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Comprehensive Annual Financial Report

For The Fiscal Year Ending June 30, 1998

LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
360 East Second Street, 8th Floor
Los Angeles, California 90012-4207

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INTRODUCTORY SECTION

LACERS



CITY OF LOS ANGELES
CALIFORNIA

**CITY EMPLOYEES'
RETIREMENT SYSTEM**

360 EAST SECOND STREET
2ND FLOOR
LOS ANGELES, CA 90012-4207

(213) 473-7200
OR
(800) 779-8328

ADMINISTRATION

OSCAR PETERS
GENERAL MANAGER

LORRAINE M. OSUNA
ASST. GENERAL MANAGER



RICHARD J. RIORDAN
MAYOR

LETTER OF TRANSMITTAL

December 28, 1998

Board of Administration
Los Angeles City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, CA 90012

Dear Members of the Board:

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Los Angeles City Employees' Retirement System (LACERS) for the fiscal year ending June 30, 1998, the System's 62nd year of operation.

Established in 1937, LACERS is a public employee retirement system. All regular, full time City employees accrue retirement benefits from LACERS except employees of the Department of Water and Power and sworn personnel of the Los Angeles Police and Fire Departments. LACERS was established to provide service and disability retirement benefits that allow for transition between generations of workers. This led to the development of active and retired death benefits and post retirement health insurance benefits. Today retirement benefits are recognized as deferred salary and the value of the benefits is recognized by City management as a tool for recruitment and retention of staff and by unions as an important component of the total employee salary package. This has resulted in major benefit enhancements in recent years. The most significant being the Council's adoption of the Government Service Buyback program and the establishing of a reciprocity program with most other California government retirement plans. To date members have acquired about 10,000 years of additional retirement service credit through the government service buyback program. In addition numerous employees have established reciprocity rights for other California government service.



This report is intended to provide a complete and accurate review of the year's operations. These operations are guided by a clearly defined mission "to proactively manage the delivery of benefits and the investment of trust assets for the exclusive benefit of its current and future members." LACERS uses strategic planning to establish goals and objectives that focus on accomplishment of its mission.

LACERS is committed to delivering quality and timely service in the administration of the plan assets for the 12,465 beneficiaries receiving monthly benefits and the 22,091 active members.

The management of LACERS is the exclusive responsibility of the Board of Administration. The required financial statements have been prepared in accordance with generally accepted accounting principles, the reporting guidelines of the Government Accounting Standards Board (GASB), and the City Charter. Deloitte and Touche LLP, independent auditors, have audited the financial statements and attested to their accuracy. Based upon internal and external reviews, management believes that the internal control structure is adequate and that the accompanying statements, schedules and tables fairly represent the information provided.

STRUCTURE OF THE REPORT

This report is presented in five sections:

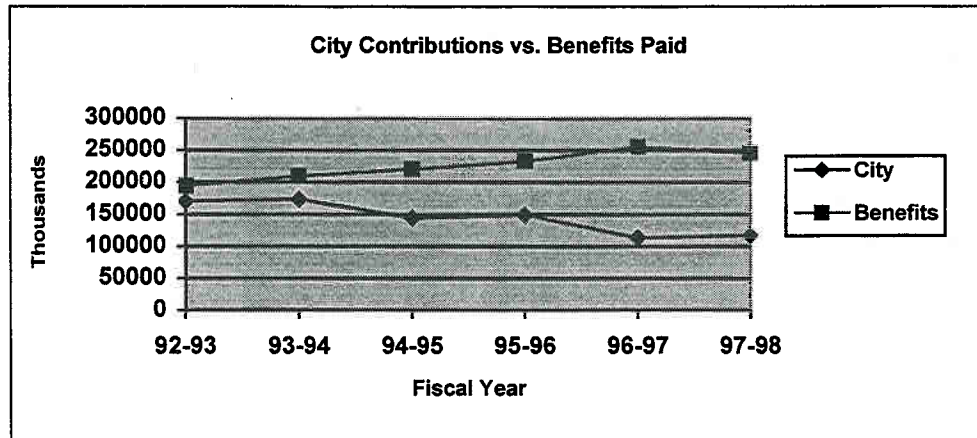
- The Introductory Section describes LACERS' management and organizational structure. It includes a listing of professional services used.
- The Financial Section contains the opinion of the independent auditor, Deloitte & Touche LLP, and the financial statement of LACERS prepared in accordance with GASB guidelines.
- The Investment Section contains information on the asset allocation of the Fund, schedules of fees and commissions, investment performance, and other investment-related information.
- The Actuarial Section includes the certification letter of LACERS' independent actuary, Watson Wyatt Worldwide, along with supporting schedules and information including a summary of plan provisions.
- The Statistical Section contains schedules with the comparative data related to revenue and expenses.

FINANCIAL AND ECONOMIC SUMMARY

The City of Los Angeles continues to stretch each dollar of revenue, as recovery from the economic downturn of the early 1990's has not reached the City tax rolls. As a result the City workforce has remained constant over the last several years and salary increases for members have been modest. However the boom in global financial markets during the decade has allowed the System to become fully funded while reducing the City's cost of providing benefits both as a percentage of members salary and in absolute dollar terms. Over the last five years the required annual City contributions to fund the System has been reduced from \$173 million to \$117 million.

The graph on the following page illustrates the trend of increased allowance expense and reduction in City contributions over the last five years.

CITY CONTRIBUTIONS versus BENEFITS PAID (Dollars in Thousands)



As mentioned above, LACERS' reached its goal of becoming 100% funded. As a result, the City's contributions equal the present value of retirement benefits accrued by the membership during the year. Under the current structure, taxpayers will pay for the services received during the current year, and are not paying for services provided in prior years or passing the cost of current services on to future generations. During this fiscal year the funding ratio of the System increased from 97.1% to 100.9% and the actuarial value of the assets increased \$611.5 million.

Investment Summary

This year the portfolio had a net return of 10.5%. With this return the portfolio's annualized return for the last five years was 12.6%. The return exceeds the actuarial assumed rate of 8%. Year over year, the market value of the portfolio went from \$6,052 million to \$6,583 million.

Conclusion

I would like to express my appreciation of the entire Board for effectively working together to establish policies which allowed the Fund to prudently allocate its assets and to effectively administer the complex benefits now provided to our members. I would also like to thank staff for providing quality customer service to the members.

Respectfully submitted,

OSCAR PETERS
Manager-Secretary



LOS ANGELES CITY EMPLOYEE'S RETIREMENT SYSTEM

BOARD OF ADMINISTRATION
FISCAL YEAR 1997-1998

WILLIAM H. DOHENY, JR
President

MICHAEL J. GALVIN
Vice President

SHELLEY I. SMITH
Commissioner

JAN CHARLES GRAY
Commissioner

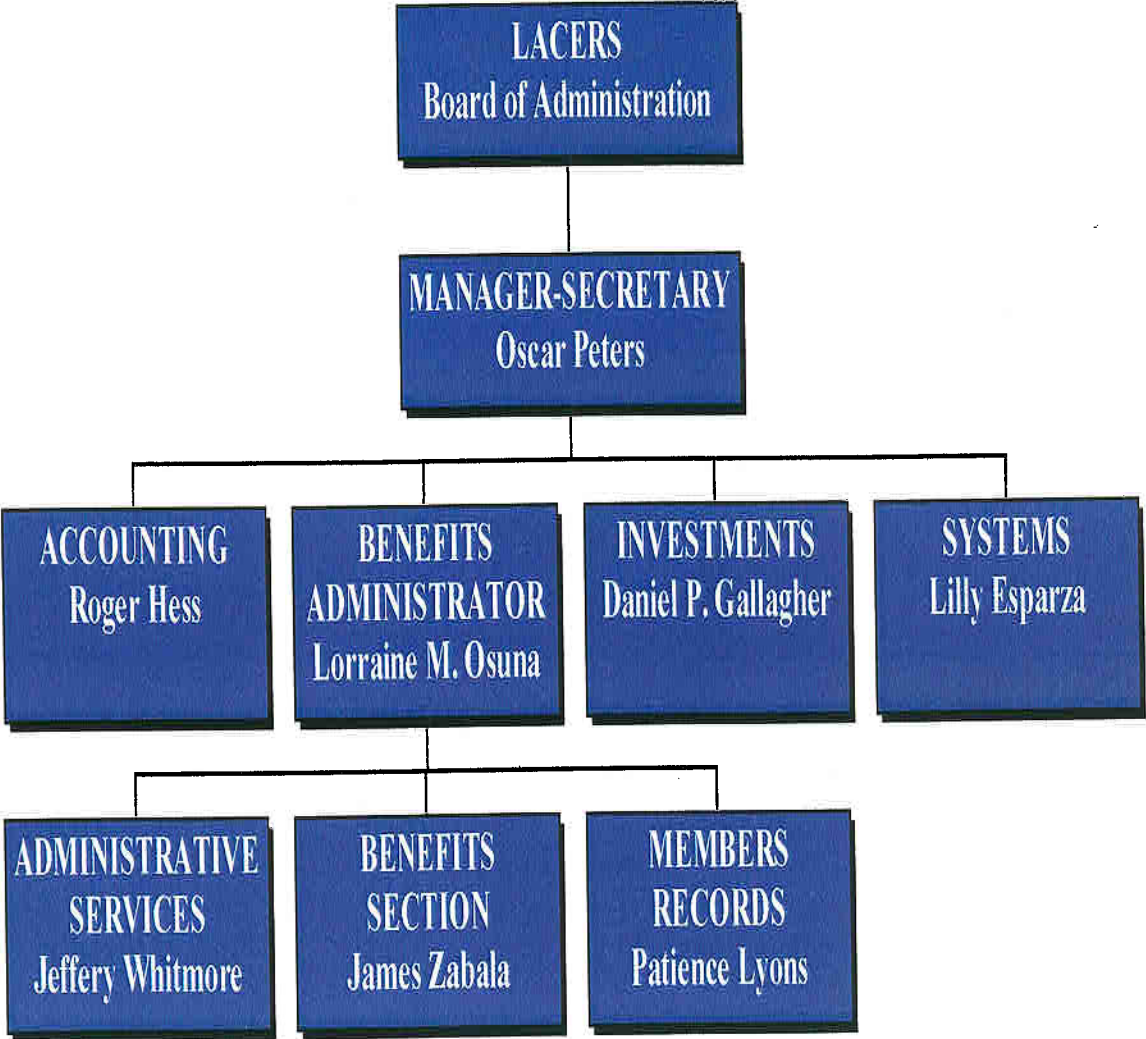
BEVERLY RYDER
Commissioner

KENNETH SPIKER
Commissioner

BEVERLY BENEDICT THOMAS
Commissioner



ORGANIZATIONAL CHART





PROFESSIONAL SERVICES

ACTUARY

Watson Wyatt Worldwide
Sherman Oaks, CA

AUDITOR

Deloitte & Touche
Costa Mesa, CA

BENEFICIARY VERIFICATION

Pension Benefit Information
Tiburon, CA

PRE-RETIREMENT PLANNING SERVICES

Watson Wyatt Worldwide
San Francisco, CA

STRATEGIC PLANNING

William M. Mercer
Denver, CO

SYSTEMS CONSULTANT

Myron L. Nack
Cypress, CA

FINANCIAL SECTION

LACERS



Los Angeles City Employees' Retirement System

***General Purpose Financial Statements for the
Years Ended June 30, 1998 and 1997,
Supplemental Schedules and Independent
Auditors' Report***



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined retirement plan and postemployment healthcare plan statement of plan net assets of the Los Angeles City Employees' Retirement System (the "System") as of June 30, 1998 and 1997 and the related combined retirement plan and postemployment healthcare plan statement of changes in plan net assets for the years then ended. These general purpose financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Governmental Auditing Standards* issued by the Comptroller General of the United States. 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, such general purpose financial statements present fairly, in all material respects, the combined financial position of the retirement plan and postemployment healthcare plan of the Los Angeles City Employees' Retirement System as of June 30, 1998 and 1997 and the combined results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic 1998 general purpose financial statements taken as a whole. The supplemental schedules of funding progress, employer contributions, actuarial methods and assumptions, revenues by source and expenses by type, and administrative expenses are presented for the purpose of additional analysis and are not a required part of the basic general purpose financial statements. These schedules are the responsibility of the System's management. Such schedules for the fiscal year ended June 30, 1998 have been subjected to the auditing procedures applied in our audit of the basic general purpose financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic general purpose financial statements taken as a whole.

Deloitte & Touche LLP

October 26, 1998

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

COMBINED RETIREMENT PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN STATEMENT OF PLAN NET ASSETS AS OF JUNE 30, 1998 AND 1997

ASSETS	Retirement Plan	Postemployment Healthcare Plan	1998 Total	1997 Total
CASH AND SHORT-TERM INVESTMENTS - (fair value) (Note 6)	\$ 606,281,566	\$ 65,440,999	\$ 671,722,565	\$ 388,911,301
RECEIVABLES:				
Accrued investment income	30,757,051	3,319,864	34,076,915	35,696,000
Proceeds from sales of investments	26,733,420	2,885,560	29,618,980	101,336,827
Other	5,748,126	620,443	6,368,569	4,649,971
Total receivables	<u>63,238,597</u>	<u>6,825,867</u>	<u>70,064,464</u>	<u>141,682,798</u>
INVESTMENTS, At fair value (Notes 6 and 7):				
U.S. government obligations	632,148,195	68,232,999	700,381,194	742,553,342
Municipal bonds	26,321,913	2,841,142	29,163,055	1,650,460
Domestic corporate bonds	565,121,870	60,998,292	626,120,162	390,578,041
International bonds	209,390,265	22,601,228	231,991,493	385,892,293
Domestic stocks	2,667,209,328	287,894,031	2,955,103,359	2,641,751,609
International stocks	861,389,677	92,976,934	954,366,611	1,090,968,605
Mortgages	188,021,979	20,294,772	208,316,751	131,340,744
Government agencies	75,904,127	8,192,962	84,097,089	46,751,260
Real estate	132,950,269	14,350,425	147,300,694	122,571,844
Venture capital and alternative investments	58,190,893	6,281,026	64,471,919	31,056,162
Security lending collateral	936,751,456	101,111,356	1,037,862,812	1,095,110,000
Total investments	<u>6,353,399,972</u>	<u>685,775,167</u>	<u>7,039,175,139</u>	<u>6,680,224,360</u>
TOTAL	<u>7,022,920,135</u>	<u>758,042,033</u>	<u>7,780,962,168</u>	<u>7,210,818,459</u>
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	(5,620,037)	(606,617)	(6,226,654)	(7,050,651)
Purchases of investments	(122,904,244)	(13,266,075)	(136,170,319)	(38,860,000)
Security lending collateral	(936,751,456)	(101,111,356)	(1,037,862,812)	(1,095,110,000)
Total current liabilities	<u>(1,065,275,737)</u>	<u>(114,984,048)</u>	<u>(1,180,259,785)</u>	<u>(1,141,020,651)</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POSTEMPLOYMENT HEALTH CARE BENEFITS (A SCHEDULE OF FUNDING PROGRESS IS PRESENTED ON PAGE 13)	<u>\$ 5,957,644,398</u>	<u>\$ 643,057,985</u>	<u>\$ 6,600,702,383</u>	<u>\$ 6,069,797,808</u>

See notes to general purpose financial statements.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

COMBINED RETIREMENT PLAN AND POSTEMPLOYMENT HEALTHCARE PLAN STATEMENT OF CHANGES IN PLAN NET ASSETS YEAR ENDED JUNE 30, 1998 AND 1997

	Retirement Plan	Postemployment Healthcare Plan	1998 Total	1997 Total
ADDITIONS:				
Contributions:				
Employer	\$ 85,439,025	\$ 31,769,553	\$ 117,208,578	\$ 113,262,396
Plan member	<u>58,313,955</u>	<u> </u>	<u>58,313,955</u>	<u>53,274,812</u>
Total contributions (Note 3)	<u>143,752,980</u>	<u>31,769,553</u>	<u>175,522,533</u>	<u>166,537,208</u>
Investment income:				
Net appreciation in fair value of investments, including gain on sales				
	357,266,601	58,153,494	415,420,095	1,544,747,518
Interest	144,274,283	23,484,013	167,758,296	140,652,443
Dividends	52,380,306	8,526,121	60,906,427	51,468,444
Real estate operating income, net of expense	<u>7,977,603</u>	<u>1,298,541</u>	<u>9,276,144</u>	<u>9,219,669</u>
	561,898,793	91,462,169	653,360,962	1,746,088,074
Investment management expense	<u>(13,964,960)</u>	<u> </u>	<u>(13,964,960)</u>	<u>(13,056,959)</u>
Total investment income, net	<u>547,933,833</u>	<u>91,462,169</u>	<u>639,396,002</u>	<u>1,733,031,115</u>
Total additions	<u>691,686,813</u>	<u>123,231,772</u>	<u>814,918,535</u>	<u>1,899,568,323</u>
DEDUCTIONS:				
Benefits	(249,375,043)	(21,388,457)	(270,763,500)	(247,979,844)
Refunds of contributions	(7,490,262)		(7,490,262)	(9,447,708)
Administrative expenses (Supplemental schedules)	<u>(5,596,480)</u>	<u>(163,718)</u>	<u>(5,760,198)</u>	<u>(4,856,394)</u>
Total deductions	<u>(262,461,785)</u>	<u>(21,552,175)</u>	<u>(284,013,960)</u>	<u>(262,283,946)</u>
NET INCREASE	429,225,028	101,679,547	530,904,575	1,637,284,377
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND POSTEMPLOYMENT HEALTHCARE BENEFITS:				
Beginning of year	<u>5,528,419,370</u>	<u>541,378,438</u>	<u>6,069,797,808</u>	<u>4,432,513,431</u>
End of year	<u>\$ 5,957,644,398</u>	<u>\$ 643,057,985</u>	<u>\$ 6,600,702,383</u>	<u>\$ 6,069,797,808</u>

See notes to general purpose financial statements.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 1998 AND 1997

1. DESCRIPTION OF THE PLAN AND SIGNIFICANT ACCOUNTING POLICIES

General - The Los Angeles City Employees' Retirement System (the "System") is under the exclusive management and control of the Board of Administration (the "Board"), 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 "City"). 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 sworn employees of the Fire and Police departments, Department of Water and Power employees, and certain elected officials. The System also covers the employees of the departments of Airports and Harbor.

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

The primary eligibility requirement for Postemployment Healthcare Subsidy is that the person is a retired employee, and/or an eligible spouse, who is receiving a monthly allowance from the City Employees' Retirement System. (The required contribution rate for the Postemployment Healthcare Benefits for the fiscal year ended June 30, 1998 was 3.18% of covered payroll.)

The System's funding policy provides for periodic employer contributions at actuarially 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. For the years ended June 30, 1998 and 1997, the System's actuary recommended the rate of 9.69% (including health benefits) and 13.19% (including health benefits), respectively, as the City's contribution to the Plan. Members who entered the System prior to February 1983 contribute from 8.22% to 13.33% of their salaries based upon their age when they entered the System; however, these contributions are subsidized by the City under a collective bargaining agreement (see Note 5). Members entering subsequent to January 1983 contribute a flat rate of 6%. Members of the System 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.

The components of the System's membership were as follows at June 30, 1998 and 1997:

	1998	1997
Active nonvested	4,314	3,752
Active vested	18,068	18,467
Retired members and beneficiaries	12,769	12,698
Total	<u>35,151</u>	<u>34,917</u>

Basis of Accounting - The general purpose financial statements are maintained on the accrual basis of accounting.

Financial Reporting - The general purpose financial statements have been prepared in accordance with generally accepted accounting principles, as outlined by the Governmental Accounting Standards Board ("GASB"). In fiscal 1997, the System adopted the GASB Statements ("GASBS") No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*; GASBS No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*; and GASBS No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. GASBS Nos. 25 and 26 establish new financial reporting standards for the System. GASBS No. 28 establishes accounting and financial reporting standards for securities lending transactions.

GASBS No. 25 was adopted by the System on July 1, 1996. GASBS No. 25 establishes reporting and disclosure standards for defined benefit pension plans and for pension trust funds included in the financial reports of plan sponsors. GASBS No. 25 supersedes all previous financial reporting standards allowed for governmental defined benefit plans, including GASBS No. 5, *Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers*, and Financial Accounting Standards Board Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans*, previously relied upon by the System. GASBS No. 25 requires a statement of plan net assets, a statement of changes in plan net assets, that investments be carried at fair value with unrealized gains and losses included in the statement of changes in plan net assets, and certain footnote disclosures regarding actuarial methods, contribution requirements and funding progress of the System. The effect of such adoption was not significant to the System.

GASBS No. 26 was adopted by the System on July 1, 1996. GASBS No. 26 establishes financial reporting standards for postemployment healthcare plans administered by state and local governmental defined benefit pension plans. It is an interim statement pending completion of the GASB's project on accounting and financial reporting of other postemployment benefits by plans and employers.

In addition to the reporting standards, the statement also establishes certain requirements for plans that elect to provide historical trend information about the funded status of the postemployment healthcare plan and the employer's required contributions to the System, either as supplementary information or an additional financial statement or note. However, presentation of that information is not required.

GASBS No. 28 was adopted by the System on July 1, 1996. GASBS No. 28 establishes accounting and financial reporting standards for securities lending transactions and requires the System to record cash and certain securities received as collateral under securities lending transactions as assets, and liabilities resulting from these transactions in the statement of plan net assets. Revenues from and costs of securities lending transactions, such as borrower rebates and agent fees, are reported as investment income and expenditures, respectively, in the statement of changes in plan net assets. Securities lending activity had previously been disclosed in the footnotes to the general purpose financial statements.

Investments - Funds are invested pursuant to the Los Angeles City Charter and the System's investment policy established by the Board. The System's investment portfolios are primarily composed of domestic and international equities, domestic and international bonds, real estate and alternative investment funds, and short-term investments that include obligations of the U.S. Treasury, agencies, commercial paper rated A-1, bankers' acceptances, repurchase agreements and the short-term investment fund managed by the System's custodian bank.

Short-term investments, bonds, stocks, and alternative investments are reported at fair value in accordance with GASBS No. 25. Real estate investments are recorded in the general purpose financial statements under the equity method and are carried at lower of cost or market value. Debt rewrites are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Management's investment strategy, as it relates to the debt portfolio, is to achieve market appreciation and not hold bonds to their maturities; therefore, premiums and discounts on bonds are not amortized. The fair 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. The fair value of futures and forward contracts has been determined using available market information.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the general purpose financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the statement of plan net assets as receivables and labeled proceeds from sales of investments, and amounts payable for purchases are reported as current liabilities and labeled purchases of investments. Dividend income is recorded on ex-dividend date, and interest income is accrued as earned.

Fixed Assets - Purchases of fixed assets, mainly office furniture and computer equipment, are recorded as expenditures in the year acquired.

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 Los Angeles City Charter establishes reserves for the following:

Plan Member Contributions - Active member contributions to the Plan and investment earnings distributions credit to members' accounts, less refunds of members' contributions and transfers to the annuity.

Employer Contributions - Consist of the following components:

Basic Pensions - City contributions, investment earnings distributions, and 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.

Family Death Benefits - Member contributions, 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.

Use of Estimates in Preparation of the General Purpose Financial Statements - The preparation of the general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reporting years. Actual results could differ from those estimates.

2. 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's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other pension funds. The measure is independent of the actuarial funding method used to determine contributions to the System, as discussed in Note 3. The total pension benefit obligation was determined as part of an actuarial valuation at June 30, 1998 and 1997. The actuary valuation was based on the 1971 Group Annuity Mortality table, which was modified based on studies performed by the System's actuary. The valuation at June 30, 1998 and 1997 was performed using the projected unit credit cost method as allowed by the GASB. The valuation at June 30, 1998 was performed using an 8% interest earnings assumption, 4% annual total payroll increases, an annual individual salary increase assumption that varies by age averaging 5.5% to 6% per year over a full 30-year career, and a 3% cost-of-living factor on retirement benefit payments. The valuation at June 30, 1997 was performed using an 8% interest earnings assumption, 4% annual total payroll increases, annual individual salary increase assumption that varies by age averaging 4% to 7% per year over a full 30-year career, and a 3% cost-of-living factor on retirement benefit payments. The actuary also conducts a triennial investigation and actuarial valuation to examine noneconomic assumptions and determine the System's funding status.

The actuarial valuation for unfunded (over funded) pension benefit obligation at June 30, 1998 and 1997 was (\$50,005,000) and \$83,828,000, as follows (in thousands):

	1998	1997
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 2,772,712	\$ 2,598,432
Current employees:		
Accumulated employee contributions	733,680	683,048
Employer-financed vested	<u>1,806,526</u>	<u>1,604,857</u>
Total pension benefit obligation	5,312,918	4,886,337
Actuarial value of available Plan assets	<u>(5,362,923)</u>	<u>(4,802,509)</u>
Unfunded (over funded) pension benefit obligation	<u>\$ (50,005)</u>	<u>\$ 83,828</u>

For purposes of determining the funding requirements of the System, the actuarial valuation for net assets available for benefits was calculated using an average of cost and market in the prior year. The methodology was to use a market-related method, whereby gains and losses are recognized over a five-year period. Gains and losses represent the difference between actual and expected market values. Expected market values are based on the actuarial return assumption of 8%. The effect of the change was not material to the total pension benefit obligation. For purposes of these general purpose financial statements, the net assets available for benefits are stated at market value, which results in a different unfunded pension benefit obligation.

The City is currently actuarially funding retiree health insurance benefits for current retirees and for active members eligible for a retired health insurance subsidy. The liability is determined separately from the pension benefit obligation. The health insurance benefits liability was determined as part of an actuarial valuation at June 30, 1998.

The actuarial valuation for the unfunded (over funded) health insurance benefits liability at June 30, 1998 and 1997 was \$(5,197,000) and \$73,900,000, respectively, as follows (in thousands):

	1998	1997
Health insurance benefits liability:		
Retired members	\$ 275,179	\$ 301,312
Active members	<u>276,943</u>	<u>275,895</u>
Total health insurance benefits liability	552,122	577,207
Reserve for health insurance benefits, at cost	<u>(557,319)</u>	<u>(503,307)</u>
Unfunded (over funded) health insurance benefits liability	<u>\$ (5,197)</u>	<u>\$ 73,900</u>

3. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System currently uses the projected unit credit cost method to determine the required annual contribution amount. The required annual contribution amount is composed of two components, (1) normal cost, which is the cost of the portion of the benefit that is earned each year; and (2) the payment to amortize the unfunded actuarial accrued liability ("UAAL").

Most of the UAAL is amortized as a level percent of pay over the period ending June 30, 2010. Increases in the UAAL due to assumption changes are amortized over 30 years and gains and losses are amortized over 15 years, both as a level percent of pay. Plan amendments are amortized over 30 years as a level percent of pay, unless the characteristics of the amendment dictate a shorter amortization period.

Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation.

The contributions to the System for the years ended June 30, 1998 and 1997 of \$176 million and \$167 million, respectively, were made in accordance with actuarially determined requirements computed through the above-mentioned actuarial valuation.

Contributions to the System consisted of the following for the years ended at June 30, 1998 and 1997 (dollars in millions):

	1998		1997	
	Amount	Percentage of Current Covered Payroll	Amount	Percentage of Current Covered Payroll
Covered payroll	<u>\$ 1,011.9</u>	<u>100.00 %</u>	<u>\$ 990.6</u>	<u>100.00 %</u>
Normal cost	\$ 101.9	10.07 %	\$ 108.7	10.98 %
Amortization of the unfunded actuarial accrued liability	15.7	1.55 %	32.7	3.30 %
Contribution for retired health insurance benefits	57.5	5.68 %	24.7	2.49 %
Family death benefits insurance plan	<u>0.4</u>	<u>0.04 %</u>	<u>0.4</u>	<u>0.04 %</u>
Total	<u>175.5</u>	<u>17.34 %</u>	<u>\$ 166.5</u>	<u>16.81 %</u>
Total City contribution	\$ 117.2	11.58 %	\$ 113.2	11.43 %
Plan member contribution	<u>58.3</u>	<u>5.76 %</u>	<u>53.3</u>	<u>5.38 %</u>
Total	<u>\$ 175.5</u>	<u>17.34 %</u>	<u>\$ 166.5</u>	<u>16.81 %</u>

4. HISTORICAL TREND INFORMATION

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 13 through 17.

5. DEFRAIAL 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, was approximately 84% and 78% of subsidized member contributions for the years ended June 30, 1998 and 1997, respectively. The City contributed \$20.78 million and \$20.06 million in this manner for the years ended June 30, 1998 and 1997, respectively.

6. CASH AND SHORT-TERM INVESTMENTS AND INVESTMENTS

At June 30, 1998 and 1997, the market value of investments was as follows (in thousands):

Investment type	1998		1997	
	Market Value	Percentage of Total Market Value	Market Value	Percentage of Total Market Value
Short-term investments:				
Commercial paper	\$ 419,016	63 %	\$ 184,000	47 %
Bank deposit	131,923	19 %	54,906	14 %
Collective STIF	10,219	2 %	8,439	3 %
International STIF	101,257	15 %	131,724	35 %
Futures initial margin	7,623	1 %	4,742	1 %
Total short-term investments	\$ 670,038	100 %	\$ 383,811	100 %
Securities:				
Fixed income - Domestic:				
Corporate	\$ 576,076	8 %	\$ 357,722	5 %
U.S. government and federal agencies	602,277	9 %	429,299	6 %
Fixed income - Foreign:				
Corporate	20,666	0 %	46,666	1 %
Foreign government and federal agencies	102,561	1 %	271,626	4 %
Stocks:				
Domestic	2,655,909	38 %	2,380,172	36 %
Foreign	829,673	12 %	874,692	13 %
Subtotal	4,787,162		4,360,177	
Investments held by broker-dealers under securities loans:				
U.S. government and agency securities	419,681	6 %	492,996	7 %
Domestic corporate fixed-income securities	50,044	1 %	32,856	1 %
International fixed-income securities	108,764	1 %	67,600	1 %
Domestic stocks	299,194	4 %	261,580	4 %
Foreign stocks	124,694	2 %	216,277	3 %
Subtotal	1,002,377		1,071,309	
Securities lent (collateralized value of cash and securities of \$1,179,120 and \$1,258,000 as of June 30, 1998 and 1997, respectively)				
Securities lending short-term investment pool (Note 7)	1,037,863	15 %	1,095,110	16 %
Real estate investment funds	147,301	2 %	122,572	2 %
Alternative investments	64,472	1 %	31,056	1 %
Subtotal	1,249,636		1,248,738	
Total investments (excluding short-term investments)	\$ 7,039,175	100 %	\$ 6,680,224	100 %

Cash and cash equivalents of \$1,685,644 and \$5,105,245 as of June 30, 1998 and 1997, respectively, represent amounts held in the System's general operating accounts with the City Treasurer. These monies are pooled with the monies of other City agencies and invested by the City Treasurer's office. These assets are not individually identifiable.

Investments held on behalf of the System by the City and the custodian are categorized to give an indication of the level of custodial credit risk assumed by the System at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent, but not in the System's name. At June 30, 1998 and 1997, substantially all of the System's investments were classified in Category 1.

7. SECURITIES LENDING AGREEMENT

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 and 105% for 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 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 custodian's failure to: (1) make a reasoned determination of the creditworthiness of a potential borrower before lending and, during the term of the loan or loans, the borrower files a petition of bankruptcy or similar action; (2) demand adequate collateral, or (3) otherwise maintain the securities lending program in compliance with the *Federal Financial Institutions Examination Council Supervisory Policy on Securities Lending*.

These agreements provide for the return of the securities and revenue determined by the type of collateral received (from which the custodian's fee is deducted). The cash collateral values of securities on loan to brokers are shown at their market value on the statement of plan net assets.

The market value of the total securities lent was \$1,138,382,095 and \$1,238,550,836 as of June 30, 1998 and 1997, respectively. The market value of the cash collateral was \$1,037,862,812 and \$1,095,110,275 as of June 30, 1998 and 1997, respectively. The collateralized value of cash and securities was \$1,179,123,681 and \$1,257,503,321 as of June 30, 1998 and 1997, respectively. The System's pro rata share in the collateral pool was 3.96% and 6.1% as of June 30, 1998 and 1997, respectively.

8. FUTURES AND FORWARD CONTRACTS

The System uses derivative financial instruments, primarily to manage portfolio risk. Futures contracts are used to hedge cash for asset allocation purposes, and forward contracts are used to hedge against fluctuation in foreign currency-denominated assets and related income. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and recognized as income or as adjustments to carrying amounts when the hedged transaction occurs. Gains and losses on futures contracts that do not qualify as hedges are recognized as gains or losses for the current period.

At June 30, 1998, the System had net outstanding futures and forward commitments with a notional amount of \$524 million, which expire through September 1998. These commitments are not recorded in the general purpose financial statements. The System maintains margin collateral on the positions with brokers, consisting of cash and U.S. Treasury bills. The total collateral margin was \$7.6 million and \$4.7 million as of June 30, 1998 and 1997, respectively. The realized loss on foreign currency translation was \$66.7 million as of June 30, 1998. There was a realized gain on foreign currency translation of \$1.3 million as of June 30, 1997.

Futures contracts have little credit risk, as organized exchanges are the counterparties. Forward agreements are subject to the creditworthiness of the counterparties, which are principally large financial institutions.

9. INVESTMENT EXPENSES

Investment expenses of the System for the years ended June 30, 1998 and 1997 were as follows (in thousands):

	1998		1997	
	Assets under Management	Fees	Assets under Management	Fees
Investment Managers' Fees:				
Fixed Income Managers	\$1,880,069	\$ 2,238	\$1,698,766	\$ 2,050
Equity Managers	3,909,470	9,652	3,732,720	9,953
Real Estate Managers	147,301	1,162	122,572	1,185
Total Investment Managers' Fees		\$13,052		\$13,188
Other Investment Service Fees:				
Security Lending Fees (Note 7)	1,138,382	\$ 1,621	1,238,551	\$ 2,321
Investment Consulting Fees	6,565,504	544	6,032,678	218
Total Other Investment Service Fees		\$ 2,165		\$ 2,539

10. OPERATING LEASE

The System leases building facilities under a noncancelable operating lease that expires in 2008, at which time a five-year renewal option is available. This lease also contains provisions for the System to pay its prorated share of subsequent increases in operating costs and taxes over the base rate established during the initial year of the lease.

The future minimum lease commitments are as follows as of June 30, 1998:

Year 1999 – 2003, each year	\$501,000
Year 2004 – 2008, each year	\$585,000

SUPPLEMENTAL SCHEDULES

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SUPPLEMENTAL SCHEDULE OF FUNDING PROGRESS

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded (over funded) AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
June 30, 1992	\$3,085,517,616	\$3,597,424,573	\$511,906,957	85.8 %	\$ 915,343,121	55.9 %
June 30, 1993	3,406,232,239	3,634,196,193	227,963,954	93.7 %	898,116,886	25.4 %
June 30, 1994	3,629,723,739	3,817,841,255	188,117,516	95.1 %	884,950,676	21.3 %
June 30, 1995	3,940,057,106	4,080,765,873	140,708,767	96.6 %	911,292,385	15.4 %
June 30, 1996	4,468,433,499	4,476,024,351	7,590,852	99.8 %	957,422,907	0.8 %
June 30, 1997	4,802,508,841	4,886,336,641	83,827,800	98.3 %	990,616,105	8.5 %
June 30, 1998	5,362,923,264	5,312,918,078	(50,005,186)	100.9 %	1,011,857,180	(4.9)%

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

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SUPPLEMENTAL SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Employer Contributions Total	
	Annual Required Contribution	Percentage Contributed
1992	\$138,626,866	100 %
1993	138,258,965	100 %
1994	143,548,618	100 %
1995	115,129,588	100 %
1996	120,660,148	100 %
1997	88,799,922	100 %
1998	64,459,744	100 %

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL METHODS AND ASSUMPTIONS

Valuation date	June 30, 1998
Actuarial cost method	Projected unit credit
Amortization method	Level percent supplemental cost
Remaining amortization period	Varies 15-30 years
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	5.5% to 6.0%
Includes inflation at	Varies
Cost-of-living adjustments	3%

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SUPPLEMENTAL SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE (Dollars in Millions)

Revenues by Source

Fiscal Year	Member Contributions	City Contributions	Investment Income	Subtotal	Gain on Investments	Total
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
1994	42.3	173.6	170.3	386.2	167.1 *	553.3
1995	43.6	144.6	176.9	365.1	55.4 *	420.5
1996	47.5	149.0	186.2	382.7	355.0 *	737.7
1997	53.2	113.3	202.5	368.9	1,544.7 **	1,913.6
1998	58.3	117.2	239.2	414.7	415.4 **	830.1

Expenses by Type

Fiscal Year	Benefits	Administrative and Investment Expenses	Refunds and Transfers	Total
1988	\$ 130.4	\$ 6.2	\$ 6.6	\$ 143.2
1989	141.5	5.9	6.6	154.0
1990	156.0	7.1	7.2	170.3
1991	170.3	8.2	8.6	187.1
1992	184.4	8.7	8.0	201.1
1993	197.0	10.3	6.9	214.2
1994	210.7	11.1	8.5	230.3
1995	221.9	10.2	7.7	239.8
1996	233.1	12.4	8.9	254.4
1997	248.0	19.1	9.4	276.5
1998	270.8	21.0	7.5	299.3

* Prior to 1998, Gain on Investments represented realized gains.

** Beginning in 1998, Gain on Investments represented net appreciation, which includes realized and unrealized gains/losses.

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE EXPENSES YEAR ENDED JUNE 30, 1998

Personal Services:		
Staff salaries	\$2,336,368	
Staff benefits	224,556	
Retiree's health administration	<u>163,718</u>	
Total personal services		\$2,724,642
Professional Services:		
Actuarial	104,659	
Data processing	879,331	
Audit	111,867	
Legal counsel	165,305	
Medical for temporary disability	<u>117,112</u>	
Total professional services		1,378,274
Communication:		
Printing	31,832	
Telephone	184,469	
Postage	153,637	
Travel	<u>47,635</u>	
Total communications		417,573
Rentals:		
Office space	1,105,651	
Equipment leasing	<u>26,374</u>	
Total rentals		1,132,025
Miscellaneous - Office expense	<u>107,684</u>	
Total miscellaneous		<u>107,684</u>
TOTAL		<u>\$5,760,198</u>

(13831)

INVESTMENT SECTION

LACERS





INVESTMENT ACTIVITIES

The Board annually reviews the asset allocation of the Fund. This review models the expected return and volatility of various asset classes and matches their return to the required return to meet the actuarial assumptions. The resulting allocation plan may require adding or terminating managers or redistributing the assets among existing managers. There were changes in the managers as a result of the asset allocation study.

The Board monitors managers' performance through regular presentations before the Board and quarterly performance reports. Each manager agrees to the guidelines of the structure of their portfolio and the performance benchmarks by which they will be measured. In the case of managers with performance fee contracts, the performance benchmarks are the reference points used to determine their compensation. This year, two managers were terminated, one domestic equity and one bond index manager, because of unsatisfactory performance and significant personnel and organizational changes within the firm. Assets of the bond index manager were rolled into a similar index fund. A Request for proposal was issued to seek a replacement for the equity manager. Upon review of the finalist the Board elected to divide the portfolio between to two new firms.

The Board also continues to fund private equity investments through real estate and alternative investments. The Board uses commingled funds as the investment vehicle for both asset classes and relies heavily on specialty consultants in selecting the investments. This year, eight commitments were made to alternative investment funds totaling \$55 million, and three real estate funds were subscribed to for a total of \$50 million. Neither asset class is invested at the level of the target allocation.

INVESTMENT POLICIES

All investments must conform to the Investment Policy. The Investment Policy delineates the responsibility of the Board, staff, and the consultant. It addresses the broad goals of each asset class as a component of the Fund and includes the commission recapture and soft dollar guidelines of the Board. This document and the asset allocation plan are reviewed concurrently on an annual basis.

The Investment Policy is supplemented with separate policies for real estate and alternative investments. Because of the unique investment process for real estate and alternative investments these subsidiary policies were developed by the specialty consultants.



In addition, as a large institutional shareholder, LACERS recognizes its responsibility to vote proxies. The Board has therefore established a proxy policy. This policy addresses many issues such as executive rights, executive compensation, the selection of corporate boards, and the composition of those boards.

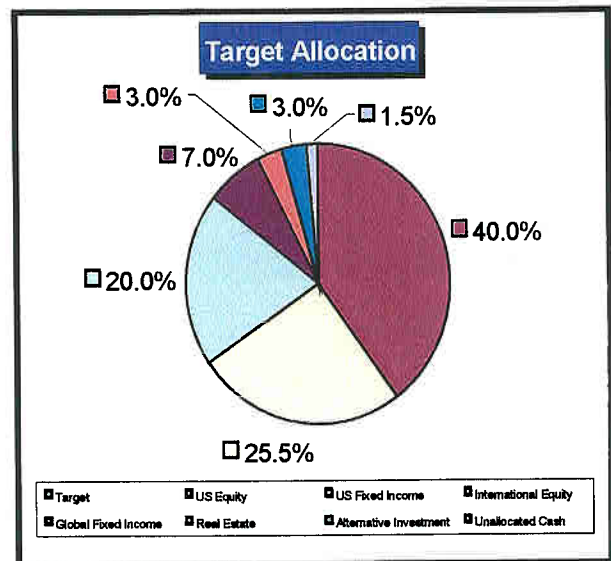
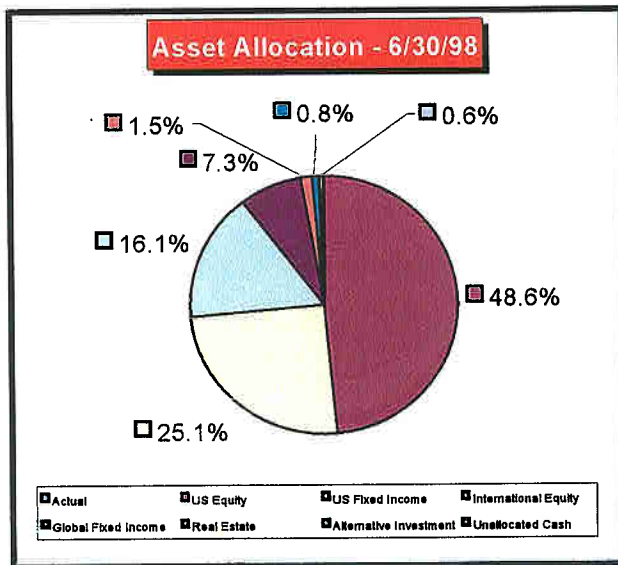


INVESTMENT RESULTS

Return Summary (net of fees)	Annualized		
	1 year	3 years	5 years
Total Fund	10.5	15.4	12.6
Policy (CPI + 5%)	6.7	7.2	7.4

ASSET ALLOCATION

Actual		Target	
US Equity	48.6%	US Equity	40.0%
US Fixed Income	25.1%	US Fixed Income	25.5%
International Equity	16.1%	International Equity	20.0%
Global Fixed Income	7.3%	Global Fixed Income	7.0%
Real Estate	1.5%	Real Estate	3.0%
Alternative Investment	0.8%	Alternative Investment	3.0%
Unallocated Cash	0.6%	Unallocated Cash	1.5%





LIST OF LARGEST ASSETS HELD

Displayed below are the ten largest holdings in each asset class along with their market and share/par values, as of June 30, 1998.

DOMESTIC FIXED HOLDINGS

No.	Par Value US \$	Asset Description	Market Value US \$
1.	58,729,827	US Treas 6.25 NT Due 2-28-2002 REG	58,795,258
2.	43,507,555	US Treas 12.75 BD Due 11-15-2010/05	43,669,345
3.	34,583,182	US Treas 10.75 BD Due 8-15-2005	34,958,194
4.	29,544,564	US Treas 5.625 NT Due 11-30-2000	29,809,889
5.	26,354,869	US Treas 6.25 NT Due 8-31-2000	26,140,990
6.	25,052,911	US Treas 6.875 NT Due 8-31-1999 REG	24,974,075
7.	21,543,571	US Treas Ser U-1999 7.75 NT Due 11-30-99	21,394,303
8.	20,549,628	US Treas 5.875 NT Due 8-31-1999	20,616,203
9.	19,264,914	US Treas SER B 5.75 Due 8-15-2003	20,475,982
10.	15,299,096	FHLB O NTS Due 8-4-2017/99 BEO	20,280,456
Total	294,430,118		301,114,695

DOMESTIC EQUITY HOLDINGS

No.	Shares	Asset Description	Market Value US \$
1.	253,700	Exxon Corp Com	18,107,838
2.	159,900	Procter & Gamble Co Com	14,560,894
3.	123,900	Bristol Myers Squibb Co Com	14,240,756
4.	154,100	General Electric Co Com STK \$2.50 PAR	14,003,838
5.	151,300	CISCO Sys Inc Com	13,929,056
6.	119,400	Intl Business Mach Corp Cap	13,708,613
7.	180,800	Intl Corp Cap	13,401,800
8.	85,100	Amer Intl Group Inc Com	12,424,600
9.	170,000	Ciena Corp Com	11,836,250
10.	410,000	Compaq Computer Corp Com	11,633,750
Total	1,808,200		137,847,395



LIST OF LARGEST ASSETS HELD (continued)

INTERNATIONAL FIXED HOLDINGS

No.	Par Value	Asset Description	Market Value US \$
1.	68,000,000	Germany (Fed Rep) 6.5% BDS 4/7/2027	43,964,543
2.	35,600,000,000	Italy (Rep Of) 7.75% BDS 1/11/06 ITL	23,787,742
3.	19,100,000,000	Italy (Rep of) 10% NTS 1/8/03 ITL	13,265,396
4.	17,900,000	Australia (Cmnwth) 7.5%BDS 15/9/2009 AUD100	12,832,364
5.	68,500,000	Denmark (Kingdom) 8% BDS 15/3/06 DNKR1000	11,919,020
6.	19,000,000	Germany (Fed Rep) 6 1/4% BDS 4/1/24 DEM	11,863,158
7.	43,000,000	Sweden (Kingdom) 6% BDS 9/2/05 NO1035 SEK	5,756,561
8.	6,970,000	CAN Govt CDN\$ SER A79 8.75 BD Due 12-1-05 R	5,713,357
9.	36,000,000	Sth Africa (Rep Of) 12% BDS 28/2/05 ZAR(150)	5,332,767
10.	35,000,000	Sth Africa (Rep Of) 13% LN STK 31 08 10ZR1 153	5,233,362
Total			139,668,270

INTERNATIONAL EQUITY HOLDINGS

No.	Shares	Asset Description	Market Value US \$
1.	2,582,000	Johnson Electric Hldgs 1HKD Par Ordinary	9,563,457
2.	1,377,350	Dev BK Singapore SGD1 (Alien Mkt)	7,622,505
3.	289,800	HSBC HLDGS HK\$10 (HK REG)	7,087,358
4.	192,020,000	Elektrobras (Centr Common Stock NPV (ON)	5,644,717
5.	1,841,678	WMC LTD NPV	5,542,620
6.	1,066,000	Fuji Heavy Indust Y50	5,276,809
7.	48,000	Mannesmann AG Ord NPV	4,932,964
8.	54,384	AEGON NV NLGO 50	7,177,663
9.	1,223,949	CEMEX SA ORD PT CTF SER	4,596,950
10.	82,048	Royal Dutch Petrol n	4,549,707
Total			59,549,163

**SCHEDULE OF FEES (in thousands)**

Fiscal Year	1998		1997	
	Assets Under Management	Fees	Assets Under Management	Fees
Investment Manager Fees:				
Fixed Income Managers	\$ 1,880,069	\$ 2,238	\$ 1,698,766	\$ 2,050
Equity Managers	3,909,470	9,652	3,732,720	9,953
Real Estate Managers	147,301	1,162	122,572	1,185
Total Investment Managers' Fees		<u>\$13,052</u>		<u>\$13,188</u>
Other Investment Service Fees:				
Security Lending Fees	1,138,382	\$ 1,621	\$ 1,238,551	\$ 2,321
Investment Consultant Fees	6,565,504	544	6,032,678	218
Total Other Investment Svc. Fees		<u>\$ 2,165</u>		<u>\$ 2,539</u>

SCHEDULE OF BROKERS COMMISSION

Broker Name	Shares	Commission	\$/Share
HSBC INVT.PLC LTD.LONDON	52,318,620	251,381	.0048
Salomon Bros. New York	5,899,900	228,709	.0388
Investment Technology Group Inc.	6,826,273	202,643	.0297
Morgan Stanley New York	6,546,022	197,404	.0301
Nomura Securities New York	6,440,719	186,546	.0289
Lehman Brothers Inc.	4,763,378	175,145	.0367
Jefferies & Company	3,040,050	167,934	.0552
Merrill Lynch Pierce Fenner & Smith	24,009,421	152,797	.0063
Schroder Secs Ltd New York	330,115	131,507	.3983
Smith Barney Inc.	2,304,537	131,314	.0569
Total	<u>112,479,035</u>	<u>1,825,380</u>	.0162
Total - Other Brokers	<u>1,086,459,693</u>	<u>6,149,955</u>	.0056
Grand Total *	<u><u>1,198,938,728</u></u>	<u><u>7,975,335</u></u>	<u>.0066</u>

* OTC Brokers excluded because there is no stated commission.


TOTAL SOFT DOLLARS INCOME & EXPENDITURES 1997-1998

Broker Name	Amount	Percent
LEHMAN BROTHERS	\$ 15,750.30	5%
SALOMON SMITH BARNEY	281,705.17	95%
Total Income	\$297,455.47	100.00%
Services (Bloomberg, Proxy Monitor, etc)	\$ 26,394.31	9%
Computer Hardware	\$271,061.16	91%
Total Expenditure	\$297,455.47	100%

COMMISSION RECAPTURE 1997-1998

Broker Name	Amount	Percent
ABEL / NOSER	23,923.50	18%
LYNCH, JONES & RYAN	106,173.00	82%
Total	\$130,096.50	100%



INVESTMENT SUMMARY AS OF JUNE 30, 1998

Type of investment	Market Value	% of Total M.V.	Domestic Market Value	Foreign Market Value
Fixed Income:				
Government bonds	\$ 1,024,966,896	15.61%	\$ 695,782,564	\$ 329,184,332
Corporate bonds	646,770,081	9.85%	626,120,161	20,649,920
Government mortgage bonds	208,316,751	3.17%	164,313,041	44,003,710
Convertible bonds	16,016	0.00%	-	16,016
Total Fixed Income	1,880,069,744	28.64%	1,486,215,766	393,853,978
Equities:				
Common stock:				
Basic industries	326,965,006	4.98%	204,380,462	122,584,544
Capital goods industries	336,856,170	5.13%	171,752,457	165,103,713
Consumer & services	1,241,419,233	18.91%	995,948,571	245,470,662
Energy	241,094,499	3.67%	189,381,884	51,712,615
Financial services	768,360,611	11.70%	596,605,735	171,754,876
Technology	482,438,266	7.35%	391,821,900	90,616,366
Utilities	240,199,038	3.66%	206,020,533	34,178,505
Misc.(Common Fund)	241,080,811	3.67%	199,191,167	41,889,644
Total common stock	3,878,413,634	59.07%	2,955,102,709	923,310,925
Preferred stock	30,870,410	0.47%	-	30,870,410
Convertible preferred stock	5,597	0.00%	-	5,597
Rights/warrants	180,329	0.00%	649	179,680
Total equities	3,909,469,970	59.55%	2,955,103,358	954,366,612
Real Estate:	147,300,694	2.24%	147,300,694	
Alternative Investments:				
Acquisitions	26,102,433	0.40%	26,102,433	
Venture Capital	9,669,372	0.15%	9,669,372	
Subordinated debt	19,364,274	0.29%	19,364,274	
International acquisitions	9,335,840	0.14%	9,335,840	
Total alternative investments	64,471,919	0.98%	64,471,919	-
Short-Term Investments:				
Bank deposits	131,922,800	2.01%	69,521,926	62,400,874
Commercial paper	419,015,846	6.38%	419,015,846	
Short term bills and notes	7,622,931	0.12%	7,622,931	
Short term investment funds	111,475,344	1.70%	10,218,547	101,256,797
Total short-term investments	670,036,921	10.21%	506,379,250	163,657,671
Adjustments to Cash	(105,844,906)	-1.61%	(110,445,656)	4,600,750
Total Investment.	\$ 6,565,504,342	100.00%	\$ 5,049,025,331	1,516,479,010



CONSULTING SERVICES

INVESTMENT ADVISORS

Equity-Domestic	Real Estate	Alternative Investment
Alliance Capital San Francisco, CA	Aldrich, Eastman & Waltch Boston, MA	Apollo Investment Purchase, N.Y.
BZW Barclays Global Minneapolis, MN	DLJ Real Estate Capital Partners, L.P. Los Angeles, CA	CGW Southeast Partners, L.P. Atlanta, GA
Dimensional Fund Advisors Santa Monica, CA	Greystone Realty Corporation Greenwich, CT	CVC Capital Partners London, England
Fiduciary Trust International New York, N.Y.	K/B Opportunity Investors New York, N.Y.	Essex Woodlands Chicago, IL
JP Morgan Investment Mgmt. New York, N.Y.	Miller Global Partners Denver, CO	Goldier, Thoma, Cressey and Renner Chicago, IL
Loomis, Sayles & Co., Inc Pasadena, CA	La Salle Advisors Chicago, IL	Interwest Partners Menlo Park, CA
Oak Associates Akron, OH	The L&B Group Dallas, TX	Kelso New York, N.Y.
Paradigm Asset Mgmt., Co. New York, N.Y.	RREEF Funds San Francisco, CA	KKR 1996 Fund, L.P. New York, N.Y.
Rhumblin Advisors Boston, MA	TA Associates Realty Boston, MA	Menlo Ventures VII L.P. Menlo Park, CA
Thomson, Horstman & Bryant, Inc. Saddle Brook, N.J.	TCW Realty Advisors Los Angeles, CA	Oaktree Capital Management Los Angeles, CA
Valenzuela capital Mgmt., Inc New York, N.Y.		Thoma Cressey Chicago, IL
		Thomas Lee Boston, MA
		Welsh Carson & Stowe New York, N.Y.
Equity-International	Fixed Income-Domestic	Global Fixed Income
Capital Guardian Trust Los Angeles, CA	Lincoln Capital Mgmt, Co. Chicago, IL	Morgan Grenfell Investment New York, N.Y.
Daiwa International Capital New York, N.Y.	Loomis Sayles & Co., Inc. San Francisco, CA	
Schroeder Capital Mgmt. New York, N.Y.	CB Richard Ellis Investors Los Angeles, CA	
State Street Global Boston, MA		
Templeton International Fort Lauderdale, FL		
Investment Consultants	Custodian	
Asset Strategy Consulting Los Angeles, CA	The Northern Trust Company Chicago, IL	
The Townsend Group Cleveland, OH		
Pathway Capital Mgmt. Irvine, CA		
		Cash & Short-Term Managed In-House

**ACTUARIAL
SECTION**



LACERS





Watson Wyatt & Company

Suite 700
15303 Ventura Boulevard
Sherman Oaks, CA 91403-3197
Telephone 818 906 2631
Fax 818 906 2097

October 28, 1998

Board of Administration
City Employees' Retirement System
360 East Second Street, 8th Floor
Los Angeles, California 90012

Members of the Board:

We are pleased to present this actuarial valuation report as of June 30, 1998 for the City Employees' Retirement System.

This report is divided into three parts:

- A. Valuation Summary: This section contains an overview of significant valuation results.
- B. Valuation Detail: This section contains more detailed results of the valuation. Section I contains details of the retirement valuation. Section II contains details of the health subsidy valuation.
- C. Exhibits: This section contains information on plan demographics, plan provisions, and actuarial assumptions used in the valuation.

We appreciate the opportunity to serve the City of Los Angeles and the Board of Administration as actuary for the City Employees' Retirement System.

Sincerely,

A handwritten signature in cursive script that reads 'Sharon A. Bronzwaer'.

Sharon A. Bronzwaer, FSA
Consulting Actuary

A handwritten signature in cursive script that reads 'Thomas R. Supple'.

Thomas R. Supple, ASA
Consultant

SAP: TRS:MC
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**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

Actuarial Valuation As Of June 30, 1998

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CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation As Of June 30, 1998

Introduction

Officers and employees of the City of Los Angeles and their beneficiaries are entitled to retirement benefits (including disability and survivors' benefits) and health subsidy benefits under Article XXXIV of the Charter of the City of Los Angeles and by related ordinances. This retirement system is known as the City Employees' Retirement System.

This report contains the results of the June 30, 1998 valuation of both the retirement and health subsidy benefits of the Retirement System. It contains our calculations of the annual budget of the System, as provided in Section 506 of the Charter. It also contains disclosure information required by the Government Accounting Standards Board (GASB).

Plan provisions are summarized in Exhibits IV and V.

The valuation results were based on the assumptions as outlined in Exhibits VI through IX. Of note are the following economic assumptions:

- 8.0% annual interest
- 4.0% annual total payroll increases
- Annual individual salary increases, which vary by age, averaging 5.5% to 6% per year over a full 30-year career
- 3.0% annual increases in the Consumer Price Index

We recently completed a study of plan experience for the period July 1, 1995 through June 30, 1998. We recommended and the Board adopted changes to the following assumptions for this valuation:

- Ordinary withdrawal
- Service retirement
- Medical trend rates for health subsidy benefits

All other actuarial assumptions and methods remain unchanged since the last valuation. We believe the assumptions and methods used are appropriate for the valuation of the liabilities of the Retirement System at June 30, 1998.

These results also reflect a reallocation of System assets between pension and health subsidy accounts. In prior years, the allocation was based on the book value reserve accounted for internally by System staff. There is no actual segregation of assets in the trust – all assets are available to pay both health subsidy and pension benefits. The reserves were set up merely to keep track of the funding progress of each benefit, since pre-funding of the health subsidy benefits began much later than for pension benefits. Effective with this valuation, these reserves were reallocated based on the relative liabilities of the pension and health subsidy benefits to better reflect the funded status of the System as a whole. This reallocation had no effect on the total recommended contribution for the fiscal year 1999 – 2000.

This Valuation Summary contains an overview of our valuation results. More information on these results can be found in the Valuation Detail and Exhibit sections of this report.

A schedule containing all of the significant results of our valuation can be found on the next page.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Valuation Results			
	June 30, 1998	June 30, 1997	Percent Change
I. Total Membership			
A. Active Members	22,091	22,219	-0.6%
B. Pensioners	12,591	12,698	-0.8%
II. Salaries at June 30			
A. Total Annual Payroll	\$1,011,857,180	\$990,616,145	2.1%
B. Average Monthly Salary	3,817	3,715	2.7%
III. Benefits to Current Pensioners and Beneficiaries			
A. Total Annual Benefits	\$259,378,957	\$240,692,161	7.8%
B. Average Monthly Benefit Amount	1,717	1,580	8.7%
IV. Total System Assets (Actuarial Value)	\$5,938,215,895	\$5,326,700,106	11.5%
V. Unfunded Actuarial Accrued Liability			
A. Retirement Benefits	(\$50,005,186)	\$83,827,800	-159.7%
B. Health Subsidy Benefits	(\$5,196,640)	\$73,889,152	-107.0%
VI. Budget Items			
A. Retirement Benefits	FY 1999 - 2000	FY 1998 - 1999	
1. Normal Cost as a Percent of Pay	7.54%	5.81%	29.8%
2. Amortization of Unfunded Actuarial Accrued Liability	(1.11%)	0.76%	-246.1%
3. Total Retirement Contribution	6.43%	6.57%	-2.1%
B. Health Subsidy Contribution, as a Percent of Pay	1.27%	1.85%	-31.4%
C. Total Contribution (A+B)	7.70%	8.42%	-8.6%
VII. Funded Ratio			
(Based on Actuarial Value of Assets)			
A. Retirement Benefits	100.9%	98.3%	2.6%
B. Health Subsidy Benefits	100.9%	87.2%	15.7%
C. Total	100.9%	97.1%	3.9%
(Based on Market Value of Assets)			
D. Retirement Benefits	112.2%	112.0%	0.2%
E. Health Subsidy Benefits	112.2%	99.4%	12.9%
F. Total	112.2%	110.7%	1.4%

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Budget Requirements

The Charter of the City of Los Angeles requires that budget amounts for the City Employees' Retirement System be determined annually. In determining these amounts, the System currently uses the Projected Unit Credit Cost Method. The required annual contribution is made up of two parts:

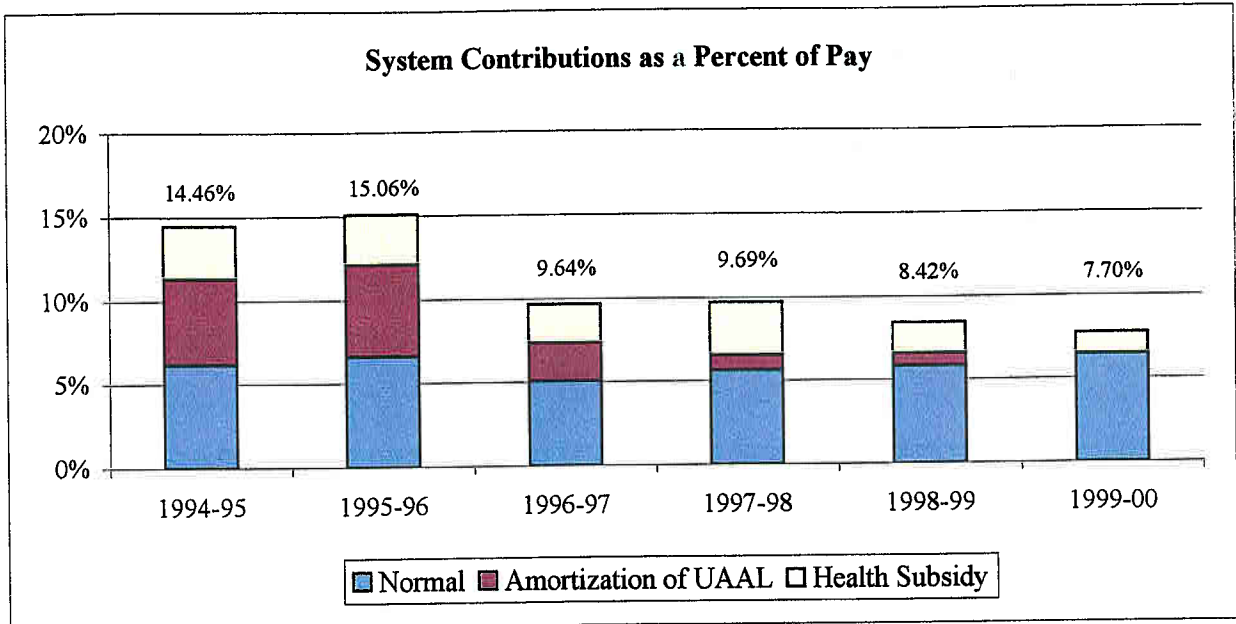
- The Normal Cost, or the cost of the portion of the benefit that is earned each year.
- Funding of Unfunded Actuarial Accrued Liability (UAAL): The UAAL represents liabilities accrued to date, that have not been funded by prior years' normal costs. Most of the UAAL is funded as a level percent of payroll until the year 2012. Increases in the UAAL due to assumption changes are amortized over 30 years and gains and losses are amortized over 15 years, both as a level percent of pay. Plan amendments are amortized over 30 years as a level percent of pay, unless the characteristics of the amendment dictate a shorter amortization period.

Below, we present a summary of budget requirements for the City Employees' Retirement System. In total, the recommended contribution decreased by 0.72% of payroll from last year.

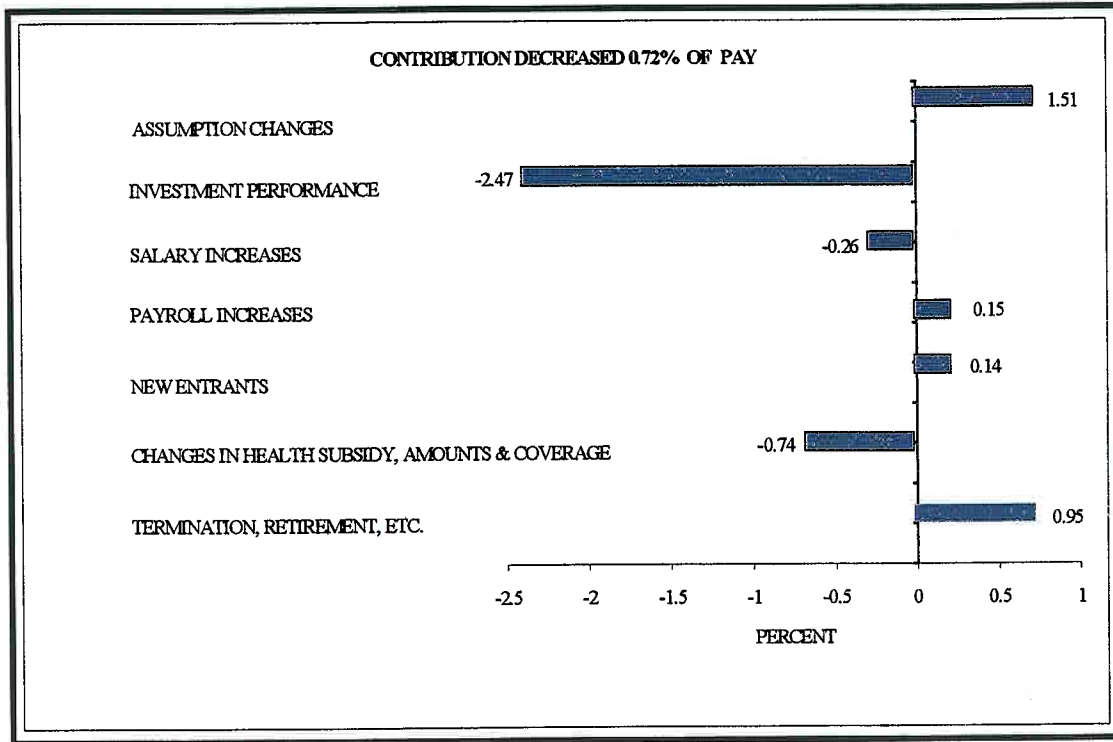
Recommended City Contributions For Fiscal Year 1999 – 2000	
	Percentage of Salary
Contribution for Retirement, Disability, and Death Benefits	6.43%
Contribution for Health Subsidy Benefits	1.27%
Total Contribution	7.70%

A more detailed explanation of these results can be found in the Valuation Detail section of this report.

The following graph illustrates the contribution levels of the past few years for both the retirement benefits and the health subsidy benefits.



The graph below illustrates the effect of changes in plan provisions, changes in valuation method and assumption, and gains and losses over the past year on the recommended System contribution.



CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

System Assets

The following asset information regarding cash flow and market values were provided to us by the Retirement Office. We have not audited or verified these figures.

	June 30, 1998	June 30, 1997	Percent Change
Total System Assets			
Market Value	\$6,600,702,384	\$6,069,797,808	8.7%
Actuarial Value	5,938,215,895	5,326,700,106	11.5%

Rate of Return	
July 1, 1997 - June 30, 1998	
The rate of return on total plan assets was as follows:	
Market Value	10.53%
Actuarial Value	13.54%
The rate of return was based on the following cash flow information:	
Contributions	
City	\$117,208,578
Members	58,313,955
Pensions Paid	
Retirement Allowances	247,875,866
Family Death Benefits	1,499,177
Health Benefits	21,388,457
Refunds of Member Contributions	7,490,261
Administration Expenses	5,760,198
Investment Earnings	\$639,396,001

The 13.54% rate of return on the actuarial value is greater than the 8.0% rate assumed for the prior year, which resulted in an actuarial gain. The budgeted contribution for the System would have been greater if not for this gain.

More detail on System assets can be found in the Exhibits section of this report.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Derivation of Actuarial Value of Assets

	Year Ending			
	June 30, 1998	June 30, 1997	June 30, 1996	June 30, 1995
1. Beginning of Year Market Value	\$6,069,797,808	\$5,192,038,000	\$4,458,509,000	\$3,996,980,000
2. Contributions	175,522,533	166,537,208	196,548,903	188,132,339
3. Benefit Payments	278,253,761	257,427,552	241,947,677	229,596,515
4. Expected Return Based on 8% Assumption	481,474,576	411,727,426	354,864,769	318,099,833
5. Expected End of Year Market Value (1)+(2)-(3)+(4)	6,448,541,156	5,512,875,083	4,767,974,995	4,273,615,657
6. Actual End of Year Market Value	6,600,702,383	6,069,797,808	5,192,038,000	4,458,509,000
7. Gain/(Loss)	152,161,227	556,922,725	424,063,005	184,893,343

1. Market Value at June 30, 1998	\$6,600,702,383
1998(Gain)/Loss x 80%	(121,728,982)
1997(Gain)/Loss x 60%	(334,153,635)
1996(Gain)/Loss x 40%	(169,625,202)
1995(Gain)/Loss x 20%	(36,978,669)
2. Actuarial Value at June 30, 1998	5,938,215,895
3. 80% of Market Value at June 30, 1998	5,280,561,906
4. 120% of Market Value at June 30, 1998	7,920,842,860
5. Actuarial Value at June 30, 1998 (2), but no less than (3) and no more than (4)	\$5,938,215,895

The actuarial value of assets is a market-related value, where gains and losses are recognized over a five-year period. Gains and losses represent the difference between actual and expected market values. Expected market values are based on the actuarial return assumption of 8%.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of System Funding

As of June 30, 1998, the System had assets at actuarial value equal to 100.9% of the present value of retirement and health subsidy benefits accrued to that date. When compared to the present value of all benefits expected to be paid by the System (including benefits expected to be earned in the future), assets equal 77.1% of liabilities. This remaining unfunded liability is to be funded by future City and Member contributions to the System.

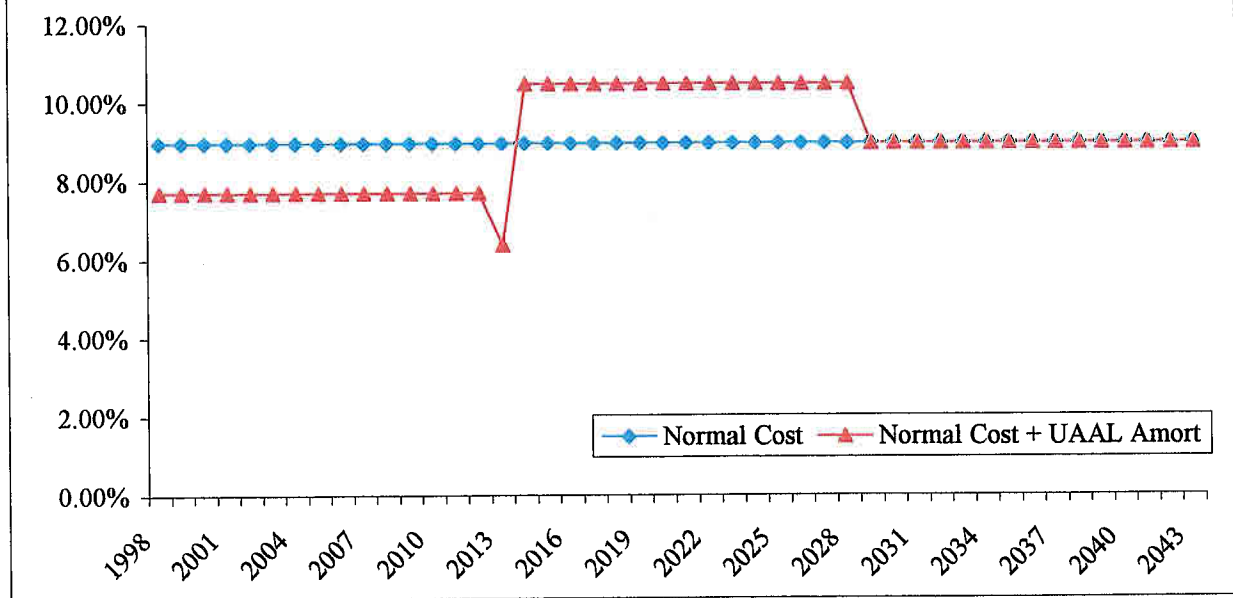
The City contributions are made up of two parts:

- **Normal Cost Contributions:** These contributions are determined as the cost of the System benefits accruing each year. If all assumptions are realized and there are no gains or losses, this amount will remain unchanged as a percent of pay unless the average age of the population increases. In this case, contributions as a percent of pay will increase. The contributions will also increase as a dollar amount as total covered payroll increases.
- **Funding of Unfunded Actuarial Accrued Liability (UAAL):** The UAAL represents liabilities accrued to date, that have not been funded by prior years' normal costs. Most of the UAAL is funded as a level percent of payroll until the year 2012. Increases in the UAAL due to assumption changes are amortized over 30 years and gains and losses are amortized over 15 years, both as a level percent of pay. Plan amendments are amortized over 30 years as a level percent of pay, unless the characteristics of the amendment dictate a shorter amortization period. If in the future all assumptions are realized and if there are no future gains or losses, the current contribution percentage will not change until the pieces that make up the UAAL are fully amortized. However, it will increase as a dollar amount as the total covered payroll increases.

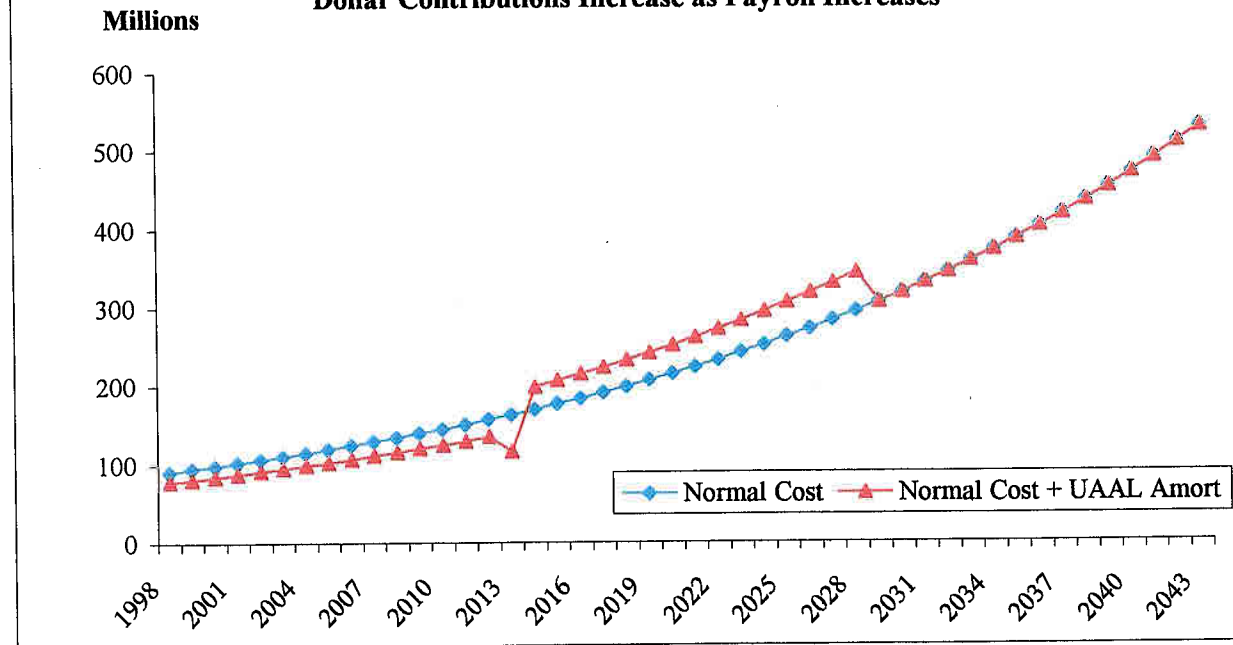
The total contribution will be the sum of the Normal Cost and UAAL contributions.

The following graphs are an illustration of expected future contribution levels. These contribution levels are based on the current Charter provisions and assume no future gains or losses. They are also based on our assumption of 4.0% annual increase in total System payroll, and a population with the same average age and service characteristics as the current population. If actual experience differs from these assumptions, the contribution levels will change.

Contributions are Initially Level as a Percent of Pay



Dollar Contributions Increase as Payroll Increases



**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

**Valuation Detail
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CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

System Membership

Computer tapes containing data on System membership as of June 30, 1998 were supplied to us by the Retirement Office. On the following schedule we present a summary of System membership at June 30, 1998 and June 30, 1997. Pension amounts shown are those in effect on June 30, 1998, and do not include the cost-of-living adjustments that were effective on July 1, 1998. However, all July 1 increases were reflected in our valuation calculations.

It was necessary to make assumptions for less than 0.1% of the data records where the information given to us was unreasonable or incomplete. These assumptions did not materially affect the results of our valuation.

The number of total active Members decreased by 0.6% since the last valuation. The total number of retired Members and their beneficiaries decreased by 0.8%, while the average retirement benefit amount increased by 8.7%.

More detail on System membership, including breakdowns by age and service categories, can be found in Exhibits XI, XII, and XIII of this report.

System Membership			
	June 30, 1998	June 30, 1997	Percent Change
I. Active Members			
a. Number	22,091	22,219	-0.6%
b. Average Age	44.5	44.2	0.7%
c. Average Years of Service	13.2	12.9	2.3%
d. Salary			
i) Total Annual Salary	\$1,011,857,180	\$990,616,145	2.1%
ii) Average Monthly Salary	\$3,817	\$3,715	2.7%
II. Pensioners and Beneficiaries			
a. Number	12,591	12,698	-0.8%
b. Average Age	71.5	71.5	0.0%
c. Allowance			
i) Total Annual Allowance	\$259,378,957	\$240,692,161	7.8%
ii) Average Monthly Amount	\$1,717	\$1,580	8.7%

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Applicable Assets At June 30, 1998

Assets available to pay pension benefits are determined by deducting certain reserves from the total actuarial value of assets amount.

	Market Value	Actuarial Value
1. Total Value of Assets at June 30, 1998	\$6,600,702,384	\$5,938,215,895
2. Less Reserves and Liabilities Established for:		
a. Family Death Benefit Insurance	\$19,978,400	\$17,973,247
b. Retiree Health Subsidy	619,495,729	557,319,384
c. Total	639,474,129	575,292,631
3. Net Assets Available for Retirement Benefits at June 30, 1998 (Item 1 less Item 2)	\$5,961,228,255	\$5,362,923,264

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Actuarial Balance Sheet

The purpose of the Actuarial Balance Sheet is to compare System assets with System liabilities in order to define the portion of the liabilities which need to be funded by the City in the future. The Balance Sheet information in the next two pages represents assets and liabilities for retirement benefits only.

System liabilities equal the present value of all future benefits expected to be paid to current and future retirees and beneficiaries of the System. For the purpose of the Actuarial Balance Sheet, system assets are equal to the sum of:

- the assets currently available to pay benefits,
- the present value of future contributions expected to be made by current System Members, and
- the present value of future contributions expected to be made by the City.

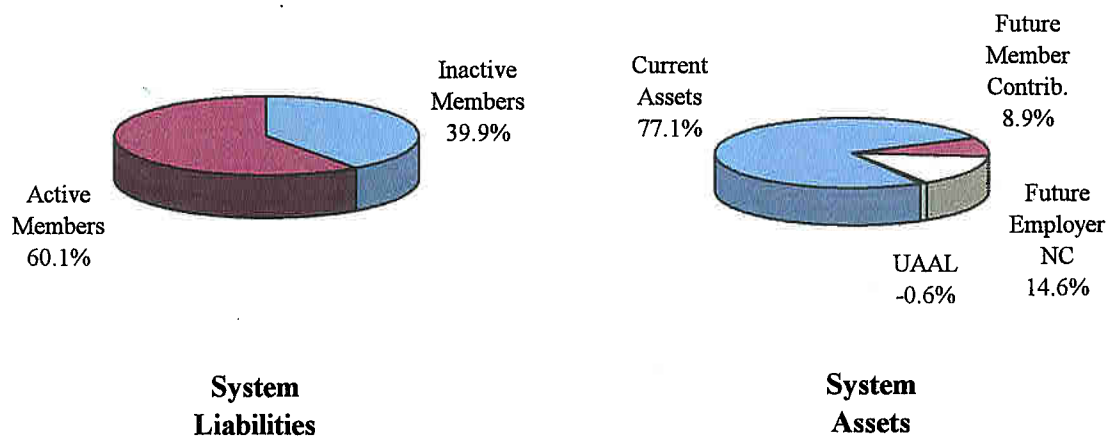
The last item, the present value of future City contributions, is made up of two parts:

1. **The Present Value of Future City Normal Costs:** Using the Projected Unit Credit Cost Method, the City budgets a certain percentage of payroll to fund benefits for System Members. The Normal Cost is the cost of benefits earned in each year. Normal Cost is funded from a Member's date of employment to the average expected retirement date. An adjustment is made for the deductions which will be made from the salaries of System Members. For the 1999-2000 fiscal year, the Normal Cost percentage is 7.54% of pay. The present value of these future City Normal Cost contributions represents one piece of the value of future City contributions.
2. **The Unfunded Actuarial Accrued Liability:** The portion of the present value of future City contributions which will not be funded by the future Normal Cost contributions is the Unfunded Actuarial Accrued Liability (UAAL). The UAAL arises from prior contributions that were different than the current Normal Cost percentage. This usually results from benefit or assumption changes and the net effect of prior gains and losses. If the City had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the Normal Cost would be sufficient to fund all benefits and there would be no UAAL. This liability is funded based on the provisions of the City Charter.

The Actuarial Balance Sheet can be found on the following pages.

The following chart illustrates the breakdown of Balance Sheet assets and liabilities of the retirement benefits of the System. It shows that about 40% of the System's liabilities are for terminated and retired Members and their beneficiaries, and 60% for active Members. About 77% of System assets consist of currently available assets, and 23% consist of future contributions from the City and the Members.

Actuarial Balance Sheet for Retirement Benefits As Of June 30, 1998



**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

VALUATION OF RETIREMENT BENEFITS

Actuarial Balance Sheet As Of June 30, 1998

Assets		
1.	Applicable Assets	\$5,362,923,264
2.	Present Value of Future Member Contributions	621,117,718
3.	Present Value of Future Contributions by the City For:	
	a. Normal Cost	\$1,018,009,219
	b. Amortization of Certain Liabilities	(50,005,186)
	c. Total	968,004,033
4.	Total Assets	\$6,952,045,015
Liabilities		
5.	Present Value of Benefits Already Granted (Inactive Members)	\$2,772,712,129
6.	Present Value of Benefits to be Granted (Active Members)	4,179,332,886
7.	Total Liabilities	\$6,952,045,015

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Budget And Recommended Contributions

Section 506 of the City Charter requires that an annual budget be prepared which sets forth the estimated cost of maintaining the retirement fund on a reserve basis.

The Charter defines the annual budget amount to be the sum of the Normal Cost plus an amount to amortize the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and Actuarial Accrued Liability are currently calculated using the Projected Unit Credit Cost Method.

The Normal Cost is the cost of the System benefits earned each year. The Normal Cost consists of two parts: the first part, which is funded by Member contributions, is a specified percentage of the Member's pay; the second part, which is funded by the City, is the balance after deducting the Member paid portion from the total Normal Cost percentage.

The amortization of the UAAL is the payment stream required to fund the excess of System liabilities over the sum of the System assets, future Member contributions, and future City Normal Cost contributions. (See section on the Actuarial Balance Sheet.) The method of amortization is defined in the Charter.

The recommended retirement contribution decreased primarily due to asset gains. The full impact of the asset gains was partially offset by liability increases due to changes in assumptions adopted with this valuation.

In our opinion, if the recommended contributions included in this report are adopted, the System will be maintained in compliance with the Charter of the City of Los Angeles and in accordance with the methods and assumptions underlying the calculations.

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
VALUATION OF RETIREMENT BENEFITS**

Recommended City Contributions For Fiscal Year 1999 - 2000	
	Percentage of Salary
For Retirement Benefits	
Normal Cost	7.54%
Unfunded Actuarial Accrued Liability	(1.11%)
Total Contributions for Retirement Benefits	6.43%

CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
VALUATION OF RETIREMENT BENEFITS

Detail of Amortization of Unfunded Actuarial Accrued Liability

Item	Remaining Years	Balance to be Amortized 6/30/98	Amortization Amount	Percentage of Salary
1. Combined Bases at 6/30/97	14	82,768,219	7,756,208	0.77%
2. (Gain)/Loss at 6/30/98	15	(356,764,069)	(31,743,527)	(3.14%)
3. Change in Assumptions at 6/30/98	30	223,990,664	12,712,531	1.26%
Total		(50,005,186)	(11,274,788)	(1.11%)

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Funded Status and GASB Disclosure

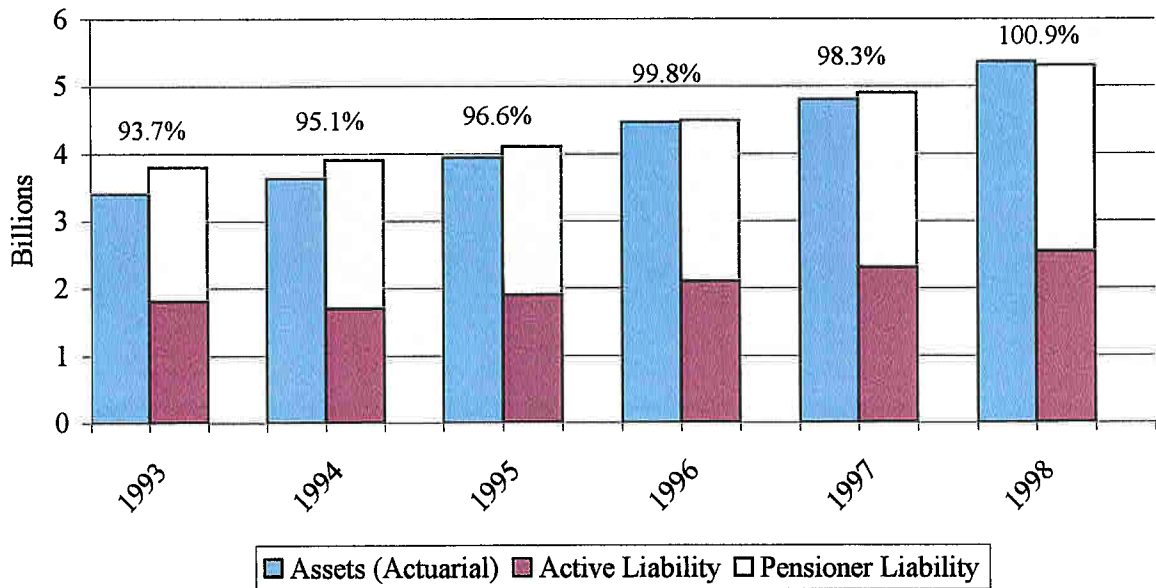
In November 1994, the Governmental Accounting Standards Board (GASB) adopted Statement No. 25, changing the way in which governmental retirement systems must report financial information. This replaced the requirements of GASB No. 5. The statement became effective for plan years beginning after June 15, 1997. This statement applies only to retirement benefits paid by the System.

This report includes two new tables showing information required to be reported under GASB No. 25. The first table shows a six-year history of funding progress (a comparison of Actuarial Assets with the Actuarial Accrued Liability, and a comparison of UAAL with compensation). This table shows significant funding progress over the last six years.

The second table shows the Annual Required Contribution (ARC) as computed under GASB No. 25, and it shows what percent of this amount was actually received. The current method used for determining CERS contributions satisfies the GASB requirements. As long as actual contributions are made in accordance with the actuarially recommended rates, the "Percentage Contributed" shown on this table will always be 100%. Otherwise, additional financial disclosures will be necessary.

The graph on the next page compares assets to liabilities for retirement benefits for the last six years. Actuarial assets exceed liabilities for pensioners, and are 100.9% of total retirement liabilities at June 30, 1998. Based on the market value of assets, the funded ratio for retirement benefits is 112.2%.

Funded Status of Retirement Benefits



**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

VALUATION OF RETIREMENT BENEFITS

**GASB No. 25 Disclosure
Schedule of Funding Progress
Retirement Benefits**

Valuation Date (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (3)	Unfunded Actuarial Accrued Liability (UAAL) (4) = (3)-(2)	Funded Ratio (5) = (2)/(3)	Annual Covered Payroll (6)	UAAL as % of Payroll (7) = (4)/(6)
June 30, 1993	3,406,232,239	3,634,196,193	227,963,954	93.7%	898,116,886	25.4%
June 30, 1994	3,629,723,739	3,817,841,255	188,117,516	95.1%	884,950,676	21.3%
June 30, 1995	3,940,057,106	4,080,765,873	140,708,767	96.6%	911,292,385	15.4%
June 30, 1996	4,468,433,499	4,476,024,351	7,590,852	99.8%	957,422,907	0.8%
June 30, 1997	4,802,508,841	4,886,336,641	83,827,800	98.3%	990,616,145	8.5%
June 30, 1998	5,362,923,264	5,312,918,078	(50,005,186)	100.9%	1,011,857,180	(4.94%)

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

VALUATION OF RETIREMENT BENEFITS

**GASB No. 25 Disclosure
Schedule of Employer Contributions
Retirement Benefits**

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
(1)	(2)	(3)
1992	\$138,626,866	100%
1993	138,258,965	100%
1994	143,548,618	100%
1995	115,129,588	100%
1996	120,660,148	100%
1997	88,799,922	100%
1998	64,459,744	100%

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF RETIREMENT BENEFITS

Member Contributions

Members contribute to the Retirement System based on schedules contained in the City Administrative Code. For Members commencing participation before February 1, 1983, different contribution rate schedules apply to different groups because of various collective bargaining agreements. For purposes of this valuation, we have assumed that the contribution rates for these Members correspond to those effective on July 1, 1981. These contribution rates can be found in Exhibit X.

If certain Members from this group contribute at a lower rate through a collective bargaining agreement, the City should contribute 88% of the amount that would have been contributed by Members without the bargaining agreements. This percentage reflects the fact that certain participants will terminate when only eligible for a return of their contributions. The City does not need to contribute the amounts that are expected to be refunded after the Members' termination.

In the prior valuation report, it was recommended that 85% of the defrayed amount be contributed. This percentage generally increases with the aging of the group affected by the defrayal, and as the probability that these Members will terminate and get a refund of contributions decreases.

For Members commencing participation after February 1, 1983, the contribution rate is 6%.

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

VALUATION OF RETIREMENT BENEFITS

Family Death Benefit Insurance Plan

Section 511.1 of the City Charter establishes the Family Death Benefit Insurance Plan. This Plan provides protection for the families of Members who die before becoming eligible for service retirement. The benefits provided by the Plan are similar to those provided to survivors under Social Security. Members are eligible for dependent benefits after 18 months of participation in the Family Death Benefit Plan. They are eligible for surviving spouse benefits after ten years of participation in the Plan.

These benefits were updated in 1997 to reflect recent increases in Social Security levels.

Currently, the City and Members share the cost of the Plan. Each contributes \$2.90 per month. This contribution rate is reviewed every two years to determine if the level of contributions is appropriate. We recommend that Members and the City each continue to contribute \$2.90 per month until the next scheduled review, June 30, 1999.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Introduction

Division 4, Chapter 11 of the Administrative Code provides that a health insurance subsidy be paid to retired Members of the City Employees' Retirement System. This subsidy is a monthly payment which retirees apply to the cost of health insurance. Retirees can select among a variety of plans sponsored by the City. In general, Members are eligible for subsidy at retirement after age 55 with 10 years of service, or retirement at age 70 (if it was compulsory). Exhibit V summarizes the provisions of the Health Insurance Premium Subsidy.

The System is building a reserve through the advance funding of the health insurance subsidy for current retirees and for active Members with sufficient service to receive a health subsidy (ten years). The actuarial value of the reserve available at June 30, 1998 is \$557,319,384.

This section of the report contains the results of the June 30, 1998 valuation of the retiree health insurance premium subsidy. In determining the budget amounts for the fiscal year 1999-2000, we have used the same funding method and methods of amortization used in the funding of the retirement benefits. We have also used the same economic and demographic assumptions as those used in the retirement valuation. In addition, special health cost trend assumptions were used. Some of these rates have been changed, effective with our study of System experience as of June 30, 1998. A summary of the economic assumptions follows:

- 8.0% annual interest
- graded medical cost rates of 8.25% in 1998-1999, decreasing gradually to 6.0% in 2008 and beyond for benefits paid before age 65, and benefits paid to Members without Medicare.
- graded medical cost rates of 8.00%, increasing to 10.00% for five years and then decreasing gradually to 6.00% in 2013 and beyond for benefits paid after age 65 from System HMO plans and for Medicare Part B premiums (new for this valuation)
- graded medical cost rates of 9.00%, decreasing gradually to 6.00% in 2009 and beyond for benefits paid after age 65 for Members who join the medical indemnity plan (new for this valuation).
- graded dental rates of 8.25% in 1998-1999 decreasing to 6.0% in 2007 and beyond.

We believe these are appropriate for use in the valuation of health subsidy liabilities of the City Employees' Retirement System at June 30, 1998. These assumptions are described in more detail in Exhibit VII.

CITY OF LOS ANGELES

CITY EMPLOYEES' RETIREMENT SYSTEM

VALUATION OF HEALTH SUBSIDY BENEFITS

Actuarial Balance Sheet

The purpose of the Actuarial Balance Sheet is to compare System assets with System liabilities in order to define the portion of the liabilities, which need to be funded by the City in the future. The Balance Sheet information in the next two pages represents assets and liabilities for health subsidy benefits only.

System liabilities equal the present value of all future health subsidy benefits expected to be paid to current and future retirees and beneficiaries of the System.

For the purpose of the Actuarial Balance Sheet for health subsidy benefits, System assets are equal to the sum of:

- the assets currently available to pay benefits,
- the present value of future contributions expected to be made by the City.

No Member contributions are required for health subsidy benefits.

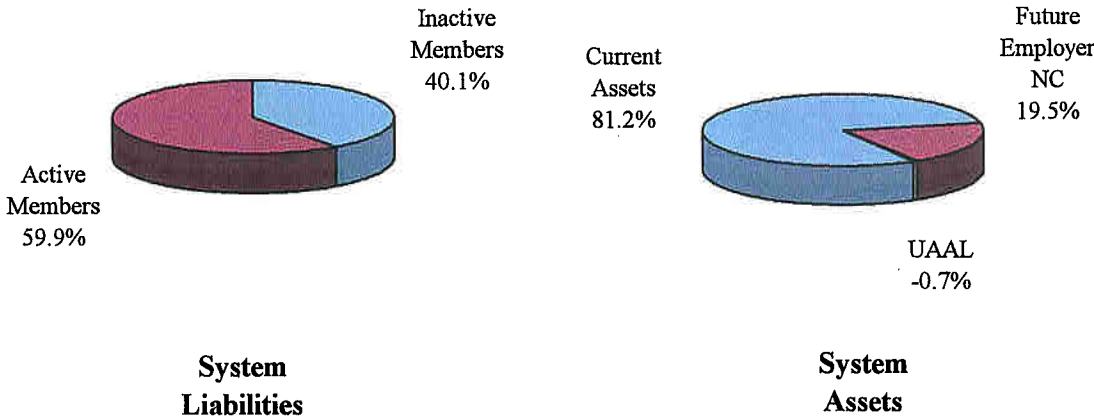
The last item, the present value of future City contributions, is made up of two parts:

1. **The Present Value of Future City Normal Costs:** Using the Projected Unit Credit Cost Method, the City budgets a certain percentage of payroll to fund benefits for System Members. The Normal Cost is the cost of benefits earned in each year. Normal Cost is funded from a Member's date of employment to the average expected retirement date. For the 1998-1999 fiscal year, the Normal Cost percentage for health subsidy benefits is 1.43% of pay. The present value of these future City Normal Cost contributions represents one piece of the value of future City contributions.
2. **The Unfunded Actuarial Accrued Liability:** The portion of the present value of future City contributions which will not be funded by the future Normal Cost contributions is the Unfunded Actuarial Accrued Liability (UAAL). The UAAL arises from prior contributions that were different than the current Normal Cost percentage. This usually results from benefit or assumption changes and the net effect of prior gains and losses. If the City had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the Normal Cost would be sufficient to fund all health subsidy benefits and there would be no UAAL. This liability is funded based on the provisions of the City Charter.

The Actuarial Balance Sheet can be found on the following pages.

The following chart illustrates the breakdown of Balance Sheet assets and liabilities for health subsidy benefits. It shows that about 40% of the System's liabilities are for retired Members and their beneficiaries, and 60% for active Members. About 81% of System assets consist of currently available assets, and 19% consist of future contributions from the City.

Actuarial Balance Sheet for Health Subsidy Benefits As Of June 30, 1998



**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
VALUATION OF HEALTH SUBSIDY BENEFITS**

Actuarial Balance Sheet As Of June 30, 1998

Assets		
1.	Applicable Assets	\$557,319,384
2.	Present Value of Future Member Contributions	0
3.	Present Value of Future Contributions by the City For:	
	a. Normal Cost	\$134,088,216
	b. Amortization of Certain Liabilities	(5,196,640)
	c. Total	\$128,891,576
4.	Total Assets	\$686,210,960
Liabilities		
5.	Present Value of Benefits Already Granted (Inactive Members)	\$275,179,120
6.	Present Value of Benefits to be Granted (Active Members With Ten or More Years of Service)	411,031,840
7.	Total Liabilities	\$686,210,960

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
VALUATION OF HEALTH SUBSIDY BENEFITS**

**Recommended City Contribution
For Fiscal Year 1999-2000**

Under Division 4, Chapter 11 of the Administration Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded entirely by the City Employees' Retirement System.

Based on the actuarial value for this reserve, we have calculated the required funding amount for the fiscal year beginning in 1999.

The contribution for health subsidy benefits decreased from 1.85% of payroll for 1998-1999 to 1.27% of payroll for 1999-2000. This was primarily due to asset and actuarial gains, partially offset by the impact of changes in assumed trend rates.

Recommended City Contributions For Fiscal Year 1999 – 2000	
	Percentage of Salary
For Health Subsidy Benefits	
Normal Cost	1.43%
Unfunded Actuarial Accrued Liability	(0.16%)
Total Contributions for Health Subsidy Benefits	1.27%

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
VALUATION OF HEALTH SUBSIDY BENEFITS**

Detail of Amortization of Unfunded Actuarial Accrued Liability

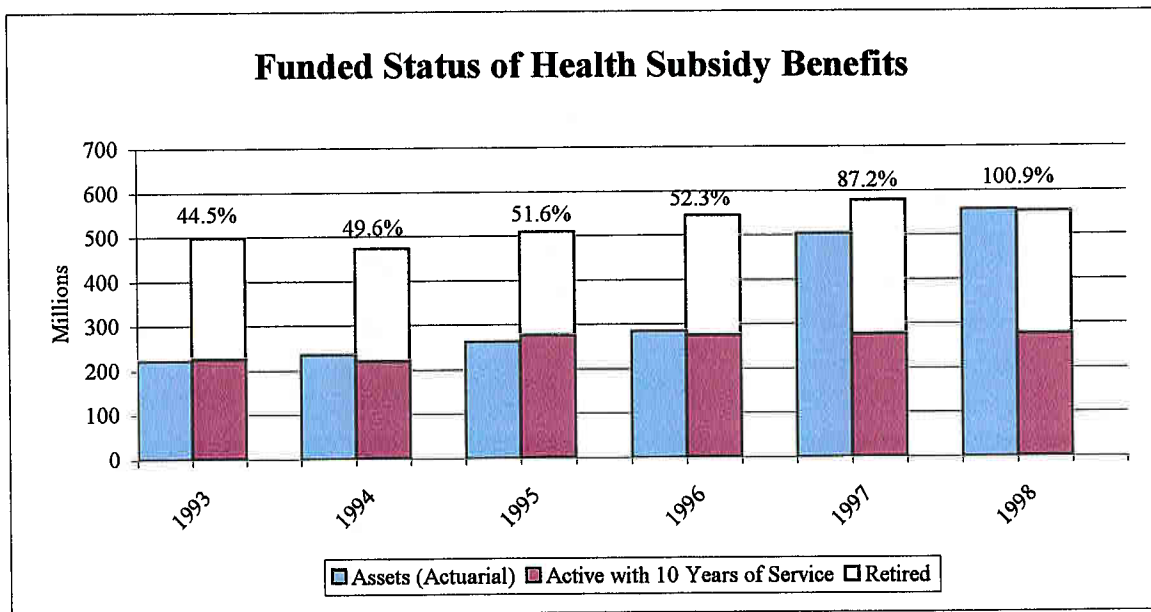
Item	Remaining Years	Balance to be Amortized 6/30/98	Amortization Amount	Percentage of Salary
1. Combined Bases at 6/30/97	14	\$59,775,204	\$5,601,533	0.55%
2. (Gain)/Loss at 6/30/98	15	(109,697,734)	(9,760,492)	(0.96%)
3. Change in Assumptions at 6/30/98	30	44,725,890	2,538,406	0.25%
Total		(\$5,196,640)	(\$1,620,553)	(0.16%)

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM VALUATION OF HEALTH SUBSIDY BENEFITS

Funded Status of Health Subsidy Benefits At June 30, 1998

This information is prepared using GASB guidelines. These figures do not include assets or liabilities of the retirement benefits of the System.

Present Value of Health Subsidy Benefits Accrued To June 30, 1998	
- Retired Members	\$275,179,120
- Active Members with Ten Years of Service	276,943,624
- Total	\$552,122,744
Value of Assets Available for Health Subsidy Benefits	
- Market	\$619,495,729
- Actuarial	\$557,319,384
Funded Ratio	
- Market	112.2%
- Actuarial	100.9%



CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM
VALUATION OF HEALTH SUBSIDY BENEFITS

Summary of Funding Process

The City is in the process of advance funding for the Health Insurance Premium Subsidy. A brief summary of this funding process is as follows.

The City began funding for these benefits when the health subsidy plan was first initiated, by commencing funding when a Member retired. However, this funding was limited below the actual cost, since the contributions were determined by recognizing only 3% annual increases in the subsidy due to medical trend.

Beginning in 1987, the assumption for annual increases in the health insurance subsidy benefits was increased to 8% per year. Also, the City began advance funding for active Members who are eligible to retire.

Following the June 30, 1989 Study of Plan Experience, in order to fully reflect the cost of benefits due to expected inflation, the 8% medical trend rate assumption was changed to a series of medical trend rates that graded down from 15% in 1991 to 7% in 2002 and thereafter. The City also began advance funding for active members with sufficient service to receive a health subsidy (10 years).

Effective with the June 30, 1992 Study of Plan Experience, the medical and dental trend rates were updated. Separate rates were used for pre- and post-age 65 benefits to reflect the differences in cost increases after Medicare eligibility. Effective with the June 30, 1993 valuation, the ultimate trend rate was reduced from 7% to 6% to better reflect our expectations of future medical inflation and utilization.

Effective with the June 30, 1995 Study of Plan Experience, the medical and dental trend rates were again updated due to favorable expectations of experience under the Plan. Further reduction in the rates were assumed effective June 30, 1997.

Effective with the June 30, 1998 Study of Plan Experience, the trend rates were updated to reflect how Medicare Reform will affect the System's future health subsidy costs. For details on these trend rates, refer to Exhibit VII.

In valuing the liabilities of the health subsidy, we projected future cash flows by applying medical trend rates to current subsidy amounts. The current average monthly claim rates we used as the starting point for our projections depend on the experience of the plan and plan provisions. These rates are summarized in Exhibit VIII. To determine the present value of future health insurance subsidy benefits, we discounted future cash flows to June 30, 1998 using a valuation rate of 8%.

For the purpose of determining contributions, we have used the Projected Unit Credit Funding Method. Our assumptions and methods are described further in Exhibit VII.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Exhibits Table of Contents

Exhibit I:	System Assets (Market Value)
Exhibit II:	Statement of Reserve and Fund Balance Accounts
Exhibit III:	Statement of Changes in Net Assets Available for Plan Benefits
Exhibit IV:	Summary of Retirement Benefits
Exhibit V:	Summary of Health Subsidy Benefits
Exhibit VI:	Summary of Actuarial Assumptions and Methods Used for Valuation of Retirement Benefits
Exhibit VII:	Summary of Actuarial Assumptions and Methods Used for Valuation of Health Subsidy Benefits
Exhibit VIII:	Average Monthly Claim Rates for Health Subsidy Benefits
Exhibit IX:	Rates of Separation from Active Service
Exhibit X:	Member Contributions
Exhibit XI:	Age/Service/Salary Distribution as of June 30, 1998 for Active Members
Exhibit XII:	Age/Benefit Distribution of Pensioners as of June 30, 1998
Exhibit XIII:	Age/Average Monthly Health Subsidy Distribution as of June 30, 1998

CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM

System Assets (Market Value)		
	June 30, 1998	June 30, 1997
Assets		
Cash	671,722,565	388,911,301
Receivable		
Accrued Interest and Dividend Income	34,076,915	35,696,000
Other Receivable	6,368,569	4,649,971
Proceeds from Investment	<u>29,618,980</u>	<u>101,336,827</u>
Total Receivable	70,064,464	141,682,798
Investments		
Temporary, at Market	0	0
Bonds, at Market	1,671,752,993	1,567,425,396
Common Stocks, at Market	3,909,469,970	3,732,720,214
Real Estate & Mortgages	355,617,445	253,912,588
Alternative Investment, at Market	<u>64,471,919</u>	<u>31,056,162</u>
Total Investments	6,001,312,327	5,585,114,360
Total Assets	6,743,099,356	6,115,708,459
Liabilities		
Accounts Payable and Accrued Expenses	(142,396,973)	(45,910,651)
Net Assets Available for Plan Benefits	6,600,702,383	6,069,797,808

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

Statement of Reserve and Fund Balances		
	June 30, 1998	June 30, 1997
Actuarial		
Member Contributions	\$733,679,752	\$683,048,132
Annuities	397,598,555	374,598,142
Pensions	4,829,949,948	4,202,582,132
Family Death Benefit Insurance	19,976,400	20,204,603
Health Benefits	619,495,729	789,364,799
Total Actuarial	\$6,600,700,384	\$6,069,797,808
Other		
Undistributed Earnings	0	0
Fund Balance	0	0
Total Other	0	0
Total Reserve and Fund Balance	\$6,600,700,384	\$6,069,797,808

CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM

Statement of Changes in Net Assets Available for Plan Benefits		
	Year Ended June 30, 1998	Year Ended June 30, 1997
Revenues		
City Contributions	\$117,208,578	\$113,262,396
Members' Contributions	58,313,955	53,274,812
Income from Investements	639,396,001	1,733,031,115
Total Revenues	\$814,918,534	\$1,899,568,323
Expenditures		
Pensions		
Retirement Allowances	\$247,875,866	\$226,902,682
Family Death Benefit Insurance	1,499,177	1,066,838
Health Benefits	<u>21,388,457</u>	<u>20,010,324</u>
Total	270,763,500	247,979,844
Refund of Members' Contributions	7,490,261	9,447,708
Administrative Expenses	5,760,198	4,856,394
Total Expenditures	\$284,013,959	\$262,283,946
Net Revenues	\$530,904,575	\$1,637,284,377
Net Assets Available for Plan Benefits, Beginning of the Year	\$6,069,797,808	\$4,432,513,431
Net Assets Available for Plan Benefits, End of the Year	\$6,600,702,383	\$6,069,797,808

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

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: 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 or domestic partner if employee had that coverage at time of retirement. Larger continuances are available with actuarial reduction.
 - E) Special Early Retirement Benefit: Unreduced pensions are available for employees age 50 with 30 years of service who retire prior to September 30, 1999.

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 or domestic partner if employee had this coverage at time of retirement. Larger continuances are available with actuarial reduction.

5. Deferred Service Retirement:

- A) Eligibility: Five years of service prior to termination of City service. Member must leave contributions on deposit.
- 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: Member 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, dependent parents or domestic partner, 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.

B) Eligible for Disability Retirement or Duty-Related Death:

Member receives (i) and (ii) where:

(i) = 100% of the benefit the Member would have received if he or she had been granted an Option 1 (Joint and 100%) actuarially reduced disability benefit on the day before death.

(ii) = Family Death Benefit Insurance Plan benefit, if a qualified Member.

Surviving spouse or domestic partner may elect A in lieu of B.

C) Eligible for Service Retirement

Surviving spouse or domestic partner 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 or domestic partner may elect A or B in lieu of C.

7. Post-retirement Death Benefits:

Beneficiary receives (i), (ii), and (iii), where:

(i) = 50% continuance to surviving eligible spouse or domestic partner, 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 at death of last beneficiary eligible for monthly allowance.

(iii) = \$2,500 death benefit allowance for burial expenses at death of retired member.

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.

9. Employee Contributions:

Pre-February 1983 participants:

Members are assumed to contribute per the schedule effective July 1, 1981. To the extent that Members contribute less than the full rates, the City should contribute 88% of the amounts otherwise paid by the Member.

Post-January 1983 participants:

Members contribute 6% of pay.

10. Family Death Benefit Insurance Plan:

A) Eligibility:

Employee may elect coverage after 18 months of City retirement service.

B) Benefits:

Benefits similar to those provided by Social Security Survivors' Insurance are payable if Member dies in active service after 18 months of Family Death Benefit Plan membership.

C) Cost:

It is recommended that the Member and City each contribute \$2.90 per month.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Health Subsidy Benefits

Eligibility: Members who retire with ten years of service. Subsidy begins at age 55. Medical benefits are available to an eligible spouse or domestic partner after the death of the eligible Member.

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, 1998, 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.

For eligible surviving spouse or domestic partners:

The same subsidy provided to the Member, except this benefit is reduced to half of the Member's subsidy through September 30, 1999.

Dental

4% per year of service to a maximum of \$28.24 for Connecticut General and \$10.44 for Safeguard.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Actuarial Assumptions and Methods Used for Valuation of Retirement Benefits

Interest Rate: 8.0% per year.

Salary Increases: Total System payroll is assumed to increase 4.0% per year.

Annual salary increases for individuals vary by age.

Age	Annual Salary Increase
Under 34	7%
35 - 44	6%
45 - 54	5%
55 and over	4%

Cost-of-Living: 3.0% per year.

Mortality:

A. For Pensioners on Service Retirement and Beneficiaries

1971 Group Annuity Mortality Table, with a one year setback for males and a five year setback for females

Sample Rates

Deaths per 1,000		
Age	Males	Females
45	2.6	1.6
50	4.7	2.9
55	7.8	5.3
60	11.9	8.5
65	19.2	13.1
70	32.4	21.3
75	51.2	36.1

B. For Pensioners on Disability Retirement:

1981 Disability Mortality Table

Sample Rates

Age	Deaths per 1,000
45	20.8
50	24.4
55	28.4
60	33.0
65	37.9
70	43.7
75	55.3

Rehire for Former Employees:

All former employees are assumed not to be rehired.

Dependents:

Where no other information is available, Members are assumed to have two children with a three-year difference in age. The eldest is assumed to reach age 21 when the participant reaches age 45.

Proportion of Members with Spouses
or Domestic Partners at Retirement:

76% of male employees and 56% of female employees are assumed to be married or to have a qualified domestic partner at retirement. Wives are assumed four years younger than husbands.

Funding Method:

For retirement benefits: The Projected Unit Credit Cost Method.

For the Family Death Benefit Insurance Plan: One year term cost funding method, with an adjustment for the funded status of the plan at each valuation date.

Asset Valuation Method:

The actuarial value of assets is determined by phasing in, over five years, the difference between the actual and expected realized and unrealized appreciation. The expected appreciation is based on the assumed 8.00% rate of return. The actuarial value of assets can be no less than 80% and no greater than 120% of the market value of assets.

Special Early Retirement Rate:

Employees eligible for an enhanced retirement benefit during the 1998-1999 window period are assumed to retire at the rate of 25% per year.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Summary of Actuarial Assumptions and Methods Used for Valuation of Health Subsidy Benefits

Methods: Future cash flows were projected by applying medical trend rate factors to current annual claim rates.

Discount on Projected Cash Flows: 8% per year.

Medical Trend Rates:

	Medical Trend			Dental Trend Pre and Post 65
	Pre-65	Post 65		
		HMO & Medicare Part B	Other	
1998-1999	8.25%	8.00%	9.00%	8.25%
1999-2000	8.00%	10.00%	8.50%	8.00%
2000-2001	7.75%	10.00%	8.25%	7.75%
2001-2002	7.50%	10.00%	8.00%	7.50%
2002-2003	7.25%	10.00%	7.75%	7.25%
2003-2004	7.00%	10.00%	7.50%	7.00%
2004-2005	6.75%	9.50%	7.25%	6.75%
2005-2006	6.50%	9.00%	7.00%	6.50%
2006-2007	6.25%	8.50%	6.75%	6.25%
2007-2008	6.00%	8.00%	6.50%	6.00%
2008-2009	6.00%	7.50%	6.25%	6.00%
2009-2010	6.00%	7.00%	6.00%	6.00%
2010-2011	6.00%	6.75%	6.00%	6.00%
2011-2012	6.00%	6.50%	6.00%	6.00%
2012-2013	6.00%	6.25%	6.00%	6.00%
2013+	6.00%	6.00%	6.00%	6.00%

Mortality:	1971 Group Annuity Mortality Table, with a one year age setback for males and a five year age setback for females.
Probability of Termination of Employment:	Same rates as used in valuation of retirement benefits. See retirement report for details.
City Medical Plan Coverage:	80% of all retirees are assumed to receive a subsidy for a City approved health carrier.
Spouses and Domestic Partners:	91% of male and 66% of female retirees who receive a subsidy are assumed to be married or have a qualified domestic partner and elect dependent coverage.
Medicare Coverage:	85% of retirees are assumed to elect Medicare Parts A & B.
Dental Coverage:	65% of retirees are assumed to elect dental coverage.
Spousal Coverage:	With regard to Members who are currently alive, 75% of eligible spouse or domestic partners are assumed to elect continued health coverage after the Member's death. With regard to deceased Members, 70% of the current eligible survivors are assumed to elect health coverage.
Funding Method:	Projected Unit Credit Funding Method.
Asset Valuation Method:	The actuarial value of assets is determined by phasing in, over five years, the difference between the actual and expected realized and unrealized appreciation. The expected appreciation is based on the assumed 8.00% rate of return. The actuarial value of assets can be no less than 80% and no greater than 120% of the market value of assets.

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Health subsidy benefits are based on a percentage of the maximum subsidy (currently \$472 per month), limited to the composite carrier rates shown on the table below.

The monthly dental subsidy amount assumed for current active members is \$.89 multiplied by years of service (maximum of 25).

Composite Carrier Rates For Health Subsidy Benefits		
Monthly Rate		
Medical		
Less Than Age 65	HMO	Non-HMO
Married	\$362.18	\$472.00
Single	212.89	472.00
Age 65 and Over		
Married	180.48	466.43
Single	10.51	180.48
Dental	0.89 per year of service (maximum 25 years)	

CITY OF LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM

Rates Of Separation From Active Service

A schedule of the probabilities of termination of employment due to the following causes can be found on the following pages:

- | | | |
|----|---|--|
| 1. | Ordinary Withdrawal: | Member terminates and elects a refund of Member contributions. |
| 2. | Service Retirement: | Member retires after meeting age and service requirements for reasons other than disability. |
| 3. | Ordinary Disability: | Member receives disability retirement; disability is not service related. |
| 4. | Service Disability: | None assumed. |
| 5. | Ordinary Death: | Member dies before eligibility for retirement; death is not service related. |
| 6. | Service Death: | None assumed. |
| 7. | Death While Eligible
for Service Retirement: | Member dies before retirement but after meeting age and service requirements for service retirement. |

Each rate represents the probability that a Member will separate from service at each age due to the particular cause. For example, a rate of 0.0020 for a Member's service retirement at age 50 means we assume that, on average, 2 out of 1,000 Members who are age 50 will retire at that age.

Exhibit X

**CITY OF LOS ANGELES
CITY EMPLOYEES' RETIREMENT SYSTEM**

**Contribution Rates Assumed For Members
Participating Before February 1, 1983**

Age	Normal	Survivor	Total
16	8.00%	0.22%	8.22%
17	8.04	0.28	8.32
18	8.08	0.33	8.41
19	8.14	0.39	8.53
20	8.20	0.44	8.64
21	8.27	0.48	8.75
22	8.34	0.53	8.87
23	8.42	0.56	8.98
24	8.50	0.60	9.10
25	8.58	0.63	9.21
26	8.66	0.66	9.32
27	8.75	0.68	9.43
28	8.86	0.70	9.56
29	8.96	0.72	9.68
30	9.06	0.75	9.81
31	9.17	0.77	9.94
32	9.28	0.79	10.07
33	9.40	0.81	10.21
34	9.50	0.82	10.32
35	9.61	0.83	10.44
36	9.73	0.85	10.58
37	9.84	0.86	10.70
38	9.96	0.87	10.83
39	10.07	0.90	10.97

Age	Normal	Survivor	Total
40	10.19%	0.91%	11.10%
41	10.29	0.92	11.21
42	10.41	0.93	11.34
43	10.52	0.94	11.46
44	10.64	0.95	11.59
45	10.76	0.97	11.73
46	10.89	0.98	11.87
47	11.01	0.99	12.00
48	11.12	1.00	12.12
49	11.24	1.01	12.25
50	11.34	1.03	12.37
51	11.44	1.05	12.49
52	11.55	1.06	12.61
53	11.65	1.07	12.72
54	11.75	1.08	12.83
55	11.85	1.09	12.94
56	11.94	1.10	13.04
57	12.03	1.12	13.15
58	12.13	1.13	13.26
59-Over	12.19	1.14	13.33

*Total is applicable only to employees whose
Normal and Survivor rates are assigned by the same age.*

Los Angeles City Employees' Retirement System
Rates of Separation from Active Service

Age	Ordinary Withdrawal ¹		Service Retirement		Ordinary Disability		Ordinary Death		Death Elig for Svc Ret
	Males	Females	Males	Females	Males	Females	Males	Females	
20	0.3117	0.1500	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
21	0.2500	0.1400	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
22	0.1889	0.1191	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
23	0.1985	0.1200	0.0000	0.0000	0.0000	0.0000	0.0003	0.0002	0.0000
24	0.1491	0.1494	0.0000	0.0000	0.0000	0.0000	0.0004	0.0003	0.0000
25	0.1462	0.1160	0.0000	0.0000	0.0002	0.0000	0.0004	0.0003	0.0000
26	0.1312	0.1084	0.0000	0.0000	0.0002	0.0000	0.0005	0.0004	0.0000
27	0.1126	0.0965	0.0000	0.0000	0.0003	0.0000	0.0005	0.0004	0.0000
28	0.1070	0.0823	0.0000	0.0000	0.0004	0.0000	0.0005	0.0004	0.0000
29	0.1008	0.0782	0.0000	0.0000	0.0005	0.0000	0.0006	0.0005	0.0000
30	0.0801	0.0741	0.0000	0.0000	0.0006	0.0001	0.0006	0.0005	0.0000
31	0.0747	0.0790	0.0000	0.0000	0.0008	0.0001	0.0006	0.0006	0.0000
32	0.0674	0.0638	0.0000	0.0000	0.0009	0.0001	0.0007	0.0006	0.0000
33	0.0640	0.0617	0.0000	0.0000	0.0010	0.0001	0.0007	0.0006	0.0000
34	0.0605	0.0598	0.0000	0.0000	0.0011	0.0001	0.0008	0.0007	0.0000
35	0.0584	0.0550	0.0000	0.0000	0.0013	0.0002	0.0008	0.0007	0.0000
36	0.0559	0.0579	0.0000	0.0000	0.0014	0.0002	0.0009	0.0008	0.0000
37	0.0480	0.0500	0.0000	0.0000	0.0015	0.0002	0.0010	0.0008	0.0000
38	0.0456	0.0498	0.0000	0.0000	0.0016	0.0003	0.0010	0.0009	0.0000
39	0.0433	0.0450	0.0000	0.0000	0.0017	0.0003	0.0011	0.0010	0.0000
40	0.0426	0.0438	0.0000	0.0000	0.0018	0.0004	0.0012	0.0010	0.0000
41	0.0409	0.0456	0.0000	0.0000	0.0018	0.0005	0.0014	0.0011	0.0000
42	0.0412	0.0413	0.0000	0.0000	0.0019	0.0006	0.0014	0.0012	0.0000
43	0.0346	0.0436	0.0000	0.0000	0.0019	0.0008	0.0015	0.0012	0.0000
44	0.0370	0.0375	0.0000	0.0000	0.0020	0.0010	0.0016	0.0013	0.0000
45	0.0340	0.0350	0.0000	0.0000	0.0020	0.0012	0.0017	0.0014	0.0000
46	0.0285	0.0358	0.0000	0.0000	0.0021	0.0014	0.0018	0.0015	0.0000
47	0.0286	0.0320	0.0000	0.0000	0.0021	0.0014	0.0019	0.0015	0.0000
48	0.0260	0.0315	0.0000	0.0000	0.0022	0.0016	0.0021	0.0016	0.0000
49	0.0241	0.0326	0.0000	0.0000	0.0022	0.0018	0.0022	0.0017	0.0000
50	0.0438	0.0602	0.0100	0.0100	0.0023	0.0020	0.0023	0.0018	0.0000
51	0.0536	0.0575	0.0100	0.0100	0.0023	0.0024	0.0025	0.0019	0.0000
52	0.0480	0.0542	0.0100	0.0100	0.0023	0.0028	0.0027	0.0021	0.0000
53	0.0440	0.0522	0.0100	0.0100	0.0023	0.0032	0.0028	0.0022	0.0000
54	0.0410	0.0502	0.0100	0.0300	0.0023	0.0036	0.0030	0.0024	0.0000
55	0.0400	0.0482	0.0100	0.0800	0.0024	0.0040	0.0032	0.0026	0.0021
56	0.0350	0.0450	0.01100	0.0800	0.0024	0.0040	0.0034	0.0029	0.0024
57	0.0300	0.0425	0.01200	0.0700	0.0024	0.0040	0.0036	0.0031	0.0026
58	0.0275	0.0400	0.01300	0.1100	0.0024	0.0040	0.0039	0.0034	0.0029
59	0.0250	0.0375	0.01400	0.1000	0.0024	0.0040	0.0041	0.0038	0.0032
60	0.0225	0.0350	0.02000	0.2000	0.0024	0.0000	0.0044	0.0042	0.0035
61	0.0200	0.0325	0.01800	0.1000	0.0024	0.0000	0.0050	0.0046	0.0039
62	0.0175	0.0300	0.01600	0.1500	0.0025	0.0000	0.0055	0.0052	0.0043
63	0.0150	0.0275	0.01800	0.1600	0.0025	0.0000	0.0061	0.0058	0.0048
64	0.0125	0.0250	0.02000	0.1700	0.0025	0.0000	0.0067	0.0065	0.0053
65	0.0000	0.0000	0.03000	0.2000	0.0000	0.0000	0.0082	0.0073	0.0059
66	0.0000	0.0000	0.25000	0.2000	0.0000	0.0000	0.0090	0.0084	0.0065
67	0.0000	0.0000	0.25000	0.2000	0.0000	0.0000	0.0097	0.0097	0.0072
68	0.0000	0.0000	0.25000	0.2000	0.0000	0.0000	0.0098	0.0111	0.0078
69	0.0000	0.0000	0.25000	0.2000	0.0000	0.0000	0.0106	0.0127	0.0086
70	0.0000	0.0000	1.00000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000

¹ For Members with four or more years of service. For Members with less than four years of service, add .0500 to these rates.

Exhibit XI

Los Angeles City Employees' Retirement System
Age/Service/Salary Distribution by Attained Age for Active Members as of June 30, 1998

Attained Age	Service													Total
	0-1	1-2	2-3	3-4	4-5	5-9	10-14	15-19	20-24	25-29	30-34	Over 34		
Under 25	99	86	32	12	5	0	0	0	0	0	0	0	0	234
Average Salary	22,428	25,909	27,056	33,677	25,278	0	0	0	0	0	0	0	0	24,978
25 - 29	207	244	182	160	60	241	14	0	0	0	0	0	0	1,108
Average Salary	29,771	32,061	34,560	38,769	40,040	37,856	32,016	0	0	0	0	0	0	34,704
30 - 34	183	165	190	214	109	1,156	562	7	0	0	0	0	0	2,586
Average Salary	35,815	34,653	35,761	40,035	43,405	44,239	40,037	35,633	0	0	0	0	0	41,089
35 - 39	163	160	161	169	72	1,211	1,350	406	14	0	0	0	0	3,706
Average Salary	36,642	36,595	35,616	41,840	40,772	45,287	47,392	42,705	43,588	0	0	0	0	44,344
40 - 44	118	122	115	134	72	977	1,190	634	330	25	0	0	0	3,717
Average Salary	35,826	37,201	38,456	41,409	45,149	45,722	49,276	48,169	44,649	43,965	0	0	0	46,185
45 - 49	76	87	82	97	56	729	919	536	669	430	25	0	0	3,706
Average Salary	37,561	36,820	36,868	43,109	43,375	45,421	48,817	49,040	51,609	48,993	46,135	0	0	47,679
50 - 54	60	51	50	67	46	483	657	378	543	763	239	9	0	3,346
Average Salary	33,809	31,724	44,064	44,825	41,967	44,624	48,416	50,929	56,045	56,461	58,761	57,077	0	51,245
55 - 59	48	37	28	27	20	323	364	204	266	373	264	64	0	2,018
Average Salary	33,964	32,932	39,193	42,773	34,475	42,844	46,687	50,048	52,281	56,103	60,025	56,926	0	50,127
60 - 64	13	11	9	18	6	178	221	119	136	172	107	60	0	1,050
Average Salary	25,690	23,779	33,776	46,121	26,732	39,121	47,434	47,538	47,773	51,548	54,722	55,280	0	47,170
65 & up	5	6	7	8	2	130	122	63	99	87	48	43	0	620
Average Salary	21,384	28,500	29,128	31,311	30,339	28,926	43,526	48,064	43,268	46,536	50,636	64,865	0	42,651
Total	972	969	856	906	448	5,428	5,399	2,347	2,057	1,850	683	176	0	22,091
Average Salary	33,016	33,679	36,143	41,076	41,777	44,032	47,236	47,958	51,041	53,561	57,584	58,312	0	45,804

Average Age: 44.5

Average Service: 13.2

Exhibit XII

Los Angeles City Employees' Retirement System
 Distribution of Pensioners by Plan Year of Retirement and by Attained Age as of June 30, 1998
 Total for All Pensioners
 Retirement Benefits

Attained Age	Retirements in Plan Year Beginning in													Pre 1983	Total	Average Monthly Benefit Amount		
	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985				1984	1983
Under 40	7	4	12	11	5	6	5	3	3	0	3	0	0	0	3	1	63	806
40 - 44	4	9	8	15	6	3	7	6	2	2	4	4	2	1	1	5	82	879
45 - 49	11	7	20	12	12	3	9	8	12	8	8	10	3	10	8	29	171	945
50 - 54	79	59	19	14	12	6	10	8	11	10	10	8	10	4	6	62	328	1,724
55 - 59	179	259	105	103	45	8	17	11	21	10	10	12	4	11	8	100	912	2,095
60 - 64	156	159	155	140	161	165	137	104	55	17	15	15	24	19	21	126	1,559	2,168
65 - 69	95	93	120	102	114	138	124	134	149	168	151	151	102	95	49	203	1,980	2,035
70 - 74	38	49	55	49	82	85	87	101	161	143	155	117	129	153	175	871	2,460	1,824
75 - 79	11	15	20	17	24	44	33	32	79	95	117	88	88	141	161	1,364	2,289	1,651
80 - 84	4	4	8	2	8	9	6	2	14	22	27	26	26	56	52	1,222	1,471	1,340
85 - 89	0	1	0	0	1	6	1	5	2	2	1	1	6	6	11	787	830	1,015
90 - 94	0	0	1	1	1	0	0	0	1	0	2	2	1	0	1	305	315	885
Over 94	7	3	3	2	4	1	4	0	0	0	0	0	0	0	0	107	131	659
Total	591	662	526	468	475	474	440	416	507	482	502	395	496	496	496	5,182	12,591	1,717
Average Monthly Benefit Amount	2,412	2,477	2,176	1,879	1,992	2,153	2,132	2,059	1,982	1,917	1,911	1,778	1,823	1,708	1,708	1,245	1,717	1,717

Average Monthly Benefit Amount: \$1,717
 Total Annual Benefits: \$259,378,957

Exhibit XIII

Los Angeles City Employees' Retirement System
 Distribution of Pensioners by Plan Year of Retirement and by Attained Age as of June 30, 1998
 Total for All Pensioners*
 Health Subsidy Benefits

Attained Age	Retirements in Plan Year Beginning in													Pre 1983	Average Monthly Health Subsidy		
	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985			1984	1983
Under 40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40 - 44	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1
45 - 49	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
50 - 54	73	58	0	0	0	0	0	0	0	0	0	0	0	0	0	0	131
55 - 59	132	217	91	76	55	2	0	0	2	1	1	0	0	0	0	0	577
60 - 64	122	120	131	102	120	152	118	92	81	51	2	0	1	2	2	2	1,098
65 - 69	77	79	83	81	95	101	103	111	104	103	128	109	71	73	40	12	1,370
70 - 74	23	29	32	26	58	66	64	65	87	127	108	127	110	107	117	413	1,559
75 - 79	8	8	13	9	17	31	20	23	29	36	71	86	56	104	100	745	1,356
80 - 84	2	4	5	1	2	9	5	1	4	7	13	15	14	28	31	651	792
85 - 89	0	0	1	0	0	2	0	2	1	3	2	1	1	2	3	332	350
90 - 94	0	0	0	0	1	0	0	0	1	0	0	1	0	0	0	112	115
Over 94	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	37	121
Total	437	515	356	295	348	363	311	284	309	328	325	339	253	316	293	2,304	7,386
Average Monthly Health Subsidy	290	289	265	246	221	190	206	196	203	170	145	132	120	125	129	131	180

Average Monthly Health Subsidy: \$180
 Total Monthly Health Subsidy: \$1,330,319

*Pensioners does not include beneficiaries

STATISTICAL SECTION

LACERS





Addition by Source

SCHEDULE OF REVENUE BY SOURCE (Dollars in Millions)

Year Ending	Member Contributions	Employer Contributions		Investment Income	Total
		Dollars	% of Annual Covered Payroll		
1993	42.70	170.60	19%	265.80	479.10
1994	42.30	173.60	20%	337.40	553.30
1995	43.60	144.60	16%	232.30	420.50
1996	47.50	149.00	16%	541.20	737.70
1997	53.20	113.20	11%	*1,747.30	1,913.70
1998	58.31	117.21	9.6%	*654.61	830.13

* Includes change in unrealized gain and loss of investment

SCHEDULE OF EXPENSES BY TYPE (Dollars in Millions)

Year Ending	Benefits Payments	Administrative Expenses	Refunds	Misc	Total
1993	\$197.00	\$ 3.76	\$ 6.90	\$ 0	\$ 207.66
1994	210.70	2.82	8.50	0	222.02
1995	221.90	3.47	7.70	0	233.07
1996	233.10	4.36	8.90	0	246.36
1997	248.00	4.86	9.40	0	262.26
1998	270.80	5.76	7.50	0	284.06

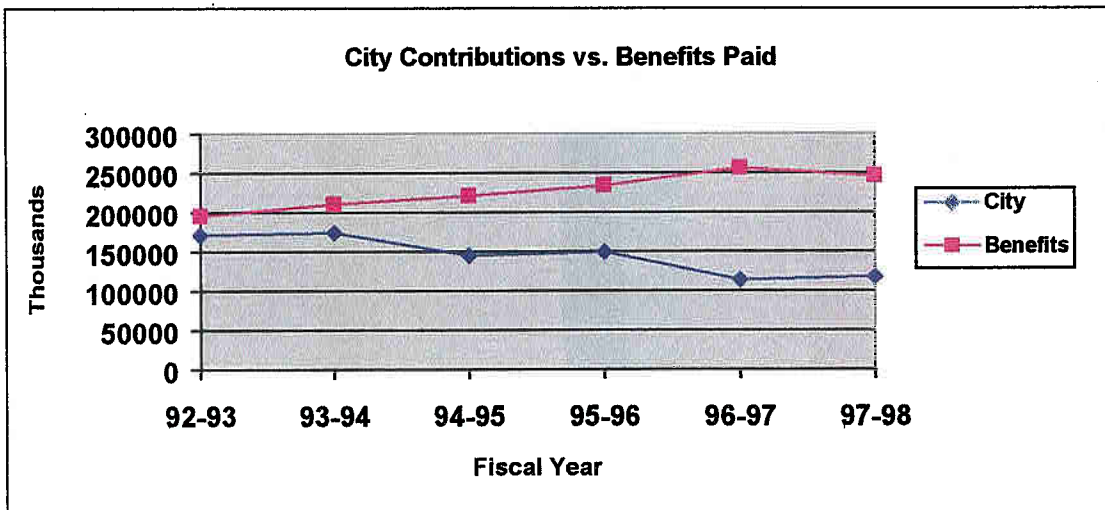


SCHEDULE OF BENEFIT EXPENSES BY TYPE (Dollars in Thousands)

Year Ending	Age & Service Benefits		Death in Service Benefits	Disability Benefits		Refunds Death / Separation	Total**
	Retirants	Survivors		Retirants	Survivors		
1993*	158,352	15,444	5,748	6,852	1,080	\$ 6,900	\$ 194,376
1994*	169,872	17,040	6,108	7,080	1,152	\$ 8,500	\$ 209,752
1995*	179,052	18,516	6,540	7,368	1,296	\$ 7,700	\$ 220,472
1996*	188,244	20,004	6,972	7,656	1,428	\$ 8,900	\$ 233,204
1997*	206,880	22,296	7,296	8,232	1,548	\$ 9,400	\$ 255,652
1998*	205,347	22,139	7,221	9,105	1,495	\$ 132	\$ 245,438

*Projected from year end retirement roll
 ** These totals do not include Health Benefits or Family Death Benefits

CITY CONTRIBUTION versus BENEFITS PAID (Dollars in Thousands)



Fiscal Year	92-93	93-94	94-95	95-96	96-97	97-98
City Contributions	170,545	173,632	144,385	149,036	113,262	117,209
Benefits Paid	194,376	209,752	220,472	233,204	255,652	245,438



LACERS

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT (June 30, 1998)

Amount of Monthly Benefits	Number of Retirees	Type of Retirement**								Option Selected #								
		1	2	3	4	5	6	7	8	Life	Opt. 1	Opt. 2	Opt. 3					
Deferred																		
\$1 - 250	1,360	262	511	179	81	76	174	30	47	1,360	29	1	5					
251 - 500	1,958	704	635	144	16	245	54	51	109	1,958	64	2	21					
501 - 750	1,694	885	343	103	6	233	14	52	58	1,694	93	8	48					
751 - 1,000	1,418	945	173	61	2	148	11	41	37	1,418	108	6	85					
1,001 - 1,250	1,126	880	99	30	2	76	7	24	8	1,126	110	13	68					
1,251 - 1,500	922	804	51	19		15	3	25	5	922	77	14	110					
1,501 - 1,750	775	687	49	15		3		21		775	81	6	105					
1,751 - 2,000	644	589	27	15	1			12		644	70	6	104					
Over 2,000	2,568	2,450	67	17		3		31		2,568	433	10	545					
Totals	12,465	8,206	1,955	583	108	799	263	287	264	12,465	1,065	66	1,091.0					

** Type of Retiree

- 1 - Service Member
- 2 - Service Continuation
- 3 - Vested Right Member
- 4 - Vested Right Continuation
- 5 - Disability Member
- 6 - Disability Continuation
- 7 - Service Survivorship
- 8 - Disability Survivorship

Option Selected

- Life All benefits are for Life
- Opt. 1- 100% to spouse
- Opt. 2- 50% to ineligible spouse
- Opt. 3- 60%, 75%, Other% to spouse



LACERS

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Retirement Effective Dates July 1, 1992 to June 30, 1998	Years Credited Service					
	5-10 yrs.	10-15 yrs.	15-20 yrs.	20-25 yrs.	25-30 yrs.	30+ yrs.
Period 7/1/92 to 6/30/93:						
Average Monthly Benefit	\$ 662.42	\$ 981.36	\$ 1,284.81	\$ 1,890.07	\$ 2,307.84	\$ 3,376.47
Average Final Monthly Salary*	\$ 3,078.01	\$ 3,372.81	\$ 3,238.03	\$ 3,549.85	\$ 3,587.43	\$ 5,310.92
Number of Active Retirees	14	45	70	83	138	170
Period 7/1/93 to 6/30/94:						
Average Monthly Benefit	\$ 607.90	\$ 915.86	\$ 1,423.77	\$ 1,777.98	\$ 2,205.03	\$ 3,226.35
Average Final Monthly Salary*	\$ 3,049.92	\$ 3,272.37	\$ 3,634.90	\$ 3,411.52	\$ 3,596.33	\$ 4,172.20
Number of Active Retirees	26	51	74	97	131	155
Period 7/1/94 to 6/30/95:						
Average Monthly Benefit	\$ 581.96	\$ 822.16	\$ 1,293.16	\$ 1,627.79	\$ 2,204.59	\$ 3,157.11
Average Final Monthly Salary*	\$ 3,080.75	\$ 3,046.35	\$ 3,306.92	\$ 3,221.45	\$ 3,646.41	\$ 4,242.05
Number of Active Retirees	26	43	52	87	129	130
Period 7/1/95 to 6/30/96:						
Average Monthly Benefit	\$ 627.96	\$ 865.76	\$ 1,300.33	\$ 1,831.33	\$ 2,257.18	\$ 3,391.96
Average Final Monthly Salary*	\$ 3,235.49	\$ 3,340.71	\$ 3,231.62	\$ 3,737.39	\$ 3,752.90	\$ 4,588.29
Number of Active Retirees	36	44	49	82	142	193
Period 7/1/96 to 6/30/97:						
Average Monthly Benefit	\$ 645.92	\$ 958.69	\$ 1,358.47	\$ 1,919.47	\$ 2,419.73	\$ 3,358.67
Average Final Monthly Salary*	\$ 4,388.37	\$ 3,533.85	\$ 3,569.52	\$ 3,834.87	\$ 3,881.66	\$ 4,604.85
Number of Active Retirees	26	42	48	54	179	323
Period 7/1/97 to 6/30/98:						
Average Monthly Benefit	\$ 535.92	\$ 1,046.20	\$ 1,415.42	\$ 1,968.19	\$ 2,599.38	\$ 3,282.57
Average Final Monthly Salary*	\$ 4,177.40	\$ 3,887.17	\$ 3,743.17	\$ 4,042.85	\$ 4,204.83	\$ 4,541.25
Number of Active Retirees	32	74	82	74	203	361

*Final Monthly Salary = Average of last or highest 12 consecutive months

**LACERS PERFORMANCE STATISTICS
FY COMPARATIVE ANALYSIS**

