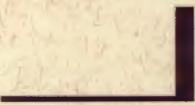




Los Angeles County Employees Retirement Association



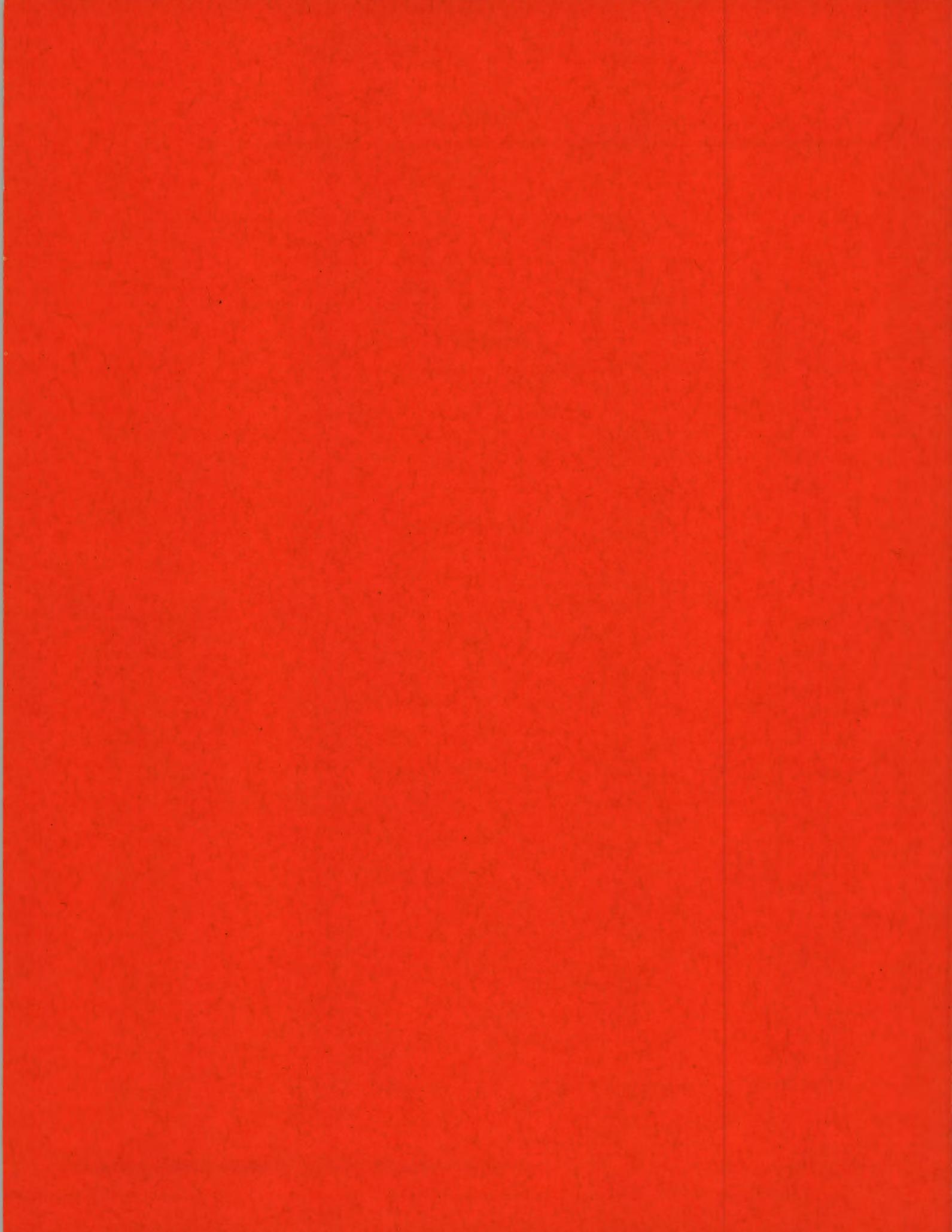
**Annual
Financial
Report**



L//CERA



For the Years Ended June 30, 1993 and June 30, 1992
COMPONENT UNIT FINANCIAL REPORT



Los Angeles County Employees Retirement Association

300 North Lake Avenue • Pasadena, California 91101

Annual Financial Report

Issued by

Charles F. Conrad
Chief Executive Officer

Marsha D. Richter
Assistant Executive Officer

For the Years Ended June 30, 1993 and June 30, 1992
COMPONENT UNIT FINANCIAL REPORT

LACERA

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Los Angeles County Employees Retirement Association

**Introductory
Section**



Los Angeles County Employees Retirement Association



300 N. Lake Ave., Pasadena, CA 91101 ■ Mail to: PO Box 7060, Pasadena, CA 91109-7060

818/564-6000

October 29, 1993

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

Dear Board Members:

LETTER OF TRANSMITTAL

I am pleased to submit the Annual Financial Report of the Los Angeles County Employees Retirement Association (LACERA) for the years ended June 30, 1993 and June 30, 1992.

The annual financial report consists of four sections: introductory, financial, actuarial, and statistical.

The introductory section includes this Letter of Transmittal, a listing of the Members of the Boards of Retirement and Investments, an overview of LACERA's administrative organization, and a list of professional organizations utilized by LACERA.

The financial section includes our financial statements and related supplementary financial information, as well as the independent auditor's report on the financial statements and schedules.

The actuarial section includes the opinion letter of the independent actuary, the results of our actuarial valuation, as well as general LACERA plan provisions.

The statistical section includes detailed information on LACERA's operations presented on a multiyear basis.

Our intent is to ensure that all material within the annual report is accurate and fair, and all material disclosures have been made.

LACERA AND ITS SERVICES

LACERA began operations on January 1, 1938, and is governed by the California Constitution, the County Employees Retirement Law of 1937, and the By-laws, procedures and policies adopted by the Boards of Retirement and Investments. The 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.

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

LACERA provides retirement, disability and death benefits to its active general and safety members and health benefits to retirees. Safety membership includes law enforcement (Sheriff, Marshal, and District Attorney Investigators), firefighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications.

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

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

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

ECONOMIC CONDITION AND OUTLOOK

During the fiscal year ended June 30, 1993, the U.S. economy continued to experience low inflation and slow economic growth as measured by Gross National Product (GNP). Mortgage interest rates reached their lowest level in a quarter of a century.

Although the nation's unemployment rate showed some improvement during the year, sluggish job growth continues to dampen consumer confidence. Despite low consumer confidence and slow wage growth, rising personal consumption is leading to decreased consumer savings and increased consumer debt.

Many economists are forecasting economic conditions for 1994 similar to that experienced in 1993 including inflation and GNP ranges of 2.5% to 3.5% and unemployment hovering between 6.5% and 6.9%. This economic scenario coupled with high unemployment will keep wage growth down, allowing inflation to remain subdued.

LACERA's diversified portfolio returned 13.5% net of fees and expenses, for the fiscal year ended June 30, 1993. This is a result of the substantial returns generated by the portfolio's equity and fixed income investments. Both stocks and bonds benefited from falling interest rates during this period. The diversification in the equity portfolio was well rewarded with both small capitalization stocks and international stocks returning over 17%.

The Board of Investments has expanded the bond portfolio to include international fixed income securities. The addition of international fixed income investments is intended, over the long term, to reduce the overall volatility of the total fund. Currently, this mandate is providing enhanced yield opportunities while reducing the risk of the total fund.

LACERA's portfolio is well positioned to capitalize on increasing economic activity in the United States, Japan and Europe. As Japan and Europe begin reducing interest rates to stimulate their economies, LACERA's international assets should benefit.

Finally, LACERA's ongoing real estate strategy is focused on high income properties. As this plan continues to be implemented in the current fiscal year, higher cash earnings should be realized.

MAJOR INITIATIVES

For the Year

The most notable service achievement during fiscal year 1993 came from the successful administration of the County of Los Angeles's Early Separation Program (ESP).

In August 1992, the Board of Supervisors approved the ESP program which offered employees three options as an incentive to retire early through additional service credit, severance pay, or a combination of both. To place the 1,900 ESP participants on the retiree payroll, LACERA staff fielded over 100,000 phone calls, mailed 60,000 pieces of correspondence, accessed nearly 40,000 member files, provided over 30,000 retirement estimates, personally counseled over 10,000 members, processed over 1,000 previous service requests, and conducted over 100 retirement workshops.

The success achieved in the administration of the ESP plan is attributable to LACERA's commitment to providing maximum service to our members. Other notable member service efforts include:

- Over 80,000 general and safety members received updated Summary Plan Descriptions to assist them in understanding the terms and conditions of retirement, disability and death benefits.
- A summary of the new federal withholding tax requirements on contribution withdrawals and optional rollover provisions was made available to separating members to assist them in the continuation of planned retirement savings.
- A new annual benefit statement was designed to improve the communication of benefit information to members.
- In anticipation of future plan sponsor work force reductions, LACERA developed specific workshops for the Outreach program to assist members during separation.
- Retired members were invited to the second annual Wellness Fair coordinated by LACERA staff and sponsored by healthcare providers and healthcare organizations.
- LACERA staff participated in the LACVUSC Safety Fair by providing retirement counseling to attendees.

LACERA continues its efforts to maintain a dynamic work environment which is flexible and responsive to member needs. Many of the work processes directly associated with member service are currently being restructured to ensure the members' are receiving attentive and accurate service.

Proposition 162, a state-wide initiative known as the California Pension Protection Act, received voter approval. This Act expanded the fiduciary duty of the Boards of Retirement and Investments to provide and protect the benefits of members and their beneficiaries and provided the Boards with the plenary authority necessary to fulfill such responsibilities.

LACERA's Investment Office continued to expand their capability to oversee, administer and implement the policies and decisions of the Board of Investments (Board), including:

- Board approval of staff's Asset Allocation and Optimization Plan (Plan). Through economic assumptions and computer modeling, the Plan defines asset allocation targets which will maximize investment returns within the Board's diversification and risk adversity guidelines. The Plan prescribes the reduction of domestic fixed income portfolios for the funding of international equity, international fixed income (non-US bonds), and real estate portfolios.
- Board retention of an S&P index fund manager based on a search performed by Investment Office staff. The new manager will facilitate asset class rebalancing by managing transitional assets, assist in portfolio liquidations of exiting managers, and receive annual employer contributions to be used during the year for payment of administrative and benefit expenses.
- With the assistance of investment portfolio consultants, staff's execution of investment manager searches for a domestic mortgage-back fixed income manager and three international fixed income managers.

- Board engagement of a new real estate consultant based on a search performed by Investment Office staff. The consultant will be providing the Board with performance measurement of the real estate portfolio, and a strategic real estate investment plan.

For the future

LACERA staff is constantly exploring new and innovative ways to share retirement information with the membership. In the coming year, the Outreach Program will begin holding Brown Bag Special workshops during the lunch period in a variety of locations throughout the County.

The use of videos in communicating retirement information has been such a success that a new video for safety members is currently under production. LACERA's video library contains two productions on new employee orientation and disability and survivor benefits.

To further efforts in improving member communications, the Outreach Program will be adding a new Safety Member Workshop to provide specific retirement plan information to safety members.

LACERA has established an Internal Audit Section which will be working to improve member services through the strengthening of internal controls, assisting in policy development, and participation in the redesigning of organizational work processes.

Training and reference materials will be enhanced to assist the Telephone Group in improving customer service.

LACERA staff will be updating its contingency operations plan in anticipation of emergency and disaster situations.

To ensure that LACERA is receiving the foremost custodial services available, the staff will be performing a search for domestic and international custodial bank services.

A real estate database for commingled funds and separate accounts will be completed to provide the Board of Investments with performance measurement and portfolio monitoring reports.

To assist the Board of Investments in setting investment policy, the Investment Office staff will be providing the Board with quarterly reports detailing economic conditions and factors affecting LACERA's portfolios.

FINANCIAL INFORMATION

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

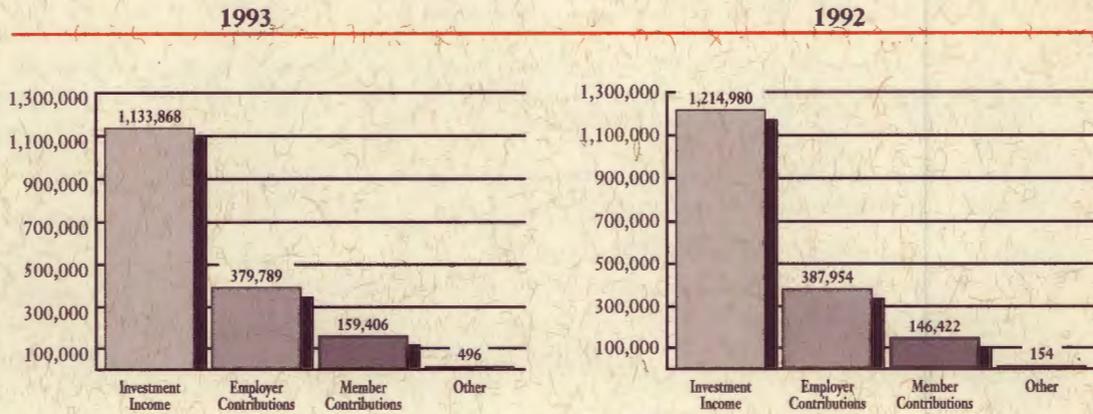
Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Boards of Retirement and Investments.

REVENUES AND EXPENSES

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

(Amounts in thousands)

Year Ended June 30

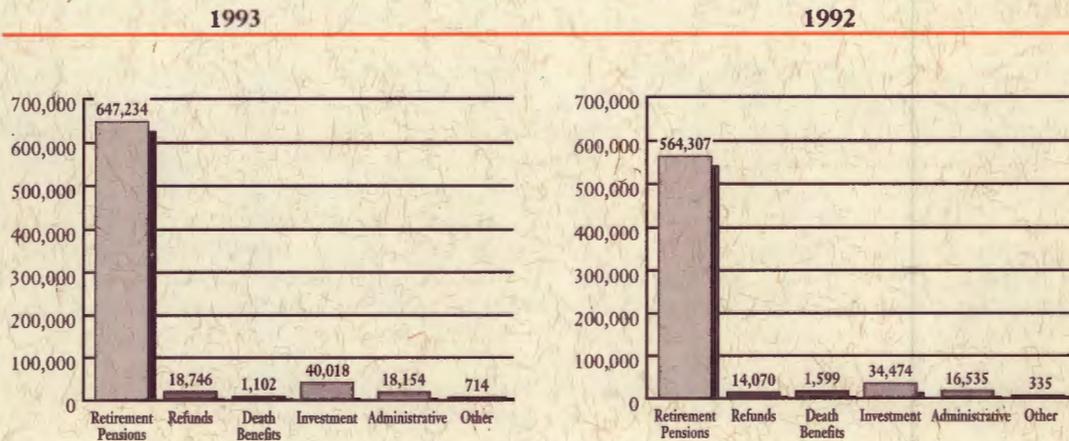


LACERA's portfolio performed solidly during fiscal year 1993. The fluctuation in investment income is due to superior domestic equity trading gains realized in 1992. The market value of the portfolio increased from \$12.5 billion in fiscal year 1992 to \$14.1 billion in fiscal year 1993.

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

(Amounts in thousands)

Year Ended June 30



The retirement pension expense increase in fiscal year 1993 is greater than increases experienced in prior years, and is a result of the Early Separation Program sponsored by the County of Los Angeles.

FUND BALANCE

The total fund balance as of June 30, 1993, was \$12 billion, representing a net increase from the previous year of \$1 billion. Of the \$1 billion increase, \$860 million was credited as interest to the various reserves, \$52 million was transferred to the retired member reserve for the funding of the Supplemental Targeted Adjustment for Retirees (STAR) program, and the remaining funds were used to fund the Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies.

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

SUPPLEMENTAL TARGETED ADJUSTMENT FOR RETIREES

The Supplemental Targeted Adjustment for Retirees (STAR) is a supplemental cost-of-living benefit for retirees or their survivors who have lost 25% or more of the purchasing power of their original retirement benefit. On December 20, 1989, the Board of Retirement approved the STAR program pursuant to authority granted to them under the County Employees Retirement Law of 1937. Together, the Board of Retirement and the Board of Investments have unanimously supported the STAR program through their annual program approval and fund appropriations. The STAR program benefit costs for calendar year 1992 were \$58 million, and are anticipated to be similar for calendar year 1993. The benefit, currently being received by approximately 18,000 retirees, is a non-vested entitlement.

ACTUARIAL FUNDING STATUS

For the purposes of determining contribution rates for members and employers and determining LACERA's funding status, LACERA engages an independent actuarial firm to conduct a triennial valuation and investigation in accordance with the County Employees Retirement Law of 1937. The last such completed triennial valuation was performed as of June 30, 1992 using the entry age normal method. As reported in the June 30, 1992 valuation, the total actuarial accrued liability is \$13.7 billion of which \$1.97 billion is considered unfunded. The unfunded actuarial accrued liability (UAAL) is being funded through employer contributions and available excess earnings generated from the investment portfolio. The original 30 year UAAL funding period, which commenced July 1, 1978, and was to end June 30, 2008, was amended by the Board of Investments to assist the County during a period of fiscal difficulty by re-amortizing the UAAL using a new 30 year funding assumption over each of the next four years. The new 30 year funding assumption became effective July 1, 1992 and will remain in effect until July 1, 1996. At that time any remaining UAAL will convert to a 16 year funding period. The plan actuary approved the amended amortization plan and concurs that the funding status of the plan is sound and that funding progress will continue within the long range goals set by the Board of Investments.

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to LACERA for its annual financial report for the fiscal year ended June 30, 1992. LACERA is the only public pension plan in California to receive this award and this marks the third consecutive year we have been awarded this prestigious designation. In order to be awarded a Certificate of Achievement, LACERA must publish an easily readable and efficiently organized annual financial report, whose content must both conform to program standards, satisfy generally accepted accounting principles and other applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

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

Respectfully Submitted,

Charles F. Conrad

Charles F. Conrad
Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Los Angeles County Employees
Retirement Association, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1992

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.



Arnold L. Hahn

President

Jeffrey L. Esser

Executive Director

Members of the Board of Retirement

At June 30, 1993



Left to right: Warren Pope, Cody Ferguson, Robert Stotelmeyer, Sandra Davis, Alex Soteras, Robert Hermann, Simon Russin, Richard Tafoya, Jack Thomas.

Chairman

Robert J. Hermann

Sheriff's Department. Elected by safety members. Present term expires December 31, 1995.
Elected Chairman of the Board, January 6, 1993.

Vice Chairman

Jack M. Thomas

Appointed by the Board of Supervisors. Present term expires December 31, 1993. Elected Vice Chairman of the Board, January 6, 1993.

Secretary

Robert A. Stotelmeyer

Retired. Elected by retired members. Present term expires December 31, 1993.
Elected Secretary of the Board, January 6, 1993.

Member

Sandra M. Davis

Treasurer and Tax Collector. Appointed by the Board of Supervisors. Ex-officio member.

Member

Warren S. Pope

Appointed by the Board of Supervisors. Present term expires December 31, 1993.

Member

Simon S. Russin

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

Member

Richard Shumsky

Probation Department. Elected by general members. Present term expires December 31, 1993.

Member

Alex Soteras

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

Member

Richard M. Tafoya

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

Alternate Member

Cody Ferguson

Forester and Fire Warden's Department. Elected by safety members.
Present term expires December 31, 1995.

Members of the Board of Investments

At June 30, 1993



Left to right: Michael Falabrino, Robert Hermann, Norman Johnson, Marvyn Kaye, Sandra Davis, Leo Majich, Alan Lowy.

Chairman

Marvyn E. Kaye

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

Elected Chairman of the Board, January 13, 1993.

Vice Chairman

Norman S. Johnson

Retired. Elected by retired members. Present term expires December 31, 1993. Elected Vice Chairman of the Board, January 13, 1993.

Secretary

Alan Lowy

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

Elected Secretary of the Board, January 13, 1993.

Member

Sandra M. Davis

Treasurer and Tax Collector. Appointed by the Board of Supervisors. Ex-officio member.

Member

Michael L. Falabrino

Appointed by the Board of Supervisors. Present term expires December 31, 1993.

Member

Robert J. Hermann

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

Member

Leo A. Majich

Appointed by the Board of Supervisors. Present term expires December 31, 1993.

The following members were elected June 15, 1993, however, they were not certified by the Board of Supervisors until July 6, 1993.

Member

Simon S. Russin

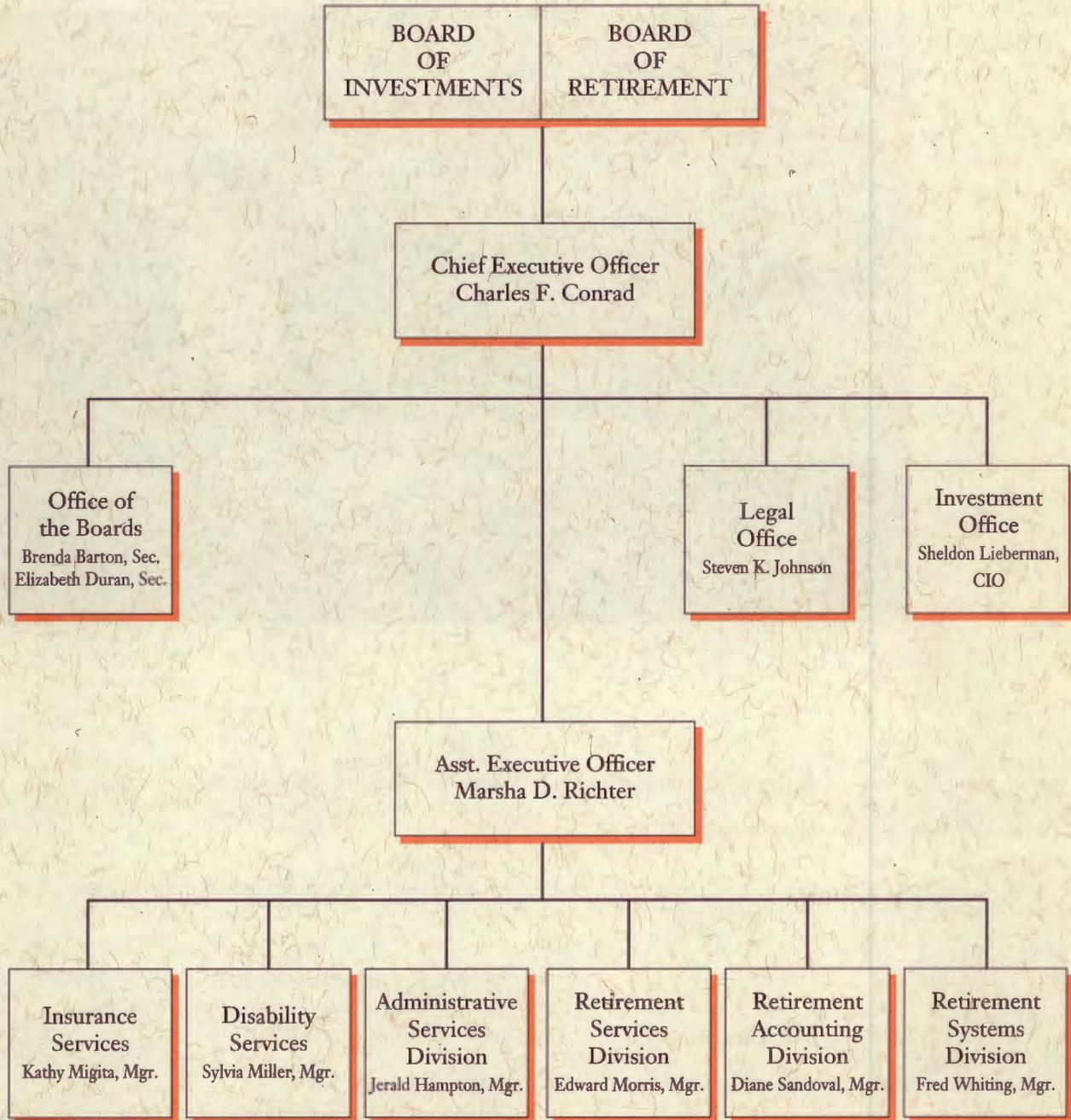
Department of Health Services. Elected by general members. Present term expires December 31, 1993.

Member

Richard Shumsky

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

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION
FISCAL YEAR 1992 - 1993**



LIST OF PROFESSIONAL CONSULTANTS

CONSULTING SERVICES

ACTUARY

Towers Perrin

INVESTMENT CONSULTANTS

Callan Associates, Inc.

The Townsend Group

Frank Russell Company

Chancellor Capital Management

GOVERNANCE CONSULTANT

Institutional Shareholder Services, Inc.

AUDITORS

Coopers & Lybrand

Simpson & Simpson

DATA PROCESSING

Los Angeles County Department of Data
Processing

Warner Information Center

CUSTODIANS

Bank of America, NTSA

The Chase Manhattan Bank, NA

MORTGAGE LOAN SERVICERS

Financial Products and Services

GMAC Mortgage

LEGAL COUNSEL

Gibson, Dunn & Crutcher

Paul, Hastings, Janofsky & Walker

Hufstedler, Kaus & Ettinger

Pillsbury, Madison & Sutro

INVESTMENT MANAGERS

EQUITY - DOMESTIC

Capital Guardian Trust Company

Delta Asset Management

TSA Capital Management

Loomis, Sayles & Company

Invesco MIM, Inc.

Stein Roe & Farnham

Weiss, Peck & Greer Investments

Putnam Advisory Company, Inc.

Morgan Stanley Asset Management, Inc.

Pilgrim, Baxter, Grieg & Associates

EQUITY - INTERNATIONAL

Prudential Asia Fund Management Ltd.

Morgan Grenfell Capital Management, Inc.

Schroder Capital Management Intl. Ltd.

UBS Phillips & Drew Intl. Investment, Ltd.

Capital Guardian Trust Company

Emerging Markets Growth Fund, Inc.

UBS Asset Management (New York) Inc.

FIXED INCOME - DOMESTIC

Bradford & Marzec, Inc.

Capital Guardian Trust Company

MFS Asset Management Group

Brown Brothers Harriman & Company

Mackay - Shields Financial Corporation

Criterion Investment Management Co.

FIXED INCOME - INTERNATIONAL

Capital Guardian Trust Company

CASH & SHORT-TERM

Bankers Trust Company

REAL ESTATE

Public Storage, Inc.

Equitable Real Estate Investment Management

TCW Realty Advisors

RREEF America Partners

Heitman Advisory Corporation

JMB Institutional Realty Corporation

TA Associates Realty

Jones Lang Wootton Realty Advisors

Sentinel Real Estate Corporation

L & B Real Estate Counsel

Trammell Crow Ventures

Shurgard, Inc.

ALTERNATIVE ASSETS

GKH Partners

Copley Venture Partners

TA Communications Partners

Syndicated Communications, Inc.

Chancellor Capital Management

Prudential Equity Investors, Inc.

E. M. Warburg, Pincus Capital Co., Inc.

Los Angeles County Employees Retirement Association

**Financial
Section**

Coopers
& Lybrand

certified public accountants

Simpson & Simpson

REPORT OF INDEPENDENT ACCOUNTANTS

Boards of Investments and Retirement
Los Angeles County Employees Retirement Association

We have audited the accompanying balance sheets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 1993 and 1992, and the related statements of revenues, expenses and changes in fund balances for the years then ended. These financial statements are the responsibility of LACERA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LACERA at June 30, 1993 and 1992, and the results of its operations and changes in its fund balances for the years then ended in conformity with generally accepted accounting principles.

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

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

Coopers & Lybrand

Simpson & Simpson

October 29, 1993
Los Angeles, California

Los Angeles County Employees Retirement Association
Balance Sheets

As of June 30, 1993 and 1992

(Amounts in Thousands)

	1993	1992
Assets		
Cash and Cash Equivalents—Notes O and P	\$ 37,217	\$ 13,230
Contributions Receivable	40,327	46,071
Accrued Interest and Dividends	74,940	94,863
Accounts Receivable—Sale of Investments	310,677	452,712
Principal Due on Mortgages	2,856	1,817
Withholding Tax Refundable	4,065	3,231
Reimbursable Costs for Retiree Health Insurance and Retired Member Death Benefits	9,633	7,832
Accounts Receivable—Other	593	300
Investments—Notes N and P		
Bonds	5,282,594	4,509,423
Common and Preferred Stocks	5,074,957	4,636,942
Short Term Investments	1,027,640	1,224,821
Real Estate	544,801	512,862
Alternative Assets	295,143	227,510
Mortgages	83,830	59,177
Total Investments	<u>12,308,965</u>	<u>11,170,735</u>
Furniture and Equipment, Structures and Improvements—Net of Depreciation	3,838	4,397
Total Assets	<u>\$12,793,111</u>	<u>\$11,795,188</u>
Liabilities		
Accounts Payable—Purchase of Investments	\$ 721,972	\$ 743,309
Retiree Payroll and Other Warrants Payable	38,428	31,524
Accrued Expenses	9,860	10,161
Leasehold Incentives	3,135	3,552
Accounts Payable—Other	435	430
Total Liabilities	<u>773,830</u>	<u>788,976</u>
Fund Balances		
Member Deposit Reserves	1,764,346	1,668,333
Employer Reserves	497,035	937,765
Retired Member Reserves—Note C	9,461,426	8,332,796
Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies—Note D	296,474	67,318
Total Fund Balances	<u>12,019,281</u>	<u>11,006,212</u>
Total Liabilities and Fund Balances	<u>\$12,793,111</u>	<u>\$11,795,188</u>

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

Los Angeles County Employees Retirement Association

Statement of Revenues, Expenses and Changes in Fund Balances

For the Years Ended June 30, 1993 and 1992

(Amounts in Thousands)

	Member Deposit Reserves	Employer Reserves	Retired Member Reserves	Reserve for Earnings' Def., Invest. Losses and Other Contingencies	Year Ended June 30, 1993	Year Ended June 30, 1992
Revenues						
Investment Income						
Net of Related Expenses				\$1,093,850	\$ 1,093,850	\$ 1,180,506
Employer Contributions		\$379,789			379,789	387,954
Member Contributions	\$ 159,406				159,406	146,422
Miscellaneous	632		\$228	(364)	496	154
Total Revenues	<u>160,038</u>	<u>379,789</u>	<u>228</u>	<u>1,093,486</u>	<u>1,633,541</u>	<u>1,715,036</u>
Expenses						
Pension & Annuity Benefits			647,234		647,234	564,307
Administrative Expenses				18,154	18,154	16,535
Refunds	18,746				18,746	14,070
Lump Sum Death Benefits		1,102			1,102	1,599
Interest & Payments under Sections 31725.5 & .6 - Note E		462			462	275
Miscellaneous	252				252	60
Total Expenses	<u>18,998</u>	<u>1,564</u>	<u>647,234</u>	<u>18,154</u>	<u>685,950</u>	<u>596,846</u>
Excess of Revenues Over (Under) Expenses	<u>141,040</u>	<u>378,225</u>	<u>(647,006)</u>	<u>1,075,332</u>	<u>947,591</u>	<u>1,118,190</u>
Other Changes in Fund Balances						
Interest Credited	128,046	81,838	650,044	(859,928)		
Annuities Awarded	(172,946)	(900,920)	1,073,866			
Distribution of Excess Earnings			51,726	(51,726)		
Net Change in Lower of Cost or Market Allowance on Noncurrent Marketable Equity Securities				65,478	65,478	1,405
Miscellaneous	(127)	127				
Total Other Changes in Fund Balances	<u>(45,027)</u>	<u>(818,955)</u>	<u>1,775,636</u>	<u>(846,176)</u>	<u>65,478</u>	<u>1,405</u>
Net Changes in Fund Balances	<u>96,013</u>	<u>(440,730)</u>	<u>1,128,630</u>	<u>229,156</u>	<u>1,013,069</u>	<u>1,119,595</u>
Balance, Beginning of Year	<u>1,668,333</u>	<u>937,765</u>	<u>8,332,796</u>	<u>67,318</u>	<u>11,006,212</u>	<u>9,886,617</u>
Balance, End of Year	<u>\$1,764,346</u>	<u>\$497,035</u>	<u>\$9,461,426</u>	<u>\$ 296,474</u>	<u>\$12,019,281</u>	<u>\$11,006,212</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 1993

NOTE A PLAN DESCRIPTION

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

The Fund's revenues are derived from three major sources:

- Income from investments
- County and special districts' employer contributions
- Member contributions

The fund's expenses consist of:

- Pension and annuity benefit payments
- Investment expenses
- Administrative expenses
- Refunds of contributions
- Lump sum death benefits and payments under Sections 31725.5 and .6

LACERA operates as a cost sharing multi-employer defined benefit plan. The County, other participating agencies, and their employees, the latter on an elective basis beginning in 1982, contribute to LACERA based on rates recommended by an independent actuary and adopted by the Board of Investments and Board of Supervisors. Member and employer contributions are invested and the earnings and contributions are used for monthly payments to retired members.

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

Vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates ten years of creditable service under the noncontributory plan. Benefits are based upon twelve or thirty-six months average compensation, depending on plan; age at retirement and length of service as of the retirement date, according to applicable statutory formulae. Service connected disability benefits may be granted regardless of length of service consideration. Five years of service is required for non-service connected disability eligibility according to applicable statutory formulae except for members of the noncontributory plan who are covered under separate long-term disability provisions not administered by LACERA. Components of LACERA membership are detailed in Note H and in the statistical section on page 68.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

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

Method of Reporting:

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

Reclassification:

The 1992 Financial Statements have been reclassified to conform to the current year presentation.

Administrative Expenses:

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

Total Projected Asset Base as of December 31, 1992 at market value	<u>\$13,025,699,000</u>
Maximum Allowable for Administrative Expense (.0018 x \$13,025,699,000)	<u>\$ 23,446,258</u>
Operating Budget—Fiscal Year 1992-1993	\$ 20,455,054
Actual Administrative Expenses for the fiscal year ended June 30, 1993	<u>\$ 18,154,366</u>
Underexpended Operating Budget	<u>\$ 2,300,688</u>

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

Fixed Assets:

Fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method with five-year useful life for equipment and ten-years for furniture, structures, and leasehold improvements. The cost and accumulated depreciation of fixed assets as of June 30, 1993 and 1992 were as follows (amounts in thousands):

	1993	1992
Furniture and Equipment	\$3,199	\$3,131
Structures and Improvements	<u>2,829</u>	<u>2,828</u>
Total Fixed Assets (at cost)	6,028	5,959
Less:		
Accumulated Depreciation Furniture and Equipment	1,485	1,139
Accumulated Depreciation Structures and Improvements	<u>705</u>	<u>423</u>
Total Fixed Assets—Net of Depreciation	<u>\$3,838</u>	<u>\$4,397</u>

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, 1993 and 1992 was \$1,347,000 and \$1,201,000 respectively.

Investments:

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

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

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

Asset Description	Market Value Description
Bonds, publicly traded; stocks, common and preferred; issues of the U.S. Government and its agencies	Most recent sales price as of balance sheet date, international securities reflect currency exchange rates in effect at June 30, 1993 and 1992.
Cash and cash equivalents, Equity in pooled cash funds	Cash value (cost); international currency holdings reflect currency exchange rates in effect at June 30, 1993 and 1992.
Mortgages	Equivalent pricing to comparable GNMA.
Real estate equity funds	Provided by real estate fund manager.
Real estate title holding corporations	Equity value of the investment subject to adjustment for conditions noted in either the property manager's valuation or the audited financial statement.
Alternative assets (Venture Capital Funds)	Provided by the fund's valuation committee. LACERA's alternative asset consultant reviews the market value information provided by funds without a valuation committee.
Private placement bonds	Face value of the security subject to adjustment for conditions noted in the respective audited financial statement.

Please refer to Note P, Deposits and Investments, for book and market values for fiscal year ending June 30, 1993.

Reserves:

The Fund has five major classes of reserves as follows:

- 1. Member Deposit Reserves** represent the balance of member contributions. Additions include member contributions and related earnings; deductions include refunds of member contributions and transfers to Retired Member Reserves.
- 2. Employer Reserves** represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employers and related earnings; deductions include transfers to Retired Member Reserves, Lump Sum Death Benefits, and interest and payments under Sections 31725.5 and 31725.6.
- 3. Retired Member Reserves** represent the balance of transfers from Member Deposit Reserves and Employer Reserves and related earnings, less payments to retired members.
- 4. Cost-of-Living Reserves** relate to each of the above reserves. The purpose of these reserves is to provide for anticipated cost-of-living increases in pension allowances.
- 5. Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies** represents reserves accumulated for such future events. Additions include investment income and other revenues; deductions include administrative expenses, interest allocated to other reserves, funding of the Supplemental Targeted Adjustment for Retirees reserves and distribution of excess assets to employers.

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

NOTE C
STAR PROGRAM

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

The STAR program is administered on a calendar year basis. The following represents the STAR program experience from inception through June 30, 1993 (amounts in thousands):

	Funding	Costs	Available For Future Benefits
Initial Program 1990	\$ 201,200	\$ (47,411)	\$153,789
Program Year 1991		(50,994)	102,795
Program Year 1992	172,000	(57,776)	217,019
Program Year 1993			
Through June 30	<u>\$1,726</u>	<u>(28,576)</u>	240,169
Total	<u>\$424,926</u>	<u>\$(184,757)</u>	

NOTE D
STATUTORY RESERVE REQUIREMENTS

The Reserve for Earnings' Deficiencies, Investment Losses, and Other Contingencies is used to satisfy the Retirement Law of 1937 requirement for LACERA to reserve 1% of the Fund assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The balance of the Reserve for Earnings' Deficiencies, Investments Losses and Other Contingencies of \$296 million represents 2.3%

of the total Fund assets as of June 30, 1993. The reserve requirements for fiscal year 1992 were met by combining the Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies with the Marketable Equities Security Allowance, which was removed in fiscal year 1993, see footnote N.

NOTE E
INTEREST AND PAYMENTS UNDER SECTIONS 31725.5 AND 31725.6

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

NOTE F
PARTIAL ANNUITIZATION OF BENEFIT PAYMENTS

As of January 1, 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of its retired members. Under the terms of the annuity contracts, LACERA will continue to administer benefit payments to affected members, and is reimbursed monthly by the carriers for the gross amounts of benefits disbursed. LACERA received \$47.4 million and \$47.1 million in related reimbursements during each of the years ended June 30, 1993 and 1992. Such amounts have reduced the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other members of the Fund, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

NOTE G**TRIENNIAL ACTUARIAL VALUATION AND INVESTIGATION**

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

The last such valuation was made using the entry age normal method as of June 30, 1992 on the basis of an 8% interest assumption and a 6% assumption for annual salary increases based on factors of 5% for inflation and 1% for merit and productivity increases, as specified by the Board of Investments. Use of an inflation factor complies with recommendations of the American Academy of Actuaries. The valuation uses the Actuarial Asset Value Method, also known as Adjusted Market Value Method, which values the assets through a 5-year phase-in of unrealized gains and losses. Additionally, the Board of Investments adopted a policy of yearly actuarial valuations in order to provide more timely oversight of the funding process.

The unfunded actuarial accrued liability (UAAL) increased from \$1.51 billion as of June 30, 1989 to \$1.97 billion as of June 30, 1992. The Board of Investments authorized transfers from the June 30, 1992 and June 30, 1990 reserves for earnings deficiencies of \$240 million and \$250 million, respectively, to the employer reserve for the reduction of the UAAL. The remaining UAAL is being funded directly by employer contributions. The original 30 years UAAL funding period which commenced July 1, 1978 and was to end June 30, 2008 has been amended by the Board of Investments to reamortize the UAAL using a new 30 year funding assumption over each of the next four years. The new 30 year funding assumption became effective July 1, 1992

and will remain in effect until July 1, 1996, at such time, any remaining UAAL will convert to a 16 year funding period. The plan actuary, Towers Perrin reviewed the amended amortization plan and maintains that the funding status of the plan will remain within the long range funding goals set by the Board of Investments. The contributions are based on rates recommended by the actuary and adopted by the Board of Investments and the Board of Supervisors.

NOTE H**ANNUAL ACTUARIAL VALUATION FOR PURPOSES OF UNIFORM DISCLOSURE**

For purposes of examining economic assumptions and to provide pension disclosure information as required by Statement 5 of the Governmental Accounting Standards Board (GASB), LACERA engages an independent actuary to perform an annual actuarial valuation in conformance with GASB methodology. The latest such valuation was performed using the projected unit credit method as required by GASB as of June 30, 1993 with an 8% interest earnings assumption and a 6% assumption for annual salary increases based on factors of 5% for inflation and 1% for merit and productivity increases.

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

The unfunded pension benefit obligation at June 30, 1993 and 1992 was \$1.9 billion and \$1.4 billion respectively, computed as follows (amounts in thousands):

	1993		1992	
	Member Count	Pension Benefit Obligation	Member Count	Pension Benefit Obligation
Retirees and beneficiaries currently receiving benefits	39,533	\$ 5,809,427	37,101	\$ 5,239,616
Terminated members entitled to benefits but not yet receiving them.	3,150	124,481	3,242	133,347
Current Members:				
Accumulated member contributions		1,900,805		1,733,080
Employer-financed vested		3,125,431		2,866,431
Total active vested	44,256	5,026,236	44,492	4,599,511
Active nonvested	33,776	2,498,065	34,277	2,213,849
Total Pension Benefit Obligation		13,458,209		12,186,323
Net assets available for benefits at cost (Actuarial market value is \$13,271,280 for 1993 and \$11,996,960 for 1992)		11,482,068		10,692,492
Unfunded Pension Benefit Obligation		\$1,976,141		\$1,493,831

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

	1993		1992	
	Book Value	Market Value	Book Value	Market Value
Total Assets				
Total Portfolio (Note P)	\$12,346,182	\$14,135,394	\$11,183,965	\$12,488,433
Total Accounts Receivable	443,091	443,091	606,826	606,826
Fixed Assets	3,838	3,838	4,397	4,397
Total	12,793,111	14,582,323	11,795,188	13,099,656
Total Omitted from Total Assets				
Current Liabilities	773,830	773,830	788,976	788,976
Unclaimed Deposits	570	570	742	742
Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies	296,474	296,474	67,318	67,318
Reserve for STAR Benefits	240,169	240,169	245,660	245,660
Total	1,311,043	1,311,043	1,102,696	1,102,696
Net Applicable Assets	\$11,482,068	\$13,271,280	\$10,692,492	\$11,996,960

Contributions Required and Contributions Made: LACERA funding policy provides for periodic employer contributions at actuarially determined

rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate the required assets to pay benefits when due.

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

	1993		1992	
	Contributions	Percent of Covered Payroll	Contributions	Percent of Covered Payroll
Employer Contributions				
Normal Cost	\$ 303,061	9.08%	\$ 289,862	9.00%
Amortization of the unfunded actuarial accrued liability	76,728	2.30%	98,092	3.05%
Member Contributions	<u>159,406</u>	4.78%	<u>146,422</u>	4.55%
Total	<u>\$539,195</u>		<u>\$534,376</u>	

For the fiscal years ending June 30, 1993 and 1992, available assets were sufficient to fund 85.32% and 87.74%, respectively of the total accrued pension benefit obligation. The unfunded pension benefit obligation represented 14.68% and 12.26%, of the value of accrued benefits for the fiscal years ending June 30, 1993 and 1992.

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

NOTE I
SUMMARY OF INVESTMENT POLICIES

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

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

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

- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- Shall diversify the investments of the Fund to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

NOTE J
INDUSTRY CONCENTRATIONS OF PORTFOLIO ASSETS

The Board of Investment's (Board) policies and guidelines enable the portfolio to develop into numerous asset classes and to take advantage of professional investment managers with diverse management styles. The result is a well diversified portfolio. An important aspect of the Board's policies and guidelines is for the portfolio to maintain industry diversity. In the major asset classes of stocks (equities) and bonds, concentrations of investments within an industry may occur and still remain within a prudent range. For example, the domestic bond portfolio is heavily weighted in government securities. Concentrations may also occur in a grouping of industries, commonly known as an economic sector. The domestic stock portfolio demonstrated a minor concentration in the financial services and technology sectors as of June 30, 1993.

NOTE K**STOCKS AND BONDS ON LOAN**

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

B of A is authorized to lend LACERA's domestic portfolio and Chase is authorized to lend LACERA's international portfolio. B of A and Chase have agreed to hold LACERA harmless for any losses of securities or income, or from any litigation arising from these loans. Consequently, the securities on loan at June 30, 1993 and 1992 are not shown separately on the balance sheet but are included in their respective accounts on that statement.

Securities on loan must be secured by collateral with a maintained market value of 102% and 105% for securities lent by B of A and Chase, respectively. Collateral received may include cash, irrevocable letters of credit, or securities which are direct obligations or guaranteed by the US Government. At June 30, the market value of the stocks and bonds on loan through B of A and Chase were (amounts in thousands):

	1993	1992
	Market Value	Market Value
Equities		
Domestic	\$ 456,434	\$ 329,754
International	156,724	59,595
Bonds		
Domestic	1,417,976	1,665,661
Total	<u>\$2,031,134</u>	<u>\$2,055,010</u>

NOTE L**FINANCIAL FUTURES**

Financial future contracts are an efficient means of controlling market exposure. All financial future contracts are collateralized by underlying portfolio assets. As with any investment, financial future contracts are subject to various types of market risk. Notably, these would include the possible inability of a counterparty to meet the terms of the contract or changes in the market value of the underlying collateral security. Gains and losses on the financial future contracts are realized on a daily basis.

Financial future contracts outstanding for fiscal year 1993 and 1992 totaled \$72,275,000 and \$60,284,000, respectively.

NOTE M**FORWARD CURRENCY CONTRACTS AND FOREIGN CURRENCY**

Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency gains and losses for fiscal year 1993 and 1992 are \$5,501,000 net gain, and \$1,194,000 net loss, respectively. For fiscal year 1993, forward currency contracts payable and receivable, stated in US dollars, totaled \$115,118,000 and \$120,023,000, respectively.

NOTE N**MARKETABLE EQUITY SECURITIES**

The investment portfolios of marketable equity securities are carried at the lower of cost or market at the balance sheet date. The domestic and international marketable equity securities portfolios are combined with convertible debentures for balance sheet presentation. The cost of the securities sold is based on the average cost of all the shares of each such security held at time of sale.

For determination of the carrying value, the domestic and international marketable equity securities portfolios were analyzed separately as follows (amounts in millions):

	1993		1992	
	Cost	Market Value	Cost	Market Value
Domestic	\$3,470	\$4,746	\$3,097	\$4,195
International	\$1,553	\$1,733	\$1,535	\$1,470

As the aggregate market value of the marketable equity portfolios exceeds the aggregate cost at June 30, 1993, a valuation allowance is not required. The \$65.5 million valuation allowance which had been established at June 30, 1992, to reduce the carrying value of the international securities portfolio to market was removed.

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

	1993		1992	
	Gains	Losses	Gains	Losses
Domestic	\$1,366	\$90	\$1,214	\$116
International	\$ 245	\$65	\$ 161	\$226

Net unrealized losses of \$26 million and \$34 million in the domestic and international marketable equity portfolio, respectively, were recognized at the balance sheet date for securities with declines in the market value below cost judged to be other than temporary.

NOTE O CASH AND CASH EQUIVALENTS

Total cash and cash equivalents at June 30, 1993 and 1992 is composed of the following (amounts in thousands):

	1993	1992
Currency Accounts	\$ 33,348	\$ 13,176
Pension Payroll Direct Deposit Account	16	4
Deposits in the County Treasurer's Pooled Investment Funds		
Retirement Trust Fund	3,812	10
Retirement Administrative Fund	41	40
Total	3,853	50
Total Cash and Cash Equivalents	\$37,217	\$13,230

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

NOTE P DEPOSITS AND INVESTMENTS

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

Deposits:

Category 1.

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

Category 2.

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

Category 3.

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

Investments:

Category 1.

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

Category 2.

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

Category 3.

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

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

	Category 1		Category 3		Total	
	Book Value	Bank Balance	Book Value	Bank Balance	Book Value	Bank Balance
Deposits						
Currency Accounts	\$ 600	\$ 600	\$32,748	\$32,748	\$ 33,348	\$ 33,348
Pension Payroll						
Direct Deposit A/C	16	16			16	16
Overnight Deposits			2,402	2,402	2,402	2,402
Certificates of Deposit	118,864	118,843			118,864	118,843
Total Categorized Deposits	<u>119,480</u>	<u>119,459</u>	<u>35,150</u>	<u>35,150</u>	<u>154,630</u>	<u>154,609</u>
	Book Value	Market Value			Book Value	Market Value
Investments						
U.S. Government Securities	2,744,185	2,868,769			2,744,185	2,868,769
U.S. Government Agency Bonds	888,812	907,965			888,812	907,965
Domestic Corporate Bonds	1,428,637	1,495,729			1,428,637	1,495,729
Foreign Bonds	181,708	195,393			181,708	195,393
Private Placement Bonds	39,252	39,767			39,252	39,767
Total Bonds	<u>5,282,594</u>	<u>5,507,623</u>			<u>5,282,594</u>	<u>5,507,623</u>
Common Stocks	4,930,075	6,372,170			4,930,075	6,372,170
Preferred Stocks	93,353	106,339			93,353	106,339
Convertible Debentures	51,529	54,351			51,529	54,351
Total Stocks & Convertibles	<u>5,074,957</u>	<u>6,532,860</u>			<u>5,074,957</u>	<u>6,532,860</u>
Commercial Paper, UST Bills & Notes, US Disc. Notes & Agency Bonds, Corporate Bonds & Notes, Medium Term Notes	801,975	802,659			801,975	802,659
Repurchase Agreements	104,399	104,399			104,399	104,399
Total Short Term Investments	<u>906,374</u>	<u>907,058</u>			<u>906,374</u>	<u>907,058</u>
Total Categorized Investments	<u>11,263,925</u>	<u>12,947,541</u>			<u>11,263,925</u>	<u>12,947,541</u>
Investments not considered securities for purposes of custodial risk classification are as follows:						
Mortgages					83,830	108,789
Real Estate Funds					373,599	373,599
Equity in Title Holdings Corporations					171,202	171,202
Alternative Assets					295,143	375,801
Equity in Treasurer's Pooled Investments					3,853	3,853
Total Uncategorized Investments					<u>927,627</u>	<u>1,033,244</u>
Total Deposits and Investments	<u>\$11,383,405</u>	<u>\$13,067,000</u>	<u>\$35,150</u>	<u>\$35,150</u>	<u>\$12,346,182</u>	<u>\$14,135,394</u>

Note: LACERA has no such deposits and investments under Category 2.

Based on these criteria, LACERA's deposits and investments as of June 30, 1992, are classified as follows (amounts in thousands):

	Category 1		Category 3		Total	
	Book Value	Bank Balance	Book Value	Bank Balance	Book Value	Bank Balance
Deposits						
Currency Accounts	\$ 600	\$ 600	\$12,576	\$12,576	\$ 13,176	\$ 13,176
Pension Payroll						
Direct Deposit A/C	4	4			4	4
Overnight Deposits			2,338	2,338	2,338	2,338
Certificates of Deposit	245,328	245,328			245,328	245,328
Total Categorized Deposits	<u>245,932</u>	<u>245,932</u>	<u>14,914</u>	<u>14,914</u>	<u>260,846</u>	<u>260,846</u>
	Book Value	Market Value			Book Value	Market Value
Investments						
U.S. Government Securities	2,184,226	2,248,713			2,184,226	2,248,713
U.S. Government Agency Bonds	641,242	665,175			641,242	665,175
Domestic Corporate Bonds	1,333,519	1,384,673			1,333,519	1,384,673
Foreign Bonds	312,241	328,420			312,241	328,420
Private Placement Bonds	38,195	38,716			38,195	38,716
Total Bonds	<u>4,509,423</u>	<u>4,665,697</u>			<u>4,509,423</u>	<u>4,665,697</u>
Common Stocks	4,486,464	5,571,879			4,486,464	5,571,879
Preferred Stocks	81,309	93,009			81,309	93,009
Convertible Debentures	69,169	68,986			69,169	68,986
Total Stocks & Convertibles	<u>4,636,942</u>	<u>5,733,874</u>			<u>4,636,942</u>	<u>5,733,874</u>
Commercial Paper, UST Bills & Notes US Disc. Notes & Agency Bonds Corporate Bonds & notes, Medium Term Notes	872,456	872,501			872,456	872,501
Repurchase Agreements	104,699	104,699			104,699	104,699
Total Short Term Investments	<u>977,155</u>	<u>977,200</u>			<u>977,155</u>	<u>977,200</u>
Total Categorized Investments	<u>10,123,520</u>	<u>11,376,771</u>			<u>10,123,520</u>	<u>11,376,771</u>
Investments not considered securities for purposes of custodial risk classification are as follows:						
Mortgages					59,177	72,157
Real Estate Funds					396,885	397,210
Equity in Title Holdings Corporations					115,977	115,977
Alternative Assets					227,510	265,422
Equity in Treasurer's Pooled Investments					50	50
Total Uncategorized Investments					<u>799,599</u>	<u>850,816</u>
Total Deposits and Investments	<u>\$10,369,452</u>	<u>\$11,622,703</u>	<u>\$14,914</u>	<u>\$14,914</u>	<u>\$11,183,965</u>	<u>\$12,488,433</u>

Note: LACERA has no such deposits and investments under Category 2.

NOTE Q**RELATED PARTY TRANSACTIONS**

LACERA formed a Title Holding Corporation (THC) in April 1990, to acquire Gateway Plaza. LACERA is the sole shareholder. In January 1991, LACERA entered into a lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated, however, LACERA is required to pay its proportionate share of the building's operating expenses as defined in the lease. The agreement includes a \$4 million lease incentive which LACERA used for build-out and other occupancy costs. These costs were capitalized and will be depreciated over the life of the lease or asset as appropriate. As required by generally accepted accounting principles, a \$4 million lease incentive liability was recorded, and will be recognized over the life of the lease as a reduction to rent expense. Total operating expenses charged to LACERA were \$637,734 and \$583,727 for the years ended June 30, 1993 and 1992.

NOTE R**COMMITMENTS AND CONTINGENCIES**

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

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

Total rent expense for all operating leases, prior to the recognition of the lease incentive, was \$706,000 and \$610,000 in fiscal years 1993 and 1992, respectively. The lease incentive recognized in 1993 and 1992, as a reduction in rent expense, was \$418,000 and \$627,000, respectively.

Capital Commitments: As of June 30, 1993, outstanding capital commitments to various investment managers, as approved by the Board of Investments, totaled \$1,888,343,000. Subsequent to June 30, 1993, LACERA funded \$950,012,000 of these capital commitments.

Los Angeles County Employees Retirement Association
Analysis of Funding Progress

(Amounts in Thousands)

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

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

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

Los Angeles County Employees Retirement Association Revenues by Source and Expenses by Type

(Amounts in Thousands)

Revenues by Source

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

Expenses by Type

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

Los Angeles County Employees Retirement Association
Investment Summary

For the Year Ended June 30, 1993

(Amounts in Thousands)

Type of Investment	1992					1993		% of Total Market
	Book Value	Market Value	Purchases	Sales and Redemptions	Amort/Accr & Adjustments	Book Value	Market Value	
Cash and Short Term	\$ 1,238,051	\$ 1,238,096	\$ 91,256,911	\$ (91,436,019)	\$ 5,914	\$ 1,064,857	\$ 1,065,520	7.54%
Bonds:								
Government Bonds	2,825,468	2,913,888	16,752,484	(15,761,293)	(183,662)	3,632,997	3,776,734	26.72%
Corporate Bonds	1,333,519	1,384,673	2,391,931	(2,562,872)	266,059	1,428,637	1,495,729	10.58
Miscellaneous	350,436	367,136	378,775	(231,970)	(276,281)	220,960	235,160	1.66
Total	4,509,423	4,665,697	19,523,190	(18,556,135)	(193,884)	5,282,594	5,507,623	38.96
Stocks and Convertibles:								
Common Stock	4,486,464	5,571,879	2,607,609	(2,182,925)	18,927	4,930,075	6,372,170	45.08
Preferred Stock	81,309	93,009	56,988	(52,676)	7,732	93,353	106,339	0.75
Convertible Bonds	69,169	68,986	43,001	(49,033)	(11,608)	51,529	54,351	0.39
Total	4,636,942	5,733,874	2,707,598	(2,284,634)	15,051	5,074,957	6,532,860	46.22
Real Estate:								
Real Estate Funds	396,885	397,210	10,282	(23,098)	(10,470)	373,599	373,599	2.64
Equity in Title Holding Corp.	115,977	115,977	59,507	(6,798)	2,516	171,202	171,202	1.21
Total	512,862	513,187	69,789	(29,896)	(7,954)	544,801	544,801	3.85
Alternative Assets	227,510	265,422	95,298	(29,800)	2,135	295,143	375,801	2.66
Mortgages	59,177	72,157	40,372	(18,648)	2,929	83,830	108,789	0.77
Total	\$11,183,965	\$12,488,433	\$113,693,158	\$(112,355,132)	\$(175,809)	\$12,346,182	\$14,135,394	100.00%

Los Angeles County Employees Retirement Association

Administrative Expenses

For the Fiscal Years Ended June 30, 1993 and 1992

(Amounts in Thousands)

	1993	1992
Personnel Services		
Salaries and Wages	<u>\$ 7,946</u>	<u>\$ 7,101</u>
Employee Benefits		
Retirement Contributions	889	840
Workers Compensation	38	69
Medical Insurance		323
Dental Insurance		27
Hospital Insurance Tax	36	26
Long Term Disability	44	20
Unemployment Insurance		17
Life Insurance	6	2
Megaflex Benefit Plan	445	313
Flexible Benefit Plan	80	92
Options Plan	482	37
Retirees Health Plan	244	174
Savings Plan	51	89
Thrift Plan	19	24
Pension Savings Plan	4	5
Department Charge—Pension Bond	74	61
Deferred Flex Benefit	(11)	
Total Employee Benefits	<u>2,401</u>	<u>2,119</u>
Total Personnel Services	<u>10,347</u>	<u>9,220</u>
Office Expenses		
Postage	259	281
Stationery and Forms	238	112
Other	<u>233</u>	<u>427</u>
Total Office Expenses	<u>730</u>	<u>820</u>

Los Angeles County Employees Retirement Association
Administrative Expenses (continued)

For the Fiscal Years Ended June 30, 1993 and 1992

(Amounts in Thousands)

	1993	1992
Other Services and Charges		
Communication	243	203
Maintenance—Office Equipment, Structures, Improvements and Grounds	274	190
Attorney Fees—Disability Cases	94	5
County Data Processing Charges	14	26
Hearing Officer Fees	176	184
Medical Fees	758	841
Stenographic Fees	34	31
Other Professional and Specialized Services	3,405	3,307
Rents and Leases—Office Equipment, Buildings and Improvements	288	(17)
Administrative Support	78	27
Computer Services and Support	401	327
Transportation and Travel	88	81
Educational Expenses	118	101
Insurance	66	76
Parking Fees	141	123
Taxes and Assessments	148	
Other Charges	47	27
Total Other Services and Charges	<u>6,373</u>	<u>5,532</u>
Depreciation—Fixed Assets	704	963
Total Administrative Expenses	<u>\$ 18,154</u>	<u>\$ 16,535</u>
Included under Other Professional and Specialized Services are the following:		
	1993	1992
Systems Consulting Software Development and Implementation	\$ 190	\$ 306
Data Processing Hardware and Systems Support	1,891	1,797
Temporary Personnel Services	471	375
Actuarial Consulting Fees	93	24
Audit Fees	115	161
Other County Department Charges	153	103
Legislative and Other Legal Services	232	98
Other	260	443
Total	<u>\$ 3,405</u>	<u>\$ 3,307</u>

Los Angeles County Employees Retirement Association
Fees and Other Investment Expenses

For the Years Ended June 30, 1993 and 1992

(Amounts in Thousands)

	1993	1992
Bond Managers		
Domestic	\$ 6,408	\$ 7,352
International	143	139
Stock Managers		
Domestic	9,830	7,669
International	3,176	2,480
Investment Custodians		
Domestic	486	459
International	1,738	1,418
Investment Consultants		
Domestic	417	345
International	235	184
Cash and Short Term Managers	734	670
Real Estate Managers	4,300	3,957
Alternative Assets Managers	8,012	6,286
Mortgage Loans Servicers	273	326
Legal Counsel	89	90
Withholding Tax on Foreign Income	3,941	2,861
Actuarial Consultant	60	85
Other	176	153
Total	<u>\$40,018</u>	<u>\$34,474</u>

Notes:

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

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

Los Angeles County Employees Retirement Association
Cash Receipts and Disbursements

For the Years Ended June 30, 1993 and 1992

(Amounts in Thousands)

	1993	1992
Cash Balance at Beginning of Year	<u>\$ 13,230</u>	<u>\$ 18,767</u>
Receipts:		
Member Contributions	158,814	145,150
Employer Contributions	377,311	385,452
Investments Matured and Sold	113,073,392	109,717,779
Income on Investments	1,128,836	785,348
County Subsidy-Health Insurance and Death Benefits	99,857	85,145
Pension and Annuity Payments reimbursed by Annuity Carriers	47,464	47,129
Other Warrants and Accounts Payable	18,795	
Miscellaneous	2,068	1,032
Total Cash Receipts	<u>114,906,537</u>	<u>111,167,035</u>
Disbursements:		
Pension and Annuity Payments	694,979	612,070
Lump Sum Death Benefits	1,142	1,599
Interest and Payments under Sections 31725.5/6	423	275
Retired Members Health Insurance and Death Benefits	101,656	85,690
Refunds of Contributions	18,595	13,687
Investments Purchased	114,017,620	110,412,033
Investment Expenses	27,194	26,403
Administrative Expenses	17,420	16,187
Other Warrants and Accounts Payable	3,488	4,281
Miscellaneous	33	347
Total Cash Disbursements	<u>114,882,550</u>	<u>111,172,572</u>
Cash Balance at End of Year	<u>\$ 37,217</u>	<u>\$ 13,230</u>

Los Angeles County Employees Retirement Association

Fund Balances

As of June 30, 1993 and 1992

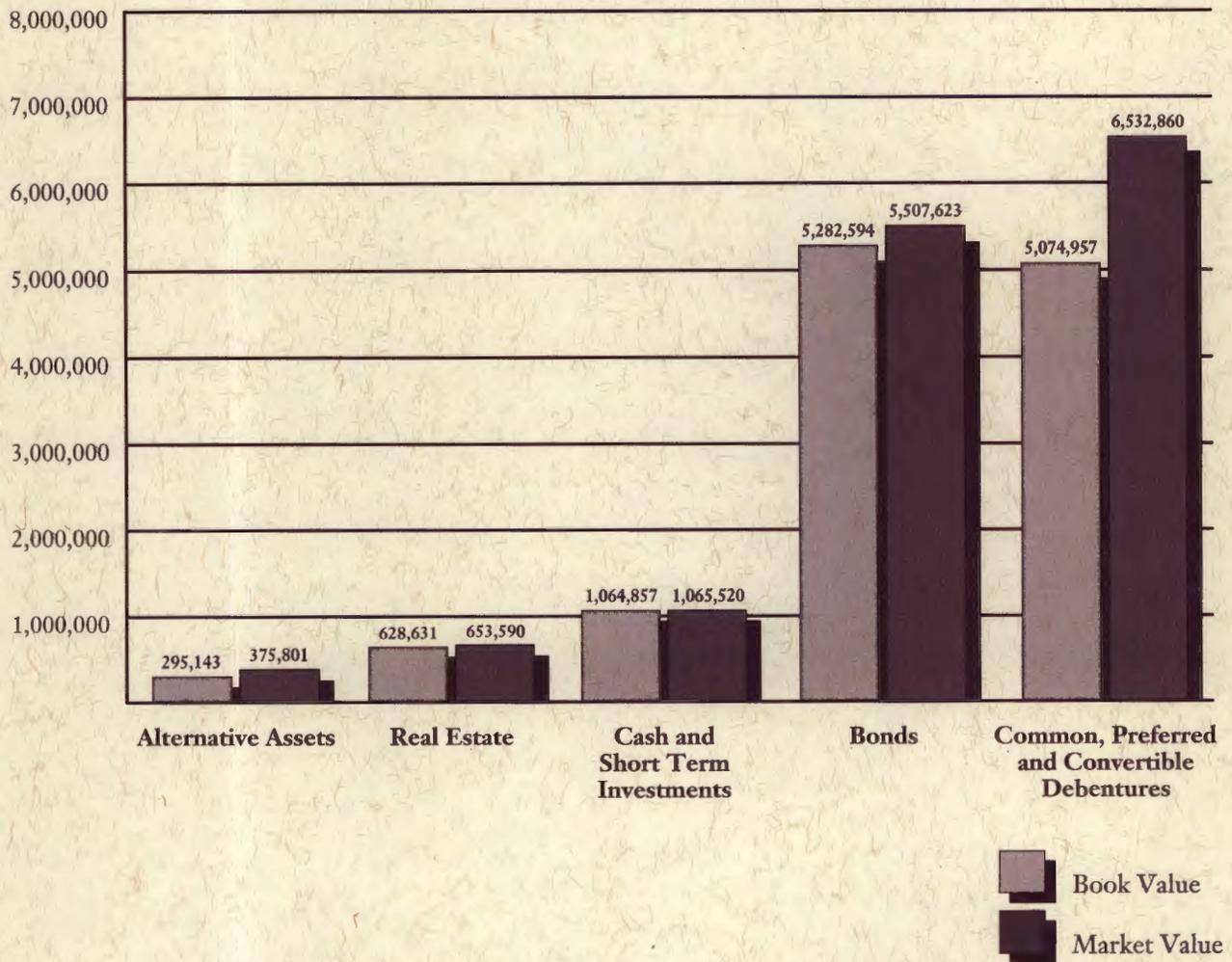
(Amounts in Thousands)

	1993	1992
Member Deposit Reserves		
General	\$ 835,538	\$ 814,853
Safety	479,986	427,595
Cost of Living	448,252	425,143
Unclaimed Deposits of Former Members	570	742
Total Member Deposit Reserves	<u>1,764,346</u>	<u>1,668,333</u>
Employer Reserves		
General	344,883	501,142
Safety	297,558	275,494
Cost of Living	(145,406)	161,129
Total Employer Reserves	<u>497,035</u>	<u>937,765</u>
Retired Member Reserves		
General	3,562,382	3,011,835
Safety	1,343,493	1,214,740
Cost of Living	4,300,834	3,842,743
Cost of Living Supplemental Adjustments	14,548	17,818
STAR	240,169	245,660
Total Retired Member Reserves	<u>9,461,426</u>	<u>8,332,796</u>
Reserve for Earnings' Deficiencies, Investment Losses and Other Contingencies	296,474	67,318
Total Fund Balances	<u>\$12,019,281</u>	<u>\$11,006,212</u>

Los Angeles County Employees Retirement Association
Invested Assets by Investment Class

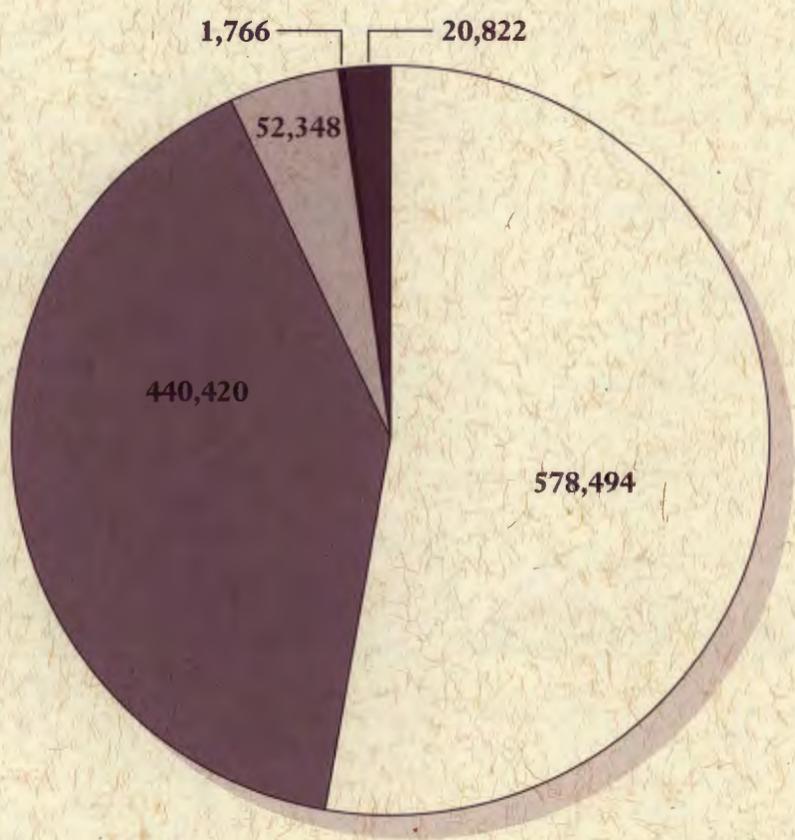
For the Year Ended June 30, 1993

(Amounts in Thousands)



Los Angeles County Employees Retirement Association
Net Investment Income by Investment Class
For the Year Ended June 30, 1993

(Amounts in Thousands)

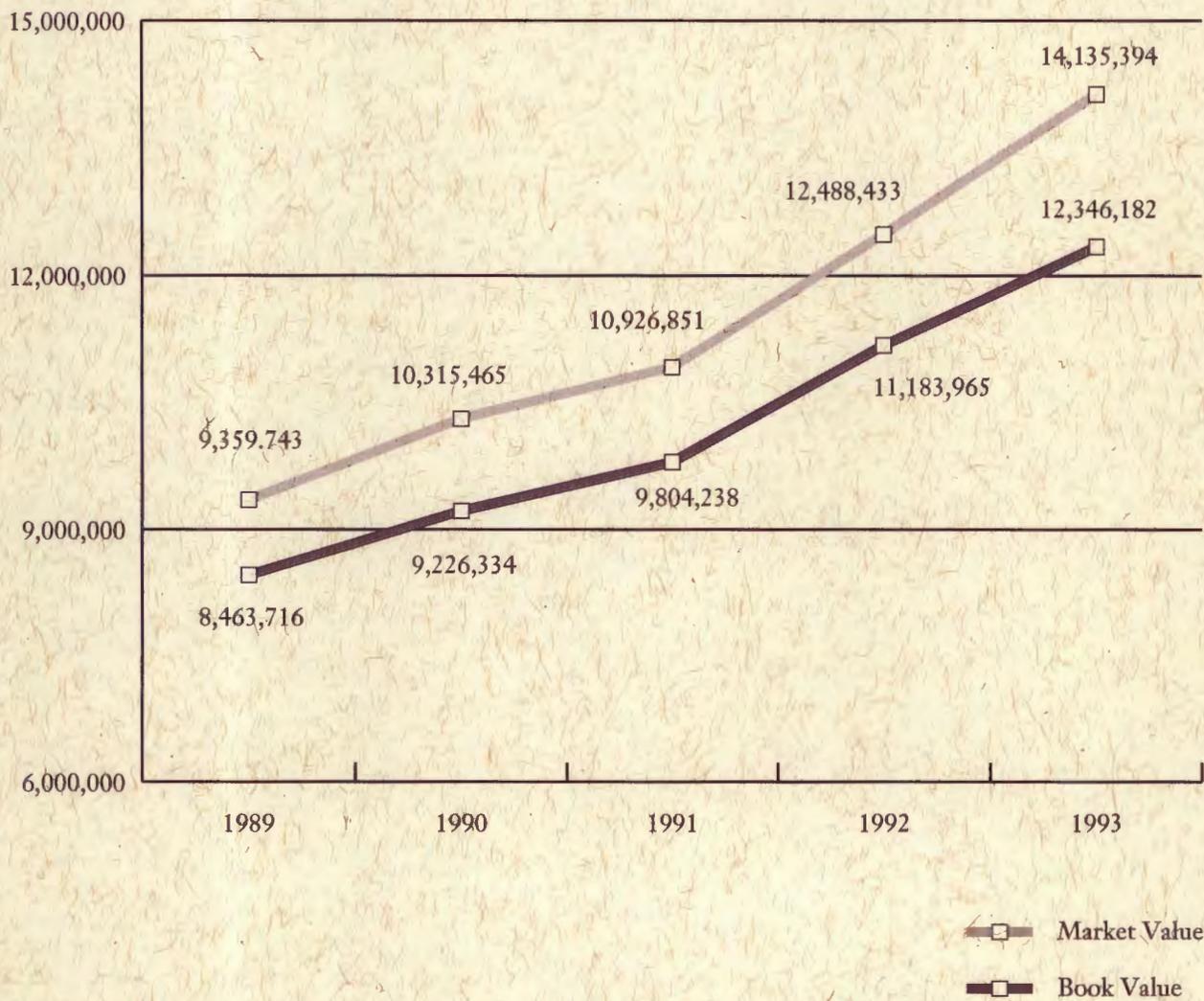


- Alternative Assets
- Real Estate
- Cash Short Term Investments
- Common, Preferred and Convertible Debtseures
- Bonds

Los Angeles County Employees Retirement Association Growth in Investment Portfolio

For the Year Ended June 30, 1993

(Amounts in Thousands)



Los Angeles County Employees Retirement Association

**Actuarial
Section**

1925 Century Park East, Suite 1500
Los Angeles, CA 90067-2790
(310) 551-5600
Fax: (310) 551-5757

Towers Perrin

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

Members of the Board:

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

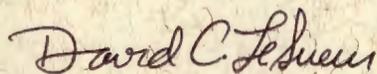
An actuarial investigation is performed every three years, during which an analysis is made of the appropriateness of all economic and noneconomic assumptions. Recommendations for changes are presented to the Board for consideration. The last triennial investigation was performed as of June 30, 1992,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

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

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

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

Respectfully submitted,



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

Los Angeles County Employees Retirement Association
History of Unfunded Actuarial Accrued Liability

(Amounts in Thousands)

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

Notes:

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

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

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

Los Angeles County Employees Retirement Association
History of County Contribution Rates

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

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

EXHIBIT III

Los Angeles County Employees Retirement Association
Summary of Active Membership

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

EXHIBIT IV

Los Angeles County Employees Retirement Association
Summary of Retired Membership

Year	Number of Members				Annual Allowance (In Thousands)	% Increase Annual Allowance	Average Monthly Allowance
	At Beginning of Year	Added During Year	Removed During Year	At End of Year			
7/82 to 6/83	26,384	2,038	(820)	27,602	\$ 233,747	12.42%	\$ 706
7/83 to 6/84	27,602	2,544	(947)	29,199	266,600	14.05	761
7/84 to 6/85	29,199	2,330	(1,260)	30,269	298,331	11.90	821
7/85 to 6/86	30,269	2,097	(992)	31,374	324,794	8.87	863
7/86 to 6/87	31,374	1,990	(1,110)	32,254	357,115	9.95	923
7/87 to 6/88	32,254	1,880	(1,015)	33,119	389,567	9.09	980
7/88 to 6/89	33,119	2,110	(1,132)	34,097	434,194	11.46	1,061
7/89 to 6/90	34,097	2,424	(1,380)	35,141	486,468	12.04	1,154
7/90 to 6/91	35,141	1,561	(500)	36,202	561,141	15.35	1,292
7/91 to 6/92	36,202	2,103	(1,204)	37,101	611,436	8.96	1,373

EXHIBIT V

Los Angeles County Employees Retirement Association
Development of Actuarial Value of Assets

As of June 30, 1992

(Amounts in Thousands)

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

EXHIBIT VI

Los Angeles County Employees Retirement Association
Short-term Solvency Test

(Amounts in Thousands)

Valuation Date	(1) Active Member Contributions	(2) Liability for Inactive Participants	(3) Liability for Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liability Covered by Valuation Assets		
					(1)	(2)	(3)
6/30/81	\$ 610,943	\$2,420,747	\$2,600,449	\$2,924,206	100%	95.56%	0.00%
6/30/83	794,893	3,117,241	2,696,168	3,875,049	100	98.81	0.00
6/30/86	1,001,382	3,819,047	3,284,205	5,827,845	100	100.00	30.67
6/30/89	1,298,232	4,929,645	4,243,974	8,960,463	100	100.00	64.39
6/30/92	1,733,080	6,229,881	5,700,933	11,698,662	100	100.00	65.53

Los Angeles County Employees Retirement Association
Actuarial Assumptions

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

Interest: 8% per annum.

Salary scale: 6% per annum.

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

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

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

Rehire of former employees: Assumed not to be rehired.

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

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

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

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

TABLE I
PLAN A

Los Angeles County Employees Retirement Association
Probability of Occurrence
(Includes Eligibility)

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

TABLE II
PLAN B

Los Angeles County Employees Retirement Association
Probability of Occurrence
(Includes Eligibility)

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

TABLE III
PLAN C AND D

Los Angeles County Employees Retirement Association
Probability of Occurrence
(Includes Eligibility)

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

TABLE IV

Los Angeles County Employees Retirement Association
Expectation of Life
 Service Retirees

1983 Group Annuity Mortality

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

TABLE V

Los Angeles County Employees Retirement Association
Expectation of Life
 Disabled Retirees

1981 Disabled Mortality

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

Los Angeles County Employees Retirement Association
Summary of Plan Provisions
Plans A, B, C, and D

Government Code
Sections

MEMBERSHIP

Eligibility:

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

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

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

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

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

SERVICE RETIREMENT ALLOWANCE

(allowance at retirement not to exceed 100% of final compensation)

Plan A (member prior to 9/77)

Eligibility: (31672, 31663.25)

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

Allowance: (31462.1)

General Members: $1/60 \times \text{final compensation} \times \text{years of service} \times \text{age factor}$, where factor is defined in Section 31676.14 of the County Employees Retirement Law (CERL). (For those years of service in which the member is covered by Social Security, substitute 1/90 for 1/60 for compensation up to \$350 per month.) The above formula is also applicable for compensation in excess of \$350 per month.

Safety Members: $1/50 \times \text{final compensation} \times \text{years of service} \times \text{age factor}$, where factor is defined in Section 31664 of the CERL. (The factors are all functions of attained age only.)

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

Plan B (new General Member after 8/77 through 9/78 and all new Safety Members after 8/77.)

Eligibility:

Same as Plan A.

Allowance:

(31462)

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

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

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

Plan C (new General Member after 9/78 through 5/79)

Same eligibility and allowances as for Plan B except age factors are defined in Section 31676.1 of the CERL.

Plan D (new General Member after 5/79)

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

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

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

UNMODIFIED AND OPTIONAL FORMS OF BENEFIT

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

(31760.1)

The continuance of a service-connected disability benefit to the surviving spouse (or eligible children) of a retired member is 100% of the member's allowance. To receive this allowance the spouse must be named beneficiary and have been married to the member prior to retirement.

(31786)

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

(31786)

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

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

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

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

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

DEFERRED VESTED BENEFITS

General and Safety members:

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

Members may elect to retire at any time they could have retired had they remained in County service in a full-time position (but not later than compulsory retirement for certain Safety Members). (31700)

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

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

Choice of deferred retirement date subject to eligibility requirements.

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

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

Eligibility:

Any age; disability must result from occupational injury or disease.

Definition of Disability: (31700)

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

Allowance:

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

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

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

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

**NONSERVICE-CONNECTED
DISABILITY RETIREMENT ALLOWANCE**

Eligibility: (31720)

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

Definition of Disability: (31720,31722)

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

Allowance: (31726, 31726.5)

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

a) is $.9 \times 1/60 \times$ years of service \times final compensation if allowance exceeds $1/3$ of final compensation (31727(a))

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

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

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

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

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility: (31780)

All active members.

Amount of Death Benefit (Lump Sum): (31727(b))

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

First Optional Death Benefit: (31781.1)

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

Second Optional Death Benefit: (31781.2)

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

Third Optional Death Benefit: (31781.3)

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

- a) the lump sum salary benefit (1/12 of compensation times service, etc.) described above, and
- b) the 60% continuation entitled to by nonservice-connected disability retirement (or the 50% salary continuance entitled to be service-connected disability) less the actuarial equivalent of a) above.

Fourth Optional Death Benefit: (Death While Eligible): (31765.1)

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

Note: The person to whom any lump sum death benefit is payable may optionally elect to receive monthly installments (not to exceed 10 years) plus interest on the unpaid balance. (31765.1)

SERVICE-CONNECTED DEATH BENEFITS

Eligibility: (31787)

All members who die as a result of injury or disease arising out of and

in the course of employment. Spouse or eligible child does not have to be designated beneficiary. Spouse or guardian of child may elect this service-connected death benefit in lieu of the nonservice-connected death benefit.

Amount Of Service - Death Benefit:

(31787, 31727.4)

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

Additional Service - Death Benefit:

(31787, 31727.4)

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

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

(31787.6)

POST-RETIREMENT DEATH BENEFIT

Eligibility:

(31789.1)

All members while receiving a retirement allowance from the System.

Amount:

(31789.1)

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

MEMBER CONTRIBUTIONS

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

(31620, 31625.2, 31639.1)

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

(31641.1, resolutions adopted by the Board of Supervisors and By-laws adopted by the Board of Retirement)

- Elective officers whose terms expire may contribute for a full month and receive a full month of service if their term covers at least 20 days in their last month. (31648.6)
- Any member may redeposit accumulated normal contributions plus interest from date of withdrawal. Redeposit may be by lump sum or installment payments. Membership would be same as if unbroken except that future contributions would be based on age at reentrance. (31652)
- Interest is compounded semiannually at an interest rate set by the Board of Investments. Only amounts that have been on deposit for at least six months earn interest. No interest is credited after termination unless deferred retirement is elected. The contributions are deducted monthly from wage warrants. (31591, 31625)
- The County may make contributions for all members. The contributions are not added to the members' accounts in this case. (31591, 31625)
- Effective August 1, 1983, under a local ordinance, and in accordance with Internal Revenue Code Section 414(h)(2), member contributions are considered to be employer contributions for tax purposes only.
- For disability beneficiaries who are determined to be no longer incapacitated and immediately return to active service, contributions are based on age at reentry and accumulated contributions are set equal to actuarial value of annuity less amounts already paid. (31733)
- A member, upon filing a withdrawal application, receives accumulated normal contributions if termination is by other than death or retirement. If no applications filed by member, treasurer sends notice by registered mail within 90 days; if money is not claimed within 10 years (five years if a new member after 1/1/76), the money becomes a part of the current pension reserve fund. (31628, 31629)

SERVICE AND BREAKS IN SERVICE

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

- a) For which deductions are made from earnable compensation from the County or district for such service by a member of the System.
- b) In military service for which the County or district or member is authorized by other provisions of the CERL to make, and does make, contributions.
- c) For which credit is received for County service or for public service or for both under the provisions of Article 7 in the CERL.
- d) Allowed for prior service.

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

- a) A temporary layoff because of illness, economy, suspension, or

dismissal, followed by reinstatement or reemployment within one year.

- b) A leave of absence followed by reinstatement or reemployment within one year after the termination of the leave of absence.
- c) A resignation to enter, followed by entrance into, the armed forces of the United States, followed by reemployment by the County or district within six months after the termination of such service.
- d) Resignation of a member who has elected in writing to come within the provisions of Article 9 followed by reemployment before withdrawal of any accumulated contributions.

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

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

RECIPROCITY

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

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

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

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

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

TRANSFERS

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

(31664.65)

COST-OF-LIVING INCREASES

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

(31870, 31870.1)

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

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

Los Angeles County Employees Retirement Association
Summary of Plan Provisions
Plan E

ELIGIBILITY

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

Existing General Members who transferred to Plan E.

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

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

SERVICE RETIREMENT ALLOWANCE

Eligibility - Normal Retirement: (31491, 31488)

Age 65 with 10 years of service.

Normal Retirement Allowance: (31491, 31488)

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

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

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

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

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

- future earnings continue at the pay rate as of retirement or termination date
- future wage bases, as defined by the federal system, continue at the level in effect in the year of retirement or termination

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

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

Maximum Normal Retirement Allowance:

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

Eligibility - Early Retirement:

(31491)

Age 55 with 10 years of service.

Early Retirement Allowance:

The actuarial equivalent of the normal retirement allowance.

UNMODIFIED AND OPTIONAL FORMS OF BENEFIT

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

(31492)

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

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

Optional Forms:

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

(31760, 31760.2,
31760.3, 31760.4)

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

DEFERRED VESTED BENEFITS

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

(31491)

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

SERVICE-CONNECTED DISABILITY ALLOWANCE

Not available under Plan E. (31487)

ORDINARY DISABILITY ALLOWANCE (31487)

Not available under Plan E.

ORDINARY DEATH BENEFIT (31487)

Not available under Plan E.

OPTIONAL DEATH BENEFITS (31487)

Not available under Plan E.

SERVICE-CONNECTED DEATH (31487)

Not available under Plan E.

POST-RETIREMENT DEATH BENEFIT

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

MEMBER CONTRIBUTIONS

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

A member who transfers to Plan E will have accumulated contributions with interest refunded.

SERVICE AND BREAKS IN SERVICE

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

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

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

RECIPROCITY

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

COST-OF-LIVING INCREASES

Not available under Plan E. (31487)

Los Angeles County Employees Retirement Association

**Statistical
Section**

Los Angeles County Employees Retirement Association
Active and Deferred Members

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Active Members										
General	57,831	56,440	58,148	59,781	58,361	58,734	60,748	65,640	67,485	67,073
Safety	9,489	9,217	9,241	9,313	9,460	10,112	10,642	10,817	11,284	10,959
Total	67,320	65,657	67,389	69,094	67,821	68,846	71,390	76,457	78,769	78,032
Active Vested										
General					34,527	34,485	33,735	34,393	36,856	36,426
Safety					7,312	7,628	7,542	7,458	7,636	7,830
Total					41,839	42,113	41,277	41,851	44,492	44,256
Deferred Members										
General	1,628	1,667	1,813	1,992	2,492	2,639	2,794	3,374	3,164	3,076
Safety	103	93	92	89	89	86	84	101	78	74
Total	1,731	1,760	1,905	2,081	2,581	2,725	2,878	3,475	3,242	3,150
Unclaimed Accounts										
General	2,436	3,092	2,910	2,733	2,008	1,447	1,258	1,137	1,005	787
Safety	74	79	86	94	84	69	61	61	48	35
Total	2,510	3,171	2,996	2,827	2,092	1,516	1,319	1,198	1,053	822

Los Angeles County Employees Retirement Association
Retired Members by Type of Retirement

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Service										
General	18,387	19,012	19,569	20,025	20,507	21,115	21,658	22,387	22,685	24,563
Safety	1,690	1,726	1,797	1,858	1,949	2,007	2,039	2,131	2,150	2,256
Total	20,077	20,738	21,366	21,883	22,456	23,122	23,697	24,518	24,835	26,819
Disability										
General	3,247	3,374	3,503	3,597	3,614	3,673	3,815	3,861	4,012	4,067
Safety	1,774	1,914	2,074	2,192	2,301	2,378	2,555	2,724	2,934	3,067
Total	5,021	5,288	5,577	5,789	5,915	6,051	6,370	6,585	6,946	7,134
Survivors										
General	3,400	3,521	3,699	3,823	3,958	4,106	4,227	4,202	4,431	4,637
Safety	701	722	732	759	790	818	847	897	889	943
Total	4,101	4,243	4,431	4,582	4,748	4,924	5,074	5,099	5,320	5,580
Grand Total	29,199	30,269	31,374	32,254	33,119	34,097	35,141	36,202	37,101	39,533

Los Angeles County Employees Retirement Association Contributions vs. Benefits and Refunds

(Amounts in Thousands)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Contributors										
Member	\$74,805	\$77,399	\$82,356	\$86,790	\$93,862	\$103,879	\$117,249	\$127,309	\$146,422	\$ 159,406
Employer	282,024	321,183	335,754	336,533	352,076	383,820	364,600	350,607	387,954	379,789
Total	356,829	398,582	418,110	423,323	445,938	487,699	481,849	477,916	534,376	539,195
Benefits										
Lump Sum										
Death Benefits	1,222	1,162	1,130	1,148	1,423	1,269	1,400	1,258	1,599	1,102
Int/Pmt Sections, 31725.5/6	234	222	262	245	297	307	459	296	275	462
Pension & Annuity Payments	266,600	298,331	324,794	334,724	344,204	388,373	439,975	514,682	564,307	647,234
Total	268,056	299,715	326,186	336,117	345,924	389,949	441,834	516,236	566,181	648,798
Refunds	8,175	25,436	6,700	18,152	7,918	16,147	11,029	15,587	14,070	18,746
Total Benefits & Refunds	276,231	325,151	332,886	354,269	353,842	406,096	452,863	531,823	580,251	667,544
Contributions Over (Under) Benefits & Refunds										
	\$80,598	\$73,431	\$85,224	\$69,054	\$92,096	\$ 81,603	\$ 28,986	\$(53,907)	\$(45,875)	\$(128,349)

Los Angeles County Employees Retirement Association Schedule of Benefit Expenses by Type

(Amounts in Thousands)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Service Retirement										
General	\$171,333	\$192,150	\$208,314	\$213,582	\$218,807	\$247,021	\$277,882	\$324,548	\$352,667	\$412,314
Safety	32,890	35,800	38,477	36,027	33,027	39,037	44,223	53,539	57,949	65,281
Total	204,223	227,950	246,791	249,609	251,834	286,058	322,105	378,087	410,616	477,595
Disability Retirement										
General	32,687	35,731	38,762	41,777	44,511	48,663	54,701	62,563	69,340	75,162
Safety	29,690	34,650	39,241	43,338	47,859	53,652	63,169	74,032	84,351	94,477
Total	62,377	70,381	78,003	85,115	92,370	102,315	117,870	136,595	153,691	169,639
Lump Sum										
Death Benefits										
General	1,049	986	995	981	994	990	1,249	1,034	1,433	1,070
Safety	173	176	135	167	429	279	151	224	166	32
Total	1,222	1,162	1,130	1,148	1,423	1,269	1,400	1,258	1,599	1,102
Interest and Payments under Sect. 31725.5/6										
General	234	222	262	245	297	306	403	292	275	434
Safety						1	56	4		28
Total	234	222	262	245	297	307	459	296	275	462
Total Benefit Expenses	\$268,056	\$299,715	\$326,186	\$336,117	\$345,924	\$389,949	\$441,834	\$516,236	\$566,181	\$648,798

Los Angeles County Employees Retirement Association
Participating Employers and Active Members

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

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

Effective Date	Plan A		Plan B		Plan C	Plan D	Plan E
	General	Safety	General	Safety	General	General	General
07/01/80-06/30/81	20.84%	33.59%	9.73%	17.50%	7.97%	7.44%	0.00%
07/01/81-06/30/82	21.76	35.52	17.09	27.56	16.01	16.26	13.84*
07/01/82-08/31/84	19.11	29.30	14.66	22.05	14.19	14.09	12.97
09/01/84-12/31/86	19.21	32.09	15.32	24.31	15.11	15.02	13.68
01/01/87-08/31/87	18.01	29.40	14.12	21.62	13.91	13.82	12.48
09/01/87-01/31/90	18.64	27.04	15.05	19.31	14.75	14.63	13.28
02/01/90-06/30/92	15.18	21.02	11.59	13.29	11.29	11.17	9.82
07/01/92-06/30/93	13.27	18.58	10.10	11.29	9.76	9.97	9.26

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

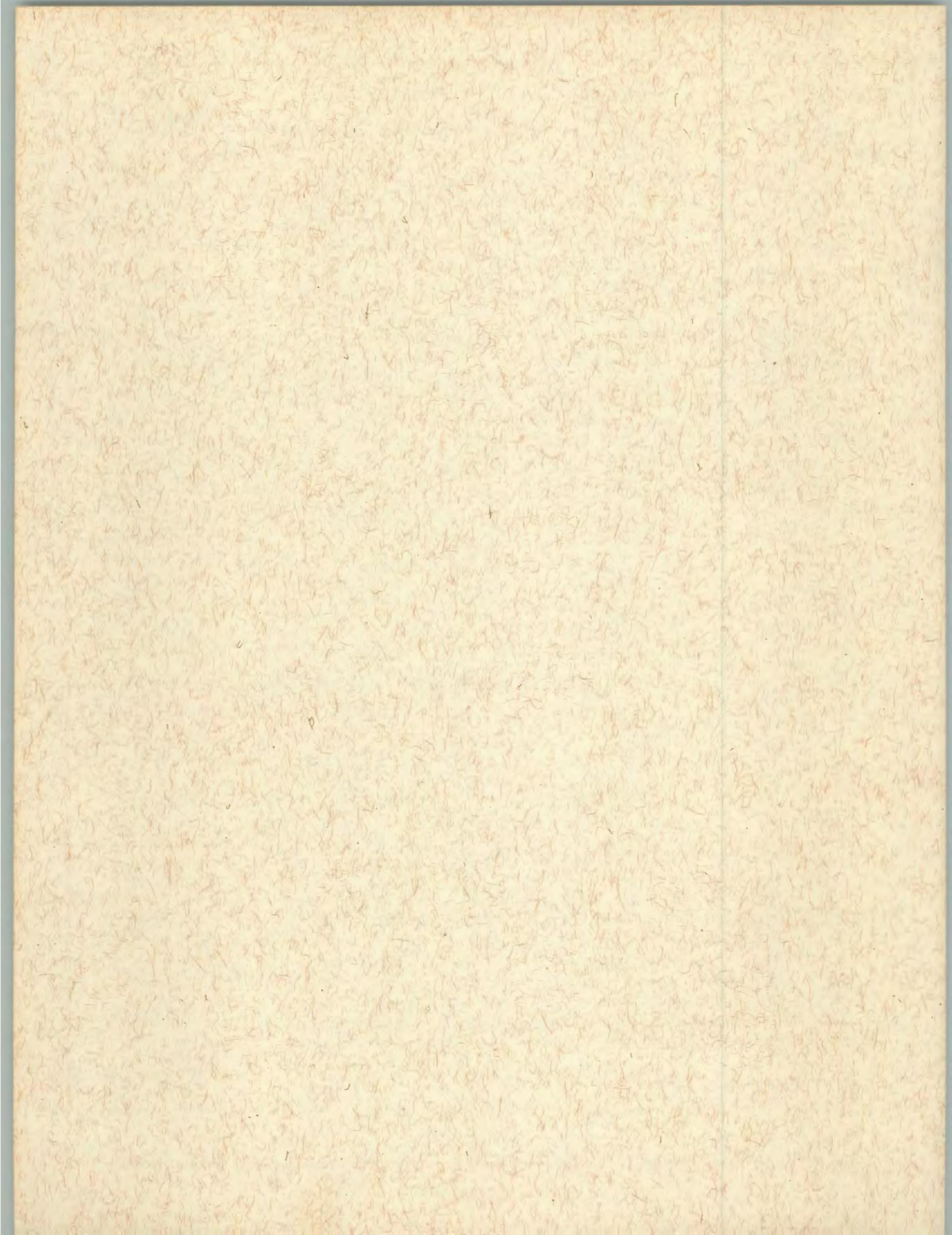
Effective January 1, 1992, new employees eligible for general membership automatically become members of Retirement Plan E on the first of the month following date of hire, or have 60 days from date of hire to elect Retirement Plan D.

Los Angeles County Employees Retirement Association
Employer Contribution Rates
 Los Angeles County Office of Education and Little Lake Cemetery District

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

Los Angeles County Employees Retirement Association
Employer Contribution Rates
 South Coast Air Quality Management District

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



The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial statements. This includes not only sales and purchases but also expenses and income. The document also highlights the need for regular reconciliation of bank statements and the company's records to identify any discrepancies early on.

In addition, the document provides a detailed breakdown of the accounting cycle, from identifying the accounting entity to preparing financial statements. It explains how each step contributes to the overall accuracy and reliability of the financial data. The document also includes a section on the classification of assets and liabilities, providing examples and explanations for each category.

The second part of the document focuses on the practical application of accounting principles. It includes a series of exercises designed to help students understand how to record transactions in the general ledger and how to prepare a trial balance. These exercises cover a wide range of scenarios, from simple sales and purchases to more complex transactions involving multiple accounts and adjustments.

Finally, the document concludes with a summary of the key concepts covered and a list of resources for further study. It encourages students to continue to practice their accounting skills and to seek help when needed. The document is intended to be a comprehensive guide for anyone interested in learning the fundamentals of accounting.

LA CERA

**Los Angeles County Employees
Retirement Association**

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Pasadena, California 91101**
