



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995



**L//CERA**

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

PASADENA, CALIFORNIA

A COMPONENT UNIT OF LOS ANGELES COUNTY

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995**

**ISSUED BY**

**MARSHA D. RICHTER  
CHIEF EXECUTIVE OFFICER**

**GREGG RADEMACHER**

**ASSISTANT EXECUTIVE OFFICER**

**L//CERA**

**LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION**

**PASADENA, CALIFORNIA**

**A COMPONENT UNIT OF LOS ANGELES COUNTY**



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INTRODUCTORY SECTION







## LACERA'S VISION

### **EXCELLENCE—Our members deserve the best.**

Therefore, we choose to be the best. We choose excellence through innovation. We choose to become unparalleled experts in retirement law, pension administration, and benefit solutions. We choose to be pre-eminent masters of portfolio management.

### **COMMITMENT—We are the best.**

We will work together to provide the best service. We will continually strengthen our commitment to effective teamwork by contributing our individual strengths, learning new methods and skills, and anticipating the demands of the future.

### **TRUST—Our members place trust in LACERA.**

Everyday, we will earn this trust by placing their interest first, by giving them easy-to-understand answers, by solving their problems quickly, and by safeguarding and maximizing their investment assets.

### **SERVICE—Our members deserve the best.**

We pledge to improve our member service until 100% of members making inquiries receive courteous, professional, accurate answers with just one call. We have the ability to achieve this if each one of us will reach deep into our strengths and lend a hand. Our strengths are individual; collectively they are unstoppable.

**Because members deserve the best, LACERA will be the best.**



October 4, 1996

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:

I am pleased to present LACERA's Annual Financial Report for the Years Ended June 30, 1996 and 1995. We are proud of the achievements we have accomplished during the year and our renewed focus on improving service to our members and benefit recipients.

In the area of benefit administration, LACERA has continued its commitment to finding new and innovative ways to deliver the highest quality customer service to our members. In an effort to improve member service levels, we are redesigning the delivery of member services, and developing new tools required to provide these enhanced services. Our entire organization is involved in identifying areas for improvement, generating new ideas, and creating innovative solutions to the challenges of building a level of service among the best in the business. Briefly discussed under Service Efforts and Accomplishments are the reengineering, Knowledge Base, document imaging, and service enhancement programs, which will assist us in achieving our goal of improving member services until 100% of members making inquiries receive courteous, professional, accurate answers with just one call. LACERA's vision for excellence, commitment, trust, and service is the driving force of our Association, because our members deserve the best.

#### REPORT CONTENTS

LACERA management is responsible for the content of the Annual Report. It is our intent to ensure that the presentation of financial information is accurate and fair, and all material disclosures have been made. The Annual Report consists of five sections:

The **Introductory Section** provides an overview of LACERA and the significant activities and events that occurred during fiscal year 1996. This section contains LACERA's Vision, 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 consultants LACERA utilizes.

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

The **Investment Section** provides an overview of LACERA's investment program. This section contains the Chief Investment Officer's Report, which includes a summary of our investment objectives, and the fund's strategic asset allocation plan/policy, investment performance results, and other portfolio information.

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

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

#### LACERA AND ITS SERVICES

LACERA provides retirement, disability, and death benefits to its safety and general members, and administers the plan sponsor's retiree health care benefit program. Safety membership includes law enforcement (Sheriff and District Attorney Investigators), fire fighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications.

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 interest of the members and beneficiaries of LACERA.

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 Los Angeles County (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 LACERA is delegated to a Chief Executive Officer appointed by both Boards.

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 County Board of Supervisors may also adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect the benefits of LACERA members.

LACERA administers retirement plan provisions primarily for the 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

#### SERVICE EFFORTS AND ACCOMPLISHMENTS

LACERA's efforts in improving member services have energized the Association. Our initial goal to improve member services through enhanced staff training has evolved into a comprehensive plan to redesign our business process and restructure our organization to maximize the effectiveness of our servicing efforts.

Beginning in Fiscal Year 1994-1995, we restructured the member contact process using a fresh start analysis method called "Reengineering." A gradual implementation plan was developed to ensure the effectiveness of the new and improved business process. Upon completion of the various project phases, we should realize the benefit of having a single point of contact for member inquiries and service. This is a departure from past operations where members were "handed-off" from one staff specialist to another in satisfying our members' requests.

The Reengineering Team successfully launched Phase I of LACERA's new business process, the County Employees Retirement Information System (CERIS). CERIS summarizes a myriad of member data screens. It provides staff quick access to membership information. Members will benefit by receiving timely and efficient service.

The Reengineering Team is evaluating the implementation of Phase II of CERIS. Phase II will integrate the Workflow and Document Imaging technologies creating a simplified member service process. The Workflow technology facilitates the assignment and control of staff's work while Document Imaging provides immediate and simultaneous staff access to member documents in electronic form.

The Document Imaging Team developed plans for migration from a paper based record system to an automated document management system. Once implemented, electronic member records will be available at staff's fingertips. To ensure the confidentiality of member documents, LACERA hired a qualified vendor to convert existing paper records into electronic format. The conversion of future incoming member documents will be conducted in-house.

To successfully launch CERIS and other member service enhancement programs, LACERA created an in-house computer lab and learning center. On an as needed basis, staff is provided training appropriate to the task and technology.

In Fiscal Year 1994-1995, LACERA created an electronic Knowledge Base of laws, regulations, and operational policies used in administering the Association. The completion of the first phase of this project included the County Employees Retirement Law of 1937, and a Quick Reference Guide. During the current fiscal year, the Knowledge Base incorporated operational policies used in the servicing of member requests.

Staff is evaluating the integration of SmartPhone technology into the new business process to further enhance services offered to members. SmartPhone is an automated telephone system that will enable members to immediately access, retrieve, route or request retirement information.

LACERA's Publication staff provide valuable information about LACERA retirement programs and related topics to retirees through *Spotlight on Retirement* and to active members through *Postscript*.

LACERA's Member Outreach Team participated in the Los Angeles County Job Career Fair and six active-member information fairs by providing retirement counseling to attendees. The Team also began holding special new member workshops at four of the larger County department worksites for newly hired employees.

In our continuing efforts to help LACERA members better understand their retirement benefits, staff conducted 153 outreach workshops and 72 in-house workshops, assisted over 11,000 members at our member assistance center, as well as, responded to over 157,000 phone inquiries.

To ensure timely payment of benefits, new disability retirees are placed on the retired members payroll within 45 days from being granted a disability retirement.

Through diligent cost-saving efforts by LACERA's Board of Retirement, retirees and Los Angeles County enjoyed two months of insurance premium holidays, which saved the County \$12 million and retirees \$1.9 million, respectively.

Retired members were invited to the fifth annual Wellness Fair coordinated by LACERA staff and sponsored by healthcare providers and organizations.

Staff completed the design of three insurance plans as enhancements to LACERA's Health Care Benefits Program:

- Transamerica Occidental Life Insurance Company was selected to underwrite the long-term care insurance plan;
- CIGNA Dental Health was selected as the carrier for the prepaid dental insurance plan;
- SCAN was selected as the social health maintenance organization plan.

LACERA's Board of Investments completed a benefit liability and asset allocation study to ensure LACERA's portfolio is structured to maximize return while meeting the liquidity needs to make future benefit payments.

LACERA's Board of Investments adopted a new Investment Policy which included adoption of a long-term asset allocation plan, a change in the existing equity and fixed income structure, adoption of a revised Real Estate Investment Plan, and adoption of Proxy Voting Guidelines.

Staff completed the search for and selection of a Short-Term (Cash) Investment Manager.

Staff is in the process of redesigning the cost center and account structure of the automated General Ledger System to streamline and improve the delivery of financial information to users.

LACERA's Internal Audit staff completed experience requirements to attain the Certified Public Accountant (CPA) certificate. All Internal Audit staff are now CPAs.

A security alarm system was installed in our first floor Public Service Counter to provide additional safety for staff and visiting members.

#### **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 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 1995 were \$55 million, and are anticipated to be similar for calendar year 1996. The benefit, currently being received by approximately 17,100 retirees, is a non-vested entitlement.

#### **ACTUARIAL FUNDING STATUS**

LACERA engages an independent actuarial firm, Towers Perrin, to conduct annual actuarial valuations to monitor LACERA's funding status. Triennially, an analysis is made on the appropriateness of all economic and non-economic assumptions. Recommendations are presented to LACERA's Board of Investments (Board) for consideration. The last triennial valuation was performed as of June 30, 1995 at which time changes to the non-economic assumptions were adopted by the Board.

The financing objective of LACERA 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 made toward the realization of the financing objective was achieved through the receipt of the proceeds of pension obligation bonds issued by the County of Los Angeles (County) during the prior fiscal year. The June 30, 1995 actuarial valuation determined the funding status of LACERA to be 100.7%.

The Board amended the 30-year UAAL funding period, which was to end June 30, 2007. As part of the Pension Obligation Bond Agreement with the County, the County agrees to maintain the funding level of LACERA at 97.5% through the completion of the June 30, 1998 actuarial valuation using a five-year rolling amortization period. For the actuarial valuations June 30, 1999 through June 30, 2008, the County agreed to discharge the remaining UAAL component as identified in the June 30, 1999 actuarial valuation, by making annual contributions to LACERA over a ten-year period commencing July 1, 2000, thus bringing LACERA to a 100% funded status. In addition, the County agreed to discharge any additional UAAL identified in the June 30, 1999 through June 30, 2008 actuarial valuation by making additional contributions to LACERA over a rolling five-year amortization schedule.

#### 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 firm of Coopers & Lybrand L.L.P. provides both financial statement and internal control audit services. The financial attest audit ensures LACERA's financial statements are presented in conformity with generally accepted accounting principles and are free from material 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 Audit Services, LACERA management, and Coopers & Lybrand L.L.P.

#### Revenue

The majority of LACERA's revenue comes from the earnings of the investment portfolio and collection of employer and employee retirement contributions. Total revenue for fiscal year 1996 amounted to \$2.7 billion as compared to \$3.4 billion from fiscal year 1995, a decrease of \$750 million (See Table 1).

Active membership and contribution rates were comparable to those in the prior fiscal year, however, employer contributions for 1996 decreased by \$1.9 billion. The decrease primarily reflects the County of Los Angeles' lump-sum deposit of nearly \$2 billion as a contribution towards payment of the unfunded liability in fiscal year 1995.

Investment earnings increased by \$1.1 billion, or 92.5% in fiscal year 1996. The fair value of the investment portfolio, net of related liabilities, reached \$20.2 billion as of June 30, 1996, an increase of \$2.3 billion from the previous year. The total return on the pension fund investments for the fiscal year ended June 30, 1996 was 16.8%. Annualized return over the last three years was 11.9% and over the last five years was 12.4%. An explanation of investment policies and strategies and the portfolio's composition is included in the Investment Section of this report.

**TABLE 1. CONTRIBUTIONS AND INVESTMENT EARNINGS**

(amounts in thousands)

	1996	1995	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Member Contributions	\$ 183,260	\$ 173,464	\$ 9,796	5.6%
Employer Contributions	132,451	2,038,253	(1,905,802)	(93.5%)
Investment Earnings	2,384,070	1,237,508	1,146,562	92.7%
Miscellaneous		618	(618)	(100.0%)
<b>Total</b>	<b>\$ 2,699,781</b>	<b>\$ 3,449,843</b>	<b>(\$ 750,062)</b>	<b>(21.7%)</b>

### Expenses

The primary use of LACERA's assets is in the payment of benefits to retirees and their beneficiaries, the refund of contributions to former members, and the cost of administering the retirement plan. Expenses for fiscal year 1996 were consistent with the prior year and increased by \$62 million to \$904 million (See Table 2).

**TABLE 2. PAYROLL AND OTHER EXPENSES**

(amounts in thousands)

	1996	1995	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Retiree Payroll	\$ 817,280	\$ 768,384	\$ 48,896	6.4%
Administrative Expense	21,432	19,764	1,668	8.4%
Refunds	20,109	10,389	9,720	93.5%
Investment Expense	45,161	42,911	2,250	5.2%
Miscellaneous	52	181	(129)	(71.3%)
<b>Total</b>	<b>\$ 904,034</b>	<b>\$ 841,629</b>	<b>\$ 62,405</b>	<b>7.4%</b>

### ECONOMIC CONDITION AND OUTLOOK

LACERA's investment portfolio returned 16.8% for fiscal year 1995-1996. This performance was primarily the result of excellent returns from two components of the portfolio: small capitalization stocks [+35.7%] and alternative assets [+32.1%]. The following discussion is a summary of major economic developments influencing the financial markets in which LACERA's portfolio is invested.

The Federal Reserve (Fed) cut interest rates three times during the last fiscal year in an effort to stimulate the economy. This was a reversal in monetary policy from the previous 15 months in which the Fed increased short-term interest rates seven times. Falling interest rates led to lower mortgage rates which resulted in an increase in housing activity.

Consumer spending was a major force behind the recent upturn in the US economy. This was reflected by strong retail and automobile sales. The unemployment rate fell to 5.3% at year-end. Meanwhile inflation, as measured by the consumer price index, remained below 3% throughout the year.

The bond market also benefited from the interest rate reductions during the second half of 1995. However, this market experienced substantial volatility in the first half of 1996. At times, positive economic data pushed the market one

way while the low inflationary environment moved the market in the opposite direction. The yield on the benchmark 30-year Treasury bond started the year at 6.62%, fell as low as 5.95% and climbed as high as 7.20%, before ending the year at 6.89%.

A strengthening economy, low interest rates and strong corporate earnings were the key contributors to the solid performance of the US stock market. The S&P 500 index returned 26.0% for the year. Capital goods [+ 37.4%] and finance [+34.5%] were the leading economic sectors, while materials and services [+12.8%] and consumer durables [+18.2%] sectors lagged the market.

The value of the US dollar bounced back significantly after its dramatic fall in 1994-95. It appreciated against all major currencies as a result of a slow down in European and Japanese economies and positive economic growth in the US. The US dollar increased in value by 29.7% relative to the Japanese yen and by 10.1% relative to the German deutchmark.

The US economy is expected to continue its strong growth, which may trigger inflationary fears. In such case, the Federal Reserve may be pressured to increase interest rates in an attempt to slow down the US economy. European and Japanese economies are also expected to continue to improve as a result of central bank intervention and weaker currencies.

#### 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, 1995. This marks the sixth consecutive year we have been awarded the 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 legal requirements.

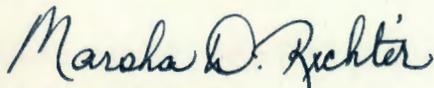
A Certificate of Achievement is valid for a period of one year only. We believe that our current annual financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA for consideration.

#### ACKNOWLEDGEMENTS

The preparation of the annual financial report on a timely basis is made possible by the dedicated teamwork of LACERA staff. Each staff member who contributed to the team effort has my sincerest appreciation. I would like to thank our contract auditor, Coopers & Lybrand L.L.P., for their professionalism and assistance.

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

Respectfully submitted,



Marsha D. Richter  
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, 1995*

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.



*Arthur R. Lynch*  
President

*Jeffrey L. Esser*  
Executive Director

**MEMBERS OF THE BOARD OF RETIREMENT AT JUNE 30, 1996**

**CHAIRMAN**

**ROBERT J. HERMANN**  
 Sheriff's Department. Elected by  
 safety members. Present term  
 expires December 31, 1998.  
 Re-elected Chairman of the Board,  
 January 3, 1996.



**MEMBER**

**WARREN L. BENNETT**  
 Appointed by the Board of  
 Supervisors. Present term expires  
 December 31, 1997.



**VICE CHAIRMAN**

**JACK M. THOMAS**  
 Appointed by the Board of  
 Supervisors. Present term expires  
 December 31, 1996. Re-elected Vice  
 Chairman of the Board,  
 January 3, 1996.



**MEMBER**

**SIMON S. RUSSIN**  
 Department of Health Services.  
 Elected by general members.  
 Present term expires  
 December 31, 1997.



**SECRETARY**

**ROBERT A. STOTELMEYER**  
 Retired. Elected by retired members.  
 Present term expires  
 December 31, 1996. Elected Secretary  
 of the Board, January 3, 1996.



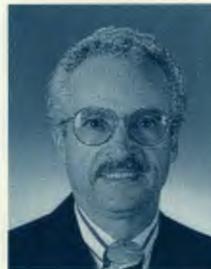
**MEMBER**

**RICHARD N. SHUMSKY**  
 Probation Department.  
 Elected by general members.  
 Present term expires  
 December 31, 1996.



**MEMBER**

**LARRY J. MONTEILH**  
 Treasurer and Tax Collector.  
 Ex-officio member.



**MEMBER**

**EDGAR H. TWINE**  
 Appointed by the Board of  
 Supervisors. Present term expires  
 December 31, 1996.



**MEMBER**

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



**ALTERNATE MEMBER**

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



**MEMBERS OF THE BOARD OF INVESTMENTS AT JUNE 30, 1996**

**CHAIRMAN**

**ROBERT J. HERMANN**  
Sheriff's Department. Elected by safety members. Present term expires December 31, 1998. Elected Chairman of the Board, January 10, 1996.



**MEMBER**

**SIMON S. RUSSIN**  
Department of Health Services. Elected by general members. Present term expires December 31, 1996.



**VICE CHAIRMAN**

**NORMAN S. JOHNSON**  
Retired. Elected by retired members. Present term expires December 31, 1996. Elected Vice Chairman of the Board, January 10, 1996.



**MEMBER**

**RICHARD N. SHUMSKY**  
Probation Department. Elected by general members. Present term expires December 31, 1997.



**SECRETARY**

**MICHAEL L. FALABRINO**  
Appointed by the Board of Supervisors. Present term expires December 31, 1996. Elected Secretary of the Board, January 10, 1996.



**MEMBER**

**RICHARD M. TAFOYA**  
Appointed by the Board of Supervisors. Present term expires December 31, 1997.



**MEMBER**

**LARRY J. MONTEILH**  
Treasurer and Tax Collector. Ex-officio member.



**MEMBER**

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

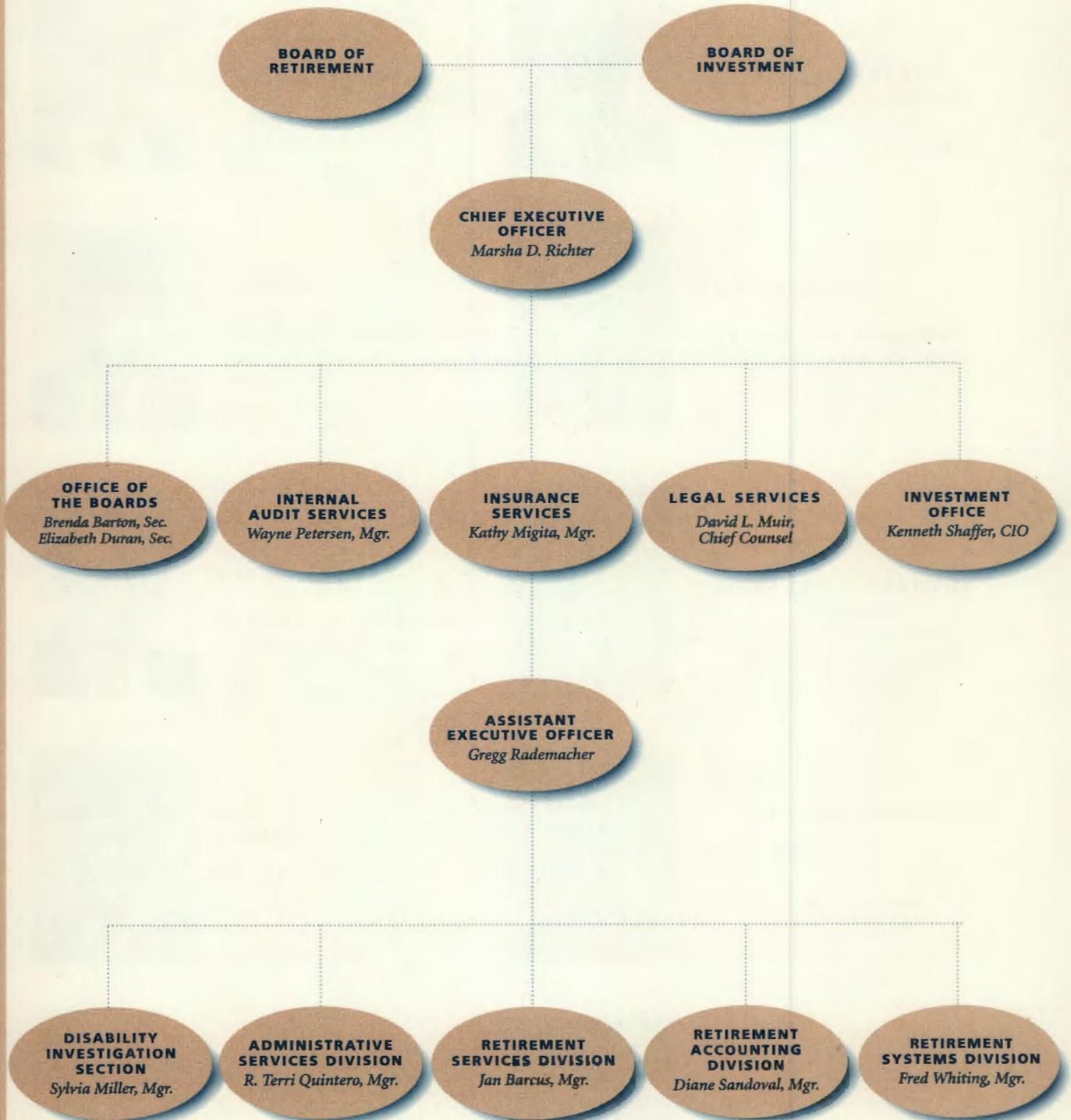


**MEMBER**

**JAMES A. JEFFS**  
Appointed by the Board of Supervisors. Present term expires December 31, 1996.



**LACERA ORGANIZATION CHART**



**LIST OF PROFESSIONAL CONSULTANTS**

**CONSULTING SERVICES**

**ACTUARY**

Towers Perrin

**INVESTMENT CONSULTANTS**

Chancellor Capital Management  
 Frank Russell Company  
 Progress Investment Management Company  
 RCB Trust Company  
 The Townsend Group

**GOVERNANCE CONSULTANT**

Institutional Shareholder Services, Inc.

**LEGAL COUNSEL**

Adams, Duque & Hazeltine  
 Baker & Hostetler  
 Gibson, Dunn & Crutcher  
 Graves, Roberson & Bourassa  
 Hufstедler, Kaus & Ettinger  
 Paul, Hastings, Janofsky & Walker  
 Pillsbury, Madison & Sutro

**CUSTODIAN**

Bankers Trust of New York  
 Chase Manhattan Bank  
 Mellon Trust

**AUDITORS**

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

**DATA**

Los Angeles County Department of  
 Data Processing  
 Warner Information Center

**INVESTMENT MANAGERS**

**EQUITY - DOMESTIC**

Apodaca-Johnston Capital Management  
 Bankers Trust Company  
 Bramwell Capital Management, Inc.  
 Capital Guardian Trust Company  
 Delta Asset Management  
 Evergreen Capital Management, Inc.

Geneva Capital Management Ltd.  
 Globalt Inc.  
 Gries Financial Corporation  
 GW Capital, Inc.  
 Hourglass Capital Management  
 ICM Asset Management, Inc.  
 Invesco Capital Management, Inc.  
 Loomis, Sayles & Company  
 McKinley Capital Management  
 Morgan Stanley Asset Management, Inc.  
 Oak Associates  
 Pilgrim, Baxter & Associates  
 Putnam Advisory Company, Inc.  
 Putnam Investment Management  
 Radnor Capital Management  
 Rampart Investment Management  
 Sloate, Weisman, Murray & Company  
 Sturdivant & Company, Inc.  
 The Edgar Lomax Company  
 Twin Capital Management  
 Weiss, Peck & Greer Investments, L.L.C.  
 Wilke/Thompson Capital Management, Inc.

**EQUITY - INTERNATIONAL**

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

**FIXED INCOME - DOMESTIC**

Bankers Trust Company  
 Bradford & Marzec, Inc.  
 Brown Brothers Harriman & Company  
 Capital Guardian Trust Company  
 Mackay Shields Financial Corporation  
 MFS Asset Management Inc.  
 Nicholas-Applegate  
 TCW Asset Management Co.

**FIXED INCOME - INTERNATIONAL**

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

**CASH & SHORT-TERM**

Bankers Trust Company  
 Scudder, Stevens & Clark, Inc.

**REAL ESTATE**

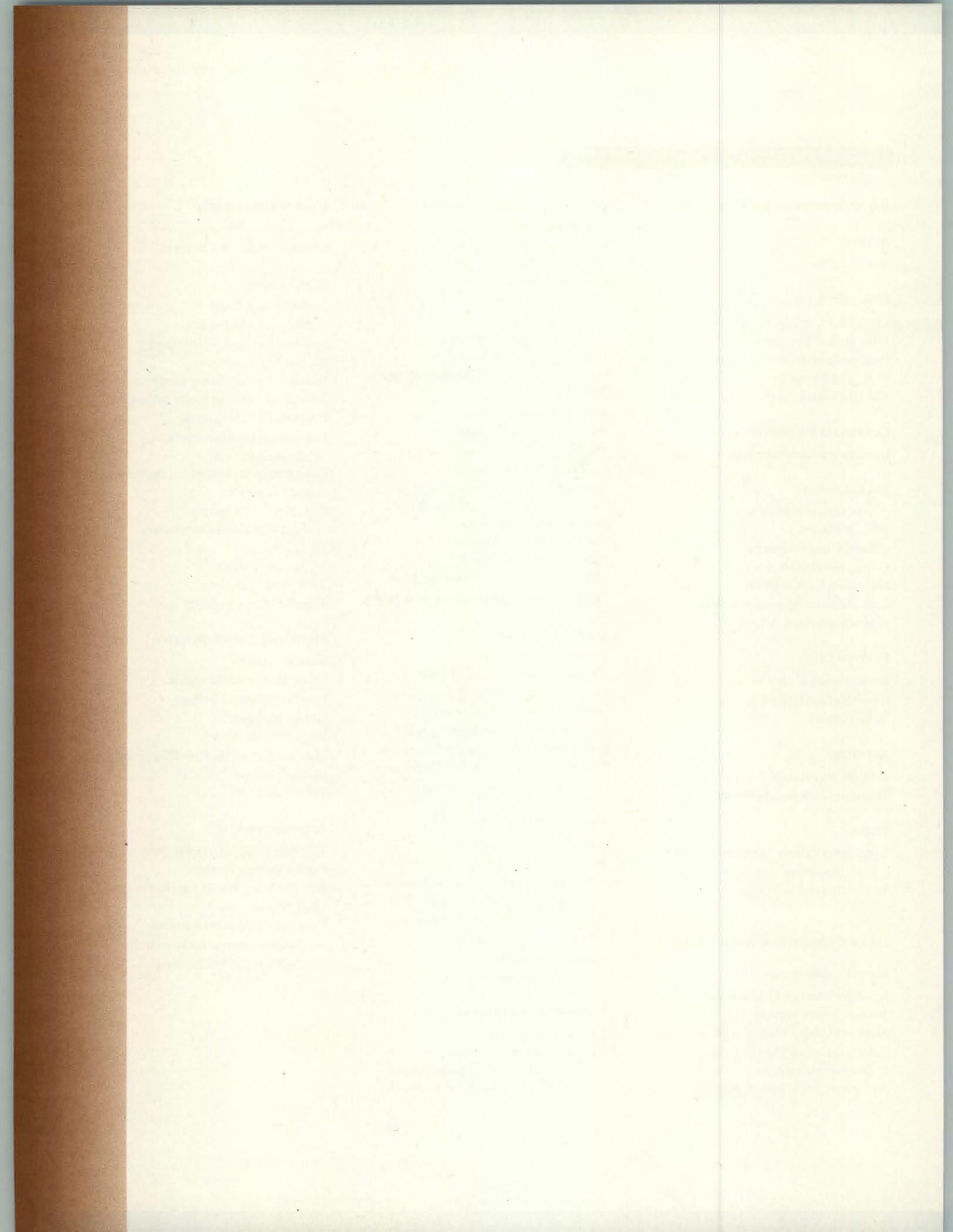
Equitable Real Estate  
 Investment Management  
 Heitman Advisory Corporation  
 Invesco Realty Advisors  
 JMB Institutional Realty Corporation  
 Jones Lang Wootton Realty Advisors  
 L & B Real Estate Counsel  
 Lowe Enterprise Investment  
 Management, Inc.  
 Lowe Enterprise Residential Partners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

**MORTGAGE LOAN SERVICER**

Bank of America  
 Chase Manhattan Mortgage  
 First Nationwide Mortgage  
 GMAC Mortgage  
 Great Western Bank  
 Matrix Financial Services Corporation  
 Mellon Mortgage  
 Wells Fargo Bank

**ALTERNATIVE ASSETS**

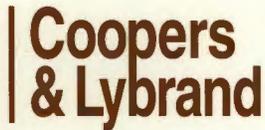
Chancellor Capital Management  
 Copley Venture Partners  
 E.M. Warburg, Pincus Capital Co., Inc.  
 GKH Partners  
 Prudential Equity Investors, Inc.  
 Syndicated Communications, Inc.  
 TA Communications Partners



FINANCIAL SECTION







Coopers &amp; Lybrand L.L.P.

a professional services firm

**REPORT OF INDEPENDENT ACCOUNTANTS**

Boards of Retirement and Investments  
Los Angeles County Employees Retirement Association

We have audited the accompanying statement of plan net assets of the Los Angeles County Employees Retirement Association (LACERA) as of June 30, 1996 and 1995, and related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of LACERA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we perform and plan the audits to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts disclosed in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 1996 and 1995, and results of its operations for the years then ended in conformity with generally accepted accounting principles.

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

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

In accordance with Government Auditing Standards, we have also issued a report dated October 4, 1996 on our consideration of LACERA's internal control structure and a report dated October 4, 1996 on its compliance with the laws and regulations.

October 4, 1996  
Los Angeles, California

**STATEMENT OF PLAN NET ASSETS  
AS OF JUNE 30, 1996 AND 1995**

(amounts in thousands)

	1996	1995
<b>Assets</b>		
Cash	\$ 36,074	\$ 47,289
Receivables		
Accounts Receivable - Sale of Investments	623,279	241,895
Accrued Interest and Dividends	145,528	103,219
Contributions Receivable	19,275	23,518
Reimbursable Costs for Retiree Health Insurance and Death Benefits	9,635	9,497
Principal Due on Mortgages		858
Accounts Receivable - Other	927	1,400
Total Receivables	<u>798,644</u>	<u>380,387</u>
Investments at Fair Value - Note L		
Stocks	11,358,927	9,412,568
Bonds	6,296,546	6,177,244
Short Term Investments	1,084,419	1,101,097
Real Estate	1,113,103	839,339
Alternative Assets	462,524	402,897
Mortgages	112,585	102,523
Total Investments	<u>20,428,104</u>	<u>18,035,668</u>
Fixed Assets Net of Depreciation	2,366	2,918
<b>Total Assets</b>	<u><b>21,265,188</b></u>	<u><b>18,466,262</b></u>
<b>Liabilities</b>		
Accounts Payable - Purchase of Investments	1,021,374	533,701
Retiree Payroll and Other Warrants Payable	29,511	30,199
Accrued Expenses	11,215	9,308
Leasehold Incentives	1,881	2,299
Tax Withholding Payable	7,577	7,031
Accounts Payable - Other	17	1,718
<b>Total Liabilities</b>	<u><b>1,071,575</b></u>	<u><b>584,256</b></u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 20,193,613</b>	<b>\$ 17,882,006</b>

(A Schedule of Funding Progress is presented on page 33.)

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995**

(amounts in thousands)

	1996	1995
<b>Additions</b>		
Contributions		
Employer	\$ 132,451	\$ 2,038,253
Member	183,260	173,464
Total Contributions	<u>315,711</u>	<u>2,211,717</u>
Investment Income		
Net Appreciation in Fair Value of Investments	515,860	1,062,353
Investment Income	2,384,070	1,237,508
	<u>2,899,930</u>	<u>2,299,861</u>
Less Investment Expense	45,161	42,911
Net Investment Income	<u>2,854,769</u>	<u>2,256,950</u>
Miscellaneous		618
Total Additions	<u>3,170,480</u>	<u>4,469,285</u>
<b>Deductions</b>		
Retiree Payroll	815,628	767,425
Administrative Expense - Note B	21,432	19,764
Refunds	20,109	10,389
Lump Sum Death Benefits	1,652	959
Miscellaneous	52	181
Total Deductions	<u>858,873</u>	<u>798,718</u>
Net Increase	2,311,607	3,670,567
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	17,882,006	14,211,439
End of Year	<u>\$ 20,193,613</u>	<u>\$ 17,882,006</u>

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

**NOTES TO FINANCIAL STATEMENTS****NOTE A  
PLAN DESCRIPTION**

LACERA began operations on January 1, 1938, and is governed by the California Constitution, the County Employees Retirement Law of 1937, and the Bylaws, procedures and policies adopted by the Boards of Retirement and Investments. The County Board of Supervisors may also adopt resolutions, as permitted by the Retirement Law of 1937, which may affect the benefits of LACERA members. LACERA operates as a cost sharing multi-employer defined benefit plan for Los Angeles County (County) and four participating agencies: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and South Coast Air Quality Management District. LACERA does not include non employer contributors.

**MEMBERSHIP**

LACERA provides retirement, disability and death benefits to its safety and general members, and administers the plan sponsor's retiree health benefit program. Safety membership includes law enforcement (Sheriff, and District Attorney Investigators), fire fighting, forester, and lifeguard classifications. General membership is applicable to all other occupational classifications. The retirement benefits within the plan are tiered based on the service entry date. General members may elect membership in a non-contributory plan tier upon entry into service. Additional information regarding the benefit structure is included in the Summary of Plan Provisions located on page 55 in the Actuarial Section of this report.

At June 30, 1996 and 1995 LACERA membership consisted of:

	1996	1995
Active Members:		
Vested	49,435	46,869
Non-Vested	25,176	30,285
Total Active Members	74,611	77,154
Retired Members	40,907	39,935
Terminated Vested (Deferred)	4,130	3,416
<b>Total</b>	<b>119,648</b>	<b>120,505</b>

**BENEFIT PROVISIONS**

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

## NOTES TO FINANCIAL STATEMENTS

## NOTE A

## PLAN DESCRIPTION - continued

## COST-OF-LIVING ADJUSTMENT

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

## STAR PROGRAM

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

The STAR program is administered on a calendar year basis. The following represents the STAR program experience from inception through June 30, 1996 (amounts in thousands):

	Funding	Costs	Available for Future Benefits
Inception 1990	\$ 201,200	(\$ 47,411)	\$ 153,789
Program Year 1991		(50,994)	102,795
Program Year 1992	172,000	(57,776)	217,019
Program Year 1993	51,726	(56,542)	212,203
Program Year 1994		(56,895)	155,308
Program Year 1995	165,815	(54,905)	266,218
Program Year 1996 through June 30	48,770	(25,079)	\$ 289,909
<b>Total</b>	<b>\$ 639,511</b>	<b>(\$ 349,602)</b>	

**NOTES TO FINANCIAL STATEMENTS****NOTE B  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****REPORTING ENTITY**

LACERA, with its own governing boards, is an independent governmental entity separate and distinct from the County of Los Angeles. LACERA's annual financial statements are included in the County of Los Angeles' Annual Financial Report as a pension trust fund.

**METHOD OF REPORTING**

LACERA follows the accounting principles and reporting guidelines as set forth in Statement 25 of the Governmental Accounting Standards Board, and AICPA industry audit guide "Audit of Employee Benefit Plans" issued May 1994. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of LACERA. Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each plan.

**ADMINISTRATIVE EXPENSES**

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

Total Projected Asset Base as of December 31, 1995 at fair value	<u>\$ 16,908,115</u>
Maximum Allowable for Administrative Expense (.0018 x \$16,908,115)	<u>30,435</u>
Operating Budget for Fiscal Year 1995-1996	24,592
Actual Administrative Expenses for the Fiscal Year ended June 30, 1996	21,432
<b>Underexpended Operating Budget</b>	<b>\$ 3,106</b>

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

**NOTES TO FINANCIAL STATEMENTS****NOTE B****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The cost and accumulated depreciation of fixed assets as of June 30, 1996 and 1995 were as follows (amounts in thousands):

	1996	1995
Furniture and Equipment	\$ 3,793	\$ 3,664
Structures and Improvements	2,829	2,829
Total Fixed Assets (at cost)	6,622	6,493
Less Accumulated Depreciation		
Furniture and Equipment	2,702	2,304
Structures and Improvements	1,554	1,271
Total Accumulated Depreciation	4,256	3,575
<b>Total Fixed Assets Net of Depreciation</b>	<b>\$ 2,366</b>	<b>\$ 2,918</b>

**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, 1996 and 1995 was \$1,202,170 and \$1,315,000, respectively.

**CASH**

Cash includes deposits with various financial institutions, the County of Los Angeles pooled trust fund, and international currency holdings translated to US dollars using the exchange rates in effect at June 30, 1996 and 1995.

**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. 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.

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

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

**NOTES TO FINANCIAL STATEMENTS****NOTE B****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

Stocks, publicly traded bonds, issues of the US Government and its agencies	Most recent sales price as of the fiscal year end, international securities reflect currency exchange rates in effect at June 30, 1996 and 1995.
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 valuations or the audited property financial statement.
Alternative assets	Provided by the fund's valuation committee. LACERA's alternative asset consultant reviews the fair value information provided by funds without a valuation committee.
Private placement bonds	Face value of the security subject to adjustment for conditions noted in the respective audited financial statement.

Please refer to Note L, Deposits and Investments, for cost and fair values for fiscal years ended June 30, 1996 and 1995.

**NOTE C****CONTRIBUTIONS**

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

**NOTES TO FINANCIAL STATEMENTS****NOTE D  
RESERVES**

The reserves represent the ownership of LACERA assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. LACERA's major classes of reserves are as follows:

**MEMBER RESERVES** represent the balance of member contributions. Additions include member contributions and related earnings. For the year ending June 30, 1995 and prior years, deductions included refunds of member contributions and transfers to Retired Member Reserves. However, as of the year ending June 30, 1996 and prospective years, deductions include annuity payments to retirees, refunds to members and related expenses.

**EMPLOYER RESERVES** represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from employers and related earnings. For the year ending June 30, 1995 and prior years, deductions included transfers to Retired Member Reserves, lump sum death benefits, and supplemental disability payments. However, as of the year ending June 30, 1996 and prospective years, deductions include annuity payments to retired members, lump sum death benefit payments to members' survivor(s), and supplemental disability payments.

**RETIRED MEMBER RESERVES**, as of the year ending June 30, 1995 and prior years, represented the balance of transfers from Member Reserves and Employer Reserves and related earnings, less payments to retired members. As of the year ending June 30, 1996, as a result of a modification in reporting provisions to the Actuary, Retired Member Reserves was eliminated. Reserve balances were reclassified to Member Reserves and Employer Reserves.

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

**CONTINGENCY RESERVE** represents reserves accumulated for future earning deficiencies, investment losses and other contingencies. Additions include investment income and other revenues; deductions include investment expenses, administrative expenses, interest allocated to other reserves, funding of the STAR Reserve, and distribution of excess earnings to Employer Reserves. The Contingency Reserve is used to satisfy the California Government Code requirement for LACERA to reserve 1% of the assets against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The balance of the Contingency Reserve of \$1,279 and \$374 million represent 6% and 2% of the Net Assets Held in Trust for Pension Benefits for fiscal years ended June 30, 1996 and 1995, respectively, and as such, the Contingency Reserve is considered fully funded.

**NOTES TO FINANCIAL STATEMENTS****NOTE D  
RESERVES - continued**

Reserves as of June 30, 1996 and 1995 are as follows (amounts in thousands):

	1996	1995
Member Reserves		
Active Members	\$ 5,809,444	\$ 2,155,074
Unclaimed Deposits	234	354
Total Member Reserves	5,809,678	2,155,428
Employer Reserves	10,065,319	2,357,070
Retired Member Reserves		10,468,039
STAR Reserve	289,909	293,329
Contingency Reserve	1,278,608	373,901
Total Reserves at Book Value	17,443,514	15,647,767
Unrealized Investment Portfolio Appreciation	2,750,099	2,234,239
<b>Total Reserves at Fair Value</b>	<b>\$ 20,193,613</b>	<b>\$ 17,882,006</b>

**NOTE E  
ACTUARIAL VALUATIONS**

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

**NOTE F  
PARTIAL ANNUITIZATION OF BENEFIT PAYMENTS**

As of January 1, 1987, LACERA purchased two annuity contracts from insurance carriers to provide benefit payments to a portion of the retired members. Under the terms of the annuity contracts, LACERA will continue to administer benefit payments to affected members, and is reimbursed monthly by the carriers for the gross amount of benefits disbursed. LACERA received \$46.9 million and \$47.1 million in related reimbursements during each of the years ended June 30, 1996 and 1995, respectively. Such amounts have reduced the pension and annuity payments in the financial statements. There is no effect on covered members. Covered members retain all benefits accorded other members of the Fund, including rights to continuance of benefits to survivors, insurance subsidies, and cost-of-living increases.

**NOTES TO FINANCIAL STATEMENTS****NOTE G  
POSTEMPLOYMENT HEALTHCARE BENEFITS**

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

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

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

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

Plan net assets are not held in trust for postemployment healthcare benefits. The HBP is funded by the County and members on a pay-as-you-go basis. During fiscal year ending June 30, 1996, \$115 million in premium payments were made to insurance carriers. These payments were funded by employer and participant contributions of \$101 million and \$14 million, respectively.

A summary of HBP participants is as follows:

	1996	1995
Medical Plans	30,014	29,527
Dental / Vision Plans	29,339	28,490
<b>Total</b>	<b>59,353</b>	<b>58,017</b>

**NOTE H  
INDUSTRY CONCENTRATIONS OF PORTFOLIO ASSETS**

The Board of Investments' (Board) policies and guidelines enable the portfolio to develop into numerous asset classes and to take advantage of professional investment managers with diverse management styles. The result is a well diversified portfolio. The investment portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the US Government) that represented 5% or more of the total investment portfolio.

An important aspect of the Board's policies and guidelines is for the portfolio to maintain industry diversity. Concentrations of investments within an industry may occur and still remain within a prudent range. The investment portfolio industry concentrations were below 7% as of June 30, 1996 and 1995.

Concentrations may occur in a grouping of industries, commonly known as an economic sector. The domestic stock portfolio demonstrated a minor concentration in the financial services, healthcare, and technology sectors as of June 30, 1996 and 1995.

**NOTES TO FINANCIAL STATEMENTS****NOTE I  
STOCKS AND BONDS ON LOAN**

LACERA's custodial bank, Mellon Trust (Mellon), is authorized to lend specified domestic and international stock and bond securities that are being held in custody to various borrowers, such as, banks and brokers.

Securities on loan must be collateralized with a value equal to 102%, in the case of securities of United States issuers, and 105%, in the case of securities of non-United States issuers, of the fair value of any security loaned, plus any accrued interest. Collateral received may include cash, irrevocable letters of credit, or securities which are direct obligations or guaranteed by the US Government.

Mellon has agreed to hold LACERA harmless for borrower default from the loss of securities or income, or from any litigation arising from these loans. Consequently, the securities on loan at June 30, 1996 and 1995 are not shown separately on the Statement of Plan Net Assets but are included in their respective accounts on that Statement.

The market value of the stocks and bonds on loan as of June 30, 1996 and June 30, 1995 (amounts in thousands):

	1996	1995
<b>Stocks</b>		
Domestic	\$ 132,541	\$ 413,329
International	206,935	200,025
Total Stocks	<u>339,476</u>	<u>613,354</u>
<b>Bonds</b>		
Domestic	799,091	965,331
International	381,045	163,227
Total Bonds	<u>1,180,136</u>	<u>1,128,558</u>
<b>Total</b>		
Domestic	931,632	1,378,660
International	587,980	363,252
<b>Total Stocks and Bonds</b>	<b>\$ 1,519,612</b>	<b>\$ 1,741,912</b>

**NOTE J  
FORWARD CURRENCY CONTRACTS AND FOREIGN CURRENCY**

Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. Included in net investment income are gains and losses from foreign currency transactions. The net foreign currency gain in fiscal year 1996 and loss in fiscal year 1995 are \$178,082,157 and \$108,098,080, respectively. At June 30, 1996, forward currency contracts payable and receivable totaled \$1,990,853,780 and \$2,002,927,033, respectively.

**NOTES TO FINANCIAL STATEMENTS****NOTE K  
TITLE HOLDING CORPORATIONS**

LACERA's real estate portfolio includes 22 wholly owned Title Holding Corporations (THC). The THC's invest in commercial properties located throughout the United States. LACERA accounts for these investments using the equity method. The following is a summary of the THC's financial position as of June 30, 1996 and 1995 (amounts in thousands):

	1996	1995
Assets	\$ 862,334	\$ 568,266
Less: Liabilities	75,048	48,791
<b>Shareholder Equity</b>	<b>\$ 787,286</b>	<b>\$ 519,475</b>
Net Income	\$ 36,063	\$ 25,713

**NOTE L  
DEPOSITS AND INVESTMENTS**

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

**DEPOSITS****Category 1.**

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

**Category 2.**

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

**Category 3.**

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

**INVESTMENTS****Category 1.**

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

**Category 2.**

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

**Category 3.**

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

## NOTES TO FINANCIAL STATEMENTS

**NOTE L**  
**DEPOSITS AND INVESTMENTS - continued**

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

	Category 1		Category 3		Total	
	Cost	Bank Balance	Cost	Bank Balance	Cost	Bank Balance
<b>Deposits</b>						
Cash	\$ 11,994	\$ 11,994	\$ 24,080	\$ 24,080	\$ 36,074	\$ 36,074
Overnight Deposits			120,766	120,766	120,766	120,766
Certificates of Deposit	227,068	227,068			227,068	227,068
Total Categorized Deposits	239,062	239,062	144,846	144,846	383,908	383,908
<b>Investments</b>						
	Cost	Fair Value			Cost	Fair Value
US Government and Agency Instruments	2,658,790	2,644,875			2,658,790	2,644,875
Domestic Corporate Bonds	2,263,253	2,398,746			2,263,253	2,398,746
Global Bonds	1,239,298	1,249,838			1,239,298	1,249,838
Private Placement Bonds	3,087	3,087			3,087	3,087
Total Bonds	6,164,428	6,296,546			6,164,428	6,296,546
Domestic Stocks	6,131,002	8,216,782			6,131,002	8,216,782
Global Stocks	2,732,205	3,097,016			2,732,205	3,097,016
Domestic Convertible Debentures	27,860	28,433			27,860	28,433
Global Convertible Debentures	15,783	16,696			15,783	16,696
Total Stocks & Convertibles	8,906,850	11,358,927			8,906,850	11,358,927
Corporate and Government	736,426	736,585			736,426	736,585
Total Short Term Investments	736,426	736,585			736,426	736,585
Total Categorized Investments	15,807,704	18,392,058			15,807,704	18,392,058
Investments not considered securities for purposes of custodial risk classification are as follows:						
Real Estate					1,109,721	1,113,103
Alternative Assets					313,495	462,524
Mortgages					99,250	112,585
Total Uncategorized Investments					1,522,466	1,688,212
<b>Total Deposits and Investments</b>	<b>\$ 16,046,766</b>	<b>\$ 18,631,120</b>	<b>\$ 144,846</b>	<b>\$ 144,846</b>	<b>\$ 17,714,078</b>	<b>\$ 20,464,178</b>

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

## NOTES TO FINANCIAL STATEMENTS

**NOTE L**  
**DEPOSITS AND INVESTMENTS - continued**

Based on these criteria, LACERA's deposits and investments as of June 30, 1995 are classified as follows (amounts in thousands):

	Category 1		Category 3		Total	
	Cost	Bank Balance	Cost	Bank Balance	Cost	Bank Balance
<b>Deposits</b>						
Cash	\$ 22,427	\$ 22,427	\$ 23,088	\$ 23,088	\$ 45,515	\$ 45,515
Overnight Deposits			5,303	5,303	5,303	5,303
Certificates of Deposit	50,000	50,000			50,000	50,000
Total Categorized Deposits	72,427	72,427	28,391	28,391	100,818	100,818

	Category 1		Category 3		Total	
	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
<b>Investments</b>						
US Government and Agency Instruments	2,557,369	2,625,515	2,557,369	2,625,515		
Domestic Corporate Bonds	2,310,162	2,441,888	2,310,162	2,441,888		
Global Bonds	1,006,620	1,087,612	1,006,620	1,087,612		
Private Placement Bonds	22,229	22,229	22,229	22,229		
Total Bonds	5,896,380	6,177,244	5,896,380	6,177,244		
Domestic Stocks	5,456,721	6,998,580	5,456,721	6,998,580		
Global Stocks	2,074,749	2,388,077	2,074,749	2,388,077		
Domestic Convertible Debentures	14,155	15,542	14,155	15,542		
Global Convertible Debentures	9,847	10,369	9,847	10,369		
Total Stocks & Convertibles	7,555,472	9,412,568	7,555,472	9,412,568		
Corporate and Government	714,216	714,794	714,216	714,794		
Repurchase Agreements	331,000	331,000	331,000	331,000		
Total Short Term Investments	1,045,216	1,045,794	1,045,216	1,045,794		
Total Categorized Investments	14,497,068	16,635,606	14,497,068	16,635,606		

Investments not considered securities for purposes of custodial risk classification are as follows:

Real Estate	837,427	839,339
Alternative Assets	318,777	402,897
Mortgages	92,854	102,523
LA County Treasurer Investment Pool	1,774	1,774
Total Uncategorized Investments	1,250,832	1,346,533
<b>Total Deposits and Investments</b>	<b>\$ 14,569,495</b>	<b>\$ 16,708,033</b>
	<b>\$ 28,391</b>	<b>\$ 28,391</b>
	<b>\$ 15,848,718</b>	<b>\$ 18,082,937</b>

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

**NOTES TO FINANCIAL STATEMENTS****NOTE M  
RELATED PARTY TRANSACTIONS**

LACERA, as the sole shareholder, formed a Title Holding Corporation (THC) to acquire Gateway Plaza. In January 1991, LACERA entered into a lease agreement with the THC to occupy approximately 85,000 square feet. Under the terms of the agreement, LACERA's base rent is abated, however, LACERA is required to pay its proportionate share of the building's operating expenses as defined in the lease. The agreement includes a \$4 million lease incentive, which LACERA used for build-out and other occupancy costs. These costs were capitalized and are being depreciated over the life of the lease. The lease incentive liability is being recognized over the life of the lease as a reduction to rent expense. Total operating expenses charged to LACERA were \$719,246 and \$638,339 for the years ended June 30, 1996 and 1995, respectively.

**NOTE N  
COMMITMENTS AND CONTINGENCIES****LITIGATION**

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

**OPERATING LEASES**

LACERA leases equipment and property under operating leases which expire over the next seven years. Annual commitments under such leases approximate \$324,400 per year. The building space lease agreement entered in January 1991 requires that LACERA pay a portion of the building's operating expenses based on square footage occupied as discussed in related party Footnote M. The lease incentives, which LACERA used for build-out and other occupancy costs, are 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 \$1,043,659 and \$749,493 in fiscal years 1996 and 1995, respectively. The lease incentive recognized in 1996 and 1995, as a reduction in rent expense, was \$418,000.

**CAPITAL COMMITMENTS**

As of June 30, 1996, outstanding capital commitments to various investment managers, as approved by the Board of Investments, totaled \$941,492,057. Subsequent to June 30, 1996, LACERA has funded \$14,858,809 of these capital commitments.

**REQUIRED SUPPLEMENTAL INFORMATION**
**SCHEDULE OF FUNDING PROGRESS**

(amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
30 Jun 90	\$ 9,999,929	\$ 11,412,704	\$ 1,412,775	87.6%	\$ 2,587,888	54.6%
30 Jun 91	10,628,716	12,433,288	1,804,572	85.5%	2,922,157	61.8%
30 Jun 92	11,698,662	13,663,894	1,965,232	85.6%	3,218,040	61.1%
30 Jun 93	12,721,364	15,048,857	2,327,493	84.5%	3,337,583	69.7%
30 Jun 94	15,542,200	15,573,829	31,629	99.8%	3,391,441	0.9%
30 Jun 95	16,503,672	16,391,833	(111,839)	100.7%	3,442,231	(3.2%)

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

(amounts in thousands)

Fiscal Year	Annual Required Contribution	Percentage Contributed
1993	\$ 365,952	103.8%
1994	384,848	99.5%
1995	462,698	440.5%
1996	287,548	96.9% (1)

(1) Employer contributions for the 1996 Annual Required Contribution included employer cash contributions and a Board authorized transfer from excess earnings.

**REQUIRED SUPPLEMENTAL INFORMATION - continued****NOTES TO REQUIRED SUPPLEMENTAL SCHEDULES  
FOR FISCAL YEAR ENDED JUNE 30, 1996**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation dated June 30, 1995 is as follows:

**ACTUARIAL COST METHOD:** Entry Age Normal.

**ASSET VALUATION METHOD:** 5-year smoothing of market value.

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

**AMORTIZATION PERIOD:** Open.

**AMORTIZATION OF GAINS AND LOSSES:** Experience gains and losses are amortized over the same period as the unfunded actuarial accrued liability.

**INVESTMENT RATE OF RETURN:** 8% per annum, 3% real return and 5% inflation.

**PROJECTED SALARY INCREASES:** 5.5% per annum, 1.5% merit increase and 4% inflation.

**COST-OF-LIVING ADJUSTMENTS:** 0%-3% based on plan maximums tied to the change in the Consumer Price Index. No cost-of-living adjustments for Plan E.

**CONSUMER PRICE INDEX:** Increase of 4% per annum.

**OTHER SUPPLEMENTAL INFORMATION****ADMINISTRATIVE EXPENSES  
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995**

(amounts in thousands)

	1996	1995
<b>Personnel Services</b>		
Salaries and Wages	\$ 8,804	\$8,721
Employee Benefits	2,851	2,951
Total Personnel Services	<u>11,655</u>	<u>11,672</u>
<b>Office Expenses</b>		
Computer Equipment and Supplies	1,121	590
Postage	289	327
Office Furniture	117	22
Stationery and Forms	140	124
Other	279	203
Total Office Expenses	<u>1,946</u>	<u>1,266</u>
<b>Other Services and Charges</b>		
Data Center Processing Charges	1,233	1,220
Computer Software Services and Support	697	531
Network System Consulting Fees	214	38
County Data Processing Charges	3	13
Disability Medical Fees	619	545
Disability Hearing Officer Fees	164	250
Disability Stenographic Fees	40	26
Disability Attorney Fees	33	79
Organization Consulting Services		232
Temporary Personnel Services	873	687
Other Professional Services	620	255
Investment Audit Services	321	379
Rents and Leases	626	332
Telecommunications	139	156
Maintenance	213	168
Educational Expenses	319	209
Parking Fees	196	168
Audit Fees	119	166
Legislative and Other Legal Services	137	100
Transportation and Travel	187	113
Actuarial Consulting Fees	38	59
Other County Department Charges	131	139
Insurance	97	99
Administrative Support	61	22
Other Charges	69	98
Total Other Services and Charges	<u>7,149</u>	<u>6,084</u>
Depreciation-Fixed Assets	682	742
<b>Total Administrative Expenses</b>	<b>\$ 21,432</b>	<b>\$ 19,764</b>

**OTHER SUPPLEMENTAL INFORMATION - continued****FEEES AND OTHER INVESTMENT EXPENSES  
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995**

(amounts in thousands)

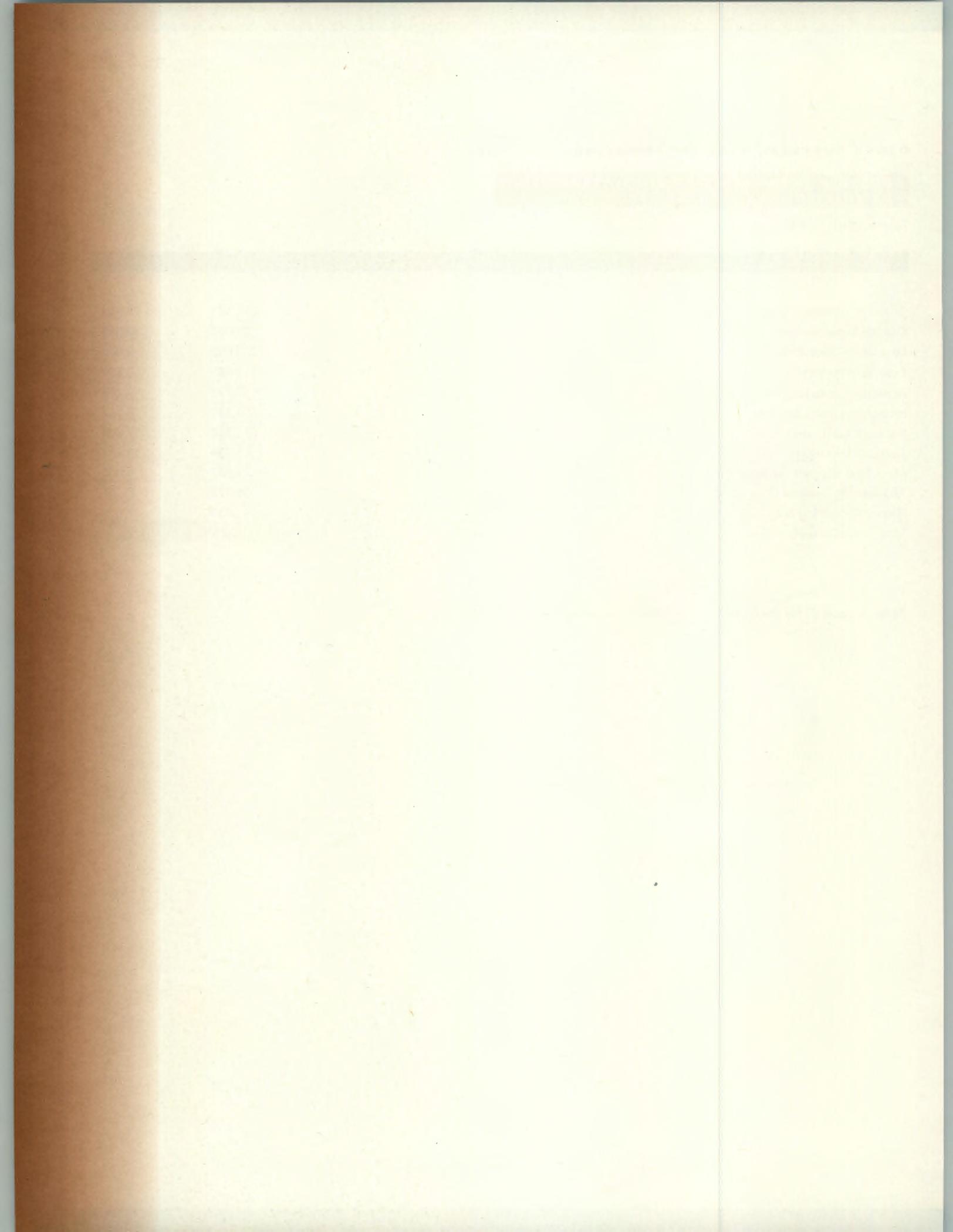
	1996	1995
<b>Investment Manager Fees</b>		
Stock Managers		
Domestic	\$ 13,231	\$ 10,393
International	5,020	4,075
Bond Managers		
Domestic	6,181	5,904
International	2,750	2,261
Alternative Assets Managers	9,598	8,789
Real Estate Managers	3,173	5,983
Cash and Short Term Managers	474	477
Mortgage Loan Servicers	270	281
Total Investment Manager Fees	40,697	38,163
<b>Other Investment Expense</b>		
Foreign Income Tax		1,960
Investment Custodians	478	1,763
Investment Consultants	2,812	667
Legal Counsel	221	27
Actuarial Valuations	66	70
Other	887	261
Total Other Investment Expense	4,464	4,748
<b>Total Fees and Other Investment Expenses</b>	<b>\$ 45,161</b>	<b>\$ 42,911</b>

**OTHER SUPPLEMENTAL INFORMATION** - *continued***SCHEDULE OF PAYMENTS TO CONSULTANTS  
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995**

(amounts in thousands)

	1996	1995
Disability Attorney Fees	\$ 33,391	\$ 78,516
Outside Legal Services	93,803	90,865
Legislative Consulting	43,000	9,000
External Auditors	119,095	166,294
Actuarial Consulting Fees	37,733	59,200
Investment Audit Services	320,833	379,167
Network Consulting Fees	213,700	37,800
Autocad Consulting	1,739	13,832
Macintosh Support Consulting	23,687	4,040
P&S-Synergy Systems Consulting	59,875	
Filenet Consulting Fees	116,389	
<b>Total Consulting Fees</b>	<b>\$ 1,063,245</b>	<b>\$ 838,714</b>

*Refer to page 36 for fees paid to Investment Professionals.*



INVESTMENT SECTION



**CHIEF INVESTMENT OFFICER'S REPORT****GENERAL INFORMATION**

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

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

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

- Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

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

**SUMMARY OF INVESTMENT OBJECTIVES**

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

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

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

**CHIEF INVESTMENT OFFICER'S REPORT - continued**

**SUMMARY OF INVESTMENT OBJECTIVES - continued**

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

**ASSET ALLOCATION**

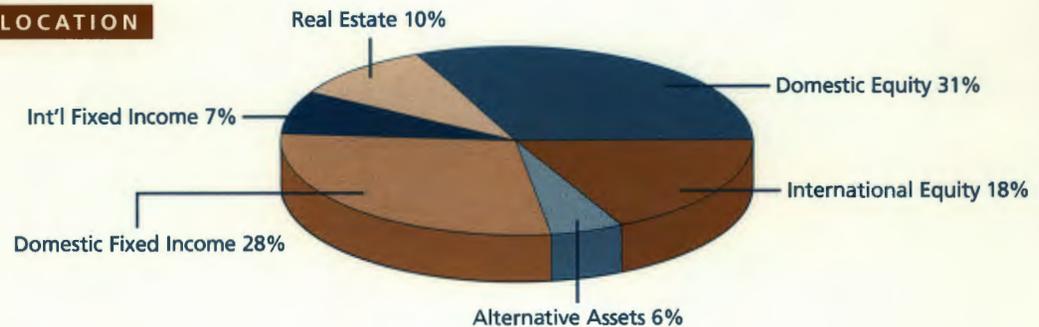
A pension fund's strategic asset allocation plan/policy, implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's investment performance. The asset allocation process determines an optimal long-term asset class mix (target allocation) which is expected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

Effective November 15, 1995, the Board adopted a new asset allocation plan. The following factors were evaluated to determine this new plan:

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

Over time, the Board implements the asset allocation plan by hiring passive (index fund) and active investment managers to invest assets on LACERA's behalf, subject to investment guidelines incorporated into each firm's investment management contract. The 1996 target and actual asset allocations are presented below:

**1996 TARGET ASSET ALLOCATION**



**1996 ACTUAL ASSET ALLOCATION\***



\* The 1996 Actual Asset Allocations is based upon the Investment Summary on pg. 42.

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

**INVESTMENT SUMMARY  
FOR THE YEAR ENDED JUNE 30, 1996**

(Amounts in thousands)

	Fair Value	Percent of Total Fair Value
<b>Investments</b>		
US Government and Agency Instruments	\$ 2,644,875	12.95%
Domestic Corporate Bonds	2,398,746	11.74%
International Bonds	1,249,838	6.12%
Private Placement Bonds	3,087	0.02%
<b>Total Bonds</b>	<b>6,296,546</b>	<b>30.82%</b>
Domestic Stocks	8,216,782	40.22%
International Stocks	3,097,016	15.16%
Domestic Convertible Debentures	28,433	0.14%
International Convertible Debentures	16,696	0.08%
<b>Total Stocks &amp; Convertibles</b>	<b>11,358,927</b>	<b>55.60%</b>
Corporate and Government	736,585	3.61%
Certificates of Deposit	227,068	1.11%
Overnight Deposits	120,766	0.59%
<b>Total Short Term Investments</b>	<b>1,084,419</b>	<b>5.31%</b>
Real Estate	1,113,103	5.45%
Alternative Assets	462,524	2.26%
Mortgages	112,585	0.55%
<b>Total Uncategorized Investments</b>	<b>1,688,212</b>	<b>8.26%</b>
<b>Total Investments</b>	<b>\$ 20,428,104</b>	<b>100.00%</b>

**INVESTMENT RESULTS BASED ON FAIR VALUE  
AS OF JUNE 30, 1996**

	Current Year	Annualized	
		3-Year	5-Year
Total Fund	16.8%	11.9%	12.4%
Domestic Large Cap Equity	23.1	16.1	15.1
Benchmark: S&P 500	26.0	17.2	15.7
Domestic Small Cap Equity	35.7	19.3	18.3
Benchmark: Russell 2500	24.2	16.1	17.9
International Equity	16.8	13.7	12.1
Benchmark: EAFE (1)	13.3	10.4	12.0
Domestic Fixed Income	4.9	5.1	8.5
Benchmark: Broad Market Index (2)	5.0	5.3	8.3
International Fixed Income	13.1		
Benchmark: Soly Non - US Hedged	11.5	8.2	8.9
Real Estate (3)	10.9	7.7	3.6
Benchmark: NCREIF	9.5	5.7	1.4
Alternative Assets	32.1	28.0	

(1) Net Dividends

(2) Salomon Brothers BIG through 12/31/95; Lehman Aggregate Index thereafter

(3) One quarter in arrears

**LARGEST STOCK HOLDINGS  
AS OF JUNE 30, 1996**

(amounts in thousands applicable to Fair Value only)

Shares	Stock	Fair Value
550,100	Philip Morris Co. Incorporated	\$ 57,210
707,400	Intel Corporation	51,950
711,425	Pfizer Incorporated	50,778
597,900	Federal Express Corporation	49,028
483,900	General Electric Corporation	41,978
563,844	Chase Manhattan Corporation	39,822
1,120,875	Federal National Management Association	37,549
472,700	Du Pont E I De Nemours & Co	37,402
570,000	Dun & Bradstreet Corporation	35,625
573,800	AT&T Corporation	35,576
<b>Total Largest Stock Holdings</b>		<b>\$ 436,918</b>

**LARGEST BOND HOLDINGS  
AS OF JUNE 30, 1996**

(amounts in thousands applicable to Fair Value only)

Par	Bond	Fair Value
1,024,750	US Treasury Bonds 11.625% due 11-15-2004	\$ 134,387
1,104,450	US Treasury Notes 6.875% due 5-15-2006	111,670
790,000	US Treasury Notes 5.875% due 3-31-1999	78,210
726,950	US Treasury Notes 6.375% due 8-15-2002	72,116
608,250	Commit to Purchase FNMA 7.000% due 7-25-2026	58,506
405,000	US Treasury Bonds 8.875% due 8-15-2017	48,625
435,350	US Treasury Notes 7.875% due 11-15-1999	45,473
653,000	Germany (Fed Rep) Bonds 6.750% due 4-22-2003	44,282
47,780,000	Spain (Kingdom Of) Bonds 10.100% due 2-28-2001	40,167
388,650	US Treasury Notes 8.125% due 2-15-1998	40,079
<b>Total Largest Bond Holdings</b>		<b>\$ 673,515</b>

A complete list of portfolio holdings is available upon request.



ACTUARIAL SECTION





**Davis C. LeSueur, FSA**  
Principal

One Tabor Center  
1200 Seventeenth Street, Suite 1200  
Denver, CO 80202-5812  
303 628-4000  
Fax: 303 628-4090

## Towers Perrin

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October 2, 1996

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

Members of the Board:

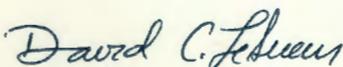
The financing objective of the Los Angeles County Employees Retirement Association (LACERA) has been to reduce the unfunded actuarial accrued liability (UAAL) to zero over a 30-year period commencing July 1, 1978, while maintaining contribution rates that remain approximately the same from generation to generation. The progress made toward the realization of the financing objective was achieved through the receipt of the proceeds of pension obligation bonds issued by the County of Los Angeles (County) during the prior fiscal year. The June 30, 1995 actuarial valuation determined the funding status of LACERA to be 100% producing a surplus of \$112 million. The entry age normal method with a five year smoothing actuarial value of assets was used in determining LACERA's funding status.

The 30-year UAAL funding period which was to end June 30, 2007 has been amended by the Board of Investments (Board). As part of the Retirement System Funding Agreement under which the County issued the pension obligation bonds, the County agreed to maintain the funding level of LACERA at 97.5% through the completion of the June 30, 1998 actuarial valuation using a five year rolling amortization period. For the actuarial valuations June 30, 1999 through June 30, 2008, the County agreed to discharge the remaining UAAL component as identified in the June 30, 1999 actuarial valuation, by making annual contributions to LACERA over a ten-year period commencing July 1, 2000, thus bringing LACERA to a 100% funded status. In addition, the County agreed to discharge any additional UAAL identified in the June 30, 1999 through June 30, 2008 actuarial valuations by making additional contributions to LACERA over a rolling five-year amortization schedule.

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

On the basis of the June 30, 1995 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, FSA, MAAA  
Principal

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS**

**ACTUARIAL ASSUMPTIONS AND METHODS:** Recommended by the Actuary and adopted by the Board of Investments.

**ACTUARIAL COST METHOD:** Entry age normal.

**ACTUARIAL VALUATION METHOD:** Five year smoothing of Fair Value.

**AMORTIZATION OF GAINS AND LOSSES:** Experience gains and losses are amortized over the same period as the unfunded actuarial accrued liability.

**INVESTMENT RATE OF RETURN:** 8% per annum, 3% real and 5% inflation.

**PROJECTED SALARY INCREASES:** 5.5% per annum, 1.5% merit increase and 4% inflation.

**TERMINATION OF EMPLOYMENT RATES:** 0% to 13% percent.

**COST-OF-LIVING ADJUSTMENTS:** 0%-3% based on plan maximums tied to the change in the Consumer Price Index. No cost-of-living adjustments for Plan E.

**EXPECTATION OF LIFE AFTER RETIREMENT:** 1983 Group Annuity Mortality.

**EXPECTATION OF LIFE AFTER DISABILITY:** 1981 Group Annuity Mortality.

**RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL**

Fiscal Year	Number of Members				At End of Year	Retiree Payroll (In Thousands)	% Increase in Retiree Payroll	Average Annual Allowance
	At Beginning of Year	Added During Year	Removed During Year					
1986	30,269	2,097	(992)	31,374	\$ 325,056	8.88%	\$ 10,361	
1987	31,374	1,990	(1,110)	32,254	334,969	3.05%	10,385	
1988	32,254	1,880	(1,015)	33,119	344,501	2.85%	10,402	
1989	33,119	2,110	(1,132)	34,097	388,680	12.82%	11,399	
1990	34,097	2,424	(1,380)	35,141	440,434	13.32%	12,533	
1991	35,141	1,561	(500)	36,202	514,978	16.93%	14,225	
1992	36,202	2,103	(1,204)	37,101	564,582	9.63%	15,217	
1993	37,101	3,583	(1,151)	39,533	647,696	14.72%	16,384	
1994	39,533	1,590	(1,379)	39,744	719,061	11.02%	18,092	
1995	39,744	1,812	(1,621)	39,935	767,425	6.73%	19,217	
1996	39,935	3,960	(2,988)	40,907	815,629	6.28%	19,939	

## ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Salary
30 Jun 81	General	61,970	\$ 1,347,433,759	\$ 21,743	N/A
	Safety	8,371	253,184,348	30,245	N/A
	<b>Total</b>	<b>70,341</b>	<b>1,600,618,107</b>	<b>22,755</b>	<b>N/A</b>
30 Jun 83	General	57,273	1,325,988,376	23,152	6.48%
	Safety	9,098	297,148,480	32,661	7.99%
	<b>Total</b>	<b>66,371</b>	<b>1,623,136,856</b>	<b>24,456</b>	<b>7.47%</b>
30 Jun 86	General	58,148	1,485,597,144	25,549	10.35%
	Safety	9,241	351,647,208	38,053	16.51%
	<b>Total</b>	<b>67,389</b>	<b>1,837,244,352</b>	<b>27,263</b>	<b>11.48%</b>
30 Jun 89	General	58,734	1,836,722,813	31,272	22.40%
	Safety	10,112	472,950,806	46,771	22.91%
	<b>Total</b>	<b>68,846</b>	<b>2,309,673,619</b>	<b>33,548</b>	<b>23.05%</b>
30 Jun 90	General	62,628	2,066,351,705	32,994	5.51%
	Safety	10,583	521,536,111	49,281	5.37%
	<b>Total</b>	<b>73,211</b>	<b>2,587,887,816</b>	<b>35,348</b>	<b>5.37%</b>
30 Jun 91	General	65,640	2,331,565,378	35,520	7.66%
	Safety	10,817	590,592,043	54,599	10.79%
	<b>Total</b>	<b>76,457</b>	<b>2,922,157,421</b>	<b>38,220</b>	<b>8.12%</b>
30 Jun 92	General	67,485	2,565,702,972	38,019	7.03%
	Safety	11,284	652,337,160	57,811	5.88%
	<b>Total</b>	<b>78,769</b>	<b>3,218,040,132</b>	<b>40,854</b>	<b>6.89%</b>
30 Jun 93	General	67,073	2,672,622,408	39,846	4.81%
	Safety	10,959	664,961,088	60,677	4.96%
	<b>Total</b>	<b>78,032</b>	<b>3,337,583,496</b>	<b>42,772</b>	<b>4.69%</b>
30 Jun 94	General	65,413	2,725,672,524	41,669	4.57%
	Safety	10,527	665,768,796	63,244	4.23%
	<b>Total</b>	<b>75,940</b>	<b>3,391,441,320</b>	<b>44,659</b>	<b>4.41%</b>
30 Jun 95	General	66,511	2,769,393,504	41,638	(0.07%)
	Safety	10,643	672,837,672	63,219	(0.04%)
	<b>Total</b>	<b>77,154</b>	<b>3,442,231,176</b>	<b>44,615</b>	<b>(0.10%)</b>

**ACTUARY SOLVENCY TEST**

(amounts in thousands)

Valuation Date	Actuarial Accrued Liability (AAL)				Actuarial Value of Assets	Percentage of AAL Covered by Assets		
	(1) Active Members	(2) Retired/Vested Members	(3) Employer Financed Portion	Total		(1) Active	(2) Retired	(3) Employer
30 Jun 81	\$ 610,943	\$ 2,420,747	\$ 2,600,479	\$ 5,632,169	\$ 2,924,206	100%	96%	0%
30 Jun 83	794,893	3,117,241	2,696,168	6,608,302	3,875,049	100%	99%	0%
30 Jun 86	1,001,382	3,819,047	3,284,205	8,104,634	5,827,845	100%	100%	31%
30 Jun 89	1,233,188	4,929,645	4,309,018	10,471,851	8,960,463	100%	100%	65%
30 Jun 90	1,324,609	5,385,378	4,702,717	11,412,704	9,999,929	100%	100%	70%
30 Jun 91	1,420,733	5,670,213	5,342,342	12,433,288	10,628,716	100%	100%	66%
30 Jun 92	1,733,080	6,229,881	5,700,933	13,663,894	11,698,662	100%	100%	66%
30 Jun 93	1,702,809	7,561,981	5,784,067	15,048,857	12,721,364	100%	100%	60%
30 Jun 94	1,859,718	8,348,646	5,365,465	15,573,829	15,542,200	100%	100%	99%
30 Jun 95	2,022,633	9,002,459	5,366,741	16,391,833	16,503,672	100%	100%	102%

**ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE**

(amounts in millions)

	1989	1990	1991	1992	1993	1994	1995
Prior Valuation Unfunded Actuarial Accrued Liability	\$ 2,277	\$ 1,512	\$ 1,413	\$ 1,804	\$ 1,965	\$ 2,327	\$ 32
Expected Increase from Prior Valuation	110	15	9	36	81	96	61
Salary Increases Greater (Less) than Expected	200	100	265	200	70	(95)	(205)
Terminations Fewer (Greater) than Expected	100	35			150		
Change in Assumptions	85			28			(180)
Transfer of Assets from Undistributed Earnings	(522)	(250)		(240)			
Change in Asset Valuation Method	(872)						
Asset Return Less (Greater) than Expected			98	(17)	(220)	(98)	(42)
Retirements Greater (Fewer) than Expected					250	(150)	
Pension Obligation Bond Proceeds						(1,965)	
All Other Experience	134	1	19	154	31	(83)	222
<b>Ending Unfunded Actuarial Accrued Liability</b>	<b>\$ 1,312</b>	<b>\$ 1,413</b>	<b>\$ 1,804</b>	<b>\$ 1,965</b>	<b>\$ 2,327</b>	<b>\$ 32</b>	<b>(\$ 172)</b>

**PROBABILITY OF OCCURRENCE**

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

**PROBABILITY OF OCCURRENCE - continued**

Age Nearest	Ordinary Withdrawal	Vested Withdrawal	Ordinary Death	Ordinary Disability	Service Retirement	Service Disability	Service Death	DWE Svc. Ret.	DWE Dis. Ret.
<b>Plan A Safety Members</b>									
20	0.0728	0.0000	0.0001	0.0000	0.0000	0.0002	0.0001	0.0000	0.0000
30	0.0256	0.0000	0.0001	0.0000	0.0000	0.0050	0.0001	0.0000	0.0002
40	0.0112	0.0000	0.0001	0.0006	0.0000	0.0169	0.0001	0.0000	0.0005
50	0.0004	0.0000	0.0002	0.0008	0.0452	0.0328	0.0002	0.0000	0.0008
60	0.0004	0.0000	0.0000	0.0000	0.1408	0.0673	0.0000	0.0000	0.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<b>Plan B Safety Members</b>									
20	0.0728	0.0000	0.0001	0.0000	0.0000	0.0002	0.0001	0.0000	0.0000
30	0.0256	0.0000	0.0001	0.0000	0.0000	0.0050	0.0001	0.0000	0.0002
40	0.0112	0.0000	0.0001	0.0006	0.0000	0.0169	0.0001	0.0000	0.0005
50	0.0004	0.0000	0.0002	0.0008	0.0657	0.0328	0.0002	0.0000	0.0008
60	0.0004	0.0000	0.0000	0.0000	0.2048	0.0673	0.0000	0.0000	0.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

**SUMMARY OF PLAN PROVISIONS****PLANS A, B, C, AND D****MEMBERSHIP**GOVERNMENT CODE SECTIONS OR  
BOARD OF RETIREMENT BYLAWS**ELIGIBILITY:**

Permanent employees who work 3/4 time or more.

(31551, 31552, Bylaws)

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

(31558)

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 in effect 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. Transferred members relinquish, waive, and forfeit any and all vested or accrued benefits available under any other retirement plan and are entitled only to the benefits of Plan D.

(31494.1, 31494.3)

**SERVICE RETIREMENT ALLOWANCE**

Allowance at retirement may not exceed 100% of final compensation.

**PLAN A**

(member prior to September 1977)

**ELIGIBILITY:**

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

(31672, 31663.25)

**ALLOWANCE:***General Members:*  $1/60 \times \text{final compensation} \times \text{years of service} \times \text{age factor}$ .  
(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.

(31676.14, 31808)

*Safety Members:*  $1/50 \times \text{final compensation} \times \text{years of service} \times \text{age factor}$ .  
(The factors are all functions of attained age only.)

(31664)

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

(31462.1)

**SUMMARY OF PLAN PROVISIONS****PLAN B**

(New General Members after August 1977 through September 1978 and all new Safety Members after August 1977.)

**ELIGIBILITY:**

Same as Plan A.

**ALLOWANCE:**

*General Members:*  $1/60 \times \text{final compensation} \times \text{years of service} \times \text{age factor}$ . (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. (31676.11, 31808)

Final compensation is final three years' average monthly compensation if member does not elect a different period. (31462)

*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. (31462)

**PLAN C**

(New General Members after September 1978 through May 1979)

Same eligibility and allowances as for Plan B. (31676.1, 31808)

**PLAN D**

(New General Members after May 1979)

Same eligibility, age factors, and allowances as for Plan C except \$350 figure replaced by \$1,050. (31676.1, 31808)

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. (31462, 31462.1)

**UNMODIFIED AND OPTIONAL FORMS OF BENEFITS**

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)

**SUMMARY OF PLAN PROVISIONS****UNMODIFIED AND OPTIONAL FORMS OF BENEFITS - continued**

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. 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. (31600)

**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 (31762)  
(joint annuitant must have an insurable interest)

**Option III** 50% Joint and Contingent Annuity (31763)  
(joint annuitant must have an insurable interest)

**Option IV** Other % Joint and Contingent Annuity (31764)  
(joint annuitants must have an insurable interest)

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. (31811)

All options except Social Security Level Income are actuarially equivalent to the unmodified life allowance without continuance. (31760)

**DEFERRED VESTED BENEFITS****ELIGIBILITY:**

General and Safety Members.

**DEFINITION:**

0% vested with fewer than five years of service; 100% vested with five or more years of service. (31700)

Members may elect to retire at any time they could have retired had they remained in County service in a full-time position. (31700)

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

**ALLOWANCE:**

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

**SUMMARY OF PLAN PROVISIONS****DEFERRED VESTED BENEFITS - continued**

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. Members who complete five years of service but fail to elect a deferred retirement, are deemed to have elected a deferred retirement. (31700)

If terminated member dies before the effective date of the deferred retirement allowance, the death benefit is the accumulated contributions. (31702)

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

**SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE****ELIGIBILITY:**

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

**DEFINITION OF DISABILITY:**

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. (31720, 31722)

**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 currently receiving service-connected disability retirement benefits, 100% of allowance continues to eligible spouse or 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:**

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

**DEFINITION OF DISABILITY:**

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. (31720, 31722)

**SUMMARY OF PLAN PROVISIONS****NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE - continued****ALLOWANCE:**

A General Member, or a Safety Member receives a service retirement allowance, (31726, 31726.5)  
 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 (31727(a))  
 final compensation, or

b) is  $.9 \times 1/60 \times$  years of service projected to age 65  $\times$  final compensation if (31727(b))  
 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.)

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- (31760.1, 31781.1, 31785)  
 connected disability retirement benefits, 60% of allowance continues to eligible  
 spouse or child (see unmodified form description).

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

**CHANGE OF POSITION IN LIEU OF DISABILITY RETIREMENT ALLOWANCE**

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

**NONSERVICE-CONNECTED DEATH BENEFITS****ELIGIBILITY:**

All active members who die. (31780)

**DEATH BENEFIT (LUMP SUM):**

The member's accumulated normal contributions plus 1/12 of compensation earned in (31781)  
 preceding 12 months  $\times$  the number of completed years of service (benefit not to exceed 50%  
 of the 12 months' compensation).

**FIRST OPTIONAL DEATH BENEFIT:**

If a member who would have been entitled to nonservice-connected disability retirement (31781.1)  
 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 lump sum death benefit.

**SUMMARY OF PLAN PROVISIONS****NONSERVICE-CONNECTED DEATH BENEFITS - continued****SECOND OPTIONAL DEATH BENEFIT:**

In lieu of nonservice-connected lump sum death benefit and if member has 10 or more years of service, a surviving spouse may leave money on deposit and elect to receive the 60% continuance of the normal retirement benefit at the earliest date the member would have been eligible to retire had death not occurred. (31781.2)

**THIRD OPTIONAL DEATH BENEFIT:**

A surviving spouse of a member who dies after five years of service may elect: (31781.3)

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

**FOURTH OPTIONAL DEATH BENEFIT (DEATH WHILE ELIGIBLE):**

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. (31765.1)

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. (31784)

**SERVICE-CONNECTED DEATH BENEFITS****ELIGIBILITY:**

All active members.

All members who die as a result of injury or disease arising out of and in the course of employment. Spouse to whom the member was married prior to sustaining such injury or disease 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. (31787)

**ALLOWANCE:**

Annual allowance payable monthly of 50% of member's final compensation. Allowance continues as normal continuance to spouse or children below 18, etc. (31787)

**ADDITIONAL ALLOWANCE:**

If member is killed in the performance of duty or dies as result of an accident or an injury caused by external violence or physical force incurred in the performance of duty, 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. (31787.5)

A surviving spouse of a Safety Member who dies as noted above would also receive a lump sum death benefit equal to 12 x monthly rate of compensation at time of member's death. (31787.6)

**SUMMARY OF PLAN PROVISIONS****POST-RETIREMENT DEATH BENEFIT****ELIGIBILITY:**

All members while receiving a retirement allowance from the System. (31789.1)

**DEATH BENEFIT:**

\$750 (one-time lump sum). This is in addition to any other death or survivor benefits. (31789.1)  
 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, 31812)

Service may be purchased if eligible for certain previous U.S. federal government or military 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 based on the member's initial contribution, plus interest (except for prior service or other 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. Prior service consisting of federal or military service, service with the State of California, or any public entity in California is purchasable under Bylaw regulations and may be amortized over a period up to ten years. (31641.1, resolutions adopted by the Board of Supervisors and Bylaws)

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 over a period up to ten years. Membership would be same as if unbroken except that future contributions would be based on age at reentrance. (31652, Bylaws)

Interest is compounded semiannually at an interest rate set by the Board of Investments. (31591, 31625, 31700)  
 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 or is deemed to have been elected. The contributions are deducted monthly from wage warrants.

The County may make contributions for all members. The contributions are not added to the members' accounts in this case. (31581.1)

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.

**SUMMARY OF PLAN PROVISIONS****MEMBER CONTRIBUTIONS - continued**

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 application is filed by member, a notice is sent by registered mail within 90 days; if money is not claimed within 10 years in the case of persons first employed before January 1, 1976 (five years in the case of persons first employed after January 1, 1976), the money becomes a part of the Employer Reserves. (31628, 31629)

**SERVICE AND BREAKS IN SERVICE**

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

- 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 County Employees Retirement Law (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 redeposit of the contributions upon reentrance into service does not constitute a break in service continuity. (31652)

**SUMMARY OF PLAN PROVISIONS****SERVICE AND BREAKS IN SERVICE - *continued***

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 Public Employees Retirement System (PERS) or other county plan, if higher. (31835)

Deferred members may include PERS service and service in another county plan for benefit eligibility if compensation for such service constitutes compensation earnable. (31836)

Deferred 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 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 contributions 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)

**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. (31664.65)

The CPI increases are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances. 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. (31870, 31870.1)

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. (31870, 31870.1)

**SUMMARY OF PLAN PROVISIONS****PLAN E****MEMBERSHIP****ELIGIBILITY:**

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)

All persons eligible for general membership become Plan E 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 in effect at that time. (31487, 31493, 31493.5, 31493.6, Bylaws)

Existing General Members who transferred to Plan E. Transferring members relinquish and waive all previously available vested or accrued retirement, survivor, disability, and death benefits. (31487, 31494)

**SERVICE RETIREMENT ALLOWANCE****ELIGIBILITY - NORMAL RETIREMENT:**

Age 65 with 10 years of service. (31491)

**NORMAL RETIREMENT ALLOWANCE:**

2% x final compensation x years of service not 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. (31491)

Final compensation is average of last or selected three years (whether or not consecutive). (31488)

Estimated PIA is based on the member's age and salary as of the date of retirement or the date of termination of a vested member, assuming that: (31491)

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 (31491)

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

- a) Future earnings continue at the pay rate as of retirement or termination date.
- b) Future wage bases, as defined by the federal system, continue at the level in effect in the year of retirement or termination.
- c) Cost-of-living increases in the year of retirement and delayed retirement credit provided under the federal system are not included.

**SUMMARY OF PLAN PROVISIONS****SERVICE RETIREMENT ALLOWANCE - continued**

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

**MAXIMUM NORMAL RETIREMENT ALLOWANCE:**

The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of final compensation for a member with 35 or less years of service and cannot exceed 80% of final compensation if service exceeds 35 years. (31491)

**ELIGIBILITY - EARLY RETIREMENT:**

Age 55 with 10 years of service. (31491)

**EARLY RETIREMENT ALLOWANCE:**

The actuarial equivalent of the normal retirement allowance. (31491)

**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. (31492)

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

**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 or annuitants having an insurable interest in the life of the retired member. (31492)

**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. (31491)

**SERVICE-CONNECTED DISABILITY ALLOWANCE**

Not available under Plan E. (31487)

**SUMMARY OF PLAN PROVISIONS****NONSERVICE-CONNECTED DISABILITY ALLOWANCE**

Not available under Plan E. (31487)

**CHANGE OF POSITION IN LIEU OF DISABILITY RETIREMENT ALLOWANCE**

Not available under Plan E. (31487)

**NONSERVICE-CONNECTED DEATH BENEFIT**

Not available under Plan E. (31487)

**OPTIONAL DEATH BENEFITS**

Not available under Plan E. (31487)

**SERVICE-CONNECTED DEATH BENEFITS**

Not available under Plan E. (31487)

**POST-RETIREMENT DEATH BENEFIT**

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

**RETIREMENT CONTRIBUTIONS**

There are no member retirement contributions under Plan E. Only the employer makes contributions. (31489, 31495)

**SUMMARY OF PLAN PROVISIONS****SERVICE AND BREAKS IN SERVICE**

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

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 approved by the employer, is not considered an interruption of service for vesting purposes. (31488, 31490)

Service does not include military or public service other than service with the County, except that members transferring to Plan E 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. (31488, 31494.1, 31494.3)

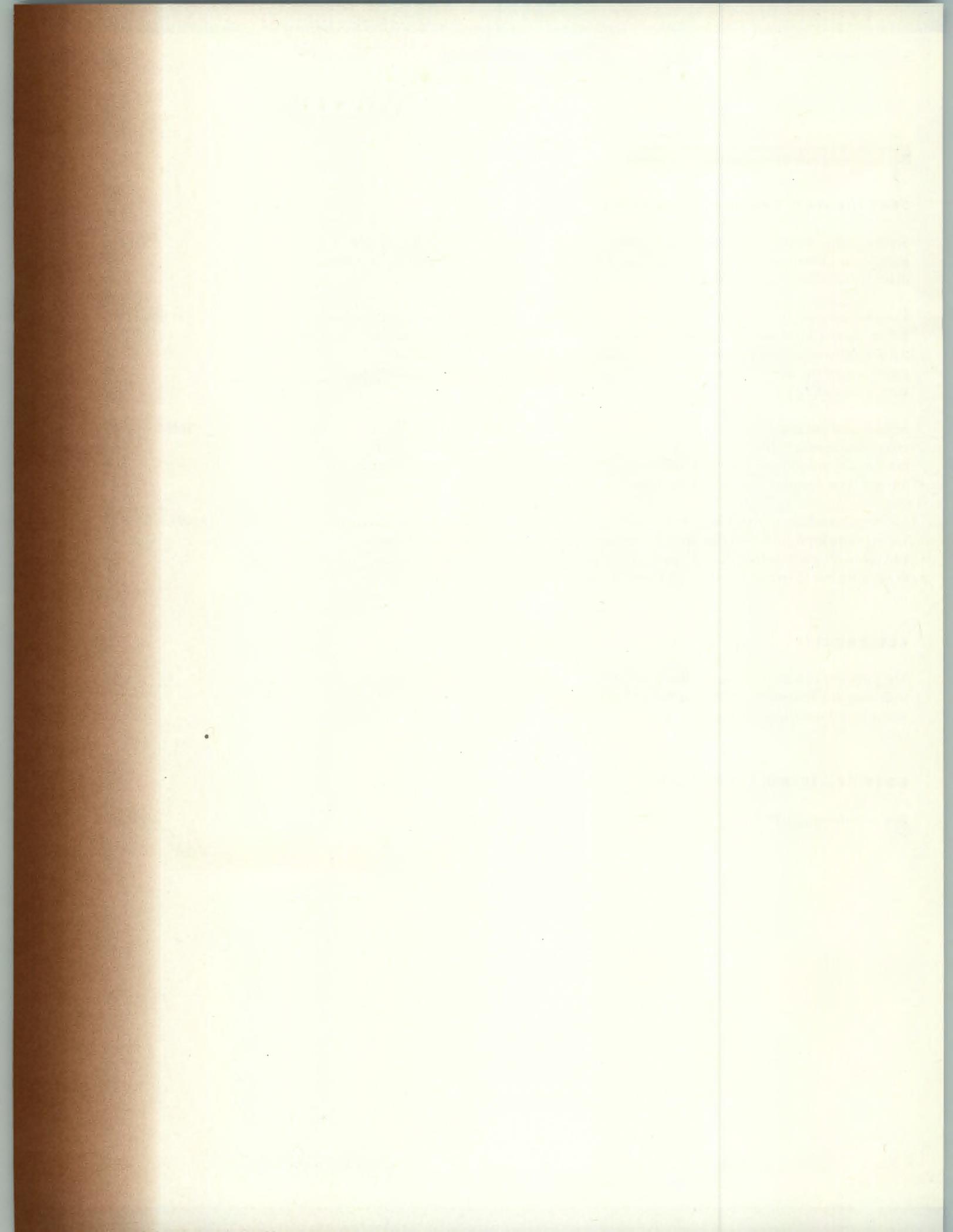
Members transferring from Plan E to Plan D may receive credit for that period of service with the employer for which they were otherwise eligible to receive credit under Plan E, and credit for service other than that with the employer for which they were credited or were eligible to receive credit under Plan E, upon making the required contributions. (31494.1, 31494.3)

**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)



STATISTICAL SECTION



**REVENUES BY SOURCE AND EXPENSES BY TYPE**

(amounts in thousands)

**REVENUES BY SOURCE**

Fiscal Year	Employer Contributions	Member Contributions	Net Investment Income (1)	Miscellaneous Revenues	Total
1987	\$ 336,533	\$ 86,790	\$ 892,749	\$ 145	\$ 1,316,217
1988	352,076	93,862	652,731	82	1,098,751
1989	383,820	103,879	820,633	84	1,308,416
1990	364,600	117,249	821,368	140	1,303,357
1991	350,607	127,309	718,381	461	1,196,758
1992	387,954	146,422	1,180,506	154	1,715,036
1993	379,789	159,406	1,093,850	496	1,633,541
1994	382,984	162,765	1,223,824	422	1,769,995
1995	2,038,253	173,464	1,194,597	618	3,406,932
1996	132,451	183,260	2,338,909		2,654,620

(1) Excludes net appreciation in fair value of investments.

**EXPENSES BY TYPE**

Fiscal Year	Benefits	Administrative Expenses	Refunds	Miscellaneous Expenses	Total
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
1994	719,851	19,431	10,349	92	749,723
1995	768,384	19,764	10,389	181	798,718
1996	817,280	21,432	20,109	52	858,873

**ACTIVE, DEFERRED AND UNCLAIMED MEMBERS**

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
<b>Active Vested</b>										
General		34,527	34,485	33,735	34,393	36,856	36,426	36,235	38,092	40,483
Safety		7,312	7,628	7,542	7,458	7,636	7,830	8,248	8,777	8,952
Total		41,839	42,113	41,277	41,851	44,492	44,256	44,483	46,869	49,435
<b>Active Non Vested</b>										
General		23,834	24,249	28,893	31,247	30,629	30,647	29,178	28,419	23,379
Safety		2,148	2,484	3,041	3,359	3,648	3,129	2,279	1,866	1,797
Total		25,982	26,733	31,934	34,606	34,277	33,776	31,457	30,285	25,176
<b>Total Active Members</b>										
General	59,781	58,361	58,734	62,628	65,640	67,485	67,073	65,413	66,511	63,862
Safety	9,313	9,460	10,112	10,583	10,817	11,284	10,959	10,527	10,643	10,749
<b>Total</b>	<b>69,094</b>	<b>67,821</b>	<b>68,846</b>	<b>73,211</b>	<b>76,457</b>	<b>78,769</b>	<b>78,032</b>	<b>75,940</b>	<b>77,154</b>	<b>74,611</b>
<b>Deferred Members</b>										
General	1,992	2,492	2,639	2,794	3,374	3,164	3,076	3,204	3,314	3,980
Safety	89	89	86	84	101	78	74	89	102	150
<b>Total</b>	<b>2,081</b>	<b>2,581</b>	<b>2,725</b>	<b>2,878</b>	<b>3,475</b>	<b>3,242</b>	<b>3,150</b>	<b>3,293</b>	<b>3,416</b>	<b>4,130</b>
<b>Unclaimed Accounts</b>										
General	2,733	2,008	1,447	1,258	1,137	1,005	787	381	310	104
Safety	94	84	69	61	61	48	35	14	11	4
<b>Total</b>	<b>2,827</b>	<b>2,092</b>	<b>1,516</b>	<b>1,319</b>	<b>1,198</b>	<b>1,053</b>	<b>822</b>	<b>395</b>	<b>321</b>	<b>108</b>

**RETIRED MEMBERS BY TYPE OF RETIREMENT**

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
<b>Service</b>										
General	20,025	20,507	21,115	21,658	22,387	22,685	24,563	24,582	24,610	25,122
Safety	1,858	1,949	2,007	2,039	2,131	2,150	2,256	2,215	2,247	2,316
<b>Total</b>	<b>21,883</b>	<b>22,456</b>	<b>23,122</b>	<b>23,697</b>	<b>24,518</b>	<b>24,835</b>	<b>26,819</b>	<b>26,797</b>	<b>26,857</b>	<b>27,438</b>
<b>Disability</b>										
General	3,597	3,614	3,673	3,815	3,861	4,012	4,067	4,033	4,047	4,051
Safety	2,192	2,301	2,378	2,555	2,724	2,934	3,067	3,128	3,291	3,407
<b>Total</b>	<b>5,789</b>	<b>5,915</b>	<b>6,051</b>	<b>6,370</b>	<b>6,585</b>	<b>6,946</b>	<b>7,134</b>	<b>7,161</b>	<b>7,338</b>	<b>7,458</b>
<b>Survivors</b>										
General	3,823	3,958	4,106	4,227	4,202	4,431	4,637	4,814	4,775	4,988
Safety	759	790	818	847	897	889	943	972	965	1,023
<b>Total</b>	<b>4,582</b>	<b>4,748</b>	<b>4,924</b>	<b>5,074</b>	<b>5,099</b>	<b>5,320</b>	<b>5,580</b>	<b>5,786</b>	<b>5,740</b>	<b>6,011</b>
<b>Total Retired Members</b>										
General	27,445	28,079	28,894	29,700	30,450	31,128	33,267	33,429	33,432	34,161
Safety	4,809	5,040	5,203	5,441	5,752	5,973	6,266	6,315	6,503	6,746
<b>Total</b>	<b>32,254</b>	<b>33,119</b>	<b>34,097</b>	<b>35,141</b>	<b>36,202</b>	<b>37,101</b>	<b>39,533</b>	<b>39,744</b>	<b>39,935</b>	<b>40,907</b>

**BENEFIT EXPENSES BY TYPE**

(amounts in thousands)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
<b>Service Retiree Payroll</b>										
General	\$ 213,582	\$ 218,807	\$ 247,021	\$ 277,882	\$ 324,548	\$ 352,667	\$ 412,314	\$ 462,614	\$ 489,177	\$ 517,034
Safety	36,027	33,027	39,037	44,223	53,539	57,949	65,281	73,873	80,061	85,382
<b>Total</b>	<b>249,609</b>	<b>251,834</b>	<b>286,058</b>	<b>322,105</b>	<b>378,087</b>	<b>410,616</b>	<b>477,595</b>	<b>536,487</b>	<b>569,238</b>	<b>602,416</b>
<b>Disability Retiree Payroll</b>										
General	42,022	44,808	48,969	55,104	62,855	69,615	75,596	77,811	82,304	93,102
Safety	43,338	47,859	53,653	63,225	74,036	84,351	94,505	104,763	115,883	120,111
<b>Total</b>	<b>85,360</b>	<b>92,667</b>	<b>102,622</b>	<b>118,329</b>	<b>136,891</b>	<b>153,966</b>	<b>170,101</b>	<b>182,574</b>	<b>198,187</b>	<b>213,213</b>
<b>Total Retiree Payroll</b>										
General	255,604	263,615	295,990	332,986	387,403	422,282	487,910	540,425	571,481	610,136
Safety	79,365	80,886	92,690	107,448	127,575	142,300	159,786	178,636	195,944	205,493
<b>Total</b>	<b>334,969</b>	<b>344,501</b>	<b>388,680</b>	<b>440,434</b>	<b>514,978</b>	<b>564,582</b>	<b>647,696</b>	<b>719,061</b>	<b>767,425</b>	<b>815,629</b>
<b>Lump Sum Death Benefits</b>										
General	981	994	990	1,249	1,034	1,433	1,070	715	848	1,219
Safety	167	429	279	151	224	166	32	75	111	432
<b>Total</b>	<b>1,148</b>	<b>1,423</b>	<b>1,269</b>	<b>1,400</b>	<b>1,258</b>	<b>1,599</b>	<b>1,102</b>	<b>790</b>	<b>959</b>	<b>1,651</b>
<b>Total Benefit Expense</b>										
General	256,585	264,609	296,980	334,235	388,437	423,715	488,980	541,140	572,329	611,355
Safety	79,532	81,315	92,969	107,599	127,799	142,466	159,818	178,711	196,055	205,925
<b>Total</b>	<b>\$ 336,117</b>	<b>\$ 345,924</b>	<b>\$ 389,949</b>	<b>\$ 441,834</b>	<b>\$ 516,236</b>	<b>\$ 566,181</b>	<b>\$ 648,798</b>	<b>\$ 719,851</b>	<b>\$ 768,384</b>	<b>\$ 817,280</b>

**PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS**

	1992	1993	1994	1995	1996
<b>County of Los Angeles</b>					
General Members	67,433	67,031	65,382	66,479	63,835
Safety Members	11,284	10,959	10,527	10,643	10,749
<b>Total</b>	<b>78,727</b>	<b>77,990</b>	<b>75,909</b>	<b>77,122</b>	<b>74,584</b>
<b>Participating Agencies (General Membership)</b>					
South Coast Air Quality Management District	20	19	10	10	8
Los Angeles County Office Education	15	14	13	14	14
Little Lake Cemetery District	4	4	3	3	3
Local Agency Formation Commission	3	5	5	5	2
<b>Total</b>	<b>42</b>	<b>42</b>	<b>31</b>	<b>32</b>	<b>27</b>
<b>Total Active Membership</b>					
General Members	67,485	67,073	65,413	66,511	63,862
Safety Members	11,284	10,959	10,527	10,643	10,749
<b>Total</b>	<b>78,769</b>	<b>78,032</b>	<b>75,940</b>	<b>77,154</b>	<b>74,611</b>

**EMPLOYER CONTRIBUTION RATES**

## County of Los Angeles and Local Agency Formation Commission

Effective Date	General					Safety	
	Plan A	Plan B	Plan C	Plan D	Plan E	Plan A	Plan B
1 Jul 81 to 30 Jun 82	21.76%	17.09%	16.01%	16.26%	13.84%	35.52%	27.56%
1 Jul 82 to 31 Aug 84	19.11%	14.66%	14.19%	14.09%	12.97%	29.30%	22.05%
1 Sep 84 to 31 Dec 86	19.21%	15.32%	15.11%	15.02%	13.68%	32.09%	24.31%
1 Jan 87 to 31 Aug 87	18.01%	14.12%	13.91%	13.82%	12.48%	29.40%	21.62%
1 Sep 87 to 31 Jan 90	18.64%	15.05%	14.75%	14.63%	13.28%	27.04%	19.31%
1 Feb 90 to 30 Jun 92	15.18%	11.59%	11.29%	11.17%	9.82%	21.02%	13.29%
1 Jul 92 to 30 Jun 93	13.76%	10.49%	10.14%	10.36%	9.62%	19.25%	11.73%
1 Jul 93 to 30 Sep 94	13.82%	10.58%	10.11%	10.40%	9.34%	20.86%	13.17%
1 Oct 94 to 30 Jun 95	10.82%	7.58%	7.11%	7.40%	6.34%	19.56%	11.87%
1 Jul 95 to 30 Jun 96	9.73%	6.83%	6.30%	6.85%	5.63%	20.11%	11.53%

Plan E was approved by the Los Angeles County Board of Supervisors on December 8, 1981.

**EMPLOYER CONTRIBUTION RATES**

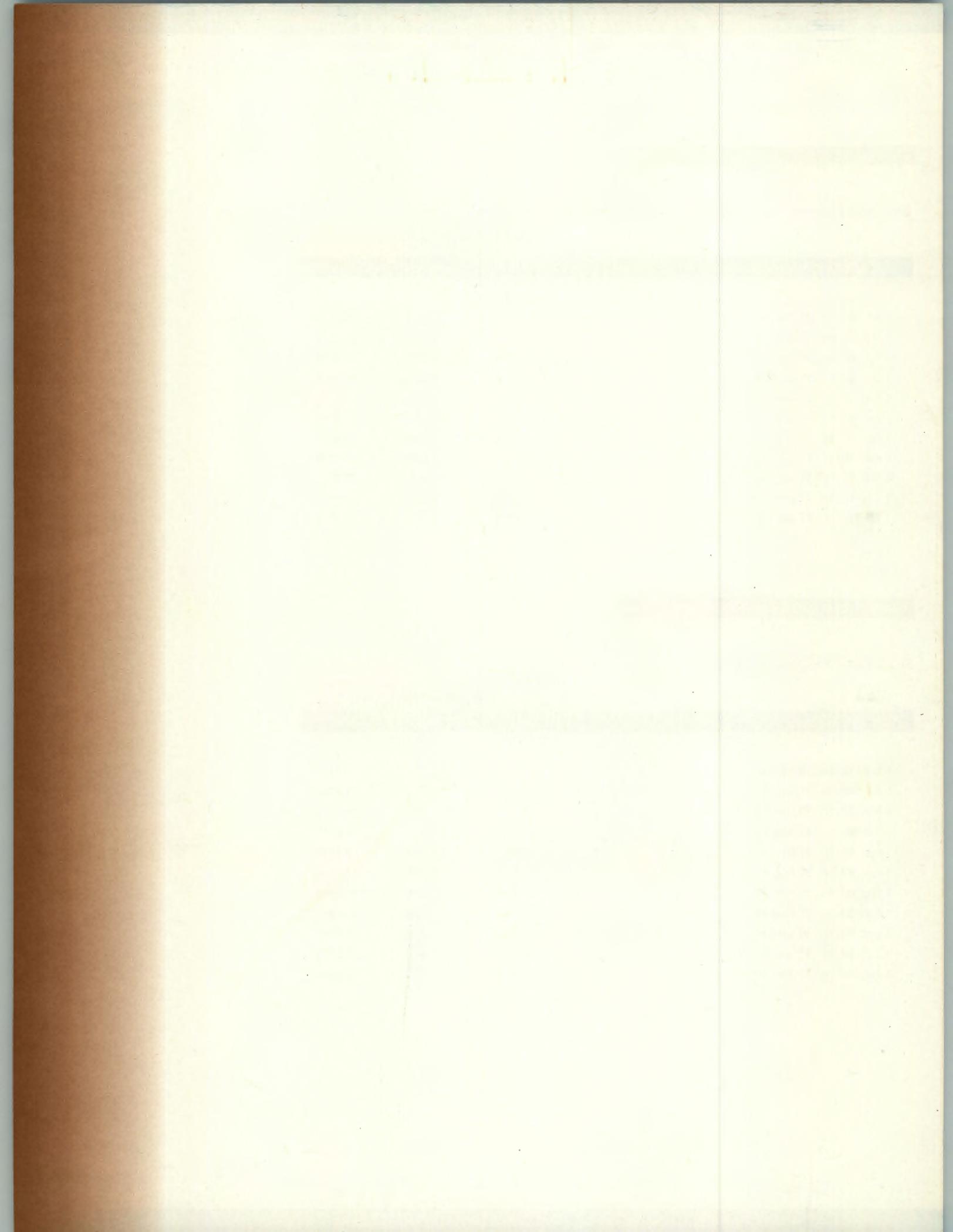
Los Angeles County Office of Education and Little Lake Cemetery District

Effective Date	General		
	Plan A	Plan B	Plan D
1 Jul 81 to 30 Apr 82	20.45%	16.37%	16.26%
1 May 82 to 30 Jun 82	16.35%	12.27%	12.16%
1 Jul 82 to 30 Sep 82	20.45%	16.37%	16.26%
1 Oct 82 to 31 Aug 84	18.46%	14.55%	14.09%
1 Sep 84 to 31 Dec 86	18.56%	15.21%	15.02%
1 Jan 87 to 31 Aug 87	17.36%	14.01%	13.82%
1 Sep 87 to 31 Jan 90	17.91%	14.89%	14.63%
1 Feb 90 to 31 Aug 93	14.45%	11.43%	11.17%
1 Sep 93 to 30 Sep 94	13.09%	10.42%	10.40%
1 Oct 94 to 30 Jun 95	10.09%	7.42%	7.40%
1 Jul 95 to 30 Jun 96	9.00%	6.67%	6.85%

**EMPLOYER CONTRIBUTION RATES**

South Coast Air Quality Management District

Effective Date	General		
	Plan A	Plan B	Plan C
1 May 82 to 30 Jun 82	16.35%	12.27%	11.91%
1 Jul 82 to 31 Oct 82	20.45%	16.37%	16.01%
1 Nov 82 to 30 Jun 83	20.11%	16.56%	16.21%
1 Jul 83 to 31 Aug 84	21.61%	18.57%	18.23%
1 Sep 84 to 31 Dec 86	21.66%	19.24%	19.18%
1 Jan 87 to 31 Aug 87	20.46%	18.04%	17.98%
1 Sep 87 to 31 Jan 90	20.87%	19.20%	19.08%
1 Feb 90 to 31 Aug 93	17.41%	15.74%	15.62%
1 Sep 93 to 30 Sep 94	17.32%	14.89%	14.61%
1 Oct 94 to 30 Jun 95	14.32%	11.89%	11.61%
1 Jul 95 to 30 Jun 96	13.23%	11.14%	10.80%



**L//CERA**

LOS ANGELES COUNTY EMPLOYEES RETIREMENT ASSOCIATION

300 North Lake Avenue, Pasadena, California 91101