

Los Angeles County Employees Retirement Association
at June 30, 2000

Members of the Board of Retirement

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

VICE CHAIR
Warren L. Bennett
Appointed by the Board of Supervisors. Present term expires December 31, 2001. Elected Vice Chair of the Board January 5, 2000.

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

MEMBER
Mark J. Saladino
Treasurer and Tax Collector. Ex-officio member.

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

MEMBER
Michael L. Falabrino
Appointed by the Board of Supervisors. Present term expires December 31, 2002.

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

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

MEMBER
Denis J. Weber
Appointed by the Board of Supervisors. Present term expires December 31, 2000.

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

Members of the Board of Investments

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

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

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

MEMBER
Mark J. Saladino
Treasurer and Tax Collector. Ex-officio member.

MEMBER
Sandra J. Anderson
Retired. Elected by retired members. Present term expires December 31, 2002.

MEMBER
Daniel R. Cohen
Appointed by the Board of Supervisors. Present term expires December 31, 2002.

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

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

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

building
tomorrow
today



Financial Report for the year ended June 30, 2000
Los Angeles County Employees Retirement Association
A Pension Trust Fund of the County of Los Angeles, California

To Our Members and Beneficiaries

This LACERA Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for fiscal years ended June 30, 2000 and 1999.* It is published to provide you with an understanding of LACERA's overall financial condition and enhanced services. This report does not replace the CAFR. A copy of the CAFR is available at LACERA for your review.

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

During fiscal year 1999-2000, the following accomplishments were achieved:

- The Board of Retirement directed staff to implement the Final Month - Whole Month payment methodology in the disbursement of death benefits to members. This concept allows payment of a full month benefit in the month a member passes away instead of a prorated benefit. A workplan and timetable were developed for implementation of this new administrative policy in July 2000.
- Staff redesigned and implemented three additional business processes, which integrate the Workflow and Document Imaging technologies. To date, 12 of 15 critical business processes have been redesigned. The Workflow technology controls staff access to specific

records, thereby increasing the security of our members' confidential data.

- Retirement Services staff conducted 52 pre-retirement and seven new member workshops at LACERA, over 350 workshops at departmental locations, and provided information at three Countywide orientation sessions. In our continuing efforts to help members better understand their retirement benefits, staff also conducted 15 deathbed counseling sessions, which is a newly established service provided to terminally ill members and their families to assist them in making retirement decisions. Close to 13,400 members were assisted at our public service counter and over 166,000 telephone inquiries were addressed.
- Healthcare services staff completed the Kaiser Interregional Group 3000 Project, which consisted of transferring over 400 members and dependents into four out-of-state Kaiser plans (Colorado, Georgia, Hawaii, and Oregon) and moving approximately 300 members to the Blue Cross medical plans. Staff also implemented four new medical insurance plan contracts with Kaiser in Colorado, Georgia, Hawaii, and Oregon effective January 1, 2000.
- More than 1,000 members attended the 8th Annual LACERA Health Fair, which is sponsored by participating healthcare providers and organizations.

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

Award-winning Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to LACERA for its Popular Annual Financial Report for the fiscal year ended June 30, 1999. The Popular Award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. This marks the second consecutive year that LACERA has received the Popular Award. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

Financial Report Issued by:

Marsha D. Richter
Chief Executive Officer

Robert R. Hill
Assistant Executive Officer

Gregg Rademacher
Assistant Executive Officer



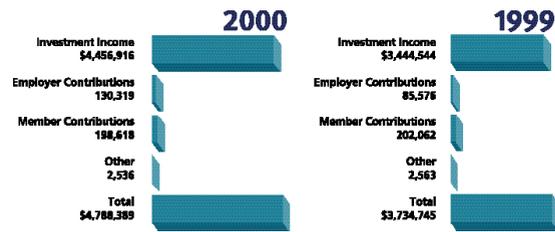
300 N. Lake Avenue • Pasadena, CA 91101
(626) 564-6132 or (800) 786-6464

Additions and Deductions

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

Additions

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



Over the past 30 years, LACERA investments have earned over \$5.5 billion above the amount required to credit interest to member and employer contributions, pay the investment and administrative expenses, and provide for a statutory one percent loss reserve. Of these earnings, \$2.4 billion have been used to reduce the unfunded liability, \$1.5 billion have been used to fund the Supplemental Targeted Adjustment for Retirees (STAR) program, and the remaining funds have been used to provide additional benefits as approved by the Board of Retirement.

The STAR program is a supplemental cost-of-living benefit for retirees or their survivors who have lost 25% or more of the purchasing power held at the time of retirement. The benefit, currently being received by approximately 12,000 retirees, is a non-vested entitlement. Program costs for calendar year 1999 were \$39 million and are estimated to be similar for calendar year 2000.

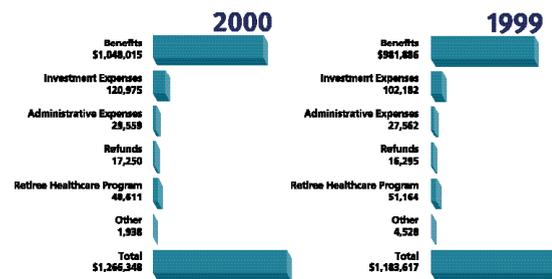
Additions and Deductions

(continued)

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

Deductions

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



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

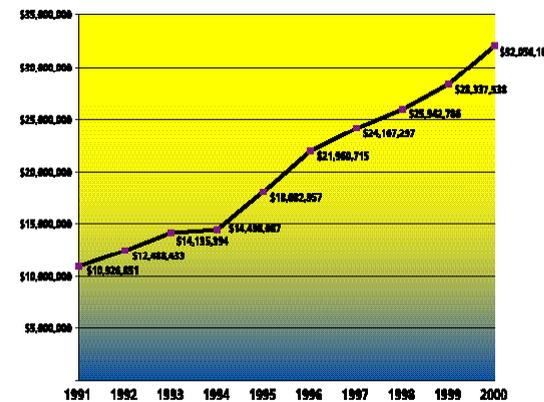
Investments

LACERA's primary investment objective is to efficiently allocate and manage the assets dedicated to the payment of future benefits. While recognizing the importance of the "preservation of capital," LACERA also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run. LACERA assets are exclusively managed by external, professional investment management firms. It is through prudent management and oversight by the LACERA Boards and staff that LACERA has become the strong \$31.6 billion, fully funded retirement system it is today.*

During fiscal year ending June 30, 2000, LACERA's diversified portfolio performed solidly returning 15.2% net of fees and expenses. This fiscal year marks the sixth consecutive year that LACERA has earned double-digit returns. These remarkable returns are primarily attributable to the continued strong performance of the domestic equity markets.

Growth of Investments

Ten Years Ending June 30, 2000
(dollars in thousands)



* \$31.6 billion = Net Assets (Total Assets minus Total Liabilities)

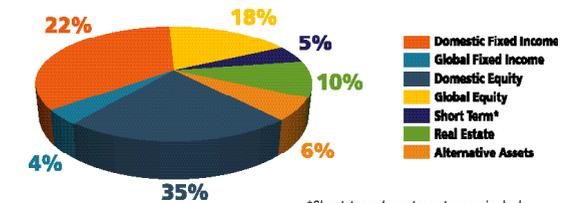
Investments (continued)

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

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

Actual Asset Allocation

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



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

Funding Status

The funding status of LACERA continues to be in sound condition. The June 30, 1999 actuarial valuation determined LACERA's funding status to be 103.3%.

LACERA Membership

The following is a summary of LACERA membership as of June 30:

	1997	1998	1999	2000
Active Members	75,079	76,725	79,676	83,204
Deferred Members	4,255	4,776	5,019	5,238
Unclaimed Accounts	78	37	30	19
Service Retirement	28,121	28,845	29,196	29,843
Disability Retirement	7,618	7,771	7,933	8,320
Survivors	6,134	6,272	6,382	6,531