LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Annual Financial Report

FOR THE YEARS ENDED JUNE 30, 1994 AND 1993

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT OF LOS ANGELES COUNTY

LACERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE
PASADENA, CALIFORNIA 91101

Annual Financial Report

FOR THE YEARS ENDED JUNE 30, 1994 AND 1993

ISSUED BY
MARSHA D. RICHTER
CHIEF EXECUTIVE OFFICER

JERRY HAMPTON
ASSISTANT EXECUTIVE OFFICER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A COMPONENT UNIT OF LOS ANGELES COUNTY

Table of Contents

Introductory Section

Financial Section

Actuarial Section

Statistical Section

L/h.CERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Introductory Section

LACERA'S VISION

EXCELLENCE—Our members deserve the best.

Therefore, we choose to be the best. We choose excellence through innovation. We choose to become unparalleled experts in retirement law, pension administration, and benefit solutions. We choose to be pre-eminent masters of portfolio management.

COMMITMENT—We are the best.

We will work together to provide the best service. We will continually strengthen our commitment to effective teamwork by contributing our individual strengths, learning new methods and skills, and anticipating the demands of the future.

TRUST—Our members place trust in LACERA.

Everyday, we will earn this trust by placing their interest first, by giving them easy-to-understand answers, by solving their problems quickly, and by safeguarding and maximizing their investment assets.

SERVICE—Our members deserve the best.

We pledge to improve our member service until 100% of members making inquiries receive courteous, professional, accurate answers with just one call. We have the ability to achieve this if each one of us will reach deep into our strengths and lend a hand. Our strengths are individual; collectively they are unstoppable.

Because members deserve the best,
LACERA will be the best.

L/A.CERA

Los Angeles County Employees Retirement Association

300 N. Lake Ave., Pasadena, CA 91101 • Mail to : PO Box 7060, Pasadena, CA 91109-7060 818/564-6000

October 28, 1994

Los Angeles County Employees Retirement Association
Board of Retirement
Board of Investments
Gateway Plaza
300 North Lake Avenue, Suite 820
Pasadena, California 91101

Dear Board Members:

I am pleased to present LACERA's Annual Financial Report for the Years Ended June 30, 1994 and 1993. We are proud of the achievements that we have accomplished during the year, and our renewed focus on improving service to our members and benefit recipients. Foremost among the year's initiatives, were our successful efforts to accelerate the plan's progress toward full funding.

In the area of benefits administration, LACERA's commitment to finding new and innovative ways to deliver the highest quality customer service to our members is providing for very exciting times. In addition to improving member service levels, we are redesigning the delivery of services to our members, and developing new tools required to provide these enhanced services. Our entire organization is involved in identifying areas for improvement, generating new ideas, and creating innovative solutions to the challenges of building a level of service among the best in the business. Briefly discussed in the "Services and Accomplishments" section are the reengineering, knowledge base, document imaging, and service prototype programs, which will assist us in achieving our goal of improving member services until 100% of members making inquiries receive courteous, professional, accurate answers with just one call. LACERA's Vision for excellence, commitment, trust and service is the driving force of our Association, because LACERA's members deserve the best.

Report Contents

LACERA management is responsible for the content of the Annual Report, and it is our intent to ensure that all material within the Annual Report is accurate and fair, and all material disclosures are made. The Annual Report consists of four sections:

The Introductory Section provides an overview of LACERA and the significant activities and events that occurred during fiscal year 1994. The section contains LACERA's Vision, this Letter of Transmittal, a listing of the Members of the Boards of Retirement and Investments, an overview of LACERA's administrative organization, and a list of professional organizations utilized by LACERA.

The Financial Section presents the financial condition of the Association. The section contains the opinion of the independent accountants, Coopers & Lybrand L.L.P. and Simpson & Simpson, the financial statements and the related supplementary financial information.

The Actuarial Section communicates the funding status of the Association. The section contains the certification of the consulting actuary, Towers Perrin, the results of the actuarial valuation, other actuarial statistics and general LACERA plan provisions.

The Statistical Section presents information pertaining to LACERA's operations on a multi-year basis.

LACERA AND ITS SERVICES

LACERA provides retirement, disability and death benefits to its active safety and general members, and administers the plan sponsor's retiree health benefit program. Safety membership includes law enforcement (Sheriff, Marshall, and District Attorney Investigators), firefighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications.

LACERA collects, deposits, invests, and manages retirement trust funds solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries. LACERA acts as fiduciary agent for the accounting and control of member and employer contributions and investment income. Under the overall policy direction of the Boards of Retirement and Investments, LACERA staff identify, develop, and advance legislation, rules, and policies which promote the interests of the members and beneficiaries of the Association.

The general management of LACERA is the responsibility of the Board of Retirement. The Board of Investments is responsible for determining the investment objectives, strategies, and policies. Each Board is composed of four elected members, four Los Angeles County (County) appointed members, and the County Treasurer-Tax Collector as an ex-officio member. The Board of Retirement retains a fifth elected member as an alternate. The day-to-day management of the Association is delegated to a Chief Executive Officer appointed by both Boards.

LACERA began operations on January 1, 1938, and is governed by the California Constitution, the County Employees Retirement Law of 1937, and the By-laws, procedures and policies adopted by the Boards of Retirement and Investments. The County Board of Supervisors may also adopt resolutions, as permitted by the Retirement Law of 1937, which may affect the benefits of LACERA members.

LACERA administers Association activities primarily for the County and the employees of the County. In addition, the following employers also participate in the retirement plan:

Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education
South Coast Air Quality Management District

SERVICE EFFORTS AND ACCOMPLISHMENTS

The year began with LACERA's proposal that the County of Los Angeles reduce its pension costs by fully funding plan liabilities through the issuance of pension obligation bonds. Discussions of various funding strategies continued through the year but as the fiscal year drew to a close, LACERA and the County reached agreement to retire LACERA's unfunded liability. Subsequent to the year's end, LACERA attained one of the most momentous milestones in the life of a pension plan when it achieved full funding through the County's lump sum contribution of $1.97 billion.

LACERA's efforts in improving member services have energized the Association. Our initial goal to improve member services through enhanced staff training, has evolved into a comprehensive plan to redesign our business processes and restructure our organization to maximize the effectiveness of our servicing efforts.

Using a fresh start analysis method called "Reengineering," we have restructured the member contact process. Upon completion of the project, we should realize the benefit of having a single point of contact for member inquiries and service. This is a departure from current operations where members may be "handed-off" from staff specialist to staff specialist in satisfying our members' request.

The Reengineering team is prototyping a graphical-user-interface for our mainframe computer application for the processing of member requests. This interface will provide staff a powerful tool in navigating through the various input screens, and the ability to incorporate word processing capabilities during a mainframe session. Members will benefit through shorter contact times and more timely correspondence.

LACERA is creating an electronic "Knowledge Base" of laws, regulations and operational policies used in administering the Association. The first phase of this project includes the Retirement Act of 1937 and a "Quick Reference" guide. We anticipate that this will be an important part of our graphical-user-interface mainframe workstation.

A Document Imaging Team is addressing how this technology may be useful in serving our members. We anticipate that a data base of critical documents will be created for current use and eventually integrated into the graphic user interface workstation, thereby, further enhancing our delivery of member service.

A project to identify LACERA's collective beliefs and attitudes provided the means to define our shared values of Professionalism, Respect, Open Communications, Fairness, Integrity and Teamwork. Staff will reinforce these shared values in the development of new operations, staff, and training.

A Vision Statement was created and shared with the Association. The Vision provides a focal point to reinforce our dedication to our members through Excellence, Commitment, Trust and Service.

With the help of our members, a Board of Retirement Sub-Committee, and the plan sponsor, a majority of new annuitants receive a benefit payment within 30 days of active service termination.

Staff completed a search for custodial banking services. Mellon Trust will be providing global custody services and securities lending as of November 1, 1994.

The Employee Council began a grass roots Employee Recognition Program.

Retired members were invited to the third annual Wellness Fair coordinated by LACERA staff and sponsored by healthcare providers and healthcare organizations.

LACERA staff participated in the LAC\USC Safety Fair by providing retirement counseling to attendees.

Staff received the Government Finance Officer Association's Award for Excellence in Reporting for the fourth consecutive year.

LACERA's Internal Audit staff gained valuable experience in working with Coopers & Lybrand L.L.P. and Simpson & Simpson on the attest audit. This experience will facilitate staff attaining their Certified Public Accountant certificates.

Our Outreach program began holding Brown Bag Special Workshops during the lunch period in a variety of locations throughout the County, and added a new Safety Member Workshop to provide specific retirement plan information to Safety Members.

LACERA's video library contains a new video on Safety Member retirement. Other library videos include, New Employee Orientation, and Disability and Survivor Benefits.

SUPPLEMENTAL TARGETED ADJUSTMENT FOR RETIREES

The Supplemental Targeted Adjustment for Retirees (STAR) is a supplemental cost-of-living benefit for retirees or their survivors who have lost 25% or more of the purchasing power of their original retirement benefit. On December 20, 1989, the Board of Retirement approved the STAR program pursuant to authority granted to them under the County Employees Retirement Law of 1937. Together, the Board of Retirement and Board of Investments have unanimously supported the STAR program through their annual program approval and fund appropriations. The STAR program benefit costs for calendar year 1993 were $57 million, and are anticipated to be similar for calendar year 1994. The benefit, currently being received by approximately 18,000 retirees, is a non-vested entitlement.

ECONOMIC CONDITION AND OUTLOOK

Slow and steady growth was the best description of the economic environment in fiscal year 1993/94. During the first half, the Federal Reserve's accommodative monetary policy allowed interest rate sensitive industries to flourish. Specifically, the banking and finance sector, and the housing and automobile industries.

Many corporations took advantage of low interest rates to refinance the higher cost debt they accumulated during the late 1980s and early 1990s. Corporations strengthened their balance sheets and used their new found resources for capital expenditures and general corporate improvements. This strength of the domestic corporations translated into increased job growth and lower unemployment. By the end of June 1994, the national unemployment rate decreased to 6.0%.

This steadily improving employment outlook in the United States resulted in increased consumer confidence. During 1993/94 consumer confidence soared from a low of 59% in July 1993 to a high of 92% at the end of June 1994.

Renewed consumer confidence translated into increased consumer spending. Gross Domestic Product (GDP) reached a seasonally adjusted high of 6.3% during the fourth quarter of 1993. GDP averaged a robust 4.1% growth rate during the past fiscal year.

The rapid economic growth experienced in the first half of fiscal year 1993/94 led the federal reserve to increase short-term interest rates beginning in February 1994, for the first time in 5 years. Subsequent rate increases continued throughout the fiscal year. This change in monetary policy was implemented as a safeguard against future inflationary pressure.

Rising interest rates during the second half of the fiscal year negatively impacted the domestic bond and stock markets. The LACERA investment portfolio, however, managed to return a positive 4.3% for the year ended June 1994.

The diversification aspect of the LACERA investment portfolio continued to add incremental value during the fiscal year. Alternative investments, which represent a small percentage of the overall fund, returned an impressive 30%, while the international portfolio returned 23.1% for the fiscal year.

As part of LACERA's diversification strategy, the Board of Investments approved an additional 5% allocation to the real estate asset class and hired 3 additional investment firms to assist with the management of the portfolio. During fiscal year 1993/94 the real estate portfolio returned 3.6%.

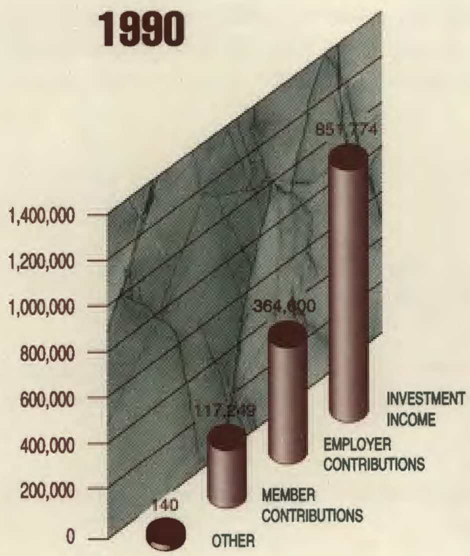
For the next fiscal year, many economists are forecasting continued strong economic growth, lower unemployment and manageable inflation. The Federal Reserve is expected to continue its aggressive policy against inflation by increasing short-term interest rates. Continued economic growth should have a positive impact on corporate productivity and profitability.

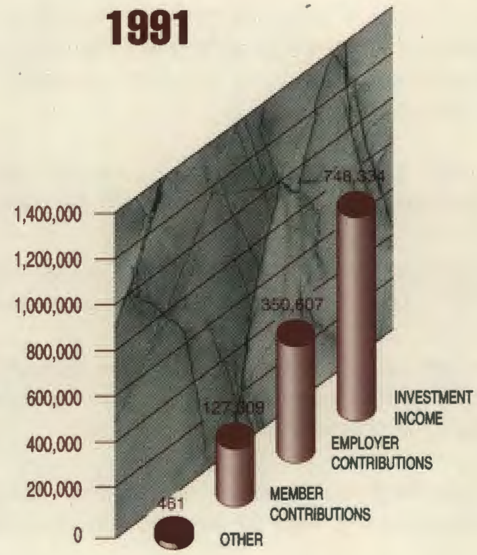
FINANCIAL INFORMATION

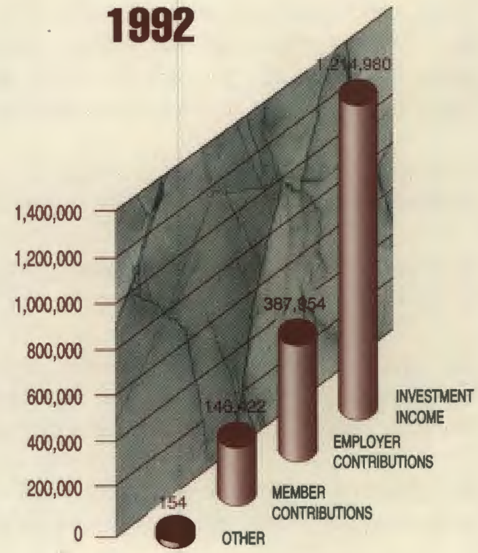
Management of LACERA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The accounting firms of Coopers & Lybrand and Simpson & Simpson provide both financial statement and internal control audit services. The financial statements attest audit ensures LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free from material misstatement. The internal control agreed upon procedures audit ensures LACERA's operating policies and procedures are being adhered to and are sufficient to safeguard LACERA's assets. The scope of testing in the internal control audit is a joint effort between LACERA's Internal Audit Services, Coopers & Lybrand L.L.P., Simpson & Simpson, and the Los Angeles County Internal Audit Department.

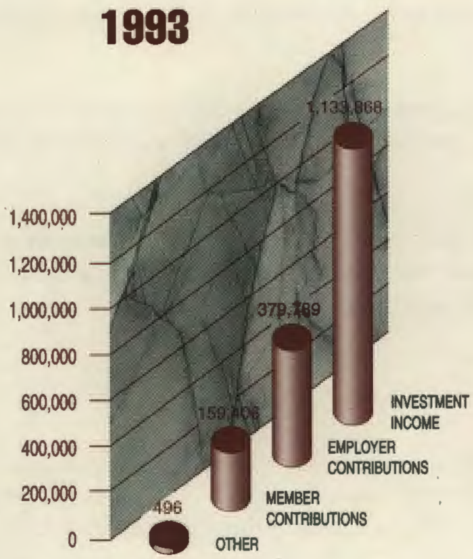
Revenue

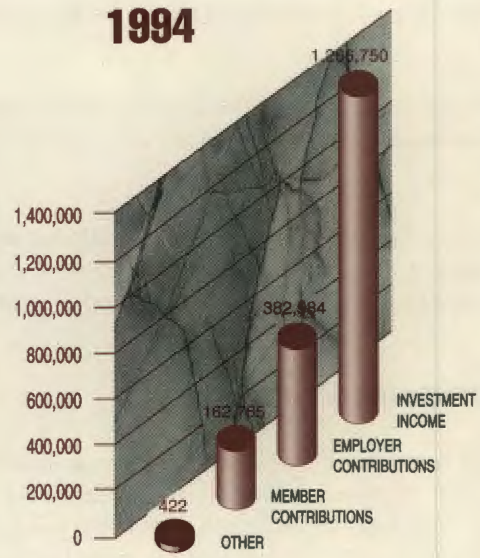
The majority of LACERA's revenue comes from the earnings of the investment portfolio. Investment income includes interest, dividends, trading gains and losses, and distributions from our real estate and alternative asset investments.







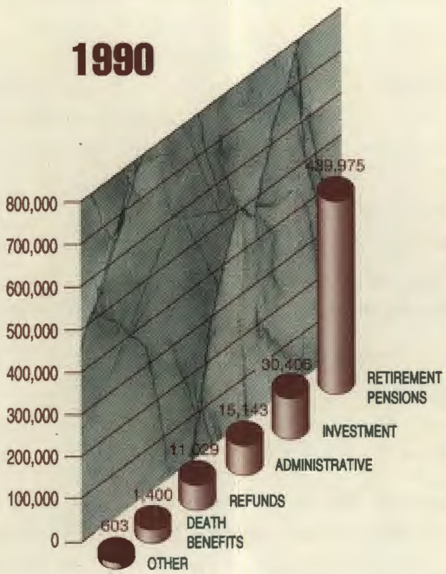


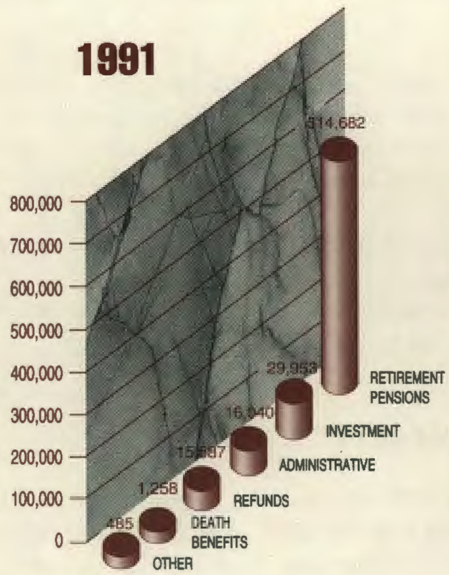


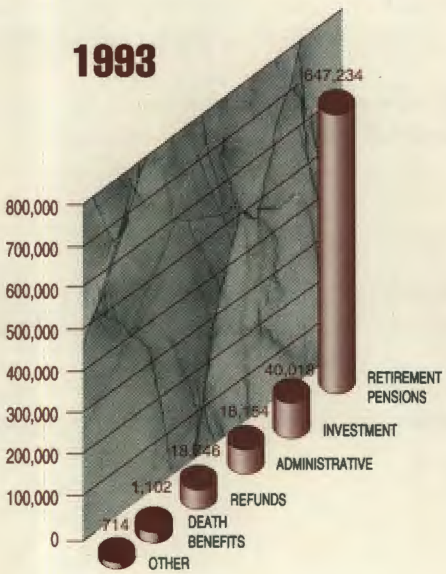
While interest, dividend and distributions received during fiscal year ending 1994 were relatively constant with income received in the prior year, significant trading gains were realized in the domestic and international equity portfolios. The domestic bond portfolio continued to experience a decline in trading gains. The market value of the portfolio increased to $14.5 billion in fiscal year 1994 from $14.1 billion in fiscal year 1993.

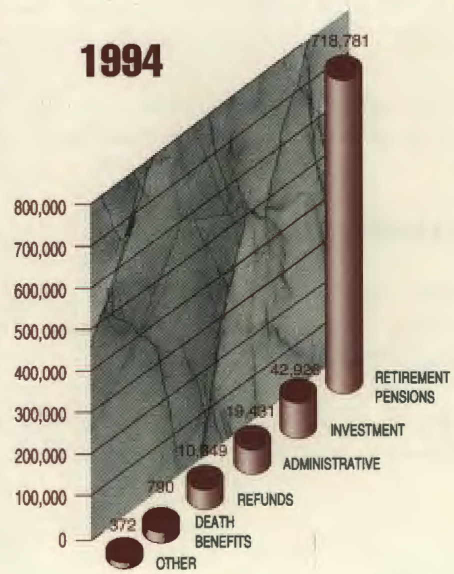
Expenses

The primary use of LACERA's assets is in the payment of benefits to retirees and their beneficiaries. LACERA is considered to be relatively young for a pension plan, and can expect rising retirement pension benefit costs into the future.









Fund Balance

The total fund balance as of June 30, 1994, was $13 billion, representing a net increase from the previous year of $1 billion. Of the $1 billion increase, $928 million was credited as interest to the various reserves, and the remaining funds were used to fund the Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies.

Over the past twenty years, LACERA's investments have generated approximately $2.9 billion in earnings above the amount required to credit interest to member and employer reserves, meet our actuarial assumptions and ensure that one percent of the plan assets are reserved. Of these earnings, $2.1 billion have been used to reduce the retirement system's unfunded liability and to lower the employer contribution rates. Some $425 million have been used to fund the STAR program. The remaining funds were used to pay supplemental benefits as approved by the Board of Retirement and fund the Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies.

ACTUARIAL FUNDING STATUS

For the purposes of determining contribution rates for active members and employers and determining LACERA's funding status, LACERA engages an independent actuarial firm, Towers Perrin, to conduct a triennial valuation and investigation in accordance with the County Employees Retirement Law of 1937. The last such completed triennial valuation was performed as of June 30, 1992, using the entry age normal method. As reported in the June 30, 1992 valuation, the total actuarial accrued liability is $13.7 billion of which $1.97 billion is considered unfunded.

Subsequent to June 30, 1994, LACERA's Board of Investments and the County of Los Angeles (County) entered into an Agreement for the County issuance of a pension obligation bond offering to finance the unfunded liability as of the latest triennial valuation. On October 19, 1994, LACERA received $1.97 billion in bond proceeds, as employer contributions. Additional bond proceeds and County funds were received by LACERA to fund the County's fiscal year 1994/95 normal cost.

The Board of Investments has authorized additional annual valuations to monitor the progress of the funding status and to provide uniform disclosure in the annual report. The valuation to monitor the progress of the funding status uses the same assumptions and entry age actuarial method as the triennial valuation, while the valuation to provide uniform disclosure uses the projected unit credit method, as required by the Governmental Accounting Standards Board.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to LACERA for its annual financial report for the fiscal year ended June 30, 1993. LACERA is the only public pension plan in California to receive this award, and this marks the fourth consecutive year we have been awarded this prestigious designation. In order to be awarded a Certificate of Achievement, LACERA must publish an easily readable and efficiently organized annual financial report, whose content must both conform to program standards, satisfy generally accepted accounting principles and other applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA for consideration.

ACKNOWLEDGMENTS

The preparation of the annual financial report on a timely basis is made possible by the dedicated teamwork of LACERA staff. Each staff member who contributed to the team effort has my sincere appreciation. I would like to thank our contract auditors, Coopers & Lybrand L.L.P. and Simpson & Simpson, for their professionalism and assistance.

On behalf of the LACERA staff, we wish to thank the Board of Retirement and the Board of Investments, without whose leadership and support the preparation of this report would not have been possible.

Respectfully submitted,

Marsha D. Richter

Marsha D. Richter
Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County Employees Retirement Association, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1993

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

GOVERNMENT FINANCE OFFICERS OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO ASSOCIATION

President

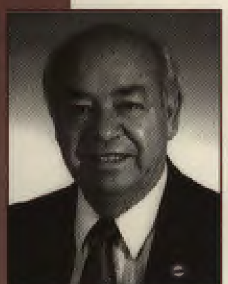
Executive Director

Members of the Board of Retirement

At June 30, 1994

Chairman

Robert J. Hermann
Sheriff's Department. Elected by safety members. Present term expires December 31, 1995. Elected Chairman of the Board, January 5, 1994.



Vice Chairman

Jack M. Thomas
Appointed by the Board of Supervisors. Present term expires December 31, 1996. Elected Vice Chairman of the Board, January 5, 1994.

Secretary

Robert A. Stotelmeyer
Retired. Elected by retired members. Present term expires December 31, 1996. Elected Secretary of the Board, January 5, 1994.

Member

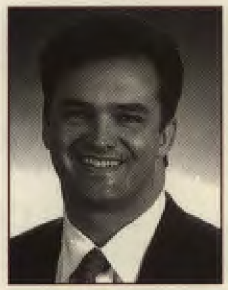
Nancy Morton
Acting Treasurer and Tax Collector. Ex-officio member.

Member

Simon S. Russin
Department of Health Services. Elected by general members. Present term expires December 31, 1994.

Member

Richard Shumsky
Probation Department. Elected by general members. Present term expires December 31, 1996.



Member

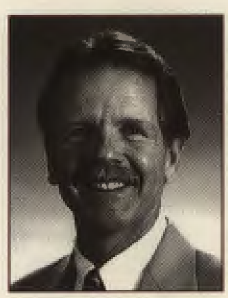
Alex Soteras
Appointed by the Board of Supervisors. Present term expires December 31, 1995.

Member

Richard M. Tafoya
Appointed by the Board of Supervisors. Present term expires December 31, 1994.

Member

G. Tom Thompson
Appointed by the Board of Supervisors. Present term expires December 31, 1996.



Alternate Member

Cody Ferguson
Los Angeles County Fire Department. Elected by safety members. Present term expires December 31, 1995.

Members of the Board of Investments

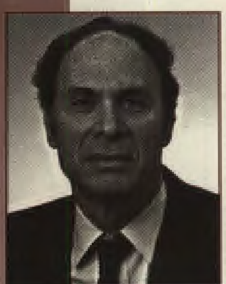
At June 30, 1994

Chairman

Marvyn E. Kaye
Appointed by the Board of Supervisors. Present term expires December 31, 1995.
Elected Chairman of the Board, January 12, 1994.

Vice Chairman

Norman S. Johnson
Retired. Elected by retired members. Present term expires December 31, 1996.
Elected Vice Chairman of the Board, January 12, 1994.



Secretary

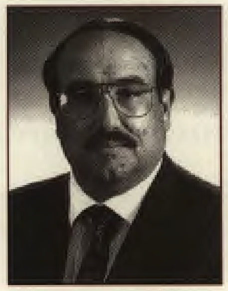
Alan Lowy
Appointed by the Board of Supervisors. Present term expires December 31, 1994.
Elected Secretary of the Board, January 12, 1994.

Member

Nancy Morton
Acting Treasurer and Tax Collector. Ex-officio member.

Member

Michael L. Falabrino
Appointed by the Board of Supervisors. Present term expires December 31, 1996.

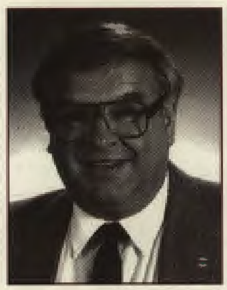


Member

Robert J. Hermann
Sheriff's Department. Elected by safety members. Present term expires December 31, 1995.

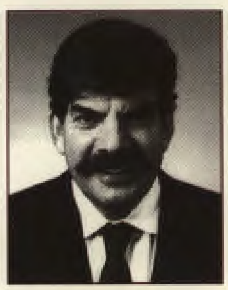
Member

James A. Jeffs
Appointed by the Board of Supervisors. Present term expires December 31, 1996.



Member

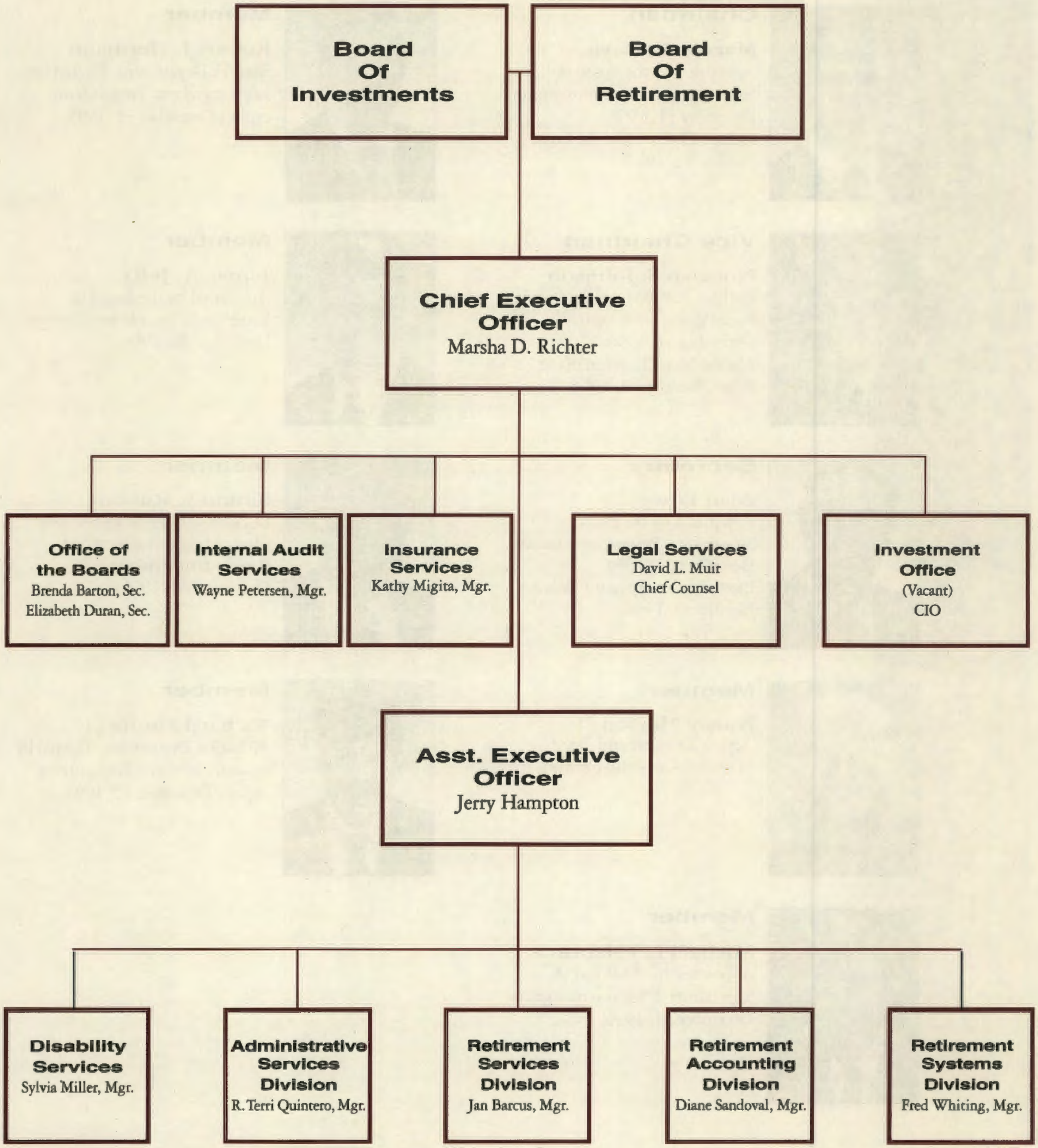
Simon S. Russin
Department of Health Services. Elected by general members. Present term expires December 31, 1996.



Member

Richard Shumsky
Probation Department. Elected by general members. Present term expires December 31, 1994.

Los Angeles County Employees Retirement Association
At June 30, 1994



List Of Professional Consultants

Consulting Services

Actuary
Towers Perrin

Investment Consultants
Callan Associates, Inc.
Strategic Investment Solutions, Inc.
The Townsend Group
Russell Company
Chancellor Capital Management

Governance Consultant
Institutional Shareholder Services, Inc.

Auditors
Coopers & Lybrand L.L.P.
Simpson & Simpson

Data Processing
Los Angeles County Department of Data Processing
Warner Information Center

Custodians
Bank of America, NTSA
The Chase Manhattan Bank, NA

Mortgage Loan Servicers
Financial Products and Services
GMAC Mortgage

Legal Counsel
Gibson, Dunn & Crutcher
Paul, Hastings, Janofsky & Walker
Hufstedler, Kaus & Ettinger
Pillsbury, Madison & Sutro

Investment Managers

Equity - Domestic
Capital Guardian Trust Company
Delta Asset Management
TSA Capital Management
Loomis, Sayles & Company
Invesco MIM, Inc.
Stein Roe & Farnham
Weiss, Peck & Greer Investments
Putnam Advisory Company, Inc.
Bankers Trust Company
Mitchell Hutchins Institutional Investors, Inc.
Morgan Stanley Asset Management, Inc.
Pilgrim, Baxter & Associates

Equity - International
Prudential Asia Fund Management Ltd.
GAM International Management, Ltd.
Morgan Grenfell Investment Services, Ltd.
Schroder Capital Management Intl. Ltd.
UBS Phillips & Drew Intl. Investment, Ltd.
Capital Guardian Trust Company
Emerging Markets Growth Fund, Inc.
UBS Asset Management, Inc.

Fixed Income - Domestic
Bradford & Marzec, Inc.
Capital Guardian Trust Company
TCW Asset Management Company
MFS Asset Management Group
Brown Brothers Harriman & Company
Mackay - Shields Financial Corporation
Criterion Investment Management Company

Fixed Income - International
Capital Guardian Trust Company
Brinson Partners, Inc.
J.P. Morgan Investment Management
Morgan Grenfell Investment Services, Ltd.

Cash & Short-Term
Bankers Trust Company

Real Estate
Public Storage, Inc.
Equitable Real Estate Investment Management
TCW Realty Advisors
JMB Institutional Realty Corporation
RREEF America Partners
Heitman Advisory Corporation
TA Associates Realty
Jones Lang Wootton Realty Advisors
Sentinel Real Estate Corporation
Invesco Realty Advisors
L & B Real Estate Counsel
Trammell Crow Ventures
Shurgard, Inc.

Alternative Assets
GKH Partners
Copley Venture Partners
TA Communications Partners
Syndicated Communications, Inc.
Chancellor Capital Management
Prudential Equity Investors, Inc.
E. M. Warburg, Pincus Capital Company, Inc.

L/A CERA

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Financial Section

Report of Independent Accountants

Coopers & Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

Simpson & Simpson

We have audited the accompanying balance sheets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 1994 and 1993, and the related statements of revenues, expenses and changes in fund balances for the years then ended. These financial statements are the responsibility of LACERA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LACERA at June 30, 1994 and 1993, and the results of its operations and changes in its fund balances for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of LACERA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audits, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information included in the Actuarial and Statistical Sections as listed in the accompanying table of contents, has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on these sections.

Coopers & Lybrand L.L.P.   Simpson & Simpson

October 28, 1994
Los Angeles, California

Balance Sheets

As of June 30, 1994 and 1993
(Amounts in Thousands)

	1994	1993
Assets		
Cash and Cash Equivalents—Notes O and P	$ 35,833	$ 37,217
Contributions Receivable	39,802	40,327
Accrued Interest and Dividends	98,136	74,940
Accounts Receivable—Sale of Investments	725,416	310,677
Principal Due on Mortgages	2,164	2,856
Withholding Tax Refundable	4,077	4,065
Reimbursable Costs for Retiree Health Insurance and Retired Member Death Benefits	9,225	9,633
Accounts Receivable—Other	3,886	593
Investments—Notes N and P		
Common and Preferred Stocks	6,213,343	5,074,957
Bonds	5,417,518	5,282,594
Short Term Investments	696,308	1,027,640
Real Estate	549,205	544,801
Alternative Assets	320,334	295,143
Mortgages	93,660	83,830
Total Investments	13,290,368	12,308,965
Furniture and Equipment, Structures and Improvements—Net of Depreciation	3,578	3,838
Total Assets	**$14,212,485**	**$12,793,111**
Liabilities		
Accounts Payable—Purchase of Investments	$ 1,121,393	$ 721,972
Retiree Payroll and Other Warrants Payable	37,509	38,428
Accrued Expenses	10,585	9,860
Leasehold Incentives	2,717	3,135
Accounts Payable—Other	728	435
Total Liabilities	1,172,932	773,830
Fund Balances		
Member Deposit Reserves	1,956,517	1,764,346
Employer Reserves	422,716	497,035
Retired Member Reserves—Note C	10,087,380	9,461,426
Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies—Note D	572,940	296,474
Total Fund Balances	13,039,553	12,019,281
Total Liabilities and Fund Balances	**$14,212,485**	**$12,793,111**

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

Statement of Revenues, Expenses and Changes in Fund Balances

For the Years Ended June 30, 1994 and 1993
(Amounts in Thousands)

	Member Deposit Reserves	Employer Reserves	Retired Member Reserves	Reserve for Earnings' Def., Invest. Losses and Other Contingencies	1994	1993
Revenues						
Investment Income						
Net of Related Expenses				$1,223,824	$ 1,223,824	$ 1,093,850
Employer Contributions		$382,984			382,984	379,789
Member Contributions	$ 162,765				162,765	159,406
Miscellaneous	143		$ 279		422	496
Total Revenues	162,908	382,984	279	1,223,824	1,769,995	1,633,541
Expenses						
Pension & Annuity Benefits			718,781		718,781	647,234
Administrative Expenses—Note B				19,431	19,431	18,154
Refunds	10,349				10,349	18,746
Lump Sum Death Benefits		790			790	1,102
Interest & Payments under Sections 31725.5 & .6—Note E		280			280	462
Miscellaneous	78			14	92	252
Total Expenses	10,427	1,070	718,781	19,445	749,723	685,950
Excess of Revenues Over (Under) Expenses	152,481	381,914	(718,502)	1,204,379	1,020,272	947,591
Other Changes in Fund Balances						
Interest Credited	139,954	41,743	746,216	(927,913)		
Annuities Awarded	(100,158)	(498,082)	598,240			
Net Change in Lower of Cost or Market Allowance on Noncurrent Marketable Equity Securities						65,478
Miscellaneous	(106)	106				
Total Other Changes in Fund Balances	39,690	(456,233)	1,344,456	(927,913)		65,478
Net Changes in Fund Balances	192,171	(74,319)	625,954	276,466	1,020,272	1,013,069
Fund Balance, Beginning of Year	1,764,346	497,035	9,461,426	296,474	12,019,281	11,006,212
Fund Balance, End of Year	$1,956,517	$422,716	$10,087,380	$ 572,940	$13,039,553	$12,019,281

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

Note A
Plan Description

The County Employees Retirement Law of 1937, Government Code Sections 31450 through 31898, authorizes the formation and operation of the Los Angeles County Employees Retirement Association (LACERA) and requires that it be accounted for as a trust fund. The Association's trust (Fund) is designed to provide retirement benefits to Los Angeles County (County) employees and to certain special district employees. Member and employer contributions received from the special districts are considered part of LACERA's total Fund as a whole.

The Fund's revenues are derived from three (3) major sources:
- Income from investments
- County and special districts' employer contributions
- Member contributions

The Fund's expenses consist of:
- Pension and annuity benefit payments
- Investment expenses
- Administrative expenses
- Refunds of contributions
- Lump sum death benefits and payments under Sections 31725.5 and .6

LACERA operates as a cost sharing multi-employer defined benefit plan. The County, four participating agencies, and their employees, the latter on an elective basis beginning in 1982, contribute to LACERA based on rates recommended by an independent actuary and adopted by the Board of Investments and Board of Supervisors. The defined benefit plan does not include nonemployer contributors. Member and employer contributions are invested and the earnings and contributions are used for monthly payments to retired members.

Employer contributions are expressed as a percentage of applicable payroll, dependent on plan. Member rates are based upon age at entry to the system and plan enrollment. LACERA has adopted unisex contribution rates for members. As a result of collective bargaining, member rates for various plans have been reduced through additional employer contributions, known as a surcharge rate.

Vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates ten years of creditable service under the noncontributory plan. Benefits are based upon twelve or thirty-six months average compensation, depending on plan; age at retirement and length of service as of the retirement date, according to applicable statutory formulae. Service connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for non-service connected disability eligibility according to applicable statutory formulae except for members of the noncontributory plan who are covered under separate long-term disability provisions not administered by LACERA. Components of LACERA membership are detailed in Note H and in the Statistical section on page 64.

Note B
Summary Of Significant Accounting Policies

Reporting Entity:
LACERA, with its own governing boards, is an independent governmental entity separate and distinct from the County of Los Angeles. LACERA's annual financial statements are included in the County of Los Angeles' Annual Financial Report as a pension trust fund. The specific elements of the oversight criteria considered in defining a reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Application of the oversight criteria did not identify additional entities to be included in LACERA's annual report.

Method of Reporting:
LACERA follows the accounting principles and reporting guidelines as set forth in Statement 1, Governmental Accounting Standards Board, authoritative status of the National Council on Governmental Accounting and AICPA industry audit guide "Audit of Employee Benefit Plans" issued May 1992. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of the Fund.

Administrative Expenses:

LACERA's Board of Retirement and Board of Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against the earnings of the fund and are limited to eighteen hundredths of one percent as set forth under Government Code Section 31580.2. The following budget to actual analysis of administrative expense is based upon the budget, as approved by the governing boards, and reflects actual administrative expenses:

Total Projected Asset Base as of December 31, 1993 at market value	$14,583,537
Maximum Allowable for Administrative Expense (.0018 x $14,583,537,000)	26,250,366
Operating Budget—Fiscal Year 1993-1994	21,842,510
Actual Administrative Expenses for the fiscal year ended June 30, 1994	19,431,103
Underexpended Operating Budget	**$ 2,411,407**

The Administrative operating budget includes allocations for fixed assets. Fixed assets are capitalized upon purchase and expensed over their useful lives.

Fixed Assets:

Fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method with five-year useful life for equipment and ten-years for furniture, structures, and leasehold improvements. The cost and accumulated depreciation of fixed assets as of June 30, 1994 and 1993 were as follows (amounts in thousands):

	1994	1993
Furniture and Equipment	$3,582	$3,199
Structures and Improvements	2,829	2,829
Total Fixed Assets (at cost)	6,411	6,028
Less Accumulated Depreciation		
Furniture and Equipment	1,845	1,485
Structures and Improvements	988	705
Total	2,833	2,190
Total Fixed Assets—Net of Depreciation	**$3,578**	**$3,838**

Accrued Vacation and Sick Leave:

Employees who resign or retire are entitled to full compensation for all unused vacation and a percentage of their unused sick leave. The accrued vacation and sick leave for LACERA employees as of June 30, 1994 and 1993 was $1,311,000 and $1,347,000 respectively.

Investments:

The cost of stocks and bonds is determined using the average cost method, while the cost for mortgage loans and short term investments is determined using the specific identification method. Bonds and mortgages are reported at cost adjusted for amortized premium or discount. Premium or discount on long-term bonds is amortized using the constant-yield amortization or straight-line method, depending on the nature of the security. Premium or discount on mortgage loans is amortized using the straight-line method over a period of 120 months. Stocks are reported at the lower of cost or market, while short-term investments, real estate equity funds, and alternative assets are reported at cost.

Unsettled investment trades as of year end are reported in the financials on an accrual basis. The corresponding funds receivable from a sale and funds payable for a purchase are reported in accounts receivable—sale of investment and accounts payable—purchase of investments, respectively.

Market values for investments are derived by various methods as indicated in the following table:

Asset Description	Market Value Description
Bonds, publicly traded; stocks, common and preferred; issues of the U.S. Government and its agencies.	Most recent sales price as of the balance sheet date, international securities reflect currency exchange rates in effect at June 30, 1994 and 1993.
Cash and cash equivalents, Equity in pooled cash funds	Cash value (cost), international currency holdings reflect currency exchange rates in effect at June 30, 1994 and 1993.
Mortgages	Equivalent pricing to comparable GNMA.
Real estate equity funds	Provided by real estate fund manager.
Real estate title holding corporations	Equity value of the investment subject to adjustment for conditions noted in either the property manager's valuations or the audited property financial statement.
Alternative assets (Venture Capital Funds)	Provided by the fund's valuation committee. LACERA's alternative asset consultant reviews the market value information provided by funds without a valuation committee.
Private placement bonds	Face value of the security subject to adjustment for conditions noted in the respective audited financial statement.

Please refer to Note P, Deposits and Investments, for book and market values for fiscal year ending June 30, 1994.

Reserves:

The Fund has five major classes of reserves as follows:

Member Deposit Reserves represent the balance of member contributions. Additions include member contributions and related earnings; deductions include refunds of member contributions and transfers to Retired Member Reserves.

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and related earnings; deductions include transfers to Retired Member Reserves, Lump Sum Death Benefits, and interest and payments under Sections 31725.5 and 31725.6.

Retired Member Reserves represent the balance of transfers from Member Deposit Reserves and Employer Reserves and related earnings, less payments to retired members.

Cost-of-Living Reserves relate to each of the above reserves. The purpose of these reserves is to provide for anticipated cost-of-living increases in pension allowances.

Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies represents reserves accumulated for such future events. Additions include investment income and other revenues; deductions include administrative expenses, interest allocated to other reserves, funding of the Supplemental Targeted Adjustments for Retirees reserves and distribution of excess assets to employer reserves.

Reserves are established from member and employer contributions and appropriations of earnings in excess of current earnings assumption. Reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due.

Note C
STAR Program

On December 20, 1989, the Board of Retirement approved the Supplemental Targeted Adjustment for Retirees (STAR) program pursuant to authority granted to them under Section 31874.3(b) of the Government Code. This program provides a supplemental cost of living increase for retirees to restore lost purchasing power to a level equal to 75% of the purchasing power they held when their benefits began.

The STAR program is administered on a calendar year basis. The following represents the STAR program experience from inception through June 30, 1994 (amounts in thousands):

	Funding	Costs	Available For Future Benefits
Initial Program 1990	$201,200	$ (47,411)	$153,789
Program Year 1991		(50,994)	102,795
Program Year 1992	172,000	(57,776)	217,019
Program Year 1993	51,726	(56,542)	212,203
Program Year 1994			
Through June 30		(28,724)	183,479
Total	$424,926	$(241,447)	

Note D
Statutory Reserve Requirements

The Reserve for Earnings' Deficiencies, Investment Losses, and Other Contingencies is used to satisfy the Retirement Law of 1937 requirement for LACERA to reserve 1% of the fund assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The balance of the Reserve for Earnings' Deficiencies, Investments Losses and Other Contingencies of $573 million represents 4% of the total Fund assets as of June 30, 1994.

Note E
Interest And Payments Under Sections 31725.5 and 31725.6

Government Code Sections 31725.5 and 31725.6 provide that a member, incapacitated and thereby eligible for disability retirement under his former position, may accept a lower paying position for which he is not disabled. In such cases, LACERA pays the member an amount that equals the difference in salary between the member's current and former position, not to exceed the amount of the disability allowance to which the member would otherwise be entitled. Such payments and related interest in lieu of a disability retirement allowance are considered a charge against Employer Reserves.

Note F
Partial Annuitization Of Benefit Payments

As of January 1, 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of its retired members. Under the terms of the annuity contracts, LACERA will continue to administer benefit payments to affected members, and is reimbursed monthly by the carriers for the gross amounts of benefits disbursed. LACERA received $47.2 million and $47.4 million in related reimbursements during each of the years ended June 30, 1994 and 1993. Such amounts have reduced the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other members of the Fund, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

Note G
Triennial Actuarial Valuation And Investigation

For purposes of examining economic and noneconomic assumptions and determining LACERA's funding status, LACERA engages an independent actuarial firm to conduct a triennial actuarial valuation and investigation, in accordance with the County Employees Retirement Law of 1937.

The last such valuation was made using the entry age normal method as of June 30, 1992 on the basis of an 8% interest assumption and a 6% assumption for annual salary increases based on factors of 5% for inflation and 1% for merit and productivity increases, as specified by the Board of Investments. Use of an inflation factor complies with recommendations of the American Academy of Actuaries. The valuation uses the Actuarial Asset

Value Method, also known as Adjusted Market Value Method, which values the assets through a 5-year phase-in of unrealized gains and losses. Additionally, the Board of Investments adopted a policy of yearly actuarial valuations in order to provide more timely oversight of the funding process.

The unfunded actuarial accrued liability (UAAL) increased from $1.51 billion as of June 30, 1989 to $1.97 billion as of June 30, 1992. The Board of Investments authorized transfers from the June 30, 1992 and June 30, 1990 reserves for earnings deficiencies of $240 million and $250 million , respectively, to the employer reserve for the reduction of the UAAL. The remaining UAAL is being funded directly by employer contributions. The original 30 years UAAL funding period which commenced July 1, 1978 and was to end June 30, 2008 has been amended by the Board of Investments to re-amortize the UAAL using a new 30 year funding assumption over each of the next four years. The new 30 year funding assumption became effective July 1, 1992 and will remain in effect until July 1, 1996, at such time, any remaining UAAL will convert to a 16 year funding period. The plan actuary, Towers Perrin, reviewed the amended amortization plan and maintains that the funding status of the plan will remain within the long range funding goals set by the Board of Investments. The contributions are based on rates recommended by the actuary and adopted by the Board of Investments and the Board of Supervisors.

Subsequent to June 30, 1994, LACERA's Board of Investments and the County of Los Angeles (County) entered into an agreement for the County issuance of a $1.97 billion pension obligation bond offering to finance the unfunded liability as of the latest triennial actuarial valuation and investigation. On October 19, 1994, LACERA received $1.97 billion in bond proceeds, as employer contributions. Additional bond proceeds and County funds were received by LACERA to fund the County's fiscal year 1994-1995 normal cost.

Note H
Annual Actuarial Valuation For Purposes Of Uniform Disclosure

For purposes of examining economic assumptions and to provide pension disclosure information as required by Statement 5 of the Governmental Accounting Standards Board (GASB), LACERA engages an independent actuary to perform an annual actuarial valuation in conformance with GASB methodology. The latest such valuation was performed using the projected unit credit method as required by GASB as of June 30, 1994 with an 8% interest earnings assumption and a 6% assumption for annual salary increases based on factors of 5% for inflation and 1% for merit and productivity increases.

Funding Status and Progress: The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess LACERA on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other pension funds.

The unfunded pension benefit obligation at June 30, 1994 and 1993 was $2.6 billion and $1.9 billion respectively, computed as follows (amounts in thousands):

	1994		1993	
	Member Count	Pension Benefit Obligation	Member Count	Pension Benefit Obligation
Retirees and beneficiaries currently receiving benefits	39,744	$ 7,273,839	39,533	$ 5,809,427
Terminated members entitled to benefits but not yet receiving them.	3,293	133,984	3,150	124,481
Current Members				
Accumulated member contributions		1,865,459		1,900,805
Employer-financed vested		3,122,928		3,125,431
Total active vested	44,483	4,988,387	44,256	5,026,236
Total active nonvested	31,457	2,518,872	33,776	2,498,065
Total Pension Benefit Obligation		14,915,082		13,458,209
Net assets available for benefits at cost (Actuarial market value is $13,454,618 for 1994 and $13,271,280 for 1993)		12,282,732		11,482,068
Unfunded Pension Benefit Obligation		$ 2,632,350		$ 1,976,141

The total value of applicable assets used by LACERA's consulting actuary for the valuation was determined as follows (amounts in thousands):

	1994		1993	
	Book Value	Market Value	Book Value	Market Value
Total Assets				
Total Portfolio - Note P	$13,326,201	$14,498,087	$12,346,182	$14,135,394
Total Accounts Receivable	882,706	882,706	443,091	443,091
Fixed Assets	3,578	3,578	3,838	3,838
Total	14,212,485	15,384,371	12,793,111	14,582,323
Total Omitted from Total Assets				
Current Liabilities	1,172,932	1,172,932	773,830	773,830
Unclaimed Deposits	402	402	570	570
Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies	572,940	572,940	296,474	296,474
Reserve for STAR Benefits	183,479	183,479	240,169	240,169
Total	1,929,753	1,929,753	1,311,043	1,311,043
Net Applicable Assets	$12,282,732	$13,454,618	$11,482,068	$13,271,280

Contributions Required and Contributions Made:

LACERA funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due.

The contributions to LACERA for 1994, 1993, and 1992 were made in accordance with the actuarially determined requirements as follows (amounts in thousands):

	1994		1993		1992	
	Contributions	Percent of Covered Payroll	Contributions	Percent of Covered Payroll	Contributions	Percent of Covered Payroll
Employer Contributions						
Normal Cost	$ 296,564	8.74%	$ 303,061	9.08%	$ 289,362	9.00%
Amortization of the unfunded actuarial accrued liability	86,420	2.55%	76,728	2.30%	98,092	3.05%
Member Contributions						
Normal Cost	162,765	4.80%	159,406	4.78%	146,422	4.55%
Total	$ 545,749		$ 539,195		$ 534,376	

For the fiscal years ending June 30, 1994 and 1993, available assets were sufficient to fund 82.35% and 85.32%, respectively of the total accrued pension benefit obligation. The unfunded pension benefit obligation represented 17.65% and 14.68%, of the value of accrued benefits for the fiscal years ending June 30, 1994 and 1993.

Ten year historical trend information is presented on page 32, Revenues by Source and Expenses by Type. Trend information gives an indication of the progress made in accumulating sufficient assets to pay for benefits when due.

Note I
Summary Of Investment Policies

The County Employees Retirement Law of 1937 (Law) authorizes the Board of Investments (Board) with exclusive control over the investment of the Fund. The Law allows for the Board to invest, or delegate the authority to invest, the assets of the Fund through the purchase, holding, or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board.

Additionally, the Law requires the Board and its officers and employees shall discharge their duties with respect to the Fund:

- Solely in the interest of, and for the exclusive purposes for providing benefits to, participants and their beneficiaries, minimizing employer contributions, and defraying reasonable expenses of administering LACERA.

- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

- Shall diversify the investments of the Fund to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

Note J
Industry Concentrations Of Portfolio Assets

The Board of Investment's (Board) policies and guidelines enable the portfolio to develop into numerous asset classes and to take advantage of professional investment managers with diverse management styles. The result is a well diversified portfolio. An important aspect of the Board's policies and guidelines is for the portfolio to maintain industry diversity. In the major asset classes of stocks (equities) and bonds, concentrations of investments within an industry may occur and still remain within a prudent range. Concentrations may occur in a grouping of industries, commonly known as an economic sector. The domestic stock portfolio demonstrated a minor concentration in the financial services and technology sectors as of June 30, 1994.

Note K
Stocks And Bonds On Loan

Under agreements with Bank of America (B of A) and The Chase Manhattan Bank (Chase), LACERA lends specified equities and bonds that are being held in trust to various banks or brokers.

B of A is authorized to lend LACERA's domestic portfolio and Chase is authorized to lend LACERA's international portfolio. B of A and Chase have agreed to hold LACERA harmless for any losses of securities or income, or from any litigation arising from these loans. Consequently, the securities on loan at June 30, 1994 and 1993 are not shown separately on the balance sheet but are included in their respective accounts on that statement.

Securities on loan must be collateralized with a maintained market value of 102% and 105% for securities lent by B of A and Chase, respectively. Collateral received may include cash, irrevocable letters of credit, or securities which are direct obligations or guaranteed by the US Government.

At June 30, the market value of the stocks and bonds on loan through B of A and Chase were (amounts in thousands):

	1994	1993
	Market Value	Market Value
Equities		
Domestic	$1,189,130	$ 456,434
International	294,161	156,724
Bonds		
Domestic	1,476,177	1,417,976
Total	$2,959,468	$2,031,134

Note L
Financial Futures

Financial futures contracts are an efficient means of controlling market exposure. All financial futures contracts are collateralized by underlying portfolio assets. As with any investment, financial futures contracts are subject to various types of market risk. Notably, these would include the possible inability of a counterparty to meet the terms of the contract or changes in the market value of the underlying collateral security. Gains and losses on the financial futures contracts are realized on a daily basis. Financial futures contracts outstanding for fiscal year 1994 and 1993 totaled $12,461,000 and $72,275,000, respectively.

Note M
Forward Currency Contracts And Foreign Currency

Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency gains and losses for fiscal year 1994 and 1993 are $35,401,000 net loss, and $5,501,000 net gain, respectively. At June 30, 1994, forward currency contracts payable and receivable totaled $1,333,614,000 and $1,368,647,000, respectively.

Note N
Marketable Equity Securities

The investment portfolios of marketable equity securities are carried at the lower of cost or market at the balance sheet date. The domestic and international marketable equity securities portfolios are combined with convertible debentures for balance sheet presentation. The cost of the securities sold is based on the average cost of all the shares of each such security held at time of sale. For determination of the carrying value, the domestic and international marketable equity securities portfolios were analyzed separately as follows (amounts in millions):

	1994		1993	
	Cost	Market Value	Cost	Market Value
Domestic	$4,569	$5,328	$3,470	$4,746
International	$1,644	$2,040	$1,553	$1,733

As the aggregate market value of the marketable equity portfolios exceeds the aggregate cost at June 30, 1994, a valuation allowance is not required.

At June 30, gross unrealized gains and gross unrealized losses pertaining to the marketable equity securities in the noncurrent portfolios are as follows (amounts in millions):

	1994		1993	
	Gains	Losses	Gains	Losses
Domestic	$943	$184	$1,366	$ 90
International	$451	$ 55	$ 245	$ 65

Note O
Cash And Cash Equivalents

Total cash and cash equivalents at June 30, 1994 and 1993 is composed of the following (amounts in thousands):

	1994	1993
Currency Accounts	$ 33,256	$ 33,348
Pension Payroll Direct		
Deposit Account	14	16
Deposits in the County Treasurer's Pooled Investment Funds		
Retirement Trust Fund	2,297	3,812
Administrative Fund	266	41
Total	2,563	3,853
Total Cash and Cash Equivalents	$ 35,833	$ 37,217

Currency accounts include cash and foreign currencies translated to United States Dollars using year end exchange rates. Negotiable certificates of deposit and overnight deposits are classified as short-term investments.

Note P
Deposits And Investments

Three categories of risk level have been developed by the Governmental Accounting Standards Board (Statement 3) to disclose the various custodial risks associated with the deposits and investments of the fund:

Deposits:

Category 1.
Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2.
Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3.
Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

Investments:

Category 1.
Insured or registered, or securities held by the entity or its agent in the entity's name.

Category 2.
Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3.
Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any underlying securities.)

Based on these criteria, LACERA's deposits and investments as of June 30, 1994, are classified as follows (amounts in thousands):

	Category 1		Category 3		Total	
	Book Value	**Bank Balance**	**Book Value**	**Bank Balance**	**Book Value**	**Bank Balance**
Deposits						
Currency Accounts	$ 600	$ 600	$32,656	$32,656	$ 33,256	$ 33,256
Pension Payroll						
Direct Deposit Account	14	14			14	14
Overnight Deposits			16,305	16,305	16,305	16,305
Certificates of Deposit	59,960	60,452			59,960	60,452
Total Categorized Deposits	60,574	61,066	48,961	48,961	109,535	110,027
	Book Value	**Market Value**			**Book Value**	**Market Value**
Investments						
U.S. Government and						
Agency Instruments	3,215,746	3,146,330			3,215,746	3,146,330
Domestic Corporate Bonds	1,219,884	1,178,618			1,219,884	1,178,618
Global Bonds	951,644	944,356			951,644	944,356
Private Placement Bonds	30,244	30,895			30,244	30,895
Total Bonds	5,417,518	5,300,199			5,417,518	5,300,199
Domestic Stocks	4,521,972	5,280,899			4,521,972	5,280,899
Global Stocks	1,637,949	2,033,540			1,637,949	2,033,540
Domestic Convertible Debentures	47,195	46,961			47,195	46,961
Global Convertible Debentures	6,227	6,183			6,227	6,183
Total Stocks & Convertibles	6,213,343	7,367,583			6,213,343	7,367,583
Short Term Corporate &						
Government Bonds & Notes	520,245	507,738			520,245	507,738
Repurchase Agreements	99,798	99,798			99,798	99,798
Total Short Term Investments	620,043	607,536			620,043	607,536
Total Categorized Investments	12,250,904	13,277,539			12,250,904	13,277,539
Investments not considered securities for purposes of custodial risk classification are as follows:						
Mortgages					93,660	97,145
Real Estate Funds					336,953	336,953
Equity in Title Holdings Corporations					212,252	212,252
Alternative Assets					320,334	463,829
Equity in Treasurer's Pooled Investments					2,563	2,563
Total Uncategorized Investments					965,762	1,112,742
Total Deposits and Investments	**$12,311,478**	**$13,336,384**	**$48,961**	**$48,961**	**$13,326,201**	**$14,498,087**

Note: LACERA has no deposits and investments under Category 2

Based on these criteria, LACERA's deposits and investments as of June 30, 1993, are classified as follows (amounts in thousands):

	Category 1		Category 3		Total	
	Book Value	Bank Balance	Book Value	Bank Balance	Book Value	Bank Balance
Deposits						
Currency Accounts	$ 600	$ 600	$32,748	$32,748	$ 33,348	$ 33,348
Pension Payroll						
Direct Deposit Account	16	16			16	16
Overnight Deposits			2,402	2,402	2,402	2,402
Certificates of Deposit	118,864	118,843			118,864	118,843
Total Categorized Deposits	119,480	119,459	35,150	35,150	154,630	154,609
	Book Value	Market Value			Book Value	Market Value
Investments						
U.S. Government and						
Agency Instruments	3,632,997	3,776,734			3,632,997	3,776,734
Domestic Corporate Bonds	1,428,637	1,495,729			1,428,637	1,495,729
Global Bonds	181,708	195,393			181,708	195,393
Private Placement Bonds	39,252	39,767			39,252	39,767
Total Bonds	5,282,594	5,507,623			5,282,594	5,507,623
Domestic Stocks	3,628,150	4,926,230			3,628,150	4,926,230
Global Stocks	1,395,277	1,552,279			1,395,277	1,552,279
Domestic Convertible Debentures	48,975	51,529			48,975	51,529
Global Convertible Debentures	2,555	2,822			2,555	2,822
Total Stocks & Convertibles	5,074,957	6,532,860			5,074,957	6,532,860
Short Term Corporate &						
Government Bonds & Notes	801,975	802,659			801,975	802,659
Repurchase Agreements	104,399	104,399			104,399	104,399
Total Short Term Investments	906,374	907,058			906,374	907,058
Total Categorized Investments	11,263,925	12,947,541			11,263,925	12,947,541
Investments not considered securities for purposes of custodial risk classification are as follows:						
Mortgages					83,830	108,789
Real Estate Funds					373,599	373,599
Equity in Title Holding Corporations					171,202	171,202
Alternative Assets					295,143	375,801
Equity in Treasurer's Pooled Investments					3,853	3,853
Total Uncategorized Investments					927,627	1,033,244
Total Deposits and Investments	$11,383,405	$13,067,000	$35,150	$35,150	$12,346,182	$14,135,394

Note: LACERA has no deposits and investments under Category 2

Note Q
Title Holding Corporations

LACERA's real estate portfolio includes eleven wholly-owned Title Holding Corporations (THC). The THC's invest in commercial properties located throughout the United States. LACERA accounts for these investments using the equity method. The following is a summary of the THC's financial position as of June 30, 1994 and 1993 (amounts in thousands):

	1994	1993
Assets	$215,954	$173,159
Liabilities	3,702	1,956
Shareholder Equity	212,252	171,202
Net Income	9,416	5,655

Note R
Related Party Transactions

LACERA formed a THC in April 1990, to acquire Gateway Plaza. LACERA is the sole shareholder. In January 1991, LACERA entered into a lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated, however, LACERA is required to pay its proportionate share of the building's operating expenses as defined in the lease. The agreement includes a $4 million lease incentive which LACERA used for build-out and other occupancy costs. These costs were capitalized and will be depreciated over the life of the lease or asset as appropriate. As required by generally accepted accounting principles, a $4 million lease incentive liability was recorded, and will be recognized over the life of the lease as a reduction to rent expense. Total operating expenses charged to LACERA were $631,463 and $637,734 for the years ended June 30, 1994 and 1993, respectively.

Note S
Commitments And Contingencies

Litigation:

LACERA is a defendant in various lawsuits and other claims arising in the ordinary course of its operations. LACERA's management and legal counsel estimate that the ultimate outcome of such litigation will not have a material effect on LACERA's financial statements.

Operating Leases:

LACERA leases equipment and property under operating leases which expire over the next eight years. Annual commitments under such leases approximate $87,000 per year. The property agreement entered into January 1991 requires that LACERA pay a portion of the building's operating expenses based on square footage occupied as discussed in related party footnote R. The lease incentives, which LACERA used for build-out and other occupancy costs, will be recognized over the life of the lease as a reduction of LACERA's portion of the building's operating expense.

Total rent expense for all operating leases, prior to the recognition of the lease incentive, was $718,000 and $706,000 in fiscal years 1994 and 1993, respectively. The lease incentive recognized in 1994 and 1993, as a reduction in rent expense, was $418,000 and $418,000, respectively.

Capital Commitments:

As of June 30, 1994, outstanding capital commitments to various investment managers, as approved by the Board of Investments, totaled $599,341,000. Subsequent to June 30, 1994, LACERA funded $192,549,000 of these capital commitments.

Analysis of Funding Progress
(Amounts in Thousands)

Fiscal Year	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Unfunded Pension Benefit Obligation	Annual Covered Payroll	Pension Benefit Obligation as a Percentage of Covered Payroll
1988	$7,386,397	$8,897,693	83.00%	$1,511,296	$2,037,097	74.19%
1989	8,088,146	9,831,538	82.27%	1,743,392	2,290,407	76.12%
1990	9,060,432	10,334,546	87.67%	1,274,114	2,309,674	55.16%
1991	9,663,245	11,864,421	81.45%	2,201,176	2,922,157	75.33%
1992	10,692,492	12,186,323	87.74%	1,493,831	3,218,040	46.42%
1993	11,482,068	13,458,209	85.32%	1,976,141	3,337,583	59.21%
1994	12,282,732	14,915,082	82.35%	2,632,350	3,391,441	77.62%

This schedule provides the actuarial information on LACERA's funding status and progress. Adopted in 1988, it will be expanded through experience to the ten-year historical trend data required by GASB Statement 5, in conformance with GASB implementation guidelines.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the fund. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the fund.

Revenues by Source and Expenses by Type
(Amounts in Thousands)

Revenues by Source

Fiscal Year	Member Contributions	Employer Contributions	Employer Contributions As Percent of Covered Payroll	Net Investment Income	Miscellaneous Revenues	Total
1983	$ 73,879	$295,181	18.18%	$ 400,583	$350	$ 769,993
1984	74,805	282,024	17.95%	370,740	845	728,414
1985	77,399	321,183	19.29%	501,767	404	900,753
1986	82,356	335,754	18.27%	879,042	310	1,297,462
1987	86,790	336,533	17.92%	892,749	145	1,316,217
1988	93,862	352,076	17.28%	652,731	82	1,098,751
1989	103,879	383,820	16.76%	820,633	84	1,308,416
1990	117,249	364,600	15.79%	821,368	140	1,303,357
1991	127,309	350,607	12.00%	718,381	461	1,196,758
1992	146,422	387,954	12.06%	1,180,506	154	1,715,036
1993	159,406	379,789	11.38%	1,093,850	496	1,633,541
1994	162,765	382,984	11.29%	1,223,824	422	1,769,995

Expenses by Type

Fiscal Year	Benefits	Administrative Expenses	Refunds	Miscellaneous Expenses	Total
1983	$235,309	$4,782	$7,860	$155	$248,106
1984	268,056	5,196	8,175	310	281,737
1985	299,715	6,439	25,436	353	331,943
1986	326,186	6,689	6,700	298	339,873
1987	336,117	6,606	18,152	142	361,017
1988	345,924	8,234	7,918	78	362,154
1989	389,949	12,581	16,147	40	418,717
1990	441,834	15,143	11,029	144	468,150
1991	516,236	16,040	15,587	189	548,052
1992	566,181	16,535	14,070	60	596,846
1993	648,798	18,154	18,746	252	685,950
1994	719,851	19,431	10,349	92	749,723

Investment Summary

For the Years Ended June 30, 1994 and 1993
(Amounts in Thousands)

	1993					1994		
	Book Value	Market Value	Purchases	Sales and Redemptions	Amort/ Accre & Adjustments	Book Value	Market Value	% of Total Market
Cash and Short Term	$ 1,064,857	$ 1,065,520	$125,418,862	$(125,678,022)	$ (73,556)	$ 732,141	$ 720,126	4.97%
Stocks	5,074,957	6,532,860	4,368,742	(2,457,526)	(772,829)	6,213,344	7,367,583	50.82%
Bonds	5,282,594	5,507,623	22,051,708	(19,736,974)	(2,179,811)	5,417,517	5,300,199	36.56%
Real Estate	544,801	544,801	64,006		(62,602)	549,205	549,205	3.79%
Alternative Assets	295,143	375,801	42,286		(17,095)	320,334	463,829	3.20%
Mortgages	83,830	108,789	26,049		(16,219)	93,660	97,145	0.67%
Total	$12,346,182	$14,135,394	$151,971,653	$(147,872,522)	$(3,122,112)	$13,326,201	$14,498,087	100.00%

Administrative Expenses

For the Years Ended June 30, 1994 and 1993
(Amounts in Thousands)

	1994	1993
Personnel Services		
Salaries and Wages	$8,154	$7,946
Employee Benefits		
Retirement Contributions	967	889
Options Plan	508	482
Megaflex Benefit Plan	495	445
Flexible Benefit Plan	93	80
Retirees Health Plan	296	244
Thrift Plan	10	19
Savings Plan	9	51
Department Charge—Pension Bond	84	74
Hospital Insurance Tax	42	36
Workers Compensation	28	38
Long Term Disability	24	44
Other	13	(1)
Total Employee Benefits	2,569	2,401
Total Personnel Services	10,723	10,347
Office Expenses		
Computer Equipment and Supplies	604	118
Postage	352	259
Office Furniture	172	44
Stationery and Forms	107	238
Other	133	71
Total Office Expenses	$1,368	$ 730

Administrative Expenses (cont.)

For the Years Ended June 30, 1994 and 1993
(Amounts in Thousands)

	1994	1993
Other Services and Charges		
Data Center Processing Charges	$ 1,132	$ 1,891
Computer Software Services and Support	372	401
Network System Consulting Fees	228	190
County Data Processing Charges	10	14
Disability Medical Fees	687	758
Disability Hearing Officer Fees	124	176
Disability Stenographic Fees	31	34
Disability Attorney Fees	18	94
Organization Consulting Services	976	
Temporary Personnel Services	519	471
Other Professional Services	378	260
Investment Audit Services	350	
Rents and Leases	300	288
Telecommunications	216	243
Maintenance	200	274
Educational Expenses	155	118
Parking Fees	146	141
Audit Fees	139	115
Legislative and Other Legal Services	129	232
Transportation and Travel	122	88
Actuarial Consulting Fees	91	93
Other County Department Charges	84	153
Insurance	79	66
Administrative Support	40	78
Taxes and Assessments		148
Other Charges	81	47
Total Other Services and Charges	6,607	6,373
Depreciation—Fixed Assets	733	704
Total Administrative Expenses	$19,431	$18,154

Fees and Other Investment Expenses

For the Years Ended June 30, 1994 and 1993
(Amounts in Thousands)

	1994	1993
Bond Manager		
Domestic	$ 6,067	$ 6,408
International	1,935	143
Stock Manager		
Domestic	10,414	9,830
International	3,710	3,176
Investment Custodians		
Domestic	515	486
International	1,810	1,738
Investment Consultants		
Domestic	430	417
International	232	235
Cash and Short Term Managers	623	734
Real Estate Managers	4,679	4,300
Alternative Assets Managers	8,551	8,012
Mortgage Loan Servicers	325	273
Legal Counsel	167	89
Withholding Tax on Foreign Income	3,299	3,941
Actuarial Consultant	29	60
Other	140	176
Total Fees and Other Investment Expenses	$42,926	$40,018

Notes:

Items shown above are the composition of the Fund's investment expenses.

As broker commission fees are included in the purchased cost and cost of securities sold, they are not recognized as investment expense.

Cash Receipts and Disbursements

For the Years Ended June 30, 1994 and 1993
(Amounts in Thousands)

	1994	1993
Cash Balance at Beginning of Year	$ 37,217	$ 13,230
Receipts		
Member Contributions	162,157	158,814
Employer Contributions	384,113	377,311
Investments Matured and Sold	98,298,035	113,073,392
Income on Investments	993,714	1,128,836
County Subsidy-Health Insurance and Death Benefits	114,279	99,857
Pension and Annuity Payments reimbursed by Annuity Carriers	44,984	47,464
Other Warrants and Accounts Payable	8,825	18,795
Miscellaneous	218	2,068
Total Cash Receipts	100,006,325	114,906,537
Disbursements		
Pension and Annuity Payments	766,443	694,979
Lump Sum Death Benefits	808	1,142
Interest and Payments under Sections 31725.5 & .6	263	423
Retired Members Health Insurance and Death Benefits	113,871	101,656
Refunds of Contributions	10,556	18,595
Investments Purchased	99,057,587	114,017,620
Investment Expenses	29,593	27,194
Administrative Expenses	18,774	17,420
Other Warrants and Accounts Payable	8,816	3,488
Miscellaneous	998	33
Total Cash Disbursements	100,007,709	114,882,550
Cash Balance at End of Year	$ 35,833	$ 37,217

Fund Balances

As of June 30, 1994 and 1993
(Amounts In Thousands)

	1994	1993
Member Deposit Reserves		
General	$ 930,884	$ 835,538
Safety	532,424	479,986
Cost of Living	492,807	448,252
Unclaimed Deposits of Former Members	402	570
Total Member Deposit Reserves	1,956,517	1,764,346
Employer Reserves		
General	410,177	344,883
Safety	280,167	297,558
Cost of Living	(267,628)	(145,406)
Total Employer Reserves	422,716	497,035
Retired Member Reserves		
General	3,744,993	3,562,382
Safety	1,487,402	1,343,493
Cost of Living	4,660,089	4,300,834
Cost of Living Supplemental Adjustments	11,417	14,548
STAR	183,479	240,169
Total Retired Member Reserves	10,087,380	9,461,426
Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies	572,940	296,474
Total Fund Balances	$ 13,039,553	$ 12,019,281

Actuarial Section

Towers Perrin

October 18, 1994

Board of Investments
Los Angeles County Employees
Retirement Association
300 North Lake Avenue
Pasadena, California 91101-4199

Members of the Board:

The financing objective of the Plan has been to reduce the unfunded actuarial accrued liability (UAAL) to zero over a 30-year period commencing July 1, 1978 while maintaining contribution rates that remain approximately the same from generation to generation. The progress being made toward the realization of the financing objectives through June 30, 1992 is illustrated in the attached Exhibits I and II. The original 30 years UAAL funding period which was to end June 30, 2008 has been amended by the Board of Investments (Board). In each of the next four years (effectively July 1, 1992), the County contribution to amortize the UAAL will be calculated on the basis of a new 30-year amortization period. Effective July 1, 1996, the UAAL will be amortized over a 16-year period ending June 30, 2012. We believe this revised schedule is adequate to meet the Board's long-term funding goals, and will not cause any deterioration in the funding status of the Plan.

An actuarial investigation is performed every three years, during which an analysis is made of the appropriateness of all economic and noneconomic assumptions. Recommendations for changes are presented to the Board for consideration. The last triennial investigation was performed as of June 30, 1992, at which time changes to the noneconomic assumptions were adopted by the Board. The next triennial investigation will be performed as of June 30, 1995. Regular valuations are performed every year to comply with GASB requirements, and to monitor the Plan's funded status.

The asset value used in determining County contribution rates (the actuarial value of assets) recognizes unrealized appreciation or depreciation over a five-year period as described in an attachment (Exhibit V). The data used in the actuarial valuation and investigation were provided by the Board and were used after the data had been checked for reasonableness by our staff. We understand that the data were independently checked for accuracy by the Plan's auditor. We have enclosed a summary of the employee data used in performing actuarial valuations over the past several years (Exhibits III and IV).

The actuarial assumptions used in the June 30, 1992 valuation are summarized in the attachments. All assumptions were determined by the actuary and were adopted by the Board.

On the basis of the June 30, 1992 valuation, it is our opinion that LACERA continues to be in sound condition in accordance with the actuarial principles of level cost financing.

Respectfully submitted,

David C. LeSueur

David C. LeSueur, F.S.A., M.A.A.A.
Principal

History of Unfunded Actuarial Accrued Liability

Exhibit I
(Amounts In Thousands)

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Annual Active Member Compensation	Ratio of Unfunded Actuarial Accrued Liability to Active Compensation
6/30/81	$5,632,139	$2,924,206	$2,707,933	51.92%	$1,600,618	169.18%
6/30/83	6,608,302	3,875,049	2,733,253	58.64%	1,623,137	168.39%
6/30/86	8,104,634	5,827,845	2,276,789	71.91%	1,837,244	123.92%
6/30/89	10,471,851	8,960,463	1,511,388	85.57%	2,309,674	65.44%
6/30/92	13,663,894	11,698,662	1,965,232	85.62%	3,218,040	61.07%

Notes:

The liabilities shown above were determined using the Entry Age Normal funding method as opposed to the Projected Unit Credit method required by GASB No. 5.

The actuarial valuation as of June 30, 1981 reflects the adoption of Plan E, which became effective as of January 4, 1982.

The asset valuation method was changed, effective June 30, 1989, from book value to an adjusted market value method that recognizes unrealized appreciation or depreciation of assets over a five-year period.

History of County Contribution Rates

Exhibit II

Valuation Date	Plan A	Plan B	Plan C	Plan D	Plan E
6/30/81					
General	18.46%	14.55%	14.19%	14.09%	12.97%
Surcharge	.65	.11	—	—	—
Total	19.11	14.66	14.19	14.09	12.97
Safety	27.77	22.01	—	—	—
Surcharge	1.53	.04	—	—	—
Total	29.30	22.05	—	—	—
6/30/83					
General	18.56%	15.21%	15.11%	15.02%	13.68%
Surcharge	.65	.11	—	—	—
Total	19.21	15.32	15.11	15.02	13.68
Safety	30.56	24.27	—	—	—
Surcharge	1.53	.04	—	—	—
Total	32.09	24.31	—	—	—
6/30/86					
General	17.91%	14.89%	14.75%	14.63%	13.28%
Surcharge	.73	.16	—	—	—
Total	18.64	15.05	14.75	14.63	13.28
Safety	25.52	19.27	—	—	—
Surcharge	1.52	.04	—	—	—
Total	27.04	19.31	—	—	—
6/30/89					
General	14.45%	11.43%	11.29%	11.17%	9.82%
Surcharge	.73	.16	—	—	—
Total	15.18	11.59	11.29	11.17	9.82
Safety	19.50	13.25	—	—	—
Surcharge	1.52	.04	—	—	—
Total	21.02	13.29	—	—	—
6/30/92*					
General	13.09%	10.42%	10.11%	10.40%	9.34%
Surcharge	.73	.16	—	—	—
Total	13.82	10.58	10.11	10.40	9.34
Safety	19.34	13.13	—	—	—
Surcharge	1.52	.04	—	—	—
Total	20.86	13.17	—	—	—

* Assumes the County contributes on a monthly basis throughout the year.

Summary of Active Membership
Exhibit III

Valuation Date	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
6/30/81				
General	61,970	$1,347,433,759	$21,743	N/A
Safety	8,371	253,184,348	30,245	N/A
Total	70,341	1,600,618,107	22,755	N/A
6/30/83				
General	57,273	$1,325,988,376	$23,152	6.48%
Safety	9,098	297,148,480	32,661	7.99
Total	66,371	1,623,136,856	24,456	7.47
6/30/86				
General	58,148	$1,485,597,144	$25,549	10.35%
Safety	9,241	351,647,208	38,053	16.51
Total	67,389	1,837,244,352	27,263	11.48
6/30/89				
General	58,734	$1,836,722,813	$31,272	22.40%
Safety	10,112	472,950,806	46,771	22.91
Total	68,846	2,309,673,619	33,548	23.05
6/30/92				
General	67,485	$2,565,702,972	$38,019	21.58%
Safety	11,284	652,337,160	57,811	23.60
Total	78,769	3,218,040,132	40,854	21.78

Summary of Retired Membership
Exhibit IV

	Number of Members						
Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Allowance (In Thousands)	% Increase in Annual Allowance	Average Monthly Allowance
7/83 to 6/84	27,602	2,544	(947)	29,199	$266,600	14.05%	$761
7/84 to 6/85	29,199	2,330	(1,260)	30,269	298,331	11.90%	821
7/85 to 6/86	30,269	2,097	(992)	31,374	324,794	8.87%	863
7/86 to 6/87	31,374	1,990	(1,110)	32,254	357,115	9.95%	923
7/87 to 6/88	32,254	1,880	(1,015)	33,119	389,567	9.09%	980
7/88 to 6/89	33,119	2,110	(1,132)	34,097	434,194	11.46%	1,061
7/89 to 6/90	34,097	2,424	(1,380)	35,141	486,468	12.04%	1,154
7/90 to 6/91	35,141	1,561	(500)	36,202	561,141	15.35%	1,292
7/91 to 6/92	36,202	2,103	(1,204)	37,101	611,436	8.96%	1,373
7/92 to 6/93	37,101	3,583	(1,151)	39,533	687,305	12.41%	1,449

Development of Actuarial Value of Assets

As of June 30, 1992
Exhibit V
(Amounts in Thousands)

Plan Year Ending	Book Value	Market Value	Unrealized Gains	Change in Unrealized Gains	Phase-In of Unrealized Gains	
6/30/92	$10,692,492	$11,996,960	$1,304,468	$186,826	20% of $186,826 =	$37,365
6/30/91	9,663,245	10,780,887	1,117,642	28,511	40% of 28,511 =	11,405
6/30/90	9,033,179	10,122,310	1,089,131	193,104	60% of 193,104 =	115,862
6/30/89	8,088,146	8,984,173	896,027	272,447	80% of 272,447 =	217,958
6/30/88	7,386,397	8,009,977	623,580	623,580	100% of 623,580 =	623,580
		Total Phase-In of Unrealized Gains				1,006,170
		Book Value as of June 30, 1992				10,692,492
		Actuarial Value as of June 30, 1992				$11,698,662

Short-Term Solvency Test

Exhibit VI
(Amounts in Thousands)

Valuation Date	(1) Active Member Contributions	(2) Liability for Inactive Participants	(3) Liability for Active Members (Employer-Financed Portion)	Valuation Assets	Portion of Accrued Liability Covered by Valuation Assets (1)	(2)	(3)
6/30/81	$ 610,943	$2,420,747	$2,600,449	$ 2,924,206	100%	95.56%	0%
6/30/83	794,893	3,117,241	2,696,168	3,875,049	100%	98.81%	0%
6/30/86	1,001,382	3,819,047	3,284,205	5,827,845	100%	100.00%	30.67%
6/30/89	1,298,232	4,929,645	4,243,974	8,960,463	100%	100.00%	64.39%
6/30/92	1,733,080	6,229,881	5,700,933	11,698,662	100%	100.00%	65.53%

Actuarial Assumptions

The Entry Age Normal method was used in conjunction with the following actuarial assumptions:

Interest: 8% per annum.

Salary scale: 6% per annum (5% inflation, 1% merit).

Consumer Price Index: Increase of 5% per annum; cost-of-living increases subject to plan maximums.

Taxable wage base increases: 6% per annum (Plan E only).

Spouses and dependents: 85% of male employees with 60% of female employees assumed married at retirement, with wives assumed four years younger than husbands.

Rehire of former employees: Assumed not to be rehired.

Asset valuation: Asset values taken directly from statements furnished by LACERA. See Exhibit V for a description of the development of the actuarial value of assets.

Rates of termination of employment: As shown in Table I through Table III, which follow. The termination rates for Plan E are restricted to ordinary withdrawal and ordinary death. A retirement age assumption of age 65 was used for Plan E.

Expectation of life after retirement: As shown in Table IV.

Expectation of life after disability: As shown in Table V (not applicable to Plan E).

Amortization of gains and losses: Experience gains and losses are amortized over the same 30-year period as the entire unfunded actuarial accrued liability.

The assumptions summarized on this page and in the attached Tables were adopted by the Board of Investments effective for the June 30, 1992 valuation.

Plan A Probability of Occurrence

Table I
(Includes Eligibility)

Age Nearest	Ordinary Withdrawal	Vested Withdrawal	Ordinary Death	Ordinary Disability	Service Retire	Service Disability	Service Death	DWE Svc. Ret.	DWE Dis. Ret.
General Members — Male									
20	0.1303	0.0000	0.0004	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000
30	0.0957	0.0000	0.0009	0.0001	0.0000	0.0004	0.0000	0.0000	0.0001
40	0.0437	0.0000	0.0011	0.0003	0.0000	0.0022	0.0000	0.0000	0.0004
50	0.0189	0.0000	0.0020	0.0024	0.0300	0.0045	0.0000	0.0000	0.0010
60	0.0165	0.0000	0.0044	0.0064	0.0910	0.0079	0.0000	0.0000	0.0025
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
General Members – Female									
20	0.1457	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0983	0.0000	0.0004	0.0001	0.0000	0.0004	0.0000	0.0000	0.0000
40	0.0528	0.0000	0.0006	0.0008	0.0000	0.0013	0.0000	0.0000	0.0002
50	0.0328	0.0000	0.0013	0.0024	0.0250	0.0026	0.0000	0.0000	0.0003
60	0.0000	0.0000	0.0033	0.0071	0.0620	0.0055	0.0000	0.0000	0.0005
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Safety Members									
20	0.0972	0.0000	0.0001	0.0000	0.0000	0.0002	0.0001	0.0000	0.0000
30	0.0342	0.0000	0.0002	0.0001	0.0000	0.0057	0.0001	0.0000	0.0002
40	0.0149	0.0000	0.0004	0.0017	0.0000	0.0192	0.0002	0.0000	0.0005
50	0.0006	0.0000	0.0015	0.0020	0.0657	0.0374	0.0014	0.0000	0.0008
60	0.0006	0.0000	0.0000	0.0000	0.2048	0.0767	0.0000	0.0000	0.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Plan B Probability of Occurrence

Table II
(Includes Eligibility)

Age Nearest	Ordinary Withdrawal	Vested Withdrawal	Ordinary Death	Ordinary Disability	Service Retire	Service Disability	Service Death	DWE Svc. Ret.	DWE Dis. Ret.
General Members — Male									
20	0.1303	0.0000	0.0004	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000
30	0.0957	0.0000	0.0009	0.0001	0.0000	0.0004	0.0000	0.0000	0.0001
40	0.0437	0.0000	0.0011	0.0003	0.0000	0.0022	0.0000	0.0000	0.0004
50	0.0189	0.0000	0.0020	0.0024	0.0150	0.0045	0.0000	0.0000	0.0010
60	0.0165	0.0000	0.0044	0.0064	0.0910	0.0079	0.0000	0.0000	0.0025
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
General Members – Female									
20	0.1457	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0983	0.0000	0.0004	0.0001	0.0000	0.0004	0.0000	0.0000	0.0000
40	0.0528	0.0000	0.0006	0.0008	0.0000	0.0013	0.0000	0.0000	0.0002
50	0.0328	0.0000	0.0013	0.0024	0.0130	0.0026	0.0000	0.0000	0.0003
60	0.0000	0.0000	0.0033	0.0071	0.0620	0.0055	0.0000	0.0000	0.0005
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Safety Members									
20	0.0972	0.0000	0.0001	0.0000	0.0000	0.0002	0.0001	0.0000	0.0000
30	0.0342	0.0000	0.0002	0.0001	0.0000	0.0057	0.0001	0.0000	0.0002
40	0.0149	0.0000	0.0004	0.0017	0.0000	0.0192	0.0002	0.0000	0.0005
50	0.0006	0.0000	0.0015	0.0020	0.0657	0.0374	0.0014	0.0000	0.0008
60	0.0006	0.0000	0.0000	0.0000	0.2048	0.0767	0.0000	0.0000	0.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Plans C and D Probability of Occurrence

Table III
(Includes Eligibility)

Age Nearest	Ordinary Withdrawal	Vested Withdrawal	Ordinary Death	Ordinary Disability	Service Retire	Service Disability	Service Death	DWE Svc. Ret.	DWE Dis. Ret.
General Members — Male									
20	0.1303	0.0000	0.0004	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000
30	0.0957	0.0000	0.0009	0.0001	0.0000	0.0004	0.0000	0.0000	0.0001
40	0.0437	0.0000	0.0011	0.0003	0.0000	0.0022	0.0000	0.0000	0.0004
50	0.0189	0.0000	0.0020	0.0024	0.0000	0.0045	0.0000	0.0000	0.0010
60	0.0165	0.0000	0.0044	0.0064	0.0910	0.0079	0.0000	0.0000	0.0025
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
General Members – Female									
20	0.1457	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0983	0.0000	0.0004	0.0001	0.0000	0.0004	0.0000	0.0000	0.0000
40	0.0528	0.0000	0.0006	0.0008	0.0000	0.0013	0.0000	0.0000	0.0002
50	0.0328	0.0000	0.0013	0.0024	0.0000	0.0026	0.0000	0.0000	0.0003
60	0.0000	0.0000	0.0033	0.0071	0.0620	0.0055	0.0000	0.0000	0.0005
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000

Expectation of Life
Age and Service Retirees
Table IV

1983 Group Annuity Mortality

Age	Male	Female
20	57.90	64.19
30	48.15	54.33
40	38.50	44.56
50	29.23	34.96
60	20.68	25.71
70	13.22	17.17
80	7.68	10.24
90	4.32	5.45
100	2.32	2.40

Expectation of Life
Disabled Retirees
Table V

1981 Group Annuity Mortality

Age	General	Safety
20	38.73	49.29
30	31.98	40.36
40	26.21	31.77
50	21.08	23.59
60	16.37	16.64
70	11.70	11.70
80	7.00	7.00
90	4.09	4.09
100	2.20	2.20

Summary of Plan Provisions
Plans A, B, C, and D
Government Code Sections

Membership

Eligibility:

Permanent employees who work 3/4 time or more. (31551, 31552, By-laws)

Employees eligible for safety membership (law enforcement become Safety Members on the first of the month after date of hire). (31552)

All other employees become General Members on the first of the month after date of hire or they make an election of either Plan D or Plan E, depending on the law at that time. (31493, 31493.5, 31493.6)

Elective officers become members on first of month after filing declaration with Board. (31553, 31562)

General Members in Plan E who transfer to Plan D. (31494.1, 31494.3)

Service Retirement Allowance

Allowance at retirement may not exceed 100% of final compensation.

Plan A (member prior to September 1977)

Eligibility:

Age 50 with 10 years of County service, or any age with 30 years of service (20 years for Safety Members). (31672, 31663.25)

Allowance:

General Members: 1/60 x final compensation x years of service x age factor. (For those years of service in which the member is covered by Social Security, substitute 1/90 for 1/60 for compensation up to $350 per month.) The above formula is also applicable for compensation in excess of $350 per month. (31676.14, 31808)

Safety Members: 1/50 x final compensation x years of service x age factor. (The factors are all functions of attained age only.) (31664)

Final compensation is final one-year average monthly compensation if member does not elect a different period. (31462.1)

Plan B (new General Member after August 1977 through September 1978 and all new Safety Members after August 1977.)

Eligibility:

Same as Plan A.

Allowance:

General Members: 1/60 x final compensation x years of service x age factor. (31676.11, 31808)
(For those years of service in which the member is covered by Social Security, substitute 1/90 for 1/60 for compensation up to $350 per month.)
The above formula is also applicable for compensation in excess of $350 per month.

Final compensation is final three years' average monthly compensation if member does not elect a different period. (31462)

Safety Members: Same as Plan A, except that final compensation is final three years' average monthly compensation if the member does not elect a different period. (31462)

Plan C (new General Member after September 1978 through May 1979)

Same eligibility and allowances as for Plan B. (31676.1, 31808)

Plan D (new General Member after May 1979)

Same eligibility, age factors, and allowances as for Plan C except $350 figure replaced by $1,050. (31676.1, 31808)

For Plans A, B, C, and D, service prior to membership is generally credited at the non-integrated rate, i.e., 1/60 and not 1/90.

For Plans A, B, C, and D, final compensation means three consecutive 12-month periods (as elected by member), average annual earnable compensation, or last three years' average if member does not elect otherwise. (Use total career earnings ÷ (months of service x 12) if less than three years of service.) For Plan A substitute one year for three years. (31462, 31462,1)

Unmodified and Optional Forms of Benefit

The unmodified form is a life allowance to the retired member calculated as shown above with a continuance benefit of 60% of the unmodified allowance payable to spouse or eligible children on member's death. To receive this continuance the spouse must be named as sole beneficiary and have been married to the member at least one year prior to retirement. (31760.1)

The continuance of a service-connected disability benefit to the surviving spouse (or eligible children) of a retired member is 100% of the member's allowance. To receive this allowance the spouse must be named beneficiary and have been married to the member prior to retirement. Eligible children are unmarried children below the age of 18 (below 22 if full-time student in an accredited school). (31786)

All allowances are made on a pro rata basis (based on the number of days in that month) if not in effect for the entire month as in the month of death or the month of retirement. (31600)

Optional Forms (The option must be elected before first payment is made; if any option is elected, the 60% continuance benefit described above is forfeited.)

Option I	Cash Refund Annuity	(31761)
Option II	100% Joint and Contingent Annuity (joint annuitant must have an insurable interest)	(31762)
Option III	50% Joint and Contingent Annuity (joint annuitant must have an insurable interest)	(31763)
Option IV	Other % Joint and Contingent Annuity (joint annuitants must have an insurable interest)	(31764)

The automatic 60% continuance for spouses of members who elected the Social Security Level Income Option (31810) is based on the unmodified allowance the member would have received instead of the option. (31811)

All options except Social Security Level Income are actuarially equivalent to the unmodified life allowance without continuance. (31760)

Deferred Vested Benefits

Eligibility:

General and Safety members.

Definition:

0% vested with fewer than five years of service; 100% vested with five or more years of service (years of service for determining eligibility for retirement include reciprocal service with all reciprocal agencies). (31700)

Members may elect to retire at any time they could have retired had they remained in County service in a full-time position. (31700)

Allowance:

Allowance calculated according to formula under service retirement at time of retirement (factor based on actual retirement age). (31703, 31704, 31705)

For member to receive allowance, member contributions must be left on deposit and the member must apply for deferred retirement benefits within 180 days of termination. (31700)

If terminated member dies while deferring retirement, the death benefit is the accumulated contributions. (31702)

Service-Connected Disability Retirement Allowance

Eligibility:

Any age; disability must result from occupational injury or disease. (31720, 31720.5)

Definition of Disability:

Permanently incapacitated for performance of duty; application for benefit must be made within four months of separation from service or any time thereafter while continuously incapacitated to perform duties. (31720, 31722)

Allowance:

Allowances begin from the date of application or the day following the last day of regular compensation, if later. (31724)

The monthly allowance would be 50% of final compensation or the service retirement (if eligible) allowance, if greater. (31727.4)

Upon death of member while service-disabled, 100% of allowance continues to eligible spouse or child (see unmodified form description). (31786)

Member may elect optional forms of benefit in lieu of the 100% continuance. (31760)

Nonservice-Connected Disability Retirement Allowance

Eligibility:

Any age, with five years of County or reciprocal service. (31720)

Definition of Disability:

Permanently incapacitated for performance of duty; application must be made within four months of separation from service or any time thereafter while continuously incapacitated to perform duties. (31720, 31722)

Allowance:

A General Member, or a Safety Member receives a service retirement allowance, otherwise allowance equals the greater of a) or b) where: (31726, 31726.5)

a) is .9 x 1/60 x years of service x final compensation if allowance exceeds 1/3 of final compensation, or (31727(a))

b) is .9 x 1/60 x years of service projected to age 65 x final compensation if allowance does not exceed 1/3 of final compensation. (Members are eligible for the amount determined by using b) only if they are eligible to retire without relying upon service in another retirement system.) (31727(b))

For Safety Members 1/60 is replaced by 1/50 and 65 is replaced by 55 in a) and b) above. (31727.2)

Upon death of member while eligible to receive or currently receiving nonservice-connected disability retirement benefits, 60% of allowance continues to eligible spouse or child (see unmodified form description). (31760.1, 31781.1, 31785)

Member may elect optional forms of benefit in lieu of the 60% continuance. (31760)

Nonservice-Connected Death Benefits

Eligibility:

All active members who die. (31780)

Amount of Death Benefit (Lump Sum):

The member's accumulated normal contributions plus 1/12 of compensation earned in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation). (31781)

First Optional Death Benefit:

If a member who would have been entitled to nonservice-connected disability retirement benefit dies prior to retirement as a result of such disability, spouse or eligible children may elect to receive 60% of what the disability benefit would have been under normal continuance definition in lieu of nonservice-connected death benefit. (31781.1)

Second Optional Death Benefit:

In lieu of nonservice-connected death benefit and if member has 10 years of service, a surviving spouse may leave money on deposit and elect to receive the 60% continuation of the normal retirement benefit at the earliest date the member would have been eligible to retire had death not occurred. Note: This option would probably never be elected because the first optional death benefit would be elected instead. (31781.2)

Third Optional Death Benefit:

A surviving spouse of a member who dies after five years of service may elect: (31781.3)

a) The lump sum salary benefit (1/12 of compensation times service, etc.) described above, and

b) The 60% continuation entitled to by nonservice-connected disability retirement (or the 50% salary continuance entitled to be service-connected disability) less the actuarial equivalent of a) above.

Fourth Optional Death Benefit (Death While Eligible):

If member dies while eligible for service retirement and if spouse is designated beneficiary, spouse may elect to receive a normal 60% continuance of the service retirement allowance that would have been payable at the member's date of death. (31765.1)

Note: The person to whom any lump sum death benefit is payable may optionally elect to receive monthly installments (not to exceed 10 years) plus interest on the unpaid balance. (31784)

Service-Connected Death Benefits

Eligibility:

All active members

All members who die as a result of injury or disease arising out of and in the course of employment. Spouse or eligible child does not have to be designated beneficiary. Spouse or guardian of child may elect this service-connected death benefit in lieu of the nonservice-connected death benefit. (31787)

Amount of Allowance:

Annual allowance payable monthly of 50% of member's final compensation or service retirement allowance if greater. Allowance continues as normal continuance to spouse or children below 18, etc. (31727.4, 31787)

Additional Allowance:

If member dies as result of an accident or an injury caused by external violence or physical force, the allowance previously described is increased by 25% (i.e., to 62-1/2% of final compensation) for one child, by 40% for two children, and by 50% for three or more children. (31787.5)

A surviving spouse of a Safety Member would also receive a lump sum death benefit equal to 12 x monthly rate of compensation at time of member's death. (31787.6)

Post-Retirement Death Benefit

Eligibility:

All members while receiving a retirement allowance from the System. (31789.1)

Amount:

$750 (one-time lump sum). This is in addition to any other death or survivor benefits. Amount may be paid from surplus earnings of the System, if any, but is currently paid by the County based on agreement with LACERA. It is payable to the named beneficiary or if no named beneficiary, to the estate. (31789.1)

Member Contributions

Member contributions are based on the nearest entry age of each member and are required of all members in Plans A, B, C, or D. A member is defined as a permanent employee who works 3/4 time or more. A different rate of contributions is applicable above and below the integration level ($350 for Plans A, B, and C; $1,050 for D). Contributions cease after they have been made for 30 years of service, if a member on March 7, 1973. (31620, 31625.2, 31639.1, 31808)

Service may be purchased if eligible for certain previous military service (if hired before July 1, 1974), U.S. federal government service (if hired before July 1, 1974), prior service (if hired before December 1, 1975), or other public agency service (if hired before October 1, 1974). The contributions for such service would be double those that would have been contributed, including interest (except for prior or public agency service where carpenter's salary is used). The "purchase price" for such service may be amortized over a period up to five years, but must be made before actual retirement. Additional service is purchaseable under By-law regulations. (31641.1, resolutions adopted by the Board of Supervisors and By-laws adopted by the Board of Retirement)

Elective officers whose terms expire may contribute for a full month and receive a full month of service if their term covers at least 20 days in their last month. (31648.6)

Any member may redeposit accumulated normal contributions plus interest from date of withdrawal. Redeposit may be by lump sum or installment payments. Membership would be same as if unbroken except that future contributions would be based on age at reentrance. (31652)

Interest is compounded semiannually at an interest rate set by the Board of Investments. Only amounts that have been on deposit for at least six months earn interest. No interest is credited after termination unless deferred retirement is elected. The contributions are deducted monthly from wage warrants. (31591, 31625)

The County may make contributions for all members. The contributions are not added to the members' accounts in this case. (31581.1)

Effective August 1, 1983, under a local ordinance, and in accordance with Internal Revenue Code Section 414(h)(2), member contributions are considered to be employer contributions for tax purposes only.

For disability beneficiaries who are determined to be no longer incapacitated and immediately return to active service, contributions are based on age at reentry and accumulated contributions are set equal to actuarial value of annuity less amounts already paid. (31733)

A member, upon filing a withdrawal application, receives accumulated normal contributions if termination is by other than death or retirement. If no application is filed by member, treasurer sends notice by registered mail within 90 days; if money is not claimed within 10 years (five years if a new member after January 1, 1976), the money becomes a part of the current pension reserve fund. (31628, 31629)

Service and Breaks in Service

Service means uninterrupted employment of any person appointed or elected for that period: (31641)

a) For which deductions are made from earnable compensation from the County or district for such service by a member of the System.

b) In military service for which the County or district or member is authorized by other provisions of the CERL to make, and does make, contributions.

c) For which credit is received for County service or for public service or for both under the provisions of Article 7 in the CERL.

d) Allowed for prior service.

The following are not considered as breaking service continuity: (31642)

a) A temporary layoff because of illness, economy, suspension, or dismissal, followed by reinstatement or reemployment within one year.

b) A leave of absence followed by reinstatement or reemployment within one year after the termination of the leave of absence.

c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by reemployment by the County or district within six months after the termination of such service.

d) Resignation of a member who has elected in writing to come within the provisions of Article 9 followed by reemployment before withdrawal of any accumulated contributions.

Note: The withdrawal of accumulated normal contributions followed by the redeposit of the contributions upon reentrance into service does not constitute a break in service continuity. (31652)

When service for which a member receives credit, either before or during membership, is on a tenure which is temporary, seasonal, intermittent, or part-time only, the member will receive credit for the time such position was held proportionate to the time required to perform the same duties in a full-time position. A "year of service" in such position means the time during which the member has earned one full year of credit, calculated as provided in this section. (31640.5)

Reciprocity

Final compensation may be based on service with PERS or other county plan, if higher. (31835)

All PERS and other county service counts for benefit eligibility if compensation for such service constitutes compensation earnable. (31836)

Deferred vested members are eligible for disability benefits from this System if disabled while a member of PERS or other county plan. In no event will the benefits be larger than if all service was spent with one system. (31837, 31838, 31838.5)

Deferred vested members are eligible for death benefits from this System if they die while a member of PERS or other county plan. Death benefit would be return of accumulated normal contributions only if the death is service-related; if death is nonservice-related, benefit equals accumulated contributions plus amount necessary to bring total county plus PERS benefit up to 50% of final 12 months' compensation. (31839, 31840)

Deferred vested members who are members of PERS or other county plan are eligible for service retirement benefits in accordance with the provisions of the CERL on the date of retirement. (31705)

Transfers

For members who have transferred between Safety and General classification, the benefit percentage to which they would be entitled is based on Safety service times Safety formula plus General service times General formula. (31664.65)

Cost-of-Living Increases

Members of Plan A are limited to a maximum 3% Consumer Price Index (CPI) increase per year with a bank, whereas Plans B, C, and D are limited to a maximum 2% CPI increase with a bank. (31870, 31870.1)

The CPI increases are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowance. The increases are made effective April 1 each year, based on the increase from the previous January 1 to the current January 1 to the nearest 1/2 of 1%. The CPI is based on the Bureau of Labor Statistics CPI for the area including the County seat. (31870, 31870.1)

No CPI decrease will decrease the allowance below the allowance on the effective date of retirement or the date of the CPI amendment to the CERL, whichever is later. (31870, 31870.1)

Summary of Plan Provisions
Plan E

Government Code Sections

Membership

Eligibility:

All persons eligible for general membership, employed after the effective date of Plan E and who elect plan E. (31487, 31493, 31493.5, 31493.6, By-laws)

Existing General Members who transferred to Plan E. (31487)

General Member means an employee hired on a monthly permanent basis of at least 3/4 time, except an employee eligible for Safety membership. (31488)

Transferring members waive all previously available vested or accrued retirement, survivor, disability, and death benefits. (31494)

Service Retirement Allowance

Eligibility - Normal Retirement:

Age 65 with 10 years of service. (31491)

Normal Retirement Allowance:

2% x final compensation x years of service not in excess of 35 years plus 1% x final compensation x years of service in excess of 35, not to exceed 10 additional years, reduced by the estimated Primary Insurance Amount (PIA) x a fraction, the numerator of which is the number of years of service with the employer subject to coverage under the federal system not to exceed 35 years, and the denominator of which is 35. (31491)

Final compensation is average of last or selected three years (whether or not consecutive). (31488)

Estimated PIA is based on the member's age and salary as of the date of retirement or the date of termination of a vested member, assuming that: (31488)

Prior career earnings have been subject to the federal system and have increased at a yearly rate equal to the average wages reported by the Social Security Administration, and (31488)

For those members who have not attained the normal retirement age under the federal system: (31488)

a) Future earnings continue at the pay rate as of retirement or termination date

b) Future wage bases, as defined by the federal system, continue at the level in effect in the year of retirement or termination

c) Cost-of-living increases in the year of retirement and delayed retirement credit provided under the federal system are not included.

Adjustments will be made for members receiving a normal retirement allowance upon presentation of the actual PIA. (31488)

Maximum Normal Retirement Allowance:

The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of final compensation for a member with 35 or less years of service and cannot exceed 80% of final compensation if service exceeds 35 years. (31491)

Eligibility - Early Retirement:

Age 55 with 10 years of service. (31491)

Early Retirement Allowance:

The actuarial equivalent of the normal retirement allowance. (31491)

Unmodified and Optional Forms of Benefit

The unmodified form is a life allowance to the retired member; a continuance benefit of 50% of the unmodified allowance is payable to spouse or eligible children on death of member. (31492)

To receive this continuance the spouse must have been married to the member at least one year before retirement date. (31492)

Eligible children are unmarried children below the age of 18 (below 22 if full-time student in an accredited school). (31492)

Optional Forms:

In lieu of the normal or early retirement allowance, a retired member may elect to have a lesser amount (actuarial equivalent of the unmodified life allowance) paid during the retired member's life and a survivor allowance continued to a designated joint annuitant having an insurable interest in the life of the retired member. (31492)

Options must be elected before first payment is made and are the actuarial equivalent of the unmodified life allowance without continuance. (31492)

Deferred Vested Benefits

Ten years of service must be completed to become 100% vested under Plan E. There is no vesting prior to completing 10 years of service. (31491)

Vested benefits are payable at normal retirement or in an actuarially equivalent reduced amount at early retirement. (31491)

Service-Connected Disability Allowance

Not available under Plan E. (31487)

Nonservice-Connected Disability Allowance

Not available under Plan E. (31487)

Nonservice-Connected Death Benefit

Not available under Plan E. (31487)

Optional Death Benefits

Not available under Plan E. (31487)

Service-Connected Death Benefits

Not available under Plan E. (31487)

Post-Retirement Death Benefit

The only death benefits payable are continuance or survivor allowances as described under Unmodified and Optional Forms of Benefit. (31492)

Member Contributions

There are no member contributions under Plan E. (31489)

Service and Breaks in Service

Service means uninterrupted employment of a member and the time in which a member or former member is totally disabled and is receiving (or is eligible to receive) disability benefits under a disability plan provided by the County. (31488)

Except as otherwise provided, a member will not be credited with service for benefit purposes for any period, in excess of 22 consecutive workdays, in which the member is absent without pay. An unpaid leave of absence not exceeding one year, or a leave of absence for which a member received any benefit, is not considered an interruption of service for vesting purposes. (31490)

Service does not include military or public service other than service with the County. Transferring members will receive credit for public service before the transfer, including service with the County, military service, and other public service for which the member is otherwise eligible. (31488, 31494.1, 31494.3)

Reciprocity

The provisions are the same as for Plans A, B, C, and D except those provisions dealing with disability retirement, death benefits and the requirement relating to the deposit of accumulated member contributions. (31487)

Cost-of-Living Increases

Not available under Plan E. (31487)

Statistical Section

Active and Deferred Members

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Active Members										
General	56,440	58,148	59,781	58,361	58,734	60,748	65,640	67,485	67,073	65,413
Safety	9,217	9,241	9,313	9,460	10,112	10,642	10,817	11,284	10,959	10,527
Total	65,657	67,389	69,094	67,821	68,846	71,390	76,457	78,769	78,032	75,940
Active Vested										
General				34,527	34,485	33,735	34,393	36,856	36,426	36,235
Safety				7,312	7,628	7,542	7,458	7,636	7,830	8,248
Total				41,839	42,113	41,277	41,851	44,492	44,256	44,483
Deferred Members										
General	1,667	1,813	1,992	2,492	2,639	2,794	3,374	3,164	3,076	3,204
Safety	93	92	89	89	86	84	101	78	74	89
Total	1,760	1,905	2,081	2,581	2,725	2,878	3,475	3,242	3,150	3,293
Unclaimed Accounts										
General	3,092	2,910	2,733	2,008	1,447	1,258	1,137	1,005	787	381
Safety	79	86	94	84	69	61	61	48	35	14
Total	3,171	2,996	2,827	2,092	1,516	1,319	1,198	1,053	822	395

Retired Members by type of Retirement

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Service										
General	19,012	19,569	20,025	20,507	21,115	21,658	22,387	22,685	24,563	24,582
Safety	1,726	1,797	1,858	1,949	2,007	2,039	2,131	2,150	2,256	2,215
Total	20,738	21,366	21,883	22,456	23,122	23,697	24,518	24,835	26,819	26,797
Disability										
General	3,374	3,503	3,597	3,614	3,673	3,815	3,861	4,012	4,067	4,033
Safety	1,914	2,074	2,192	2,301	2,378	2,555	2,724	2,934	3,067	3,128
Total	5,288	5,577	5,789	5,915	6,051	6,370	6,585	6,946	7,134	7,161
Survivors										
General	3,521	3,699	3,823	3,958	4,106	4,227	4,202	4,431	4,637	4,814
Safety	722	732	759	790	818	847	897	889	943	972
Total	4,243	4,431	4,582	4,748	4,924	5,074	5,099	5,320	5,580	5,786
Grand Total	30,269	31,374	32,254	33,119	34,097	35,141	36,202	37,101	39,533	39,744

Contributions vs. Benefits and Refunds
(Amounts in Thousands)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Contributions										
Member	$ 77,399	$ 82,356	$ 86,790	$ 93,862	$103,879	$117,249	$127,309	$146,422	$ 159,406	$ 162,765
Employer	321,183	335,754	336,533	352,076	383,820	364,600	350,607	387,954	379,789	382,984
Total	398,582	418,110	$423,323	445,938	487,699	481,849	477,916	534,376	539,195	545,749
Benefits										
Lump Sum Death Benefits	1,162	1,130	1,148	1,423	1,269	1,400	1,258	1,599	1,102	790
Int/Pmt Sections, 31725.5/6	222	262	245	297	307	459	296	275	462	280
Pension & Annuity Payments	298,331	324,794	334,724	344,204	388,373	439,975	514,682	564,307	647,234	718,781
Total	299,715	$326,186	336,117	$345,924	389,949	441,834	516,236	566,181	648,798	719,851
Refunds	25,436	6,700	18,152	7,918	16,147	11,029	15,587	14,070	18,746	10,349
Total Benefits & Refunds	$325,151	332,886	354,269	353,842	406,096	452,863	531,823	580,251	667,544	730,200
Contributions Over (Under) Benefits & Refunds	$ 73,431	$ 85,224	$ 69,054	$ 92,096	$ 81,603	$ 28,986	$(53,907)	$(45,875)	$(128,349)	$(184,451)

Schedule of Benefit Expenses by Type
(Amounts in Thousands)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Service Retirement										
General	$192,150	$208,314	$213,582	$218,807	$247,021	$277,882	$324,548	$352,667	$412,314	$462,614
Safety	35,800	38,477	36,027	33,027	39,037	44,223	53,539	57,949	65,281	73,873
Total	227,950	246,791	249,609	251,834	286,058	322,105	378,087	410,616	477,595	536,487
Disability Retirement										
General	35,731	38,762	41,777	44,511	48,663	54,701	62,563	69,340	75,162	77,558
Safety	34,650	39,241	43,338	47,859	53,652	63,169	74,032	84,351	94,477	104,736
Total	70,381	78,003	85,115	92,370	102,315	117,870	136,595	153,691	169,639	182,294
Lump Sum Death Benefits										
General	986	995	981	994	990	1,249	1,034	1,433	1,070	715
Safety	176	135	167	429	279	151	224	166	32	75
Total	1,162	1,130	1,148	1,423	1,269	1,400	1,258	1,599	1,102	790
Interest and Payments under Sect. 31725.5/6										
General	222	262	245	297	306	403	292	275	434	253
Safety					1	56	4		28	27
Total	222	262	245	297	307	459	296	275	462	280
Total Benefit Expenses	$299,715	$326,186	$336,117	$345,924	$389,949	$441,834	$516,236	$566,181	$648,798	$719,851

Participating Employers and Active Members

	1991	1992	1993	1994
County of Los Angeles				
General Members	65,598	67,443	67,031	65,382
Safety Members	10,817	11,284	10,959	10,527
Total	76,415	78,727	77,990	75,909
Special Districts				
Los Angeles County Office of Education				
General Members	15	15	14	13
Little Lake Cemetery District				
General Members	4	4	4	3
Local Agency Formation Commission				
General Members	1	3	5	5
South Coast Air Quality Management District				
General Members	22	20	19	10
Total	42	42	42	31
Grand Total	76,457	78,769	78,032	75,940

Employer Contribution Rates
County of Los Angeles and Local Agency Formation Commission

	Plan A		Plan B		Plan C	Plan D	Plan E
Effective Date	General	Safety	General	Safety	General	General	General
07/01/80-06/30/81	20.84%	33.59%	9.73%	17.50%	7.97%	7.44%	0.00%
07/01/81-06/30/82	21.76	35.52	17.09	27.56	16.01	16.26	13.84 *
07/01/82-08/31/84	19.11	29.30	14.66	22.05	14.19	14.09	12.97
09/01/84-12/31/86	19.21	32.09	15.32	24.31	15.11	15.02	13.68
01/01/87-08/31/87	18.01	29.40	14.12	21.62	13.91	13.82	12.48
09/01/87-01/31/90	18.64	27.04	15.05	19.31	14.75	14.63	13.28
02/01/90-06/30/92	15.18	21.02	11.59	13.29	11.29	11.17	9.82
07/01/92-06/30/93	13.76	19.25	10.49	11.73	10.14	10.36	9.62
07/01/93-06/30/94	13.82	20.86	10.58	13.17	10.11	10.40	9.34

*Effective September 28, 1981, the state legislature added article 1.5 (Sections 31487-31495) to the County Employees Retirement Law of 1937. This addition provides an optional, non-contributory retirement plan (known as Retirement Plan E) for general members of LACERA as an alternative to previously existing provisions and benefits. On December 8, 1981, the County Board of Supervisors approved a resolution to adopt Plan E.

Effective January 1, 1992, new employees eligible for general membership automatically become members of Retirement Plan E on the first of the month following date of hire, or have 60 days from date of hire to elect Retirement Plan D.

Employer Contribution Rates

Los Angeles County Office of Education and Little Lake Cemetery District

	Plan A	Plan B	Plan D
Effective Date	General	General	General
07/01/80-06/30/81	18.79 %	8.19 %	7.44 %
07/01/81-04/30/82	20.45	16.37	16.26
05/01/82-06/30/82	16.35	12.27	12.16
07/01/82-09/30/82	20.45	16.37	16.26
10/01/82-08/31/84	18.46	14.55	14.09
09/01/84-12/31/86	18.56	15.21	15.02
01/01/87-08/31/87	17.36	14.01	13.82
09/01/87-01/31/90	17.91	14.89	14.63
02/01/90-08/31/93	14.45	11.43	11.17
09/01/93-06/30/94	13.09	10.42	10.40

Employer Contribution Rates

South Coast Air Quality Management District

	Plan A	Plan B	Plan D
Effective Date	General	General	General
11/01/81-04/30/82	20.45 %	16.37%	16.01%
05/01/82-06/30/82	16.35	12.27	11.91
07/01/82-10/31/82	20.45	16.37	16.01
11/01/82-06/30/83	20.11	16.56	16.21
07/01/83-08/31/84	21.61	18.57	18.23
09/01/84-12/31/86	21.66	19.24	19.18
01/01/87-08/31/87	20.46	18.04	17.98
09/01/87-01/31/90	20.87	19.20	19.08
02/01/90-08/31/93	17.41	15.74	15.62
09/01/93-06/30/94	17.32	14.89	14.61

LACERA

LOS ANGELES COUNTY
EMPLOYEES RETIREMENT ASSOCIATION

300 NORTH LAKE AVENUE
PASADENA, CALIFORNIA 91101