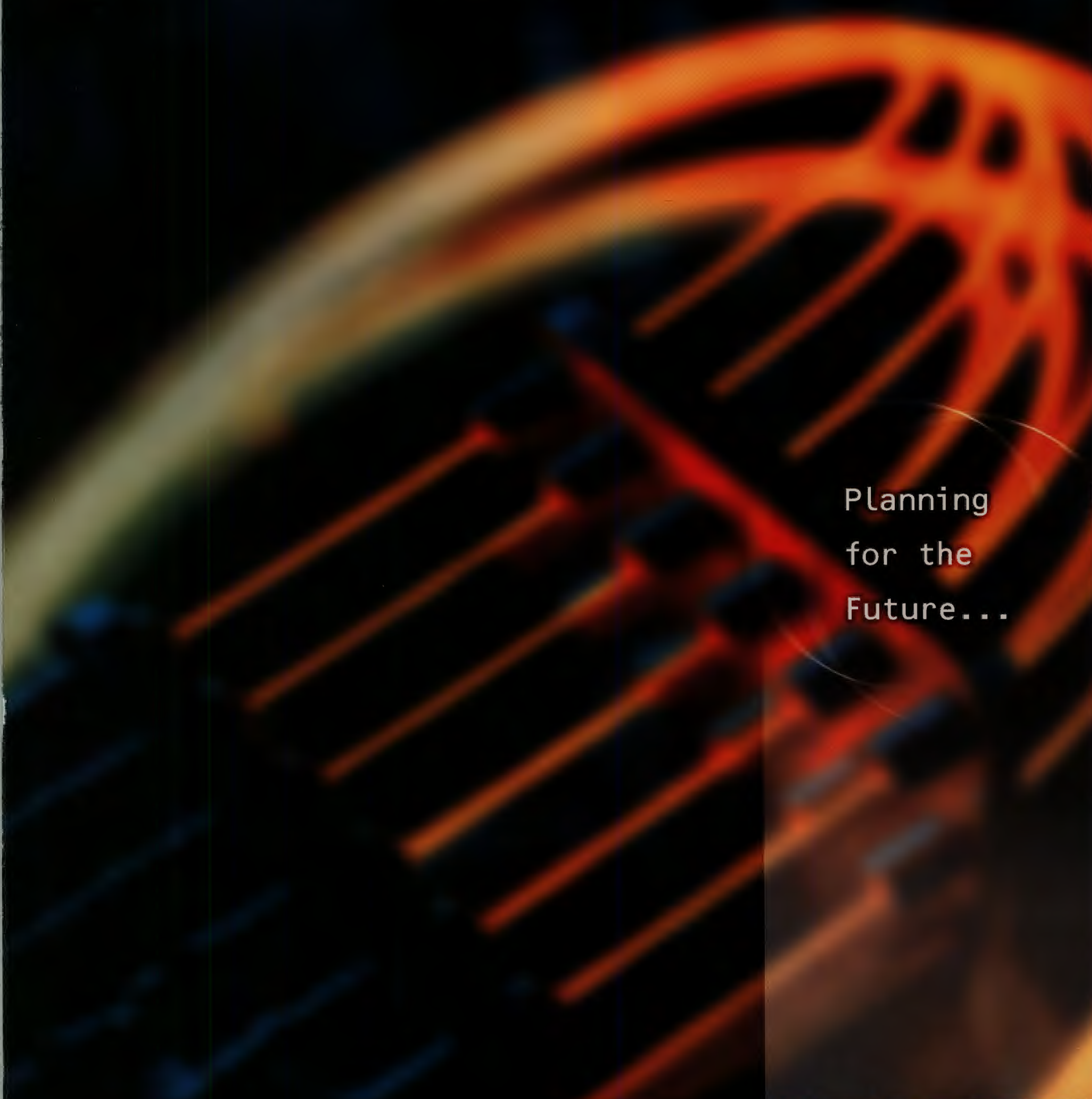
Comprehensive Annual Financial Report for the year ended June 30, 1999

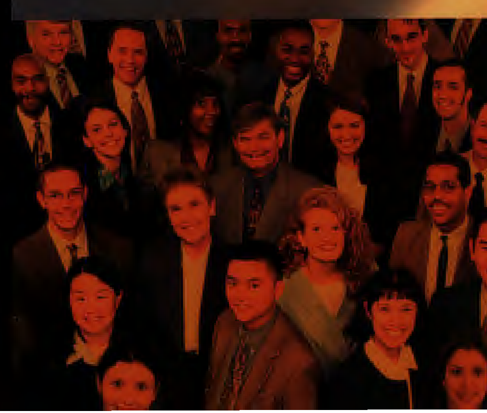
LACERA

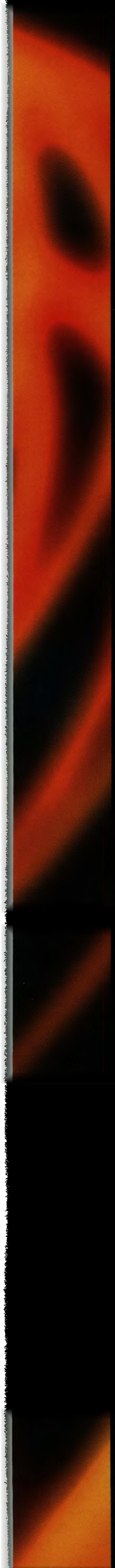


# Planning for the Future...

# Los Angeles County Employees Retirement Association

A Pension Trust Fund of the County of Los Angeles, California





**our members' future, today.**

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.

**Los Angeles County Employees Retirement Association**

**A Pension Trust Fund of the County of Los Angeles, California**

# Comprehensive Annual Financial Report for the years ended June 30, 1999 and 1998


*Issued by:*

**Marsha D. Richter**
*Chief Executive Officer*

**Gregg Rademacher**
*Assistant Executive Officer*

300 North Lake Avenue
Pasadena, CA 91101
(626) 564-6000


# 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, 1998

*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.*

*President*

*Executive Director*

# Table of Contents

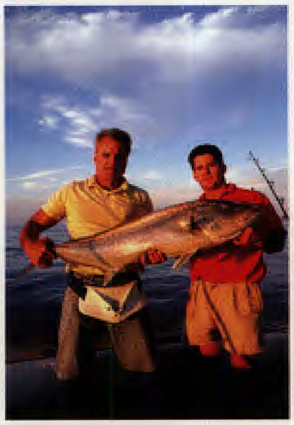
***Member Services***

*(L-R) Kathy Migita, Manager, Retiree Healthcare Services; Robert R. Hill, Manager, Special Programs Section; Sylvia Miller, Manager, Disability Investigation Section; Jan Barcus, Manager, Retirement Services Division*

# At LACERA we're working on our members' future, today.

LACERA is in the business of planning futures, and from where we stand, the future looks good.

Over the past few years LACERA has accepted the challenges associated with redesigning archaic business processes in order to develop a more efficient, cost-effective method of conducting business and enhancing member services. In doing so, we chose to "color outside the lines" of traditional preset boundaries. The result has been the emergence of a state-of-the-art electronic system that has provided staff and management with the necessary tools to improve work processes throughout the Association while maintaining high standards of integrity and member satisfaction.



Embracing computer technology has enabled us to open the door to many new advances in the way we provide customer service. In fact, nearly every type of service provided to our members has been converted to the new electronic workflow process. As each new policy, procedure, or technological advancement is implemented, we advance in fulfilling our vision: One Contact, One Response, Accuracy 100% of the time. Enhancements to our services have strengthened our relationship with our members and have increased their level of customer service satisfaction.

Member Services Representatives now have instant access to members' electronic files making it possible to process correspondence, update records and provide accurate information in a matter of minutes. In addition, we are designing a web site to make it more convenient for our members to access LACERA information and publications. We are excited about the long-term benefits of the web site. Its design capabilities will allow for future interactive communication.

As part of our continued commitment to provide our members with personal customer service, we are increasing opportunities for new County employees to attend new member workshops at various facilities throughout the County, *prior* to electing a retirement plan. In addition to providing deathbed counseling for the terminally ill and their

families, our retirement workshops are being restructured to address a wider spectrum of educational topics and services, including financial planning, and termination prior to retirement.

We maintain the belief that providing excellent service includes educating members, thereby enabling them to make informed and appropriate decisions affecting their future retirement. When an addition to the family, a job promotion, transfer to a different retirement system, or an untimely death occurs, LACERA staff is readily available to discuss the impact these events will have on a member's long-range plans. Providing accurate retirement information is imperative during times of transition.

***Internal Operations***

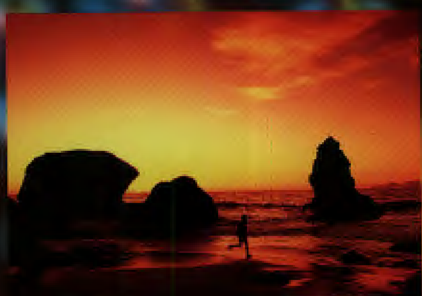
*(L-R) Fred Whiting, Manager, Systems Division; R. Terri Quintero, Manager, Administrative Services Division; Beulah Canevari, Manager, Accounting Division; Delia Price, Public Information Officer, Publications Section; Wayne Petersen, Manager, Internal Audit Section.*

Helping our members bring their retirement plans to fruition is important to us. That is why LACERA continually invests in staffs' educational and professional development, in addition to providing extensive cross training of member services. We have set the standard for encouraging progressive thinking and have succeeded in garnering 100 percent support in implementing our strategic business plan. The result is a team of dedicated professionals committed to ensuring that each member's request is thoroughly processed without interruption.

As we continue to welcome the high-tech advances synonymous with this modern era, we envision incorporating more innovative developments into our strategic business plan—those that will enhance and strengthen.

LACERA has consistently taken precautionary measures to ensure the soundness and reliability of the retirement fund. Prudent management and a diversified investment portfolio will remain our guiding principles. It is this philosophy that has helped build the Association into the $28 billion fully funded retirement system it is today.

Although some businesses may feel that providing courteous, professional, or personal service is an archaic principle—a thing of the past—it is one principle that will forever remain an essential component of our strategic business plan and vision for the future, one that will assure we meet our goal of servicing our members through *One Contact, One Response, and providing them Accuracy 100% of the time.*



**Executive**

*(L-R) Gregg Rademacher, Assistant Executive Officer; Daniel E. McCoy, Chief Counsel, Disability Litigation Services; Kenneth Shaffer, Chief Investment Officer; Dave L. Muir, Chief Counsel, Legal Services.*

October 5, 1999

**Marsha D. Richter**
*Chief Executive Officer*

# Dear Members of the Board

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the years ended June 30, 1999 and 1998. We are proud of the achievements accomplished during the year and our continued efforts to provide accurate and timely service to nearly 128,000 members including over 43,000 benefit recipients.

During this fiscal year, our service enhancement initiatives strongly reflect our goal of improving member services until 100% of members making inquiries receive courteous, professional, accurate answers with just one call. We continue to search for new and innovative methods to deliver the highest quality customer service to our members. Our Vision is the driving force of our Association because our members deserve the best.

# 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 1999. This section contains this Letter of Transmittal, a listing of the Members of the Boards of Retirement and Investments, an overview of LACERA's administrative organization, and a list of 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, PricewaterhouseCoopers, LLP, 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, Watson Wyatt Worldwide (Watson Wyatt), actuarial statistics, and general plan provisions.

The Statistical Section presents information pertaining to LACERA 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

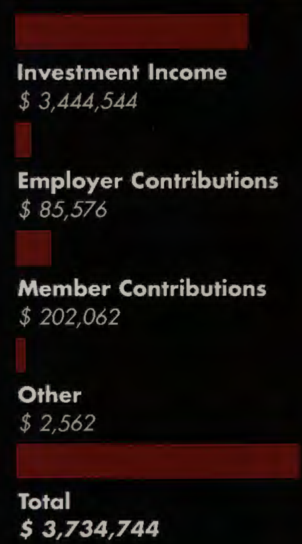
LACERA is governed by the California Constitution, the County Employees Retirement Law of 1937, and the bylaws, procedures and policies adopted by the LACERA Board of Retirement and Investments. The Los Angeles County Board of Supervisors may also adopt resolutions, as permitted by the County Employees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

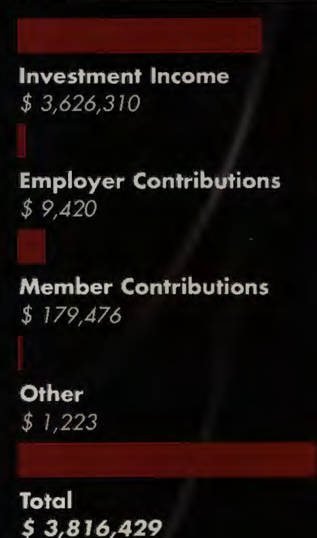
## Additions

For the Fiscal Years ended June 30, 1999 and 1998
*(dollars in thousands)*

### 1999

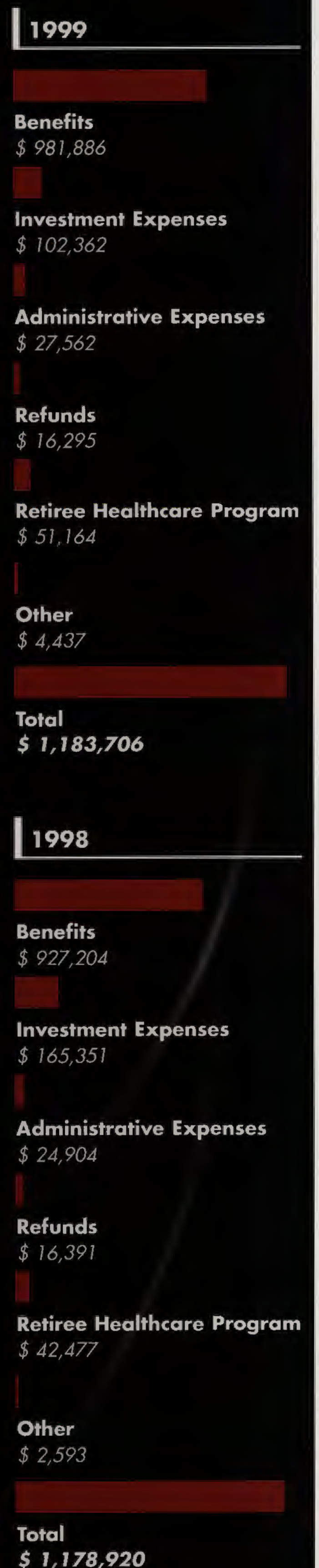



### 1998



## Deductions

For the Fiscal Years ended June 30, 1999 and 1998
*(dollars in thousands)*




## Financial Information

### Internal Control

The accounting firm of PricewaterhouseCoopers, LLP provides both financial statement audit services and agreed upon procedures accounting services. The financial attest audit states that LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The agreed upon procedures review examines LACERA's processes, procedures, and internal controls in selected areas each year. Maintaining appropriate internal controls and the financial statement presentation are the responsibility of management, with oversight by LACERA's Internal Audit Services staff.

### Additions and Deductions

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 1999 totaled $3.7 billion, a slight decrease of 2.1% from fiscal year 1998, which is principally due to a decrease in the investment income offset by an increase in employer contributions.

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 1999 were $1.2 billion, a minor increase of .41% over fiscal year 1998. This increase is chiefly due to the growth in retirement, survivor, and disability benefits paid to members.

## Actuarial Funding Status

Pursuant to provisions in the County Employees Retirement Law of 1937, LACERA engages an independent actuarial firm to perform an actuarial valuation of the system every three (3) years (i.e., triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member and employer contribution rates necessary to properly fund the system. In addition, LACERA's valuation policy requires annual valuations to monitor the funding status of the system.

During fiscal year 1997-1998, LACERA engaged Watson Wyatt to serve as its independent actuary, commencing with the June 30, 1998 triennial valuation. Watson Wyatt completed the triennial valuation as of June 30, 1998 and determined the funding status (the ratio of system assets to system liabilities) to be 99.5%. The funding status was established based on the entry age normal actuarial cost method, market value of assets reduced by amortizing the differences between book and market values over the prior five years, an assumed 8% investment return, an assumed 4% annual total payroll growth rate (annual individual salary increases, which vary by service, averaging 5.5% per year over a 25-year career), and an inflation rate of 4%.

Under the terms of the 1994 Retirement System Funding Agreement, contributions to retire the unfunded liability have been suspended until July 1, 2000, unless the System's funding ratio drops below 97.5%. Since the June 30, 1998 valuation determined the funding ratio to be 99.5%, no County contribution for unfunded liability is required for Fiscal Year 1999-2000.

## Service Efforts and Accomplishments

In early 1994, staff analyzed and evaluated the way we conducted business and determined that a complete "Reengineering" of our business processes was necessary in order to improve and enhance the level of service provided to our members. This has required a comprehensive review of existing procedures in order to delete obsolete or unnecessary activities and clearly define the expected results of each procedure. These efforts, combined with the implementation of new and sophisticated technologies, have helped streamline and improve many of those business processes.

During fiscal year 1998-1999, the following accomplishments were achieved:

- Successfully completed the imaging of existing (historical) member records to electronic format. As a result, LACERA fully migrated from a paper-based storage and retrieval system to an automated electronic document management system. Currently, approximately four million historical member paper records are electronically and immediately accessible to staff. New member documents are added to this system as they are received on a daily basis. Internal Audit Services staff supervised the quality assurance examinations to verify and validate the quality, accuracy, and completeness of the converted documents. Once such examinations were completed, a certified service provider was hired to systematically and confidentially destroy the historical paper records.

- Efficiently redesigned and implemented two additional business processes, which integrate the Workflow and Document Imaging technologies. To date, eight of 12 critical business processes have been redesigned. The Workflow technology controls staff access to specific records thereby increasing the security of our members' confidential data.

- Consistently devoted significant resources to ensure that staff is fully trained to implement each redesigned business process. An Integration Process Team was established to closely examine the entire member service process with the intent of combining similar staff functions. Our long-term goal is to enable our Retirement Benefit Specialists to perform the complete range of benefit transactions including new member enrollment, all account maintenance functions, retirement processing and the initiation of survivor benefits.

- Successfully completed a Business Impact Analysis, which identifies business processes that are critical to maintaining continuity and ensuring recovery during a disaster. In this effort, LACERA hired a Risk Manager to develop and maintain a Business Continuity Program, which includes plans for emergency response, resumption, recovery, and restoration. LACERA's primary goal is to provide members with continued essential services should a disaster or emergency situation occur.

- Diligently continued educational efforts to assist members in obtaining a better understanding of their retirement benefits. Retirement Services staff conducted 51 pre-retirement workshops at LACERA, over 130 at departmental locations, and provided information at 11 member fairs. Staff also conducted 10 deathbed counseling sessions. This is a newly established service provided to terminally ill members and their families to assist them in making retirement decisions. Over 10,600 members were assisted at our public service counter and nearly 167,700 telephone inquiries were addressed.

## 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, together with the Board of Investments, has unanimously supported the STAR program through their annual program approval and fund appropriations. The STAR program benefit costs for calendar year 1998 were $42 million, and are anticipated to be similar for calendar year 1999. The benefit, currently being received by approximately 13,000 retirees, is a non-vested entitlement.

### Healthcare Benefits Program

Under an agreement with the County of Los Angeles, LACERA administers a Healthcare Benefits Program for approximately 64,400 retirees/survivors and their eligible dependents, and a Long Term Care Program for nearly 1,600 participants.

During fiscal year 1998-1999, in our continued efforts to improve member service, staff accomplished the following:

- Conducted LACERA's 7th annual Health Fair, which is sponsored by participating healthcare providers and organizations. Approximately 1,000 retirees attended this Health Fair, which is the largest number of attendees to date.

- Implemented Blue Cross I, II, and III medical plans (effective October 1, 1998) to replace the CIGNA Healthsource Provident medical plans by transferring the enrollments of more than 12,000 retirees.

- Continued the LACERA Medicare Part B Premium Reimbursement Program for the1999 calendar year.

- Implemented the Medicare Part B Premium Reimbursement Program for the Local 1014 Fire Fighters Insurance Plan.

## Year 2000 Issue

Staff implemented a Year 2000 Compliance Work Plan (Y2K Plan), which includes assessment, remedial action, testing and implementation, and certification stages. LACERA interacts with many other entities in the exchange of information and data. We are dependent on these providers to assist in delivering our services to LACERA members. Consequently, we incorporated Year 2000 compliance for our external business partners as a function of our objectives for our Y2K Plan.

Completion of the Y2K Plan does not guarantee that LACERA will not encounter Year 2000 related problems. As of June 30, 1999, LACERA has completed all identified tasks in the Y2K Plan. Management has further assessed all work processes and developed appropriate contingency plans based on risk and priority of these processes.

## Economic and Market Review

LACERA's investment portfolio posted a 12.9% return for fiscal year 1998-1999. This fiscal year marks the fifth consecutive year that LACERA has earned double-digit returns (1997-1998 = 15.8%, 1996-1997 = 17.7%, 1995-1996 = 16.7%, 1994-1995 = 15.2%). These remarkable returns are primarily attributable to the continued strong performance of the domestic equity markets. Over the last five years, domestic equities, as measured by the Russell 3000 index, have posted an annualized return of 26.0%.

Unexpectedly, the first three months of the fiscal year were very difficult for financial markets throughout the world. In mid-August, Russia devalued its currency and defaulted on its government debt. This created a chain reaction of major financial events. With the significant decline in the value of Russian securities, leveraged investors were forced to sell any securities in any market to cover margin calls. With all this distressed selling going on and investors not willing to invest in riskier securities, capital began flowing into safer instruments. US government bonds and cash were the primary beneficiaries of this "flight to quality."

This led to a severe decline in the value of securities with any type of risk associated with them. As a result, the US stock market dropped sharply. The spread (or yield differential) between corporate bonds and government bonds widened tremendously as investors demanded higher yields to compensate for the increased risks of a potential economic slowdown. In addition, Long Term Capital Management, an enormously leveraged hedge fund managed by former Nobel Prize winners, nearly went bankrupt.

On September 29, the Federal Reserve (the Fed) cut short-term interest rates by 25 basis points. Shortly thereafter, the Fed also brought together a consortium of leading financial firms to provide a $3.5 billion bail out for Long Term Capital Management. These actions demonstrated that the Fed was not going to allow overseas events to slowdown the US economy or to allow a Long Term Capital Management bankruptcy filing to collapse the financial system. As a result, investor confidence was restored, stock markets worldwide bounced back, corporate yield spreads tightened, and capital returned to emerging markets.

The Fed subsequently cut rates by another 25 basis points on October 15. Since this last Fed intervention, interest rates increased steadily. The US economy did not appear to have been affected by a slow down in foreign economies. Robust consumer spending kept the economy growing at a faster-than-anticipated pace causing fears of increased inflation. This led bond investors to anticipate a change in Fed Policy and begin pricing into the market a series of interest rate increases. However, inflation, as measured by the Consumer Price Index, remained under control for the entire year increasing by only 2%.

This conflicting information on expected inflation created significant volatility in the bond market which ended the year with a 3.1% return, as measured by the Lehman Brothers Aggregate Bond Index. The yield on the 30-year Treasury bond started the fiscal year at 5.63%, decreased to a low of 4.72% on October 5, climbed as high as 6.16% on June 24, before ending the fiscal year at 5.96%. It should be noted that the Fed did, in fact, increase short-term rates by 25 basis points on June 30, 1999.

While all financial markets worldwide were being affected by the "flight to quality" and increasing interest rates, Europe began a new era on January 1, 1999: the Euro became the official currency for eleven European countries. While each participating country will maintain its existing currency until the Euro begins circulating on January 1, 2001, the Deutsche Mark, Franc, Peseta, etc. are now treated as a denomination of the Euro. The European Central Bank, based in Frankfurt, will be responsible for determining monetary policy for all eleven participating countries.

The Japanese stock market posted a double-digit gain (10.7% in local terms) for only the second time since fiscal year 1992-1993. Because the Bank of Japan cut interest rates to almost zero, stocks were the key recipient of capital moving out of short-term investments. The stock market also benefited from a recovering economy, expansionary fiscal policies, and accelerated corporate restructuring. Interest rates remained quite volatile with 10-year Japanese Government Bonds yielding 1.3% at the beginning of the year, declining to 0.8% in October, rising to 2.5% in February, and ending the year at 1.8%. Relative to the US dollar, the Japanese yen appreciated by 12.7% over the last year.

Although it was a difficult year for bond markets worldwide, LACERA's investment portfolio still delivered a respectable return. This fiscal year represents a great example of the benefits of portfolio diversification. All other asset classes produced excellent results contributing to performance and counterbalancing the modest returns from fixed income investments.

**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 comprehensive annual financial report for the fiscal year ended June 30, 1998. This was the ninth consecutive year that LACERA has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine certificate eligibility.

**Acknowledgements**

The preparation of the comprehensive 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, PricewaterhouseCoopers, LLP, 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

RETIREMENT

## Members of the Board of Retirement at June 30, 1999

**Chair/Alternate Member**

### Cody Ferguson

*Los Angeles County Fire Department. Elected by safety members. Present term expires December 31, 2001. Elected Chair of the Board January 6, 1999.*

**Vice Chair**

### Edgar H. Twine

*Appointed by the Board of Supervisors. Present term expires December 31, 1999. Elected Vice Chair of the Board January 6, 1999.*

**Secretary**

### Robert A. Stotelmeyer

*Retired. Elected by retired members. Present term expires December 31, 1999. Re-elected Secretary of the Board, January 6, 1999.*

**Member**

### Mark J. Saladino

*Treasurer and Tax Collector. Ex-officio member.*

**Member**

### Warren L. Bennett

*Appointed by the Board of Supervisors. Present term expires December 31, 2001.*

**Member**

### Michael L. Falabrino

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

**Member**

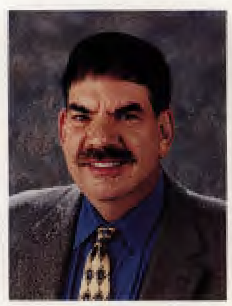
### Les Robbins

*Sheriff's Department. Elected by safety members. Present term expires December 31, 2001.*

**Member**

### Simon S. Russin

*Department of Health Services. Elected by general members. Present term expires December 31, 2000.*



**Member**

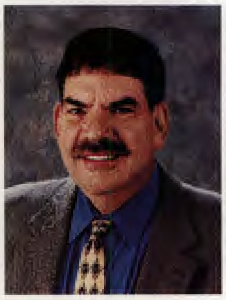
### Richard N. Shumsky

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

**Member**

### Denis J. Weber

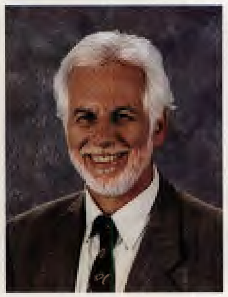
*Appointed by the Board of Supervisors. Present term expires December 31, 2000.*



**Chair**

## Richard N. Shumsky

*Probation Department. Elected by general members. Present term expires December 31, 2000. Elected Chair of the Board January 13, 1999.*



**Vice Chair**

## Michael Schneider

*Appointed by the Board of Supervisors. Present term expires December 31, 1999. Elected Vice Chair of the Board January 13, 1999.*

**Secretary**

## Simon S. Russin

*Department of Health Services. Elected by general members. Present term expires December 31, 1999. Elected Secretary of the Board January 13, 1999.*

**Member**

## Mark J. Saladino

*Treasurer and Tax Collector. Ex-officio member.*

**Member**

## Daniel R. Cohen

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

**Member**

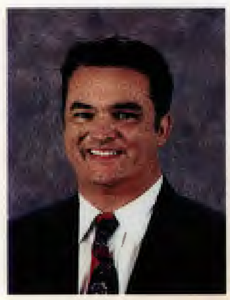
## Norman S. Johnson

*Retired. Elected by retired members. Present term expires December 31, 1999.*

**Member**

## Les Robbins

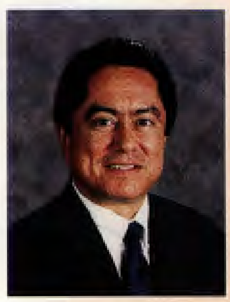
*Sheriff's Department. Elected by safety members. Present term expires December 31, 2001.*



**Member**

## Alex Soteras

*Appointed by the Board of Supervisors. Present term expires December 31, 2000.*



**Member**

## Estevan R. Valenzuela

*Appointed by the Board of Supervisors. Present term expires December 31, 2001.*

# LACERA Organization Chart

- **Board of Retirement**
- **Board of Investments**
  - **Chief Executive Officer**
    Marsha D. Richter
    - **Internal Audit Services**
      Wayne Petersen, Manager
    - **Office of the Boards**
      Alicia Gonzalez, Sec.
      Elizabeth Duran, Sec.
    - **Disability Litigation Services**
      Daniel E. McCoy, Chief Counsel
    - **Special Programs Section**
      Robert R. Hill, Manager
    - **Investment Office**
      Kenneth Shaffer, Chief Investment Officer
    - **Retiree Healthcare Services**
      Kathy Migita, Manager
    - **Legal Services**
      David L. Muir, Chief Counsel
    - **Assistant Executive Officer**
      Gregg Rademacher
      - **Disability Investigation Section**
        Sylvia Miller, Manager
      - **Retirement Systems Division**
        Fred Whiting, Manager
      - **Publications Section**
        Delia Price, Public Information Officer
      - **Retirement Accounting Division**
        Beulah Canevari, Manager
      - **Administrative Services Division**
        R. Terri Quintero, Manager
      - **Retirement Services Division**
        Jan Barcus, Manager

## Consulting Services

### Actuary
Watson Wyatt & Company

### Auditors
Financial Controls Systems, Inc.
PricewaterhouseCoopers, LLP

### Custodian
Chase Manhattan Bank
Mellon Trust

### Data Processing
Los Angeles County
Internal Services Department

### Governance Consultant
Institutional Shareholder
Services, Inc.

### Investment Consultants
Frank Russell Company
Northern Trust Global Advisors
Progress Investment
Management Company
The Townsend Group

### Legal Counsel
Bose McKinney & Evans
Cox, Castle & Nicholson
Christensen, Miller, Fink, Jacobs,
Glaser,Weil & Shapiro, L.L.P.
D'Ancono & Pflaum
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
Tobin, Lucks & Goldman
Donald K. Anderson

## Investment Managers

### Alternative Assets
Brinson Partners, Inc.
Hamilton Lane Advisors
Harbourvest International
Private Equity Partner
Invesco Private Capital, Inc.
Knightsbridge Advisors, Inc.

### Cash & Short-Term
Scudder, Stevens & Clark, Inc.

### Equity - Domestic
Bankers Trust Company
Bramwell Capital
Management, Inc.
Capital Guardian Trust Company
Cardinal Capital Management
CIC Asset Management
Delta Asset Management
Evergreen Capital
Management, Inc.
Geneva Capital Management Ltd.
Globalt Inc.
Gries Financial Corporation
GW Capital, Inc.
Hahn Capital Management
Hourglass Capital Management
ICM Asset Management, Inc.
Keeley Asset Management
Loomis, Sayles & Company, L.P.
Marsico Capital Management
Mazama L.L.C.
Capital Management
McKinley Capital Management
Oak Associates
Putnam Advisory Company, Inc.
Putnam Investment Management
Rampart Investment Management
Simms Capital Management
SMC Capital, Inc.
The Edgar Lomax Company
Twin Capital Management

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

### Fixed Income - Domestic
American Express Asset
Management Group, Inc.
Bankers Trust Company
BlackRock Financial
Management, Inc.
Dodge & Cox
J.P. Morgan
Investment Management, Inc.
Loomis, Sayles & Company, L.P.
Miller Anderson & Sherrerd, L.L.P.
Morgan Stanley Dean Witter
Oaktree Capital
Management, L.L.C.
Western Asset
Management Company
W. R. Huff Asset
Managment Co. L.L.C.

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

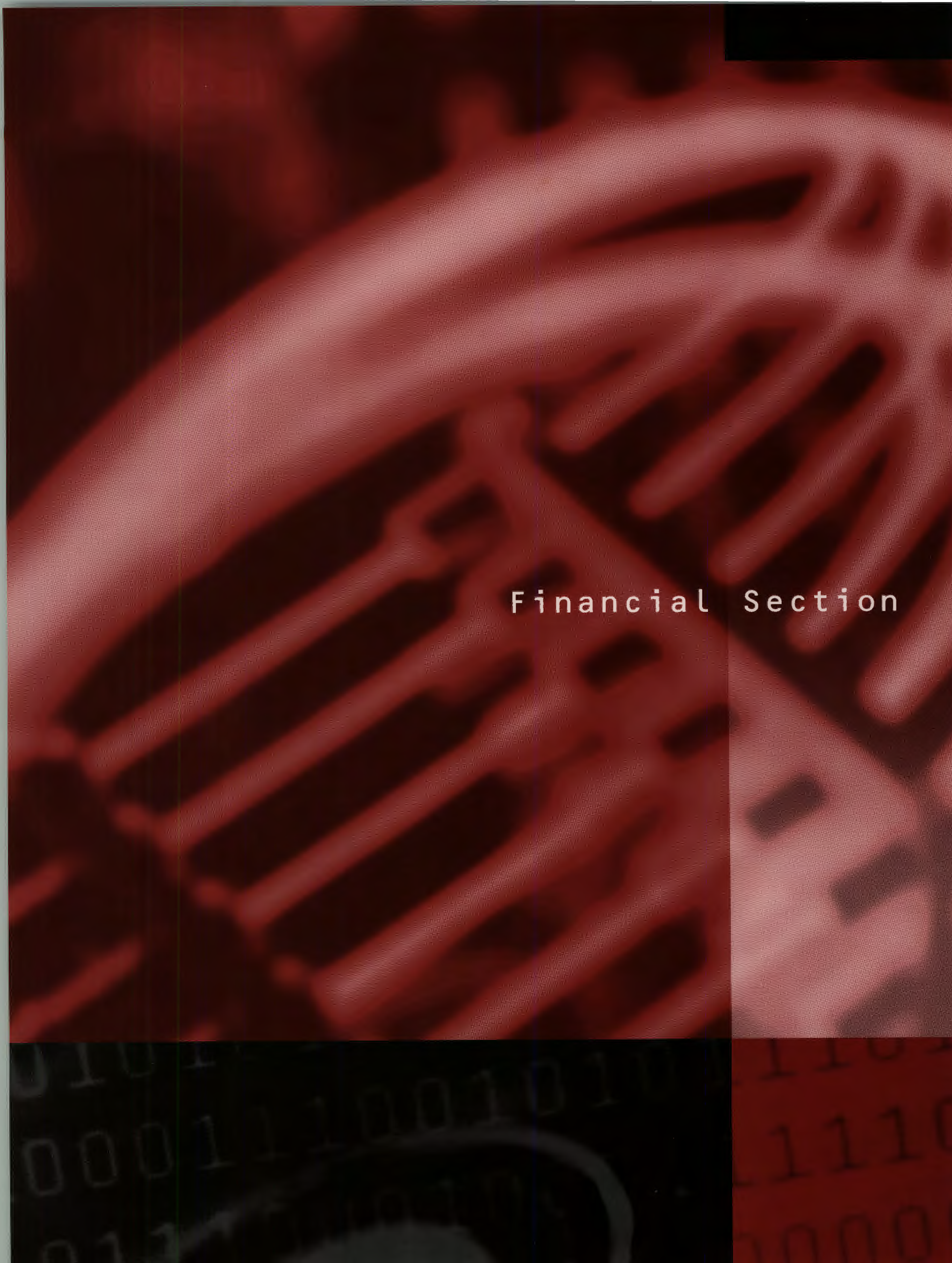
### Mortgage Loan Servicer
Alliance Mortgage Company
Atlantic Mortgage &
Investment Corporation
Bank of America Mortgage
GMAC Mortgage Corporation
Matrix Financial
Services Corporation
Mellon Mortgage
Wells Fargo Bank
U.S. Mortgage

### Real Estate
Clarion Partners
Heitmon/JMB
Advisory Corporation
Invesco Realty Advisors
L & B Real Estate Counsel
Lend Lease R. E.
Investments, 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

### Commercial Banking
Bank of America, NT & SA
Mellon Bank Global
Cash Management
Sanwa Bank California

# List of Professional Consultants



# Financial Section

## Report of Independent Accountants

PRICEWATERHOUSECOOPERS

**PricewaterhouseCoopers LLP**
400 South Hope Street
Los Angeles CA 90071-2889
Telephone (213) 236-3000

October 1, 1999

Board of Retirement and Investments
Los Angeles County Employees Retirement Association

In our opinion, the accompanying statement of plan net assets and the related statements of changes in plan net assets present fairly, in all material respects, the financial position of the Los Angeles County Employees Retirement Association ("LACERA") as of June 30, 1999 and 1998, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

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.

The year 2000 supplementary information on page 37 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by GASB Technical Bulletin 98-1 ("TB 98-1"), as amended, are not sufficiently specified and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that LACERA is or will become year 2000 compliant, that LACERA's year 2000 remediation efforts will be successful in whole or in part, or that parties with which LACERA does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated October 1, 1999 on our consideration of LACERA's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants.

PricewaterhouseCoopers LLP

# FINANCIAL STATEMENTS

## Statement of Plan Net Assets

As of June 30, 1999 and 1998
*(dollars in thousands)*

| | 1999 | 1998 |
|---|---|---|
| **Assets** | | |
| Cash | $ 34,848 | $ 27,520 |
| Collateral on Loaned Securities | 925,311 | 1,412,420 |
| Receivables | | |
| Accounts Receivable - Sale of Investments | 103,836 | 137,969 |
| Accrued Interest and Dividends | 161,088 | 140,928 |
| Accounts Receivable - Other | 55,375 | 18,627 |
| Total Receivables | 320,299 | 297,524 |
| Investments at Fair Value - Note M | | |
| Stocks | 15,005,922 | 13,022,486 |
| Bonds | 7,568,418 | 8,839,761 |
| Short Term Investments | 1,689,967 | 927,118 |
| Real Estate | 2,678,052 | 2,242,754 |
| Alternative Assets | 1,163,303 | 715,967 |
| Mortgages | 197,028 | 167,180 |
| Total Investments | 28,302,690 | 25,915,266 |
| Fixed Assets Net of Depreciation | 1,426 | 1,823 |
| **Total Assets** | **29,584,574** | **27,654,553** |
| **Liabilities** | | |
| Accounts Payable - Purchase of Investments | 548,883 | 677,864 |
| Retiree Payroll and Other Warrants Payable | 16,920 | 19,877 |
| Accrued Expenses | 17,921 | 30,280 |
| Leasehold Incentives | 627 | 1,045 |
| Tax Withholding Payable | 10,164 | 9,121 |
| Obligations under Securities Lending Program | 925,311 | 1,412,420 |
| Accounts Payable - Other | 21,441 | 11,767 |
| **Total Liabilities** | **1,541,267** | **2,162,374** |
| **Net Assets Held in Trust for Pension Benefits** | **$ 28,043,307** | **$ 25,492,179** |

(A Schedule of Funding Progress is presented in the Required Supplemental Information on page 35.)

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

## FINANCIAL STATEMENTS

### Statement of Changes in Plan Net Assets

For the Years Ended June 30, 1999 and 1998
*(dollars in thousands)*

| | 1999 | 1998 |
|---|---|---|
| **Additions** | | |
| Contributions | | |
| Employer | $ 85,576 | $ 9,420 |
| Member | 202,062 | 179,476 |
| Total Contributions | 287,638 | 188,896 |
| Investment Income | | |
| *From Investing Activities* | | |
| Net Appreciation in Fair Value of Investments | 1,320,290 | 590,388 |
| Investment Income | 2,068,178 | 2,948,729 |
| Total Investing Activity Income | 3,388,468 | 3,539,117 |
| Less Expenses From Investing Activities | (51,682) | (84,032) |
| Net Investing Activity Income | 3,336,786 | 3,455,085 |
| *From Securities Lending Activities* | | |
| Securities Lending Income | 56,076 | 87,193 |
| Less Expenses From Securities Lending Activities | (50,680) | (81,319) |
| Net Securities Lending Income | 5,396 | 5,874 |
| Total Net Investment Income | 3,342,182 | 3,460,959 |
| Miscellaneous | 2,562 | 1,223 |
| **Total Additions** | **3,632,382** | **3,651,078** |
| **Deductions** | | |
| Retiree Payroll | 980,035 | 926,407 |
| Administrative Expense - Note B | 27,562 | 24,904 |
| Refunds | 16,295 | 16,391 |
| Lump-Sum Death Benefits | 1,851 | 797 |
| Retiree Healthcare Program | 51,164 | 42,477 |
| Miscellaneous | 4,347 | 2,593 |
| **Total Deductions** | **1,081,254** | **1,013,569** |
| Net Increase | 2,551,128 | 2,637,509 |
| Net Assets Held in Trust for Pension Benefits Beginning of Year | 25,492,179 | 22,854,670 |
| **End of Year** | **$ 28,043,307** | **$ 25,492,179** |

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 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 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 noncontributory plan tier upon entry into service. Additional information regarding the benefit structure is included in the Summary of Plan Provisions in the Actuarial Section of this report.

At June 30, 1999 and 1998, LACERA membership consisted of:

| | 1999 | 1998 |
|---|---|---|
| Active Members: | | |
| Vested | 53,231 | 52,449 |
| Nonvested | 26,445 | 24,276 |
| Total Active Members | 79,676 | 76,725 |
| Retired Members | 43,112 | 42,888 |
| Terminated Vested (Deferred) | 5,019 | 4,776 |
| **Total Membership** | **127,807** | **124,389** |

### Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates ten 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 1 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 1. Effective April 1 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 1 for members and survivors who were retired prior to April 1. 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 Accumulation. 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 the authority to grant supplemental cost-of-living increases. Under this program, known as the Supplemental Targeted Adjustment for Retirees (STAR), excess 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 on an annual basis as long as sufficient excess 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, 1999 (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 | 269,168 | (44,349) | 490,236 |
| Program Year 1998 | 267,098 | (42,225) | 715,109 |
| Program Year 1999 through June 30 | 347,397 | (19,907) | **$ 1,042,599** |
| **Total** | **$ 1,523,174** | **($ 480,575)** | |

# 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 (County). Annual financial statements are included in the County's Annual Financial Report as a pension trust fund.

Management prepared the financial statements of LACERA and its component units. Due to the significance of their operational and financial relationships with LACERA, the component units are included as part of the reporting entity.

LACERA wholly owns numerous Title Holding Corporations (THCs). The THCs are nonprofit corporations under Section 501 (c)(25) of the Internal Revenue Code. The THCs invest in commercial properties located throughout the United States. The financial activities of the THCs are included in the accompanying financial statements as blended component units. Additional detailed information for these entities can be obtained from LACERA's Retirement Accounting Division, 300 North Lake Avenue, Suite 720, Pasadena, CA 91101.

### 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

The LACERA Boards of Retirement and Investments annually adopt the operating budget for the administration of LACERA. The administrative expenses are charged against 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, 1998 at fair value | $ 25,026,793 |
| Maximum Allowable for Administrative Expense (.0018 x $25,026,793) | 45,048 |
| Operating Budget for Fiscal Year 1998-1999 | 31,246 |
| Actual Administrative Expenses for the Fiscal Year ended June 30, 1999 | 27,562 |
| **Underexpended Operating Budget** | **$ 3,684** |

The administrative operating budget includes allocations for fixed assets.

# NOTES TO FINANCIAL STATEMENTS

**NOTE B — Summary of Significant Accounting Policies** – *Continued*

## Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Fixed assets are capitalized upon purchase and depreciated over their useful lives. Depreciation is calculated using the straight-line method with five-year useful lives for equipment and ten years for furniture, structures, and leasehold improvements.

The cost and accumulated depreciation of fixed assets as of June 30, 1999 and 1998 were as follows *(dollars in thousands)*:

| | 1999 | 1998 |
|---|---|---|
| Furniture and Equipment | $ 4,318 | $ 4,057 |
| Structures and Improvements | 2,829 | 2,829 |
| Total Fixed Assets (at cost) | 7,147 | 6,886 |
| Less: Accumulated Depreciation | | |
| Furniture and Equipment | 3,318 | 2,943 |
| Structures and Improvements | 2,403 | 2,120 |
| Total Accumulated Depreciation | 5,721 | 5,063 |
| **Total Fixed Assets Net of Depreciation** | **$ 1,426** | **$ 1,823** |

## 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, 1999 and 1998 were $1,321,863 and $1,435,890, respectively.

## Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings translated to US dollars using the exchange rates in effect at June 30, 1999 and 1998, which have original maturities of less than 90 days.

## 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 when they exceed the balance in the Contingency Reserve. Investments are carried at fair value as described on the following page.

# 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 US 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, 1999 and 1998. |
| Mortgages | Equivalent pricing to comparable GNMA. |
| Real estate equity funds | Provided by real estate fund manager. |
| Real estate title holding corporations | Fair value of the investment as noted in the audited property financial statements. |
| Alternative assets | Provided by the fund's valuation committee. LACERA's alternative asset consultant reviews the market value information provided by funds without a valuation committee. |
| Private placement bonds | Face value of the security subject to adjustment for conditions noted in the respective audited financial statement. |

### Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statements of Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in the prior year's data have been reclassified in order to be consistent with the current year's presentation.

## 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.

For the first quarter of fiscal year 1998-1999, the County financed its employer contributions due LACERA through monthly cash payments. As part of the Retirement System Funding Agreement (Agreement) between LACERA and the County, effective with the October 1998 contribution, the County prepaid its contributions for the remaining nine months of fiscal year 1998-1999, as well as the contributions for fiscal year ended June 30, 2000 through transfers from surplus earnings as defined in the Agreement.

## 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. The County prefunded its employer contributions due LACERA for the two fiscal years ended June 30, 1999 and 2000. At June 30, 1999, the present value of the earned contribution was approximately $247,053,000. The remaining balance of the advanced funded contributions is approximately $266,966,000, which will be applied toward the contributions due for Fiscal Year 1999-2000.

*County Contribution Credit Reserve* represents the balance of the County's proportionate share (i.e., 75%) of surplus earnings as stipulated in the Retirement System Funding Agreement between LACERA and the County. Additions include distributions from surplus earnings, when available. Deductions include payments, as the County authorizes, for future employer contributions due LACERA and for funding the Retiree Healthcare Account. This Account is used to subsidize a portion of the Retiree Healthcare Program under the provisions of Internal Revenue Code Section 401(h).

*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 the County Contribution Credit Reserve. 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 $706 million and $1,649 million represent 3% and 6% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 1999 and 1998, respectively, and as such, the Contingency Reserve is considered fully funded.

Reserves as of June 30, 1999 and 1998 are as follows *(dollars in thousands)*:

| | 1999 | 1998 |
|---|---|---|
| Member Reserves | | |
| Active Members | $ 7,166,631 | $ 6,678,564 |
| Unclaimed Deposits | 62 | 147 |
| Total Member Reserves | 7,166,693 | 6,678,711 |
| Employer Reserves | | |
| Actual Employer Contributions | 11,541,173 | 11,008,547 |
| Advanced Employer Contributions | 266,996 | |
| Total Employer Reserves | 11,808,169 | 11,008,547 |
| County Contribution Credit Reserve | 1,645,853 | 1,066,377 |
| STAR Reserve | 1,042,599 | 735,937 |
| Contingency Reserve | 705,840 | 1,648,743 |
| Total Reserves at Book Value | 22,369,154 | 21,138,315 |
| Unrealized Investment Portfolio Appreciation | 5,674,153 | 4,353,864 |
| **Total Reserves at Fair Value** | **$ 28,043,307** | **$ 25,492,179** |

## NOTES TO FINANCIAL STATEMENTS

### NOTE E — Actuarial Valuations

Pursuant to provisions in the County Employees Retirement Law of 1937, LACERA engages an independent actuarial firm to perform an actuarial valuation of the system every three (3) years (i.e., triennial valuation). The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member and employer contribution rates necessary to properly fund the system. In addition, LACERA's valuation policy requires annual valuations to monitor the funding status of the system.

During fiscal year 1997-1998, LACERA engaged Watson Wyatt Worldwide (Watson Wyatt) to serve as its independent actuary, commencing with the June 30, 1998 triennial valuation. Watson Wyatt completed the triennial valuation as of June 30, 1998 and determined the funding status (the ratio of system assets to system liabilities) to be 99.5%. The funding status was established based on the entry age normal actuarial cost method, market value of assets reduced by amortizing the differences between book and market values over the prior five years, an assumed 8% investment return, an assumed 4% annual total payroll growth rate (annual individual salary increases, which vary by service, averaging 5.5% per year over a 25–year career), and an inflation rate of 4%.

Under the terms of the 1994 Retirement System Funding Agreement, contributions to retire the unfunded liability have been suspended until July 1, 2000, unless the System's funding ratio drops below 97.5%. Since the June 30, 1998 valuation determined the funding ratio to be 99.5%, no County contribution for unfunded liability is required for Fiscal Year 1999-2000.

### NOTE F — Partial Annuitization of Benefit Payments

In January 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 $46.2 million and $46.3 million in related reimbursements during each of the years ended June 30, 1999 and 1998, 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 LACERA members, 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 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 plans. The Board reserves the right to amend or revise these plans and programs at any time.

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.

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, 1999, $139 million in premium payments were made to insurance carriers. These payments were funded by employer and participant contributions of $122 million and $17 million, respectively. During fiscal year ending June 30, 1998, $126 million in premium payments were made to insurance carriers. These payments were funded by employer and participant contributions of $110 million and $16 million, respectively.

# NOTES TO FINANCIAL STATEMENTS

## NOTE G — Postemployment Healthcare Benefits – *Continued*

The County elected to subsidize the premium payments for the HBP through LACERA 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.

Beginning in 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 the County Contribution Credit Reserve 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:

| | 1999 | 1998 |
|---|---|---|
| Medical Plans | 32,601 | 31,038 |
| Dental/Vision Plans | 31,752 | 31,112 |
| **Total** | **64,353** | **62,150** |

## 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 to 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 US 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 maximum investment portfolio industry concentrations were at approximately 8% as of June 30, 1999 and 1998.

## NOTES TO FINANCIAL STATEMENTS

### NOTE J — Securities Lending Program

The Board's 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 Bank (Mellon), is the agent for its securities lending program.

Securities on loan must be collateralized with a value of 102% for US securities, and 105% for non-US securities, of the fair value of any security loaned, plus any accrued interest. Collateral received may include cash, and US 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 collateral securities received unless the borrower defaults. As of June 30, 1999, 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, 1999.

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, 1999, the fair values of securities on loan and the collateral received for those securities on loan were $966 million and $1,010 million, respectively. LACERA's income net of expenses from securities lending was $5 million for the year ended June 30, 1999. As of June 30, 1998, the fair values of securities on loan and the collateral received for those securities on loan were $1,459 million and $1,505 million, respectively. LACERA's income net of expenses from securities lending was $6 million for the year ended June 30, 1998.

### 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 loss in fiscal year 1999 was $92,698,954. The net foreign currency loss in fiscal year 1998 was $22,528,027. At June 30, 1999, forward currency contracts receivable and payable totaled $2,418,138,300 and $2,404,663,026, respectively. At June 30, 1998, forward currency contracts receivable and payable totaled $2,538,630,020 and $2,508,359,592, respectively.

# NOTES TO FINANCIAL STATEMENTS

## NOTE L — Title Holding Corporations

The LACERA real estate portfolio includes 57 and 43 Title Holding Corporations (THCs) as of June 30, 1999 and 1998, respectively. The following is a summary of the THCs' financial position as of June 30, 1999 and 1998 *(dollars in thousands)*:

| | 1999 | 1998 |
|---|---|---|
| Assets | $ 2,542,855 | $ 1,960,982 |
| Less: Liabilities | 158,314 | 105,727 |
| **Net Assets** | **$ 2,384,541** | **$ 1,855,255** |
| Increase In Net Assets | $ 189,525 | $ 405,926 |

## 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.

*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, 1999 are classified as follows *(dollars in thousands)*:

| | Category 1 | | Category 3 | | Total | |
|---|---|---|---|---|---|---|
| | Carrying Value | Bank Balance | Carrying Value | Bank Balance | Carrying Value | Bank Balance |
| **Deposits** | | | | | | |
| Cash | $ 5,280 | $ 5,280 | $ 24,020 | $ 24,020 | $ 29,300 | $ 29,300 |
| Certificates of Deposit | 444,447 | 443,874 | | | 444,447 | 443,874 |
| Total Categorized Deposits | 449,727 | 449,154 | 24,020 | 24,020 | 473,747 | 473,174 |
| | Cost | Fair Value | | | Cost | Fair Value |
| **Investments** | | | | | | |
| US Government and Agency Instruments | 2,701,297 | 2,667,388 | | | 2,701,297 | 2,667,388 |
| Domestic Corporate Bonds | 3,423,157 | 3,375,338 | | | 3,423,157 | 3,375,338 |
| Global Bonds | 1,151,287 | 1,083,569 | | | 1,151,287 | 1,083,569 |
| Private Placement Bonds | 469,108 | 442,123 | | | 469,108 | 442,123 |
| Total Bonds | 7,744,849 | 7,568,418 | | | 7,744,849 | 7,568,418 |
| Domestic Stocks | 5,791,919 | 10,277,743 | | | 5,791,919 | 10,277,743 |
| Global Stocks | 3,841,026 | 4,719,583 | | | 3,841,026 | 4,719,583 |
| Global Convertible Debentures | 8,432 | 8,596 | | | 8,432 | 8,596 |
| Total Stocks & Convertibles | 9,641,377 | 15,005,922 | | | 9,641,377 | 15,005,922 |
| Corporate and Government | 1,249,050 | 1,246,093 | | | 1,249,050 | 1,246,093 |
| Total Short Term Investments | 1,249,050 | 1,246,093 | | | 1,249,050 | 1,246,093 |
| Total Categorized Investments | 18,635,276 | 23,820,433 | | | 18,635,276 | 23,820,433 |
| Investments not considered securities for purposes of custodial risk classification are as follows: | | | | | | |
| Real Estate & Title Holdings | | | | | 2,528,049 | 2,678,052 |
| Alternative Assets | | | | | 819,657 | 1,163,303 |
| Mortgages | | | | | 201,109 | 197,028 |
| LA County Treasurer Investment Pool | | | | | 5,548 | 5,548 |
| Investments held by broker-dealer under securities loans with cash collateral: | | | | | | |
| Stocks | | | | | | 357,728 |
| Government Bonds | | | | | | 459,708 |
| Corporate Bonds | | | | | | 107,875 |
| Total Uncategorized Investments | | | | | 3,554,363 | 4,969,242 |
| **Total Deposits and Investments** | **$ 19,085,003** | **$ 24,269,587** | **$ 24,020** | **$ 24,020** | **$ 22,663,386** | **$ 29,262,849** |

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, 1998 are classified as follows *(dollars in thousands):*

| | Category 1 | | Category 3 | | Total | |
|---|---|---|---|---|---|---|
| | Carrying Value | Bank Balance | Carrying Value | Bank Balance | Carrying Value | Bank Balance |
| **Deposits** | | | | | | |
| Cash | $ 7,657 | $ 7,657 | $ 19,456 | $ 19,456 | $ 27,113 | $ 27,113 |
| Certificates of Deposit | 279,938 | 280,021 | | | 279,938 | 280,021 |
| Total Categorized Deposits | 287,595 | 287,678 | 19,456 | 19,456 | 307,051 | 307,134 |

| | Cost | Fair Value | | | Cost | Fair Value |
|---|---|---|---|---|---|---|
| **Investments** | | | | | | |
| US Government and Agency Instruments | 2,809,986 | 2,851,819 | | | 2,809,986 | 2,851,819 |
| Domestic Corporate Bonds | 3,608,202 | 3,858,903 | | | 3,608,202 | 3,858,903 |
| Global Bonds | 1,575,004 | 1,556,523 | | | 1,575,004 | 1,556,523 |
| Private Placement Bonds | 573,787 | 572,516 | | | 573,787 | 572,516 |
| Total Bonds | 8,566,979 | 8,839,761 | | | 8,566,979 | 8,839,761 |
| Domestic Stocks | 5,580,197 | 8,949,490 | | | 5,580,197 | 8,949,490 |
| Global Stocks | 3,580,300 | 4,063,460 | | | 3,580,300 | 4,063,460 |
| Global Convertible Debentures | 10,510 | 9,536 | | | 10,510 | 9,536 |
| Total Stocks & Convertibles | 9,171,007 | 13,022,486 | | | 9,171,007 | 13,022,486 |
| Corporate and Government | 646,807 | 647,097 | | | 646,807 | 647,097 |
| Total Short Term Investments | 646,807 | 647,097 | | | 646,807 | 647,097 |
| Total Categorized Investments | 18,384,793 | 22,509,344 | | | 18,384,793 | 22,509,344 |
| Investments not considered securities for purposes of custodial risk classification are as follows: | | | | | | |
| Real Estate | | | | | 2,179,278 | 2,242,754 |
| Alternative Assets | | | | | 564,682 | 715,967 |
| Mortgages | | | | | 152,711 | 167,180 |
| LA County Treasurer Investment Pool | | | | | 407 | 407 |
| Investments held by broker-dealer under securities loans with cash collateral: | | | | | | |
| Stocks | | | | | | 392,940 |
| Government Bonds | | | | | | 942,403 |
| Corporate Bonds | | | | | | 77,077 |
| Total Uncategorized Investments | | | | | 2,897,078 | 4,538,728 |
| **Total Deposits and Investments** | **$ 18,672,388** | **$ 22,797,022** | **$ 19,456** | **$ 19,456** | **$ 21,588,922** | **$ 27,355,206** |

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 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 $779,341 and $696,478 for the years ended June 30, 1999 and 1998, 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 $1,174,252 and $931,414 in fiscal years 1999 and 1998, 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 Note N.

Total rent expense for all operating leases, prior to the recognition of the lease incentive, was $1,953,593 and $1,627,892 in fiscal years 1999 and 1998, respectively. The lease incentive recognized in 1999 and 1998, as a reduction in rent expense, was approximately $418,000.

#### Capital Commitments

LACERA 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 the LACERA Board of Investments and may be updated as often as necessary to reflect LACERA investment preferences, as well as, changes in market conditions.

As of June 30, 1999, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $1,362,590,280. Subsequent to June 30, 1999, LACERA funded $144,745,335 of these capital commitments.

# REQUIRED SUPPLEMENTAL INFORMATION

## 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-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% |
| 30-Jun-97 | 19,642,355 | 19,383,641 | (258,714)[1] | 101.3% | 3,373,314 | -7.7% |
| 30-Jun-98 | 20,851,133 | 20,959,946 | 108,813 | 99.5% | 3,562,416 | 3.1% |

[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 Contributions | Percentage Contributed |
| 1994 | $ 384,848 | $ 382,984 | | $ 382,984 | 100% |
| 1995 | 462,698 | 2,038,252 | | 2,038,252 | 441% |
| 1996 | 287,548 | 132,452 | $ 146,309 | 278,761 | 97% |
| 1997 | 277,929 | 1,168 | 277,151 | 278,319 | 100% |
| 1998 | 243,489 | 9,420 | 239,777 | 249,197 | 102% |
| 1999 | 317,285 | 84,226 | 248,403 | 332,629 | 105% |

## REQUIRED SUPPLEMENTAL INFORMATION

### 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, 1998 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) agreed that if the funding level of LACERA as of June 30, 1998 is less than 97.5%, the County must make additional payments to LACERA to achieve a 97.5% level amortized over a rolling five-year period. These payments are in addition to the annual Normal Cost contribution required by the County. If the funding level as of June 30, 1999 is less than 100%, the County must make additional payment to LACERA (in addition to payments in the prior item) to achieve a 100% funding level amortized over a 10-year period. Any additional unfunded liability identified between June 30, 1999 and June 30, 2008 must be discharged by the County over a rolling five-year amortization schedule. |
| *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%, 4% real return and 4% inflation. |
| *Projected Salary Increases:* | 4% annual total payroll growth rate, (annual individual salary increases, which vary by service, averaging 5.5% per year over a 25-year career). |
| *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. |

## REQUIRED SUPPLEMENTAL INFORMATION

### Year 2000 Issues

LACERA is aware of the Year 2000 issue facing the computer and information technology fields, specifically as it relates to computer systems and computer-based applications which support LACERA's ongoing business requirements. The anticipated effects and concentration of remedial action have two primary foci: LACERA's internal information technology structure and LACERA's external business relations with public or private entities with whom we exchange information in or derived from automated data processing sources.

The following tables summarize costs incurred as a result of Year 2000 compliance efforts for Fiscal Year 1997-1998 and costs for Fiscal Year 1998-1999. LACERA anticipates no costs related to Year 2000 compliance for Fiscal Year 1999-2000. Direct Costs indicate those costs incurred solely to remedy Year 2000 deficiencies in equipment or applications. Indirect Costs indicate costs incurred in the course of business to replace outdated equipment or applications where such replacement also resulted in Year 2000 compliance.

**Table 1 — FY 1997-1998 Incurred Costs**

| | Direct Costs | Indirect Costs |
|---|---|---|
| Hardware | | $ 75,000 |
| System Software | $ 40,000 | 75,000 |
| Application Software | | 27,000 |
| Internal Staffing | 50,000 | 120,000 |
| External Consulting | 172,000 | |
| **Total** | **$ 262,000** | **$ 297,000** |

**Table 2 — FY 1998-1999 Incurred Costs**

| | Direct Costs | Indirect Costs |
|---|---|---|
| Hardware | | $ 900,000 |
| System Software | $ 40,000 | 75,000 |
| Application Software | 75,000 | |
| Internal Staffing | 20,000 | |
| External Consulting | 30,000 | 135,000 |
| **Total** | **$ 165,000** | **$ 1,110,000** |

LACERA maintains a full-function information technology group and data center incorporating mainframe, local area network servers, and workstation-based applications. Applications include proprietary and packaged systems. In general, all development and maintenance is performed in-house, utilizing consultants and/or contract employees where specific skills or additional resources may be required.

LACERA's Year 2000 assessment includes the following components:

- Platforms and architecture
- Systems software and communications
- Application software and data
- Data exchange and external relations

LACERA has incorporated each of these components into a Year 2000 compliance work plan which includes assessment, remedial action, testing and implementation, and certification stages. Completion of the plan does not guarantee that no Year 2000 – related problems will be encountered. As of June 30, 1999, LACERA has completed all identified tasks in the Year 2000 compliance workplan. Management has further assessed all work processes and developed appropriate contingency plans based on risk and priority of these processes. LACERA anticipates testing these contingency arrangements in the last half of calendar year 1999.

# OTHER SUPPLEMENTAL INFORMATION

## Administrative Expenses

For the Years Ended June 30, 1999 and 1998
*(dollars in thousands)*

| | 1999 | 1998 |
|---|---|---|
| Personnel Services | | |
| Salaries and Wages | $ 11,179 | $ 10,376 |
| Employee Benefits | 3,840 | 3,363 |
| Total Personnel Services | 15,019 | 13,739 |
| Professional Services | | |
| Actuarial Consulting Fees | 50 | 42 |
| Network System Consulting Fees | 289 | 484 |
| Computer Software Services and Support | 1,136 | 868 |
| External Audit Fees | 158 | 160 |
| Investment Audit Services | 350 | 350 |
| Disability Medical Fees | 892 | 680 |
| Disability Hearing Officer Fees | 97 | 124 |
| Disability Stenographic Fees | 41 | 47 |
| Disability Attorney Fees | 23 | 6 |
| Temporary Personnel Services | 1,638 | 1,410 |
| Legislative and Other Legal Services | 217 | 257 |
| Other Professional Services | 1,271 | 978 |
| Total Professional Services | 6,162 | 5,406 |
| Communication | | |
| Postage | 474 | 528 |
| Telecommunications | 260 | 178 |
| Transportation and Travel | 247 | 189 |
| Total Communications | 981 | 895 |
| Rentals | | |
| Rents and Leases | 1,541 | 1,210 |
| Total Rentals | 1,541 | 1,210 |
| Miscellaneous | | |
| Computer Equipment & Supplies | 1,256 | 999 |
| Office Furniture | 32 | 24 |
| Stationery and Forms | 297 | 290 |
| Other Office Expenses | 189 | 95 |
| Maintenance | 363 | 405 |
| Educational Expenses | 304 | 348 |
| Parking Fees | 194 | 188 |
| Other County Department Charges | 140 | 175 |
| Insurance | 212 | 209 |
| Administrative Support | 89 | 66 |
| Other Service Charges | 125 | 178 |
| Total Miscellaneous | 3,201 | 2,977 |
| Depreciation-Fixed Assets | 658 | 677 |
| **Total Administrative Expenses** | **$ 27,562** | **$ 24,904** |

## OTHER SUPPLEMENTAL INFORMATION

### Fees and Other Investment Expenses

For the Years Ended June 30, 1999 and 1998
*(dollars in thousands)*

| | 1999 | 1998 |
|---|---|---|
| **Investment Activity** | | |
| Investment Management Fees | | |
| Stock Managers | | |
| Domestic | $ 9,802 | $ 10,407 |
| International | 7,485 | 7,795 |
| Bond Managers | | |
| Domestic | 11,159 | 9,102 |
| International | 3,172 | 3,378 |
| Alternative Assets Managers | 1,706 | 6,160 |
| Real Estate Managers | 2,524 | 2,618 |
| Cash and Short Term Managers | 445 | 463 |
| Mortgage Loan Servicers | 452 | 332 |
| Total From Investment Activity | 36,745 | 40,255 |
| **Securities Lending Activity** | | |
| Securities Lending Program Expense | 50,680 | 81,319 |
| Total From Securities Lending Activity | 50,680 | 81,319 |
| Total Investment Management Fees | 87,425 | 121,574 |
| **Other Investment Expenses** | | |
| Consultants | 13,698 | 42,481 |
| Custodian | 264 | 350 |
| Legal Counsel | 81 | 44 |
| Actuarial Valuation | 180 | 94 |
| Other | 714 | 808 |
| Total Other Investment Expenses | 14,937 | 43,777 |
| **Total Fees and Other Investment Expenses** | **$ 102,362** | **$ 165,351** |

# OTHER SUPPLEMENTAL INFORMATION

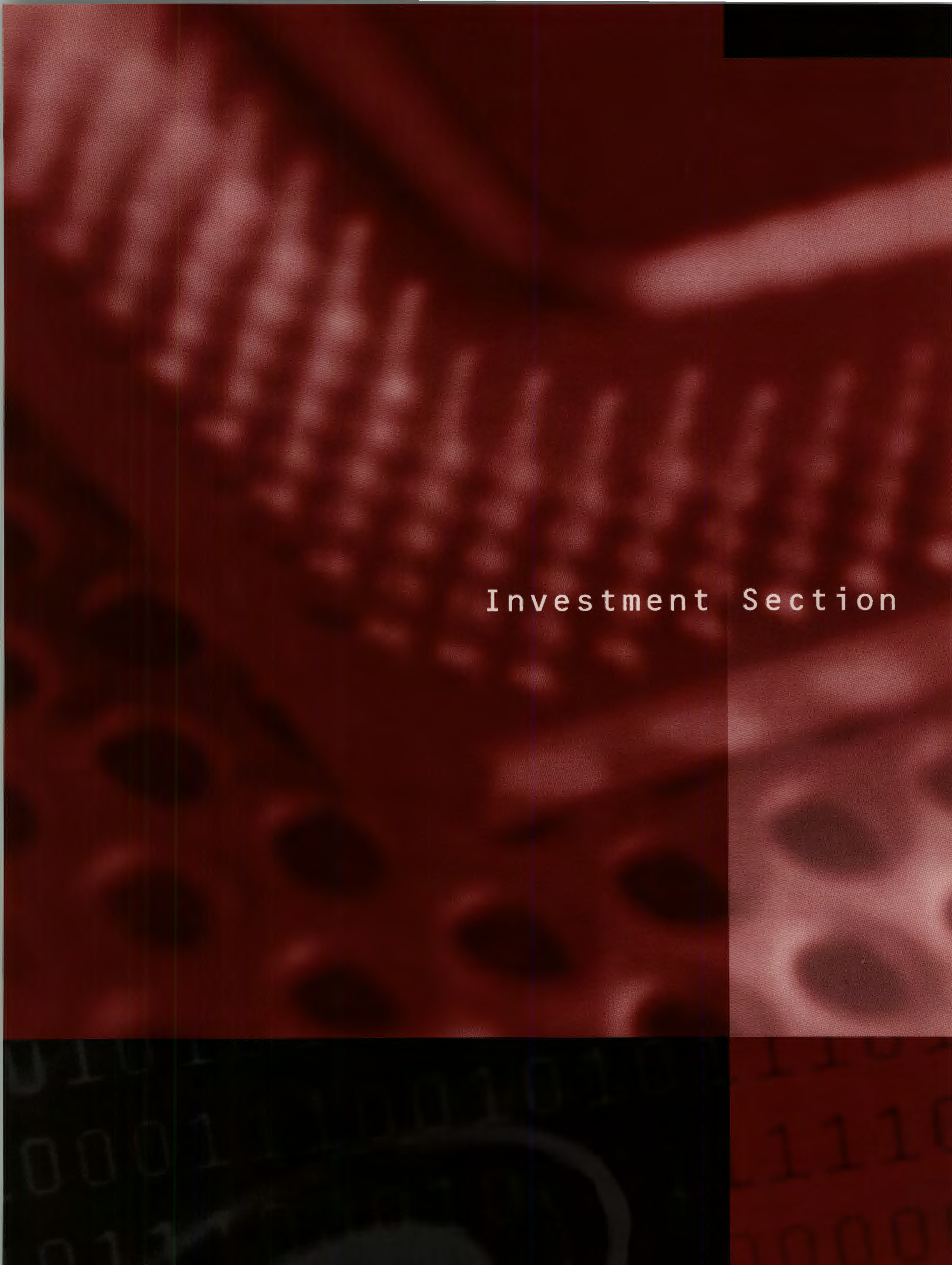
## Schedule of Payments to Consultants

For the Years Ended June 30, 1999 and 1998
*(dollars in thousands)*

| | 1999 | 1998 |
|---|---|---|
| Audit | | |
| External Auditors | $ 158 | $ 160 |
| Investment Audit Services | 350 | 350 |
| Total | 508 | 510 |
| Legal | | |
| Disability Attorney Fees | 23 | 6 |
| Outside Legal Services | 157 | 238 |
| Total | 180 | 244 |
| Actuarial | | |
| Actuarial Consulting Fees | 50 | 42 |
| Management | | |
| Legislative Consulting | 61 | 19 |
| Network Consulting Fees | 259 | 14 |
| Filenet Consulting Fees | 30 | 470 |
| Other Software Consulting | 15 | 52 |
| Total | 365 | 555 |
| **Total Payments to Consultants** | **$ 1,103** | **$ 1,351** |

For fees paid to Investment Professionals, refer to Fees and Other Investment Expenses on page 39.

# Investment Section



**Frank Russell Company**

909 A Street
Tacoma, Washington 98402-5120
253-572-9500
Fax: 253-591-3495

## Investment Consultant's Report

August 26, 1999

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

During the fiscal year ended June 30, 1999, LACERA assets grew to $27.3 billion from $25.9 billion, an increase of $1.4 billion from a year earlier. Investment return was the major contributor to this increase, more than offsetting benefit payouts.

The fund returned 12.9% in the year ending June 30, 1999. Over the three and five years ended June 30, 1999, the annualized returns were 15.5% and 15.7%, respectively. LACERA has enjoyed very significant fund growth in the last several years due to participation in the excellent capital markets and sound pension fund management.

Actions taken in the last year to enhance the investment program were as follows:

1. With market movements that have occurred, the fund has been rebalanced back to its strategic asset allocation in order to control total fund risk.

2. US equities continued to be managed in accordance with agreed upon policy and structure.

3. In non-US equities, European equities were restructured resulting in the termination of two active managers, hiring of one active manager and an increase in the passive allocation.

4. A global fixed income structure was developed, during the course of which the capabilities of all of the fixed income managers were reviewed.

5. Two international fixed income managers were terminated and a new active manager was hired.

6. It is acknowledged that LACERA's plan performance, calculated and presented by the custodian, has been compiled in compliance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS™).

The actions taken in the last year are part of the ongoing process of examining opportunities to improve the fund's investment program. We continue to work closely with LACERA staff and with the Board of Investments on the fund's investment program.

Sincerely,

Gloria Reeg

Gloria Reeg
Managing Director – Consulting

Russell

Tacoma New York Toronto London Zurich Paris Sydney Auckland Tokyo

# CHIEF INVESTMENT OFFICER'S REPORT

## General Information

LACERA's investment program objective is to provide Association participants with retirement benefits as required by the County Employees Retirement Law of 1937. This is accomplished by the implementation of a carefully planned and executed long-term investment program.

The Board of Investments (Board) has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies, and policies. There are a total of nine Board members: the active and retired members elect four members, the Los Angeles County Board of Supervisors appoints four public members and the County Treasurer-Tax Collector serves as an ex-officio member.

The California Constitution and Government Code Sections 31594 and 31595 authorize the Board to invest in any investment deemed prudent in the Board's opinion. Investment decisions are to be made in the sole interest and exclusive purpose of providing benefits, minimizing employer contributions, and defraying reasonable expenses for administering the system. Investments are to be diversified to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

The assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the pension fund. 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 run. Consequently, 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.

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

# CHIEF INVESTMENT OFFICER'S REPORT

## Asset Allocation

A pension fund's strategic asset allocation 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 a fund's optimal long-term asset class mix (target allocation) which is expected to achieve a specific set of investment objectives.

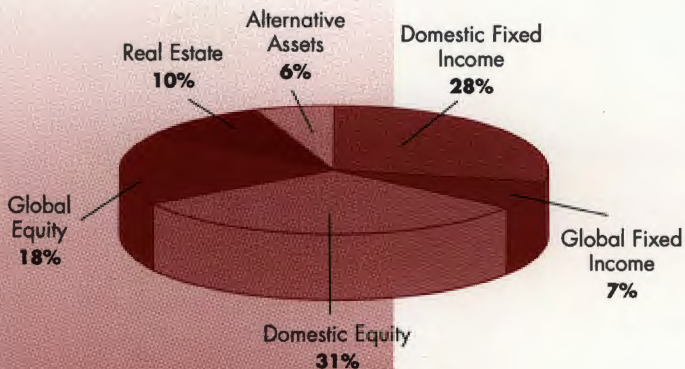
The following factors were evaluated to determine LACERA's asset allocation adopted in November 1995:

- 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.

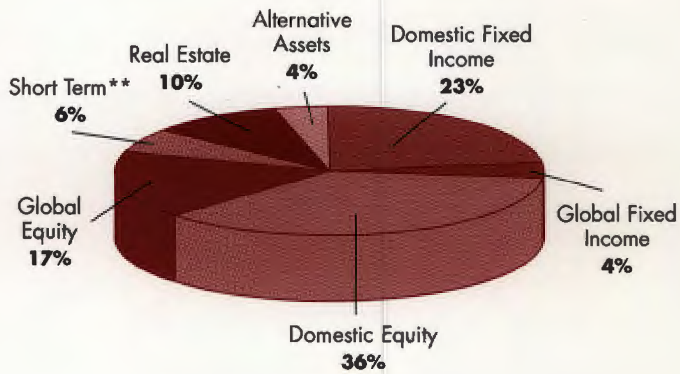
LACERA's asset allocation targets are long-term by design because of the illiquidity of certain asset classes such as Alternative Assets and Real Estate. Therefore, the implementation process is planned over a five-year horizon. As a result, the actual allocation should not be expected to match the target allocation during the implementation period. Illustrated below are the 1999 target and actual asset allocations.

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 investment staff closely monitors manager activities and assists the Board with the implementation of investment policies and long-term investment strategies.

**1999 Target Asset Allocation**




**1999 Actual Asset Allocation***




* The 1999 Actual Asset Allocation is based upon the Investment Summary on page 45.

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

# INVESTMENT SUMMARY

For the Year Ended June 30, 1999
*(dollars in thousands)*

| Type of Investment | Fair Value | Percent of Total Fair Value |
|---|---|---|
| **Investments** | | |
| US Government and Agency Instruments | $ 2,667,388 | 9.43% |
| Domestic Corporate Bonds | 3,375,338 | 11.93% |
| Global Bonds | 1,083,569 | 3.83% |
| Private Placement Bonds | 442,123 | 1.56% |
| Total Bonds | 7,568,418 | 26.75% |
| Domestic Stocks | 10,277,743 | 36.31% |
| Global Stocks | 4,719,583 | 16.67% |
| Global Convertible Debentures | 8,596 | 0.03% |
| Total Stocks & Convertibles | 15,005,922 | 53.01% |
| Corporate and Government | 1,246,093 | 4.40% |
| Certificates of Deposits | 443,874 | 1.57% |
| Total Short Term Investments | 1,689,967 | 5.97% |
| Real Estate & Title Holdings | 2,678,052 | 9.46% |
| Alternative Assets | 1,163,303 | 4.11% |
| Mortgages | 197,028 | 0.70% |
| Total Uncategorized Investments | 4,038,383 | 14.27% |
| **Total Investments** | **$ 28,302,690** | **100.00%** |

# INVESTMENT RESULTS BASED ON FAIR VALUE*

As of June 30, 1999

| | Current Year | Annualized 3-Year | Annualized 5-Year |
|---|---|---|---|
| Total Fund | 12.9% | 15.4% | 15.6% |
| Benchmark: Total Fund | 11.1% | | |
| Domestic Equity[1] | 21.7% | 25.0% | 25.2% |
| Benchmark: Russell 3000 | 20.1% | 26.4% | 26.0% |
| International Equity | 15.2% | 10.9% | 10.2% |
| Benchmark: All Country World X US | 9.5% | 8.2% | 8.0% |
| Domestic Fixed Income[2] | 3.0% | 7.4% | 7.8% |
| Benchmark: Broad Market Index[3] | 3.1% | 7.2% | 7.8% |
| International Fixed Income | 6.3% | 10.6% | 10.9% |
| Benchmark: Non-Dollar Govt Custom[4] | 6.0% | 10.3% | 10.7% |
| Real Estate[5] | 12.8% | 15.0% | 12.9% |
| Benchmark: Real Estate Target Return[6] | 8.5% | 8.5% | 8.5% |
| Alternative Assets[7] | 13.5% | 32.8% | 30.5% |
| Benchmark: Alt. Asset Target Return[8] | 23.8% | 23.8% | 23.8% |

[1] Includes cash equitization.
[2] Does not include Member Home Loan Program (MHLP) or Whole Loan Program (WLP).
[3] Salomon Brothers BIG through 12/31/95; Lehman Aggregate Index thereafter.
[4] Soly Non-US Govt Hedged through 6/30/98; Soly Non-US 50% Hedged thereafter.
[5] One quarter in arrears.
[6] Rolling five-year return of Consumer Price Index (CPI) plus 600 basis points.
[7] Two quarters in arrears.
[8] Rolling ten-year return of Russell 3000 plus 500 basis points.

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

# INVESTMENT SUMMARY

## Largest Stock Holdings

As of June 30, 1999
*(dollars in thousands)*

| Shares | Stocks | Fair Value |
|---|---|---|
| 1,731,770 | Cisco Sys Incorporated Com | $111,591 |
| 1,040,290 | Microsoft Corporation Com | 93,821 |
| 1,222,807 | Lucent Technologies Inc Com | 82,463 |
| 630,554 | General Electric Co Com | 71,253 |
| 902,725 | Applied Materials Inc Com | 66,689 |
| 1,355,936 | Citigroup Inc Com | 64,407 |
| 609,110 | Tyco International Ltd New Com | 57,713 |
| 441,749 | IBM Corporation Com | 57,096 |
| 868,200 | Intel Corporation California Com | 51,658 |
| 751,000 | Maxim Integrated Prods Inc Com | 49,942 |

## Largest Bond Holdings

As of June 30, 1999
*(dollars in thousands)*

| Par | Bonds | Fair Value |
|---|---|---|
| 161,040,000 | Commitment To Purchase FNMA SF MTG 06.500% due 07-01-2029 | $155,354 |
| 99,748,606 | US Treas CPI 03.625% due 04-15-2028 | 94,122 |
| 97,695,000 | Commitment To Purchase FNMA SF MTG 06.000% due 07-25-2029 | 91,773 |
| 75,410,000 | Commitment To Purchase FNMA SF MTG 06.500% due 07-01-2014 | 74,302 |
| 66,116,000 | Germany Fed Rep Bds Ser 126 04.500% due 02-18-2003 EUR100 | 69,945 |
| 7,560,200,000 | Japan Bonds '210' 01.900% due 03-20-2009 JPY1000000 | 63,128 |
| 7,300,000,000 | Japan Govt Bonds Ser 207 0.900% due 12-22-2008 JPY50000 | 56,423 |
| 50,000,000 | US Treasury Notes 05.875% due 11-15-1999 | 50,149 |
| 46,411,000 | France Govt Btan 04.500% due 07-12-2003 EUR1 | 49,087 |
| 45,000,000 | US Treasury Notes 07.500% due 10-31-1999 | 45,359 |

A complete list of portfolio holdings is available upon request.

# SCHEDULE OF INVESTMENT MANAGEMENT FEES

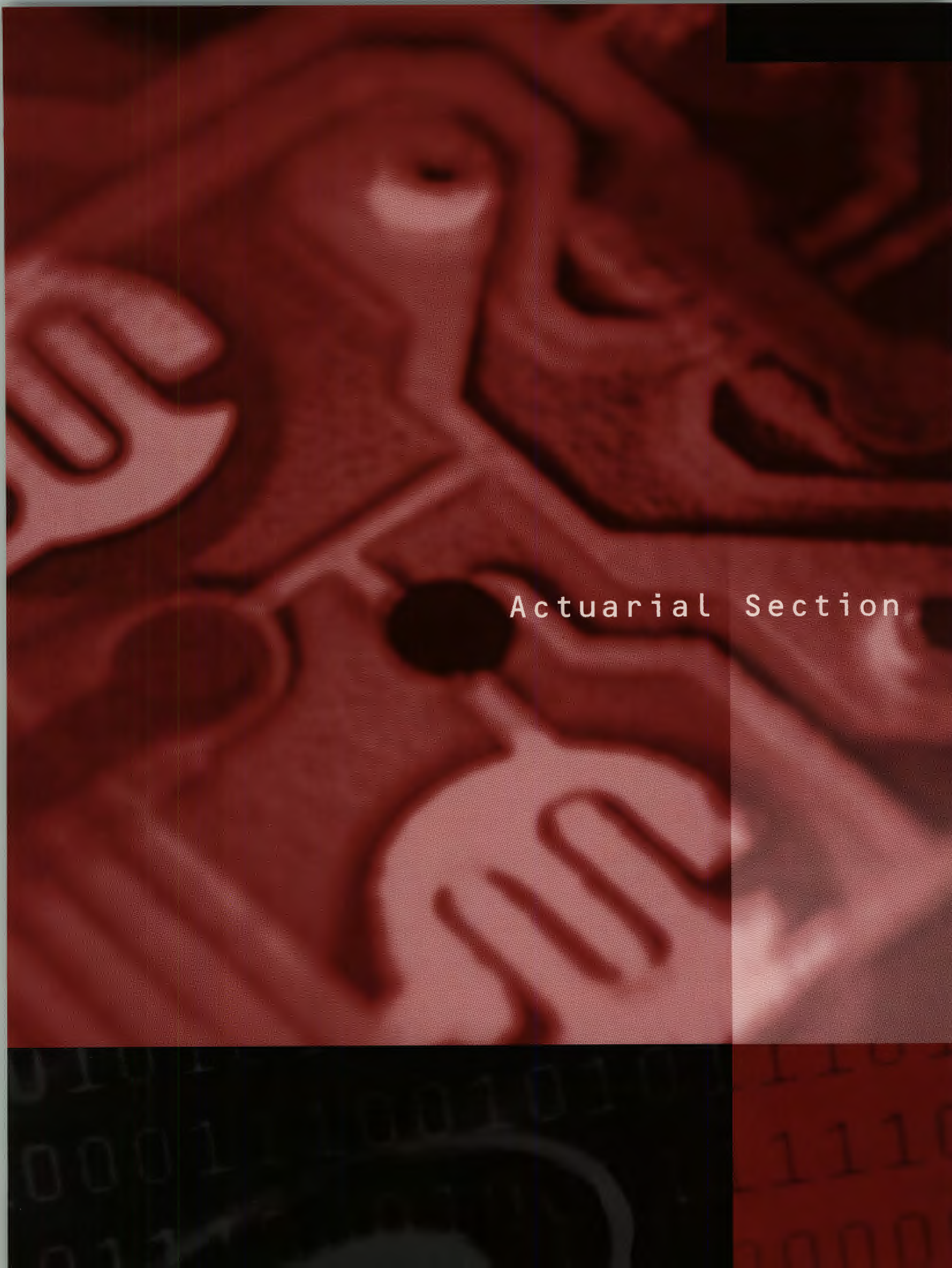
For the Years Ended June 30, 1999 and 1998
*(dollars in thousands)*

| | 1999 | 1998 |
|---|---|---|
| **Investment Activity** | | |
| *Stock Managers* | | |
| **Domestic** | | |
| Bankers Trust Co. | $ 775 | $ 639 |
| Capital Guardian Trust Co. | 912 | 945 |
| Delta Asset Management | 973 | 1,140 |
| ICM Asset Management | 956 | 472 |
| Loomis, Sayles & Company | 44 | 1,029 |
| Pilgrim Baxter & Associates | | 552 |
| Progress Investment Mgt. Co. | 1,118 | 1,037 |
| Putnam Investment | 1,372 | 1,120 |
| RCB International | 1,293 | 1,223 |
| The Oak Associates, Inc. | 883 | 568 |
| The Putnam Advisory Company, Inc. | 1,476 | 1,397 |
| Weiss, Peck & Greer | | 285 |
| Total | 9,802 | 10,407 |
| **International** | | |
| Bankers Trust Co. (EAFE) | 889 | 854 |
| Capital Guardian Trust Co. | 3,234 | 3,259 |
| Fidelity Management Trust | 265 | |
| Global Asset Management | 1,216 | 1,165 |
| Morgan Grenfell Investment Service Ltd. | 177 | 694 |
| Schroder Capital Management Int'l. | 763 | 702 |
| UBS Asset Management | 941 | 1,121 |
| Total | 7,485 | 7,795 |
| *Bond Managers* | | |
| **Domestic** | | |
| American Express | 899 | 848 |
| BlackRock Financial Mgmt., Inc. | 1,395 | 1,320 |
| Dodge & Cox | 1,015 | 956 |
| J.P. Morgan Investment Mgmt., Inc. | 903 | 903 |
| Loomis, Sayles & Company, L.P. | 2,713 | 1,622 |
| Miller Anderson & Sherrerd, L.L.P. | 1,549 | 1,465 |
| Oaktree Capital Management | 1,635 | 988 |
| Western Asset Management Company | 1,050 | 1,001 |
| Total | 11,159 | 9,103 |

## SCHEDULE OF INVESTMENT MANAGEMENT FEES – *Continued*

For the Years Ended June 30, 1999 and 1998
*(dollars in thousands)*

| | 1999 | 1998 |
|---|---|---|
| **International** | | |
| Bridgewater Associates, Inc. | $ 240 | |
| Brinson Partners, Inc. | 527 | $ 846 |
| Capital Guardian Trust Co. | 468 | 973 |
| J.P. Morgan Investment Mgmt., Inc. | 945 | 774 |
| Morgan Grenfell Asset Management | 992 | 785 |
| Total | 3,172 | 3,378 |
| *Alternative Assets* | | |
| Various General Partners | | 5,722 |
| Hamilton Lane Advisors | 1,231 | 437 |
| Brinson Non US-Fund | 475 | |
| Total | 1,706 | 6,159 |
| *Real Estate* | | |
| Various Fund Managers | 2,524 | 2,618 |
| *Cash and Short Term* | | |
| Bankers Trust Co. | 50 | 35 |
| Scudder, Stevens & Clark, Inc. | 395 | 428 |
| Total | 445 | 463 |
| *Mortgage Loan Servicers* | | |
| Whole Loan Mortgage | 41 | 52 |
| Member Home Loan | 411 | 280 |
| Total | 452 | 332 |
| Total Fees from Investment Activity | 36,745 | 40,255 |
| **Securities Lending Activity** | | |
| Management Fee | 2,312 | 2,517 |
| Borrower Rebate | 48,368 | 78,802 |
| Total Fees from Securities Lending Activity | 50,680 | 81,319 |
| **Total Investment Management Fees** | **$ 87,425** | **$ 121,574** |


Actuarial Section

## Actuarial Certification

Watson Wyatt
*Worldwide*

**Watson Wyatt & Company**

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197

Telephone 818 906 2631
Fax 818 906 2097

September 16, 1999

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

Dear Members of the Board:

LACERA's basic financial goal is to establish contributions which fully fund the system's liabilities, and which, as a percentage of payroll, remain level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

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, resulting in a 100.7% funding level as of June 30, 1995. The Retirement System Funding Agreement requires the County to maintain the funding level of LACERA (based on plan liabilities determined using the entry age normal funding method and an actuarial value of assets based on a five-year phase-in of asset gains) at 97.5% through the completion of the June 30, 1998 actuarial valuation using a five-year rolling amortization period. The County must discharge any remaining unfunded actuarial accrued liability (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, 2000 through June 30, 2008 actuarial valuations must be discharged by making additional contributions to LACERA over a rolling five-year amortization period.

The funding level for the June 30, 1998 valuation was 99.5%.

The most recent valuation is based on the plan provisions and assumptions in effect on June 30, 1998. LACERA provided the participant data and the asset information. Watson Wyatt reviewed the data for reasonableness.

The experience assumptions used in the valuations were developed from actual system experience and were adopted by the Board in 1998. We recommended and the Board adopted changes to the following assumptions for these valuations:

- Annual individual salary increases
- Social Security wage base increases
- Ordinary withdrawal
- Service retirement
- Ordinary death
- Service-related disability for Safety members
- Ordinary disability for Safety members
- Percentage of members electing a refund at termination

All other actuarial assumptions and methods remain unchanged since the last valuation. In our opinion, the assumptions are internally consistent and are reasonably based on the actuarial experience of LACERA. We also believe the assumptions and actuarial methods meet the requirements of Governmental Accounting Standards Board Statement No. 25.

LACERA staff prepared the supporting schedules in this section and the trend tables in the financial section based on information supplied in the prior reports of Towers Perrin as well as our report.

We certify that this valuation was performed in accordance with standards of practice and by qualified actuaries as prescribed by the Actuarial Standards Board. I am a Member of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

It is our opinion that LACERA continues in sound financial condition.

Sincerely,

Gene H. Wickes, FSA, MAAA

## 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* | 4% annual total payroll growth rate, (annual individual salary increases, which vary by service, averaging 5.5% per year over a 25-year career). |
| *Termination of Employment Rates* | Various rates dependent upon member's age, sex, and retirement plan. |
| *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 with rates multiplied by 85% for male General members, 95% for female General members, and 80% for Safety members. |
| *Expectation of Life After Disability* | 1981 Disabled Mortality Table (General) with rates multiplied by 130% for male General members, 120% with ages set back 3 years for female General members. 1981 Disabled Mortality (Safety) with rates multiplied by 65% for Safety members. |

## 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 |
| 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 |
| 1998 | 41,873 | 1,935 | (920) | 42,888 | 926,407 | 6.34% | 21,601 |
| 1999 | 42,888 | 1,990 | (1,766) | 43,112 | 980,035 | 5.79% | 22,732 |

# ACTIVE MEMBER VALUATION DATA

| Valuation Date | Plan Type | Number | Annual Salary | Average Annual Salary | % Increase in Average Salary |
|---|---|---|---|---|---|
| 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%** |
| 30-Jun-97 | General | 64,228 | 2,690,310,456 | 41,887 | -0.12% |
| | Safety | 10,851 | 683,003,100 | 62,944 | -0.16% |
| | **Total** | **75,079** | **3,373,313,556** | **44,930** | **-0.10%** |
| 30-Jun-98 | General | 65,754 | 2,837,360,292 | 43,151 | 3.02% |
| | Safety | 10,947 | 725,005,588 | 66,233 | 5.23% |
| | **Total** | **76,701** | **3,562,415,880** | **46,445** | **3.37%** |

## 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-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% |
| 30-Jun-97 | 2,396,515 | 10,549,312 | 6,437,814 | 19,383,641 | 19,642,355 | 100% | 100% | 104% |
| 30-Jun-98 | 2,641,784 | 11,268,457 | 7,049,705 | 20,959,946 | 20,851,133 | 100% | 100% | 98% |

## Actuarial Analysis Of Financial Experience

*(dollars in millions)*

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|
| Prior Valuation Unfunded Actuarial Accrued Liability | $ 1,965 | $ 2,327 | $ 32 | ($ 112) | ($ 447) | ($ 259) |
| Expected Increase from Prior Valuation | 81 | 96 | 61 | 103 | 59 | |
| Salary Increases Greater (Less) than Expected | 70 | (95) | (205) | (339) | (353) | (116) |
| Terminations Fewer (Greater) than Expected | 150 | | | | | |
| Change in Assumptions | | | (180) | | | (245) |
| Transfer of Assets from Undistributed Earnings | | | | | | |
| Adjustment from Actuarial Audit | | | | | 1,130 | 260 |
| Asset Return Less (Greater) than Expected | (220) | (98) | (42) | (443) | (955) | (494) |
| Retirements Greater (Fewer) than Expected | 250 | (150) | | | | |
| Pension Obligation Bond Proceeds | | (1,965) | | | | |
| All Other Experience | 31 | (83) | 222 | 344 | 307 | 963 |
| **Ending Unfunded Actuarial Accrued Liability (Surplus)** | **$ 2,327** | **$ 32** | **($ 112)** | **($ 447)** | **($ 259)** | **$ 109** |

# PROBABILITY OF OCCURRENCE

| Age | Service Retirement | Withdrawal | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Additional Ordinary Death If Eligible For Disability |
|---|---|---|---|---|---|---|---|
| **Plan A, B, and C General Members - Male** | | | | | | | |
| 20 | 0.0000 | 0.0100 | 0.0002 | 0.0001 | N/A | 0.0001 | 0.0002 |
| 30 | 0.0000 | 0.0100 | 0.0003 | 0.0001 | N/A | 0.0003 | 0.0002 |
| 40 | 0.0300 | 0.0100 | 0.0017 | 0.0001 | N/A | 0.0003 | 0.0012 |
| 50 | 0.0300 | 0.0100 | 0.0034 | 0.0010 | N/A | 0.0006 | 0.0019 |
| 60 | 0.1800 | 0.0100 | 0.0060 | 0.0028 | N/A | 0.0014 | 0.0039 |
| 70 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | N/A | 0.0000 | 0.0000 |
| **Plan D General Members - Male** | | | | | | | |
| 20 | 0.0000 | 0.0934 | 0.0002 | 0.0001 | N/A | 0.0001 | 0.0002 |
| 30 | 0.0000 | 0.0686 | 0.0003 | 0.0001 | N/A | 0.0003 | 0.0002 |
| 40 | 0.0300 | 0.0350 | 0.0017 | 0.0001 | N/A | 0.0003 | 0.0012 |
| 50 | 0.0300 | 0.0350 | 0.0034 | 0.0010 | N/A | 0.0006 | 0.0019 |
| 60 | 0.0900 | 0.0350 | 0.0060 | 0.0028 | N/A | 0.0014 | 0.0039 |
| 70 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | N/A | 0.0000 | 0.0000 |
| **Plan E General Members - Male** | | | | | | | |
| 20 | 0.0000 | 0.1700 | N/A | N/A | N/A | 0.0004 | N/A |
| 30 | 0.0000 | 0.0980 | N/A | N/A | N/A | 0.0006 | N/A |
| 40 | 0.0000 | 0.0470 | N/A | N/A | N/A | 0.0012 | N/A |
| 50 | 0.0000 | 0.0300 | N/A | N/A | N/A | 0.0039 | N/A |
| 60 | 0.0400 | 0.0300 | N/A | N/A | N/A | 0.0092 | N/A |
| 70 | 1.0000 | 0.0000 | N/A | N/A | N/A | 0.0275 | N/A |
| **Plan A, B, and C General Members - Female** | | | | | | | |
| 20 | 0.0000 | 0.0100 | 0.0001 | 0.0001 | N/A | 0.0001 | 0.0000 |
| 30 | 0.0000 | 0.0100 | 0.0004 | 0.0001 | N/A | 0.0001 | 0.0000 |
| 40 | 0.0300 | 0.0100 | 0.0008 | 0.0002 | N/A | 0.0001 | 0.0006 |
| 50 | 0.0300 | 0.0100 | 0.0017 | 0.0007 | N/A | 0.0003 | 0.0020 |
| 60 | 0.1500 | 0.0100 | 0.0033 | 0.0020 | N/A | 0.0006 | 0.0032 |
| 70 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | N/A | 0.0000 | 0.0000 |
| **Plan D General Members - Female** | | | | | | | |
| 20 | 0.0000 | 0.1031 | 0.0001 | 0.0001 | N/A | 0.0001 | 0.0000 |
| 30 | 0.0000 | 0.0695 | 0.0004 | 0.0001 | N/A | 0.0001 | 0.0000 |
| 40 | 0.0300 | 0.0373 | 0.0008 | 0.0002 | N/A | 0.0001 | 0.0006 |
| 50 | 0.0300 | 0.0350 | 0.0017 | 0.0007 | N/A | 0.0003 | 0.0020 |
| 60 | 0.0620 | 0.0350 | 0.0033 | 0.0020 | N/A | 0.0006 | 0.0032 |
| 70 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | N/A | 0.0000 | 0.0000 |
| **Plan E General Members - Female** | | | | | | | |
| 20 | 0.0000 | 0.1011 | N/A | N/A | N/A | 0.0002 | N/A |
| 30 | 0.0000 | 0.0681 | N/A | N/A | N/A | 0.0003 | N/A |
| 40 | 0.0000 | 0.0365 | N/A | N/A | N/A | 0.0007 | N/A |
| 50 | 0.0000 | 0.0225 | N/A | N/A | N/A | 0.0016 | N/A |
| 60 | 0.0600 | 0.0035 | N/A | N/A | N/A | 0.0042 | N/A |
| 70 | 1.0000 | 0.0000 | N/A | N/A | N/A | 0.0124 | N/A |

## PROBABILITY OF OCCURRENCE – *Continued*

| Age | Service Retirement | Withdrawal | Service Disability | Ordinary Disability | Service Death | Ordinary Death | Additional Ordinary Death If Eligible For Disability |
|---|---|---|---|---|---|---|---|
| **Plan A and B Safety Members - Male and Female** | | | | | | | |
| 20 | 0.0000 | 0.0300 | 0.0050 | 0.0002 | 0.0001 | 0.0001 | 0.0003 |
| 30 | 0.0000 | 0.0145 | 0.0060 | 0.0004 | 0.0001 | 0.0001 | 0.0004 |
| 40 | 0.0100 | 0.0075 | 0.0140 | 0.0006 | 0.0001 | 0.0001 | 0.0005 |
| 50 | 0.0100 | 0.0050 | 0.0190 | 0.0008 | 0.0002 | 0.0002 | 0.0013 |
| 60 | 1.0000 | 0.0000 | 0.1200 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 70 | 1.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

# SUMMARY OF PLAN PROVISIONS

## MANAGEMENT OF THE RETIREMENT SYSTEM

*Government Code Sections or Board of Retirement Bylaws*

Except as delegated to the Board of Investments and except for the statutory duties of the County Treasurer, the management of the retirement system is vested in the nine-member (plus one alternate) Board of Retirement (hereinafter referred to as "Board.") **(31520.1)**

LACERA also has a nine-member Board of Investments that is responsible for all investments of the retirement system. **(31520.2)**

Members of each Board serve for three-year terms; specified members receive compensation for not more than five meetings a month. **(31520.1, 31520.2, 31521)**

The official duties of all elected Board members who are employees of the County or a District are included as part of their County or District employment and their Board duties normally take precedence over any other duties. **(31522)**

Both the Board of Retirement and the Board of Investments may appoint such administrative, technical, and clerical staff personnel as are required to accomplish the necessary work of the Boards. **(31522.1)**

The Board of Retirement and the Board of Investments that have elected to appoint personnel pursuant to Section 31522.1, may appoint an administrator. **(31522.2)**

The Boards may make regulations (Bylaws) not inconsistent with the retirement law. **(31525)**

The Boards have numerous duties that are specified throughout the retirement law.

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

### Annual Budget

The annual budget of the Los Angeles County Employees Retirement Association (LACERA) covering the entire expense of administration of the retirement 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 (County) and participating districts who work 3/4 time or more are eligible for membership in 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 of Retirement (Board). **(31553, 31562)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## Membership – *Continued*

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. Compensation earnable is the amount of compensation used in calculating retirement contributions for Plan A, B, C, or D members and for computing retirement benefits for all LACERA members. **(31461, 31461.1 31461.4, 31510.2, 31510.4, 31620, 31639.1)**

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)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## Membership Contributions – *Continued*

Former members who return to service may redeposit their withdrawn accumulated 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. **(31680.4, 31680.5, 31733)**

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. ("Note: The total of member contributions and credited interest is called "accumulated contributions"). No interest is credited after termination of membership except as follows: deferred retirement is elected or is deemed to have been elected; the surviving spouse of a deceased member (or legally appointed guardian of the member's unmarried children under age 18) has elected to leave a death benefit on deposit as provided in Section 31781.2; or the former member, regardless of service, has left his or her contributions on deposit and has not terminated employment. **(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.

## SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

### Service And Breaks In Service – *Continued*

(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)** |
| 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. **(31485.8)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## 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 US 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)**

### Monthly 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)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## Service Retirement Allowance – *Continued*

Final compensation is the average monthly compensation earnable 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)**

**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 earnable 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 earnable 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 have been married to the member at least one year prior to retirement. **(31760.1, 31785)**

## SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

### Unmodified And Optional Retirement Allowances – *Continued*

If there is no spouse or the spouse dies before every child attains the age of 18, 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 continuance the spouse must 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)**

A member may not revoke and name another beneficiary if the member elects Option 2, 3 or 4. **(31782)**

### 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)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## 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)**

### Monthly 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 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)**

### Monthly 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))**

## SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

### Nonservice-Connected Disability Retirement Allowance – *Continued*

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 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, 31725.5)**

### 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)**

#### Death Benefit (Lump Sum):

The member's normal contributions and interest, plus 1/12 of the compensation earnable 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)**

#### Monthly 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 member must have been married to the spouse prior to sustaining the service-connected injury or disease. **(31787)**

#### 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 earnable 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 50% of the member's final compensation, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of surviving spouse.

## SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

**Service-Connected Death Benefits** – *Continued*

### 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, there is an additional benefit payable to surviving spouse. The benefit is equal to 25% of death allowance (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children. If the surviving spouse does not have legal custody of the children, the additional benefit is payable to legal guardian. **(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 earnable 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 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. 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. **(31781.1)**

Benefits are payable to the 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.

### 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)**

## SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

**Nonservice-Connected Death Benefits** – *Continued*

### 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 earnable 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 monthly retirement allowance to which the member would have been entitled as of the date of death. **(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)**

### Monthly 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)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## Deferred Vested Benefits – *Continued*

If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary. **(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 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). Reciprocity also applies to the members of the State Teachers' Retirement System Defined Benefit Plan. **(31830, 31840.4, 31840.8)**

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 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 or the state subject to the California Public Employees' Retirement Law are transferred to the County, fire authority, or district, employees performing those functions become members of LACERA. LACERA and CalPERS may enter into an agreement whereby the members' service credit plus the members' and the cities' or state's 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)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

**Cost-Of-Living Increases** – *Continued*

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 from service, may be reemployed and again become an active member of the retirement system 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 system; 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 system. 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 system if the member is determined to be no longer incapacitated and **(31730, 31733)**

## SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

### Post-Retirement Employment – *Continued*

reinstatement is offered by the employer. The member's allowance is terminated at reentry into the system 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.

### Unclaimed Benefits

Whenever a person or estate entitled to payment of a member's contributions or any other benefit fails to claim the payment or cannot be located, the Board shall attempt to locate the claimant through reasonable means and hold the payment of the claimant. If the amounts are not claimed within five years, the amounts become part of the pension reserve fund, but the Board may return the amounts to the claimant upon receipt of information satisfactory to it. **(31783.5)**

### Long-Term Care Insurance

The Board may provide a long-term care insurance program for retired members and their spouses, their parents, and their spouses' parents. The Board must approve the following: eligibility criteria for enrollment, appropriate underwriting criteria, scope of covered benefits, criteria to receive benefits, and any other standards as needed. Full cost of enrollment is paid by the enrollees. **(31693.3, 31696.1, 31696.2, 31696.4, 31696.5)**

## NONCONTRIBUTORY PLAN E

### Membership

#### Eligibility:

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

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## 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 Section 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 or prior service to which the member would otherwise be eligible. **(31488, 31494)**

Note: The option to transfer to Plan E was discontinued by the County in January 1993.

## Service Retirement Allowance

### Eligibility - Normal Retirement:

Age 65 with 10 years of service. **(31491)**

### Normal Monthly 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)**

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)**

# SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

## Service Retirement Allowance – *Continued*

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 Monthly 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 Monthly 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)**

## SUMMARY OF PLAN PROVISIONS

*Government Code Sections or Board of Retirement Bylaws*

**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

## Revenues By Source
*(dollars in thousands)*

| Fiscal Year | Employer Contributions | Member Contributions | Net Investment Income | Miscellaneous Revenues | Total |
|---|---|---|---|---|---|
| 1994 | $ 382,984 | $ 162,765 | $ 1,223,824 | $ 422 | $ 1,769,995 |
| 1995 | 2,038,253 | 173,464 | 2,256,950 | 618 | 4,469,285 |
| 1996 | 132,451 | 183,260 | 2,854,769 | | 3,170,480 |
| 1997 | 1,168 | 171,014 | 3,442,851 | 589 | 3,615,622 |
| 1998 | 9,420 | 179,476 | 3,460,959 | 1,223 | 3,651,078 |
| 1999 | 85,576 | 202,062 | 3,342,182 | 2,562 | 3,632,382 |

## Expenses By Type
*(dollars in thousands)*

| Fiscal Year | Benefits | Administrative Expenses | Refunds | Miscellaneous Expenses | Total |
|---|---|---|---|---|---|
| 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[1] | 954,565 |
| 1998 | 927,204 | 24,904 | 16,391 | 45,070[1] | 1,013,569 |
| 1999 | 981,886 | 27,562 | 16,295 | 55,511[1] | 1,081,254 |

[1] Includes Retiree Healthcare Program.

## Active / Deferred Members, and Unclaimed Accounts

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|
| **Active Vested** | | | | | | |
| General | 36,235 | 38,128 | 40,478 | 42,461 | 43,444 | 44,436 |
| Safety | 8,248 | 8,828 | 8,952 | 9,269 | 9,005 | 8,795 |
| **Sub-Total** | 44,483 | 46,956 | 49,430 | 51,730 | 52,449 | 53,231 |
| **Active Nonvested** | | | | | | |
| General | 29,178 | 28,383 | 23,379 | 21,759 | 22,334 | 24,216 |
| Safety | 2,279 | 1,815 | 1,797 | 1,590 | 1,942 | 2,229 |
| **Sub-Total** | 31,457 | 30,198 | 25,176 | 23,349 | 24,276 | 26,445 |
| **Total Active Members** | | | | | | |
| General | 65,413 | 66,511 | 63,857 | 64,220 | 65,778 | 68,652 |
| Safety | 10,527 | 10,643 | 10,749 | 10,859 | 10,947 | 11,024 |
| **Total** | **75,940** | **77,154** | **74,606** | **75,079** | **76,725** | **79,676** |
| **Deferred Members** | | | | | | |
| General | 3,204 | 3,314 | 3,980 | 4,101 | 4,624 | 4,859 |
| Safety | 89 | 102 | 150 | 154 | 152 | 160 |
| **Total** | **3,293** | **3,416** | **4,130** | **4,255** | **4,776** | **5,019** |
| **Unclaimed Accounts** | | | | | | |
| General | 381 | 310 | 104 | 75 | 35 | 29 |
| Safety | 14 | 11 | 4 | 3 | 2 | 1 |
| **Total** | **395** | **321** | **108** | **78** | **37** | **30** |

## Retired Members by Type of Retirement

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|
| **Service** | | | | | | |
| General | 24,582 | 24,956 | 25,122 | 25,717 | 26,204 | 26,289 |
| Safety | 2,215 | 2,247 | 2,316 | 2,404 | 2,641 | 2,508 |
| **Total** | **26,797** | **27,203** | **27,438** | **28,121** | **28,845** | **28,797** |
| **Disability** | | | | | | |
| General | 4,033 | 4,047 | 4,051 | 4,076 | 4,074 | 4,074 |
| Safety | 3,128 | 3,291 | 3,407 | 3,542 | 3,697 | 3,859 |
| **Total** | **7,161** | **7,338** | **7,458** | **7,618** | **7,771** | **7,933** |
| **Survivors** | | | | | | |
| General | 4,814 | 4,775 | 4,988 | 5,079 | 5,184 | 5,271 |
| Safety | 972 | 965 | 1,023 | 1,055 | 1,088 | 1,111 |
| **Total** | **5,786** | **5,740** | **6,011** | **6,134** | **6,272** | **6,382** |
| **Total Retired Members** | | | | | | |
| General | 33,429 | 33,778 | 34,161 | 34,872 | 35,462 | 35,634 |
| Safety | 6,315 | 6,503 | 6,746 | 7,001 | 7,426 | 7,478 |
| **Total** | **39,744** | **40,281** | **40,907** | **41,873** | **42,888** | **43,112** |

## Benefit Expenses By Type
*(dollars in thousands)*

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|
| **Service Retiree Payroll** | | | | | | |
| General | $ 462,614 | $ 489,177 | $ 517,034 | $ 556,639 | $ 588,036 | $ 614,824 |
| Safety | 73,873 | 80,061 | 85,382 | 86,450 | 95,183 | 104,465 |
| **Total** | **536,487** | **569,238** | **602,416** | **643,089** | **683,219** | **719,289** |
| **Disability Retiree Payroll** | | | | | | |
| General | 77,811 | 82,304 | 93,102 | 96,182 | 99,261 | 103,262 |
| Safety | 104,763 | 115,883 | 120,111 | 131,866 | 143,927 | 157,484 |
| **Total** | **182,574** | **198,187** | **213,213** | **228,048** | **243,188** | **260,746** |
| **Total Retiree Payroll** | | | | | | |
| General | 540,425 | 571,481 | 610,136 | 652,821 | 687,297 | 718,086 |
| Safety | 178,636 | 195,944 | 205,493 | 218,316 | 239,110 | 261,949 |
| **Total** | **719,061** | **767,425** | **815,629** | **871,137** | **926,407** | **980,035** |
| **Lump-Sum Death Benefits** | | | | | | |
| General | 715 | 848 | 1,219 | 820 | 577 | 1,805 |
| Safety | 75 | 111 | 432 | 177 | 220 | 46 |
| **Total** | **790** | **959** | **1,651** | **997** | **797** | **1,851** |
| **Total Benefit Expense** | | | | | | |
| General | 541,140 | 572,329 | 611,355 | 653,641 | 687,874 | 719,891 |
| Safety | 178,711 | 196,055 | 205,925 | 218,493 | 239,330 | 261,995 |
| **Total** | **$ 719,851** | **$ 768,384** | **$ 817,280** | **$ 872,134** | **$ 927,204** | **$ 981,886** |

## Schedule of Average Benefit Payments

| Retirement Effective Dates | Years of Credited Service | | | | | |
|---|---|---|---|---|---|---|
| | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 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 |
| ***7/1/97 to 6/30/98*** | | | | | | |
| **Retirants** | | | | | | |
| General Members | | | | | | |
| Average Monthly Benefit | $ 666 | $ 779 | $ 1,099 | $ 1,834 | $ 2,198 | $ 3,485 |
| Average Final Average Salary | 3,106 | 3,452 | 3,469 | 3,887 | 3,988 | 4,746 |
| Number of Active Retirants | 69 | 169 | 168 | 198 | 306 | 312 |
| Safety Members | | | | | | |
| Average Monthly Benefit | $ 2,271 | $ 2,606 | $ 2,479 | $ 3,280 | $ 4,260 | $ 5,592 |
| Average Final Average Salary | 4,815 | 5,050 | 5,009 | 6,027 | 6,025 | 6,446 |
| Number of Active Retirants | 21 | 27 | 12 | 29 | 70 | 107 |
| **Survivors** | | | | | | |
| General Members | | | | | | |
| Average Monthly Benefit | $ 694 | $ 380 | $ 941 | $ 876 | $ 1,301 | $ 2,439 |
| Average Final Average Salary | 3,556 | 1,404 | 3,402 | 2,311 | 3,120 | 4,486 |
| Number of Active Survivors | 7 | 20 | 10 | 16 | 27 | 23 |
| Safety Members | | | | | | |
| Average Monthly Benefit | $ 361 | | $ 1,751 | $ 1,452 | $ 3,002 | $ 3,652 |
| Average Final Average Salary | | | 3,312 | 3,770 | 3,492 | 3,823 |
| Number of Active Survivors | 1 | | 3 | 3 | 7 | 6 |

## Schedule of Average Benefit Payments – *Continued*

| Retirement Effective Dates | Years of Credited Service 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ |
|---|---|---|---|---|---|---|
| ***7/1/98 to 6/30/99*** | | | | | | |
| **Retirants** | | | | | | |
| General Members | | | | | | |
| Average Monthly Benefit | $ 886 | $ 853 | $ 1,058 | $ 1,631 | $ 2,297 | $ 3,591 |
| Average Final Average Salary | 3,828 | 3,688 | 3,324 | 3,726 | 4,037 | 4,808 |
| Number of Active Retirants | 74 | 197 | 159 | 173 | 293 | 334 |
| Safety Members | | | | | | |
| Average Monthly Benefit | $ 2,277 | $ 2,439 | $ 2,884 | $3,172 | $ 4,418 | $ 6,236 |
| Average Final Average Salary | 4,935 | 4,965 | 5,867 | 5,913 | 6,338 | 7,279 |
| Number of Active Retirants | 32 | 23 | 17 | 19 | 57 | 173 |
| **Survivors** | | | | | | |
| General Members | | | | | | |
| Average Monthly Benefit | $ 767 | $ 619 | $ 972 | $ 1,150 | $ 1,599 | $ 2,647 |
| Average Final Average Salary | 4,746 | 3,787 | 2,700 | 3,320 | 3,790 | 4,647 |
| Number of Active Survivors | 6 | 13 | 13 | 21 | 30 | 30 |
| Safety Members | | | | | | |
| Average Monthly Benefit | $ 964 | | $ 1,957 | | $ 2,252 | $ 5,491 |
| Average Final Average Salary | 4,818 | | 5,459 | | 3,481 | 8,111 |
| Number of Active Survivors | 1 | | 2 | | 4 | 7 |

## Participating Employers and Active Members

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|
| **County of Los Angeles** | | | | | | |
| General Members | 65,382 | 66,479 | 63,830 | 64,193 | 65,753 | 68,631 |
| Safety Members | 10,527 | 10,643 | 10,749 | 10,859 | 10,947 | 11,024 |
| **Total** | **75,909** | **77,122** | **74,579** | **75,052** | **76,700** | **79,655** |
| **Participating Agencies (General Membership)** | | | | | | |
| South Coast Air Quality Management District | 10 | 10 | 8 | 8 | 7 | 6 |
| Los Angeles County Office of Education | 13 | 14 | 14 | 11 | 10 | 8 |
| Little Lake Cemetery District | 3 | 3 | 3 | 3 | 3 | 3 |
| Local Agency Formation Commission | 5 | 5 | 2 | 5 | 5 | 4 |
| **Total** | **31** | **32** | **27** | **27** | **25** | **21** |
| **Total Active Membership** | | | | | | |
| General Members | 65,413 | 66,511 | 63,857 | 64,220 | 65,778 | 68,652 |
| Safety Members | 10,527 | 10,643 | 10,749 | 10,859 | 10,947 | 11,024 |
| **Total** | **75,940** | **77,154** | **74,606** | **75,079** | **76,725** | **79,676** |

## 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 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 Sep 98 | 9.64% | 6.03% | 5.69% | 5.90% | 6.48% | 16.73% | 9.29% |
| 1 Oct 98 to 30 Jun 99 | 9.77% | 6.46% | 6.20% | 6.84% | 6.50% | 20.42% | 13.51% |

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*

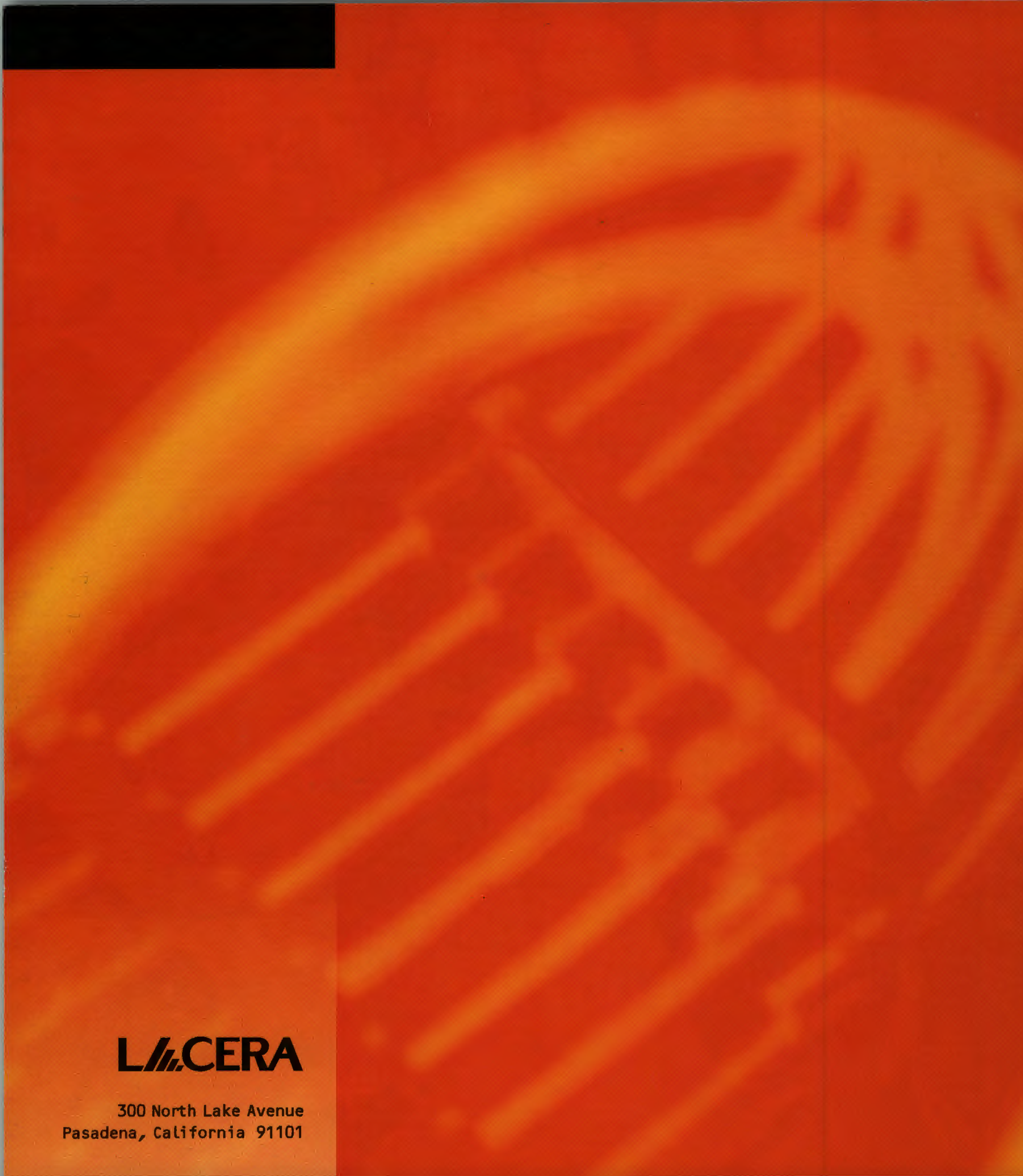
| | General | | |
|---|---|---|---|
| Effective Date | Plan A | Plan B | Plan D |
| 1 Feb 90 to 31 Aug 93 | 14.45% | 11.43% | 11.17% |
| 1 Sep 93 to 30 Sep 94 | 13.09% | 10.42% | 10.40% |
| 1 Oct 94 to 30 Jun 95 | 10.09% | 7.42% | 7.40% |
| 1 Jul 95 to 30 Jun 96 | 9.00% | 6.67% | 6.85% |
| 1 Jul 96 to 30 Jun 98 | 8.95% | 6.02% | 5.90% |
| 1 Oct 98 to 30 Jun 99 | 9.08% | 6.45% | 6.84% |

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 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 Sep 98 | 14.56% | 12.41% | 11.72% |
| 1 Oct 98 to 30 Jun 99 | 14.69% | 12.84% | 12.23% |




LACERA

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