayals, that change should not result in any change in the June 30, 2009 employee rates we provide in Exhibit 1 because those rates are shown before reflecting any pick ups or defrayals.

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1 As January 1, 2011 is a holiday and May 1, 2011 falls on a Sunday, we have adjusted the payments with interest assuming that actual payments will be made on the first business day following those dates.

According to the current ERIP Ordinance, the employee rate for all active members is scheduled to increase to 7% beginning July 1, 2011 and ending on June 30, 2026 (a 15 year period), or until the "ERIP Cost Obligation" is fully paid, whichever comes first. Since the contribution rates shown in Exhibit 1 are effective for the 2010/2011 fiscal year, they do not take into account the increase in the employee contribution rates (to 7%) that is scheduled to begin on July 1, 2011. That increase in the employee rates will first be reflected in the June 30, 2010 valuation.

We look forward to discussing these results with the Board. If you have any questions, please do not hesitate to call.

Sincerely,

Paul Angelo

Andy Yeung

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

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

DNA/bqb
Enclosures

cc: Li Hsi
Tom Moutes

Exhibit 1

Updated June 30, 2009 Valuation Results for Retirement Benefits
Based on Latest Election Information Available for Current ERIP

Retirement Benefits

Recommended Contribution

	Year Ended June 30					
	2009 w/ Current ERIP		2009 w/o Current ERIP		2008	
	Amount	% of Payroll	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	$286,582,206	15.78%	$320,013,900	16.00%	$311,749,220	15.76%
2. Expected employee contributions	-107,903,907	-5.94%*	-121,797,720	-6.09%*	-125,667,345	-6.35%
3. Employer normal cost: (1) + (2)	$178,678,299	9.84%	$198,216,180	9.91%	$186,081,875	9.41%
4. Actuarial accrued liability	12,041,983,936		11,741,758,582		11,186,403,741	
5. Valuation value of assets	-9,577,747,421		-9,577,747,421		-9,438,318,300	
6. Unfunded actuarial accrued liability	$2,464,236,515		$2,164,011,161		$1,748,085,441	
7. Amortization of unfunded accrued liability	148,789,924	8.19%	123,453,833	6.17%	92,865,317**	4.70%
8. Total recommended contribution, beginning of year: (3) + (7)	$327,468,223	18.03%	$321,670,013	16.08%	$278,947,192	14.11%
9. Total recommended contribution, July 15	$328,505,573	18.09%	$322,688,996	16.14%	$279,830,838	14.15%
10. Total recommended contribution, end of pay periods	$340,231,571	18.73%	$334,207,371	16.71%	$289,819,392	14.65%
11. Total recommended contribution under Alternative 1 (see below)	$334,795,600	18.43%	N/A	N/A	N/A	N/A
12. Total recommended contribution under Alternative 2 (see below)	$344,965,626	18.99%	N/A	N/A	N/A	N/A
13. Projected payroll	$1,816,171,212		$1,999,861,604		$1,977,644,640	
14. Funded ratio	79.54%		81.57%		84.37%	

* *Discounted to beginning of year. The average employee rate for contributions made at the end of each pay period would be 6.33% for the June 30, 2009 valuation w/o current ERIP and 6.18% w/ current ERIP.*

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

Alternative 1: 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011.

Alternative 2: 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011.

Exhibit 2

Updated June 30, 2009 Valuation Results for OPEB
Based on Latest Election Information Available for Current ERIP

Other Postemployment Benefits

Determination of Annual Required Contribution (ARC)

		Determined as of June 30					
	Cost Element	2009 w/ Current ERIP		2009 w/o Current ERIP		2008	
		Amount	Percentage of Compensation	Amount	Percentage of Compensation	Amount	Percentage of Compensation
1.	Normal cost	$69,782,153	3.84%	$75,134,318	3.76%	$71,140,044	3.60%
2.	Amortization of the unfunded actuarial accrued liability	46,013,918	2.53%	41,394,764	2.07%	33,019,617	1.67%
3.	Total annual required contribution (beginning of year)	$115,796,071	6.37%	$116,529,082	5.83%	$104,159,661	5.27%
4.	Total compensation*	$1,816,171,212		$1,999,861,604		$1,977,644,640	
5.	Adjustment for timing (July 15)	366,818	0.03%	374,275	0.02%	334,546	0.01%
6.	Total annual required contribution (July 15)	$116,162,889	6.40%	$116,903,357	5.85%	$104,494,207	5.28%
7.	Adjustment for timing (end of pay period)	4,513,249	0.25%	4,661,163	0.23%	4,166,386	0.20%
8.	Total annual required contribution (end of pay period)	$120,309,320	6.62%	$121,190,245	6.06%	$108,326,047	5.48%
9.	Total annual required contribution under Alternative 1 (see below)	$118,387,105	6.52%	N/A	N/A	N/A	N/A
10.	Total annual required contribution under Alternative 2 (see below)	$121,983,317	6.72%	N/A	N/A	N/A	N/A
11.	UAAL	$715,680,301		$660,944,656		$585,123,289	
12.	Funded ratio	65.23%		67.01%		69.65%	

**Reflects amount calculated in the pension valuation.*

Alternative 1: 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011.

Alternative 2: 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011.

Exhibit 3

Updated June 30, 2009 Valuation Results for Combined Retirement Benefits and OPEB Based on Latest Election Information Available for Current ERIP

Combined Retirement Benefits and OPEB

Recommended Contribution

	Year Ended June 30					
	2009 w/ Current ERIP		2009 w/o Current ERIP		2008	
	Amount	% of Payroll	Amount	% of Payroll	Amount	% of Payroll
1. Total recommended contribution, beginning of year	$443,264,294	24.40%	$438,199,095	21.91%	$383,106,853	19.38%
2. Total recommended contribution, July 15	$444,668,462	24.49%	$439,592,353	21.99%	$384,325,045	19.43%
3. Total recommended contribution, end of pay periods	$460,540,891	25.35%	$455,397,616	22.77%	$398,145,439	20.13%
4. Total recommended contribution under Alternative 1 (see below)	$453,182,705	24.95%	N/A	N/A	N/A	N/A
5. Total recommended contribution under Alternative 2 (see below)	$466,948,943	25.71%	N/A	N/A	N/A	N/A
6. Projected payroll	$1,816,171,212		$1,999,861,604		$1,977,644,640	
7. Unfunded actuarial accrued liability	$3,179,916,816		$2,824,955,817		$2,333,208,730	
8. Funded ratio	77.45%		79.45%		82.21%	

Alternative 1: 3/4 payment on July 15, 2010 and 1/4 payment on June 30, 2011.

Alternative 2: 1/2 payment on January 3, 2011 and 1/2 payment on May 2, 2011.