

LACERA Popular Annual Financial Report (PAFR)

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The financial data presented in the PAFR is derived from the CAFR and consistent with generally accepted accounting principles.* The PAFR is published to provide you with a general understanding of LACERA's overall financial condition and enhanced services. This report does not replace the CAFR. For more detailed information, refer to the CAFR online at www.lacera.com.**

Service Efforts and Achievements for Fiscal Year 2007-2008

Administrative Services Division:

- Administrative Services' Document Processing Center (DPC) scanned, indexed, and provided same-day processing on approximately 200,000 documents, which amounted to over 500,000 pages of member information.
- DPC processed approximately 365,000 mail pieces, including more than 100,000 responses to member inquiries.
- Our Facilities Management team completed renovation of the LACERA Board Room.
- LACERA's Records Management team developed a new records retention policy.

Claims Processing Division:

- Active member section processed 97.77 percent of member requests within 30 days and 100 percent within 60 days.



* The CAFR was prepared by LACERA in conformity with generally accepted accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board.

** The CAFR will be available on lacera.com in January.

- Reviewed 1,600 member accounts and identified accounts owing back contributions due to birth date discrepancies; accounts were billed and forwarded to the Financial & Accounting Services Division for collections.
- Eight new staff members successfully completed an intensive six-month Claims Business Processes training program conducted by Quality Assurance & Metrics.

Communications Division:

- Developed and implemented a New General Member Interactive Workshop on lacera.com.
- Helped develop the Staying Healthy Together: Focus on Wellness, the retiree health improvement program, newsletter, and web site.
- Collaborated with Member Services, Claims Processing, Disability, and Human Resources to present the fourth annual LACERA Resource Conference for County HR Professionals.
- Partnered with our Systems Division on the design of the Retirement Benefit Estimate feature in My LACERA; lacera.com.
- Created quarterly newsletters, *Spotlight on Retirement* and *PostScript*.
- Continued to expand and update the association's web sites: lacera.com, employee intranet, board web site, HR Professionals site, and KBase, an online knowledge source.



Disability Division:

- Processed and presented 269 disability applications to the Board of Retirement (BOR).
- Assisted County departments in placing disability retirement applicants in permanently modified assignments.

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- Participated in 32 interactive meetings between County return-to-work coordinators and their disabled employees.
- Presented disability retirement material at 17 County educational and training seminars.
- Served as presenters at LACERA's Resource Conference for County HR professionals.
- Provided disability retirement information to 301 members at LACERA's Public Counter.

Human Resources:

- Developed and implemented a new Rideshare Program, including six new employee vanpools; earned 2008 Metro Rideshare Diamond Award from L.A. County Metropolitan Transportation Authority.
- Arranged a variety of mandatory training and optional skill-building workshops for 293 staff members.
- Managed and monitored various compensation and employee programs, return-to-work, reasonable accommodation, and disability and leave management programs, in compliance with government regulations.



Internal Audit:

- Oversaw the successful completion of external Fiduciary Review of LACERA.
- Completed revised organization-wide risk assessment of LACERA.
- Completed 25 audits and 10 consulting plans, along with other projects within the fiscal year 2007-2008 Audit Plan.

Legal Office:

- Legal Office maintained its commitment to monitor securities fraud class actions and aggressively pursue recovery of

losses suffered by LACERA as a result of incidents involving corporate corruption and fraud.

- Recovered more than \$40 million in securities litigation for the retirement fund since the adoption of the Board of Investments' Securities Litigation Policy.
- Recognized by the National Association of Public Pension Attorneys as an institution at the forefront of shareholder litigation.

Member Services Division:

- Served 12,979 members at our public counter.
- Answered approximately 127,000 telephone inquiries from members.
- Presented more than 750 workshops serving over 14,000 people at 138 different locations throughout the County.
- Introduced new Call Center and Public Counter surveys.
- Launched a Secret Shopper program to monitor service quality on Outreach workshops.
- Participated in multi-divisional project to design and implement the online Retirement Benefit Estimate feature on My LACERA.
- Enhanced member counseling through the development of standardized checklists; checklists ensure all important points are addressed during individual counseling at the Public Counter and on the phone.



Quality Assurance & Metrics Division (QA):

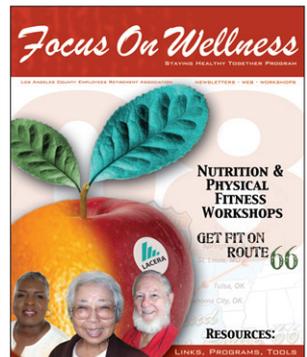
- Audit of 12,091 Claims Processing and Members Services Divisions transactions to monitor accuracy, timeliness, and volume of services provided to members.

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- QA added one business process procedure and updated other existing procedures posted on the LACERA intranet, to assist staff with consistency and regulatory compliance.
- Provided staff with 780 total hours of classroom and computer instruction on LACERA business practices and changes in the retirement law.

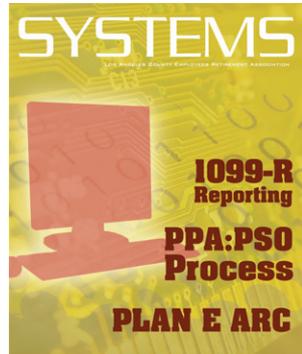
Retiree Health Care Division:

- Mailed the annual letter and insurance rate booklet, along with Notice of Creditable Coverage to more than 40,000 members.
- Continued facilitation of the Medicare Part D Retiree Drug Subsidy (RDS) for the LACERA-administered Health Care Benefits Program, including the completion of applications and reconciliation with the Centers for Medicare and Medicaid Services.
- Developed Staying Healthy Together: Focus on Wellness, LACERA's new retiree health improvement program. The program replaces the annual Retiree Health Fair with a broader program (newsletters, web, workshops) designed to reach all retired members.
- Continued actuarial reporting of post-employment benefits within the LACERA-administered Health Care Benefits Program, in accordance with the Governmental Accounting Standard Board (GASB) Statements No. 43 and 45.
- Implemented 2008 plan year premium rate changes for the Local 1014 medical plan.



Systems Division:

- Developed an online Plan E additional retirement credit (ARC) calculator for use as a planning tool for members and a counseling tool for staff.
- Developed and launched the online Retirement Benefit Estimate feature on My LACERA; several LACERA divisions contributed to the development of this tool.
- Created Member Locator Program to assist LACERA in maintaining contact with members with undeliverable addresses.
- Modified retiree disbursement program to calculate federal and state withholding tax solely on the taxable portions of service-connected disability retirement allowances.
- Created a program to update member records utilized for GASB reporting and sent the updated data files to the actuary.
- Implemented new actuarial tables.



Additions and Deductions to Pension Plan Net Assets

The primary sources which finance the retirement benefits LACERA provides are investment income and the collection of member (employee) and employer retirement contributions. For fiscal year 2008, Total Additions amounted to a decline of \$221 million, primarily due to negative investment performance with a total fund loss of 1.5 percent, net of fees, for the fiscal year.

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The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, the refund of contributions to terminated employees, and the cost of administering the Plan. These deductions for fiscal year 2008 totaled \$1.96 billion.

No pension assets were transferred to the Other Post-Employment Benefit (OPEB) Agency Fund in fiscal year 2008. All activities were accounted for directly in the OPEB Agency Fund.

The Boards of Retirement and Investments jointly approve the annual budget, which controls administrative expenses and represents approximately 0.12 percent of total Plan assets.

As of June 30, 2008, Net Assets Held in Trust for Pension Benefits totaled \$38.7 billion, a decrease of \$2.18 billion, or 5.3 percent from the prior year.

Additions and Deductions to Pension Plan Net Assets

For the Fiscal Years Ended June 30, 2008 and 2007

(Dollars in millions)

	2008	2007
Net Investment Income/(Loss)	\$ (1,426)	\$ 6,487
Contributions and Miscellaneous Income	1,205	1,101
Total Additions/(Declines)	(221)	7,588
Benefit Payments and Refunds	(1,914)	(1,793)
Administrative and Miscellaneous Expense	(48)	(44)
Total Deductions	(1,962)	(1,837)
Transfer to OPEB Agency Fund		(29)
Net Increase/(Decrease) During the Year	(2,183)	5,722
Pension Plan Net Assets at Beginning of Year	40,908	35,186
Pension Plan Net Assets at End of Year	\$38,725	\$40,908

STAR COLA Program

The Board of Retirement (BOR), together with the Board of Investments (BOI), has unanimously supported the Supplemental Targeted Adjustment for Retirees (STAR) Program, a supplemental cost-of-living benefit for retirees or their survivors who have lost 20 percent or more of the purchasing power of their original retirement benefit.

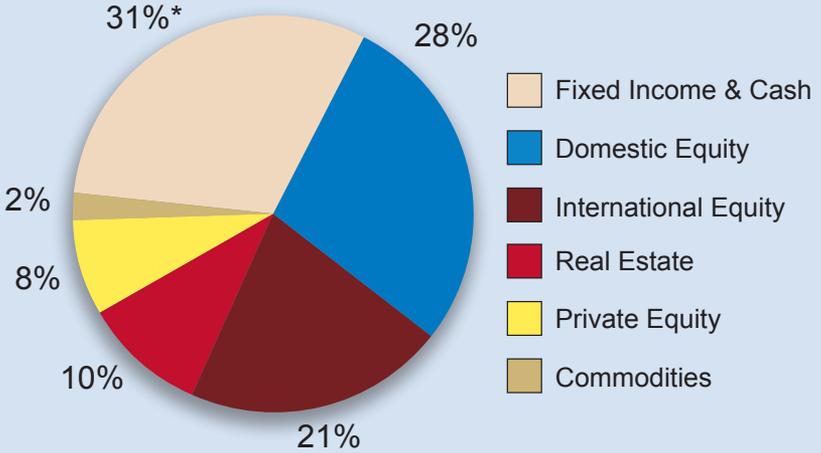
Except for Program Year 2005, the BOR made permanent the 2001 through 2008 STAR Programs at an 80 percent level as authorized in the California Government Code Section 31874.3. There were no new retirees or beneficiaries entitled to additional STAR benefits for Program Year 2005 due to the modest Consumer Price Index (CPI) percentage increase and all eligible members had cost-of-living accumulation accounts below the 20 percent threshold for providing STAR benefits. Permanent STAR benefits become part of the member's retirement allowance and are payable for life.

The STAR Program benefit cost for calendar year 2007 was \$30.6 million, and is anticipated to be similar for calendar year 2008. Currently, about 8,000 retirees receive this benefit.

Investments

LACERA's investment program objective is to provide LACERA participants with retirement benefits, as required by the County Employees Retirement Law of 1937 (CERL). The Board of Investments (BOI) has exclusive control of all retirement system investments. There are a total of nine Board members: four are elected by the active and retired members, and four are appointed by the Los Angeles County Board of Supervisors. The County Treasurer and Tax Collector serves as an ex-officio member.

2008 Actual Asset Allocation



*Cash may include Corporate and Government Bonds, Certificates of Deposit, and Overnight Deposits.

Growth of Investments

Ten Years Ending June 30, 2008

(Dollars in billions)



The BOI has adopted an Investment Policy Statement, which provides a framework for the management of LACERA's investments. This Statement establishes LACERA's investment policies and objectives and defines the principal duties of the BOI, investment staff, investment managers, master custodian, and consultants.

A pension fund's strategic asset allocation policy is generally recognized to have the most impact on a fund's investment performance. The BOI implements the asset allocation plan by hiring passive and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract.

LACERA's string of five consecutive fiscal years of strong positive total fund returns ended this fiscal year. The total fund returned a negative 1.4 percent for this fiscal year. However, LACERA's five-year annualized return is still a positive 11.2 percent, net of fees.

Funding Status

In order to determine whether Pension Plan Net Assets will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and the County of Los Angeles are needed to pay all expected future benefits.

LACERA's independent actuary, Milliman, Inc., performed an actuarial valuation as of June 30, 2007 and determined that the funded ratio of the actuarial assets to the actuarial accrued liability is 93.8 percent. LACERA's investment returns have exceeded the assumed rate of

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7.75 percent over the past several years. These investment gains led to an improvement in the system's funding status and a reduction in the required County contribution rate. The current year's investment losses will be recognized in future actuarial valuations. It is the actuary's opinion that LACERA continues in sound financial condition as of the June 30, 2007 actuarial valuation.

Valuation Date: June 30, 2003

Funded Ratio: 87.2%

Valuation Date: June 30, 2004

Funded Ratio: 82.8%

Valuation Date: June 30, 2005

Funded Ratio: 85.8%

Valuation Date: June 30, 2006

Funded Ratio: 90.5%

Valuation Date: June 30, 2007

Funded Ratio: 93.8%

LACERA Membership

As of June 30, 2008

	2008	2007	2006	2005
Service Retirement	35,868	34,965	34,594	33,721
Disability Retirement	9,018	9,045	9,064	8,995
Survivors	7,464	7,382	7,200	7,137
Total Retired Members	52,350	51,392	50,858	49,853
Active Members	94,492	92,096	88,631	86,384
Terminated Vested/Deferred	11,834	7,911	7,459	6,980
Total Membership	158,676	151,399	146,948	143,217



We Achieve!

At LACERA, we achieve.

We go beyond what's required and aspire to be a world-class organization. We create and put into practice goals to strengthen our customer service efforts, stay current with technology and best business practices, and improve accuracy and efficiency. We also like to innovate.

We challenge our ideas, work hard and smart, are budget- and security-minded, and through our collaborative strengths, we achieve success.

We are dedicated to our members. We help them maximize their retirement, and we produce, protect, and provide their promised benefits.

As an organization, we have the drive and know-how to achieve.



Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LACERA for its Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2007. This prestigious national award recognizes conformance with the highest standards for preparation of state and local government popular reports and is valid for one year.

LACERA has received a Popular Award for the last ten consecutive years. To receive this award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and we are submitting it to GFOA for consideration.



Members of the Board of Retirement

CHAIR

Les Robbins

Appointed by the
Board of Supervisors
Term expires 12-31-08

VICE CHAIR

Simon S. Russin

Elected by General Members
Term expires 12-31-09

SECRETARY

Yves Chery

Elected by General Members
Term expires 12-31-11

MEMBER

Mark J. Saladino

Treasurer and Tax Collector
Ex-officio Member

MEMBER

Sadonya Antebi

Appointed by the
Board of Supervisors
Term expires 12-31-09

MEMBER

William de la Garza

Elected by Retired Members
Term expires 12-31-11

MEMBER

Simon Frumkin

Appointed by the
Board of Supervisors
Term expires 12-31-08

MEMBER

J.P. Harris

Alternate Member
Elected by Safety Members
Term expires 12-31-10

MEMBER

Edward C. Morris

Alternate Member
Elected by Retired Members
Term expires 12-31-11

MEMBER

William R. Pryor

Elected by Safety Members
Term expires 12-31-10

MEMBER

Walta M. Smith

Appointed by the
Board of Supervisors
Term expired 12-31-07*

**As of June 30, 2008, a new appointee had not been named by the Board of Supervisors; therefore Ms. Smith continued to serve on the Board.*

Members of the Board of Investments

CHAIR

William R. Pryor

Elected by Safety Members
Term expires 12-31-10

VICE CHAIR

Simon S. Russin

Elected by General Members
Term expires 12-31-11

SECRETARY

Herman Santos

Elected by General Members
Term expires 12-31-09

MEMBER

Mark J. Saladino

Treasurer and Tax Collector
Ex-officio Member

MEMBER

Paul Hudson

Appointed by the
Board of Supervisors
Term expires 12-31-09

MEMBER

Diane A. Sandoval

Elected by Retired Members
Term expires 12-31-11

MEMBER

Robert L. Spare

Appointed by the
Board of Supervisors
Term expires 12-31-08

MEMBER

Leonard Unger

Appointed by the
Board of Supervisors
Term expires 12-31-10

MEMBER

Estevan Valenzuela

Appointed by the
Board of Supervisors
Term expires 12-31-08

Financial Report Issued by:

Gregg Rademacher

CHIEF EXECUTIVE OFFICER

Janice Golden

ASSISTANT EXECUTIVE OFFICER

Robert R. Hill

ASSISTANT EXECUTIVE OFFICER

The 2008 Annual Report was designed by
LACERA's Communications Division.

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LACERA

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The 2008 Annual Report is printed on Forest Stewardship Council (FSC) certified paper.