LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Comprehensive Annual Financial Report for the years ended June 30

1997 1996

LACERA's Promise

L/A CERA

Pasadena, California

A component unit of Los Angeles County

Comprehensive Annual Financial Report for the years ended June 30, 1997 and 1996

issued by:

Marsha D. Richter
Chief Executive Officer

Gregg Rademacher
Assistant Executive Officer

table of contents

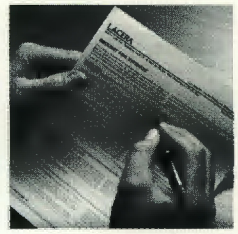
ACTUARIAL SECTION

STATISTICAL SECTION

a promise made . . .

our mission statement

To promote, enhance and efficiently administer a financially sound program of earned retirement and health benefits for active and retired Association members and beneficiaries, through the prudent investment and conservation of plan assets. LACERA exists for the sole purpose of providing benefits to our members with the goals of maximizing member service, minimizing employer contributions and assisting participating employers in the recruitment and retention of qualified employees.



a promise kept . . .

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.

a promise to

LACERA

LACERA is committed to providing excellent service for its 121,000 members. Providing excellent service is an ever-evolving process. It is the foundation of our Vision and permeates every aspect of our organization.

In early 1994, LACERA staff analyzed and evaluated the way we conducted business and determined that a complete "Reengineering" of our business processes was necessary in order to remain true to our promise. By strengthening our promise we could indeed provide better, more effective service in years to come.

Since then, much effort and concentration on details, in addition to implementation of new and sophisticated technologies, has helped streamline and improve many of those business processes. Staff is now equipped with the necessary tools to serve each member more efficiently, with greater accuracy, and in a more timely manner.

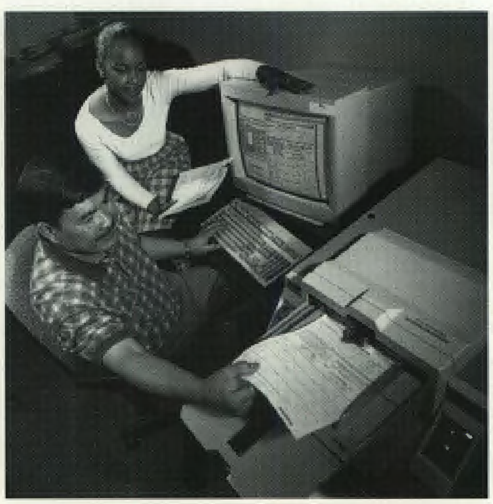
During fiscal year 1996-1997, our Retirement Services Division responded to 149,000 telephone inquiries from our 79,000 active and deferred members and 42,000 retirees. They also assisted over 9,600 members at our public service counter. Outreach staff hosted 50 pre-retirement workshops at LACERA, 125 at other locations, and provided information at 4 member fairs.

provide excellent service.

Vast improvements have occurred throughout LACERA that are having a great impact on the organization and the service we provide. Requests from members, which in prior years took weeks to process, are now completed within a few business days. New memberships are processed before the next payroll cycle and, since backlogs have been eliminated, the requests to transfer between retirement plans or purchase prior service credit are processed immediately.

Additionally, new retirees are now placed on LACERA's payroll within 30-45 days from the date of Retirement Board approval. Survivors and beneficiaries are receiving their first warrants within days from verification of their eligibility which greatly assists them in their time of need.

LACERA fully incorporated *document imaging technology* into its mail processing services this year which has moved the organization from a paper-based storage and retrieval



LACERA'S staff

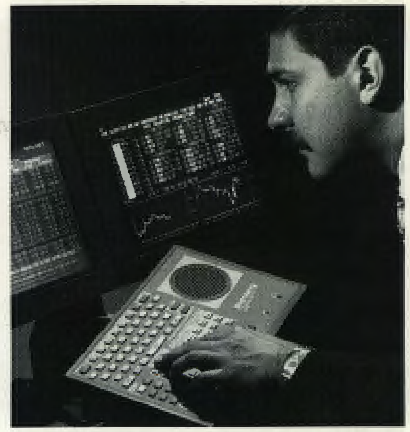
is committed to

system to an electronic one. Imaged documents can be viewed or processed by one or more authorized staff members immediately. This dramatically improves the response time to member requests and the consistency and accuracy of staff answers. The workflow technology controls staff access to specific records thereby increasing the security of our members' confidential data.

Our member database, known as the County Employees Retirement Information System (CERIS), and the Client In-basket which prioritizes incoming documents to be processed are now linked to our existing *On Line Help System*. The *Member Document Library* is a new addition to our system which lists all electronically imaged documents filed under each member's social security number.

Recent completion of LACERA's state-of-the-art *training center* and *resource library* exemplifies management's commitment to provide in-house training for staff. The training lab enables staff to perfect existing skills and learn new ones as each new business process is implemented.

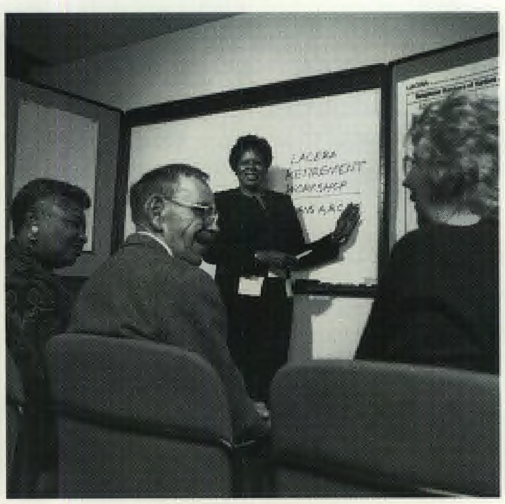
This fiscal year, the LACERA Board of Investments and the Investment Office staff conducted an extensive analysis of all asset classes and developed long-term guidelines and policies to manage the investment fund. The Real Estate section increased its staff to assist in the overall management of that asset class.



building a stronger association.

At LACERA, we are responsible for managing and investing the retirement funds collected from the County and its employees. It is through prudent management by both Boards and staff, that LACERA has become the strong $23 billion, fully-funded retirement association it is today.

Improvements made throughout the year have significantly contributed to LACERA's effort to strengthen its business processes. Staff, individually, maintain their idea of a perfect retirement; collectively, we agree that the best retirement is one that is well-planned and nourished throughout the retirement years. Because of this, we hold steadfast to our promise to provide excellent service to our members and that promise will continually be enhanced.



LACERA 300 N. Lake Avenue, Pasadena, CA 91101 Mail to: PO Box 7060, Pasadena, CA 91109-7060 626/564-6000

dear board members,

I am pleased to present the Los Angeles County Employees Retirement Association's (LACERA's) Comprehensive Annual Financial Report for the years ended June 30, 1997 and 1996. We are proud of the achievements accomplished during the year and our continued focus to provide accurate and timely service to our 79,000 members and 42,000 benefit recipients in the future.

REPORT CONTENTS

LACERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures. The annual report is divided into five sections:

The **Introductory Section** provides an overview of LACERA and the significant activities and events that occurred during fiscal year 1997. This section contains LACERA's Mission and Vision statements, Summary of Accomplishments, this Letter of Transmittal, the Certificate of Achievement for Excellence in Financial Reporting, an overview of LACERA's administrative organization, a listing of the Members of the Boards of Retirement and Investments, and a list of the professional consultants LACERA utilizes.

The **Financial Section** presents the financial condition and funding status of LACERA. This section contains the opinion of the independent public accountants, Coopers & Lybrand, L.L.P., the financial statements, and the related supplementary financial information.

The **Investment Section** provides an overview of LACERA's investment program. This section contains the investment consultant's letter reviewing the investment activity results, the Chief Investment Officer's Report, investment performance results, a list of the external investment managers who provide investment services to LACERA, and other portfolio information.

The **Actuarial Section** communicates the Plan's funding status and presents other actuarial related information. This section contains the certificate of the consulting actuary, Towers Perrin, actuarial statistics, and general plan provisions.

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

LACERA AND ITS SERVICES

LACERA was established on January 1, 1938, to provide retirement allowances and other benefits to the safety and general members employed by Los Angeles County and four other participating agencies. The participating agencies include:

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

LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the bylaws, procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of LACERA members.

The Board of Retirement is responsible for the general management of LACERA. The Board of Investments is responsible for determining LACERA's investment objectives, strategies, and policies. The day-to-day management of LACERA is delegated to a Chief Executive Officer appointed by both Boards.

FINANCIAL INFORMATION

Internal Control

LACERA's management is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records.

The accounting firm of Coopers & Lybrand L.L.P. provides both financial statement and internal control audit services. The financial attest audit ensures LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free from material misstatements. The internal control agreed upon procedures audit ensures LACERA's operating policies and procedures are practiced and are sufficient to safeguard LACERA's assets. The scope of the internal control audit is a joint effort between LACERA management, Internal Audit Services staff, and Coopers & Lybrand, L.L.P.

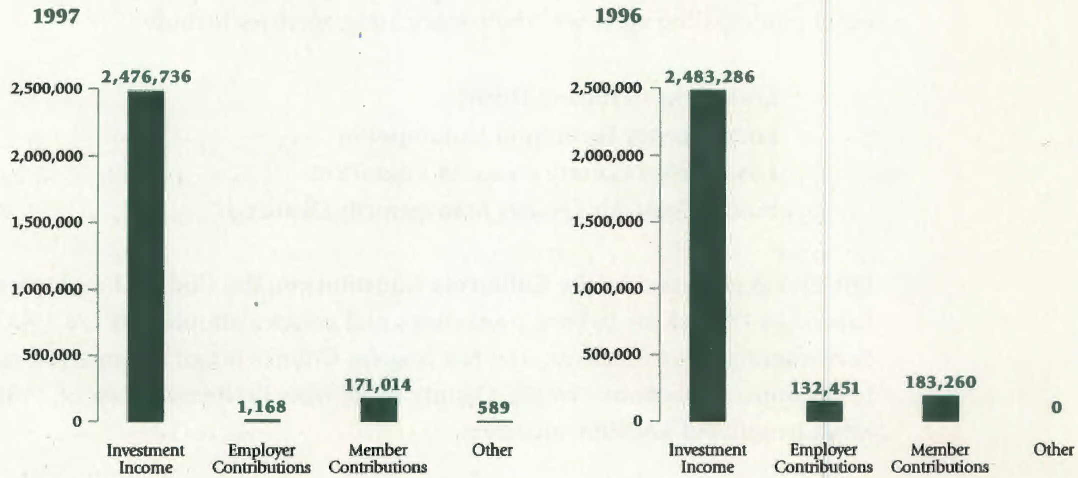
Revenues and Expenses

The primary sources to finance the benefits LACERA provides are accumulated through income on investments and through the collection of member (employee) and employer contributions. These income sources for fiscal year 1997 totaled $2.6 billion, a slight decrease of 5.3% over 1996. This decrease is principally due to a decrease in the employer cash contributions. As part of the Retirement System Funding Agreement negotiated

REVENUES

For the Fiscal Years ended June 30, 1997 and 1996

(dollars in thousands)



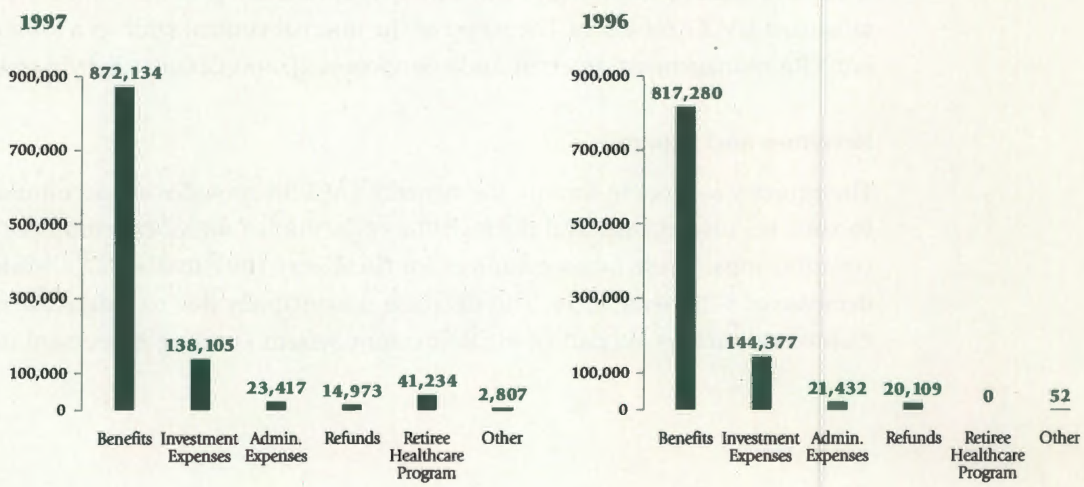
between LACERA and the County of Los Angeles (County), the County prepaid its employer contributions for the fiscal years ended June 30, 1997 and 1998 through transfers from surplus earnings.

The primary uses of LACERA's assets are in the payment of benefits to retirees and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the system. These expenses for fiscal year 1997 were $1.1 billion, an increase of 8.9% over 1996. This increase is chiefly due to the growth in retirement, survivor, and disability benefits paid. In 1997, a new expense category was created when the County

EXPENSES

For the Fiscal Years ended June 30, 1997 and 1996

(dollars in thousands)



decided to use surplus earnings contribution credits to fund a portion of the Retiree Healthcare Program through the establishment of a Retiree Healthcare account under Internal Revenue Code Section 401 (h). Additional information on the establishment of the healthcare funding account may be found in Note G on page 32.

ACTUARIAL FUNDING STATUS

Towers Perrin, an independent actuarial firm, is hired to conduct annual actuarial valuations to monitor LACERA's funded status. The June 30, 1996 actuarial valuation determined LACERA's funding status to be 102.6% using the entry age normal method with a five-year smoothing actuarial value of assets.

Triennially, Towers Perrin completes an analysis on the appropriateness of all economic and non-economic assumptions. Recommendations are presented to the Board of Investments (Board) for consideration. The last triennial valuation was performed as of June 30, 1995 and changes to the economic and non-economic assumptions were adopted in June 1996 by the Board. The next triennial investigation will be performed as of June 30, 1998.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Beginning in Fiscal Year 1994-95, LACERA began restructuring the member contact process using an analysis method referred to as "Reengineering." The project's focus is to improve and enhance the level of service delivery to our members. During the 1996-1997 fiscal year, the following new electronic tools were developed to assist staff in providing these enhanced services:

- The County Employees Retirement Information System (CERIS) is a suite of nine Graphical User Interface (GUI) inquiry screens designed to deliver member information to the service representative's fingertips. Member information is conveniently displayed and strategically placed to ensure a member's questions can be easily and accurately answered.

- The Member Document Library was developed to allow easy on-line access to an itemized list of imaged documents for any given member. Having "fingertip" access to documents expedites the ability to process work, answer questions, and research file contents.

- The Client In-Basket was designed to provide one location where all new, outstanding or pending work could be readily accessible and easily retrieved. In addition, the Client In-Basket verifies the security clearance of a given user and only displays those processes and electronic documents appropriate for a given service representative.

Administrative Services Division staff implemented ongoing computer based training and testing of the Retirement Services Division staff responsible for member contact in support of LACERA's business process changes.

Internal Audit staff performed a comprehensive internal control review of the Imaging and Workflow Systems.

In our continuing efforts in assisting our members to better understand their benefits, staff conducted 125 outreach workshops and 50 in-house workshops, assisted over 9,600 members at our public counter, responded to over 149,000 phone inquiries, and participated in three active member and one retired member information fairs.

In April 1997, LACERA implemented an in-house mainframe data center. The center supports the member database and accounting systems based on the most current IBM hardware and software. LACERA's technical staff perform the mainframe operations.

OTHER PROGRAMS AND SERVICES

Supplemental Targeted Adjustment for Retirees (STAR)

On December 20, 1989, the Board of Retirement approved the STAR program under the authority granted to them by the County Employees Retirement Law of 1937. 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. The Board of Retirement and the 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 1996 were $55 million, and are anticipated to be similar for calendar year 1997. The benefit, currently being received by approximately 16,300 retirees, is a non-vested entitlement.

Healthcare Benefits Program

Under an agreement with the County of Los Angeles, LACERA administers a Healthcare Benefit Program (HBP) for approximately 59,400 retired members and eligible dependents. During fiscal year 1996-1997, in our continued efforts to improve member service, staff accomplished the following:

- Coordinated the sixth annual Wellness Fair, which is sponsored by participating healthcare providers and organizations;
- Implemented three new insurance plans as enhancements to LACERA's HBP:

  A prepaid dental HMO plan with CIGNA;

  A Long-term Care Insurance Plan underwritten by Transamerica;

  A Social HMO Plan with SCAN.

ECONOMIC CONDITION AND OUTLOOK

LACERA's investment portfolio returned 17.7% for fiscal year 1996-1997. This performance was primarily attributable to strong returns from two components of the portfolio: large capitalization stocks (+32.6%) and international stocks (+20.0%). The following is a discussion of major economic developments and capital market results for the past fiscal year.

Although the Federal Reserve (Fed) was expected to raise interest rates in an effort to slow the U.S. economy, monetary policy remained relatively neutral. The Fed raised short term interest rates only once during the last fiscal year (March of 1997). Benign inflation was the major contributor to the Fed's neutral stance since the Consumer Price Index, a widely used measure for inflation, averaged under 3%.

A robust U.S. economy was fueled by continued strong consumer spending and industrial production. Labor market conditions were favorable with the unemployment rate falling to 5.0% at fiscal year-end from 5.3% a year ago.

The U.S. stock market continued its unprecedented performance as a result of an ideal investment environment comprised of a strong economy, low inflation, and strong corporate profits. The S&P 500 index returned 34.7% for fiscal year 1996-1997. This marked the third fiscal year in a row of double-digit returns for the S&P 500 index (95-96 = 26.0% and 94-95 = 26.0%).

The bond market continued to experience substantial volatility throughout the year. The yield on the benchmark 30-year Treasury bond started at 6.89%, climbed as high as 7.19% and dropped as low as 6.35%, before ending the year at 6.79%. The broad fixed income market, as measured by the Lehman Aggregate Bond Index, returned 8.2% for fiscal year 1996-1997.

The U.S. dollar appreciated against all major currencies, except the British pound, as a result of continued slowdown in European and Japanese economies and stronger than expected economic activity in the U.S. The U.S. dollar increased in value by 11.8% and 5.7% relative to the German deutchmark and Japanese yen, respectively, while it depreciated against the sterling.

Generally, there was speculation in the market about which European countries will be able to meet economic requirements to participate in the European Monetary Union (EMU), a union created to establish a single currency for Europe. The common currency, the euro, is expected to be adopted in year 2002. In Japan, bond yields continued to decrease to historical low levels with Japanese 10-year government bonds yielding below 3% at year end.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to LACERA for its annual financial report for the fiscal year ended June 30, 1996. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. This marks the seventh consecutive year we have been awarded this notable designation.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents must conform to program standards, and satisfy generally accepted accounting principles and other 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 again this year.

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 sincerest appreciation. I would like to thank our contract auditor, Coopers & Lybrand, L.L.P., for their professionalism and assistance.

On behalf of 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

October 3, 1997

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, 1996

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.

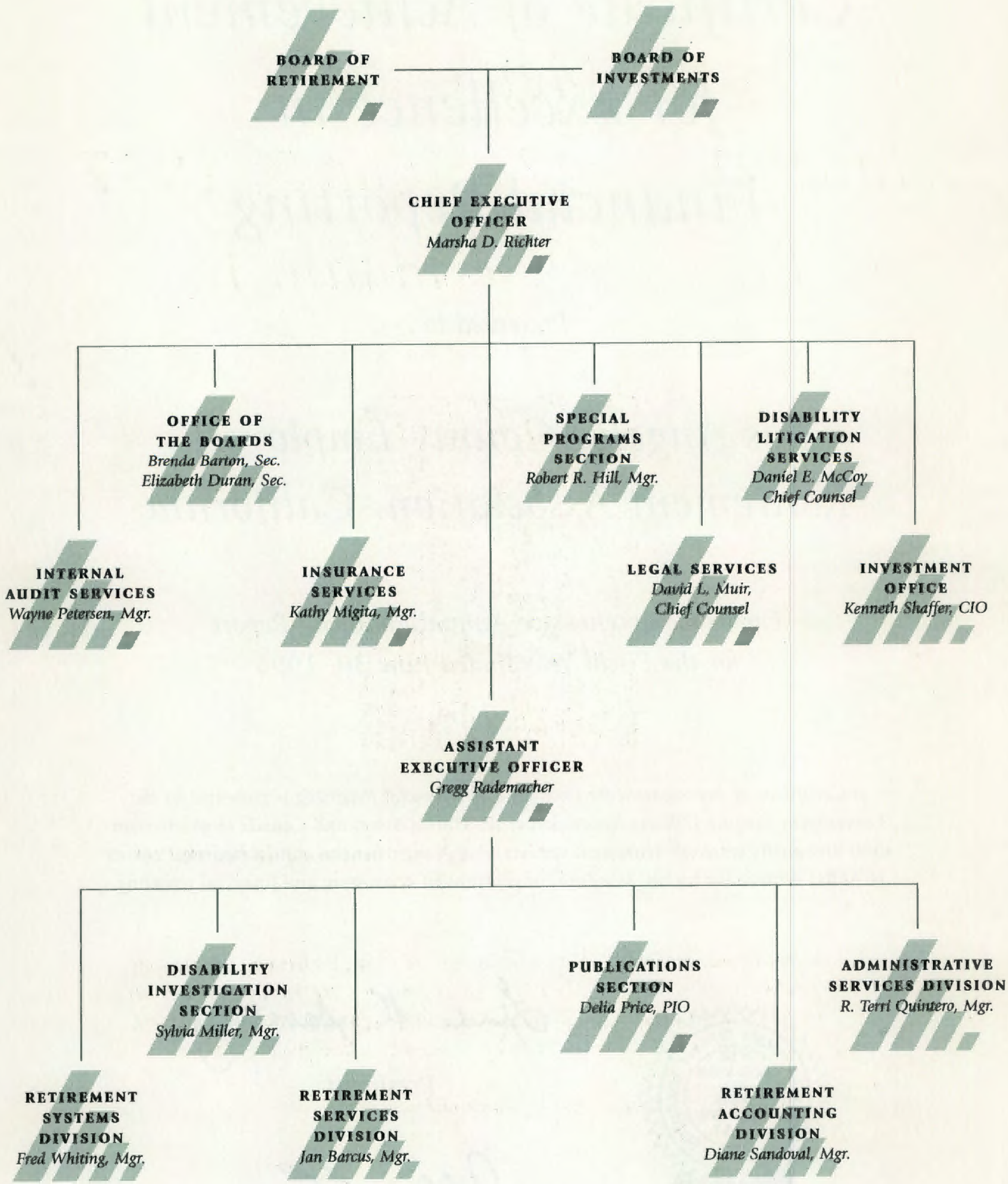
Linda K. Savitsky

President

Jeffrey L. Esser

Executive Director

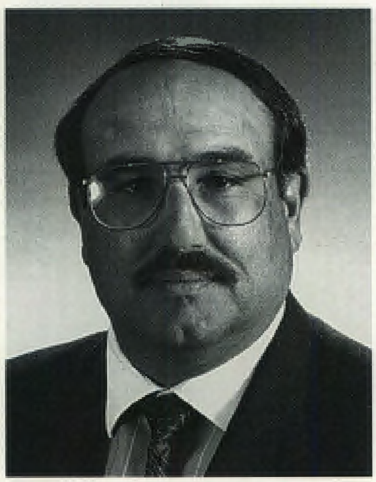
LACERA ORGANIZATION CHART



In Memoriam

June 21, 1947 – June 3, 1997

Robert J. Hermann, Jr.

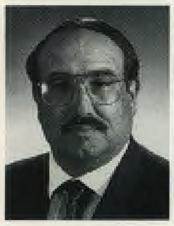


Chair, Board of Retirement and Chair, Board of Investments

During his 13 year tenure, Mr. Hermann exemplified strong leadership and direction for LACERA's Board of Retirement and Board of Investments. He was the first member to serve as Chair for both Boards simultaneously, and was instrumental in overseeing and monitoring LACERA's growth to the strong $23 billion fund it is today.

Robert "Bob" Hermann will be missed.

MEMBERS OF THE BOARD OF RETIREMENT AT JUNE 30, 1997



CHAIR

Robert J. Hermann
(Died in office, June 3, 1997.)

Sheriff's Department. Elected by safety members. Present term expires December 31, 1998. Re-elected Chair of the Board, January 9, 1997.

VICE CHAIR

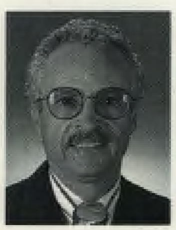
Simon S. Russin

Department of Health Services. Elected by general members. Present term expires December 31, 1997. Elected Vice Chair of the Board, January 9, 1997.

SECRETARY

Robert A. Stotelmeyer

Retired. Elected by retired members. Present term expires December 31, 1999. Re-elected Secretary of the Board, January 9, 1997.



MEMBER

Larry J. Monteilh

Treasurer and Tax Collector. Ex-officio member.

MEMBER

Sadonya Antebi

Appointed by the Board of Supervisors. Present term expires December 31, 1998.

MEMBER

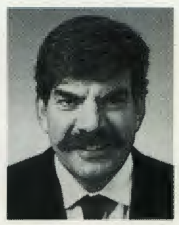
Warren L. Bennett

Appointed by the Board of Supervisors. Present term expires December 31, 1997.

MEMBER

Michael L. Falabrino

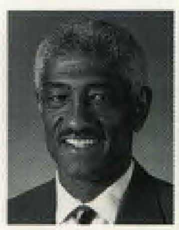
Appointed by the Board of Supervisors. Present term expires December 31, 1999.



MEMBER

Richard N. Shumsky

Probation Department. Elected by general members. Present term expires December 31, 1999.



MEMBER

Edgar H. Twine

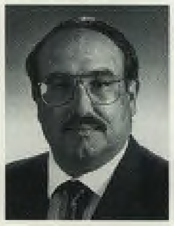
Appointed by the Board of Supervisors. Present term expires December 31, 1999.

ALTERNATE MEMBER

Cody Ferguson

Los Angeles County Fire Department. Elected by safety members. Present term expires December 31, 1998.

MEMBERS OF THE BOARD OF INVESTMENTS AT JUNE 30, 1997



CHAIR

Robert J. Hermann
(Died in office, June 3, 1997.)

Sheriff's Department. Elected by safety members. Present term expires December 31, 1998. Re-elected Chair of the Board, January 8, 1997.

VICE CHAIR

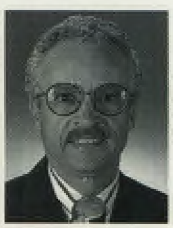
Norman S. Johnson
(Elected Chair, June 11, 1997.)

Retired. Elected by retired members. Present term expires December 31, 1999. Elected Vice Chair of the Board, January 8, 1997.

SECRETARY

Richard M. Tafoya

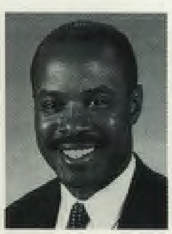
Appointed by the Board of Supervisors. Present term expires December 31, 1997. Elected Secretary of the Board, January 8, 1997.



MEMBER

Larry J. Monteilh

Treasurer and Tax Collector. Ex-officio member.



MEMBER

Marcus Allen

Appointed by the Board of Supervisors. Present term expires December 31, 1999.

MEMBER

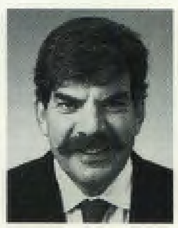
James A. Jeffs

Appointed by the Board of Supervisors. Present term expired December 31, 1996.

MEMBER

Simon S. Russin

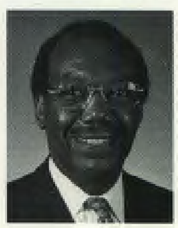
Department of Health Services. Elected by general members. Present term expires December 31, 1999.



MEMBER

Richard N. Shumsky
(Elected Vice Chair, June 11, 1997.)

Probation Department. Elected by general members. Present term expires December 31, 1997.



MEMBER

Larkin Teasley

Appointed by the Board of Supervisors. Present term expires December 31, 1998.

LIST OF PROFESSIONAL CONSULTANTS

CONSULTING SERVICES

Actuary
Towers Perrin

Auditors
Coopers & Lybrand L.L.P.
Financial Controls Systems, Inc.

Custodian
Chase Manhattan Bank
Mellon Trust

Data Processing
Los Angeles County Internal Services Department
Warner Information Center

Governance Consultant
Institutional Shareholder Services, Inc.

Investment Consultants
Chancellor Capital Management
Frank Russell Company
Hamilton Lane Advisors
Northern Trust Global Advisors
Progress Investment Management Company
RCB Trust Company
The Townsend Group

Legal Counsel
Adams, Duque & Hazeltine
Baker & Hostetler
Cox, Castle & Nicholson
D'Ancona & Pflaum
Gibson, Dunn & Crutcher
Graves, Roberson & Bourassa
Jones, Day, Reavis & Pogue
LeBoeuf, Lamb, Greene & MacRae
Morrison & Foerster, L.L.P.
Orrick, Herrington & Sutcliffe
Paul, Hastings, Janofsky & Walker
Pillsbury, Madison & Sutro
Sidley & Austin

INVESTMENT MANAGERS

Alternative Assets
Chancellor Capital Management
Copley Venture Partners
E.M. Warburg, Pincus Capital Company, Inc.
GKH Partners
Hamilton Lane Advisors
Media/Communications Partners
Prudential Equity Investors, Inc.
Syndicated Communications, Inc.

Cash & Short-Term
Bankers Trust Company
Scudder, Stevens & Clark, Inc.

Equity – Domestic
Apodaca-Johnston Capital Management
Bankers Trust Company
Bramwell Capital Management, Inc.
Capital Guardian Trust Company
Delta Asset Management
The Edgar Lomax Company
Evergreen Capital Management, Inc.
Geneva Capital Management Ltd.
Globalt Inc.
Gries Financial Corporation
GW Capital, Inc.
Hourglass Capital Management
ICM Asset Management, Inc.
Invesco Capital Management, Inc.
Loomis, Sayles & Company
McKinley Capital Management
Morgan Stanley Asset Management, Inc.
Oak Associates
Pilgrim, Baxter & Associates
Putnam Advisory Company, Inc.
Putnam Investment Management
Radnor Capital Management
Rampart Investment Management

Sloate, Weisman, Murray & Company
Sturdivant & Company, Inc.
Twin Capital Management
Weiss, Peck & Greer Investments, L.L.C.
Wilke/Thompson Capital Management, Inc.

Equity – International

Bankers Trust Company
Capital Guardian Trust Company
Emerging Markets Growth Fund, Inc.
GAM International Management, Ltd.
Morgan Grenfell Asset Management
Schroder Capital Management Intl., Ltd.
UBS Asset Management (New York), Inc.
UBS Phillips & Drew Intl. Investment, Ltd.

Fixed Income – Domestic

American Express Asset
Management Group, Inc.
Bankers Trust Company
Blackrock Financial Management, Inc.
Bradford & Marzec, Inc.
Brown Brothers Harriman & Company
Capital Guardian Trust Company
Dodge & Cox
J.P. Morgan Investment Management, Inc.
Loomis, Sayles & Company, L.P.
Mackay Shields Financial Corporation
MFS Asset Management Inc.
Miller Anderson & Sherrerd, L.L.P.
Nicholas-Applegate
TCW Asset Management Company
Western Asset Management Company

Fixed Income – International

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

Mortgage Loan Servicer

Atlantic Mortgage & Investment Corporation
Bank of America
First Nationwide Mortgage
GMAC Mortgage
Great Western Bank
Matrix Financial Services Corporation
Mellon Mortgage
Wells Fargo Bank

Real Estate

AMB Institutional Realty Advisors, Inc.
Heitman/JMB Advisory Corporation
Invesco Realty Advisors
Jones Lang Wootton Realty Advisors
L & B Real Estate Counsel
Lowe Enterprise Investment
Management, Inc.
Lowe Enterprise Residential Partners
Public Storage, Inc.
RREEF America Partners
Sarofim Realty Advisors
Sentinel Real Estate Corporation
Shurgard, Inc.
TA Associates Realty
TCW Realty Advisors

Securities Lending Program

Mellon Bond Associates

financial section

Coopers & Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

REPORT OF INDEPENDENT ACCOUNTANTS

Boards of Retirement and Investments
Los Angeles County Employees Retirement Association

We have audited the accompanying statement of plan net assets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 1997 and 1996, and related statements of changes in plan net assets 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 audit 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 perform and plan the audits to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed 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, 1997 and 1996, and changes in plan net assets 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 the purpose of additional analysis and are not a required part of the basic financial statements of LACERA. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on 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 Investment, 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.

In accordance with Government Auditing Standards, we have also issued a report dated October 3, 1997 on our consideration of LACERA's internal control structure and a report dated October 3, 1997 on its compliance with the laws and regulations.

Coopers & Lybrand LLP

Los Angeles, California
October 3, 1997

Statement of Plan Net Assets

As of June 30, 1997 and 1996

(dollars in thousands)

	1997	1996
Assets		
Cash	$ 66,180	$ 36,074
Collateral on Loaned Securities	1,288,730	1,496,537
Receivables		
Accounts Receivable – Sale of Investments	340,216	623,279
Accrued Interest and Dividends	129,083	145,528
Contributions Receivable	2,789	19,275
Reimbursable Costs for Retiree Health Insurance and Death Benefits	9,976	9,635
Accounts Receivable – Other	3,288	927
Total Receivables	485,352	798,644
Investments at Fair Value – Note M		
Stocks	12,128,472	11,358,927
Bonds	7,403,407	6,296,546
Short Term Investments	1,025,684	1,084,419
Real Estate	1,627,398	1,113,103
Alternative Assets	504,782	462,524
Mortgages	122,644	112,585
Total Investments	22,812,387	20,428,104
Fixed Assets Net of Depreciation	1,838	2,366
Total Assets	**24,654,487**	**22,761,725**
Liabilities		
Accounts Payable – Purchase of Investments	453,838	1,021,374
Retiree Payroll and Other Warrants Payable	27,487	29,511
Accrued Expenses	18,395	11,215
Leasehold Incentives	1,463	1,881
Tax Withholding Payable	8,419	7,577
Obligations under Securities Lending Program	1,288,730	1,496,537
Accounts Payable – Other	1,485	17
Total Liabilities	**1,799,817**	**2,568,112**
Net Assets Held in Trust for Pension Benefits	**$ 22,854,670**	**$ 20,193,613**

(A Schedule of Funding Progress is presented on page 39.)

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

Statement of Changes in Plan Net Assets

For the years ended June 30, 1997 and 1996

(dollars in thousands)

	1997	1996
Additions		
Contributions		
Employer	$ 1,168	$ 132,451
Member	171,014	183,260
Total Contributions	172,182	315,711
Investment Income		
From Investing Activities		
Net Appreciation in Fair Value of Investments	1,104,220	515,860
Investment Income	2,389,073	2,379,057
Total Investing Activity Income	3,493,293	2,894,917
Less Expenses From Investing Activities	(57,727)	(45,161)
Net Investing Activity Income	3,435,566	2,849,756
From Securities Lending Activities		
Securities Lending Income	87,663	104,229
Less Expenses From Securities Lending Activities	(80,378)	(99,216)
Net Securities Lending Income	7,285	5,013
Total Net Investment Income	3,442,851	2,854,769
Miscellaneous	589	
Total Additions	**3,615,622**	**3,170,480**
Deductions		
Retiree Payroll	871,137	815,628
Administrative Expense – Note B	23,417	21,432
Refunds	14,973	20,109
Lump Sum Death Benefits	997	1,652
Retiree Healthcare Program	41,234	
Miscellaneous	2,807	52
Total Deductions	**954,565**	**858,873**
Net Increase	2,661,057	2,311,607
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	20,193,613	17,882,006
End of Year	**$ 22,854,670**	**$ 20,193,613**

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

Notes To Financial Statements
Note A — Plan Description

On January 1, 1938, the Los Angeles County Employees Retirement Association (LACERA) was established. It is governed by the California Constitution, the County Employees Retirement Law of 1937, and the By-laws, procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Los Angeles 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 operates as a cost-sharing multi-employer defined benefit plan for Los Angeles County and four participating agencies: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and South Coast Air Quality Management District. LACERA does not include non employer contributors.

Membership

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 and District Attorney Investigators), fire fighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the service entry date. General members may elect membership in a non-contributory plan tier upon entry into service. Additional information regarding the benefit structure is included in the Summary of Plan Provisions located on page 63 in the Actuarial Section of this report.

At June 30, 1997 and 1996, LACERA membership consisted of:

	1997	1996
Active Members:		
Vested	51,714	49,430
Non-Vested	23,349	25,176
Total Active Members	75,063	74,606
Retired Members	41,873	40,907
Terminated Vested (Deferred)	4,255	4,130
Total Membership	**121,191**	**119,643**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates 10 years of creditable service under the general service noncontributory plan. Benefits are based upon 12 or 36 months average compensation, depending on the 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.

Notes To Financial Statements
Note A — Plan Description – *Continued*

Cost-of-Living Adjustment

Under provisions in the California Government Code, the Board of Retirement (Board) shall, before April 1st each year, determine whether there has been an increase or decrease in the cost-of-living, as shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers for the area in which the county seat is situated, as of the preceding January 1st. Effective April 1st of each year, the Board must increase or decrease retirement and survivor allowances by a percentage of the total allowance to approximate to the nearest one-half of 1%, the percentage of annual increase or decrease in the cost-of-living as of the preceding January 1st for members and survivors who were retired prior to April 1st. Plan A members may receive a 3% maximum increase while Plan B, C, and D members may receive a 2% maximum increase. Any CPI cost-of-living increase or decrease in any year which is not met by the maximum annual change of 3% or 2% in allowances will be accumulated to be met by increases or decreases in allowances for future years. The accumulated percentage carryover is known as the Cost-of-Living Adjustment Bank. There are no provisions for a cost-of-living increase for Plan E members.

STAR Program

In addition to cost-of-living increases, the California Government Code also provides the Board of Retirement the authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), surplus earnings have been used to restore retirement allowances to 75% of the purchasing power held by retirees at the time of retirement. The STAR program is subject to approval by the Board of Retirement on an annual basis as long as sufficient surplus earnings are available as determined by the Board of Investments.

The STAR program is administered on a calendar year basis. The following represents the STAR program experience from inception through June 30, 1997 (dollars in thousands):

	Funding	Costs	Available for Future Benefits
Inception 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		(56,895)	155,308
Program Year 1995	165,815	(54,905)	266,218
Program Year 1996	48,770	(49,571)	265,417
Program Year 1997 through June 30	269,168	(22,369)	**512,216**
Total	**$ 908,679**	**($ 396,463)**	

Notes To Financial Statements
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.

Method of Reporting

LACERA follows the accounting principles and reporting guidelines as set forth in Statement 25 of the Governmental Accounting Standards Board. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of LACERA. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

Administrative Expenses

LACERA's Boards of Retirement and Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against LACERA's investment earnings 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 expenses is based upon the budget, as approved by the governing boards, and reflects actual administrative expenses (dollars in thousands):

Total Projected Asset Base as of December 31, 1996 at fair value	$ 20,344,649
Maximum Allowable for Administrative Expense (.0018 x $20,344,649)	36,620
Operating Budget for Fiscal Year 1996-1997	26,602
Actual Administrative Expenses for the Fiscal Year ended June 30, 1997	23,417
Underexpended Operating Budget	**$ 3,185**

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

Implementation of New Accounting Principle

LACERA adopted the Government Accounting Standards Board's (GASB) Statement No. 28 *Accounting and Financial Reporting for Securities Lending Transactions* for the year ended June 30, 1997.

As a result of implementing Statement 28, Note J of the notes to the financial statements is presented to explain the latest securities lending reporting requirement. The assets and liabilities as presented in the fiscal year 1996 Statement of Plan Net Assets were restated to reflect an increase in securities lending assets of $1,496,537,000 and an increase in securities lending liability of the same amount. The net income from securities lending, which was already appropriately reported in the 1996 financial statements, remained unchanged.

Notes To Financial Statements
Note B — Summary Of Significant Accounting Policies - *Continued*

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, 1997 and 1996 were as follows (dollars in thousands):

	1997	1996
Furniture and Equipment	$ 3,396	$ 3,793
Structures and Improvements	2,829	2,829
Total Fixed Assets (at cost)	6,225	6,622
Less: Accumulated Depreciation		
Furniture and Equipment	2,549	2,702
Structures and Improvements	1,837	1,554
Total Accumulated Depreciation	4,386	4,256
Total Fixed Assets Net of Depreciation	**$ 1,839**	**$ 2,366**

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, 1997 and 1996 was $1,381,312 and $1,202,170, respectively.

Cash

Cash includes deposits with various financial institutions, the County of Los Angeles pooled trust fund, and international currency holdings translated to U.S. dollars using the exchange rates in effect at June 30, 1997 and 1996.

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. Premiums or discounts on long-term bonds are amortized using the constant-yield amortization or straight-line method, depending on the nature of the security. Premiums or discounts on mortgage loans are amortized using the straight-line method over a period of 120 months. Unsettled investment trades as of year end are reported in the financial statements on an accrual basis. The corresponding funds receivable from a sale and funds payable for a purchase are reported in Accounts Receivable - Sale of Investments and Accounts Payable - Purchase of Investments, respectively.

Unrealized investment losses are recognized only when they exceed the balance in the Contingency Reserve. Investment gains are recognized when realized.

Notes To Financial Statements
Note B — Summary Of Significant Accounting Policies - *Continued*

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

Investments	Source
Stocks, publicly traded bonds, issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year end, international securities reflect currency exchange rates in effect at June 30, 1997 and 1996.
Mortgages	Equivalent pricing to comparable GNMA.
Real estate equity funds	Provided by real estate fund manager.
Real estate title holding corporations	Appraised value of the investment or if no appraisal is performed, equity value of the investment subject to adjustment noted in the audited property financial statement.
Alternative assets	Provided by the fund's valuation committee. LACERA's alternative asset consultant reviews the fair 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 M, Deposits and Investments, for cost and fair values for fiscal years ended June 30, 1997 and 1996.

Note C — Contributions

The employers and members contribute to LACERA based on unisex rates recommended by an independent actuary and adopted by the Board of Investments and Los Angeles County's Board of Supervisors. Contributory plan members are required to contribute between 4% and 14% of their annual covered salary. Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Member rates for the contributory plan tiers are based upon age at entry to the system and plan enrollment. As a result of collective bargaining, member rates for various plans have been reduced through additional employer contributions, known as a surcharge rate. Member and employer contributions received from the participating agencies are considered part of LACERA's plan as a whole.

As part of the Retirement System Funding Agreement (the Agreement) between LACERA and Los Angeles County (County), during fiscal year 1997, the County prepaid its employer contributions for the fiscal years ended June 30, 1997 and 1998 through transfers from surplus earnings as defined in the Agreement. Also during fiscal year 1996-1997, the County paid the annual installment due LACERA for the Early Separation Program using its proportionate share of the surplus earnings.

Notes To Financial Statements
Note D — Reserves

The reserves represent the ownership of LACERA assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The 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. LACERA's major classes of reserves are as follows:

Member Reserves represent the balance of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees, refunds to members, and related expenses.

Employer Reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members, lump sum death benefit payments to members' survivor(s), and supplemental disability payments.

STAR Reserve represents the balance of transfers from Contingency Reserve for future supplemental cost-of-living increases. Additions include transfers from Contingency Reserve (i.e., subject to approval by the Board of Retirement on an annual basis provided adequate surplus earnings are available as determined by the Board of Investments). Deductions include COLA payments to retirees.

Contingency Reserve represents reserves accumulated for future earning deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, funding of the STAR Reserve, and distribution of surplus earnings to Employer Reserves. The Contingency Reserve is used to satisfy the California Government Code requirement for LACERA to reserve 1% of the assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The balance of the Contingency Reserve of $1,206 million and $1,279 million represent 5% and 6% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 1997 and 1996, respectively, and as such, the Contingency Reserve is considered fully funded.

Reserves as of June 30, 1997 and 1996 are as follows (dollars in thousands):

	1997	1996
Member Reserves		
Active Members	$ 6,233,813	$ 5,809,444
Unclaimed Deposits	182	234
Total Member Reserves	6,233,995	5,809,678
Employer Reserves	11,048,591	10,065,319
STAR Reserve	512,216	289,909
Contingency Reserve	1,205,547	1,278,608
Total Reserves at Book Value	19,000,349	17,443,514
Unrealized Investment Portfolio Appreciation	3,854,321	2,750,099
Total Reserves at Fair Value	**$ 22,854,670**	**$ 20,193,613**

Notes To Financial Statements
Note E — Actuarial Valuations

LACERA engages Towers Perrin, an independent actuarial firm, to conduct annual actuarial valuations to monitor LACERA's funding status. On a triennial basis, these valuations are updated for economic and non-economic assumptions as required by the California Government Code. The last triennial valuation was performed as of June 30, 1995 and determined the funding status to be 100.7%. The latest annual valuation was performed as of June 30, 1996 and determined the funding status to be 102.6%. Both the triennial and annual valuations use the entry age normal method, an actuarial 5 year smoothing of asset values, an 8% interest assumption, and a 5.5% salary assumption.

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 the 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 amount of benefits disbursed. LACERA received $44.6 million and $46.9 million in related reimbursements during each of the years ended June 30, 1997 and 1996, respectively. 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 — Postemployment Healthcare Benefits

Under an agreement with the County of Los Angeles (County) and participating outside agencies, LACERA administers a Healthcare Benefits Program (HBP) for retired members and their eligible dependents.

The LACERA sponsored HBP offers members an extensive choice of medical plans, as well as, two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as, Medicare supplement or Medicare risk contract plan.

The cost for insurance varies according to the years of retirement service credit with LACERA, the plan selected, and number of persons covered. The County contribution ranges from 40% of the benchmark plan for 10 years of service up to 100% of the benchmark plan with 25 years of service.

The Board of Retirement reserves the right to amend or revise these plans and programs at any time.

Plan net assets are not held in trust for postemployment healthcare benefits. The HBP is funded by the County and members on a pay-as-you-go basis. During fiscal year ending June 30, 1997, $130 million in premium payments were made to insurance carriers. These payments were funded by employer and participant contributions of $114 million and $16 million, respectively.

The County elected to subsidize the premium payments for the HBP through the System to the extent permitted by law. Section 401(h) of the Internal Revenue Code permits the establishment of a separate account (a "401(h) Account"), and limits contributions to the 401(h) Account to 25% of aggregate contributions to LACERA after the 401(h) Account is established.

Notes To Financial Statements
Note G — Postemployment Healthcare Benefits - *Continued*

During fiscal year 1997, the County and LACERA entered into an agreement establishing the healthcare funding account. Funding the HBP through a 401(h) Account allows the County to direct that LACERA use a portion of surplus earnings credited to Employer Reserves to replace County retirement fund contributions designated by the County as a contribution to the 401(h) Account.

A summary of HBP participants is as follows:

	1997	1996
Medical Plans	31,145	30,014
Dental/Vision Plans	30,422	29,339
Total	**61,567**	**59,353**

Note H — 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 LACERA's investment portfolio. The Law allows for the Board to invest, or delegate the authority to invest, the investment portfolio 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 LACERA and the investment portfolio:

- Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- 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 system so as 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 I — Industry Concentrations of Portfolio Assets

The Board of Investments' (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. The investment portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. government) that represented 5% or more of the total investment portfolio.

An important aspect of the Board's policies and guidelines is for the portfolio to maintain industry diversity. Concentrations of investments within an industry may occur and still remain within a prudent range. The investment portfolio industry concentrations were below 7% as of June 30, 1997 and 1996.

Notes To Financial Statements
Note J — Securities Lending Program

The Board of Investments (Board) policies authorize LACERA to participate in a securities lending program, whereby securities are transferred to an independent broker or dealer with a simultaneous agreement to return the collateral for the same securities in the future. LACERA's custodian, Mellon Trust, is the agent for its securities lending program.

Securities on loan must be collateralized with a value of 102%, for U.S. securities, and 105%, for non-U.S. securities, of the fair value of any security loaned, plus any accrued interest. Collateral received may include cash, and U.S. government securities. Collateral is marked to market daily. Securities on loan are maintained in LACERA's financial records and are classified by custodial credit risk in Note M. A corresponding liability is recorded for the fair value of the collateral received.

At year end, LACERA had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. LACERA cannot pledge or sell non-cash collateral unless the borrower defaults. As of June 30, 1997, there were no significant violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 1997.

Under the terms of the lending agreement, Mellon has agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. All loans on securities can be terminated on demand by either LACERA or the borrower.

Cash collateral is reinvested by an investment manager in short-term, highly liquid fixed income instruments. This separately managed portfolio is also subject to the policies and guidelines adopted by the Board. The primary objectives of these guidelines are to preserve capital and to provide sufficient liquidity for the management of the securities lending program. Maturities of investments made with cash collateral are not required to match the maturities of securities on loan.

As of June 30, 1997, the fair values of securities on loan and the collateral received for those securities on loan were $1,246,745,757 and $1,288,729,681, respectively. LACERA's income net of expenses from securities lending was $7,285,535 for the year ended June 30, 1997. As of June 30, 1996, the fair values of securities on loan and the collateral received for those securities on loan were $1,452,286,088 and $1,496,537,256, respectively. LACERA's income net of expenses from securities lending was $5,013,413 for the year ended June 30, 1996.

Note K — 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 gain in fiscal years 1997 and 1996 are $100,701,195 and $178,082,157, respectively. At June 30, 1997, forward currency contracts receivable and payable totaled $2,100,751,170 and $2,092,551,753, respectively.

Notes To Financial Statements
Note L — Title Holding Corporations

LACERA's real estate portfolio includes 33 wholly owned Title Holding Corporations (THC). The THC's invest in commercial properties located throughout the United States. The following is a summary of the THC's financial position as of June 30, 1997 and 1996 (dollars in thousands):

	1997	1996
Assets	$ 1,216,792	$ 862,334
Less: Liabilities	75,863	75,048
Shareholder Equity	**$ 1,140,929**	**$ 787,286**
Net Income	$ 71,084	$ 36,063

Note M — Deposits And Investments

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

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. (Included in Category 1 are mortgage-backed securities classified under U.S. Government and Agency Instruments and asset-backed securities classified under Domestic Corporate Bonds.)

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

Category 3.
Uninsured and unregistered, with securities held by the counter party, 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.)

Notes To Financial Statements
Note M — Deposits and Investments – *Continued*

Based on these criteria, LACERA's deposits and investments as of June 30, 1997 are classified as follows (dollars in thousands):

	Category 1		Category 3		Total	
	Cost	Bank Balance	Cost	Bank Balance	Cost	Bank Balance
Deposits						
Cash	$ 29,093	$ 29,093	$ 30,788	$ 30,788	$ 59,881	$ 59,881
Certificates of Deposit	208,470	208,476			208,470	208,476
Total Categorized Deposits	237,563	237,569	30,788	30,788	268,351	268,357
	Cost	Fair Value			Cost	Fair Value
Investments						
U.S. Government and Agency Instruments	2,576,795	2,586,602			2,576,795	2,586,602
Domestic Corporate Bonds	2,941,312	3,129,339			2,941,312	3,129,339
Global Corporate Bonds	1,474,061	1,445,301			1,474,061	1,445,301
Private Placement Bonds	240,868	242,165			240,868	242,165
Total Bonds	7,233,036	7,403,407			7,233,036	7,403,407
Domestic Stocks	5,568,952	8,123,685			5,568,952	8,123,685
Global Stocks	3,139,213	3,986,199			3,139,213	3,986,199
Domestic Convertible Debentures	12,359	11,957			12,359	11,957
Global Convertible Debentures	6,075	6,631			6,075	6,631
Total Stocks & Convertibles	8,726,599	12,128,472			8,726,599	12,128,472
Corporate and Government	816,124	817,208			816,124	817,208
Total Short Term Investments	816,124	817,208			816,124	817,208
Total Categorized Investments	16,775,759	20,349,087			16,775,759	20,349,087
Investments not considered securities for purposes of custodial risk classification are as follows:						
Real Estate					1,474,858	1,627,398
Alternative Assets					379,012	504,782
Mortgages					119,967	122,644
L.A. County Treasurer Investment Pool					6,299	6,299
Investments held by broker-dealer under securities loans with cash collateral:						
Stocks						469,100
Government Bonds						759,280
Corporate Bonds						60,350
Total Uncategorized Investments					1,980,136	3,549,853
Total Deposits and Investments	**$ 17,013,322**	**$ 20,586,656**	**$ 30,788**	**$ 30,788**	**$ 19,024,246**	**$ 24,167,297**

Note: LACERA has no deposits or investments under Category 2.

Notes To Financial Statements
Note M — Deposits and Investments *– Continued*

Based on these criteria, LACERA's deposits and investments as of June 30, 1996 are classified as follows (dollars in thousands):

	Category 1		Category 3		Total	
	Cost	Bank Balance	Cost	Bank Balance	Cost	Bank Balance
Deposits						
Cash	$ 11,994	$ 11,994	$ 24,080	$ 24,080	$ 36,074	$ 36,074
Overnight Deposits			120,766	120,766	120,766	120,766
Certificates of Deposit	227,068	227,068			227,068	227,068
Total Categorized Deposits	239,062	239,062	144,846	144,846	383,908	383,908
	Cost	Fair Value			Cost	Fair Value
Investments						
U.S. Government and Agency Instruments	2,658,790	2,644,875			2,658,790	2,644,875
Domestic Corporate Bonds	2,263,253	2,398,746			2,263,253	2,398,746
Global Bonds	1,239,298	1,249,838			1,239,298	1,249,838
Private Placement Bonds	3,087	3,087			3,087	3,087
Total Bonds	6,164,428	6,296,546			6,164,428	6,296,546
Domestic Stocks	6,131,002	8,216,782			6,131,002	8,216,782
Global Stocks	2,732,205	3,097,016			2,732,205	3,097,016
Domestic Convertible Debentures	27,860	28,433			27,860	28,433
Global Convertible Debentures	15,783	16,696			15,783	16,696
Total Stocks & Convertibles	8,906,850	11,358,927			8,906,850	11,358,927
Corporate and Government	736,426	736,585			736,426	736,585
Total Short Term Investments	736,426	736,585			736,426	736,585
Total Categorized Investments	15,807,704	18,392,058			15,807,704	18,392,058
Investments not considered securities for purposes of custodial risk classification are as follows:						
Real Estate					1,109,721	1,113,103
Alternative Assets					313,495	462,524
Mortgages					99,250	112,585
Investments held by broker-dealer under securities loan with cash collateral						1,496,537
Total Uncategorized Investments					1,522,466	3,184,749
Total Deposits and Investments	**$ 16,046,766**	**$ 18,631,120**	**$ 144,846**	**$ 144,846**	**$ 17,714,078**	**$ 21,960,715**

Note: LACERA has no deposits or investments under Category 2.

Notes To Financial Statements
Note N — Related Party Transactions

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. 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 are being depreciated over the life of the lease. The lease incentive liability is being recognized over the life of the lease as a reduction to rent expense. Total operating expenses charged to LACERA were $710,317 and $719,246 for the years ended June 30, 1997 and 1996, respectively.

Note O — 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 seven years. The annual commitments under such leases were $620,683 and $324,413 in fiscal years 1997 and 1996, respectively. The building space lease agreement entered in 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 N.

Total rent expense for all operating leases, prior to the recognition of the lease incentive, was $1,331,000 and $1,043,659 in fiscal years 1997 and 1996, respectively. The lease incentive recognized in 1997 and 1996, as a reduction in rent expense, was $418,000.

Capital Commitments

LACERA's equity real estate managers identify and acquire investments on a discretionary basis. Each manager's investment activity is controlled by the Manager Investment Plan, which identifies the limitations on each manager's discretion. Such investment activities are further restricted by the amount of capital allocated or committed to each manager. Both the Manager Investment Plan and capital commitments are subject to approval by LACERA's Board of Investments (Board) and may be updated as often as necessary to reflect LACERA's investment preferences, as well as, changes in market conditions.

As of June 30, 1997, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $1,212,079,806. Subsequent to June 30, 1997, LACERA funded $97,535,600 of these capital commitments.

Schedule of Funding Progress

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
30-Jun-91	$ 10,628,716	$ 12,433,288	$ 1,804,572	85.5%	$ 2,922,157	61.8%
30-Jun-92	11,698,662	13,663,894	1,965,232	85.6%	3,218,040	61.1%
30-Jun-93	12,721,364	15,048,857	2,327,493	84.5%	3,337,583	69.7%
30-Jun-94	15,542,200	15,573,829	31,629	99.8%	3,391,441	0.9%
30-Jun-95	16,503,672	16,391,833	(111,839)[1]	100.7%	3,442,231	-3.2%
30-Jun-96	17,724,744	17,277,651	(447,093)[1]	102.6%	3,355,551	-13.3%

[1] Denotes overfunded Actuarial Accrued Liability.

Schedule of Employer Contributions

(dollars in thousands)

		Employer Contributions			
Year Ended June 30	Annual Required Contribution	Cash Contribution	Transfer From Surplus Earnings	Total Contribution	Percentage Contributed
1993	$ 365,952	$ 379,789	$ 0	$ 379,789	104%
1994	384,848	382,984	0	382,984	100%
1995	462,698	2,038,252	0	2,038,252	441%
1996	287,548	132,452	146,309	278,761	97%
1997	277,929	1,168	277,151	278,319	100%

Notes To Required Supplemental Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation dated June 30, 1996 is as follows:

Actuarial Cost Method: Entry Age Normal.

Asset Valuation Method: Five year smoothing of fair value.

Amortization of Unfunded Liability: As part of the Retirement System Funding Agreement, the County of Los Angeles (County) agrees to hold the funding level of LACERA at 97.5% through the completion of the June 30, 1999 actuarial valuation. Should LACERA's actuary determine the funded status of LACERA is below 97.5% during this time, the County will make annual contributions to LACERA, in addition to the normal cost, to achieve a 97.5% funded status using a five-year rolling amortization period. For the actuarial valuations June 30, 1999 through June 30, 2008, the County will make additional contributions to bring LACERA to a 97.5% funding status using a five-year rolling amortization period, and will make additional contributions to bring LACERA to a 100% funded status using a ten-year rolling amortization period.

Amortization Period: Open.

Amortization of Gains and Losses: Experience gains and losses are amortized over the same period as the unfunded actuarial accrued liability.

Investment Rate of Return: 8% per annum, 4% real return and 4% inflation.

Projected Salary Increases: 5.5% per annum, 1.5% merit increase and 4% inflation.

Cost-of-Living Adjustments: 0%-3% based on plan maximums tied to the change in the Consumer Price Index. No cost-of-living adjustments for Plan E.

Consumer Price Index: Increase of 4% per annum.

Administrative Expenses

For the Years Ended June 30, 1997 and 1996

(dollars in thousands)

	1997	1996
Personnel Services		
Salaries and Wages	$ 9,623	$ 8,804
Employee Benefits	3,072	2,851
Total Personnel Services	12,695	11,655
Professional Services		
Actuarial Consulting Fees	105	38
Network System Consulting Fees	166	214
Data Center Processing Charges	1,518	1,233
Computer Software Services and Support	508	697
External Audit Fees	148	119
Investment Audit Services	350	321
Disability Medical Fees	813	619
Disability Hearing Officer Fees	211	164
Disability Stenographic Fees	34	40
Disability Attorney Fees	18	33
Temporary Personnel Services	924	873
Legislative and Other Legal Services	101	137
Other Professional Services	1,235	620
Total Professional Services	6,131	5,108
Communication		
Postage	364	289
Telecommunications	144	139
Transportation and Travel	202	187
Total Communications	710	615
Rentals		
Rents and Leases	913	626
Total Rentals	913	626
Miscellaneous		
Computer Equipment & Supplies	701	1,121
Office Furniture	112	117
Stationery and Forms	276	140
Other Office Expenses	165	279
Maintenance	309	213
Educational Expenses	206	319
Parking Fees	162	196
Other County Department Charges	138	134
Insurance	106	97
Administrative Support	48	61
Other Service Charges	130	69
Total Miscellaneous	2,353	2,746
Depreciation-Fixed Assets	615	682
Total Administrative Expenses	**$ 23,417**	**$ 21,432**

Fees and Other Investment Expenses

For the Years Ended June 30, 1997 and 1996
(dollars in thousands)

	1997	1996
Investment Activity		
Investment Management Fees		
Stock Managers		
Domestic	$ 10,873	$ 13,231
International	7,159	5,020
Bond Managers		
Domestic	5,251	6,181
International	3,112	2,750
Alternative Assets Managers	15,617	9,598
Real Estate Managers	3,038	3,173
Cash and Short Term Manager	436	474
Mortgage Loan Servicers	279	270
Total From Investment Activity	45,765	40,697
Securities Lending Activity		
Securities Lending Program Expense	80,378	99,216
Total From Securities Lending Activity	80,378	99,216
Total Investment Management Fees	126,143	139,913
Other Investment Expenses		
Consultants	10,807	2,812
Custodian	402	478
Legal Counsel	26	221
Actuarial Valuation	77	66
Other	650	887
Total Other Investment Expenses	11,962	4,464
Total Fees and Other Investment Expenses	**$ 138,105**	**$ 144,377**

Schedule of Payments to Consultants

For the Years Ended June 30, 1997 and 1996
(dollars in thousands)

	1997	1996
Audit		
External Auditors	$ 148	$ 119
Investment Audit Services	350	321
Total	498	440
Legal		
Disability Attorney Fees	18	33
Outside Legal Services	48	94
Total	66	127
Actuarial		
Actuarial Consulting Fees	105	38
Management		
Legislative Consulting	54	43
Network Consulting Fees	212	214
Synergy Systems Consulting	43	60
Filenet Consulting Fees	63	116
Other Software Consulting	6	25
Total	378	458
Total Payments to Consultants	**$ 1,047**	**$ 1,063**

For fees paid to Investment Professionals refer to Fees and Other Investment Expenses, page 42.

investment section

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INVESTMENT CONSULTANT'S REPORT

August 5, 1997

The Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

The year ended June 30, 1997 was yet another extraordinary year for the LACERA retirement assets. Assets for the fund grew $543 million for the fiscal year ending June 30, 1997, primarily due to both asset appreciation and investment income.

The return on assets for the year was 17.7%; annualized returns for three and five years ending June 30, 1997 were 16.43% and 13.30%. Since the last annual report, the Board has materially enhanced the structure of the major asset classes in several key areas listed below:

1. The Board established a new set of comprehensive investment guidelines for the fund and each asset class. New guidelines were also written for administrative, policy and trustee related issues. These guidelines now serve as the guidepost for management of the fund.

2. U.S. fixed income segment was restructured to enhance diversification. This included emphasizing risk control and sector and security selection as the primary strategies within high quality fixed income. High yield fixed income was also approved as a new investment strategy addition to the fixed income segment. A new separate account cash manager was hired as well.

3. U.S. equity stable of managers changed to improve the overall structure of the U.S. equity portion and to increase the passive portion in both large and small capitalization stocks.

4. A critical review of alternative investments resulted in the development of a written alternative investment strategy and action plan. In addition, LACERA replaced the existing private equity advisor to diversify the fund's exposure to new partnership investments.

In Russell's view, the Board and investment staff conducted extensive analysis of each asset class in the course of the year and developed long term policies. These enhancements should improve the fund returns and improve risk controls at the asset class level and establishment of explicit objectives and targets at all levels. LACERA has assembled a first class investment staff that should assure that LACERA stays in the forefront of retirement plan investment activity.

Sincerely,

Kelley Fairbank
Senior Consultant

Sincerely,

Gloria Reeg
Director of Global Consulting

Russell

Tacoma London Sydney
New York Zurich Auckland
Toronto Paris Tokyo

General Information

The overall goal of LACERA's investment program is to provide Association participants with retirement benefits as required by the County Employees Retirement Law of 1937, Government Code Section 31450, et seq. This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The Board of Investments has exclusive control of all investments of the retirement system, and is responsible for the establishment of investment objectives, strategies and policies. The Board is composed of four members elected by active and retired members of the system, four public members appointed by the Los Angeles County Board of Supervisors, and the County Treasurer-Tax Collector who serves in the capacity of ex-officio member.

Article 16, Section 17 of the California Constitution and Government Code Sections 31594 and 31595 authorize the Board of Investments to invest in any form or type of investment deemed prudent in the informed opinion of the Board. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to LACERA and the investment portfolio:

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

- 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 system so as 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.

LACERA's assets are exclusively managed by external, professional investment management firms. Members of the Investment Office staff closely monitor the activity of these managers and assist the Board of Investments with the implementation of investment policies and long-term investment strategies.

Summary of Investment Objectives

The Board of Investments has adopted an Investment Policy Statement which provides the Board a framework for the management of LACERA's investments. The Investment Policy Statement establishes investment program goals and policies, asset allocation policies, performance objectives, investment management policies and risk controls. It also defines the principal duties of the Board, Investment Office staff, investment managers, master custodian, and consultants.

LACERA's primary investment objective is to efficiently allocate and manage the assets dedicated to the payment of retirement and disability benefits. These assets are managed on a total return basis. While recognizing the importance of the "preservation of capital," LACERA also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long term.

The total portfolio return, over the long term, is directed toward achieving and maintaining a fully funded status for the pension fund. Prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of LACERA's members and beneficiaries.

LACERA's total fund performance objective is to exceed a custom index comprised of each asset class' specific benchmark. Stock and bond returns will be reviewed over rolling five-year periods. Real estate and alternative asset performance will be evaluated over rolling 10-15 year periods.

Asset Allocation

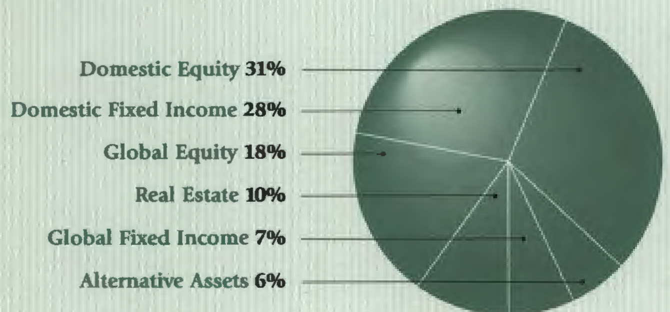
A pension fund's strategic asset allocation plan/policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines an optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives.

On November 15, 1995, the Board of Investments adopted LACERA's current asset allocation plan. The following factors were evaluated to determine this new plan:

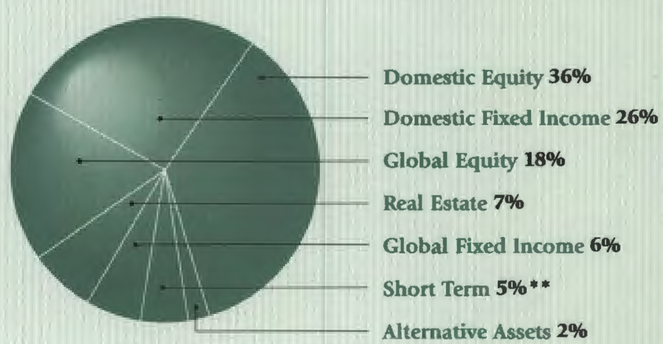
- Projected actuarial assets, liabilities, benefit payments and contributions.
- Historical and expected long-term capital market risk and return behavior.
- Future economic conditions, including inflation and interest rate levels.
- LACERA's current and projected funding status.

Over time, the Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract. LACERA's asset allocation targets are long-term by design because of the illiquidity of certain asset classes such as Real Estate and Alternative Assets. Therefore, the implementation process is planned over a five-year time horizon. As a result, the actual allocation should not be expected to match the target allocation during the implementation period. Illustrated below are the 1997 target and actual asset allocations.

1997 TARGET ASSET ALLOCATION



1997 ACTUAL ASSET ALLOCATION*



* The 1997 Actual Asset Allocation is based upon the Investment Summary on page 49.

** Short Term investments may include Corporate and Government Bonds, Certificates of Deposits and Overnight Deposits.

INVESTMENT SUMMARY
For The Year Ended June 30, 1997

(dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Investments		
U.S. Government and Agency Instruments	$ 2,586,602	11.34%
Domestic Corporate Bonds	3,129,339	13.72%
Global Corporate Bonds	1,445,301	6.34%
Private Placement Bonds	242,165	1.06%
Total Bonds	7,403,407	32.46%
Domestic Stocks	8,123,685	35.61%
Global Stocks	3,986,199	17.47%
Domestic Convertible Debentures	11,957	0.05%
Global Convertible Debentures	6,631	0.03%
Total Stocks & Convertibles	12,128,472	53.16%
Corporate and Government	817,208	3.58%
Certificates of Deposits	208,476	0.92%
Total Short Term Investments	1,025,684	4.50%
Real Estate	1,627,398	7.13%
Alternative Assets	504,782	2.21%
Mortgages	122,644	0.54%
Total Uncategorized Investments	2,254,824	9.88%
Total Investments	**$ 22,812,387**	**100.00%**

INVESTMENT RESULTS BASED ON FAIR VALUE*

As of June 30, 1997

		Annualized	
	Current Year	3-Year	5-Year
Total Fund	17.7%	16.5%	13.3%
Large Cap Equity	32.6	26.1	18.7
Benchmark: S&P 500	34.7	28.8	19.8
Mid/Small Cap Equity	6.6	22.5	16.4
Benchmark: Russell 2500	20.1	22.3	18.6
International Equity	20.0	12.7	15.6
Benchmark: EAFE Net	12.8	9.1	12.8
Domestic Fixed Income	8.3	8.4	7.3
Benchmark: Broad Market Index[1]	8.2	8.5	7.2
International Fixed Income	13.5	12.1	
Benchmark: Soly Non - U.S. Hedged	13.0	12.0	9.6
Real Estate[2]	13.0	11.0	6.7
Benchmark: NCREIF	10.2	8.4	4.6
Alternative Assets[2]	28.8	24.4	23.4

[1] Salomon Brothers BIG through 12/31/95; Lehman Aggregate Index thereafter
[2] One Quarter in arrears

* Using time-weighted rate of return based on the market rate of return

LARGEST STOCK HOLDINGS

As of June 30, 1997

(dollars in thousands)

Shares	Stocks	Fair Value
375,750	Intel Corporation	$ 53,286
768,800	General Electric Corporation	49,972
771,000	BankAmerica Corporation	49,778
771,800	Du Pont E I De Nemours & Co	48,527
380,200	CitiCorp	45,838
339,825	Pfizer Incorporated	40,609
890,100	3M Com Corporation	40,055
563,910	Nationsbank Corporation	36,408
342,394	Chase Manhattan Corporation	33,234
457,900	Applied Matls Incorporated	32,425

LARGEST BOND HOLDINGS

As of June 30, 1997

(dollars in thousands)

Par	Bonds	Fair Value
112,565,000	U.S. Treasury Bonds 06.625% *due 02-15-2027*	$ 110,138
89,000,000	U.S. Treasury Notes 07.125% *due 09-30-1999*	90,822
58,825,000	U.S. Treasury Notes 07.500% *due 02-15-2005*	62,244
62,542,000	U.S. Treasury Notes 05.500% *due 11-15-1998*	62,171
82,878,000	Germany (Fed Rep) Bonds 8.000% *due 07-22-2002*	54,365
29,950,000	Treasury Stk 8.500% *due 12-07-2005*	54,182
49,575,000	U.S. Treasury Notes 09.250% *due 08-15-1998*	51,349
50,150,000	U.S. Treasury Notes 07.000% *due 04-15-1999*	50,941
48,117,000	U.S. Treasury Notes 08.125% *due 02-15-1998*	48,816
45,054,000	U.S. Treasury Bonds 06.500% *due 11-15-2026*	43,209

A complete list of portfolio holdings is available upon request.

SCHEDULE OF INVESTMENT MANAGEMENT FEES

For the Years Ended June 30, 1997 and 1996

(dollars in thousands)

	1997	1996
Investment Activity		
Stock Managers		
Domestic		
Bankers Trust Company	$ 514	$ 448
Capital Guardian Trust Co.	1,414	4,008
Chancellor Capital Management	390	780
Delta Asset Management	1,053	974
Hamilton Lane Advisors	213	
Invesco Capital Management	443	603
Loomis, Sayles & Company	1,105	1,057
Mitchell Hutchins Institutional Investors		164
Morgan Stanley Asset Mgt., Inc.	68	965
Pilgrim Baxter & Associates	667	639
Progress Investment Mgt. Co.	827	729
Putnam Investments	654	1,071
RCB International	930	789
The Oak Associates, Inc.	338	
The Putnam Advisory Company, Inc.	1,167	
Weiss, Peck & Greer	1,090	1,004
Total	10,873	13,231
International		
Bankers Trust Co. (EAFE)	979	275
Capital Guardian Trust Co.	2,914	1,270
Global Asset Management	1,146	1,009
Morgan Grenfell Investment Service Ltd.	595	521
Schroder Capital Management Int'l.	704	691
UBS Asset Management	821	1,254
Total	7,159	5,020
Bond Managers		
Domestic		
Bankers Trust Company		154
Blackrock Financial Mgmt. Inc.	505	
Bradford & Marzec, Inc.	179	336
Brown Brothers Harriman & Co.	437	1,006
Capital Guardian Trust Co.	884	2,554
Dodge & Cox	369	
IDS Advisory Group Inc.	147	
J. P. Morgan	261	
Loomis, Sayles & Company, L.P.	201	
Mackay-Shields Financial Corp.	322	505
Massachusetts Financial Services	159	312
Miller Anderson & Sherrerd, L.L.P.	511	
Nicholas-Applegate	363	673
TCW Asset Management Co.	354	641
UBS Asset Management (N.Y.) Inc.	340	
Western Asset Management Company	219	
Total	5,251	6,181

SCHEDULE OF INVESTMENT MANAGEMENT FEES - *Continued*

For the Years Ended June 30, 1997 and 1996

(dollars in thousands)

	1997	1996
International		
Brinson Partners, Inc.	$ 781	$ 741
Capital Guardian Trust Co.	908	674
J. P. Morgan Investment Mgt., Inc.	711	669
Morgan Grenfell Asset Management	712	666
Total	3,112	2,750
Alternative Assets		
Various Fund Managers	15,617	9,598
Real Estate		
Various Fund Managers	3,038	3,173
Cash and Short Term		
Bankers Trust Company	61	474
Scudder, Stevens & Clark, Inc.	375	
Total	436	474
Mortgage Loan Servicers		
Whole Loan Mortgage	63	101
Member Home Loan	216	169
Total	279	270
Total Fees from Investment Activity	45,765	40,697
Securities Lending Activity		
Management Fee	3,059	2,138
Borrower Rebate	77,319	97,078
Total Fees from Securities Lending Activity	80,378	99,216
Total Investment Management Fees	**$ 126,143**	**$ 139,913**

actuarial section

John Vieira
Principal

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310 551-5677
Fax: 310 551-5757
Internet: vieiraj@towers.com

Towers Perrin

September 17, 1997

Board of Investments
Los Angeles County Employees Retirement Association
300 North Lake Avenue, Suite 820
Pasadena, CA 91101-4199

Dear Members of the Board:

We are pleased to advise that, based on the June 30, 1996 valuation, it is our opinion that LACERA continues to be in sound condition in accordance with the actuarial principles of level cost financing. The June 30, 1996 actuarial valuation determined the funding status of LACERA to be 102.6% using the entry age normal method with a five-year smoothing actuarial value of assets.

By way of historical perspective, we note that the June 30, 1977 valuation of LACERA reflected an unfunded actuarial accrued liability (UAAL) of approximately $2,797 million and a funding level of 41.7%. Commencing July 1, 1978, the County began making additional payments to LACERA to discharge the UAAL over a 30-year period. As of June 30, 1994, the UAAL had been reduced to approximately $1,997 million, bringing the funding level of LACERA to approximately 87.2%.

LACERA's goal of eliminating the UAAL by June 30, 2007 was achieved early when, during fiscal year 1994-1995, a Retirement System Funding Agreement was negotiated with the County. Under the Agreement, the County issued pension obligation bonds and transferred the proceeds to LACERA. The June 30, 1995 actuarial valuation determined the funding status of LACERA to be 100.7% with a surplus of $112 million.

The Retirement System Funding Agreement requires the County to maintain the funding level of LACERA at 97.5% through the completion of the June 30, 1998 actuarial valuation using a five-year rolling amortization period. For actuarial valuations performed in the period June 30, 1999 through June 30, 2008, the County must discharge any remaining UAAL component identified in the June 30, 1999 actuarial valuation by making annual contributions to LACERA over a 10-year period commencing July 1, 2000 to maintain a 100% funded status. Any additional UAAL identified in the June 30, 1999 through June 30, 2008 actuarial valuations must be discharged by making additional contributions to LACERA over a rolling five-year amortization period.

Actuarial valuations are performed annually to monitor LACERA's funded status. Triennially, an investigation is made of the appropriateness of all economic and non-economic assumptions. Recommendations are presented to the Board for consideration. The last triennial investigation was performed as of June 30, 1995, which produced assumptions recommended by the Actuary and adopted by the Board of Investments. The data used in the actuarial valuation and investigation were provided by the Board and were used after the data had been examined for reasonableness by our staff.

LACERA staff prepared the supporting schedules in this section and the trend tables in the financial section based on information supplied in our report.

Respectfully submitted,

John Vieira

John Vieira, A.S.A., E.A.

JV/ja

Direct Dial: (310) 551-5677

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions and Methods: Recommended by the Actuary and adopted by the Board of Investments.

Actuarial Cost Method: Entry age normal.

Actuarial Asset Valuation Method: Five-year smoothing of fair value.

Amortization of Gains and Losses: Experience gains and losses are amortized over the same period as the unfunded actuarial accrued liability.

Investment Rate of Return: 8% per annum, 4% real and 4% inflation.

Projected Salary Increases: 5.5% per annum, 1.5% merit increase and 4% inflation.

Termination of Employment Rates: 0 to 10 percent.

Cost-of-Living Adjustments: 0%-3% based on plan maximums tied to the change in the Consumer Price Index. No cost-of-living adjustments for Plan E.

Expectation of Life After Retirement: 1983 Group Annuity Mortality.

Expectation of Life After Disability: 1981 Group Annuity Mortality.

RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

	Number of Members						
Fiscal Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Retiree Payroll (In Thousands)	% Increase in Retiree Payroll	Average Annual Allowance
1992	36,202	2,103	(1,204)	37,101	$ 564,582	9.63%	15,217
1993	37,101	3,583	(1,151)	39,533	647,696	14.72%	16,384
1994	39,533	1,590	(1,379)	39,744	719,061	11.02%	18,092
1995	39,744	1,812	(1,275)	40,281	767,425	6.73%	19,052
1996	40,281	3,967	(3,341)	40,907	815,629	6.28%	19,939
1997	40,907	2,096	(1,130)	41,873	871,137	6.81%	20,804

ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
30 Jun 91	General	65,640	$ 2,331,565,378	$ 35,520	7.66%
	Safety	10,817	590,592,043	54,599	10.79%
	Total	**76,457**	**2,922,157,421**	**38,220**	**8.12%**
30 Jun 92	General	67,485	2,565,702,972	38,019	7.03%
	Safety	11,284	652,337,160	57,811	5.88%
	Total	**78,769**	**3,218,040,132**	**40,854**	**6.89%**
30 Jun 93	General	67,073	2,672,622,408	39,846	4.81%
	Safety	10,959	664,961,088	60,677	4.96%
	Total	**78,032**	**3,337,583,496**	**42,772**	**4.69%**
30 Jun 94	General	65,413	2,725,672,524	41,669	4.57%
	Safety	10,527	665,768,796	63,244	4.23%
	Total	**75,940**	**3,391,441,320**	**44,659**	**4.41%**
30 Jun 95	General	66,511	2,769,393,504	41,638	-0.07%
	Safety	10,643	672,837,672	63,219	-0.04%
	Total	**77,154**	**3,442,231,176**	**44,615**	**-0.10%**
30 Jun 96	General	63,857	2,677,870,716	41,935	0.71%
	Safety	10,749	677,680,248	63,046	-0.27%
	Total	**74,606**	**3,355,550,964**	**44,977**	**0.81%**

ACTUARY SOLVENCY TEST

(dollars in thousands)

	Actuarial Accrued Liability (AAL)					Percentage of AAL Covered by Assets		
Valuation Date	(1) Active Members	(2) Retired/Vested Members	(3) Employer Financed Portion	Total	Actuarial Value of Assets	(1) Active	(2) Retired	(3) Employer
30 Jun 91	$ 1,420,733	$ 5,670,213	$ 5,342,342	$ 12,433,288	$ 10,628,716	100%	100%	66%
30 Jun 92	1,733,080	6,229,881	5,700,933	13,663,894	11,698,662	100%	100%	66%
30 Jun 93	1,702,809	7,561,981	5,784,067	15,048,857	12,721,364	100%	100%	60%
30 Jun 94	1,859,718	8,348,646	5,365,465	15,573,829	15,542,200	100%	100%	99%
30 Jun 95	2,022,633	9,002,459	5,366,741	16,391,833	16,503,672	100%	100%	102%
30 Jun 96	2,213,761	9,736,641	5,327,248	17,277,650	17,724,744	100%	100%	108%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

(dollars in millions)

	1991	1992	1993	1994	1995	1996
Prior Valuation Unfunded Actuarial Accrued Liability	$ 1,413	$ 1,804	$ 1,965	$ 2,327	$ 32	($ 112)
Expected Increase from Prior Valuation	9	36	81	96	61	103
Salary Increases Greater (Less) than Expected	265	200	70	(95)	(205)	(339)
Terminations Fewer (Greater) than Expected			150			
Change in Assumptions		28			(180)	
Transfer of Assets from Undistributed Earnings		(240)				
Change in Asset Valuation Method						
Asset Return Less (Greater) than Expected	98	(17)	(220)	(98)	(42)	(443)
Retirements Greater (Fewer) than Expected			250	(150)		
Pension Obligation Bond Proceeds				(1,965)		
All Other Experience	19	154	31	(83)	222	344
Ending Unfunded Actuarial Accrued Liability (Surplus)	**$ 1,804**	**$ 1,965**	**$ 2,327**	**$ 32**	**($ 112)**	**($ 447)**

PROBABILITY OF OCCURRENCE

Age Nearest	Ordinary Withdrawal	Vested Withdrawal	Ordinary Death	Ordinary Disability	Service Retire.	Service Disability	Service Death	DWE Svc. Ret.	DWE Dis. Ret.
Plan A General Members - Male									
20	0.0934	0.0000	0.0001	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000
30	0.0686	0.0000	0.0003	0.0000	0.0000	0.0003	0.0000	0.0000	0.0002
40	0.0313	0.0000	0.0003	0.0001	0.0000	0.0017	0.0000	0.0000	0.0006
50	0.0135	0.0000	0.0006	0.0010	0.0300	0.0034	0.0000	0.0000	0.0016
60	0.0118	0.0000	0.0014	0.0028	0.0910	0.0060	0.0000	0.0000	0.0039
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Plan B General Members - Male									
20	0.0934	0.0000	0.0001	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000
30	0.0686	0.0000	0.0003	0.0000	0.0000	0.0003	0.0000	0.0000	0.0002
40	0.0313	0.0000	0.0003	0.0001	0.0000	0.0017	0.0000	0.0000	0.0006
50	0.0135	0.0000	0.0006	0.0010	0.0150	0.0034	0.0000	0.0000	0.0016
60	0.0118	0.0000	0.0014	0.0028	0.0910	0.0060	0.0000	0.0000	0.0039
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Plan C and D General Members - Male									
20	0.0934	0.0000	0.0001	0.0000	0.0000	0.0002	0.0000	0.0000	0.0000
30	0.0686	0.0000	0.0003	0.0000	0.0000	0.0003	0.0000	0.0000	0.0002
40	0.0313	0.0000	0.0003	0.0001	0.0000	0.0017	0.0000	0.0000	0.0006
50	0.0135	0.0000	0.0006	0.0010	0.0000	0.0034	0.0000	0.0000	0.0016
60	0.0118	0.0000	0.0014	0.0028	0.0910	0.0060	0.0000	0.0000	0.0039
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Plan A General Members - Female									
20	0.1031	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0695	0.0000	0.0001	0.0000	0.0000	0.0004	0.0000	0.0000	0.0000
40	0.0373	0.0000	0.0001	0.0002	0.0000	0.0008	0.0000	0.0000	0.0006
50	0.0232	0.0000	0.0003	0.0007	0.0250	0.0017	0.0000	0.0000	0.0010
60	0.0000	0.0000	0.0006	0.0020	0.0620	0.0033	0.0000	0.0000	0.0016
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Plan B General Members - Female									
20	0.1031	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0695	0.0000	0.0001	0.0000	0.0000	0.0004	0.0000	0.0000	0.0000
40	0.0373	0.0000	0.0001	0.0002	0.0000	0.0008	0.0000	0.0000	0.0006
50	0.0232	0.0000	0.0003	0.0007	0.0130	0.0017	0.0000	0.0000	0.0010
60	0.0000	0.0000	0.0006	0.0020	0.0620	0.0033	0.0000	0.0000	0.0016
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000
Plan C and D General Members - Female									
20	0.1031	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0695	0.0000	0.0001	0.0000	0.0000	0.0004	0.0000	0.0000	0.0000
40	0.0373	0.0000	0.0001	0.0002	0.0000	0.0008	0.0000	0.0000	0.0006
50	0.0232	0.0000	0.0003	0.0007	0.0000	0.0017	0.0000	0.0000	0.0010
60	0.0000	0.0000	0.0006	0.0020	0.0620	0.0033	0.0000	0.0000	0.0016
70	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000

PROBABILITY OF OCCURRENCE – *Continued*

Age Nearest	Ordinary Withdrawal	Vested Withdrawal	Ordinary Death	Ordinary Disability	Service Retire.	Service Disability	Service Death	DWE Svc. Ret.	DWE Dis. Ret.
Plan A Safety Members									
20	0.0728	0.0000	0.0001	0.0000	0.0000	0.0002	0.0001	0.0000	0.0000
30	0.0256	0.0000	0.0001	0.0000	0.0000	0.0050	0.0001	0.0000	0.0002
40	0.0112	0.0000	0.0001	0.0006	0.0000	0.0169	0.0001	0.0000	0.0005
50	0.0004	0.0000	0.0002	0.0008	0.0452	0.0328	0.0002	0.0000	0.0008
60	0.0004	0.0000	0.0000	0.0000	0.1408	0.0673	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 Safety Members									
20	0.0728	0.0000	0.0001	0.0000	0.0000	0.0002	0.0001	0.0000	0.0000
30	0.0256	0.0000	0.0001	0.0000	0.0000	0.0050	0.0001	0.0000	0.0002
40	0.0112	0.0000	0.0001	0.0006	0.0000	0.0169	0.0001	0.0000	0.0005
50	0.0004	0.0000	0.0002	0.0008	0.0657	0.0328	0.0002	0.0000	0.0008
60	0.0004	0.0000	0.0000	0.0000	0.2048	0.0673	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

CONTRIBUTORY PLANS A, B, C, D, AND F

GOVERNMENT CODE SECTIONS OR BOARD OF RETIREMENT BYLAWS

ANNUAL BUDGET

The annual budget of the retirement association covering the entire expense of administration system is charged against the earnings of the retirement fund. The expense incurred in any year cannot exceed eighteen-hundredths of one percent of the total assets of the retirement system. **(31580.2)**

MEMBERSHIP

Eligibility:

Permanent employees of Los Angeles County and participating districts who work 3/4 time or more are eligible for membership in the Los Angeles County Employees Retirement Association (LACERA). **(31551, 31552, Bylaws)**

Employees eligible for safety membership (law enforcement, fire fighting and lifeguards) become safety members on the first day of the month after date of hire. **(31558)**

All other employees become general members on the first day of the month after date of hire, or the first day of the month after they make an election of either Plan D or Plan E, depending on the law in effect at that time. **(31493, 31493.5, 31493.6, Bylaws)**

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

General members in Plan E may transfer all their Plan E service credit to Plan D during an approved transfer period by making the required contributions. Transferred members relinquish, waive, and forfeit any and all vested or accrued benefits available under any other retirement plan and are entitled only to the benefits of Plan D. **(31494.1, 31494.3)**

Retirement Plans and Membership Dates:

The County has established seven defined benefit plans (General Plans A, B, C, D and E and Safety Plans A and B) and two defined contribution plans (General Plan F and Safety Plan F) based on a member's date of entry into LACERA. (Noncontributory Plan E is detailed separately at the end of this section.) The following contributory plans provide retirement, disability and death benefits for members and their beneficiaries:

Plan A: General and safety members – prior to September 1977

Plan B: General members – September 1977 through September 1978
Safety members – September 1977 to present

Plan C: General members – October 1978 through May 1979

Plan D: General members – June 1979 through January 3, 1982; and those hired on or after January 4, 1982 who elect Plan D instead of Plan E

Plan F: General members in Plan D and safety members in Plan B who first became members on or after January 1, 1990, and are subject to the limitations set forth in Section 415 of the Internal Revenue Code of 1986. **(31510)**

MEMBER CONTRIBUTIONS

Contributions are based on the nearest entry age of each member and are required of all members in Plans A, B, C, and D. (If a member is also in Plan F, a portion of the contribution under General Plan D or Safety Plan B will be credited to Plan F.) Current rates are published in the plan disclosure booklets. The contribution rate is multiplied by the member's compensation earnable to compute the actual contribution. **(31620, 31639.1, 31510.2, 31510.4)**

The County withdrew its employees from Social Security effective January 1,1983. General members in Plans A, B, and C who were covered by Social Security as County employees prior to that date, paid only two-thirds of the contribution rate on the first $350 of salary while Plan D members paid only two thirds of the rate on the first $1,050 of salary. The full rate was applicable on salaries above these amounts. **(31812)**

Contributions are deducted monthly from wage warrants and are credited to each individual member's account. **(31625)**

Contributions cease when members are credited with 30 years of service in a contributory plan provided they were members of LACERA or a reciprocal system on March 7, 1973, and continuously thereafter. **(31625.2, 31836.1)**

Former members who return to service may redeposit withdrawn contributions plus interest from date of withdrawal. Redeposit may be by lump sum or installment payments over a ten-year period. Membership is the same as if unbroken except that current contributions are based on nearest age at reentry. **(31652, Bylaws)**

Members who were retired for disability and return to membership after a determination they are no longer disabled, or return to membership following a service retirement and elect Plan D, make contributions based on their nearest age at reentry. **(31733, 31680.4, 31680.5)**

Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Investments on amounts that have been on deposit for at least six months. No interest is credited after termination of membership unless deferred retirement is elected or is deemed to have been elected. **(31591, 31700)**

Member contributions made through payroll deductions are considered to be employer contributions for tax purposes only and are made on a before-tax basis. (Effective August 1, 1983, per Internal Revenue Code Section 414(h)(2).)

Member contributions may be refunded upon termination of employment by filing a withdrawal application. If the money is not claimed within five years, if first employed on or after January 1, 1976, (ten years if first employed before January 1, 1976), the unclaimed funds become a part of the Employer Reserves. **(31628, 31629)**

EMPLOYER CONTRIBUTIONS

In addition to member contributions, the employer (County or district) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary. **(31453, 31454, 31581)**

The County or district may also make additional appropriations to fund any deficit or to amortize unfunded accrued actuarial obligations. **(31453.6, 31454.5, 31454.6)**

SERVICE AND BREAKS IN SERVICE

Service means uninterrupted employment of any person appointed or elected for a given period provided: **(31641, Bylaws)**

(a) Deductions are made from the member's earnable compensation from the County or district for such service.

(b) Member contributions are made for specific military service authorized by other provisions of the County Employees Retirement Law (CERL).

(c) Credit is received for County service and/or for public service under the provisions of Article 7 (Service) in the CERL.

(d) Credit, as defined in the Bylaws, is allowed for prior service.

The following are not considered as breaking the continuity of service: **(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 (Deferred Retirement) followed by reemployment before withdrawal of any accumulated contributions.

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

When a member receives credit for temporary, seasonal, intermittent, or part-time service performed either before or during membership, the credit received will be proportionate to the time required to perform the same duties in a full-time position. A "year of service" in a 1/2 time position would mean it would take two years to earn one full year of credit. **(31640.5)**

Members may purchase service credit to increase their retirement benefits for the following types of service:

Temporary or Permanent Time **(31641.5)**

Redeposit of Withdrawn Contributions **(31652)**

Sick Without Pay **(31646)**

Federal/Military **(31641.1, 31641.2(a), Board of Supervisors Resolution)**

Other Public Agency **(31641.1, 31641.2(c), Board of Supervisors Resolution)**

Any Public Entity Located Wholly in the County of Los Angeles **(31643, 31644, Bylaws)**

SERVICE AND BREAKS IN SERVICE - *Continued*

United States of America, State of California or any Public Entity Located Within the State of California **(31643, 31644, Bylaws)**

General to Safety Service **(31639.75)**

A member who elects to purchase credit under Section 31494.3, 31641.1, 31641.5, 31646, 31652 or under regulations adopted by the Board of Retirement (Bylaws) under Section 31643 or 31644 must complete the purchase within 120 days after the effective date of retirement. **(31485.6)**

SERVICE RETIREMENT ALLOWANCE

Compensation Limit:

The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the U.S. Code. **(31671)**

Combined General and Safety Service:

Members who earn service credit as both a general and safety member will receive a combined retirement allowance after retirement. The benefits for each type of service will be added together to determine the total retirement allowance payable. **(31664.65)**

Payment of Allowance:

A retired member's retirement allowance may be paid by warrant or the retired member may authorize the allowance to be directly deposited by electronic fund transfer into the member's financial institution. **(31452.6, 31590)**

Retirement Plan Allowances:

Retirement allowances are based on retirement plans which provide different levels of benefits. Two important differences between the plans are the age factors which determine the percent of final compensation per year of service and the final compensation periods: one year versus three years. The plans and their benefits are as follows:

PLAN A

Retirement Eligibility:

General members: Age 50 with 10 years of County service, or any age with 30 years of service or age 70 regardless of the number of years of service. **(31672)**

Safety members: Age 50 with 10 years of County service, or any age with 20 years of service or age 60 (mandatory retirement age for safety members hired before April 1, 1997), regardless of the number of years of service. There is no mandatory retirement for safety members hired on or after April 1, 1997. **(31662.4, 31662.6, 31663.25)**

SERVICE RETIREMENT ALLOWANCE - *Continued*

Allowance:

General members: 1/60 x final compensation x general Plan A age factor x years of service. Allowance may not exceed 100% of final compensation. **(31676.14)**

For those years of County service in which a member was covered by Social Security prior to January 1, 1983, substitute 1/90 for 1/60 for compensation up to and including $350 per month. Use the formula in the paragraph above for compensation in excess of $350 per month. Service prior to membership is also calculated using the formula in the paragraph above unless it was County service which was covered by Social Security. **(31808)**

Final compensation is the average monthly compensation for the last one year of service if the member does not elect a different one-year period. **(31462.1)**

Safety members: 1/50 x final compensation x safety Plan A age factor x years of service. Allowance may not exceed 100% of final compensation. **(31664)**

Final compensation is the average monthly compensation for the last one year of service if the member does not elect a different one-year period. **(31462.1)**

PLAN B

Retirement Eligibility/Allowance:

Same eligibility and allowance formula as Plan A, except general Plan B age factors are different than general Plan A; safety Plan B age factors are the same as safety Plan A. For both general and safety Plan B, final compensation is the average monthly compensation for the last three years of service if the member does not elect a different three-year period. If a member has less than three years of service, final compensation is determined by dividing the member's total compensation by the number of credited months of service. **(31664, 31676.11)**

PLAN C

Retirement Eligibility/Allowance:

Same eligibility and allowance formula as general Plan A, except general Plan C age factors are different and final compensation period is three years as in Plan B. **(31676.1)**

PLAN D

Retirement Eligibility/Allowance:

Same eligibility and allowance formula as general Plan A, except $350 figure is replaced by $1,050 and final compensation period is three years as in Plan B. In addition, Plan D age factors are the same as Plan C age factors. **(31676.1, 31808)**

PLAN F

Two defined contribution plans (general Plan F and safety Plan F) are provided for persons who first became members of the retirement system on or after January 1, 1990, and are subject to the limitations set forth in Section 415 of the Internal Revenue Code. These plans, in conjunction with general Plan D and safety Plan B are intended to provide approximately the same level of retirement benefits to persons who became members before January 1, 1990. The actuary determines the portion of the members' contributions which are credited to Plan F. **(31510, 31510.1, 31510.2, 31510.3, 31510.4)**

UNMODIFIED AND OPTIONAL RETIREMENT ALLOWANCES

Unmodified Retirement Allowance:

An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance or a nonservice-connected disability retirement allowance to an eligible surviving spouse (or eligible children) is equal to 60% of the member's allowance. To receive this continuance the spouse must be the designated beneficiary and have been married to the member at least one year prior to retirement. **(31760.1, 31785)**

If there is no spouse or the spouse dies while receiving a LACERA allowance, the continuance is payable to the member's children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school.

The continuance of an unmodified service-connected disability retirement allowance to an eligible surviving spouse (or eligible children) is equal to 100% of the member's allowance. To receive this allowance the spouse must be the designated beneficiary and have been married to the member prior to retirement. **(31786)**

A child eligible to receive a survivor benefit under Section 31760.1, 31781.1, 31786, or 31787 is considered unmarried if the child is not married as of the date the member dies, whether or not the child was previously married. If the child thereafter marries, eligibility for the survivor benefit is terminated, and the benefit is not reinstated if the child subsequently returns to unmarried status. **(31780.1)**

Optional Retirement Allowance:

Under an Optional Retirement Allowance a member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance as shown below. The option must be elected before the first retirement allowance payment is made. If an option is elected, the 60% continuance benefit under a service or nonservice-connected disability retirement or the 100% continuance under a service-connected disability retirement is replaced by the following: **(31760)**

Option 1 Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member. **(31761)**

Option 2 100% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member. **(31762)**

Option 3 50% of member's reduced allowance is payable to a surviving spouse or beneficiary having an insurable interest in the life of the member. **(31763)**

Option 4 Other % of member's reduced allowance is payable to a surviving spouse or beneficiary(ies) having an insurable interest in the life of the member. **(31764)**

UNMODIFIED AND OPTIONAL RETIREMENT ALLOWANCES - *Continued*

Pension Advance Option:

The Pension Advance Option is available to members who are fully insured under Social Security for the purpose of coordinating a member's retirement allowance with benefits receivable from Social Security. It is not available to disability retirees or members who elect Option 2, 3 or 4. The allowance is increased prior to age 62 and then reduced after 62 by amounts which have equivalent actuarial values. The automatic 60% continuance for eligible spouses of members who elect the Pension Advance Option is based on the unmodified allowance the member would have received if the member had not elected the option. **(31810, 31811)**

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)**

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility:

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

Definition of Disability:

Active members who are permanently incapacitated for the 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:

The allowance begins from the date of application but not earlier than the day following the last day of regular compensation. **(31724)**

The monthly allowance is equal to 50% of final compensation, or if the member is eligible to retire, the service retirement allowance, if greater. **(31727.4)**

Upon the death of a member while receiving a service-connected disability retirement allowance, 100% of the allowance continues to a surviving spouse who is designated as beneficiary and who was married to the member prior to retirement (or eligible children) unless the member elected an optional allowance. **(31760, 31786)**

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility:

Any age with five years of County service or combination of County and reciprocal service. **(31720, 31836)**

Definition of Disability:

Active members who are permanently incapacitated for the 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)**

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE - *Continued*

Allowance:

The allowance begins from the date of application but not earlier than the day following the last day of regular compensation. **(31724)**

The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b) where: **(31726, 31726.5)**

(a) is 90% of 1/60 of final compensation x years of service if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of final compensation; or **(31727(a))**

(b) is 90% of 1/60 of final compensation x years of service projected to age 65 if allowance does not exceed 1/3 of final compensation. (Members are eligible for the amount in (b) only if they are eligible to retire without relying upon service in another retirement system and the allowance computed under (a) does not exceed 1/3 of final compensation.) **(31727(b))**

For safety members 1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above. **(31727.2)**

Upon the death of a member while receiving a nonservice-connected disability retirement allowance, 60% of the allowance continues to a surviving spouse who is designated as beneficiary and was married to the member one year prior to retirement (or eligible children) unless the member elected an optional allowance. **(31760, 31760.1, 31785)**

CHANGE OF POSITION IN LIEU OF DISABILITY RETIREMENT ALLOWANCE

An incapacitated member who is eligible for either a nonservice-connected or service-connected disability retirement allowance under his or her former position may, upon approval by the Board, accept a lower paying position for which he or she is not disabled. In such cases, LACERA pays 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 in lieu of a disability retirement allowance are considered a charge against the Employer Reserves. **(31725.5, 31725.6)**

SERVICE-CONNECTED DEATH BENEFITS

Eligibility:

Active members who die in service as a result of injury or disease arising out of and in the course of employment. **(31787)**

Allowance:

An annual death allowance is payable monthly to an eligible surviving spouse (or eligible children) equal to 50% of the member's final compensation. The spouse to whom the member was married prior to sustaining the service-connected injury or disease (or eligible children) does not have to be designated as beneficiary. The spouse (or eligible children) may elect this death benefit in lieu of the lump-sum death benefit. **(31787)**

SERVICE-CONNECTED DEATH BENEFITS – *Continued*

Optional Combined Benefit:

In lieu of the monthly allowance above, a surviving spouse may elect: **(31781.3)**

(a) A lump sum equal to 1/12 of the compensation earned in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus

(b) A monthly payment equal to 100% of the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired for a service-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse.

Additional Allowance For Children:

If a member is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty, the annual death allowance described above 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)**

Additional Amount For Spouse of Safety Member:

A surviving spouse of a safety member who is killed in the performance of duty or dies as a result of an accident or an injury caused by external violence or physical force incurred in the performance of duty is also entitled to receive a lump-sum death benefit equal to 12 x monthly rate of compensation at the time of member's death in addition to all other benefits. **(31787.6)**

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility:

Active members who die while in service or while physically or mentally incapacitated for the performance of duty. **(31780)**

Death Benefit (Lump Sum):

The member's normal contributions and interest, plus 1/12 of the compensation earned in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation) is payable to the named beneficiary. **(31781)**

In lieu of the lump-sum death benefit, the following optional death benefits are available:

First Optional Death Benefit:

If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the surviving spouse (or eligible children) may elect to receive an optional death allowance equal to 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death. **(31781.1)**

If there is no spouse or the spouse dies before making an election, the legally appointed guardian makes the election on behalf of the children. The rights of a surviving spouse (or eligible children) to receive the monthly allowance supersede those of any other named beneficiary.

NONSERVICE-CONNECTED DEATH BENEFITS – *Continued*

Second Optional Death Benefit:

If a member dies prior to reaching the minimum retirement age but has 10 or more years of County service, a surviving spouse (or eligible children) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in Section 31765 (an Option 3 benefit) or 31765.1 (a 60% continuance). (31781.2)

Third Optional Death Benefit:

A surviving spouse of a member who dies after five years of County service may elect a combined benefit equal to: (31781.3)

(a) A lump sum equal to 1/12 of the compensation earned in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus

(b) A monthly payment equal to 60% of the monthly retirement allowance to which the member would have been entitled if the member had retired or been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse.

Fourth Optional Death Benefit:

If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary, the spouse (or eligible children) may elect to receive 60% of the service retirement allowance that would have been payable as of the date of death had the member not died. If the spouse dies while receiving the allowance, the continuance is payable to the member's children until they marry or turn 18, or through age 21 if they remain unmarried and are enrolled as full-time students in an accredited school. If the spouse dies before or after the member without making an election, the legally appointed guardian makes the election on behalf of the children. (31765.1)

Fifth Optional Death Benefit:

If a member dies while eligible for a service retirement and the surviving spouse is designated as beneficiary and survives the member by not less than 30 days, the spouse (or eligible children) may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3. (31765)

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

DEFERRED VESTED BENEFITS

Eligibility:

Vested members may elect to retire at any time they could have retired had they remained in County service in a full-time position. Members are 0% vested with fewer than five years of County service and 100% vested with five or more years of County service. **(31700)**

Years of service for determining eligibility for retirement include reciprocal service with all reciprocal agencies. **(31836)**

Allowance:

The allowance is calculated according to the applicable service retirement formula at the time of retirement. **(31703, 31704, 31705)**

To receive a deferred retirement allowance, member contributions must be left on deposit and the member must apply for deferred retirement benefits within 180 days of termination. Members who complete five years of service but fail to elect a deferred retirement are deemed to have elected a deferred retirement. **(31700)**

If a terminated member dies before the effective date of the deferred retirement allowance, the death benefit is the normal contributions plus interest of the member. **(31702)**

A member who has attained age 70 and is not in service or in a reciprocal retirement system must be notified that the member is eligible to apply for and shall begin receiving a deferred retirement allowance by April 1 of the year following the year in which the member attains 70-1/2. **(31706)**

Reciprocity:

Career public service is encouraged by granting reciprocal benefits to members who are entitled to retirement benefits from two or more retirement systems established under the County Employees Retirement Law (CERL) or from a county retirement system and the California Public Employees' Retirement System (CalPERS). To establish reciprocity, a member must terminate employment covered by one retirement system and enter employment covered by a reciprocal retirement system within six months if the reemployment occurs on or after January 1, 1976, (90 days for reemployment which occurs prior to January 1, 1976). **(31830, 31840.3)**

Final compensation may be based on service with CalPERS or other county retirement system, if higher. **(31835)**

Deferred members may include CalPERS service and service in another county retirement system for benefit eligibility if compensation for such service constitutes compensation earnable. **(31836)**

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

DEFERRED VESTED BENEFITS – *Continued*

Deferred members are eligible for death benefits from LACERA if they die while a member of CalPERS or other county retirement system. The death benefit is a return of normal contributions plus interest only if the death is service-related; if death is nonservice-related, benefit equals accumulated contributions plus amount necessary to bring the total LACERA plus CalPERS benefit up to 50% of the final 12 months' compensation. **(31839, 31840)**

TRANSFERS

Whenever firefighting or law enforcement functions performed by a city subject to the California Public Employees' Retirement Law are transferred to the County, employees performing those functions become members of LACERA. LACERA and the California Public Employees' Retirement System (CalPERS) may enter into an agreement whereby the members' service credit plus the members' and the cities' retirement contributions are transferred from CalPERS to LACERA. **(31657)**

COST-OF-LIVING INCREASES

Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) 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 All Urban Consumers for the area in which the county seat is situated. **(31870, 31870.1)**

Plan A members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase (or decrease) whereas Plan B, C, and D members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase (or decrease). **(31870, 31870.1)**

When the CPI exceeds 2 or 3%, the difference between the actual CPI and the maximum cost-of-living increase that can be given in any year is credited to the COLA Accumulation and may be used in future years to provide cost-of-living increases when the CPI falls below 2 or 3%, depending on the retirement plan. **(31870, 31870.1)**

A decrease in the CPI may not reduce the allowance below the amount being received by the member (or beneficiary) on the effective date of the allowance or when the cost-of-living provisions were implemented. **(31870, 31870.1)**

Members who have a COLA Accumulation of more than 25% resulting from CPI increases that exceeded the maximum cost-of-living increases that could be granted are eligible for a supplemental cost-of-living increase effective January 1 known as the Supplemental Targeted Adjustment for Retirees Cost-of-Living Adjustment (STAR COLA). **(31874.3(b))**

POST-RETIREMENT DEATH BENEFIT

A one-time lump-sum benefit of $750 is payable to the estate or to the beneficiary designated by the member upon the death of any member while receiving a retirement allowance. This is in addition to any other death or survivor benefits. The amount may be paid from surplus earnings of the retirement system, if any, but is currently paid by the County based on agreement with LACERA. **(31789.1)**

POST-RETIREMENT EMPLOYMENT

A retired member may, without reinstatement from retirement or loss of benefits, serve in various types of post-retirement service such as juror, election officer, field deputy for registration of voters, etc. **(31680.1)**

A retired member may, without reinstatement from retirement or loss of benefits, be employed in a position requiring special skills or knowledge for a period not to exceed 120 days or 960 hours, whichever is greater, in any one fiscal year or any other 12-month period determined by the County or district. **(31680.2, 31680.6)**

A member, retired for service, may be reemployed and again become an active member of the retirement association if the member is determined not to be incapacitated for the duties to be assigned. If the member is returning to general service, the member will be placed in general Plan E or the member may elect general Plan D and pay a contribution rate based on the member's nearest age at the date of reentry into the association; or if the member is returning to safety service, the member will be placed in safety Plan B and pay a contribution rate base on the member's nearest age at the date of reentry into the association. The member's retirement allowance is canceled on the effective date of the member's reemployment and resumed only upon the subsequent termination of the member from employment. The member will receive an additional allowance for the period of reemployment. Other adjustments may be made in the member's allowance. **(31680.4, 31680.5)**

A member, retired for disability, may be reemployed and again become an active member of the retirement association if the member is determined to be no longer incapacitated and reinstatement is offered by the employer. The member's allowance is terminated at reentry into the association and the contribution rate is based on the member's nearest age at the date of reentry. The member's account is credited with an amount which is the actuarial equivalent of the member's annuity at that time. The retirement plan remains the same as it was before retirement for disability. **(31730, 31733)**

NONCONTRIBUTORY PLAN E

GOVERNMENT CODE SECTIONS OR BOARD OF RETIREMENT BYLAWS

MEMBERSHIP

Eligibility:

Plan E is a noncontributory retirement plan which is only available to permanent employees of Los Angeles County and participating districts who work 3/4 time or more and are eligible for general membership in the Los Angeles County Employees Retirement Association. **(31487, Bylaws)**

Persons hired on or after January 4, 1982, become Plan E members on the first day of the month following the date of hire or date of eligibility for membership, unless they elect Plan D; or, the first day of the month following an election of Plan E, depending on the law in effect at that time. **(31487, 31493, 31493.5, 31493.6, Bylaws)**

General members in Plans A, B, C, and D who transferred all their contributory plan service credit to Plan E during an approved transfer period are also members of Plan E. Transferring members relinquish and waive all previously available vested or accrued retirement, survivor, disability and death benefits. **(31487, 31494)**

MEMBER CONTRIBUTIONS

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

EMPLOYER CONTRIBUTIONS

The employer is required to make contributions to finance Plan E based on the recommendation of the actuary. (31495)

SERVICE AND BREAKS IN SERVICE

Service means the period of uninterrupted employment of a member and the time in which a member or former member (1) is totally disabled, and (2) is receiving or is eligible to receive disability benefits under a disability plan provided by the County. (31488)

A member will not be credited with service for any period, in excess of 22 consecutive workdays, in which the member is absent from work without pay. (31488)

A member who was in public service prior to becoming a member may not receive credit for that prior public service, except as provided in 31494. (31490)

Absence from work or termination of employment while an eligible employee or disability beneficiary, under a disability plan provided by the employer, does not break the continuity of service. (31490)

An unpaid leave of absence not exceeding one year, or a leave of absence for which an employee receives any benefit which has been approved by the employer, is not considered an interruption of service. The period of unpaid leave in excess of 22 consecutive work days is not considered as service in calculating Plan E benefits. (31490)

Service does not include military service or public service other than service with the County, except that members transferring to Plan E will receive credit for public service performed prior to the transfer, including service with the County, military service, and other public service to which the member would otherwise be eligible. Note: The option to transfer to Plan E was discontinued by the County in January 1993. (31488, 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 to exceed 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 the average monthly compensation earnable during any three years (whether or not consecutive) elected by the member or the three years in which the member last earned compensation before retirement if no election is made. (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, provided that: (31491)

SERVICE RETIREMENT ALLOWANCE – *Continued*

Prior career earnings shall be assumed to have been subject to the federal system and have increased at a yearly rate equal to the average per worker total wages reported by the Social Security Administration, and (31491)

For those members who have not attained the normal retirement age under the federal system: (31491)

(a) Future earnings shall be assumed to continue at the pay rate received by the employee from the employer as of the date of retirement or date of termination of a vested member, whichever is applicable, and

(b) Future wage bases, as defined by the federal system, shall be assumed to continue at the wage base in effect in the year of retirement or year of termination of a vested member, whichever is applicable, and

(c) Cost-of-living increases in the year of retirement and delayed retirement credit provided under the federal system shall not be included in the calculation of the estimated PIA.

Adjustments will be made for members receiving a normal retirement allowance upon presentation of the actual PIA. (31491)

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:

An early retirement allowance is the actuarial equivalent of the normal retirement allowance. (31491)

UNMODIFIED AND OPTIONAL RETIREMENT ALLOWANCES

Unmodified Retirement Allowance:

An Unmodified Retirement Allowance is paid to a retired member throughout the member's life. The continuance of an unmodified service retirement allowance to an eligible surviving spouse (or eligible children) is equal to 50% of the member's allowance. To receive this continuance the spouse must have been married to the member at least one year prior to retirement. (31492)

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

Optional Retirement Allowance:

Under an Optional Retirement Allowance a retired member may elect to have the actuarial equivalent of the member's allowance as of the date of retirement applied to a lesser amount throughout the retired member's life in order to provide an optional survivor allowance for one or more designated beneficiaries who have an insurable interest in the life of the member. Please refer to Option 2, 3 and 4 described in *Unmodified and Optional Retirement Allowances* shown under the contributory plans for information on this topic. (31492)

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

A service-connected disability retirement allowance is not available under Plan E. (31487)

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

A nonservice-connected disability retirement allowance is not available under Plan E. (31487)

SERVICE-CONNECTED DEATH BENEFITS

A service-connected death benefit is not available under Plan E. (31487)

NONSERVICE-CONNECTED DEATH BENEFITS

A nonservice-connected death benefit is not available under Plan E. (31487)

VESTED BENEFITS

Vested members or vested former members may elect to retire at any time after they have completed ten years of County service and are at least age 55. Members are 0% vested with fewer than ten years of County service and 100% vested with ten or more years of County service. (31491)

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

RECIPROCITY

The provisions of reciprocity are the same as for the contributory plans 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

Cost-of-living increases are not available under Plan E. (31487)

POST-RETIREMENT DEATH BENEFIT

The only death benefits payable after retirement are the continuance allowances described above under *Unmodified and Optional Retirement Allowances*. There is no $750 lump-sum payment under Plan E. (31492)

POST-RETIREMENT EMPLOYMENT

Please refer to *Post-Retirement Employment* shown under the contributory plans for information on this topic.

statistical section

REVENUES BY SOURCE AND EXPENSES BY TYPE

(dollars in thousands)

Revenues By Source

Fiscal Year	Employer Contributions	Member Contributions	Net Investment Income[1]	Miscellaneous Revenues	Total
1992	$ 387,954	$ 146,422	$ 1,180,506	$ 154	$ 1,715,036
1993	379,789	159,406	1,093,850	496	1,633,541
1994	382,984	162,765	1,223,824	422	1,769,995
1995	2,038,253	173,464	1,194,597	618	3,406,932
1996	132,451	183,260	2,338,909		2,654,620
1997	1,168	171,014	2,338,631	589	2,511,402

Expenses By Type

Fiscal Year	Benefits	Administrative Expenses	Refunds	Miscellaneous Expenses	Total
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
1995	768,384	19,764	10,389	181	798,718
1996	817,280	21,432	20,109	52	858,873
1997	872,134	23,417	14,973	44,041[2]	954,565

[1] Excludes net appreciation in fair value of investments.
[2] Includes Retiree Healthcare Program.

ACTIVE/DEFERRED MEMBERS, AND UNCLAIMED ACCOUNTS

	1992	1993	1994	1995	1996	1997
Active Vested						
General	36,856	36,426	36,235	38,128	40,478	42,453
Safety	7,636	7,830	8,248	8,828	8,952	9,261
Sub-Total	44,492	44,256	44,483	46,956	49,430	51,714
Active Non Vested						
General	30,629	30,647	29,178	28,383	23,379	21,759
Safety	3,648	3,129	2,279	1,815	1,797	1,590
Sub-Total	34,277	33,776	31,457	30,198	25,176	23,349
Total Active Members						
General	67,485	67,073	65,413	66,511	63,857	64,212
Safety	11,284	10,959	10,527	10,643	10,749	10,851
Total	**78,769**	**78,032**	**75,940**	**77,154**	**74,606**	**75,063**
Deferred Members						
General	3,164	3,076	3,204	3,314	3,980	4,101
Safety	78	74	89	102	150	154
Total	**3,242**	**3,150**	**3,293**	**3,416**	**4,130**	**4,255**
Unclaimed Accounts						
General	1,005	787	381	310	104	75
Safety	48	35	14	11	4	3
Total	**1,053**	**822**	**395**	**321**	**108**	**78**

RETIRED MEMBERS BY TYPE OF RETIREMENT

	1992	1993	1994	1995	1996	1997
Service						
General	22,685	24,563	24,582	24,610	25,122	25,717
Safety	2,150	2,256	2,215	2,247	2,316	2,404
Total	**24,835**	**26,819**	**26,797**	**26,857**	**27,438**	**28,121**
Disability						
General	4,012	4,067	4,033	4,047	4,051	4,076
Safety	2,934	3,067	3,128	3,291	3,407	3,542
Total	**6,946**	**7,134**	**7,161**	**7,338**	**7,458**	**7,618**
Survivors						
General	4,431	4,637	4,814	4,775	4,988	5,079
Safety	889	943	972	965	1,023	1,055
Total	**5,320**	**5,580**	**5,786**	**5,740**	**6,011**	**6,134**
Total Retired Members						
General	31,128	33,267	33,429	33,432	34,161	34,872
Safety	5,973	6,266	6,315	6,503	6,746	7,001
Total	**37,101**	**39,533**	**39,744**	**39,935**	**40,907**	**41,873**

BENEFIT EXPENSES BY TYPE

(dollars in thousands)

	1992	1993	1994	1995	1996	1997
Service Retiree Payroll						
General	$ 352,667	$ 412,314	$ 462,614	$ 489,177	$ 517,034	$ 556,639
Safety	57,949	65,281	73,873	80,061	85,382	86,450
Total	**410,616**	**477,595**	**536,487**	**569,238**	**602,416**	**643,089**
Disability Retiree Payroll						
General	69,615	75,596	77,811	82,304	93,102	96,182
Safety	84,351	94,505	104,763	115,883	120,111	131,866
Total	**153,966**	**170,101**	**182,574**	**198,187**	**213,213**	**228,048**
Total Retiree Payroll						
General	422,282	487,910	540,425	571,481	610,136	652,821
Safety	142,300	159,786	178,636	195,944	205,493	218,316
Total	**564,582**	**647,696**	**719,061**	**767,425**	**815,629**	**871,137**
Lump-Sum Death Benefits						
General	1,433	1,070	715	848	1,219	820
Safety	166	32	75	111	432	177
Total	**1,599**	**1,102**	**790**	**959**	**1,651**	**997**
Total Benefit Expense						
General	423,715	488,980	541,140	572,329	611,355	653,641
Safety	142,466	159,818	178,711	196,055	205,925	218,493
Total	**$ 566,181**	**$ 648,798**	**$ 719,851**	**$ 768,384**	**$ 817,280**	**$ 872,134**

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

	Years of Credited Service					
Retirement Effective Dates	5-10	10-15	15-20	20-25	25-30	30+
7/1/96 to 6/30/97						
Retirants						
General Members						
Average Monthly Benefit	$ 897	$ 841	$ 1,278	$ 1,780	$ 2,317	$ 3,533
Average Final Average Salary	4,521	3,639	3,793	3,726	4,005	4,679
Number of Active Retirants	79	162	196	246	347	375
Safety Members						
Average Monthly Benefit	$ 2,196	$ 2,336	$ 2,497	$ 2,884	$ 3,968	$ 5,218
Average Final Average Salary	4,742	4,850	5,168	5,362	5,757	6,131
Number of Active Retirants	33	22	12	30	83	130
Survivors						
General Members						
Average Monthly Benefit	$ 621	$ 555	$ 916	$ 974	$ 993	$ 2,487
Average Final Average Salary	4,157	3,367	3,026	3,404	3,235	4,464
Number of Active Survivors	4	10	8	16	13	13
Safety Members						
Average Monthly Benefit	$ 2,230	$ 2,471		$ 2,497	$ 2,828	$ 4,533
Average Final Average Salary	4,460	4,942		4,993	5,593	6,165
Number of Active Survivors	2	1		1	3	4

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

	1992	1993	1994	1995	1996	1997
County of Los Angeles						
General Members	67,443	67,031	65,382	66,479	63,830	64,185
Safety Members	11,284	10,959	10,527	10,643	10,749	10,851
Total	**78,727**	**77,990**	**75,909**	**77,122**	**74,579**	**75,036**
Participating Agencies (General Membership)						
South Coast Air Quality Management District	20	19	10	10	8	8
Los Angeles County Office of Education	15	14	13	14	14	11
Little Lake Cemetery District	4	4	3	3	3	3
Local Agency Formation Commission	3	5	5	5	2	5
Total	**42**	**42**	**31**	**32**	**27**	**27**
Total Active Membership						
General Members	67,485	67,073	65,413	66,511	63,857	64,212
Safety Members	11,284	10,959	10,527	10,643	10,749	10,851
Total	**78,769**	**78,032**	**75,940**	**77,154**	**74,606**	**75,063**

EMPLOYER CONTRIBUTION RATES

County of Los Angeles and Local Agency Formation Commission

	General					Safety	
Effective Date	Plan A	Plan B	Plan C	Plan D	Plan E	Plan A	Plan B
1 Feb 90 to 30 Jun 92	15.18%	11.59%	11.29%	11.17%	9.82%	21.02%	13.29%
1 Jul 92 to 30 Jun 93	13.76%	10.49%	10.14%	10.36%	9.62%	19.25%	11.73%
1 Jul 93 to 30 Sep 94	13.82%	10.58%	10.11%	10.40%	9.34%	20.86%	13.17%
1 Oct 94 to 30 Jun 95	10.82%	7.58%	7.11%	7.40%	6.34%	19.56%	11.87%
1 Jul 95 to 30 Jun 96	9.73%	6.83%	6.30%	6.85%	5.63%	20.11%	11.53%
1 Jul 96 to 30 Jun 97	9.64%	6.03%	5.69%	5.90%	6.48%	16.73%	9.29%

Rates applicable to the Local Agency Formation Commission are limited to Plans D and E, General.

EMPLOYER CONTRIBUTION RATES

Los Angeles County Office of Education and Little Lake Cemetery District

	General		
Effective Date	Plan A	Plan B	Plan D
1 Sep 87 to 31 Jan 90	17.91%	14.89%	14.63%
1 Feb 90 to 31 Aug 93	14.45%	11.43%	11.17%
1 Sep 93 to 30 Sep 94	13.09%	10.42%	10.40%
1 Oct 94 to 30 Jun 95	10.09%	7.42%	7.40%
1 Jul 95 to 30 Jun 96	9.00%	6.67%	6.85%
1 Jul 96 to 30 Jun 97	8.95%	6.02%	5.90%

Rates applicable to the Los Angeles County Office of Education are limited to Plan A.

EMPLOYER CONTRIBUTION RATES

South Coast Air Quality Management District

	General		
Effective Date	Plan A	Plan B	Plan C
1 Sep 87 to 31 Jan 90	20.87%	19.20%	19.08%
1 Feb 90 to 31 Aug 93	17.41%	15.74%	15.62%
1 Sep 93 to 30 Sep 94	17.32%	14.89%	14.61%
1 Oct 94 to 30 Jun 95	14.32%	11.89%	11.61%
1 Jul 95 to 30 Jun 96	13.23%	11.14%	10.80%
1 Jul 96 to 30 Jun 97	14.56%	12.41%	11.72%

LACERA

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