

ANNUAL REPORT

1992 - 1993



CITY EMPLOYEES'

RETIREMENT SYSTEM

TABLE OF CONTENTS

OFFICIALS	Page
Elected Officials, City of Los Angeles	i
Board of Administration City Employees' Retirement System	ii
 EXECUTIVE SUMMARY	
Letter to Elected Officials	1
General Manager's Report	2
Summary of Investment Returns	3-4
Actuarial Information	
o Summary of Actuarial Valuation	5-7
o Actuarial Balance Sheets	8-9
Summary of Plan Benefits	10-14
 APPENDIX	
Auditors Report	A-1
o Balance Sheet	A-2
o Statement of Revenue and Expenditures	A-3
o Statement of Changes in Reserves	A-4 & A-5
o Notes to Financial Statements	A-6 to A-19
o Supplementary Information	A-20 to A-25

ELECTED OFFICIALS
OF THE
CITY OF LOS ANGELES

RICHARD J. RIORDAN
Mayor

JAMES KENNETH HAHN
City Attorney

RICK TUTTLE
City Controller

MEMBERS OF THE CITY COUNCIL

Mike Hernandez
First District

Joel Wachs
Second District

Laura Chick
Third District

John Ferraro
Fourth District

Zev Yaroslavsky
Fifth District

Ruth Galanter
Sixth District

Richard Alarcon
Seventh District

Mark Ridley-Thomas
Eighth District

Rita Walters
Ninth District

Nate Holden
Tenth District

Marvin Braude
Eleventh District

Hal Bernson
Twelfth District

Jackie Goldberg
Thirteenth District

Richard Alatorre
Fourteenth District

Rudy Svorinich, Jr.
Fifteenth District

BOARD OF ADMINISTRATION
CITY EMPLOYEES' RETIREMENT SYSTEM
OF THE
CITY OF LOS ANGELES,
CALIFORNIA
FISCAL YEAR 1992-93

DENISE LAMAUTE, President

JOSE L. FIGUEROA, Vice President

MELVIN NEAL

HENRY HURD

OSCAR PETERS, Manager-Secretary

CITY OF LOS ANGELES
CALIFORNIA



BOARD OF
ADMINISTRATION

—
DENISE LAMAUTE
PRESIDENT

JOSE L. FIGUEROA
VICE PRESIDENT

—
MELVIN NEAL
HENRY HURD
COMMISSIONERS

CITY EMPLOYEES'
RETIREMENT SYSTEM

360 East Second Street
8th Floor
Los Angeles, CA 90012-4207

RICHARD RIORDAN
MAYOR

—
OSCAR PETERS
General Manager

(213) 485-2824

May 24, 1994

To the Mayor and City Council
of the City of Los Angeles

The annual report of the Board of Administration of the City Employees' Retirement System for the fiscal year ending June 30, 1993 is submitted in accordance with the provisions of Section 64 of the City Charter.

The City Employees' Retirement System is established by Article XXXIV of the City Charter. The System is under the exclusive management and control of a five-member Board of Administration. Three members are appointed by the Mayor, subject to the approval of the City Council, and two are employee-members elected by active members of the System.

One new Board member was appointed by the Mayor. Commissioner Kirk Jackson resigned in September 1992 and was replaced by Commissioner Melvin Neal. Commissioner Amador resigned in March 1993. No new Commissioner was appointed until the following fiscal year.

Five new equity investment managers were hired: Valenzuela, Fiduciary Trust, Galleon, Morgan Stanley and Rhumblin. Valenzuela, Galleon and Rhumblin are minority firms. The investment managers as a whole enhanced the value of the portfolio with the fund having a 13% rate of return for the year. At year end, the portfolio had a market value of \$3.8 billion.

During the year active membership declined by 2.73% for a total of 22,777 active members while the number of beneficiaries increased by 2.48% for a total of 11,641 retirees. The System continues to show progress in funding by increasing its funding ratio to 84.4% including retired health insurance benefits and retirement allowances.

Respectfully Submitted,

BOARD OF ADMINISTRATION


DENISE LAMAUTE, President

General Manager's Report

Personnel

The Department continues to strive to provide the best services possible to its members and beneficiaries despite the continued reduction of staffing resources.

The year began with the resignation of the bond Accountant and the retirement of the General Manager and the Messenger Clerk.

I was promoted to Retirement Plan Manager from Assistant Retirement Plan Manager and during the course of the year, was able to fill one of the two vacant Assistant Manager positions. The other three positions remained vacant under the Citywide hiring freeze. The year ended with the Department staff reduced 25% from the full staffing authority.

The staffing reduction was partially offset by using several Youth Services Academy (YSA) student workers. YSA is a program designed to encourage young people to continue with their education, take pride in themselves, and learn appropriate behavior skills for a work environment. They were a great help to the office, and they found the experience to be very rewarding.

Legislative

The loss of staff and the changing investment environment in which the Fund functioned caused the Department to initiate several changes to the laws which govern the System.

The Department initiated a City Charter change which was approved in the June 6, 1993 election. This change allowed the Fund and the other City pension funds to expand their equity investments in Prudent Person issues from 25% to 50% of the equity portfolio. Generally, Prudent Person stocks are stocks that are not listed on the New York- or American Stock Exchange, or do not have a current five-year dividend history. There are many good companies that are not listed on these exchanges, and companies with the best growth often reinvest their earnings in the business rather than pay out dividends. Therefore this Charter change will greatly expand the investment opportunities of the Fund.

The staff is continually reviewing and simplifying procedures. As part of this process it was determined that significant resources were being committed to making contribution adjustments and defrayal adjustments for members who transferred between the City and the Department of Water and Power. These procedures consumed massive amounts of staff- and computer resources, and did not make a significant impact on the funding. However, they were required by the Administrative Code. We therefore initiated an Ordinance repealing the Code sections which required these procedures. The Ordinances were repealed in September.

Investment Summary

The market value of assets continue to grow, increasing from \$3.4 billion to \$3.8 billion during fiscal year 1992/93. Five equity investment advisory firms were hired, and contracts with three fixed-income investment advisors were renewed.

Morgan Stanley was hired to manage an active international core portfolio, specializing in "top down" country allocation. Rhumblin was hired to manage an S&P 500 index portfolio. Fiduciary Trust will manage a small-cap growth portfolio, while Galleon Capital Management will manage a mid- to large-cap growth portfolio, and Valenzuela Capital Management will manage a mid-cap value portfolio.

Contracts were renewed with Loomis Sayles for the active management of a long-duration domestic bond portfolio, with WR Lazard and Bankers Trust managing short-duration bond index portfolios.

The total fund rate of return was 13.1%. This compares favorably with both the CPI of 3.0%, and with the actuarial assumed investment rate of return of 8%.

The voters of the City of Los Angeles approved a City Charter change which increased the Prudent Person exposure limitation of the equity portfolio from 25% to 50%. This has given the Board greater flexibility in making asset allocation decisions, which has enabled the Board to increase the small-cap and non-U.S. stock holdings.

The investment portfolio's asset mix as of June 30, 1993 was as follows:

<u>Asset Type</u>	<u>Percentage of Portfolio</u>
Domestic Stocks	41.2
International Stocks	9.0
Bonds	42.9
Short Term Investments	3.1
Real Estate	3.7

FIVE YEAR RATES OF RETURN

FISCAL YEAR	92/93	91/92	90/91	89/90	88/89
CERS BONDS	13.8	15.5	10.6	6.6	13.8
LEHMAN G/C INDEX	13.2	14.2	10.2	7.1	12.3
CERS DOM STOCKS EQUITY	14.3	13.3	6.2	14.2	20.6
S & P 500 INDEX	13.6	13.4	7.4	16.5	20.5
CERS INTERNATIONAL STOCKS	10.9	--	--	--	--
EAFE INDEX	11.6	--	--	--	--
CERS REAL ESTATE	-3.8	-9.7	5.2	7.9	--
IPC REAL ESTATE INDEX	-3.3	-5.3	-1.6	4.8	--
CERS TOTAL FUND	13.1	12.2	7.8	9.4	16.0
CONSUMER PRICE INDEX	3.0	3.1	4.7	4.7	5.2

Charity

With the support and enthusiasm from our employees, our Department has raised significant amounts for several charitable organizations, including March of Dimes and the United Way. In addition to the objective of raising funds for charitable purposes, the campaigns added a cheerful atmosphere to the office.

ACTUARIAL SUMMARY

The object of accumulating assets is to create a fund capable of providing all promised benefits to all eligible members of the retirement system. The method of determining the amount needed and the progress toward that goal is determined by an annual actuarial valuation. This valuation, conducted by the system's actuary, The Wyatt Company, projects the future liabilities of the system by taking a snapshot of the characteristics of the membership and applying both economic and noneconomic assumptions. These assumptions are determined by studying the past actions of the fund every three years, and comparing each year's progress with those chosen assumptions to determine if they are still viable.

ACTUARIAL ASSUMPTIONS

Interest Rate: 8%
Cost-of-Living: 3%
Salary increases: 6%
Mortality: 1971 Group
Mortality
1 year setback for males
5 year setback for females
1981 Disability Mortality Table
Medical Inflation Rate assumed to decrease over time to the year 2008
Pre-65 from 13% to 6%
Post-65 from 11.5% to 6%
Medicare from 8.25% to 6%
Dental from 11.5% to 6%

Once the liabilities are determined they are discounted to present value using the interest assumptions of eight percent. Current actuarial assets are then subtracted from the liabilities to determine the amount that still needs to be funded. Using the projected unit credit method of actuarial funding, the valuation study then projects the amount of money that must be contributed in the next fiscal year to maintain the selected funding track of the system. Actuarial assets are determined by averaging the book value and market value of the fund. As can be seen in the summary, assets increased from 3.3 billion to 3.6 billion.

The total funded ratio of the plan, the ratio between assets and liabilities of both the retirement provisions and the health subsidy, increased from 80.1% to 84.3%, indicative of a well funded system. Most of the Unfunded Actuarial Accrued Liability will be amortized as a level percent of pay over a period ending June 30, 2004. Gains and losses of each year's activities are amortized over a 15 year period, while any further benefit changes will be amortized over a thirty

City Employees' Retirement System Annual Report 1993

year period. The total contribution rate required by the city for fiscal year 1994-95 is 16.67% of active member's pay plus \$2.72 million. This is broken down into a percentage for the Entry Age Normal Cost (7.54%), health subsidy (3.18%) and unfunded actuarial accrued liability (5.95% plus 2.72 million). These contributions are sufficient to meet the funding requirements of both the retirement benefits and health subsidy benefits.

GENERAL STATISTICS

	June 30, 1993	June 30, 1992
Active Members	22,777	23,572
Monthly Retirement Allowances	13,169,754	13,169,754
Retirements:		
Service Retirements	8,212	7,687
Disability Retirements	738	933
Survivorships	514	501
Continuance to Spouse of Deceased Retirees	2,013	1,907
Limited Pensions	10	6
Family Death Benefit Plan Beneficiaries	156	150

SERVICE RETIREMENTS

	1992/93	1991/92
Average Age - New Retirees	61.91	61.30
Average Service Credit (Years - New Retirees)	28.87	26.24
Average Allowance Granted New Retirees	\$2,104.03	\$2,004.60
Average Allowance Paid All Retirees	\$1,502.88	\$1,451.30

**City Employees' Retirement System
Annual Report 1993**

Summary of Significant Valuation Results				
		June 30, 1993	June 30, 1992	Percent Change
I.	Total Membership			
	A. Active Members	22,777	23,399	-2.7%
	B. Pensioners	11,641	11,359	+2.5%
II.	Salaries at June 30			
	A. Total Annual Payroll	\$898,116,886	\$915,343,121	-1.9%
	B. Average Monthly Salary	\$3,286	\$3,259	+0.8%
III.	Benefits to Current Pensioners and Beneficiaries			
	A. Total Annual Benefits	\$183,233,760	\$168,472,288	+8.8%
	B. Average Monthly Benefit Amount	\$1,312	\$1,236	+6.1%
IV.	Total System Assets (Actuarial Value)	\$3,646,189,500.	\$3,298,714,000	+10.5%
V.	Unfunded Actuarial Accrued Liability			
	A. Retirement Benefits	\$398,113,954	\$511,906,957	-22.2%
	B. Health Subsidy Benefits	\$275,832,038	\$304,937,076	-9.5%
VI.	Budget Items			
	A. Retirement Benefits			
	1. Normal Cost as a Percent of Pay	7.54%	6.85%	+10.1%
	2. Amortization of Unfunded Actuarial Accrued Liability			
	i) Percent of Pay, plus	5.95%	6.22%	-4.3%
	ii) Fixed Dollar Amount	\$2,724,502	\$2,724,502	+0.0%
	3. Total Retirement Contribution	13.49%	13.07%	+3.2%
	B. Health Subsidy Contribution, as a Percent of Pay	3.18%	3.26%	-2.5%
	C. Total Contribution (A+B)			
	i) Percent of Pay, plus	16.67%	16.33%	+2.1%
	ii) Fixed Dollar Amount	\$2,724,502	\$2,724,502	+0.0%
VII.	Funded Ratio (Based on Actuarial Value of Assets)			
	A. Retirement Benefits	89.5%	85.8%	+4.3%
	B. Health Subsidy Benefits	44.5%	39.1%	+13.8%
	C. Total	84.3%	80.1%	+5.2%

**City Employees' Retirement System
Annual Report 1993**

Actuarial Balance Sheet As Of June 30, 1993

Retirement Benefits

ASSETS		
1. Applicable Assets		\$3,406,232,239
2. Present Value of Future Member Contributions		\$654,999,005
3. Present Value of Future Contributions by the City For:		
a. Basic Pensions		
i. Normal Costs	\$586,485,022	
ii. Amortization of Certain Liabilities	9,604,302	
iii. Total		\$596,089,324
b. Cost-of-Living Pensions		
i. Normal Cost	\$199,449,882	
ii. Amortization of Certain Liabilities	388,509,652	
iii. Total		\$587,959,534
4. Total Assets		\$5,245,280,102
LIABILITIES		
5. Present Value of Benefits Already Granted (Pensioners and Beneficiaries)		
a. Basic	\$1,242,966,239	
b. Cost-of-Living	786,293,978	
c. Total		\$2,029,260,217
6. Present Value of Benefits to be Granted (Actives)		
a. Basic	\$2,579,135,957	
b. Cost-of-Living	636,883,928	
c. Total		\$3,216,019,885
7. Total Liabilities		\$5,245,280,102

**City Employees' Retirement System
Annual Report 1993**

Actuarial Balance Sheet As Of June 30, 1993

Health Subsidy Benefits

ASSETS		
1. Applicable Assets		\$221,430,921
2. Present Value of Future Member Contributions		0
3. Present Value of Future Contributions by the City:		
a. Normal Costs	\$ 75,123,665	
b. Amortization of Certain Liabilities	275,832,038	
c. Total		\$350,955,703
4. Total Assets		\$572,386,624
LIABILITIES		
5. Present Value of Benefits Already Granted (Pensioners and Beneficiaries)		\$272,140,352
6. Present Value of Benefits to be Granted (Actives With Ten or More Years of Service)		300,246,272
7. Total Liabilities		\$572,386,624

City Employees' Retirement System Annual Report 1993

Summary of Retirement Benefits

1. Eligibility: Members are eligible on their first day of City employment.
2. Final Compensation: Highest 12-month average salary.
3. Service Retirement:
 - A) Eligibility: Age 55 with 10 years of service, or any age with 30 years of service, or age 70.
 - B) Benefit: 2.16% of Final Compensation for each year of service.
 - C) Reduction for Early Retirement:

Beta Formula: Unreduced for retirement after age 60, or after age 55 with at least 30 years of service. Reduction factors apply for earlier retirement.
 - D) Form of Payment: Benefit payable for life with 50% continuance to eligible spouse if employee had that coverage at time of retirement. Larger continuances are available with actuarial reduction.

City Employees' Retirement System Annual Report 1993

4. Disability Retirement:

- A) Eligibility: Five years of continuous service and physically or mentally incapacitated so unable to perform duties of position.
- B) Benefit: 1/70 of Final Compensation per year of continuous service. If service is less than 23-1/3 years, then service is projected to retirement, with a maximum service of 23-1/3 years.
- C) Form of Payment: Benefit payable for life with 50% continuance to eligible spouse if employee had this coverage at time of retirement.

5. Deferred Service Retirement:

- A) Eligibility: Five years of service prior to termination of City service. Member must leave contributions on deposit and apply in writing within three years of termination.
- B) Benefit: Same as Service Retirement payable anytime after age 55, provided at least 10 years have elapsed from date of original membership (or anytime after age 70).
- C) Form of Payment: Same as Service Retirement.

6. Pre-retirement Death Benefits:

- A) Not Eligible for Disability or Service Retirement: Members receives (i),(ii), and (iii) where:
- (i) = Accumulated contributions with interest.
- (ii) = Limited monthly pension equal to half the average monthly salary for the year before death. Benefit is payable to surviving spouse, minor children, or dependent parents, and is payable for a period of 2 months times the number of completed years of service, to a maximum of 12 months.
- (iii) = Family Death Benefit Insurance Plan benefit, if a qualified Member.

City Employees' Retirement System Annual Report 1993

- B) Eligible for Disability Retirement or Duty-Related Death: Member receives (i) and (ii) where:
- (i) = 60% of the benefit the Member would have received if he or she had been granted a disability benefit on the day before death, payable for the lifetime of the Member's spouse.
- (ii) = Family Death Benefit Insurance Plan benefit, if a qualified Member.
- C) Eligible for Service Retirement: Surviving spouse receives a lifetime benefit equal to 100% of the benefit the Member would have been entitled to if he or she had been granted an Option 1 (Joint and 100%) actuarially reduced Service Retirement benefit on the day before death.
- Benefits under the Family Death Benefit Insurance Plan are not available.
- Surviving spouse may elect A or B in lieu of C.
7. Post-retirement Death Benefits: Members receives (i), (ii), and (iii), where:
- (i) = 50% continuance to surviving eligible spouse, if covered under the plan.
- (ii) = Return of unused contributions and interest (provided normal cash refund annuity was selected) and any accrued but unpaid retirement allowance.
- (iii) = \$500 death benefit allowance for burial expenses.
8. Post-retirement Cost-of-Living Benefits: Each July 1, the benefits are increased by the percentage increase in CPI (to a maximum of 3%). Increases in CPI above 3% are "banked" to apply in years when CPI increase is less than 3%.
- If benefit has been paid less than 12 months, the 3% increase is proportionately decreased.

Summary of Health Subsidy Benefits

Eligibility: Members who retire with ten years of service. Subsidy begins at age 55.

Subsidy: *Medical*

For retired Members under age 65 or 65 and over with only Medicare Part B:

A percentage of the Maximum Subsidy, or the actual premium paid to a City approved health carrier, if less.

The percentage is 4% for each year of service, up to a maximum of 100% after 25 years.

Maximum Subsidy: The maximum is the rate currently paid for active City employees. As of July 1, 1993, this amount is \$472 per month.

For retired Members age 65 and over with Medicare Parts A and B:

A percentage of the premium paid to a City approved health carrier. The percentage is 75% with 10 - 14 years of service, 90% for 15-19 years of service and 100% for 20 years of service or more. Medicare Part B premiums are also paid.

Dental

4% per year of service to a maximum of \$28.24 for Connecticut General and \$9.64 for Safeguard.



**QUEZADA
GODSEY & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

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Honorable Members of the City Council of
the City of Los Angeles, California, and

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

INDEPENDENT AUDITORS' REPORT

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Los Angeles City Employees' Retirement System as of June 30, 1993 and 1992, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Quezada Godsey & Co

Los Angeles, California
December 22, 1993

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
BALANCE SHEETS
JUNE 30**

	<u>1993</u>	<u>1992</u>
	(in thousands)	
Assets		
Cash	\$ 3,962	\$ 2,150
Receivables:		
Accrued interest and dividends	32,080	35,811
Proceeds from sales of investments	64,101	29,724
Other receivables	<u>4,619</u>	<u>4,106</u>
	<u>100,800</u>	<u>69,641</u>
Investments:		
Temporary	397,096	270,689
Bonds	1,406,803	1,447,131
Common stocks	1,562,585	1,306,440
Real estate	<u>105,000</u>	<u>114,893</u>
	<u>3,471,484</u>	<u>3,139,153</u>
Total Assets	<u>\$3,576,246</u>	<u>\$3,210,944</u>
Liabilities and Reserves		
Accounts payable and accrued expenses	\$ 3,612	\$ 2,572
Purchases of investments	<u>127,076</u>	<u>27,641</u>
Total Liabilities	130,688	30,213
Reserves:		
Member contributions	528,588	491,744
City contributions	2,690,216	2,483,416
Family death benefits	17,507	16,776
Health insurance benefits	<u>209,247</u>	<u>188,795</u>
Total Reserves	<u>3,445,558</u>	<u>3,180,731</u>
Total Liabilities and Reserves	<u>\$3,576,246</u>	<u>\$3,210,944</u>

The notes are an integral part of these financial statements.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED JUNE 30**

	<u>1993</u>	<u>1992</u>
	(in thousands)	
Revenues		
City contributions	\$ 170,545	\$ 164,867
Member contributions	<u>42,720</u>	<u>43,197</u>
	<u>213,265</u>	<u>208,064</u>
Investment Income:		
Interest	115,242	143,717
Dividends	42,436	32,510
Real estate	6,561	5,970
Net gain on sales of investments	<u>101,548</u>	<u>129,199</u>
	<u>265,787</u>	<u>311,396</u>
Total Revenue	<u>479,052</u>	<u>519,460</u>
Expenditures		
Benefits:		
Retirement allowances	\$ 175,012	\$ 162,883
Health insurance benefits	21,387	20,893
Family death benefits	559	593
Refund of members' contributions	6,928	7,973
Administrative expenses	<u>10,339</u>	<u>8,738</u>
Total Expenditures	<u>214,225</u>	<u>201,080</u>
Excess Of Revenues Over Expenditures	<u>\$ 264,827</u>	<u>\$ 318,380</u>

The notes are an integral part of these financial statements.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED JUNE 30, 1993
(in thousands)

	<u>Total</u>	<u>Member Contributions</u>	<u>City Contributions</u>	<u>Family Death Benefits</u>	<u>Health Insurance Benefits</u>
Balance June 30, 1992	\$ 3,180,731	\$ 491,744	\$ 2,483,416	\$ 16,776	\$ 188,795
Additions:					
Member contributions	42,720	42,524		196	
City contributions	170,545		138,259	224	32,062
Investment income	<u>265,787</u>	<u>24,505</u>	<u>230,635</u>	<u>870</u>	<u>9,777</u>
	<u>479,052</u>	<u>67,029</u>	<u>368,894</u>	<u>1,290</u>	<u>41,839</u>
Transfers:					
Annuities awarded	<u>-0-</u>	<u>(24,013)</u>	<u>24,013</u>	<u>-0-</u>	<u>-0-</u>
Deductions:					
Allowance expenditures	175,571		175,012	559	
Refund of contributions	6,928	6,172	756		
Administrative expenses	10,339		10,339		
Health insurance benefits	<u>21,387</u>				<u>21,387</u>
	<u>214,225</u>	<u>6,172</u>	<u>186,107</u>	<u>559</u>	<u>21,387</u>
Balance June 30, 1993	<u>\$ 3,445,558</u>	<u>\$ 528,588</u>	<u>\$ 2,690,216</u>	<u>\$ 17,507</u>	<u>\$ 209,247</u>

The notes are an integral part of these financial statements.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED JUNE 30, 1992
(in thousands)

	<u>Total</u>	<u>Member Contributions</u>	<u>City Contributions</u>	<u>Family Death Benefits</u>	<u>Health Insurance Benefits</u>
Balance June 30, 1991	\$ 2,862,351	\$ 450,775	\$ 2,233,029	\$ 15,905	\$ 162,642
Additions:					
Member contributions	43,197	42,988		209	
City contributions	164,867		138,627	231	26,009
Investment income	<u>311,396</u>	<u>28,183</u>	<u>271,484</u>	<u>1,024</u>	<u>10,705</u>
	<u>519,460</u>	<u>71,171</u>	<u>410,111</u>	<u>1,464</u>	<u>36,714</u>
Transfers:					
Annuities awarded	-0-	(22,990)	22,990		
Revised actuarial allocation	<u>-0-</u>	<u>-</u>	<u>(10,332)</u>		<u>10,332</u>
	<u>-0-</u>	<u>(22,990)</u>	<u>12,658</u>	<u>-0-</u>	<u>10,332</u>
Deductions:					
Allowance expenditures	163,476		162,883	593	
Refund of contributions	7,973	7,210	763		
Administrative expenses	8,738	2	8,736		
Health insurance benefits	<u>20,893</u>	<u>-</u>	<u>-</u>		<u>20,893</u>
	<u>201,080</u>	<u>7,212</u>	<u>172,382</u>	<u>593</u>	<u>20,893</u>
Balance June 30, 1992	<u>\$ 3,180,731</u>	<u>\$ 491,744</u>	<u>\$ 2,483,416</u>	<u>\$ 16,776</u>	<u>\$ 188,795</u>

The notes are an integral part of these financial statements.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Los Angeles City Employees' Retirement System (the System) is under the exclusive management and control of the Board of Administration whose authority is granted by the Los Angeles City Charter (Article XXXIV). The System is an independent department of the City of Los Angeles. The System's financial statements are included in the City of Los Angeles' Annual Financial Report as a retirement trust fund. The System covers all personnel of City departments included in the City's regular operating budget except for certain sworn employees of the Fire and Police departments, and includes the departments of Airports and Harbor.

Reporting Method

The financial statements are maintained on the accrual basis of accounting and the System follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), authoritative status of the National Council on Governmental Accounting and AICPA industry audit guide *Audits of Employee Benefit Plans*, as revised May 1, 1993.

Investments

Funds are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

As of June 30, 1993, Board resolutions, with limited exceptions, prohibited deposits and investments with financial institutions having specified relations with either the government of South Africa or certain private entities doing business with or in South Africa. On October 26, 1993 the Board repealed these restrictions to coincide with the City's policy.

The System's investment portfolios are comprised of domestic and international equities, domestic bonds, real estate investment funds and temporary investments that include obligations of the U.S. Treasury, agencies, and instrumentalities, commercial paper rated A-1, bankers' acceptances, repurchase agreements, and the short-term investment fund provided by the System's custodian bank.

To facilitate efficient management of the portfolios the System uses S&P 500 index and bond futures and international currency forward contracts. The index and bond futures are used in managing of the large index portfolios. These portfolios are passive investments used to maintain exposure to specific segments of the equity and bond markets consistent with the investment policy. The forward contracts are used to facilitate translation of dollars into the domestic currencies of the international markets and to protect the underlying value of foreign currency investments from strengthening of the dollar.

Investments in equity securities are carried at the lower of average cost or market, and investments in bonds are carried at amortized cost. Temporary investments are carried at cost which approximates market value. Real estate investments are recorded in the financial statements under the equity method.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

Gains and losses on foreign currency translation related to international securities are realized at the time of sale. Gains and losses in uninvested foreign currency are recognized periodically and on the settlement of purchase transactions. For the year ended June 30, 1993, realized losses on foreign currency translation totaled \$347,699.

The Los Angeles City Charter provides that earnings from investments, exclusive of capital gains or losses on investments, shall be credited to member reserve accounts and to City reserve accounts in relation to the reserve balances. Realized capital gains and losses on investments are credited solely to the City's reserves.

Unsettled investment trades as of year end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the balance sheets as receivables and labeled *proceeds from sales of investments*, and amounts payable for purchases are reported as payables and labeled *purchases of investments*.

The System's custodian is the source of market values for all liquid investments. The market values of real estate investment funds are provided by the individual real estate fund managers and are evaluated by the Board's real estate consultant.

Reserves

As provided in the Los Angeles City Charter, the System is maintained on a reserve basis, determined in accordance with accepted actuarial methods. The City Charter establishes reserves for the following:

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

Member Contributions - Active member contributions to the plan and investment earnings distributions credited to members' accounts, less refunds of members' contributions and transfers to the Annuity Reserve.

City Contributions - Consists of the following components:

Basic Pensions - City contributions, investment earnings distributions, capital gains accumulated to provide for the City's guaranteed portion of retirement benefits.

Annuity - Member contributions transferred to the City and used to provide for the members' share of retirement benefits and investment earnings distributions, less payments to retired members.

Cost-of-Living - Member and City contributions required to provide anticipated annual cost-of-living increases for retirement allowances.

Family Death Benefits - Member and matching City contributions and investment earnings distributions reserved to pay benefits under the Family Death Benefits Insurance Plan established by the System.

Health Insurance Benefits - City Contributions and investment earnings distributions reserved on an actuarial basis to provide health subsidies for retirees.

Reclassification

The liability accounts in the 1992 financial statements have been reclassified to conform to the current year presentation.

PLAN DESCRIPTION

The System operates as a single-employer defined benefit plan. The City of Los Angeles and eligible employees contribute to the System based upon rates recommended by an independent actuary and adopted by the Board of Administration. Contributions are invested and applied to benefit payments with accumulated investment earnings.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992**

Employer contributions are expressed as a percentage of applicable payroll (covered payroll). For the year ended June 30, 1993, the System's actuary recommended the rate of 15.72% as the City's contribution to the plan. The recommended rate for the year ended June 30, 1992 was 14.24%. Members who entered the System prior to February, 1983 contribute from 8.64% to 12.94% of their salaries based upon the age they entered the System, however contributions are subsidized by the City under a collective bargaining agreement (see note on Defrayal of Portion of Member Contributions). Members entering subsequent to February, 1983 contribute a flat rate of 6%.

Members of the plan have a vested right to their own contributions and accumulated investment earnings. After five years of employment, members are eligible for future retirement benefits, which increase with length of service. If a member with five or more years of service terminates employment, the member has the option of receiving retirement benefits when eligible or withdrawing from the System and having his or her contributions and accumulated investment earnings refunded. Benefits are based upon age, length of service, and compensation.

ACTUARIAL VALUATION AND UPDATE FOR PURPOSES OF UNIFORM DISCLOSURE

For purposes of uniform disclosure as required by Statement 5 of the Governmental Accounting Standards Board (GASB), the System engages an independent actuary to perform an annual actuarial valuation in conformance with GASB methodology. The latest such valuation was performed as of June 30, 1993 using the projected unit credit method as required by GASB, with an 8% interest earnings assumption and a 6% assumption for annual salary increases and a 3% cost-of-living factor on retirement benefit payments. The actuary also conducts an triennial investigation and actuarial valuation to examine noneconomic assumptions and determine the System's funding status.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992**

FUNDING STATUS AND PROGRESS

The amount shown below as *Total Pension Benefit Obligation* is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other pension funds.

At June 30, 1993 and 1992, the unfunded pension benefit obligation was \$585.5 million and \$622.3 million, respectively as follows (amounts in thousands):

	<u>1993</u>	<u>1992</u>
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 2,029,260	\$ 1,866,587
Current employees:		
Accumulated employee contributions	528,588	491,744
Employer-financed vested	<u>1,246,498</u>	<u>1,239,094</u>
Total Pension Benefit Obligation	3,804,346	3,597,425
Net Assets Available for Benefits, at Cost (Average of Cost and Market is \$3,406,232 and \$3,085,518)	<u>3,218,804</u>	<u>2,975,160</u>
Unfunded Pension Benefit Obligation	\$ <u>585,542</u>	\$ <u>622,265</u>

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

For purposes of determining the funding requirements of the System, the actuarial valuation for net assets available for benefits is calculated using an average of cost and market value. For purposes of this report the net assets available for benefits is stated at cost which results in a different unfunded pension benefit obligation. The actuarial valuation for unfunded pension benefit obligation at June 30, 1993 and 1992 was \$398.1 million and \$511.9 million, respectively.

The City is currently actuarial funding retiree health insurance benefits insurance liability for current retirees and for active members eligible for a retired health insurance. The liability is determined separately from the pension benefit obligation.

At June 30, 1993 and 1992, the unfunded health benefits insurance was \$275.8 million and \$311.9 million, respectively as follows (amounts in thousands):

	<u>1993</u>	<u>1992</u>
Health Benefits Liability:		
Retired Members	\$ 272,140	\$ 273,325
Active Members	<u>225,123</u>	<u>227,410</u>
Total Health Benefits Liability	497,263	500,735
Reserve for Health Benefits, at Cost (Average of Cost and Market is \$221,431 and \$195,798)	<u>209,247</u>	<u>188,795</u>
Unfunded Health Benefits Liability	\$ <u>288,016</u>	\$ <u>311,940</u>

The actuarial valuation for the unfunded health benefits insurance liability using the average cost and market at June 30, 1993 and 1992 was \$275.8 million and \$304.9 million, respectively.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992**

REVISED ACTUARIAL ALLOCATION

In February, 1992 the System's actuary recommended changes in the allocations between reserves based on the conclusion of a triennial study of the plan's experience. As a result of the study, \$10.3 million was reallocated from the Reserve for City Contributions to the Reserve for Health Insurance Benefits during the year ended June 30, 1992.

CHANGE IN ACTUARIAL ASSUMPTIONS FOR THE HEALTH INSURANCE BENEFITS INSURANCE

As part of the actuarial valuation for health insurance benefits for the year ended June 30, 1993, a change in the inflation assumption was made reducing the trend rate from 7% per year to 6%. The effect was to reduce the health benefits liability for the fiscal year ended June 30, 1993, and to decrease the City's contribution rate in fiscal year 1994-95 from 3.28% to 3.18%.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System's funding policy provides for periodic employer contributions at actuarial determined rates that, expressed as percentages of annual covered payroll together with certain fixed amounts, are sufficient to accumulate the required assets to pay benefits when due.

The contributions to the System for the fiscal years ended June 30, 1993 and 1992 of \$213.3 million and \$208.0 million, respectively were made in accordance with actuarial determined requirements computed through the above mentioned actuarial valuation.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

The contributions consisted of the following (in millions). The amounts between normal costs and amortization of the unfunded liability have been restated for 1992:

	<u>1993</u>		<u>1992</u>	
	<u>Amount</u>	<u>Percentage of current covered payroll</u>	<u>Amount</u>	<u>Percentage of current covered payroll</u>
Covered Payroll	\$ <u>898.1</u>	<u>100.00%</u>	\$ <u>915.3</u>	<u>100.00%</u>
Normal Cost	\$ 118.1	13.15%	\$ 118.2	12.91%
Amortization of the Unfunded Actuarial Accrued Liability	62.7	6.98%	63.4	6.93%
Contribution for Retired Health Insurance Benefits	32.1	3.57%	26.0	2.84%
Contribution for Family Death Benefits Insurance Plan	<u>.4</u>	<u>0.04%</u>	<u>.4</u>	<u>0.04%</u>
Total	\$ <u>213.3</u>	<u>23.74%</u>	\$ <u>208.0</u>	<u>22.72%</u>
Total City Contribution	\$ 170.6	18.99%	\$ 164.8	18.00%
Employee Contribution	<u>42.7</u>	<u>4.75%</u>	<u>43.2</u>	<u>4.72%</u>
Total	\$ <u>213.3</u>	<u>23.74%</u>	\$ <u>208.0</u>	<u>22.72%</u>

DEFRAYAL OF PORTION OF MEMBER CONTRIBUTIONS

For members prior to February 1983, the City subsidizes a portion of member contributions under a collective bargaining agreement. Payments made by the City in this manner are not refundable to members upon their withdrawal from the plan prior to retirement. Therefore, the City does not have to contribute the total amount of member contributions that it subsidizes. The amount payable by the City, based upon the actuarial valuations, is approximately 75% of subsidized member contributions.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992**

For the years ended June 30, 1993 and 1992 the City contributed \$21.9 and \$21.4 million respectively, in this manner.

DEPOSITS AND INVESTMENTS

The System maintains all deposits and investments with its custodian, except for \$3.9 million, held by the City Treasurer of the City of Los Angeles at year end.

These deposits are categorized as follows, to give an indication of the level of risk assumed by the System at year end:

Category 1

Includes deposits insured or collateralized with securities held by the System or by its agent in the System's name.

Category 2

Includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the System's name.

Category 3

Includes deposits uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the System's name.

Investments are categorized as follows, to give an indication of the level of risk assumed by the System at year end:

Category 1

Includes investments insured or registered, or securities held by the System or its agent in the System's name.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992**

Category 2

Includes investments uninsured and unregistered, with securities held by the counterparty's trust department or agent in the System's name.

Category 3

Includes investments uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the System's name.

At June 30, 1993 and 1992, the carrying amount and market value of deposits and investments were as follows (in thousands):

<u>Investment Type</u>	<u>1993</u>		<u>1992</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
<u>Category 1</u>				
Temporary	\$ 373,699	\$ 373,699	\$ 251,420	\$ 251,420
Bonds	1,406,803	1,505,581	1,447,131	1,518,118
Stocks	<u>1,562,585</u>	<u>1,863,902</u>	<u>1,306,440</u>	<u>1,471,419</u>
	3,343,087	3,743,182	3,004,991	3,240,957
<u>Category 3</u>				
Short-Term Investment Fund	23,397	23,397	19,269	19,269
<u>Investments Not Categorized</u>				
Real Estate Investment Funds	<u>105,000</u>	<u>105,000</u>	<u>114,893</u>	<u>114,893</u>
	<u>\$3,471,484</u>	<u>\$3,871,579</u>	<u>\$3,139,153</u>	<u>\$3,375,119</u>

Real estate investments are not considered securities for purposes of custodial risk classification. There were no Category 2 investments at June 30, 1993 and 1992.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992

Securities Lending

The System has entered into various short-term arrangements with its custodian whereby securities are loaned to various brokers. The custodian determines which lenders' accounts to lend securities from by using an *impartial sequential system* that matches loan requests with various lenders' accounts. All lenders are deemed to have relatively equal opportunity to profit from the lending of securities. Therefore, should a collateral deficiency occur beyond the custodian's responsibilities, the deficiency is allocated pro-rata among all lenders.

Minimum collateralization is 102% of market value of the borrowed U.S. securities or 105% in the case of international securities. Collateral consists of cash, government securities, and irrevocable bank letters of credit. Cash collateral may be invested separately or pooled in a separate fund for investing in quality money market or cash equivalent investments.

The borrower has all incidents of ownership with respect to borrowed securities and collateral including the right to vote and transfer or loan borrowed securities to others. The System is entitled to receive all distributions, which are made by the issuer of the borrowed securities, directly from the borrower.

Under the agreement, the custodian will indemnify the System as a result of the following; 1) the custodian's failure to make a reasoned determination of the credit worthiness of a potential borrower, 2) the filing of a petition of bankruptcy or similar action by the borrower, 3) the custodian's failure to obtain adequate collateral, and 4) not operating the securities lending program in compliance with the *Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending*.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992**

These agreements provide for the return of the securities and for a payment of: a) a fee, when the collateral is marketable securities or irrevocable letters of credit or b) interest earned on cash collateral on deposit. The securities on loan to the brokers continue to be shown at their cost basis on the balance sheets.

The cost basis of securities lent were \$481.7 and \$618.9 million as of June 30, 1993 and 1992, respectively. The market value of the securities lent were \$520.7 million and \$647.6 million, respectively, and the collateralized value of cash and securities was \$530.6 and \$650.3 million, respectively.

REDUCTION OF REAL ESTATE INVESTMENT PORTFOLIO TO MARKET

During the fiscal year, the carrying value of the real estate investment portfolio was reduced to market, which was lower than cost at June 30, 1993. The portfolio was reduced by \$24.2 million. Under the equity method of accounting for investments, the original cost of the investment is recorded and thereafter adjusted for income, expenses, additional contributions, distributions and permanent declines in market value. At June 30, 1993 the carrying value of the real estate investment portfolio based on the equity method was determined as follows (in thousands):

Balance at June 30, 1992	\$ 114,893
Income, expenses and distributions	(3,920)
Additional contributions	18,200
Reduction to market	<u>(24,173)</u>
Balance at June 30, 1993	\$ <u>105,000</u>

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1993 AND 1992**

OPERATING LEASE

The System leases building facilities, furniture and equipment under a non-cancelable operating lease which expires in 1997, at which time a five year renewal option is available. This lease also contains provisions for the System to pay their pro-rated share of subsequent increases in operating costs and taxes over the base rate established during the initial year of the lease. The future minimum commitment under the lease is as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Lease</u> <u>Amount</u>
1994	\$ 384,024
1995	384,024
1996	410,496
1997	<u>410,496</u>
	<u>\$1,589,040</u>



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Honorable Members of the City Council of
the City of Los Angeles, California, and

Board of Administration
Los Angeles City Employees' Retirement System
Los Angeles, California

**ACCOUNTANTS' REPORT ON SUPPLEMENTARY INFORMATION
PURSUANT TO GASB 5**

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the schedules on pages 21 through 25 is presented for purposes of additional analysis. It is not a required part of the basic financial statements, but is supplementary information required by Statement 5 of the Governmental Accounting Standards Board (GASB). Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements taken as a whole and, in our opinion, the schedules present fairly the information therein in conformity with the provisions of GASB Accounting.

Los Angeles, California
December 22, 1992

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COMPARATIVE SUMMARY OF NET ASSETS AVAILABLE FOR BENEFITS AND
TOTAL ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS
(in millions)**

Pension Benefit Obligation

<u>Fiscal year</u>	<u>Net assets available for benefits</u>	<u>Total actuarial present value of credited projected benefits</u>	<u>Percentage</u>
1983	1,145.4	1,826.3	62.7%
1984	1,268.6	1,962.7	64.6%
1985	1,415.9	2,138.2	66.2%
1986	1,653.8	2,361.7	70.0%
1987	1,923.4	2,535.8	75.8%
1988	2,106.4	2,712.8	77.6%
1989	2,175.8	2,934.9	74.1%
1990	2,469.5	3,108.0	79.5%
1991	2,683.8	3,312.0	81.0%
1992	2,975.2	3,597.4	82.7%
1993	3,218.8	3,804.3	84.6%

Health Insurance Benefits Liability

<u>Fiscal year</u>	<u>Net assets available for benefits</u>	<u>Total health insurance benefits liability</u>	<u>Percentage</u>
1989	146.7	235.6	62.3%
1990	158.7	403.9	39.3%
1991	162.7	490.0	33.2%
1992	188.8	500.7	37.7%
1993	209.5	497.3	42.1%

Note:

As of June 30, 1987, the System began funding health insurance benefits for current retirees and for active members eligible to retire. As of June 30, 1989, a reserve was established for the health insurance benefits liability and \$146.7 million was transferred to the reserve from City contributions, based on actuarial estimates. Beginning in fiscal year 1989, the pension benefit obligation and the health insurance benefits liability are separately stated. The schedule of the health insurance benefits liability above will be expanded through experience to the ten-year historical trend data required by GASB Statement 5, in conformance with GASB implementation guidelines.

**COMPARATIVE SUMMARY OF UNFUNDED ACTUARIAL PRESENT VALUE OF
CREDITED PROJECTED BENEFITS AND ANNUAL ACTIVE MEMBER PAYROLL
(in millions)**

<u>Fiscal year</u>	Unfunded actuarial present value of credited <u>projected benefits</u>	Annual active <u>member payroll</u>	<u>Percentage</u>
1983	695.6	442.7	157%
1984	711.8	472.8	151%
1985	744.7	530.4	140%
1986	736.5	621.9	118%
1987	614.7	646.0	95%
1988	613.9	718.0	86%
1989	745.8	752.9	99%
1990	639.2	815.8	78%
1991	628.2	833.1	75%
1992	622.3	915.3	68%
1993	585.5	898.1	65%

NOTE TO COMPARATIVE SUMMARIES ON PAGES 21 AND 22

Each time an employer entity adopts a higher level of benefits, additional actuarial liabilities are created. For the System, which receives actuarial determined contributions, these additional actuarial liabilities are financed systematically over a period of future years.

Looking at the dollar amount of the actuarial present value of credited projected benefits or the unfunded portion thereof can be misleading. Analysis of (i) the ratio of net assets available for benefits to the total actuarial present value of credited projected benefits, and (ii) the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll, provides indexed values which facilitate understanding.

Analysis of these indexed values over a period of years will give an indication of whether the System is becoming financially stronger or weaker. The greater the ratio of net assets available for benefits to the total actuarial present value of credited projected benefits, the stronger the System. Similarly, the smaller the ratio of the unfunded actuarial present value of credited projected benefits to annual active member payroll, the stronger the System.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COMPARATIVE SUMMARY OF ACTUARIAL VALUES AND PERCENTAGE
COVERED BY NET ASSETS AVAILABLE FOR BENEFITS**

<u>Fiscal year</u>	<u>Actuarial present value of credited projected benefits (in millions)</u>				<u>Percentage of</u>	
	<u>Member Contributions</u> (1)	<u>Current retirees and beneficiaries</u> (2)	<u>City-financed portion</u> (3)	<u>Net assets available for benefits</u>	<u>covered by net assets</u>	<u>available for benefits</u> (1) (2) (3)
1983	250.5	990.8	585.0	1,145.4	100.0	91.2 0.0
1984	261.1	1,085.5	616.0	1,268.6	100.0	93.7 0.0
1985	279.4	1,201.2	657.5	1,415.9	100.0	95.5 0.0
1986	301.9	1,300.8	759.1	1,653.8	100.0	100.0 6.7
1987	323.5	1,420.2	758.4	1,923.4	100.0	100.0 23.7
1988	346.4	1,530.4	836.0	2,106.4	100.0	100.0 27.5
1989	377.7	1,558.5	998.7	2,175.8	100.0	100.0 24.0
1990	411.4	1,617.0	1,080.2	2,469.5	100.0	100.0 40.8
1991	450.8	1,729.6	1,131.6	2,683.8	100.0	100.0 44.5
1992	491.7	1,866.6	1,239.1	2,975.2	100.0	100.0 49.8
1993	528.6	2,029.2	1,246.5	3,218.8	100.0	100.0 53.0

Note:

The ultimate test of financial soundness is the System's ability to pay all promised benefits when due. The System's progress in accumulating assets to pay all promised benefits can be measured by comparing the present assets with (1) member contributions, (2) the actuarial present value of projected benefits payable to current retirees and beneficiaries, and (3) the City-financed portion of the actuarial present value of credited projected benefits payable to active plan participants. For the System, which receives actuarial determined contribution amounts, the total of actuarial values (1) and (2) should generally be fully covered by assets, and the portion of the actuarial value (3) covered by assets should increase over time. An increase in benefits can, of course, adversely affect the trends in the years such increased benefits are first reflected in the actuarial values.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COMPARATIVE SUMMARY OF REVENUES BY SOURCE AND EXPENDITURES BY TYPE
(In millions)

REVENUES BY SOURCE

<u>Fiscal</u> <u>Year</u>	<u>Member</u> <u>contributions</u>	<u>City</u> <u>contributions</u>	<u>Investment</u> <u>income</u>	<u>Subtotal</u>	<u>Gain (loss)</u> <u>on investments</u>	<u>Total</u>
1983	19.3	76.0	93.6	188.9	22.1	211.0
1984	17.4	83.7	106.3	207.4	14.6	222.0
1985	19.3	100.6	114.9	234.8	21.2	256.0
1986	21.3	112.8	125.4	259.5	98.0	357.5
1987	24.9	120.6	130.8	276.3	123.9	400.2
1988	28.1	126.2	145.1	299.4	27.7	327.1
1989	32.6	134.0	162.4	329.0	55.7	384.7
1990	37.1	146.4	180.0	363.5	99.4	462.9
1991	41.8	151.3	193.5	386.6	19.6	406.2
1992	43.2	164.9	182.2	390.3	129.2	519.5
1993	42.7	170.6	164.3	377.6	101.5	479.1

EXPENDITURES BY TYPE

<u>Fiscal</u> <u>Year</u>	<u>Benefits</u>	<u>Refunds and</u> <u>transfers</u>	<u>Administrative</u>	<u>Total</u>
1983	74.8	6.6	2.5	83.9
1984	89.6	5.5	2.9	98.0
1985	99.4	4.6	3.7	107.7
1986	109.1	5.3	4.3	118.7
1987	119.0	5.6	5.2	129.8
1988	130.4	6.6	6.2	143.2
1989	141.5	6.6	5.9	154.0
1990	156.0	7.2	7.1	170.3
1991	170.3	8.6	8.2	187.1
1992	184.4	8.0	8.7	201.1
1993	197.0	6.9	10.3	214.2

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
MEMBERSHIP DATA
JUNE 30, 1993 AND 1992**

At June 30, 1993 and 1992, the components of the System's membership were as follows:

	<u>1993</u>	<u>1992</u>
Active nonvested	7,007	8,180
Active vested	15,483	14,944
Terminated vested	<u>287</u>	<u>275</u>
Total active members	22,777	23,399
Retired members	<u>11,641</u>	<u>11,359</u>
Total Members	<u>34,418</u>	<u>34,758</u>