building tomorrow today

LACERA

Comprehensive Annual Financial Report
for the year ended June 30, 2000

Los Angeles County Employees Retirement Association

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

LACERA mission

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.

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

Los Angeles County Employees Retirement Association

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

Report on Audited Financial Statements
For the Years Ended June 30, 2000 and 1999

Issued by:

Marsha D. Richter
Chief Executive Officer

Robert R. Hill
Assistant 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

LACERA

Los Angeles County Employees Retirement Association

For Its

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 1999

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

PRESIDENT

EXECUTIVE DIRECTOR

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.

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live in the present...

The word *Building,* as defined in *Webster's Dictionary,* means *"developing according to a systematic plan, by a definite process, or on a particular base."* At LACERA, we hold all of these words to their literal meaning.

We realized long ago that in order to build on our best-laid plans and realize our goals, it was imperative to have a strong foundation from which progress could be made. LACERA's foundation is composed of its Boards and staff. It is through their collaborative efforts, that LACERA has become the $31.6 billion, fully funded retirement system it is today.

During fiscal year ending June 30, 2000, LACERA's diversified portfolio performed solidly returning 15.2% net of fees and expenses. This marks the sixth consecutive fiscal year that LACERA has earned double-digit returns.

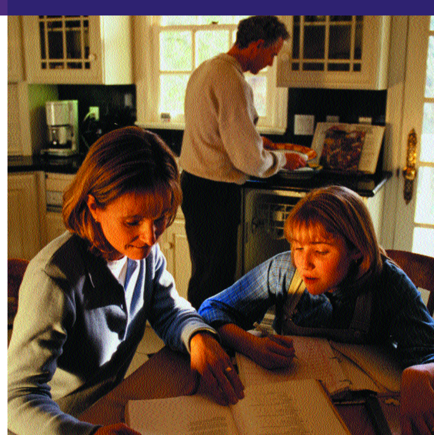
As the fund continues to grow, so does our membership. That is why developing and implementing more practical, and efficient ways to provide each of our 133,000 members with priority one service will always be included in our building plans.

This year, a cross-functional team was established to identify and implement a financial application to incorporate LACERA's various accounting functions. The result: a single integrated financial package that provides enhanced query and reporting capabilities, risk avoidance, and increased data integrity.

With much anticipation and great success, we were able to fulfill a promise made to our members last year; we launched the first of three phases of our web site. Constructing the site involved many hours of input, shared knowledge, and creative ideas from every division at LACERA. The result: a user-friendly web site that provides our members 24–hour access to retirement information and links to related sites. In the future the site's interactive capabilities will allow members to make secured transactions, which will include updating their personal information.

It is reassuring to know that by making our services more accessible, updating our business practices, and developing new ways to manage the fund, we have also helped our members build on their plans to prepare for tomorrow.

prepare for
tomorrow



October 2, 2000
Los Angeles County Employees Retirement Association
Board of Retirement
Board of Investments
300 North Lake Avenue, Suite 820
Pasadena, CA 91101

dear board members:

I am pleased to present the Los Angeles County Employees Retirement Association (LACERA) Comprehensive Annual Financial Report for the fiscal years ended June 30, 2000 and 1999. We are proud of the achievements accomplished during the year and our continued focus to provide accurate and timely service to over 133,000 members including nearly 45,000 benefit recipients.

Marsha D. Richter
Chief Executive Officer

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 2000. This section contains LACERA's Vision, the Certificate of Achievement for Excellence in Financial Reporting, 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 certified 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 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 certification of the consulting actuary, Milliman & Robertson, Inc., actuarial statistics, and general plan provisions.

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

LACERA and Its Services

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

Little Lake Cemetery District

Local Agency Formation Commission

Los Angeles County Office of Education

South Coast Air Quality Management District

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

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

Financial Information

Internal Control

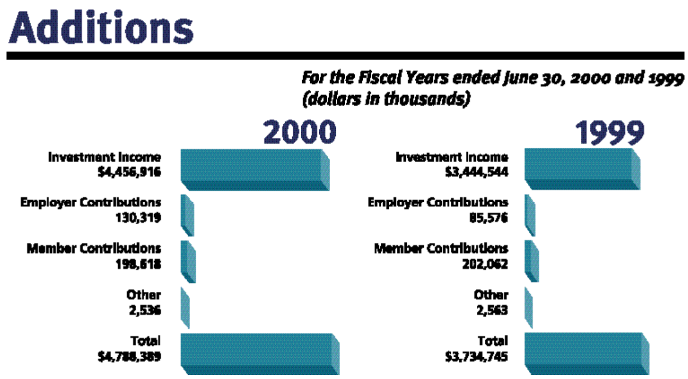
The accounting firm of PricewaterhouseCoopers, LLP provides both financial statement audit services and specified procedures accounting services. The financial attest audit states that LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The specified procedures review examines LACERA's processes, procedures, and internal controls in selected operational 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.

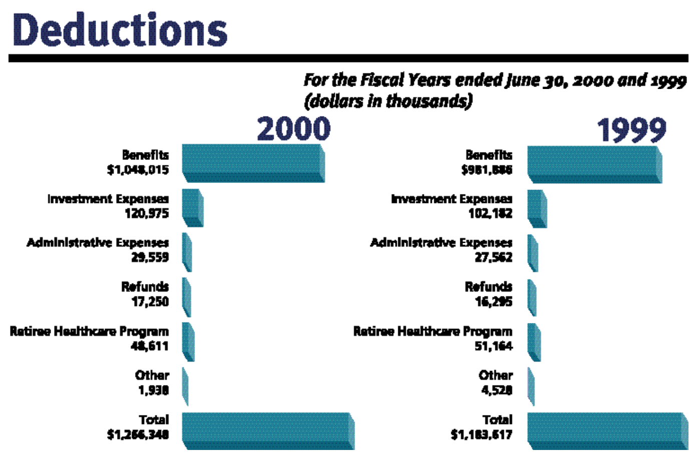
Additions to and Deductions from Plan Net Assets

The primary sources to finance the retirement benefits LACERA provides are accumulated through income on investments and through the collection of member (employee) and employer retirement contributions. These income sources for fiscal year 2000 totaled $4.8 billion. The overall additions increased by $1.05 billion (28%) compared to those of fiscal year 1999 primarily due to increased investment earnings and employer cash contributions.

The primary uses of LACERA assets include the payment of benefits to members and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the retirement system. These deductions for fiscal year 2000 totaled $1.3 billion, an increase of $83 million (7.0%) over fiscal year 1999. This increase is largely due to the growth in the number and average amount of benefits paid to members.

Additions of $4.8 billion exceeded deductions of $1.3 billion by $3.5 billion during fiscal year 2000. The Boards of Retirement and Investments approve the annual budget, which restricts administrative expenses and represents less than 0.1% of the total Plan Assets.





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 1999-2000, LACERA engaged Milliman & Robertson, Inc. to serve as its independent actuary, commencing with the June 30, 1999 annual valuation. Milliman & Robertson completed the annual valuation as of June 30, 1999 and determined the funding status (the ratio of system assets to system liabilities) to be 103.3%. The funding status was established based on the entry age normal actuarial cost method, 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%. The actuarial assumptions regarding the valuation of assets was changed to a three-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date. The new actuarial asset method was adopted effective June 30, 1999.

In August 1994, LACERA and the County entered into a Retirement System Funding Agreement. Under this Agreement, the County fully funded the retirement system by issuing pension obligation bonds and transferring the proceeds to LACERA. The agreement provides that contributions to retire any future unfunded liability will be suspended until July 1, 2000, unless the System's funding ratio drops below 97.5%. Since the June 30, 1999 valuation determined the funding ratio to be 103.3%, no County contribution for unfunded liability is required at this time.

Service Efforts and Accomplishments

Fiscal year 1999-2000 was eventful and fruitful for LACERA. During this fiscal year, the following significant accomplishments were achieved:

- Our extensive efforts to prevent business disruptions related to the "Year 2000 problem" were successful in ensuring uninterrupted benefits and services to members and benefit recipients.
- The Board of Retirement directed staff to implement the Final Month - Whole Month payment methodology in the disbursement of death benefits to members. This concept allows payment of a full month benefit in the month a member passes away instead of a prorated benefit. A workplan and timetable were developed for implementation of this new administrative policy in July 2000.
- Staff redesigned and implemented three additional business processes, which integrate the Workflow and Document Imaging technologies. To date, 12 of 15 critical business processes have been redesigned. The Workflow technology controls staff access to specific records, thereby increasing the security of our members' confidential data.
- In our continuing efforts to help members better understand their retirement benefits, Retirement Services staff conducted 52 pre-retirement and seven new member workshops at LACERA, over 350 workshops at departmental locations, and provided information at three Countywide orientation sessions. Staff also conducted 15 deathbed counseling sessions, which is a newly established service provided to terminally ill members and their families to assist them in making retirement decisions. Close to 13,400 members were assisted at our public service counter and over 166,000 telephone inquiries were addressed.
- Staff was actively involved in implementing the LACERA Document Retention Policy, which is intended to improve the efficiency of archiving and retrieving non-member records. To kick off the Policy's implementation, staff enthusiastically participated in a "Cleanup Day 2000" effort, where over 1-1/2 tons of surplus paper, documents, reports, and excess supplies were eliminated. A computerized record inventory was designed to identify each existing record's attributes. The inventory facilitates locating certain documents pertinent to serving the membership in a timely manner.
- Internal Audit staff developed a risk management database using information gathered from the risk assessments they completed of six LACERA divisions. The database contains a master list of auditable operational areas ranked by risk and will be used to facilitate developing the annual audit plan.
- A Cross-Functional Team was established to identify and implement an enterprise-wide integrated financial application that incorporates LACERA's various accounting functions. Benefits anticipated from the new, single integrated financial package include enhanced query and reporting capabilities, increased data integrity, improved functionality, risk avoidance, and integration with LACERA's Intranet.
- The Board of Investments authorized the development of a new asset allocation plan. The asset allocation process was conducted in two stages. Stage I determined the target allocations for strategic asset classes which include domestic and international equities, fixed income and real estate. Targets for these strategic asset classes were adopted on April 26, 2000. Stage II focused on target allocations for sub-asset classes such as the allocations for public and private equity investments. These allocations were adopted on July 26, 2000. Because the plan was finalized in fiscal year 2000-2001, the new target allocations will be reflected in next year's annual report.

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 1999 were

$39.2 million, and are anticipated to be similar for calendar year 2000. Currently, over 12,000 retirees receive this benefit, which is a non-vested entitlement.

Healthcare Benefits Program

Under an agreement with the County of Los Angeles, LACERA administers a Healthcare Benefits Program, which includes medical and dental/vision plans for over 65,700 retirees/survivors and their eligible dependents, and a Long Term Care Program for nearly 2,000 participants.

During fiscal year 1999-2000, in our continued efforts to provide a healthcare benefits program of the highest quality, staff accomplished the following:

- Conducted LACERA's 8th Annual Health Fair, which is sponsored by participating healthcare providers and organizations. More than 1,000 members attended the Health Fair.
- Completed the Kaiser Interregional Group 3000 Project, which consisted of transferring over 400 members and dependents into four out-of-state Kaiser plans (Colorado, Georgia, Hawaii, and Oregon) and moving approximately 300 members to the Blue Cross medical plans.
- Implemented four new medical insurance plan contracts with Kaiser in Colorado, Georgia, Hawaii, and Oregon effective January 1, 2000.
- Mailed the annual letter and insurance rate booklet to nearly 32,000 members in May 1999, and implemented the new rate tables effective July 1, 1999.
- Conducted the mailing of the 1999 Medicare Letter to nearly 32,000 LACERA members in September 1999.

Economic and Market Review

LACERA's investment portfolio returned 15.23% for fiscal year 1999-2000. The strong performance is attributable to the continued outstanding returns of the stock markets worldwide. LACERA's domestic and international equity portfolios returned 16.3% and 24.3%, respectively, while the alternative assets portfolio posted a 75.7% return.

The first quarter of the fiscal year began with the Federal Reserve raising interest rates in August by 25 basis points to 5.25%. As the year unfolded, fears of inflation and higher interest rates took their toll on the US stock market, with most major indexes posting losses for the third quarter of 1999. The S&P 500 Index suffered a decline of 6.25%. The bond market recovered from a decline in the first half of the year and returned 0.68% for the quarter. Yield spreads widened as economic and interest-rate uncertainty created doubts about credit quality. As a result, corporate debt significantly underperformed Treasuries, with the Lehman Bros. Corporate Bond Index returning just 0.29%, compared to a 0.71% return on the Lehman Bros. Treasury index.

The economy appeared to come roaring back in the final three months of 1999, and the Federal Reserve raised short-term interest rates again in November, pushing the Fed Funds rate to 5.5%. Due to concerns over rising inflation, returns on most fixed-income benchmarks were negative, both for the 4th quarter, and for the year. The Lehman Aggregate Bond Index posted a negative 0.83% return for 1999 as a whole. Technology stocks dominated equity markets and led major benchmarks to new highs in the final months of 1999. The technology-heavy Nasdaq returned 48.3% for the 4th quarter and 85.9% for the whole year – the largest return ever by a major US stock market index.

Year 2000 started with additional interest rate increases by the Federal Reserve in February and again in March. The bond market as a whole posted a 2.21% return for the quarter. The corporate bond sector underperformed significantly, gaining less than half the increase in government issues. The US Treasury announced plans to buy back as much as $30 billion in outstanding debt this year, which led to a dramatic rise in demand for longer-term Treasuries. With the Fed raising short-term rates, and long-term Treasury bonds rallying, the yield curve inverted in the first quarter of 2000. An inverted yield curve results when short-term bond yields are higher than long-term yields.

While US equity markets posted modestly positive returns for the quarter, the broad benchmarks experienced record volatility. Shortly after the end of the first quarter, the Dow Jones Industrial Average and the Nasdaq composite index dropped 500 points on April 4, before regaining all the losses.

The second quarter of 2000 started with an uneasy feeling that a major correction was in the making, triggered primarily by Internet and computer stocks. The tech-heavy Nasdaq plunged 27% in the first two weeks of the quarter. From that point on, the market managed to recoup most of its losses, but major equity benchmarks still posted negative returns for the quarter. The S&P 500 Index declined 2.66% in the second quarter and 0.42% for the year.

Continued low unemployment, combined with rising energy costs combined for a 0.71% increase in the Consumer Price Index in March. As inflation fears began to increase, the Fed raised the federal funds rate by a half a percentage point in May. At the end of June 2000, fed funds rate was now at 6.5%, the highest level since January of 1991. Fixed-income investors enjoyed a moderately positive quarter, with the Lehman Aggregate index posting 1.73% for the quarter and 3.98% for the first six months of the year.

Stock markets around the world enjoyed strong returns in 1999, as economic conditions improved in both Europe and Japan. The Japanese stock market benefited from the economic recovery and also from government efforts to strengthen the nation's banking system. The yen appreciated against the dollar over the course of 1999. While most European markets also advanced in 1999, the Euro weakened substantially following its launch at the beginning of 1999. By the end of the year, the Euro had sunk to near parity with the US dollar.

In 2000, most foreign markets followed the US lead, and the correction in technology stocks took on a global dimension. The tech-heavy markets of Southeast Asia were particularly hard hit. The Japanese stock market also declined 5.3% for the year to date. While European markets also posted negative returns, Europe remained the top regional performer outside of North America. The US dollar continued to appreciate against the yen and against the Euro.

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, 1999. This was the tenth 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's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Comprehensive Annual Financial Report on a timely basis is made possible by the dedicated teamwork of LACERA staff under the leadership, dedication, and support of the LACERA Boards. The report is intended to provide users extensive and reliable information for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of assets contributed by the members and their employers.

I would like to express my sincere gratitude to the LACERA Boards and staff, as well as to all our professional service providers, who performed so diligently to ensure the successful operation and financial soundness of LACERA.

Respectfully submitted,

Marsha D. Richter

Marsha D. Richter
Chief Executive Officer

Members of the Board of Retirement

At June 30, 2000

CHAIR

Les Robbins

Sheriff's Department. Elected by safety members. Present term expires December 31, 2001. Elected Chair of the Board January 5, 2000.

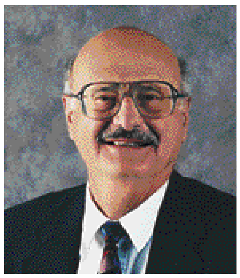
MEMBER

Michael L. Falabrino

Appointed by the Board of Supervisors. Present term expires December 31, 2002.

VICE CHAIR

Warren L. Bennett



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

Elected Vice Chair of the Board January 5, 2000.

MEMBER

Bruce Perelman

Department of Public Works. Elected by general members. Present term expires December 31, 2002.

SECRETARY

Robert A. Stotelmeyer

Retired. Elected by retired members. Present term expires December 31, 2002. Elected Secretary of the Board, January 5, 2000.

MEMBER

Simon S. Russin

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

MEMBER

Mark J. Saladino

Treasurer and Tax Collector. Ex-officio member.

MEMBER

Denis J. Weber

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

MEMBER

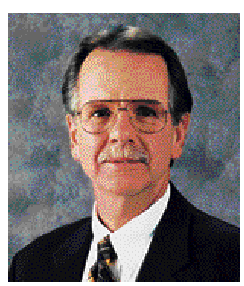
Sadonya Antebi

Photo unavailable

Appointed by the Board of Supervisors. Present term expires December 31, 2002.

ALTERNATEMEMBER

Cody Ferguson



Los Angeles County Fire Department. Elected by safety members. Present term expires December 31, 2001. Retired from County and Board August 4, 2000.

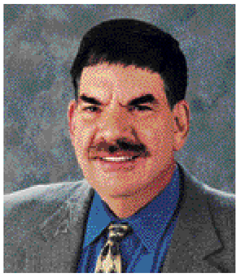
Members of the Board of Investments

At June 30, 2000

CHAIR

Richard N. Shumsky

Probation Department. Elected by general members. Present term expires December 31, 2000. Elected Chair of the Board January 12, 2000.



MEMBER

Daniel R. Cohen

Appointed by the Board of Supervisors. Present term expires December 31, 2002.

VICE CHAIR

Estevan R. Valenzuela

Appointed by the Board of Supervisors. Present term expires December 31, 2001. Elected Vice Chair of the Board January 12, 2000.

MEMBER

Les Robbins

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

SECRETARY

Simon S. Russin

Department of Health Services. Elected by general members. Present term expires December 31, 2002. Elected Secretary of the Board January 12, 2000.

MEMBER

Alex Soteras

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

MEMBER

Mark J. Saladino

Treasurer and Tax Collector. Ex-officio member.

MEMBER

Larkin Teasley

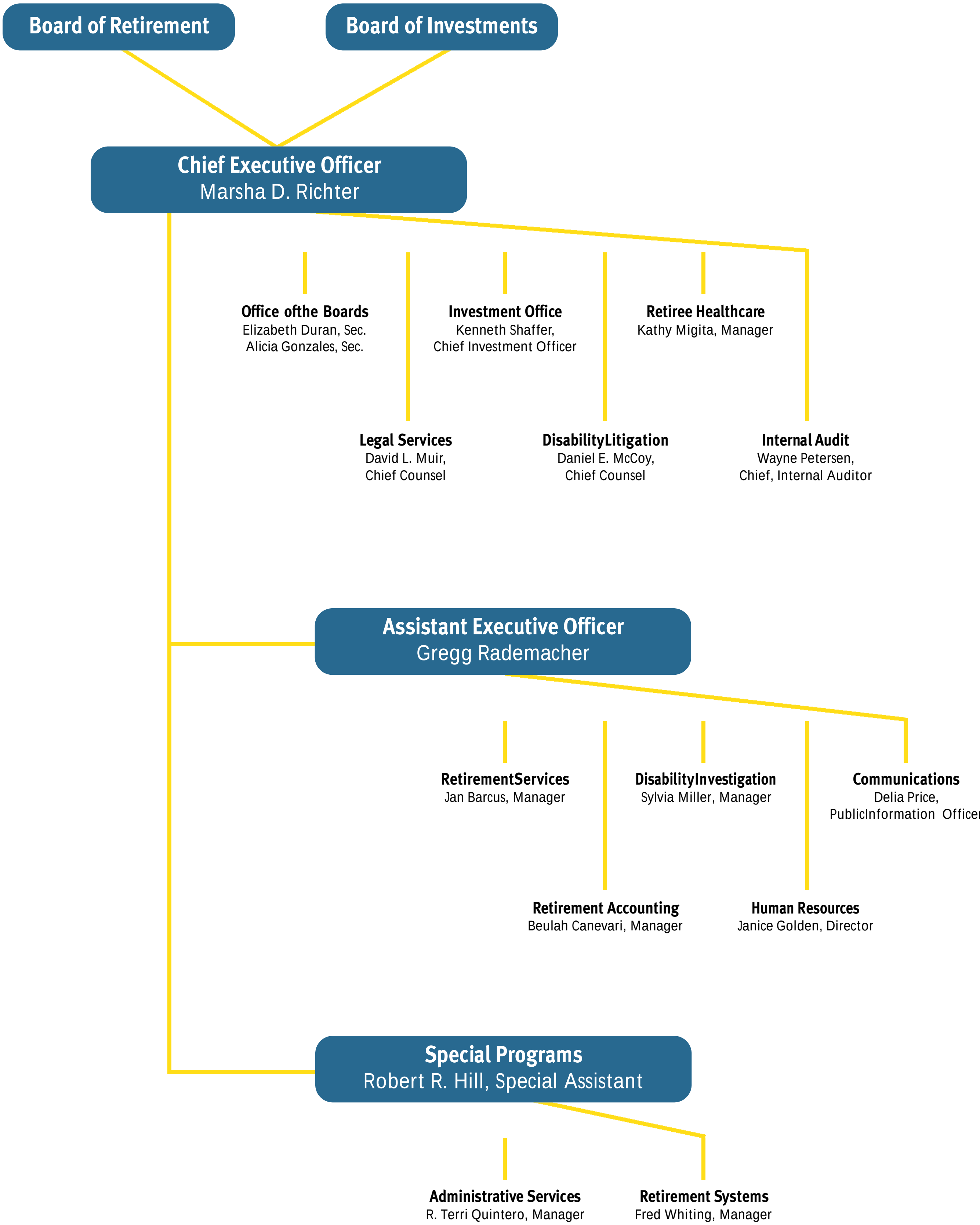
Appointed by the Board of Supervisors. Present term expires December 31, 2002.

MEMBER

Sandra J. Anderson

Retired. Elected by retired members. Present term expires December 31, 2002.

LACERA Organization Chart



List of Professional Consultants

Actuary
Milliman & Robertson, Inc.

Auditors
Financial Controls Systems, Inc.
PricewaterhouseCoopers, LLP
The Segal Company

Commercial Banking
Mellon Bank Global Cash Management
Sanwa Bank California

Custodian
Mellon Trust

Data Processing
Los Angeles County
Internal Services Department

Governance Consultant
Institutional Shareholder Services, Inc.
Investors Responsibility Research Center

Investment Consultants
Frank Russell Company
The Townsend Group

Legal Counsel
Cox, Castle & Nicholson
Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, L.L.P.
D'Ancona & Pflaum
Graves, Roberson & Bourassa
Jones, Day, Reavis & Pogue
Morgan, Lewis & Brockius
Morrison & Foerster, L.L.P.
Orrick, Herrington & Sutcliffe
Paul, Hastings, Janofsky & Walker
Pillsbury, Madison & Sutro
Sidley & Austin

Mortgage Loan Custodian
Bankers Trust Company
Chase Manhattan Bank

financial section

Report of Independent Accountants

PRICEWATERHOUSECOOPERS

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

Boards of Retirement and Investments
Los Angeles County Employees Retirement Association

In our opinion, the accompanying statement of plan net assets and the related statement 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, 2000 and 1999, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles in the United States of America. These financial statements are the responsibility of LACERA's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards in the United States of America 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 whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2000 on our consideration of the LACERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

PriceWaterhouseCoopers LLP

September 29, 2000

Statement of Plan Net Assets

As of June 30, 2000 and 1999
(dollars in thousands)

	2000	1999
Assets		
Cash	$23,862	$34,848
Collateral on Loaned Securities	1,248,217	925,311
Receivables		
Accounts Receivable - Sale of Investments	195,882	103,836
Accrued Interest and Dividends	140,112	161,088
Accounts Receivable - Other	31,348	55,375
Total Receivables	367,342	320,299
Investments at Fair Value - Note M		
Stocks	16,755,863	15,005,922
Bonds	8,370,752	7,568,418
Short Term Investments	1,691,210	1,689,967
Real Estate	3,086,720	2,678,052
Alternative Assets	1,934,450	1,163,303
Mortgages	193,244	197,028
Total Investments	32,032,239	28,302,690
Fixed Assets Net of Depreciation	750	1,426
Total Assets	**33,672,410**	**29,584,574**
Liabilities		
Accounts Payable - Purchase of Investments	786,379	548,883
Retiree Payroll and Other Warrants Payable	17,785	16,920
Accrued Expenses	20,951	17,921
Leasehold Incentives	209	627
Tax Withholding Payable	10,727	10,164
Obligations under Securities Lending Program	1,248,217	925,311
Accounts Payable - Other	22,794	21,441
Total Liabilities	**2,107,062**	**1,541,267**
Net Assets Held in Trust for Pension Benefits	**$31,565,348**	**$28,043,307**

(A Schedule of Funding Progress is presented in the Required Supplemental Information in this Section.)

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

Statement of Changes in Plan Net Assets

For the Years Ended June 30, 2000 and 1999
(dollars in thousands)

	2000	1999
Additions		
Contributions		
Employer	$130,319	$85,576
Member	198,618	202,062
Total Contributions	328,937	287,638
Investment Income		
From Investing Activities		
Net Appreciation in Fair Value of Investments	1,835,707	1,320,290
Investment Income	2,556,372	2,068,178
Total Investing Activity Income	4,392,079	3,388,468
Less Expenses From Investing Activities	(61,769)	(51,502)
Net Investing Activity Income	4,330,310	3,336,966
From Securities Lending Activities		
Securities Lending Income	64,837	56,076
Less Expenses From Securities Lending Activities	(59,206)	(50,680)
Net Securities Lending Income	5,631	5,396
Total Net Investment Income	4,335,941	3,342,362
Miscellaneous	2,536	2,563
Total Additions	**4,667,414**	**3,632,563**
Deductions		
Retiree Payroll	1,046,802	980,035
Administrative Expense - Note B	29,559	27,562
Refunds	17,250	16,295
Lump-Sum Death Benefits	1,213	1,851
Retiree Healthcare Program	48,611	51,164
Miscellaneous	1,938	4,528
Total Deductions	**1,145,373**	**1,081,435**
Net Increase	3,522,041	2,551,128
Net Assets Held in Trust for Pension Benefits Beginning of Year	28,043,307	25,492,179
End of Year	**$31,565,348**	**$28,043,307**

The accompanying notes are an integral part of these 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, 2000 and 1999, LACERA membership consisted of:

	2000	1999
Active Members:		
Vested	55,155	53,231
Non-Vested	28,049	26,445
Total Active Members	83,204	79,676
Retired Members	44,694	43,511
Terminated Vested (Deferred)	5,238	5,019
Total Membership	**133,136**	**128,206**

Benefit Provisions

Vesting occurs when a member accumulates five years creditable service under contributory plans or accumulates 10 years of creditable service under the general service noncontributory plan. Benefits are based upon 12 or 36 months average compensation, depending on the plan; age at retirement and length of service as of the retirement date, according to applicable statutory formula. 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 formula, except for members of the noncontributory plan who are covered under separate long-term disability provisions not administered by LACERA.

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 Bank. There are no provisions for a cost-of-living increase for Plan E members.

STAR Program

In addition to cost-of-living increases, the California Government Code also provides the Board 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, 2000 (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	347,397	(39,232)	1,023,274
Program Year 2000 through June 30		(17,965)	**$1,005,309**
Total	**$1,523,174**	**($517,865)**	

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.

LACERA wholly owns numerous Title Holding Corporations (THCs) and three Limited Liability Companies (LLCs). The THCs are nonprofit corporations under Section 501 (c)(25) of the Internal Revenue Code. The LLCs do not have tax-exempt status, but their income is excludable from taxation under Section 115. The THCs invest in commercial properties located throughout the United States and the LLCs invest in hotels. The financial activities of the THCs and LLCs are included in the accompanying financial statements as investments at fair value. 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, 1999 at fair value	$27,459,393
Maximum Allowable for Administrative Expense (.0018 x $27,459,393)	49,427
Operating Budget for Fiscal Year 1999-2000	35,468
Actual Administrative Expenses for the Fiscal Year ended June 30, 2000	29,559
Underexpended Operating Budget	**$5,909**

NOTE B — Summary of Significant Accounting Policies - *continued*

Fixed Assets

In Fiscal Year 1999-2000, LACERA changed its policy on fixed assets whereby new fixed asset acquisitions are expensed instead of being capitalized. Fixed assets acquired prior to Fiscal Year 1999-2000 are carried at cost less accumulated depreciation. These assets are depreciated over their remaining 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, 2000 and 1999 were as follows (dollars in thousands):

	2000	1999
Furniture and Equipment	$4,278	$4,318
Structures and Improvements	2,829	2,829
Total Fixed Assets (at cost)	7,107	7,147
Less: Accumulated Depreciation		
Furniture and Equipment	3,671	3,318
Structures and Improvements	2,686	2,403
Total Accumulated Depreciation	6,357	5,721
Total Fixed Assets Net of Depreciation	**$750**	**$1,426**

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, 2000 and 1999 were $1.4 million and $1.3 million, 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, 2000 and 1999, 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.

NOTE B — Summary of Significant Accounting Policies - *continued*

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table:

Investments	Source
Publicly traded stocks and 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, 2000 and 1999.
Mortgages	Equivalent pricing to comparable GNMA.
Real estate equity funds	Fair values as provided by real estate fund manager.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by property managers.
Alternative assets	Fair value as provided by the Investment Manager and reviewed by LACERA's alternative asset consultant.
Private placement bonds	Face value of the security subject to designated conditions such as sales restrictions or limited marketability.

There are certain market risks, credit risks, foreign currency exchange risks, liquidity risks, or event risks which may subject LACERA to economic changes occurring in certain industries, sectors, or geographies.

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.

Through mid-November of fiscal year 1999-2000, the County financed its employer contributions due LACERA in the form of monthly cash payments. As part of the Retirement System Funding Agreement (Agreement) between LACERA and the County, the County prepaid its contributions for the remaining seven and one-half months for fiscal year ended June 30, 2000 through transfers from excess earnings (i.e. County Contribution Credit Reserve) as defined in the Agreement.

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.

For fiscal year 1999-2000, the County paid its employer contributions using a combination of cash and transfers from its portion of excess earnings (i.e. County Contribution Credit Reserve). On June 30, 2000, the County also prefunded approximately $361,745,000, from the County Contribution Credit Reserve, a portion of its employer contributions due LACERA for the two fiscal years ended June 30, 2001 and 2002.

County Contribution Credit Reserve represents the balance of the County's proportionate share (i.e., 75%) of excess earnings as stipulated in the Retirement System Funding Agreement between LACERA and the County. Additions include distributions from excess 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 $1,517 million and $706 million represent 5% and 3% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 2000 and 1999, respectively, and as such, the Contingency Reserve is considered fully funded.

Reserves as of June 30, 2000 and 1999 are as follows (dollars in thousands):

	2000	1999
Member Reserves		
Active Members	$7,671,157	$7,166,631
Unclaimed Deposits	25	62
Total Member Reserves	7,671,182	7,166,693
Employer Reserves		
Actual Employer Contributions	12,076,144	11,541,173
Advanced Employer Contributions (FY 00-01 & 01-02)	361,745	266,996
Total Employer Reserves	12,437,889	11,808,169
County Contribution Credit Reserve	1,424,159	1,645,853
STAR Reserve	1,005,309	1,042,599
Contingency Reserve	1,516,949	705,840
Total Reserves at Book Value	24,055,487	22,369,154
Unrealized Investment Portfolio Appreciation	7,509,861	5,674,153
Total Reserves at Fair Value	**$31,565,348**	**$28,043,307**

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 1999-2000, LACERA engaged Milliman & Robertson, Inc., Actuaries & Consultants, to serve as its independent actuary, commencing with the June 30, 1999 annual valuation. Milliman & Robertson completed the annual valuation as of June 30, 1999 and determined the funding status (the ratio of system assets to system liabilities) to be 103.3%. The funding status was established based on the entry age normal actuarial cost method, 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%. The actuarial assumptions regarding the valuation of assets was changed to a three-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date. The new actuarial asset method was adopted effective June 30, 1999.

In August 1994, LACERA and the County entered into a Retirement System Funding Agreement. Under this Agreement, the County fully funded the retirement system by issuing pension obligation bonds and transferring the proceeds to LACERA. The Agreement provides that contributions to retire any future unfunded liability will be suspended until July 1, 2000, unless the System's funding ratio drops below 97.5%. Since the June 30, 1999 valuation determined the funding ratio to be 103.3%, no County contribution for unfunded liability is required at this time.

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 $45.0 million and $46.2 million in related reimbursements during each of the years ended June 30, 2000 and 1999, 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 plan. 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, 2000, $161 million in premium payments were made to insurance carriers. These payments were funded by employer and participant contributions of $142 million and $19 million, respectively. 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

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.

NOTE G — Postemployment Healthcare Benefits - *continued*

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 excess 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:

	2000	1999
Medical Plans	32,915	32,601
Dental/Vision Plans	32,798	31,752
Total	**65,713**	**64,353**

NOTE H — Summary of Investment Policies

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

Additionally, the Law requires the Board and its officers and employees 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 — Portfolio Concentration

LACERA's 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. The Board of Investments policy and guidelines mandate that LACERA's domestic equity composite be well diversified when measured against the broad-based Russell 3000 benchmark. As of June 30, 2000, LACERA's largest industry concentration occurred in Communications Technology comprising approximately 9.8% of the domestic equity composite compared with 9.0% in the Russell 3000 benchmark.

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, 2000, 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, 2000.

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, 2000, the fair values of securities on loan and the collateral received for those securities on loan were $1.282 billion and $1.316 billion, respectively. LACERA's income net of expenses from securities lending was $5.6 million for the year ended June 30, 2000. 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 billion, respectively. LACERA's income net of expenses from securities lending was $5.4 million for the year ended June 30, 1999.

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 2000 was $29 million. The net foreign currency loss in fiscal year 1999 was $93 million. At June 30, 2000, forward currency contracts receivable and payable totaled $1.831 billion and $1.810 billion, respectively. At June 30, 1999, forward currency contracts receivable and payable totaled $2.418 billion and $2.405 billion, respectively.

NOTE L — Title Holding Corporations and Limited Liability Companies

The LACERA real estate portfolio includes 62 Title Holding Corporations (THCs) and 3 Limited Liability Companies (LLCs) as of June 30, 2000, and 57 Title Holding Corporations as of June 30, 1999, respectively. The following is a summary of the THCs' financial position as of June 30, 2000 and 1999 (dollars in thousands):

	2000	1999
Assets	$3,000,809	$2,542,855
Less: Liabilities	162,214	158,314
Net Assets	**$2,838,595**	**$2,384,541**
Increase in Net Assets	$227,623	$189,525

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.)

Note M — Deposits and Investments - *continued*

Based on these criteria, LACERA's deposits and investments as of June 30, 2000 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	$1,681	$1,681	$17,836	$17,836	$19,517	$19,517
Certificates of Deposit	835,892	835,892			835,892	835,892
Total Categorized Deposits	837,573	837,573	17,836	17,836	855,409	855,409
	Cost	Fair Value			Cost	Fair Value
Investments						
US Government &						
Agency Instruments	2,816,779	2,794,088			2,816,779	2,794,088
Domestic Corporate Bonds	4,224,398	4,022,524			4,224,398	4,022,524
Global Bonds	1,244,687	1,198,374			1,244,687	1,198,374
Private Placement Bonds	384,474	355,766			384,474	355,766
Total Bonds	8,670,338	8,370,752			8,670,338	8,370,752
Domestic Stocks	5,887,105	11,055,018			5,887,105	11,055,018
Global Stocks	4,051,610	5,695,066			4,051,610	5,695,066
Domestic Convertible Debentures						
Global Convertible Debentures	4,802	5,779			4,802	5,779
Total Stocks & Convertibles	9,943,517	16,755,863			9,943,517	16,755,863
Corporate and Government	856,297	855,318			856,297	855,318
Total Short Term Investments	856,297	855,318			856,297	855,318
Total Categorized Investments	19,470,152	25,981,933			19,470,152	25,981,933
Investments not considered securities for purposes of custodial risk classification are as follows:						
Real Estate & Title Holdings					2,813,482	3,086,720
Alternative Assets					1,196,251	1,934,451
Mortgages					206,601	193,244
LA County Treasurer Investment Pool					4,344	4,344
Investments held by broker-dealer under						
securities loans with cash collateral:						
Stocks						408,835
Government Bonds						592,196
Corporate Bonds						247,186
Total Uncategorized Investments					4,220,678	6,466,976
Total Deposits and Investments	**$20,307,725**	**$26,819,506**	**$17,836**	**$17,836**	**$24,546,239**	**$33,304,318**

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

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
Domestic Convertible Debentures						
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.

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 $626,435 and $779,341 for the years ended June 30, 2000 and 1999, 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 $1.333 million and $1.174 million in fiscal years 2000 and 1999, 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 $1.960 million and $1.954 million in fiscal years 2000 and 1999, respectively. The lease incentive recognized in 2000 and 1999, as a reduction in rent expense, was approximately $418,000.

Capital Commitments

LACERA equity real estate and alternative investment 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, 2000, outstanding capital commitments to the various investment managers, as approved by the Board, totaled $1.353 billion. Subsequent to June 30, 2000, LACERA funded $99 million of these capital commitments.

Schedule of Funding Progress
(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
30-Jun-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%
30-Jun-99	23,536,116	22,784,706	(751,409)[1]	103.3%	3,858,090	-19.5%

[1] Denotes overfunded Actuarial Accrued Liability.

Schedule of Employer Contributions
(dollars in thousands)

Year Ended June 30	Annual Required Contribution (ARC)	Actual Employer Contributions			Percentage of ARC Contributed
		Cash Payment	Transfer from Reserve Account	Total	
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%
2000	342,060	130,319	211,832	342,151	100%

Notes to Required Supplemental Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation dated June 30, 1999 is as follows:

Actuarial Cost Method:	Entry Age Normal Cost Funding Method.
Asset Valuation Method:	Three-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date (adopted effective June 30, 1999).
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:	Future investment earnings are assumed to accrue at an annual rate of 8.00%, compounded annually, exclusive of both investment and administrative expenses.
Projected Salary Increases:	Rates of annual salary increases assumed for the purpose of the valuation range from 8.00% to 5.00%, averaging 5.50%. In addition to increases in salary due to promotions and longevity, the scale includes an assumed 4.0% per annum rate of increases in the general wage level of membership. These rates were adopted June 30, 1998.
Cost-of-Living Adjustments:	Post-retirement increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 4% per year. Plan E members do not receive post-retirement benefit increases.
Consumer Price Index:	Increase of 4% per annum.

Administrative Expenses
For the Years Ended June 30, 2000 and 1999
(dollars in thousands)

	2000	1999
Personnel Services		
Salaries and Wages	$11,898	$11,179
Employee Benefits	4,393	3,840
Total Personnel Services	16,291	15,019
Professional Services		
Actuarial Consulting Fees	158	50
Network System Consulting Fees	125	289
Computer Software Services and Support	1,195	1,136
External Audit Fees	159	158
Investment Audit Services	350	350
Disability Medical Fees	929	892
Disability Hearing Officer Fees	129	97
Disability Stenographic Fees	55	41
Disability Attorney Fees	5	23
Temporary Personnel Services	2,839	1,638
Legislative and Other Legal Services	297	217
Other Professional Services	578	1,271
Total Professional Services	6,819	6,162
Communication		
Postage	635	474
Telecommunications	373	260
Transportation and Travel	304	247
Total Communications	1,312	981
Rentals		
Rents and Leases	1,542	1,541
Total Rentals	1,542	1,541
Miscellaneous		
Computer Equipment & Supplies	745	1,256
Office Furniture	65	32
Stationery and Forms	277	297
Other Office Expenses	204	189
Maintenance	320	363
Educational Expenses	533	304
Parking Fees	202	194
Other County Department Charges	92	140
Insurance	297	212
Administrative Support	117	89
Other Service Charges	84	125
Total Miscellaneous	2,936	3,201
Depreciation-Fixed Assets	659	658
Total Administrative Expenses	**$29,559**	**$27,562**

Fees and Other Investment Expenses

For the Years Ended June 30, 2000 and 1999
(dollars in thousands)

	2000	1999
Investment Activity		
Investment Management Fees		
Stock Managers		
Domestic	$11,329	$9,802
International	8,347	7,485
Bond Managers		
Domestic	12,977	11,159
International	3,075	3,172
Alternative Assets Managers	5,267	1,706
Real Estate Managers	17,836	15,588
Cash and Short Term Managers	554	445
Mortgage Loan Servicers	520	452
Total From Investment Activity	59,905	49,809
Securities Lending Activity		
Securities Lending Program Expense	59,206	50,680
Total From Securities Lending Activity	59,206	50,680
Total Investment Management Fees	119,111	100,489
Other Investment Expenses		
Consultants	576	634
Custodian	373	264
Legal Counsel	322	81
Other	593	714
Total Other Investment Expenses	1,864	1,693
Total Fees and Other Investment Expenses	**$120,975**	**$102,182**

Schedule of Payments to Consultants

For the Years Ended June 30, 2000 and 1999
(dollars in thousands)

	2000	1999
Audit		
External Auditors	$159	$158
Investment Audit Services	350	350
Total	509	508
Legal		
Investment Legal Counsel	322	81
Disability Attorney Fees	5	23
Other Legal Services	272	157
Total	599	261
Actuarial		
Actuarial Valuations	1,148	180
Actuarial Consulting Fees	158	50
Total	1,306	230
Management		
Legislative Consulting	25	61
Network Consulting Fees	125	289
Other Software Consulting	19	15
Total	169	365
Total Payments to Consultants	**$2,583**	**$1,364**

For fees paid to Investment Professionals, refer to Fees and Other Investment Expenses in this Section.

investment section

Frank Russell Company
909 A Street
Tocoma, Washington 98402-5120
253-572-9500
Fax: 253-591-3495

August 21, 2000

Board of Investments
Los Angeles County Employees Retirement Association
Gateway Plaza
300 North Lake Avenue, Suite 850
Pasadena, CA 91101-4199

Annual Consultants Review

During fiscal year ended June 30, 2000, LACERA's assets grew to $32.0 billion from $28.3 billion, an increase of $3.7 billion from a year earlier. Investment return was a major contributor to this increase.

The fund earned 15.2% for the year ending June 30, 2000. Annualized returns over the three- and five-year periods ending June 30, 2000 were 14.6% and 15.7%, respectively. LACERA continues to enjoy significant fund growth due to the excellent performance of the capital markets and sound fund management.

Actions taken in the past year to enhance LACERA's investment program included:

1. Major review of asset-liability policy issues resulting in the adoption of a 60% equity policy exposure, up from the previous 55% policy exposure. This assessment included:
    - In-depth review of liability structure for study purposes
    - Establishment of fund investment and policy objectives
    - Detailed asset-liability modeling
2. Initiated review of strategic allocations to sub-categories of fixed income. The reduction of LACERA's policy exposure to 30% was the catalyst for this review.
3. Began search for a new cash manager to replace Scudder Kemper Investments Inc.
4. Reviewed the hedge fund market and the structure, performance and suitability of hedge funds for institutional investors.
5. Reviewed US equity structures and continued to manage the structures in accordance with agreed policies and guidelines.

The actions taken in the past year are part of the ongoing process of examining opportunities to improve the fund's investment performance. We look forward to working closely with LACERAstaff and with the Board of Investments on the fund's investment program.

Best regards,

John Ilkiw
Director, Global Consulting Practices

Kelley Fairbank
Senior Consultant

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 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.

For the sixth year in a row, LACERA posted double-digit returns for its investment portfolio. Total fund performance for Fiscal Year 1999-2000 was 15.2%, compared to the fund's custom benchmark of 9.8%. The actively managed portion of the fund produced considerable value added over and above the capital market rates of return.

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:

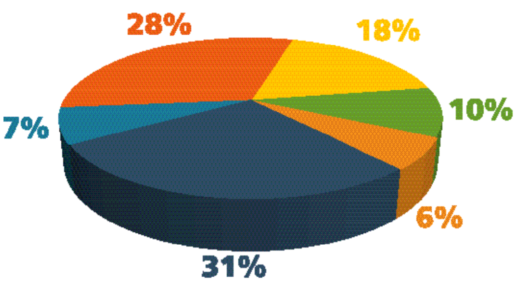
- Projected actuarial assets, liabilities, benefit payments and contributions.
- Historical and expected long-term capital market risk and return behavior.
- Future economic conditions, including inflation and interest rate levels.
- LACERA's current and projected funding status.

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 2000 target and actual asset allocations.

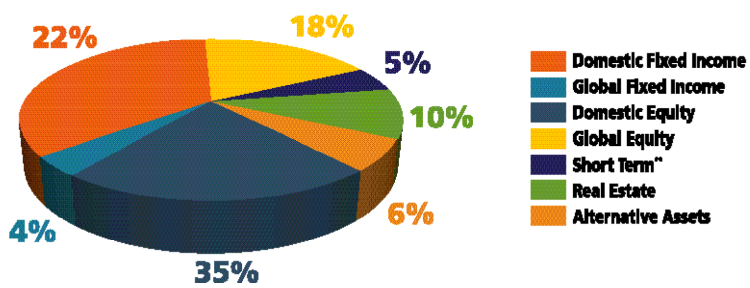
The Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract. LACERA's investment staff closely monitors manager activities and assists the Board with the implementation of investment policies and long-term investment strategies.

In fiscal year 1999-2000, LACERA began developing a new asset allocation plan. The asset allocation process was conducted in two stages. Stage I determined the target allocations for strategic asset classes which include domestic and international equities, fixed income and real estate. Targets for these strategic asset classes were adopted on April 26 of fiscal year 1999-2000. Stage II focused on target allocations for sub-asset classes such as the allocations for public and private equity investments. These allocations were adopted on July 26 in the new fiscal year 2000-2001. Because the plan was finalized in fiscal year 2000-2001, the new target allocations will be reflected in next year's annual report.

2000 Target Asset Allocation



2000 Actual Asset Allocation*



* The 2000 Actual Asset Allocation is based upon the Investment Summary in this Section.
** Short-term Investments may include Corporate and Government Bonds, Certificates of Deposits, and Overnight Deposits.

Investment Summary

For the Year Ended June 30, 2000
(dollars in thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
US Government and Agency Instruments	$2,794,088	8.72%
Domestic Corporate Bonds	4,022,524	12.56%
Global Bonds	1,198,374	3.74%
Private Placement Bonds	355,766	1.11%
Total Bonds	8,370,752	26.13%
Domestic Stocks	11,055,018	34.51%
Global Stocks	5,695,066	17.78%
Global Convertible Debentures	5,779	0.02%
Total Stocks & Convertibles	16,755,863	52.31%
Corporate and Government	855,318	2.67%
Certificates of Deposits	835,892	2.61%
Total Short Term Investments	1,691,210	5.28%
Real Estate & Title Holdings	3,086,720	9.64%
Alternative Assets	1,934,451	6.04%
Mortgages	193,244	0.60%
Total Uncategorized Investments	5,214,415	16.28%
Total Investments	**$32,032,240**	**100.00%**

Investment Results Based on Fair Value*

As of June 30, 2000

	Current Year	Annualized 3-year	Annualized 5-year
Total Fund	15.2%	14.6%	15.7%
Benchmark: Total Fund	9.8	12.5	14.2
Domestic Equity[1]	16.3	21.7	23.4
Benchmark: Russell 3000	9.6	19.2	22.8
International Equity	24.3	12.2	14.7
Benchmark: MSCI All Country World X US	18.1	9.5	11.1
Domestic Fixed Income[2]	4.2	6.0	6.2
Benchmark: Broad Market Index[3]	4.6	6.0	6.2
International Fixed Income	3.2	7.1	9.6
Benchmark: Non-Dollar Government Custom Index[4]	4.1	7.3	9.3
Real Estate[5]	11.8	14.6	13.6
Benchmark: Real Estate Target Return[6]	8.3	8.3	8.3
Alternative Assets[7]	75.7	48.2	53.2
Benchmark: Alternative Asset Target Return[8]	22.7	22.7	22.7

[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 Government 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.

Largest Stock Holdings

As Of June 30, 2000
(dollars in thousands)

Shares	Stocks	Fair Value
3,436,756	Cisco Sys Incorporated Com	$218,449
1,135,230	Intel Corp Calif Com	151,766
1,673,300	Applied Materials Inc Com	151,643
1,540,800	Linear Technology Corp Com	98,515
1,443,900	Maxim Integrated Prods Inc Com	98,095
2,042,187	Pfizer Inc Com Stk USD0.05	98,025
798,300	JDS Uniphase Corp Com	95,696
1,767,220	General Elec Co Com	93,663
1,133,910	Xilinx Inc com	93,618
986,700	Microsoft Corp Com	78,936

Largest Bond Holdings

As Of June 30, 2000
(dollars in thousands)

Par	Bonds	Fair Value
151,110,000	Commitment To Purchase FNMA SF MTG 07.500% due 07-01-2030	$148,891
100,545,217	US Treas CPI 03.625% due 04-15-2028	95,832
86,025,000	Federal Natl Mtg Assn Debs 7.250% 01/15/2010	86,891
7,502,600,000	Japan Bds '210' 1.900% 20-Mar-2009 JPY1000000	71,871
66,150,000	Germany (Federal Republic) 6.000% 5-Jan-2006	65,536
65,782,000	Commitment To Purchase FNMA SF MTG 07.000% due 07-01-2030	63,495
64,540,000	Commitment To Purchase FNMA SF MTG 06.000% due 07-01-2030	59,044
6,350,000,000	Japan Bds 0.080% 20-May-2005 JPY10000000	58,866
48,160,000	US Treasury Bonds 08.000% 11/15/2021 DD 11/15/91	58,221
51,825,187	Germany Fed Rep Bds 6.250% 04-Jan-2024 Eur 1000	53,527

A complete list of portfolio holdings is available upon request.

Schedule of Investment Management Fees

For the Years Ended June 30, 2000 and 1999
(dollars in thousands)

	2000	1999
Investment Activity		
Stock Managers		
Domestic	$11,329	$9,802
International	8,347	7,485
Subtotal	19,676	17,287
Bond Managers		
Domestic	12,977	11,159
International	3,075	3,172
Subtotal	16,052	14,331
Alternative Asset Managers	5,267	1,706
Real Estate Managers	17,836	15,588
Cash and Short Term Managers	554	445
Mortgage Loan Servicers	520	452
Total Fees from Investment Activity	$59,905	$49,809
Securities Lending Activity		
Management Fee	2,413	2,312
Borrower Rebate	56,793	48,368
Total Fees from Securities Lending Activity	$59,206	$50,680
Total Investment Management Fees	**$119,111**	**$100,489**

Investment Section

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
Barclays Global Investors
Scudder Kemper Investments, Inc.

Equity - Domestic
Bankers Trust Company
Barclays Global Investors
Capital Guardian Trust Company
Delta Asset Management
ICM Asset Management, Inc.
Loomis, Sayles & Company
Northern Trust Global Advisors
Oak Associates
Progress Investment Management Company
Putnam Advisory Company, Inc.
Putnam Investment Management

Equity - International
Bankers Trust Company
Barclays Global Investors
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.

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

Fixed Income - International
Bridgewater Associates, Inc.
Deutsch Asset Management Investment
Services, Ltd.
J.P. Morgan Investment Management

Mortgage Loan Servicer
Alliance Mortgage Company
Atlantic Mortgage & Investment Corporation
Bank of America Mortgage
Chase Manhattan Mortgage Company
GMAC Mortgage Corporation
Matrix Financial Services Corporation
U.S. Mortgage

Real Estate
Heitman/JMB Advisory Corporation
Henderson Investors North America, Inc.
Invesco Realty Advisors
L & B Real Estate Counsel
Lend Lease R. E. Investments, Inc.
Lowe Enterprise Residential Partners
RREEF America Partners
Sarofim Realty Advisors
Sentinel Real Estate Corporation
TA Associates Realty
TCW Realty Advisors

Securities Lending Program
Mellon Bond Associates

actuarial section

MILLIMAN & ROBERTSON, INC.
Actuaries & Consultants
Internationally WOODROW MILLIMAN

Suite 3800, 1301 Fifth Avenue, Seattle, Washington 98101-2605
Telephone: 206/624-7940 Fax: 206/340-1380

August 10, 2000

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.[1] 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. 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% and for the June 30, 1999 valuation, 103.3%. Therefore, no UAAL payments by the County are required under the Funding Agreement.

The most recent valuation is based on the plan provisions and assumptions in effect on June 30, 1999. LACERA provided the participant data and the asset information. We reviewed the data for reasonableness.

The actuarial assumptions regarding the valuations of assets was changed to a three-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date. The new actuarial asset method was adopted effective June 30, 1999. All other actuarial assumptions remain the same as those used by Watson Wyatt for the 1998 valuation. We believe the actuarial assumptions developed by Watson Wyatt are internally consistent and reasonable. We also believe the assumptions and actuarial methods meet the 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 actuarial reports, as well as our June 30, 1999 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,

Karen I. Steffen, F.S.A., M.A.A.A.
Consulting Actuary
KIS/nlo

[1]A further goal is to minimize employer contributions, consistent with the requirements of Article XVI, Section 17 of the California Constitution and Section 31595 of the California Government Code.

Actuarial Section

Summary of Actuarial Assumptions and Methods

Actuarial Assumptions and Methods	Recommended by the Actuary and adopted by the Board of Investments. The actuarial assumptions used to determine the liabilities are based on the results of the 1998 Investigation of Experience Report. New assumptions were adopted by the Board effective June 30, 1998.
Actuarial Cost Method	Entry Age Normal Cost Funding Method
Actuarial Asset Valuation Method	Three-year smoothed method based on the difference between expected and actual market value of assets as of the valuation date (adopted effective June 30, 1999)
Amortization of Gains and Losses	Actuarial gains and losses are reflected in the unfunded actuarial liability and amortized over the same period. Based on the 1999 valuation, the actuarial assets exceeded the actuarial accrued liability and there was no amortization of the excess amount under the current funding policy.
Investment Rate of Return	Future investment earnings are assumed to accrue at an annual rate of 8.00%, compounded annually, exclusive of both investment and administrative expenses.
Projected Salary Increases	Rates of annual salary increases assumed for the purpose of the valuation range from 8.00% to 5.00%, averaging 5.50%. In addition to increases in salary due to promotions and longevity, the scale includes an assumed 4.0% per annum rate of increases in the general wage level of membership. These rates were adopted June 30, 1998.
Termination of Employment Rates	Various rates dependent upon member's age, sex, and retirement plan. All terminating members are assumed to not be rehired. These rates were adopted June 30, 1998.
Cost-of-Living Adjustments	Post-retirement increases of either 3% or 2% per year are assumed for the valuation in accordance with the benefits provided. These adjustments are assumed payable each year in the future as they are less than the expected increase in the Consumer Price Index of 4% per year. Plan E members do not receive post retirement benefit increases.
Expectation of Life After Retirement	1983 Group Annuity Mortality Table 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.

Recent Changes and Their Financial Impact

Change in Asset Method

Prior to 1989, LACERA used the book value of assets for funding purposes and for determining the actuarially computed contribution rates. A revised method, the average of the differences between book value and market value, smoothed over a five year period, was adopted for the 1989-1998 valuations.

Based on studies reported and discussed with the Board of Retirement at the January 12, 2000 and February 9, 2000 Board meetings, a new actuarial asset method was adopted for the June 30, 1999 valuation and all subsequent valuations, unless amended by future Board action.

The new actuarial asset method computes the expected market value of assets based on the prior year's market value of assets, the actual cash flow of contributions, benefit and expense payments and the assumed investment rate of return. The current assumed rate of return is 8.00%, net of all expenses. The difference between the actual market value and the computed expected market value is smoothed, or recognized over a three-year period.

The new asset method was adopted on a transition basis that assumed the new method had been in effect since 1995.

Except for a change in the actuarial asset method, no other methods or assumptions were changed since the June 30, 1998 valuation. The change in asset method resulted in an actuarial gain of $1,055 million.

Change in Actuarial Firms

There was a change in actuaries as of the June 30, 1999 Actuarial Valuation. As each firm has their own proprietary valuation systems, some methodology differences occur when changing actuaries. While the differences are usually quite small in determining the total present value of benefits, Milliman & Robertson's audit experience has indicated a wider variance when the present value of benefits are allocated between past and future contributions under the entry age cost method. Such differences can be related to a base assumption regarding when the member is assumed to leave during a fiscal year – the beginning, middle, or end. The change in actuaries resulted in an actuarial loss of $515 million.

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
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	(1,367)	43,511	980,035	5.79%	22,524
2000	43,511	1,660	(477)	44,694	1,046,844	6.82%	23,422

Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
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	725,055,588	66,233	5.23%
	Total	**76,701**	**$3,562,415,880**	**$46,445**	**3.37%**
30-Jun-99	General	68,652	$3,104,617,260	$45,223	4.80%
	Safety	11,024	753,472,872	68,348	3.19%
	Total	**79,676**	**$3,858,090,132**	**$48,422**	**4.26%**

Actuary Solvency Test
(dollars in millions)

Valuation Date	(1) Active Members	(2) Retired/ Vested Members	(3) Employer Financed Portion	Actuarial Value of Assets	(1) Active	(2) Retired	(3) Employer
	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
30-Jun-94	$1,860	$8,349	$5,365	$15,542	100%	100%	99%
30-Jun-95	2,023	9,002	5,367	16,504	100%	100%	102%
30-Jun-96	2,214	9,737	5,327	17,725	100%	100%	108%
30-Jun-97	2,397	10,549	6,438	19,642	100%	100%	104%
30-Jun-98	2,642	11,268	7,050	20,851	100%	100%	98%
30-Jun-99	2,710	11,863	8,211	23,536	100%	100%	109%

Actuarial Analysis of Financial Experience
(dollars in millions)

	1994	1995	1996	1997	1998	1999
Prior Valuation Unfunded Actuarial Accrued Liability	$2,327	$32	($112)	($447)	($259)	$109
Expected Increase from Prior Valuation	96	61	103	59		9
Salary Increases Greater (Less) than Expected	(95)	(205)	(339)	(353)	(116)	241
Change in Assumptions		(180)			(245)	
Adjustment from Actuarial Audit				1,130	260	
Asset Return Less (Greater) than Expected	(98)	(42)	(443)	(955)	(494)	(492)
Retirements Greater (Fewer) than Expected	(150)					
Pension Obligation Bond Proceeds	(1,965)					
All Other Experience	(83)	222	344	307	963	(78)
Change in Procedural Applications[1]						515
Change in Actuarial Asset Method						(1,055)
Ending Unfunded Actuarial Accrued Liability (Surplus)	**$32**	**($112)**	**($447)**	**($259)**	**$109**	**($751)**

[1] Estimated increase due to change in retained actuary and their proprietary valuation procedures, based on 1998 audit report.

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
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

Government Code Sections or Board of Retirement Bylaws

Management of the Retirement System

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, 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)**

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)**

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)**

Government Code Sections or Board of Retirement Bylaws

Member Contributions - *continued*

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.

(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.

Government Code Sections or Board of Retirement Bylaws

Service and Breaks in Service - *continued*

(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)**

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)**

Government Code Sections or Board of Retirement Bylaws

Service Retirement Allowance - *continued*

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)**

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 **(31664, 31676.11)**

Government Code Sections or Board of Retirement Bylaws

Service Retirement Allowance - *continued*

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.

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)**

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)**

Government Code Sections or Board of Retirement Bylaws

Unmodified and Optional Retirement Allowances - *continued*

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)**
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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)**

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)**

Government Code Sections or Board of Retirement Bylaws

Service-Connected Disability Retirement Allowance - *continued*

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))**

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- **(31725, 31725.5)**

Government Code Sections or Board of Retirement Bylaws

Change of Position in Lieu of Disability Retirement Allowance - *continued*

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.

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.

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)**

Government Code Sections or Board of Retirement Bylaws

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)**

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)**

Government Code Sections or Board of Retirement Bylaws

Nonservice-Connected Death Benefits - *continued*

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)**

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)**

Government Code Sections or Board of Retirement Bylaws

Deferred Vested Benefits - *continued*

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)**

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 **(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 **(31789.1)**

Government Code Sections or Board of Retirement Bylaws

Post-Retirement Death Benefit- *continued*

earnings of the retirement system, if any, but is currently paid by the County based on agreement with LACERA.

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 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. **(31730, 31733)**

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)**

Government Code Sections or Board of Retirement Bylaws

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)**

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.

Government Code Sections or Board of Retirement Bylaws

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)**

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)**

Government Code Sections or Board of Retirement Bylaws

Service Retirement Allowance - *continued*

Early Monthly Retirement Allowance:

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

Unmodified and Optinal Retirement Allowances

Unmodified Retirement Allowance:

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

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

Optional Retirement Allowance:

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

Service-Connected Disability Retirement Allowance

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

Nonservice-Connected Disability Retirement Allowance

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

Service-Connected Death Benefits

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

Nonservice-Connected Death Benefits

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

Vested Benefits

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

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

Government Code Sections or Board of Retirement Bylaws

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
(dollars in thousands)

Fiscal Year	Employer Contributions	Member Contributions	Net Investment Income	Miscellaneous Revenues	Total
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
2000	130,319	198,618	4,335,941	2,536	4,667,414

Expenses by Type
(dollars in thousands)

Fiscal Year	Benefits	Administrative Expenses	Refunds	Miscellaneous Expenses	Total
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
2000	1,048,015	29,559	17,250	50,549[1]	1,145,373

[1] Includes Retiree Healthcare Program.

Active/Deferred Members, and Unclaimed Accounts

	1995	1996	1997	1998	1999	2000
Active Vested						
General	38,128	40,478	42,461	43,444	44,436	46,366
Safety	8,828	8,952	9,269	9,005	8,795	8,789
Sub-Total	**46,956**	**49,430**	**51,730**	**52,449**	**53,231**	**55,155**
Active Non Vested						
General	28,383	23,379	21,759	22,334	24,216	25,574
Safety	1,815	1,797	1,590	1,942	2,229	2,475
Sub-Total	**30,198**	**25,176**	**23,349**	**24,276**	**26,445**	**28,049**
Total Active Members						
General	66,511	63,857	64,220	65,778	68,652	71,940
Safety	10,643	10,749	10,859	10,947	11,024	11,264
Total	**77,154**	**74,606**	**75,079**	**76,725**	**79,676**	**83,204**
Deferred Members						
General	3,314	3,980	4,101	4,624	4,859	5,076
Safety	102	150	154	152	160	162
Total	**3,416**	**4,130**	**4,255**	**4,776**	**5,019**	**5,238**
Unclaimed Accounts						
General	310	104	75	35	29	18
Safety	11	4	3	2	1	1
Total	**321**	**108**	**78**	**37**	**30**	**19**

Retired Members by Type of Retirement

	1995	1996	1997	1998	1999	2000
Service						
General	24,956	25,122	25,717	26,204	26,492	27,141
Safety	2,247	2,316	2,404	2,641	2,704	2,702
Total	**27,203**	**27,438**	**28,121**	**28,845**	**29,196**	**29,843**
Disability						
General	4,047	4,051	4,076	4,074	4,074	4,119
Safety	3,291	3,407	3,542	3,697	3,859	4,201
Total	**7,338**	**7,458**	**7,618**	**7,771**	**7,933**	**8,320**
Survivors						
General	4,775	4,988	5,079	5,184	5,271	5,378
Safety	965	1,023	1,055	1,088	1,111	1,153
Total	**5,740**	**6,011**	**6,134**	**6,272**	**6,382**	**6,531**
Total Retired Members						
General	33,778	34,161	34,872	35,462	35,837	36,638
Safety	6,503	6,746	7,001	7,426	7,674	8,056
Total	**40,281**	**40,907**	**41,873**	**42,888**	**43,511**	**44,694**

Benefit Expenses by Type
(dollars in thousands)

	1995	1996	1997	1998	1999	2000
Service Retiree Payroll						
General	$489,177	$517,034	$556,639	$588,036	$614,824	$650,584
Safety	80,061	85,382	86,450	95,183	104,465	115,813
Total	**569,238**	**602,416**	**643,089**	**683,219**	**719,289**	**766,397**
Disability Retiree Payroll						
General	82,304	93,102	96,182	99,261	103,262	106,416
Safety	115,883	120,111	131,866	143,927	157,484	173,989
Total	**198,187**	**213,213**	**228,048**	**243,188**	**260,746**	**280,405**
Total Retiree Payroll						
General	571,481	610,136	652,821	687,297	718,086	757,000
Safety	195,944	205,493	218,316	239,110	261,949	289,802
Total	**767,425**	**815,629**	**871,137**	**926,407**	**980,035**	**1,046,802**
Lump-Sum Death Benefits						
General	848	1,219	820	577	1,805	1,158
Safety	111	432	177	220	46	55
Total	**959**	**1,651**	**997**	**797**	**1,851**	**1,213**
Total Benefit Expense						
General	572,329	611,355	653,641	687,874	719,891	758,158
Safety	196,055	205,925	218,493	239,330	261,995	289,857
Total	**$768,384**	**$817,280**	**$872,134**	**$927,204**	**$981,886**	**$1,048,015**

Schedule of Average Benefit Payments

	Years of Credited Service					
Retirement Effective Dates	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

Schedule of Average Benefit Payments - *continued*

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
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
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

Schedule of Average Benefit Payments - *continued*

Retirement Effective Dates	Years of Credited Service 5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
7/1/99 to 6/30/00						
Retirants						
General Members						
Average Monthly Benefit	$739	$802	$1,127	$1,837	$2,317	$3,377
Average Final Average Salary	3,524	3,480	3,685	4,001	4,154	4,596
Number of Active Retirants	27	72	62	65	153	164
Safety Members						
Average Monthly Benefit	$2,279	$2,264	$2,956	$3,547	$4,521	$6,102
Average Final Average Salary	4,883	4,973	5,637	6,410	6,729	7,256
Number of Active Retirants	33	51	27	18	37	70
Survivors						
General Members						
Average Monthly Benefit	$522	$508	$894	$928	$934	$2,448
Average Final Average Salary	2,942	2,664	2,142	3,242	2,908	3,077
Number of Active Survivors	6	13	4	7	9	13
Safety Members						
Average Monthly Benefit				$3,802	$2,965	$3,965
Average Final Average Salary				7,290	7,865	5,566
Number of Active Survivors				2	2	2

Participating Employers and Active Members

	1995	1996	1997	1998	1999	2000
County of Los Angeles						
General Members	66,479	63,830	64,193	65,753	68,631	71,940
Safety Members	10,643	10,749	10,859	10,947	11,024	11,264
Total	**77,122**	**74,579**	**75,052**	**76,700**	**79,655**	**83,204**
Participating Agencies (General Membership)						
South Coast Air Quality Management District	10	8	8	7	6	8
Los Angeles County Office of Education	14	14	11	10	8	8
Little Lake Cemetery District	3	3	3	3	3	2
Local Agency Formation Commission	5	2	5	5	4	5
Total	**32**	**27**	**27**	**25**	**21**	**23**
Total Active Membership						
General Members	66,511	63,857	64,220	65,778	68,652	71,963
Safety Members	10,643	10,749	10,859	10,947	11,024	11,264
Total	**77,154**	**74,606**	**75,079**	**76,725**	**79,676**	**83,227**

Employer Contribution Rates

County of Los Angeles and Local Agency Formation Commission

	General					Safety	
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%
1 Jul 99 to 30 Jun 00	11.69%	7.01%	6.47%	6.95%	6.00%	22.27%	14.38%

Employer Contribution Rates

Los Angeles County Office of Education and Little Lake Cemetery District

	General		
Effective Date	Plan A	Plan B	Plan D
1 Sep 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 Sep 98	8.95%	6.02%	5.90%
1 Oct 98 to 30 Jun 99	9.08%	6.45%	6.84%
1 Jul 99 to 30 Jun 00	10.96%	7.01%	6.95%

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

Employer Contribution Rates

South Coast Air Quality Management District

	General		
Effective Date	Plan A	Plan B	Plan C
1 Sep 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%	12.23%
1 Oct 98 to 30 Jun 99	14.69%	12.84%	12.23%
1 Jul 99 to 30 Jun 00	16.86%	15.61%	15.04%

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