



We are
LACERA

LACERA

Popular Annual Financial Report for the year ended June 30, 2001

Los Angeles County Employees Retirement Association | A Pension Trust Fund of the County of Los Angeles, California

Los Angeles County Employees Retirement Association

at June 30, 2001

Members of the Board of Retirement

CHAIRMAN
Les Robbins

Elected by
Safety members
Term expires 12-31-01

VICE CHAIRMAN
Warren Bennett

Appointed by the Board
of Supervisors
Term expires 12-31-01

SECRETARY
Simon Russin

Elected by
General members
Term expires 12-31-03

MEMBER
Mark J. Saladino

Treasurer and Tax Collector
Ex-Officio member

MEMBER
Bruce Perelman

Elected by
General members
Term expires 12-31-02

MEMBER
William Pryor

(Alternate member)
Elected by
Safety members
Term expires 12-31-01

MEMBER
Michael L. Falabrino

Appointed by the Board
of Supervisors
Term expires 12-31-02
(Deceased)

MEMBER
Edgar H. Twine

Appointed by the Board
of Supervisors
Term expires 12-31-03

MEMBER
Robert A. Stotelmeyer

Elected by
Retired members
Term expires 12-31-02
(Deceased)

MEMBER
Sadonya Antebi

Appointed by the Board
of Supervisors
Term expires 12-31-02

Members of the Board of Investments

CHAIRMAN
Estevan R. Valenzuela

Appointed by the Board
of Supervisors
Term expires 12-31-01

VICE CHAIRMAN
Sandra J. Anderson

Elected by
Retired members
Term expires 12-31-02

SECRETARY
Les Robbins

Elected by
Safety members
Term expires 12-31-01

MEMBER
Mark J. Saladino

Treasurer and Tax Collector
Ex-Officio member

MEMBER
Simon S. Russin

Elected by
General members
Term expires 12-31-02

MEMBER
Daniel R. Cohen

Appointed by the Board
of Supervisors
Term expires 12-31-02

MEMBER
Brian C. Brooks

Elected by
General members
Term expires 12-31-03

MEMBER
Larkin Teasley

Appointed by the Board
of Supervisors
Term expires 12-31-02

MEMBER
Cody Ferguson

Appointed by the Board
of Supervisors
Term expires 12-31-03

Financial Report Issued by:

Marsha D. Richter
Chief Executive Officer

Robert R. Hill
Assistant Executive Officer

Gregg Rademacher
Assistant Executive Officer

LACERA

300 N. Lake Avenue • Pasadena, CA 91101
(626) 564-6132 or (800) 786-6464

to our members and beneficiaries

We are LACERA – LA County employees.

Hardworking Americans, from diverse backgrounds, and various careers.

We are LACERA – Customer service.

Striving to provide excellent service to all our members.

We are LACERA – Investors.

Wisely investing and protecting the members' fund.

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for fiscal years ended June 30, 2001 and 2000.* It's published to provide you with an understanding of LACERA's overall financial condition and enhanced services. This report does not replace the CAFR. A copy of the CAFR is available at LACERA for your review.

The accomplishments during fiscal year 2000-2001 were significant.

- The LACERA Disaster Recovery Plan was implemented and tested by simulating disaster scenarios. The plan was updated and distributed quarterly to the recovery team members via CD-ROMs.
- www.lacera.com was successfully launched in November 2000. The "Order Now" page offers members the ability to read, print, or order forms and brochures online.
- Machine readable bar codes have replaced the members' social security numbers on all communications to help secure the members' confidential information.
- LACERA has installed assistive listening devices in the board room in compliance with the American with Disabilities Act (ADA) requirements. Additionally, LACERA provides access to American Sign Language interpreters, installed handicapped seating signs in public areas, accepts all TTY/TDD operator relay calls from hearing impaired members, and provides LACERA publications in alternative formats upon request.

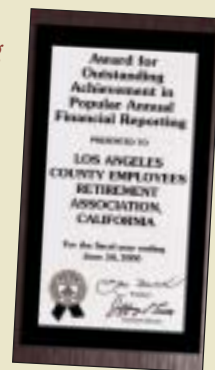
- Outreach staff conducted nearly 550 workshops at LACERA and other county facilities. Presentations covered retirement issues for new members, mid-career, pre-retirement, and post-retirement. Almost 11,200 members were assisted at our public counter, nearly 163,000 telephone inquiries were addressed, and 25 in-home counseling sessions were provided to terminally ill members and their families.

- An enterprise-wide integrated financial application was implemented that provides enhanced query and reporting capabilities, increased data integrity, improved functionality, and risk avoidance.

- The LACERA-sponsored Healthcare Benefits Program provided medical and dental/vision plans for over 66,600 retirees/survivors and their eligible dependents, and a Long Term Care Program for nearly 2,400 participants. Staff completed mass mailings to implement rate changes and explain Medicare program changes, transferred members when two plans discontinued service, and conducted the 9th Annual Health Fair for retirees.

Award for Outstanding Achievement in Popular Annual Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LACERA for its Popular Annual Financial Report for the fiscal year ended June 30, 2000. The Popular Award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. LACERA has received a Popular Award for three consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



**The CAFR was prepared by LACERA in conformity with generally accepted accounting principles and reporting guidelines as set forth in Statement 25 of the Government Accounting Standards Board.*



a d d i t i o n s a n d d e d u c t i o n s

Additions

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. Due to volatile financial markets, weak asset returns, and low interest rates, net investment losses were greater than contributions by \$2 billion. These investment losses are consistent with the overall market. As of June 30, 2001, LACERA's market value is \$28 billion, representing an increase of 40% over the past five years. The overall growth is due to the steady contributions by plan participants and to the robust market growth in the overall investment portfolio.

Additions

For the Fiscal Years ended June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Net Investment Income/(Loss)	\$(2,382,548)	\$4,335,941
Employer Contributions	193,650	130,319
Member Contributions	216,297	198,618
Other	2,972	2,536
Total	\$(1,969,629)	\$4,667,414

Deductions

The primary uses of LACERA's assets include the payment of benefits to members and their beneficiaries, refund of contributions to terminated employees, and the cost of administering the Plan. These deductions for fiscal year 2001 totaled \$1.2 billion and are largely due to the growth in the number and average amount of benefits paid to members and their beneficiaries.

The Boards of Retirement and Investments jointly approve the annual budget, which restricts administrative expenses and represents less than 0.1 percent of total Plan assets.

Deductions

For the Fiscal Years ended June 30, 2001 and 2000
(dollars in thousands)

	2001	2000
Benefits	\$1,138,030	\$1,048,015
Administrative Expenses	33,417	29,401
Refunds	17,640	17,250
Retiree Healthcare Program	52,717	48,611
Other	653	2,096
Total	\$1,242,457	\$1,145,373

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 20% 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. In April 2001, the Board of Retirement voted to vest the 2001 STAR program at an 80% level as authorized in the California Government Code at a cost of \$297 million. The STAR program benefit costs for calendar year 2000 were \$35.4 million, and is anticipated to be similar for calendar year 2001. Currently, close to 13,000 retirees receive this benefit.

investments

LACERA's primary investment objective is to efficiently allocate and manage the assets dedicated to the payment of future benefits. 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. LACERA's assets are exclusively managed by external, professional investment management firms. It is through prudent management and oversight by the LACERA Boards and staff that LACERA has become the strong \$28.4 billion, well funded retirement association it is today.*

For the first time in seven (7) years, LACERA did not generate a positive double-digit return for the fiscal year. Due primarily to declining stock markets, the total fund return was a negative 5.2% for the fiscal year. This result, while disappointing, was not unexpected after the string of very good years. The five-year annualized return is still a positive double-digit number at 10.9%, but is down from last year.

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

In fiscal year 1997, LACERA's Board of Investments established a new set of comprehensive investment guidelines for the fund and each asset class. These guidelines, which are periodically modified, now serve as the guidepost for management of the fund.

Funding Status

The funding status of LACERA continues to be in sound condition. The June 30, 2000 actuarial valuation determined LACERA's funding status to be 102.9%.

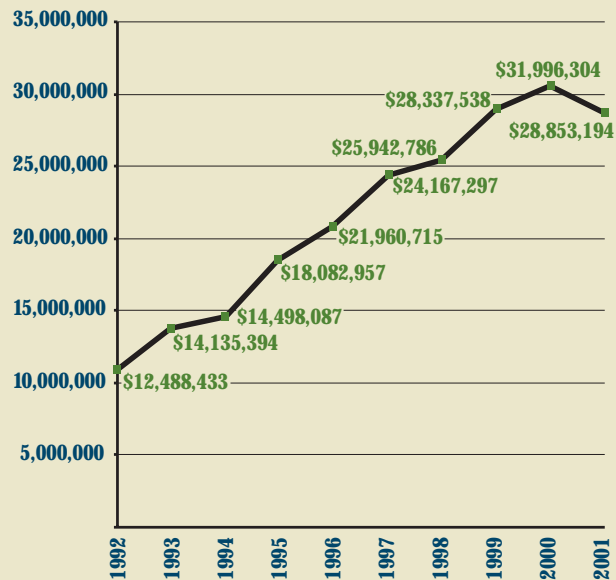
LACERA Membership

The following is a summary of LACERA's membership as of June 30, 2001:

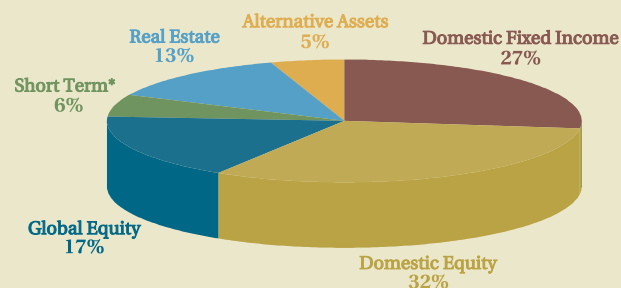
	1998	1999	2000	2001
Active Members	76,725	79,676	83,204	87,069
Deferred Members	4,776	5,019	5,238	5,504
Unclaimed Accounts	37	30	19	1,239
Service Retirement	28,845	29,196	29,777	30,212
Disability Retirement	7,771	7,933	8,320	8,486
Survivors	6,272	6,382	6,531	6,699

* \$28.4 billion = Net Assets (Total Assets minus Total Liabilities)

Growth of Investments
Ten Years Ending June 30, 2001
(dollars in thousands)



Actual Asset Allocation
For the Year Ending June 30, 2001
(dollars in thousands)



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